THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt as to the action you should take, you are recommended to immediately seek your own personal financial advice from your stockbroker, bank manager, solicitor, accountant, fund manager or other appropriate independent financial adviser, who is authorised under the Financial Services and Markets Act 2000 if you are in the United Kingdom or, if not, from another appropriately authorised independent financial adviser.

This document, which comprises a prospectus relating to the New Glencore Shares prepared in accordance with the Prospectus Rules of the UK Listing Authority made under Section 73A of FSMA, has been approved by the Financial Services Authority in accordance with Section 85 of FSMA and made available to the public in accordance with Rule 3.2 of the Prospectus Rules.

Glencore Shares are currently listed on the premium segment of the Official List maintained by the FSA and traded on the London Stock Exchange's main market for listed securities. In addition, Glencore Shares are the subject of a secondary listing on the Hong Kong Stock Exchange. Applications will be made to the UK Listing Authority and to the London Stock Exchange for the New Glencore Shares to be admitted to the premium listing segment of the Official List of the UK Listing Authority and to trading on the main market for listed securities of the London Stock Exchange, respectively. Application will also be made to the Hong Kong Stock Exchange for the listing of, and for permission to deal in, the New Glencore Shares on the Main Board of the Hong Kong Stock Exchange. It is expected that Admission will become effective, and that dealings on the London Stock Exchange in the New Glencore Shares will commence, on the Effective Date which, subject to the satisfaction of certain conditions, including the sanction of the Scheme by the Court, is expected to occur in the third quarter of 2012. Hong Kong Admission is expected to occur on the next day following Admission that the Hong Kong Stock Exchange is open for trading in Hong Kong.

GLENCORE
INTERNATIONAL plc

Glencore International plc

(proposed to be renamed Glencore Xstrata plc)

(incorporated in Jersey under the Companies (Jersey) Law 1991 with registered number 107710)

Proposed issue of up to 5,660,317,060 new ordinary shares in Glencore International plc in connection with its proposed merger with Xstrata plc and application for admission of up to 5,660,317,060 new ordinary shares in Glencore International plc to the Premium Listing segment of the Official List and to trading on the London Stock Exchange

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You should read the whole of this document and any documents incorporated herein by reference. In particular, your attention is drawn to the section of this document headed "Risk Factors".

A copy of this Prospectus has been delivered to the Jersey registrar of companies in accordance with Article 5 of the Companies (General Provisions) (Jersey) Order 2002, and the Jersey registrar of companies has given, and has not withdrawn, consent to its circulation. The Jersey Financial Services Commission has given, and has not withdrawn, its consent under Article 2 of the Control of Borrowing (Jersey) Order 1958 to the issue of Glencore Shares by Glencore. It must be clearly understood that, in giving these consents, neither the Jersey registrar of companies nor the Jersey Financial Services Commission takes any responsibility for the financial soundness of Glencore or for the correctness of any statements made, or opinions expressed, with regard to it. The Jersey Financial Services Commission is protected by the Control of Borrowing (Jersey) Law 1947, as amended, against any liability arising from the discharge of its functions under that law.

Nothing in this Prospectus or anything communicated to the holders or potential holders of the New Glencore Shares by or on behalf of Glencore is intended to constitute, or should be construed as, advice on the merits of the subscription for or purchase of the New Glencore Shares or the exercise of any rights attached thereto for the purposes of the Financial Services (Jersey) Law 1998.

Investors should only rely on the information contained in this document and any documents incorporated herein by reference. No person has been authorised to give any information or make any representations other than those contained in this document and, if given or made, such information or representation must not be relied upon as having been so authorised. Glencore will comply with its obligations to publish a supplementary prospectus containing further updated information required by law or by any regulatory authority, but assumes no further obligation to publish additional information.

Citigroup Global Markets Limited, which is authorised and regulated in the UK by the FSA, is acting as Joint Sponsor to Glencore and no one else in connection with the Merger and Admission. Morgan Stanley & Co. Limited is acting as Joint Sponsor to Glencore and no one else in connection with the Merger and Admission. Apart from the responsibilities and liabilities, if any, which may be imposed on the Joint Sponsors by FSMA or the regulatory regime established thereunder, the Joint Sponsors will not be responsible to any person other than Glencore for providing the protections afforded to the clients of the Joint Sponsors nor for giving advice in relation to the Merger or Admission, the contents of this document or any transaction or other matter referred to in this document.

The contents of this document and the information incorporated herein by reference should not be construed as legal, business or tax advice. Each prospective investor should consult his, her or its own legal adviser, financial adviser or tax adviser for advice.

The section headed "Important Information" contains important information which you should read.

Dated: 31 May 2012

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SUMMARY INFORMATION

The following summary information should be read as an introduction to this document. Any decision to invest in Glencore Shares should be based on consideration of this document as a whole, including the information incorporated by reference, and not solely on this summary information. Where a claim relating to the information contained in this document is brought before a court in a member state of the EEA, the claimant may, under the national legislation of the member state where the claim is brought, be required to bear the costs of translating this document before legal proceedings are initiated if the state has implemented the relevant provisions of the Prospectus Directive (Directive 2003/71/EC). Civil liability attaches to those persons who are responsible for this summary, including any translations of this summary, but only if this summary is misleading, inaccurate or inconsistent when read together with other parts of this document.

1 Introduction

On 7 February 2012, the Directors and the Independent Xstrata Directors announced that they had agreed the terms of a recommended all-share merger of equals of Glencore and Xstrata. It is intended that the Merger will be effected by way of a Court-sanctioned scheme of arrangement of Xstrata under Part 26 of the UK Companies Act pursuant to which Glencore will acquire the entire issued and to be issued ordinary share capital of Xstrata not already owned by the Glencore Group.

2 Summary of Merger Terms

Under the terms of the Merger, and subject to the Conditions, Scheme Shareholders at the Scheme Record Time will be entitled to receive:

For each Scheme Share **2.8 New Glencore Shares**

On the basis of Glencore's closing share price of 354.1 pence on 29 May 2012 (being the latest practicable date prior to the publication of this document), the Merger values each Xstrata Share at 991.5 pence and the entire issued and to be issued share capital of Xstrata at approximately £30.1 billion (US$47.0 billion).

Immediately following the Effective Date, assuming that the maximum number of the New Glencore Shares to be issued pursuant to the Merger has been issued by that time, it is expected that Xstrata Shareholders other than Glencore will own approximately 45.0 per cent. of the Combined Entity.

3 Information on Glencore Group

Glencore is a leading integrated producer and marketer of commodities, with worldwide activities in the marketing of metals and minerals, energy products and agricultural products and the production, refinement, processing, storage and transport of these products. Glencore conducts its operations in three business segments: Metals and Minerals, Energy Products and Agricultural Products, which are responsible for managing the marketing, sourcing, hedging, logistics and industrial investment activities relating to the commodities which they cover. Glencore's marketing and industrial investment activities are supported by a global network of more than 50 offices located in more than 40 countries. This network provides Glencore with significant worldwide sourcing and distribution capabilities.

Glencore Shares are traded on the London Stock Exchange and the Hong Kong Stock Exchange. Glencore is a member of the FTSE 100 index.

Glencore's income before attribution for the financial year ended 31 December 2011 was US$4.3 billion and, as at 31 December 2011, Glencore's total assets amounted to US$86.2 billion.

4 Information on Xstrata Group

Xstrata is a diversified mining group with operations and projects in more than 20 countries. Xstrata's business is organised in the following five principal business units: Xstrata Copper, Xstrata Coal, Xstrata Nickel, Xstrata Zinc and Xstrata Alloys. Xstrata also operates Xstrata Process Support and Xstrata Technology and mining and processing technology businesses with operations in Australia, Canada, Chile and South Africa.

Xstrata Shares are traded on the London Stock Exchange and the Swiss Stock Exchange. Xstrata is a member of the FTSE 100 index.

Xstrata's profit before exceptional items for the financial year ended 31 December 2011 was US$6.0 billion and, as at 31 December 2011, Xstrata's total assets amounted to US$74.8 billion.

5 Background to and reasons for Merger

Glencore believes that the Merger has compelling logic for both Glencore and Xstrata and that it is the logical next step for two highly complementary businesses. Glencore believes that putting together the operational excellence of Xstrata and its leading portfolio of industrial mining and metals assets with the marketing skills and the developing asset base of Glencore will enable the Combined Group to take advantage of changing trends in the way that natural resources are consumed and supplied globally, especially as a result of demand in emerging economies. Both companies have proven track records of growth and value creation for shareholders.

The Combined Group's presence at each stage of the commodities chain will provide it with superior market insight and access to opportunities, particularly in emerging pinch points in the new commodities chain. These factors, along with its established footprint in emerging regions for natural resources investment as both an operator and a provider of marketing and logistics services to new producers, will provide the Combined Group with substantial new optionality and greater strategic flexibility. The combination of a leading integrated producer and marketer of commodities with a leading portfolio of industrial mining and metals assets will create a fully integrated natural resources group able to capture value at each stage of the commodities chain from extraction, processing, freight, logistics, technology and storage to marketing.

The Combined Group will also benefit from superior growth from Xstrata and Glencore's complementary project pipelines, together with resilient and sustained profitability in marketing. The Combined Group will have the ability to prioritise the highest return projects, further enhancing returns. Glencore expects the growth prospects for the Combined Group to be underpinned by volume growth in the combined industrial assets base, which in turn will enhance opportunities for growth in marketing. In addition, the Combined Group will continue to buy from thousands of third party commodity producers worldwide, and these relationships will also enable the Combined Group to identify opportunities to grow its asset base. The Combined Group's enhanced scale, diversification and financial flexibility will enable it to capture more of these opportunities, provided they are consistent with its strategy.

6 Benefits and financial effects of Merger

On a pro forma basis and assuming the Merger had become Effective on 31 December 2011, the Combined Group would have had net assets of approximately US$62,192 million (based on the net assets of the Glencore Group and Xstrata Group as at 31 December 2011).

Glencore believes that the Combined Group will be able to deliver estimated annual EBITDA synergies at an annual run-rate of at least US$500 million in the first full financial year of the Combined Group following the Effective Date.[(1)]

The Merger is expected to be earnings enhancing for the Combined Group in its first full financial year following the Effective Date as a result of the earnings of the Xstrata Group being consolidated with those of the Glencore Group.[(2)]

7 Conditions to the Merger

The Merger is conditional upon, among other things, the following events occurring on or before 31 October 2012 or such later date as Glencore and Xstrata agree (with the consent of the Panel and (if required) the Court): approval of the resolutions proposed at the Xstrata Court Meeting by the requisite majority of holders of Scheme Shares; approval of the resolutions necessary to implement the Scheme and to sanction the related Reduction of Capital by the requisite majority of Xstrata Shareholders and approval of the Management Incentive Arrangements by the Xstrata Independent Shareholders at the Xstrata General Meeting; approval of the Merger Resolution by Glencore Shareholders; antitrust and regulatory approvals in a number of jurisdictions are obtained; the

(1) Nothing in this document should be interpreted to mean that the future earnings per share of Glencore will necessarily match or exceed the historical earnings per share of Glencore or Xstrata.

(2) This statement is not intended to be a profit forecast, nor should it be interpreted to mean that the future earnings per share of Glencore will necessarily match or exceed the historical earnings per share of Glencore or Xstrata.

sanction of the Scheme and confirmation of the related Reduction of Capital by the Court; the delivery of the copies of the Scheme Court Order and the Reduction Court Order to, and the registration of the Reduction Court Order together with the Statement of Capital attached to it by, the Registrar of Companies; and the UKLA and the London Stock Exchange approving Admission of the New Glencore Shares.

The Merger is subject to the EU merger control process. Glencore and Xstrata are working with the European Commission in a pre-notification process and Glencore is working towards a formal filing with the European Commission.

8 Combined Group Board and management of the Combined Group

The Combined Group Board will comprise 11 directors, including nine non-executive directors, a majority of whom will be independent non-executive directors:

Name	Role	Current Company
Sir John Bond	Independent Non-Executive Chairman	Xstrata
Mick Davis	Chief Executive Officer	Xstrata
Ivan Glasenberg	Deputy Chief Executive Officer and President	Glencore
Peter Coates	Independent Non-Executive Director	Glencore
Leonhard Fischer	Independent Non-Executive Director	Glencore
Anthony Hayward	Senior Independent Non-Executive Director	Glencore
William Macaulay	Independent Non-Executive Director	Glencore
Con Fauconnier	Independent Non-Executive Director	Xstrata
Peter Hooley	Independent Non-Executive Director	Xstrata
Sir Steve Robson	Independent Non-Executive Director	Xstrata
Ian Strachan	Independent Non-Executive Director	Xstrata

In addition, the senior management of the Combined Group will include Trevor Reid, current Xstrata Chief Financial Officer, and Steven Kalmin, current Glencore Chief Financial Officer, who will be Chief Financial Officer and Deputy Chief Financial Officer of the Combined Group, respectively. The committees of the Combined Group Board will be reconstituted with effect from the Effective Date.

The Management Incentive Arrangements have been agreed for certain key employees of Xstrata.

Upon completion of the Merger, Glencore's mining and processing operations will be fully integrated into Xstrata's global commodity businesses led by Xstrata's existing operational management teams. Oil, agricultural products, alumina/aluminium and certain vessels, ports, storage facilities and the like will continue to be operated under existing Glencore management. Post-Merger integration planning is led by a steering committee and detailed integration planning is well underway.

9 Current trends, trading and prospects

On 10 April 2012, Glencore published its Annual Report and Accounts for the year ended 31 December 2011 and on 9 May 2012 released its interim management statement for the first quarter of 2012. Glencore has performed well across all segments of its business in 2012.

The Viterra transaction, announced on 20 March 2012, is Glencore's first major investment in the North American agricultural sector and reflects Glencore's strong belief in the importance and future potential of the Canadian and Australian grain markets.

On 30 March 2012, Xstrata published its Annual Report and Accounts for the year ended 31 December 2011 and on 1 May 2012 released its interim management statement for the first quarter of 2012. Xstrata is well placed to benefit from on-going demand growth for commodities.

Physical demand for commodities remains broadly healthy across the globe to date in 2012, although precise conditions vary by location. US demand has continued to strengthen in areas such as automobiles and aerospace, while European conditions remain generally weaker. Overall China demand continues to be healthy. It remains Glencore's view that available global inventories are generally low, both on exchanges and within supply chains and, in the short term, Glencore expects the Combined Group to benefit from a continuation of the healthy growth seen within emerging

markets during 2011. Looking to the longer term, Glencore sees no change to the fundamental drivers for healthy markets in the major commodities produced and marketed by the Combined Group.

10 Dividend policy

Following the Merger, the Combined Group intends to maintain a progressive dividend policy with the intention of maintaining or increasing its total ordinary dividend each year, having regard to the availability of reserves and cash, and taking into account the Combined Group's working capital and investment requirements.

11 Risk factors

Risks relating to the Glencore Group and/or the Xstrata Group, and, if the Merger becomes Effective, the Combined Group

Glencore and Xstrata are, and, if the Merger becomes Effective, the Combined Group will be, exposed to risks related to:

- fluctuations in the expected volumes of supply or demand for commodities;
- fluctuations of commodity prices and to deterioration in economic and financial conditions;
- significant geopolitical risk;
- liquidity risk;
- significant outstanding indebtedness;
- a reduction in credit ratings;
- the ability to retain and attract key employees;
- fluctuations in currency exchange and interest rates; and
- competition in the commodities industry.

Risks relating to marketing activities

Glencore is, and, if the Merger becomes Effective, the Combined Group will be, exposed to risks related to:

- the ability to identify and take advantage of arbitrage opportunities;
- the effectiveness of Glencore's hedging strategy;
- counterparty risk;
- risk management policies and procedures;
- reliance on the supply of commodities from third parties;
- reliance on certain agreements for the sourcing of commodities;
- significant amounts of freight, storage, infrastructure and logistics support required and exposure to increases in the costs thereof; and
- fluctuations in freight rates.

Risks relating to industrial activities

Glencore and Xstrata are, and, if the Merger becomes Effective, the Combined Group will be, exposed to risks related to:

- industrial assets through non-controlling stakes or joint ventures and strategic partnership arrangements;
- delays in or failure to develop planned expansions or new projects;
- production curtailment and resumption;
- operating risks and hazards at industrial assets;

- title to the land, resource tenure and extraction rights of industrial activities;
- reliance on infrastructure at industrial assets being adequate and remaining available;
- increase in production costs, including as a result of increased energy costs or shortages of equipment, spare parts and labour;
- the stated mineral, coal and hydrocarbon reserves, resources and mineralised potential being only estimates;
- processes and chemicals used in extraction and production methods, as well as shipping and storage activities which are subject to environmental hazards;
- health, safety and environmental regulations and legislation; and
- accidents resulting in injuries and fatalities.

Other risks

Glencore and/or Xstrata are, and, if the Merger becomes Effective, the Combined Group will be, exposed to risks related to:

- fraud and corruption due to the nature of their business and operations;
- processing, storage and transportation of commodities;
- product safety and dangerous goods regulations;
- dependence on financial, accounting, marketing and other data processing information systems;
- the significant number of laws and regulations to which they are subject;
- emissions and climate change regulations to which they are subject;
- social, economic and other risks in the markets where Glencore and Xstrata operate which may cause serious disruptions to their businesses;
- deterioration of each of Glencore's and Xstrata's reputation in the communities in which it operates;
- failure to make successful acquisitions or failure to integrate acquisitions effectively;
- a wide range of risks, not all of which can be covered, adequately or at all, by the insurance programmes; and
- the maintenance of positive employee relations and the ability to attract and retain skilled workers.

Risks and other considerations relating to the Merger

- The implementation of the Merger is subject to the satisfaction (or waiver, where applicable) of a number of Conditions.
- The Glencore Group must obtain governmental, antitrust and regulatory consents, including from the European Commission, to complete the Merger, which, if delayed, not granted, or granted on terms not reasonably satisfactory to Glencore, may jeopardise or delay the Merger, result in additional expenditures of money and resources and/or reduce the anticipated benefits of the Merger.
- Even if a material adverse change to Xstrata's business or prospects was to occur, in certain circumstances, Glencore may not be able to invoke the Conditions and terminate the Merger, which could reduce the value of Glencore Shares.
- Glencore may fail to realise the business growth opportunities, revenue benefits, cost savings and other synergies anticipated from, or may incur unanticipated costs associated with, the Merger.
- The Combined Group's future prospects will, in part, be dependent on the Combined Group's ability to integrate the Xstrata Group effectively, including the successful integration and motivation of certain Glencore and Xstrata key employees.

- Glencore Shareholders and Xstrata Shareholders will own a smaller percentage of the Combined Group than they currently own of Glencore and Xstrata respectively.
- Risks of executing the Merger could cause the market price of Glencore Shares to decline.
- Depending on the legal method for implementing the Merger, Glencore may not be able to acquire the entire issued share capital of Xstrata, which would mean that there would be minority shareholders in Xstrata.

Risks and other considerations relating to Glencore Shares

- The price of Glencore Shares is subject to volatility.
- Future share issues by Glencore and/or sales by Glencore Shareholders could lower the market price of Glencore Shares and adversely affect Glencore's ability to raise capital in the future. Further share issues could also dilute the interests of Glencore Shareholders.
- Investors in Glencore may suffer a dilution in their interest upon any conversions by the holders of the Glencore Convertible Bonds.
- Exchange rate fluctuations may adversely affect the foreign currency value of Glencore Shares and any dividends.
- Glencore Shareholders in the US may not be able to participate in future equity offerings.
- Glencore and certain of its operating subsidiaries and associates may be subject to restrictions on their ability to pay dividends.
- The rights afforded to Glencore Shareholders are governed by Jersey law. Not all rights available to shareholders under English law, Hong Kong law or US law will be available to Glencore Shareholders.
- Foreign investors may find it difficult to enforce foreign judgments obtained against Glencore or any of its affiliates.
- As a company listed on the London Stock Exchange and the Hong Kong Stock Exchange, Glencore is subject to both United Kingdom and Hong Kong laws, regulations and policies.

RISK FACTORS

Any investment in Glencore and the New Glencore Shares is subject to a number of risks. Accordingly, investors and prospective investors should carefully consider the risks and uncertainties described below and all of the other information set out in this Prospectus and incorporated by reference before making an investment decision. Glencore's and, if the Merger becomes Effective, the Combined Group's business, results of operations, financial condition and/or prospects could be materially and adversely affected by any of these risks. The market price of Glencore Shares may decline due to any of these risks or other factors, and investors may lose all or part of their investment.

The risks described below are not the only ones which Glencore faces. The risks described below are those that Glencore currently believes may materially affect it and/or which will, following the Effective Date, affect the Combined Group, the Merger and Glencore Shares. These risks should not be regarded as a complete and comprehensive statement of all potential risks and uncertainties. Additional risks and uncertainties that are not currently known to Glencore, or those that it currently deems to be immaterial, may become material and adversely affect the Glencore Group's and, if the Merger becomes Effective, the Combined Group's business, results of operations, financial condition, prospects and/or the value of Glencore Shares. This Prospectus also contains estimates and projections that involve risks and uncertainties. Glencore's results may differ significantly from those previously projected as a result of certain factors, including the risks which it faces, as described below and in other sections of this Prospectus.

The information given is as of the date of this document and, except as required by the FSA, the London Stock Exchange, the Takeover Panel, the Listing Rules, the Prospectus Rules, the Disclosure and Transparency Rules, the City Code or any other applicable law, will not be updated. Any forward-looking statements are made subject to the reservations specified under "Forward-looking statements" in the section headed "Important Information".

Risks relating to the Glencore Group and/or the Xstrata Group, and, if the Merger becomes Effective, the Combined Group

Glencore and Xstrata are, and, if the Merger becomes Effective, the Combined Group will be, exposed to fluctuations in the expected volumes of supply or demand for commodities.

The expected volumes of supply and demand for the commodities in which Glencore and Xstrata are active vary over time based on changes in resource availability, government policies and regulation, costs of production, global and regional economic conditions, demand in end markets for products in which the commodities are used, technological developments, including commodity substitutions, fluctuations in global production capacity, global and regional weather conditions, natural disasters and diseases, all of which impact global markets and demand for commodities. Furthermore, changes in expected supply and demand conditions impact the expected future prices (and thus the price curve) of each commodity.

Fluctuations in the volume of each commodity produced by Glencore and Xstrata or marketed by Glencore could materially impact the business, results of operations and earnings of Glencore, Xstrata and the Combined Group. These fluctuations could result in a reduction or increase in the income generated in respect of the volumes handled by Glencore's marketing activities, or a reduction or increase in the volume and/or margin in respect of commodities produced by Glencore's and Xstrata's industrial assets.

Glencore and Xstrata are, and, if the Merger becomes Effective, the Combined Group will be, exposed to fluctuations of commodity prices and to deterioration in economic and financial conditions.

The revenue and earnings of Glencore's and Xstrata's industrial asset activities and, to a lesser extent, Glencore's marketing activities are dependent upon the prevailing commodity prices. Commodity prices are influenced by a number of external factors, including the supply and demand for commodities, speculative activities by market participants, global political and economic conditions and related industry cycles and production costs in major producing countries. Fluctuations in the price of commodities produced or marketed could materially impact Glencore's, Xstrata's and the Combined Group's business, results of operations and earnings.

The impacts that fluctuating commodity prices have on Glencore's and Xstrata's, and, if the Merger becomes Effective, the Combined Group's, business differ between its marketing activities and industrial activities.

In a market environment in which prices for a particular commodity are higher on average, the premiums/ margins that Glencore generates in its physical marketing operations relating to such commodity as a result of geographical, time and quality imbalances tend to be higher. Glencore also generally benefits from fluctuating market prices, rather than long periods of stable prices, as it seeks to physically arbitrage such resulting price differentials. As prices of commodities rise, Glencore generally has higher working capital financing requirements over the same quantity of commodities in question. During periods of falling commodity prices, the opposite applies in that Glencore will require less working capital financing for its marketing activities.

Higher prices will be particularly favourable to the profitability of Glencore and Xstrata in respect of those commodities which Glencore and Xstrata produce at their industrial assets or are produced by their associated companies and other investees. Similarly, low prices will negatively impact Glencore's and Xstrata's industrial activities and could result in such activities incurring losses.

A significant downturn in the price of commodities generally results in a decline in Glencore's or Xstrata's profitability during such a period and could potentially result in a devaluation of inventories and impairments. Although the impact of a downturn on commodity prices affects marketing and industrial activities differently, the negative impact on its industrial activities is generally greater, as the profitability in the industrial activities is more directly exposed to price risk due to its higher level of fixed costs, while Glencore's marketing activities are ordinarily substantially hedged in respect of price risk and principally operate a service-like margin-based model. Glencore or Xstrata have not historically engaged in meaningful hedging against declines in commodity prices related to industrial production and, as a result, volatility in commodity prices has directly impacted its results of operations. If the Combined Group does not engage in meaningful hedging against declines in commodity prices, its business and results of operations could also be impacted by volatility in commodity prices.

A substantial portion of the Xstrata Group's coal sales are made under annual or quarterly contracts. While price negotiations are staggered throughout the year in order to mitigate pricing risk, approximately one quarter of Xstrata's total export (thermal and coking) coal production by volume is priced in the Japanese fiscal year (i.e. ending 31 March). Prices or volumes achieved at the renewal of the coal sale contracts may be lower than those prevailing under any preceding arrangements which could have an adverse effect on the financial results of the Combined Group if the Merger becomes Effective.

In addition, a decline in economic and financial conditions globally or in a specific country, region or sector may have a material adverse effect on the business, results of operations or earnings of Glencore, Xstrata and the Combined Group. For example, although most commodities' fixed pricing periods are relatively short, a significant reduction or increase in commodity prices could result in customers or suppliers, as the case may be, being unwilling or unable to honour their contractual commitments to purchase or sell commodities on pre-agreed pricing terms. In addition, a tightening of available credit may make it more difficult to obtain, or may increase the cost of obtaining, financing for Glencore's marketing activities and capital expenditures at Glencore's and Xstrata's industrial assets. Given the persisting uncertainty about a global economic recovery, the Eurozone crisis and concerns about credit risk (including that of sovereigns), forward planning is difficult. Changing production levels in response to current price levels or estimates of future price levels imposes costs, and, if mistimed, could adversely affect the results of operations or financial condition of Glencore, Xstrata and the Combined Group. In addition, the default, or a significant decline in the credit rating, of one or more sovereigns or financial institutions could cause severe stress in the financial system generally and could adversely affect the markets in which Glencore and Xstrata operate and the businesses and economic condition and prospects of their counterparties, customers, suppliers or creditors, directly or indirectly, in ways which it is difficult to predict. The impact of this could be detrimental to Glencore or Xstrata and could have a material adverse effect on the business, results of operations or earnings of Glencore, Xstrata and the Combined Group.

Glencore and Xstrata are, and, if the Merger becomes Effective, the Combined Group will be, exposed to significant geopolitical risk.

Both Glencore and Xstrata operate and own assets in a large number of geographic regions and countries, some of which are categorised as developing, complex and having unstable political or social climates and, as a result, are, and the Combined Group will be, exposed to a wide range of political, regulatory and tax environments. These environments are subject to change in a manner that may be materially adverse for Glencore, Xstrata and the Combined Group, including changes to government policies and regulations

governing industrial production, foreign investment, price controls, import and export controls, tariffs, subsidies, income and other forms of taxation (including policies relating to the granting of advance rulings on taxation matters), nationalisation or expropriation of property, repatriation of income, royalties, the environment and health and safety.

Relatively high commodity prices and other factors in recent years have resulted in increased resource nationalism in some countries, with governments repudiating or renegotiating contracts with, and expropriating assets from, companies that are producing in such countries. Many of the commodities that Glencore and/or Xstrata produce and market are considered strategic resources for particular countries. Governments in these countries may decide not to recognise previous arrangements if they regard them as no longer being in the national interest. Governments may also implement export controls on commodities regarded by them as strategic (such as oil or wheat) or place restrictions on foreign ownership of industrial assets. Renegotiation or nullification of existing agreements, leases, permits or tax rulings, changes in fiscal policies (including new or increased taxes or royalty rates or the implementation of a windfall tax which have recently been seen in several jurisdictions in which both Glencore and Xstrata have industrial assets) and currency restrictions imposed by the governments of countries in which Glencore and/or Xstrata operate could all have a material adverse effect on Glencore, Xstrata and the Combined Group.

Both Glencore and Xstrata transact business in locations where they are exposed to a greater-than-average risk of overt or effective expropriation or nationalisation, including in countries where the government has previously (and in some cases, recently) expropriated assets held within the jurisdiction of other companies or where members of the government have publicly proposed that such action be taken.

Glencore's and Xstrata's operations may also be affected by political and economic instability in the countries in which they operate. Such instability could be caused by, among other things, terrorism, civil war, guerrilla activities, military repression, civil disorder, crime, workforce instability, change in government policy or the ruling party, economic or other sanctions imposed by other countries, extreme fluctuations in currency exchange rates or high inflation.

The geopolitical risks associated with operating in a large number of regions and countries, if realised, could affect Glencore's, Xstrata's and the Combined Group's ability to manage or retain interests in their industrial activities and could have a material adverse effect on the profitability, ability to finance or, in extreme cases, viability of one or more of their industrial assets. Although Glencore's and Xstrata's industrial assets are geographically diversified across various countries, disruptions in certain of their industrial operations at any given time could have a material adverse effect on the business and results of operations of Glencore, Xstrata and the Combined Group.

Liquidity risk and a failure to obtain funds could limit Glencore's and Xstrata's, and, if the Merger becomes Effective, the Combined Group's, ability to engage in desired activities and grow its business.

Liquidity, or ready access to funds, is essential to Glencore's and Xstrata's businesses. A lack of liquidity may mean that Glencore and/or Xstrata, as applicable, will not have funds available to maintain or increase their marketing activities and industrial activities.

Glencore's marketing activities employ significant amounts of working capital to fund purchases of commodities for future delivery to its end customers, to meet margin requirements under derivative contracts and to fund the acquisition and maintenance of certain transport and storage assets which complement its marketing activities.

Glencore's and Xstrata's industrial activities may be capital intensive and the continued funding of such activities is critical for both to maintain their ownership interests in their industrial assets, to maintain production levels in periods when net operating cash flow is negative or insufficient to cover capital expenditures, to increase production levels in the future in accordance with their business plans and to grow their industrial activities through the acquisition of new assets.

While Glencore and Xstrata adjust their minimum internal liquidity targets in response to changes in market conditions, these minimum internal liquidity targets may be breached due to circumstances they are unable to control, such as general market disruptions, sharp increases in the prices of commodities or an operational problem that affects their suppliers or customers or themselves, which may require them to take remedial action that may have an adverse effect on their business, results of operations or earnings.

Glencore and Xstrata have, and, if the Merger becomes Effective, the Combined Group will have, significant outstanding indebtedness.

In addition to maintaining a cash position, Glencore and Xstrata rely on two other principal sources of liquidity: borrowings under various short-term and long-term bank and asset-backed facilities and issuance of notes in the debt capital markets. An inability to refinance or increase existing facilities in the debt markets may mean that Glencore and/or Xstrata will not have funds available to maintain or increase their marketing and industrial activities, which could have a material adverse effect on Glencore's, Xstrata's and, if the Merger becomes Effective, the Combined Group's earnings and results of operations. Glencore's and Xstrata's access to debt in amounts adequate to finance its activities could be impaired by factors that affect Glencore or Xstrata in particular or the industries or geographies in which they operate. For example, lenders could develop a negative perception of Glencore's or Xstrata's short-term or long-term financial prospects if Glencore or Xstrata incurred large losses, if the level of Glencore's marketing activities were to materially decrease due to a market downturn in the demand for commodities, or if their businesses were otherwise materially adversely affected. Although Glencore and Xstrata expect the continued support of financial institutions, there can be no assurance that additional credit or funding will be made available in the future.

Both Glencore and Xstrata have a significant amount of indebtedness, which may impair their operating and financial flexibility and could adversely affect their business and financial position. A high level of indebtedness could potentially cause Xstrata or Glencore to dedicate a substantial portion of cash flow from operations to payments to service debt, which reduces the funds available for working capital, capital expenditure, acquisitions, distributions to shareholders and other general corporate purposes and limits their ability to borrow additional funds, limits their flexibility in planning for, or reacting to, changes in technology, customer demand, competitive pressures and the industries in which it operates, placing Xstrata or Glencore at a competitive disadvantage compared to those of its competitors that are less leveraged than it is. In addition, a high level of indebtedness together with future debt financing, if accessible, may increase Glencore's and Xstrata's vulnerability to both general and industry-specific adverse economic conditions.

A reduction in their respective credit ratings could adversely affect Glencore and Xstrata, and, if the Merger becomes Effective, the Combined Group.

Glencore's and Xstrata's borrowing costs and access to the debt capital markets, and thus their liquidity, depend significantly on their public credit ratings. These ratings are assigned by rating agencies, which may reduce or withdraw their ratings or place Glencore or Xstrata on "credit watch", which could have negative implications. A deterioration of Glencore's or Xstrata's credit ratings could increase their borrowing costs and limit their access to the capital markets, which, in turn, could reduce their earnings. If the Merger becomes Effective, the Combined Group will be similarly exposed to changes in its credit rating.

Glencore's, Xstrata's and the Combined Group's counterparties, including customers, suppliers and financial institutions, are also sensitive to the risk of a ratings downgrade and may be less likely to engage in transactions with Glencore, Xstrata or the Combined Group, or may only engage at a substantially higher cost or on increased credit enhancement terms (for example, letters of credit, additional guarantees or other credit support) which carry increased costs, if Glencore's, Xstrata's or the Combined Group's ratings were downgraded to below investment grade. While neither Glencore nor Xstrata anticipate their ratings to be downgraded below investment grade, if such an event was to occur, it could have a material adverse effect on their business, results of operations, financial condition or prospects.

Glencore's and Xstrata's business depends, and, if the Merger becomes Effective, the Combined Group's business will depend, on its ability to retain and attract key employees.

Glencore's and Xstrata's success depends, and the Combined Group's success will depend, on the continued service and performance of their key employees. The loss of services of certain key employees, whether to go to a competitor, to start their own business, to retire or for other reasons, could have a material adverse effect on Glencore's, Xstrata's or the Combined Group's operations or financial condition. If Glencore and/or Xstrata fail to retain or attract the necessary calibre of employees or if they fail to maintain compensation awards at an appropriate level for such employees, their and, if the Merger becomes Effective, the Combined Group's business, results of operations or financial condition could be materially adversely affected.

In addition, Glencore has previously operated within a private company structure and as an employee-owned company. Following its initial public offering in May 2011, Glencore employees continue to own the majority of the issued share capital of Glencore. Glencore employees who acquired Glencore Shares in the reorganisation undertaken in connection with the initial public offering were subject to lock-up arrangements with a total duration of between 12 months and five years, in each case from 24 May 2011, such lock-ups not being dependent on continued employment. As described in paragraph 18 of Part XI: "Additional Information", the first release of locked-up Glencore Shares occurred on 24 May 2012, whereafter all Glencore employee shareholders will, for the first time since the initial public offering, be able to sell some or all of the Glencore Shares acquired by them in the pre-IPO reorganisation. Glencore, as a listed entity, now operates as a public company with the added administration this entails, which will continue after the Merger. This cultural change could result in certain key employees, whether skilled marketers or otherwise, leaving. There are a number of other reasons why such personnel may leave. The loss of any senior marketer, senior manager or other key personnel, as well as the inability to retain and/or attract new highly skilled personnel, could have a material adverse effect on the Glencore Group's, and, if the Merger becomes Effective, the Combined Group's, business.

Glencore and Xstrata are, and, if the Merger becomes Effective, the Combined Group will be, exposed to fluctuations in currency exchange and interest rates.

The vast majority of transactions undertaken by both Glencore's marketing and industrial activities and Xstrata's industrial activities are denominated in US dollars. However, Glencore and Xstrata are, and, if the Merger becomes Effective, the Combined Group will be, exposed to fluctuations in currency exchange rates through their industrial activities, because a large proportion of the operating costs of these assets are denominated in the currency of the country in which each asset is located, including the Australian dollar, the Canadian dollar, the Euro, the Kazakhstan tenge, the Chilean peso, the Norwegian kroner, the South African rand, the Argentine peso, the Colombian peso and the Peruvian sol. Glencore and Xstrata are also exposed to fluctuations in currency exchange rates through their global office network which are denominated largely in the currency of the country in which each office is located, the largest of such currency exposures being to the Swiss Franc, the pound sterling and the Euro. Glencore is also exposed to fluctuations in currency exchange rates through its marketing activities, although only a small minority of purchase or sale transactions are denominated in currencies other than US dollars.

In respect of commodity purchase and sale transactions denominated in currencies other than US dollars, Glencore generally hedges the specific future commitment through a forward exchange contract. From time to time, Glencore and/or Xstrata may hedge a portion of its currency exposures and requirements in an attempt to limit any adverse effect of exchange rate fluctuations on its results of operations, but there can be no assurance that such hedging will eliminate the potential material adverse effect of such fluctuations. In addition, to the extent that any currency exposures are unhedged or unmatched as a consequence of political risk, such exposure could adversely affect Glencore's, Xstrata's and the Combined Group's financial results.

Foreign exchange rates have seen significant fluctuation in recent years, and a depreciation in the value of the US dollar against one or more of the currencies in which Glencore and Xstrata incur significant costs will therefore, to the extent it has not been hedged, result in an increase in the cost of these operations in US dollar terms and could adversely affect Glencore's, Xstrata's and the Combined Group's financial results.

The reporting currency and the functional currency of the majority of Glencore's and Xstrata's operations are the US dollar, as this is assessed to be the principal currency of the economic environment in which Glencore and Xstrata operate. For financial reporting purposes, transactions in foreign currencies are converted into the functional currency of each entity using the exchange rate prevailing at the transaction date. Monetary assets and liabilities outstanding at year-end are converted at year-end rates. The resulting exchange differences are recorded in the consolidated statement of income. The exchange rates between relevant local currencies and the US dollar have historically fluctuated, and the translation effect of such fluctuations may have a material adverse effect on both Glencore Group and Xstrata Group members' individual and Glencore's, Xstrata's and, if the Merger becomes Effective, the Combined Group's consolidated results of operations or financial condition.

Glencore's and Xstrata's exposure to changes in interest rates results from investing and borrowing activities undertaken to manage its liquidity and capital requirements. The majority of Glencore's and Xstrata's borrowings, other than a portion of long-term, fixed-rate public bonds, bear interest at floating

rates. An increase in interest rates would therefore result in a relatively immediate increase in the cost of servicing Glencore's and Xstrata's indebtedness and could adversely affect their financial results. Although borrowing costs are taken into account when setting marketing transaction terms, there is no assurance that increased financing costs can be passed on to customers and/or suppliers. Glencore, Xstrata and the Combined Group may elect in the future to enter into interest rate swaps to convert some or all of their floating-rate debt to fixed-rate debt or enter into fixed-rate to floating-rate swaps. There can be no assurance that Glencore, Xstrata and the Combined Group will not be materially adversely affected by interest rate changes in the future.

The commodities industry is very competitive and Glencore and, if the Merger becomes Effective, the Combined Group may have difficulty effectively competing with other commodity marketing and industrial companies.

The commodities industry is characterised by strong competition. Glencore believes that the majority of its, and, if the Merger becomes Effective, the Combined Group's, competitors tend to focus on a narrower commodity group or geographic area, or concentrate more heavily on industrial activities such as mining, smelting, processing, refining and food processing. Although Glencore and, if the Merger becomes Effective, the Combined Group face intense competition in each of their business segments, in view of the diversification across different commodity groups and its global geographical presence and scale, Glencore does not believe that there is, or will be, a precisely comparable company or peer group that can be defined as competing directly with Glencore and, if the Merger becomes Effective, the Combined Group across all of their business segments. However, some of these competitors or existing producers may, in the future, use their resources to broaden into all of the markets in which Glencore operates and therefore compete further against Glencore and, if the Merger becomes Effective, the Combined Group. These competitors may also expand and diversify their commodity sourcing, processing or marketing operations, or engage in pricing or other financial or operational practices that could increase competitive pressure on Glencore and, if the Merger becomes Effective, the Combined Group across each of their business segments. Increased competition may result in losses of market share for Glencore and, if the Merger becomes Effective, the Combined Group and could materially adversely affect their business, results of operations and financial condition.

Risks relating to Glencore's, and, if the Merger becomes Effective, the Combined Group's, marketing activities

The success of Glencore's marketing activities depends in part on its ability to identify and take advantage of arbitrage opportunities.

Many of the commodity markets in which Glencore operates are fragmented and periodically volatile. As a result, discrepancies generally arise in respect of the prices at which the commodities can be bought or sold in different forms, geographic locations or time periods, taking into account the numerous relevant pricing factors, including freight and product quality. These pricing discrepancies can present Glencore with arbitrage opportunities whereby Glencore is able to generate profit by sourcing, transporting, blending, storing or otherwise processing the relevant commodities.

Profitability of Glencore's marketing activities is, in large part, dependent on its ability to identify and exploit such arbitrage opportunities. A lack of such opportunities, for example, due to a prolonged period of pricing stability in a particular market, or an inability to take advantage of such opportunities when they present themselves, because of, for example, a shortage of liquidity or an inability to access required logistics assets or other operational constraints, could adversely impact Glencore's and, if the Merger becomes Effective, the Combined Group's business, results of operations and financial condition.

Glencore's hedging strategy may not always be effective, does not require all risks to be hedged and may leave an exposure to basis risk.

Glencore's marketing activities involve a significant number of purchase and sale transactions across multiple commodities. To the extent Glencore purchases a commodity from a supplier and does not immediately have a matching contract to sell the commodity to a customer, a downturn in the price of the commodity could result in losses to Glencore. Conversely, to the extent Glencore agrees to sell a commodity to a customer and does not immediately have a matching contract to acquire the commodity from a supplier, an increase in the price of the commodity could result in losses to Glencore as it then seeks to acquire the underlying commodity in a rising market. In order for Glencore to mitigate the risks in its marketing activities related to commodity price fluctuations and potential losses, Glencore has a policy, at any given time, of hedging substantially all of its marketing inventory not already contracted for sale at

pre-determined prices through futures and swap commodity derivative contracts, either on commodities' exchanges or in the over-the-counter market. In the event of disruptions in the commodity exchanges or markets on which Glencore engages in these hedging transactions, Glencore's and, if the Merger becomes Effective, the Combined Group's ability to manage commodity price risk may be adversely affected, and this could in turn materially adversely affect their business, financial condition and results of operations. In addition, there are no traded or bilateral derivative markets for certain commodities that Glencore purchases and sells, which limits Glencore's ability to fully hedge its exposure to price fluctuations for these commodities. In these instances, Glencore's ability to hedge its commodity exposure is limited to forward contracts for the physical delivery of a commodity or futures and swap contracts for a different, but seemingly related, commodity. Finally, subject to internal risk management, limits and policies, in some cases, Glencore takes deliberate directional positions without a corresponding opposite directional position in place as part of its marketing strategy which has, at certain points in the past, resulted, and may in the future result, in losses.

Glencore is subject to counterparty credit and performance risk, in particular via its marketing activities.

Non-performance by Glencore's suppliers, customers and hedging counterparties may occur in a range of situations, such as:

- a significant increase in commodity prices could result in suppliers being unwilling to honour their contractual commitments to sell commodities to Glencore at pre-agreed prices;
- a significant reduction in commodity prices could result in customers being unwilling or unable to honour their contractual commitments to purchase commodities from Glencore at pre-agreed prices;
- customers may take delivery of commodities from Glencore and then find themselves unable to honour their payment obligations due to financial distress or any other reasons; and
- hedging counterparties may find themselves unable to honour their contractual commitment due to financial distress or other reasons.

Non-performance by a counterparty could have an adverse impact on its business, results of operations and financial condition, including by creating an unintended, unmatched commodity price exposure.

In addition, financial assets consisting principally of cash and cash equivalents, marketable securities, receivables and advances, derivative instruments and long-term advances and loans could potentially expose Glencore to concentrations of credit risk.

Glencore seeks to reduce the risk of customer non-performance by requiring credit support from creditworthy financial institutions, including making extensive use of credit enhancement products, such as letters of credit or insurance policies, where appropriate, and by imposing limits on open accounts extended. Whilst these limits are believed appropriate based on current levels of perceived risk, there is a possibility that a protracted difficult economic environment would negatively impact the quality of these exposures. In addition, mark-to-market exposures in relation to hedging contracts are regularly and substantially collateralised (primarily with cash) pursuant to margining arrangements in place with such hedge counterparts. However, no assurance can be given that Glencore's attempts to reduce the risk of customer non-performance will be successful in every instance or that its financial results will not be adversely affected by the failure of a counterparty or counterparties to fulfil their contractual obligations in the future. Such failure would have an adverse impact on Glencore's and, if the Merger becomes Effective, the Combined Group's business, results of operations and financial condition, including by creating an unintended, unmatched commodity price exposure.

Glencore's risk management policies and procedures may leave it exposed to unidentified or unanticipated risks.

Glencore's marketing activities are exposed to commodity price, foreign exchange, interest rate, counterparty (including credit), operational, regulatory and other risks. Glencore has devoted significant resources to developing and implementing policies and procedures to manage these risks and expects to continue to do so in the future. Nonetheless, Glencore's policies and procedures to identify, monitor and manage risks have not been fully effective in the past and may not be fully effective in the future.

Some of Glencore's methods of monitoring and managing risk are based on historical market behaviour that may not be an accurate predictor of future market behaviour. Other risk management methods depend on evaluation of information relating to markets, suppliers, customers and other matters that are publicly available or otherwise accessible by Glencore. This information may not in all cases be accurate,

complete, up to date or properly evaluated. Management of operational, legal and regulatory risk requires, among other things, policies and procedures to properly record and verify a large number of transactions and events, and these policies and procedures may not be fully effective in doing so. Glencore uses, among other techniques, Value-at-Risk, or VaR, as a key risk measurement technique for its marketing activities. VaR does not purport to represent actual gains or losses in fair value on earnings to be incurred by Glencore, nor does Glencore expect that VaR results are indicative of future market movements or representative of any actual impact on its future results. Failure to mitigate all risks associated with Glencore's business could have a material adverse effect on Glencore's and, if the Merger becomes Effective, the Combined Group's business, results of operations and financial condition.

Glencore is reliant on the supply of commodities from third parties.

Glencore purchases a portion of the physical commodities sold by its marketing activities from its controlled industrial operations and associates, including Xstrata. The remainder of the commodities sourced by its marketing operations are purchased from third party suppliers and entities in which Glencore has a minority stake (excluding associates). Glencore expects to continue to source commodities from such third parties in the future. Glencore is potentially exposed to both price and supply risks with respect to commodities sourced from third parties and entities in which it holds a minority stake. Glencore is reliant on third parties to source the majority of the commodities purchased by its marketing operations. Any disruptions in the supply of product by factors such as weather and other natural disasters, unexpected maintenance problems, collapse or damage to mines, labour disruptions and changes in laws and regulations could adversely affect Glencore's margins. Glencore's and, if the Merger becomes Effective, the Combined Group's business, results of operations, financial condition and prospects could be materially adversely impacted if it is unable to continue to source required volumes of commodities from its suppliers on reasonable terms or at all.

Glencore relies on certain agreements for the sourcing of commodities and these agreements may be terminated or fail to be renewed.

Glencore is a party to various agreements with certain of its non-controlled industrial assets for the supply of commodities to its marketing business. These agreements are an important source of commodities for Glencore's marketing activities and provide certainty of regular supply for Glencore. These supply agreements range from short-term spot contracts to multiple years in duration and have historically been renewed by Glencore and the supplier on commercially acceptable terms. However, in general, these companies have no obligation to renew their supply agreements. Glencore may not be able to compel the relevant company to enter into or renew a supply agreement with Glencore in cases where Glencore does not own 100 per cent. of the company or where related party transaction minority shareholder approval requirements apply. Glencore relies on these agreements to source some of its key commodities and any termination or failure to renew such agreements at the end of their terms could have an adverse effect on Glencore's and, if the Merger becomes Effective, the Combined Group's business, results of operations and financial condition.

Glencore's marketing activities require access to significant amounts of freight, storage, infrastructure and logistics support and it is exposed to increases in the costs thereof.

Glencore's marketing activities entail shipments of commodities in large quantities, often by ocean-going transport. Glencore often competes with other producers, purchasers or marketers of commodities or other products for limited storage and berthing facilities at ports and freight terminals, which can result in delays in loading or unloading Glencore's products and expose Glencore to significant delivery interruptions. Increases in the costs of freight, storage, infrastructure and logistics support or limitations or interruptions in the supply chain which impedes Glencore's ability to deliver products on time, could adversely affect Glencore's and, if the Merger becomes Effective, the Combined Group's business, results of operations or financial condition.

Glencore also requires significant storage capacity for its commodities, which it sources both through facilities in which Glencore holds equity stakes and pursuant to rental agreements with, among others, oil terminals and tank farms, metal and other warehouses and silos. Any decrease in Glencore's ability to access its customary levels of capacity from these storage facilities or an increase in the price at which Glencore can acquire storage capacity could have an adverse effect on Glencore's business by forcing Glencore to use storage facilities in less advantageous locations or at prices that make it less profitable for Glencore to supply its customers.

Glencore's freight operations are affected by fluctuations in freight rates.

Glencore's freight department has a large and diversified fleet of vessels. The majority of these vessels service Glencore's Energy Products business segment. Glencore has significant exposure to the fluctuations in freight spot rates and a change in freight rates could have a material adverse effect on Glencore's and, if the Merger becomes Effective, the Combined Group's business, results of operations and financial condition.

Risks relating to Glencore's and Xstrata's, and, if the Merger becomes Effective, the Combined Group's, industrial activities

Each of Glencore and Xstrata hold some of their industrial assets through non-controlling stakes or joint ventures and strategic partnership arrangements.

Glencore and Xstrata do not control a number of their industrial investments. Although Glencore and Xstrata have various structures in place which seek to protect their position where they do not exercise control, the boards of these companies may:

- have economic or business interests or goals that are inconsistent with or are opposed to those of Glencore or Xstrata;
- exercise veto rights or take shareholders' decisions so as to block actions that Glencore or Xstrata believe to be in its best interests and/or in the best interests of all shareholders;
- take action contrary to Glencore's or Xstrata's policies or objectives with respect to its investments or commercial arrangements; or
- as a result of financial or other difficulties, be unable or unwilling to fulfil their obligations under any joint venture or other agreement, such as contributing capital to expansion or maintenance projects.

Where projects and operations are controlled and managed by Glencore's or Xstrata's co-investors or where control is shared on an equal basis, Glencore or Xstrata may provide expertise and advice, but have limited or restricted ability to mandate compliance with their policies and/or objectives. Improper management or ineffective policies, procedures or controls of a non-controlled entity could adversely affect the business, results of operations and financial condition of the relevant investment and, therefore, of Glencore, Xstrata and the Combined Group.

Both Glencore and Xstrata are exposed to the risk of delays in or failure to develop planned expansions or new projects.

Both Glencore and Xstrata have a number of significant expansions planned for their existing operations and plans for certain new projects, the development of which is exposed to a number of risks outside their control, such as technical uncertainties, availability of suitable financing, infrastructure constraints, cost overruns, insufficient labour skills or resources and delays in permitting or other regulatory matters.

Any future upward revisions in estimated project costs, delays in completing planned expansions, cost overruns, suspension of current projects or other operational difficulties after commissioning may have a material adverse effect on the business, results of operations, financial condition or prospects of Glencore, Xstrata or the Combined Group, in turn requiring them to consider delaying discretionary expenditures, including capital expenditures, or suspending or altering the scope of one or more of its development projects.

In addition, there can be no assurance that Glencore, Xstrata, and the Combined Group, will be able to effectively manage the risks arising from expansion of their operations. Glencore's and Xstrata's current systems, procedures and controls may need to be expanded and strengthened to support future operations. Any failure of Glencore and Xstrata to effectively manage their expansion plans or expanded operations could have a material adverse effect on Glencore's, Xstrata's and the Combined Group's, business, results of operations, financial condition or prospects.

Once complete, the results of these projects could differ materially from those anticipated by Glencore and Xstrata and their significant capital expenditures related to these projects may not be offset by cashflows or other benefits from these projects in the timeframe anticipated or at all.

Glencore and Xstrata are exposed to the risks associated with production curtailment and resumption.

In an effort to avoid over-supplying markets or building up an inventory of unsold products during periods of depressed commodity prices (including those recently experienced during the global economic downturn), Glencore's and Xstrata's policy, in common with other producers, is to curtail production by closing mines and production facilities, placing other mines and production facilities under care and maintenance and deferring or cancelling previously planned expansionary capital expenditure. While this practice may contribute to the stabilisation of commodity prices and enable Glencore and Xstrata to avoid selling products at or below their marginal cost of production, it imposes costs both directly, in the form of redundancy payments, equipment removal, security and other closing costs and the cost of resuming production or resuming a capital expenditure programme when prices justify renewed investment, and indirectly, in the form of revenue forgone, deterioration of assets or the resulting increase in unit costs. These costs can adversely affect Glencore's and Xstrata's results of operations, financial condition or prospects.

Given the lead times required to curtail or resume production levels, periods of higher commodity price volatility (including that experienced during the global economic downturn) have exacerbated and may in the future exacerbate the adverse effects of changes in production levels, which has had and may in the future have an adverse effect on Glencore's, Xstrata's and the Combined Group's business, results of operations, financial condition or prospects.

Glencore's and Xstrata's industrial activities involve a number of operating risks and hazards, many of which are outside Glencore's and Xstrata's control.

Glencore's and Xstrata's businesses are, and the Combined Group's business will be, subject to numerous operating risks and hazards normally associated with the development and operation of natural resource projects, many of which are beyond Glencore's and Xstrata's control. These operating risks and hazards include unanticipated variations in grade and other geological problems, seismic activity, climatic conditions such as flooding or drought, metallurgical and other processing problems, technical failures, unavailability of materials and equipment, interruptions to power supplies, industrial actions or disputes, industrial accidents, labour force disruptions, unanticipated logistical and transportation constraints, tribal action or political protests, force majeure factors, environmental hazards, fire, explosions, vandalism and crime. These risks and hazards could result in damage to, or destruction of, properties or production facilities, may cause production to be reduced or to cease at those properties or production facilities, may result in a decrease in the quality of the products, may result in personal injury or death, environmental damage, business interruption and legal liability and may result in actual production differing from estimates of production.

The realisation of such operating risks and hazards and the costs associated with them could materially adversely affect Glencore's, Xstrata's and the Combined Group's business, results of operations and financial condition, including by requiring significant capital and operating expenditures to abate the risk or hazard, restore their property or third party property, compensate third parties for any loss and/or pay fines or damages.

Title to the land, resource tenure and extraction rights of industrial activities may be challenged.

Glencore and Xstrata each have, and, if the Merger becomes Effective, the Combined Group will have, industrial activities investments in certain countries where title to land and rights in respect of land and resources (including indigenous title) has not been and may not always be clear, creating the potential for disputes over resource development. Any dispute relating to a material industrial asset of Glencore or Xstrata could disrupt or delay relevant mining, processing or other projects and/or impede Glencore's, Xstrata's or the Combined Group's ability to develop new industrial properties and may have a material adverse effect on Glencore's, Xstrata's or the Combined Group's business, results of operations and financial condition.

Title to Glencore's or Xstrata's mining and hydrocarbon rights may be challenged or impugned, and title insurance may not generally be available. In many cases, the government of the country in which a particular asset is located is the sole authority able to grant such rights and, in some cases, may have limited infrastructure and limited resources which may severely constrain Glencore's or Xstrata's ability to ensure that it has obtained secure title to individual exploration licences or extraction rights. Glencore's or Xstrata's title may be affected by, among other things, undetected defects. In addition, Glencore or Xstrata may be unable to conduct its activities or operations as permitted or to enforce its rights with respect to its

properties. A successful challenge to Glencore's or Xstrata's mining and/or hydrocarbon extraction rights may result in Glencore or Xstrata being unable to proceed with the development or continued operation of a mine or project which, in turn, may have a material adverse effect on Glencore's, Xstrata's or the Combined Group's business, results of operations and financial condition.

The production, processing and product delivery capabilities of Glencore's and Xstrata's industrial assets rely on their infrastructure being adequate and remaining available.

The mining, drilling, processing, development and exploration activities of the industrial assets in which Glencore and Xstrata hold an interest depend on adequate infrastructure. Certain of these assets are located in areas that are sparsely populated and difficult to access. Reliable roads, power sources, transport infrastructure and water supplies are essential for the conduct of these operations and the availability and cost of these utilities and infrastructure affect capital and operating costs and therefore Glencore's and Xstrata's ability to maintain expected levels of production and results of operations. Unusual weather or other natural phenomena, sabotage or other interference in the maintenance or provision of such infrastructure could impact the development of a project, reduce production volumes, increase extraction or exploration costs or delay the transportation of raw materials to the mines and projects and commodities to end customers. Any such issues arising in respect of the infrastructure supporting or on Glencore's and Xstrata's sites could have a material adverse effect on Glencore's, Xstrata's and the Combined Group's business, results of operations, financial condition and prospects.

Industrial activities are exposed to an increase in production costs, including as a result of increased energy costs or shortages of equipment, spare parts and labour.

As commodity prices themselves are outside of Glencore's or Xstrata's control, the competitiveness and sustainable long-term profitability depends significantly on their ability to reduce costs and maintain a broad spectrum of low-cost, efficient operations. Because it is difficult for Glencore and Xstrata to pass increases in production costs on to customers, any increases in input costs will adversely affect the results of operations and financial condition of Glencore, Xstrata and the Combined Group.

Costs associated with the operation of Glencore's and Xstrata's industrial assets can be broadly categorised into labour costs and other on-site expenses, including power and equipment costs. Production costs are heavily influenced by the extent of on-going development required, ore grades, mine planning, processing technology, logistics, energy and supply costs and the impact of exchange rate fluctuations on costs of operations. All of Glencore's and Xstrata's industrial assets are, to varying degrees, affected by increases in costs for labour and fuel. Unit production costs are also significantly affected by production volumes and, therefore, production levels are frequently a key factor in determining the overall cost competitiveness of Glencore's and Xstrata's industrial activities.

Furthermore, the resources industry is currently experiencing worldwide tightness in certain equipment, spare parts and specialised labour. Such shortages may increase the costs of Glencore's and Xstrata's operations as a result of equipment, spare parts or labour becoming more expensive due to increased demand and tight supply. Such shortages may also cause delays to, and quality issues in respect of, Glencore's and Xstrata's operations, either as a result of equipment used in Glencore's and Xstrata's operations being temporarily unavailable or not being available at all or there being insufficient resources to operate equipment or maintain production at optimum capacity. Any resulting increase in costs or production delays could have a material adverse effect on Glencore's, Xstrata's and the Combined Group's business, results of operations and financial condition.

Glencore's and Xstrata's stated mineral, coal and hydrocarbon reserves, resources and mineralised potential are only estimates and the anticipated volumes or grades may not be achieved.

The estimated reserves and resources described in this Prospectus should not be interpreted as a statement of the commercial viability, potential or profitability of any future operations. No assurance can be given that the anticipated tonnages and grades will be achieved, that the indicated level of recovery will be realised or that mineral, coal and hydrocarbon reserves, resources and mineralised potential can be extracted or processed profitably. Actual reserves, resources or mineralised potential may not conform to geological, metallurgical or other expectations, and the volume and grade of ore or product recovered may be below the estimated levels. Lower market prices, increased production costs, reduced recovery rates and other factors may render Glencore's and Xstrata's reserves, resources or mineralised potential uneconomical to exploit and may result in revision of their reserve estimates from time to time. Reserve

data are not indicative of future results of operations. Glencore's and Xstrata's, and, if the Merger is Effective, the Combined Group's, future success depends upon conducting successful exploration and development activities or acquiring properties containing economically recoverable reserves. If Glencore's and Xstrata's actual mineral, coal and hydrocarbon reserves and resources are less than current estimates or if they fail to develop their resource base through the realisation of identified or new mineral potential, the business, results of operations and financial condition of Glencore, Xstrata and the Combined Group may be materially and adversely affected.

The processes and chemicals used in Glencore's and Xstrata's extraction and production methods, as well as their shipping and storage activities, are subject to environmental hazards.

Where Glencore and Xstrata hold or have interests in industrial activities, these assets are generally subject to environmental hazards as a result of the processes and chemicals used in traditional extraction, production, storage, disposal and transportation methods. Environmental hazards may exist on Glencore's and Xstrata's owned or leased properties or at those of the industrial activities in which they hold an interest, or may be encountered while its products are in transit. In addition, the storage of tailings at Glencore's and Xstrata's industrial assets may present a risk to the environment, property and persons where there remains a risk of leakage from or failure of Glencore's and Xstrata's tailings dams, as well as theft and vandalism during the operating life of the assets or after closure.

Additionally, Glencore conducts oil exploration and drilling activities and also stores and transports crude oil and oil products around the world. Damage to exploration or drilling equipment, a vessel carrying oil or a facility where it is stored could lead to a spill, causing environmental damage with significant clean-up or remediation costs.

Glencore's and Xstrata's operations are subject to health, safety and environmental regulations and legislation.

New or amended environmental, health and safety legislation or regulations may result in increased operating costs or, in the event of non-compliance or accidents or incidents causing personal injury or death or property or environmental damage at or to Glencore's or Xstrata's mines, smelters, refineries, concentrators, drill rigs or related facilities (such as logistics or storage facilities) or surrounding areas, may result in significant losses, interruptions in production, expensive litigation, imposition of penalties and sanctions or suspension or revocation of permits and licences.

Glencore, Xstrata and the Combined Group may be liable for losses associated with environmental hazards, have their licences and permits withdrawn or suspended or may be forced to undertake extensive remedial clean-up action or to pay for government-ordered remedial clean-up actions, even in cases where such hazards have been caused by any previous or subsequent owners or operators of the property, by any past or present owners of adjacent properties, by independent third party contractors providing services to Glencore and Xstrata or by acts of vandalism by trespassers. Any such losses, withdrawals, suspensions, actions or payments may have a material adverse effect on Glencore's, Xstrata's and the Combined Group's business, results of operations and financial condition.

Accidents at Glencore's and Xstrata's industrial activities, logistics and storage facilities could result in injuries and fatalities.

Any accidents or hazardous incidents causing personal injury or death or property or environmental damage at or to Glencore's and Xstrata's mines, smelters, refineries, concentrators, drill rigs or related facilities (such as logistics and storage facilities) or surrounding areas may result in significant losses, interruptions in production, expensive litigation, imposition of penalties and sanctions or suspension or revocation of permits and licences. Risks associated with Glencore's and Xstrata's open pit mining operations include flooding of the open pits, collapses of the open pit walls and accidents or failures in operation of large equipment for open pit mining and material transportation. Risks associated with Glencore's and Xstrata's underground mining operations include flooding, underground fires and explosions (including those caused by flammable gas), cave-ins or ground falls, discharges of gases or toxic chemicals, sinkhole formation and ground subsidence. Risks associated with Glencore's oil exploration and deepwater drilling activities include explosions, spills and potential large-scale environmental pollution. Risks associated with Glencore's and Xstrata's logistics and storage operations may include the risk of: ruptures and spills from crude oil and other product carriers; spillage, leakage or seepage of tailings or other hazardous substances found in storage or disposal facilities; and failure of tailings dams during the operating life of the mines or after closure. Injuries to and deaths of workers and contractors at mines and

facilities controlled by Glencore and Xstrata have occurred in the past and may occur in the future. If accidents occur in the future, Glencore's, Xstrata's and the Combined Group's business and results of operations may be adversely impacted.

Other risks relating to Glencore and/or Xstrata, and, if the Merger becomes Effective, the Combined Group

Due to the nature of their business and operations, Glencore and Xstrata are, and, if the Merger becomes Effective, the Combined Group will be, exposed to the risks of fraud and corruption.

As a diversified sourcing, marketing and distribution company conducting complex transactions globally, Glencore is exposed to the risks of fraud and corruption both internally and externally.

Glencore's marketing operations are large in scale, which may make fraudulent or accidental transactions difficult to detect. In addition, some of Glencore's and Xstrata's industrial activities are located in countries where corruption is generally understood to exist.

Glencore and Xstrata seek to comply fully with legislation such as the Foreign Corrupt Practices Act and the Bribery Act and have put in place internal control policies and external diligence and compliance policies. However, there can be no assurance that such procedures and established internal controls will adequately protect them against fraudulent and/or corrupt activity and such activity could have an adverse effect on Glencore's and Xstrata's business, reputation, results of operations, financial condition and/or prospects.

Glencore and Xstrata are, and, if the Merger becomes Effective, the Combined Group will be, subject to risks relating to the processing, storage and transportation of their commodities.

Glencore's and Xstrata's processing and storage facilities, which include ore processing plants, smelters, refineries, grain silos, tank farms and oil terminals, are subject to risks and hazards, including accidental environmental damage, technical failure, vandalism and terrorism, which, if they materialise, could adversely affect the business, results of operations and financial condition of Glencore, Xstrata and/or the Combined Group. In addition, Glencore and Xstrata also depend upon seaborne freight, rail, trucking, pipeline, overland conveyor and other systems to deliver their commodities to market. Disruption of these transport services due to weather-related problems, key equipment or infrastructure failures, strikes, maritime disaster or other events could temporarily impair Glencore's and Xstrata's ability to supply their commodities to their customers and thus could adversely affect their operations.

Metal processing plants (ore processing plants, smelters and refineries) are especially vulnerable to interruptions, particularly where events cause a stoppage that necessitates a shutdown in operations. Stoppages in smelting, even if lasting only a few hours, can cause the contents of furnaces to solidify, resulting in a plant closure for a significant period and necessitating expensive repairs, any of which could adversely affect Glencore's and Xstrata's smelting operations.

Transportation and storage of crude oil and oil products involves significant hazards that could result in fires, explosions, spills, maritime disaster and other unexpected or dangerous conditions. The occurrence of any of these events could result in a material adverse effect, either directly or indirectly, through resulting damages, claims and awards, remediation costs or negative publicity on Glencore's and the Combined Group's business.

Crop storage entails significant risks associated with the storage environment, including temperature, humidity levels, pests, parasites and/or diseases. Excessively high or low levels of moisture, temperature or humidity may result in damage to stored crops and seeds. An event that destroys or takes all or part of a silo complex or terminal out of service could result in the loss of stored crops and require Glencore to find alternative storage arrangements. Glencore may also be subject to the loss of stored crops as a result of catastrophic events, such as fires, explosions or natural disasters.

In addition, the vessels Glencore uses to transport its products may be exposed to a variety of natural calamities during operations, including violent storms, tidal waves and tsunamis. Any of these natural calamities could result in Glencore's vessels grounding, sinking, colliding with other vessels or property, or the loss of life. If one of the vessels suffers damage, in addition to the potential loss of its cargo, it would need to be repaired, and the costs relating to such losses or repairs may not be covered (either in part or in full) by the insurance policies that are in place. The costs of such repairs are unpredictable and could be substantial. The loss of earnings while the vessels are being repaired and repositioned, and the cost of arranging for alternative transport, as well as the actual cost of such repairs, could adversely affect

Glencore's and the Combined Group's business and results of operations. Furthermore, the vessels Glencore uses to transport its products may be exposed to piracy, terrorist attacks and other events beyond its control. These events could result in adverse effects to Glencore's business as a result of seizure of its cargoes and disruption to its customers' or suppliers' business. While Glencore has procured insurance for its operations against these types of risks, no insurance can compensate for all potential losses and there can be no assurance that the insurance coverage Glencore has will be adequate or that its insurers will pay a particular claim. As is the standard for policies of this type, Glencore's insurance policies do not cover risks arising from damage caused by wear and tear to the vessels that it owns directly or through joint ventures. In the event of damage to, or the loss of, a vessel or vessels and/or their cargoes, a lack of adequate insurance coverage may have a material adverse effect on Glencore's and the Combined Group's business and results of operations.

Glencore and Xstrata are, and, if the Merger becomes Effective, the Combined Group will be, subject to risks relating to product safety and dangerous goods regulations.

Products sold by Glencore and Xstrata are in many cases covered by national and international product safety and dangerous goods regulations. In some instances, product safety regulations (for example, the EU's Chemical Control Act, REACH or the International Organization for Standardization in relation to food safety) oblige manufacturers and importers to register their products and to regularly monitor and evaluate the risks and hazards of substances (chemicals, metals and illnesses, etc.) to protect humans and the environment from harm during handling, storage and use. Any failure in complying with these obligations could result in a delay of Glencore's and Xstrata's product delivery, a loss of insurance coverage, business interruption on the customer side, administrative or criminal sanctions and, in the extreme, banning (temporarily) from a marketplace. Such events could have a material impact on the local or global demand, reducing Glencore's marketing opportunities for such a product, or at least increase the handling costs while shipping and placing the product in the market, all of which could have a material adverse effect on the business, results of operations and financial condition of Glencore, Xstrata and the Combined Group.

Glencore and Xstrata are dependent on their financial, accounting, marketing and other data processing information systems to conduct their business.

Glencore's and Xstrata's software applications for areas such as traffic, accounting and finance are primarily based on integrated standard components. Glencore's and Xstrata's key business processes rely on in-house developed modules and are regularly adapted to suit their business needs. All of these applications are primarily managed from their respective headquarters and are available to all the major business locations. If any of these systems do not operate properly or are disabled, Glencore and/or Xstrata could suffer, among other things, financial loss, a disruption of its business, liability to its counterparties, regulatory intervention or reputational damage.

Glencore and Xstrata are, and, if the Merger becomes Effective, the Combined Group will be, exposed to and subject to a significant number of laws and regulations.

The activities of Glencore and Xstrata are, and the activities of the Combined Group will be, exposed to and subject to extensive laws and regulations governing various matters. These include laws and regulations relating to bribery and corruption, taxation, antitrust, financial markets regulation, environmental protection, management and use of hazardous substances and explosives, management of natural resources, licences over resources owned by various governments, exploration, development of projects, production and post-closure reclamation, the employment of expatriates, labour and occupational health and safety standards, and historic and cultural preservation, some of which may be more relevant to the Combined Group following the Merger. Additionally, in many of the developing countries where Glencore and Xstrata operate, the legal systems may not be mature and legal practice may not be developed, such that, in certain cases, there may be significant uncertainty as to the correct legal position, as well as the possibility of laws changing or new laws and regulations being enacted, which has the potential to increase risk and compliance costs.

These laws and regulations may allow governmental authorities and private parties to bring lawsuits based upon damages to property and injury to persons resulting from the environmental, health and safety and other impacts of Glencore's and Xstrata's past and current operations, and could lead to the imposition of substantial fines, penalties, other civil or criminal sanctions, the curtailment or cessation of operations, orders to pay compensation, orders to remedy the effects of violations and/or orders to take preventative

steps against possible future violations. Moreover, the costs associated with compliance with these laws and regulations are substantial. Any changes to these laws or regulations or more stringent enforcement or restrictive interpretation of current laws and regulations by governmental authorities or rulings or clearances obtained from such governmental authorities could cause additional expenditure (including capital expenditure) to be incurred or impose restrictions on or suspensions of Glencore's and Xstrata's operations and delays in the development of their properties.

Glencore's, Xstrata's and the Combined Group's subsidiaries and the companies in which they hold investments are generally required, under applicable laws and regulations, to seek governmental licences, permits, authorisations, concessions and other approvals in connection with their activities. Obtaining the necessary governmental permits can be a particularly complex and time-consuming process and may involve costly undertakings. The duration and success of permit applications are contingent on many factors, including those outside Glencore's, Xstrata's and the Combined Group's control. Failure to obtain or renew a necessary permit could mean that such companies would be unable to proceed with the development or continued operation of a mine or project, which, in turn, may have a material adverse effect on the business, results of operations, financial condition and prospects of Glencore, Xstrata and the Combined Group.

In addition, the enactment of new laws and regulations and changes to existing laws and regulations (including, but not restricted to, environmental laws, the imposition of higher licence fees, mining and hydrocarbon royalties or taxes), compliance with which could be expensive or onerous, could also have a material adverse impact on the ability of Glencore, Xstrata and the Combined Group to operate their businesses and/or the profitability of their industrial investments.

Glencore and Xstrata are, and, if the Merger becomes Effective, the Combined Group will be, subject to emissions and climate change regulations.

Glencore's and Xstrata's global presence exposes them to a number of jurisdictions in which regulations or laws have been or are being considered to limit or reduce emissions. The likely effect of these changes will be to increase the cost for fossil fuels, impose levies for emissions in excess of certain permitted levels and increase administrative costs for monitoring and reporting. Increasing regulation of greenhouse gas emissions, including the progressive introduction of carbon emissions trading mechanisms and tighter emission reduction targets in numerous jurisdictions in which Glencore and Xstrata operate, is likely to raise production, transportation and administrative costs. In addition, regulation of greenhouse gas emissions in the jurisdictions of Glencore's and Xstrata's major customers and in relation to international shipping could also have a material adverse effect on the demand for Glencore's and Xstrata's products.

Social, economic and other risks in the markets where Glencore and Xstrata operate may cause serious disruptions to their businesses.

Through the geographic diversity of their operations, Glencore and Xstrata are exposed to risks of political unrest, strikes, war and economic and other forms of instability, such as natural disasters, epidemics, widespread transmission or diseases, acts of God, terrorist attacks and other events beyond their control that may adversely affect local economies, infrastructure and livelihoods.

These events could result in disruption to Glencore's, Xstrata's and their customers' or suppliers' businesses and seizure of, or damage to, any of their cargoes or assets. Such events could also cause the destruction of key equipment and infrastructure (including infrastructure located at or serving Glencore's and Xstrata's industrial activities, as well as the infrastructure that supports the freight and logistics required by Glencore's marketing operations). These events could also result in the partial or complete closure of particular ports or significant sea passages, such as the Suez or Panama canals or the Straits of Hormuz, potentially resulting in higher costs, congestion of ports or sea passages, vessel delays or cancellations on some trade routes. Any of these events could adversely impact the business and results of operations of Glencore, Xstrata and the Combined Group.

Each of Glencore's and Xstrata's reputation in the communities in which it operates could deteriorate.

The continued success of Glencore's and Xstrata's existing operations and their future projects are in part dependent upon broad support and a healthy relationship with the respective local communities. If it is perceived that Glencore or Xstrata is not respecting or advancing the economic and social progress and safety of the communities in which it operates, its reputation and shareholder value could be damaged,

which could have a negative impact on its "social licence to operate", its ability to secure new resources and its financial performance.

Some of Glencore's and Xstrata's current and potential industrial activities are located in or near communities that may regard such operations as having a detrimental effect on their safety or environmental, economic or social circumstances. The consequences of negative community reaction could also have a material adverse impact on the cost, profitability, ability to finance or even the viability of an operation. Such events could lead to disputes with national or local governments or with local communities or any other stakeholders and give rise to material reputational damage. If Glencore's or Xstrata's operations are delayed or shut down as a result of political and community instability, its earnings may be constrained and the long-term value of its business could be adversely impacted. Even in cases where no action adverse to Glencore or Xstrata is actually taken, the uncertainty associated with such political or community instability could negatively impact the perceived value of Glencore's and Xstrata's assets and industrial investments and, consequently, have a material adverse effect on the financial condition of Glencore, Xstrata and the Combined Group.

Glencore, Xstrata and, if the Merger becomes Effective, the Combined Group may fail to make successful acquisitions or fail to integrate acquisitions effectively.

From time to time, Glencore and Xstrata consider, and the Combined Group will consider, the acquisition of complementary businesses or assets where the opportunity is presented to do so at attractive prices. For example, on 20 March 2012, Glencore announced that it had agreed, subject to certain conditions, a C$6.1 billion acquisition of Viterra in conjunction with a disposal of certain of its assets to Agrium and Richardson. Business combinations entail a number of risks, including the ability of Glencore, Xstrata and the Combined Group to integrate effectively the businesses acquired with their existing operations (including the realisation of synergies, significant one-time write-offs or restructuring charges, difficulties in achieving optimal tax structures and unanticipated costs). All of these may be exacerbated by the diversion of management's attention away from other on-going business concerns. Further acquisitions to be made by Glencore or, if the Merger becomes Effective, the Combined Group may be subject to certain approvals (for example, antitrust approvals) which may or may not be obtained. Glencore, Xstrata and the Combined Group may also be liable for the past acts, omissions or liabilities of companies or businesses they have acquired, which may be unforeseen or greater than anticipated at the time of the relevant acquisition. In addition, various factors could impact the estimated synergies for potential acquisitions and have a material adverse impact on Glencore's, Xstrata's and the Combined Group's business, results of operations and financial condition.

The industries in which Glencore and Xstrata operate are subject to a wide range of risks as described elsewhere in this section, not all of which can be covered, adequately or at all, by their insurance programmes.

Glencore and Xstrata have broad insurance programmes in place which provide coverage for operations at a level believed by their respective directors to be appropriate for the risks associated therewith. Such insurance protection is maintained with leading international insurance providers and, in the case of Xstrata, for certain parts of its property and business interruption insurance, directly with a wholly-owned insurance subsidiary, and includes coverage for physical loss and damage to owned vessels, as well as third party liability, including for sudden, unintended and unexpected pollution events. However, although Glencore's and Xstrata's insurance is intended to cover the majority of the risks to which they are exposed, it cannot account for every potential risk associated with their operations. Adequate coverage at reasonable rates is not always commercially available to cover all potential risks and no assurance can be given that, where available, such coverage would be sufficient to cover all loss and liability to which Glencore or Xstrata may be exposed. The occurrence of a significant adverse event not fully or partially covered by insurance could have a material adverse effect on the business, results of operations and financial condition of Glencore, Xstrata and the Combined Group.

The maintenance of positive employee and union relations and the ability to attract and retain skilled workers is key to the successful operation of Glencore and Xstrata.

Some of Glencore's employees, as well as employees in non-controlled industrial investments, and the majority of the employees at Xstrata's industrial activities, are represented by labour unions under various collective labour agreements. Glencore, Xstrata, their subsidiaries or the industrial investments in which they hold an interest may not be able to satisfactorily renegotiate their collective labour agreements when they expire and may face tougher negotiations or higher wage demands than would be the case for

non-unionised labour. In addition, existing labour agreements may not prevent a strike or work stoppage at their facilities in the future, and any strike or other work stoppage could have a material adverse effect on Glencore's or Xstrata's business, results of operations and financial condition. Glencore's and Xstrata's industrial activities have experienced strikes and other labour disputes in the past and their respective directors believe that strikes and other industrial actions will remain a risk to the business for the foreseeable future.

The success of Glencore's and Xstrata's business is also dependent on their ability to attract and retain highly effective marketing and logistics personnel, as well as highly qualified and skilled engineers and other industrial, technical and project experts to operate their industrial activities in locations experiencing political or civil unrest, or in which they may be exposed to other hazardous conditions. Glencore and Xstrata may not be able to attract and retain such qualified personnel, and this could have a material adverse effect on the business, results of operations and financial condition of Glencore, Xstrata and the Combined Group.

Risks and other considerations relating to the Merger

The implementation of the Merger is subject to the satisfaction (or waiver, where applicable) of a number of Conditions.

The implementation of the Merger is subject to the satisfaction (or waiver, where applicable) of a number of conditions on or before 31 October 2012 or such later date as Glencore and Xstrata agree (with the consent of the Panel and (if required) the Court), including:

- approval of the Scheme, the Management Incentive Arrangements and related resolutions by Xstrata Shareholders or Xstrata Independent Shareholders (as the case may be) at the Xstrata Court Meeting and the Xstrata General Meeting;
- approval of the Merger by Glencore Shareholders at the Glencore General Meeting;
- antitrust and regulatory clearances in a number of jurisdictions, including the EU, the United States, South Africa, China and Australia;
- sanction of the Scheme and confirmation of the associated Reduction of Capital by the Court; and
- the UKLA and London Stock Exchange approving Admission.

There is no guarantee that these (or any other) Conditions will be satisfied (or waived, if applicable). Failure to satisfy any of the Conditions may result in the Merger not being completed.

The Glencore Group must obtain governmental, antitrust and regulatory consents, including from the European Commission, to complete the Merger, which, if delayed, not granted or granted on terms not reasonably satisfactory to Glencore, may jeopardise or delay the Merger, result in additional expenditures of money and resources and/or reduce the anticipated benefits of the Merger.

The Merger is conditional on, amongst other things, the receipt of governmental, antitrust and regulatory clearances from authorities with jurisdiction over the operations of the Glencore Group and the Xstrata Group, including the EU, the United States, South Africa, China and Australia. The authorities from which the Glencore Group is seeking these clearances have discretion in administering the governing regulations. As a condition to their clearance of the transactions contemplated by the Merger, authorities may impose requirements, limitations or costs or require divestitures or place restrictions on the conduct of the Combined Group's business. In addition, Glencore may propose remedies, such as divestitures, in order to obtain such clearances. Any such requirements, limitations, costs, divestitures or restrictions could jeopardise or delay completion of the Merger or may reduce the anticipated benefits of the acquisition of Xstrata to the Combined Group. In addition, the Merger will lapse if (a) the Merger or any matters arising from it are referred, by the European Commission, to a Phase II investigation prior to the Xstrata Court Meeting or (b) Glencore invokes the relevant Condition as a result of either the Merger or any matter arising from it being referred, by the European Commission, to a Phase II investigation after the Xstrata Court Meeting or if the Merger is approved on terms which are not reasonably satisfactory to it. If the European Commission refers the Merger, or any matter arising from it, to a Phase II investigation after the Xstrata Court Meeting and Glencore does not invoke the relevant Condition, the Merger may also lapse if the European Commission approval is not obtained by 31 October 2012 or such later date as Glencore and Xstrata agree (with the consent of the Panel and (if required) the Court). Similarly, in accordance with the Code and the Conditions, if any of the clearances for jurisdictions (other than the EU) are not granted or

are granted subject to conditions that are of material significance to Glencore in the context of the Merger, Glencore may invoke the relevant Condition and cause the Merger to lapse. If any of these clearances are granted subject to conditions that are not acceptable to Xstrata, Xstrata may withdraw its recommendation for the Merger and/or elect not to implement the Merger in accordance with the published timetable thereby causing the Conditions not to be satisfied and the Merger to lapse.

Even if a material adverse change to Xstrata's business or prospects was to occur, in certain circumstances, Glencore may not be able to invoke the Conditions and terminate the Merger, which could reduce the value of Glencore Shares.

Completion of the Merger is subject to a number of conditions, including that there is no material adverse change affecting Xstrata before the Scheme is sanctioned by the Court. Under the Takeover Code, and except for certain antitrust clearance and Scheme-related conditions, Glencore may invoke a condition to the Merger to cause the Merger not to proceed only if the Panel is satisfied that the circumstances giving rise to that condition not being satisfied are of material significance to Glencore in the context of the Merger.

If a material adverse change affecting Xstrata were to occur and the Panel did not allow Glencore to invoke a condition to cause the Merger not to proceed, the market price of Glencore Shares or the Combined Group's business or financial condition may be materially adversely affected.

Glencore may fail to realise the business growth opportunities, margin benefits, cost savings and other synergies anticipated from, or may incur unanticipated costs associated with, the Merger.

There is no assurance that the Merger will achieve the business growth opportunities, margin benefits, cost savings and other synergies Glencore anticipates. Glencore believes that the consideration for the Merger is justified in part by the business growth opportunities, margin benefits, cost savings and other synergies it expects to achieve by combining its operations with Xstrata. However, these expected business growth opportunities, margin benefits, cost savings and other synergies may not develop and other assumptions upon which Glencore determined the consideration may prove to be incorrect.

Glencore may also face challenges with the following: redeploying resources in different areas of operations to improve efficiency; minimising the diversion of management attention from on-going business concerns; and addressing possible differences between Glencore's business culture, processes, controls, procedures and systems and those of Xstrata.

Under any of these circumstances, the business growth opportunities, margin benefits, cost savings and other synergies anticipated by Glencore to result from the Merger may not be achieved as expected, or at all, or may be delayed. To the extent that Glencore incurs higher integration costs or achieves lower margin benefits or fewer cost savings than expected, its and the Combined Group's results of operations, financial condition and the price of Glencore Shares may suffer.

The Combined Group's future prospects will, in part, be dependent on the Combined Group's ability to integrate the Xstrata Group effectively, including the successful integration and motivation of certain Glencore and Xstrata key employees.

The Combined Group's future prospects may, in part, be dependent upon the Combined Group's ability to integrate the Xstrata Group successfully and any other businesses that it may acquire in the future without disruption to the existing business. The performance of the Combined Group in the future will, amongst other things, also depend on the successful integration and motivation of key employees from both the Xstrata Group and the Glencore Group. It is possible that failure to retain certain individuals during the integration period will affect the ability to integrate the Xstrata Group successfully into the Combined Group and could have a material adverse effect on the Combined Group's business, financial condition, results of operations and/or prospects.

Glencore Shareholders and Xstrata Shareholders will own a smaller percentage of the Combined Group than they currently own of Glencore and Xstrata, respectively.

After completion of the Merger, Glencore Shareholders and Xstrata Shareholders will own a smaller percentage of the Combined Group than they currently own of Glencore and Xstrata, respectively. Based on the number of Xstrata Shares in issue as at 29 May 2012 (being the latest practicable date prior to publication of this document) and assuming (a) that the Xstrata Employee Benefit Trust will be issued with

new Xstrata Shares such that it holds sufficient Xstrata Shares at the Scheme Record Time to satisfy all share options outstanding under the Xstrata Share Schemes, (b) vesting of all share awards held under the Xstrata Share Schemes over Xstrata Shares and such Xstrata Shares being acquired by Glencore and (c) none of the Glencore Convertible Bonds being converted into Glencore Shares, upon the Merger becoming Effective and the issuance of the New Glencore Shares, Existing Glencore Shareholders and former Xstrata Shareholders will own approximately 55.0 per cent. and approximately 45.0 per cent. respectively of the outstanding shares of the Combined Group.

Risks of executing the Merger could cause the market price of Glencore Shares to decline.

The market price of Glencore Shares may decline as a result of the Merger, among other reasons, if:

- the integration of Xstrata's business is delayed or unsuccessful;
- Glencore does not achieve the expected benefits of the Merger as rapidly or to the extent anticipated by analysts or investors or at all;
- the effect of the Merger on Glencore's financial results is not consistent with the expectations of analysts or investors; or
- Glencore Shareholders or former Xstrata Shareholders sell a significant number of Glencore Shares after completion of the Merger.

Depending on the legal method for implementing the Merger, Glencore may not be able to acquire the entire issued share capital of Xstrata, which would mean that there would be minority shareholders in Xstrata.

Subject to the consent of the Panel (where necessary) and the prior written consent of Xstrata, Glencore may elect to implement the Merger by way of a Merger Offer, rather than the Scheme, and within certain parameters will be able to determine the level at which the acceptance condition for the takeover offer will be set. If the acceptance level is set at (or is reduced during the takeover process to) less than 90 per cent. by value of the Xstrata Shares subject to the offer and of voting rights carried by those shares, it is possible that the acceptance condition will be satisfied (so that Glencore cannot invoke the condition and withdraw its offer), but that an insufficient number of Xstrata Shareholders will accept the offer to allow Glencore to compulsorily acquire the shares of those shareholders who have not accepted the offer. In such circumstances, minority shareholders would retain a stake in Xstrata and would benefit from certain legal protections afforded to them under English law. In addition, Glencore may be unable to realise all of the benefits that it might otherwise obtain from a successful completion of the Merger if there are minority shareholders in Xstrata after completion of the Merger.

Risks and other considerations relating to Glencore Shares

The price of Glencore Shares is subject to volatility.

The share prices of publicly traded companies can be highly volatile. The market price of Glencore Shares could be subject to significant fluctuations due to a change in sentiment in the market regarding Glencore Shares (or securities similar to them), including, in particular, in response to various facts and events, including any regulatory changes affecting Glencore's operations, variations in Glencore's operating results and/or business developments of Glencore and/or its competitors, the operating and share price performance of other companies in the industries and markets in which Glencore operates, large sales or purchases of shares, the publication of research analysts' reports regarding Glencore, its competitors or the sectors in which Glencore operates generally and general economic conditions unrelated to Glencore's actual performance or conditions in its key markets. Stock markets have in the past, and particularly in recent times, experienced significant price and volume fluctuations which have affected market prices of publicly traded companies' securities. Furthermore, Glencore's operating results and prospects from time to time may be below the expectations of market analysts and investors. Any of these events could result in a decline in the market price of Glencore Shares. In addition, there is also no guarantee that Glencore Shares will remain listed on the London Stock Exchange and the Hong Kong Stock Exchange, and failure to maintain Glencore's listings on these exchanges could adversely affect the liquidity of the market for Glencore Shares.

Future share issues by Glencore and/or sales by Glencore Shareholders could lower the market price of Glencore Shares and adversely affect Glencore's ability to raise capital in the future. Further share issues could also dilute the interests of Glencore Shareholders.

The issue of additional shares by Glencore or the sale or transfer of Glencore Shares or the possibility of such issue or sale may cause the market price of Glencore Shares to fluctuate or decline or be lower than might otherwise be the case or result in the dilution of the interests of Glencore Shareholders. In particular, there can be no assurance that there will be no significant disposals of Glencore Shares following the expiry of the lock-up arrangements. Future share sales, or perceived future share sales, of substantial numbers of Glencore Shares could materially and adversely affect Glencore's ability to raise capital in the future at a time and price favourable to Glencore.

Investors in Glencore may suffer a dilution in their interest upon any conversions by the holders of Glencore Convertible Bonds.

Glencore Finance (Europe) S.A., one of Glencore's financing vehicles, has issued US$2.3 billion guaranteed convertible bonds due 2014. Following Glencore's IPO in May 2011, investors in Glencore Convertible Bonds are eligible to convert their bonds into Glencore Shares and, as at 29 May 2012 (being the latest practicable date prior to publication of this document), Glencore Convertible Bonds still outstanding would in total represent 5.6 per cent. of the total issued share capital of Glencore and, following the Merger, 3.2 per cent. of the total issued share capital of the Combined Group. Any such conversions will have the effect of diluting the interest of Glencore Shareholders and, following the Merger, shareholders of the Combined Group.

Exchange rate fluctuations may adversely affect the foreign currency value of Glencore Shares and any dividends.

Glencore Shares are quoted in pounds sterling on the London Stock Exchange and in Hong Kong dollars on the Hong Kong Stock Exchange. Dividends in respect of Glencore Shares, if any, will be declared in US dollars. Glencore's financial statements are, however, prepared in US dollars. Fluctuations in the exchange rate between the US dollar and each of the pounds sterling and the Hong Kong dollar will affect, amongst other matters, the pounds sterling and Hong Kong dollar value of Glencore Shares and of any dividends.

Glencore Shareholders in the US may not be able to participate in future equity offerings.

The Articles provide for pre-emptive rights to be granted to Glencore Shareholders, unless such rights are disapplied by a shareholder resolution. Glencore Shareholders in the United States may, however, not be entitled to exercise these rights, unless the rights or Glencore Shares are registered under the US Securities Act or Glencore has available to it, and utilises, an exemption from the registration requirements of the US Securities Act.

There can be no assurance that Glencore will file any such registration statement, or that an exemption from the registration requirements of the US Securities Act will be available, which could result in Glencore Shareholders in the United States being unable to exercise their pre-emptive rights. Glencore would expect to evaluate at the time of any rights or similar offering the costs and potential liabilities associated with any such registration statement or qualifying for an exemption from registration, as well as the indirect benefits of enabling Glencore Shareholders in the United States to exercise any pre-emptive rights for Glencore Shares and any other factors considered appropriate at the time, prior to making a decision whether to file a registration statement with the US Securities and Exchange Commission or utilise an exemption from the registration requirements of the US Securities Act.

Glencore and certain of its operating subsidiaries and associates may be subject to restrictions on their ability to pay dividends.

Glencore's results of operations and financial condition are entirely dependent on the financial performance of members and associates of the Glencore Group other than Glencore. Glencore's ability to pay dividends will depend, among other things, on the level of distributions, if any, received from Glencore's, and, if the Merger becomes Effective, the Combined Group's, operating subsidiaries and interests, and their level of cash balances. Certain of Glencore's, and, if the Merger becomes Effective, the Combined Group's, operating subsidiaries may, from time to time, be subject to restrictions on their ability to make distributions to Glencore or return cash to it by other means, and there can be no assurance that such restrictions will not have a material adverse effect on the market price of Glencore Shares.

The rights afforded to Glencore Shareholders are governed by Jersey law. Not all rights available to shareholders under English law, Hong Kong law or US law will be available to Glencore Shareholders.

The rights afforded to Glencore Shareholders will be governed by Jersey law and by the Articles, and these rights differ in certain respects from the rights of shareholders in typical English and Hong Kong companies and US corporations. In particular, Jersey law significantly limits the circumstances under which shareholders of companies may bring derivative actions and, in most cases, only the corporation may be the proper claimant or plaintiff for the purposes of maintaining proceedings in respect of any wrongful act committed against it. Neither an individual nor any group of shareholders has any right of action in such circumstances. In addition, Jersey law does not afford appraisal rights to dissenting shareholders in the form typically available to shareholders of a US corporation.

Foreign investors may find it difficult to enforce foreign judgments obtained against Glencore or any of its affiliates.

Glencore is a holding company organised as a public limited company incorporated in Jersey with business operations conducted through various subsidiaries. The majority of the Directors (and Proposed Directors) and all of its officers reside outside the United States. In addition, substantially all of Glencore's assets and the majority of the assets of its directors and officers are and will be located outside the United States. As a result, it may not be possible for US investors to effect service of process within the United States upon Glencore or the Directors, Proposed Directors and officers located outside the United States or to enforce, in the US courts or outside the United States, judgments obtained against them in US courts or in courts outside the United States, including judgments predicated upon the civil liability provisions of the US federal securities laws or the securities laws of any state or territory within the United States.

There is also doubt as to the enforceability in England and Wales, Jersey, Switzerland and/or Hong Kong, whether by original actions or by seeking to enforce judgments of US courts, of claims based on the federal securities laws of the United States. In addition, punitive damages in actions brought in the United States or elsewhere may be unenforceable in England and Wales, Jersey, Switzerland and/or Hong Kong.

As a company listed on the London Stock Exchange and the Hong Kong Stock Exchange, Glencore is subject to both United Kingdom and Hong Kong laws, regulations and policies.

Hong Kong laws, regulations and policies may differ in some respects from comparable laws, regulations and policies in the United Kingdom. The differences in compliance requirements may subject Glencore to additional regulatory burdens. Glencore has been granted a number of waivers and exemptions from Hong Kong laws and regulations.

In the event of any conflict between the applicable laws, regulations and policies in the United Kingdom and those in Hong Kong, or, if any of Glencore's waivers or exemptions were to be revoked, Glencore will have to comply with the more onerous rules and may incur additional costs and require additional resources.

EXPECTED TIMETABLE OF PRINCIPAL EVENTS

The dates and times given in the table below in connection with the Merger are indicative only and are based on Glencore's current expectations and may be subject to change (including as a result of changes to Court times, the regulatory timetable and/or the process for implementation of the Merger).

If any of the times and/or dates below change, the revised times and/or dates will be notified by Glencore to Glencore Shareholders through a Regulatory Information Service.

All references in this document to times and dates are to London times and dates unless otherwise stated.

Event	Time and/or date
Glencore General Meeting	11.00 a.m. Zug time on 11 July 2012[(1)]
Xstrata Court Meeting	11.00 a.m. Zug time on 12 July 2012
Xstrata General Meeting	11.30 a.m. Zug time on 12 July 2012[(2)]
Scheme Court Hearing to sanction the Scheme[(3)]	A date expected to be in the third quarter of 2012 ("D")
Reduction Court Hearing to confirm the Reduction of Capital[(3)]	D + 2
Scheme Record Time[(3)]	6.00 p.m. on D + 2
Effective Date[(3)]	D + 3
Delisting of Xstrata Shares[(3)]	D + 4
Issue and listing of the New Glencore Shares (and crediting of the New Glencore Shares in uncertificated form to CREST accounts)[(3)]	8.00 a.m. on D + 4
Admission and commencement of dealings on the London Stock Exchange of the New Glencore Shares[(3)(4)]	by 8.00 a.m. on D + 4
Posting of share certificates for the New Glencore Shares (where applicable)[(3)]	by no later than D + 17

Notes:

(1) The Glencore General Meeting will be held at Theatre-Casino Zug, Artherstrasse 2-4, Zug, Switzerland.

(2) Or as soon thereafter as the Xstrata Court Meeting shall have concluded or been adjourned.

(3) These times and dates are indicative only and will depend, amongst other things, on the date upon which (a) the Conditions are satisfied or (if capable of waiver) waived, (b) the Court sanctions the Scheme and confirms the associated Reduction of Capital, and (c) a copy of the Reduction Court Order has been delivered to the Registrar of Companies and, if the Court so orders for the Reduction of Capital to take effect, the Reduction Court Order and the Statement of Capital have been registered by the Registrar of Companies, following the prior delivery of the Scheme Court Order to the Registrar of Companies.

(4) Hong Kong Admission is expected to occur on the next day following Admission that the Hong Kong Stock Exchange is open for trading in Hong Kong.

INDICATIVE MERGER STATISTICS

Number of Glencore Shares in issue on 29 May 2012[1]	6,922,713,511
Number of the New Glencore Shares to be issued pursuant to the Merger[2]	5,660,317,060
Number of Glencore Shares in issue upon the Merger becoming Effective[2],[3]	12,583,030,571
The New Glencore Shares as a percentage of the Combined Group Ordinary Share Capital[2],[3]	45.0%

Notes:

(1) Being the latest practicable date prior to the publication of this document.

(2) Based on the number of Xstrata Shares in issue as at 29 May 2012, being the latest practicable date prior to the publication of this document and assuming (a) that the Xstrata Employee Benefit Trust will be issued with new Xstrata Shares such that it holds sufficient Xstrata Shares at the Scheme Record Time to satisfy all share options outstanding under the Xstrata Share Schemes and (b) vesting of all share awards held under the Xstrata Share Schemes and such Xstrata Shares being acquired by Glencore.

(3) Assuming none of the outstanding Glencore Convertible Bonds are converted.

IMPORTANT INFORMATION

General

The contents of this Prospectus are not to be construed as legal, business or tax advice. Each prospective investor should consult his or her own lawyer, financial adviser or tax adviser for legal, financial or tax advice.

The contents of the Glencore's website (www.glencore.com) and Xstrata's website (www.xstrata.com) do not form part of this Prospectus and prospective investors should not rely on them. Furthermore, Glencore does not accept any responsibility for the accuracy or completeness of any information reported by the press or other media, or the fairness or appropriateness of any forecasts, views or opinions expressed by the press or other media regarding the Merger or Glencore. Glencore makes no representation as to the appropriateness, accuracy, completeness or reliability of any such information or publication.

Without prejudice to any obligation of Glencore to publish a supplementary prospectus pursuant to section 87G of FSMA and PR 3.4.1 of the Prospectus Rules, neither the publication of this Prospectus nor any issue of Glencore Shares made under this Prospectus shall, under any circumstances, create any implication that there has been no change in the business or affairs of the Glencore Group taken as a whole since the date hereof or that the information contained herein is correct as of any time subsequent to its date.

Notice to Glencore Shareholders and potential investors

United States

This document does not constitute or form part of any offer or invitation to sell or issue, or the solicitation to purchase or subscribe for, the New Glencore Shares in any jurisdiction. The New Glencore Shares have not been, and will not be, registered under the US Securities Act or under the securities laws of any state or other jurisdiction of the United States. Accordingly, the New Glencore Shares may not be offered, sold, resold, delivered, distributed or otherwise transferred, directly or indirectly, in or into the United States absent registration under the US Securities Act or an exemption therefrom. The New Glencore Shares issued to existing Xstrata Shareholders pursuant to the Scheme are expected to be issued in reliance upon an exemption from the registration requirements of the US Securities Act afforded by Section 3(a)(10) thereof. Xstrata Shareholders who were affiliates of Glencore or Xstrata prior to the Effective Date will be subject to certain US transfer restrictions relating to the New Glencore Shares received pursuant to the Scheme.

None of the securities referred to in this Prospectus have been approved or disapproved by the SEC, any state securities commission in the United States or any other US regulatory authority, nor have such authorities passed upon or determined the adequacy or accuracy of this Prospectus. Any representation to the contrary is a criminal offence in the United States.

The distribution of this document into jurisdictions other than the UK may be restricted by law and therefore persons into whose possession this document comes should inform themselves about and observe any such restrictions. Any failure to comply with any such restrictions may constitute a violation of the securities laws of any such jurisdiction. In particular, subject to certain exceptions, this document should not be distributed in, forwarded to or transmitted in or into the United States or any Restricted Jurisdiction.

Other jurisdictions

This document does not constitute, and may not be used for the purposes of, an offer to sell or an invitation or the solicitation of an offer to subscribe for or buy any New Glencore Shares by any person in any jurisdiction: (i) in which such offer or invitation is not authorised; (ii) in which the person making such offer or invitation is not qualified to do so; or (iii) in which, or to any person to whom, it is unlawful to make such offer, solicitation or invitation or would impose any unfulfilled registration, publication or approval requirements on Glencore or the Joint Sponsors. No action has been taken nor will be taken in any jurisdiction by Glencore or the Joint Sponsors that would permit a public offering of the New Glencore Shares in any jurisdiction where action for that purpose is required, nor has any such action been taken with respect to the possession or distribution of this document other than in any jurisdiction where action of that purpose is required. Glencore and the Joint Sponsors do not accept any responsibility for any violation of any restrictions by any other person.

The New Glencore Shares have not been and will not be registered or qualified by a prospectus under applicable securities laws of any jurisdiction other than the United Kingdom. Accordingly, the New Glencore Shares may not be offered, sold, reoffered, resold, pledged or otherwise transferred in or into any jurisdiction where such an offer or sale would violate the relevant securities laws of such jurisdiction.

None of Glencore, the Joint Sponsors and their respective representatives is making any representation to any offeree or purchaser of the New Glencore Shares offered hereby regarding the legality of investment by such offeree or purchaser under appropriate investment or similar laws. Each prospective investor should consult with his, her or its own advisers as to the legal, tax, business, financial and related aspects of purchase of or subscription for the New Glencore Shares.

Presentation of financial information and non-financial operating data with respect to Glencore and the Glencore Group, and, following the Merger, the Combined Group

Non-IFRS Measures

In this Prospectus, certain financial measures are presented that are not recognised by IFRS, including Adjusted EBIT, Adjusted EBIT pre-significant items, Adjusted EBITDA, Adjusted EBITDA pre-significant items and net debt.

Adjusted EBIT

Adjusted EBIT consists of revenue less cost of goods sold and selling and administrative expenses plus share of income from associates and jointly controlled entities and dividends as disclosed on the face of the consolidated statements of income. Although Adjusted EBIT is not typically a measure of operating income, operating performance or liquidity under IFRS, the Directors have presented Adjusted EBIT in this Prospectus because they believe Adjusted EBIT is used by some investors to determine a company's ability to service indebtedness and fund on-going capital expenditure and dividends. Adjusted EBIT should not, however, be considered in isolation or as a substitute for income from operations as determined in accordance with IFRS, or for cash flows from operating activities as determined in accordance with IFRS, or as an indicator of operating performance.

Adjusted EBITDA

Adjusted EBITDA consists of Adjusted EBIT (as defined above) plus depreciation and amortisation. Although Adjusted EBITDA is not typically a measure of operating income, operating performance or liquidity under IFRS, the Directors have presented Adjusted EBITDA in this Prospectus as they believe that Adjusted EBITDA is used by some investors to determine a company's ability to service indebtedness and fund on-going capital expenditure and dividends.

Adjusted EBITDA has limitations as an analytical tool, and an investor should not consider these measures in isolation from, or as a substitute for, analysis of Glencore's results of operations. Some of the limitations of Adjusted EBITDA are that:

- it does not reflect Glencore's cash expenditures or future requirements for capital expenditure or contractual commitments;
- it does not reflect changes in, or cash requirements for, Glencore's working capital needs (as applicable);
- it does not reflect the significant interest expense or the cash requirements necessary to service interest or principal payments in respect of any borrowings;
- although depreciation and amortisation are non-cash charges, the assets being depreciated and amortised will often have to be replaced in the future, and Adjusted EBITDA does not reflect any cash requirements for such replacements; and
- other companies in Glencore's industry may calculate these measures differently from how Glencore does, limiting their usefulness as a comparative measure.

Adjusted EBIT and Adjusted EBITDA may not be indicative of Glencore's historical operating results, nor are they meant to be a projection or forecast of its future results.

Adjusted EBITDA pre-significant items, Adjusted EBIT pre-significant items and Income before attribution pre-significant items

Adjusted EBITDA pre-significant items, Adjusted EBIT pre-significant items and Income before attribution pre-significant items are Adjusted EBITDA, Adjusted EBIT and Income before attribution, respectively, excluding significant items. Significant items represent items of income and expense which, due to their nature or the expected infrequency of the events giving rise to them, are separated for internal reporting and analysis of Glencore's results. Significant items mainly include impairment charges on inventories and other assets.

These measures are intended to provide additional information to investors and analysts, do not have any standardised meaning prescribed by IFRS and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with IFRS. These measures exclude the impact of cash costs of financing activities and taxes, and the effects of changes in operating working capital balances, and therefore are not necessarily indicative of income from operations or cash flow from operations as determined under IFRS. Other companies may calculate these measures differently.

The following table reconciles the key line items on the face of the consolidated statement of income that comprise Adjusted EBIT and reconciles Adjusted EBIT pre-exceptional items, Adjusted EBITDA and Adjusted EBITDA pre-exceptional items for the periods indicated:

	2009	2010	2011
		(US$ million)	
Revenue	106,364	144,978	186,152
Cost of goods sold	(103,133)	(140,467)	(181,938)
Selling and administrative expenses	(839)	(1,063)	(857)
Share of income from associates and jointly controlled entities	82	1,829	1,972
Dividend income	12	13	24
Adjusted EBIT	2,486	5,290	5,353
Add back exceptional items	821	0	45
Adjusted EBIT pre-exceptional items	3,307	5,290	5,398
Add back Depreciation	622	911	1,066
Adjusted EBITDA pre-exceptional items	3,929	6,201	6,464
Deduct exceptional items excluded above	(821)	0	(45)
Adjusted EBITDA	3,108	6,201	6,419
Deduct exceptional items depreciation excluded above	(622)	(911)	(1,066)
Interest expense—net	(587)	(936)	(847)
Gain/(loss) on sale of investments—net	33	(6)	9
Other (expense)/income—net	35	(8)	(511)
Income tax credit/(expense)	(238)	(234)	264
Income before attribution	1,729	4,106	4,268

Net debt

Glencore defines net debt as total current and non-current borrowings and commodities sold with agreements to repurchase less cash and cash equivalents, marketable securities and readily marketable inventory. Glencore includes marketable securities and readily marketable inventory as cash equivalents in its internal definition of net debt. Readily marketable inventory comprises inventory that is readily convertible into cash due to its liquid nature, widely available markets and the fact that any associated price risk is covered. This includes, for example, LME approved inventory (such as copper or aluminium) held at LME warehouses. Given the liquid nature of these inventories and associated funding, which represents a significant share of current assets and liabilities, Glencore believes it is appropriate to consider them as cash equivalents.

Glencore believes this Non-IFRS Measure is a valuable tool in analysing its net debt levels and computing certain debt coverage ratios. This measure is intended to provide additional information to investors and analysts, does not have any standardised meaning prescribed by IFRS and should not be considered in isolation or a substitute for measures of performance prepared in accordance with IFRS.

Pro forma financial information

In this Prospectus, any reference to "pro forma" financial information is to information which has been extracted without material adjustment from the unaudited pro forma financial information contained in Part IX: "Unaudited Pro Forma Financial Information of the Combined Group". The unaudited pro forma financial information contained in Part IX: "Unaudited Pro Forma Financial Information of the Combined Group" has been prepared on the basis of notes set out therein to illustrate the effect on the net assets of the Glencore Group as if the Merger had been completed on 31 December 2011.

The unaudited pro forma financial information has been prepared for illustrative purposes only and, because of its nature, addresses a hypothetical situation and, therefore, does not represent the Glencore Group's actual financial position or results. Future results of operations may differ materially from those presented in the combined financial information due to various factors.

Non-financial operating data

The non-financial operating data included in this Prospectus has been extracted without material adjustment from the Glencore Annual Report and Accounts 2011.

Presentation of information on Xstrata

Production data

Where used in this document in relation to Xstrata and the Xstrata Group, attributable production is that part of production in which the Xstrata Group had an economic interest at the relevant time. It therefore excludes production attributable to minority interests in controlled subsidiaries and the interests of joint venture partners.

Presentation of financial information with respect to Xstrata and the Xstrata Group

Xstrata historical financial information

Unless otherwise indicated, financial information for the Xstrata Group in this Prospectus is presented in US dollars and has been prepared in accordance with IFRS for the financial years ended 31 December 2009, 2010 and 2011.

Accounting for the Prodeco Business

Following shareholder approval, the Xstrata Group acquired 100 per cent. of Prodeco from Glencore International on 3 March 2009 for a net cost of US$2 billion and the rights to Prodeco's earnings from 1 January 2009. The Xstrata Group agreed to grant Glencore a call option to repurchase Prodeco, on any business day up to 4 March 2010, for US$2.25 billion, plus/minus the net cash paid to/received from Prodeco and all profits of Prodeco accrued but not distributed to the Xstrata Group. The investment in Prodeco is included on the balance sheet at 31 December 2009 within current other financial assets. The profits of Prodeco are recognised as finance income in the period earned and the call option premium is included in finance income proportionately over the life of the option.

On 4 March 2010, the Xstrata Group received formal notification from Glencore of the exercise of its option to acquire the Prodeco coal operations for US$2.25 billion, plus the balance of any profits accrued but not distributed to Xstrata during the period 1 January 2009 to the completion date and the net balance of any cash invested by Xstrata. Completion of Glencore's exercise of its option occurred on 14 April 2010.

Presentation of information on Lonmin plc

Neither the Xstrata Group nor the Glencore Group has access to any non-public financial or other information in respect of Lonmin plc. Consequently, any information included in or incorporated by reference into this Prospectus relating to Lonmin has been compiled from information included in its Annual Report and Accounts 2011 only. Such information has been accurately reproduced from such sources and, so far as Glencore is aware and is able to ascertain from information included in public documents filed by Lonmin plc, no facts have been omitted which would render the reproduced information inaccurate or misleading.

EBITDA and EBIT are not defined under IFRS

Although IFRS does not define the measures EBITDA and EBIT, they are measures which are widely used in the natural resources sector to evaluate a company's operating performance. Nevertheless, EBITDA

and EBIT should not be considered in isolation or as a substitute for operating profit, cash flows from operating activities or any other measure for determining Xstrata's operating performance or liquidity that is calculated in accordance with IFRS. As EBITDA and EBIT are not measures of performance defined by IFRS, these measures may not be comparable to similarly titled measures employed by other companies.

Unless otherwise indicated, EBITDA represents, when used in this Prospectus in relation to the Xstrata Group, net profit or loss from continuing operations before interest, taxation, depreciation and amortisation. Unless otherwise indicated, EBIT represents earnings before interest and taxation.

"EBITDA (before exceptional items)" and "EBIT (before exceptional items)" presented under IFRS are EBITDA or EBIT, respectively, before material items of income and expense, presented separately due to their nature or expected infrequency of the events giving rise to them.

Set out below are unaudited reconciliations, based on information extracted without material adjustment from Xstrata's published financial statements, between net profit, EBIT and EBITDA:

	Year ended 31 December		
	2009	**2010**	**2011**
	(in US$ million, except as otherwise stated)		
Net profit[(1)]	**861**	**4,955**	**5,933**
Add back:			
Income tax charge	669	1,653	2,215
Finance costs	795	655	471
Less:			
Finance income	(454)	(152)	(137)
EBIT	**1,871**	**7,111**	**8,482**
Add back:			
Depreciation and amortisation	2,419	2,732	3,217
Impairment of assets	2,553	559	469
Reversal of assets previously impaired	—	—	(463)
EBITDA	**6,843**	**10,402**	**11,705**

Note:

(1) Net profit is profit for the year in the IFRS consolidated financial statements for the years ended 31 December 2009, 2010 and 2011.

Rounding

Percentages and certain amounts included in this Prospectus have been rounded for ease of presentation. Accordingly, figures shown as totals in certain tables may not be the precise sum of the figures that precede them.

Credit ratings

Credit ratings included or referred to in this Prospectus have been issued by Moody's and Standard & Poor's, each of which is established in the European Union. On 31 October 2011, both Moody's and Standard & Poor's were registered under Regulation (EC) No 1060/2009 of the European Parliament and of the Council of 16 September 2009 on credit rating agencies.

Currencies

In this Prospectus: references to "pounds sterling", "£", "GBP", "pence" or "p" are to the lawful currency of the United Kingdom; references to "US dollars", "dollars", "US$", "USD" or "cents" are to the lawful currency of the United States; references to "Hong Kong dollars", "HK$" or "HKD" are to the lawful currency of Hong Kong; references to "Euros", "€" or "EUR" are to the currency introduced at the start of the third stage of European economic and monetary union pursuant to the Treaty establishing the European Community, as amended; references to "Swiss Francs", "Swiss francs" or "CHF" are to the lawful currency of Switzerland; references to "South African Rand" or "ZAR" are to the lawful currency of the Republic of South Africa; references to "Argentine pesos" or "ARS" are to the lawful currency of Argentina; references to "Australian dollars", "A$" or "AUD" are to the lawful currency of Australia; references to "Canadian dollars", "C$", "CDN$" or "CAD" are to the lawful currency of Canada;

references to "Chilean peso" or "CLP" are to the lawful currency of Chile; references to "Colombian pesos" or "COP" are to the lawful currency of Colombia; references to "yen" or "JPY" are to the lawful currency of Japan; references to "Kroner" or "NOK" are to the lawful currency of Norway; references to "Peruvian Sol" or "PEN" are to the lawful currency of Peru; references to "Bolivian boliviano" or "BOB" are to the lawful currency of Bolivia; references to "Congolese franc" or "CDF" are to the lawful currency of the Congo; references to "Kazakhstani Tenge" or "KZT" are to the lawful currency of Kazakhstan; references to the Philippine Peso or "PHP" are to the lawful currency of the Philippines; and references to "Zambian kwacha" or "ZMK" are to the lawful currency of Zambia.

Glencore and Xstrata prepare their financial statements in US dollars. The basis of translation of foreign currency for the purpose of inclusion of the financial information set out in Part VI: "Glencore Historical Financial Information" and Part VIII: "Xstrata Historical Financial Information" are described therein. Information derived from such financial information set out elsewhere in this document has been translated on the same basis.

Unless otherwise indicated, the financial information relating to the Glencore Group contained in this document has been expressed in US dollars and indicative exchange rates comprising the average rate used for income statement information and the period end rate used for balance sheet information are shown below:

	Year ended 31 December 2009		Year ended 31 December 2010		Year ended 31 December 2011	
Currencies	**Average rate**	**Period end rate**	**Average rate**	**Period end rate**	**Average rate**	**Period end rate**
USD:ARS	3.73	3.80	3.91	3.98	4.13	4.30
AUD:USD	0.79	0.90	0.92	1.02	1.03	1.02
USD:BOB	7.03	7.07	7.02	6.99	6.95	6.96
USD:CAD	1.14	1.05	1.03	1.00	0.99	1.02
USD:CDF	805	907	906	915	919	911
USD:CHF	1.09	1.04	1.04	0.94	0.89	0.94
USD:CLP	559	507	510	468	484	520
USD:COP	2,154	2,044	1,897	1,908	1,848	1,939
EUR:USD	1.39	1.43	1.33	1.34	1.39	1.30
GBP:USD	1.57	1.62	1.55	1.56	1.60	1.55
USD:HKD	7.75	7.75	7.77	7.77	7.78	7.77
USD:JPY	93.60	93	87.70	81.10	79.70	76.90
USD:KZT	148	148	147	147	147	148
USD:NOK	6.29	5.79	6.04	5.82	5.61	5.98
USD:PEN	3.01	2.89	2.82	2.81	2.75	2.70
USD:PHP	47.60	46.20	45.10	43.80	43.30	43.80
USD:ZAR	8.41	7.40	7.32	6.63	7.26	8.09
USD:ZMK	5,047	4,641	4,799	4,800	4,862	5,125

Unless otherwise indicated, the financial information relating to the Xstrata Group contained in this document has been expressed in US dollars and indicative exchange rates comprising the historical average and closing rates of the relevant currencies are set out in Part VII: "Xstrata Operating and Financial Review" under the section headed "Currency exchange rates".

Presentation of ore reserves and mineral resources information

Ore reserves and mineral resources information contained in this Prospectus and incorporated by reference into this Prospectus has been compiled in accordance with internationally recognised mineral standards (including the JORC Code, SAMREC, the CIM Definition Standards and the CIM Guidelines) based on information compiled by Competent Persons (as defined by the JORC Code, SAMREC and the CIM Definition Standards, as applicable).

Mineral resources are based on mineral occurrences quantified on the basis of geological data and an assumed cut-off grade, and are divided into "measured", "indicated" and "inferred" categories reflecting decreasing confidence in geological and/or grade continuity. No allowances are included for dilution and losses during mining, but the reporting of resource estimates carries the implication that there are reasonable prospects for eventual economic exploitation. Measured and indicated resources may therefore be viewed as the estimation stage prior to the application of more stringent economic criteria for the

reserve definition, such as a rigorously defined cut-off grade and mine design outlines, along with allowances for dilution and losses during mining. It is common practice, for example, for companies to include in the resources category material with a reasonable expectation of being converted to reserves, but for which either the detailed mine planning work has not been undertaken or for which an improvement in economic conditions or exploitation efficiencies would be required to enable the company to exploit the resources economically. An inferred resource is that part of a mineral resource for which tonnage, grade and mineral content can be estimated with a low level of confidence. This categorisation is inferred from geological evidence and assumed, but not verified, geological and/or grade continuity. It is based on information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes which may be limited or of uncertain quality and reliability. Mineral reserves are designated as "proved" and "probable", and are derived from the corresponding measured and indicated resource estimates by including allowances for dilution and losses during mining. It is an explicitly stated further requirement that other modifying economic, mining, metallurgical, marketing, legal, environmental, social and governmental factors must also be taken into account. The measured and indicated mineral resources can be reported as either being inclusive of those mineral resources modified to produce the ore reserves or additional to the ore reserves. Unless otherwise indicated in this Prospectus, in relation to the Glencore Group's assets, measured and indicated resources are stated inclusive of reserves but with no allowance for ore loss or dilution, and inferred resources are stated on an exclusive basis. Unless otherwise indicated in this Prospectus, in relation to the Xstrata Group's assets, measured and indicated resources are stated inclusively, including those mineral resources modified to produce ore reserves.

Oil and gas reserves and resources information

Oil and gas reserves and resources information contained in this Prospectus and incorporated by reference into this Prospectus relating to Glencore's oil and gas assets has been compiled in accordance with the definitions and guidelines set forth in the 2007/SPE/AAPG/WPC/SPEE Petroleum Resource Management System ("PRMS"), which is approved by the Society of Petroleum Engineers as the standard for classification and reporting. As set out in the PRMS, "reserves" are "those quantities of petroleum anticipated to be commercially recoverable by application of development projects to known accumulations from a given date forward under defined conditions". Reserves must further satisfy four criteria: they must be (i) discovered; (ii) recoverable; (iii) commercial; and (iv) remaining (as of the evaluation date) based on the development project(s) applied. Reserves are further categorised in accordance with the level of certainty associated with the estimates and may be sub-classified based on project maturity and/or characterised by development and production status. "Contingent resources" are defined by PRMS as "those quantities of petroleum estimated, as of a given date, to be potentially recoverable from known accumulations, but the applied project(s) are not yet considered mature enough for commercial development due to one or more contingencies". Contingent resources may include, for example, projects for which there are currently no viable markets, or where commercial recovery is dependent on technology under development, or where evaluation of the accumulation is insufficient to clearly assess commerciality. Contingent Resources are further categorised in accordance with the level of certainty associated with the estimates and may be sub-classified based on project maturity and/or characterised by their economic status. "Prospective resources" are defined by PRMS as "those quantities of petroleum estimated, as of a given date, to be potentially recoverable from undiscovered accumulations by application of future development projects". Prospective resources have both an associated chance of discovery and a chance of development. Prospective resources are further subdivided in accordance with the level of certainty associated with recoverable estimates assuming their discovery and development and may be sub-classified based on project maturity.

Forward-looking statements

This Prospectus (including the information incorporated by reference into this Prospectus) 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, 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, Xstrata or the Combined Group 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, Xstrata or the Combined Group to differ materially from the expectations of Glencore, Xstrata or the Combined Group, as applicable, include, among other things, general business and economic conditions globally, commodity price volatility, industry trends, competition, changes in government and other regulations, 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, the inability of the Combined Group to integrate successfully Glencore's and Xstrata's operations and programmes, or the Combined Group incurring and/or experiencing unanticipated costs and/or delays or difficulties relating to the Merger, in each case when the Merger becomes Effective. Such forward-looking statements should therefore be construed in light of such factors.

Neither Glencore nor any of its 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 document will actually occur. These forward-looking statements speak only as at the date of this document.

Investors should specifically consider the factors identified in this document which could cause actual results to differ before making an investment decision. Such risks, uncertainties and other factors are set out more fully in the section headed "Risk Factors". To the extent required by the Listing Rules, the Prospectus Rules and the Disclosure and Transparency Rules of the FSA, the London Stock Exchange, the Securities and Futures Commission of Hong Kong, the Hong Kong Stock Exchange or applicable law, Glencore will update or revise the information in this document. Otherwise, Glencore expressly disclaims any obligations or undertakings to release publicly any updates or revisions to any forward-looking statements contained in this document to reflect any change in the expectations of Glencore, Xstrata or the Combined Group with regard thereto or any change in events, conditions or circumstances on which any such statement is based.

No statement in this document or incorporated by reference into this document is intended to constitute a profit forecast or profit estimate for any period, nor should any statement be interpreted to mean that earnings or earnings per share will necessarily be greater or lesser than those for the relevant preceding financial periods for either Glencore or Xstrata as appropriate.

Defined terms and interpretation

Certain terms used in this document are defined in the section headed "Definitions".

Any reference to any provision of any legislation shall include any amendment, modification, re-enactment or extension thereof.

Unless otherwise stated, all times and dates referred to in this document are references to London times and dates.

Words importing the singular shall include the plural and vice versa, and words importing the masculine gender shall include the feminine or neutral gender.

For the purpose of this document, "subsidiary", "subsidiary undertaking" and "undertaking" have the meanings given by the UK Companies Act.

INFORMATION INCORPORATED BY REFERENCE

The following documents, which have been approved by, filed with or notified to the FSA, and are available for inspection in accordance with paragraph 22 of Part XI: "Additional Information", contain information about Glencore and the Glencore Group which is relevant to this document:

- Glencore's Annual Report and Accounts 2011, containing Glencore's audited consolidated financial statements for the financial year ended 31 December 2011, together with the audit report in respect of that year and a discussion of Glencore's financial performance, and also containing ore reserves and mineral resources information on the Glencore Group as at 31 December 2011.
- Glencore's IPO Prospectus, containing Glencore's audited consolidated financial statements for the financial years ended 31 December 2010 and 2009, together with the audit report in respect of those years, and a discussion of Glencore's financial performance.
- Glencore Circular.

The table below sets out the sections of these documents which are incorporated by reference into, and form part of, this document, and only the parts of the documents identified in the table below are incorporated into, and form part of, this document. The parts of these documents which are not incorporated by reference are either not relevant for the investor or are covered elsewhere in this document. To the extent that any part of any information referred to below itself contains information which is incorporated by reference, such information shall not form part of this document.

Information incorporated by reference into this document	Reference document	Page number(s) in reference document
For the 2011 Financial Year		
Operating and financial review, comprising:	Glencore Annual Report and Accounts 2011	
Key performance indicators	Glencore Annual Report and Accounts 2011	22, 23
Financial review	Glencore Annual Report and Accounts 2011	38–47
Liquidity and capital resources	Glencore Annual Report and Accounts 2011	42–46, 135–136, 143–146
Business review	Glencore Annual Report and Accounts 2011	48–67
Independent auditor's report	Glencore Annual Report and Accounts 2011	105
Consolidated statement of income	Glencore Annual Report and Accounts 2011	106
Consolidated statement of comprehensive income	Glencore Annual Report and Accounts 2011	107
Consolidated statement of financial position	Glencore Annual Report and Accounts 2011	108
Consolidated statement of cash flows	Glencore Annual Report and Accounts 2011	109
Consolidated statement of changes in equity	Glencore Annual Report and Accounts 2011	110
Notes to the financial statements	Glencore Annual Report and Accounts 2011	111–155

Information incorporated by reference into this document	Reference document	Page number(s) in reference document
For the 2010 Financial Year		
Operating and financial review	Glencore IPO Prospectus	159–188
Accountant's report on historical financial information	Glencore IPO Prospectus	190–192
Consolidated statement of income	Glencore IPO Prospectus	193
Consolidated statement of comprehensive income	Glencore IPO Prospectus	194
Consolidated statement of financial position	Glencore IPO Prospectus	195
Consolidated statement of cash flows	Glencore IPO Prospectus	196–197
Consolidated statement of changes in equity	Glencore IPO Prospectus	198
Notes to the historical financial statements	Glencore IPO Prospectus	199–241
For the 2009 Financial Year		
Operating and financial review	Glencore IPO Prospectus	159–188
Accountant's report on historical financial information	Glencore IPO Prospectus	190
Consolidated statement of income	Glencore IPO Prospectus	193
Consolidated statement of comprehensive income	Glencore IPO Prospectus	194
Consolidated statement of financial position	Glencore IPO Prospectus	195
Consolidated statement of cash flows	Glencore IPO Prospectus	196–197
Consolidated statement of changes in equity	Glencore IPO Prospectus	198
Notes to the historical financial statements	Glencore IPO Prospectus	199–241
Other information		
Summary of the Memorandum and Articles of Association	Glencore IPO Prospectus	285–294
Summary of pensions and rules of Glencore employee share plans	Glencore IPO Prospectus	299–303
Glencore summary of reserves and resources	Glencore Annual Report and Accounts 2011	68–77
Xstrata Summary Ore Reserves and Mineral Resources Information	Glencore Circular	62–89
Reconciliation of Financial Information on the Xstrata Group on the basis of the Accounting Policies of the Glencore Group	Glencore Circular	37–42

DIRECTORS, PROPOSED DIRECTORS, COMPANY SECRETARY, REGISTERED OFFICE, HEADQUARTERS AND ADVISERS

DIRECTORS

Simon Murray (Independent Non-Executive Chairman)*
Ivan Glasenberg (Chief Executive Officer)
Steven Kalmin (Chief Financial Officer)*
Anthony Hayward (Senior Independent Non-Executive Director)
Peter Coates (Independent Non-Executive Director)
Leonhard Fischer (Independent Non-Executive Director)
William Macaulay (Independent Non-Executive Director)
Li Ning (Independent Non-Executive Director)*

PROPOSED DIRECTORS**

Sir John Bond
Mick Davis
Con Fauconnier
Peter Hooley
Sir Steve Robson
Ian Strachan

COMPANY SECRETARY

John Burton

REGISTERED OFFICE

Queensway House
Hilgrove Street
St Helier
Jersey JE1 1ES

HEADQUARTERS

Baarermattstrasse 3
P.O. Box 777
CH-6341 Baar
Switzerland

LEGAL ADVISER AS TO ENGLISH LAW

Linklaters LLP
One Silk Street
London EC2Y 8HQ
United Kingdom

AUDITORS AND REPORTING ACCOUNTANTS

Deloitte LLP
2 New Street Square
London EC4A 3BZ
United Kingdom

* Simon Murray, Steven Kalmin and Li Ning will retire as Directors with effect from the Effective Date.

** The Proposed Directors will become directors of the Combined Entity from the Effective Date.

JOINT SPONSORS

Citigroup Global Markets Limited
Citigroup Centre
Canada Square
London E14 5LB
United Kingdom

Morgan Stanley & Co. Limited
25 Cabot Square
Canary Wharf
London E14 4QA
United Kingdom

REGISTRARS

Computershare Investor Services (Jersey) Limited
Queensway House
Hilgrove Street
St Helier
Jersey JE1 1ES

Computershare Hong Kong Investor Services Limited
Shops 1712-1716, 17th Floor
Hopewell Centre
183 Queen's Road East
Wan Chai, Hong Kong

PART I

INFORMATION ON THE MERGER

1 Introduction

On 7 February 2012, the Directors and the Independent Xstrata Directors announced that they had agreed the terms of a recommended all-share merger of equals of Glencore and Xstrata.

The terms of the Merger will provide holders of Scheme Shares with 2.8 New Glencore Shares for each Scheme Share held. It is intended that the Merger will be effected by way of a Court-sanctioned scheme of arrangement of Xstrata under Part 26 of the UK Companies Act, pursuant to which Glencore will acquire the entire issued and to be issued ordinary share capital of Xstrata not already owned by the Glencore Group. Subject to the satisfaction or, where applicable, waiver of the Conditions, it is expected that the Merger will become Effective in the third quarter of 2012.

2 Summary of the terms of the Merger

Under the terms of the Merger, and subject to the Conditions, Scheme Shareholders at the Scheme Record Time will be entitled to receive:

For each Scheme Share **2.8 New Glencore Shares**

On the basis of Glencore's closing share price of 354.1 pence on 29 May 2012 (being the latest practicable date prior to the publication of this document), the Merger values each Xstrata Share at 991.5 pence and the entire issued and to be issued share capital of Xstrata at approximately £30.1 billion (US$47.0 billion).

Immediately following the Effective Date, assuming that the maximum number of the New Glencore Shares to be issued pursuant to the Merger has been issued by that time, it is expected that Xstrata Shareholders other than Glencore will own approximately 45.0 per cent. of the Combined Entity.

The Scheme and the Conditions relating to the Merger are summarised at paragraph 10 below.

3 Dividend entitlement

If the Glencore 2012 interim dividend record date, currently expected to be 31 August 2012, falls before the Effective Date, Xstrata will also pay its interim dividend for the year ending 31 December 2012 (if any) by reference to a record date prior to the Effective Date. In these circumstances, each interim dividend will be of an amount in the normal and regular course and the record date for the Xstrata 2012 interim dividend, currently expected to be 14 September 2012, may be brought forward to the extent necessary to ensure that both sets of shareholders have the opportunity to receive a 2012 interim dividend, if one is paid.

If, however, the Glencore 2012 interim dividend record date falls after the Effective Date, Glencore expects to pay an interim dividend for the year ending 31 December 2012 by reference to that record date and this dividend will also be received by holders of the New Glencore Shares. In these circumstances, Xstrata will not pay an interim dividend for the year ending 31 December 2012.

4 Background to and reasons for the Merger

The Glencore Board believes that the Merger has compelling logic for both Glencore and Xstrata and that it is the logical next step for two highly complementary businesses. The Glencore Board believes that putting together the operational excellence of Xstrata and its leading portfolio of industrial mining and metals assets with the marketing skills and the developing asset base of Glencore will enable the Combined Group to take advantage of changing trends in the way that natural resources are consumed and supplied globally, especially as a result of demand in emerging economies.

The principal benefits of the Merger are summarised below.

Logical next step that transforms both businesses

The Merger will bring together two highly complementary businesses with a long-standing relationship. Both companies have proven track records of growth and value creation for shareholders:

- Glencore has grown from an equity value of approximately US$1.2 billion at its management buy-out in 1994 to a market value (including the Glencore Group's holding in Xstrata) of approximately US$50 billion as at 6 February 2012; and
- Xstrata has delivered total shareholder returns of over 370 per cent.[(3)] since the IPO in March 2002 and has grown from an equity value of approximately US$500 million at creation in 2001 to a market value of approximately US$59 billion as at 6 February 2012.

The Combined Group will benefit from enhanced scale and diversity. It will be the fourth largest global diversified natural resources company and will be a major producer and marketer of 18 commodities. Specifically, the Combined Group will be:

- a global leader in export thermal coal, ferrochrome and integrated zinc production;
- the third largest producer of copper, aiming to grow into the largest independent producer within four years; and
- the fourth largest producer of nickel.

The Combined Group will have operations and projects in 33 countries with over 150 mining and metallurgical facilities, offshore oil production facilities, farms and agricultural facilities and offices in 40 countries with approximately 130,000 employees. Its presence at each stage of the commodities chain will provide it with superior market insight and access to opportunities. These factors, along with its established footprint in emerging regions for natural resources investment, including the African copper-belt, Kazakhstan and South America, as both an operator and a provider of marketing and logistics services to new producers, will provide the Combined Group with substantial new optionality and greater strategic flexibility.

A unique business model, fully integrated along the value chain to capture value in an evolving competitive landscape

The combination of a leading integrated producer and marketer of commodities with a leading portfolio of industrial mining and metals assets will create a fully integrated natural resources group able to capture value at each stage of the commodities chain from extraction, processing, freight, logistics, technology and storage to marketing.

The Combined Group will benefit from optimising growth from within Xstrata and Glencore's complementary project pipelines. In aggregate, the two companies are developing over 25 approved copper, thermal coal, nickel, zinc and alloys growth projects, with an extensive range of further unapproved growth options. Together, the approved projects are currently expected to deliver a compound annual growth rate in production of 11 per cent. per annum in copper equivalent units from 2011 to 2015, weighted towards copper, nickel and thermal coal. The Combined Group will have the ability to prioritise the highest return projects, further enhancing returns. The Directors expect the growth prospects for the Combined Group to be underpinned by volume growth in the combined industrial assets base, which in turn will enhance opportunities for growth in marketing. The marketing operations will in turn benefit from the simplification of Glencore's ownership structure of Xstrata.

In addition, the Combined Group will continue to buy from thousands of third party commodity producers worldwide, and these relationships will also enable the Combined Group to identify opportunities to grow its asset base. The Combined Group's enhanced scale, diversification and financial flexibility will enable it to capture more of these opportunities.

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(3) As at 6 February 2012 and as adjusted for the effects of rights issues.

Positioned to respond to changing industry dynamics

Commodity trade flows are shifting as demand growth is centred on emerging Asian economies and the supply of commodities is increasingly sourced from more remote, challenging and often logistically-constrained locations, with a range of new industry entrants.

The Combined Group will benefit from:

- access to new sources of growth, prospective geographies and new commodities at multiple points along the value chain;
- optimisation of product, marketing and trading interfaces;
- superior industry insight through unique network and market intelligence;
- entrepreneurial culture, devolved authority and strong momentum;
- operational excellence and proven cost improvement track record;
- scale and diversity and organic growth options;
- appropriate financial strategy, with established relationships providing strong access to equity and debt markets;
- access to a large fleet of vessels and strategically located logistical infrastructure;
- expanded product flow to provide customers with a greater range of product qualities, specifications and commodities from a more flexible, geographic base of operations, including access to third-party supply;
- improved ability to compete for access to resources, with enhanced financial flexibility and an established sustainability and governance framework; and
- best-in-class sustainability and operating credentials combined with a commitment to transparency to maintain on-going access to resources.

Governance and organisation designed to maximise effectiveness

The terms of the Merger set out a robust governance and management structure for the Combined Group. The Combined Group Board will be led by non-executive Chairman, Sir John Bond, who will have the casting vote on all matters before the Combined Group Board, Mick Davis, current Xstrata Chief Executive Officer, will be the Chief Executive Officer of the Combined Group and Ivan Glasenberg, current Glencore Chief Executive Officer, will be the Deputy Chief Executive Officer and President of the Combined Group. In addition, the senior management of the Combined Group will include Trevor Reid, current Xstrata Chief Financial Officer, and Steven Kalmin, current Glencore Chief Financial Officer, who will be Chief Financial Officer and Deputy Chief Financial Officer of the Combined Group, respectively.

The Combined Group Board will comprise 11 directors, including nine non-executive directors. A majority of the Combined Group Board will be independent non-executive directors. Each of the nomination, remuneration and audit and risk committees of the Combined Group Board will comprise three non-executive directors.

All management and governance arrangements are intended to remain in place for a period of at least two years following completion of the Merger.

Further details on the Combined Group Board and the governance arrangements are set out in paragraph 6 below.

5 Benefits and financial effects of the Merger

On a pro forma basis and assuming the Merger had become Effective on 31 December 2011, the Combined Group would have had net assets of approximately US$62,192 million (based on the net assets of the Glencore Group and Xstrata Group as at 31 December 2011) as more fully described in Part IX: "Unaudited Pro Forma Financial Information of the Combined Group".

As at the close of business on 29 May 2012, being the latest practicable date prior to publication of this document, the Combined Group would have had a combined market capitalisation of approximately US$69.6 billion.[4]

Glencore believes that the Combined Group will be able to deliver estimated annual EBITDA synergies at an annual run-rate of at least US$500 million in the first full financial year of the Combined Group following the Effective Date[5], the significant majority of which is derived from enhanced marketing activities, with approximately 60 per cent. estimated to emanate from Metals and Minerals, one third from Energy Products and the balance from the reduction of corporate and other costs. Glencore believes that the synergy benefits will arise from the following areas:

- increased marketing volumes: the Combined Group expects to benefit from increased marketing opportunities across the copper, coal, zinc, nickel and ferroalloys product areas, resulting from full marketing access to Xstrata production volumes;
- blending opportunities: enhanced product-related arbitrage opportunities are expected through access to the Combined Group's broadened product mix and the increased ability to blend products for customers;
- geographic arbitrage: optimised logistics resulting from the enlarged geographical footprint is expected to result in enhanced arbitrage opportunities for the Combined Group's marketing business;
- operational efficiencies: cost savings are expected in the Combined Group's industrial and marketing activities associated with freight, logistics and procurement, in each case through increased economies of scale; and
- corporate cost reduction: elimination of duplicated and redundant head office costs and other corporate overheads is expected to result in reduced corporate costs for the Combined Group.

The expected marketing and corporate cost synergies have been calculated on the basis of an analysis of historical marketing margins and Xstrata's and Glencore's respective 2013 budgets and plans. The expected synergies assume that upfront realisation costs are recognised in the second half of 2012. The expected synergy figures set out above are unaudited numbers based on management estimates, are contingent on the Merger completing and most importantly could not be achieved independently.

The Merger is expected to be earnings enhancing for the Combined Group in its first full financial year following the Effective Date as a result of the earnings of the Xstrata Group being consolidated with those of the Glencore Group.[6]

6 Combined Group Board and governance arrangements

The Combined Group Board will comprise 11 directors, including nine non-executive directors, a majority of whom will be independent non-executive directors.

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(4) Based on the number of Glencore Shares in issue on 29 May 2012 (the latest practicable date prior to publication of this document), the maximum number of the New Glencore Shares to be issued pursuant to the Merger and the Closing Price of 354.1 pence per Glencore Share on 29 May 2012.

(5) Nothing in this document should be interpreted to mean that the future earnings per share of Glencore will necessarily match or exceed the historical earnings per share of Glencore or Xstrata.

(6) This statement is not intended to be a profit forecast, nor should it be interpreted to mean that the future earnings per share of Glencore will necessarily match or exceed the historical earnings per share of Glencore or Xstrata.

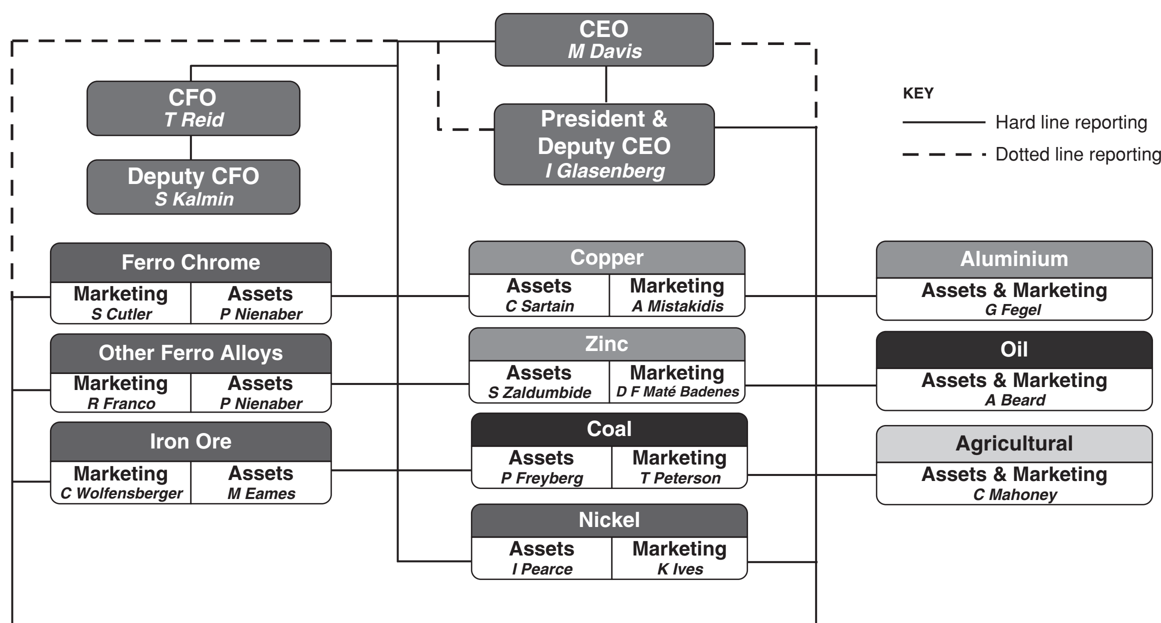
As of the Effective Date, the Combined Group Board will comprise the following members:

Name	Role	Current Company
Sir John Bond	Independent Non-Executive Chairman	Xstrata
Mick Davis	Chief Executive Officer	Xstrata
Ivan Glasenberg	Deputy Chief Executive Officer and President	Glencore
Peter Coates	Independent Non-Executive Director	Glencore
Leonhard Fischer	Independent Non-Executive Director	Glencore
Anthony Hayward	Senior Independent Non-Executive Director	Glencore
William Macaulay	Independent Non-Executive Director	Glencore
Con Fauconnier	Independent Non-Executive Director	Xstrata
Peter Hooley	Independent Non-Executive Director	Xstrata
Sir Steve Robson	Independent Non-Executive Director	Xstrata
Ian Strachan	Independent Non-Executive Director	Xstrata

Trevor Reid, current Xstrata Chief Financial Officer, will be Chief Financial Officer of the Combined Group and Steven Kalmin, current Glencore Chief Financial Officer, will be Deputy Chief Financial Officer of the Combined Group.

The audit committee will be chaired by Leonhard Fischer and its other two members will be William Macaulay and Peter Hooley. The remuneration committee will be chaired by Anthony Hayward and its other two members will be William Macaulay and Con Fauconnier, and Sir John Bond will attend in an *ex officio* capacity. The nominations committee will be chaired by Sir John Bond and its other two members will be Anthony Hayward and Sir Steve Robson. The health and safety, environment and communities committee will be chaired by Ian Strachan and its other members will be Peter Coates, Con Fauconnier and Mick Davis.

7 Management of the Combined Group



Notes :

1. All Assets (with the exception of Aluminium, Oil and Agricultural) will have a hard line report to the CEO.
2. All Assets (with the exception of Aluminium, Oil and Agricultural) will have a dotted line report to the Deputy CEO.
3. All Marketing operations will have a hard line report to the Deputy CEO.
4. All Marketing operations will have a dotted line report to the CEO.
5. Aluminium, Oil and Agricultural will have a hard line report to the Deputy CEO and a dotted line report to the CEO.

Upon completion of the Merger, Glencore's mining and processing operations will be fully integrated into Xstrata's global commodity businesses led by Xstrata's existing operational management teams. Oil, agricultural products, alumina/aluminium and certain vessels, ports, storage facilities and the like

will continue to be operated under existing Glencore management. Xstrata commodity business unit Chief Executives will continue to report directly to Mick Davis, Chief Executive Officer.

The Combined Group's marketing business will be responsible for marketing the Combined Group's output. The marketing, logistics and trading functions will continue to be led by existing Glencore commodity department heads, reporting to Ivan Glasenberg, Deputy Chief Executive Officer and President, who in turn will report to Mick Davis, Chief Executive Officer.

Production from the Combined Group's operations will be transferred to the marketing business at market-related prices. Xstrata's commodity business units will continue to operate as profit centres, responsible for each stage of the production chain from exploration to post-closure obligations and with the objective of maximising the underlying net present value of operations and projects.

A free flow of information and a spirit of collaboration will be fostered between each commodity's operating and marketing heads, who will work closely together within a clearly defined protocol of responsibilities and authority limits.

8 Integration

Post-Merger integration planning is led by a specific steering committee comprising each of the Chief Executive Officers and Chief Financial Officers of Glencore and Xstrata and the Executive General Manager, Strategy and Corporate Affairs of Xstrata. Detailed integration planning began in early May and, subject to what is permissible under applicable antitrust laws, is well underway. Integration teams have been established across each commodity division and corporate function comprising senior Xstrata and Glencore managers, who are working together to define detailed integration plans that will be implemented immediately on completion of the Merger.

These plans comprise:

- detailed organisation charts and processes for each of the corporate functions of the Combined Group, including Accounting, Treasury, Reporting, IT and Legal;
- an operating model, including organisation charts and management appointments, decision rights and governance arrangements for each of the commodity groups; and
- organisation charts, authority limits, key policies, principles and governance arrangements for the Combined Group as a whole.

Within approximately 100 days of the Effective Date, we aim to have completed the principal elements of the restructuring of the Combined Group. This will include all management appointments, reporting structures, operational and executive authority limits and key group policies and processes, including financial reporting, planning and budgeting, treasury and liquidity management policies, sustainability practices, risk and internal audit and compensation.

Xstrata's and Glencore's organisations are highly complementary in assets, geographic locations and capabilities, reducing the overlap and, thus, level of integration risk.

Integration risk is further mitigated by:

- a decade of working together at various levels of the organisation;
- the complementary nature of the two organisations' skills and businesses and an organisational structure for the Combined Group designed to reflect these;
- aligned corporate strategies;
- a common, entrepreneurial, value-focused culture;
- agreement on the key principles of the Combined Entity; and
- Glencore and Xstrata's successful track records of post-transaction integration.

9 Management, employees and locations

Following the Merger becoming Effective, Glencore and Xstrata intend to work together to maintain and build upon the Combined Group's position as one of the world's largest global diversified natural resources companies.

Glencore and Xstrata attach great importance to the skills and experience of the existing management and employees of Xstrata. Accordingly, Glencore has given assurances to the Independent Non-Executive Xstrata Directors that, following completion of the Merger, the pre-existing monetary rights of all Xstrata employees, including employment, share scheme, bonus scheme and pension rights, will be fully safeguarded.

The Management Incentive Arrangements for the Xstrata key employees, being Mick Davis, Trevor Reid, Peter Freyberg, Benny Levene, Thras Moraitis, Peet Nienaber, Ian Pearce, Charles Sartain and Santiago Zaldumbide, along with 64 other Xstrata employees, have been agreed. Details of these arrangements are set out in paragraph 7 of Part XI: "Additional Information". These arrangements comprise: retention awards to motivate these key employees to remain in position following completion of the Merger and to contribute to the execution of the Combined Group's business strategy; payments in respect of provisions in their existing employment contracts with the Xstrata Group in order to secure their acceptance of new roles in the Combined Group; and arrangements in relation to their participation in the Glencore Performance Share Plan following completion of the Merger. Completion of the Merger is conditional upon the approval of the Management Incentive Arrangements by Xstrata Independent Shareholders as described in paragraph 10 below. In addition, the effect of the Merger on the Xstrata Share Schemes is described in paragraph 8 of Part V: "Additional Information".

Glencore and Xstrata believe that whilst the increased size and strength of the Combined Group will offer greater opportunities for both Xstrata and Glencore employees, where there is a combination of similar functions this may result in some rationalisation of the combined workforce.

Following the Merger becoming Effective, the Combined Group will, over time, seek to consolidate offices in locations where duplication exists. In addition, whilst Glencore and Xstrata have project pipelines, the Board will assess the project pipeline and planned capital expenditure of the Combined Group following the Merger in light of all relevant factors including the market conditions and the Combined Group's overall financing commitments.

10 Implementation of the Merger

It is intended that the Merger will be implemented by way of a Court-sanctioned scheme of arrangement between Xstrata and the Scheme Shareholders, under Part 26 of the UK Companies Act.

The purpose of the Scheme is to provide for Glencore to become the holder of the entire issued and to be issued ordinary share capital of Xstrata not already owned by the Glencore Group. This is to be achieved by the cancellation of the Scheme Shares held by Scheme Shareholders and the application of the reserve arising from such cancellation in paying up in full such number of new Xstrata Shares as is equal to the number of Scheme Shares cancelled, and issuing the same to Glencore in consideration of the issue of the New Glencore Shares to Scheme Shareholders on the register of shareholders at the Scheme Record Time on the basis set out in paragraph 2 above.

Summary of the Conditions to the Merger

The Merger is subject to the Conditions and certain further terms, which are summarised below, and will only become Effective if, among other things, the following events occur on or before 31 October 2012 or such later date as Glencore and Xstrata agree (with the consent of the Panel and (if required) the Court):

(a) a resolution to approve the Scheme is passed by a majority in number of the Scheme Shareholders present and voting (and entitled to vote) at the Xstrata Court Meeting, either in person or by proxy, representing three-quarters or more in value of the Scheme Shares held by those Scheme Shareholders (which, for the avoidance of doubt, does not include Glencore);

(b) the Special Resolution necessary to implement the Scheme and to sanction the related Reduction of Capital is passed by the requisite majority of Xstrata Shareholders at the Xstrata General Meeting;

(c) a resolution to approve the Management Incentive Arrangements, inter-conditional with the passing of the Special Resolution, is passed by the Xstrata Independent Shareholders (full details of the Management Incentive Arrangements are set out in paragraph 7 of Part XI: "Additional Information");

(d) the Merger Resolution to be proposed at the Glencore General Meeting to approve the transaction as a "Class 1" transaction under the Listing Rules and to grant authority to the Directors to allot the New Glencore Shares is passed by the requisite majority of Glencore Shareholders (but, for the avoidance of doubt, not the other resolutions to be proposed at the Glencore General Meeting, which shall not be conditions to the Merger);

(e) antitrust and regulatory approvals in a number of jurisdictions, including the EU, the United States, South Africa, China and Australia, are obtained;

(f) the Scheme is sanctioned (with or without modification, on terms agreed by Glencore and Xstrata) and the related Reduction of Capital is confirmed by the Court;

(g) copies of the Scheme Court Order and the Reduction Court Order are delivered to the Registrar of Companies and the Reduction Court Order is registered by the Registrar of Companies, together with the Statement of Capital attached to it;

(h) the UKLA has acknowledged to Glencore or its agent (and such acknowledgement has not been withdrawn) that the application for Admission has been approved and (after satisfaction of any conditions to which such approval is expressed to be subject ("listing conditions")) will become effective as soon as a dealing notice has been issued by the FSA and any listing conditions have been satisfied and the London Stock Exchange has acknowledged to Glencore or its agent (and such acknowledgement has not been withdrawn) that the New Glencore Shares will be admitted to trading; and

(i) the satisfaction or waiver of the other conditions which are considered customary for a transaction of this nature, including, without limitation, no material adverse change occurring in respect of the Xstrata Group and which will be set out in full in the Scheme Document posted to Scheme Shareholders today.

Glencore reserves the right to waive, in whole or part, the Conditions summarised in paragraphs (e) and (i) above.

Upon the Scheme becoming effective: (a) it will be binding on all Scheme Shareholders, irrespective of whether or not they attended or voted at the Xstrata Court Meeting or the Xstrata General Meeting (and, if they attended and voted, whether or not they voted in favour); and (b) share certificates in respect of Xstrata Shares will cease to be valid and entitlements to Xstrata Shares held within the CREST system will be cancelled.

Xstrata Shares will be acquired by Glencore pursuant to the Scheme fully paid and free from all licences, charges, equities, encumbrances, rights of pre-emption and any other interests of any nature whatsoever and together with all rights attaching thereto, including voting rights and the rights to receive and retain in full all dividends and other distributions declared, made or paid on or after the Effective Date, save where the record date for such dividend or other distribution falls prior to the Effective Date or otherwise where Xstrata and Glencore agree otherwise. The New Glencore Shares issued to Scheme Shareholders pursuant to the Scheme will rank *pari passu* in all respects with existing Glencore Shares. Fractions of the New Glencore Shares will not be allotted or issued pursuant to the Merger.

Glencore has reserved the right, subject to the consent of the Panel (where necessary) and the prior written consent of Xstrata, to implement the Merger by way of Merger Offer. Subject to the receipt of such consent(s), in such event, the Merger would be implemented on substantially the same terms, subject to appropriate amendments.

If the Merger does not become Effective on or before 31 October 2012, it will lapse and the Merger will not proceed (unless Glencore and Xstrata agree and the Panel otherwise consents and (if required) if the Court allows).

The Scheme Document setting out the procedures to be followed to approve the Scheme is being posted to Xstrata Shareholders today.

Xstrata equity capital management programme

As has been disclosed publicly by Xstrata on various occasions, the Xstrata Group has in place an equity capital management programme ("ECMP"). The ECMP was set up in 2003 to, among other things, allow Xstrata to purchase Xstrata Shares in the market and hold them at a time when UK companies were not able to hold their own shares in treasury (which is no longer the case). Under the ECMP, up to 10 per cent. of the issued share capital of Xstrata can be purchased in the market by Batiss Investments Limited ("Batiss"), a Guernsey registered entity owned by a charitable trust, which is independent of the Xstrata Group.

As part of the ECMP, Batiss has entered into an option agreement (the "Option Agreement") with Xstrata Finance Dubai Limited ("Xstrata Dubai"), a wholly-owned subsidiary within the Xstrata Group, under which Xstrata Dubai is granted an option to require Batiss to sell any Xstrata Shares it purchases to a third party nominated by Xstrata Dubai (other than a subsidiary of Xstrata) (the "Batiss Option"). For each Xstrata Share over which the Batiss Option is granted, Xstrata Dubai (i) pays Batiss a premium being the equivalent of the market price paid by Batiss, plus associated costs less 0.66 pence, and (ii) subscribes for one non-voting redeemable preference share in Batiss ("Batiss Preference Shares") at a price of 0.66 pence per share. The purchase of Xstrata Shares by Batiss is therefore fully funded. For each Xstrata Share in relation to which the Batiss Option is exercised, Xstrata Dubai must pay an exercise price of 0.66 pence per share to Batiss, and Batiss must redeem one Batiss Preference Share, with the two payments being netted off against each other. The payments by Xstrata Dubai have historically been sourced from its existing cash resources. Xstrata Dubai is able to exercise the Batiss Option for a period of six years from the date of each purchase.

Under the Option Agreement, Batiss waives its right to receive dividends on Xstrata Shares which it holds from time to time. While Xstrata Shares are held by Batiss under the ECMP they are disregarded for the purposes of calculating earnings per Xstrata Share. Batiss is consolidated by the Xstrata Group as a quasi-subsidiary, and Xstrata Shares held by it are accounted for as a deduction from shareholders' funds in the Xstrata Group's consolidated balance sheet.

As at 29 May 2012 (the last practicable date prior to the publication of this document), Batiss held 28,428,786 Xstrata Shares (the "Batiss Shares").

Since the benefits of the ECMP which have been enjoyed by Xstrata since its establishment will not be of value to Glencore (given, among other things, its jurisdiction of incorporation in Jersey) following the Effective Date, in connection with the Merger, it has been agreed by Xstrata and Glencore that the ECMP will be unwound. Further details on the proposed process for achieving this are set out below.

It has been agreed by Xstrata and Glencore that, if and to the extent that Batiss holds any Batiss Shares, following the sanction of the Scheme by the Court at the Scheme Court Hearing but prior to delivery of the Scheme Court Order to the Registrar of Companies, Xstrata Dubai will (in accordance with the terms of the Option Agreement described above) direct Batiss to transfer the Batiss Shares held by it to Glencore for nil consideration.

Consequently, the Batiss Shares shall constitute Excluded Shares for the purposes of the Scheme (since they will be held by Glencore) and will not therefore be cancelled pursuant to the Scheme.

11 Antitrust approvals

EU merger control

The Merger is subject to the EU merger control process. Glencore and Xstrata are working with the European Commission in a pre-notification process and Glencore is working towards a formal filing with the European Commission. This filing will commence a Phase I process during which the European Commission has 25 working days to consider the Merger. The Phase I process will be automatically extended to 35 working days in the event that the parties offer commitments before working day 20, with a view to remedying any antitrust concerns. At the end of the Phase I period, the European Commission may (a) approve the Merger unconditionally, (b) approve the Merger subject to commitments offered by the parties and accepted by the European Commission, or (c) conclude that it has serious doubts as to the Merger's compatibility with the common market and therefore refer the case to Phase II. The Merger will automatically lapse if the Merger or any matters arising from it are referred, by the European Commission, to a Phase II investigation prior to the Xstrata

Court Meeting. The Merger will also lapse if Glencore invokes the relevant Condition as a result of either the Merger or any matter arising from it being referred, by the European Commission, to a Phase II investigation after the Xstrata Court Meeting, or as a result of the Merger being approved by the European Commission on terms (including as to remedies) which are not reasonably satisfactory to it.

Other antitrust approvals

Glencore and, where necessary, Xstrata currently intend to submit or have already submitted notifications in order to seek approvals in a number of other jurisdictions. These jurisdictions include the United States, South Africa, China and Australia. In broadly the same manner as for the EU merger control process described above, these approvals may (a) be granted unconditionally, (b) be granted subject to certain conditions, or (c) not be granted at all. In accordance with the Code and the Conditions, if any of these approvals is granted subject to conditions that are of material significance to Glencore in the context of the Merger, Glencore may invoke the relevant Condition and cause the Merger to lapse. If any of these approvals is granted subject to conditions that are not acceptable to Xstrata, Xstrata may withdraw its recommendation for the Merger and/or elect not to implement the Merger in accordance with the published timetable thereby causing the Conditions not to be satisfied and the Merger to lapse.

12 Irrevocable undertakings

In aggregate, Glencore has received irrevocable undertakings from those of the Independent Xstrata Directors who hold or are beneficially entitled to Xstrata Shares to vote in favour of the Scheme in respect of 3,519,387 Xstrata Shares, representing in aggregate approximately 0.1 per cent. of Xstrata's existing issued share capital.

Those of the Directors who hold or are beneficially entitled to Glencore Shares and the Principal Glencore Shareholders have given irrevocable undertakings to vote in favour of the Resolutions in respect of an aggregate number of 2,573,503,749 Glencore Shares, representing approximately 37.2 per cent. of Glencore's existing issued share capital.

13 Delisting and re-registration

It is intended that an application will be made to: (a) the UK Listing Authority for the cancellation of the listing of Xstrata Shares on the Official List; (b) the London Stock Exchange for the cancellation of trading of Xstrata Shares on the London Stock Exchange's main market for listed securities; and (c) the Swiss Stock Exchange for the cancellation of the primary listing and trading of Xstrata Shares on the Swiss Stock Exchange, with effect as of or shortly following the Effective Date.

It is also intended that, following the Merger becoming Effective, Xstrata will be re-registered as a private company under the relevant provisions of the UK Companies Act.

14 Settlement, listing and dealings of the New Glencore Shares

Applications will be made to the UK Listing Authority for the New Glencore Shares to be admitted to the Official List and to the London Stock Exchange for the New Glencore Shares to be admitted to trading on the London Stock Exchange's main market for listed securities. Application will also be made to the Hong Kong Stock Exchange for the listing of, and for permission to deal in, the New Glencore Shares on the Main Board of the Hong Kong Stock Exchange. It is expected that Admission will occur and that dealings in the New Glencore Shares on the London Stock Exchange will commence at 8.00 a.m. on the Effective Date. Hong Kong Admission is expected to occur on the Hong Kong Stock Exchange at 9.00 a.m. (Hong Kong time) on the next day following Admission that the Hong Kong Stock Exchange is open for trading in Hong Kong.

15 Dilution

Subject to the Merger becoming Effective, up to 5,660,317,060 New Glencore Shares will be issued. This will result in Glencore's issued share capital increasing by approximately 81.8 per cent. If the Merger becomes Effective, Glencore Shareholders will suffer an immediate dilution as a result of the Merger following which they will hold approximately 55.0 per cent. of the Combined Group Ordinary Share Capital.

16 Glencore Shareholder approval

The Merger constitutes a Class 1 transaction (as defined in the Listing Rules) for Glencore. Accordingly, Glencore is seeking the approval of its shareholders for the Merger at the Glencore General Meeting. The Glencore General Meeting has been convened for this purpose and the Glencore Circular convening the Glencore General Meeting has been sent to Glencore Shareholders on or about the date of this document.

The Merger is conditional on, among other matters, the resolution to approve the Merger and the allotment of the New Glencore Shares in connection with it being passed by Glencore Shareholders representing more than 50 per cent. of votes cast at the Glencore General Meeting (either in person or by proxy).

Along with other resolutions, a resolution to change the name of Glencore to "Glencore Xstrata plc", conditional upon the Scheme becoming Effective or, as the case may be, the Merger Offer becoming or being declared wholly unconditional, will be put to Glencore Shareholders at the Glencore General Meeting. The Merger is not conditional upon the passing of this resolution.

17 Current trading, trends and prospects

On 10 April 2012, Glencore published its Annual Report and Accounts for the year ended 31 December 2011 and on 9 May 2012 released its interim management statement for the first quarter of 2012. Glencore has performed well across all segments of its business in 2012.

The Viterra transaction, announced on 20 March 2012, is Glencore's first major investment in the North American agricultural sector and reflects Glencore's strong belief in the importance and future potential of the Canadian and Australian grain markets. Further details on the proposed acquisition are set out in Part II: "Information on the Glencore Group".

On 30 March 2012, Xstrata published its Annual Report and Accounts for the year ended 31 December 2011 and on 1 May 2012 released its interim management statement for the first quarter of 2012. Xstrata is well placed to benefit from on-going demand growth for commodities.

Physical demand for commodities remains broadly healthy across the globe to date in 2012, although precise conditions vary by location. US demand has continued to strengthen in areas such as automobiles and aerospace, while European conditions remain generally weaker. Overall China demand continues to be healthy. It remains Glencore's view that available global inventories are generally low, both on exchanges and within supply chains and in the short term, Glencore expects the Combined Group to benefit from a continuation of the healthy growth seen within emerging markets during 2011. Looking to the longer term, Glencore sees no change to the fundamental drivers for healthy markets in the major commodities produced and marketed by the Combined Group.

18 Dividend Policy

Following the Merger, the Combined Group intends to maintain a progressive dividend policy with the intention of maintaining or increasing its total ordinary dividend each year, having regard to the availability of reserves and cash, and taking into account the Combined Group's working capital and investment requirements.

19 Overseas Shareholders

United States

The New Glencore Shares may not be offered, sold or delivered, directly or indirectly, in, into or from the United States absent registration under the US Securities Act or an exemption from registration. It is expected that the New Glencore Shares to be issued in the Scheme will be issued in reliance upon the exemption from the registration requirements of the US Securities Act provided by Section 3(a)(10) thereof.

For the purpose of qualifying for the exemption from the registration requirements of the US Securities Act provided by Section 3(a)(10) of that act with respect to the New Glencore Shares issued pursuant to the Scheme, Glencore will advise the Court that it will rely on the Section 3(a)(10) exemption based on the Court's sanctioning of the Scheme, which will be relied upon by Glencore as an approval of the Scheme following a hearing on its fairness to Xstrata Shareholders at which hearing

all such Xstrata Shareholders are entitled to attend in person or through counsel to support or oppose the sanctioning of the Scheme and with respect to which notification has been given to all such Xstrata Shareholders.

The New Glencore Shares issued to an Xstrata Shareholder who is not an "affiliate" (within the meaning of the US Securities Act) of Glencore after the Effective Date will not be "restricted securities" under the US Securities Act and such New Glencore Shares may be sold by such person in ordinary secondary market transactions without restriction under 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 Glencore after the Effective Date will be subject to certain transfer restrictions relating to the New Glencore Shares received in connection with the Scheme. Persons who may be deemed to be affiliates of Glencore include individuals who, or entities that, control, directly or indirectly, or are controlled by or are under common control with, Glencore and may include certain officers and directors of Glencore and Glencore's principal shareholders (such as, for example, a holder of more than 10 per cent. of the outstanding capital stock). Xstrata Shareholders who are affiliates, in addition to reselling their New Glencore Shares in the manner permitted by Rule 144 under the US Securities Act, may also sell their New Glencore Shares under any other available exemption under the US Securities Act, including Regulation S under the US Securities Act. Xstrata Shareholders who believe they may be affiliates for the purposes of the US Securities Act should consult their own legal advisers prior to any sale of the New Glencore Shares received pursuant to the Scheme.

The New Glencore Shares have not been and will not be listed on a US securities exchange or quoted on any inter-dealer quotation system in the United States. Glencore does not intend to take any action to facilitate a market in the New Glencore Shares in the United States. Consequently, Glencore believes that it is unlikely that an active trading market in the United States will develop for the New Glencore Shares.

The New Glencore Shares will not be registered under the securities laws of any state of the United States, and will be issued in the United States in compliance with, or in reliance on, available exemptions from such state law registration requirements.

If Glencore decides to implement the Merger by way of a Merger Offer, it will be made in satisfaction of the procedural and filing requirements of the US securities laws, to the extent applicable.

Neither the SEC nor any other US federal or state securities commission or regulatory authority has approved or disapproved the New Glencore Shares or passed upon the accuracy or adequacy of this document. Any representation to the contrary is a criminal offence in the United States.

Xstrata Shareholders who are citizens or residents of the United States should consult their own legal and tax advisers with respect to the legal and tax consequences of the Scheme or, if Glencore decides to implement the Merger by way of a Merger Offer, the Merger Offer, in their particular circumstances.

The Merger will involve an exchange of securities of a company incorporated under the laws of England and Wales for the securities of a Jersey company and will be subject to Jersey and UK disclosure requirements. The Merger is proposed to be made by means of a scheme of arrangement provided for under the laws of England and Wales and is subject to the disclosure requirements and practices applicable in the UK to takeover offers effected by way of schemes of arrangement, which may differ from the disclosure and other requirements of the securities laws of jurisdictions other than the United Kingdom. Financial information included in the relevant documentation will have been prepared in accordance with IFRS.

Other Jurisdictions

This document and any accompanying documents may not be treated as an invitation to acquire or subscribe for any New Glencore Shares by any person resident or located in any Restricted Jurisdiction.

The New Glencore Shares have not been, and will not be, registered under the applicable securities laws of any Restricted Jurisdiction. Accordingly, the New Glencore Shares may not be offered, sold, delivered or transferred, directly or indirectly, in or into any Restricted Jurisdiction to or for the account or benefit of any national, resident or citizen of any Restricted Jurisdiction.

The implications of the Scheme for Overseas Shareholders may be affected by the laws of relevant jurisdictions. Such Overseas Shareholders should inform themselves about, and observe, any applicable legal requirements. It is the responsibility of each overseas person who is to receive New Glencore Shares pursuant to the Scheme to satisfy himself as to the full observance of the laws of the relevant jurisdiction in connection therewith, including the obtaining of any governmental, exchange control or other consents which may be required or the compliance with other necessary formalities which are required to be observed and the payment of any issue, transfer or other taxes due in such jurisdiction.

This document has been prepared for the purposes of complying with English law, the Prospectus Rules and the Listing Rules, and the information disclosed may not be the same as that which would have been disclosed if this document had been prepared in accordance with the laws of jurisdictions outside England and Wales.

THIS DOCUMENT DOES NOT CONSTITUTE AN OFFER TO SELL OR THE SOLICITATION OF AN OFFER TO BUY ANY SECURITY. NONE OF THE SECURITIES REFERRED TO IN THIS DOCUMENT SHALL BE SOLD, ISSUED OR TRANSFERRED IN ANY JURISDICTION IN CONTRAVENTION OF APPLICABLE LAW.

Overseas Shareholders should consult their own legal and tax advisers with respect to the legal and tax consequences of the Scheme in their particular circumstances.

PART II

INFORMATION ON THE GLENCORE GROUP

The following information should be read in conjunction with the information appearing elsewhere in this document, including the financial and other information in Part V: "Glencore Operating and Financial Review" and Part VI: "Glencore Historical Financial Information". The financial information in this Part II relating to the Glencore Group has been extracted without material adjustment from Part V: "Glencore Operating and Financial Review" and Part VI: "Glencore Historical Financial Information", which have been incorporated into this document by reference.

Overview

Glencore is a leading integrated producer and marketer of commodities, with worldwide activities in the marketing of metals and minerals, energy products and agricultural products and the production, refinement, processing, storage and transport of those products. Glencore operates globally, marketing and distributing physical commodities sourced from third party producers and its own production to industrial consumers, such as those in the automotive, steel, power generation, oil and food processing industries. Glencore also provides financing, logistics and other services to producers and consumers of commodities.

Glencore's long experience as a commodity merchant has allowed it to develop and build upon its expertise in the commodities which it markets and cultivate long-term relationships with a broad supplier and customer base across diverse industries and in multiple geographic regions. Glencore's marketing activities are supported by investments in industrial assets operating in Glencore's core commodities. Glencore's industrial, geographical, commodity, supplier and customer diversity, in combination with its long-term supplier and customer relationships, has enabled Glencore to operate profitably even during periods in which a particular commodity, industry, customer or geographic region may be experiencing some weakness. In addition, Glencore's marketing operations tend to be less correlated to commodity prices than its industrial operations, which makes Glencore's earnings less volatile than those of producers of metals and mining products and energy products that do not also have marketing and logistics operations.

As a marketer, Glencore is able to differentiate itself from other production entities as, in addition to focusing on minimising costs and maximising operational efficiencies, Glencore focuses on maximising returns from the entire supply chain, taking into account its extensive and global third party supply base, its logistics, risk management and working capital financing capabilities, its extensive market insight, business optionality, extensive customer base, strong market position and penetration in most commodities and its economies of scale. In contrast, this is not the business model of Glencore's mainly industrial competitors, which are generally not set up to exploit the full range of value added margin and arbitrage opportunities which exist throughout the commodity supply chain.

Glencore continues to evaluate a number of opportunities in relation to its business, whether mergers and acquisitions, joint ventures or otherwise.

Glencore's consolidated revenues for the financial years ended 31 December 2011 and 31 December 2010 were US$186,152 million and US$144,978 million, respectively, and the Glencore income (before attribution) for the financial years ended 31 December 2011 and 31 December 2010 was US$4,268 million and US$4,106 million, respectively. As of 31 December 2011, Glencore's total assets amounted to US$86,165 million. As at market close on 29 May 2012 (being the latest practicable date prior to publication of this document), Glencore's market capitalisation was approximately US$38.3 billion.

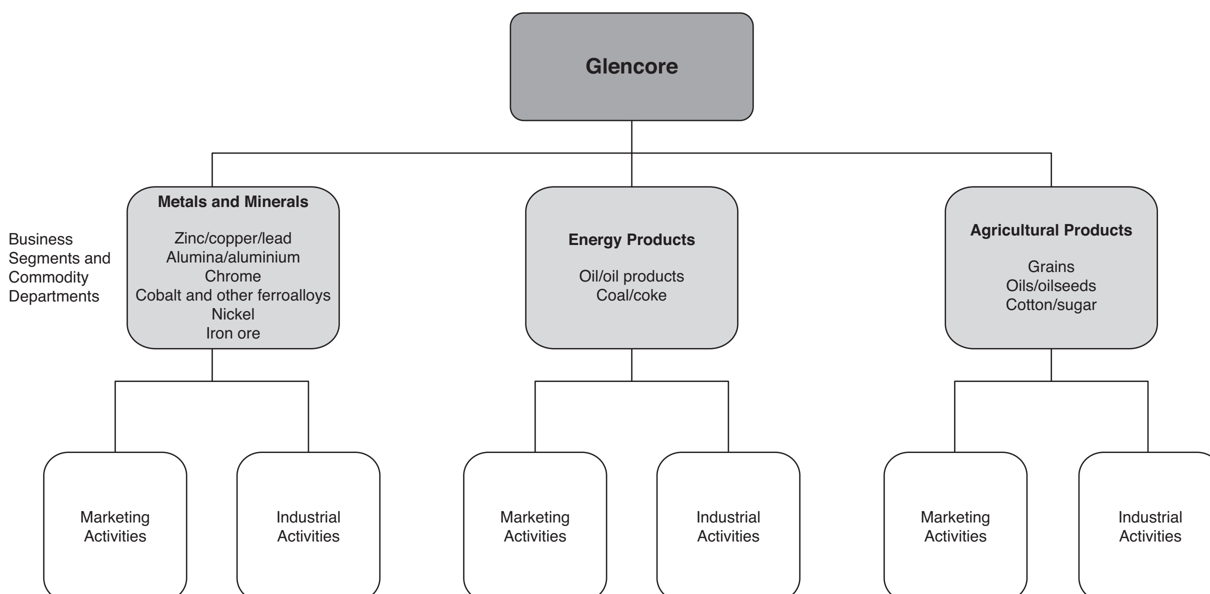
Selected key financial information in relation to Glencore's marketing and industrial activities for the years ended 31 December 2009, 2010 and 2011 is set out below. This information has been extracted without material adjustment from Part VI: "Glencore Historical Financial Information".

	2009	2010	2011
		(US$ million)	
Key statement of income			
Revenue	106,364	144,978	186,152
Adjusted EBIT[(1)]	3,307	5,290	5,398
Income before attribution	1,729	4,106	4,268
Key financial position highlights:			
Total assets	66,276	79,787	86,165
Total net assets attributable to profit participation shareholders, non-controlling interests and equity holders	17,944	22,507	32,335

Note:

(1) See section headed "Important Information".

Glencore currently conducts its operations in three business segments: Metals and Minerals, Energy Products and Agricultural Products. The following chart summarises Glencore's current business structure:



Adjusted EBIT by business segment is as follows:

	2009				2010				2011			
	Marketing activities	Industrial activities	Adjusted EBIT	%	Marketing activities	Industrial activities	Adjusted EBIT	%	Marketing activities	Industrial activities	Adjusted EBIT	%
		(US$ million)				*(US$ million)*				*(US$ million)*		
Metals and minerals	553	498	1,051	32	1,401	1,160	2,561	48	1,242	1,357	2,599	48
Energy products	945	413	1,358	41	450	235	685	13	697	375	1,072	20
Agricultural products	304	41	345	10	659	58	717	14	(8)	(39)	(47)	(1)
Corporate and other[(1)]	(211)	764	553	17	(173)	1,500	1,327	25	(20)	1,794	1,774	33
Total	1,591	1,716	3,307	100	2,337	2,953	5,290	100	1,911	3,487	5,398	100

Note:

(1) Corporate industrial activities include US$1,893 million (2010: US$1,729 million) of Glencore's equity accounted share of Xstrata's income.

Glencore's marketing and industrial investment activities are supported by a global network of more than 50 offices located in more than 40 countries throughout Europe, North, Central and South America, the CIS, Asia, Australia, Africa and the Middle East. Glencore's main offices are located in Baar (Switzerland), Stamford (Connecticut), London, Rotterdam, Beijing, Moscow and Singapore. This network provides Glencore with significant worldwide sourcing and distribution capabilities.

Glencore has an established record of successful strategic investments in industrial assets which have become an important component of its physical marketing activities. Glencore intends to continue to pursue selective strategic acquisitions and alliances to support and strengthen its core physical marketing activities as and when opportunities arise. Glencore evaluates each industrial asset investment opportunity on a stand-alone basis, however, also recognising its potential to support and strengthen Glencore's physical marketing activities or existing industrial coverage. Similarly, Glencore evaluates disposals of investments in industrial assets when they are no longer deemed to support its marketing activities and/or when compelling selling opportunities arise.

Glencore's three business segments focus on the following commodity segments:

- The Metals and Minerals business segment focuses on the following commodity departments: zinc/copper/lead, alumina/aluminium, chrome, cobalt and other ferroalloys, nickel and iron ore. The activities of Glencore's Metals and Minerals business segment are supported by ownership interests in controlled and non-controlled industrial assets such as mining, smelting, refining and warehousing operations.
- The Energy Products business segment focuses on the following commodity departments: oil/oil products and coal/coke. The activities of Glencore's Energy Products business segment are supported by ownership interests in controlled and non-controlled coal mining and oil production operations as well as investments in strategic handling, storage and freight equipment and facilities.
- The Agricultural Products business segment focuses on the following commodity departments: grains, oils/oilseeds, cotton and sugar. The activities of Glencore's Agricultural Products business group are supported by investments in controlled and non-controlled storage, handling and processing facilities in strategic locations.

Each of Glencore's business segments undertakes both marketing and industrial asset investment activities and is responsible for managing the marketing, sourcing, hedging, logistics and industrial investment activities relating to the commodities in each business segment.

Review of operations

History

Glencore was founded in 1974 and initially focused on the physical marketing of ferrous and non-ferrous metals and minerals and crude oil, and shortly thereafter expanded into oil products. In 1981, Glencore acquired an established Dutch grain trading company, which created the basis for its Agricultural Products business segment, and later Glencore added coal to its Energy Products business segment.

Starting in 1987, Glencore developed from a purely commodity marketing company into a diversified natural resources group through key acquisitions in mining, smelting, refining and processing in the three principal business segments. Glencore made its first equity investment in an industrial asset in 1987, when it acquired 27 per cent. of the Mt. Holly aluminium smelter in the United States and acquired its first controlling interest in an industrial asset in 1988, when it acquired a 66.7 per cent. interest in a zinc/lead mine in Peru. In 1994, the founder of Glencore sold his stake by way of a management buyout and the company was renamed Glencore International. Glencore was listed on the London and Hong Kong Stock Exchanges in May 2011.

Marketing activities—group level

Functions of the marketing activities

Glencore's marketing activities source a diversified range of physical commodities from third party suppliers and from industrial assets in which Glencore has full or part ownership interests. These commodities are sold, often with value added services such as freight, insurance, financing and/or storage, to a broad range of consumers and industrial commodity end users, with many of whom Glencore enjoys long-term commercial relationships. As a marketer, Glencore is able to differentiate itself from other production entities as, in addition to focusing on minimising costs and maximising operational efficiencies, Glencore focuses on maximising returns from the entire supply chain, taking into account its extensive and global third party supply base, its logistics, risk management and working capital financing capabilities, its extensive market insight, business optionality, extensive customer base, strong market position and penetration in most commodities and its economies of scale. In contrast, this is not the business model of Glencore's industrial competitors, which are generally not set up to exploit the full range of value added margin and arbitrage opportunities which exist throughout the commodity supply chain.

Types of arbitrage strategies

Many of the physical commodity markets in which Glencore operates are fragmented or periodically volatile. As a result, discrepancies generally arise in respect of the prices at which the commodities can be bought or sold in different geographic locations or time periods, taking into account the numerous relevant pricing factors, including freight and product quality. These pricing discrepancies can present Glencore with arbitrage opportunities whereby Glencore is able to generate profit by sourcing, transporting, blending, storing or otherwise processing the relevant commodities. Whilst the strategies used by Glencore's business segments to generate such margin vary from commodity to commodity, the main arbitrage strategies can be described generally as being:

- geographic: where Glencore leverages its relationships and production, processing and logistical capabilities in order to source physical commodities from one location and deliver them to another location where such commodities can command a higher price (net of transport and/or other transaction costs);
- product-related: where it is possible to exploit the blending or multi-use characteristics of the particular commodities being marketed, such as the various crude oil products, coal or concentrates, in order to supply products which attract higher prices than their base constituents, or exploit existing and/or expected price differentials; and
- time-related: where it is possible to exploit a difference between the price of a commodity to be delivered at a future date and the price of a commodity to be delivered immediately, where the available storage, financing and other related costs until the future date are less than the forward pricing difference.

Glencore uses market information made available by its marketing and industrial teams across its many locations to identify arbitrage opportunities. Glencore's marketing and investment activities and relationships with producers and consumers of raw materials are supported by a global network of more than 50 offices providing sourcing and distribution capabilities located in more than 40 countries throughout Europe, North, Central and South America, the CIS, Asia, Australia, Africa and the Middle East. This network provides Glencore with visibility over shifting supply and demand dynamics in respect of significant volumes of physical commodities across the globe. The detailed information from Glencore's widespread operations and close relationships with producers, consumers and logistics providers is available to Glencore's marketing operations and often enables them to identify opportunities, taking into account Glencore's extensive logistics capabilities, to source and supply physical commodities at attractive margins.

Logistics

Glencore's logistics operations are a key part of its marketing operations as they enable Glencore to fulfil its marketing obligations and to maximise arbitrage opportunities created by demand and supply imbalances. Physical sourcing and marketing of commodities requires highly professional handling and shipment of such goods from the supplier to the customer, including storage activities, as required. Typically, the staff handling the physical movement of goods (the "traffic team") account for a significant proportion of the headcount of a business segment. Glencore's dedicated chartering teams actively trade freight to gain market knowledge and volume benefits. The freight element of transactions is furthermore used to maintain maximum physical optionality so that full value can be extracted from the underlying commodity positions of each department, thereby complementing Glencore's overall ability to seize geographic and time spread arbitrage opportunities as they arise.

Competitors

Glencore believes that physical commodity marketing is a volume-driven business requiring highly professional risk management, substantial financial resources, market knowledge and product and logistical expertise. Glencore believes that it is one of the most diversified and globally active physical commodity sourcing and marketing companies. Glencore believes that the majority of its competitors by segment tend to focus on a specific commodity group or geographic area, or concentrate more heavily on commodity-related industrial activities such as mining, drilling, smelting, processing and refining. There are three types of physical commodity marketing companies which compete with Glencore indirectly or directly in certain markets. These include:

- large participants active in specific commodity portfolios, such as Cargill in agricultural products and Vitol Group in oil;

- captive marketing vehicles of major oil and metals producers and processors, such as Total, BP and BHP Billiton (though these companies are less focused on third party marketing than Glencore); and
- other marketing companies whose operations are more limited to particular commodities and/or to geographic areas, such as Noble Group.

Industrial activities—group level

Glencore's ownership of controlled and non-controlled industrial assets is seen as both a source of potential and desirable stand-alone financial returns and overall business diversification, complemented by their very useful source of physical commodities into Glencore's marketing arm and access to further market insight and technical know-how. Glencore believes that its corresponding reduced reliance on third parties helps to ensure that suppliers and customers alike see Glencore as a very reliable, and therefore desirable, counterparty, given its integrated business model.

Glencore capitalises on investment opportunities created by, among other things, (i) the rebalancing of asset portfolios by other players in the natural resources industry, (ii) further industry consolidation as smaller producers sell out and/or seek capital to fund growth and (iii) the privatisation of natural resources producers primarily in emerging markets. Any decision to acquire or dispose of an industrial asset is based on the stand-alone potential of the asset and its potential contribution to Glencore's marketing activities and requires the appropriate level of approval. Once acquired, an asset is held within one of the business segments (the only major exception to this is Xstrata, which is currently held between the Metals and Minerals and Energy Products business segments as it supplies commodities to both segments). In the current business structure, the business segments manage the controlled and non-controlled industrial assets via hands-on "asset controllers" to interface between the asset and Glencore in respect of day-to-day operating, financial and commercial matters. Glencore encourages its industrial assets to focus primarily on operating performance, which those businesses can largely control and influence, leaving Glencore to handle marketing and distribution activities as part of its integrated global system.

Metals and Minerals

The Metals and Minerals business segment focuses on the following commodity departments: zinc/copper/lead, alumina/aluminium, chrome, cobalt and other ferroalloys, nickel and iron ore. The business segment also markets some gold, silver, tin and other by-products such as sulphuric acid. The activities of Glencore's Metals and Minerals business segment are supported by ownership interests in controlled and non-controlled industrial assets such as mining, smelting, refining and warehousing operations. The marketing of metals and minerals commodities is co-ordinated primarily through Glencore's Baar office.

Zinc • Copper • Lead

Marketing activities

The zinc/copper/lead commodity department is run as an integrated business managing the production and global marketing of refined metals and concentrates. In addition to zinc, copper and lead, the commodity department also markets tin, silver and gold, which are typically mined in conjunction with zinc, copper and lead ores, as well as sulphuric acid, a by-product of the smelting process. The commodity department has a global presence, sources commodities from all key producing regions and has relationships with consumers in the key consuming countries.

The commodity department benefits from a geographically diverse portfolio of industrial assets, located across six continents, in each of the key producing regions for these commodities. Supply agreements with third parties, combined with supply from industrial assets, enhance Glencore's reputation as a reliable supplier, which is important for customers who are reliant on both timeliness and quality of supply for the continuation of their operations. The commodity department's large number of industrial assets provides Glencore with access to an integrated production and marketing system.

Across the commodity department, there is a diversified customer base, including galvanisers, alloy producers, steel and brass mills, rod and wire producers and other fabricators. The concentrates market has fewer customers (smelters) than the refined metals market. The diversification is larger for customers than for suppliers, reflecting a greater number of end users for metals and concentrates relative to the number of mines, smelters and refineries which produce concentrates and metals, respectively.

The physical metal trades are based on an exchange price plus/minus a premium/discount. A highly liquid paper futures market exists for zinc, copper, lead and tin metals, which are traded on the LME (zinc,

copper, lead and tin), the SHFE (copper and zinc) and the COMEX (copper). Silver and gold are traded on the LBMA and the COMEX. These exchanges allow Glencore's underlying commodity price exposures on physical transactions to be hedged, whether the price is based on an exchange price or a fixed price. If desired, and subject to group risk limits and policies, they also allow Glencore to gain exposure to price risk and spread positions through the use of long and short paper transactions, and to take advantage of arbitrage opportunities. Concentrates are non-fungible products and, consequently, are not directly tradable on an exchange. Glencore hedges physical concentrate positions using future contracts for the estimated payable metal contained in the concentrate.

The marketing team for zinc, copper and lead is supported by a traffic team which is responsible for executing transactions following the negotiation of the key contractual terms and for managing metals along the supply chain through inventory, financing and transportation from source to end customers. The department also benefits from storage and blending facilities in Peru and has access to other warehousing facilities, including those at Glencore's industrial assets.

Although important, the freight component of price is not as critical for metals as for bulk dry cargoes and oil. Freight relating to the commodities marketed is chartered through third party freight brokers on competitive terms, taking into account Glencore's scale of activities, both on the spot market and through the longer-term contracts of affreightment.

Glencore's marketing competitors for zinc, copper and lead include Trafigura and Noble Group which trade zinc, copper and lead as part of their core businesses but does not have significant production assets.

Industrial activities

Kazzinc

Glencore owns 50.7 per cent. of Kazzinc, a fully integrated zinc producer with significant copper, precious metals and lead resources in Kazakhstan. The remainder of the business is owned by Verny Capital JSC (48.7 per cent.), a Kazakh investment fund unrelated to Glencore, with certain small shareholders accounting for the remaining 0.6 per cent. Kazzinc owns three major polymetallic facilities, Zyrianovsk, Ridder and Ust-Kamenogorsk, as well as a gold mining operation, Vasilkovskoye in Kokshetau. Kazzinc's major operations are located primarily in Eastern Kazakhstan, spread over six towns. In total, Kazzinc operates six mines and an ore stockpile, two concentrators, two zinc smelters, a gold recovery plant, a recently completed copper smelter, a lead smelter (which is being significantly upgraded) and a precious metals refinery. Kazzinc also owns and operates a variety of auxiliary units which support its mining, smelting and refining operations.

Kazzinc's gold assets consist of its 100 per cent. ownership interest in Ridder-Sokolny and Vasilkovskoye and a gold and silver stream provided from Kazzinc's other mining activities described above. Vasilkovskoye is located in the Akmola region, 17 kilometres to the north of the city of Kokshetau. The region has well-developed infrastructure, including motor roads, railways, electricity and water supplies. It is the largest gold mining and processing operation in Kazakhstan.

In April 2011, Glencore conditionally agreed to increase its stake in Kazzinc from 50.7 per cent. to 93.0 per cent. for a total transaction consideration of US$3.2 billion (consisting of the issuance of US$1 billion of Glencore Shares at its IPO price, equating to approximately 117 million Glencore Shares, and US$2.2 billion in cash). The parties have agreed to work towards completion in Q3 2012. In addition, Glencore's stake in Kazzinc may be further increased to 99.4 per cent. through the exercise of a put and call option in respect of Verny Investments' remaining 6.4 per cent. interest in Kazzinc, which is subject to certain conditions.

Katanga

Glencore owns 75.2 per cent. of Katanga, a company listed on the Toronto Stock Exchange, which is developing and operating high grade copper and cobalt mines with integrated metallurgical facilities in the Kolwezi region of the DRC through its 75 per cent. shareholding in Kamoto Copper Company SARL ("KCC"). Substantial high grade resources indicate a potential mine life for KCC in excess of 20 years.

KCC has approved and commenced construction of the Updated Phase 4 Expansion which will include a 300,000 tonnes per annum solvent extraction ("SX") plant, the conversion of the existing electro refinery at the Luilu refinery to a 200,000 tonnes per annum copper electrowinning ("EW") facility and an in-pit crusher at KOV open Pit. The Phase 4 Expansion is expected to increase copper production to 270,000 tonnes per annum of LME Grade A copper and thereafter the expansion of copper production to 310,000

tonnes per annum utilising anticipated cash flows from operating activities. First cathode production from the new SX / EW plant is expected in Q3 2012 with mechanical completion of Phase 4 Expansion in Q3 2013.

KCC's integrated mine complex contains both underground and open pit mines, providing both sulphide and oxide ores. A concentrator and a metallurgical plant enable the production of refined copper and cobalt metal on-site. The complex will be a mix of existing assets being progressively refurbished and new processing facilities.

Mutanda

Mutanda is a high grade copper and cobalt mine, with its operations located in the province of Katanga in the DRC. As of March 2012, Mutanda copper production was at an annualised production rate of 78,000 tonnes per annum. Mutanda's current installed solvent extraction and electrowinning tankhouse capacity is 110,000 tonnes per annum and with the optimisation of the front end of the plant, Mutanda's hydrometallurgical complex will be capable of producing 110,000 tonnes per annum of copper cathodes and 23,000 tonnes per annum of cobalt in hydroxide at design feed grades by the end of Q2 2012 and Q4 2012 respectively.

Mutanda commissioned its 390 tonnes per day sulphuric acid and 73 tonnes per day sulphur dioxide plant in February 2012 and, as at the end of March 2012, the plant was producing sulphuric acid at design capacity. Glencore has a life of mine off-take agreement for all copper and cobalt product produced by Mutanda with pricing based on LME.

Glencore has recently announced the acquisition of a further 24.49 per cent. equity interest in Samref Overseas S.A. ("Samref Overseas") from High Grade Minerals S.A. ("HGM") and a further 1 per cent equity interest in Samref Congo Sprl. Following the acquisition, Glencore now owns 74.49 per cent. of Samref Overseas and 2 per cent. of Samref Congo Sprl. Through these equity interests, Glencore has an indirect equity interest of 60 per cent. in Mutanda Mining Sprl, the owner of the Mutanda concession. In addition, Glencore has the right, subject to the terms of a put and call agreement, to acquire the remaining 25.51 per cent equity interest held by HGM in Samref Overseas.

The acquisition of the additional interests in Samref Overseas and Samref Congo Sprl represents the first step towards merging the Mutanda and Kansuki mining operations which is expected to result in the combined mining operations producing 160,000 tonnes per annum of copper cathodes and 23,000 tonnes per annum of cobalt in hydroxide by H1 2013. The expansion of capacity from Mutanda's existing 110,000 tonnes per annum to 160,000 tonnes per annum represents the first stage of the expansion of the combined mining operations.

Kansuki

Glencore owns 50 per cent. of Kansuki Investments Sprl which in turn holds a 75 per cent. ownership interest in Kansuki, the owner of the Kansuki concession (thereby giving Glencore an effective interest of 37.5 per cent. in Kansuki). The remaining 25 per cent. in Kansuki is owned by Biko Invest Corp. Kansuki is a 185 square kilometre copper and cobalt pre-development project which borders the Mutanda concession and Glencore is the operator. Exploration of the Kansuki concession has commenced and is on-going.

On 29 March 2011, Glencore announced that agreements had been concluded with Société Nationale d'Électricité ("SNEL"), the national electricity utility operator in DRC, and engineering contractors regarding refurbishment of power generating, transmission and distribution systems, which will provide for a progressive increase in power availability for Katanga (through KCC), Mutanda and Kansuki, to 450 megawatts by the end of 2015. Funding for the refurbishment of US$283.5 million will be supplied by Katanga, which will then be reimbursed US$94.5 million each by Mutanda and Kansuki. US$261.8 million of the total funding amount will be reimbursed by SNEL with interest through credits to power bills payable by the three operations.

Mopani

Glencore owns 73.1 per cent. of Mopani, with the remainder of the business owned by First Quantum Minerals Ltd. (16.9 per cent.) and Zambia Consolidated Copper Mines Investment Holdings Plc (10 per cent.). Mopani is an integrated mining and processing operation in the Copperbelt region of Zambia, producing copper and cobalt metal. Mopani is an integral part of Glencore's operations in Southern Africa. It can process oxide and sulphide copper-cobalt concentrates produced by Katanga and Mutanda. Mopani also produces sulphuric acid, which is used in the leaching operations at Katanga and Mutanda. In

the long term, once Mutanda and Kansuki reach full production levels, the sulphide concentrate produced at these mines is also expected to be processed at Mopani. The operations are located in the cities of Kitwe and Mufulira. There are a series of major capital projects underway to increase mine production and continue to improve and modernise the smelter. Significant projects in mining include the Synclinorium project, a major new shaft development, which should provide access to 115 million tonnes of copper ore. In metallurgy, Smelter Phase III project is currently underway, which includes the installation of three new converters, gas cleaning equipment and a second acid plant, which will improve sulphur dioxide emissions capture to above 97 per cent and increase the capacity of the smelter to 840k tonnes per annum of copper concentrates. In 2011, as part of the re-alignment of the Nkana concentrator to maximise copper concentrate production, the cobalt roaster was put on care and maintenance.

Los Quenuales

Glencore owns 97.5 per cent. of Los Quenuales, a zinc and lead producer in Peru with mining operations at Iscaycruz and Yauliyacu. The remaining 2.5 per cent. is indirectly listed on the Lima Stock Exchange. Both operations consist of underground and open pit mines and concentrator, producing zinc, lead and copper concentrates.

Sinchi Wayra

Glencore owns 100 per cent. of Sinchi Wayra, a company which operates five mining units and concentrating facilities in the Oruro and Potosi regions of Bolivia. Collectively, the mines have a current production capacity of approximately 200,000 tonnes of zinc concentrate, approximately 15,000 tonnes of lead concentrate and approximately 6,000 tonnes of tin concentrate per annum.

AR Zinc

Glencore owns 100 per cent. of AR Zinc, an integrated zinc and lead mining operation in Argentina. AR Zinc's operations are at three locations and comprise the Aguilar underground and open pit mine and concentrator plant, the Palpala lead smelter (both located in Jujuy province), and the AR Zinc smelter, located in Rosario, Argentina. The current smelting capacities are approximately 44,000 tonnes per annum of zinc metal and approximately 14,000 tonnes per annum of lead metal.

Perkoa

Glencore owns 50.1 per cent. of Perkoa and, in addition, has acquired a 13 per cent. interest in Blackthorn Resources which is its joint venture partner with a 39.9 per cent. interest in Perkoa. The remaining interest is held by the Government of Burkina Faso. The Perkoa project is a zinc mine under construction in Burkina Faso which is currently on-going. Blackthorn Resources announced in December 2011 that the first development ore was extracted at the Perkoa project and that the mine plan and extraction schedule are on course to achieve first production towards the end of 2012.

Cobar

Glencore owns 100 per cent. of Cobar, based in Australia, comprising a high grade underground copper mine and a concentrate plant. The plant throughput is approximately 1.1 million tonnes of ore per annum and its production capacity is approximately 180,000 DMT of copper concentrate per annum. The main project currently being undertaken is the construction of the shaft extension which is on track to be completed during 2013 and will reduce operating costs, allow access to more ore and increase production.

Punitaqui

Glencore owns 100 per cent. of Punitaqui, a copper mine and concentrator in Chile, acquired by Glencore as a brownfield development in early 2010. Following rehabilitation works, commercial production commenced in late 2010, with the operation now producing around 40,000 DMT of copper concentrates per annum.

Pasar

Glencore owns 78.2 per cent. of Pasar, the sole copper smelter and refinery in the Philippines, with the remaining 21.8 per cent. owned by local investors. Pasar is located on the coast of Leyte Island, and owns its own port, which can accommodate vessels with a displacement of up to 50,000 dead weight tonnage, from which production is shipped mainly to Asian markets. In addition, the assets also include an auxiliary

sulphuric acid plant and a dore plant which produces an alloy of gold and silver. Pasar's current smelter production capacity is approximately 700,000 tonnes per annum of concentrate and its current refinery production capacity is approximately 215,000 tonnes per annum of cathodes. Production was stopped in the first quarter of 2012 due to a fire but is expected to restart by the middle of 2012, following completion of repairs to the site.

Portovesme

Glencore owns 100 per cent. of Portovesme, a zinc and lead smelter located in Sardinia, Italy. Portovesme is Italy's only primary zinc and lead smelter and comprises a metallurgical integrated smelting complex, with both primary and secondary smelting activities, including an electrolytic plant, a lead smelter, waelz kilns and a lead and precious metals refinery. Due to market conditions, the waelz kilns, lead smelter and lead refinery were placed on care and maintenance in 2009. The waelz line restarted operations later that year but the lead smelter and refinery are still on care and maintenance. The plant has a production capacity of approximately 120,000 tonnes per annum of zinc metal, 52,000 DMT per annum of zinc oxides and approximately 80,000 tonnes per annum of lead metal. In addition, a solvent extraction plant is currently in construction and is expected to start production in December 2012, which will enable it to use all of the zinc oxide it produces in the zinc metal production process.

Nyrstar

Glencore owns 7.8 per cent. of Nyrstar, a leading global multi-metals business producing significant quantities of zinc and lead as well as other products including silver, gold and copper. Nyrstar is listed on NYSE Euronext Brussels.

Recylex

Glencore owns 32.2 per cent. of Recylex. Recylex is the third largest lead producer in Europe, and produced approximately 126,000 tonnes of lead metal in 2011. The company recycles more than 11 million lead batteries per annum to produce secondary lead and plastic. It also recycles approximately 180,000 tonnes of waste steel dust from electric arc furnaces and produces zinc oxides containing approximately 45,000 tonnes of secondary zinc metal. It has eight production locations in France, Germany and Belgium.

Volcan

Glencore owns 6.9 per cent. of Volcan, the second largest zinc producer in Peru. Volcan is publicly traded on the Lima Stock Exchange. An agreement is in place between Glencore and Volcan for the purchase of zinc and lead concentrates under a multi-year contract.

Polymet

Glencore owns 24.1 per cent. of Polymet. Polymet plans to mine and process copper, nickel, cobalt, platinum, palladium and gold. Polymet is listed on the NYSE and the Toronto Stock Exchange and its operational headquarters are located in Hoyt Lakes, Minnesota.

Rosh Pinah

In December 2011, Glencore entered into an agreement to acquire an 80.1 per cent. interest in Rosh Pinah, an underground zinc and lead mine in south western Namibia, 800 kilometres south of Windhoek, for total consideration of approximately US$175 million. Closing is expected in June 2012.

The table below shows the zinc/copper/lead commodity department's principal investments in industrial assets as of 31 December 2011, unless indicated otherwise:

Company	Country	Commodity	Current annual production capacity	Glencore's ownership interest	Remaining ownership interest	Any contractual relationship with Glencore
Controlled:						
Kazzinc	Kazakhstan	Zinc metal	300k MT	50.7%[1]	49.3% privately held	Supply and purchase agreements
		Lead metal	130k MT[2]			
		Copper metal	70k MT			
		Gold	1.5 million toz			
		Silver	45 million toz			

Company	Country	Commodity	Current annual production capacity	Glencore's ownership interest	Remaining ownership interest	Any contractual relationship with Glencore
Katanga	DRC	Copper metal Cobalt	130k MT[(3)] 5.5k MT[(3)]	75.2%	24.8% publicly traded on Toronto Stock Exchange	Purchase agreements
Mopani	Zambia	Copper metal Cobalt	300k MT 2.8k MT	73.1%	16.9% First Quantum Minerals Ltd.; 10% ZCCM Investment Holdings Plc	Supply and purchase agreements
Los Quenuales	Peru	Zinc concentrates Lead concentrates Copper concentrates	260k MT 25k MT 5k MT	97.5%	2.5% indirectly listed on Lima Stock Exchange	Purchase agreements
Sinchi Wayra	Bolivia	Zinc concentrates Lead concentrates Tin concentrates	200k MT 15k MT 6k MT	100%	—	Purchase agreements
AR Zinc	Argentina	Zinc metal Lead metal	44k MT 14k MT	100%	—	Purchase agreements
Perkoa	Burkina Faso	Zinc concentrates	180k DMT[(4)]	50.1%	39.9% Blackthorn; 10% Burkina Faso government	Purchase agreements
Cobar	Australia	Copper concentrates	180k DMT	100%	—	Purchase agreements
Punitaqui	Chile	Copper concentrates	40k DMT	100%	—	Purchase agreements
Pasar	Philippines	Copper metal	215k MT	78.2%	21.8% local investors	Supply and purchase agreements
Portovesme	Italy	Zinc metal Lead metal Zinc oxide	120k MT 80k MT 52k DMT	100%	—	Supply and purchase agreements
Mutanda	DRC	Copper metal Cobalt[(6)]	110k MT by 2012 23k MT by 2012	60%[(5)]	40% privately held	Purchase agreements
Non-controlled:						
Kansuki	DRC	Copper metal Cobalt	N/A[(7)]	37.5%	62.5% privately held	Purchase agreements
Nyrstar	Belgium	Zinc metal Lead metal	1,120k MT 235k MT	7.8%	92.2% publicly traded on Euronext Brussels	Supply and purchase agreements
Recylex	France	Lead metal Battery recycling EAF dust recycling	126k MT more than 11 million units 180k MT	32.2%	67.8% publicly traded on Euronext Paris	Supply and Purchase agreements
Volcan	Peru	Zinc concentrates Lead concentrates	600k MT 110k MT	6.9%	93.1% publicly traded on the Lima Stock Exchange	Purchase agreements
Polymet	Canada	Copper concentrates Nickel concentrates	N/A N/A	24.1%	82.2% publicly listed on NYSE and TSX	Purchase agreements

Notes:

(1) Glencore has conditionally agreed with Verny to acquire additional stakes in Kazzinc, thereby increasing its ownership from 50.7 per cent. to 93.0 per cent.

(2) After commissioning of its lead smelter, production will increase to 168k MT.

(3) Expansion to 310k MT of copper metal, 8k MT of cobalt and 22k MT of cobalt contained in cobalt hydroxide by 2014.

(4) First production forecast for second half 2012, annual production capacity after full ramp up achieved.

(5) As at 31 December 2011, Glencore had a 40 per cent. indirect interest in Mutanda, which increased to 60 per cent. following the completion of the recently announced acquisition of an additional indirect interest.

(6) Cobalt contained in cobalt hydroxide.

(7) Exploration stage.

Alumina • Aluminium

Marketing activities

The alumina/aluminium commodity department is involved in the marketing and processing of bauxite, alumina, and primary aluminium. Through the sourcing and physical exchange of alumina and aluminium of different origins, the alumina/aluminium commodity department has been able to create a global position in its market.

The alumina market is a wholesale market with only a limited number of suppliers and customers operating in the market. Glencore has a guaranteed supply source as it is involved in the production of alumina through its industrial assets. In addition, Glencore purchases alumina from many of the world's leading alumina producers, mostly under long-term contracts.

Glencore's supply sources for aluminium are also fairly concentrated and include its industrial assets, UC Rusal and Century Aluminum.

Glencore's alumina customer base is diverse and geographically dispersed and includes Century Aluminum, as well as many of the world's other major alumina consumers. Contracts are usually entered into on a "take or pay" arrangement, meaning volumes are fixed, which offsets Glencore's own risk of accepting similar terms from its suppliers. Since there is a much larger market for aluminium than for alumina, Glencore's customer base for aluminium is somewhat broader than for alumina. The largest customers include most of the aluminium consuming industrial groups in the construction, packaging, transport and electronics industries. Aluminium customers can have multiple contracts with Glencore with different terms, contract durations and geographical locations and which are typically priced on the LME price plus premium.

Alumina can only be stored for limited time periods in optimum conditions in order to maintain levels of quality. There is no derivatives exchange for alumina, which restricts the ability to hedge. As such, Glencore is unable to adjust its position through a deliverable paper market and the great majority of near-term alumina forward purchase and sale contracts are physically matched. Short-term contracts are mostly based on a fixed price and long-term contracts are normally priced as a percentage of LME aluminium prices. Some of the LME-linked contracts have put/call features. Additionally, there are nascent efforts to establish an alumina index pricing system. Where possible and desired, Glencore hedges its exposure by contracting on a back-to-back basis or taking hedges against LME aluminium prices.

Primary aluminium is mainly traded on the LME, allowing paper and physical marketing contracts to be entered into with reference to a market price. Aluminium is also traded on the SHFE. This allows positions to be hedged and marked to market, as well as providing a purchaser of last resort. The LME provides information on forward curves, as well as a standardised contract that determines purity levels, delivery dates, weights and forms of the metal. Almost all of Glencore's physical aluminium transactions are priced based on the LME price plus/minus a premium/discount. These are usually hedged when originated or priced. The existence of the LME allows Glencore to enter into immediate and effective price risk hedges against its positions in physical aluminium. The existence and use of LME approved warehouses allow marketers to manage supply and store the metal while they lock in future prices on the LME. If desired, and subject to group risk limits and policies, it also allows Glencore to gain exposure to price risk and spread positions through the use of long and short paper transactions.

The alumina/aluminium traffic team is responsible for executing the transactions after the marketers have negotiated the key terms and also for producing information to enable the marketers to make informed transactions.

Glencore's competitors for alumina and aluminium marketing transact significant volumes of their own alumina and aluminium production. Production utilised by the aluminium smelters and downstream facilities of integrated companies such as Rio Tinto plc, Alcoa Inc. and Norsk Hydro ASA are noteworthy as these volumes are very large and therefore may affect pricing and customer relationships within the addressable markets.

Industrial activities

Columbia Falls

Glencore owns 100 per cent. of Columbia Falls. Columbia Falls is an aluminium smelter in Montana in the US, which has a production capacity of approximately 168,000 tonnes of primary aluminium per annum. The plant is currently idle.

Sherwin Alumina

Glencore owns 100 per cent. of an alumina refinery processing plant, Sherwin Alumina, which is located near Corpus Christi, Texas, in the US. The plant produces two main classes of products: smelter grade alumina (production capacity of 1.4 million tonnes per annum) and hydrate chemical grade alumina (production capacity of 0.2 million tonnes per annum). Glencore provides or arranges all of the bauxite Sherwin Alumina requires for its refinery and processing operations. Glencore also purchases and markets all of the alumina that Sherwin Alumina produces.

Century Aluminum

Glencore has an interest in 46.4 per cent. of Century Aluminum, a company listed on the NASDAQ with aluminium smelting and refining operations in the US and Iceland. Century Aluminum's smelting operations include three wholly-owned smelters: Nordural in Iceland; Hawesville in Kentucky, US; and Ravenswood in West Virginia, US, which have production capacities of approximately 260,000 tonnes, 244,000 tonnes and 170,000 tonnes per annum, respectively. Century Aluminum also owns a 49.67 per cent. ownership interest in the Mount Holly smelter in South Carolina, US, which has a production capacity of approximately 224,000 tonnes per annum.

In addition, Glencore has entered into two cash-settled total return swaps over 9.8 per cent. of Century Aluminum's common shares. The swaps provide Glencore with additional economic exposure to changes in Century Aluminum's share price. The swaps have been entered into at prices of US$9.72 and US$16.66 per common share and terminate in two years from September 2010 and March 2011, respectively.

UC Rusal

Glencore owns 8.75 per cent. of UC Rusal, a vertically integrated upstream aluminium company listed on the HKSE, Euronext Paris and the Russian stock exchanges MICEX and RTS. In addition to its mining and refining operations, UC Rusal also holds a 25 per cent. stake in Norilsk Nickel. Glencore has agreed to purchase alumina and aluminium from UC Rusal under multi-year contracts for substantial tonnages. These contracts are the subject of a request for arbitration.

The table below shows the alumina/aluminium commodity department's principal investments in industrial assets as of 31 December 2011, unless indicated otherwise:

Company	Country	Commodity	Current annual capacity	Glencore's ownership interest	Remaining ownership interest	Any contractual relationship with Glencore
Controlled:						
Columbia Falls	US	Aluminium	168k MT(1)	100%	—	Supply and purchase agreements
Sherwin Alumina	US	Alumina	1.6 million MT	100%	—	Supply and purchase agreements
Non-controlled:						
Century Aluminum	US	Aluminium	896k MT	46.4%(2)	Publicly traded on NASDAQ	Supply and purchase agreements
UC Rusal	Russia	Alumina Aluminium	12.179 million MT 4.664 million MT	8.75%	Publicly traded on HKSE, Euronext Paris, MICEX and RTS	Purchase agreements

Notes:

(1) Currently idle.

(2) Represents Glencore's economic interest, comprising 41.6 per cent. voting interest and 4.8 per cent. non-voting interest.

Chrome • Cobalt and other ferroalloys • Nickel • Iron Ore

Marketing activities

The commodity departments of chrome, cobalt and other ferroalloys, nickel and iron ore market bulk ferroalloys (including ferrochrome and chrome ore, ferromanganese, silicon manganese, manganese ore and ferrosilicon), noble ferroalloys (vanadium and molybdenum products), nickel, cobalt and iron ore. Glencore has a significant presence in the market for ferrochrome, nickel and cobalt.

Chrome, ferroalloys, cobalt, nickel and iron ore products are sourced through some of the key industrial assets Glencore has stakes in, including Xstrata, by way of long-term off-take, agency and distribution agreements, as well as from third party suppliers.

Glencore's chrome, ferroalloys, cobalt, nickel and iron ore customer base is geographically diverse and consists of large multinational European, American and Asian businesses across the carbon, stainless steel and other special steel industries. Most products are sold to end users, but a small portion is sold to intermediaries.

Glencore's recently developed chrome, iron and manganese ore businesses supply mostly large ferroalloys smelters (chrome and manganese) and carbon steel mills (iron). Contracts for the bulk ores are both spot and long-term (typically one year), with prices negotiated based on prevailing market prices. Glencore's customers for ferroalloys are typically large carbon steel, stainless steel and special steel mills. Contracts are usually one to three years in duration, with pricing terms either linked to industry publication prices or negotiated on a quarterly basis. Glencore markets a range of nickel products in ore, concentrates, matte forms and refined products. The nickel customer base is well established. Apart from nickel ore, which has its own market prices due to the variability of the grade, all nickel-related products are priced by reference to LME prices. Glencore's customers for cobalt are typically large processors. Cobalt is sold in many forms, including ore, concentrates, intermediates, salts and metal. Cobalt contracts are approximately 12 months long on average, while contract pricing terms are set using the London Metals Bulletin price.

Chrome, ferroalloys, cobalt, nickel and iron ore marketing operations principally involve marketing these commodities through physical, as opposed to paper, transactions. An active futures market exists for nickel on the LME, which allows the marketing team to hedge sales and purchases for nickel products; typically, physical positions are fully hedged using futures on the LME. Whilst the LME launched trading platforms for cobalt and molybdenum in February 2010, volumes are currently low, and these exchanges are therefore still relatively illiquid and, as a result, there is limited possibility to achieve effective paper hedging through a metals exchange. However, Glencore has developed and offers financial products, such as cash settled swaps, for cobalt and molybdenum as a means of managing the risk in respect of its physical exposures in these commodities. In 2008, the LME and Singapore Exchange Ltd. each launched an exchange for iron ore. Volumes traded on these exchanges are currently low but rapidly increasing and, as such, these exchanges are relatively illiquid.

The majority of Glencore's marketing competitors for chrome, ferroalloys, nickel and cobalt compete primarily in upstream production, although some also have significant end product capabilities.

Industrial activities

Murrin Murrin

Murrin Murrin is one of Australia's largest nickel producers and is one of the top 10 producers of nickel in the world. The Murrin Murrin plant has a current annual production capacity of 40,000 tonnes of nickel and 3,500 tonnes of cobalt. Murrin Murrin was previously a joint venture owned by Minara and Glenmurrin Pty Ltd. (a wholly-owned subsidiary of Glencore) and in September 2011, Glencore launched an all cash offer to acquire all the remaining shares in Minara not already owned by Glencore. In November 2011, following the successful closure of the offer, Glencore acquired the remaining shares in Minara, thereby increasing its effective interest in Murrin Murrin from 82.4 per cent. to 100 per cent.

The cobalt and other ferroalloys commodity department is in discussions to acquire certain manganese assets. Should this proceed, it would not be a material acquisition.

The table below shows the chrome, cobalt and other ferroalloys, nickel and iron ore commodity departments' principal investments in industrial assets as of 31 December 2011, unless indicated otherwise:

Company	Country	Commodity	Current annual production capacity	Glencore's ownership interest	Remaining ownership interest	Any contractual relationship with Glencore
Controlled:						
Murrin Murrin	Australia	Nickel Cobalt	40k MT 3.5k MT	100%	—	Purchase agreements

Energy Products

Glencore's Energy Products business segment markets crude oil and oil products (such as fuel oil, heating oil, gasoline, naphtha, jet fuel, diesel and liquefied petroleum gas), coal and coke.

The activities of Glencore's Energy Products business segment are supported by ownership interests in controlled and non-controlled coal mining and oil production operations as well as investments in strategic handling, storage and freight equipment and facilities. Glencore's energy products are marketed primarily through Glencore's offices in London, Baar, Stamford and Singapore, with key support from a number of other locations, including Beijing and Moscow, in order to take advantage of geographical opportunities. The global teams operate in an integrated manner.

Crude oil • Oil products

Marketing activities

The oil commodity department comprises marketing operations in crude oil, refined products, natural gas and freight, supported by access to a wide range of logistics, storage and industrial assets investments. Crude oil represents the most significant product supplied by physical volume. Oil products primarily include mid-distillates, gasoline, residuals, naphtha, natural gas and liquid petroleum gas.

Glencore sources crude oil and oil products from a variety of supplier types. Its diverse supplier base includes the major integrated oil companies, National Oil Companies ("NOCs"), independent oil companies, other marketing companies and refineries. There is a high degree of overlap between the crude oil and oil products customer and supplier base, particularly in respect of the major integrated oil companies.

Glencore's significant customers are the major integrated oil companies such as Shell, BP and ExxonMobil, as well as NOCs such as Indian Oil Corporation Ltd, Nigerian National Petroleum Company and Petroleos Mexicanos. In addition to the major integrated oil companies and NOCs, crude oil and oil products are sold to a diverse customer base, including utilities and oil refineries. While the percentage of term contracts is relatively small, this is largely consistent with the structure of the oil market and spot contracts are primarily with customers with whom relationships have been established and developed over a long time and are therefore considered similar in nature to term contracts due to their expected renewal. Glencore is also active in supplying natural gas to industrial consumers.

The marketing operations principally involve physical sourcing, storage, blending and distribution of oil. Paper transactions are also entered into for the purposes of hedging and/or taking or increasing exposures, within group limits and policies, where a physically-backed position exists. The availability of liquid electronic trading markets, covering the majority of the products marketed by the crude oil and oil products operations, enables marketers to hedge their physical oil activities, as well as provide profit enhancing opportunities in relation to physical marketing strategies.

Glencore's crude oil and oil products operations source their freight requirements through arrangements with Glencore's internal oil freight desk as well as from external spot vessel hires.

Glencore's main competitors are Vitol Group, Trafigura Group, Mercuria Energy and Gunvor, companies with infrastructure assets, but little, if any, upstream production. Glencore also faces marketing competition from banks such as Morgan Stanley and Goldman Sachs, which have some infrastructure and no current oil production, although the large majority of their business activities involve derivatives with limited physical sourcing and distribution of oil. Volumes captured by oil majors such as BP and Shell are also in direct competition with Glencore's marketing volumes, although their participation in the market increases overall volume and liquidity.

Glencore's logistical operations include Chemoil, a leading supplier of marine fuels listed on the Singapore Stock Exchange. Chemoil's primary business is the marketing and supply of bunker fuel and fuel oil and it operates in major shipping ports around the globe and owns or leases key storage terminals.

Industrial activities

Exploration and production

Glencore has, among others, equity stakes in two oil and gas production sharing contracts in offshore Equatorial Guinea, West Africa (Block I and Block O (the "Blocks")). Significant oil and gas reserves have been discovered in these Blocks following the initial discovery made in Block O in 2005. First oil

production was achieved from the Block I Aseng field on 6 November 2011, ahead of the planned start-up in Q1 2012. Gross oil production achieved to the end of December 2011 was 2.8 million bbls, with an average daily rate of over 50,000 bbls per day. Gross production from 1 January 2012 to 29 February 2012 averaged over 56,500 bbls per day. Current production at the Aseng field is at the planned rate of around 60,000 bbls per day gross. The Block O Alen gas condensate field, which lies adjacent to the Aseng field on Block I, is currently under development and will benefit from shared infrastructure. Subsea development drilling and well completion work on the Alen field is continuing and remains on schedule. Production from the field is expected to commence in late 2013 with a target flow rate of 37,500 bbls per day.

In addition to the two development projects, there have been six other discoveries in the Blocks (Carla North, Carmen, Diega (A-sand), Diega (B-sand), Felicita and Yolanda) and several similar prospects that remain to be drilled.

The Blocks form a key part of the Glencore exploration and production portfolio which also includes equity stakes (some as operator) in a further two blocks in Equatorial Guinea and three blocks in Cameroon.

Block I is operated by Noble Energy EG Ltd. ("Noble Energy"), which is part of the Noble Houston group of companies. Noble Houston is a US-based independent energy company listed on the New York Stock Exchange. Glencore has a 23.75 per cent. equity stake in Block I. The remaining equity interests are held by Noble Energy (38 per cent.), Atlas (27.55 per cent.), Osborne Resources Limited (5.7 per cent.) and the National Oil Company of the Republic of Equatorial Guinea (the Compañía Nacional De Petróleos de Guinea Ecuatorial or "GEPetrol") (5 per cent.). The Block I licence area holds 100 per cent. of the Aseng field, 5 per cent. of the Alen gas condensate field, as well as an estimated 40 per cent. of the Diega B discovery and 100 per cent. of the Yolanda and Diega A discoveries.

Block O is also operated by Noble Energy. Glencore has a 25 per cent. equity stake in Block O, with the remaining equity being held by Noble Energy (45 per cent.) and GEPetrol (30 per cent.). The Block O licence area holds 95 per cent. of the Alen gas condensate field, as well as an estimated 60 per cent. of the Diega B discovery and 100 per cent. of the Carla North, Felicita and Carmen discoveries.

OAO RussNeft

Glencore has invested in the Russian upstream market with its partner OAO RussNeft, taking ownership interests in a diversified portfolio of oil producing assets. OAO RussNeft owns and operates a number of oil licences stretching from the Volga river in the west to the Siberian plains in the east. Glencore has acquired between 40 and 49 per cent. of the equity in a number of oil production subsidiaries of OAO RussNeft. OAO RussNeft is owned as to 49 per cent. by a number of associated companies of Mikhail Gutseriev, 49 per cent. by Sistema JSFC and 2 per cent. held by Sberbank of Russia, through its subsidiary.

The current aggregate production capacities of 100 per cent. of OAO RussNeft's operating subsidiaries comprise approximately 264,000 bbls per day (equivalent to 13.2 million tonnes per annum).

Glencore also benefits from a renewable one year off-take agreement, pursuant to which it is entitled to 100 per cent. of the crude oil produced by these assets destined for export markets.

The table below shows the oil commodity department's principal investments in industrial assets as of 31 December 2011, unless indicated otherwise:

Company	Country	Commodity	Current annual production capacity	Glencore ownership interest	Remaining ownership interest	Any contractual relationship with Glencore
Controlled:						
Block I[(1)]	Equatorial Guinea	Oil, condensate and gas	60,000 bbls/day[(2)]	23.75%[(3)]	38% Noble Energy Inc.; 27.55% Atlas Petroleum International Ltd.; 5% GEPetrol; 5.7% Osborne Resources Limited	Purchase agreements[(4)]
Block O[(1)]	Equatorial Guinea	Oil, condensate and gas	—[(5)]	25%	45% Noble Energy Inc.; 30% GE Petrol	—[(4)]
Non-controlled:						
Various oil producing subsidiaries of OAO RussNeft	Russia	Oil	264,000 bbls/day	40-49%	51-60% OAO RussNeft	Purchase agreements

Notes:

(1) The Blocks are both parts of The West African Oil Assets' portfolio. These investments are structured as unincorporated joint ventures, in which each partner receives its share of production.

(2) Gross oil production from 1 January 2012 to 29 February 2012 had averaged in excess of 56,500 bbls per day. Current production is at the planned rate of 60,000 bbls per day gross.

(3) Glencore is currently entitled to a greater share of oil production than its percentage ownership of the joint venture as it recovers the carried interest/loans in relation to one of its partners.

(4) Glencore Energy UK Ltd, a wholly-owned subsidiary of Glencore, has entered into agreements to market all of the production from the Aseng field on behalf of the contractors. It is anticipated that purchase agreements for the Alen field will be entered into prior to first production.

(5) First production scheduled for late 2013 at an expected rate of 37,500 bbls per day.

Coal • Coke

Marketing activities

The coal/coke commodity department is involved in the production and marketing of coal products. The marketing activities are supported by the industrial asset stakes, which provide both access to supply and market information. Glencore markets coal either on a principal basis, where it takes ownership of the coal, or on an agency/advisory basis, pursuant to a marketing agreement.

The main sources of Glencore's principal steam coal purchases are the coal mining companies in South Africa, Russia, Australia, Colombia, the US, Canada and Indonesia, accounting for most of the strategically important producing regions. Glencore's diversified supply base allows it to better manage the changing nature of coal demand and supply dynamics.

Glencore supplies thermal coal to a diverse geographic and industrial customer base, including major utilities in Spain, France, Italy, the United Kingdom, Hong Kong, China, Japan, Taiwan and South Korea. Glencore also sells coal to major cement producers, steel mills, chemical plants and other industrial users throughout the world.

Whilst traditionally coal has been sold on a physical bilateral basis, without a supporting commodity exchange, in recent years, a sizeable coal paper derivatives market has developed, providing a spot and forward market for certain standard coal specifications. Glencore is able to transact in these markets in order to manage risks in relation to its physical supply of coal products.

Glencore's coal operations employ a specialist freight team located in Baar and Singapore. This team uses its considerable immersion in the seaborne bulk freight market to source competitive freight from third party owners and carriers.

The timing of procuring freight for coal operations is dictated primarily by physical coal sales activities, but also by global freight market dynamics at a point in time and/or forward expectations. Furthermore, geographic and time spreads are taken in order to allow the coal team to fully arbitrage relative value opportunities between the various origins and destinations of the underlying commodity. Maximum

flexibility and optionality are thus sought to be maintained at all times. The operation manages freight from a combination of voyage and time charter based contracts, spot market bookings and derivative contracts which are primarily used to hedge physical freight exposure inherent in the overall position. Freight services are also supplied to third parties and are often sourced via joint venture agreements to enhance volume and gain timely market information in relation to industry trade patterns and rate developments.

Glencore's competitors are either producers which largely market their own product and have less geographic market depth and visibility, for example, BHP Billiton or Anglo American, or companies that have relatively little production capacity and focus mainly on less integrated trading and/or consumer activities, for example, Noble Group or power/utility companies.

Industrial activities

Prodeco

Glencore owns 100 per cent. of Prodeco, which comprises Glencore's Colombian export thermal and metallurgical coal mining operations and associated infrastructure. It is involved in the exploration, production, transportation and shipment of high grade thermal coal from its mines to markets principally in Europe and the Americas. Prodeco consists of two open pit coal mining operations (the Calenturitas mine and the La Jagua complex), export port facilities (Puerto Zuñiga, which is fully operational, and Puerto Nuevo, which is under construction) and a 39.76 per cent. share in Fenoco, a company which holds the concession to the railway linking Prodeco's mines to the export ports.

Prodeco has a low-cost structure as it operates open cut mines and benefits from a superior quality coal which requires no washing. Prodeco is currently the third largest producer of export thermal coal in Colombia, behind Cerrejón and Drummond Company, Inc. Prodeco is going through a period of significant expansion, as coal production is planned to increase from 14.6 million tonnes per annum in 2011 to deliver annualised production of 21 million tonnes by the fourth quarter of 2013. This expansion is aimed at exploiting Prodeco's existing extensive reserve base to take advantage of global demand for imported coal. The planned expansion is expected to have a significant positive impact on Prodeco's future revenues, cost structure and earnings. Prodeco has operational advantages in owning all its key operational infrastructure, including a railway (through its part ownership of the rail infrastructure concession and full ownership of rolling stock) and all mining equipment and facilities at its mine sites.

The largest project currently underway is the construction of the new direct loading port (Puerto Nuevo), which will provide Prodeco with higher annual throughput capacity and a lower cost of operation compared to its current port (Puerto Zuñiga). The project is on schedule and is expected to be commissioned in the first quarter of 2013.

Shanduka Coal

Glencore owns 70 per cent. of Shanduka Coal. The remaining 30 per cent. of Shanduka Coal is owned by Shanduka Resources (Pty) Limited, a South African BEE entity. Glencore and Shanduka Resources have entered into an agreement, subject to the fulfilment of conditions, whereby Shanduka Resources will increase its shareholding in Shanduka Coal to 50.01 per cent. through the purchase of Glencore's shareholding, thereby reducing Glencore's interest to 49.99 per cent. Shanduka Resources will, in addition to the payment of a cash consideration to Glencore, contribute into Shanduka Coal its 30 per cent. shareholding in Kangra Coal, owner of the Savmore Colliery in the Ermelo coal fields of South Africa, with a current annual production capacity of 3 million tonnes of saleable coal. Completion is expected before the end of July 2012.

Shanduka Coal owns 100 per cent. of the Graspan Colliery and the Middelburg Townlands Colliery and Extension, located near Middelburg, South Africa, as well as the Springlake Colliery located near Newcastle, South Africa. These operating mines have an aggregate annual production capacity of 6 million tonnes of saleable coal. Shanduka Coal also owns 100 per cent. of the Leeuwfontein and Lakeside Collieries located near Kendal, South Africa, which are under care and maintenance pending further exploration, and the Bankfontein Colliery, the reserves of which have been exhausted and which is being prepared for closure. Shanduka Coal produces both higher quality thermal and anthracite coal suitable for the export market and lower quality thermal coal sold largely to Eskom, the South African parastatal electric utility entity. Glencore acts as marketing agent for Shanduka Coal's third party domestic coal sales, including its sales of lower quality coal to Eskom.

Umcebo

In December 2011, in order to increase its presence in the South African coal market, Glencore completed the acquisition of a 43.7 per cent. stake in Umcebo, an unlisted South African coal mining company, for US$123 million cash consideration. The transaction secures access to long-life resources from South Africa's principal coal field in Mpumalanga and secures access to an eventual 1.5 million tonnes of export allocation in Phase V of the Richards Bay Coal Terminal. Umcebo currently has three thermal coal mines in operation (Middelkraal, Kleinfontein and Klippan) and a stand-alone wash plant, with an aggregate annual production capacity of approximately 6 million tonnes of saleable coal. Furthermore, the Wonderfontein mine is scheduled to commence production in late 2012, with an annual saleable coal production capacity of 2.7 million tonnes. Although Glencore holds less than 50 per cent. of the voting rights, it has the ability to exercise control over Umcebo as a result of the shareholder agreements.

Optimum Coal

During the second half of 2011, Glencore acquired a 31.2 per cent. interest in Optimum Coal for US$382 million. Following the receipt of the applicable regulatory approvals, a consortium of Glencore and Cyril Ramaphosa, a prominent South African businessman who is Glencore's local BEE partner, completed the acquisition of an additional interest in Optimum Coal on 26 March 2012, which increased Glencore's interest to 59.7 per cent. Optimum Coal adds significant resources and mining life to Glencore's Coal operations in South Africa. In compliance with the terms of the South African Companies Act and the takeover regulations promulgated under that Act, the consortium has made a mandatory offer at a price of ZAR38 per share to all remaining shareholders pursuant to which it has increased its interest to 60.98 per cent. The offer will be concluded in June 2012 and Glencore's interest could increase to a potential 64.7 per cent. (depending on acceptances).

The table below shows the coal/coke commodity department's principal investments in industrial assets as of 31 December 2011, unless indicated otherwise:

Company	Country	Commodity	Current annual production capacity	Glencore's ownership interest	Remaining ownership interest	Any contractual relationship with Glencore
Controlled:						
Prodeco	Colombia	Coal	14.6 million MT[(1)]	100%	—	Marketing agency agreement
Shanduka Coal	South Africa	Coal	6.0 million MT	70%	30% Shanduka Resources (Pty) Limited[(2)]	Purchase agreements, marketing agreements
Umcebo	South Africa	Coal	8.7 million MT[(3)]	43.7%[(4)]	56.3% privately held	Marketing agreement
Optimum	South Africa	Coal	14.0 million MT	60.98%[(5)]	39.02% privately held and publicly traded on JSE	N/A[(6)]

Notes:

(1) Planned expansion to annualised production of 21 million MT by the fourth quarter of 2013.

(2) Glencore and Shanduka Resources have entered into an agreement, subject to the fulfilment of conditions, whereby Shanduka Resources will increase its shareholding in Shanduka Coal and Glencore will reduce its shareholding in Shanduka Coal to 50.01 per cent. and 49.99 per cent. respectively.

(3) Including 2.7 million MT from Wonderfontein mine which is scheduled to commence production in late 2012.

(4) Although Glencore holds less than 50 per cent. of the voting rights, it has the ability to exercise control over Umcebo as a result of shareholder agreements.

(5) As at 31 December 2011, Glencore had a 31.2 per cent. interest in Optimum Coal, which increased to 60.98 per cent. following the completion of the acquisition of an additional interest in Optimum Coal by the consortium of Glencore and the local BEE partner on 26 March 2012 and acquisitions made pursuant to the mandatory offer made to the remaining shareholders on 26 April 2012.

(6) Glencore has signed an agreement with Mercuria Energy Trading SA to purchase the marketing agreement, effective 1 July 2012, which Mercuria has over a portion of Optimum's saleable production.

Agricultural Products

The Agricultural Products business segment focuses on the following commodities: grains, oils/oilseeds, cotton and sugar. The activities of Glencore's Agricultural Products business segment are supported by investments in controlled and non-controlled storage, handling, processing and port facilities in strategic locations.

Marketing

The Agricultural Products business segment originates and markets grains (including wheat, barley and corn), oil/oilseeds (including most edible oils, biodiesel and their source seeds/beans), cotton and sugar.

The suppliers to the Agricultural Products business segment are farmers, farming co-operatives, processing plants, local exporters and global merchants. Individual commodity traders such as Cargill are the largest suppliers of the physical volume that Glencore markets. Glencore typically transacts with these third party commodity merchants as liquidity providers on a spot basis and generally does not have long-term supply contracts with them. The only top five supplier which is not a commodity merchant is Vicentin, Argentina's largest soybean crusher and producer of soy oil, most of which is supplied under long-term contract. The remaining supply base (including farmers) is very diversified and fragmented. The Agricultural Products business segment generally enters into commitments to buy agricultural products only as part of specific marketing strategies within the course of a crop season.

With respect to grains, Glencore typically buys grains from farmers at local spot prices for delivery to silos. Whilst occasionally grain from Australian or European farmers is procured pursuant to forward agreements, the business segment does not generally have long-term supply contracts in place with farmers, although it does have long-term relationships with important suppliers. Global markets, particularly on the supply side, are highly fragmented and, in many countries, Glencore procures grain directly from the farmer. North Africa, the Middle East and Asia are the prime importers. Glencore processes, handles and markets oils (including most edible oils and biodiesel) and their source seeds/beans, with sourcing primarily from Argentina, Brazil, Australia, EU and Ukraine.

With respect to cotton, Glencore markets mainly unprocessed product, with sourcing primarily from West Africa, the US, India and Brazil.

With respect to sugar, Glencore markets both raw sugar and white sugar, and processes raw sugar into white sugar. Glencore is supplied a small portion of its sugar by farming operations which Glencore owns or in which it has an interest, with sourcing primarily from Thailand, Brazil and Guatemala.

Glencore's customers are the processing industry (food, consumer goods and animal feed), local importers, government purchasing entities and competing global marketers. Contracts with customers in the food industry are negotiated bilaterally on a case-by-case basis, whilst contracts with governmental purchase bodies are usually tendered. Glencore estimates that it is awarded at least part of the tender in at least half of the agricultural tenders in which it participates and, where it is unsuccessful, it is sometimes able to supply part of the tender to the successful applicant. The Agricultural Products business segment does not enter into long-term contracts with these customers.

Liquid derivatives markets exist for the majority of the key commodities that the business segment markets, such as wheat, corn, soyoil, rapeseed and cotton; for example, CBOT (Chicago), MATIF (Paris) and NYMEX (New York). These key products are also used as relative proxies for other products which the segment markets, such as barley and sunflower oil, in respect of which a liquid derivatives market does not currently exist, and Glencore is accordingly able to hedge, albeit imperfectly and/or partially, the risk on these physical commodities' positions using such proxy forward agreements and exchange traded futures. Glencore is also very active in ICE (New York) for global sugar futures trading and hedging, as well as in local futures exchanges for sugar in India, Russia and, more recently, China.

Physical flows of product are shipped via trucks, trains and vessels. Logistical planning and chartering of dry-bulk seaborne trade is performed in-house by a freight desk which provides initial quotes for the freight associated with each shipment. The in-house freight desk trades and hedges freight and shipping capacity positions for both the department's dry-bulk shipping needs and for third parties. Glencore's logistical assets also include in-land and port elevators and silos and train wagons. The elevators and silos are located in Argentina, Australia, Brazil, Estonia, Hungary, Kazakhstan, Paraguay, Poland, Romania, Russia, Ukraine and Uruguay. Logistics assets are particularly important in the CIS as third party logistics assets typically have insufficient capacity and are not sufficiently reliable.

Glencore has three categories of competitors: large multinational merchants (Cargill, ADM, Bunge and Louis Dreyfus Group), smaller, more regionally focused merchants (including Noble Group and Nidera) and local companies with a single country focus, primarily in Russia, Ukraine, Argentina, Australia and Brazil.

Marketing is co-ordinated through Glencore's subsidiary office in Rotterdam. Glencore's sugar business activities are co-ordinated through its subsidiary in London.

Industrial activities

Farming assets

Glencore's farming assets are mainly concentrated in the CIS, Australia and Paraguay. Glencore owns or part owns the land as full owner or on long-term leases. This enables the department to source its products at local prices, provide valuable information on the expected crop yields and enable Glencore to build closer relationships with other farmers in the respective regions.

Processing assets

The processing asset portfolio is in a phase of targeted expansion with a focus on storage, handling and oilseed processing facilities. Access to or ownership of processing assets enables Glencore to take advantage of the various price differentials for agricultural commodities.

The largest of these assets is currently Moreno in Argentina, of which Glencore owns 100 per cent. Moreno's main activity is to produce and export edible oils and meal. Moreno's facilities include three sunseed/soybean crushing plants in Necochea, Daireaux and Villegas in Argentina with a combined production capacity of 1.8 million tonnes per annum. In 2007, Moreno started a biodiesel facility as a joint venture. The plant became fully operational in 2008 and its current production capacity is 0.5 million tonnes per annum.

Glencore also owns Rio Vermelho, a stand-alone distillery located in the state of Sao Paulo, Brazil, with a sugarcane crushing production capacity of 1.3 million tonnes per annum. Rio Vermelho currently only produces hydrous fuel ethanol (approximate capacity of 95,000m^3/season). A five-year expansion plan is underway to increase crushing capacity from 1.3 million tonnes to 2.6 million tonnes.

In addition, Glencore owns, or part owns, other crushing facilities in Argentina, Brazil, Ukraine, Germany, Hungary, Czech Republic and Poland:

- a 100 per cent. interest in Usti Oilseed Group, a Czech Republic oilseed crushing plant with production capacity of 460,000 tonnes per annum;
- a 99.9 per cent. interest in Zaklady Tluszxzonne w Bodaczowie, a Polish oilseed crushing plant with production capacity of 495,000 tonnes per annum;
- a 100 per cent. interest in Ponta Pora, a Brazilian oilseed crushing plant with production capacity of 288,000 tonnes per annum;
- a 100 per cent. interest in Lubmin, a German oilseed crushing plant with production capacity of 165,000 tonnes per annum;
- a 50 per cent. interest in OMEZ, a Ukrainian oilseed crushing plant with production capacity of 230,000 tonnes per annum;
- a 100 per cent. interest in JSC Kolos, a Ukrainian oilseed crushing plant with a production capacity of 280,500 tonnes per annum;
- a 33.3 per cent. interest in the Timbues soybean crushing plant which is a joint venture with Vicentin and Molinos in Argentina, which is expected to be operational in 2012 and which will have a production capacity of 6 million tonnes per annum; and
- a 100 per cent. interest in Fokto, an oilseed crushing facility with a production capacity of 580,000 tonnes per annum based in Hungary, which has started processing in the second quarter of 2012.

Glencore has the following other production interests outside the crushing business:

- a 37 per cent. interest in Paso Dragon, a Uruguayan rice parboiled plant with production capacity of 55,000 tonnes per annum;

- a 60.3 per cent. ownership interest in the Swiss company Biopetrol Industries AG owning two operating biodiesel production facilities;
- a 33.3 per cent. ownership interest in Renova, the largest biodiesel producer in Argentina. The facilities are integrated within the industrial complex of Vicentin, Glencore's joint venture partner in Renova, resulting in all processing steps from seed, via oil to biodiesel and refined glycerine taking place in the same location, including its own deep sea export terminal;
- a 50 per cent. interest in two other biodiesel production facilities in Argentina with a combined production capacity of 50,000 tonnes per annum; and
- rice/flour mills with a combined production capacity of 1.75 million tonnes per annum in Argentina, Brazil and Uruguay.

The Agricultural Products business segment's medium-term investment is focused on increasing processing capacity in oil/oilseeds at origin, which is mainly in South America, as well as expanding its sugarcane crushing capacity in Brazil.

Viterra

On 20 March 2012, Glencore and Viterra announced that, subject to certain conditions, Glencore had agreed to acquire all of the issued and outstanding shares of Viterra for C$16.25 per share in cash by way of a court approved plan of arrangement under Canadian law. This valued Viterra's equity at approximately C$6.1 billion on a fully diluted basis. In connection with the Viterra Arrangement, Glencore has agreed to sell certain of Viterra's assets to Agrium and Richardson (further details of which are set out below). The Viterra directors have unanimously approved the transaction and Viterra shareholders approved the transaction on 29 May 2012. Subject to obtaining the necessary regulatory approvals, the transaction is expected to close in the third quarter of 2012. The Viterra Arrangement is a separate transaction to the Merger and is not conditional on the Merger becoming Effective.

Viterra is a vertically integrated global agri-business engaged in the purchasing, storage, handling, processing and marketing of agricultural and food ingredient products and supplies and the provision of related services headquartered in Canada. It is currently listed on the Toronto Stock Exchange and its shares are also listed and traded in the form of CHESS Depositary Interests on the Australian Securities Exchange. For the 12 months ended 31 October 2011, Viterra reported gross assets of approximately C$7.0 billion and adjusted EBITDA of C$702 million (adjusted EBITDA means earnings before financing expenses, taxes, goodwill impairment, amortisation, (gain) loss on disposal of assets, integration expenses and net foreign exchange gain (loss) on acquisition).

Viterra has extensive operations across Western Canada and Australia, as well as facilities in the United States, New Zealand and China. Viterra's business is managed and reported through three inter-related segments: (a) grain handling and marketing; (b) agri-products; and (c) processing. In addition, a corporate, non-operating segment is reported.

(a) Grain handling and marketing

The Grain Handling and Marketing operations accumulate, store, transport and market grains, oilseeds and special crops. This business includes grain storage and handling facilities and processing plants strategically located in prime agricultural growing regions of North America and Australia. This segment also includes wholly-owned port export terminals located in Canada and Australia. The International Grain group merchandises grains and oilseeds between origination and offshore destination customers through their global sales offices and sources commodities from locations where Viterra has no assets.

(b) Agri-products

Viterra's agri-products segment is involved in the sale of seed, crop protection products, fertiliser and equipment to producers, as well as the operation of a wool brokering and export business. Viterra's agri-products operations also include an ownership interest in a nitrogen fertiliser manufacturer and a network of retail locations.

(c) Processing

Viterra's processing segment extends Viterra's pipeline by producing food ingredients for consumer products companies and food processors around the world.

Glencore has agreed to sell certain of Viterra's assets to Agrium and Richardson.

Agrium has agreed, subject to certain conditions, to acquire the majority of Viterra's worldwide agri-products business, for which Agrium will pay approximately C$1.775 billion, including estimated working capital requirements, subject to adjustment in certain circumstances.

Richardson has agreed, subject to certain conditions, to acquire certain of Viterra's Canadian grain handling assets, certain agri-centres and certain processing assets in North America for approximately C$0.8 billion plus net working capital, subject to adjustments in certain circumstances.

Agrium and Richardson have also agreed to provide funding for their respective assets before completion of the Viterra Arrangement by way of separate loans to Glencore, which are repayable by the transfer of the respective assets. The Viterra Arrangement is not conditional on the back-to-back agreements with Agrium and Richardson.

Assuming the sales to Agrium and Richardson proceed, Glencore will retain the majority of Viterra's grain handling and marketing business, certain parts of the agri-products business, including retail outlets and storage and distribution assets and the majority of Viterra's processing business. Other non-core Viterra assets have been identified by Glencore for possible sale in due course.

Further details on the agreements with Viterra, Agrium and Richardson are set out in paragraphs 19.1.16 to 19.1.18 of Part XI: "Additional Information".

The table below shows the agricultural commodity department's investments in industrial assets as of 31 December 2011, unless indicated otherwise:

Company	Country	Commodity	Current annual production capacity	Glencore's ownership interest	Remaining ownership interest	Any contractual relationship with Glencore
Controlled:						
Moreno	Argentina	Oilseed crushing	1.8 million MT	100%	—	N/A
Usti Oilseed Group	Czech Republic	Oilseed crushing	460k MT	100%	—	Toll agreement
Zaklady Tluszczowe w Bodaczowie	Poland	Oilseed crushing	495k MT	99.9%(1)	0.01%	Toll agreement
Fokto	Hungary	Oilseed crushing	580k MT	100%	—	N/A
Ponta Pora	Brazil	Oilseed crushing	288k MT	100%	—	Toll agreement
OMEZ	Ukraine	Sunseed crushing	230k MT	50%	50% privately held	Toll agreement
JSC Kolos	Ukraine	Oilseed crushing	280k MT	100%	—	Toll agreement
Lubmin	Germany	Rapeseed crushing	165k MT	100%	—	Toll agreement
Rio Vermelho	Brazil	Sugar cane crushing and ethanol production	1.3 million MT	89.5%(2)	—	N/A
Biopetrol Industries AG	Germany and Netherlands	Biodiesel production	850k MT	60.3%	Publicly traded on Frankfurt Stock Exchange	N/A
Advanced Organic Materials	Argentina	Biodiesel production	50k MT	50%	50% privately held	N/A
Mills	Argentina, Brazil and Uruguay	Flour/rice production	1.75 million MT	50-100%	Any minority ownership is privately held	N/A

Company	Country	Commodity	Current annual production capacity	Glencore's ownership interest	Remaining ownership interest	Any contractual relationship with Glencore
Farming	CIS, Australia and Paraguay	Farming activities on owned and leased land	213k hectares	50-100%	Any minority ownership is privately held	N/A
Non-controlled:						
Renova	Argentina	Biodiesel	500k MT	33.33%(3)	33.33% Vicentin; 33.33% Molinos	Toll agreement
Paso Dragon	Uruguay	Rice parboiled plant	55k MT	37%	63% privately held	Supply agreement
Timbues	Argentina	Soybean crushing	6.0 million MT(4)	33.33%(5)	33.33% Vicentin; 33.33% Molinos	N/A

Notes:

(1) Increased from 90.7 per cent. as at 31 December 2011 to 99.9 per cent.

(2) Rio Vermelho is accounted for as a 100 per cent. owned subsidiary, taking into account Glencore's option to acquire the remaining 10.5 per cent.

(3) Reduced from 33.5 per cent. as at 31 December 2011 to reflect post year-end change in share capital of Renova.

(4) Expected to start production in 2012.

(5) Glencore has a 33.33 per cent. interest in the joint venture but has a 40 per cent. share of the production.

Investment in Xstrata

As at 29 May 2012, being the latest practicable date prior to publication of this document, Glencore owned 33.65 per cent. of Xstrata, the subject of the Merger. In addition to its position as a significant shareholder of Xstrata, Glencore has important commercial relationships with Xstrata, which include long-term marketing, agency and advisory agreements at arm's length for a number of commodities. Please refer to Part III: "Information on the Xstrata Group" for more information on the Xstrata Group.

Worldwide office network

Organisation

The three business segments described above report to management at the corporate level, and are supported by the finance, legal, risk, human resources and compliance departments. All activities related to a specific commodity, including physical marketing activities, hedging, logistics and industrial investments, are managed by the business segment that covers the particular commodity.

Glencore's finance department is headed by the Chief Financial Officer based at Glencore's head office in Baar. Finance and accounting staff in each principal location (Baar, London, Rotterdam, Stamford, Singapore and Beijing) handle the day-to-day finance and accounting tasks related to the business activities conducted out of that location. The proximity of local finance and accounting staff to Glencore's marketing and logistics activities is important in order to ensure prompt and professional handling of the finance and accounting activities related to the specific commodity. The head office finance staff handle (i) funding activities based on Glencore's corporate credit, such as syndicated loan facilities and debt capital market transactions, (ii) co-ordination of the worldwide treasury, hedging and credit and exposure management activities, (iii) presentation of Glencore's financial statements to investors and rating agencies, (iv) relationships with its investors and with rating agencies and (v) assets and liabilities management of its consolidated balance sheet and compliance with covenants. The head office accounting staff are responsible for (a) financial accounting, including the preparation of the financial statements of the legal entities, (b) preparation of Glencore's consolidated financial statements, (c) management information related to the performance of each individual business segment, (d) reporting throughout the entire group, (e) tax issues and (f) the worldwide relationship with its independent auditors.

Office network

Relationships with producers and consumers of raw materials are the responsibility of senior employees who receive support from Glencore's global network of more than 50 offices in more than 40 countries. As shown below, these offices are located in major American, European, Asian, African and Middle Eastern natural resources producing and consuming markets. Some of these offices also oversee local logistics, including supervision of shipments, initial quality control, local authority liaison and shipping documentation. As of 31 December 2011, Glencore's global marketing network comprised the following offices:

Europe	Former Soviet Union	Asia/Australia	Americas	Middle East and Africa
Avon	Baku	Beijing	Asuncion	Casablanca
Baar	Kiev	Brisbane	Bogota	Dar es Salaam
Bucharest	Moscow	Ho Chi Minh City	Buenos Aires	Dubai
Budapest	Odessa	Jakarta	Calgary	Johannesburg
Gdansk		Kolkata	Cancun	Maputo
Istanbul		Manila	Clarkville	
London		Melbourne	Hamilton	
Madrid		Mumbai	Houston	
Milan		New Delhi	La Paz	
Novi Sad		Seoul	Lima	
Prague		Shanghai	Mexico City	
Rotterdam		Singapore	Montevideo	
Sofia		Sydney	Pittsburgh	
Thame		Taipei	Quito	
Zagreb		Tokyo	Rio de Janeiro	
			Santiago	
			São Paulo	
			Stamford	
			Toronto	
			Wilmington	

Employees

As of 31 December 2011, Glencore employed close to 3,000 people worldwide, excluding those employed in the operations of its industrial assets. The employees include department managers, support staff and employees in the subsidiary offices, as well as the management. The following table indicates the distribution of Glencore's employees by geographic region:

Employees by geographic region

	As of 31 December		
Region	**2011**	**2010**	**2009**
Europe	1,376	1,241	1,153
North America	257	260	235
Latin America	216	176	249
Africa	67	59	49
Asia	445	400	360
Australia	63	56	59
CIS	557	580	534
Total	2,981	2,772	2,639

In its industrial operations, Glencore employs over 58,000 people in 33 countries.

Properties

Glencore leases its headquarters in Baar, Switzerland, as well as offices in major locations such as London, Rotterdam, Stamford and Singapore under long-term lease agreements.

Health and safety, environment and communities

Glencore is committed to conducting its business activities in a manner that will safeguard the health and safety of all employees and protect the environment, and to adding to the wealth of the communities. Glencore's industrial assets, as well as marketing and logistics activities, are subject to a range of health and safety, environment and communities ("HSEC") laws and regulations. For its operations (industrial assets and marketing/logistics), Glencore has HSEC policies and management programmes in place to manage and ensure compliance, as well as to track and improve overall performance with the applicable local and international HSEC laws and regulations. Glencore's HSEC policies, management programmes and reporting schemes seek to identify areas of non-compliance or areas for general improvement. These measures are also used to identify deficiencies by providing appropriate information and specialist advice to determine appropriate corrective actions.

Glencore's HSEC policies and management systems are embedded into the Glencore Corporate Practice programme ("GCP"). The GCP principles apply to Glencore's marketing activities and to all controlled industrial assets. GCP was designed to address the key non-financial aspects of Glencore's business activities that are important to its success and are indirectly linked to its overall financial performance, which are:

- health and safety;
- environment;
- community relations;
- human resources;
- impact on society and economies; and
- compliance.

These points are addressed in the form of commitments (i) to employees, the environment, communities in which Glencore operates, customers and investors and (ii) to adhere to good practice in compliance, communication and reporting. GCP meets internationally accepted good practice standards for corporate governance and management of non-financial activities.

The Glencore Board has established a health and safety, environment and communities committee. This committee is chaired by Peter Coates, an Independent Non-Executive Director, with other members, including Ivan Glasenberg, Glencore's current Chief Executive Officer, and Michael Fahrbach, the Glencore employee currently responsible for Glencore's health and safety, environmental and communities matters. It formulates and recommends policies on these issues as they affect Glencore operations.

In practice, GCP adds non-financial aspects to internal corporate reporting requirements, covering performance on societal, environmental and compliance indicators. Depending on the report subject matter, GCP may require annual or monthly internal reporting or, for critical incidents, reporting within 24 hours. Glencore will also make annual public reports on GCP itself, which will follow the latest guidelines of the Global Reporting Initiative, an initiative which aims to create conditions for the transparent and reliable exchange of sustainability information. As part of this initiative, Glencore's 2010 sustainability report was released on 7 September 2011.

Glencore encourages employees to ensure that customers, suppliers, agents, service providers and contractors comply with GCP where possible. Glencore also uses its influence to raise awareness and consideration of the basic principles within its joint ventures and entities in which it has non-controlling stakes.

Where GCP applies, employees are required to understand and comply with the principles. Glencore's managers are responsible for ensuring compliance, carrying out periodic assessments, management reviews and reviews of corrective action plans. The Group-wide minimum requirements for meeting the objectives of GCP's commitments are summarised in a GCP guidance document. Glencore applies appropriate controls, scaled for different levels of materiality in different areas of the group, and regularly benchmarks its achievements against targets and expectations, taking corrective action where necessary.

Environmental impact

In order to manage and limit the environmental impact of its controlled extractive activities, the Group has established environmental management systems which are used to monitor environmental aspects of the operations undertaken by the Group. Glencore's controlled extractive assets carry out internal and external environmental audits from time to time.

In common with other natural resources and mineral processing companies, despite its best efforts, Glencore's operations cannot always prevent adverse effects on the environment and surrounding communities. Such situations may occur even though Glencore's controlled extractive assets are managed in compliance with local laws, regulations and project specific permits and environmental management plans. Typical issues in this regard include sulphur dioxide emissions caused by installations such as smelter furnaces or converter units, dust emissions from smelters, tailings dams or traffic on unpaved roads. Mining and ore processing always have a high demand for water which creates a challenge of ensuring a sufficient water supply (sometimes in arid regions) and managing effluents to preserve the quality of surface or ground waters. Project development may make land clearing necessary, which can negatively impact biodiversity and change landscapes. Waste rocks and tailings usually occur on a large scale and, if not used for backfill, need to be disposed of in a safe and environmentally friendly manner.

Glencore also looks to promote environmental awareness in its non-controlled industrial activities and works in partnership with its customers, suppliers and service providers to limit the overall impact along the entire supply chain.

Besides the environmental aspects of industrial assets, Glencore's marketing and logistics operations also need to actively manage certain issues to prevent damage to the environment and surrounding communities. For example, failure in the logistics of crude oil or petroleum products can result in major environmental impact with negative reputational and financial damage. Therefore, Glencore's time charter fleet for crude oil and petroleum products is regularly inspected according to international maritime standards and has to meet certain technical criteria before being qualified to transport Glencore's products. All of this seeks to ensure sea- and cargo-worthiness and reduce the risk of failure to a tolerable minimum.

Glencore furthermore acknowledges that managing the environmental compliance and impact of Glencore's operations is a dynamic process as the international and local regulatory environment is changing regularly.

Health and safety

Glencore is committed to the health and safety of its employees and contractors and surrounding communities. Glencore's operations have developed, implemented and maintained health and safety management systems and programmes which meet international standards and applicable regulatory requirements. These are tailored to the specific needs of Glencore's operations and activities. Performance is regularly monitored by tracking injuries, lost days, fatalities and near-miss events. This information is used as the basis for continuous improvement programmes, training and improvement of the integrity and safety of workplaces, as well as mobile or stationary equipment.

Communities

Glencore believes that its business activities, and, in particular, its industrial operations, contribute in the medium and long term to local development of communities. In addition to monetary distribution of wealth (for example, direct employment, taxes or royalties), Glencore adds value by procurement of products and services, investments in infrastructure and involvement in local social and development projects.

Initiatives are usually adapted to local situations and needs. They can either be single projects or programmes with long-term commitments. Areas of activity include education, sports, childcare, medical care, culture, environment and enhancing public provision of utilities for the surrounding communities. Glencore works in partnership with local authorities and communities to ensure effectiveness, efficiency and acceptance of each of these programmes.

Glencore seeks to maximise the share of its locally hired staff, to the extent possible, which results in positive employment opportunities in the surrounding communities. Glencore believes that, besides all the accompanying community programmes and projects, creating employment opportunities for the

community is one of the major contributions to local development and wealth. This is especially relevant when Glencore operates in remote areas with limited employment opportunities and development challenges.

Although Glencore seeks to protect local communities from adverse social impact caused by its activities, these cannot always be completely mitigated. In such an event and whenever possible, Glencore strives at least to minimise these effects and seeks to find fair compensation.

Insurance

Glencore maintains a number of key insurance policies that it believes are commercially appropriate to cover the risks associated with its business operations. All of Glencore's insurance policies are placed in external insurance markets with global and local insurers as appropriate and have bespoke terms to reflect Glencore's requirements. Deductibles are generally kept at a low level, ranging from zero to approximately US$1 million and 30 days for industrial property damage and business interruption respectively (except for two of the industrial assets, Kazzinc and Minara, which have combined deductibles for property damage and business interruption losses of US$20 million and AUD30 million respectively). The vast majority of Glencore's insurance policies are underwritten through Lloyd's and other major European and international insurance companies. Glencore maintains an insurance portfolio that covers both physical assets and liability exposures.

Glencore's global insurance policies cover its subsidiaries and its industrial assets (subject to some local insurance cover), and are either purchased centrally by the Glencore Group or locally at subsidiary level depending on local legal requirements). Glencore's principal global insurance policies include property damage and business interruption (specific to certain copper, zinc and coal assets), charterer's legal liability, marine cargo, excess oil pollution liability, political risk (in respect of oil in storage and/or in transit only), offshore liabilities, piracy, general third party liability and directors' and officers' liability insurance. In addition, Glencore provides insurance and assistance in relation to its shipping subsidiaries and arranges coverage in respect of various owned vessels for relevant shipping risks such as hull and machinery losses or damage, loss of hire and third party liability and expenses (protection and indemnity) claims from owning or operating ships as principal. Insurance for the majority of co-owned vessels is arranged by Glencore's joint venture partner/co-owner, such terms and conditions and underwriter's security ratings being subject to approval by Glencore.

Glencore's global mining (Property Damage and Business Interruption) insurance policy (which insures the majority of material mining/refining subsidiaries excluding Kazzinc and Minara) includes a self-insured retention of US$5m per claim / US$10m in the annual aggregate.

Where applicable, Glencore utilises global policies and/or standard terms and conditions which are used for insurance policies arranged for subsidiaries. All material and locally purchased policies are held centrally by the Glencore Group.

Glencore has relationships with a number of insurance brokers that have been selected for their better market representation in particular classes of insurance or relationships with either local or international underwriters. By using different brokers, Glencore believes that it receives better service in respect of policy placements, premium costs, advice and assistance on claims. Brokers are generally remunerated on a commission basis. Although Glencore does not set its own minimum financial security ratings in respect of insurers or brokers, it verifies and confirms ratings and suitability during the course of renewal discussions.

Legal and compliance

Glencore has policies and procedures to manage legal risks and address regulatory requirements and other compliance obligations. Glencore has a centralised group legal department that sets legal policy for the Glencore Group, supervises the Glencore Group's overall legal function and provides legal services to all areas of the Glencore Group's business activities. In addition, there are some smaller legal teams that support specific business activities and offices, such as the freight and oil legal team in London and the agricultural legal team in Rotterdam. Furthermore, many of the larger Glencore local operating units, such as Kazzinc, by way of example, have a local legal function.

Glencore also has a group compliance department that sets compliance policy for the Glencore Group and seeks to supervise the group's overall compliance function. The group compliance department ensures adherence with relevant laws and regulations through an awareness and review process. In addition, the compliance department has put in place a number of manuals to give the business guidance in a number of

areas, including money laundering, conflicts of interest, sanctions, bribery and corrupt payments, and confidentiality. Many of Glencore's local operating units also have dedicated compliance personnel to address applicable regulatory requirements and these report to the group compliance department.

The Glencore Group's legal and compliance departments assist the Glencore Group in monitoring its overall liability profile associated with legal and regulatory matters, including liabilities that may be associated with the Glencore Group's historical activities.

Glencore is of the view that, in the context of the Glencore Group taken as a whole, there have been no material breaches of any material applicable laws and regulations.

Risk management and financial risk management

Risk management and control spans across Glencore's organisational structure. The Glencore Board has been and will further be involved in the risk management of the Glencore Group at a strategic level. Glencore's CEO engages in an on-going interrogatory exchange with the management team as a primary oversight of group risk, supported in this function by the Group Risk Management team, multi-sourced risk reporting and the Chief Risk Officer. This support, amongst other things, relates to consolidated risk reporting, co-ordination of group and departmental VaR, stress, scenario and other testing, reviewing and challenging the evaluation models and, in conjunction with departmental teams, input parameters used by commodity departments. The departments and Group Risk team further engage in a dialogue concerning general aspects of risk management policy and reporting. The internal audit and compliance and business ethics committees also play key roles in managing group operational risk and verifying process controls.

Glencore's business could be impacted by various external factors; for example, political events and unfavourable actions by governments, natural catastrophes and operational disruptions. In addition, Glencore's activities expose it to a variety of financial risks: market risk (including commodity price risk, interest rate risk and currency risk), credit risk (including performance risk) and liquidity risk. Glencore's overall risk management programme focuses on the unpredictability of financial markets and seeks to protect its financial security and flexibility by using derivative financial instruments substantially to hedge these risks. Among others, Glencore monitors its commodity price risk exposure using a VaR computation and assesses the open positions, which are those subject to price risks, including inventories of these commodities. Glencore's finance and risk professionals, working in co-ordination with the commodity departments, monitor, manage and report regularly to management on the financial risks and exposures Glencore is facing. Responsibility for reviewing the overall effectiveness of Glencore's system of internal controls and risk management systems lies with the audit committee.

Systems

Glencore's systems architecture is based on standard technologies such as Java, Microsoft and internet-based client access. This architecture enables Glencore to react more quickly to market changes and enhances Glencore's ability to manage its activities in an efficient, reliable and timely fashion.

Glencore's business critical software applications such as traffic/trading, accounting and finance are based on highly integrated components. Glencore's core business processes are supported by a combination of in-house developed and off-shelf purchased applications and are continuously adapted to the newest business needs. All core applications are managed from Glencore's headquarters in Baar and are available to all the major locations, but some commodity-specific applications are supported by the applicable trading/marketing site, such as agriculture in Rotterdam or oil in London.

The Glencore Global Accounting Programme ("GGAP") is a new programme intended to provide Glencore with improved facilities over decision making, assembling resources and financial control. The implementation of a third party specialist, SAP AG, as enabler for GGAP, is intended to provide greater reliability and accuracy of financial information and better support for the diverse information requirements from across Glencore. As a first aim, the programme will replace the current local accounting application used by Glencore's main trading sites in Baar, London, Singapore, Rotterdam and Stamford. GGAP is scheduled to be released in three separate phases; Baar went live in January 2012, London, Singapore and Stamford will go live by Q3 2012 and Rotterdam by Q4 2012.

In addition to GGAP, a number of other key IT projects are currently under way within Glencore, such as a major upgrade of its global credit risk management platform and the integration of a document management solution with the Glencore messaging system. Glencore is continuously expanding and upgrading its communications network and server capacity in response to the growing need to link

electronically its worldwide staff and to store, organise and make available to its staff the increasing volume of data transmitted within the global network.

Glencore's IT network architecture is based on a wide area network that interconnects four of its main trading sites, namely Baar, London, Rotterdam and Stamford, and is designed with built-in resilience through the use of dual connections operated by two separate suppliers. This configuration allows Glencore to provide an efficient and highly available service to its employees. Mechanisms which facilitate the restoration of Glencore systems in the event that they become unavailable are also in place. Glencore has its own IT department with more than 250 employees worldwide, which excludes people employed in the operations of its industrial assets, focused on providing customised business solutions to the changing needs of Glencore's business and providing smooth operation of IT systems.

PART III

INFORMATION ON THE XSTRATA GROUP

The following information should be read in conjunction with the information appearing elsewhere in this document, including the financial and other information in Part VII: Xstrata Operating and Financial Review and Part VIII: Xstrata Historical Financial Information. The financial information in this Part III relating to the Xstrata Group has been extracted without material adjustment from Part VII: Xstrata Operating and Financial Review and Part VIII: Xstrata Historical Financial Information, which have been incorporated into this document by reference.

Overview

The Xstrata Group is a diversified mining group with operations and projects producing copper, domestic and export thermal coal, export coking coal, ferrochrome, platinum group metals, vanadium, zinc and nickel together with gold, cobalt, lead and silver. The Xstrata Group also includes iron ore projects, recycling facilities and a suite of global technology products.

The Xstrata Group's operations and projects span more than 20 countries: Argentina, Australia, Brazil, Canada, Chile, China, Colombia, the Dominican Republic, Germany, Mauritania, New Caledonia, Norway, Papua New Guinea, Peru, the Philippines, the Republic of Congo, Singapore, South Africa, Spain, Tanzania, the United Kingdom and the United States.

The Xstrata Group has an extensive organic growth pipeline with major expansion projects at every stage of the project development cycle. The organic pipeline comprises 20 approved major projects in implementation, all of which remain on schedule, comprising go-forward capital expenditure of US$12.5 billion and a significant number of additional significant projects in feasibility, pre-feasibility or concept stage that will provide further potential growth options across a range of geographies and commodities.

The Xstrata Group had revenue of US$33.9 billion and EBITDA of US$11.7 billion for the year ended 31 December 2011 and revenue of US$30.5 billion and EBITDA of US$10.4 billion for the year ended 31 December 2010. As at 31 December 2011, the Xstrata Group had total equity of US$45.7 billion. The Xstrata Group's ordinary shares are traded on the London Stock Exchange and the Swiss Stock Exchange. As at market close at 29 May 2012, being the latest practicable date prior to the publication of this document, the market capitalisation of Xstrata was approximately £29.0 billion (approximately US$45.4 billion). Xstrata is a member of the FTSE 100.

The Xstrata Group's business is organised in the following five principal business units:

Xstrata Alloys

Through Xstrata Alloys, the Xstrata Group is one of the world's largest and amongst the world's lowest cost integrated ferrochrome producers (via the Xstrata-Merafe chrome venture), one of the largest producers of primary vanadium and a growing producer of platinum group metals. Xstrata Alloys also owns carbon operations which supply key raw materials to its ferrochrome production operations. All of Xstrata Alloys' operations are based in South Africa.

Xstrata Coal

Through Xstrata Coal, the Xstrata Group is the world's largest exporter of bituminous thermal coal on a managed basis and a significant producer of premium quality hard coking coal and semi-soft coking coal. Xstrata Coal has interests in over 30 operating coal mines in Australia, South Africa and Colombia. Xstrata Coal has development projects in Australia, South Africa, Colombia and Nova Scotia and British Columbia in Canada. Xstrata Coal also manages the Xstrata Group's growing iron ore business, with development projects in Mauritania and the Republic of Congo.

Xstrata Copper

Through Xstrata Copper, the Xstrata Group is a semi-integrated producer of copper concentrates and metal and is the world's fourth largest global copper producer, with mining and processing operations in Australia, Chile, Peru, Argentina and Canada. Xstrata Copper has a portfolio of copper development projects, located in Australia, Canada, Peru, the Philippines, Chile, Argentina and Papua New Guinea.

Xstrata Nickel

Through Xstrata Nickel, the Xstrata Group is the fourth largest global nickel producer and one of the world's largest producers of cobalt. Xstrata Nickel's operations include mines and processing facilities in Canada, the Dominican Republic and Australia, and a refinery in Norway. Xstrata Nickel has world-class development projects in Canada, Tanzania and New Caledonia.

Xstrata Zinc

Through Xstrata Zinc, the Xstrata Group is one of the world's largest miners and producers of zinc. Xstrata Zinc's operations span Spain, Germany, Australia, the United Kingdom and Canada, with an interest in the Antamina copper-zinc mine in Peru. Xstrata Zinc has development projects in Australia, Ireland and Quebec, Nunavut and Ontario in Canada.

In addition to its five principal businesses, the Xstrata Group also operates Xstrata Process Support and Xstrata Technology, mining and processing technology businesses with operations in Australia, Canada, Chile, China and South Africa.

The markets in which the Xstrata Group operates are competitive. Competition is largely on the basis of price. The Xstrata Group competes with numerous suppliers in the same product areas, some of which have substantially greater reserve bases and manufacturing and financial resources. In addition, increased production capacity by competitors in other countries may increase competition in the markets in which the Xstrata Group operates.

The Xstrata Group sells its coal production on either a spot or term contract basis. Prices are determined through negotiation with contract parties. Premiums or discounts to quoted benchmark contract settlements and coal indices are negotiated based on product quality, delivery terms, supply commitments, delivery location and availability of product.

The Xstrata Group sells its base and precious metals production at prices that are determined by reference to the average cash price reported on the LME or other relevant terminal markets. Premiums above the LME settlement price are negotiated based on product form and quality, packaging, delivery terms, supply commitments, delivery location and availability of product.

The Xstrata Group procures custom feed materials for processing in the metallurgical facilities. In order to minimise metal price risk exposure on purchased metals and fluctuations in inventory levels, and to obtain the average COMEX/LME prices or better, the Xstrata Group employs derivatives in the form of forward or option contracts, which enable the Xstrata Group to hedge these risks. Generally, the Xstrata Group does not hedge the prices it realises on the sale of the Xstrata Group's own production, and accepts prices based on the market price prevailing around the time of delivery of these metals. From time to time, however, the Xstrata Group may fix the metal price associated with its own future production to lock in certain profits or cash flows.

History

Xstrata AG, which was the predecessor of Xstrata, was established in Switzerland in 1926 to invest in infrastructure and power projects in Latin America. Beginning in 1990, Xstrata AG built a portfolio of businesses operating in the natural resources sector. On 25 March 2002, Xstrata merged with Xstrata AG to become the holding company of the Xstrata Group. At the same time, the Xstrata Group acquired the coal assets of Enex and Duiker and the shares of Xstrata plc were listed on the Official List of the UK Financial Services Authority, admitted to trading on the London Stock Exchange's market for listed securities and admitted to listing on the SIX.

The successful acquisition and integration of the former Enex and Duiker coal assets in 2002, of MIM in 2003 and of Falconbridge in 2006 were key elements in the transformation of Xstrata. In 2009, Xstrata approached Anglo American to propose a transformational merger of the two companies. Following Anglo American's rejection of this proposal, Xstrata announced in October 2009 that it did not intend to make an unsolicited offer.

Xstrata Copper

Introduction

Through Xstrata Copper, the Xstrata Group is a semi-integrated producer of copper concentrates and metal and is the world's fourth largest global copper producer, with mining and processing operations across Australia, North and South America. Xstrata Copper also has a portfolio of copper development projects as further described below. Significant copper-producing competitors include Codelco, BHP Billiton, Rio Tinto, Anglo American, Group Mexico, Freeport-McMoran Copper & Gold Inc. and Kazakhmys plc.

The table below shows the principal investments of Xstrata Copper in industrial assets as of 31 December 2011, unless indicated otherwise:

Operation	Location	Commodity[1]	2011 production[2][3]	Xstrata's interest	Remaining interest
Mines					
Ernest Henry	North Queensland, Australia	Copper Gold Magnetite	100.3k MT 128.7koz 499.0k MT	100%	N/A
Mount Isa	North Queensland, Australia	Copper	148.8k MT	100%	N/A
Kidd Creek	Ontario, Canada	Copper Zinc Silver	42.3k MT 71.5k MT 2,602koz	100%	N/A
Bajo de la Alumbrera	Argentina	Copper Gold Molybdenum	116.7k MT 356.0koz (327.9koz in concentrate and 28.1koz in dore) 1.7k MT	50%	37.5% Goldcorp Inc; 12.5% Yamana Gold Inc.
Collahuasi	Chile	Copper Silver Molybdenum	199.4k MT[4] (183.6k MT in concentrate and 15.8k MT in cathode) 1,786koz[4] 2.9k MT[4]	44%	44% Anglo American; 12% Japanese consortium headed by Mitsui & Co. Ltd
Lomas Bayas	Chile	Copper	73.6k MT	100%	N/A
Antamina (joint with Xstrata Zinc)	Peru	Copper Silver Molybdenum	152k MT[5] 3,646koz[5] 2.1k MT[5]	33.75%	33.75% BHP Billiton; 22.5% Teck Resources Ltd; 10% Mitsubishi Corporation
Tintaya	Peru	Copper Gold Silver	95.2k MT (74.3k MT in concentrate and 20.9k MT in cathode) 33.1koz 870koz	100%	N/A
Smelters and Refineries					
Mount Isa Copper Smelter	North Queensland, Australia	Anode copper	237.7k MT	100%	N/A
Altonorte	Chile	Anode copper	311.0k MT	100%	N/A
Horne	Québec, Canada	Anode copper	187.4k MT	100%	N/A
Townsville refinery	Queensland, Australia	Refined copper	276.5k MT	100%	N/A
CCR refinery	Québec, Canada	Refined copper	264.0k MT	100%	N/A

Operation	Location	Commodity[1]	2011 production[2][3]	Xstrata's interest	Remaining interest
Development Projects					
El Pachón	Argentina	Copper	N/A	100%	N/A
Agua Rica	Argentina	Copper, Gold	N/A	50%	37.5% Goldcorp Inc; 12.5% Yamana Gold Inc.
Antapaccay	Peru	Copper	N/A	100%	N/A
Las Bambas	Peru	Copper	N/A	100%	N/A
Tampakan	Philippines	Copper, Gold	N/A	62.5%	37.5% Indophil Resources
Frieda River	Papua New Guinea	Copper, Gold	N/A	81.8%	18.2% Highlands Pacific Ltd
Bell/Granisle	Northern British Columbia, Canada	Copper	N/A	100%	N/A
West Wall	Chile	Copper	N/A	50%	50% Anglo American
EL & Monakoff	North Queensland, Australia	Copper	N/A	100%	N/A
Coroccohuayco	Peru	Copper, Gold	N/A	100%	N/A
Energia Austral	Chile	Hydro-electric power	N/A	49%	51% Origin Energy

Notes:

(1) References to refined copper and anode copper are based on contained copper.

(2) Production figures refer to contained metal.

(3) Production figures are stated on a 100 per cent. basis unless otherwise indicated.

(4) Xstrata Copper's pro rata 44 per cent. share.

(5) Xstrata Copper's pro rata 33.75 per cent. share.

Operations

In the year ended 31 December 2011, Xstrata Copper's mined production was, on a consolidated basis, 888,979 tonnes of contained copper, comprising 778,564 tonnes of copper in concentrate and 110,415 tonnes of copper in cathode. In the same period Xstrata Copper's mines produced significant by-products including 517,861 ounces of gold in concentrate and doré, 8,903,614 ounces of silver in concentrate and 6,745 tonnes of molybdenum in concentrate. Xstrata Copper's metallurgical facilities produced 650,917 tonnes of refined copper and 576,176 ounces of gold from own and third party material.

Argentina

Alumbrera

Xstrata Copper manages and has a 50 per cent. controlling interest in Minera Alumbrera, which has the right to mine the Bajo de la Alumbrera copper-gold deposit by agreement with Yacimientos Mineros de Agua de Dionisio, which has the title to the deposit. The operation is located at an altitude of 2,600 metres in the Catamarca province in northwest Argentina. In the year ended 31 December 2011, Alumbrera produced 116,698 tonnes of copper in concentrate, 327,887 ounces of gold in concentrate, 28,129 ounces of gold in doré and 1,708 tonnes of molybdenum in concentrate.

As at 31 December 2011, the Ore Reserve at Minera Alumbrera was 256 million tonnes at an average grade of 0.37 per cent. copper and 0.36 g/t of gold.

Australia

Xstrata Copper's wholly-owned North Queensland operations comprise the Mount Isa copper mining and processing operations, Ernest Henry mining operation, and the Townsville copper refinery and port operations. These integrated operations have the capacity to produce 300,000 tonnes of refined copper per annum.

Ernest Henry Mining

Ernest Henry Mining comprises a copper-gold underground mine and concentrator and is located near Cloncurry in north-west Queensland. In the year ending 2011, the operation produced 100,303 tonnes of copper in concentrate and 128,701 ounces of gold in concentrate. The recently commissioned magnetite processing facility is currently ramping up to a production rate of 1.2 million tonnes per annum and produced 498,975 tonnes in the year ended 31 December 2011. As at 31 December 2011, the Mineral Resource at Ernest Henry Mining was 88 million tonnes at an average grade of 1.29 per cent. copper and 0.69g/t of gold.

Mount Isa

The Mount Isa underground copper mining and processing operation is located at Mount Isa in north-west Queensland and comprises an underground copper mine, a concentrator and smelter. The copper concentrate produced at Mount Isa is fed, together with concentrate from the Ernest Henry Mine, into the smelter to produce copper anodes which are then transported by rail to the Townsville refinery. In the year ended 31 December 2011, copper in concentrate production was 148,759 tonnes, with the smelter producing 237,677 tonnes of copper in anode. During 2011, this division announced that the smelter will be closed in 2016. As at 31 December 2011, the Mineral Resource at Mount Isa was 397 million tonnes at an average grade of 1.46 per cent. copper.

Townsville refinery

The Townsville copper refinery is one of the world's leading electrolytic copper refineries and the largest in Australia. It produces copper cathode from copper anode produced at the Mount Isa smelter and other smelters, such as Xstrata Copper's Altonorte facility in Chile. The refinery uses Xstrata's ISA PROCESS technology. In the year ended 31 December 2011, the refinery produced 276,535 tonnes of refined copper.

Canada

Xstrata Copper's operations in Canada comprise the Kidd Operations, the Horne smelter and the Canadian Copper Refinery ("CCR"), all of which are 100 per cent. owned.

Kidd Operations

The Kidd Operations are located in Timmins, Ontario and comprise an underground copper-zinc mine and a concentrator. In the year ending 2011, the operation produced 42,322 tonnes of copper in concentrate and 71,497 tonnes of zinc in concentrate. As at 31 December 2011, the Mineral Resource at Kidd was 24 million tonnes at an average grade of 1.96 per cent. copper, 5.03 per cent. zinc and 56 g/t of silver.

Horne Smelter

The Horne smelter is located in Rouyn—Noranda, Québec. As well as processing concentrate from the Kidd Operations it processes a wide-range of feeds, including copper and precious metal-bearing end-of-life electronic equipment provided by worldwide clients including Xstrata Recycling, to produce a 99.1 per cent. copper anode. Copper anodes from the Horne smelter are sent to our CCR refinery in Montreal to be converted into copper cathodes. During the year ended 31 December 2011, the Horne smelter produced 187,410 tonnes of copper anode and 590,778 tonnes of sulphuric acid.

CCR

The CCR refinery is located in Montreal, Quebec, and processes anodes from two principal suppliers; Xstrata Copper's Horne Smelter and Vale Inco's Sudbury operations. It has been in operation since 1931. The plant is equipped to process anodes that are high in bismuth, antimony, lead and nickel. The CCR refinery's products include copper cathodes, gold, silver and other specialty metals and chemicals, including selenium, tellurium, nickel sulphate and a concentrate of platinum group metals. During the year ended 31 December 2011, the CCR refinery produced 263,967 tonnes of copper cathode.

Chile

Xstrata Copper's Chilean operations comprise the Altonorte metallurgical facility and the Lomas Bayas open pit mine located in the Antofagasta region. In addition, Xstrata holds a 44 per cent. interest in the Collahuasi operation located in the Tarapacá Region.

Altonorte

The Altonorte metallurgical facility is located near the port of Antofagasta and is owned 100 per cent. by Xstrata. The operation is supplied with copper concentrates from Xstrata's own operations as well as from third parties. During the year ended 31 December 2011, the Altonorte metallurgical facility produced 311,014 tonnes of copper anode.

Lomas Bayas

The wholly owned Lomas Bayas open pit mine is located in the Atacama Desert, 120 kilometres north-east of the port of Antofagasta. The low grade soluble and oxide copper ores are processed at an SX-EW facility to produce copper cathode, which is then trucked to Antofagasta for shipping to end customers. In the year ended 31 December 2011, Lomas Bayas produced 73,605 tonnes of copper cathode. As at 31 December 2011, the Mineral Resource at Lomas Bayas was 1,486 million tonnes at an average grade of 0.29 per cent. total copper.

Collahuasi

The Collahuasi open pit operation, the world's fourth largest copper mine, is located on the Andean plateau of northern Chile's Tarapacá Region. The mine is operated by a joint venture company, Compañía Minera Dona Inés de Collahuasi SCM. The joint venture partners are Xstrata (44 per cent.), Anglo American (44 per cent.), and a group of Japanese companies headed by Mitsui & Co. Ltd (12 per cent.). Xstrata Copper is represented on the Board and Executive Committee of Collahuasi.

The operation is located at an altitude of 4,000 to 4,600 metres above sea level and consists of two major porphyry copper deposits (Ujina and Rosario) and the smaller Huinquintipa deposit, containing a mixture of sulphide and oxide copper mineralisation. The sulphide ore is processed in the concentrator plant to produce copper in concentrates and the oxide ore is leached and processed in the SX/EW plant to produce copper cathodes. Collahuasi also has a molybdenum plant at its port facilities in Punta Patache.

In the year ending 2011, the operation produced, on a 100 per cent. basis, 417,281 tonnes of copper in concentrate, 36,002 tonnes of copper cathode and 6,659 tonnes of molybdenum in concentrate. Collahuasi is one of the world's largest copper deposits with a Mineral Resource of 7,599 million tonnes at an average grade of 0.80 per cent. copper at 31 December 2011.

Peru

Xstrata Copper's operations in southern Peru comprise the wholly owned Tintaya operation in the Cusco region and a 33.75 per cent. interest in the Antamina operation in the Ancash Region.

Tintaya

The Tintaya open pit mine is located 4,100 metres above sea level in the Yauri district of Espinar Province in southern Peru's Cusco Region. The ore body presents both copper sulphide and copper oxide mineralisation. Both copper concentrates and copper cathode products are trucked 370 kilometres to the port of Matarani in the department of Arequipa. In 2011, the Tintaya operation produced 74,261 tonnes of copper in concentrate, 20.969 tonnes of copper cathode and 33,144 ounces of gold in concentrate. As at 31 December 2011, the Mineral Resource at Tintaya was 88 million tonnes at an average grade of 1.17 per cent. copper and 0.18g/t of gold. The Tintaya operation will be replaced by the Antapaccay brownfield development project which is forecast to start production in the second half of 2012 and will result in an average expanded production rate of approximately 143,000 tonnes of copper in concentrate per annum.

Antamina

Antamina is the world's fifth largest zinc and eighth largest copper mine and is located in the Andes in northern Peru's Ancash Region at an elevation of 4,300 metres. It is operated by a joint venture company, Compañía Minera Antamina S.A, and the joint venture partners are Xstrata (33.75 per cent.), BHP Billiton (33.75 per cent.), Teck Resources Limited (22.5 per cent.) and Mitsubishi Corporation (10 per cent.). Xstrata Copper and Xstrata Zinc are represented on the Board and Advisory Committee of the company.

The operation's concentrator is considered to be the world's largest polymetallic processing plant treating ores containing copper, zinc, molybdenum, silver and lead. These concentrates are transported via a 300km slurry pipeline to port facilities at Huarmey. In the year ending 2011, the operation produced, on a 100 per

cent. basis, 333,680 tonnes of copper in concentrate. As at 31 December 2011, the Mineral Resource was 1,896 million tonnes at an average grade of 0.84 per cent. of copper, 0.5 per cent. of zinc and 9.8g/t of silver.

Projects and developments

Argentina

El Pachón

El Pachón is a bi-national project located 3,600 to 4,200 metres above sea level in Argentina's San Juan Province, five kilometres from the Chilean border. The project falls under the Mining Integration Treaty signed in 1997 by Argentina and Chile and its Specific Protocol, which will enable concentrates to be shipped via the Pacific Ocean.

As at 31 December 2011, the Mineral Resource at El Pachón was 2,740 million tonnes with an average grade of 0.5 per cent. copper. The project is completing feasibility and environmental impact studies.

Agua Rica

Agua Rica is a copper deposit in Argentina's Catamarca Province, approximately 40 kilometres from the Bajo de la Alumbrera mine. Work is underway on enhanced feasibility studies relating to the deposit and on ascertaining synergies that may exist with the existing Bajo de la Alumbrera infrastructure. This feasibility study is due to be completed in the first quarter of 2013. As at 31 December 2011, the project had a Mineral Resource of 1,752 million tonnes at a grade of 0.42 per cent. copper and includes molybdenum, silver and gold credits.

Australia

Exploration drilling is focused on target properties in the Cloncurry and Mount Isa region that have the potential to provide additional ore feed to the Ernest Henry and Mount Isa plants.

Mount Isa

Xstrata is currently undertaking a pre-feasibility study into a large-scale zinc and copper open pit as an extension to the current Black Star open pit zinc-lead mine, with the study scheduled for completion in the first quarter of 2013. A pre-feasibility study into the potential leaching of residual copper and cobalt from the Mount Isa concentrator tailings is on-going.

Ernest Henry

At the Ernest Henry mine, construction of a large-scale underground sub-level cave mine progressed in 2011 with initial underground ore mining production commencing in December from the access decline. Commissioning of the hoisting operations from the main shaft is scheduled to commence by the end of 2013. The associated base plant magnetite facility was commissioned in February 2011. The high-grade magnetite product is being sold to international steel mills, with exports having commenced from Townsville port in June 2011.

E1 & Monakoff

In June 2011, Xstrata Copper completed its acquisition of the E1 and Monakoff advanced copper projects, strategically located near the Ernest Henry mine, from Exco Resources Limited for a cash purchase price of AUD175 million (US$186 million). It is anticipated these projects will increase Ernest Henry's production profile from the second half of 2012, including gold by-product credits.

As at 31 December 2011, the Mineral Resource was 51 million tonnes with an average grade of 0.75 per cent. copper.

Canada

Bell/Granisle

Xstrata Copper is conducting a pre-feasibility study into re-opening the formerly operating Bell and Granisle mining properties in Northern British Columbia. The study is due to be completed in the fourth quarter of 2012.

Chile

Collahuasi

A project to increase the concentrator capacity by 10,000 tonnes to 160,000 tonnes of ore per day was approved in March 2011 with completion scheduled for mid-2013.

Approval has been granted for a pre-feasibility study into options for up to two new grinding lines at Collahuasi's concentrator plant, which could increase annual copper-in-concentrate production to more than one million tonnes. Pre-feasibility work is scheduled to be completed in 2012.

Lomas Bayas

A Heap Leach project which will extend the mine life of the Lomas Bayas mine by at least 12 years to 2024 is progressing for an on-schedule commissioning by the end of 2012.

Xstrata Copper is conducting a pre-feasibility study into the construction of a sulphide processing plant and associated facilities as a potential brownfield expansion of Lomas Bayas. The study is scheduled for completion by the end of 2012.

West Wall

The West Wall Copper Project is located in central Chile's Valparaiso Region. Xstrata Copper and Anglo American each have a 50 per cent. interest in the mining company West Wall SCM which holds the project. As at 31 December 2011, the project had a Mineral Resource of 750 million tonnes at a grade of 0.54 per cent. copper.

Exploration and resource definition work are continuing on the project.

Energía Austral

Energía Austral is an electricity generation company with projects in the Aysén Region of southern Chile with the potential to generate approximately 1,000 MW to feed the Central Interconnected Grid. Development would involve the construction of three hydroelectric dams at Cuervo, Blanco and Cóndor and a transmission line. On 8 May 2012, Energía Austral received the Chilean Environmental Commission's approval for the development of the Cuervo hydroelectric plant. However, on 11 May 2012 the Supreme Court of Chile suspended that approval. As a result it is anticipated that an additional study on geological and volcanic risks may be required to be submitted to the Environment Commission for consideration and the scoping and completion of the study is anticipated to take 6 to 12 months.

Origin Energy acquired a 51 per cent. stake in the project in April 2012. Under the terms of the agreement, Origin Energy will progressively invest, over the next several years, project development costs of US$75 million for the completion of a detailed project feasibility study, and, if the project is deemed feasible, an additional US$75 million towards a final investment decision. Xstrata Copper will be entitled to deferred payments by Origin Energy when the project is operational and if certain revenue threshold targets are met.

Peru

Antamina

Construction on an expansion project designed to increase Antamina's milling capacity by around 40 per cent. to 130,000 tonnes per day, was successfully commissioned in the first quarter of 2012 and reached nameplate capacity in March 2012. The total revised capital cost for the project (100 per cent.) was US$1.55 billion.

Tintaya—Antapaccay and Coroccohuayco

The Antapaccay deposit is located 9 kilometres from Xstrata Copper's Tintaya mine in southern Peru. In July 2010, Xstrata approved a US$1.473 billion investment to develop the Antapaccay project following the approval of the Environmental Impact Study by the Peruvian Ministry of Energy and Mines. The brownfield expansion to the Tintaya operation, consisting of the construction of a new mine and associated concentrator facilities, will produce an average of approximately 160,000 tonnes of copper per annum for the first five years and 143,000 tonnes of copper per annum over the current estimated mine life of 22 years. The project is due to commence production in the second half of 2012 as the Tintaya open pit

operation comes to a close. As at 31 December 2011, the project had a Mineral Resource of 813 million tonnes at a grade of 0.54 per cent. copper and 0.11g/t of gold.

The Coroccohuayco project is located approximately 10 kilometres from the Tintaya mine and evaluation of this project is on-going as part of Xstrata Copper's growth strategy in southern Peru. A drilling campaign commenced in October 2010 to improve the Mineral Resource base as part of the project's concept study into the project's development. As at December 2011, the total Mineral Resource for the project was 319 million tonnes at an average grade of 0.9 per cent. copper.

Las Bambas

In August 2010, Xstrata approved construction of the low-cost, long-life Las Bambas greenfield copper project located in the provinces of Cotabambas and Grau in the Apurímac region, 72 kilometres southwest of the city of Cusco.

The Peruvian authorities approved the project's Environmental Impact Study in March 2011. Full scale construction is expected to commence in the first half of 2012. Las Bambas will be a world-class copper mine with initial production of 400,000 tonnes per annum of copper in concentrate, including significant gold, silver and molybdenum by-products, as well as first quartile cash costs. The mine is expected to be commissioned in the second half of 2014 with ramp up and full production reached in 2015. As at 31 December 2011, the total Mineral Resource was 1,710 million tonnes at a grade of 0.61 per cent. copper and 0.04g/t of gold.

Philippines

Tampakan

Tampakan is a copper-gold project located on the southern Philippines island of Mindanao, approximately 65 kilometres north of General Santos City. The current project area is situated on the boundaries of four Provinces: South Cotabato, Sarangani, Sultan Kudarat and Davao Del Sur. Xstrata has a 62.5 per cent. interest in Tampakan and the remaining interest is held by Indophil Resources NL, an Australian publicly-listed company.

In the first half of 2009, Xstrata Copper, through SMI, initiated a final feasibility study for the Tampakan project which was completed and submitted to the Philippine government in April 2010. The study indicated a potential large scale, low-cash cost, open pit mining operation with an average annual output of 450,000 tonnes of copper and 435,000 ounces of gold over the initial five years of production, and 375,000 tonnes of copper and 360,000 ounces of gold per year over a 17-year mine life. As at 31 December 2011, the total Mineral Resource was 2,940 million tonnes at a grade of 0.52 per cent. copper and 0.18 g/t of gold.

In addition to its direct project equity, Xstrata holds 15.79 per cent. of Indophil's issued equity.

Papua New Guinea

Frieda River

Frieda River is a copper-gold project located near the border of the Sandaun and East Sepik Provinces of north-western Papua New Guinea. Xstrata Copper holds an 81.82 per cent. stake in the project, a joint venture with Highlands Pacific Limited, which holds the remaining 18.18 per cent.

In October 2010, the Frieda River project completed a pre-feasibility study that indicated a potential mining project with an average output of 190,000 tonnes per annum of copper and 280,000 ounces per annum of gold over an initial 20-year mine life. The project commenced a US$122 million feasibility study in November 2010, which was initially scheduled for completion in January 2012. In November 2011, the venture partners announced a revised timetable, to allow the study to include analysis of potential alternative source of power. The new delivery date for the study is December 2012. As at 31 December 2011, the Mineral Resource was 2,141 million tonnes at a grade of 0.50 per cent. copper and 0.24 g/t of gold.

Sales and marketing

Xstrata Copper operates an integrated marketing business located in Dubai in the United Arab Emirates with additional sales and marketing offices and staff based in Toronto in Canada, Santiago in Chile, Townsville in Australia, Rosario in Argentina, Arequipa in Peru and San Jose in the United States.

The primary function of the sales and marketing operations is to maximise the returns from Xstrata Copper's copper portfolio of products and includes the purchase of custom concentrates and recycled materials and the sale of concentrates, anodes, blister, copper cathodes, precious metals and PGMs, sulphuric acid, molybdenum and magnetite, as well as refinery by-products.

All products (including by-products) are purchased from and sold to third and related parties under frame and spot contracts dependent on prevailing market conditions.

Xstrata Copper markets copper cathodes directly to producers of industrial products from Xstrata Copper's CCR refinery in Canada, the CRL refinery in Australia, the Tintaya operations in Peru, the Lomas Bayas operations in Chile and its share of the Collahuasi operations, which are also located in Chile.

Sales of copper metal cathodes in the year ended 31 December 2011 were made to 32 customers in 16 countries. Approximately 42 per cent. of Xstrata Copper's sales of copper metal in the year ended 31 December 2011 were made in North America, with the balance sold in Europe and Asia.

Xstrata Copper's Chilean copper smelter, Altonorte, produced 311,014 tonnes of copper anodes that were sold in Canada, Chile, Europe, Australia and Asia.

Copper concentrates produced at Xstrata Copper's operations (including joint ventures) are either processed at Xstrata Copper's smelters, or sold to custom smelter operations and traders. Concentrates are produced: in Australia at the Mount Isa and Ernest Henry mines; in Canada at the Kidd Creek mine; in Argentina at Minera Alumbrera; in Peru at the Tintaya and Antamina mines; and in Chile at the Collahuasi mine.

Copper production is dependent on mine supply from integrated and third party sources as well as secondary recycled materials sourced globally from third parties. For the year ended 31 December 2011, 45 per cent. of the Horne smelter's and 42 per cent. of the Altonorte smelter's primary feed stocks came from non-related third parties. In addition, approximately 15 per cent. of the Horne smelter's feed tonnage came from recycled electronics and other copper and precious metal bearing secondary materials, which were sourced from third parties.

Xstrata Coal

Introduction

Through Xstrata Coal, the Xstrata Group is the world's largest exporter of bituminous thermal coal on a managed basis and a significant producer of premium quality hard coking coal and semi-soft coking coal. Xstrata Coal has interests in over 30 operating coal mines in Australia, South Africa and Colombia. Xstrata Coal has development projects in Australia, South Africa, Colombia and Nova Scotia and British Columbia in Canada. Xstrata Coal also manages the Xstrata Group's growing iron ore business, with development projects in Mauritania and the Republic of Congo. Xstrata Coal's significant export thermal coal competitors are Anglo American, BHP Billiton, Rio Tinto, Bumi and other coal producers operating in Australia, Indonesia, Canada, USA, South Africa, Mozambique, China, Russia and Colombia. Xstrata Coal's significant competitors in the managed export coking coal sector include the BHP Billiton-Mitsubishi Alliance, Teck, Anglo American, Peabody and Rio Tinto.

Xstrata Coal's portfolio comprises interests in 20 operating coal mines in Australia, 10 operating coal mines in South Africa and one coal mine in Colombia. The Xstrata Group focuses on the cost-effective production of thermal and coking coal for export and domestic use in electricity generation, coke making/steel production and industrial applications.

The purchasing power of the Australian and South African operations has enabled Xstrata Coal to negotiate a number of longer-term agreements for the purchase of goods and services that are required by the operations in those jurisdictions. The supplier base continues to be stable, and Xstrata believes that Xstrata Coal has strong relationships with key suppliers in both Australia and South Africa, which should enable Xstrata to manage the on-going challenge of accessing scarce supplies.

The Xstrata Group holds most of its Xstrata Coal interests in mines through joint ventures, in which it generally holds a majority interest. Given the relationships between most of its joint venture partners and its customers, Xstrata believes that these joint ventures provide Xstrata Coal with a valuable link to its customer base.

Xstrata Coal also manages Xstrata Iron Ore, the Xstrata Group's growing iron ore business. Xstrata Iron Ore has recently acquired several interests in various iron ore projects. In November 2010, Xstrata took control of Sphere Minerals Limited ("Sphere"), which has interests in three iron ore projects in Mauritania, West Africa. Further to its participation in Sphere's equity raising in July 2011, in which Xstrata took up its full entitlements, Xstrata owns 87.80 per cent. in Sphere. In February 2011, Xstrata elected to exercise its option to acquire 50 per cent. plus one share in Jumelles Limited (BVI) with respect to the Zanaga iron ore project in the Republic of Congo (Brazzaville). Xstrata Iron Ore is undertaking feasibility studies for the project.

The table below shows the principal investments of Xstrata Coal in industrial assets as of 31 December 2011, unless indicated otherwise:

Operation	Location	Commodity	2011 production[1]	Xstrata's interest	Remaining interest
Mines					
Bulga complex	New South Wales, Australia	Thermal coal	6,944k MT	68.3%	13.3% JX Nippon Oil 4.4% Toyota 1.6% JFE Shoji 12.5% Nippon Steel Corporation
Baal Bone	New South Wales, Australia	Thermal coal	1,184k MT	74.1%	5% Sumitomo 14.4% JX Nippon Oil 4.8% Toyota 1.7% JFE Shoji
Macquarie Coal Joint Venture	New South Wales, Australia	Thermal coal	3,667k MT	80%	17% Marubeni 3% JFE Minerals
Liddell	New South Wales, Australia	Thermal coal	4,603k MT	67.5%	32.5% Mitsui Matsushima
Mount Owen complex	New South Wales, Australia	Thermal coal	9,227k MT	100%	N/A
Ulan	New South Wales, Australia	Thermal coal	4,512k MT	90%	10% Mitsubishi
Ravensworth Group	New South Wales, Australia	Thermal coal	3,980k MT	100%	NA
Mangoola	New South Wales, Australia	Thermal coal	7,791k MT	100%	N/A
Tahmoor Complex	New South Wales, Australia	Coking coal	1,721k MT	100%	N/A
Ravensworth UG	New South Wales, Australia	Thermal coal	1,696k MT	70%	20% Marubeni 10% Posco
Oaky Creek	Queensland, Australia	Coking coal	8,020k MT	55%	25% Sumitomo 20% Itochu
Newlands	Queensland, Australia	Thermal coal Coking coal	5,068k MT 1,418k MT	55%	35% Itochu 10% Sumitomo
Collinsville	Queensland, Australia	Thermal coal Coking Coal	2,747k MT 1,210k MT	55%	35% Itochu 10% Sumitomo
Rolleston	Queensland, Australia	Thermal coal	7,502k MT	75%	12.5% Itochu 12.5% Sumitomo
Tweefontein Division	South Africa	Thermal coal	7,542k MT	79.8%	20.2% African Rainbow Minerals
Goedgevonden Division	South Africa	Thermal coal	5,293k MT	74%	26% African Rainbow Minerals
iMpunzi Division	South Africa	Thermal coal	4,601k MT	79.8%	20.2% African Rainbow Minerals
Mpumalanga Division	South Africa	Thermal coal	1,021k MT	79.8%[2]	20.2% African Rainbow Minerals
Carbones del Cerrejón	Colombia	Thermal coal	32,255k MT	33.3%	33.3% BHP Billiton 33.3% Anglo American

Operation	Location	Commodity	2011 production[(1)]	Xstrata's interest	Remaining interest
Development Projects					
Ravensworth North	New South Wales, Australia	Thermal coal	N/A	90%	10% Itochu
Ulan West	New South Wales, Australia	Thermal coal	N/A	90%	10% Mitsubishi
United	New South Wales, Australia	Thermal coal	N/A	95%	5% CMFEU
Togara North	Queensland, Australia	Thermal coal	N/A	70%	5% MM Resources 8.3% KORES 8.3% Dongbu 8.3% Hyosung
Wandoan	Queensland, Australia	Thermal coal	N/A	75%	12.5% Itochu 12.5% Sumitomo
Zonnebloem	South Africa	Thermal coal	N/A	79.8%	20.2% African Rainbow Minerals
Donkin	Canada	Coking coal Thermal coal	N/A N/A	75%	25% Erdene
First Coal	Canada	Coking coal	N/A	75%[(3)]	25% Nippon Oil[(3)]
Lossan	Canada	Coking coal	N/A	75%[(3)]	25% Nippon Oil[(3)]
Sukunka	Canada	Coking coal	N/A	75%[(4)]	25% Nippon Oil[(4)]
El Aouj	Mauritania	Iron ore	N/A	43.9%	SNIM 50% (+ minority shareholders in Sphere)
Askaf	Mauritania	Iron ore	N/A	87.8%	12.2% Minority shareholders in Sphere Minerals Limited
Lebtheinia	Mauritania	Iron ore	N/A	87.8%	12.2% Minority shareholders in Sphere Minerals Limited
Zanaga	Republic of Congo	Iron ore	N/A	50% plus one share	50% less one share Zanaga Iron Ore Company

Notes:

(1) Production numbers are 100% basis unless otherwise indicated and represent saleable production.

(2) Sold 31 December 2011.

(3) Xstrata ownership as at 31 December 2011 was 100 per cent., in February 2012 Xstrata Coal completed a transaction with JX Nippon Oil, reducing its interest to 75 per cent.

(4) Xstrata acquired 100 per cent. of Sukunka in February 2012. A subsequent transaction with JX Nippon Oil in February 2012 reduced Xstrata's interest to 75 per cent.

Operations

Australia

In the year ended 31 December 2011, Xstrata Coal's production in Australia, on a managed tonnage basis, was 71.3 million tonnes of coal, of which consolidated production was 57.4 million tonnes. Managed export sales during this period amounted to 60.7 million tonnes (47.9 million tonnes consolidated). Approximately 71 per cent. of Xstrata Coal's managed export sales from Australia for the year ended 31 December 2011 were thermal coal (74 per cent. on a consolidated tonnage basis).

New South Wales

The Xstrata Group owns interests in 15 operating coal mines and a number of development projects, most of which are located in or close to the Hunter Valley of New South Wales. Of these 15 mines, 12 are predominantly export mines while the remaining three service the domestic power generators. Expansions currently underway at a number of these mines will increase managed production beyond 50 million tonnes per annum. The Xstrata Group has an attributable interest of 14 per cent. in the operator of the Port Waratah Coal Terminal, located at the port of Newcastle, New South Wales and a consolidated interest of 33.3 per cent. in the Port Kembla Coal Terminal, located at the port of Wollongong, New South Wales.

The Xstrata Group's principal operating coal mines in New South Wales are:

- the Bulga complex comprising the Bulga open cut mine and the Blakefield South underground mine;
- the Baal Bone mine (which has ceased production and is being converted into a training mine);
- the West Wallsend underground mine and the Westside mine (which is scheduled to close in 2012), which make up the Macquarie coal joint venture;
- the Liddell open cut mine;
- the Mount Owen complex, comprising the North and West pits, and the Glendell mine;
- the Ulan underground mine and the recently commenced Ulan West;
- the Narama and Ravensworth West mines, which make up the Ravensworth Group;
- the Mangoola open cut mine;
- the Tahmoor mine; and
- the Ravensworth underground mine.

As at 31 December 2011, the total Mineral Resource for the New South Wales division was 13,147 million tonnes of coal.

Queensland

Xstrata Coal manages the Oaky Creek, Newlands-Collinsville-Abbot Point and Rolleston joint ventures and the Wandoan Project. All of the operating coal mines and projects of material value are located in the Bowen Basin, Queensland with the exception of the Wandoan project, which is located in the Surat Basin. Xstrata Coal operates through the Abbott Point, Dalrymple Bay and Galdstone ports in Queensland.

The Xstrata Group's principal operating coal mines in Queensland are:

- Oaky Creek, comprising the Oaky Creek No. 1 and Oaky North underground mines;
- Newlands, being both an open cut and underground operation;
- the Collinsville open cut mine; and
- the Rolleston open cut mine.

As at 31 December 2011, the total Mineral Resource for the Queensland division was 11,653 million tonnes of coal.

South Africa

The Xstrata Group is South Africa's third largest exporter of thermal coal. In the year ended 31 December 2011, the Xstrata Group's consolidated production of coal from its South African mines was 17.1 million tonnes and consolidated sales were 18.3 million tonnes, of which approximately 61 per cent. was exported. The Xstrata Group has an interest in 10 operating coal mines in South Africa.

The Xstrata Group also has a 20.2 per cent. interest in the Richards Bay Coal Terminal, which has an annual throughput capacity of 91 million tonnes. Xstrata believes the Xstrata Group's economic interest in the Richards Bay Coal Terminal provides the South African operations with a strategic advantage due to the associated rights it has to use the coal loading facility.

The 10 mines the Xstrata Group manages in South Africa fall into three operating divisions:

- the Tweefontein Division, consisting of opencast and underground operations and four coal-handling preparation plants at Boschmans, South Witbank, Tavistock and Witcons;
- the Goedgevonden Division, consisting of the Goedgevonden mine; and
- the iMpunzi Division, consisting of the iMpunzi North and East opencast and a coal handling and preparation plant at the ATCOM mines.

On 16 January 2012, Xstrata Coal South Africa completed the sale of its Mpumalanga division comprising the Spitzkop and Tselentis mines and supporting coal assets, to the Imbawula Group.

The Xstrata Group's major holdings are located within two of the major coalfields of South Africa—the Witbank and Ermelo Coalfields. All of the mines that Xstrata Coal operates fall within the Witbank Coalfield. Production and planning across all Xstrata Coal's mines are co-ordinated to maximise exports whilst also supplying coal for domestic use in suitable market conditions.

The South African operations have demonstrated significant productivity improvements at a number of its mines over the last three years through the introduction of additional modern mining equipment technology, improvement of mine operating procedures and training of their employees. The South African operations are progressively transitioning to larger scale mechanised open cut operations.

The Xstrata Group owns surface rights in freehold in respect of most of the mines falling within the Tweefontein and iMpunzi Divisions.

As at 31 December 2011, the total Mineral Resource for the South Africa division was 3,597 million tonnes of coal.

Americas (Cerrejón)

The Cerrejón mining operation is a privately-owned, independently-managed joint venture, in which each of BHP Billiton, Anglo American and Xstrata has a one-third indirect interest.

Cerrejón is one of the largest open pit coal mining operations in the world, with a saleable reserve base in excess of 780 million tonnes as at 31 December 2011. The business is involved in the exploration, production, transportation and shipment of high-grade thermal coal, mined at Cerrejón's deposits, to markets principally in Europe and the Americas.

Located in north-eastern Colombia adjacent to the Venezuelan border, Cerrejón is well-positioned to supply the import markets of Europe and the Eastern and Gulf Coasts of the United States. Total current infrastructure capacity is estimated to be approximately 32 million tonnes per annum and, in the year ended 31 December 2011, Cerrejón produced approximately 32.3 million tonnes of export thermal coal, predominantly for the European and American power generation markets.

Coal produced at Cerrejón benefits from relatively low ash content (approximately 8.2 per cent.), a low sulphur dioxide emissions profile and high calorific value, making it ideal for power generation.

As at 31 December 2011, the total Mineral Resource for Cerrejón was 5,150 million tonnes of coal.

Projects and developments

Australia

New South Wales

Development consent for the Ravensworth North open cut mine was obtained in February 2011. Construction has commenced with first coal achieved in May 2012, thereafter ramping up to saleable production of 8 million tonnes per annum. Ulan West construction commenced in 2011 and first development coal was achieved in March 2012. Longwall production is expected to commence in 2014, ramping up to full production of 7 million tonnes per annum of export thermal coal. The Ulan Open cut mine will also commence production in 2012 and is forecast to produce 1 million tonnes per annum.

Queensland

Further development of the Surat Basin in Queensland focused on the Wandoan Coal project, which is currently advancing through the feasibility stage. Over 1 billion tonnes of reserves have now been identified to underpin thermal coal exports from the initial stage of up to 30 million tonnes per annum. In March 2012, the Queensland land court, following objections from eight landholders and Friends of the Earth Australia, recommended that the Queensland Government approve Xstrata's mining lease application. The granting of the Mining Lease by the Queensland Minister for Mining is expected to follow soon.

Xstrata Coal (and its Rolleston joint venturers) has also secured 10.9 million tonnes per annum (out of 27 million tonnes per annum) port capacity in stage 1 of the Wiggins Island Coal Export terminal, which is expected to be completed by mid-2014, and will source coal from Rolleston. Xstrata Coal has a further 22 million tonnes per annum of reserve capacity in the development of stage 2. This reserve capacity right will provide capacity for the first stage of Wandoan's development.

Given the long-term demand for thermal coal from the southern Bowen Basin and the potential of the Surat Basin, Xstrata has also progressed pre-feasibility studies under its exclusive right to develop a new coal export terminal in the vicinity of Port Alma, approximately 40 kilometres north of Gladstone.

South Africa

The iMpunzi (ATCOM) East operation is expected to reach full capacity in the second quarter of 2012.

Americas (Cerrejón)

The US$1.3 billion Cerrejón P500 Project—Phase 1, which is designed to increase saleable production and export capacity from 32 million tonnes per annum to 40 million tonnes per annum, was approved by the three Cerrejón shareholders in August 2011.

Canada

Xstrata announced on 26 April 2012 that it is seeking an operating coal company to assume its interest in the Donkin project. It is anticipated that the sale process will be concluded during 2012. Erdene Resource Development Corporation has a 60-day right of first refusal on the sale by Xstrata Coal of its interest in the project which, as at the date of this document, has not been exercised.

On 28 July 2011, Xstrata Coal made an all-cash proposal for First Coal. The offer valued First Coal at C$141 million (US$144 million). Following First Coal shareholder approval and court ratification, control of First Coal was obtained on 4 August 2011. The purchase of First Coal provides Xstrata Coal with access to coking coal exploration leases in British Columbia, Canada.

In October 2011, Xstrata Coal agreed to acquire 100 per cent. of Lossan from Cline Mining Corporation for C$40 million, subject to customary conditions. Lossan is located in the Peace River Coalfield of north-eastern British Columbia and is surrounded by a group of licences acquired by the Xstrata Group through the acquisition of First Coal. Lossan has an NI 43-101 compliant resource of 240 million tonnes, with 186 million tonnes being in the "measured" and "indicated" categories. Lossan covers an area of approximately 3,800 hectares and would increase Xstrata Coal's total tenure in the Peace River Coalfield to almost 100,000 hectares. The acquisition of Lossan was completed on 13 October 2011.

In March 2012, Xstrata Coal agreed to acquire the Sukunka hard coking coal deposit from Talisman Energy Inc. for US$500 million in cash, subject to customary conditions. Sukunka is located in the Peace River Coalfield of northern British Columbia, contiguous with the First Coal and Lossan tenements acquired by Xstrata Coal in August and October 2011, respectively. Sukunka has an NI 43-101 compliant resource of 236 million tonnes in the "measured" and "indicated" categories. Norwest Corporation has completed a pre-feasibility study for a longwall mine producing hard coking coal. Xstrata Coal's technical studies indicate the potential to realise further value from the resource.

Following the Sukunka acquisition, Xstrata Coal and JX Nippon Oil & Energy Corporation ("JX") announced the creation of a joint venture comprising the First Coal, Lossan and Sukunka assets in Western Canada (collectively, "Xstrata Coal British Columbia"). JX's contribution to the Joint Venture was a capital injection of US$435 million, earning them a 25 per cent. interest in Xstrata Coal British Columbia.

Sales and marketing

Australia

The marketing of coal production from Australia is progressively being transitioned to Xstrata Coal's new marketing office in Singapore which was established in the second quarter of 2011. The marketing function has been relocated to Singapore due to its proximity to the existing customer bases of Japan, Korea and Taiwan and also the growth markets of China and India. Singapore is rapidly developing as a coal trading hub with many coal miners, traders and banks dealing in coal derivatives, relocating to Singapore in recent years.

New South Wales

For the year ended 31 December 2011, approximately 81 per cent. of the New South Wales attributable sales were to the export market. Of all the New South Wales operations' coal sales in 2011, both domestic and export, on a managed tonnage basis, approximately 60 per cent. was sold for use in electric power

generation, approximately 18 per cent. for use in steel mill applications and approximately 22 per cent. to general industry (which includes third parties that on-sell to various users).

In 2011, the New South Wales operations sold, on a managed tonnage basis, approximately 66 per cent. of their total sales volume under coal supply agreements with terms extending beyond one year, either at fixed prices or on quarterly or annually renewable terms. Japan and Taiwan remained the dominant markets in 2011.

Xstrata Coal expects to continue to sell a significant portion of its Australian coal under annually renewable and long-term supply agreements, particularly in Asia. However, a proportion of the global thermal coal trade will continue to be conducted in the short-term or spot market. Owing to the New South Wales operations' current product and market sales mix, and its planned increase in production over the medium term, Xstrata believes that it is well positioned to secure sales opportunities as they emerge.

All coal exported by the New South Wales operations is transported to port by rail. Pacific National Limited and Xstrata Rail currently provide the New South Wales mines with all freight services. Rail freight contracts are negotiated by producers individually, rather than on an industry basis. Xstrata Rail is a recent initiative of Xstrata Coal to ensure sufficient rail transportation to accommodate planned expansion in production. Currently, Xstrata Coal owns six train sets (soon to be expanded to nine) and operates in an alliance with a major rail service provider. The Xstrata Rail trains supplement the service provided by Pacific National Limited, the major rail service provider in New South Wales.

Coal from Xstrata's Hunter Valley operations is exported through the Port Waratah Coal Terminal. The terminal facility is owned and operated by Port Waratah Coal Services Limited. Coal from Baal Bone and Tahmoor is exported through the Port Kembla Coal Terminal, which is operated by Port Kembla Coal Terminal Ltd. Domestic coal is transported to power stations by a combination of rail, truck and conveyor.

Queensland

In the year ended 31 December 2011, Xstrata Coal's sales in Queensland, on a managed tonnage basis, were approximately 26 million tonnes of coal, approximately 90 per cent. of which was exported. Approximately 38 per cent. of the Queensland operations' production was coking coal, approximately 52 per cent. was export thermal coal and the remaining 10 per cent. was supplied to the domestic market.

The Oaky Creek Coal Joint Venture undertakes mining operations at Oaky Creek in Queensland's Bowen Basin and produces premium quality coking coals for supply to major steel makers in Japan, other parts of Asia, Europe, North Africa, South Africa and South America. These markets are predominantly serviced under term contract arrangements.

The Newlands-Collinsville-Abbot Point and Rolleston operations primarily produce thermal coal for export as well as the domestic market.

Treated coal is transported by rail to the ports of Dalrymple Bay, Gladstone and Abbot Point. The Oaky Creek Coal Joint Venture exports most of its product through the multi-user coal facility at Dalrymple Bay. The Oaky Creek Coal Joint Venture production can also be shipped through Gladstone, which has similar loading capabilities to the Dalrymple Bay facility.

Coal from the Newlands and Collinsville coal projects is transported by rail to various domestic customers and to the port of Abbot Point for export. Abbot Point is Australia's most northerly coal-shipping port. Coal from the Rolleston Joint Venture is unwashed and transported by rail to the port of Gladstone.

South Africa

The marketing of the South African operations' coal is managed through Xstrata Coal Marketing AG, with the exception of domestic sales and sales to certain African countries, which are managed directly by the South African operations. Xstrata Coal Marketing AG and Xstrata AG have entered into a Market Advisory Agreement with Glencore International in respect of the South African coal exports that it manages.

On an air-dried basis, the export coals produced by the South African operations have a relatively low sulphur content and low moisture levels. The South African operations' coal produced for domestic customers generally has a higher sulphur and ash content and a comparatively lower calorific value than the South African operations' typical export product.

The South African operations' principal marketing strategy is to optimally exploit the inherent energy in the resource to supply both the export coal through Richards Bay Coal Terminal and the domestic Eskom market. The South African operations sell their incremental tonnage into the domestic market.

Of the South African operations' attributable sales of 15.5 million tonnes in 2011, approximately 61 per cent. was exported. Of the thermal coal exported by the South African operations in 2011, approximately 70 per cent. was sold for use in the power industry and the remainder mainly for use in industrial applications such as the cement industry. The South African operations' eight largest export thermal coal customers represented approximately 80 per cent. of its total South African exports in 2011. Xstrata does not believe the South African operations are overly dependent upon any one customer. In 2011, there was an increase in sales to Asian markets, which offset reduced demand in Europe.

Of Xstrata Coal's South African attributable domestic sales of 6.1 million tonnes in 2011, approximately 69 per cent. was sold to Eskom, the South African state-owned electricity utility, either directly or indirectly through third parties. The major domestic industrial consumers are the paper, sugar, chemical and metallurgical industries and municipal power stations, to which Xstrata supplied 31 per cent. of its domestic sales.

In 2011, approximately 75 per cent. of Xstrata Coal's South African export sales were made under spot contracts, with the remaining sales being made under term coal supply agreements of one year or longer. In 2011, approximately 98 per cent. of Xstrata Coal's domestic sales were made under term contracts.

In 2011, all of the coal exported by Xstrata Coal's South African operations was loaded through the Richards Bay Coal Terminal. The terminal is capable of loading vessels of various sizes and is the only port facility in South Africa with capacity for substantial coal export volumes. For the year ended 31 December 2011, the throughput was approximately 65.4 million tonnes. All coal that Xstrata Coal's South African operations export through the Richards Bay Coal Terminal is transported to the terminal by Transnet Freight Rail, the State-owned railway operator.

The Xstrata Group has a 20.2 per cent. interest in the Richards Bay Coal Terminal, which is owned by seven coal-producing companies in South Africa including BECSA (a subsidiary of BHP Billiton) and Anglo Operations Limited (a subsidiary of Anglo American). It has a nominal capacity of 91 million tonnes per annum; for the year ended 31 December 2011, the throughput was approximately 65.4 million tonnes. The South African operations of Xstrata are entitled to approximately 12.1 million tonnes per annum, after deducting capacity allocated to non-shareholders who are primarily black empowered junior miners, and net entitlement transferred to the South African operations' two joint ventures.

Americas (Cerrejón)

Coal produced at Cerrejón is exported to markets principally in Europe and the Americas. Competition in these markets is largely on the basis of price. Cerrejón competes with numerous suppliers of thermal coal. In addition, increased production capacity from competitors in other countries may increase competition in the markets in which Cerrejón operates.

CMC Coal Marketing Company Limited markets coal from Cerrejón and operates independently of the three Cerrejón shareholders in accordance with agreed protocols designed to ensure compliance with anti-trust legislation.

The Cerrejón mine is linked by rail to the export ocean terminal at Puerto Bolívar on the Caribbean coast. Puerto Bolívar is one of the largest export coal ocean terminals in Latin America.

Xstrata Nickel

Introduction

Through Xstrata Nickel, the Xstrata Group is the fourth largest global nickel producer and one of the world's largest producers of cobalt. Xstrata Nickel's operations include mines and processing facilities in Australia, Canada and the Dominican Republic, and a refinery in Norway. Xstrata Nickel has world-class development projects in Canada, Tanzania and New Caledonia. Significant competitors in this sector include RAO Norilsk Nickel, Vale, BHP Billiton, Eramet, Jinchuan Group Limited, Anglo American and Sumitomo Metal Mining Co. Limited.

Pursuant to sole distributorship agreements entered into in April 2007, all of Xstrata Nickel's production of nickel, cobalt and ferronickel is sold to Glencore.

The table below shows the principal investments of Xstrata Nickel in industrial assets as of 31 December 2011, unless indicated otherwise:

Operation	Location	Commodity	2011 production(1)(2)	Xstrata's interest	Remaining interest
Mines					
Cosmos	Western Australia, Australia	Nickel	10.6k MT	100%	N/A
Falcondo	Dominican Republic	Ferronickel	13.5k MT	85.3%	10% Government of Dominican Republic 4.1% Franco-Nevada Corporation 0.6% others
Raglan	Quebec, Canada	Nickel Copper	27.3k MT 7.2k MT	100%	N/A
		Cobalt	0.6k MT		
Sinclair	Western Australia, Australia	Nickel	6.4k MT	100%	N/A
Sudbury	Ontario, Canada	Nickel	19.8k MT	100%	N/A
Smelters and Refineries					
Sudbury Smelter	Ontario, Canada	Nickel in matte Copper in matte	69.5k MT 20.0k MT	100%	N/A
Nikkelverk Refinery	Norway	Nickel Copper Cobalt Sulphuric Acid	92.4k MT 36.3k MT 3.1k MT 100k MT	100% 100% 100% 100%	N/A N/A N/A N/A
Development Projects					
Koniambo	New Caledonia	Ferronickel	N/A	49%	51% Societe Miniere du Sud Pacifique (SMSP)
Araguaia	Brazil	Ferronickel	N/A	100%	N/A
Kabanga	Tanzania	Nickel	N/A	50%	50% Barrick Gold

Notes:

(1) Production numbers are on a 100 per cent. basis unless otherwise indicated.

(2) Tonnages represent contained metal figures.

Operations

Australia

In Australia, the Xstrata Group owns and operates the Cosmos Nickel project in the Mt Keith-Leinster region of Western Australia and the Sinclair Nickel project located 100 kilometres to the south. To date, six nickel sulphide deposits have been discovered within the vicinity of the Cosmos Nickel operation; the Cosmos, Cosmos Deeps, Alec Mairs, Prospero, Tapinos and Odysseus deposits. Production at Cosmos is currently sourced from the Alec Mairs (AM-5), migrating to the newly discovered AM-6 and Odysseus deposits between second half of 2012 and 2013. At the Sinclair operation, completion of the open pit and the commissioning of underground works took place in 2010. Production is now sourced exclusively from underground.

Metal in concentrates produced from Australia during the year ended 31 December 2011 totalled 17,034 tonnes of nickel, 881 tonnes of copper and 396 tonnes of cobalt. As at 31 December 2011, the total Mineral Resource was 61.4 million tonnes at a grade of 0.8 per cent. nickel.

Canada

In Canada, the Xstrata Group owns and operates the Sudbury mines and milling operations, including Nickel Rim South (commissioned in April 2010), the Fraser Mine Complex (restarted in 2010), the Strathcona mill and the Raglan mine and milling operation.

Metals in concentrates produced at the Sudbury operations during the year ended 31 December 2011 totalled 22,716 tonnes of nickel (including feed from third parties), 49,887 tonnes of copper (including feed

from third parties) and 473 tonnes of cobalt (including feed from third parties). As at 31 December 2011, the total Mineral Resource for the Sudbury mines was 50.8 million tonnes at a grade of 2.0 per cent. nickel.

In the year ended 31 December 2011, the Raglan mine and milling operation, located in the far north region of Quebec, produced 27,274 tonnes of nickel in concentrate, 7,215 tonnes of copper in concentrate and 561 tonnes of cobalt in concentrate. As at 31 December 2011, the total Mineral Resource was 32.5 million tonnes at a grade of 3.1 per cent. nickel.

In Canada, nickel/copper concentrate from the Strathcona mill is treated at the Sudbury smelter along with Raglan and Australian concentrates and custom feed from other sources. The Sudbury smelter has the capacity to produce approximately 130,000 tonnes per annum of matte. The matte produced is transported to the Nikkelverk refinery in Norway for further processing. In the year ended 31 December 2011, the Sudbury smelter produced 69,459 tonnes of nickel in matte (own mines and other sources) and 20,041 tonnes of copper in matte (own mines and other sources).

Dominican Republic

In the Dominican Republic, the Xstrata Group owns 85.3 per cent. of Falcondo, which holds a mining concession and owns mining and mineral processing facilities for the production of ferronickel. The other shareholders of Falcondo are the Government of the Dominican Republic (10 per cent.), Franco-Nevada Corporation (approximately 4.1 per cent.) and various individuals (the remainder). The Falcondo operation was restored from care and maintenance at 50 per cent. of installed capacity in February 2011 and produced 13,498 tonnes of nickel in ferronickel in the year ended 31 December 2011. Falcondo has traditionally been a swing producer as oil prices comprised the majority of the operation's costs for self-generation of power but recently converted to procured electricity, allowing more sustainable production. As at 31 December 2011, the total Mineral Resource was 79.5 million tonnes at a grade of 1.5 per cent. nickel.

Norway

In Norway, the Xstrata Group's operations centre on the wholly-owned Nikkelverk refinery and a sulphuric acid plant. The facilities process mattes from the Sudbury smelter and custom feed from third party smelters. The refinery has an annual capacity of approximately 92,000 tonnes of nickel, 39,000 tonnes of copper and 5,200 tonnes of cobalt. The sulphuric acid plant's capacity is approximately 115,000 tonnes per annum of sulphuric acid. For the year ended 31 December 2011, the refinery produced 92,427 tonnes of nickel, 36,292 tonnes of copper, 3,067 tonnes of cobalt, 100,029 tonnes of sulphuric acid and 427,192 ounces of precious metals.

Debottlenecking was achieved through a series of process and productivity improvements, which enabled increased capacity in the leach and purification sections and in the tankhouse.

Other operations

Xstrata Nickel International Limited ("XNIL") has entered into long-term agreements with Bamangwato Concessions Limited ("BCL") and Centametall AG to treat complex nickel/copper matte from BCL's smelter in Botswana. Under the agreements, XNIL receives approximately 15,000 tonnes of nickel in matte per year. Mattes from the Sudbury smelter and from BCL were the main sources of nickel/copper feed materials for the Nikkelverk refinery during the year.

In addition to these smelting operations, XNIL is responsible for managing the Integrated Nickel Operations custom feed business outside Canada. Custom feed, or third party mine production (concentrate), primary smelter production (matte) and secondary raw materials, provides a significant source of feed to the Sudbury smelter and the Nikkelverk refinery. The Sudbury smelter's output from all third party feeds included 12,393 tonnes of nickel, 5,005 tonnes of copper and 1,425 tonnes of cobalt in the year ended 31 December 2011.

In the year ended 31 December 2011, custom feed represented approximately 36 per cent. of the nickel, 62 per cent. of the copper and 69 per cent. of the cobalt output at the Nikkelverk refinery.

Projects and developments

New Caledonia

As of 27 April 2012, the Koniambo project in New Caledonia was 84 per cent. complete and on track to deliver first ore to the furnace in the fourth quarter of 2012. The initial mine life of 25 years at annual production of 60,000 tonnes of nickel in ferronickel can be extended to more than 50 years of economic operation, with the potential for brownfield limonite and saprolite expansions concurrent to or beyond the current 25-year plan. The operation is expected to reach full production in 2014, delivering a world class nickel operation with low second quartile costs into the Xstrata Group's portfolio. As at 31 December 2011, the total Mineral Resource was 158.6 million tonnes at a grade of 2.5 per cent. nickel.

The main site infrastructure has been completed and the port is already under operating management control.

Engineering work is more than 99 per cent. complete, procurement is 95 per cent. complete and the bulk of critical materials have been delivered to the site. In the first half of 2011, the metallurgical plant modules were completely placed, mine development work has commenced and is progressing well and the programme to construct supporting on-site infrastructure is around two-thirds complete. Only on-site construction work is outstanding to complete the project.

However, while Koniambo is on schedule to produce first metal in the second half of 2012, the capital cost estimate has been increased to US$5 billion, of which Xstrata's share is US$4.6 billion after funding from partners. Koniambo was originally approved at a capital cost of US$3.85 billion in 2007.

The increased cost arises from productivity challenges and contractor underperformance, which increased costs by US$420 million against the budget, and the exogenous impact of hyper-inflation on the costs of labour, contractor rates and materials, which increased costs by US$730 million.

Canada

Recently announced was a partnership to extend Xstrata Nickel's Fraser Mine to enable mining of Vale-owned, mainly copper ore bodies. The Xstrata Group has also approved the US$119 million Fraser Morgan project in Sudbury to add 6,000 tonnes and 2,000 tonnes per year of nickel and copper, respectively, while extending the life-of-mine of the Fraser Complex by five years to 2025 with initial production in 2013.

An incremental expansion at Raglan mine in northern Canada was successfully commissioned during 2011. The Xstrata Group has further approved a significant expansion to mining operations and infrastructure to increase Raglan's capacity by more than 50 per cent. to 40,000 tonnes per annum at a capital cost of C$552 million (US$530 million). The project entails the development of two, high-grade ore zones and an associated upgrade of Raglan's concentrator. Production is expected to commence from the new mining zones in 2014.

Brazil

The Araguia nickel project is located in north western Brazil in the state of Para. The nickel sulphide project is currently in the scoping study phase. As at 31 December 2011, the total Mineral Resource was 123.1 million tonnes at a grade of 1.3 per cent. nickel.

Tanzania

The Kabanga nickel project is located in north western Tanzania and is a 50-50 joint venture with Barrick Gold. The nickel sulphide project is currently in the feasibility study stage. As at 31 December 2011, the total Mineral Resource was 58.2 million tonnes at a grade of 2.6 per cent. nickel.

Sales and marketing

In March 2007, Xstrata Nickel entered into sole distributorship agreements with Glencore for its nickel, cobalt and ferronickel production.

Xstrata Zinc

Introduction

Through Xstrata Zinc, the Xstrata Group is one of the world's largest miners and producers of zinc, with zinc smelting operations in Spain and Germany; four operating mines, a mine project and a lead smelter in Australia; a lead refining plant in the United Kingdom; interests in the Antamina copper and zinc mine in Peru; two zinc mines, a lead smelter and refinery and a minority interest in a zinc smelter in Canada; and exploration properties in Canada and Ireland. Significant zinc smelting competitors are Korea Zinc Company, Hindustan Zinc Nyrstar, Boliden, Glencore, Votorantin and various zinc smelting operations in China. The Xstrata Group is also one of the world's largest lead producers. Substantial lead-producing competitors include BHP Billiton, Doe Run, Hindustan Zinc, China Minemetal Corp, Nyrstar and Korea Zinc Company, as well as various lead mining operations in China.

The table below shows the principal investments of Xstrata Zinc in industrial assets as of 31 December 2011, unless indicated otherwise:

Operation	Location	Commodity[(1)]	2011 production[(2)]	Xstrata's interest	Remaining interest
Mines					
Mount Isa	Queensland, Australia	Zinc Lead Silver	357k MT 131k MT 261MT	100%	N/A
McArthur River	Northern Territory, Australia	Zinc Lead Silver	194k MT 38k MT 50MT	100%	N/A
Brunswick	New Brunswick, Canada	Zinc Lead Copper Silver	209k MT 57k MT 9k MT 157MT	100%	N/A
Perseverance	Quebec, Canada	Zinc Copper Silver Gold	135k MT 10k MT 12MT 0.1MT	100%	N/A
Antamina (joint with Xstrata Copper)	Peru	Zinc Silver	235k MT[(3)] 301 MT[(3)]	33.75%	33.75% BHP Billiton; 22.5% Teck Resources Ltd; 10% Mitsubishi Corporation
Smelters and refineries					
Mount Isa Lead Smelter	Queensland, Australia	Lead in Bullion Silver in Bullion	139k MT 204MT	100%	N/A
Northfleet	United Kingdom	Refined Lead and Lead in Alloys Refined Silver	130k MT 167MT	100%	N/A
Brunswick Smelter	New Brunswick, Canada	Refined Lead Silver in Dore	77k MT 418MT	100%	N/A
San Juan de Nieva	Spain	Zinc	511k MT (489k MT saleable)	100%	N/A
Nordenham	Germany	Zinc	154k MT (148k MT saleable)	100%	N/A
Canadian Electrolyte Zinc Limited	Quebec, Canada	Zinc	290k MT	25%	75% minority shareholders in Noranda Income Fund
General Smelting of Canada	Quebec, Canada	Zinc and Lead	5k MT	100%	N/A
Development Projects					
Lady Loretta	Queensland, Australia	Zinc, Lead and Silver	N/A	100%	N/A
Bracemac-McLeod	Quebec, Canada	Zinc, Copper	N/A	65%	35% Donner Metals Ltd.
Pallas Green	Ireland	Zinc, Lead	N/A	100%	N/A
Hackett River and Wishbone	Nunavut, Canada	Zinc, Lead and Silver	N/A	100%	N/A

Notes:

(1) Production figures refer to contained metal.

(2) Production figures are stated on a 100 per cent. basis unless otherwise indicated.

(3) Xstrata Zinc's pro rata 33.75 per cent. share.

Operations

In the year ending 31 December 2011 Xstrata Zinc's production, on a consolidated basis, was 974,517 tonnes of zinc in concentrate, 737,758 tonnes of finished zinc, 225,743 tonnes of lead in concentrate and 206,579 tonnes of finished lead. In the same period Xstrata Zinc's mines produced significant by-products including 13,374,650 ounces of silver in concentrate whilst the metallurgical facilities produced 18,814,964 ounces of silver and 1,141,002 tonnes of sulphuric acid (1,071,881 tonnes of saleable sulphuric acid).

Australia

Mount Isa

The Mount Isa operations are located in north-west Queensland and consist of the Black Star and Handlebar Hill open cut zinc/lead/silver mines and the George Fisher underground mine, a zinc/lead concentrator and a lead smelter. The zinc concentrate produced at Mount Isa is either transported to Xstrata Zinc's zinc smelters for further processing or sold to third parties, whilst the lead concentrate is smelted on site at the Mount Isa lead smelter, with the lead bullion being shipped to Xstrata Zinc's Northfleet lead refinery in the United Kingdom for processing.

In the year ended 31 December 2011, Mount Isa produced 357,011 tonnes of zinc in concentrate, 130,697 tonnes of lead in concentrate and 138,629 tonnes of lead bullion. As at 31 December 2011, the total estimated Mineral Resource at Mount Isa was 638.4 million tonnes at an average grade of 5.7 per cent. of Zinc, 3.5 per cent. of lead and 71g/t of silver.

McArthur River

The McArthur River mine is located in the Northern Territory and produces a bulk zinc/lead/silver concentrate and separate zinc concentrate. These concentrates are predominantly sold to third parties; some minor volumes are also sold to Xstrata Zinc's own smelters in Europe. The McArthur River operation consists of an open pit mine using conventional drilling, blasting, loading and hauling methods; processing using crushing, grinding and flotation to produce a bulk zinc and lead concentrate; and a loading facility at Bing Bong where the concentrate is transferred to barges, then offshore loading onto ships. In the year ended 31 December 2011, McArthur River produced 411,844 tonnes of bulk concentrate and 15,525 tonnes of zinc concentrate. As at 31 December 2011, the total estimated Mineral Resource at McArthur River was 170.5 million tonnes at an average grade of 10.8 per cent. of zinc, 4.8 per cent. of lead and 48g/t of silver.

Europe

Northfleet

The Northfleet lead refinery is located at Gravesend in the United Kingdom. It processes lead bullion from Xstrata Zinc's Mount Isa operation to produce 99.99 grade refined lead and lead alloys together with 99.9 grade silver. In the year ended 31 December 2011, Northfleet produced 130,055 tonnes of refined lead and 5.381 million troy ounces of refined silver which was sold to third party customers.

Nordenham

The Nordenham electrolytic zinc smelter is located on the north-west coast of Germany. It receives zinc concentrates from Australia, Canada, Peru and Europe to produce refined zinc which is sold to third party customers. In the year ended 31 December 2011, the Nordenham smelter, designed in 1972 for 90,000 tonnes capacity, produced 147,968 tonnes of refined zinc products. A new direct leach plant contributed 15,000 tonnes. About 75 per cent. of the products are sold in Germany (with a total market demand of 550,000 tonnes), 25 per cent. is sold in neighbouring countries.

San Juan de Nieva smelter, Arnao and Hinojedo

The San Juan de Nieva smelter is located in Asturias in the North Coast of Spain adjacent to Avilés Port and is one of the largest and most efficient electrolytic zinc smelters in the world. The smelter produces SHG zinc and a range of casting and galvanizing alloys as well as sulphuric acid, copper cements and lead-silver concentrates. The Arnao Plant is located 5 km from the San Juan smelter and produces zinc oxide by distillation, using as raw material the melting and casting drosses produced at the San Juan smelter. The Arnao plant also manufactures lead anodes for the San Juan smelter. The Hinojedo Plant is located in Cantabria in the North coast of Spain, 180 km from the San Juan smelter. Hinojedo is a roasting

Plant that produces liquid sulphur dioxide and impure zinc oxide so-called calcine that is either transported to the San Juan smelter or the Nordenham smelter in Germany.

In the year ended 31 December 2011, these facilities produced 511,092 tonnes of refined zinc, 15,575 tonnes of zinc oxide and 22,075 tonnes of liquid sulphur dioxide.

Peru

Antamina

Antamina is the world's fifth largest zinc and eighth largest copper mine and is located in the Andes in northern Peru's Ancash Region at an elevation of 4,300 metres. It is operated by a joint venture company, Compañía Minera Antamina S.A, and the joint venture partners are Xstrata (33.75 per cent.), BHP Billiton (33.75 per cent.), Teck Resources Limited (22.5 per cent.) and Mitsubishi Corporation (10 per cent.). Xstrata Copper and Xstrata Zinc are represented on the Board and Advisory Committee of the company.

The operation's concentrator is considered to be the world's largest polymetallic processing plant, treating ores containing copper, zinc, molybdenum, silver and lead. These concentrates are transported via a 300km slurry pipeline to port facilities at Huarmey. In the year ending 2011, the operation produced 333,700 tonnes of copper in concentrate and 235,400 tonnes of zinc in concentrate. As at 31 December 2011, the total estimated mineral resources were 1,896 million tonnes at an average grade of 0.8 per cent. of copper, 0.5 per cent. of zinc and 9.8g/t of silver.

Canada

Perseverance

The Perseverance zinc-copper mine is located in Quebec and produces both zinc and copper concentrates with substantial gold and silver credits. In the year ending 2011, the operation produced 135,008 tonnes of zinc in concentrate and 9,752 tonnes of copper in concentrate. As at 31 December 2011, the total estimated Mineral Resource at Perseverance was 1.3 million tonnes at an average grade of 12.3 per cent. of zinc, 1.07 per cent. of copper and 28.6g/t of silver. Zinc concentrate was mainly shipped to the CEZ refinery (85 per cent.), where Xstrata holds an interest of 25 per cent., and the remaining 15 per cent. was sold to third parties. Copper concentrate was sold to the Horne smelter, an Xstrata Copper subsidiary. The Perseverance deposit will become depleted and will cease operations in the first quarter of 2013 although Xstrata Zinc will continue operating the concentrator with the nearby developing Bracemac project (a 65 per cent. joint venture) which is scheduled to start-up during the first quarter of 2013.

Brunswick

The Brunswick operations are located in New Brunswick and comprise the Brunswick zinc-lead mine and the Brunswick lead smelter-refinery. In the year ending 2011, the mine operation produced 209,001 tonnes of zinc in concentrate, 8,798 tonnes of copper in concentrate and 56,762 tonnes of lead in concentrate with substantial credits in silver and gold. Zinc concentrates were mainly shipped to the CEZ refinery (40 per cent.) and to Xstrata Zinc's smelters in Europe (40 per cent.) with the balance being shipped to third party European smelters. As at 31 December 2011, the total estimated Mineral Resource at Brunswick was 3.2 million tonnes at an average grade of 7.5 per cent. of zinc, 2.9 per cent. lead, 0.5 per cent. copper and 94.8g/t of silver. In the year ending 2011, the smelter-refinery operation produced 76,524 tonnes of refined lead and alloys and 417.8 tonnes of silver doré. Brunswick mine will cease operations in the first quarter of 2013 after almost 50 years of operation and different scenarios are being evaluated to keep the Brunswick smelter open beyond the closure of the Brunswick mine.

CEZ refinery

The CEZ electrolytic zinc smelter, located in Quebec, is owned by the Noranda Income Fund ("NIF"). Xstrata owns 25 per cent. of NIF. Xstrata has an agreement to supply NIF between 520,000 and 550,000 DMT of zinc concentrates per year until May 2017. In 2011, 93 per cent. of the zinc concentrate supplied to NIF came from Xstrata's Brunswick, Perseverance, Kidd and Antamina mines with the balance coming from third parties. In the year 2011, the operation produced 289,700 tonnes of zinc metal.

Xstrata Zinc also operates NorFalco LLC, which markets, transports and distributes the sulphuric acid produced by all of the Xstrata Group's copper, zinc and nickel operations located in Canada to customers

in North America. In the year 2011, it sold 1,624,078 tonnes of sulphuric acid mainly in the North American market.

Projects and developments

Australia

Final approvals were received in September 2010 for an AUD274 million expansion of the George Fisher underground mine to increase production by 28 per cent. by 2013. Since Xstrata acquired the asset in 2003, George Fisher zinc reserves have increased by 99 per cent. to become one of the largest known zinc reserves in the world. In addition, AUD35.5 million was approved for secondary and tertiary surface crushers to be constructed at George Fisher North. This will reduce operating costs and ensure there is crushing capacity available for the increase in production in 2013 from George Fisher.

The AUD130 million Black Star Open Cut Deeps development announced in March 2010 will extend the life of the open cut by four years to 2015 at current production rates. The project is expected to add 15 million tonnes of ore to the production profile at a rate of 4.5 million tonnes per annum.

At McArthur River, a feasibility study will be completed in 2012 for the expansion of the mine's production capacity to 5.5 million tonnes per annum in 2014. The expanded output from the mine could feed potential future expansions at the European plants using Xstrata's proprietary hydrometallurgy technology.

In February 2011, Xstrata Zinc announced it had acquired the remaining 25 per cent. interest in the Lady Loretta joint venture held by Cape Lambert Lady Loretta Pty Ltd for AUD30 million. The acquisition increased Xstrata Zinc's ownership in Lady Loretta to 100 per cent. In 2011, Xstrata approved the construction of the greenfield Lady Loretta zinc-lead-silver mine in north-west Queensland, Australia at a capital cost of AUD246 million to produce an annual average of 126,000 tonnes of zinc in concentrate and 40,000 tonnes of lead in concentrate over 10 years. In 2012, Xstrata Zinc revised Lady Loretta's mining plan to commence extracting ore one year earlier than planned in late 2012 and increased planned annual ore production from 1 million to 1.2 million tonnes from 2015.

Europe

An industrial scale demonstration plant at San Juan de Nieva using Xstrata's proprietary hydrometallurgy technology was commissioned in 2010 to treat McArthur River Mine bulk concentrates, currently processed predominantly by imperial smelters. This will allow the viability of the process to be assessed on an industrial scale, which could be operating in 2015.

At Nordenham, the construction of Xstrata's Proprietary Hydrometallurgy Technology Demo Plant was completed in early January 2011. The plant is an alternative route for processing bulk concentrate from McArthur River. This development enables Xstrata Zinc to substitute zinc calcine feed from Spain with McArthur River bulk concentrate.

Exploration efforts in Ireland have identified significant zinc mineralisation at the Pallas Green property near Limerick. A €7 million exploration programme was carried out in 2010 in conjunction with a 23.6 per cent. joint venture partner to define and increase economic reserves and initiate baseline studies and confirmed the potential of this project. A €15.5 million exploration and delineation programme associated with a pre-feasibility study was carried out in 2011.

In July 2011, Xstrata Zinc entered into an agreement to purchase the 23.6 per cent. interest that it did not already own from its joint venture partner Minco Plc for US$19.4 million. The transaction was completed in October 2011. Under the agreement, Xstrata Zinc acquired all 10 prospecting licences related to the Pallas Green project.

Americas

Building on the success of the Perseverance mine, work is progressing on the Bracemac-McLeod project, five kilometres east of the Matagami concentrator. This project was approved in July 2010 at a capital cost of C$159 million after completing the feasibility study in the second quarter of 2010. Development started immediately and progressed as the necessary permits were received. The mine is expected to commence production in the first quarter of 2013.

A C$5 million programme continues to be carried out in 2012 to discover new resources and potentially extend the life of the Matagami camp. Two new exploration programmes were initiated in 2010, one on the

Mattabi-Sturgeon Lake property in north-western Ontario and one on the Puisseaux-Selbaie property west of Matagami.

On 4 October 2011, the Xstrata Group closed the acquisition of the Hackett River and Wishbone Properties, Canadian prospects in Northern Canada in the province of Nunavut, from Sabina for cash consideration of C$50 million. Exploration drilling in Hackett River is underway and has confirmed an NI 43-101 compliant resource of approximately 60 million tonnes of ore containing zinc, silver, copper, lead and gold, with approximately 5.2 million tonnes of zinc equivalent, housed within four proximal near-surface deposits amenable to open pit mining. Both properties contain significant additional exploration potential. The Hackett River Property comprises nine mineral leases totalling 12,250 hectares. The Wishbone Property comprises 132 mineral claims covering 107,227 hectares.

Sales and marketing

Around half of all zinc currently consumed is used for galvanising steel, which is an environmentally friendly method of protecting steel against corrosion. Zinc also finds application in the manufacture of die-cast alloys, brass and the production of zinc oxides and chemicals.

In the year ended 31 December 2011, zinc metal sales represented about 39 per cent. of Xstrata Zinc's revenue, while zinc concentrate sales represented approximately 27 per cent. and refined lead and silver approximately 19 per cent. The remainder consists of sales of by-products such as cadmium, sulphuric acid and sulphur dioxide.

Practically all of the zinc metal produced by Xstrata Zinc is sold in EU countries, Canada and the United States. In the European markets, Xstrata Zinc's smelters principally supply the galvanising sector. Glencore was Xstrata Zinc's largest customer in 2011, accounting for approximately 40 per cent. of its global zinc metal sales.

Zinc concentrates are sold mainly to Japan, South Korea, China, Australia and Europe. Glencore was Xstrata Zinc's largest customer in 2011, accounting for approximately 41 per cent. of total zinc concentrate sales. In 2011, approximately 15 per cent. of Xstrata Zinc's zinc metal sales were made under term contracts while approximately 85 per cent. of such sales were on a spot basis.

Xstrata Zinc sells to the CEZ processing facility up to 550,000 tonnes per annum of zinc concentrate from its own mines and from third party suppliers, under a supply and processing agreement to support 100 per cent. of planned production rates to May 2017. Xstrata Zinc markets zinc and bulk concentrates to third party smelters and traders in the global market. In addition, it acts as sales agent in Europe on behalf of Antamina's frame sales agreements.

Xstrata Zinc acts as a marketing agent for CEZ. Marketing of the CEZ refinery and Xstrata Zinc's zinc metal and related alloys, as well as Xstrata Zinc's lead metal and related alloys, is carried out through its head office in Toronto, Ontario and affiliated marketing offices in Cleveland, Ohio.

Xstrata Zinc procures its own and third party lead concentrate and secondary feeds for the Belledune Lead Smelter and manages the sale of approximately 85,000 tonnes per annum of refined lead.

Following the expansion of the San Juan de Nieva plant's design production capacity, the acquisition of the Nordenham smelter and the acquisition of Falconbridge, approximately 1.7 million tonnes per annum of zinc concentrate is required as feedstock to the Xstrata Zinc electrolytic zinc plants for them to operate at current capacity.

San Juan de Nieva and Nordenham typically purchase zinc concentrates from more than 10 third party sources, of which five accounted for approximately 50 per cent. of their total concentrate requirements in 2011. San Juan de Nieva and Nordenham have contracted for almost all of their total zinc concentrate requirements for 2012. Approximately 227,000 tonnes of zinc concentrate are expected to be sourced from Mount Isa in 2012. Over the course of 2011, Glencore supplied approximately 36 per cent. of zinc concentrates sourced by Xstrata Zinc from third parties and is the principal supplier of Xstrata Zinc, in addition to being its largest customer. These purchases and sales were all made under contracts on arm's length terms. In addition, in 2011, Teck's Red Dog mine in Alaska accounted for approximately 16 per cent. of Xstrata Zinc's total zinc concentrate requirements.

Xstrata Alloys

Introduction

Through Xstrata Alloys, the Xstrata Group is one of the world's largest and amongst the world's lowest cost integrated ferrochrome producers (via the Xstrata-Merafe chrome venture), one of the world's largest producers of primary vanadium and a growing producer of PGMs. Xstrata Alloys, which manages the Xstrata Group's chrome and vanadium operations and its PGM operations, also owns carbon operations supplying key raw materials to its ferrochrome production operations. All of Xstrata Alloys' operations are based in South Africa. Xstrata Alloys' operations are located across the mineral-rich Bushveld Complex in South Africa's North West, Limpopo and Mpumalanga provinces.

In line with South Africa's MPRDA and associated Mining Charter (amended in September 2010), Xstrata Alloys has substantively fulfilled its BEE obligations in respect of transfer of ownership, required for security of tenure (Merafe has however to date not exercised its option to increase its ownership from 20.5 per cent. to 26 per cent. in the Xstrata-Merafe chrome venture). Xstrata Alloys has, to date, submitted all of its applications for new order prospecting and mining rights under the MPRDA. All of these applications have been granted to Xstrata Alloys by the Department of Mineral Resources ("DMR"). With regards to the conversion of existing old order prospecting and mining rights, all of its applications to date have been submitted to the DMR and have been granted. All the Mining Charter requirements of the MPRDA, such as employment equity and procurement requirements are fully on track. The other requirements of the MPRDA, including the social and labour plans and human resources development plans, have been approved by the DMR.

Chrome and vanadium

Introduction

Xstrata Alloys, together with its Pooling and Sharing Venture ("PSV") partner, Merafe Resources Limited ("Merafe"), have a combined capacity of approximately 1.98 million tonnes of ferrochrome per annum. The Xstrata Group is currently one of the largest ferrochrome producers in the world and amongst the lowest cost integrated ferrochrome producers in the world. Significant chrome competitors are Eurasian Natural Resources Corporation and Samancor Chrome.

Xstrata Alloys believes it is well placed to maintain and continue to grow its ability to offer a wide range of ferrochrome products and to produce large volumes at low cost. The Chrome business has the ability to pursue continued growth in its chrome operations whilst at the same time seeking to maintain its position as one of the lowest cost producers of ferrochrome in the world.

The Vanadium business's operations comprise the mining of magnetite ore, the production of vanadium pentoxide and the conversion of vanadium tri-oxide to ferrovanadium. Capacity for the vanadium operations is approximately 22 million pounds of vanadium pentoxide equivalent per annum. Significant vanadium competitors are Russian-based Evraz Steel, with operations in Russia and South Africa, as well as Chinese producers Pansteel and Chengde.

The table below shows the principal investments of Xstrata Alloys in industrial assets as of 31 December 2011, unless indicated otherwise:

Operation	Location	Commodity[(1)]	2011 production[(2)]	Xstrata's attributable interest	Remaining interest
Xstrata-Merafe chrome venture	South Africa	Chrome	1,021k MT[(3)]	79.5%	20.5% Merafe Resources Limited[(4)]
Rhovan	South Africa	Vanadium pentoxide[(1)]	21,039k lb	74%	26% Bakwena-Ba-Magopa Community Trust
		Ferrovanadium	3,953k kg	74%	26% Bakwena-Ba-Magopa Community Trust
Smelters and Refineries					
Lion	South Africa	Ferrochrome[(1)]	360k MT[(3)]	79.5%	20.5% Merafe[(4)]
Development Projects					
Lion II	South Africa	Ferrochrome	N/A	79.5%	20.5% Merafe[(4)]
Tswelopele	South Africa	Ferrochrome	N/A	79.5%	20.5% Merafe[(4)]

Notes:

(1) Production figures refer to actual production in k MT not contained metal.

(2) Production figures are on a 100 per cent. basis unless otherwise indicated.

(3) Xstrata Alloy's 79.5 per cent. pro rata share.

(4) Merafe Resources Limited has an option to increase its participation interest to 26 per cent.

Operations

Chrome

Xstrata Alloys' chrome operations consist of six operating chrome mines and 20 ferrochrome furnaces, all of which are managed through a combined PSV with Merafe. The assets are managed along with all of the other PSV assets by the joint board. The Xstrata Group's attributable interest in the PSV is 79.5 per cent.

In line with the BEE requirements of the MPRDA, Merafe has the option to increase its participation interest in the PSV to 26 per cent. including through the disproportionate funding of future expansion projects.

Xstrata Alloys is currently reducing its electricity usage across both the ferrochrome and vanadium operations due to power supply restrictions applied by South Africa's electricity utility Eskom. While Xstrata Alloys anticipates that power shortages will continue to limit ferrochrome supply in South Africa over the next five years until new generating capacity comes on line, it believes it is relatively well positioned with its energy efficient and proprietary Premus technology (which is a substantial modification of the highly efficient closed furnace and pelletising technology) and the flexibility afforded through its 20 furnace operations spanning five sites. Xstrata Alloys is also investigating alternative sources of electricity, other than Eskom.

In the year ended 31 December 2011, the Xstrata Alloys share of the Xstrata-Merafe Chrome Venture's ferrochrome production was 1,021,000 tonnes of ferrochrome. As at 31 December 2011, Xstrata Alloys' total ferrochrome Mineral Resource was 165 million tonnes at 42 per cent. chromium oxide.

Vanadium

Xstrata Alloys' vanadium operations consist of its Rhovan plant, which is an integrated mining and vanadium processing plant that produces and converts vanadium pentoxide (V_2O_5) into ferrovanadium (FeV). In 2009, transaction agreements were concluded with the Bakwena Ba Mogopa traditional community giving them a 26 per cent. participation in the vanadium business through a PSV, similar to the Xstrata-Merafe chrome venture. The transaction has since then become unconditional.

As at 31 December 2011, Xstrata Alloys' total vanadium Mineral Resource was 156 million tonnes at 0.5 per cent. vanadium oxide.

Projects and developments

In 2010, Xstrata's Board of directors approved the second phase of the Lion smelter complex expansion and the associated Magareng mine development. The expansion will involve the construction and commissioning of a 360,000 tonnes per annum capacity smelter and will increase the Xstrata-Merafe chrome venture's total ferrochrome capacity to over 2.3 million tonnes per annum at a capital cost of ZAR4.9 billion (US$710 million). Bulk earthworks have commenced, and commissioning is planned for the first half of 2013.

An agreement was recently concluded with Lonmin to increase and extend the current UG2 off-take agreement from tailings at Lonmin's Marikana operations. In accordance with this agreement, chromite recovery plants have been built and are operated by the Xstrata-Merafe chrome venture at the Marikana operations of Lonmin. Total UG2 supply sourced through this transaction amounts to approximately 1.5 million tonnes per annum.

The Xstrata-Merafe chrome venture also approved the construction of a new 600,000 tonnes per annum pelletising and sintering plant at its Rustenburg operations. Construction of Project Tswelopele is now well advanced and will be completed on time and within its capital budget of US$114 million and is expected to be fully operational in 2013. The plant will agglomerate some of the additional UG2 from the Lonmin operations, significantly improving operational efficiencies and costs and delivering environmental improvements.

The Horizon mine development remains on schedule to reach a production capacity of 40,000 tonnes per month by the end of 2012.

Sales and marketing

The marketing of the Xstrata Group's ferrochrome production (other than certain tonnage sold into Asia) accounting for approximately 98 per cent. of the Xstrata Group's ferrochrome sales in the year ended 31 December 2011 is supported by Glencore under marketing agency and distribution agreements.

All of the vanadium pentoxide and ferrovanadium produced by the Vanadium business is marketed or distributed by Glencore under marketing, agency and distribution agreements.

All of the Xstrata Group's chrome ore production (other than certain tonnage sold in South Africa) is supported by a Glencore marketing agency agreement.

Platinum Group Metals

Introduction

Xstrata Alloys successfully established a foothold in the PGM market initially in 2006 through its participation in the Mototolo joint venture with Anglo Platinum, the acquisition of Eland Platinum in 2007 and the subsequent rapid development of the Eland mine and concentrator.

Xstrata Alloys' chrome operations operate mines in the same geological complex as the South African platinum industry. The industry leading cost profile for chrome also confers competitive advantages in PGM production. Xstrata Alloys believes that it is well positioned to build a PGM business of scale through the delivery of its project pipeline and more acquisitions. Significant PGM competitors are Anglo Platinum, Impala Platinum, Lonmin and Aquarius Platinum.

Between August and October 2008 the Xstrata Group acquired a stake of 24.9 per cent. in platinum producer Lonmin, for a total cash consideration of US$1,878 million.

In the year ended 31 December 2011, Xstrata Alloys' attributable production was approximately 155,745 ounces of PGM in concentrate, with the capacity for operations to reach a total steady state production of approximately 570,000 ounces of PGM in concentrate per annum.

The table below shows the principal investments of Xstrata Alloys in PGM industrial assets as of 31 December 2011, unless indicated otherwise:

Operation	Location	Commodity[(1)(2)]	2011 production[(3)]	Xstrata's ownership interest	Remaining ownership interest
Mines					
Mototolo JV	South Africa	PGM	198koz	37%	50% Anglo Platinum 13% Kagiso Platinum Venture Pty Ltd.
Eland Platinum	South Africa	PGM	57koz	74%	26% Ngazana consortium
Development Projects					
Beestkraal	South Africa	PGM	N/A	74%	26% Abrina 1998 (Pty) Ltd

Notes:

(1) PGMs consist of platinum, palladium, rhodium and gold.

(2) Production figures refer to contained metal.

(3) Production figures are stated on a 100 per cent. basis unless otherwise indicated.

Operations

Mototolo

The Mototolo Platinum Mine is a 50:50 joint venture between Anglo Platinum and XK Platinum Partnership (74 per cent. of which is held by Xstrata South Africa (Alloys Division) and 26 per cent. of which is held by Kagiso Platinum Venture Pty Ltd), and is situated both within and adjacent to Xstrata Alloys' Thorncliffe Chrome Mine on the Eastern Limb of the Bushveld Complex. Xstrata Alloys manages the mining operations, while Anglo Platinum manages the concentrator operations. The mine produces approximately 200,000 ounces of PGM in concentrate per annum, of which the Xstrata Group's attributable production is 37 per cent.

In the year ended 31 December 2011, total production was 198,000 ounces of PGMs (platinum, palladium, rhodium and gold). As at 31 December 2011, the total Mineral Resource was 42.5 million tonnes at an average grade of 4.3 g/t of PGMs.

Eland Platinum

Through its ownership of Eland Platinum, Xstrata Alloys owns a 73.99 per cent. interest in the Eland mine and concentrator (with the balance of 26.01 per cent. held by its BEE partner, the Ngazana consortium). At steady state it is anticipated that the mine will produce approximately 470,000 ounces of PGM in concentrate per annum. The Eland Platinum mine also holds further exploration rights in close proximity to the operations namely Zilkaatsnek and Schietfontein and two additional exploration properties; the first property being contiguous to Elandsfontein (Madibeng) and the second property located near Anglo Platinum's Rustenburg Mine (Beestkraal), with both properties providing future PGM project development potential.

In the year ended 31 December 2011, total production was 57,000 ounces of PGMs (platinum, palladium, rhodium and gold). As at 31 December 2011, the total Mineral Resource was 152.9 million tonnes at an average grade of 4.3 g/t of PGMs.

Projects and developments

At Eland, the development of the western decline, the Kukama Shaft, is progressing well, although some challenges have been experienced due to poorer than expected ground conditions.

Development also commenced in June 2010 at the Nyala Shaft, the US$201 million eastern decline development at Eland. Initial production as a result of the development activities from both shafts commenced in early 2012.

The underground operations are expected to produce 250,000 tonnes of ore per month by the end of 2013, and steady state production of 500,000 tonnes of ore per month is expected to be reached during the last quarter of 2016, doubling production levels to approximately 300,000 platinum ounces per annum. Eland is expected to have an estimated mine life of approximately 21 years (excluding the Madibeng reserves).

Xstrata Alloys continues to assess its medium- to long-term PGM growth options through the development of its exploration portfolio with junior companies.

Exploration drilling at Beestkraal, scaled back during 2009 to preserve cash, resumed during 2011, with one borehole of 2,000 metres planned for the year. To date, 10 boreholes and an aeromagnetic survey of the area have been completed.

Sales and marketing

All PGM concentrate and associated by products produced by the Mototolo Platinum Mine (excluding the XK Platinum Partnership's attributable share of iridium and ruthenium) and all PGM concentrate and associated by products at Eland Mine are sold to Anglo Platinum under concentrate off-take agreements.

Technology

The devolved management structure of Xstrata means that most technology research and development activity is directed from within commodity units. The intent is to keep research focused and closely engaged with the needs of the business. Commodity groups use a variety of methods to conduct research, including directly on sites; through external contractors, institutions and consultants; through direct relationships and projects with universities; and through collaborative industry bodies and research projects.

In addition to the commodity unit directed research, Xstrata operates two stand-alone Technical Groups: Xstrata Process Support ("XPS") and Xstrata Technology.

XPS provides expert technical services to the minerals sector through four specialist departments: Extractive Metallurgy, Process Mineralogy, Materials Technology and Process Control. Based in Sudbury, Ontario, it has metallurgical facilities including quantitative mineralogy, laboratory and pilot facilities to conduct investigations in grinding, flotation, leaching, smelting, refining, and ore body evaluation techniques. It develops new methods for treating ores and custom feeds, improved flowsheets for new and existing operations, and methods to improve environmental performance and efficiency of operations.

It provides "arms-length" support to Xstrata business units and third party customers. Xstrata businesses seek technical support from many suppliers but may choose XPS for highly specialised or competitive-advantage work. Further specialist facilities are dedicated to provide internal support at various sites.

The Xstrata Group participates in a number of focused exploration research projects designed to reduce the cost and increase the likelihood of success of mineral exploration. Projects include the areas of geophysics, geology, geochemistry and remote sensing. The Xstrata Group is also involved in the development, acquisition and application of technologies to improve the performance of its mining and metallurgical businesses and to create opportunities for business growth.

Xstrata Technology develops and markets processing, smelting and refining technologies to third parties through licensing arrangements and the supply of key equipment components and technical services. This assists the further development of technologies that are core to the Xstrata Group's operations, by the development of wide user groups to work together on improvements for mutual benefit.

Insurance

The Xstrata Group's operations are subject to numerous operating risks, which include geological conditions such as unexpected geological features, or seismic activity, climatic conditions such as flooding or drought, interruptions to power supplies, environmental hazards, technical failures, fires, explosions and other accidents at a mine, processing plant, cargo terminal or related facilities. These risks and hazards could also result in damage to, or destruction of, properties or production facilities, personal injury, environmental damage, business interruption and possible legal liability.

The Xstrata Group maintains insurance through a number of international insurers prepared to provide cost effective insurance cover to the metals and mining industry. The insurances are arranged via international brokers, who provide an assurance that the types of insurance are customary for the metals and mining industry and limits and coverages are appropriate for the Xstrata Group. The Xstrata Group has placed part of its property and business interruption insurance directly with a wholly-owned insurance subsidiary.

For substantially all of the Xstrata Group's operations, the Xstrata Group maintains:

- property and business interruption insurance, which protects against losses relating to the Xstrata Group's assets;
- public and products liability insurance, which protects against claims by third parties for bodily injury or damage to property; and
- freight insurance, which protects against losses relating to the transport of the Xstrata Group's equipment, product inventory and concentrates.

The Xstrata Group's insurance does not cover every potential risk associated with its operations. In particular, meaningful coverage at reasonable rates is not obtainable by the Xstrata Group or other companies within the industry for certain types of environmental hazards, such as gradual pollution or other hazards as a result of the disposal of waste products. The occurrence of a significant adverse event, the risks of which are not fully covered by insurance, could have a material adverse effect on the Xstrata Group's financial condition or results of operations. Moreover, no assurance can be given that the Xstrata Group will be able to maintain adequate insurance in the future at rates it considers reasonable.

Health and safety, environment and communities, and other regulatory matters

The operations of the Xstrata Group are extensively regulated. National, state and local authorities in the countries in which the Xstrata Group has operations regulate the industries in which the Xstrata Group operates with respect to matters including, but not limited to, employee health and safety, royalties, permitting and licensing requirements, planning and development and environmental compliance (including, for example, compliance with waste and waste water treatment and disposal, emissions and discharge requirements, plant and wildlife protection, reclamation and rehabilitation of mining properties before, during and after mining is complete, surface subsidence from underground mining and the effects that mining has on surface and/or groundwater quality and availability). In certain jurisdictions, third parties or members of the public can challenge or otherwise initiate proceedings against the award of a permission, approval or lease.

In addition to mandated environmental safeguards, the Xstrata Group has many initiatives to improve both the internal and external environment, such as health research, auditing and risk management programmes. These aspects are aligned with and support the Xstrata Group's commitment to sustainable development, where the Xstrata Group balances social, environmental and economic considerations to manage its business. The Xstrata Group believes that operating to leading standards of health and safety and environmental management, contributing to the development of sustainable communities and engaging with its stakeholders in two-way, open dialogue, regardless of its location, enhances its corporate reputation and is a source of competitive advantage. This enables the Xstrata Group to gain access to new resources, maintain a licence to operate, attract and retain the best people, access diverse and low-cost sources of capital, identify and act upon business opportunities and optimise its management of risks.

Each of the Xstrata Group's businesses is subject to various laws and regulations relating to their ability to carry out operations, as well as environmental and health and safety issues. The requirements of these laws vary from operation to operation, and are also dependent on the jurisdiction in which the Xstrata Group's businesses operate. The Xstrata Group's objective is to meet or surpass environmental standards set by relevant legislation, through the application of innovative and technically-proven economic measures in advance of prescribed deadlines. In addition, the Xstrata Group incurs substantial waste removal and site rehabilitation/restoration costs on an on-going basis, which it believes will minimise future liabilities for site closure. The board of directors of Xstrata, as a matter of policy, requires each of the Xstrata Group's businesses and operations, as a minimum, to comply with all relevant environmental laws and regulations in the jurisdiction in which such business or operation operates.

Compliance with relevant environmental laws is the responsibility of respective managers at the operating companies who are directly responsible to the Xstrata Group's senior management. Xstrata believes that each of the Xstrata Group's businesses and operations are substantially in compliance with all material applicable environmental laws and regulations.

In most jurisdictions, businesses are required to rehabilitate site operations which have been closed down. For example, in South Africa, Section 43 of the MPRDA imposes liability on the mining operator for some time after the relevant mining operations have ceased. Accordingly, the Xstrata Group, to the extent it has not already done so, will have to make provision for the costs involved in closure and other rehabilitation of any of its site operations in the future. This may involve substantial costs. In the event that pollution of the environment surrounding or adjacent to any of the Xstrata Group's operations occurs, or has already occurred, the Xstrata Group may be required to remediate pollution and incur substantial costs. In particular, the Xstrata Group's operations are generally required either to lodge security bonds or make on-going cash contributions for the purpose of rehabilitation at the end of a mine's life. The Xstrata Group has an established environmental audit programme at each of its mines and will continue to review its compliance with environmental requirements, including rehabilitation requirements. The Xstrata Group will comply with the provisions of the South African MPRDA to ensure that it will continue to be able to operate within the legislative regime introduced by the MPRDA and the Xstrata Group complies with similar obligations in other jurisdictions in which it has operations.

The Xstrata Group's operations are also members of various environmental forums which aim to develop, through the use of best available technologies, environmental management practices to ensure that, amongst other impacts, water used in connection with the Xstrata Group's operations will, when re-introduced into the water system, meet end user requirements and legal requirements.

The Xstrata Group developed and implemented a strategy to address the various legislation to which its operations are subject, such as the MPRDA, the Mining Charter and the Royalty Act in South Africa, and the transformation to align itself with the intent of the MPRDA and associated legislation has largely occurred.

The Xstrata Group's health and safety standards are reviewed by the Xstrata Group on an on-going basis. In addition, the Xstrata Group's operations are subject to government authority inspections throughout the year, as well as health and safety audits at all of its operations. These inspections and audits have not resulted in any significant capital expenditure by the Xstrata Group. However, certain of the Xstrata Group's activities are inherently dangerous and the authorities responsible for administering health and safety standards have considerable inspection, injunction and penalty powers that, if exercised against the Xstrata Group, could have an adverse impact on the Xstrata Group's financial condition or results of operations.

Xstrata recognises that the health and safety of its employees, contractors and other key stakeholders and the maintenance of high environmental performance standards are significant responsibilities involved in the conduct of its operations. The Xstrata Group's aim is to be recognised as a leader in health, safety and environmental management.

Labour and employee relations

For the year ended 31 December 2011, the average monthly number of Xstrata Group employees and contractors was approximately 19,708 in aggregate. The majority of the Xstrata Group's employees are unionised.

The majority of the workforce of the Xstrata Group is engaged pursuant to collective employment agreements. These collective agreements are negotiated with unions and other employee representative organisations from time to time. The collective agreements establish and set the terms and conditions of employment of the employees covered by the collective agreements. The Xstrata Group's collective agreements have differing terms of operation and expiry dates. Prior to the expiry of a collective agreement, negotiation of conditions for renewal occurs between the relevant employing entities within the Xstrata Group and the relevant unions or other employee representative organisations.

Despite certain operations within the Xstrata Group experiencing work stoppages and other forms of industrial action in recent years, such work stoppages and industrial action have not had any material effect on the operating results of the Xstrata Group. Xstrata believes that all of the Xstrata Group's operations have, in general, good relations with their employees and unions.

Real estate

No material portion of the Xstrata Group's business is dependent on a single or connected group of properties or interests in real estate.

PART IV

DIRECTORS, PROPOSED DIRECTORS AND CORPORATE GOVERNANCE

Board of Directors

The Directors of Glencore are as follows and their profiles are set out below:

Name	Age	Current position
Simon Murray[(1)]	72	Independent Non-Executive Chairman
Ivan Glasenberg	55	Chief Executive Officer
Steven Kalmin[(1)]	41	Chief Financial Officer
Peter Coates	66	Independent Non-Executive Director
Leonhard Fischer	49	Independent Non-Executive Director
Anthony Hayward	55	Senior Independent Non-Executive Director
William Macaulay	66	Independent Non-Executive Director
Li Ning[(1)]	55	Independent Non-Executive Director

Note:

(1) Simon Murray, Steven Kalmin and Li Ning will retire as Directors of Glencore with effect from the Effective Date.

Simon Murray, aged 72 (Independent Non-Executive Chairman)

Simon Murray was appointed to the Board as Non-Executive Chairman in April 2011. He is the founder and current Chairman of GEMS Limited, a private equity investment group operating across Asia. Previously, Mr Murray led Jardine Matheson's engineering and trading operations from 1966 to 1980, after which he set up Davenham Investments, a project advisory company. From 1984 until 1993, Mr Murray was group managing director of Hutchison Whampoa, leading its entry into the mobile telecommunication business, developing its energy business and expanding its container and port operations. Mr Murray served as a member of the Hutchison Whampoa Board until May 2007. From 1994 to 1997, Mr Murray was the Executive Chairman of Deutsche Bank group for the Asia Pacific region. Mr Murray is currently a member of the Board of Directors of a number of public companies including IRC, Essar Energy, Orient Overseas, Wing Tai Properties, Greenheart, Compagnie Financiere Richemont and Sino Forest Corporation. Mr Murray was a non-executive director of Vodafone between July 2007 and July 2010. In 1993, Mr Murray was appointed a CBE in honour of his contribution to the Hong Kong community. Mr Murray has also been awarded the Order of Merit of the French Republic and is a Chevalier de la Légion d'honneur. He holds an honorary B.A. degree in law from Bath University and attended the Stanford Executive Programme (SEP) in the US. Mr Murray will retire as Director of Glencore with effect from the Effective Date.

Ivan Glasenberg, aged 55 (Chief Executive Officer)

Ivan Glasenberg joined Glencore in April 1984 and has been Chief Executive Officer since January 2002. Mr Glasenberg initially spent three years working in the coal/coke commodity department in South Africa as a marketer, before spending two years in Australia as head of the Asian coal/coke commodity division. Between 1988 and 1989, he was based in Hong Kong as manager and head of Glencore's Hong Kong and Beijing offices, as well as head of coal marketing in Asia, where his responsibilities included overseeing the Asian coal marketing business of Glencore and managing the administrative functions of the Hong Kong and Beijing offices. In January 1990, he was made responsible for the worldwide coal business of Glencore for both marketing and industrial assets, and remained in this role until he became Chief Executive Officer in January 2002. Mr Glasenberg is a Chartered Accountant of South Africa and holds a Bachelor of Accountancy from the University of Witwatersrand. Mr Glasenberg also holds an M.B.A. from the University of Southern California. He is currently a director of Xstrata and United Company Rusal plc and JSC Zarubezhneft. Before joining Glencore, he worked for five years at Levitt Kirson Chartered Accountants in South Africa. Mr Glasenberg will be Deputy Chief Executive Officer and President of the Combined Entity following the Merger.

Steven Kalmin, aged 41 (Chief Financial Officer)

Steven Kalmin was appointed to the Glencore Board in March 2011. Mr Kalmin joined Glencore in September 1999 as general manager of finance and treasury functions at Glencore's coal industrial unit (now part of Xstrata). He moved to Glencore's Baar head office in October 2003 to oversee Glencore's

accounting and reporting functions, becoming Chief Financial Officer in June 2005. Mr Kalmin holds a Bachelor of Business from the University of Technology, Sydney and is a member of the Institute of Chartered Accountants of Australia and the Financial Services Institute of Australasia. He is currently a director of Century Aluminum Co. Before joining Glencore, he worked for nine years at Horwath Chartered Accountants in Sydney, leaving the firm as a director. With effect from the Effective Date, Mr Kalmin will retire as Director of Glencore and will become Deputy Chief Financial Officer of the Combined Group.

Peter Coates, aged 66 (Independent Non-Executive Director)

Peter Coates was appointed to the Glencore Board in April 2011. He is currently a non-executive director and Chairman of Santos Ltd., and a non-executive director of Amalgamated Holdings. Until recently, he was a non-executive director and Chairman of Minara, a position he had held since May 2008. Mr Coates has occupied many senior positions in a diverse range of resource companies, including those mining silver, lead, zinc, nickel, iron ore, bauxite and coal. Mr Coates was previously the Chief Executive of Xstrata's coal business, having joined the company in 2002 when Glencore sold its Australian and South African coal assets to Xstrata. From January 2008 to June 2009 Mr Coates was Non-Executive Chairman of Xstrata Australia. Mr Coates is a past Chairman of the Minerals Council of Australia, the NSW Minerals Council and the Australian Coal Association. He was appointed to the Office of the Order of Australia in June 2009 and was recently awarded the Australasian Institute of Mining and Metallurgy Medal for 2010. He holds a Bachelor of Science degree in Mining Engineering from the University of New South Wales. Mr Coates will be Independent Non-Executive Director of the Combined Entity following the Merger.

Leonhard Fischer, aged 49 (Independent Non-Executive Director)

Leonhard Fischer was appointed to the Glencore Board in April 2011. He was appointed as Chief Executive Officer of RHJ International in January 2009, having been co-Chief Executive Officer since 2007. He is also Chairman of the Kleinwort Benson group and is a member of the Board of Directors at Julius Baer, AXA Konzern and Arecon. Mr Fischer was previously a non-executive director and member of the audit committee at 3W Power Solutions S.A, and also served as Chief Executive Officer of Winterthur group from 2003 to 2006. Mr Fischer was a member of the Executive Board of Credit Suisse from 2003 to March 2007, having joined the firm from Allianz AG, where he had led the corporates and markets division. Prior to this, he had been a member of the Executive Board of Dresdner Bank in Frankfurt. Mr Fischer holds an M.A. in Finance from the University of Georgia. Mr Fischer will be Independent Non-Executive Director of the Combined Entity following the Merger.

Anthony Hayward, aged 55 (Senior Independent Non-Executive Director)

Anthony Hayward was appointed to the Glencore Board in April 2011. He is Chief Executive Officer of Genel Energy plc and a member of the European Advisory Board of AEA. He was Group Chief Executive of BP plc from 2007 to 2010, having joined BP in 1982 as a rig geologist in the North Sea. Following a series of technical and commercial roles in Europe, Asia and South America, he returned to London in 1997 as a member of the Upstream Executive Committee. He became Group Treasurer in 2000, Chief Executive for BP upstream activities and member of the Main Board of BP in 2003. Dr. Hayward studied geology at Aston University in Birmingham and completed a PhD at Edinburgh University. He is also a fellow of the Royal Society of Edinburgh and holds honorary doctorates from the University of Edinburgh, Aston University and the University of Birmingham. Dr. Hayward will be Senior Independent Non-Executive Director of the Combined Entity following the Merger.

William Macaulay, aged 66 (Independent Non-Executive Director)

William Macaulay was appointed to the Glencore Board in April 2011. He is the Chairman and Chief Executive Officer of First Reserve Corporation, a private equity investment firm focused on the energy industry, and has been with the company since its founding in 1983. Prior to joining First Reserve he was a co-founder of Meridien Capital Company, a private equity buyout firm. From 1972 to 1982, he was with Oppenheimer & Co., where he served as director of corporate finance with direct responsibility for the firm's buyout business. He also served president of Oppenheimer Energy Corporation. Mr Macaulay is Chairman of the Board of Dresser-Rand and is a director of Weatherford International. He also serves on numerous private energy company Boards. In addition, he is Chairman of the Board of the Rogosin Medical Institute and chairman of the advisory Board of the City University of New York. Mr Macaulay holds a B.B.A. degree, Magna Cum Laude in Economics from City College of New York, and an M.B.A.

from the Wharton School of the University of Pennsylvania. He also has received an Honorary Doctor of Humane Letters degree from Baruch College. Mr Macaulay will be Independent Non-Executive Director of the Combined Entity following the Merger.

Li Ning, aged 55 (Independent Non-Executive Director)

Li Ning has been an executive director of Henderson Land Development Company Limited since 1992. He was also an executive director of Henderson Investment Company Limited from 1990 to 2010. He has also been an executive director of Hong Kong (Ferry) Holdings Company Limited since 1989. Prior to joining the Henderson group, he began his career in the banking industry with Chekiang First Bank Limited.

Mr Li holds a B.Sc. degree from Babson College. Mr Li also graduated in 1983 from the University of Southern California with an M.B.A. degree.

Proposed Directors

The Proposed Directors (set out below) will become directors of the Combined Entity following the Merger and with effect from the Effective Date, and their profiles are set out below:

Name	Age	Current position at Xstrata
Sir John Bond	70	Independent Non-Executive Chairman
Mick Davis	54	Chief Executive Officer
Con Fauconnier	64	Independent Non-Executive Director
Peter Hooley	65	Independent Non-Executive Director
Sir Steve Robson CB	68	Independent Non-Executive Director
Ian Strachan	69	Independent Non-Executive Director

Sir John Bond, aged 70 (Independent Non-Executive Chairman of the Combined Entity)

Sir John Bond is the current Independent Non-Executive Chairman of Xstrata, and was appointed in May 2011. He was most recently Chairman and non-executive director of Vodafone Group Plc from 2006 to 2011. He retired as Group Chairman of HSBC Holdings plc in 2006, having also been its Group Chief Executive from 1993 to 1998. Sir John is a director of A.P. Moller-Maersk A/S (Denmark), the international shipping and investment company and Shui On Land Ltd, a Hong Kong quoted property development company specialising in China. He also holds advisory roles with Northern Trust Corp, USA, and with KKR Asia. He is also a member of various advisory bodies in China: China Development Forum; China Banking Regulatory Commission International Advisory Board, and Tsinghua School of Economics and Management at Tsinghua University. Following the Merger, he will be the Independent Non-Executive Chairman of the Combined Entity and will be Chairman of the Nominations Committee.

Mick Davis, aged 54 (Chief Executive Officer of the Combined Entity)

Mick Davis is the current Chief Executive of Xstrata and was appointed to the Board of Xstrata in February 2002. Mr Davis was appointed as Chief Executive of Xstrata AG in October 2001. Previously, Mr Davis was Chief Financial Officer and an executive director of Billiton Plc, appointed in July 1997, and served as Executive Chairman of Ingwe Coal Corporation Limited from 1995 to 1999. He joined Gencor Limited in early 1994 from Eskom, the South African state-owned electricity utility, where he was an executive director. Following the Merger, he will be Chief Executive Officer of the Combined Entity.

Con Fauconnier, aged 64 (Independent Non-Executive Director of the Combined Entity)

Dr. Con Fauconnier was appointed to the Board of Xstrata in May 2010. He was Managing Director of Iscor Mining in 1999, before being appointed as Chief Executive of Kumba Resources Limited in 2001. From 2006 until his retirement in August 2007, he served as Chief Executive Officer of Exxaro Resources Limited, a newly formed company from the merger of Eyesizwe Mining and the non-iron ore assets of Kumba Resources. Dr. Fauconnier will be Independent Non-Executive Director of the Combined Entity following the Merger.

Peter Hooley, aged 65 (Independent Non-Executive Director of the Combined Entity)

Peter Hooley was appointed to the Board of Xstrata in May 2009. He was, until 2006, Group Finance Director of Smith & Nephew plc, a global medical devices business listed on the FTSE 100. He was

previously Group Financial Controller of BICC plc. He is currently a director and Chairman of BSNmedical Luxembourg Holding Sarl, a medical textiles business group. Mr Hooley will be independent Non-Executive Director of the Combined Entity following the Merger.

Sir Steve Robson CB, aged 68 (Independent Non-Executive Director of the Combined Entity)

Sir Steve was appointed to the Board of Xstrata in February 2002. He retired as Second Permanent Secretary at HM Treasury in January 2001. He had joined HM Treasury after leaving university. His early career included a period as Private Secretary to the Chancellor of the Exchequer and a two-year secondment to Investors in Industry plc (3i). From 1997 until his retirement, his responsibilities included the legal framework for regulation of the UK financial services industry, public private partnerships, procurement policy including the private finance initiative and the Treasury's enterprises and growth unit. He is a Member of the Financial Reporting Council and KPMG Chairman's Advisory Board. He is also Chairman of KPMG's Public Interest Committee. Sir Steve will be Independent Non-Executive Director of the Combined Entity following the Merger.

Ian Strachan, aged 69 (Independent Non-Executive Director of the Combined Entity)

Ian Strachan was appointed to the board of Xstrata in February 2002. He was Chairman of Instinet Group from 2003 to 2005 and Chief Executive of BTR plc from 1996 to 1999. Mr. Strachan joined Rio Tinto plc (formerly RTZ plc) as Chief Financial Officer in 1987, and was Deputy Chief Executive from 1991 to 1995. He is currently a Director of Rolls-Royce plc, Transocean Inc. and Caithness Petroleum Limited. Mr Strachan will be Independent Non-Executive Director of the Combined Entity following the Merger.

Senior Managers

Following the Merger, Trevor Reid, current Chief Financial Officer of Xstrata, will be Chief Financial Officer of the Combined Entity and Steven Kalmin, current Chief Financial Officer of Glencore, will be Deputy Chief Financial Officer of the Combined Entity. Glencore considers Mr Reid and Mr Kalmin to be Senior Managers of the Combined Entity following the Merger.

Trevor Reid, aged 51 (currently Chief Financial Officer of Xstrata), joined Xstrata AG in January 2002 and was appointed to the Board of Xstrata as an executive director and Chief Financial Officer in February 2002. Prior to joining Xstrata, he was Global Head of Resource Banking at the Standard Bank Group. He joined the Standard Bank Group in 1997 from Warrior International Limited, a corporate finance boutique specialising in the minerals sector. Following the Merger, he will be Chief Financial Officer of the Combined Entity.

Steven Kalmin, aged 41 (currently Chief Financial Officer of Glencore), will, following the Merger, be Deputy Chief Financial Officer of the Combined Entity. Please see above under the section headed "Board of Directors" for his biography.

Other key employees

The other current key employees of the Glencore Group are as follows:

Name	Age	Current position
Alex Beard	44	Director of oil
John Burton	47	Company Secretary
Stuart Cutler	52	Director of chrome
Gary Fegel	38	Director of alumina/aluminium
Robert Franco	35	Director of cobalt and other ferroalloys
Kenny Ives	35	Director of nickel
Giles Jones	44	Chief Risk Officer
Chris Mahoney	53	Director of agricultural products
Richard Marshall	57	General Counsel
Daniel Francisco Maté Badenes	48	Co-director of zinc/copper/lead
Aristotelis Mistakidis	50	Co-director of zinc/copper/lead
Tor Peterson	47	Director of coal/coke
Christian Wolfensberger	41	Director of iron ore

Alex Beard, aged 44 (director oil commodity department), joined Glencore in May 1995 working in the oil commodity department as a marketer, responsible primarily for the CIS region and gaining expertise in high sulphur crudes. He was appointed director of the oil commodity department in February 2007, overseeing all of Glencore's crude oil and oil products marketing, shipping, exploration and production and other oil-related investments, as well as being a director of Chemoil and various other Glencore Group companies. Mr Beard holds an M.A. degree in Biochemistry from University of Oxford. Before Glencore, he worked for five years for BP in its crude oil department.

John Burton, aged 47 (Company Secretary), was appointed Company Secretary in September 2011. He was formerly company secretary and general counsel of Informa plc and before that a partner at CMS Cameron McKenna in London specialising in corporate law. Mr Burton holds a B.A. degree in Law from Durham University. He was admitted as a solicitor in England and Wales in 1990.

Stuart Cutler, aged 52 (director of chrome commodity department), joined Glencore in April 1995. He started in the Johannesburg office where he worked on the South African base metals and ferroalloys desk. From January 1997 to July 1999, he managed the Johannesburg office with overall responsibility for managing the South African base metals and ferroalloys marketing desk and the administrative functions of the office. In August 1999, Mr Cutler joined the nickel/cobalt commodity department in Baar, which merged with the ferroalloys department in 2001, gaining expertise in the bulk alloys industry, including chrome, and extensive experience in its marketing operations. He became co-director of the department in November 2005, jointly overseeing the marketing business and industrial assets of the department, including strategy and operations. Following internal reorganisation of the department, he was appointed as director of chrome commodity department in January 2012. Mr Cutler holds a B. Proc degree from the University of Witwatersrand. Prior to joining Glencore, Mr Cutler was an attorney and notary public of the Supreme Court of South Africa and a barrister and solicitor of the High Court of New Zealand, and worked as a litigation partner at South African law firm, Werksmans.

Gary Fegel, aged 38 (co-director of alumina/aluminium commodity department), joined Glencore in January 2001 in the alumina/aluminium commodity department gaining expertise in logistics, LME and physical marketing. In January 2006, he was appointed as co-director of Glencore's alumina/aluminium commodity department, overseeing the worldwide aluminium business, which involves the buying, marketing and logistics of the metal as well as hedging and risk management. Mr Fegel holds an M.B.A. degree from the University of St. Gallen. Before Glencore, he worked for UBS for four years and Credit Suisse for one year in their respective derivatives departments, being based in Zurich, London and New York.

Robert Franco, aged 35 (director of cobalt and other ferroalloys commodity department), joined Glencore South Africa in May 2000 in the ferroalloys commodity department gaining expertise in logistics and physical marketing. In January 2012, he was appointed as director of cobalt and other ferroalloys commodity department, overseeing the worldwide business, which involves the purchasing, marketing and logistics of the various metals as well as managing relevant production assets. Mr Franco holds a Business Science degree from the University of Cape Town.

Kenny Ives, aged 35 (director nickel commodity department), joined Glencore in October 1998 working in the copper commodity department as a trader responsible for copper concentrate accounts in various geographies. Mr Ives also spent a year based in China as part of his copper responsibilities. He transferred to the agricultural products business segment in 2008 and spent two years originating and marketing grain before moving to the nickel commodity department. He was appointed director of the nickel commodity department in January 2012, overseeing all of Glencore's nickel sourcing, marketing, shipping, logistics, LME activities and investments. Mr Ives holds a B.A. degree in Geography from University of Oxford. Mr Ives joined Glencore directly from university.

Giles Jones, aged 44 (Chief Risk Officer), joined Glencore in February 1990 in the oil commodity department, with responsibility for crude oil and products futures and swaps hedging until mid-1994, and then worked as a physical fuel oil marketer, where his responsibilities included negotiating supply contracts and arbitrage strategies. Mr Jones became head of global oil derivatives marketing in January 2007, gaining further expertise in across-the-barrel futures, swaps and options marketing, and his overall responsibilities included price curve setting and market exposure monitoring within the department. Between January 2010 and January 2011, he was chief risk officer of the oil commodity department, leading a team of more than 40 people globally. Mr Jones was appointed as the Chief Risk Officer of Glencore Group in February 2011. As Chief Risk Officer, Mr Jones is responsible for the Glencore Group's overall risk management function. Mr Jones holds an LL.B (Honours) in Law from University College London.

Chris Mahoney, aged 53 (director of agricultural products business segment), joined Glencore in September 1998. From September 1998 until November 2002, he was responsible for Glencore's agricultural product activities in the CIS, South Africa and South America. In November 2002, he became director of the agricultural products business segment, overseeing all global farming, logistics, processing and marketing businesses, responsible for both strategy and operations. Mr Mahoney holds an M.A. degree from University of Oxford. Before Glencore, he spent 17 years with Cargill, being based in the UK, the US, Singapore and Switzerland, and held various management positions in sugar and grain, gaining expertise in the agricultural products industry and marketing operations.

Richard Marshall, aged 57 (General Counsel), joined Glencore as General Counsel in April 2005. As General Counsel, Mr Marshall has responsibilities for overseeing the Glencore Group's overall legal and compliance function. Prior to joining Glencore, Mr Marshall was a partner at Cadwalader Wickersham & Taft LLP in London between September 2003 and March 2005 and a partner at Mallesons Stephen Jaques in Sydney between 1984 and July 2003. Prior to becoming a partner at Mallesons Stephen Jaques, he was an associate in the firm's Sydney office between 1979 and 1984. Mr Marshall completed his Law Society finals at the College of Law in London in 1978 and was admitted as a solicitor in England and Wales in the same year. He was also admitted as a solicitor in New South Wales, Australia in 1979. He has been an associate member of the Law Society of New South Wales, Australia since 2003.

Daniel Francisco Maté Badenes, aged 48 (co-director of zinc/copper/lead commodity department), joined Glencore in October 1988, starting in Glencore's Madrid office, gaining expertise in metals transactions and logistics in Spain and North Africa. After three years in Madrid, he joined the zinc/lead commodity department in Switzerland in August 1991, which merged with the copper department in February 2002, where he was responsible for the zinc and lead concentrates desk for Spain, North Africa and South America, before being appointed in charge of worldwide zinc and lead concentrates marketing. Mr Maté has been co-director of the zinc/copper/lead commodity department since February 2000, jointly overseeing the marketing business and industrial assets of the department, including strategy and operations. He is also a director of Volcan. Mr Maté holds a Bachelor's degree in Economics from Universidad Comercial de Deusto, Spain and a Bachelor's degree in Law from Deusto University of Spain.

Aristotelis Mistakidis, aged 50 (co-director of zinc/copper/lead commodity department), joined Glencore in March 1993 in the zinc/lead commodity department, which merged with the copper department in February 2002, where he was responsible for, and gained expertise in, price and risk management and zinc and lead marketing. He has been co-director of the zinc/copper/lead commodity department since February 2000, jointly overseeing the marketing business and industrial assets of the department, including strategy and operations. He is also a director of Katanga, Xstrata and Recylex and is Chairman of Mopani. Mr Mistakidis holds a B.Sc. Economics degree from the London School of Economics. Before Glencore, he worked at Cargill for six years, where he worked in and gained experience in the non-ferrous metals industry.

Tor Peterson, aged 47 (director of coal/coke commodity department), joined Glencore in January 1992 as a marketer and has been working in the coal/coke commodity department ever since, gaining expertise in marketing and coal assets, responsible for various regions, including Colombia, Russia and Europe. In January 2002, he was appointed as director of the coal/coke commodity department, succeeding Ivan Glasenberg who moved into the Chief Executive Officer role, and he is responsible for overseeing the global marketing business and industrial assets of the department, including strategy and operations. He is also a director of Xstrata. Mr Peterson holds a Bachelor's degree in Political Science and French from Duke University. Before Glencore, he worked for five years for Phibro-Salomon Inc. as a marketer, being based in New York, London and the Ivory Coast.

Christian Wolfensberger, aged 41 (director of iron ore commodity department), joined Glencore in December 1994, starting in the trade finance department in Switzerland, where he was responsible for arranging financing for global trades. In January 1996, Mr Wolfensberger joined the ferroalloys/nickel/cobalt commodity department in its traffic team, responsible for managing marketing data and logistics, before becoming in charge of the nickel desk, gaining expertise in physical marketing operations. He became co-director of the ferroalloys/nickel/cobalt commodity department in November 2005, jointly overseeing the marketing business and industrial assets of the department, including strategy and operations. Following internal reorganisation of the department, he was appointed as director of iron ore commodity department in January 2012. He holds an M.B.A. degree from the University of St. Gallen.

Profiles of Xstrata key employees

Following the Merger, the following employees of Xstrata, together with the employees of the Glencore Group referred to above, will be the other key employees of the Combined Group and their profiles are set out below:

Name	Age	Current position
Peter Freyberg	53	Chief Executive of Xstrata Coal
Benny Levene	47	Xstrata Chief Legal Counsel
Thras Moraitis	49	Executive General Manager, Xstrata Group Strategy and Corporate Affairs
Peet Nienaber	61	Chief Executive of Xstrata Alloys
Ian Pearce	55	Chief Executive of Xstrata Nickel
Charlie Sartain	51	Chief Executive of Xstrata Copper
Santiago Zaldumbide	69	Chief Executive of Xstrata Zinc

Peter Freyberg, aged 53 (currently Chief Executive of Xstrata Coal), began his career as a trainee official with Anglo American Corporation in South Africa in 1978 and completed his B.Sc. Mining Engineering degree in 1983. He gained his experience working in both underground and open pit coal operations in a variety of roles, including operations management and technical support. After leaving Anglo American in 1991, he embarked on an international career, including working with Kaltim Prima Coal in Indonesia; Hamersley Iron in Perth; Copelmi Mineração in Brazil; and Carbones del Cerrejón in Colombia. He joined Glencore following the acquisition of the Duiker assets in South Africa and was subsequently appointed Chief Operating Officer for Xstrata Coal South Africa after Xstrata's purchase of the Glencore assets in 2002. Mr Freyberg became the Director of Operations for Xstrata Coal in April 2006. On 1 January 2008, Mr Freyberg was appointed Chief Executive of the Coal Business.

Benny Levene, aged 47 (currently Chief Legal Counsel of Xstrata), holds the degrees of Bachelor of Commerce, Bachelor of Laws and Master of Laws. Mr Levene began his career at Werksmans Attorneys in South Africa in 1989, where he became a partner in 1993 specialising in local and international mergers and acquisitions and equity and debt capital raising. While at Werksmans Attorneys, Mr Levene assisted with the initial acquisitions by Xstrata of its ferroalloys assets, and subsequently joined Xstrata AG in Switzerland in 1997. Mr Levene was involved in the structuring of the cross-border merger of Xstrata AG into Xstrata simultaneously with the listing of Xstrata on the London and Swiss Stock Exchanges in March 2002.

Thras Moraitis, aged 49 (currently Executive General Manager, Group Strategy and Corporate Affairs of Xstrata), joined Xstrata in 2003 and is responsible for the Xstrata Group's strategic development, post-acquisition integration, external affairs and investor relations as well as the Xstrata Group's technology businesses. Mr Moraitis began his career as an engineer on the Winkelhaak Gold Mine, Gencor. He then became a Global Partner in the strategy and merchant banking firm, Monitor, where he was responsible for their European, Middle East and African operations, advising governments and corporations around the world, and was involved in Monitor's private equity and venture capital activities.

Peet Nienaber, aged 61 (currently Chief Executive of Xstrata Alloys), holds both a Bachelor and Honours degree in Engineering. Mr Nienaber started his career as an Iscor bursary holder at Iscor Steelworks in Newcastle and worked for 15 years in the ferroalloy industry at both Samancor and CMI until 1988, when he became one of the founder members of what is now the Chrome Business. In 1997, Mr Nienaber was appointed Chief Executive of Xstrata's South African alloys operations.

Ian Pearce, aged 55 (currently Chief Executive of Xstrata Nickel), joined Falconbridge in August 2003 as Senior Vice-President, Projects & Engineering, leading the advancement and completion of major projects such as Koniambo and Nickel Rim, and holds a Bachelor's degree in Science from University of Witwatersrand in South Africa. He also attended the Management Advancement Programme at the same institution. Mr Pearce has over 26 years of professional experience in metallurgy and mining. Prior to joining Falconbridge, Mr Pearce acquired project management experience in the United States, Indonesia, Chile and South Africa. Among numerous assignments, he worked as the Executive Project Director of Muskeg River Oil Sands Project in Alberta for Fluor Daniel Canada Inc.

Charlie Sartain, aged 51 (currently Chief Executive of Xstrata Copper), was appointed to his current position in January 2004. He holds an Honours degree in Mining Engineering. Mr Sartain worked with MIM for more than 20 years in a range of engineering then senior management roles in both Australia and

Latin America prior to taking up his current position. Mr Sartain is also a director of the Australian Government's Council on Australian-Latin American Relations, the Sustainable Minerals Institute at the University of Queensland and the International Copper Association.

Santiago Zaldumbide, aged 69 (currently Chief Executive of Xstrata Zinc and Executive Chairman of Asturiana de Zinc), was appointed to the Board of Xstrata as Executive Director in February 2002 and is also currently Chief Executive of Xstrata Zinc. He is a previous Chief Executive Officer and Director of Union Explosivos Rio Tinto and of Petroleos del Norte. In 1990, Petroleos del Norte became part of the Repsol Oil Group where Mr Zaldumbide was responsible for establishing the international structure of the enlarged Repsol Oil Group. From 1994 until 1997, he was Chief Executive Officer of Corporación Industrial de Banesto. In December 1997, he was appointed Chairman and Chief Executive Officer of Asturiana de Zinc.

Corporate governance

Combined Group Board structure

As at the date of this document, the Glencore Board consists of the Non-Executive Chairman, two Executive Directors and five Non-Executive Directors. It is proposed that the Combined Group Board shall be immediately reconstituted following the Merger becoming Effective to comprise 11 directors, including nine non-executive directors. A majority of the Combined Group Board will be independent non-executive directors. As from the Effective Date, the Combined Group Board will comprise the following members:

Name	Role	Current Company
Sir John Bond	Independent Non-Executive Chairman	Xstrata
Mick Davis	Chief Executive Officer	Xstrata
Ivan Glasenberg	Deputy Chief Executive Officer and President	Glencore
Peter Coates	Independent Non-Executive Director	Glencore
Leonhard Fischer	Independent Non-Executive Director	Glencore
Anthony Hayward	Senior Independent Non-Executive Director	Glencore
William Macaulay	Independent Non-Executive Director	Glencore
Con Fauconnier	Independent Non-Executive Director	Xstrata
Peter Hooley	Independent Non-Executive Director	Xstrata
Sir Steve Robson	Independent Non-Executive Director	Xstrata
Ian Strachan	Independent Non-Executive Director	Xstrata

The Glencore Board supports high standards of corporate governance. As at the date of this document, the Company is compliant with the UK Corporate Governance Code and will continue to comply with the standards expected of it. Following the Scheme becoming Effective, the Combined Entity will continue to support high standards of corporate governance and comply with the UK Corporate Governance Code.

Board committees

The following Board committees of the Combined Group would be reconstituted immediately following the Merger becoming Effective to comprise:

Audit committee

The audit committee meets not less than twice a year and has responsibility for, among other things, monitoring the integrity of Glencore's financial statements and reviewing its summary financial statements. It oversees Glencore's relationship with its external auditors and reviews the effectiveness of the external audit process. The committee gives due consideration to laws and regulations, the provisions of the Code and the requirements of the Listing Rules. It also has responsibility for reviewing the effectiveness of Glencore's system of internal controls and risk management systems. The ultimate responsibility for reviewing and approving the interim and annual financial statements remains with the Directors. The audit committee is also responsible for reviewing, updating and presenting to the Glencore Board Glencore's policies on risk management in relation to Glencore's marketing and operational activities.

The current members of the audit committee are Leonhard Fischer (Chair), Peter Coates and William Macaulay. Following the Merger, it is intended that the audit committee will comprise Leonhard Fischer (Chair), William Macaulay and Peter Hooley.

Nominations committee

The nominations committee meets not less than once a year and has responsibility for making recommendations to the Glencore Board on the composition of the Glencore Board and its committees and on retirements and appointments of additional and replacement Directors and ensuring compliance with the Code.

The current members of the nominations committee are Anthony Hayward (Chair), Simon Murray, Ivan Glasenberg and Li Ning. Following the Merger, it is intended that the nominations committee will comprise Sir John Bond (Chair), Anthony Hayward and Sir Steve Robson.

Remuneration committee

The remuneration committee meets not less than once a year and has responsibility for making recommendations to the Glencore Board (i) on Glencore's policy on the remuneration of management and (ii) for the determination, within agreed terms of reference, of the remuneration of the Chairman and of specific remuneration packages for each of the Executive Directors and the members of management, including pension rights and any compensation payments. The remuneration committee will also ensure compliance with the Code in this respect.

The current members of the remuneration committee are William Macaulay (Chair), Leonhard Fischer and Anthony Hayward. Following the Merger, it is intended that the remuneration committee will comprise Anthony Hayward (Chair), William Macaulay and Con Fauconnier, and Sir John Bond will attend in an *ex officio* capacity.

Health and safety, environment and communities committee

The health and safety, environment and communities committee meets not less than once a year and is responsible for formulating and recommending to the Glencore Board Glencore's policy on health and safety as well as environmental, security and local community issues as they affect Glencore's operations.

The current members of the health and safety, environment and communities committee are Peter Coates (Chair), Ivan Glasenberg, Anthony Hayward and Michael Fahrbach (the Glencore employee currently responsible for Glencore's health and safety, environmental and communities matters). Following the Merger, it is intended that the health and safety, environment and communities committee will comprise Ian Strachan (Chair), Peter Coates, Con Fauconnier and Mick Davis.

PART V

GLENCORE OPERATING AND FINANCIAL REVIEW

The following discussion of Glencore's financial condition and results of operations should be read in conjunction with the historical financial information on Glencore and the notes related thereto set out in Part VI: "Glencore Historical Financial Information", which has been incorporated by reference into this document. The financial information included in this Part V has been extracted without material adjustment from the financial information referred to in Part VI: "Glencore Historical Financial Information", which has been incorporated into this document by reference. The historical financial information referred to in this discussion has been prepared in accordance with IFRS as explained in Part VI: "Glencore Historical Financial Information".

The following discussion of Glencore's results of operations and financial condition contains forward-looking statements. Glencore's actual results could differ materially from those discussed in the forward-looking statements. Factors that could cause or contribute to such differences include those discussed below and elsewhere in this document, particularly in the sections headed "Risk Factors" and "Important Information—Forward-looking statements".

Operating and financial review

The key information that comprises the operating and financial review of Glencore for the year ended 31 December 2011 can be found on the following pages of Glencore's Annual Report and Accounts 2011 and is incorporated by reference herein:

Pages 22, 23 and 38 to 67

The key information that comprises the operating and financial review of Glencore for the years ended 31 December 2010 and 2009 can be found on the following pages of Glencore's IPO Prospectus and is incorporated by reference herein:

Pages 159 to 188

See the section headed "Information Incorporated by Reference" for further details about information that has been incorporated by reference into this document.

Capitalisation and indebtedness

The following table shows the indebtedness and capitalisation of Glencore as at the dates indicated.

	As of 31 March 2012
	(US$ million) (unaudited)
Total current debt	
Guaranteed	0
Secured	4,051
Unguaranteed/unsecured	4,334
Subordinated and unsecured	508
Non-current debt	
Guaranteed	0
Secured	2,690
Unguaranteed/unsecured	18,103
Subordinated and unsecured	632
Total debt[(1)]	30,318

	As of 31 December 2011
	(US$ million)
Shareholders' equity[2]	
Share capital	69
Reserves and retained earnings	29,196
Non-controlling interests	3,070
Total shareholders' equity	32,335
Total capitalisation	62,653

Notes:

(1) The figures for the indebtedness table above have been extracted without material adjustment from Glencore's unaudited 31 March 2012 management accounts.

(2) The figures for shareholders' equity have been extracted without material adjustment from Glencore's consolidated audited financial statements for the year ended 31 December 2011.

This statement of capitalisation has been prepared under IFRS using policies that are consistent with those used in preparing Glencore's combined historical financial information for the year ended 31 December 2011.

There has been no material change to Glencore's total shareholders' equity since 31 December 2011.

Indebtedness

The following table shows the net indebtedness of Glencore as at 31 March 2012. The figures have been extracted without material adjustment from Glencore's unaudited 31 March 2012 management accounts:

	As of 31 March 2012
	(US$ million) *(unaudited)*
Cash	1,426
Deposits and Treasury Bills	1,487
Trading/Marketable securities	41
Liquidity	2,954
Current bank debt	8,284
Current portion of non-current debt	609
Current financial debt	8,893
Net current financial indebtedness	5,939
Non-current bank loans	11,693
Convertible instruments[1]	2,157
Bonds issued	6,943
Other non-current loans	632
Non-current financial indebtedness	21,425
Net financial indebtedness	27,364

Note:

(1) Details of the Glencore Convertible Bonds are set out in paragraph 19.1.8 of Part XI: "Additional Information".

There is no indirect or contingent indebtedness.

As at 31 March 2012, net financial indebtedness of US$27,364 million has increased by US$640 million compared to 31 December 2011, primarily related to investment activities including the acquisition of Optimum Coal (as described in Part II: "Information on the Glencore Group").

As at 31 March 2012, the total current borrowings of the Glencore Group were US$8,893 million.

Capital resources and liquidity management

Overview

Glencore's businesses are capital intensive (capital expenditure for industrial activities and working capital for marketing activities). To date, Glencore has funded its operations through borrowings and equity growth via retention of profits. Glencore's funding requirements are generally correlated with movements in commodity prices and the extent of business opportunities. Increasing commodity prices primarily lead to increased funding requirements for Glencore's marketing activities, but may also lead to increased cash flow from its industrial activities along with acquisitions and/or capital expenditures in Glencore's industrial activities as Glencore looks to increase production in a higher commodity price environment. In a falling commodity price environment, Glencore will generally generate less cash flow from its industrial activities but will also require lower working capital funding in its marketing activities. In these circumstances, it may also choose to defer discretionary capital expenditure and shut or curtail production of certain assets.

Cashflows

Cash generated by operating activities before working capital changes

Net cash generated by operating activities before working capital changes in the year ended 31 December 2011 was US$4,101 million, a decrease of US$133 million (3 per cent.) compared to 2010 or up 5 per cent. pre significant items, taking into account US$325 million of relevant IPO and related restructuring related expenses incurred during the year. The pre significant items increase is consistent with the improved earnings.

Working capital changes

Net working capital increased by US$3,174 million during the year ended 31 December 2011 compared to an increase of US$2,998 million in 2010. Much of the 2011 increase occurred in December 2011 alone (US$2.4 billion), as Glencore was presented with highly attractive 'funded' commodity sourcing opportunities. Most of this working capital investment is temporary in nature and is expected to reverse during H1 2012.

Net cash used by investing activities

Net cash used by investing activities was US$3,690 million in 2011 compared to US$4,755 million in 2010. The net outflow in 2011 primarily related to the continued capital expenditure programmes in respect of Vasilkovskoye Gold's production ramp up, the various West African upstream oil development projects, the development of the Mutanda copper/cobalt mine and production expansion at Katanga and Prodeco. In addition, a few bolt on investments were progressed, including securing a 31.2 per cent. interest in Optimum Coal and 43.7 per cent. of Umcebo Coal as well as increasing various existing equity related holdings, including in Volcan, Century Aluminum and Minara Resources. The 2010 net outflow included the US$2,000 million base amount in relation to the exercise of the Prodeco call option.

Net cash generated by financing activities

During 2011, in addition to regular bank and bond financing activities, Glencore refinanced the US$2.8 billion (US$2.3 billion drawn) bank loans secured by Xstrata shares with new two year US$2.7 billion equivalent facilities and raised US$7.6 billion net of issue costs via equity offerings on the London and Hong Kong stock exchanges.

Assets, leverage and working capital

Total assets were US$86,165 million as at 31 December 2011 compared to US$79,787 million as at 31 December 2010. Over the same time period current assets increased from US$44,296 million to US$45,731 million. The adjusted current ratio (being the current assets over current liabilities, both adjusted to exclude other financial liabilities) at 31 December 2011 was 1.53 compared to 1.26 at 31 December 2010. This improvement is attributable to the refinancing of the Xstrata secured bank loans and the resulting reclassification from current to non-current borrowings, the repayment of various 're-drawable' short-term facilities and the investment in working capital as noted above. Non-current assets increased from US$35,491 million as at 31 December 2010 to US$40,434 million as at 31 December 2011,

primarily due to the capital expenditure programmes noted above and the equity accounting pick-up of Glencore's share of Xstrata's earnings.

Consistent with 31 December 2010, 99 per cent. (US$13,785 million) of total marketing inventories were contractually sold or hedged (readily marketable inventories) at 31 December 2011. These inventories are readily convertible into cash due to their liquid nature, widely available markets, and the fact that any associated price risk is covered either by a physical sale transaction or a hedge transaction on a commodity exchange or with a highly rated counterparty. Given the highly liquid nature of these inventories, which represent a significant share of current assets, Glencore believes it is appropriate to consider them together with cash equivalents in analysing Group net debt levels and computing certain debt coverage ratios and credit trends. Balance sheet liquidity is very healthy such that current capital employed (being current assets, presented before assets held for sale, less accounts payable, other financial liabilities, current provisions and income tax payable) plus liquid stakes in listed associates (at book carrying value) covers 143 per cent. of Glencore's total gross debt as at 31 December 2011.

Net debt as at 31 December 2011 decreased to US$12,398 million from US$14,756 million as at 31 December 2010, with the proceeds raised from the Listing extensively deployed in progressing the Group's key capex and development programmes (Prodeco, Oil Exploration and Production and Mutanda), securing a selection of new investments and stake-building in existing holdings and short-term funding of non-readily marketable inventory working capital.

The ratio of net debt to Adjusted EBITDA improved from 2.38 times in 2010 to 2.00 times as at 31 December 2011, while the ratio of FFO to net debt improved from 22.6 per cent. in 2010 to 27.2 per cent. in 2011. The ratio of equity to equity plus net debt (gearing ratio) as at 31 December 2011 was 0.71.

Capital resources and financing initiatives

Glencore's business requires high levels of working capital funding and significant liquidity. Glencore's funding requirements are generally correlated with movements in commodity prices and the extent of business opportunities. Increasing commodity prices primarily lead to increased funding requirements for Glencore's marketing activities, but may also lead to increased funding associated with acquisitions and/or capital expenditures in Glencore's industrial activities as Glencore looks to increase production in a higher commodity price environment. In a falling commodity price environment, Glencore will generally generate less cash flow from its industrial activities but will also require lower working capital funding in its marketing activities. In these circumstances, it may also choose to defer discretionary capital expenditure and shut or curtail production of certain assets.

Glencore's primary financial objective is to maintain a strong financial profile in line with an investment grade rating, including having access to sufficient amounts of liquidity to finance its operations and planned growth.

Glencore's short-term debt generally finances its current assets, comprising inventories and trade receivables, which are either self-liquidating or otherwise subject to a high rate of turnover. Glencore meets these financing requirements by maintaining appropriate levels of cash reserves and ensuring that it has sufficient headroom under its committed revolving credit facilities. It is Glencore's policy to maintain a minimum level of committed liquidity headroom of US$3 billion to meet all expected and unexpected cash requirements of its business. The liquidity headroom is provided in the form of cash, undrawn committed revolving credit facilities and marketable securities. Of the US$6,631 million headroom as at 31 March 2012, US$3,677 million was provided by the undrawn committed revolving credit facilities. Glencore has alternative sources of headroom which are not included in these figures, e.g. liquidity can be raised quickly through Glencore's listed investments, either by using them as security for loans or by selling them and Glencore has undrawn uncommitted credit facilities which are not included in the reported headroom.

Certain borrowing arrangements require compliance with specific financial covenants related to working capital, minimum current ratio and a maximum long-term debt to tangible net worth ratio. During the financial year ended 31 December 2011 and the three months to 31 March 2012, Glencore complied with these requirements. None of the Glencore Group's credit facilities or funding programmes include rating triggers which would accelerate repayment obligations in the event of a credit rating downgrade.

In light of its extensive funding activities, investment grade ratings are of the utmost importance to Glencore. Following the Merger and Viterra Arrangement announcements, Glencore's current credit ratings are Baa2 (review with direction uncertain) from Moody's and BBB (watch positive) from S&P.

Indebtedness

As at 31 March 2012, Glencore had the following principal indebtedness outstanding, extracted without material adjustment from Glencore's unaudited 31 March 2012 management accounts:

Facility/Programme	Initial issue/ current rollover	Amount issued or outstanding as at 31 March 2012
	(US$ million) *(unaudited)*	
2014 144A Notes	950	947
2013 Eurobonds (€850 million)	1,078	1,073
2015 Eurobonds (€750 million)	1,200	970
2017 Eurobonds (€1,250 million)	1,708	1,666
2016 Swiss Bonds (CHF 825 million)	828	914
2019 Sterling Bond (GBP 650 million)	1,266	1,026
2014 Convertible bonds	2,300	2,157
Xstrata secured bank loans	2,700	2,690
Perpetual notes	350	347
Ordinary profit participation certificates	1,140	1,140
Committed syndicated revolving credit facility	11,905	7,661
U.S. commercial paper	1,000	567
Committed secured inventory/receivables facility	1,700	1,700
Committed secured receivables facilities	1,195	1,195
Bilateral uncommitted secured inventory facilities	1,156	1,156
Other primarily bank loans	5,109	5,109
Total borrowings		**30,318**
Less: cash and cash equivalents and marketable securities		**2,954**
Net funding		**27,364**
Less: readily marketable inventories		**14,275**
Net debt		**13,089**

144A Notes

US$950 million 6 per cent. coupon Notes due 2014. The Notes are recognised at amortised cost at an effective interest rate of 6.15 per cent. per annum.

Euro, Sterling and Swiss Franc bonds

The Group has issued bonds denominated in Euro, Sterling and Swiss Franc where upon issuance, the principal amounts and the future interest payments were swapped (using instruments which qualify as cash flow hedges) into their US dollar equivalent. The details of amounts issued and outstanding are as follows:

	Maturity	Initial US$ equivalent	US$ fixed interest rate in %	31 March 2012	31 December 2011
				(US$ million)	
Euro 850 million 5.250% coupon bonds	Oct 2013	1,078	6.60	1,073	1,045
Euro 750 million 7.125% coupon bonds	April 2015	1,200	6.86	970	944
Euro 1,250 million 5.250% coupon bonds	March 2017	1,708	6.07	1,666	1,623
Eurobonds		**3,986**		**3,709**	**3,612**
CHF 825 million 3.625% coupon bonds	April 2016	828	4.87	914	882
GBP 650 million 6.50% coupon bonds	Feb 2019	1,266	6.58	1,026	996
Total		**6,080**		**5,649**	**5,490**

Convertible bonds

US$2,300 million 5 per cent. coupon convertible bonds due December 2014. The bonds are convertible at the option of the investors into 413,608,922 ordinary shares of Glencore. The bonds consist of a liability component and an equity component. The fair values of the liability component (US$2,211 million) and the equity component (US$89 million) were determined, using the residual method, at issuance of the bonds. The liability component is measured at amortised cost at an effective interest rate of 5.90 per cent. per annum.

Xstrata secured bank loans

In June 2011, Glencore refinanced the US$2.8 billion facilities (US$2.3 billion drawn) with new two year US$2.7 billion equivalent facilities. The facilities have been accounted for as secured bank loans which bear interest at a rate of US dollar LIBOR plus 95 basis points per annum. As at 31 December 2011, shares representing US$5,343 million (2010: US$4,199 million) of the carrying value of Glencore's investment in Xstrata were pledged as security.

Perpetual notes

During 2011, Glencore redeemed US$700 million of the 8 per cent. perpetual notes at par, leaving a total of US$350 million of 7.5 per cent. perpetual bonds outstanding.

Ordinary profit participation certificates

Profit participation certificates bear interest at six month US dollar LIBOR, are repayable over five years and in the event of certain triggering events, which include any breach of a financial covenant, would be subordinated to unsecured lenders.

Committed revolving credit facilities

In May 2011, Glencore replaced the previous 364-day US$1,375 million and US$515 million committed revolving credit facilities with two new 364-day committed revolving credit facilities for US$2,925 million and US$610 million respectively, both with a one year term extension option at Glencore's discretion. In addition, Glencore extended the final maturity of US$8,340 million of the US$8,370 million medium-term revolver for a further year to May 2014. In aggregate, these facilities represented an overall increase in committed available liquidity of US$1,645 million. Funds drawn under the facilities bear interest at US dollar LIBOR plus a margin ranging from 110 to 175 basis points per annum.

U.S. commercial paper

Glencore has in place a stand-alone US commercial paper programme for US$1,000 million rated A2 and P2 respectively by Standard & Poor's and Moody's rating agencies. The notes issued under this programme carry interest at floating market rates and mature not more than 270 days from the date of issue.

Committed secured inventory/receivables facility

In November 2011, Glencore renewed the 364-day committed US$1.7 billion secured inventory and receivables borrowing base facility under the same terms. Under the programme, Glencore has the option to pledge up to US$750 million of eligible base metals inventory or up to US$1.7 billion of eligible receivables. Funds drawn under the facility bear interest at US dollar LIBOR plus 110 basis points per annum.

Committed secured receivables facilities

Includes a 364-day US$200 million committed secured receivables financing programme due February 2012 which has been extended to August 2012, and a six month US$750 million multi-currency programme due June 2012. Funds drawn under the facilities bear interest at US dollar LIBOR or, in relation to any loan in Euro, EURIBOR, plus a margin ranging from 105 to 115 basis points per annum.

Financing activities since 31 March 2012

In April 2012, Glencore issued EUR1,250 million (US$1,667 million) 4.125 per cent. interest bearing bonds due April 2018 and GBP300 million (US$479 million) 5.5 per cent. interest bearing bonds due April 2022.

In April 2012, Glencore entered into a US$3.1 billion backstop syndicated revolving credit facility, in large part as, following the Merger, the Xstrata Shares, underpinning Xstrata secured bank loans, will no longer be listed, which will therefore require repayment of these loans.

In April 2012, Glencore entered into a US$4,435 million 14 month revolving credit facility with a 10 month term-out option and 10 month extension option that refinanced Glencore's existing US$3,535 million 364-day revolving credit facility maturing in May 2012 with the new facility having essentially the same funding terms. This facility has two tranches of US$3,725 million and US$710 million respectively. In addition, US$8,030 million of the existing US$8,370 million three year revolving credit facility was extended for a further year to May 2015.

Capital expenditure and contractual obligations

Future commitments

Capital expenditure for the acquisition of property, plant and equipment is generally funded through the cash flow generated by the respective industrial entities. As at 31 December 2011, US$884 million (2010: US$787 million), of which 92 per cent. (2010: 100 per cent.) relates to expenditure to be incurred over the next year, was contractually committed for the acquisition of property, plant and equipment.

Certain of Glencore's exploration tenements and licences require it to spend a minimum amount per year on development activities, a significant portion of which would have been incurred in the ordinary course of operations. As at 31 December 2011, US$549 million (2010: US$404 million) of such development expenditures are to be incurred, of which 57 per cent. (2010: 36 per cent.) are for commitments to be settled over the next year.

Glencore procures seagoing vessel/chartering services to meet its overall marketing objectives and commitments. At year end, Glencore has committed to future hire costs to meet future physical delivery and sale obligations and expectations of US$2,171 million (2010: US$2,608 million) of which US$570 million (2010: US$325 million) are with associated companies. 50 per cent. (2010: 50 per cent.) of these charters are for services to be received over the next two years.

As part of Glencore's ordinary sourcing and procurement of physical commodities and other ordinary marketing obligations, the selling party may request that a financial institution act as either a) the paying party upon the delivery of product and qualifying documents through the issuance of a letter of credit or b) the guarantor by way of issuing a bank guarantee accepting responsibility for Glencore's contractual obligations. As at 31 December 2011, US$8,642 million (2010: US$8,956 million) of such commitments

have been issued on behalf of Glencore, which will generally be settled simultaneously with the payment for such commodity.

Glencore has entered into various operating leases mainly as lessee for office and warehouse/storage facilities. Rental expenses for these leases totalled respectively US$77 million and US$66 million for the years ended 31 December 2011 and 2010. Future net minimum lease payments under non-cancellable operating leases are as follows:

	2011	2010
	(US$ million)	
Within 1 year	76	97
Between 2 and 5 years	147	225
After 5 years	120	151
Total	343	473

Glencore has entered into finance leases for various plant and equipment items, primarily vessels and machinery. Future net minimum lease payments under finance leases together with the future finance charges are as follows:

	Undisclosed minimum lease payments		**Present value of minimum lease payments**	
	2011	**2010**	**2011**	**2010**
	(US$ million)			
Within 1 year	50	5	39	4
Between 2 and 5 years	197	23	164	18
After 5 years	136	95	114	45
Total minimum lease payments	**383**	**123**	**317**	**67**
Less: amounts representing finance lease charges	66	56	—	—
Present value of minimum lease payments	**317**	**67**	**317**	**67**

Future development and related commitments

Kazzinc

In April 2011, Glencore agreed to acquire additional stakes in Kazzinc. Upon closing, these purchases will increase Glencore's ownership from 50.7 per cent. to 93.0 per cent. for a total transaction consideration of US$2.2 billion in cash and US$1.0 billion in equity based on the Listing price (116.8 million shares). Glencore and seller are currently targeting an agreed Q3 2012 completion date.

Kansuki

In August 2010, Glencore acquired an ultimate 37.5 per cent. interest in the Kansuki concession (Kansuki), a 185 square kilometre copper and cobalt pre-development project which borders Glencore's partly owned Mutanda concession in the DRC. In exchange, Glencore has a) an obligation to finance the first US$400 million of development related expenditures, if any, as and when such expenditure is incurred, b) the right to operate the operations and c) a life of mine off-take agreement for all copper and cobalt produced by Kansuki. In addition, one of the partners in Kansuki has the right to sell an additional 18.75 per cent. ultimate interest to Glencore at the then calculated equity value of the operation, at the earlier of the date the operation produces a minimum annual 70,000 tonnes of copper and August 2013. A total of US$135 million of capital expenditure for mine and plant development has been committed of which US$103 million has been spent. Exploration of the Kansuki concession is ongoing. Discussions with respect to a potential combination of the Mutanda and Kansuki operations are ongoing, with a view to ultimately obtaining a majority stake in the merged entity.

Prodeco

Prodeco currently exports the majority of its coal through Puerto Prodeco which operates under a private concession awarded by the Colombian government. This concession expired in March 2009, however, the

Colombian government has continued to grant Prodeco the right to use the port under annual lease agreements. To comply with new government regulations on loading methods, which became effective from July 2010 and to alleviate itself from the uncertainty of the annual concession renewal process associated with Puerto Prodeco, Prodeco has commenced construction of a new, wholly-owned, port facility (Puerto Nuevo) which is estimated to cost US$567 million and be commissioned over the first half of 2013. If the concession does not continue to be extended, Prodeco's export capability could be curtailed, which would significantly impact operations until Puerto Nuevo is operational. As at 31 December 2011, US$246 million of the estimated initial investment has been incurred and US$157 million has been contractually committed and is included in the capital expenditure commitments disclosure above.

Rosh Pinah Zinc Corporation (Proprietary) Limited

In December 2011, Glencore entered into an agreement to acquire an 80.1 per cent. interest in Rosh Pinah, an underground zinc/lead mine in south-western Namibia for total consideration of approximately US$175 million. As at 31 December 2011, US$47 million have been placed in escrow (see note 11 to the financial statements in the Glencore Annual Report and Accounts 2011). Closing is expected in June 2012.

Off-balance sheet arrangements

Glencore has no off-balance sheet entities or off-balance sheet arrangements.

Contingent Liabilities

The amount of corporate guarantees in favour of associated and third parties as at 31 December 2011, was US$53 million (2010: US$69 million).

Litigation

Certain legal actions, other claims and unresolved disputes are pending against Glencore. Whilst Glencore cannot predict the results of any litigation, it believes that it has meritorious defences against those actions or claims and/or can take appropriate mitigating action. Glencore believes the likelihood of any material liability arising from these claims to be remote and that the liability, if any, resulting from any litigation will not have a material adverse effect on its consolidated income, financial position or cashflows.

Environmental contingencies

Glencore's operations, mainly those arising from the ownership in industrial investments, are subject to various environmental laws and regulations. Glencore is in material compliance with those laws and regulations. Glencore accrues for environmental contingencies when such contingencies are probable and reasonably estimable. Such accruals are adjusted as new information develops or circumstances change. Recoveries of environmental remediation costs from insurance companies and other parties are recorded as assets when the recoveries are virtually certain. At this time, Glencore is unaware of any material environmental incidents at its locations.

Bolivian constitution

In 2009 the Government of Bolivia enacted a new constitution. One of the principles of the constitution requires mining entities to form joint ventures with the government. Glencore, through its subsidiary Sinchi Wayra, has, in good faith, entered into negotiations with the Bolivian government regarding this requirement. Whilst progress has been made, the final outcome and the timing thereof cannot be determined at this stage.

Financial risk management

Descriptions of the use of financial instruments and Glencore financial risk management objectives and policies, including hedging activities, exposure to price risk, credit risk, liquidity risk and cash flow risk are included in Note 23 to the audited financial statements for the financial year ended 31 December 2011 contained in the Glencore Annual Report and Accounts 2011, which are incorporated by reference into this document.

PART VI

GLENCORE HISTORICAL FINANCIAL INFORMATION

The following documents, which have been filed with the FSA, contain information about Glencore and the Glencore Group which is relevant to the Merger:

- Glencore's Annual Report and Accounts 2011, containing Glencore's audited consolidated financial statements for the financial year ended 31 December 2011, together with the audit report in respect of that year, and a discussion of Glencore's financial performance.
- Glencore's IPO Prospectus, containing Glencore's audited consolidated financial statements for the financial years ended 31 December 2010 and 2009, together with the audit report in respect of those years, and a discussion of Glencore's financial performance.

Information incorporated by reference into this document	Reference document	Page number(s) in reference document
For the 2011 Financial Year		
Independent auditor's report	Glencore Annual Report and Accounts 2011	105
Consolidated statement of income	Glencore Annual Report and Accounts 2011	106
Consolidated statement of comprehensive income	Glencore Annual Report and Accounts 2011	107
Consolidated statement of financial position	Glencore Annual Report and Accounts 2011	108
Consolidated statement of cash flows	Glencore Annual Report and Accounts 2011	109
Consolidated statement of changes in equity	Glencore Annual Report and Accounts 2011	110
Notes to the financial statements	Glencore Annual Report and Accounts 2011	111–155
For the 2010 Financial Year		
Accountant's report on historical financial information	Glencore IPO Prospectus	190
Consolidated statement of income	Glencore IPO Prospectus	193
Consolidated statement of comprehensive income	Glencore IPO Prospectus	194
Consolidated statement of financial position	Glencore IPO Prospectus	195
Consolidated statement of cash flows	Glencore IPO Prospectus	196–197
Consolidated statement of changes in equity	Glencore IPO Prospectus	198
Notes to the historical financial statements	Glencore IPO Prospectus	199–241
For the 2009 Financial Year		
Accountant's report on historical financial information	Glencore IPO Prospectus	190
Consolidated statement of income	Glencore IPO Prospectus	193

Information incorporated by reference into this document	Reference document	Page number(s) in reference document
Consolidated statement of comprehensive income	Glencore IPO Prospectus	194
Consolidated statement of financial position	Glencore IPO Prospectus	195
Consolidated statement of cash flows	Glencore IPO Prospectus	196–197
Consolidated statement of changes in equity	Glencore IPO Prospectus	198
Notes to the historical financial statements	Glencore IPO Prospectus	199–241

PART VII

XSTRATA OPERATING AND FINANCIAL REVIEW

The following discussion of Xstrata's financial condition and results of operations should be read in conjunction with the historical consolidated financial information on Xstrata and the notes related thereto set out in Part VIII: "Xstrata Historical Financial Information". The financial information included in this Part VII has been extracted without material adjustment from Part VIII: "Xstrata Historical Financial Information". The following discussion of Xstrata's results of operations and financial condition contains forward-looking statements. The Xstrata Group's actual results could differ materially from those discussed in the forward-looking statements. Factors that could cause or contribute to such differences include those discussed below and elsewhere in this document, particularly in the sections headed "Risk Factors" and "Important Information—Forward-looking statements". Please refer to the section of this document headed "Important Information—Information on Xstrata" for information on the financial information and statements that form the basis of this discussion.

Overview

The Xstrata Group is a diversified mining group with operations and projects producing copper, domestic and export thermal coal, export coking coal, ferrochrome, platinum group metals, vanadium, zinc and nickel together with gold, cobalt, lead and silver. The Xstrata Group also includes a growing platinum group metals business, iron ore projects, recycling facilities and a suite of global technology products. The Xstrata Group's operations and projects span more than 20 countries.

The Xstrata Group had revenue of US$33.9 billion and EBITDA of US$11.7 billion for the year ended 31 December 2011, revenue of US$30.5 billion and EBITDA of US$10.4 billion for the year ended 31 December 2010 and revenue of US$22.7 billion and EBITDA of US$6.8 billion for the year ended 31 December 2009. As at 31 December 2011, the Xstrata Group had total equity of US$45.7 billion. The Xstrata Group's ordinary shares are traded on the London Stock Exchange and the Swiss Stock Exchange. As at market close at 29 May 2012, being the latest practicable date prior to the publication of this document, the market capitalisation of Xstrata was approximately £29.0 billion (approximately US$45.4 billion).

The Xstrata Group's business is organised in the following five principal business units:

Xstrata Alloys: Through Xstrata Alloys, the Xstrata Group is the world's largest and amongst the world's lowest cost integrated ferrochrome producers (through the Xstrata-Merafe chrome venture), one of the largest producers of primary vanadium and a growing producer of platinum group metals. Xstrata Alloys also owns carbon operations which supply key raw materials to its ferrochrome production operations. All of Xstrata Alloys' operations are based in South Africa.

Xstrata Copper: Through Xstrata Copper, the Xstrata Group is a semi-integrated producer of copper metal and is the world's fourth largest global copper producer, with mining and processing operations in Australia, Chile, Peru, Argentina and Canada. Xstrata Copper has a portfolio of copper development projects, located in Australia, Canada, Peru, the Philippines, Chile, Argentina and Papua New Guinea.

Xstrata Coal: Through Xstrata Coal, the Xstrata Group is the world's largest exporter of bituminous thermal coal on a managed basis and a significant producer of premium quality hard coking coal and semi-soft coking coal. Xstrata Coal has interests in over 30 operating coal mines in Australia, South Africa and Colombia. Xstrata Coal has development projects in Australia, South Africa, Colombia and Nova Scotia and British Columbia in Canada. Xstrata Coal also manages the Xstrata Group's growing iron ore business, with development projects in Mauritania and the Republic of Congo.

Xstrata Nickel: Through Xstrata Nickel, the Xstrata Group is the fourth largest global nickel producer and one of the world's largest producers of cobalt, Xstrata Nickel's operations include mines and processing facilities in Canada, the Dominican Republic and Australia, and a refinery in Norway. Xstrata Nickel has world-class development projects in Canada, Tanzania and New Caledonia.

Xstrata Zinc: Through Xstrata Zinc, the Xstrata Group is one of the world's largest miners and producers of zinc. Xstrata Zinc's operations span Spain, Germany, Australia, the United Kingdom and Canada, with an interest in the Antamina copper-zinc mine in Peru. Xstrata Zinc has development projects in Australia, Ireland and Quebec, Nunavut and Ontario in Canada.

In addition to its five principal businesses, the Xstrata Group also operates Xstrata Process Support and Xstrata Technology, mining and processing technology businesses with operations in Australia, Canada, Chile and South Africa.

Principal factors affecting the Xstrata Group's business

Principal factors affecting the Xstrata Group's results of operations during the periods under review (and those which are expected to affect the Xstrata Group's results of operations in the future) are discussed below:

Commodity prices

Commodity prices are significantly affected by changes in global economic conditions and related industry cycles. Prices of commodity products, such as copper, thermal and coking coal, nickel, zinc, platinum, lead, ferrochrome and vanadium, which are the primary commodities produced by the Xstrata Group, can vary significantly when worldwide supply and demand fluctuate. Prices are influenced by other related factors, such as speculative activities by market participants, political and economic conditions, as well as production costs in major producing regions. The realised price for metals is also influenced by regional supply and demand factors, the availability and price of secondary or metal containing scrap materials, and the availability and price of other substitute commodity products. While producers are unable to set market commodity prices directly, events such as the introduction or withdrawal of commodity production capacity may have an effect on market prices. In addition, the prices realised by producers on sales of their products can, to some extent, be affected by contractual arrangements, production levels and hedging strategies. Price variations and market cycles have historically influenced the financial performance of the Xstrata Group and are expected to continue to do so.

Because a substantial portion of the Xstrata Group's sales (particularly coal) are subject to term contracts with prices fixed for a period of time, the effect on the Xstrata Group's financial results of falling (or rising) commodities prices can be delayed. Additionally, the Xstrata Group's copper and zinc earnings were impacted by the provisional pricing of copper and zinc sales, whereby the sales price is calculated at the average price for the metal in the month of the "quotational period" (ranging from 30 to 180 days). In times of rising prices, the Xstrata Group's sales will tend to outperform the average LME price whilst the opposite applies in times of falling prices. Due to the volatile nature of commodity prices and the historical relationship between prices and the currencies of most of the countries where the Xstrata Group operates, hedging may be entered into only in limited circumstances and is subject to strict limits laid down by the Xstrata Group's board of directors. However, for coal, the Xstrata Group's practice is to hedge indexed sales once the terms of a given sales contract have been agreed.

During the periods covered by the Xstrata Group's annual reports and accounts, the prices of many commodities exhibited significant volatility. Commodity prices rapidly declined as the global downturn and subsequent rapid global destocking took hold in late 2008 and the first quarter of 2009. Signs of recovery emerged in the second quarter of 2009 and gained momentum through 2010 and the first half of 2011. As shown in the table below, a number of commodity prices rose significantly between 2009 and 2011, as fiscal stimulus packages were introduced in most major economies in 2011; however, there can be no assurance that such levels will be maintained over time. In the second half of 2011, commodity prices decreased as a result of weakening macroeconomic conditions.

The following table sets out indicative average market prices in US dollars by the indicated source for the Xstrata Group's principal commodities over the periods indicated:

	Unit	Average commodity prices for the year ended 31 December		
		2009	2010	2011
Australian FOB export coking	US$/t	145	204	265
Australian FOB export semi-soft coking	US$/t	123	137	203
Australian FOB export thermal coal	US$/t	80	86	110
Americas FOB export thermal coal	US$/t	74	73	101
South African export thermal coal	US$/t	68	74	101
Copper (LME)	US$/t	5,150	7,536	8,826
Lead (LME)	US$/t	1,726	2,148	2,399
Zinc (LME)	US$/t	1,659	2,159	2,190
Nickel (LME)	US$/t	14,712	21,809	22,831
Ferrochrome (Metal Bulletin)	US¢/lb	85	124	125
Ferrovanadium (Metal Bulletin)	US$/kg	25	30	29
Platinum (average LPPM price)	US$/oz	1,205	1,611	1,720

Source: Average realised prices by the Xstrata Group, excluding Prodeco (for coals), otherwise as indicated

Currency exchange rates

The Xstrata Group's financial results are impacted by both translation and transaction currency effects resulting from changes in currency exchange rates. Translation currency effects occur when the financial results of the Xstrata Group's subsidiaries with functional currencies other than the US dollar are translated into US dollars using the exchange rates prevailing during the relevant period. Changes over time in the exchange rate used for this translation will affect the Xstrata Group's reported US dollar-denominated results even if the underlying non-dollar results are unchanged.

Transaction currency effects occur when the Xstrata Group incurs costs or earns revenues in a currency different from its functional currency. Most of the Xstrata Group's products are priced and sold in US dollars, while a significant share of the Xstrata Group's production costs are incurred in local currencies. As a result, the Xstrata Group's margins are significantly affected by changes in the value of the US dollar relative to the currencies in which the Xstrata Group incurs costs.

The following table reflects the historical average and closing exchange rates of the Argentine peso, the Australian dollar, the Canadian dollar, the Swiss Franc, the Chilean peso, the Colombian peso, the Peruvian nuevo sol, the Euro, the pound sterling and the South African rand, each against the US dollar, for the periods and dates indicated:

	Year ended 31 December 2009		Year ended 31 December 2010		Year ended 31 December 2011	
Currencies	Average rate	Period end rate	Average rate	Period end rate	Average rate	Period end rate
USD:ARS	3.73	3.80	3.91	3.98	4.13	4.30
AUD:USD	0.79	0.90	0.92	1.02	1.03	1.02
USD:CAD	1.14	1.05	1.03	1.00	0.99	1.02
USD:CHF	1.09	1.04	1.04	0.94	0.89	0.94
USD:CLP	559	507	510	468	484	520
USD:COP	2,153	2,043	1,898	1,920	1,848	1,938
EUR:USD	1.39	1.43	1.33	1.34	1.39	1.30
GBP:USD	1.57	1.62	1.55	1.56	1.60	1.56
USD:PEN	3.01	2.89	2.82	2.81	2.75	2.70
USD:ZAR	8.41	7.40	7.32	6.63	7.26	8.09

As noted above, during the periods covered by the annual reports and accounts, the Xstrata Group's results were affected by the significant volatility of foreign exchange rates. Most of the Xstrata Group's costs are denominated in local currencies while most of the Xstrata Group's sales are made at US dollar prices. As a result, a strengthening of local currencies against the US dollar (as occurred in 2010 and 2011) serves to depress the Xstrata Group's reported margins by increasing the Xstrata Group's costs in US dollar terms. By contrast, a strengthening of the US dollar, as occurred from late 2008 to mid-2009 and

in the third quarter of 2011, improves the Xstrata Group's margins (and, in the period from late 2008 to 2009, partially offset the negative impact of the contemporaneous decrease in commodities prices on the Xstrata Group's financial results for the second half of 2008). A decline in the US dollar, in addition to the cost impact noted above, will also serve to increase foreign exchange losses arising from the revaluation of local currency denominated working capital balances.

The Xstrata Group has historically used currency cash flow hedging to reduce its short-term exposure to fluctuations in local currency exchange rates against the US dollar, the pound sterling and the Euro. The hedging gains reflected in Xstrata's consolidated income statement for the period under review were immaterial.

Production costs and efficiency

The Xstrata Group, in common with its competitors, is unable to set market commodity prices directly, and its competitiveness and long-term profitability are, to a significant degree, dependent upon its ability to reduce costs and maintain efficient operations. Costs associated with mining and metal production can be broadly categorised into labour costs and other on-site expenses, including power and equipment costs, port handling costs and freight costs. Production costs are largely influenced by ore grades, mine planning, processing technology, energy and supply costs and the impact of exchange rate fluctuations on costs of operations. All of Xstrata's businesses are affected by increases in costs for labour, fuel and explosives.

During the periods covered by the annual reports and accounts, the positive effects of rising commodity prices were partially offset by the rising cost of inputs, particularly in respect of power, fuels, labour, transport, equipment and consumables. During the global downturn, the prices of and supply constraints on certain of the Xstrata Group's inputs eased (other than in respect of energy and rail costs in South Africa), the effect of which was to limit the adverse impact of mining sector and CPI inflation on the Xstrata Group's cost base. Mining sector and CPI inflation resumed growing with the recovery from the global economic downturn.

The Xstrata Group has also historically acted to optimise its unit cost base. In addition to on-going efforts to improve productivity and minimise corporate centre costs, the Xstrata Group also acted quickly during the global downturn to forgo or defer a substantial proportion of its discretionary sustaining and/or expansionary capital expenditure, reduce uneconomic production, close mines or facilities or put mines or facilities on care and maintenance. For example, in December 2008 and January 2009 the Xstrata-Merafe chrome venture announced the temporary suspension of seventeen ferrochrome furnaces, representing 1.37 million tonnes or 80 per cent. of annual operating capacity. As prices recovered in late 2009, the Xstrata Group resumed approximately 85 per cent. of the facility's capacity. In December 2008, Xstrata Nickel placed its Falcondo ferronickel operation in the Dominican Republic under care and maintenance (resumed at 50 per cent. capacity in 2011), and announced an early, accelerated closure of the Thayer Lindsley and Craig nickel mines in Sudbury, Canada. In December 2009, Xstrata also announced the temporary suspension of longwall operations at Oaky No. 1 underground coking coal mine (since lifted). The Xstrata Group also undertook a strategic review in relation to the Australian Zinc and Lead operations, including McArthur River mine and the entire Mount Isa complex (including the George Fisher-Hilton, Handlebar Hill (which was placed on care and maintenance from January to August of 2009) and Black Star mines).

The Xstrata Group's unit costs have also been enhanced during the periods covered by the annual reports and accounts. In addition to on-going incremental cost saving initiatives, the Xstrata Group's cost structure has been fundamentally improved through strategic structural changes, including the restructuring of Xstrata Nickel and the expansions and reorganisations at Xstrata Zinc during the downturn. Together with the successive commissioning of new, lower cost operations and expansions that will continue to benefit costs as Xstrata brings major projects to production, Xstrata is now positioned amongst the industry leaders for cost competitiveness in each of its major commodities.

Xstrata Zinc has been transformed into one of the world's largest, low-cost integrated producers of zinc. Xstrata Nickel has moved from a fourth quartile position in 2006 to the third quartile in 2008 to the lower end of the second quartile in 2011, benefiting from the commissioning of the polymetallic Nickel Rim South operation and the restructuring of the Sudbury operations in 2009. The restart of the higher cost Falcondo ferronickel operation in 2011 to 50 per cent. of its capacity has benefited from increased margins during favourable market conditions. Xstrata Copper has successfully combated to a large extent the deterioration in costs that is difficult to avoid at ageing operations by shifting its operations down the industry cost curve. Xstrata Alloys remains the lowest cost ferrochrome producer in South Africa, having

improved energy efficiency at its smelters by around 25 per cent., reduced reliance on high-price coke and initiated a series of actions to enhance its ability to source and agglomerate platinum UG2 tailings as a low-cost feed.

Restructuring and impairment costs

Under IFRS, impairments are assessed on a cash generating unit basis, charges for which are principally recorded in cost of sales as exceptional items. The macroeconomic and commodity price environment during the periods covered by the annual reports and accounts resulted in a variety of impairments, particularly in 2009 (relating principally to the Xstrata Group's Australian, Norwegian and Canadian Nickel assets).

In addition, during the periods covered by the annual reports and accounts, the Xstrata Group recorded restructuring charges relating to the closure of various assets.

Acquisitions and disposals

During the period under review, the Xstrata Group has made numerous acquisitions and disposals which affect the comparability of the results of operations of the Xstrata Group as a whole. These principal acquisitions and disposals include:

Copper

El Morro

In October 2009, the Xstrata Group entered into an irrevocable sale agreement to dispose of the Xstrata Group's 70 per cent. interest in the El Morro copper-gold project in Chile, and associated rights and assets, for a total cash consideration of US$463 million. The Xstrata Group recognised a gain of US$194 million before tax (US$144 million after tax) in respect of the sale. The sale proceeds were received on 17 February 2010.

Indophil

During July 2011, Indophil Resources completed an equity raising and share placement that together raised AUD183.3 million. Xstrata Copper took up its full entitlement in the equity raising of 78.6 million shares for AUD27.5 million. As at the date of this document, as a result of dilution from the Indophil Resources share placement, Xstrata Copper's interest in Indophil Resources is 15.79 per cent.

E1 and Monakoff

On 30 June 2011, the Xstrata Group completed its acquisition of the E1 and Monakoff copper tenements in north west Queensland, Australia from Exco Resources Ltd for a cash purchase price of AUD175 million.

Agua Rica

In September 2011, Xstrata Copper, Goldcorp Inc. ("Goldcorp") and Yamana Gold Inc. ("Yamana") entered into a definitive agreement providing Minera Alumbrera Limited Sucursal Argentina ("Minera Alumbrera") the exclusive option to acquire Yamana's 100 per cent. interest in the Agua Rica project. Agua Rica is a feasibility stage project in the province of Catamarca, Argentina, located approximately 35 kilometres from the currently operating Alumbrera mine.

Minera Alumbrera is a joint venture operation between Xstrata Copper (manager and 50 per cent. owner), Goldcorp (37.5 per cent. owner) and Yamana (12.5 per cent. owner) that currently operates the Alumbrera mine. Under the terms of the definitive agreement, Minera Alumbrera holds an exclusive four-year option to acquire Yamana's interest in the Agua Rica project for cumulative payments made by Goldcorp and Xstrata Copper of US$110 million. During the option period Minera Alumbrera will manage the Agua Rica project and fund a feasibility study and all development costs. The respective ownership interests in Minera Alumbrera would remain unchanged and apply to the Agua Rica project.

Goldcorp and Xstrata Copper made a payment of US$20 million to Yamana on execution of the definitive agreements, in addition to the US$10 million paid previously.

Minera Alumbrera can elect to exercise the option at any time during the four-year period. Upon approval to proceed, Yamana would receive US$150 million and a further US$50 million on commencement of commercial production in addition to the remaining option payments. Yamana would also retain the right to a deferred payment related to 65 per cent. of the payable gold production from Agua Rica to a maximum of 2.3 million ounces.

Coal

Prodeco

On 3 March 2009, the Xstrata Group acquired 100 per cent. of the Prodeco Colombian coal operations from Glencore International for a net consideration, after the cost of granting the call option, of US$2 billion with an effective date of 1 January 2009. Glencore had a call option to repurchase Prodeco up to 4 March 2010 for US$2.25 billion, plus all profits of Prodeco accrued but not distributed and the net amount of cash paid into Prodeco by the Xstrata Group. In the Xstrata Group's financial statements, Prodeco was included as a financial asset during the call option period with the net earnings and pro rata Glencore call option premium included in finance income during this period. Glencore exercised the call option in March 2010, and the exercise of this option completed on 14 April 2010.

Sphere Minerals Limited

On 24 August 2010, the Xstrata Group announced a cash offer for Sphere of AUD2.50 per share and, on 3 November 2010, the offer price was increased to AUD3.00 cash per share, valuing Sphere at approximately US$513 million. The Xstrata Group gained control of Sphere and declared the offer unconditional on 16 November and had acquired 75.5 per cent. of Sphere at 31 December 2010. The cash offer of AUD3.00 for each Sphere share remained open until 13 May 2011 and a further 12 per cent. was acquired for a total consideration of US$59 million. At 30 June 2011, the Xstrata Group held 87 per cent. of Sphere at a total consideration of US$450 million, excluding net cash acquired with the subsidiary. Sphere is a West African focused iron ore company with interests in three iron ore projects in Mauritania.

During July 2011, Sphere completed an equity raising of approximately AUD121.4 million. The Xstrata Group took up its full entitlement in the equity raising.

Zanaga

On 8 February 2011, the Xstrata Group announced it had elected to exercise the option to acquire 50 per cent. plus one share in Jumelles Limited (BVI), the owner of the Zanaga iron ore project in the Republic of Congo. Under the agreement, the Xstrata Group will fund a feasibility study for a minimum of US$100 million. The Xstrata Group's acquisition of its controlling interest in Jumelles was completed on 11 February 2011.

First Coal

In August 2011, the Xstrata Group acquired 100 per cent. of First Coal Corporation ("First Coal") shares, options and warrants for C$1.75 per share. The purchase of First Coal, for an all-cash consideration of C$141 million (US$144 million) provides Xstrata Coal with access to coking coal exploration leases in British Columbia, Canada.

Lossan

In October 2011, Xstrata Coal agreed to acquire 100 per cent. of the Lossan metallurgical coal deposit ("Lossan") from Cline Mining Corporation for C$40 million, subject to customary conditions. Lossan is located in the Peace River Coalfield of northeastern British Columbia and is surrounded by a group of licences recently acquired by the Xstrata Group through the acquisition of First Coal. The acquisition of Lossan was completed on 13 October 2011.

Spitzkop and Tselentis

On 16 January 2012, Xstrata Coal South Africa announced that it had completed the sale of its Spitzkop and Tselentis collieries and supporting coal assets, located in Mpumalanga, South Africa, to the Imbawula Group for an undisclosed amount. The transaction took effect from 1 January 2012.

Sukunka

On 8 March 2012, Xstrata Coal announced that it had agreed to acquire the Sukunka hard coking coal deposit ("Sukunka") from Talisman Energy Inc for US$500 million in cash. This acquisition closed on 13 March 2012.

Sukunka is located in the Peace River Coalfield of northern British Columbia, contiguous with First Coal and Lossan tenements acquired by Xstrata Coal in August and October 2011 respectively.

Xstrata Coal British Columbia Joint Venture

On 13 March 2012, Xstrata Coal and JX Nippon Oil & Energy Corporation ("JX") announced the creation of a joint venture comprising contiguous metallurgical coal assets in the Peace River Coalfields in Western Canada. JX Nippon Oil & Energy (Australia) Pty Ltd ("JX Australia"), a subsidiary of JX, paid US$435 million in cash to acquire a 25 per cent. interest in Xstrata Coal British Columbia, which comprises a 100 per cent. interest in the following metallurgical coal assets:

- the First Coal tenements acquired by Xstrata Coal in August 2011;
- the Lossan coal deposit acquired by Xstrata Coal in October 2011; and
- the Sukunka coal deposit acquired by Xstrata Coal in March 2012.

Xstrata Coal has retained a 75 per cent. interest in Xstrata Coal British Columbia and will develop, operate and manage the assets on behalf of the joint venture. Together with its 25 per cent. interest in Xstrata Coal British Columbia through JX Australia, JX will be the exclusive marketing agent for First Coal and Sukunka coal sold into Japan.

Platinum Group Metals

Lonmin

In June 2009, the Xstrata Group acquired 8,653,204 shares in Lonmin for US$112 million as part of a 2 for 9 Rights Issue of 35.1 million new ordinary shares at GBP9.00 per new share for shareholders on the London Stock Exchange and at ZAR113.04 per new share for shareholders on the Johannesburg Stock Exchange. In May 2010, the Xstrata Group acquired 2,233,600 shares in Lonmin for US$58 million as part of a Placement Issue of 9.1 million new ordinary shares at GBP17.65 per new share for shareholders on the London Stock Exchange and the Johannesburg Stock Exchange. The Xstrata Group's current shareholding as at 31 December 2011 as a result of the dilution from the share placing is 24.6 per cent.

The share price of Lonmin as listed on the London Stock Exchange at 31 December 2011 was 980p per share. As at 31 December 2011 the market value of Xstrata's stake in Lonmin was approximately GBP488million (approximately US$856 million), based on the Closing Price of a Lonmin share. The Xstrata Group's Lonmin ordinary shares are held by Xstrata Zinc BV and the acquisitions were funded entirely through the Xstrata Group's debt facilities.

Zinc

Hackett River

On 4 October 2011, the Xstrata Group closed the acquisition of the Hackett River and Wishbone Properties in Nunavut, Canada from Sabina Gold and Silver Corp ("Sabina") for cash consideration of C$50 million. Under the terms of the agreement, the Xstrata Group will commit a further C$50 million towards exploration on the properties within four years of the transaction's completion and will pay Sabina a royalty on silver produced from the properties.

Pallas Green

In July 2011, the Xstrata Group entered into a conditional agreement to purchase for US$19 million the remaining 23.6 per cent. interest it did not already own in the Pallas Green Project located in County Limerick, Ireland from its joint venture partner in such project, Minco plc. This transaction closed on 2 November 2011.

Results of operations

Profit and loss account items

Revenue

The following tables show the Xstrata Group's revenues by business segment for the periods indicated:

	Year ended 31 December		
	2009	2010	2011
	(in US$ millions)		
Copper	9,223	14,004	15,037
Coal	6,749	7,788	9,981
Nickel	1,891	2,738	3,192
Zinc	3,450	3,922	3,756
Alloys	1,305	1,894	1,689
Technology	114	153	222
Xstrata Group	**22,732**	**30,499**	**33,877**

Copper: The Xstrata Group's copper revenues are made up of sales of copper concentrates, copper anode/blister, copper cathode, tankhouse slimes, copper-gold concentrates and gold doré from the Xstrata Group's mines, mineral processing plants and projects in Australia, North America, Peru, Chile and Argentina. Approximately 85 to 95 per cent. of the concentrates are sold under smelter frame contracts. The remainder is sold in the spot market to export markets in transactions denominated in US dollars.

Coal: The Xstrata Group's coal revenues are generated from the sale of thermal, coking and semi-soft coal from the Xstrata Group's mining and production facilities in South Africa, Colombia and Australia. Sales of coal may be made on the spot market, on the basis of supply contracts with negotiated volumes and prices, as well as under annually renewable long-term supply arrangements. The majority of the Xstrata Group's coal sales are to export markets in transactions denominated in US dollars. As a result, the Xstrata Group's revenue is affected by changes in the international spot markets. In addition, because a substantial portion of coal sales are made under annual contracts at prices set at the time of such contracts, changes in the market price of coal during the course of a year may not be reflected fully in revenues during that year. Xstrata Coal currently manages the Xstrata Group's iron ore businesses. To date, these business have not produced material revenues.

Nickel: The Xstrata Group's nickel revenues are made up of sales of nickel metal, ferronickel metal and co-products, such as copper metal, copper concentrates, refined cobalt, gold, silver, palladium, platinum and rhodium from the Xstrata Group's operations in Canada, Norway and the Dominican Republic, which include mining and processing facilities. The majority of the Xstrata Group's nickel sales are to export markets in transactions denominated in US dollars. All of the sales of nickel metal, ferronickel metal and refined cobalt are to Glencore pursuant to sole distribution agreements signed in March 2007. See "Business—Xstrata Nickel—Sales and marketing". The export markets of these metals primarily include Western Europe, the United States and Asia/Pacific.

Zinc: The Xstrata Group's zinc revenues are made up of sales of zinc metal, zinc concentrates, refined lead and silver and their by-products, such as germanium, cadmium, sulphuric acid and sulphur dioxide, from the Xstrata Group's operations in Spain, Germany, Australia, North America and the United Kingdom, which include mines, smelters, plants and a refinery. Zinc metal is primarily sold in Canada, the United States and EU countries in the form of SHG ingots or alloys. Zinc concentrates are sold primarily in Australia, Japan, South Korea, China, Europe and Canada.

Alloys: The Xstrata Group's alloys revenues are made up of sales of chrome, platinum group metals and vanadium. The majority of the Xstrata Group's chrome products are exported to stainless steel manufacturers in North America, Europe and the Pacific Rim. Vanadium pentoxide is produced in South Africa by the Xstrata Group, which then upgrades nearly all of it to ferrovanadium. The Xstrata Group's ferrovanadium is exported mainly to Europe.

Costs

Costs reflected in profit before interest, taxation, depreciation and amortisation include cost of sales (of which raw material costs, mining costs and power costs are the most significant components), distribution

costs (of which rail transport and freight costs are the most significant components), administrative expenses and other income and expense items.

Exceptional items

Exceptional items represent significant items of income and expense which, due to their nature or the expected infrequency of the events giving rise to them, are presented separately on the face of the income statement, to provide a better understanding of the elements of financial performance in a particular period, to facilitate comparison with prior periods and to better assess trends in financial performance. Exceptional items include, but are not limited to, goodwill impairments, acquisition and integration costs which have not been capitalised, profits and losses on the sale of investments, profits and losses from the sale of operations and restructuring and closure costs.

EBITDA

The following tables show the Xstrata Group's EBITDA by major categories of products and services for the periods indicated:

	Year ended 31 December		
	2009	2010	2011
	(in US$ millions)		
EBITDA			
Before exceptional items			
Copper	2,922	4,693	4,915
Coal	2,755	3,061	3,853
Nickel	427	973	1,234
Zinc	860	1,327	1,223
Alloys	70	477	294
Technology	28	32	34
Iron ore	—	(1)	(11)
Unallocated	(274)	(176)	106
Operating EBITDA before exceptional items (A)	**6,788**	**10,386**	**11,648**
Share of results from associates (net of tax, before exceptional items)			
Coal	3	4	4
Alloys	(58)	5	25
Zinc	(1)	6	—
Total EBITDA before exceptional items (B)	**6,732**	**10,401**	**11,677**
Exceptional items			
Copper	154	—	(28)
Coal	350	16	(3)
Nickel	(40)	—	—
Zinc	(65)	(5)	—
Alloys	(11)	—	48
Iron ore	—	(4)	(1)
Total operating exceptional items (C)	388	7	16
Operating EBITDA (A+C)	**7,176**	**10,393**	**11,664**
Share of exceptional items from associates (net of tax)			
Alloys	(277)	(6)	12
Total exceptional items (D)	111	1	28
Total EBITDA (B+D)	**6,843**	**10,402**	**11,705**

Year ended 31 December 2011 compared with year ended 31 December 2010

In this operating and financial review, the Xstrata Group discusses and analyses its financial condition and results of operations as at, and for the year ended, 31 December 2011 compared to the financial information of the Xstrata Group as at, and for the year ended, 31 December 2010.

Revenue

Xstrata Group: The Xstrata Group's revenue was US$33,877 million in the year ended 31 December 2011, an increase of US$3,378 million, or 11 per cent., from revenue of US$30,499 million in the year ended 31 December 2010. This increase was primarily due to higher commodity prices. Average prices for Australian semi-soft coking coal, Americas thermal coal, South African thermal coal, Australian coking coal, Australian thermal coal, copper and lead increased by 48 per cent., 38 per cent., 36 per cent., 30 per cent., 28 per cent., 17 per cent. and 12 per cent., respectively, in 2011 compared to 2010.

Copper: Xstrata Copper revenue was US$15,037 million in the year ended 31 December 2011, an increase of US$1,033 million, or 7 per cent., from revenue of US$14,004 million in the year ended 31 December 2010. This increase was attributable to higher average realised copper and gold prices in 2011 compared to 2010, reflecting anticipation of a shortfall in copper supply and growing investor appetite for commodities. Partially offsetting the increase in average prices was a 6 per cent. decrease in copper production in 2011 compared to 2010. Mined copper production volumes decreased by 3 per cent. in 2011 compared to 2010, primarily as a result of challenging operating conditions and/or lower grades at Collahuasi, Alumbrera, Mount Isa and the Kidd mine. Also contributing to the decrease in mined copper production volumes was the closure of the Kidd metallurgical facility in May 2010 and the temporary shutdown of the Townsville refinery on account of adverse weather conditions. Partially offsetting these effects were increased production from Antamina, Ernest Henry, Tintaya and Lomas Bayas.

Coal: Xstrata Coal revenue was US$9,981 million in the year ended 31 December 2011, an increase of US$2,193 million, or 28 per cent., from revenue of US$7,788 million in the year ended 31 December 2010. This increase was largely attributable to an increase in realised prices for semi-soft, coking and thermal coal. Semi-soft and coking coal prices increased by 48 per cent. and 30 per cent., respectively, in 2011 compared to 2010, and thermal coal prices increased across all markets (28 per cent. in Australia, 36 per cent. in South Africa and 38 per cent. in the Americas) as a result of increased demand that was attributable to weather-related supply issues in the Pacific market (that, in turn, were largely due to the Japanese earthquake and tsunami and significant rainfall in Australia and Indonesia) and higher gas prices in the Atlantic markets. Also contributing to the increase in revenue was a 3 per cent. increase in sales volumes. Such increase reflected a strong recovery from the operational interruptions that the Xstrata Group experienced in the first half of 2011, such as damaged rail infrastructure (which prevented domestic and export sales from the Rolleston operation for a period of two months), the closure of United Colliery in New South Wales, Australia (which contributed to a decrease in sales volumes for semi-soft coking coal), the Japanese tsunami (which contributed to reduced market demand), an underground fire at the Blakefield Mine and flooding at the Ulan Mine.

Nickel: Xstrata Nickel revenue was US$3,192 million in the year ended 31 December 2011, an increase of US$454 million or 17 per cent. from revenue of US$2,738 million in the year ended 31 December 2010. This increase was largely attributable to increased sales volumes for nickel, ferronickel and copper, which were due to increased production volumes for such products. The increase in production volumes principally arose as a result of the 50 per cent. capacity restart of the Falcondo ferronickel operation, the successful ramp-up of the Nickel Rim South mine in Sudbury and the performance of the Nikkelverk refinery (which operated beyond its capacity). Also contributing to the increase in revenue were a 5 per cent. increase in the average price of nickel and a 17 per cent. increase in the average price of copper, which were largely attributable to the continuing growth in China, supply constraints and delays at a number of new projects, along with increased production arising principally from the 50 per cent. capacity restart of the Falcondo ferronickel operation and the successful ramp-up of the Nickel Rim South mine in Sudbury.

Zinc: Xstrata Zinc revenue was US$3,756 million in the year ended 31 December 2011, a decrease of US$166 million or 4 per cent. from revenue of US$3,922 million in the year ended 31 December 2010. This decrease was primarily attributable to a decrease in sales volume which was largely due to a 43 per cent. decrease in total zinc sales volumes at Antamina and the closure of the Kidd Creek Metallurgical site in May 2010. Total zinc in concentrate production decreased by 5 per cent. in 2011 compared to 2010 as a

result of lower zinc production at Antamina, while zinc metal production decreased by 4 per cent. in 2011 compared to 2010 as a result of the above-mentioned closure of the Kidd Creek Metallurgical site. In addition, total lead in concentrate production decreased by 4 per cent. in 2011 compared to 2010 due to a fall in lead grades at all mines, while total lead in metal production decreased by 13 per cent. in 2011 compared to 2010. Partially offsetting these effects were a 1 per cent. increase in the average price of zinc and a 12 per cent. increase in the average price of lead, which were driven by increased vehicle production in 2011, growth in demand from the Chinese infrastructure and construction sectors and increased demand for lead.

Alloys: Xstrata Alloys revenue was US$1,689 million in the year ended 31 December 2011, a decrease of US$205 million, or 11 per cent., from revenue of US$1,894 million in the year ended 31 December 2010. This decrease was primarily attributable to decreased sales volumes, reflecting decreased production volumes. Partially offsetting the effects of such decrease in sales volumes were increases in the average prices for ferrochrome, platinum and palladium, which were due to growth in the stainless steel market (for ferrochrome) and strong speculative activity (for platinum and palladium).

Technology: Xstrata Technology revenue was US$222 million in the year ended 31 December 2011, an increase of US$69 million or 45 per cent. from revenue of US$153 million in the year ended 31 December 2010. This increase was primarily due to the increased implementation of its technology by external customers.

EBITDA

Xstrata Group: The Xstrata Group's EBITDA increased by US$1,303 million, or 13 per cent., to US$11,705 million in the year ended 31 December 2011, from US$10,402 million in the year ended 31 December 2010. This increase was primarily due to higher average sales prices, as described above. The Xstrata Group also achieved cost savings during the year on a real unit basis as a result of its operational efficiency efforts during the course of the year. Partially offsetting these effects were a weakening of the US dollar against the Xstrata Group's operating currencies, mining industry and CPI inflation, depreciation and amortisation and weather-related and one-off incidents, including flooding in Australia and an underground fire at the Blakefield Mine.

Copper: Xstrata Copper's Operating EBITDA increased by US$222 million, or 5 per cent., to US$4,915 million in the year ended 31 December 2011, from US$4,693 million in the year ended 31 December 2010. This increase reflected higher average prices, as described above, and real unit cost savings that were primarily attributable to the initiation of magnetite production at Ernest Henry, the closure of the Kidd metallurgical facility and the optimisation of the molybdenum plant at Alumbrera. Partially offsetting these effects were mining industry and CPI inflation, the weakening of the US dollar against the Australian and Canadian dollars and depreciation and amortisation.

Coal: Xstrata Coal's Operating EBITDA increased by US$792 million, or 26 per cent., to US$3,853 million in the year ended 31 December 2011, from US$3,061 million in the year ended 31 December 2010. This increase reflected higher average prices, as described above, and real unit cost savings that were primarily attributable to productivity improvements at the Xstrata Group's open cut operations in New South Wales as well as in Colombia, the commencement of the low-cost Mangoola operation in February 2011 and increasing the proportion of low-cost domestic sales in South Africa. Partially offsetting these effects were a weakening of the US dollar against the Australian dollar, mining industry and CPI inflation (which contributed to increased wages, increased fuel and steel prices across all geographies and increased rail prices in South Africa) and costs associated with weather-related and one-off incidents (including flooding at Xstrata Coal's Queensland operations and at the Ulan Mine and an underground fire at the Blakefield Mine).

Nickel: Xstrata Nickel's Operating EBITDA was US$1,234 million in the year ended 31 December 2011, an increase of US$261 million, or 27 per cent., from US$973 million in the year ended 31 December 2010. This increase reflected increased volumes and higher average prices, as described above. Partially offsetting these effects were depreciation and amortisation that were attributable to higher production volumes associated with the restart of the Falcondo ferronickel complex and the Integrated Nickel Operations in Canada, a weakening of the US dollar, mining industry and CPI inflation and real unit costs that were largely attributable to lower grades at Raglan and Xstrata Nickel Australasia.

Zinc: Xstrata Zinc's Operating EBITDA decreased by US$104 million, or 8 per cent., to US$1,223 million in the year ended 31 December 2011, from US$1,327 million in the year ended 31 December 2010. In addition to decreased sales volumes (as discussed above), this decrease reflected a weakening of the US dollar against the Australian and Canadian dollars and mining industry and CPI inflation for consumables and energy in particular. Partially offsetting these effects were higher average sales prices for zinc and lead, as discussed above, and real unit cost savings.

Alloys: Xstrata Alloys' Operating EBITDA decreased by US$183 million, or 38 per cent., to US$294 million in the year ended 31 December 2011, from US$477 million in the year ended 31 December 2010. In addition to decreased sales volumes (as discussed above), this decrease reflected mining industry and CPI inflation and costs associated with the reversal of provisions, increased social and labour costs and increased standing charges on account of idled capacity. Partially offsetting these effects were a weakening of the South African rand against the US dollar and higher average prices for ferrochrome, platinum and palladium, as discussed above.

Technology: Xstrata Technology's Operating EBITDA increased 6 per cent. to US$34 million in the year ended 31 December 2011 from US$32 million in the year ended 31 December 2010, principally as a result of the increased implementation of its technology by external customers.

Exceptional items

The following exceptional items were recorded during 2011:

- As a result of the closure of the Prospero nickel mine in 2011, the Xstrata Group recorded an impairment of US$469 million (US$328 million after tax) against the carrying value of Prospero's assets and surrounding prospective mines.
- As a result of on-going optimisation efforts, the estimated recoverable amount of the Integrated Nickel Operations increased, and the Xstrata Group recorded an impairment reversal of US$463 million (US$324 million after tax).

The Xstrata Group also recognised a gain of US$48 million in connection with the disposal of a 26 per cent. interest in its Rhovan vanadium operations in South Africa in February 2011, a write-down of US$43 million attributable to a decline in the market value of listed investments, a gain of US$15 million attributable to the reversal of restructuring and closure costs for which the Xstrata Group previously provided and exceptional acquisition costs of US$4 million in relation to successful offers made to acquire Zanaga and First Coal.

In addition, the Xstrata Group recognised a gain of US$12 million attributable to its share of the restructuring and closure costs, impairments, financing costs and related taxation credits recognised by Lonmin as well as a write-off of US$19 million relating to the issue costs incurred when the Xstrata Group refinanced its bank facilities.

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.

Other pre-tax items

The Xstrata Group's depreciation and amortisation increased to US$3,217 million in the year ended 31 December 2011 from US$2,732 million in the year ended 31 December 2010, principally as a result of a significant increase in property, plant and equipment, which was primarily due to business combinations, asset additions, project development and a weakening of the US dollar.

The Xstrata Group recognised net finance costs of US$334 million for the year ended 31 December 2011 compared to US$503 million for the year ended 31 December 2010. This decrease primarily reflected the decline in finance costs from US$655 million for the year ended 31 December 2010 to US$471 million for the year ended 31 December 2011, which was primarily due to a decrease in foreign currency losses primarily incurred on US and Canadian dollar inter-company loans in Australian entities.

Income tax charge

Income tax charges increased to US$2,215 million in the year ended 31 December 2011 from US$1,653 million in the year ended 31 December 2010 (in each case after an exceptional income tax

charge of US$75 million and an exceptional income tax credit of US$129 million, respectively). This increase was primarily due to increased earnings.

Profit for the year

In the year ended 31 December 2011, the Xstrata Group recorded profit for the year of US$5,933 million, an increase of US$978 million, or 20 per cent., compared to US$4,955 million in the year ended 31 December 2010. Profit for the year attributable to equity holdings of the Xstrata Group increased to US$5,713 million for the year ended 31 December 2011, an increase of US$1,025 million, or 22 per cent., from US$4,688 million in the year ended 31 December 2010. Non-controlling interests' share of the profit for the year ended 31 December 2011 decreased to US$220 million, compared with US$267 million in the year ended 31 December 2010.

Year ended 31 December 2010 compared with year ended 31 December 2009

In this operating and financial review, the Xstrata Group discusses and analyses its financial condition and results of operations as at, and for the year ended, 31 December 2010 compared to the financial information of the Xstrata Group as at, and for the year ended, 31 December 2009.

Revenue

The Xstrata Group's revenue was US$30,499 million in the year ended 31 December 2010, an increase of US$7,767 million or 34 per cent. from revenue of US$22,732 million in the year ended 31 December 2009. This increase was driven by robust demand growth in developing economies and a tentative recovery in the OECD economies, which supported a strong recovery in commodity prices during the course of 2010. Average nickel, copper, Australian coking coal and zinc prices in 2010 were 48 per cent., 46 per cent., 41 per cent. and 30 per cent., respectively, higher than in 2009. Realised ferrochrome and thermal coal prices rose over the first half and while contract prices were slightly lower in the second half, spot prices showed strength into the fourth quarter and remained significantly higher than 2009.

In addition, revenues benefited from increased production across most of the Xstrata Group's commodity businesses, with improved coking and semi-soft coal volumes accounting for more than half of the total increase in volumes. Coking coal volumes rose by over 20 per cent. due to the restart of Oaky No. 1 mine in the second half of 2009 and productivity improvements which outweighed the impact of industrial action at Tahmoor. Ferrochrome production increased by almost 50 per cent., as previously idled furnaces were restarted to respond to improved market conditions. Mined copper volumes increased slightly. Nickel volumes benefited from production ramping up at Nickel Rim South and Fraser mines in Canada.

Copper: Xstrata Copper revenue was US$14,004 million in the year ended 31 December 2010, an increase of US$4,781 million or 52 per cent. from revenue of US$9,223 million in the year ended 31 December 2009. This increase was attributable to significantly higher average pricing in 2010 compared to 2009, reflecting increased demand for copper during 2010 particularly in China but increasingly in OECD economies in the second half of the year. Although mined copper production volumes were slightly higher in 2010 compared to 2009, with increases at the Kidd and Ernest Henry mines offsetting challenging operating conditions at some South American operations, sales volumes declined slightly in 2010 compared to 2009 as some shipments were postponed into 2011.

Coal: Xstrata Coal revenue was US$7,788 million in the year ended 31 December 2010, an increase of US$1,039 million or 15 per cent. from revenue of US$6,749 million in the year ended 31 December 2009. This increase was largely attributable to improved pricing in semi-soft coking coal and coking coal which increased by 11 per cent. and 41 per cent., respectively, due to the recovery in the global steel market. Thermal coal pricing was mixed, with a decline in Colombian thermal coal pricing reflecting the overall weakness in the Atlantic-traded coal market. Sales volumes were in line with the previous year, with higher volumes from Australia, particularly for coking coal (for which production was prioritised over thermal coal to take advantage of higher pricing) and increased sales from Cerrejón offsetting lower South African volumes. The recovery in global demand for steel during the year and the inclusion of a full year of longwall operations at Oaky No. 1 mine contributed to a 20 per cent. increase in coking coal sales compared to 2009.

Nickel: Xstrata Nickel revenue was US$2,738 million in the year ended 31 December 2010, an increase of US$847 million or 45 per cent. from revenue of US$1,891 million in the year ended 31 December 2009. This increase was attributable to significantly higher average pricing in 2010 compared to 2009 due to

continuing growth in China (reflected by increased intensity of nickel usage) and economic recovery in OECD economies, together with restocking by stainless steel processors and consumers during the year and global supply constraints resulting from industrial action, delays and start-up issues arising at a number of producers. In addition, the Xstrata Group saw increased sales volumes as a result of record mine production from the Integrated Nickel Operations as well as record output from the Sudbury smelter and Nikkelverk refinery.

Zinc: Xstrata Zinc revenue was US$3,922 million in the year ended 31 December 2010, an increase of US$472 million or 14 per cent. from revenue of US$3,450 million in the year ended 31 December 2009. This increase was primarily due to the increase in global zinc prices driven by recovering vehicle production, growth in demand from the Chinese infrastructure and construction sectors and increased demand for lead. Production volumes also increased due to expansions and productivity enhancements at the Xstrata Group's Mount Isa and McArthur River operations, offset by declines in production at Brunswick and the effect of the closure of the Kidd Creek zinc smelter.

Alloys: Xstrata Alloys revenue was US$1,894 million in the year ended 31 December 2010, an increase of US$589 million or 45 per cent. from revenue of US$1,305 million in the year ended 31 December 2009. This increase was attributable to significantly higher prices arising from strong growth in the stainless steel market (for ferrochrome) and recovering vehicle production and investment activity (for platinum and palladium). In addition, the Xstrata Group also increased production of ferrochrome by 48 per cent. in 2010 compared to 2009.

Technology: Xstrata Technology revenue was US$153 million in the year ended 31 December 2010, an increase of US$39 million or 34 per cent. from revenue of US$114 million in the year ended 31 December 2009. This increase was the result of work completed in 2010 on larger projects for existing customers in Kazakhstan, South Africa and India.

EBITDA

Xstrata Group: The Xstrata Group's EBITDA increased by US$3,559 million or 52 per cent. to US$10,402 million in the year ended 31 December 2010, from US$6,843 million in the year ended 31 December 2009, largely due to higher sales prices across the range of the Xstrata Group's commodities and increased sales volumes in most of the Xstrata Group's operations. The Xstrata Group also achieved significant costs savings during the year on a real unit basis as a result of its operational efficiency efforts during the course of the year. These trends were partially offset by a weakening US dollar and on-going CPI and mining inflation.

Copper: Xstrata Copper's Operating EBITDA increased by US$1,771 million or 61 per cent. to US$4,693 million in the year ended 31 December 2010, from US$2,922 million in the year ended 31 December 2009. This increase reflected significantly higher average prices as described above, improved real unit costs arising from operating efficiencies and the favourable impact of by-product credits, partially offset by the impact of the weaker US dollar, CPI and mining inflation and somewhat lower sales volumes.

Coal: Xstrata Coal's Operating EBITDA increased by US$306 million or 11 per cent. to US$3,061 million in the year ended 31 December 2010, from US$2,755 million in the year ended 31 December 2009. The overall increase was attributable to the impact of higher received prices (particularly for coking coal), improvements in real unit costs primarily as a result of optimisation efforts at the Oaky Creek complex, strip ratio improvements at Cerrejón and the ramp up of Goedgevonden, partially offset by the impact of the weaker US dollar, CPI and mining inflation, and one-off costs relating to the impact of severe wet weather in all operating geographies, industrial action at Tahmoor and demurrage costs at Port Waratah Coal Services.

Nickel: Xstrata Nickel's Operating EBITDA was US$973 million in the year ended 31 December 2010, an increase of US$546 million or 128 per cent., from US$427 million in the year ended 31 December 2009. This increase was driven by higher prices and increased volumes as discussed above and substantially lower unit costs. The reduction in unit costs was primarily due to the successful delivery and ramp up of the negative cash cost Nickel Rim South mine and low cost efficiency improvements throughout the portfolio. These trends were partially offset by the impact of the weaker US dollar and CPI and mining inflation.

Zinc: Xstrata Zinc's Operating EBITDA increased by US$467 million or 54 per cent. to US$1,327 million in the year ended 31 December 2010, from US$860 million in the year ended 31 December 2009. This increase was primarily due to higher prices and volumes and cost savings resulting

from the continued restructuring of operations, offset by the weaker US dollar and CPI and mining inflation.

Alloys: Xstrata Alloys' Operating EBITDA increased by US$407 million to US$477 million in the year ended 31 December 2010, from US$70 million in the year ended 31 December 2009. Ferrochrome and Vanadium operations EBITDA increased by US$386 million to US$401 million in the year ended 31 December 2010, from US$15 million in the year ended 31 December 2009. Platinum Group Metals operations EBITDA increased by US$21 million to US$76 million in the year ended 31 December 2010 (from US$55 million in the year ended 31 December 2009). These increases are attributable to a significantly stronger pricing environment for all of the Xstrata Alloys' commodities, costs savings arising from improvements in energy efficiency, the non-recurrence of 2009 production curtailment expenses, partially offset by the weaker US dollar and CPI and mining inflation.

Technology: Xstrata Technology's Operating EBITDA increased 14 per cent. to US$32 million in the year ended 31 December 2010 from US$28 million in the year ended 31 December 2009 as a result of improved demand for Xstrata Technology products and services as the global economy began to recover and certain delayed projects were restarted.

Exceptional items

During the course of 2010, Xstrata announced a number of exceptional non-cash impairments to the carrying value of assets. Under IFRS, impairments are assessed on a "cash generating unit" basis, with no ability to allocate surpluses between assets. Consequently, while the value of Xstrata's assets exceeded book value by US$39 billion at a group level as at 31 December 2010, an increase of US$4 billion over 2009, this surplus cannot be reallocated to assets, giving rise to impairments. The following exceptional items were recorded during 2010:

- Xstrata Nickel undertook a full assessment of the fair value of its assets as part of its annual business planning process. As a result, nickel assets in Brazil were impaired by US$559 million (US$437 million after tax), including goodwill of US$201 million, following a review of the Araguaia nickel project in Brazil.
- The Xstrata Group also recognised an exceptional acquisition cost of US$7 million in relation to offers made to acquire companies, a liability fair value adjustment of US$19 million in connection with revised dividend liabilities to African Rainbow Minerals Limited's interest in Xstrata's South African coal operations, and restructuring and closure costs of US$5 million relating to the closure of the Kidd metallurgical plants.

In addition, the Xstrata Group recognised US$6 million in share of results from associates in relation to the Xstrata Group's share of restructuring and closing costs, impairments and the loss on forward exchange contracts in respect of a rights issue recognised by Lonmin and realised an exceptional tax credit of US$129 million as the result of the above exceptional items.

Other pre-tax items

The Xstrata Group's depreciation and amortisation increased to US$2,732 million in the year ended 31 December 2010 from US$2,419 million in the year ended 31 December 2009, largely as a result of increased volumes across the majority of the Xstrata Group's commodity businesses.

The Xstrata Group recognised net finance costs of US$503 million for the year ended 31 December 2010 compared to US$341 million in the year ended 31 December 2009. The increase reflected the decline in finance income from US$454 million in the year ended 31 December 2009 to US$152 million in the year ended 31 December 2010, which arose principally as a result of the timing of Glencore's exercise of the Prodeco Business call option, which concentrated the Xstrata Group's earnings from the Prodeco Business (comprising the call option premium and the Xstrata Group's share of Prodeco's operating results) in 2009 rather than 2010.

Income tax charge

Income tax charges increased to US$1,653 million in the year ended 31 December 2010 from US$669 million in the year ended 31 December 2009 (in each case, after exceptional income tax credits of US$129 million and US$324 million, respectively). This increase was primarily due to increased earnings.

Profit for the year

In the year ended 31 December 2010, the Xstrata Group recorded profit for the year of US$4,955 million, an increase of US$4,094 million or 475 per cent. as compared to US$861 million in the year ended 31 December 2009. Profit for the period attributable to equity holdings of the Xstrata Group increased to US$4,688 million for the year ended 31 December 2010, an increase of US$4,027 million or 609 per cent. from US$661 million in the year ended 31 December 2009. Minority interests' share of the profits for the year ended 31 December 2010 increased to US$267 million, compared with US$200 million in the year ended 31 December 2009.

Liquidity and capital resources

Cash flow

The following table sets forth the Xstrata Group's net cash inflow from operating activities and its cash flows for the periods indicated:

	Year ended 31 December		
	2009	2010	2011
	(in US$ millions)		
Net cash flow from operating activities	4,131	8,213	9,358
Net cash flow used in investing activities	(5,752)	(3,196)	(8,620)
Net cash flow from/(used in) financing activities	1,600	(4,521)	(490)
Net increase/(decrease) in cash and cash equivalents	**(21)**	**496**	**248**

Net cash flow from operating activities

In 2011, the Xstrata Group's net cash inflow from operating activities increased by US$1,145 million from US$8,213 million for the year ended 31 December 2010 to US$9,358 million, primarily as a result of increased earnings, reflecting an EBITDA cash conversion rate of 80 per cent.

In 2010, the Xstrata Group's net cash inflow from operating activities increased by US$4,082 million from US$4,131 million for the year ended 31 December 2009 to US$8,213 million, primarily as a result of increased earnings, reflecting an EBITDA cash conversion rate of 79 per cent. Despite increased commodity prices and the resulting increased receivables balances and purchased inventories, the Xstrata Group's working capital only increased by US$283 million in 2010 compared to 2009, reflecting the effectiveness of the Xstrata Group's working capital management.

In 2009, the Xstrata Group's net cash inflow from operating activities decreased by US$2,454 million from US$6,585 million for the year ended 31 December 2008 to US$4,131 million for the year ended 31 December 2009, due mainly to reduced earnings during the period, reflecting an EBITDA cash conversion rate of 61 per cent.

Net cash flow from/(used in) investing activities

In 2011, the Xstrata Group's cash outflow used in investing activities increased by US$5,424 million from a net outflow of US$3,196 million for the year ended 31 December 2010 to a net cash outflow of US$8,620 million primarily as a result of an increase in both sustaining and expansionary capital expenditure in the year ended 31 December 2011 and Glencore's exercise of its call option in 2010, which did not recur in 2011.

In 2010, the Xstrata Group's cash outflow used in investing activities decreased by US$2,556 million, from a net outflow of US$5,752 million for the year ended 31 December 2009 to a net cash outflow of US$3,196 million primarily as a result of the timing of the Prodeco acquisition in 2009 and Glencore's exercise of its call option in 2010, partially offset by a resumption in expansionary and maintenance capital expenditures in 2010.

In 2009, the Xstrata Group's cash outflow used in investing activities decreased by US$4,641 million, from a net outflow of US$10,393 million for the year ended 31 December 2008 to a net cash outflow of US$5,752 million for the year ended 31 December 2009, since the 2008 figure included a cash outlay of US$3.7 billion for the acquisitions Jubilee Mines and Resources Pacific and US$1.9 billion investment in Lonmin as compared to an outlay of US$2 billion for the Prodeco acquisition in 2009. Sustaining and expansionary capital expenditure were also scaled back in 2009.

Net cash flow from/(used in) financing activities

In 2011, the Xstrata Group's cash outflow used in financing activities decreased by US$4,031 million from US$4,521 million for the year ended 31 December 2010 to US$490 million for the year ended 31 December 2011, primarily as a result of a US$6,850 million increase in proceeds from interest-bearing loans and borrowings, reflecting the issuance of bonds in November 2011 and unsecured syndicated bank loans. Partially offsetting these effects was a US$2,264 million increase in the repayment of interest-bearing loans and borrowings, primarily reflecting the repayment of the Xstrata Group's unsecured syndicated bank loans, and a US$588 million increase in dividends paid to equity holders of the Xstrata Group.

In 2010, the Xstrata Group's cash inflow from financing activities reduced by US$6,121 million from an inflow of US$1,600 million for the year ended 31 December 2009 to a net cash outflow of US$4,521 million for the year ended 31 December 2010, due mainly to the timing of the 2009 rights issue and the repayment of the Xstrata Group's outstanding borrowings under a multi-currency revolving facilities agreement in connection with its entry into the Syndicated Facility Agreement (as described below) in 2010.

The Xstrata Group's cash inflow from financing activities reduced by US$2,315 million from US$3,915 million for the year ended 31 December 2008 to a net cash inflow of US$1,600 million for the year ended 31 December 2009, due mainly to the proceeds from a rights issue which was used to repay debt and acquire the Prodeco business.

Liquidity reserves

Interest-bearing loans and borrowings

As at 31 December 2011, the Xstrata Group had total interest-bearing loans and borrowings (calculated in accordance with IFRS) of US$10,166 million. The Xstrata Group's interest-bearing loans and borrowings as at 31 December 2011 are set forth below:

	As at 31 December 2011		
	Current	**Non-current**	**Total[1]**
		(in US$ millions)	
Bank loans—other unsecured	139	34	173
Bank overdrafts	5	—	5
Capital market notes	1,382	8,394	9,776
Non-controlling interest loans	—	204	204
Other loans	2	6	8
Total	**1,528**	**8,638**	**10,166**

Note:

(1) Excluding obligations under finance leases and hire purchase contracts of US$204 million as at 31 December 2011.

Bank loans—other unsecured

The Xstrata Group was party to unsecured bank loans as at 31 December 2011 of US$173 million. As at 31 December 2011, these comprised:

- Debts of proportionally consolidated joint ventures of US$139 million which bear interest at a rate based on LIBOR plus 175 basis points, repayable in August 2012; and
- US$34 million which bear interest at a rate based on LIBOR plus 187 basis points, repayable in April 2015.

Bank overdrafts

The Xstrata Group has bank overdrafts that are subject to local currency and US dollar prime rate floating interest rates in which they have been drawn down. The majority of the bank overdrafts are denominated in Canadian and US dollars.

Non-controlling interests loans

The Xstrata Group was party to non-controlling interests loans as at 31 December 2011 of US$204 million. As at 31 December 2011, these comprised:

- AUD-denominated loans of US$204 million payable to Indophil Resources Limited for the Tampakan copper project. The loan is subject to a fixed rate of interest of 4 per cent., payable quarterly with no fixed repayment date, and is not payable within 12 months.

Capital Market Notes

The Xstrata Group had US$9,776 million outstanding of unsecured private placements as at 31 December 2011. As at 31 December 2011, these comprised:

Facility	Denomination	Fixed or floating interest rate	Maturity	At 31 Dec 2011	Effective interest rate in 2011
				(US$m)	%
Unsecured notes[1]	US$	Fixed	Nov 2016	1,185	5.80
Unsecured notes[2]	EUR	Fixed	Jun 2012	677	4.88
Unsecured notes[2]	EUR	Fixed	Jun 2017	786	5.25
Unsecured notes[3]	US$	Fixed	Nov 2037	495	6.90
Unsecured notes[4]	EUR	Fixed	May 2015	875	6.25
Unsecured notes[4]	GBP	Fixed	May 2020	936	7.38
Senior debentures[5]	US$	Fixed	Jun 2012	255	5.88
Senior debentures[5]	US$	Fixed	Jul 2012	302	6.06
Senior debentures[5]	US$	Fixed	Oct 2015	397	6.34
Senior debentures[5]	US$	Fixed	Jun 2015	266	6.16
Senior debentures[5]	US$	Fixed	Jun 2017	241	6.39
Senior debentures[5]	US$	Fixed	Jun 2035	235	6.77
Unsecured notes[6]	US$	Fixed	Nov 2014	797	2.85
Unsecured notes[6]	US$	Fixed	Jan 2017	697	3.60
Unsecured notes[6]	US$	Fixed	Nov 2021	994	4.95
Unsecured notes[6]	US$	Fixed	Nov 2041	490	6.00
Commercial paper[7]	US$	Floating	Jan 2012	148	0.33

Notes:

(1) In November 2006, the Xstrata Group issued guaranteed capital market notes to refinance existing debt facilities of a US$1,000 million 10-year note at a fixed interest rate of 5.8 per cent. and a US$750 million five-year note at a fixed interest rate of 5.5 per cent.

(2) In June 2007, the Xstrata Group issued a two-tranche EUR1,000 million guaranteed bond offering, comprising EUR500 million 4.875 per cent. fixed guaranteed notes due 2012 and EUR500 million 5.25 per cent. fixed guaranteed notes due 2017. These bonds have been swapped to US$. The swaps have been accounted for as cash flow hedges with an unrealised loss of US$54 million at 31 December 2011 (2010 loss of US$12 million).

(3) In November 2007, the Xstrata Group issued guaranteed 30-year notes of US$500 million bearing interest at a fixed rate of 6.9 per cent.

(4) In May 2008, the Xstrata Group issued a two-tranche EUR1,350 million guaranteed bond offering, comprising EUR750 million 5.875 per cent. fixed guaranteed notes repaid 2011 and EUR600 million 6.25 per cent. fixed guaranteed notes due 2015. In May 2008, the Xstrata Group issued a guaranteed bond offering of GBP500 million 7.375 per cent. fixed guaranteed notes due 2020. These bonds have been swapped to US$. The swaps have been accounted for as cash flow hedges with an unrealised loss of US$369 million at 31 December 2011 (2010 US$510 million).

(5) The guaranteed senior debentures were assumed by the Xstrata Group through the acquisition of Falconbridge in 2006. Pursuant to the terms of the note indentures as amended by supplemental indentures, Xstrata plc has fully and unconditionally guaranteed in favour of the holders of the senior debentures the payment, within 15 days of when due, of all financial liabilities and obligations of Xstrata Canada Corporation to such holders under the terms of the senior debentures.

(6) In November 2011, the Group issued a four-tranche US$3,000 million guaranteed bond offering, comprising fixed interest US$800 million 2.85 per cent. notes due 2014, US$700 million 3.60 per cent. notes due 2017, US$1,000 million 4.95 per cent. notes due 2021 and US$500 million 6.00 per cent. notes due 2041.

(7) In February 2008, the Xstrata Group entered into a US$1,000 million commercial paper programme facility, with maturities of up to 12 months. Interest is payable on the notes at a rate that is based on LIBOR.

During 2011, the Xstrata Group redeemed the senior debentures maturing February 2011 for US$300 million, redeemed the unsecured notes maturing May 2011 for US$1,174 million, and redeemed all of the series B senior unsecured notes maturing June 2011 for US$63 million.

Other loans

The Xstrata Group had US$8 million in other loans outstanding as at 31 December 2011. As at 31 December 2011, these comprised:

- A loan of US$8 million from the Cantabria Government and the Spanish Ministry of Industry & Energy, unsecured and interest free.

Other financial liabilities

The Xstrata Group has US$708 million in other financial liabilities as at 31 December 2011. As at 31 December 2011, these comprised:

- A ZAR-denominated loan of US$212 million payable to ARM Coal. The loan is subject to a floating rate of interest based on a dividend calculation with no fixed repayment date and is not callable within 12 months; and
- A USD-denominated loan of US$496 million is payable to Société Minière du Sud Pacifique associated with the financial consolidation of the Koniambo nickel joint venture. The loan is subject to a floating rate of interest based on a dividend calculation with no fixed repayment date and is not callable within 12 months.

Seasonality

The Xstrata Directors do not believe there is any significant seasonality in the Xstrata Group's borrowing requirements.

Change of control provisions

Other than as set out below, none of the Xstrata Group loans or capital market notes referred to above under "Liquidity reserves" contains change of control provisions which the Glencore Directors believe would be triggered as a result of the Merger.

US$6 billion multi-currency revolving credit facility

As is further described at paragraph 19.2.3 of Part XI: "Additional Information", on 24 October 2011, Xstrata (Schweiz) AG, Xstrata Finance (Canada) Limited, Xstrata Canada Financial Corporation, Xstrata Finance (Dubai) Limited as borrowers and guarantors and Xstrata as guarantor and parent entered into a US$6 billion multi-currency revolving credit facility (the "Club Facility") with various financial institutions acting as bookrunners, facility agent and original lenders. Under the terms of the Club Facility, upon a "change of control" of Xstrata (which, in light of the definition of "change of control" in the Club Facility, would be triggered by the Merger), the facilities available under the Club Facility may be cancelled and all amounts outstanding under the facilities would become due and payable in full upon 30 days' notice. In light of this, on 24 February 2012, the Xstrata Group obtained all lender consent to a waiver of this change of control provision.

Pursuant to the waiver, the Xstrata Group will amend and restate the Club Facility (the "Amended Club Facility") immediately prior to the Effective Date. The amendments to the Club Facility are set out in the waiver and have been agreed to by all of the lenders under the Club Facility. These amendments are summarised below.

It is anticipated that Glencore and Glencore International will accede to the Amended Club Facility as guarantors. The Amended Club Facility will include financial covenants that would require Glencore to maintain certain financial ratios.

Pursuant to such financial covenants, which are calculated in accordance with IFRS, Glencore would have to ensure that on the last day of each financial year and each financial half-year:

(a) its net consolidated working capital does not fall below US$750 million;

(b) the ratio of its consolidated current assets to consolidated current liabilities does not fall below 1.10 to 1; and

(c) its long-term debt (excluding certain subordinated debt) does not exceed 120 per cent. of its consolidated tangible net worth.

Interest would be payable on the loans under the Amended Club Facility at the rate which is the aggregate of: (i) LIBOR or, in relation to any loan in Euro, EURIBOR; (ii) mandatory costs (being regulatory costs of the lenders which are passed on to the borrowers); and (iii) the relevant margin per annum, which would be adjusted according to the long-term credit ratings assigned by Moody's/Standard & Poor's to Glencore International plc is as follows:

(a) until 1 January 2013, as for the Club Facility (but in respect of Glencore);

(b) from 1 January 2013 until 3 May 2013: (i) A3/A- or higher, the margin payable would be 0.85 per cent., (ii) Baa1/BBB+, the margin payable would be 1.00 per cent., (iii) Baa2/BBB, the margin payable would be 1.10 per cent., or (iv) Baa3/BBB- or lower, the margin payable would be 1.25 per cent.; and

(c) from 3 May 2013:

	(Standard & Poor's)			
(Moody's)	>= A−	BBB+	BBB	BBB−
>=A3	0.950	1.075	1.200	1.325
Baa1	1.075	1.200	1.325	1.450
Baa2	1.200	1.325	1.450	1.700
Baa3	1.325	1.450	1.700	1.825,

or, if higher, the pricing agreed in any extension or refinancing of the Facilities under the MTF Agreement.

Capital market notes

The majority (but not all) of the capital market notes referred to above under "Liquidity reserves" contain change of control provisions which the Glencore Directors believe would, *prima facie*, be triggered as a result of the Merger. If relevant change of control provisions were to be triggered as a result of the Merger, the Xstrata issuer entity would, in the majority of cases, be required to make an offer to repurchase any noteholder's notes (at up to 101% of the amount of the relevant notes plus accrued and unpaid interest on the principal amount).

However, the Glencore Directors believe that the relevant change of control provisions will not be triggered in connection with the Merger since:

(a) in the case of the majority of relevant capital market notes, the change of control provisions would only be triggered if the Merger is also accompanied by a downgrade in the relevant notes to below "Investment Grade" by both Moody's and S&P, which downgrading the Glencore Directors do not believe will occur. For these purposes, "Investment Grade" means a rating of Baa3 or better by Moody's (or its equivalent under any successor rating categories of Moody's) and a rating of BBB− or better by S&P (or its equivalent under any successor rating categories of S&P); and

(b) in the case of any other relevant capital market notes, the change of control provisions are not triggered if the surviving entity is organised in an OECD nation and it agrees to assume Xstrata's obligations under the relevant notes, each of which requirements will be met in connection with the Merger.

Off-balance sheet arrangements

Save as described in "—Contractual obligations", the Xstrata Group is not a party to any off-balance sheet arrangements that have, or are reasonably likely to have, a current or future material effect on its financial condition, revenues or expenses, results of operations, liquidity, capital expenditure or capital resources.

Capital expenditure

In late 2008 and early 2009, Xstrata's businesses adopted a more defensive approach to capital expenditure, to conserve cash in light of a highly uncertain outlook for commodity prices. Spending was deferred or reduced across the business following bottom up reviews of capital projects, while care was

taken to preserve the options inherent in the Xstrata Group's growth pipeline. These deferrals were largely reversed by the end of 2010.

The following table sets forth the Xstrata Group's capital expenditure for the periods indicated:

	Year ended 31 December		
	2009	**2010**	**2011**
	(in US$ millions)		
Sustaining	1,265	1,823	2,392
Expansionary	2,359	4,296	5,773
Total	**3,624**	**6,119**	**8,165**

Total expansionary capital expenditure increased by 34 per cent. to US$5.8 billion for the year ended 31 December 2011, reflecting a phase of increased investment in Xstrata's growth pipeline. Major items of expansionary capital spending included US$651 million to progress the major Antapaccay brownfield expansion to the Tintaya copper mine in southern Peru, US$1.2 billion at the greenfield Koniambo nickel project in New Caledonia, and US$777 million in respect of the greenfield Las Bambas copper project in Peru. The above-listed projects remain on time and on budget. In particular, the projects at Antapaccay and Koniambo are on track to start production in 2012.

During the year ended 31 December 2011, Xstrata Copper commissioned three brownfield expansions, including the conversion of Ernest Henry into a major underground mine and associated magnetite plant, which exported its first shipment of iron ore concentrate in June, the expansion of milling capacity at the Antamina copper-zinc project in Peru and an expansion to Collahuasi's capacity to 150,000 tonnes per day. Although the Collahuasi project experienced delays as a result of adverse weather conditions in 2011 and industrial action in 2010, the Antamina and Collahuasi projects are on track to start production in 2012. Xstrata Zinc's range of brownfield expansions at Mount Isa continue to progress well, with the George Fisher mine set to increase production from the underground mine by 28 per cent. by 2013 and the commencement of the Black Star Deeps open pit expansion in the first half of 2011. At Xstrata Alloys, capital spending was prioritised in the first half on the commencement of the phase two 360,000 tonnes per annum expansion of the Lion smelter complex, scheduled to be commissioned in the first half of 2013 as well as on the development of the underground Eland PGM mine.

Twenty major projects were in implementation at 31 December 2011, representing capital expenditure of US$12 billion. The Xstrata Group is on track to deliver a 50 per cent. increase in copper-equivalent volumes by the end of 2014 and 80 per cent. of this volume growth is already accounted for by approved and completed projects. A total of 10 new projects were successfully commissioned in 2011, including the Mangoola project (which started commercial production in the first quarter of 2011) and the ATCOM East and Raglan Kikialik projects (which have already reached commissioning). In the year to date, the Xstrata Group has approved five projects to increase thermal coal, nickel and zinc volumes. Another nine projects representing capital expenditure of US$7 billion are moving towards the approval stage in the near term, including six low risk brownfield coal expansions. Volume growth following the commissioning of projects that are currently approved or are expected to be approved in the near term will be dependent upon the continued replenishment of the Xstrata Group's growth pipeline.

Total expansionary capital spending increased by 82 per cent. to US$4.3 billion in 2010 compared to 2009 as the Xstrata Group approached peak spending at a number of major growth projects that will reach production within the next four years. Investment was also accelerated to progress pre-feasibility and feasibility studies into the next tier of growth projects. Capital expenditure at Xstrata Nickel's Koniambo project in New Caledonia rose to US$1.2 billion in 2010. Three new operations were commissioned in 2010: Nickel Rim South poly-metallic mine in Sudbury, Canada, the Goedgevonden thermal coal mine in South Africa, and Blakefield South underground coal mine in New South Wales.

During the year ended 31 December 2010, construction continued to progress at Xstrata Copper's Lomas Bayas II project, at the underground mine and magnetite facility base plant at the Ernest Henry mine in Queensland and at the Antamina mine in Peru to expand milling capacity to 130,000 tonnes. At Xstrata Coal, construction continued to progress at the ATCOM East coal project in South Africa and the Mangoola greenfield project. At Xstrata Alloys, construction activities began on Project Tswelopele, a 600,000 tonnes per annum pelletising and sintering plant that is on track to be fully operational in 2013 and the development of the western and eastern declines at Eland continued. In May 2010, development started on Xstrata Zinc's Black Star Deeps project to extend the life of the open cut mine by four years and

following the completion of the feasibility study in the second quarter of 2010, work progressed on the Bracemac-McLeod zinc project in Canada.

Contractual obligations

Unless otherwise specified, the following section is at 31 December 2009, 2010 or 2011, as indicated.

Obligations under finance leases and hire-purchase contracts

The Xstrata Group had obligations under finance leases and hire purchase contracts of US$204 million as at 31 December 2011. Obligations under finance leases and hire purchase contracts were as follows as at the dates indicated:

	2009		2010		2011	
	Undiscounted minimum payments	Present value of minimum payments	Undiscounted minimum payments	Present value of minimum payments	Undiscounted minimum payments	Present value of minimum payments
	(US$m)					
Less than one year	65	46	96	74	59	38
Between one and five years	168	109	122	49	114	46
More than five years	46	26	190	128	165	120
Total minimum lease payments	**279**	**181**	**408**	**251**	**338**	**204**
Less amounts representing finance lease charges	(98)	—	(157)	—	(134)	—
Present value of minimum lease payments	**181**	**181**	**251**	**251**	**204**	**204**

Operating lease commitments

Members of the Xstrata Group have entered into leases for buildings, motor vehicles and sundry plant and equipment. These leases have an average life of five years with renewal terms at the option of the lessee. Future minimum rentals under non-cancellable operating leases were as follows as at the dates indicated:

	As at 31 December		
	2009	2010	2011
	(US$m)		
Less than one year	43	44	78
Between one and five years	91	83	150
More than five years	30	21	29
Total	**164**	**148**	**257**

Capital commitments

As at 31 December 2011, the Xstrata Group was party to contracted amounts of US$4,278 million which were not provided in the Xstrata Group's financial statements, including:

- Xstrata Coal US$174 million for fleet expansion at Ravensworth North and US$383 million for Ulan West expansion project;
- Xstrata Copper US$226 million for the Ernest Henry underground and magnetite facility, US$303 million for the Antapaccay expansion project and US$756 million for Las Bambas project; and
- Xstrata Nickel US$388 million for the Koniambo project. The balance of the other amounts contracted for but not provided relates to various minor commitments around the Xstrata Group, mainly for the purchase of new property, plant and equipment.

Included in the above is US$713 million (2010 US$272 million) representing the Xstrata Group's share of the capital commitments that have been incurred jointly with other venturers.

Guarantees and contingent liabilities

As at 31 December 2011, the Xstrata Group was party to the following guarantees and contingent liabilities:

- Xstrata Coal Australia has contracted US$1,864 million for rail take or pay commitments, US$3,691 million for port take or pay commitments, US$146 million for tyres take or pay commitments, US$21 million for electricity take or pay commitments, US$126 million for explosives take or pay commitments, US$189 million for performance guarantees to customers and suppliers under contracts for supply of coal and services and US$418 million for guarantees to the New South Wales and Queensland Departments for Mineral Resources in respect of various mining leases and the performance thereof.
- Xstrata Coal South Africa has issued guarantees to the Department of Minerals and Energy to obtain certain prospecting permits of US$67 million and performance guarantees to suppliers of US$6 million. Xstrata Coal South Africa has tyres take or pay commitments of US$20 million.
- Xstrata Alloys has issued guarantees to Eskom for power usage and early termination of power usage of US$23 million and to the Department of Mineral and Energy Mineral Resources, municipalities and governmental boards in respect of various mining leases and the performance thereof for US$51 million.
- Xstrata Copper and Xstrata Technology Australia have issued performance guarantees to customers for US$49 million and guarantees to the Queensland Departments for Mineral Resources and other government agencies in respect of various mining leases and the performance thereof, environmental bonds and self-insurance licences for US$291 million and contracted US$820 million for gas, water and electricity commitments.
- Xstrata Copper has issued various guarantees in relation to the faithful performance of construction contracts for the Lomas Bayas II project totalling US$11 million. It has also issued guarantees for compliance of various contracts for the Lomas Bayas operation totalling US$4 million.
- Xstrata Nickel has contracted US$338 million for energy purchase commitments of which US$10 million has been issued to a supplier as a letter of credit, and issued bank guarantees to the Government of Western Australia for rehabilitation costs of US$4 million.
- Xstrata Zinc has issued performance guarantees to the Northern Territory government for an electricity supply and pipeline agreement of US$18 million, and to suppliers of US$3 million. It has provided bank guarantees to the Northern Territory government for rehabilitation costs of US$76 million.
- Xstrata Zinc has issued bank guarantees in Spain of US$116 million. This includes US$4 million as a guarantee to the local government for the rehabilitation of the closed Reocin mine (Cantabria, Spain) and US$2 million as guarantee of the rehabilitation of a jarofix pond in San Juan de Nieva.
- A letter of credit of US$191 million has been given for the pension liabilities of the Xstrata Group's Canadian operations.
- Letters of credit have been issued to the Canadian government for rehabilitation costs of US$214 million.

Included in the above is US$6,045 million representing the Xstrata Group's share of guarantees or contingent liabilities that have been incurred jointly with other venturers.

Transfer of funds by members of the Xstrata Group to Xstrata

Except to the extent described below, there are no material legal or economic restrictions (including taxation consequences of transfers) on the ability of members of the Xstrata Group to transfer funds to Xstrata in the form of cash dividends, loans or advances that have had or are expected to have a material adverse effect on the ability of Xstrata to meet its cash obligations.

Exchange controls

South African exchange control regulations provide for a common monetary area consisting of South Africa, Lesotho, Namibia and Swaziland (the "CMA"). Transactions between CMA residents and non-CMA residents are subject to South African exchange control regulations. The present exchange

control system in South Africa is used principally to control capital movements. South African residents, including companies, are generally not permitted (except within certain monetary limits and within other parameters) to export capital from South Africa or to hold foreign currency or foreign investments without the approval of the exchange control authorities. Further modifications to these restrictions may be made by the South African government. The expansion of existing, or imposition of new, exchange controls could adversely affect the Group's results of operations or financial condition.

The Argentine Government issued Decree 1722/2011 on October 25, 2011, published in the Official Gazette on October 26, 2011, reinstating the obligation of hydrocarbon companies (producers of crude oil and its derivatives, natural gas and liquid petroleum gas) and mining companies to sell in the local market all the foreign currency proceeds of their exports.

Treasury policies

The Xstrata Group's Treasury Department has responsibility for strategic planning of the Xstrata Group's treasury activities. Its responsibilities include: management of the Xstrata Group's cash resources and debt funding programmes; funding acquisitions and investments; management of interest rate and foreign exchange exposures; and co-ordinating relationships with banks, rating agencies and other financial institutions.

Xstrata will seek to ensure that the Xstrata Group maintains a robust financial position, even in the event of an unexpectedly prolonged period of depressed commodity prices, in line with the Xstrata Group's firm commitment to retain an investment grade balance sheet through the economic cycle. The Xstrata Group's Treasury Department is responsible for advising the Board on measures to meet these goals, which may include, amongst other things, raising funds in the equity and debt capital markets.

The Xstrata Group is exposed to US dollars through its revenue stream. The Xstrata Group will seek to source debt capital in US dollars directly or by borrowing in other currencies and swapping them into US dollars, thus matching the negative exposure of its debt service obligations against the positive exposure of its revenue.

The Xstrata Group's primary financial instruments, other than derivatives, comprise bank loans and overdrafts, convertible borrowings, capital market notes, finance leases and hire purchase contracts, cash and short-term deposits. The main purpose of these financial instruments is to raise finance for the Xstrata Group's acquisitions and operations. The Xstrata Group has various other financial assets and liabilities, such as trade receivables and trade payables, which arise directly from its operations.

The Xstrata Group is exposed to changes in currency exchange rates, commodity prices and interest rates in the normal course of business. Derivative transactions are entered into solely to hedge these risks. Market fluctuations in derivative financial instruments designated as hedges are used to offset the fluctuations in the underlying exposure. No derivatives are held for trading purposes.

The main risks arising from the Xstrata Group's financial instruments are credit risk, interest rate risk, liquidity risk, foreign currency risk and commodity price risk. A treasury committee establishes the policies for managing each of these risks and Xstrata's board of directors reviews and agrees these policies.

Quantitative and qualitative disclosures about market risk

The Xstrata Group is exposed to changes in currency exchange rates, commodity prices and interest rates in the normal course of business. Derivative transactions are entered into solely to hedge these risks. Market fluctuations in derivative financial instruments designated as hedges are used to offset fluctuations in the underlying exposure. For additional detail, please see Note 36 "Financial Instruments" in Part VIII: "Xstrata Historical Financial Information".

Currency hedging

Currency cash flow hedging may be used to reduce the Xstrata Group's short-term exposure to fluctuations in local currency exchange rates to the US dollar, pound sterling and the Euro. The currency hedging gains reflected in the income statement for the year ended 31 December 2011, 31 December 2010 and 31 December 2009 amounted to US$86 million, US$247 million and US$362 million, respectively.

Commodity hedging

The Xstrata Group is exposed to fluctuations in commodity prices, with the commodity mix spread relatively evenly between those which are priced by reference to prevailing market prices on terminal markets and those that are set on a contract basis with customers, generally on an annual basis. Commodity price risks arise in all major commodities that the Xstrata Group produces. Commodity price risk is managed by maintaining a diversified portfolio of commodities and typically does not involve large-scale strategic hedging or price management initiatives.

Due to the volatile nature of commodity prices and the historical relationship between prices and the currencies of most of the countries where the Xstrata Group operates, hedging may be entered into only in limited circumstances and is subject to strict limits laid down by the Board.

The Xstrata Group's Australian and South African operations have entered into forward contracts for coal to hedge prices of future sales of coal. Hedges relating to sales are classified as cash flow hedges. The fair value of these hedges is deferred within equity on the balance sheet until the sale is recorded.

No new hedging contracts were entered into by the Xstrata Group for base metals, gold or silver during the years ended 31 December 2009, 2010 or 2011. The net unrealised mark-to-market gain on commodity hedges maturing in 2012 as at 31 December 2011 was US$32 million. The net unrealised mark-to-market loss on commodity hedges maturing in 2011 as at 31 December 2010 was US$54 million and on commodity hedges maturing in 2010 as at 31 December 2009 was US$52 million, based on the forward curve at that time.

Carrying values and fair values of financial instruments

Set out below is a comparison by category of carrying values and fair values of the Xstrata Group's financial instruments that are not carried at fair value in the financial statements as at 31 December 2009, 2010 and 2011:

	As at 31 December					
	2009		2010		2011	
	Carrying value	Fair value	Carrying value	Fair value	Carrying value	Fair value
			(US$m)			
Financial liabilities:						
Capital market notes	8,939	8,941	8,712	8,714	9,628	9,628
Convertible borrowings	335	332	—	—	—	—
Equity minority interest loans	186	191	243	248	204	210
Finance leases and hire purchase contracts	181	181	251	252	204	206
Other loans	11	12	11	12	8	8

Credit risk

The Xstrata Group is exposed to credit risk in respect of trade receivables. Given the geographical and industry spread of the Xstrata Group's customers, however, credit risk is believed to be limited. The Xstrata Group has established credit limits so that dealings are with a wide range of reputable banks and financial institutions on a competitive basis. Where concentrations of credit risk exist, management closely monitors the receivable and focuses on putting appropriate controls in place to ensure recovery. Credit risk is minimal and not concentrated for other financial assets. Credit risk is limited to the carrying amount of financial assets at the balance sheet date.

Interest rate risk of financial assets and liabilities

It is the Xstrata Group's preference to borrow and invest at floating rates of interest, notwithstanding that some borrowings are at fixed rates of interest and it therefore typically swaps fixed rate exposure into floating interest rates. A limited amount of fixed rate hedging can be undertaken during periods where the Xstrata Group's exposure to movements in short-term interest rates is more significant.

Ratios

The Xstrata Group's net debt to equity ratio at 31 December 2011 was 15 per cent. (where net debt is the level of external indebtedness of the Xstrata Group including loans, convertible borrowings, the liability component of the convertible borrowings and finance leases net of cash (including 100 per cent. of Minera Alumbrera Limited cash), cash equivalents, related hedges and arrangement fees and equity includes minority interests). This figure has declined during the period under review and was 17.9 per cent. as at 31 December 2010.

Critical accounting policies

Since 2005, Xstrata has prepared and will continue to prepare its financial statements under IFRS.

As part of the Xstrata Group's audited financial statements, the Xstrata Directors were required to disclose the accounting policies adopted in respect of items that were judged material in determining the results and financial position of the Xstrata Group used in preparing the financial statements. In addition, the preparation of financial statements requires management to make estimates and judgements that affect the reported amount of certain assets, liabilities, revenues and expenses, as well as the disclosure of certain contingent assets and liabilities. The application of these accounting policies involves the exercise of judgement and use of assumptions as to future uncertainties and, as a result, actual results could differ from these estimates.

An explanation of significant accounting estimates and the Xstrata Group's principal accounting policies are disclosed in Note 4 "Significant accounting estimates" and Note 6 "Principal accounting policies" in Part VIII: "Xstrata Historical Financial Information".

PART VIII

XSTRATA HISTORICAL FINANCIAL INFORMATION

SECTION A: INDEPENDENT AUDITORS' REPORTS

Set out below are the independent auditors' reports of Ernst & Young LLP for each of the financial years ended 31 December 2009, 2010 and 2011, each which has been extracted without material adjustment from the corresponding Xstrata Annual Report and Accounts. In this Section A only, references to pages are to the relevant pages of the corresponding Xstrata Annual Report and Accounts.

Independent Auditors' Report to the members of Xstrata plc (2009)

We have audited the Group financial statements of Xstrata plc for the year ended 31 December 2009 which comprise the Group Income Statement, the Group Balance Sheet, the Group Statement of Cash Flows, the Group Statement of Comprehensive Income, Group Statement of Changes in Equity and the related notes 1 to 37. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards ("IFRSs") as adopted by the European Union.

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective Responsibilities of Directors and Auditors

As explained more fully in the Directors' responsibilities statement set out on page 130, the directors are responsible for the preparation of the Group financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the Group financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the Audit and the Financial Statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's circumstances, and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements.

Opinion on Financial Statements

In our opinion the Group financial statements:

- give a true and fair view of the state of the Group's affairs as at 31 December 2009 and of its profit for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been properly prepared in accordance with the Companies Act 2006 and Article 4 of the IAS Regulation.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion:

- the information given in the Directors' report for the financial year for which the Group financial statements are prepared is consistent with the Group financial statements; and
- the information given in the Corporate governance statement as set out on pages 110 and 111 with respect to internal control and risk management systems in relation to financial reporting processes and about share capital structures is consistent with the financial statements.

Matters on which we are required to Report by Exception

We have nothing to report in respect of the following:

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Under the Listing Rules we are required to review:

- the directors' statement, set out on page 107, in relation to going concern; and
- the part of the Corporate governance statement relating to the Company's compliance with the nine provisions of the June 2008 Combined Code specified for our review.

Other matter

We have reported separately on the parent company financial statements of Xstrata plc for the year ended 31 December 2009 and on the information in the Directors' remuneration report that is described as having been audited.

Mirco Bardella (Senior Statutory Auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
London, United Kingdom

2 March 2010

Independent Auditors' Report to the members of Xstrata plc (2010)

We have audited the Group financial statements of Xstrata plc for the year ended 31 December 2010 which comprise the consolidated income statement, the consolidated balance sheet, the consolidated cash flow statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the related notes 1 to 37. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards ("IFRS") as adopted by the European Union.

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective Responsibilities of Directors and Auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 132, the directors are responsible for the preparation of the Group financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the Group financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those Standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the Audit of the Financial Statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's circumstances, and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements.

Opinion on Financial Statements

In our opinion the Group financial statements:

- give a true and fair view of the state of the Group's affairs as at 31 December 2010 and of its profit for the year then ended;
- have been properly prepared in accordance with IFRS as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006 and Article 4 of the IAS Regulation.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion:

- the information given in the Directors' report for the financial year for which the Group financial statements are prepared is consistent with the Group financial statements; and
- the information given in the Corporate Governance report as set out on page 110 to 118 with respect to internal control and risk management systems in relation to financial reporting processes and about share capital structures is consistent with the financial statements.

Matters on which we are required to Report by Exception

We have nothing to report in respect of the following:

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- certain disclosures of directors' remuneration specified by law are not made;
- we have not received all the information and explanations we require for our audit; or
- a Corporate Governance report has not been prepared by the Company.

Under the Listing Rules we are required to review:

- the Directors' report, set out on page 109, in relation to going concern;
- the part of the Corporate Governance report relating to the Company's compliance with the nine provisions of the June 2008 Combined Code specified for our review; and
- certain elements of the report to shareholders by the Board on directors' remuneration.

Other matter

We have reported separately on the Parent Company financial statements of Xstrata plc for the year ended 31 December 2010 and on the information in the Directors' Remuneration Report that is described as having been audited.

Mirco Bardella (Senior Statutory Auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
London, United Kingdom

16 March 2011

Independent Auditor's Report to the members of Xstrata plc (2011)

We have audited the Group financial statements of Xstrata plc for the year ended 31 December 2011 which comprise the consolidated income statement, the consolidated statement of comprehensive income, the consolidated balance sheet, the consolidated cash flow statement, the consolidated statement of changes in equity and the related notes 1 to 37. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards ("IFRS") as adopted by the European Union.

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report or for the opinions we have formed.

Respective responsibilities of Directors and Auditor

As explained more fully in the statement of directors' responsibilities set out on page 116, the directors are responsible for the preparation of the Group financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the Group financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those Standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the Audit of the Financial Statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's circumstances, and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on Financial Statements

In our opinion the Group financial statements:

- give a true and fair view of the state of the Group's affairs as at 31 December 2011 and of its profit for the year then ended;
- have been properly prepared in accordance with IFRS as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006 and Article 4 of the IAS Regulation.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion:

- the information given in the Directors' report for the financial year for which the Group financial statements are prepared is consistent with the Group financial statements; and
- the information given in the Corporate Governance report as set out on page 87 to 95 with respect to internal control and risk management systems in relation to financial reporting processes and about share capital structures is consistent with the Group financial statements.

Matters on which we are required to Report by Exception

We have nothing to report in respect of the following:

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- certain disclosures of Directors' remuneration specified by law are not made;

- we have not received all the information and explanations we require for our audit; or
- a Corporate Governance report has not been prepared by the Company.

Under the Listing Rules we are required to review:

- the Directors' report, set out on page 113, in relation to going concern;
- the part of the Corporate Governance report relating to the Company's compliance with the nine provisions of the June 2008 Combined Code specified for our review; and
- certain elements of the report to shareholders by the Board on Directors' remuneration.

Other matters

We have reported separately on the Parent Company financial statements of Xstrata plc for the year ended 31 December 2011 and on the information in the Directors' remuneration report that is described as having been audited.

Mirco Bardella (Senior Statutory Auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
London, United Kingdom

15 March 2012

SECTION B: FINANCIAL STATEMENTS

The following pages set out consolidated financial statements relating to Xstrata prepared under IFRS for the financial years ended 31 December 2009, 2010 and 2011, which have been extracted without material adjustment from the Xstrata Annual Reports and Accounts for the financial years ended 31 December 2009, 2010 and 2011.

Consolidated income statement

	Notes	Year ended 31 December 2009			Year ended 31 December 2010			Year ended 31December 2011		
		Before exceptional items	Exceptional items[1]	Total	Before exceptional items	Exceptional items[1]	Total	Before exceptional items	Exceptional items[1]	Total
						(US$m)				
Revenue		22,732	—	22,732	30,499	—	30,499	33,877	—	33,877
Operating costs[2]	10	(15,944)	388	(15,556)	(20,113)	7	(20,106)	(22,229)	16	(22,213)
Operating profit before interest, taxation, depreciation and amortisation		6,788	388	7,176	10,386	7	10,393	11,648	16	11,664
Depreciation and amortisation	10	(2,419)	—	(2,419)	(2,732)	—	(2,732)	(3,217)	—	(3,217)
Impairment of assets		—	(2,553)	(2,553)	—	(559)	(559)	—	(469)	(469)
Reversal of assets previously impaired		—	—	—	—	—	—	—	463	463
Operating profit		4,369	(2,165)	2,204	7,654	(552)	7,102	8,431	10	8,441
Share of results from associates	20	(56)	(277)	(333)	15	(6)	9	29	12	41
Profit before interest and taxation		4,313	(2,442)	1,871	7,669	(558)	7,111	8,460	22	8,482
Finance income	10	407	47	454	152		152	137	—	137
Finance costs	10	(754)	(41)	(795)	(620)	(35)	(655)	(452)	(19)	(471)
Profit before taxation		3,966	(2,436)	1,530	7,201	(593)	6,608	8,145	3	8,148
Income tax (charge)/credit	11	(993)	324	(669)	(1,782)	129	(1,653)	(2,140)	(75)	(2,215)
Profit/(loss) for the year		2,973	(2,112)	861	5,419	(464)	4,955	6,005	(72)	5,933
Attributable to:										
Equity holders of the parent		2,773	(2,112)	661	5,152	(464)	4,688	5,785	(72)	5,713
Non-controlling interests		200	—	200	267	—	267	220	—	220
		2,973	(2,112)	861	5,419	(464)	4,955	6,005	(72)	5,933
Earnings per share (US$)										
–basic	12	1.05	(0.80)	0.25	1.77	(0.16)	1.61	1.97	(0.02)	1.95
–diluted	12	1.03	(0.78)	0.25	1.74	(0.16)	1.58	1.95	(0.02)	1.93

Notes:

(1) 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.

(2) Before depreciation, amortisation and impairment charges.

Statement of comprehensive income

	Year ended 31 December 2009	Year ended 31 December 2010	Year ended 31 December 2011
		(US$m)	
Profit for the year	861	4,955	5,933
Income and expenses recognised directly in equity:			
Actuarial losses on defined benefit pension plans	(122)	(301)	(195)
Income tax benefit	40	76	50
(Losses)/gains on available-for-sale financial assets	209	118	(37)
Income tax expense	(9)	(13)	(5)
Gains on cash flow hedges	456	88	29
Income tax expense	(105)	(41)	(9)
Foreign currency translation (losses)/gains	3,930	2,459	(1,309)
Income tax benefit/(expense)	(73)	(48)	2
	4,326	2,338	(1,474)
Transfers to the income statement:			
Gains on cash flow hedges	(312)	(115)	(59)
Income tax expense	55	45	28
(Gains)/losses on available-for-sale financial assets	1	(73)	(8)
Income tax expense	—	—	6
Other comprehensive (loss)/income	4,070	2,195	(1,507)
Total comprehensive income for the year	4,931	7,150	4,426
Attributable to:			
Equity holders of the parent	4,731	6,896	4,210
Non-controlling interests	200	254	216
	4,931	7,150	4,426

Consolidated statement of financial position

	Notes	As at 31 December 2009	As at 31 December 2010	As at 31 December 2011
			(US$m)	
Assets				
Non-current assets				
Intangible assets	14, 15	8,422	8,400	8,228
Property, plant and equipment	16	39,397	45,884	51,454
Biological assets	17	20	23	23
Inventories	18	44	45	7
Trade and other receivables	19	81	168	210
Investments in associates	20	1,790	1,786	1,769
Available-for-sale financial assets	22	364	347	258
Derivative financial assets	23	698	570	680
Other financial assets	24	348	514	743
Pension assets	34	1	1	—
Prepayments		29	32	41
Deferred tax assets	11	213	299	44
		51,407	58,069	63,457
Current assets				
Inventories	18	4,570	4,763	5,242
Trade and other receivables	19	3,306	4,463	3,742
Derivative financial assets	23	159	236	96
Prepayments		232	270	347
Other financial assets	24	2,424	—	—
Cash and cash equivalents	25	1,177	1,722	1,948
Assets classified as held-for-sale	8	549	183	—
		12,417	11,637	11,375
Total assets		63,824	69,706	74,832

	Notes	As at 31 December 2009	As at 31 December 2010	As at 31 December 2011
		(US$m)		
Equity and liabilities				
Capital and reserves—attributable to equity holders of Xstrata plc				
Issued capital	26	1,469	1,482	1,482
Share premium	26	15,096	15,458	15,458
Own shares	26	(1,306)	(1,181)	(1,140)
Convertible borrowings—equity component	26, 28a	56	—	—
Other reserves	26	5,606	8,039	6,681
Retained earnings		12,361	16,478	21,183
		33,282	40,276	43,664
Non-controlling interests		1,637	1,762	2,037
Total equity		34,919	42,038	45,701
Non-current liabilities				
Trade and other payables	27	32	88	82
Interest-bearing loans and borrowings	28	13,252	7,154	8,804
Convertible borrowings	28a	335	—	—
Derivative financial liabilities	29	505	366	417
Other financial liabilities	30	538	656	708
Provisions	31	2,844	3,368	3,708
Pension deficit	34	412	625	692
Deferred tax liabilities	11	5,775	6,348	6,250
Other liabilities	32	9	9	8
		23,702	18,614	20,669
Current liabilities				
Trade and other payables	27	3,697	4,802	5,102
Interest-bearing loans and borrowings	28	206	2,318	1,566
Derivative financial liabilities	29	52	383	65
Provisions	31	623	711	778
Income taxes payable		526	654	896
Other liabilities	32	39	30	55
Liabilities classified as held-for-sale	8	60	156	—
		5,203	9,054	8,462
Total liabilities		28,905	27,668	29,131
Total equity and liabilities		63,824	69,706	74,832

Consolidated cash flow statement

	Notes	Year ended 31 December 2009	Year ended 31 December 2010	Year ended 31 December 2011
			(US$m)	
Profit before taxation		1,530	6,608	8,148
Adjustments for:				
Finance income	10	(454)	(152)	(137)
Finance cost	10	795	655	471
Share of results from associates	20	333	(9)	(41)
Net profit on disposal of property, plant and equipment		—	(1)	(54)
Liability fair value adjustments	10	(350)	(19)	—
Profit on sale of operations and loss of control of Joint Venture	8	(194)	—	(56)
Available-for-sale financial assets write-down	10	—	—	43
Depreciation	10	2,334	2,639	3,118
Amortisation	10	85	93	99
Impairment of assets	10, 15	2,553	559	469
Reversal of assets previously impaired	10, 15	—	—	(463)
Share-based compensation plans	10	334	178	(4)
Decrease/(increase) in trade and other receivables		(1,344)	(1,178)	637
Increase in other assets		(186)	(414)	(487)
Increase in inventories		(665)	(38)	(604)
Increase in trade and other payables		318	691	450
(Decrease)/increase in provisions		218	332	(274)
Other non-cash movements		(3)	5	20
Cash generated from operations		5,304	9,949	11,335
Income tax paid		(749)	(1,442)	(1,664)
Interest paid		(498)	(332)	(379)
Interest received		73	34	64
Dividends received		1	4	2
Net cash flow from operating activities		4,131	8,213	9,358
Purchase of property, plant and equipment		(3,568)	(5,819)	(8,108)
Proceeds from sale of property, plant and equipment		10	22	33
Purchase of intangible assets	14	(16)	(11)	(31)
Proceeds from the sale of available-for-sale assets	22	1	135	51
Proceeds from restructure of joint venture		43	—	—
Purchase of available-for-sale financial assets		—	—	(29)
Purchase of other financial assets		(2,000)	—	—
Proceeds from disposal of other financial assets		—	2,250	—
Acquisition of interest in associates	20	(112)	(58)	—
Acquisition of subsidiaries, net of cash acquired	7	—	(365)	(209)
Acquisition of assets		—	—	(327)
Proceeds from disposal of joint ventures, net of disposal costs and cash disposed		—	463	—
Proceeds from disposal of subsidiaries, net of disposal costs and cash disposed	8	—	3	—
Investment in other financial assets		(110)	—	—
Distributions from other financial assets		—	184	—
Net cash flow used in investing activities		(5,752)	(3,196)	(8,620)
Issue of share capital		5,667	—	—
Purchase of own shares	26	(6)	(11)	(18)
Disposal of own shares		15	14	15
Proceeds from interest-bearing loans and borrowings		4,892	79	6,929
Repayment of interest-bearing loans and borrowings		(8,748)	(3,930)	(6,194)
Payment of finance lease liabilities		(21)	(51)	(46)
Dividends paid to equity holders of the parent	13	—	(379)	(967)
Dividends paid to non-controlling interests		(199)	(243)	(209)
Net cash flow from financing activities		1,600	(4,521)	(490)
Net increase in cash and cash equivalents		(21)	496	248
Net foreign exchange difference		41	49	(15)
Cash and cash equivalents at 1 January		1,145	1,165	1,710
Cash and cash equivalents at 31 December	25	1,165	1,710	1,943

Statement of changes in equity

	For the years ended 31 December 2009, 2010 and 2011								
	Attributable to equity holders of the parent								
	Issued capital	Share premium	Own shares	Convertible borrowings —equity component	Other reserves (refer to note 26)	Retained earnings	Total	Non-controlling interests	Total equity
					(US$m)				
At 1 January 2009	488	10,308	(1,332)	56	1,454	11,789	22,763	1,636	24,399
Comprehensive income	—	—	—	—	4,152	579	4,731	200	4,931
Issue of share capital	981	4,788	(102)	—	—	—	5,667	—	5,667
Own share purchases	—	—	(6)	—	—	—	(6)	—	(6)
Own share disposals	—	—	134	—	—	(119)	15	—	15
Cost of IFRS 2 equity-settled share-based compensation plans	—	—	—	—	—	112	112	—	112
Dividends paid (refer to note 13)	—	—	—	—	—	—	—	(199)	(199)
At 31 December 2009	1,469	15,096	(1,306)	56	5,606	12,361	33,282	1,637	34,919
Comprehensive income	—	—	—	—	2,433	4,463	6,896	254	7,150
Issue of share capital	13	362	—	(56)	—	20	339	—	339
Own share purchases	—	—	(11)	—	—	—	(11)	—	(11)
Own share disposals	—	—	136	—	—	(122)	14	—	14
Cost of IFRS 2 equity-settled share-based compensation plans	—	—	—	—	—	135	135	—	135
Acquisition of subsidiaries	—	—	—	—		—	—	114	114
Dividends paid (refer to note 13)	—	—	—	—	—	(379)	(379)	(243)	(622)
At 31 December 2010	1,482	15,458	(1,181)	—	8,039	16,478	40,276	1,762	42,038
Comprehensive income	—	—	—	—	(1,358)	5,568	4,210	216	4,426
Own share purchases	—	—	(18)	—	—	—	(18)	—	(18)
Own share disposals	—	—	59	—	—	(44)	15	—	15
Cost of IFRS 2 equity-settled share-based compensation plans	—	—	—	—	—	148	148	—	148
Acquisition of subsidiaries	—	—	—	—	—	—	—	258	258
Capital contributions	—	—	—	—	—	—	—	10	10
Dividends paid (refer to note 13)	—	—	—	—	—	(967)	(967)	(209)	(1,176)
At 31 December 2011	1,482	15,458	(1,140)	—	6,681	21,183	43,664	2,037	45,701

NOTES TO THE FINANCIAL STATEMENTS

1 Corporate information

The consolidated financial statements were authorised for issue in accordance with a directors' resolution on 15 March 2012. The ultimate parent entity of the Xstrata Group, Xstrata, 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 principal activities of the Xstrata Group are described in note 9.

2 Statement of compliance

The consolidated financial statements of Xstrata and its subsidiaries (the Xstrata Group) are prepared in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and interpretations of the International Financial Reporting Interpretations Committee (IFRIC), as adopted by the European Union, effective for the Xstrata Group's reporting for the year ended 31 December 2011.

3 Basis of preparation

The consolidated financial statements are presented in US dollars, which is the parent's functional and presentation currency, and all values are rounded to the nearest million except where otherwise indicated.

The accounting policies in note 6 have been applied in preparing the consolidated financial statements.

4 Significant accounting estimates

The preparation of these financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the date of the financial statements. Actual outcomes could differ from these estimates.

The below are the most critical judgements, estimates and assumptions:

Estimated recoverable reserves and resources

Estimated recoverable reserves and resources are used to determine the depreciation of mine production assets, in accounting for deferred stripping costs and in performing impairment testing. Estimates are prepared by appropriately qualified persons, but will be impacted by forecast commodity prices, exchange rates, production costs and recoveries, amongst other factors. Changes in assumptions will impact the carrying value of assets and depreciation and impairment charges recorded in the income statement.

Environmental rehabilitation costs

The provisions for rehabilitation costs are based on estimated future costs using information available at the balance sheet date. To the extent the actual costs differ from these estimates, adjustments will be recorded and the income statement may be impacted (refer to note 31).

Impairment testing

Note 15 outlines the significant judgements and assumptions made in performing impairment testing of non-current assets. Changes in these assumptions may alter the results of impairment testing, impairment charges recorded in the income statement and the resulting carrying values of assets.

Share-based payments, defined benefit pension plans and post-retirement medical plans

Note 34 outlines the significant assumptions made when accounting for share-based payments, defined benefit pension plans and post-retirement medical plans. Changes to these assumptions may alter the resulting accounting and ultimately the amount charged to the income statement.

5 Changes in accounting policies, new standards and interpretations not applied

Changes in accounting policies

The accounting policies adopted in the preparation of the consolidated financial statements are consistent with those followed in the preparation of the Xstrata Group's annual financial statements for the year ended 31 December 2009 and 31 December 2010, except for the adoption of the following new standards and interpretations:

Adopted in year ended 31 December 2009

- **IFRS 2 (Revised) 'Share-Based Payments'**

  The Xstrata Group adopted IFRS 2 (Revised) 'Share-Based Payments' which clarifies the definition of a vesting condition and prescribes the treatment for an award that is effectively cancelled because a non-vesting condition is not met. The adoption of this amendment has had no impact on Xstrata Group earnings or equity in the current or prior years.

- **IAS 1 (Revised) 'Presentation of Financial Statements'**

  The Xstrata Group adopted IAS 1 (Revised) 'Presentation of Financial Statements' which separates owner and non-owner transactions in equity and introduces a statement of comprehensive income. The adoption of this amendment has had no impact on Xstrata Group earnings or equity in the current or prior years. IFRS 8 'Operating Segments' Xstrata Group adopted IFRS 8 'Operating Segments' which requires disclosure of certain information relating to the Xstrata Group's operating segments and replaces the requirement to determine primary (business) and secondary (geographical) reporting segments of the Xstrata Group. The operating segments determined in accordance with IFRS 8 are the same as the business segments previously reported under IAS 14 and the adoption of this amendment has had no impact on Xstrata Group earnings or equity in the current or prior years.

- **IAS 32 (Revised) 'Financial Instruments: Presentation'**

  The Xstrata Group early adopted IAS 32 (Revised) 'Financial Instruments: Presentation' which specifies that a pro rata rights issue to all of an entity's existing shareholders, on the exercise of which the entity will receive a fixed amount of cash for a fixed number of the entity's own equity instruments, is classified as an equity instrument regardless of the currency in which the exercise price is denominated. As a result of early adopting and retrospectively applying this standard, the Xstrata Group has reversed the Rights Issue option loss of US$1.2 billion that was recognised in the 30 June 2009 interim financial statements.

- **IFRS 3 (Revised) 'Business Combinations' and IAS 27 'Consolidated and Separate Financial Statements' (Amended)**

  The Xstrata Group early adopted IFRS 3 (Revised) 'Business Combinations' and IAS 27 'Consolidated and Separate Financial Statements' (Amended) effective from 1 January 2009. IFRS 3R introduces significant changes to business combinations occurring after this date. These changes affect the valuation of non-controlling interests, accounting for acquisition costs, recognition and measurement of contingent consideration and accounting for business combinations achieved in stages.

- **IAS 27 (As amended in 2008) 'Consolidated and Separate Financial Statements'**

  IAS 27 (amended) requires that the change in the ownership interest of a subsidiary without the loss of control is accounted for as a transaction with owners in their capacity as owners with no income statement impacts and also clarifies the treatment when a parent loses control of a subsidiary. As a consequence of adopting IAS 27 (as amended in 2008), the Xstrata Group has also implemented early the consequential revisions to IAS 31 that affect the treatment of an investment on the loss of joint control.

- **IFRIC 16 'Hedges of a Net Investment in a Foreign Operation'**

  IFRIC 16 provides guidance on identifying the foreign currency risks that qualify for hedge accounting in the hedge of a net investment, where within the Xstrata Group the hedging instrument can be held in the hedge of a net investment and how the Xstrata Group should determine the amount of the foreign currency gain or loss, relating to both the net investment and the hedging instrument, to be recycled upon disposal of the net investment.

Adopted in year ended 31 December 2010

- **IFRS 2 'Group Cash-settled Share-based Payment Arrangements'**

  The Xstrata Group adopted IFRS 2 'Group Cash-settled Share-based Payment Arrangements' which clarifies the accounting for group cash-settled transactions. This amendment also supersedes IFRIC 8 and IFRIC 11. The adoption of this amendment has no impact on Xstrata Group earnings or equity in the current or prior years.

- **IAS 39 'Financial Instruments: Recognition and Measurement—Eligible Hedged Items (Amendment)'**

  The Xstrata Group adopted IAS 39 'Financial Instruments: Recognition and Measurement—Eligible Hedged Items (Amendment)' which addresses the designation of a one-sided risk in a hedged item, and the designation of inflation as a hedged risk or a portion in particular situations. The adoption of this amendment has no impact on Xstrata Group earnings or equity in the current or prior years.

- **IAS 39 'Amendments to IFRIC 9 and IFRS 39: Embedded Derivatives'**

  The Xstrata Group adopted IAS 39 'Amendments to IFRIC 9 and IFRS 39: Embedded Derivatives' which clarifies where a prepayment option is considered closely related to the host contract when the exercise price reimburses the lender up to the approximate present value of lost interest for the remaining term of the host contract. The adoption of this amendment has no impact on Xstrata Group earnings or equity in the current or prior years.

- **IFRIC 17 'Distribution of Non-cash Assets to Owners'**

  The Xstrata Group adopted IFRIC 17 'Distribution of Non-cash Assets to Owners' which provides guidance on accounting for arrangements whereby an entity distributes non-cash assets to shareholders either as distribution of reserves or as dividends. The adoption of this amendment has no impact on Xstrata Group earnings or equity in the current or prior years.

Adopted in year ended 31 December 2011

- **IAS 24 'Related Party Transactions (Amendment)'**

  The IASB issued an amendment to IAS 24 that clarifies the definitions of a related party. The new definitions emphasise a symmetrical view of related party relationships and clarify the circumstances in which persons and key management personnel affect related party relationships of an entity. In addition, the amendment introduces an exemption from the general related party disclosure requirements for transactions with government and entities that are controlled, jointly controlled or significantly influenced by the same government as the reporting entity. The adoption of the amendment did not have any impact on the financial position or performance of the Xstrata Group.

- **IFRIC 14 'Prepayments of a Minimum Funding Requirement (Amendment)'**

  The amendment removes an unintended consequence when an entity is subject to minimum funding requirements and makes an early payment of contributions to cover such requirements. The amendment permits a prepayment of future service cost by the entity to be recognised as a pension asset. The Xstrata Group does not make early payments of contributions to cover its minimum funding requirements; therefore, the amendment of the interpretation has no effect on the financial position or performance of the Xstrata Group.

- **Improvements to IFRSs**

  In May 2009, the IASB issued its second omnibus of amendments to its standards, primarily with a view to removing inconsistencies and clarifying wording. There are separate transitional provisions for each amendment. The adoption of the amendments resulted in changes to accounting policies, but did not have any impact on the financial position or performance of the Xstrata Group.

  In May 2010, the IASB issued its third omnibus of amendments to its standards, primarily with a view to removing inconsistencies and clarifying wording. There are separate transitional provisions for each standard. The adoption of the amendments resulted in changes to accounting policies, but no impact on the financial position or performance of the Xstrata Group.

The following interpretation and amendments to interpretations did not have any impact on the accounting policies, financial position or performance of the Xstrata Group:

- IFRIC 19 'Extinguishing Financial Liabilities with Equity Instruments'

New standards and interpretations not applied

The IASB and IFRIC have issued the following standards and interpretations with effective dates that are subsequent to 1 January 2012. Consequently, these pronouncements will impact the Xstrata Group's financial statements in future periods.

	Effective date
IFRS 7 'Financial Instruments: Disclosures—Enhanced Derecognition Disclosure Requirements'	1 January 2012
IFRS 9 'Financial Instruments: Classification and Measurement'	1 January 2013
IFRS 10 'Consolidated Financial Statements'	1 January 2013
IFRS 11 'Joint Arrangements'	1 January 2013
IFRS 12 'Disclosure of Involvement with Other Entities'	1 January 2013
IFRS 13 'Fair Value Measurement'	1 January 2013
IFRIC 20 'Stripping Costs in the Production Phase of a Surface Mine'	1 January 2013

With the exception of amendments to IFRS 7, the Directors anticipate that the adoption of these standards and interpretations on their effective dates will have a material impact on the Xstrata Group's presentation of financial statements in the period of initial application. The Xstrata Group will quantify the effect of IFRS 9 to 13 and IFRIC 20 as part of initial application of the new standards once the full extent of the impact can be determined.

6 Principal accounting policies

Basis of consolidation

The financial statements consolidate the financial statements of Xstrata and its subsidiaries (the Xstrata Group). All inter-entity balances and transactions, including unrealised profits and losses arising from intra-group transactions, have been eliminated in full. The results of subsidiaries acquired or sold are consolidated for the periods from or to the date on which control passes. Control is achieved where the Xstrata Group has the power to govern the financial and operating policy of an entity so as to obtain benefits from its activities. This occurs when the Xstrata Group has more than 50 per cent. voting power through ownership or agreements, except where non-controlling rights are such that a non-controlling shareholder is able to prevent the Xstrata Group from exercising control. In addition, control may exist without having more than 50 per cent. voting power through ownership or agreements, or in the circumstances of enhanced non-controlling rights, as a consequence of de facto control. De facto control is control without the legal right to exercise unilateral control, and involves decision-making ability that is not shared with others and the ability to give directions with respect to the operating and financial policies of the entity concerned. Where there is a loss of control of a subsidiary, the financial statements include the results for the part of the reporting period during which Xstrata plc has control. Subsidiaries use the same reporting period and same accounting policies as Xstrata plc.

Interests in joint ventures

A joint venture is a contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control. The financial statements of the joint ventures are generally prepared for the same reporting period as Xstrata, using consistent accounting policies. Adjustments are made to bring into line any dissimilar accounting policies that may exist in the underlying records of the joint venture.

Jointly controlled operations

A jointly controlled operation involves the use of assets and other resources of the Xstrata Group and other ventures rather than the establishment of a corporation, partnership or other entity.

The Xstrata Group accounts for the assets it controls and the liabilities it incurs, the expenses it incurs and the share of income that it earns from the sale of goods or services by the joint venture.

Jointly controlled assets

A jointly controlled asset involves joint control and ownership by the Xstrata Group and other ventures of assets contributed to or acquired for the purpose of the joint venture, without the formation of a corporation, partnership or other entity.

The Xstrata Group accounts for its share of the jointly controlled assets, any liabilities it has incurred, its share of any liabilities jointly incurred with other ventures, income from the sale or use of its share of the joint venture's output, together with its share of the expenses incurred by the joint venture, and any expenses it incurs in relation to its interest in the joint venture.

Jointly controlled entities

A jointly controlled entity involves the establishment of a corporation, partnership or other legal entity in which the Xstrata Group has an interest along with other ventures.

The Xstrata Group recognises its interest in jointly controlled entities using the proportionate method of consolidation, whereby the Xstrata Group's share of each of the assets, liabilities, income and expenses of the joint venture are combined with the similar items, line by line, in its consolidated financial statements.

When the Xstrata Group contributes or sells assets to a joint venture, any gain or loss from the transaction is recognised based on the substance of the transaction. When the Xstrata Group has transferred the risk and rewards of ownership to the joint venture, the Xstrata Group only recognises the portion of the gain or loss attributable to the other ventures, unless the loss is reflective of an impairment, in which case the loss is recognised in full. When the Xstrata Group purchases assets from the joint venture, it does not recognise its share of the profits of the joint venture from the transaction until it resells the assets to an independent party. Losses are accounted for in a similar manner unless they represent an impairment loss, in which case they are recognised immediately.

Joint ventures are accounted for in the manner outlined above, until the date on which the Xstrata Group ceases to have joint control over the joint venture.

Investments in associates

Entities in which the Xstrata Group has significant influence, and which are neither subsidiaries nor joint ventures, are associates, and are accounted for using the equity method of accounting.

Under the equity method of accounting, the investment in the associate is recognised on the balance sheet on the date of acquisition at the fair value of the purchase consideration where this is higher than the fair value of the identifiable net assets acquired, or, if the purchase consideration is less than the fair value of the identifiable net assets acquired, at the fair value of the identifiable net assets acquired. In this way, goodwill is included within the associate balance when the fair value of the investment is less than the consideration paid. The carrying amount is adjusted by the Xstrata Group's share of the post-acquisition profit or loss, depreciation, amortisation or impairment arising from fair value adjustments made at the date of acquisition and certain inter-entity transactions, together with a reduction for any dividends received or receivable from the associate. Where there has been a change recognised directly in the equity of the associate, the Xstrata Group recognises its share of such changes in equity.

The financial statements of the associates are generally prepared for the same reporting period as the Xstrata Group, using consistent accounting policies. Adjustments are made to bring into line any dissimilar accounting policies that may exist in the underlying records of the associate. Where an associate prepares its financial statements using a different reporting period, an estimate of the Xstrata Group's share of the associate's profit or loss is made based on the most reliable information available. Adjustments are made in the consolidated financial statements to eliminate the Xstrata Group's share of unrealised gains and losses on transactions between the Xstrata Group and its associates.

The Xstrata Group discontinues its use of the equity method from the date on which it ceases to have significant influence, and from that date accounts for the investment in accordance with IAS 39 (with its initial cost being the carrying amount of the associate at that date), provided the investment does not then qualify as a subsidiary or joint venture.

The Xstrata Group's income statement reflects the share of associates' results after tax and the Xstrata Group's statement of recognised income and expense includes any amounts recognised by associates outside of the income statement.

Business combinations

On the acquisition of a subsidiary, the acquisition method of accounting is used, whereby the purchase consideration is allocated to the identifiable assets, liabilities and contingent liabilities (identifiable net assets) on the basis of fair value at the date of acquisition. Those mining rights, mineral reserves and resources that are able to be reliably valued are recognised in the assessment of fair values on acquisition. Other potential reserves, resources and mineral rights, for which, in the Directors' opinion, values cannot be reliably determined, are not recognised. Acquisition costs are expensed.

When the cost of acquisition exceeds the fair values attributable to the Xstrata Group's share of the identifiable net assets, the difference is treated as purchased goodwill, which is not amortised but is reviewed for impairment annually or where there is an indication of impairment. If the fair value attributable to the Xstrata Group's share of the identifiable net assets exceeds the cost of acquisition, the difference is immediately recognised in the income statement.

Non-controlling interests represent the portion of profit or loss and net assets in subsidiaries that are not held by the Xstrata Group and are presented in equity in the consolidated balance sheet, separately from the parent's shareholders' equity.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability will be recognised in accordance with IAS 39 either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it will not be re-measured.

Subsequent settlement is accounted for within equity. In instances where the contingent consideration does not fall within the scope of IAS 39, it is measured in accordance with the appropriate IFRS.

Similar procedures are applied in accounting for the purchases of interests in associates. Any goodwill arising on such purchases is included within the carrying amount of the investment in the associates, but not thereafter amortised. Any excess of the Xstrata Group's share of the net fair value of the associate's identifiable assets, liabilities and contingent liabilities over the cost of the investment is included in income in the period of the purchase.

Foreign currencies

Financial statements of subsidiaries, joint ventures and associates are maintained in their functional currencies and converted to US dollars for consolidation of the Xstrata Group results. The functional currency of each entity is determined after consideration of the primary economic environment of the entity.

Transactions in foreign currencies are translated at the exchange rates ruling at the date of transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at year-end exchange rates. All differences that arise are recorded in the income statement, except for differences arising on rehabilitation provisions which are capitalised for operating mines. Non-monetary assets measured at historical cost in a foreign currency are translated using the exchange rates at the date of the initial transactions. Where non-monetary assets are measured at fair value in a foreign currency, they are translated at the exchange rates when the fair value was determined. Where the exchange difference relates to an item which has been recorded in equity, the related exchange difference is also recorded in equity.

On consolidation of foreign operations into US dollars, income statement items are translated at weighted average rates of exchange where this is a reasonable approximation of the exchange rate at the dates of the transactions. Balance sheet items are translated at closing exchange rates. Exchange differences on the re-translation of the investments in foreign subsidiaries, joint ventures and associates at closing rates, together with differences between income statements translated at average and at closing rates, are recorded in a separate component of equity. Exchange differences relating to quasi-equity inter-company loan balances with the foreign operations that form part of the net investment in the foreign operation are also recognised in this component of equity. On disposal or partial disposal of a foreign entity, the deferred

cumulative amount recognised in equity relating to that particular foreign operation is recognised in the income statement.

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

	31 December 2009	Average 12 months 2009	31 December 2010	Average 12 months 2010	31 December 2011	Average 12 months 2011
Argentine pesos (US$:ARS)	3.7990	3.7279	3.9759	3.9119	4.3063	4.1282
Australian dollars (AUD:US$)	0.8974	0.7934	1.0233	0.9208	1.0205	1.0331
Canadian dollars (US$:CAD)	1.0533	1.1405	0.9983	1.0302	1.0212	0.9892
Chilean pesos (US$:CLP)	507.45	558.62	468.00	510.19	519.50	483.83
Colombian pesos (US$:COP)	2,043	2,153	1,920	1,898	1,938	1,848
Euros (EUR:US$)	1.4327	1.3949	1.3387	1.3266	1.2960	1.3926
Great Britain pounds (GBP:US$)	1.6173	1.5669	1.5613	1.5456	1.5550	1.6041
Peruvian nuevo sol (US$:PEN)	2.8870	3.0098	2.8063	2.8245	2.6904	2.7532
South African rand (US$:ZAR)	7.3890	8.4057	6.6276	7.3159	8.0796	7.2642
Swiss francs (US$:CHF)	1.0356	1.0850	0.9346	1.0424	0.9376	0.8866

Revenue

Revenue associated with the sale of commodities is recognised when all significant risks and rewards of ownership of the asset sold are transferred to the customer, usually when insurance risk has passed to the customer and the commodity has been delivered to the shipping agent. At this point, the Xstrata Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the commodities and the costs incurred, or to be incurred, in respect of the sale can be reliably measured. Revenue is recognised, at fair value of the consideration receivable, to the extent that it is probable that economic benefits will flow to the Xstrata Group and the revenue can be reliably measured. Sales revenue is recognised at the fair value of consideration received, which in most cases is invoiced amounts, with most sales being priced free on board (FOB), free on rail (FOR) or cost, insurance and freight (CIF). Revenues from the sale of by-products are also included in sales revenue. Revenue excludes treatment and refining charges unless payment of these amounts can be enforced by the Xstrata Group at the time of the sale.

For some commodities, the sales price is determined provisionally at the date of sale, with the final price determined at a mutually agreed date, generally at a quoted market price at that time. This contractual feature has the character of a commodity derivative. As a result, the invoice price on these sales are marked-to-market at balance sheet date based on the forward metal prices for the relevant quotational period. This ensures that revenue is recorded at the fair value of consideration to be received. All mark-to-market adjustments are recorded in sales revenue.

Interest income

Interest income is recognised as earned on an accruals basis using the effective interest method in the income statement.

Exceptional items

Exceptional items represent significant items of income and expense that, due to their nature or the expected infrequency of the events giving rise to them, are presented separately on the face of the income statement to give a better understanding to shareholders of the elements of financial performance in the year, so as to facilitate comparison with prior periods and to better assess trends in financial performance. Exceptional items include, but are not limited to, impairment charges and reversals, liability fair value adjustments, profits and losses on the sale of investments, profits and losses from the sale of operations, restructuring and closure costs, inventory write-downs, foreign currency gains and losses on borrowings, loan issue costs written off on facility refinancing and the related tax impacts of these items.

Property, plant and equipment

On initial acquisition, land and buildings and plant and equipment are valued at cost, being the purchase price and the directly attributable costs of acquisition or construction required to bring the asset to the location and condition necessary for the asset to be capable of operating in the manner intended by management.

In subsequent periods, buildings, plant and equipment are stated at cost less accumulated depreciation and any impairment in value, whilst land is stated at cost less any impairment in value and is not depreciated.

Depreciation is provided so as to write off the costs, less estimated residual values of buildings, plant and equipment (based on prices prevailing at the balance sheet date), on the following bases:

Mine production assets are depreciated using a unit-of-production method based on estimated economically recoverable reserves, which results in a depreciation charge proportional to the depletion of reserves. Buildings, plant and equipment unrelated to production are depreciated using the straight-line method based on estimated useful lives.

Where parts of an asset have different useful lives, depreciation is calculated on each separate part. Each asset or part's estimated useful life has due regard to both its own physical life limitations and the present assessment of economically recoverable reserves of the mine property at which the item is located, and to possible future variations in those assessments. Estimates of remaining useful lives and residual values are reviewed annually. Changes in estimates are accounted for prospectively.

The expected useful lives are as follows:

Buildings	15–40 years
Plant and equipment	4–30 years

The net carrying amounts of land, buildings and plant and equipment are reviewed for impairment either individually or at the cash-generating unit level when events and changes in circumstances indicate that the carrying amounts may not be recoverable. To the extent that these values exceed their recoverable amounts, that excess is fully provided against in the financial year in which this is determined.

Expenditure on major maintenance or repairs includes the cost of the replacement of parts of assets and overhaul costs. Where an asset or part of an asset is replaced and it is probable that future economic benefits associated with the item will be available to the Xstrata Group, the expenditure is capitalised and the carrying amount of the item replaced derecognised. Similarly, overhaul costs associated with major maintenance are capitalised and depreciated over their useful lives where it is probable that future economic benefits will be available and any remaining carrying amounts of the cost of previous overhauls are derecognised. All other costs are expensed as incurred.

Where an item of property, plant and equipment is disposed of, it is derecognised and the difference between its carrying value and net sales proceeds is disclosed as a profit or loss on disposal in the income statement.

Any items of property, plant or equipment that cease to have future economic benefits are derecognised with any gain or loss included in the income statement in the financial year in which the item is derecognised.

Exploration and evaluation expenditure

Exploration and evaluation expenditure relates to costs incurred on the exploration and evaluation of potential mineral reserves and resources and includes costs such as exploratory drilling and sample testing and the costs of pre-feasibility studies. Exploration and evaluation expenditure for each area of interest, other than that acquired from the purchase of another mining company, is carried forward as an asset, provided that one of the following conditions is met:

- such costs are expected to be recouped in full through successful development and exploration of the area of interest or, alternatively, by its sale; or
- exploration and evaluation activities in the area of interest have not yet reached a stage that permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active and significant operations in relation to the area are continuing or planned for the future.

Purchased exploration and evaluation assets are recognised as assets at their cost of acquisition or at fair value if purchased as part of a business combination.

An impairment review is performed, either individually or at the cash-generating unit level, when there are indicators that the carrying amount of the assets may exceed their recoverable amounts. To the extent that this occurs, the excess is fully provided against, in the financial year in which this is determined. Exploration and evaluation assets are reassessed on a regular basis and these costs are carried forward, provided that at least one of the conditions outlined above is met.

Expenditure is transferred to mine development assets or capital work in progress once the work completed to date supports the future development of the property and such development receives appropriate approvals.

Mineral properties and mine development expenditure

The cost of acquiring mineral reserves and mineral resources is capitalised on the balance sheet as incurred. Capitalised costs (development expenditure) include costs associated with a start-up period where the asset is available for use but incapable of operating at normal levels without a commissioning period.

Mineral reserves and capitalised mine development expenditure are, upon commencement of production, depreciated using a unit of production method based on the estimated economically recoverable reserves to which they relate or are written off if the property is abandoned. The net carrying amounts of mineral reserves and resources and capitalised mine development expenditure at each mine property are reviewed for impairment either individually or at the cash-generating unit level when events and changes in circumstances indicate that the carrying amount may not be recoverable. To the extent that these values exceed their recoverable amounts, that excess is fully provided against in the financial year in which this is determined.

Capital work in progress

Assets in the course of construction are capitalised in the capital work in progress account. On completion, the cost of construction is transferred to the appropriate category of property, plant and equipment.

The cost of property, plant and equipment comprises its purchase price and any costs directly attributable to bringing it into working condition for its intended use.

Costs associated with a start-up period are capitalised where the asset is available for use but incapable of operating at normal levels without a commissioning period.

Capital work in progress is not depreciated. The net carrying amounts of capital work in progress at each mine property are reviewed for impairment either individually or at the cash-generating unit level when events and changes in circumstances indicate that the carrying amount may not be recoverable. To the extent that these values exceed their recoverable amounts, that excess is fully provided against in the financial year in which this is determined.

Leasing and hire purchase commitments

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement at inception date, including whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets or whether the arrangement conveys a right to use the asset. A reassessment after inception is only made in specific circumstances.

Assets held under finance leases, where substantially all the risks and rewards of ownership of the asset have passed to the Xstrata Group, and hire purchase contracts, are capitalised in the balance sheet at the lower of the fair value of the leased property or the present value of the minimum lease payments during the lease term calculated using the interest rate implicit in the lease agreement. These amounts are determined at the inception of the lease and are depreciated over the shorter of their estimated useful lives or lease term. The capital elements of future obligations under leases and hire purchase contracts are included as liabilities in the balance sheet. The interest elements of the lease or hire purchase obligations are charged to the income statement over the periods of the leases and hire purchase contracts and represent a constant proportion of the balance of capital repayments outstanding.

Leases where substantially all the risks and rewards of ownership have not passed to the Xstrata Group are classified as operating leases. Rentals payable under operating leases are charged to the income statement on a straight-line basis over the lease term.

Deferred stripping costs

In open pit mining operations, it is necessary to remove overburden and other waste in order to access the ore body. During the pre-production phase, these costs are capitalised as part of the cost of the mine property and depreciated based on the mine's strip ratio.

The costs of removal of the waste material during a mine's production phase are deferred where they give rise to future benefits. The deferral of these costs, and subsequent charges to the income statement, are determined with reference to the mine's strip ratio.

The mine's strip ratio represents the ratio of the estimated total volume of waste, to the estimated total quantity of economically recoverable ore, over the life of the mine. These costs are deferred where the actual stripping ratios are higher than the average life-of-mine strip ratio. The costs charged to the income statement are based on application of the mine's strip ratio to the quantity of ore mined in the period. Where the ore is expected to be evenly distributed, waste removal is expensed as incurred.

Biological assets

Biological assets, being cattle, are carried at their fair value less estimated selling costs. Any changes in fair value less estimated selling costs are included in the income statement in the period in which they arise.

Intangible assets

Purchased intangible assets are recorded at the cost of acquisition, including expenses incidental to the acquisition, less accumulated amortisation and any impairment in value.

Intangible assets acquired as part of an acquisition of a business are capitalised separately from goodwill if the asset is separable or arises from contractual or legal rights and the fair value can be measured reliably on initial recognition.

Internally generated goodwill is not recognised.

Intangible assets are amortised over their estimated useful lives, except goodwill and those intangible assets that the Directors regard as having indefinite useful lives, that are not amortised but are reviewed for impairment at least annually, and whenever events or circumstances indicate that the carrying amount may not be recoverable. Intangible assets are regarded as having an indefinite life when, based on an analysis of all the relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash flows. Such analyses are performed annually. Estimated useful lives are determined as the period over which the Xstrata Group expects to use the asset or the number of production (or similar) units expected to be obtained from the asset by the Xstrata Group and for which the Xstrata Group retains control of access to those benefits.

For intangible assets with a finite useful life, the amortisation method and period are reviewed annually and impairment testing is undertaken when circumstances indicate the carrying amount may not be recoverable.

Where an intangible asset is disposed of, it is derecognised and the difference between its carrying value and the net sales proceeds is reported as a profit or loss on disposal in the income statement in the financial year the disposal occurs.

Coal export rights

Coal export rights are carried at cost and amortised using a unit-of-production method based on the reserves that exist in the location that has access to such rights.

Software and technology patents

Software and technology patents are carried at cost and amortised over a period of three years and 20 years, respectively.

Hydroelectricity rights

Hydroelectricity rights acquired will be amortised over the expected life of the operation following the completion of construction.

Long-term feed contract

A long-term feed contract is amortised over the remaining contract term.

Impairment of assets

The carrying amounts of non-current assets are reviewed for impairment whenever events or changes in circumstances indicate the carrying amounts may not be recoverable. If there are indicators of impairment, a review is undertaken to determine whether the carrying amounts are in excess of their recoverable amounts. An asset's recoverable amount is determined as the higher of its fair value less costs to sell and its value-in-use. Such reviews are undertaken on an asset-by-asset basis, except where assets do not generate cash flows independent of other assets, in which case the review is undertaken at the cash-generating unit level.

Where a cash-generating unit, or Xstrata Group of cash-generating units, has goodwill allocated to it, or includes intangible assets that are either not available for use or that have an indefinite useful life (and which can only be tested as part of a cash-generating unit), an impairment test is performed at least annually or whenever there is an indication that the carrying amounts of such assets may be impaired.

If the carrying amount of an asset exceeds its recoverable amount, an impairment loss is recorded in the income statement to reflect the asset at the lower amount. In assessing the value-in-use, the relevant future cash flows expected to arise from the continuing use of such assets and from their disposal are discounted to their present value using a market-determined pre-tax discount rate that reflects current market assessments of the time value of money and asset-specific risks for which the cash flow estimates have not been adjusted. Fair value less costs to sell is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. For mining assets, this would generally be determined based on the present value of the estimated future cash flows arising from the continued use and eventual disposal of the asset. In assessing these cash flows and discounting them to present value, assumptions used are those that an independent market participant would consider appropriate.

An impairment loss is reversed in the income statement if there is a change in the estimates used to determine the recoverable amount since the prior impairment loss was recognised. The carrying amount is increased to the recoverable amount, but not beyond the carrying amount, net of depreciation or amortisation that would have arisen if the prior impairment loss had not been recognised. After such a reversal, the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life. Goodwill impairments are not reversed.

Non-current assets held-for-sale and discontinued operations

Non-current assets held-for-sale

Non-current assets and disposal groups are classified as held-for-sale if their carrying amounts will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the assets or disposal groups are available for immediate sale in their present condition. The Xstrata Group must be committed to the sale which should be expected to qualify for recognition as a completed sale within one year of the date of classification.

Non-current assets (or disposal groups) held-for-sale are carried at the lower of the carrying amount prior to being classified as held-for-sale, and the fair value less costs to sell. A non-current asset is not depreciated while classified as held-for-sale.

A non-current asset held-for-sale is presented separately in the balance sheet. The assets and liabilities of a disposal group classified as held-for-sale are presented separately as one line in the assets and liabilities sections on the face of the balance sheet.

Discontinued operations

A discontinued operation is a component of an entity, whose operations and cash flows are clearly distinguished both operationally and for financial reporting purposes from the rest of the entity, that has been disposed of or classified as held-for-sale. To be classified as a discontinued operation one of the following criteria must be met:

- the operation must represent a separate major line of business or geographical area of operations;
- the operation must be part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations; or
- the operation must be a subsidiary acquired exclusively with a view to resale.

Where the operation is discontinued at the balance sheet date, the results are presented in one line on the face of the income statement, and prior period results are represented as discontinued.

Financial instruments

Financial assets are classified as either financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments or available-for-sale financial assets, as appropriate. The Xstrata Group determines the classification of its financial assets at initial recognition. Where, as a result of a change in intention or ability, it is no longer appropriate to classify an investment as held-to-maturity, the investment is reclassified into the available-for-sale category. When financial assets are recognised initially, they are measured at fair value on the trade date, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs. All financial liabilities are initially recognised at their fair value. Subsequently, all financial liabilities, with the exception of derivatives, are carried at amortised cost.

The Xstrata Group considers whether a contract contains an embedded derivative when the Xstrata Group becomes a party to the contract. Embedded derivatives are separated from the host contract if it is not measured at fair value through profit and loss and when the economic characteristics and risks are not closely related to the host contract.

Financial assets at fair value through profit or loss

Financial assets classified as held-for-trading are included in the category financial assets at fair value through profit or loss. Financial assets are classified as held-for-trading if they are acquired for the purpose of selling in the near term. Derivatives are also classified as held-for-trading unless they are designated as and are effective hedging instruments. Gains or losses on these items are recognised in income.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, do not qualify as trading assets and have not been designated as either fair value through profit and loss or available-for-sale. Such assets are carried at amortised cost using the effective interest method.

Gains and losses are recognised in income when the loans and receivables are derecognised or impaired, as well as through the amortisation process. Trade and other receivables are recognised and carried at their original invoiced value, adjusted, where appropriate, for provisional pricing or their recoverable amount if this differs from the invoiced amount. Where the time value of money is material, receivables are discounted and are carried at their present value. A provision is made where the estimated recoverable amount is lower than the carrying amount.

Available-for-sale financial assets

Available-for-sale financial assets are those non-derivative financial assets that are designated as available-for-sale or are not classified in any of the other three stated categories. After initial recognition, available-for-sale financial assets are measured at fair value with gains or losses being recognised as a separate component of equity until the investment is derecognised or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is included in the income statement.

Listed share investments are carried at fair value based on stock exchange quoted prices at the balance sheet date. Unlisted shares are carried at fair value where it can be reliably obtained, otherwise they are stated at cost less any impairment.

Fair values

The fair value of quoted financial assets is determined by reference to bid prices at the close of business on the balance sheet date. Where there is no active market, fair value is determined using valuation techniques. These include recent arm's length market transactions, reference to current market value of another instrument which is substantially the same, discounted cash flow analysis, and pricing models.

Derivative financial instruments are valued using applicable valuation techniques such as those outlined above.

Derecognition of financial assets and liabilities

Financial assets

A financial asset is derecognised when:

- the rights to receive cash flows from the asset have expired;
- the Xstrata Group retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a "pass-through" arrangement; or
- the Xstrata Group has transferred its rights to receive cash flows from the asset and either has transferred substantially all the risks and rewards of the asset or has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Where the Xstrata Group has transferred its right to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, it continues to recognise the financial asset to the extent of its continuing involvement in the asset.

Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

Gains and losses on derecognition are recognised within finance income and finance costs, respectively.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the income statement.

Impairment of financial assets

The Xstrata Group assesses at each balance sheet date whether a financial asset is impaired.

Financial assets carried at amortised cost

If there is objective evidence that an impairment loss on loans and receivables and held-to-maturity investments carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced and the amount of the loss is recognised in the income statement. Objective evidence of impairment of loans and receivables exists if the counterparty is experiencing significant financial difficulty, there is a breach of contract, concessions are granted to the counterparty that would not normally be granted, or it is probable that the counterparty will enter into bankruptcy or a financial reorganisation.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed. Any subsequent reversal of an impairment loss is recognised in the income

statement, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

Assets carried at cost

If there is objective evidence that there is an impairment loss on an unquoted equity instrument that is not carried at fair value (because its fair value cannot be reliably measured), the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset.

Available-for-sale financial assets

If an available-for-sale financial asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in profit or loss, is transferred from equity to the income statement. Reversals in respect of equity instruments classified as available-for-sale are not recognised in profit. Reversals of impairment losses on debt instruments are reversed through profit or loss if the increase in fair value of the instrument can objectively be related to an event occurring after the impairment loss was recognised in profit or loss.

Rehabilitation trust fund

Investments in the rehabilitation trust fund are measured at fair value based on the market price of investments held by the trust. In accordance with IFRIC 5, movements in the fair value are recognised in the income statement. Such amounts relate to trusts in South Africa which receive cash contributions to accumulate funds for the Xstrata Group's rehabilitation liabilities relating to the eventual closure of the Xstrata Group's coal operations.

Derivative financial instruments and hedging

The Xstrata Group uses derivative financial instruments such as interest rate swaps, forward currency and commodity contracts to hedge its risks associated with interest rate, foreign currency and commodity price fluctuations. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Any gains or losses arising from changes in fair value on derivatives that do not qualify for hedge accounting are taken directly to profit or loss for the year.

The fair value of forward currency and commodity contracts is calculated by reference to current forward exchange rates and prices for contracts with similar maturity profiles. The fair value of interest rate swap contracts is determined by reference to market values for similar instruments.

For the purpose of hedge accounting, hedges are classified as:

- fair value hedges;
- cash flow hedges; or
- hedges of a net investment in a foreign operation.

At the inception of a hedge relationship, the Xstrata Group formally designates and documents the hedge relationship to which the Xstrata Group wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the hedging instrument's effectiveness in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Hedges that are expected to be highly effective in achieving offsetting changes in fair value or cash flows are assessed on an on-going basis to determine if they actually have been highly effective throughout the financial reporting periods for which they were designated.

Hedges which meet the strict criteria for hedge accounting are accounted for as follows:

Fair value hedges

Fair value hedges are hedges of the Xstrata Group's exposure to changes in the fair value of a recognised asset or liability that could affect profit or loss. The carrying amount of the hedged item is adjusted for gains and losses attributable to the risk being hedged, the derivative is remeasured at fair value, and gains and losses from both are taken to profit or loss.

For fair value hedges relating to items carried at amortised cost, the adjustment to carrying value is amortised through profit or loss over the remaining term to maturity. Any adjustment to the carrying amount of a hedged financial instrument for which the effective interest method is used is amortised to profit or loss.

Amortisation begins when the hedged item ceases to be adjusted for changes in its fair value attributable to the risk being hedged.

The Xstrata Group discontinues fair value hedge accounting if the hedging instrument expires or is sold, terminated or exercised, the hedge no longer meets the criteria for hedge accounting or the Xstrata Group revokes the designation.

Cash flow hedges

Cash flow hedges are hedges of an exposure to variability in cash flows that is attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction that could affect profit or loss. The effective portion of the gain or loss on the hedging instrument is recognised directly in equity, while the ineffective portion is recognised in profit or loss.

Amounts taken to equity are transferred to the income statement when the hedged transaction affects profit or loss. Where the hedged item is the cost of a non-financial asset or liability, the amounts taken to equity are transferred to the initial carrying amount of the non-financial asset or liability.

If the forecast transaction is no longer expected to occur, amounts previously recognised in equity are transferred to profit or loss. If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover, or if its designation as a hedge is revoked, amounts previously recognised in equity remain in equity until the forecast transaction occurs. If the related transaction is not expected to occur, the amount is taken to profit or loss.

Hedges of a net investment

Hedges of a net investment in a foreign operation are accounted for in a way similar to cash flow hedges. Gains or losses on the hedging instrument relating to the effective portion of the hedge are recognised directly in equity while any gains or losses relating to the ineffective portion are recognised in profit or loss. On disposal of the foreign operation, the cumulative value of any such gains or losses recognised directly in equity is transferred to profit or loss.

Own shares

The cost of purchases of own shares held by the Employee Share Ownership Plan (ESOP) trust are deducted from equity. Where they are issued to employees or sold, no gain or loss is recognised in the income statement. Any proceeds received on disposal of the shares or transfer to employees are recognised in equity.

Own shares purchased under the Equity Capital Management Program (ECMP) are deducted from equity. No gain or loss is recognised in the income statement on the purchase, sale, issue or cancellation of such shares. Such gains and losses are recognised directly in equity.

Interest-bearing loans and borrowings

Loans are recognised at inception at the fair value of proceeds received, net of directly attributable transaction costs. Subsequently, they are measured at amortised cost using the effective interest method. Finance costs are recognised in the income statement using the effective interest method.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on a weighted average basis or by using a first-in-first-out basis and includes all costs incurred in the normal course of business, including direct material and direct labour costs and an allocation of production overheads, depreciation and amortisation and other costs, based on normal production capacity, incurred in bringing each product to its present location and condition. Cost of inventories includes the transfers from equity of gains and losses on qualifying cash flow hedges in respect of the purchase of materials. Inventories are categorised as follows:

- raw materials and consumables: materials, goods or supplies (including energy sources) to be either directly or indirectly consumed in the production process;
- work in progress: items stored in an intermediate state that have not yet passed through all the stages of production; and
- finished goods: products and materials that have passed all stages of the production process.

Net realisable value represents estimated selling price in the ordinary course of business less any further costs expected to be incurred to completion and disposal.

Cash and cash equivalents

Cash and cash equivalents comprise cash at bank, cash in hand and short-term deposits with an original maturity of three months or less. For the cash flow statement, cash and cash equivalents include certain bank overdrafts where the facility forms part of the working capital cash management activities.

Government grants

Government grants are recognised where there is reasonable assurance that the grant will be received and all the attaching conditions will be complied with. Government grants in respect of capital expenditure are credited to the carrying amount of the related asset and are released to the income statement over the expected useful lives of the relevant assets. Grants that are not associated with an asset are credited to income so as to match them with the expense to which they relate.

Environmental protection, rehabilitation and closure costs

Provision is made for close down, restoration and environmental rehabilitation costs (which include the dismantling and demolition of infrastructure, removal of residual materials and remediation of disturbed areas) in the financial period when the related environmental disturbance occurs, based on the estimated future costs using information available at the balance sheet date. The provision is discounted using a current market-based pre-tax discount rate and the unwinding of the discount is included in interest expense. At the time of establishing the provision, a corresponding asset is capitalised, where it gives rise to a future benefit, and depreciated over future production from the operations to which it relates.

The provision is reviewed on an annual basis for changes to obligations, legislation or discount rates that impact estimated costs or lives of operations. The cost of the related asset is adjusted for changes in the provision resulting from changes in the estimated cash flows or discount rate and the adjusted cost of the asset is depreciated prospectively.

Rehabilitation trust funds holding monies committed for use in satisfying environmental obligations are included within "Other financial assets" on the balance sheet.

Employee entitlements

Provisions are recognised for short-term employee entitlements, on an undiscounted basis, for services rendered by employees that remain unpaid at the balance sheet date.

Provisions for long-term employee entitlements are measured using the projected unit credit method and discounted at an interest rate equivalent to the current rate of return on a high quality corporate bond of equivalent currency and term to the liabilities.

In some of the Xstrata Group's Australian operations, long service leave (an employee entitlement for which a provision is recorded) is administered by an independent fund. The fund collects levies from employers throughout the industry based on the expected cost of future liabilities. When the Xstrata

Group makes long service leave payments to employees covered by the fund, it is reimbursed for the majority of the payment. To reflect the expected reimbursement for future long service leave payments from the fund, a receivable is recorded based on the present value of the future amounts expected to be reimbursed.

Other provisions

Provisions are recognised when the Xstrata Group has a present obligation (legal or constructive), as a result of past events, and it is probable that an outflow of resources that can be reliably estimated will be required to settle the obligation. Where the effect is material, the provision is discounted to net present value using an appropriate current market-based pre-tax discount rate and the unwinding of the discount is included in finance costs.

Taxation

Current tax

Current tax for each taxable entity in the Xstrata Group is based on the local taxable income at the local statutory tax rate enacted or substantively enacted at the balance sheet date and includes adjustments to tax payable or recoverable in respect of previous periods.

Deferred tax

Deferred tax is recognised using the balance sheet method in respect of all temporary differences between the tax bases of assets and liabilities, and their carrying amounts for financial reporting purposes, except as indicated below:

Deferred income tax liabilities are recognised for all taxable temporary differences, except:

- where the deferred income tax liability arises from the initial recognition of goodwill or the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry-forward of unused tax assets and unused tax losses can be utilised, except:

- where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised. To the extent that an asset not previously recognised fulfils the criteria for recognition, a deferred income tax asset is recorded.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which the asset is realised or the liability is settled, based on tax rates and tax laws enacted or substantively enacted at the balance sheet date.

Current and deferred tax relating to items recognised directly in equity are recognised in equity and not in the income statement.

Mining taxes and royalties are treated and disclosed as current and deferred taxes if they have the characteristics of an income tax.

Pensions and other post-retirement obligations

The Xstrata Group's contributions to defined contribution pension plans are charged to the income statement in the year to which they relate.

The Xstrata Group contributes to separately administered defined benefit pension plans.

For defined benefit funds, plan assets are measured at fair value, while plan liabilities are measured on an actuarial basis using the projected unit credit method and discounted at an interest rate equivalent to the current rate of return on a high quality corporate bond of equivalent currency and term to the plan liabilities. The expected return on plan assets is based on an assessment made at the beginning of the year of long-term market returns on scheme assets, adjusted for the effect on the fair value of plan assets of contributions received and benefits paid during the year. In measuring its defined benefit liability, past service costs are recognised as an expense on a straight-line basis over the period until the benefits become vested. To the extent that the benefits vest immediately following the introduction of, or changes to, a defined benefit plan, the past service costs are recognised immediately. When a settlement (eliminating all obligations for part or all of the benefits that have already accrued) or a curtailment (reducing future obligations as a result of a material reduction in the scheme membership or a reduction in future entitlement) occurs, the obligation and related plan assets are remeasured using current actuarial assumptions and the resultant gain or loss is recognised in the income statement during the period in which the settlement or curtailment occurs.

The service cost of providing pension benefits to employees for the year is determined using the projected unit method and is recognised in the income statement. The difference between the expected return on plan assets and the unwinding of the discount on plan liabilities is recognised in the income statement.

Actuarial gains or losses are recognised directly in equity through the statement of recognised income and expenses. The full pension surplus or deficit is recorded in the balance sheet, with the exception of the impact of any recognition of past service costs. Surpluses recorded are restricted to the sum of any unrecognised past service costs and present value of any amounts the Xstrata Group expects to recover by way of refunds from the plan or reductions in future contributions.

The Xstrata Group also provides post-retirement healthcare benefits to certain employees in Canada, the Dominican Republic, South Africa and the United States. These are accounted for in a similar manner to the defined benefit pension plans. These benefits are unfunded.

Ordinary share capital

Ordinary shares issued by Xstrata are recorded at the net proceeds received, which is the fair value of the consideration received less costs that are incurred in connection with the share issue. The nominal par value of the shares issued is taken to the share capital account and any excess is recorded in the share premium account, including the costs that were incurred with the share issue.

Share-based compensation plans

The Xstrata Group makes share-based awards, including free shares and options, to certain employees.

Equity-settled awards

For equity-settled awards, the fair value is charged to the income statement and credited to retained earnings, on a straight-line basis over the vesting period, after adjusting for the estimated number of awards that are expected to vest (taking into account the achievement of non-market-based performance conditions). The fair value of the equity-settled awards is determined at the date of the grant. In calculating fair value, no account is taken of any vesting conditions, other than conditions linked to the price of the shares of Xstrata (market conditions). The fair value is determined by external experts using option pricing models. At each balance sheet date prior to vesting, the cumulative expense representing the extent to which the vesting period has expired and management's best estimate of the awards that are ultimately expected to vest is computed (after adjusting for non-market performance conditions). The movement in cumulative expense is recognised in the income statement with a corresponding entry within equity.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether or not the market condition is satisfied, provided that all other performance conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum, an expense is recognised as if the terms had not been modified over the original vesting period. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee as measured at the date of modification, over the remainder of the new vesting period.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. Any compensation paid up to the fair value of the award at the cancellation or settlement date is deducted from equity, with any excess over fair value being treated as an expense in the income statement. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the new award is treated as if it is a modification of the original award as described in the previous paragraph.

Cash-settled awards

For cash-settled awards, the fair value is recalculated at each balance date until the awards are settled based on the estimated number of awards that are expected to vest, adjusting for market and non-market based performance conditions. During the vesting period, a liability is recognised representing the portion of the vesting period that has expired at the balance sheet date multiplied by the fair value of the awards at that date. After vesting, the full fair value of the unsettled awards at each balance date is recognised as a liability. Movements in the liability are recognised in the income statement. The fair value is recalculated using an option pricing model (refer to note 36).

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised and amortised over the useful life of the asset. Borrowing costs related to the establishment of a loan facility are capitalised and amortised over the life of the facility. Other borrowing costs are recognised as an expense in the financial period incurred.

Comparatives

Where applicable, comparatives have been adjusted to disclose them on the same basis as the current year.

7 Acquisitions

2011 Business combinations

Zanaga

In February 2011, the Xstrata Group exercised its call option over Jumelles Limited (Jumelles), the owner of the Zanaga iron ore project in the Republic of Congo, whereby the Xstrata Group acquired a 50 per cent. plus one share interest in Jumelles in return for a commitment to fund a feasibility study estimated to cost US$250 million, in addition to US$105 million spent prior to acquisition and US$22 million for outstanding shareholder loans.

The final fair values of the identifiable assets and liabilities acquired were as follows:

	IFRS carrying value	Fair value adjustments	Final fair value at acquisition
		(US$m)	
Property, plant and equipment	105	392	497
Prepayments	1	—	1
Trade and other receivables	1	250	251
	107	642	749
Trade and other payables	(6)	—	(6)
Provisions	(2)	—	(2)
Deferred tax liabilities	—	(118)	(118)
Net assets	99	524	623
Non-controlling interests	—	(317)	(317)
Net attributable assets	99	207	306
Goodwill arising on acquisition	—	59	59
	99	266	365
Consideration:			
Net cash acquired with the subsidiary			(12)
Cash paid			22
Pre-feasibility costs incurred to date			105
Contingent consideration			250
			365

The fair value adjustments principally relate to the recognition of the reserves and resources, as well as the estimated cost of the remaining feasibility study costs which the Xstrata Group will fund. The goodwill balance is the result of the requirement to recognise a deferred tax liability calculated as the difference between the tax effect of the fair value of the assets and liabilities acquired and their tax bases.

First Coal

On 28 July 2011, the Xstrata Group made a CAD1.75 per share cash offer to acquire all of the shares in First Coal Corporation (First Coal), a privately-owned Canadian company. The Xstrata Group acquired all of the issued share capital of First Coal following successful completion of the plan of arrangement on 4 August 2011. The total cost of the acquisition was US$140 million. First Coal owns coking coal exploration leases in British Columbia, Canada.

The provisional fair values of the identifiable assets and liabilities acquired were as follows:

	IFRS carrying value	Fair value adjustments	Provisional fair value at acquisition
		(US$m)	
Property, plant and equipment	61	87	148
Trade and other payables	(6)	—	(6)
Provisions	(2)	—	(2)
Deferred tax liabilities	—	(22)	(22)
Net assets	53	65	118
Goodwill arising on acquisition	—	22	22
	53	87	140
Consideration:			
Net cash acquired with the subsidiary			(4)
Cash paid			144
			140

The fair value adjustments principally relate to the recognition of the reserves and resources. The goodwill balance is the result of the requirement to recognise a deferred tax liability calculated as the difference between the tax effect of the fair value of the assets and liabilities acquired and their tax bases.

2010 business combinations

Sphere Minerals Limited

On 3 November 2010, the Xstrata Group made a AUD3.00 cash offer to acquire all of the shares in Sphere Minerals Limited (Sphere). The Xstrata Group declared the offer free from all conditions, and obtained control of Sphere, following the receipt of acceptances in respect of more than 50 per cent. of Sphere's share capital. By 17 December 2010 the Xstrata Group held 75 per cent. of Sphere. Under IFRS 3 the acquisition has been accounted for as one transaction occurring on 16 November 2010. The total cost of the acquisition was US$391 million. Sphere is a West Africa focused iron ore company, with interests in three iron ore projects in Mauritania.

The fair values of the identifiable assets and liabilities acquired were as follows:

	Provisional fair value as reported at 31.12.10	Fair value adjustments	Fair value at acquisition
		(US$m)	
Property, plant and equipment	494	—	494
Trade and other receivables	2	—	2
	496	—	496
Trade and other payables	(4)	—	(4)
Deferred tax liabilities	(122)	20	(102)
Net assets	370	20	390
Non-controlling interests	(97)	(17)	(114)
Net attributable assets	273	3	276
Goodwill arising on acquisition	92	(3)	89
	365	—	365
Consideration:			
Net cash acquired with the subsidiary	(26)	—	(26)
Cash paid	391	—	391
	365	—	365

The goodwill balance is the result of the requirement to recognise a deferred tax liability calculated as the difference between the tax effect of the fair value of the assets and liabilities acquired and their tax bases.

The cash offer of AUD3.00 for each Sphere share remained open until 13 May 2011 and a further 12 per cent. was acquired for a total consideration of US$59 million. At 31 December 2011, the Xstrata Group held 87 per cent. of Sphere at a total consideration of US$450 million, excluding net cash acquired with the subsidiary.

2009 business combinations

There were no business combinations in 2009.

The below information provides aggregate amounts of acquired assets and liabilities for all business combinations in 2009, 2010 and 2011:

	2009	2010	2011
		(US$m)	
Property, plant and equipment	—	494	540
Prepayments	—	—	1
Trade and other receivables	—	2	251
	—	496	792
Trade and other payables	—	(4)	(12)
Provisions	—	—	(4)
Deferred tax liabilities	—	(102)	(140)
Net assets	—	390	636
Non-controlling interests	—	(114)	(258)
Net attributable assets	—	276	378
Goodwill arising on acquisition	—	89	81
	—	365	459
Consideration:			
Net cash acquired with the subsidiary	—	(26)	(16)
Cash paid	—	391	225
Contingent consideration	—	—	250
	—	365	459

8 Disposals and held-for-sale assets

2011

Bakwena Ba Magopa Community Trust

In February 2011, the Xstrata Group finalised a black empowerment agreement in respect of the Xstrata Group's Rhovan vanadium operations (Rhovan) in South Africa. The Bakwena Ba Magopa Community Trust (Bakwena) acquired 26 per cent. interest in the Rhovan business for US$56 million. The Xstrata Group facilitated the transaction by providing vendor financing and the loan will be repayable from a portion of Bakwena's share of future free cash flows. A profit of US$48 million has been recognised on the finalisation of the transaction (refer to note 10) reflecting the change from control to joint control.

Mpumalanga

In December 2011, the Xstrata 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, made up of cash and value attributed to a favourable off-take agreement. A gain on disposal of US$8 million has been recognised in other revenue.

The net balance of other held-for-sale assets and liabilities at 31 December 2011 was US$nil.

2010

Maloma mine

In June 2010, the Maloma mine in Swaziland was sold for a cash consideration of US$3 million, resulting in the Xstrata Group realising a gain of US$3 million.

The net balance of other held-for-sale assets and liabilities at 31 December 2010 was US$27 million, relating to a coal mine in South Africa.

2009

Profit on loss of control of joint venture

In October 2009, the Xstrata Group entered into an irrevocable sale agreement to dispose of the Xstrata Group's 70 per cent. interest in El Morro SCM, the holder of the El Morro copper-gold project in Chile,

and associated rights and assets, to Barrick Gold Corporation (or New Gold Incorporated upon the exercise of their right of first refusal) for a total cash consideration of US$463 million (refer to note 10). As the Xstrata Group recovered the carrying value of this asset through a sale transaction, the asset was classified as held-for-sale at 31 December 2009. The sale proceeds were received from New Gold Incorporated on 17 February 2010.

The net balance of other held-for-sale assets and liabilities at 31 December 2009 was US$26 million relating to El Morro gold project explained above.

Consolidated information

The information below is provided in aggregate for the 2009, 2010 and 2011 disposals:

	2009	2010	2011
		(US$m)	
Property, plant and equipment	—	7	8
Inventories	—	1	—
Trade and other receivables	—	1	—
Assets classified as held-for-sale	—	—	130
	—	9	138
Trade and other payables	—	(9)	—
Liabilities classified as held-for-sale	—	—	(95)
Net assets	—	—	43
Consideration:			
Cash received	—	3	—
Deferred consideration	—	—	60
Off-take agreement	—	—	39
Total consideration	—	3	99
Gain on disposal of discontinued operations	—	3	56

9 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 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 unit as a stand-alone 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 and liability information regarding the Xstrata Group's operating segments for the years ended 31 December 2009, 2010 and 2011.

	Before exceptional items	Exceptional items	2009	Before exceptional items	Exceptional items	2010	Before exceptional items	Exceptional items	2011
					(US$m)				
Revenue									
External parties:									
Coal—Thermal	5,762	—	5,762	6,167	—	6,167	8,057	—	8,057
Coal—Coking	987	—	987	1,621	—	1,621	1,924	—	1,924
Coal	6,749	—	6,749	7,788	—	7,788	9,981	—	9,981
Alloys	1,305	—	1,305	1,894	—	1,894	1,689	—	1,689
Copper	9,223	—	9,223	14,004	—	14,004	15,037	—	15,037
Nickel	1,891	—	1,891	2,738	—	2,738	3,192	—	3,192
Zinc Lead	3,450	—	3,450	3,922	—	3,922	3,756	—	3,756
Technology	114	—	114	153	—	153	222	—	222
Revenue	22,732	—	22,732	30,499	—	30,499	33,877	—	33,877
Inter-segmental:									
Coal	—	—	—	—	—	—	10	—	10
Copper	119	—	119	139	—	139	149	—	149
Nickel	83	—	83	256	—	256	380	—	380
Zinc Lead	282	—	282	544	—	544	749	—	749
Technology	9	—	9	6	—	6	11	—	11
Eliminations	(493)	—	(493)	(945)	—	(945)	(1,299)	—	(1,299)
Total	22,732	—	22,732	30,499	—	30,499	33,877	—	33,877
Profit before interest, taxation, depreciation and amortisation (EBITDA)									
Coal—Thermal	2,325	350	2,675	2,150	16	2,166	2,834	—	2,834
Coal—Coking	430	—	430	911	—	911	1,019	(3)	1,016
Coal	2,755	350	3,105	3,061	16	3,077	3,853	(3)	3,850
Alloys	70	(11)	59	477	—	477	294	48	342
Copper	2,922	154	3,076	4,693	—	4,693	4,915	(28)	4,887
Iron Ore	—	—	—	(1)	(4)	(5)	(11)	(1)	(12)
Nickel	427	(40)	387	973	—	973	1,234	—	1,234
Zinc Lead	860	(65)	795	1,327	(5)	1,322	1,223	—	1,223
Technology	28	—	28	32	—	32	34	—	34
Segment EBITDA	7,062	388	7,450	10,562	7	10,569	11,542	16	11,558
Unallocated	(274)	—	(274)	(176)	—	(176)	106	—	106
Operating EBITDA	6,788	388	7,176	10,386	7	10,393	11,648	16	11,664
Share of results from associates (net of tax):									
Coal	3	—	3	4	—	4	4	—	4
Alloys	(58)	(277)	(335)	5	(6)	(1)	25	12	37
Zinc Lead	(1)	—	(1)	6	—	6	—	—	—
Total	6,732	111	6,843	10,401	1	10,402	11,677	28	11,705

	Before exceptional items	Exceptional items	2009	Before exceptional items	Exceptional items	2010	Before exceptional items	Exceptional items	2011
					(US$m)				
Depreciation and amortisation									
Coal	(717)	—	(717)	(845)	—	(845)	(1,043)	—	(1,043)
Alloys	(93)	—	(93)	(124)	—	(124)	(141)	—	(141)
Copper	(796)	—	(796)	(873)	—	(873)	(991)	—	(991)
Nickel	(445)	—	(445)	(470)	—	(470)	(623)	—	(623)
Zinc Lead	(354)	—	(354)	(410)	—	(410)	(409)	—	(409)
Technology	(6)	—	(6)	(6)	—	(6)	(7)	—	(7)
Depreciation and amortisation	(2,411)	—	(2,411)	(2,728)	—	(2,728)	(3,214)	—	(3,214)
Unallocated	(8)	—	(8)	(4)	—	(4)	(3)	—	(3)
Total	(2,419)	—	(2,419)	(2,732)	—	(2,732)	(3,217)	—	(3,217)
Impairment of assets									
Copper	—	(325)	(325)	—	—	—	—	—	—
Nickel	—	(2,110)	(2,110)	—	(559)	(559)	—	(469)	(469)
Zinc Lead	—	(118)	(118)	—	—	—	—	—	—
Reversal of assets previously impaired	—	—	—	—	—	—	—	—	—
Nickel	—	—	—	—	—	—	—	463	463
Total	—	(2,553)	(2,553)	—	(559)	(559)	—	(6)	(6)
Profit before interest and taxation (EBIT)									
Coal—Thermal	1,695	350	2,045	1,415	16	1,431	1,921	—	1,921
Coal—Coking	343	—	343	801	—	801	889	(3)	886
Coal	2,038	350	2,388	2,216	16	2,232	2,810	(3)	2,807
Alloys	(23)	(11)	(34)	353	—	353	153	48	201
Copper	2,126	(171)	1,955	3,820	—	3,820	3,924	(28)	3,896
Iron Ore	—	—	—	(1)	(4)	(5)	(11)	(1)	(12)
Nickel	(18)	(2,150)	(2,168)	503	(559)	(56)	611	(6)	605
Zinc Lead	506	(183)	323	917	(5)	912	814	—	814
Technology	22	—	22	26	—	26	27	—	27
Segment EBIT	4,651	(2,165)	2,486	7,834	(552)	7,282	8,328	10	8,338
Unallocated	(282)	—	(282)	(180)	—	(180)	103	—	103
Operating profit	4,369	(2,165)	2,204	7,654	(552)	7,102	8,431	10	8,441
Share of results from associates (net of tax):									
Coal	3	—	3	4	—	4	4	—	4
Alloys	(58)	(277)	(335)	5	(6)	(1)	25	12	37
Zinc Lead	(1)	—	(1)	6	—	6	—	—	—
EBIT	4,313	(2,442)	1,871	7,669	(558)	7,111	8,460	22	8,482
Finance income	407	47	454	152	—	152	137	—	137
Finance expense	(754)	(41)	(795)	(620)	(35)	(655)	(452)	(19)	(471)
Profit before taxation	3,966	(2,436)	1,530	7,201	(593)	6,608	8,145	3	8,148
Income tax (charge)/ credit	(993)	324	(669)	(1,782)	129	(1,653)	(2,140)	(75)	(2,215)
Profit/(loss) for the year	2,973	(2,112)	861	5,419	(464)	4,955	6,005	(72)	5,933

	At 31 December		
	2009	2010	2011
		(US$m)	
Total assets			
Coal	17,341	18,302	19,608
Alloys	5,354	6,066	5,487
Copper	20,603	22,264	24,086
Iron Ore	23	718	1,402
Nickel	11,788	12,962	14,187
Zinc Lead	7,179	7,567	8,185
Technology	133	154	192
Total assets	62,421	68,033	73,147
Unallocated(1)	1,403	1,673	1,685
Total assets	63,824	69,706	74,832
Total liabilities			
Coal	4,165	4,616	5,058
Alloys	847	971	796
Copper	4,693	5,887	5,761
Iron Ore	—	111	242
Nickel	2,773	3,360	3,562
Zinc Lead	1,639	1,869	1,950
Technology	69	72	112
Total liabilities	14,186	16,886	17,481
Unallocated(2)	14,719	10,782	11,650
Total liabilities	28,905	27,668	29,131
Net assets			
Coal	13,176	13,686	14,550
Alloys	4,507	5,095	4,691
Copper	15,910	16,377	18,325
Iron Ore	23	607	1,160
Nickel	9,015	9,602	10,625
Zinc Lead	5,540	5,698	6,235
Technology	64	82	80
Net assets	48,235	51,147	55,666
Unallocated(1),(2)	(13,316)	(9,109)	(9,965)
Total	34,919	42,038	45,701

Notes:

(1) Includes corporate assets not directly attributable to operating segments. Such unallocated assets include corporate cash and cash equivalents of US$651 million (2010 US$595 million; 2009 US$189 million), deferred tax assets of US$40 million (2010 US$299 million; 2009 US$213 million), derivative financial assets that have mainly been used to provide an economic hedge of capital market notes of US$720 million (2010 US$680 million; 2009 US$709 million), infrastructure loans and other financial assets US$183 million (2010 US$ nil; 2009 US$ nil) and other assets of US$91 million (2010 US$99 million; 2009 US$292 million).

(2) Includes corporate liabilities not directly attributable to operating segments. Such unallocated liabilities include interest-bearing loans and borrowings of US$9,776 million (2010 US$8,742 million; 2009 US$13,182 million), share-based compensation plan provisions of US$97 million (2010 US$252 million; 2009 US$224 million), pension deficit and other provisions of US$217 million (2010 US$127 million; 2009 US$75 million), deferred and current tax liabilities of US$974 million (2010 US$863 million; 2009 US$537 million), derivative financial liabilities that have mainly been used to provide an economic hedge of capital market notes of US$462 million (2010 US$699 million; 2009 US$501 million) and other liabilities of US$124 million (2010 US$99 million; 2009 US$200 million).

	2009	2010	2011
		(US$m)	
Capital expenditure			
Sustaining:			
Coal	424	568	801
Alloys	114	126	137
Copper	498	572	654
Iron Ore	—	—	1
Nickel	93	237	287
Zinc Lead	133	316	504
Technology	2	2	3
Total sustaining	1,264	1,821	2,387
Unallocated	1	2	5
Total	1,265	1,823	2,392
Expansionary:			
Coal	687	1,430	1,193
Alloys	49	141	250
Copper	436	1,162	2,424
Iron Ore	23	67	171
Nickel	1,049	1,319	1,351
Zinc Lead	114	177	381
Technology	1	—	3
Total expansionary	2,359	4,296	5,773
Total capital expenditure:			
Coal	1,111	1,998	1,994
Alloys	163	267	387
Copper	934	1,734	3,078
Iron Ore	23	67	172
Nickel	1,142	1,556	1,638
Zinc Lead	247	493	885
Technology	3	2	6
Total	3,623	6,117	8,160
Unallocated	1	2	5
Total	3,624	6,119	8,165

The average number of employees, which includes executive directors and excludes contractors, during the year are as follows:

	2009	2010	2011
Coal	10,009	10,473	11,613
Alloys	8,199	8,337	6,887
Copper	11,319	11,483	12,366
Iron Ore	—	4	619
Nickel	3,098	3,340	3,840
Zinc Lead	4,939	4,645	4,758
Technology	177	167	179
Total	37,741	38,449	40,262
Unallocated	104	112	129
Total	37,845	38,561	40,391

The average number of contractors during the year is as follows:

	2009	2010	2011
Coal	6,940	9,330	7,915
Alloys	5,694	7,561	7,477
Copper	8,231	9,079	12,167
Iron Ore	—	1	527
Nickel	2,501	5,110	7,120
Zinc Lead	785	1,038	1,469
Technology	24	63	69
Total	24,175	32,182	36,744
Unallocated	6	4	5
Total	24,181	32,186	36,749

Geographical areas

The following tables present revenue and profit information and certain asset and liability information regarding the Xstrata Group's geographical areas for the years ended 31 December 2009, 2010 and 2011.

	Before exceptional items	Exceptional items	2009	Before exceptional items	Exceptional items	2010	Before exceptional items	Exceptional items	2011
					(US$m)				
Revenue by origin									
External parties:									
Africa	2,302	—	2,302	2,909	—	2,909	3,018	—	3,018
Americas North	4,936	—	4,936	6,504	—	6,504	6,657	—	6,657
Americas South	7,051	—	7,051	8,744	—	8,744	9,748	—	9,748
Australasia	6,025	—	6,025	8,938	—	8,938	11,002	—	11,002
Europe	2,418	—	2,418	3,404	—	3,404	3,452	—	3,452
Total	22,732	—	22,732	30,499	—	30,499	33,877	—	33,877
Revenue by destination									
External parties:									
Africa	562	—	562	793	—	793	679	—	679
Americas North	4,202	—	4,202	5,790	—	5,790	6,047	—	6,047
Americas South	1,264	—	1,264	2,013	—	2,013	2,426	—	2,426
Asia	10,127	—	10,127	13,414	—	13,414	15,372	—	15,372
Australasia	769	—	769	795	—	795	1,090	—	1,090
Europe	5,703	—	5,703	7,597	—	7,597	8,113	—	8,113
Middle East	105	—	105	97	—	97	150	—	150
Total	22,732	—	22,732	30,499	—	30,499	33,877	—	33,877

The revenue information above is based on the location of the customer.

Revenue from one customer was greater than 10 per cent. of total revenues (2010 one customer; 2009 one customer) and arising from sales within a number of different operating and geographical segments (refer to note 35).

	Before exceptional items	Exceptional items	2009	Before exceptional items	Exceptional items	2010	Before exceptional items	Exceptional items	2011
					(US$m)				
EBITDA									
Africa	330	339	669	752	16	768	664	47	711
Americas North	608	(145)	463	1,445	(5)	1,440	1,959	12	1,971
Americas South	3,080	194	3,274	3,798	—	3,798	3,851	—	3,851
Australasia	2,765	—	2,765	4,034	(4)	4,030	4,570	(43)	4,527
Europe	279	—	279	533	—	533	498	—	498
Segment EBITDA	7,062	388	7,450	10,562	7	10,569	11,542	16	11,558
Unallocated	(274)	—	(274)	(176)	—	(176)	106	—	106
Operating EBITDA	6,788	388	7,176	10,386	7	10,393	11,648	16	11,664
Share of results from associates (net of tax):									
Africa	(58)	(277)	(335)	5	(6)	(1)	25	12	37
Americas North	(1)	—	(1)	6	—	6	—	—	—
Australasia	3	—	3	4	—	4	4	—	4
Total	6,732	111	6,843	10,401	1	10,402	11,677	28	11,705
Depreciation and amortisation									
Africa	(242)	—	(242)	(299)	—	(299)	(361)	—	(361)
Americas North	(472)	—	(472)	(442)	—	(442)	(456)	—	(456)
Americas South	(676)	—	(676)	(664)	—	(664)	(701)	—	(701)
Australasia	(919)	—	(919)	(1,214)	—	(1,214)	(1,579)	—	(1,579)
Europe	(102)	—	(102)	(109)	—	(109)	(117)	—	(117)
Depreciation and amortisation	(2,411)	—	(2,411)	(2,728)	—	(2,728)	(3,214)	—	(3,214)
Unallocated	(8)	—	(8)	(4)	—	(4)	(3)	—	(3)
Total	(2,419)	—	(2,419)	(2,732)	—	(2,732)	(3,217)	—	(3,217)
Impairment of assets									
Americas North	—	—	—	—	—	—	—	392	392
Americas South	—	(1,649)	(1,649)	—	(559)	(559)	—	—	—
Australasia	—	(170)	(170)	—	—	—	—	(469)	(469)
Europe	—	(734)	(734)	—	—	—	—	71	71
Total	—	(2,553)	(2,553)	—	(559)	(559)	—	(6)	(6)

	Before exceptional items	Exceptional items	2009	Before exceptional items	Exceptional items	2010	Before exceptional items	Exceptional items	2011
					(US$m)				
EBIT									
Segment result:									
Africa	88	339	427	453	16	469	303	47	350
Americas North	137	(1,794)	(1,657)	1,003	(5)	998	1,503	404	1,907
Americas South	2,404	24	2,428	3,134	(559)	2,575	3,150	—	3,150
Australasia	1,845	(734)	1,111	2,820	(4)	2,816	2,991	(512)	2,479
Europe	177	—	177	424	—	424	381	71	452
Segment EBIT before exceptional items	4,651	(2,165)	2,486	7,834	(552)	7,282	8,328	10	8,338
Unallocated	(282)	—	(282)	(180)	—	(180)	103	—	103
Operating profit	4,369	(2,165)	2,204	7,654	(552)	7,102	8,431	10	8,441
Share of results from associates (net of tax):									
Africa	(58)	(277)	(335)	5	(6)	(1)	25	12	37
Americas North	(1)	—	(1)	6	—	6	—	—	—
Australasia	3	—	3	4	—	4	4	—	4
EBIT	4,313	(2,442)	1,871	7,669	(558)	7,111	8,460	22	8,482
Finance income	407	47	454	152	—	152	137	—	137
Finance expense	(754)	(41)	(795)	(620)	(35)	(655)	(452)	(19)	(471)
Profit before taxation	3,966	(2,436)	1,530	7,201	(593)	6,608	8,145	3	8,148
Income tax (expense)/benefit	(993)	324	(669)	(1,782)	129	(1,653)	(2,140)	(75)	(2,215)
Profit/(loss) for the year	2,973	(2,112)	861	5,419	(464)	4,955	6,005	(72)	5,933

	At 31 December		
	2009	2010	2011
		(US$m)	
Total assets			
Africa	9,164	11,453	10,992
Americas North	6,282	6,257	7,675
Americas South	21,596	19,702	20,907
Australasia	19,684	24,818	27,962
Europe	2,964	3,072	2,880
Total segmental assets	59,690	65,302	70,416
Unallocated[(1)]	4,134	4,404	4,416
Total	63,824	69,706	74,832
Total liabilities			
Africa	1,934	2,455	2,126
Americas North	2,426	3,361	3,854
Americas South	4,770	5,026	4,736
Australasia	4,458	5,308	6,168
Europe	598	736	597
Total	14,186	16,886	17,481
Unallocated[(2)]	14,719	10,782	11,650
Total	28,905	27,668	29,131
Net assets			
Africa	7,230	8,998	8,866
Americas North	3,856	2,896	3,821
Americas South	16,826	14,676	16,171
Australasia	15,226	19,510	21,794
Europe	2,366	2,336	2,283
Total	45,504	48,416	52,935
Unallocated[(1),(2)]	(10,585)	(6,378)	(7,234)
Total	34,919	42,038	45,701

Notes:

(1) Includes corporate assets not directly attributable to operating segments. Such unallocated assets include corporate cash and cash equivalents of US$651 million (2010 US$595 million; 2009 US$189 million), deferred tax assets of US$40 million (2010 US$299 million; 2009 US$213 million), derivative financial assets that have mainly been used to provide an economic hedge of capital market notes of US$720 million (2010 US$680 million; 2009 US$709 million), infrastructure loans and other financial assets of US$183 million (2010 US$ nil; 2009 US$ nil) and other assets of US$91 million (2010 US$99 million; 2009 US$292 million).

(2) Includes corporate liabilities not directly attributable to operating segments. Such unallocated liabilities include interest-bearing loans and borrowings of US$9,776 million (2010 US$8,742 million; 2009 US$13,182 million), share-based compensation plan provisions of US$97 million (2010 US$252 million; 2009 US$224 million), pension deficit and other provisions of US$217 million (2010 US$127 million; 2009 US$75 million), deferred and current tax liabilities of US$974 million (2010 US$863 million; 2009 US$537 million), derivative financial liabilities that have mainly been used to provide an economic hedge of capital market notes of US$462 million (2010 US$699 million; 2009 US$501 million) and other liabilities of US$124 million (2010 US$99 million; 2009 US$200 million).

	2009	2010	2011
		(US$m)	
Capital expenditure			
Sustaining:			
Africa	210	187	213
Americas North	169	314	349
Americas South	400	390	420
Australasia	443	863	1,343
Europe	42	67	62
Total sustaining	1,264	1,821	2,387
Unallocated	1	2	5
Total	1,265	1,823	2,392
Expansionary:			
Africa	364	530	607
Americas North	341	117	154
Americas South	265	786	2,089
Australasia	1,366	2,813	2,887
Europe	23	50	36
Total	2,359	4,296	5,773
Total capital expenditure			
Africa	574	717	820
Americas North	510	431	503
Americas South	665	1,176	2,509
Australasia	1,809	3,676	4,230
Europe	65	117	98
Total	3,623	6,117	8,160
Unallocated	1	2	5
Total	3,624	6,119	8,165

The average number of employees, which includes Executive Directors and excludes contractors, during the year is as follows:

	2009	2010	2011
Africa	12,851	13,028	11,818
Americas North	6,459	5,700	5,955
Americas South	7,641	8,277	8,896
Australasia	8,787	9,414	11,560
Europe	1,988	2,013	2,014
Middle East	15	17	19
Total	37,741	38,449	40,262
Unallocated	104	112	129
Total	37,845	38,561	40,391

The average number of contractors during the year is as follows:

	2009	2010	2011
Africa	9,003	12,709	11,360
Americas North	1,502	1,572	1,808
Americas South	6,999	8,024	11,557
Australasia	6,441	9,572	11,652
Europe	229	303	367
Middle East	1	2	—
Total	24,175	32,182	36,744
Unallocated	6	4	5
Total	24,181	32,186	36,749

10 Revenue and expenses

Revenue and expenses

	2009	2010	2011
		(US$m)	
Revenue—sales of goods	22,732	30,499	33,877
Less cost of sales[(1)]	(18,039)	(20,405)	(22,439)
Gross profit	4,693	10,094	11,438
Operating costs:			
Cost of sales[(2)]	(13,098)	(17,135)	(19,243)
Distribution costs	(1,852)	(2,265)	(2,450)
Administrative expenses[(2)]	(832)	(661)	(517)
Other income and expenses	(162)	(52)	(19)
Operating costs[(2)]	(15,944)	(20,113)	(22,229)
Depreciation and amortisation			
Depreciation of owned assets	(2,324)	(2,619)	(3,103)
Depreciation of assets held under finance leases and hire purchase contracts	(10)	(20)	(15)
Total depreciation	(2,334)	(2,639)	(3,118)
Amortisation of intangible assets	(85)	(93)	(99)
Total depreciation and amortisation	(2,419)	(2,732)	(3,217)
Total foreign exchange gains/(losses) recognised	—	(111)	142
Inventory recognised as an expense	(15,486)	(19,846)	(22,433)
Operating lease rental expense—minimum lease payments	(53)	(62)	(79)
Royalties paid	(524)	(816)	(1,056)
Research and development	(2)	(3)	(2)
Employee costs including directors' emoluments			
Wages and salaries	2,248	2,759	3,301
Pension and other post-retirement benefit costs (refer to note 34)	178	215	261
Social security and other benefits	128	113	116
Share-based compensation plans (refer to note 34)	334	178	(4)
Total employee costs	2,888	3,265	3,674

Notes:

(1) After depreciation and amortisation and impairment of assets.

(2) Before depreciation and amortisation and impairment of assets.

Auditors' remuneration

	2009	2010	2011
		(US$m)	
Auditors' remuneration[1]:			
—Xstrata Group auditors—UK	1	1	1
—Xstrata Group auditors—overseas	11	13	15
	12	14	16
Amounts paid to auditors for other work	7	6	6
Other audit firms	7	7	8

Note:

(1) The Xstrata Group audit fee includes US$49,000 (2010 US$47,000; 2009 US$45,000) in respect of the parent company.

	2009	2010	2011
		(US$m)	
Finance income			
Bank and interest received from third parties	46	76	121
Call option premium	208	42	—
Dividends	1	4	2
Earnings from other financial assets	146	29	—
Foreign currency gains on other loans[1]	—	—	14
Other	6	1	—
Total finance income	407	152	137
Gain on forward exchange contracts in respect of the rights issue	47	—	—
Exceptional finance income	47	—	—
Total finance income	454	152	137
Finance costs			
Amortisation of loan issue costs	5	12	9
Convertible borrowings amortised cost charge	4	4	—
Discount unwinding	100	117	145
Finance charges payable under finance leases and hire purchase contracts	6	24	18
Foreign currency losses on other loans[1]	182	186	—
Interest on bank loans and overdrafts	89	29	23
Interest on capital market notes	280	197	173
Interest on convertible borrowings	15	8	—
Interest on non-controlling interest loans	6	6	5
Interest on other financial liabilities	12	9	20
Hedge ineffectiveness	17	6	31
Other	38	22	28
Finance cost before exceptional items	754	620	452
Loan issue costs written off on facility refinancing	41	35	19
Total finance cost	795	655	471

Note:

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

Total interest income and expense (calculated using the effective interest method) for financial assets and liabilities not at fair value through the profit and loss are US$121 million (2010 US$76 million; 2009 US$52 million) and US$249 million (2010 US$271 million; 2009 US$440 million) respectively.

Exceptional items

	2009	2010	2011
		(US$m)	
Other exceptional items:			
Acquisition costs	—	(7)	(4)
Available-for-sale financial assets write-down	—	—	(43)
Liability fair value adjustments	350	19	—
Profit on sale of operations	—	—	48
Profit on loss of control of joint venture	194	—	—
Restructuring and closure costs	(156)	(5)	15
Operating EBITDA exceptional items	388	7	16
Impairment of assets	(2,553)	(559)	(469)
Reversal of assets previously impaired	—	—	463
Operating profit/(loss) on exceptional items	(2,165)	(552)	10
Share of results from associates	(277)	(6)	12
Exceptional items before interest and taxation	(2,442)	(558)	22
Gain on forward exchange contracts in respect of the rights issue	47	—	—
Loan issue costs written off on facility refinancing	(41)	(35)	(19)
Exceptional items before taxation	(2,436)	(593)	3
Income tax (charge)/credit	324	129	(75)
Exceptional items after taxation	(2,112)	(464)	(72)

Acquisition costs

During 2011, the Xstrata Group incurred acquisition costs of US$4 million (2010 US$7 million; 2009 US$ nil) in relation to successful offers made to acquire companies.

Available-for-sale financial assets write-down

US$43 million of unrealised losses associated with the decline in market value of listed investments were charged to the income statement during 2011.

Liability fair value adjustments

The Xstrata Group is required to recognise a liability at fair value representing African Rainbow Minerals Limited (ARM) Coal's interest in Xstrata's South African coal operations. During the current year, there has been no change in the liability. In 2010, the liability decreased by US$19 million (2009 US$350 million) due to decreasing South African coal prices and foreign exchange movements.

Profit on sale of operations

The Xstrata 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 8).

Profit on loss of control of joint venture

In October 2009, the Xstrata Group entered into an irrevocable sale agreement to dispose of the Xstrata Group's 70 per cent. interest in El Morro SCM, the holder of the El Morro copper-gold project in Chile, and associated rights and assets, to Barrick Gold Corporation for a total cash consideration of US$463 million. The agreement granted New Gold Incorporated a right of first refusal on the same terms as those granted to Barrick Gold Corporation. The terms of the agreement were such that Xstrata was obliged to sell the assets to Barrick Gold Corporation or (should it exercise its option) New Gold Incorporated, without any change to the terms or cash consideration. Xstrata lost joint control of El Morro upon entering into the sale agreement as a result of the contractual terms in the agreement which precluded Xstrata from making any decisions regarding El Morro's financial and operating policies. In January 2010, New Gold Incorporated notified the Xstrata Group of its intention to exercise its right of first refusal to acquire Xstrata Copper's interest in the El Morro copper-gold project and the sales

proceeds were received on 17 February 2010. The Xstrata Group recognised a gain of US$194 million (US$144 million after tax) as a result of entering into the sale agreement and the resulting loss of joint control of the asset (refer to note 8).

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. In 2010, additional restructuring and closure costs of US$5 million were recognised in relation to the closure of the Kidd metallurgical plants. In 2009, restructuring and closure costs of US$156 million were recognised on the original provision.

Impairment of assets and reversal of assets previously impaired

2011

As a consequence of on-going 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).

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

2010

Nickel assets were impaired by US$559 million (US$437 million after tax), including goodwill of US$201 million, following a review of the Araguaia nickel project in Brazil.

2009

Nickel assets in Australia, Canada and Norway were impaired by US$2,110 million (US$1,884 million after tax), including goodwill of US$710 million, following the restructuring of its business. Copper and zinc assets in Canada were impaired by US$273 million (US$194 million after tax), following the announcement on 8 December 2009 that the Kidd metallurgical site will permanently cease the operation of its copper and zinc metallurgical plants on 1 May 2010, as part of a plan to restructure its Canadian metallurgical operations. The Altonorte copper operations in Chile recognised impairment charges against its carrying value of property, plant and equipment assets of US$170 million (US$141 million after tax) due to the on-going challenging market conditions for custom smelting operations.

Share of results from associates

During 2011, US$12 million was recognised in relation to the Xstrata Group's share of the restructuring and closure costs, impairments, financing costs and related taxation credits recognised by Lonmin. In 2010, an amount of US$6 million was recognised in relation to the Xstrata Group's share of Lonmin's exceptional items. During 2009, an impairment charge of US$241 million was recorded in respect of the Xstrata Group's investment in Lonmin following changes in foreign exchange rates, operating costs, production and commodity price outlook that have occurred since the acquisition date. An additional US$36 million loss was recognised in 2009 in relation to the Xstrata Group's share of the restructuring and closure costs, impairments and the loss on forward exchange contracts in respect of the rights issue recognised by Lonmin.

Gain on forward exchange contracts in respect of the rights issue

In 2009, there was a gain of US$47m on forward exchange contracts in respect of the rights issue by Xstrata of 1,955m shares on 18 March.

Loan issue costs written off on facility refinancing

During 2011, the Xstrata Group refinanced its bank facilities and wrote off related issue costs of US$19 million (2010 US$35 million; 2009 US$41 million).

Income tax (charge)/credit

During 2011, the Xstrata 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. The 2010 credit of US$129 million was recognised primarily as a result of impairment of assets, acquisition costs and restructuring and closure costs. The 2009 credit of US$324 million was realised primarily as a result of impairment of assets, restructuring and closure costs and inventory write-downs offset by the tax charge recognised on the loss of control of El Morro.

11 Income taxes

Income tax charge

Significant components of the income tax charge for the years ended:

	2009	2010	2011
		(US$m)	
Consolidated income statement			
Current tax:			
Based on taxable income for the current year	1,093	1,590	2,023
Prior year adjustment	(72)	(47)	7
Total current taxation charge for the year	1,021	1,543	2,030
Deferred taxation:			
Origination and reversal of temporary differences	(549)	205	160
Change in tax rates	(9)	3	70
Deferred tax credit arising from the reversal of a previous write-down of a deferred tax asset	149	(96)	(86)
Prior year adjustment	57	(2)	41
Total deferred taxation charge for the year	(352)	110	185
Total taxation charge	669	1,653	2,215
UK taxation included above			
Current tax	1	—	19
Deferred tax	—	(37)	12
Total taxation charge/(credit)	1	(37)	31
Recognised directly in equity			
Deferred tax:			
Available-for-sale financial assets	9	13	(1)
Cash flow hedges	50	(4)	(19)
Other equity classified items	33	(28)	(52)
Total taxation credit reported in equity	92	(19)	(72)

The amounts above include the tax charge attributable to exceptional items.

A reconciliation of income tax charge applicable to accounting profit before income tax at the weighted average statutory income tax rate to income tax charge at the Xstrata Group effective income tax rate for the years ended are as follows:

	2009	2010	2011
		(US$m)	
Profit before taxation	1,530	6,608	8,148
Expected tax charge at the weighted average statutory income tax rate 26.0% (2010: 25.2%, 2009: 22.3%)	341	1,667	2,117
Goodwill impairment	174	68	—
Mining and other taxes	(4)	100	152
Foreign currency gains and losses	21	21	(6)
Investment allowances	(7)	(47)	(57)
Non-deductible expenses	38	—	17
Rebatable dividends received	(1)	(4)	(1)
Research and development allowances	(20)	(10)	(39)
Change in tax rates	(9)	3	70
Deferred tax (credit)/charge arising from the write-down, or reversal of a previous write-down, of a deferred tax asset	149	(96)	(86)
Prior year adjustment	(15)	(49)	48
Other	2	—	—
Tax charge at an effective income tax rate	669	1,653	2,215

The above reconciling items are disclosed at the tax rates that apply in the country where they have arisen.

The weighted average statutory income tax rate is the average of the standard income tax rates applicable in the countries in which the Xstrata Group operates, weighted by the profit/(loss) before tax of the subsidiaries in the respective countries as included in the consolidated accounts.

The change in the average statutory income tax rate is mainly due to the variation in the weight of subsidiaries' profits.

Recognition of deferred tax assets

Deferred tax assets for the carry-forward of unused tax losses and unused tax credits are only recognised above the level of deferred tax liabilities to the extent that it is probable that taxable profits will be available against which the unused tax losses/credits can be utilised.

Unrecognised tax losses/unrecognised deductible temporary differences

The Xstrata Group has unrecognised deferred tax assets in relation to tax losses that are available indefinitely of US$42 million (2010 US$137 million; 2009 US$190 million) to carry forward against future taxable income of the companies in which the losses arose. Deferred tax assets have not been recognised in respect of these losses as they may not be used to offset taxable profits elsewhere in the Xstrata Group and they have arisen in subsidiaries that have been loss-making for some time. There are no other deductible temporary differences that have not been recognised at balance sheet date.

Temporary differences associated with Xstrata Group investments

At 31 December 2011, the Xstrata Group had undistributed earnings of certain Xstrata Group subsidiaries, associates or joint ventures totalling US$18,206 million (2010 US$12,867 million; 2009 US$9,495 million) for which no deferred tax liabilities have been recognised for any taxes that would be payable on the remittance of these earnings as:

- the Xstrata Group has determined that undistributed earnings of its subsidiaries will not be distributed in the foreseeable future;
- the earnings of the associates will not be distributed until they obtain the consent of the Xstrata Group; and
- the investments are not held-for-resale and are expected to be recouped by continued use of these operations by the subsidiaries.

There are no income tax consequences for the Xstrata Group attaching to the payment of dividends by Xstrata to its shareholders.

The deferred tax assets/(liabilities) included on the face of the balance sheet are as follows:

	2009	2010	2011
		(US$m)	
Deferred tax assets	213	299	44
Deferred tax liabilities	(5,775)	(6,348)	(6,250)
	(5,562)	(6,049)	(6,206)

The reconciliation of net deferred tax liabilities are as follows:

	Tax losses	Employee and other provisions	Rehabilitation and closure	Accelerated depreciation and amortisation	Trade and other payables/ receivables	Equity-related items	Other	Total
				(US$m)				
At 1 January 2009	273	275	152	(6,154)	206	24	(17)	(5,241)
Tax (charge)/credit recognised in the income statement	49	18	210	285	(241)	—	31	352
Tax (charge)/credit recognised in equity	—	40	—	—	—	(132)	—	(92)
Acquisition and disposals	—	—	—	—	—	—	—	—
Translation adjustments	35	(12)	167	(684)	(78)	(5)	(4)	(581)
At 31 December 2009	357	321	529	(6,553)	(113)	(113)	10	(5,562)
Tax (charge)/credit recognised in the income statement	(178)	(9)	(201)	215	42	—	21	(110)
Tax credit recognised in equity	—	76	—	—	—	(57)	—	19
Acquisition and disposals	—	—	—	(102)	—	—	—	(102)
Translation adjustments	25	33	(12)	(343)	(5)	5	3	(294)
At 31 December 2010	204	421	316	(6,783)	(76)	(165)	34	(6,049)
Tax (charge)/credit recognised in the income statement	9	(60)	108	(295)	60	—	(7)	(185)
Tax credit recognised in equity	—	50	—	—	—	22	—	72
Acquisition and disposals	—	—	—	(140)	—	—	—	(140)
Translation adjustments	(10)	(43)	15	124	21	3	(14)	96
At 31 December 2011	203	368	439	(7,094)	5	(140)	13	(6,206)

Deferred tax assets and liabilities denominated in foreign currencies are retranslated at year-end exchange rates.

Tax audits

The Xstrata Group periodically assesses its liabilities and contingencies for all tax years open to audit based upon the latest information available. For those matters where it is probable that an adjustment will be made, the Xstrata Group recorded its best estimate of these tax liabilities, including related interest charges. Inherent uncertainties exist in estimates of tax contingencies due to changes in tax laws. Whilst management believes they have adequately provided for the probable outcome of these matters, future results may include favourable or unfavourable adjustments to these estimated tax liabilities in the period the assessments are made, or resolved, or when the statute of limitation lapses. The final outcome of tax examinations may result in a materially different outcome than assumed in the tax liabilities.

12 Earnings per share

	2009	2010	2011
		(US$m)	
Profit before exceptional items attributable to ordinary equity holders of the parent	2,773	5,152	5,785
Exceptional items	(2,112)	(464)	(72)
Profit attributable to ordinary equity holders of the parent	661	4,688	5,713
Interest in respect of convertible borrowings	19	14	—
Profit attributable to ordinary equity holders of the parent for diluted earnings per share	680	4,702	5,713
Weighted average number of shares (000s) excluding own shares:			
For basic earnings per share	2,646,871	2,910,942	2,931,448
Effect of dilution:			
—Share-based payments	26,525	35,613	37,315
—Convertible borrowings	25,680	17,941	—
For diluted earnings per share	2,699,076	2,964,496	2,968,763
Basic earnings per share (US$)			
—basic before exceptional items	1.05	1.77	1.97
—exceptional items	(0.80)	(0.16)	(0.02)
	0.25	1.61	1.95
Diluted earnings per share (US$)			
—before exceptional items	1.03	1.74	1.95
—exceptional items	(0.78)	(0.16)	(0.02)
	0.25	1.58	1.93

On 18 March 2009, 1,955,341,080 ordinary shares were issued under a rights issue which was structured as an issue of two new ordinary shares at a price of GBP2.10 per share for every one existing ordinary share held. The theoretical ex-rights price for an ordinary share was GBP3.41.

Basic earnings per share is calculated by dividing the net profit for the year attributable to the equity holders of the parent company by the weighted average number of ordinary shares outstanding for the year, excluding own shares. Adjustments are made before exceptional items and after exceptional items as outlined above, to present a meaningful basis for analysis.

Diluted earnings per share is based on basic earnings per share adjusted for the potential dilution if director and employee free shares and share options are exercised and the convertible borrowings are converted into ordinary shares. An adjustment is also made to net profit for the interest in respect of the convertible borrowings.

13 Dividends paid and proposed

	2009	2010	2011
		(US$m)	
Declared and paid during the year[1]:			
Final dividend for 2010—20.0 cents per ordinary share (2009—8.0 cents per ordinary share)	—	233	586
Interim dividend for 2011—13.0 cents per ordinary share (2010—5.0 cents per ordinary share)	—	146	381
	—	379	967
Proposed for approval at the Annual General Meeting (not recognised as a liability as at 31 December):			
Final dividend for 2011—27.0 cents per ordinary share (2010—20.0 cents per ordinary share; 2009—8.0 cents per ordinary share)	233	586	792

Note:

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

Dividends declared in respect of the year ended 31 December 2010 were paid on 13 May 2011. The 2010 interim dividend was paid on 8 October 2010.

Dividends declared in respect of the year ended 31 December 2011 will be paid on 23 May 2012. The 2011 interim dividend was paid on 7 October 2011.

As stated in note 26, own shares held in the ESOP and by the ECMP have waived the right to receive dividends.

14 Intangible assets

	Export rights[1]	Goodwill[1]	Technology patents[1]	Feed contract[1]	Hydro electricity rights[1]	Other	2009
				(US$m)			
At 1 January 2009	772	7,146	42	297	501	140	8,898
Acquisitions and other adjustments	—	(49)	—	—	—	—	(49)
Additions	—	—	—	—	—	16	16
Amortisation charge	(16)	—	(3)	(41)	—	(25)	(85)
Disposals	—	—	—	—	—	(1)	(1)
Impairment charge	—	(710)	—	—	—	(5)	(715)
Transferred to assets classified as held-for-sale	—	(31)	—	—	—	—	(31)
Translation adjustments	188	182	12	—	—	7	389
At 31 December 2009	944	6,538	51	256	501	132	8, 422
At 1 January 2009:							
Cost	822	9,183	58	425	501	180	11,169
Accumulated amortisation	(50)	(2,037)	(16)	(128)	—	(40)	(2,271)
Net carrying amount	772	7,146	42	297	501	140	8,898
At 31 December 2009:							
Cost	1,026	9,285	75	425	501	215	11,527
Accumulated amortisation	(82)	(2,747)	(24)	(169)	—	(83)	(3,105)
Net carrying amount	944	6,538	51	256	501	132	8,422

	Export rights[1]	Goodwill[1]	Technology patents[1]	Feed contract[1]	Hydro electricity rights[1]	Other	2010
				(US$m)			
At 1 January 2010	944	6,538	51	256	501	132	8,422
Acquisitions	—	89	—	—	—	—	89
Additions	—	—	—	—	—	11	11
Amortisation charge	(18)	—	(4)	(36)	—	(35)	(93)
Impairment charge	—	(201)	—	—	—	—	(201)
Reclassifications	—	—	—	(23)	—	—	(23)
Translation adjustments	91	79	7	—	—	18	195
At 31 December 2010	1,017	6,505	54	197	501	126	8,400
At 1 January 2010:							
Cost	1,026	9,285	75	425	501	215	11,527
Accumulated amortisation	(82)	(2,747)	(24)	(169)	—	(83)	(3,105)
Net carrying amount	944	6,538	51	256	501	132	8,422
At 31 December 2010:							
Cost	1,128	9,460	86	425	501	254	11,854
Accumulated amortisation	(111)	(2,955)	(32)	(228)	—	(128)	(3,454)
Net carrying amount	1,017	6,505	54	197	501	126	8,400

	Export rights[1]	Goodwill[1]	Technology patents[1]	Feed contract[1]	Hydro electricity rights[1]	Other	2011
				(US$m)			
At 1 January 2011	1,017	6,505	54	197	501	126	8,400
Acquisitions	—	81	—	—	—	39	120
Additions	—	—	—	—	—	31	31
Amortisation charge	(18)	—	(4)	(40)	—	(37)	(99)
Impairment reversal	—	—	—	16	—	—	16
Translation adjustments	(156)	(91)	—	—	—	7	(240)
At 31 December 2011	843	6,495	50	173	501	166	8,228
At 1 January 2011:							
Cost	1,128	9,460	86	425	501	254	11,854
Accumulated amortisation	(111)	(2,955)	(32)	(228)	—	(128)	(3,454)
Net carrying amount	1,017	6,505	54	197	501	126	8,400
At 31 December 2011:							
Cost	950	9,450	86	425	501	312	11,724
Accumulated amortisation	(107)	(2,955)	(36)	(252)	—	(146)	(3,496)
Net carrying amount	843	6,495	50	173	501	166	8,228

Note:

(1) Purchased as part of business combinations.

The Xstrata Group has a 20.2 per cent. (2010: 20.91 per cent.) interest in the service organisation, Richards Bay Coal Terminal Company Limited, acquired in a business combination, through which the shareholders gain access to export markets enabling them to realise higher coal sales prices than in the domestic market. The export rights are amortised based on a units-of-production method.

The Xstrata Group previously acquired the right to market to third parties various leading technologies for the mining, mineral processing and metals extraction industries in a business combination. The technology patents are amortised over their useful economic lives of 20 years to June 2023.

The Xstrata Group previously acquired hydroelectricity rights which will be amortised over the expected life of the operation, currently estimated as being 40 years, following commissioning.

A long-term feed contract is being amortised over an eight-year period.

Other intangible assets mainly comprise computer software and software development that are being amortised over their useful economic lives of between three to five years.

15 Impairment testing

Goodwill

Goodwill has been allocated to cash-generating units ("CGUs") or groups of CGUs no larger than the reportable segments that are expected to benefit from the related acquisitions. A CGU is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. This is usually considered a single operation or in some cases a number of operations that are in close geographical proximity or share operational efficiencies. The carrying values of goodwill by CGU are as follows:

	2009	2010	2011
		(US$m)	
Alloys—Africa	44	49	40
Copper—Americas	1,185	1,185	1,185
Zinc Lead	1,546	1,546	1,546
Zinc Lead—Europe	217	203	195
	2,992	2,983	2,966

The following goodwill balances result from the requirement on an acquisition to recognise a deferred tax liability, calculated as the difference between the tax effect of the fair value of the acquired assets and liabilities and their tax bases. For the purposes of testing this goodwill for impairment, any of the related deferred tax liabilities recognised on acquisition that remain at balance date are treated as part of the relevant CGU or group of CGUs.

	2009	2010	2011
		(US$m)	
Coal—Australia	314	358	357
Coal—Americas North	—	—	22
Coal—Americas South	464	464	464
Copper—Americas South[1]	1,445	1,445	1,445
Copper—Australasia	126	126	126
Iron Ore—Africa	—	95	149
Nickel—Americas South[1]	320	119	119
Nickel—Africa	78	78	78
Nickel—Australasia[1]	37	37	37
Alloys—Africa	358	399	328
Zinc Lead—Americas North	244	244	244
Zinc Lead—Americas South	160	160	160
	3,546	3,525	3,529
	6,538	6,508	6,495

Note:

(1) Net of impairment losses discussed below.

The Xstrata Group performs goodwill impairment testing on an annual basis and at the reporting date if there are indicators of impairment. The most recent test was undertaken at 31 October 2011 and, for any assets where additional indicators of impairment were identified in November or December, testing was updated at 31 December 2011.

In assessing whether goodwill has been impaired, the carrying amount of the CGU or reportable segment is compared with its recoverable amount.

The goodwill impairment expense recognised as an exceptional item in the income statement (refer to note 10) relates to the following:

	Impairment method	2009	2010	2011
			(US$m)	
Nickel—Americas North	FVLCS	655	—	—
Nickel—Americas South	FVLCS	—	201	—
Nickel—Australasia	FVLCS	55	—	—
		710	201	—

For the purpose of goodwill impairment testing in 2009, 2010 and 2011, recoverable amounts were determined based on 'fair value less costs to sell' ("FVLCS") calculations, with the exception of Coal—Australia goodwill, Coal—Americas South goodwill and Chrome—Africa goodwill which were based on "value-in-use" ("VIU") calculations.

Where observable market prices are not available, FVLCS was calculated using a discounted cash flow methodology taking account of assumptions that would be made by market participants.

VIU is based on the cash flows expected to be generated from mines, smelting and refining operations included within the CGUs or reportable segments. Cash flows are projected for periods up to the date that mining and refining are expected to cease, based on management's expectations at the time of completing the testing. This date depends on a number of variables, including recoverable reserves and resources, the forecast selling prices for such production and the treatment charges received from the refining operations. Cash flows have been projected for a maximum of 45 years (2010: 30 years; 2009: 31 years).

Key assumptions

The key assumptions used in the VIU calculations and in determining the FVLCS are:

- recoverable reserves and resources;
- commodity prices;
- operating costs;
- treatment charges receivable by smelting and refining operations;
- capital expenditure;
- discount rates; and
- foreign exchange rates.

Economically recoverable reserves and resources represent management's expectations at the time of completing the impairment testing, based on reserves and resource statements and exploration and evaluation work undertaken by appropriately qualified persons. A summary of the mineral resources and ore reserves is published on the Xstrata plc website.

Long-term commodity prices and treatment charges are determined by reference to external market forecasts. Specific prices are determined using information available in the market after considering the nature of the commodity produced and long-term market expectations. Forecast prices vary in accordance with the year the sale is expected to occur. The commodity prices used in the impairment review are management estimates and are within the range of the available analyst forecasts at 31 October 2009, 2010 and 2011 and 31 December 2009, 2010 and 2011.

The attributable value to reserves and resources using the FVLCS method is based on management's best estimates using market-based forecasts and information available in the market.

Operating cost assumptions are based on management's best estimate at the date of impairment testing of the costs to be incurred. Costs are determined after considering current operating costs, future cost expectations and the nature and location of the operation.

Smelting and refining treatment charges vary in accordance with the commodity prices and time of processing.

Future capital expenditure is based on management's best estimate of required future capital requirements, which generally is for the extraction of existing reserves and resources. It has been determined by taking into account all committed and anticipated capital expenditure adjusted for future cost estimates.

The discount rates that have been used are outlined below. In the case of FVLCS, they represent real after-tax rates, whereas the VIU discount rates represent real pre-tax rates. These rates are based on the weighted average cost of capital specific to each CGU or reportable segment and the currency of the cash flows generated. The weighted average cost of capital reflects the current market assessment of the time value of money, equity market volatility and the risks specific to the CGU or reportable segment for which cash flows have not already been adjusted. These rates were calculated with reference to market information from third party advisers.

	Impairment method	Discount rate		
		2009	2010	2011
			(%)	
Chrome	VIU	10	10	n/a
Coal	VIU	10	10	n/a
Copper	VIU	n/a	n/a	n/a
Copper—Americas	FVLCS	7–11	7–11	7–11
Nickel	FVLCS	7–10	7–10	n/a
Platinum	FVLCS	7–8	7–8	n/a
Zinc Lead	FVLCS	7	7	7

In assessing the FVLCS, another key assumption that would be considered by market participants is foreign exchange rates. The rates that have been utilised are based on external market information.

Specific rates are determined from information available in the market after considering long-term market expectations and the countries in which the Xstrata Group operates.

Sensitivity to changes in assumptions

A significant amount of commodity price and foreign exchange volatility continues to exist in the market. Adverse changes in key assumptions as described below could result in changes to impairment charges specifically in relation to Copper—Americas and Zinc Lead.

A summary of the mineral resources and ore reserves related to the goodwill balances, released in December 2009, is summarised as follows:

	Reserves		Resources		
	Proved	Probable	Measured	Indicated	Inferred
			(million MT)		
Copper—Americas	1,159	2,726	2,986	6,374	5,626
Zinc Lead	82	82	306	197	175

A summary of the mineral resources and ore reserves related to the goodwill balances, released in December 2010, is summarised as follows:

	Reserves		Resources		
	Proved	Probable	Measured	Indicated	Inferred
			(million MT)		
Copper—Americas	1,318	3,283	2,045	6,184	7,246
Zinc Lead	98	81	335	245	238

A summary of the mineral resources and ore reserves related to the goodwill balances, released in December 2011, is summarised as follows:

	Reserves		Resources		
	Proved	Probable	Measured	Indicated	Inferred
			(million MT)		
Copper—Americas	1,232	3,825	2,452	7,185	8,044
Zinc Lead	88	97	323	287	319

Commodity prices—commodity price forecasts were based on external market consensus information. The copper prices ranged from US$2.62 per pound to US$3.30 per pound (2010 US$2.14 per pound to US$3.76 per pound; 2009 US$1.80 per pound to US$2.98 per pound), US$0.90 per pound to US$0.98 per pound (2010 US$0.98 per pound to US$1.11 per pound; 2009 US$0.77 per pound to US$1.02 per pound) for zinc and US$0.92 per pound to US$0.93 per pound (2010 US$0.79 per pound to US$1.11 per pound; 2009 US$0.58 per pound to US$1.06 per pound) for lead, varying in accordance with the year the sale was expected to occur.

Treatment charges received from smelting and refining—in performing the FVLCS calculation for Zinc Lead, treatment charges were estimated to be in the range of US$218 per tonne to US$230 per tonne (2010 US$231 per tonne to US$275 per tonne; 2009 US$207 per tonne to US$271 per tonne) for zinc and US$132 per tonne to US$142 per tonne (2010 US$105 per tonne to US$127 per tonne; 2009 US$107 per tonne to US$124 per tonne) for lead refining fees, based on the year of processing. As outlined above, these prices were based on external market consensus information.

Foreign exchange rates—foreign exchange rates used were based on external market consensus information. The US$:ARS rate ranged from 4.53 to 7.11 (2010: 3.64 to 4.60; 2009: 3.75 to 4.12), AUD:US$ rate ranged from 0.80 to 0.95 (2010: 0.80 to 0.96; 2009: 0.69 to 0.88), the US$:CAD rate ranged from 1.04 to 1.10 (2010: 1.01 to 1.10; 2009: 1.05 to 1.25), the US$:CLP rate from 533 to 596 (2010: 483 to 596; 2009: 522 to 685), the EUR:US$ rate ranged from 1.25 to 1.37 (2010: 1.25 to 1.41; 2009: 1.27 to 1.49) and the US$:PEN from 2.84 to 3.07 (2010: 2.80 to 3.07; 2009: 2.86 to 3.38) varying in accordance with the year the sale was expected to occur.

The impairment tests are particularly sensitive to changes in commodity prices, discount rates and foreign exchange rates. Changes to these assumptions could have resulted in changes to impairment charges. The

table below summarises the change required to key assumptions that would result in the carrying value equalling the recoverable values:

2009	Excess of recoverable amount over carrying value	Change in the key assumption that would result in the recoverable amount equalling the carrying value		
		Commodity prices	Discount rate(1)	Foreign exchange rate
	(US$m)		*(%)*	
Copper—Americas	3,146	15	2	24
Zinc Lead	1,371	14	2	22

Note:

(1) Amounts relate to absolute movement in discount rate.

2010	Excess of recoverable amount over carrying value	Change in the key assumption that would result in the recoverable amount equalling the carrying value		
		Commodity prices	Discount rate(1)	Foreign exchange rate
	(US$m)		*(%)*	
Copper—Americas	5,192	15	4	55
Zinc Lead	3,129	17	4	30

Note:

(1) Amounts relate to absolute movement in discount rate.

2011	Excess of recoverable amount over carrying value	Change in the key assumption that would result in the recoverable amount equalling the carrying value		
		Commodity prices	Discount rate(1)	Foreign exchange rate
	(US$m)		*(%)*	
Copper—Americas	7,250	15	5	75
Zinc Lead	2,116	11	2	16

Note:

(1) Amounts relate to absolute movement in discount rate.

For the purposes of testing for impairment of goodwill using the VIU basis for chrome, the excess of recoverable amount over the carrying value was US$4,027 million (2010 US$3,328 million; 2009 US$7,780 million) and management is of the opinion that no reasonably possible changes in the key assumptions could result in an impairment expense being recognised.

Other non-current assets

The impairment losses/(reversals) recognised as exceptional items in the income statement (refer to note 10), excluding the goodwill impairment above, relate to the following:

	Impairment method(1)	2009	2010	2011
			(US$m)	
Copper—Americas North	VIU	155	—	—
Copper—Americas South	VIU	170	—	—
Nickel—Americas North	FVLCS	719	—	(392)
Nickel—Americas South	FVLCS	—	358	—
Nickel—Australasia	FVLCS	681	—	469
Nickel—Europe	FVLCS	—	—	(71)
Zinc Lead—Americas North	FVLCS	118	—	—
		1,843	358	6

Note:

(1) FVLCS was calculated using a discounted cash flow methodology taking account of assumptions that would be made by market participants.

2011

The results of the 2011 impairment testing indicated that the estimated recoverable amount of the Nickel operations in North America and Europe increased following the completion of the optimisation project, resulting in an impairment reversal of US$463 million (US$324 million after tax).

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

2010

Impairment charges of US$358 million were incurred following a review of the Araguaia nickel project in Brazil.

2009

The impairment charges in Copper—Americas North of US$155 million and Zinc Lead—Americas North of US$118 million relate to the planned closure of the Kidd metallurgical plant scheduled for 1 May 2010 due to global smelting overcapacity, record low treatment and refining charges, increasing operating and capital costs and lower demand and sales prices for sulphuric acid. In respect of Copper—Americas South, an impairment charge of US$170 million has also been recorded as a result of these on-going challenging market conditions for custom smelting operations.

Impairment charges of US$1,400 million were incurred due to the restructuring of Xstrata Nickel which included the closure of high-cost, end-of-life mines in Sudbury, the suspension of the Montcalm operations, significant reductions in operational and corporate costs and the deferral of the Fraser Morgan and Sinclair Underground growth projects.

An impairment charge of US$241 million was recorded in respect of the Xstrata Group's investment in Lonmin following changes in foreign exchange rates, operating costs, production and commodity price outlook that have occurred since the acquisition date. An amount of US$36 million was also recognised during 2009 in relation to the Xstrata Group's share of the restructuring and closure costs, impairments and loss on forward exchange contracts in respect of a rights issue recognised by Lonmin.

16 Property, plant and equipment

	Exploration and evaluation	Land and buildings	Mining properties and leases	Plant and equipment	Capital works in progress	2009
			(US$m)			
At 1 January 2009, net of accumulated depreciation	1,024	2,461	21,267	7,086	4,303	36,141
Additions	294	260	379	1,025	1,819	3,777
Disposals	—	(2)	(3)	(14)	(4)	(23)
Rehabilitation provision adjustments (refer to note 32)	—	—	181	—	—	181
Reclassifications	38	304	(441)	1,004	(905)	—
Depreciation charge	(15)	(203)	(1,033)	(1,080)	(3)	(2,334)
Impairment charge	(324)	(1)	(1,106)	(407)	—	(1,838)
Transferred to assets classified as held for sale	(89)	(70)	(164)	—	—	(323)
Translation adjustments	118	225	2,062	990	421	3,816
At 31 December 2009, net of accumulated depreciation	1,046	2,974	21,142	8,604	5,631	39,397
At 1 January 2009:						
Cost	1,046	3,336	24,667	10,245	4,321	43,615
Accumulated depreciation	(22)	(875)	(3,400)	(3,159)	(18)	(7,474)
Net carrying amount	1,024	2,461	21,267	7,086	4,303	36,141
At 31 December 2009:						
Cost	1,409	4,246	27,038	13,849	5,652	52,194
Accumulated depreciation	(363)	(1,272)	(5,896)	(5,245)	(21)	(12,797)
Net carrying amount	1,046	2,974	21,142	8,604	5,631	39,397

	Exploration and evaluation	Land and buildings	Mining properties and leases	Plant and equipment	Capital works in progress	2010
			(US$m)			
At 1 January 2010, net of accumulated depreciation	1,046	2,974	21,142	8,604	5,631	39,397
Acquisitions	86	—	408	(7)	—	487
Additions	367	270	427	1,591	3,684	6,339
Disposals	(2)	(6)	(3)	(12)	(3)	(26)
Rehabilitation provision adjustments (refer to note 31)	—	—	255	—	—	255
Reclassifications	(212)	(118)	1,842	715	(2,204)	23
Depreciation charge	—	(290)	(1,282)	(1,063)	(4)	(2,639)
Impairment charge	—	—	(358)	—	—	(358)
Translation adjustments	34	214	1,180	640	338	2,406
At 31 December 2010, net of accumulated depreciation	1,319	3,044	23,611	10,468	7,442	45,884
At 1 January 2010:						
Cost	1,409	4,246	27,038	13,849	5,652	52,194
Accumulated depreciation	(363)	(1,272)	(5,896)	(5,245)	(21)	(12,797)
Net carrying amount	1,046	2,974	21,142	8,604	5,631	39,397
At 31 December 2010:						
Cost	1,646	4,601	31,430	17,286	7,454	62,417
Accumulated depreciation	(327)	(1,557)	(7,819)	(6,818)	(12)	(16,533)
Net carrying amount	1,319	3,044	23,611	10,468	7,442	45,884

	Exploration and evaluation	Land and buildings	Mining properties and leases	Plant and equipment	Capital works in progress	2011
			(US$m)			
At 1 January 2011, net of accumulated depreciation	1,319	3,044	23,611	10,468	7,442	45,884
Acquisitions	6	1	431	99	3	540
Additions	557	489	376	2,821	4,181	8,424
Asset acquisitions	11	—	316	—	—	327
Disposals	—	(2)	(12)	(5)	(14)	(33)
Rehabilitation provision adjustments (refer to note 31)	—	—	475	—	—	475
Reclassifications	(11)	297	756	815	(1,857)	—
Depreciation charge	(4)	(266)	(1,495)	(1,351)	(2)	(3,118)
Net impairment effect	(66)	—	(63)	107	—	(22)
Translation adjustments	1	(92)	(466)	(361)	(105)	(1,023)
At 31 December 2011, net of accumulated depreciation	1,813	3,471	23,929	12,593	9,648	51,454
At 1 January 2011:						
Cost	1,646	4,601	31,430	17,286	7,454	62,417
Accumulated depreciation	(327)	(1,557)	(7,819)	(6,818)	(12)	(16,533)
Net carrying amount	1,319	3,044	23,611	10,468	7,442	45,884
At 31 December 2011:						
Cost	2,306	5,238	33,158	20,088	9,659	70,449
Accumulated depreciation	(493)	(1,767)	(9,229)	(7,495)	(11)	(18,995)
Net carrying amount	1,813	3,471	23,929	12,593	9,648	51,454

Land and buildings include non-depreciating freehold land amounting to US$726 million (2010 US$662 million; 2009 US$565 million).

Mining properties and leases at 31 December 2011 include deferred stripping costs of US$1,193 million (2010 US$1,038 million; 2009 US$850 million). US$290 million (2010 US$231 million; 2009 US$169 million) of deferred stripping costs were capitalised during the year. Capital expenditure (refer to note 9) comprises additions to intangible assets (refer to note 14) and property, plant and equipment, excluding deferred stripping costs capitalised during the year.

The carrying value of plant and equipment held under finance leases and hire purchase contracts at 31 December 2011 is US$158 million (2010 US$155 million; 2009 US$109 million). Leased assets and assets under hire purchase contracts are pledged as security for the related finance leases and hire purchase liabilities. The carrying value of other property, plant and equipment pledged as security is US$6 million (2010 US$18 million; 2009 US$ nil).

US$104 million (2010 US$82 million; 2009 US$17 million) of borrowing costs were capitalised during the year and there is US$224 million (2010 US$122 million; 2009 US$36 million) of capitalised borrowing costs within property, plant and equipment at 31 December 2011. The rate used to determine the amount of borrowing costs eligible for capitalisation was 5.3 per cent. (2010: 5.7 per cent.; 2009: 4.4 per cent.), which is the effective interest rate of the specific and allocated general borrowings.

The carrying value of property, plant and equipment at 31 December 2011 that is temporarily idle is US$59 million (2010 US$51 million; 2009 US$68 million).

The Xstrata Group has made commitments to acquire property, plant and equipment totalling US$1,854 million at 31 December 2011 (2010 US$730 million; 2009 US$1,163 million).

17 Biological assets

	2009	2010	2011
		(US$m)	
At 1 January	11	20	23
Additions	—	7	8
Disposals	—	(7)	(8)
Net gain/(loss) from fair value less estimated selling cost adjustments	5	—	—
Translation adjustments	4	3	—
At 31 December	20	23	23

Biological assets are stated at fair value less estimated selling costs, which has been determined based on independent valuations as at 31 December 2009, 2010 and 2011, on the basis of open market value, supported by market evidence. As at 31 December 2011, the Xstrata Group owned 46,000 (2010: 47,000; 2009: 46,000) cattle.

18 Inventories

	2009	2010	2011
		(US$m)	
Current:			
Raw materials and consumables	1,386	1,493	1,677
Work in progress	2,238	2,285	2,350
Finished goods	946	985	1,215
	4,570	4,763	5,242
Non-current:			
Work in progress	44	45	7
	44	45	7

Non-current inventories comprises long-term ore stockpiles that are not planned to be processed within one year.

19 Trade and other receivables

	2009	2010	2011
		(US$m)	
Current:			
Trade debtors	2,856	3,930	3,037
Advances	78	81	91
Employee entitlement receivables (refer to note 31)	18	38	44
Recoverable sales tax	275	347	559
Other debtors	79	67	11
	3,306	4,463	3,742
Non-current:			
Employee entitlement receivables (refer to note 31)	43	51	60
Other debtors	38	117	150
	81	168	210

20 Investment in associates

Lonmin plc

In August 2008, the Xstrata Group acquired 16,706,481 shares in Lonmin plc for US$1,084 million. In October 2008, the Xstrata Group acquired an additional 22,232,940 shares for US$794 million, resulting in a total acquisition price of US$1,878 million. Following the October 2008 transaction, the Xstrata Group held 24.9 per cent. of Lonmin plc and determined it was an associate of the Xstrata Group. Lonmin plc, which is listed on the London Stock Exchange and Johannesburg Stock Exchange, is one of the world's

largest platinum producers with operations principally in South Africa. In June 2009, the Xstrata Group acquired 8,653,204 shares in Lonmin plc for US$112 million as part of a 2 for 9 Rights Issue of 35.1 million new ordinary shares at GBP9.00 per new share for shareholders on the London Stock Exchange and at ZAR113.04 per new share for shareholders on the Johannesburg Stock Exchange.

In May 2010, the Xstrata Group acquired 2,233,600 shares in Lonmin plc for US$58 million as part of a Placement Issue of 9.1 million new ordinary shares at GBP17.65 per new share for shareholders on the London Stock Exchange and the Johannesburg Stock Exchange.

The share price of Lonmin as listed on the London stock exchange at 31 December 2011 was GBP9.80 per share (2010 GBP19.66 per share; 2009 GBP19.59 per share). The Xstrata Group believes that the recoverable amount of the investment using the VIU method was higher than the value based on the listed share price at that date because this share price continues to reflect on-going uncertainty and volatility in world economic markets as opposed to the fundamental long-term value of this investment, therefore the carrying value is supported on a VIU basis. However, during 2009, the Xstrata Group recognised a net exceptional impairment charge of US$241 million after determining the recoverable amount of the investment was lower than the carrying amount. The carrying amount of Lonmin at 31 December 2011 was US$1,536 million (2010 US$1,558 million; 2009 US$1,603 million).

Other associates

The Xstrata Group's other associates are (refer to note 35):

- interests in coal terminals (Newcastle Coal Shippers Pty Ltd, Port Kembla Coal Terminal Limited, WICET Holdings Pty Ltd and Richards Bay Coal Terminal Company Ltd), through which it gains access to export markets; and
- a 25 per cent. interest in the Noranda Income Fund which owns a zinc refinery in Salaberry-de-Valleyfield, Quebec.

The Xstrata Group held 12.5 million (2010: 12.5 million; 2009: 12.5 million) units in the Noranda Income Fund and the unit price as listed on the Toronto Stock Exchange at 31 December 2011 was CAD5.68 per unit (2010 CAD4.65 per unit; 2009 CAD2.55 per unit). The Xstrata Group has determined that the recoverable amount of the investment calculated using the VIU method is higher than the value based on the listed unit price because of the continued uncertainty and volatility in world economic markets.

The companies which own the coal terminals are not listed so there is no published quoted price for the value of these investments. The Xstrata Group estimates that the carrying value of these investments is at least equal to fair value.

The following is a summary of the financial information for the associates:

	2009	2010	2011
		(US$m)	
Share of associates' balance sheet:			
Non-current assets	2,548	2,545	2,519
Current assets	617	608	372
Total assets	3,165	3,153	2,891
Non-current liabilities	(815)	(835)	(657)
Current liabilities	(305)	(317)	(250)
Total liabilities	(1,120)	(1,152)	(907)
Non-controlling interests	(255)	(215)	(215)
Net attributable assets	1,790	1,786	1,769
Carrying amount of the investment	1,790	1,786	1,769
Share of associates' revenue and profit:			
Revenue	409	594	663
EBITDA	1	116	146
EBIT	(361)	43	68
Net interest paid	(16)	(4)	(4)
Income tax (expense)/benefit	35	(24)	(15)
Profit for the year	(342)	15	49
Attributable to:			
Equity holders of the parent	(333)	9	41
Non-controlling interests	(9)	6	8
	(342)	15	49

All associates have a reporting date of 31 December, except for Lonmin, which has a reporting date of 30 September. The Xstrata Group's share of results from associates is included above. The Xstrata Group's share of Lonmin's results is based on Lonmin's financial statements for the year ended 30 September 2011 and adjusted for any significant known transactions between October and December 2011.

21 Interests in joint venture entities

The Xstrata Group has various interests in jointly controlled entities, operations and assets as outlined in note 35. The Xstrata Group recognises its interests in jointly controlled entities using the proportionate method of consolidation as outlined in note 6.

The following is a summary of the financial information of the Xstrata Group's jointly controlled entities in Africa, Australia and South America:

	2009	2010	2011
		(US$m)	
Share of joint ventures' balance sheets:			
Non-current assets	9,921	10,207	11,163
Current assets	994	1,129	1,016
Total assets	10,915	11,336	12,179
Non-current liabilities	(2,034)	(2,025)	(1,996)
Current liabilities	(362)	(495)	(747)
Total liabilities	(2,396)	(2,520)	(2,743)
Net assets	8,519	8,816	9,436
Net assets consolidated	8,519	8,816	9,436
Share of joint ventures' revenue and profit:			
Revenue	2,370	2,803	3,075
Operating costs (before depreciation and amortisation)	(622)	(583)	(762)
EBITDA	1,748	2,220	2,313
Depreciation and amortisation	(378)	(366)	(381)
EBIT	1,370	1,854	1,932
Finance income	354	70	1
Finance costs	(8)	(24)	(5)
Profit before tax	1,716	1,900	1,928
Income tax expense	(431)	(371)	(541)
Profit for the year	1,285	1,529	1,387

22 Available-for-sale financial assets

	2009	2010	2011
		(US$m)	
At fair value:			
Shares—listed	216	160	79
Shares—unlisted	4	5	7
Royalty contract	144	182	172
	364	347	258

Available-for-sale financial assets consist of a long-term royalty income contract and investments in listed and unlisted ordinary shares that have no fixed maturity date or coupon rate. These investments are held for strategic purposes.

In 2009, 2010 and 2011, the listed shares related to companies in the mining industry. The listed shares are carried at fair value. In 2011, listed shares with a carrying value of US$51 million were sold for a gain of US$29 million (2010 US$135 million sold for a gain of US$73 million) and an impairment of US$43 million was recognised in the income statement due to the continued subdued equity markets.

Unlisted shares mainly comprise interests in ports in Australia used to export coal and are carried at fair value.

23 Derivative financial assets

	2009	2010	2011
		(US$m)	
Current:			
At fair value:			
Foreign currency cash flow hedges	144	126	24
Commodity cash flow hedges	—	—	31
Fair value interest rate hedges	—	77	33
Other interest rate derivatives	—	1	2
Other foreign currency derivatives	15	32	6
	159	236	96
Non-current:			
At fair value:			
Commodity cash flow hedges	84	—	1
Fair value interest rate hedges	566	529	666
Other interest rate derivatives	48	41	13
	698	570	680
Total	857	806	776

24 Other financial assets

	2009	2010	2011
		(US$m)	
Current:			
At amortised cost:			
Investment in operations	2,424	—	—
	2,424	—	—
Non-current:			
At fair value:			
Infrastructure loans	—	—	183
Loans to joint venture partners	234	375	396
Rehabilitation trust fund	77	91	106
Other	37	48	58
	348	514	743
Total	2,772	514	743

Investment in operations

Following shareholder approval, the Xstrata Group acquired 100 per cent. of the Prodeco Colombian coal operations (Prodeco) from Glencore International AG (Glencore) on 3 March 2009 for a net cost of US$2 billion and the rights to Prodeco's earnings from 1 January 2009. The Xstrata Group agreed to grant Glencore a call option to repurchase Prodeco, on any business day up to 4 March 2010, for US$2.25 billion, plus/minus the net cash paid to/received from Prodeco and all profits of Prodeco accrued but not distributed to the Xstrata Group. The investment in Prodeco is included on the balance sheet at 31 December 2009 within current other financial assets. The profits of Prodeco are recognised as finance income in the period earned and the call option premium is included in finance income proportionately over the life of the option (refer to note 10). On 4 March 2010, the Xstrata Group received formal notification from Glencore of the exercise of its option to acquire the Prodeco coal operations for US$2.25 billion plus the balance of any profits accrued but not distributed to Xstrata during the period 1 January 2009 to the completion date and the net balance of any cash invested by Xstrata.

Infrastructure loans

AUD denominated secured subordinated loan funding has been provided to Wiggins Island Coal Export Terminal Pty Limited for the construction of a coal terminal in Australia. The loan is subject to a floating rate of interest and is repayable by 30 September 2020.

Loans to joint venture partners

ZAR denominated loans of US$280 million (2010 US$375 million; 2009 US$234 million) are receivable from ARM Coal that are subject to a floating rate of interest with no fixed repayment date. ZAR denominated loans of US$59 million (2010 US$nil; 2009 US$nil) are receivable from Ngazana Consortium that are subject to a floating rate of interest with no fixed repayment date. ZAR denominated loans of US$57 million (2010 US$nil; 2009 US$nil) are receivable from Bakwena-Ba-Magopa Community Trust that are subject to a floating rate of interest and are repayable by 31 December 2026.

Rehabilitation trust fund

The rehabilitation trust fund in South Africa receives cash contributions to accumulate funds for the Xstrata Group's rehabilitation liabilities relating to the eventual closure of the Xstrata Group's coal operations. Amounts are paid out from the trust fund following completion and approval of the rehabilitation work by the South African Department of Minerals and Energy. The contributions to the trust fund are placed with investment banks that are responsible for making investments in equity and money market instruments. The trust fund is to be used according to the terms of the trust deed and the assets are not available for the general purposes of the Xstrata Group. The trust fund is carried at fair value.

25 Cash and cash equivalents and non-cash transactions

	2009	2010	2011
		(US$m)	
Cash at bank and in hand	670	733	945
Short-term deposits	507	989	1,003
	1,177	1,722	1,948

The majority of cash at bank and in hand earns interest at floating rates of interest with a limited amount at fixed rates of interest or interest-free. Short-term deposits are made at call and for less than one week, dependent on the short-term cash requirements of the Xstrata Group, and earn interest based on the respective short-term deposit rates. The fair value of cash and cash equivalents at 31 December 2011, 31 December 2010 and 31 December 2009 approximates carrying value. For the purposes of the consolidated cash flow statement, cash and cash equivalents comprise the following at 31 December:

	2009	2010	2011
		(US$m)	
Cash at bank and in hand	670	733	945
Short-term deposits	507	989	1,003
Bank overdrafts (refer to note 28)	(12)	(12)	(5)
	1,165	1,710	1,943

During the year, the Xstrata Group entered into new finance leases and hire purchase contracts to purchase various items of plant and equipment for US$5 million (2010 US$68 million; 2009 US$67 million), issued shares from the conversion of the convertible borrowings and issued shares to the ESOP for a market value of 2011 US$nil (2010 US$ nil; 2009 US$102 million) which did not require the use of cash and cash equivalents and are not included in the net cash flow used in investing and financing activities in the consolidated cash flow statement.

26 Capital and reserves

	(US$m)
Authorised:	
1,500,000,000 ordinary shares of US$0.50 each as at 1 January 2009	750
3,000,000,000 ordinary shares of US$0.50 each increase on 2 March 2009	1,500
4,500,000,000 ordinary shares of US$0.50 each as at 31 December 2009, 31 December 2010 and 31 December 2011	2,250
50,000 deferred shares of GBP1.00 each as at 31 December 2009, 31 December 2010 and 31 December 2011	—
1 special voting share of US$0.50 as at 31 December 2009, 31 December 2010 and 31 December 2011	—
	2,250
Issued, called up and fully paid:	
977,670,540 ordinary shares of US$0.50 each as at 1 January 2009	488
1,955,341,080 ordinary shares issued on 18 March 2009 from a shareholder rights issue	978
6,000,000 ordinary shares issued on 17 December 2009 to the ESOP	3
2,939,011,620 ordinary shares of US$0.50 each as at 31 December 2009	1,469
25,680,456 ordinary shares issued on the exercise of convertible borrowings	13
2,964,692,076 ordinary shares of US$0.50 each as at 31 December 2010 and 31 December 2011	1,482
Share premium:	
As at 1 January 2009	10,308
1,955,341,080 ordinary shares issued on 18 March 2009 from a shareholder rights issue	4,689
6,000,000 ordinary shares issued on 17 December 2009 to the ESOP	99
As at 31 December 2009	15,096
25,680,456 ordinary shares issued on the exercise of convertible borrowings	362
As at 31 December 2010 and as at 31 December 2011	15,458

	(US$m)
Own shares:	
21,654,986 ordinary shares of US$0.50 each as at 1 January 2009	(1,332)
Proceeds from the sale of rights issue entitlements	48
16,377,594 ordinary shares acquired from rights issue on 18 March 2009	(48)
6,000,000 ordinary shares issued on 17 December 2009 to the ESOP	(102)
4,228,231 ordinary shares disposed during the year	134
822,529 ordinary shares purchased during the year	(6)
40,626,878 ordinary shares of US$0.50 each as at 31 December 2009	(1,306)
5,832,841 ordinary shares disposed during the year	136
521,098 ordinary shares purchased during the year	(11)
35,315,135 ordinary shares of US$0.50 each as at 31 December 2010	(1,181)
2,635,979 ordinary shares disposed during the year	59
777,678 ordinary shares purchased during the year	(18)
33,456,834 ordinary shares of US$0.50 each as at 31 December 2011	(1,140)

Issue of ordinary shares

On 18 March 2009, 1,955,341,080 ordinary shares were issued under a rights issue which was structured as an issue of two new ordinary shares at a price of GBP2.10 per share for every one existing ordinary share held. The net proceeds from the rights issue was US$5,667 million (after US$126 million of capital raising costs) and the number of shares in issue of Xstrata plc following the completion of the rights issue was 2,933,011,620.

On 17 December 2009, 6,000,000 shares were issued to the ESOP at a market price of GBP10.47 per share.

During 2010, the US$375 million convertible borrowings were converted at the option of the holders into 25,680,456 ordinary shares in Xstrata plc.

Own shares

Own shares comprise shares of Xstrata plc held in the ESOP and shares held by Batiss Investments (Batiss) for the ECMP.

The shares acquired by the ESOP are either stock market purchases or share issues from Xstrata. The ESOP is used to co-ordinate the funding and manages the delivery of ordinary shares for options and free share awards under the Xstrata Group's employee award schemes. The trustee of the ESOP is permitted to place the shares back into the market and may hold up to 5 per cent. of the issued share capital of Xstrata at any one time. At 31 December 2011, 5,028,048 (2010: 6,886,349; 2009: 12,198,092) shares, equivalent to 0.2 per cent. (2010: 0.2 per cent.; 2009: 0.4 per cent.) of the total issued share capital, were held by the trust with a cost of US$114 million (2010 US$155 million; 2009 US$280 million) and market value of US$76 million (2010 US$162 million; 2009 US$221 million). The trust has waived the right to receive dividends from the shares that it holds. Costs relating to the administration of the trust are expensed in the period in which they are incurred.

The shares acquired from the stock market by Batiss and held for the ECMP are used by the Xstrata Group as a source of financing for future acquisitions, or placed back into the market. The decision as to when to place the shares in the market, to use the shares to assist the Xstrata Group in facilitating future transactions or to repurchase shares for cancellation is considered in light of the Xstrata Group's funding requirements and capital structure.

Batiss is not permitted to hold more than 10 per cent. of the issued share capital of Xstrata at any one time. Batiss has entered into an option agreement with Xstrata Finance (Dubai) Limited (Xstrata Finance), a wholly-owned subsidiary within the Xstrata Group, whereby Batiss has granted to Xstrata Finance a right to require Batiss to sell the purchased Xstrata shares to a third party (other than a subsidiary of Xstrata plc), as nominated by Xstrata Finance, at an exercise price of 1p per share. Under the option agreement, Xstrata Finance pays Batiss a premium for this right, the premium being the equivalent of the market price paid by Batiss for the shares plus associated costs less the 1p exercise price. This premium payment, together with funds from a subscription by Xstrata Finance for non-voting redeemable preference shares in Batiss, provides the funding for Batiss to acquire the shares in the market. These payments are sourced from the existing and future cash resources of Xstrata Finance. Xstrata Finance is able to exercise its right under the option agreement for a period of six years from the date of each purchase, but has not chosen to do so in 2009, 2010 or 2011.

Batiss has waived its right to receive dividends on the shares that it holds. At 31 December 2011, 28,428,786 (2010: 28,428,786; 2009: 28,428,786) shares, equivalent to 1.0 per cent. (2010: 1.0 per cent.; 2009: 1.0 per cent.) of the total issued share capital, were held by the trust with a cost of US$1,026 million (2010 US$1,026 million; 2009 US$1,026 million) and market value of US$432 million (2010 US$668 million; 2009 US$515 million). Costs relating to the administration of the trust are expensed in the period in which they are incurred.

Consolidated changes in equity

Other reserves

	Revaluation reserves	Other reserves	Net unrealised gains/(losses)	Foreign currency translation	Total
			(US$m)		
At 31 December 2008	1,440	1,229	(107)	(1,108)	1,454
Gains on available-for-sale financial assets	—	—	209	—	209
Realised losses on available-for-sale financial assets	—	—	1	—	1
Gains on cash flow hedges	—	—	456	—	456
Realised gains on cash flow hedges[1]	—	—	(312)	—	(312)
Foreign currency translation differences	—	—	—	3,930	3,930
Deferred tax	—	—	(59)	(73)	(132)
At 31 December 2009	1,440	1,229	188	2,749	5,606
Gains on available-for-sale financial assets	—	—	118	—	118
Realised losses on available-for-sale financial assets	—	—	(73)	—	(73)
Gains on cash flow hedges	—	—	117	—	117
Realised gains on cash flow hedges[1]	—	—	(131)	—	(131)
Foreign currency translation differences	—	—	—	2,459	2,459
Deferred tax	—	—	(9)	(48)	(57)
At 31 December 2010	1,440	1,229	210	5,160	8,039
Unrealised losses on available-for-sale financial assets	—	—	(37)	—	(37)
Realised gains on available-for-sale financial assets	—	—	(8)	—	(8)
Gains on cash flow hedges	—	—	26	—	26
Realised gains on cash flow hedges[1]	—	—	(51)	—	(51)
Foreign currency translation differences	—	—	—	(1,309)	(1,309)
Deferred tax	—	—	19	2	21
At 31 December 2011	1,440	1,229	159	3,853	6,681

Note:

(1) Recycled gains of US$59 million (2010 US$115 million; 2009 US$312 million) are included in Revenue in the income statement, including non-controlling interests.

Revaluation reserves

This reserve principally records the re-measurement from cost of the 19.9 per cent. interest held in Falconbridge Limited (Falconbridge) to the fair value of 19.9 per cent. of the identifiable net assets of Falconbridge on 15 August 2006, the date the Xstrata Group obtained control of Falconbridge.

Other reserves

This reserve principally originated during 2002 from the merger of Xstrata AG into Xstrata plc of US$279 million and the issue of shares from the acquisition of the Duiker and Enex Groups of US$935 million.

Net unrealised gains/(losses) reserve

This reserve records the re-measurement of available-for-sale financial assets to fair value (refer to note 22) and the effective portion of the gain or loss on cash flow hedging contracts (refer to notes 23, 29 and 36). Deferred tax is provided on the re-measurement at tax rates enacted or substantively enacted.

Foreign currency translation reserve

This is used to record exchange differences arising from the translation of the financial statements of foreign subsidiaries. It is also used to record the exchange differences from the translation of quasi-equity

inter-company loans in foreign operations. On disposal or partial disposal of a foreign entity, the deferred accumulated amount recognised in this reserve is transferred to the income statement.

Capital management

The capital of Xstrata plc is the total equity and long-term borrowings, including capital market notes (refer to note 28), on the Xstrata Group's balance sheet. The objective of Xstrata's capital management is to grow and manage a diversified portfolio of metals and mining businesses with the aim of delivering industry-leading returns for its shareholders. The management of the Xstrata Group's capital is performed by the Board of directors. There are no externally imposed capital requirements.

27 Trade and other payables

	2009	2010	2011
		(US$m)	
Current:			
Trade payables	1,796	2,544	2,562
Sundry payables	619	730	829
Interest payable	72	67	72
Accruals and other payables	1,210	1,461	1,639
	3,697	4,802	5,102
Non-current:			
Accruals and other payables	32	88	82
	32	88	82
Total	3,729	4,890	5,184

All current payables are expected to be settled in the next 12 months and non-current payables are expected to be settled over a weighted average life of four years (2010 six years; 2009 six years).

28 Interest-bearing loans and borrowings

	2009	2010	2011
		(US$m)	
Current:			
At amortised cost:			
Bank overdrafts	12	12	5
Bank loans—other unsecured	46	40	139
Capital market notes	97	2,192	1,382
Non-controlling interest loans	5	—	—
Obligations under finance leases and hire purchase contracts(1)	46	74	38
Other loans	—	—	2
	206	2,318	1,566
Non-current:			
At amortised cost:			
Syndicated bank loans—unsecured	3,827	—	—
Bank loans—other unsecured	174	173	34
Capital market notes	8,924	6,550	8,394
Non-controlling interest loans	181	243	204
Obligations under finance leases and hire purchase contracts(1)	135	177	166
Other loans	11	11	6
	13,252	7,154	8,804
Non-current:			
At amortised cost:			
Convertible borrowings (refer to note 28a)	335	—	—
Total	13,793	9,472	10,370
Less cash and cash equivalents (refer to note 25)	(1,177)	(1,722)	(1,948)
Net debt excluding hedges(1)	12,616	7,750	8,422
Hedges(2)	(326)	(112)	(273)
Net debt including hedges(1)	12,290	7,638	8,149

Notes:

(1) Secured over specific items of plant and equipment (refer to note 16). Net debt is defined as loans and borrowings net of cash and cash equivalents.

(2) Derivative financial instruments that have been designated specifically to provide a hedge of capital market notes have been included above to reflect a more accurate economic position of the Xstrata Group's overall net debt at year end.

Existing facilities in 2011

The Xstrata Group has entered into bank loans described below:

Syndicated bank loans

On 25 July 2007, the Xstrata Group entered into a guaranteed US$4,680 million multi-currency revolving syndicated loan facility. Interest was payable on drawn down amounts at a rate that was the aggregate of LIBOR or, in relation to any loan in Euro, EURIBOR and the relevant margin, which was 27.5 basis points per annum. As of 31 December 2010, US$4,680 million (2009 US$840 million) was available to be drawn under this facility. The facility was cancelled in October 2011.

On 17 September 2010, the Xstrata Group entered into a guaranteed US$4,000 million multi-currency revolving syndicated loan facility split into two US$2 billion tranches, with one tranche maturing three years after the date of the facility and the other maturing five years after the date of the facility. Interest was payable on drawn down amounts at a rate that was the aggregate of LIBOR or, in relation to any loan in Euro, EURIBOR and the relevant margin, which was 90.0 basis points per annum under the three-year tranche and 100.0 basis points per annum under the five-year tranche respectively. As of 31 December 2010, US$4,000 million was available to be drawn under this facility. This facility was cancelled in October 2011 and replaced with the US$6,000 million syndicated loan facility.

In October 2011, the Xstrata Group entered into a guaranteed US$6,000 million revolving syndicated loan facility maturing in October 2016. Interest is payable on drawn down amounts at a rate that is the aggregate of LIBOR and the relevant margin, which is 85 basis points per annum. As of 31 December 2011, US$6,000 million was available to be drawn under this facility.

Repaid facilities

On 6 October 2008, the Xstrata Group entered into a US$5,000 million multi-currency revolving syndicated loan facility (the "Club Facility") scheduled to mature on 30 September 2011. Interest is payable on drawn down amounts at a rate that is the aggregate of LIBOR or, in relation to any loan in Euro, EURIBOR and the relevant margin, which is 150 basis points per annum. The Club Facility was amended on 30 December 2008 to increase the facility amount to US$5,459 million and on 9 April 2010 to decrease the facility amount to US$3,000 million. During 2009, the amounts drawn down under this facility were fully repaid from the proceeds from the rights issue (refer to note 26). This facility was cancelled during 2010 and replaced with the US$4,000 million syndicated loan facility.

Capital market notes

As at 31 December 2009, 2010 and 2011, other unsecured private placements included:

Facility	Denomination	Maturity	At 31 Dec 09	Effective interest rate % in 2009	At 31 Dec 10	Effective interest rate % in 2010	At 31 Dec 11	Fixed or floating interest rate	Effective interest rate % in 2011
			(US$m)		*(US$m)*		*(US$m)*		
Series B senior unsecured notes[(1)]	US$	Jun 11	26	6.75	13	6.75	—	Fixed	6.75
Series B senior unsecured notes[(1)]	US$	Jun 11	52	7.00	52	7.00	—	Fixed	7.00
Unsecured notes[(2)]	US$	Nov 11	770	5.50	751	5.50	—	Fixed	5.50
Unsecured notes[(2)]	US$	Nov 16	1,096	5.80	1,144	5.80	1,185	Fixed	5.80
Unsecured notes[(3)]	EUR	Jun 12	782	4.88	722	4.88	677	Fixed	4.88
Unsecured notes[(3)]	EUR	Jun 17	810	5.25	774	5.25	786	Fixed	5.25
Unsecured notes[(4)]	US$	Nov 37	494	6.90	494	6.90	495	Fixed	6.90
Unsecured notes[(5)]	EUR	May 11	1,133	5.88	1,039	5.88	—	Fixed	5.88
Unsecured notes[(5)]	EUR	May 15	919	6.25	874	6.25	875	Fixed	6.25
Unsecured notes[(5)]	GBP	May 20	845	7.38	842	7.38	936	Fixed	7.38
Senior debentures[(6)]	US$	Feb 11	327	6.03	308	6.03	—	Fixed	6.03
Senior debentures[(6)]	US$	Jun 12	271	5.88	265	5.88	255	Fixed	5.88
Senior debentures[(6)]	US$	Jul 12	308	6.06	305	6.06	302	Fixed	6.06
Senior debentures[(6)]	US$	Oct 15	377	6.34	391	6.34	397	Fixed	6.34
Senior debentures[(6)]	US$	Jun 15	257	6.16	264	6.16	266	Fixed	6.16
Senior debentures[(6)]	US$	Jun 17	238	6.39	240	6.39	241	Fixed	6.39
Senior debentures[(6)]	US$	Jun 35	234	6.77	234	6.77	235	Fixed	6.77
Unsecured notes[(7)]	US$	Nov 14	—	—	—	—	797	Fixed	2.85
Unsecured notes[(7)]	US$	Jan 17	—	—	—	—	697	Fixed	3.60
Unsecured notes[(7)]	US$	Nov 21	—	—	—	—	994	Fixed	4.95
Unsecured notes[(7)]	US$	Nov 41	—	—	—	—	490	Fixed	6.00
Commercial paper[(8)]	US$	Jan 12	82	0.92	30	0.42	148	Floating	0.33
			9,021		8,742		9,776		

Notes:

(1) An Australian subsidiary has designated the series B senior unsecured notes as a fair value hedge of an investment in South America (refer to note 36). The hedge is being used to reduce exposure to foreign currency risk.

(2) In November 2006, the Xstrata Group issued guaranteed capital market notes to refinance existing debt facilities of a US$1,000 million 10-year note at a fixed interest rate of 5.8 per cent. and a US$750 million five-year note at a fixed interest rate of 5.5 per cent.

(3) In June 2007, the Xstrata Group issued a two-tranche EUR1,000 million guaranteed bond offering, comprising EUR500 million 4.875 per cent fixed guaranteed notes due 2012 and EUR500 million 5.25 per cent. fixed guaranteed notes due 2017. These bonds have been swapped to US$. The swaps have been accounted for as cash flow hedges with an unrealised loss of US$54 million (2010 unrealised loss of US$12 million; 2009 gain of US$82 million) at 31 December 2011 (refer to note 36).

(4) In November 2007, the Xstrata Group issued guaranteed 30-year notes of US$500 million bearing interest at a fixed rate of 6.9 per cent.

(5) In May 2008, the Xstrata Group issued a two-tranche EUR1,350 million guaranteed bond offering, comprising EUR750 million 5.875 per cent. fixed guaranteed notes due 2011 and EUR600 million 6.25 per cent. fixed guaranteed notes due 2015. In May 2008, the Xstrata Group issued a guaranteed bond offering of GBP500 million 7.375 per cent. fixed guaranteed notes due 2020. These bonds have been swapped to US$. The swaps have been accounted for as cash flow hedges with an unrealised loss of US$369 million at 31 December 2011 (2010 unrealised loss of US$510 million; 2009 US$356 million).

(6) The guaranteed senior debentures were assumed by the Xstrata Group through the acquisition of Falconbridge in 2006. Pursuant to the terms of the note indentures as amended by supplemental indentures, Xstrata plc has fully and unconditionally guaranteed in favour of the holders of the senior debentures the payment, within 15 days of when due, of all financial liabilities and obligations of Xstrata Canada Corporation to such holders under the terms of the senior debentures.

(7) In November 2011, the Xstrata Group issued a four-tranche US$3,000 million guaranteed bond offering, comprising fixed interest US$800 million 2.85 per cent. notes due 2014, US$700 million 3.60 per cent. notes due 2017, US$1,000 million 4.95 per cent. notes due 2021 and US$500 million 6.00 per cent. notes due 2041.

(8) In February 2008, the Xstrata Group entered into a US$1,000 million commercial paper programme facility, with maturities of up to 12 months. Interest is payable on the notes at a rate that is based on LIBOR.

During 2009, the Xstrata Group redeemed all of the three-year floating rate US$500 million capital market notes in November 2009 for US$499 million and US$31 million of the five-year fixed rate US$750 million capital market notes, maturing November 2011 for US$26 million, resulting in a gain of US$6 million.

A portion of the fixed interest rate of the unsecured notes and senior debentures has been swapped to a floating rate. The swaps have been accounted for as fair value hedges with an unrealised gain of US$702 million (2010 US$609 million unrealised gain; 2009 US$569 million gain) at 31 December 2011 (refer to note 36). Hedging ineffectiveness during 2011 resulted in other financial loss of US$31 million (2010 US$6 million loss; 2009 US$17 million).

Bank loans—other unsecured

The Xstrata Group has debts of proportionally consolidated joint ventures of US$139 million (2010 US$139 million; 2009 US$139 million) which bear interest at a rate based on LIBOR plus 175 basis points, repayable in August 2012 and US$34 million (2010 US$34 million; 2009 US$nil) which bear interest at a rate based on LIBOR plus 187 basis points, repayable in April 2015, and in 2010 US$40 million (2009 US$81 million) which bear interest at a rate based on LIBOR plus 31 basis points, repayable by December 2011.

Bank overdrafts—unsecured

The Xstrata Group has bank overdrafts that are subject to local and US dollar prime floating interest rates in which they have been drawn down. The majority of the bank overdrafts are denominated in Canadian and US dollars.

Non-controlling interest loans

Non-controlling interest loans include AUD denominated loans of US$204 million (2010 US$162 million; 2009 US$100 million) payable to Indophil Resources Limited for the Tampakan copper project. The loan is subject to a fixed rate of interest of 4 per cent., payable quarterly with no fixed repayment date, and is not payable within 12 months.

Non-controlling interest loans include US$nil (2010 US$81 million; 2009 US$81 million) advanced to Minera Alumbrera Limited to fund operations that are subject to a fixed rate of 7.2 per cent. per annum, repayable by May 2012.

A non-controlling interest loan of US$nil (2010 US$nil; 2009 US$5 million) has been advanced to Resource Pacific that is subject to a floating rate based on the Reserve Bank of Australia cash rate plus 2.0 per cent. per annum, no fixed repayment date, but was expected to be repaid within the next 12 months.

Other loans

Other loans include:

US$ denominated loans of US$nil (2010 US$5 million; 2009 US$105 million) payable to WMC International Resources Pty Limited for the Tampakan copper project. The loan is subject to a fixed rate of interest of 10 per cent. with no fixed repayment date and is not payable within 12 months.

A loan of US$8 million (2010 US$6 million; 2009 US$6 million) from the Cantabria Government and the Spanish Ministry of Industry & Energy, unsecured and interest free.

28a Convertible borrowings

	2009	2010	2011
		(US$m)	
Convertible bond	335	—	—
	335	—	—

Convertible borrowings

On 6 September 2005, Xstrata Capital Corporation AVV issued a US$375 million Convertible Debenture to Brookfield, due 14 August 2017, convertible at the option of the holder into fully paid Xstrata plc ordinary shares. The Convertible Debenture was guaranteed by Xstrata and was issued at par, with a coupon of 4.0 per cent. per annum. On issue, it was convertible at any time on or after 14 August 2006 at the option of the holder into 12,100,332 ordinary shares in Xstrata plc based on a conversion price of GBP17.13 (US$30.99 converted into GBP at a fixed exchange rate) per ordinary share, representing a 35 per cent. premium to the closing price of Xstrata plc's ordinary shares on 11 August 2005. Following the rights issue in October 2006, the total number of ordinary shares that could have been converted was increased to 13,575,432 and the conversion price was adjusted to GBP15.27 (US$27.62 converted into GBP at a fixed exchange rate). On the giving of not less than 30 days' notice, the Convertible Debenture could have been called by the Xstrata Group at par plus accrued interest, at any time after 14 August 2010. Unless previously converted, redeemed or cancelled, the 2017 Convertible Debenture was redeemable on 14 August 2017 at its principal amount plus unpaid accrued interest. On 13 October 2006, the Convertible Debenture was cancelled and a 2017 Convertible Bond was issued to the holder of the Convertible Debenture. The terms of the Convertible Bond are consistent with those of the cancelled Convertible Debenture. On 16 October 2006, the Financial Services Authority approved the admission to the Official List by way of block listing of 13,575,432 ordinary shares of US$0.50 each to be issued upon conversion of the 2017 Convertible Bond. The 2017 Convertible Bond was listed on the Professional Securities Market of the London Stock Exchange.

The liability component of the Convertible Bonds was carried at amortised cost based on an effective interest rate of 5.74 per cent. per annum.

During 2008, 0.03 per cent. of the US$375 million of convertible bonds was converted by the holders and, following the conversions that occurred during 2008, the remaining number of ordinary shares that could be issued under the bond at 31 December 2008 was 13,571,812.

Following the rights issue in March 2009, the total number of ordinary shares that could have been converted was increased to 25,680,492 and the conversion price was adjusted to GBP8.07 (US$14.60 converted into GBP at a fixed exchange rate).

During 2010, the balance of the US$375 million of convertible bonds was converted by the holders.

29 Derivative financial liabilities

	2009	2010	2011
		(US$m)	
Current:			
At fair value:			
Commodity cash flow hedges	52	50	—
Foreign currency cash flow hedges	—	170	47
Other foreign currency derivatives	—	163	16
Other interest rate derivatives	—	—	2
	52	383	65
Non-current:			
At fair value:			
Foreign currency cash flow hedges	356	352	396
Other foreign currency derivatives	135	—	—
Other interest rate derivatives	14	14	21
	505	366	417
Total	557	749	482

30 Other financial liabilities

	2009	2010	2011
		(US$m)	
Non-current:			
At fair value:			
Loans from joint venture partners	155	236	212
At amortised cost:			
Loans from development project partners	383	420	496
Total	538	656	708

Loans from joint venture partners

A ZAR denominated loan of US$212 million (2010 US$236 million; 2009 US$155 million) is payable to ARM Coal. The loan is subject to a floating rate of interest based on a dividend calculation with no fixed repayment date and is not callable within 12 months.

Loans from development project partners

A US$ denominated loan of US$496 million (2010 US$420 million; 2009 US$383 million) is payable to Société Minière du Sud Pacifique for the Koniambo nickel project. The loan is subject to a floating rate of interest based on a dividend calculation with no fixed repayment date and is not callable within 12 months.

31 Provisions

	Employee entitlements	Share-based compensation plans	Post-retirement medical plans	Rehabilitation costs	Onerous contracts	Other	2009
			(US$m)				
At 1 January	430	16	345	1,551	198	194	2,734
Arising during the year	153	222	65	63	25	193	721
Discount unwinding	—	—	—	95	5	—	100
PPE asset adjustment	—	—	—	181	—	—	181
Transferred to assets classified as held-for-sale	(3)	—	—	(56)	—	—	(59)
Utilised	(183)	(14)	(22)	(97)	(72)	(120)	(508)
Unused amounts reversed	(2)	—	—	(12)	(18)	—	(32)
Translation adjustments	82	—	56	135	44	13	330
At 31 December	477	224	444	1,860	182	280	3,467
Current	325	—	—	92	29	177	623
Non-current	152	224	444	1,768	153	103	2,844
	477	224	444	1,860	182	280	3,467

	Employee entitlements	Share-based compensation plans	Post-retirement medical plans	Rehabilitation costs	Onerous contracts	Other	2010
			(US$m)				
At 1 January	477	224	444	1,860	182	280	3,467
Arising during the year	289	62	90	40	4	132	617
Discount unwinding	3	—	—	104	10	—	117
PPE asset adjustment (refer to note 16)	—	—	—	255	—	—	255
Utilised	(227)	(19)	(25)	(123)	(41)	(132)	(567)
Translation adjustments	54	(15)	26	93	23	9	190
At 31 December	596	252	535	2,229	178	289	4,079
Current	397	—	—	102	25	187	711
Non-current	199	252	535	2,127	153	102	3,368
	596	252	535	2,229	178	289	4,079

	Employee entitlements	Share-based compensation plans	Post-retirement medical plans	Rehabilitation costs	Onerous contracts	Other	2011
			(US$m)				
At 1 January	596	252	535	2,229	178	289	4,079
Acquisitions	—	—	—	2	—	2	4
Arising during the year	377	—	57	19	—	163	616
Discount unwinding	4	—	—	131	10	—	145
PPE asset adjustment (refer to note 16)	—	—	—	475	—	—	475
Reversals	—	(153)	—	—	—	(15)	(168)
Utilised	(287)	—	(27)	(91)	(11)	(167)	(583)
Translation adjustments	(12)	(2)	(6)	(55)	(1)	(6)	(82)
At 31 December	678	97	559	2,710	176	266	4,486
Current	472	—	—	125	12	169	778
Non-current	206	97	559	2,585	164	97	3,708
	678	97	559	2,710	176	266	4,486

Employee entitlements

The employee entitlement provisions mainly represent the value of excess leave entitlements allocated over the leave taken by the employees of the Xstrata Group. These amounts are expected to be utilised as the employees either take their accrued leave or receive equivalent benefits upon ceasing employment. Current employee entitlements include excess short-term leave entitlements and the portion of non-current employee entitlements that are expected to be incurred within 12 months. Non-current entitlements include long service leave entitlements that are payable upon an employee attaining a certain period of service and workers' compensation provisions. For some entitlements, amounts will also be recovered from an independent fund (refer to note 19). The current portion of these costs is expected to be utilised in the next 12 months and the non-current portion of these costs is expected to be utilised over a weighted average life of 10 years (2010 eight years; 2009 nine years).

Share-based compensation plans

The Xstrata Group has granted various share-based compensation plans to certain executives and senior employees that will be cash-settled (refer to note 34). The intrinsic value of the cash settled share-based compensation plans that had vested at 31 December 2011 was US$28 million (2010 US$53 million; 2009 US$39 million).

Post-retirement medical plans

The Xstrata Group operates unfunded post-retirement medical benefit plans in North America and a comparatively smaller plan in South Africa for a number of current and former employees. Independent qualified actuaries using the projected unit credit method assess the accumulated benefit obligation and annual cost of accrued benefits. The current portion of these costs is expected to be utilised in the next 12 months and the non-current portion of these costs is expected to be utilised over a weighted average life of 20 years (2010: 20 years; 2009: 19 years) (refer to note 34).

Rehabilitation costs

Rehabilitation provision represents the estimated costs required to provide adequate restoration and rehabilitation upon the completion of mining activities. These amounts will reverse when such rehabilitation has been performed. The current portion of these costs is expected to be utilised in the next 12 months and the non-current portion of these costs is expected to be utilised over a weighted average life of 24 years (2010: 29 years; 2009: 21 years) (refer to note 24).

Onerous contracts

Onerous contract provisions represent the restatement of various long-term contracts to their current market value at the acquisition date of subsidiaries. These provisions are expected to be utilised over a weighted average life of three years (2010: 10 years; 2009: 15 years).

Other

Other includes provisions for litigation of US$54 million (2010 US$59 million; 2009 US$60 million) and restructuring of US$27 million (2010 US$23 million; 2009 US$96 million). The current portion of these costs is expected to be utilised in the next 12 months and the non-current portion of these costs is expected to be utilised over a weighted average life of four years (2010 four years; 2009 two years).

32 Other liabilities

	2009	2010	2011
		(US$m)	
Current:			
Deferred income	39	30	55
	39	30	55
Non-current:			
Deferred income	9	9	8
	9	9	8

33 Commitments and contingencies

Operating lease commitments—Xstrata Group as lessee

The Xstrata Group has entered into leases for buildings, motor vehicles and sundry plant and equipment. These leases have an average life of five years (2010 five years; 2009 five years) with renewal terms at the option of the lessee at lease payments based on market prices at the time of renewal. There are no restrictions placed upon the lessee by entering into these leases. Future minimum lease payments under non-cancellable operating leases as at 31 December are as follows:

	2009	2010	2011
		(US$m)	
Less than 1 year	43	44	78
Between 1 and 5 years	91	83	150
More than 5 years	30	21	29
	164	148	257

Finance lease and hire purchase commitments

The Xstrata Group has entered into finance leases and hire purchase contracts for various items of plant and machinery. The majority of these leases include a residual balloon payment at the end of the lease term and title passing to the Xstrata Group. Future minimum lease payments under finance leases and hire purchase contracts together with the future finance charges as at 31 December are as follows:

	Undiscounted minimum payments 2009	Present value of minimum payments 2009	Undiscounted minimum payments 2010	Present value of minimum payments 2010	Undiscounted minimum payments 2011	Present value of minimum payments 2011
			(US$m)			
Less than 1 year	65	46	96	74	59	38
Between 1 and 5 years	168	109	122	49	114	46
More than 5 years	46	26	190	128	165	120
Total minimum lease payments	279	181	408	251	338	204
Less amounts representing finance lease charges	(98)	—	(157)	—	(134)	—
Present value of minimum lease payments	181	181	251	251	204	204

Capital commitments

Amounts contracted for but not provided in the financial statements amounted to US$4,278 million (2010 US$2,163 million; 2009 US$2,048 million), including:

- Xstrata Coal US$174 million for fleet expansion at Ravensworth North and US$383 million for Ulan West expansion project (2010: US$nil);
- in 2010, Xstrata Coal US$140 million for fleet expansion at Mangoola and Liddell (2009 US$663 million);
- Xstrata Copper US$226 million for the Ernest Henry underground (2010 US$244 million; 2009: US$nil) and magnetite facility, US$303 million for the Antapaccay expansion project (2010 US$374 million; 2009: US$nil) and US$756 million for the Las Bambas project (2010: US$35 million; 2009: US$nil); and
- Xstrata Nickel US$388 million (2010 US$523 million; 2009 US$623 million) for the Koniambo project.

The balance of the other amounts contracted for but not provided relates to various minor commitments around the Xstrata Group, mainly for the purchase of new property, plant and equipment.

Included in the above is US$713 million (2010 US$272 million; 2009 US$732 million) representing the Xstrata Group's share of the capital commitments that have been incurred jointly with other venturers.

Finance leases entered into after 31 December 2011 amounted to US$nil (2010 US$nil; 2009: US$nil).

Guarantees

Xstrata Coal Australia has contracted US$1,864 million (2010 US$1,580 million; 2009 US$1,676 million) for rail take or pay commitments, US$3,691 million (2010 US$2,473 million; 2009 US$2,358 million) for port take or pay commitments, US$146 million for tyres take or pay commitments (2010 US$114 million; 2009 US$127 million), US$21 million (2010 US$30 million; 2009 US$51 million) for electricity take or pay commitments, US$126 million (2010 US$266 million; 2009 US$262 million) for explosives take or pay commitments, US$189 million (2010 US$126 million; 2009 US$109 million) for performance guarantees to customers and suppliers under contracts for supply of coal and services and US$418 million (2010 US$260 million; 2009 US$312 million) for guarantees to the New South Wales and Queensland Departments for Mineral Resources in respect of various mining leases and the performance thereof.

Xstrata Coal South Africa has issued guarantees to the Department of Minerals and Energy to obtain certain prospecting permits of US$67 million (2010 US$81 million; 2009 US$66 million) and performance guarantees to suppliers of US$6 million (2010 US$6 million; 2009 US$8 million). Xstrata Coal South Africa has tyres take or pay commitments of US$20 million (2010 US$37 million; 2009 US$20 million).

Xstrata Alloys has issued guarantees to Eskom for power usage and early termination of power usage of US$23 million (2010 US$16 million; 2009 US$21 million) and to the Department of Mineral and Energy Mineral Resources, municipalities and governmental boards in respect of various mining leases and the performance thereof for US$51 million (2010 US$31 million; 2009 US$34 million).

Xstrata Technology Australia has issued performance guarantees to customers for US$49 million (2010 US$40 million; 2009 US$36 million) and Xstrata Copper has issued performance guarantees to customers and suppliers and guarantees to the Queensland Departments for Mineral Resources and other government agencies in respect of various mining leases and the performance thereof, environmental bonds and self-insurance licences for US$291 million (2010 US$212 million; 2009 US$195 million) and has contracted US$820 million (2010 US$973 million) for gas, water and electricity commitments.

Xstrata Copper has issued various guarantees in relation to the faithful performance of construction contracts for the Lomas Bayas II project totalling US$11 million (2010 US$nil; 2009 US$nil). It has also issued guarantees for compliance of various contracts for the Lomas Bayas operation totalling US$4 million (2010 US$nil; 2009 US$nil).

Xstrata Nickel has contracted US$338 million (2010 US$299 million; 2009 US$143 million) for energy purchase commitments of which US$10 million (2010 US$10 million; 2009 US$nil) has been issued to a supplier as a letter of credit, and issued bank guarantees to the Government of Western Australia for rehabilitation costs of US$4 million (2010 US$3 million; 2009 US$6 million).

Xstrata Zinc has issued performance guarantees to the Northern Territory government for an electricity supply and pipeline agreement of US$18 million (2010 US$10 million; 2009 US$14 million), and to suppliers of US$3 million (2010 US$1 million; 2009 US$2 million). It has provided bank guarantees to the Northern Territory government for rehabilitation costs of US$76 million (2010 US$79 million; 2009 US$68 million).

Xstrata Zinc has issued bank guarantees in Spain of US$116 million (2010 US$60 million; 2009 US$58 million). This includes US$4 million (2010 US$5 million; 2009 US$5 million) as a guarantee to the local government for the rehabilitation of the closed Reocin mine (Cantabria, Spain) and US$2 million (2010 US$2 million; 2009 US$2 million) as a guarantee of the rehabilitation of a jarofix pond in San Juan de Nieva.

A letter of credit of US$191 million (2010 US$194 million; 2009 US$192 million) has been given for the pension liabilities of the Xstrata Group's Canadian operations.

Letters of credit have been issued to the Canadian government for rehabilitation costs of US$214 million (2010 US$124 million; 2009 US$64 million).

Included in the above is US$6,045 million (2010 US$4,697 million; 2009 US$3,748 million) representing the Xstrata Group's share of guarantees that have been incurred jointly with other venturers.

34 Employee benefits

Share-based payments

The expense recognised for share-based payments during the year is shown in the following table:

	2009	2010	2011
		(US$m)	
Expense arising from equity-settled transactions	112	116	149
Expense arising from cash-settled transactions	222	62	(153)
Total expense arising from share-based payment transactions	334	178	(4)

The Xstrata Group operates a number of share-based payment plans which are outlined below. There have been no cancellations or modifications to any of the plans during 2009, 2010 or 2011.

Xstrata Long Term Incentive Plan ("LTIP")

The LTIP has two elements:

(i) a contingent award of free ordinary shares that vests after three years, subject to, and to the extent that, performance criteria determined at the time of grant have been satisfied; and

(ii) an option to acquire ordinary shares at a specified exercise price after the third anniversary of grant, subject to, and to the extent that, performance criteria determined at the time of grant have been satisfied.

All LTIP awards that vest are subject to the satisfaction of certain performance criteria being met over a three-year performance period. The 2003 LTIP awards are only subject to the Total Shareholder Return ("TSR") performance criteria. Half of the options and free share awards granted in 2004 and 2005 are conditional on TSR relative to a peer group, with the remainder conditional on the Xstrata Group's real cost savings relative to targets set on a stretching scale over the three-year period. Options and free share awards made to corporate employees in 2006, 2007 and 2008 were granted on the same basis as in 2004 and 2005. 75 per cent. of options and free shares awarded to business unit employees in 2006, 2007 and 2008 are conditional on achieving real cost savings and the remaining 25 per cent. are conditional on TSR performance criteria. The allocation of performance criteria pertaining to the options and free share awards granted in 2009, 2010 and 2011 is summarised in the following table:

	2009				
Options	**Number**	**% TSR**	**% Cost Savings**	**TSR**	**Cost Savings**
Corporate	8,507,151	50%	50%	4,253,576	4,253,575
Business units	21,557,464	25%	75%	5,389,366	16,168,098
	30,064,615			9,642,942	20,421,673
Free shares					
Corporate	2,552,144	50%	50%	1,276,072	1,276,072
Business units	6,467,245	25%	75%	1,616,811	4,850,434
	9,019,389			2,892,883	6,126,506

	2010				
Options	**Number**	**% TSR**	**% Cost Savings**	**TSR**	**Cost Savings**
Corporate	3,610,726	50%	50%	1,805,363	1,805,363
Business units	10,658,235	25%	75%	2,664,559	7,993,676
	14,268,961			4,469,922	9,799,039
Free shares					
Corporate	1,329,146	50%	50%	664,573	664,573
Business units	2,951,543	25%	75%	737,886	2,213,657
	4,280,689			1,402,459	2,878,230

	2011				
	Number	% TSR	% Cost Savings	TSR	Cost Savings
Options					
Corporate	3,269,555	50%	50%	1,634,777	1,634,778
Business units	6,203,333	25%	75%	1,550,833	4,652,500
	9,472,888			3,185,610	6,287,278
Free shares					
Corporate	1,923,725	50%	50%	961,863	961,862
Business units	1,524,404	25%	75%	381,101	1,143,303
	3,448,129			1,342,964	2,105,165

For the awards conditional on TSR, one-half of the award will vest if TSR growth is at the median of the specified peer group, the full award will vest for performance at or above the second decile, with straight-line vesting between these points. No vesting will occur for below median performance. For the awards where vesting is conditional on the Xstrata Group's real cost savings relative to targets set on a stretching scale: 10 per cent. of the award will vest for 1 per cent. cost savings, 70 per cent. for 2 per cent. cost savings and all awards for 3 per cent. or more cost savings, with straight-line vesting between these points. No vesting will occur if cost savings are less than 1 per cent. Real cost savings are measured in relation to operating costs after adjusting for the effects of inflation, excluding depreciation, commodity price-linked costs, effects of currencies on translation of local currency costs and planned life-of-mine adjustments. No other features of the LTIP awards are incorporated into the measurement of fair value.

No consideration will be payable on the vesting of an LTIP award of free ordinary shares. On exercise of an option, a participant will be required to pay an exercise price that is based on the closing market price of an ordinary share seven trading days prior to the date of grant.

Of the options listed below, 6.4 million (2010: 5.5 million; 2009: 4.5 million) are accounted for as cash-settled share-based awards whilst the remainder of the LTIP awards are equity-settled.

The movements in the number of free ordinary shares and share options are as follows:

Free shares	2009 Number	2010 Number	2011 Number
Outstanding as at 1 January	2,765,198	12,159,847	14,264,247
Granted through rights issue	2,111,982	—	—
Granted during the year	9,019,389	4,280,689	3,448,129
Forfeited during the year	(732,221)	(1,182,800)	(630,553)
Exercised during the year	(1,004,501)[(4)]	(993,489)[(1)]	(864,229)[(2)]
Outstanding as at 31 December	12,159,847[(3)]	14,264,247[(3)]	16,217,594[(3)]
Exercisable at 31 December	—	—	—

Notes:

(1) The weighted average share price at the date of exercise of these awards was GBP11.72.

(2) The weighted average share price at the date of exercise of these awards was GBP14.84.

(3) All shares included in this balance have been accounted for in accordance with IFRS 2 Share-based payments.

(4) The weighted average share price at the date of exercise of these awards was GBP3.66.

The weighted average remaining contractual life for the free shares outstanding as at 31 December 2011 is 8 years (2010: 8 years; 2009: 8.8 years).

The weighted average fair value of free shares granted during the year was GBP12.14 per share (2010 GBP9.39 per share; 2009 GBP2.86 per share).

Share options

	2009 Number	2009 WAEP	2010 Number	2010 WAEP	2011 Number	2011 WAEP
		(GBP)		*(GBP)*		*(GBP)*
Outstanding as at 1 January	13,328,705	19.70[3]	50,157,996	6.66	59,015,377	7.31
Granted through rights issue	10,135,476	11.15	—	—	—	—
Granted during the year	30,064,615	3.35	14,268,961	10.31	9,472,888	14.68
Forfeited during the year	(2,442,727)	10.04	(4,109,304)	10.13	(2,204,837)	17.47
Exercised during the year	(928,073)[4]	5.01	(1,302,276)[3]	6.20	(1,325,909)[1]	7.27
Outstanding as at 31 December	50,157,996[2]	6.66	59,015,377[2]	7.31	64,957,519[2]	8.04
Exercisable at 31 December	9,728,118	5.92	11,917,584	7.89	13,986,891	10.73

Notes:

(1) The weighted average share price at the date of exercise of these options was GBP14.20.

(2) All the share options included in this balance have been accounted for in accordance with IFRS 2 Share-based payments, except for 50,229 options (2010: 50,229 options; 2009: 53,417 options) issued in 2002.

(3) The weighted average share price at the date of exercise of these options was GBP12.37.

(4) The weighted average share price at the date of exercise of these options was GBP9.55.

The weighted average remaining contractual life for the share options outstanding as at 31 December 2011 was 7 years (2010: 8 years; 2009: 8 years).

The weighted average fair value of options granted during the year was GBP6.98 (2010 GBP5.55; 2009 GBP1.53).

The range of exercise prices for options outstanding at the end of the year was GBP1.82 to GBP20.02 (2010 GBP1.82 to GBP20.02; 2009 GBP1.82 to GBP20.02).

The following table lists the inputs to the models used to measure the fair value of equity-settled awards granted:

	Date of grant		
	2009	2010	2011
Dividend yield (%)	—	1.4	1.4
Expected volatility (%)	62	69	74
Risk-free interest rate (%)	2.2	2.5	2.5
Earliest exercise date	12 Mar 12	18 Feb 13	18 Feb 14
Latest exercise date	11 Mar 19	18 Feb 20	18 Feb 21
Expected exercise date	25 Dec 12	3 Dec 13	3 Dec 14
Share price at date of grant (GBP)	3.26	10.86	14.30
Exercise price (GBP)	3.35	10.31	14.68
Free share fair value at date of grant (GBP)	2.86	9.39	13.72
Option fair value at date of grant (GBP)	1.43	5.25	7.26

The expected life of the options is based on historical data and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historic volatility is indicative of future trends, which may also not necessarily be the actual outcome.

Both the free shares and the equity-settled options are equity-settled plans and the fair value is measured at the date of grant.

The fair value of the cash-settled options is measured at the date of grant and at each reporting date until the liability is settled, using binomial models, taking into account the terms and conditions of the award. At 31 December 2011, the provision held for cash settled awards was US$42 million (2010 US$70 million; 2009 US$44 million) (refer to note 31).

Deferred bonus

The maximum bonus payable under the bonus plan for Executive Directors and the members of the Executive Committee is 300 per cent. of base salary. Bonuses are payable in three tranches as follows:

- the maximum bonus, which any one participant is eligible to receive in cash, will be limited to 100 per cent. of the individual's base salary;
- any additional bonus up to a further 100 per cent. of base salary will be deferred for a period of one year; and
- any remaining bonus will be deferred for a period of two years.

The deferred elements will take the form of awards of Xstrata shares conditional on the participant remaining in employment throughout the deferral period. The number of shares awarded will be determined by reference to the market value of the shares at the date concurrent awards under the LTIP are made. The deferred elements have been treated as an equity-settled share-based payment in accordance with IFRS 2.

During the bonus deferral period, dividend equivalents accrue and are delivered at the end of the deferral period, subject to the deferral award vesting.

As dividend equivalents are receivable on the deferred amounts, the fair value of the deferral is technically equal to the value of the bonuses deferred.

The following deferred bonus awards have been made:

	2009	2010	2011
Market value of deferred bonus award (US$m)	10	18	21
Number of shares purchased	521,098	777,678	1,119,976

Chief Executive's Added Value Plan (AVP)

The AVP is a long-term incentive and retention plan for the Chief Executive which rewards outperformance in creating additional long-term shareholder value over the value created by Xstrata plc's peer companies and aligns interests with shareholders by means of share ownership by the Chief Executive. Performance is assessed over periods of three years and five years from the grant date of each cycle and is based upon the growth in Xstrata's TSR over the relevant performance period relative to an index of global mining companies, which form the Xstrata TSR Index. The first cycle of the AVP began in 2005 and has occurred annually until 2009. There was no 2010 AVP and no further awards will be granted.

For the 2009 plan cycle, the market capitalisation on 17 April 2009 was US$21.7 billion, the participation percentage was equal to 0.3 per cent. and the share price at the measurement date was US$8.73 (post rights issue). For the 2008 plan cycle, the market capitalisation on 26 March 2008 was US$76.4 billion, the participation percentage was equal to 0.5 per cent. and the share price at the measurement date was US$70.50. For the 2007 plan cycle, the market capitalisation on 15 March 2007 was US$45.2 billion, the participation percentage was equal to 0.3 per cent. and the share price at the measurement date was US$46.77. For the 2006 plan cycle, the market capitalisation on 10 March 2006 was US$18.6 billion, the participation percentage was equal to 0.3 per cent. and the share price at the measurement date was US$29.39. For the 2005 plan cycle, the market capitalisation on 9 May 2005 was US$11.4 billion, the participation percentage was equal to 0.5 per cent. and the share price at the measurement date was US$18.00. In 2009, 25% of the deferred interim award of the 2005 AVP cycle was cash-settled and, in 2010, the remaining 25 per cent. of the deferred interim award of the 2005 AVP cycle was equity-settled. At 31 December 2011, the fair value of the outstanding deferred award was US$nil (2010 US$nil; 2009 US$21 million).

The fair value of all awards, which are accounted for as cash-settled share-based payments to reflect the expected form of settlement, has been estimated in accordance with IFRS 2 using a Monte Carlo simulation model to incorporate the market-based features of the plan. The following table presents the

fair value of each cycle of the award at grant date and the value of the unvested portion of each cycle if conditions that existed at 31 December 2011 are those at the time of vesting.

Plan cycle	Grant date	Estimated fair value at grant date	Value of unvested award based on conditions at 31 December(1)		
			2009	2010	2011
			(US$m)		
2005	9 May 2005	7	21	—	—
2009	17 Apr 2009	135	61	87	32

Note:

(1) This amount represents the value of the award if it had vested as at 31 December 2009, 31 December 2010 and 31 December 2011.

In accordance with IFRS 2 as it applies to cash-settled share-based payments, a provision was recognised based on the fair value of each cycle adjusted for the vesting period yet to lapse. This model determined the fair value of each cycle at 31 December 2011 to estimate the final performance of the Xstrata Group and its performance relative to its peers. Any ultimate payments may vary significantly from the estimated fair values determined at 31 December 2011 as a result of differences between the estimated outcomes determined by the simulation model and the actual outcomes. At 31 December 2011, the total provision held for the AVP was US$44 million (2010 US$167 million; 2009 US$153 million) comprising US$nil for the 2005 plan (2010 US$nil; 2009 US$19 million), and US$nil for the 2008 plan (2010 US$nil; 2009 US$8 million). There were no 2010 and 2011 AVP awards. The decrease in the provision during the year reflects the comparative rate of performance of Xstrata in the 2011 year against the peer group, to which the design of the plan gives additional weighting when that group itself is rising. The ultimate value of each cycle will reflect its intrinsic value at the date of vesting which depends on relative outperformance over the cycle as a whole.

The following table lists the inputs to the models used to measure the fair value of the AVP award at grant date:

	2008		2009	
	Xstrata plc	Xstrata share indices(1)	Xstrata plc	Xstrata share indices(1)
Dividend yield (%)	N/A	N/A(2)	N/A	N/A(2)
Expected volatility to interim vesting (%)(3)	40	31	76	53
Expected volatility to final vesting (%)(3)	37	28	62	43
Risk-free interest rate to interim vesting (%)	4.1	4.1	2.4	2.4
Risk-free interest rate to final vesting (%)	4.2	4.2	2.6	2.6
Third anniversary of start of cycle	26 March 2011	26 March 2011	17 April 2012	17 April 2012
Fourth anniversary of start of cycle	26 March 2012	26 March 2012	17 April 2013	17 April 2013
Fifth anniversary of start of cycle	26 March 2013	26 March 2013	17 April 2014	17 April 2014
Sixth anniversary of start of cycle	26 March 2014	26 March 2014	17 April 2015	17 April 2015

Notes:

(1) There are two Xstrata share indices used within the valuation model: one is a market capitalisation weighted TSR index comprising 16 global mining firms considered to be Xstrata's key competitors for both financial and human capital, the other is a market capitalisation price index comprising the same global mining firm constituents.

(2) When simulating the Xstrata price index, a dividend yield is included to account for the suppressing impact that a dividend payment has on the constituent share prices. A yield of 4.2 per cent. has been used. For the simulation of Xstrata's TSR and the Index TSR, a dividend yield is not required as TSR comprises share price growth and dividend distributions which are assumed to be reinvested into the shares.

(3) Volatility is calculated using daily historic share price data over the period up to the measurement date that is equal in length to the expected remaining life of the award.

Pensions and other post-employment benefit plans

The net expense recognised in the income statement for the year ended 31 December:

	2009	2010	2011
		(US$m)	
Defined benefit pension plans	68	45	46
Defined contribution pension plans	81	132	174
Post-retirement medical plans	29	38	41
	178	215	261

Defined contribution pension plans

The Xstrata Group participates in a number of defined contribution pension plans and industry-wide schemes covering the majority of its employees. The assets are held separately from those of the Xstrata Group and are generally invested with insurance companies and regulated by local legislation.

Post-retirement medical plans

The Xstrata Group participates in a number of post-retirement medical benefits. All material post-retirement medical benefit liabilities are in North America, with smaller exposures in South Africa. Independent qualified actuaries assess the accumulated benefit obligation and annual cost of accrued benefits using the projected unit credit method. The actuaries have updated the valuations to 31 December 2011.

Defined benefit pension plans

The Xstrata Group contributes to defined benefit pension plans for a number of its employees. Independent professionally qualified actuaries assess the pension costs and funding of these plans using the projected unit method. The actuaries have updated the valuations to 31 December 2011. All significant pension assets and liabilities are in North America.

The following tables summarise the components of the net expense recognised in cost of sales in the income statement and the funded status and amounts recognised in the balance sheet for the defined benefit pension plans and post-retirement medical plans. The weighted average principal economic assumptions used to determine the actuarial values are as follows:

	Pension plans 2009	Post-retirement medical plans 2009	Pension plans 2010	Post-retirement medical plans 2010	Pension plans 2011	Post-retirement medical plans 2011
			(%)			
Rate of salary increases	3.3	—	3.3	—	3.3	—
Rate of pension increases	3.5	—	2.2	—	1.9	—
Expected rate of return on plan assets:						
Equities	9.3	—	8.1	—	7.3	—
Bonds	4.6	—	5.0	—	4.0	—
Total	6.7	—	6.1	—	5.1	—
Discount rate	6.1	6.4	5.3	5.5	4.3	4.6
Inflation rate	3.5	5.5	3.2	5.5	2.9	5.5
Rate of medical cost increases	—	8.0	—	8.0	—	6.5

A one percentage point change in the assumed rate of increase in healthcare costs would have the following impact:

	Increase 2009	Decrease 2009	Increase 2010	Decrease 2010	Increase 2011	Decrease 2011
			(US$m)			
Effect on the current service cost and interest cost	4	3	5	4	6	4
Effect on the defined benefit obligation	57	32	71	57	65	53

The pension plan mortality rate used at 31 December 2011 and 31 December 2010 was UP-94 for North American pension and post-retirement medical plans. These rates refer to published projected mortality tables by actuarial bodies in North America and take into account the assumed increases in the life expectancy and are calculated for both current and future pensioners. There are no significant differences in these rates between schemes. The average life expectancy in the pension plans was 85 years (2010: 84 years; 2009: 83 years) and in the medical plans was 83 years (2010: 82 years; 2009: 82 years) as at 31 December 2011.

The assets and liabilities of the schemes and the amounts recognised in the Xstrata Group balance sheet at 31 December are as follows:

	Pension plans 2009	Post-retirement medical plans 2009	Pension plans 2010	Post-retirement medical plans 2010	Pension plans 2011	Post-retirement medical plans 2011
			(US$m)			
Present value of benefit obligations	2,556	444	2,821	535	3,070	559
Assets at fair value	(2,145)	—	(2,197)	—	(2,378)	—
Net liability	411	444	624	535	692	559
Net liability as at 31 December represented by:						
Pension deficits/provisions	412	444	625	535	692	559
Pension assets	(1)	—	(1)	—	—	—
Net liability	411	444	624	535	692	559

Historical adjustments are as follows:

	2007	2008	2009	2010	2011
			(US$m)		
Defined benefit obligation	2,721	1,994	2,556	2,821	3,070
Plan assets	(2,495)	(1,677)	(2,145)	(2,197)	(2,378)
Net deficit	226	317	411	624	692
Experience (gain)/loss adjustments on plan liabilities	69	74	(12)	(64)	12
Experience (gain)/loss adjustments on plan assets	126	480	(131)	(81)	11

The reconciliation of the net liability movement during the year in the net pension and post-retirement medical plan liability (before allowance of deferred tax) is as follows:

	Pension plans 2009	Post-retirement medical plans 2009	Pension plans 2010	Post-retirement medical plans 2010	Pension plans 2011	Post-retirement medical plans 2011
			(US$m)			
Net liability as at 1 January	317	345	411	444	624	535
Total benefit expense	68	29	45	38	46	41
Actuarial (gains)/losses	86	36	249	52	179	16
Employer contributions	(109)	(22)	(108)	(25)	(142)	(27)
Translation adjustments	49	56	27	26	(15)	(6)
Net liability as at 31 December	411	444	624	535	692	559

2011

Additional contributions of US$83 million in 2012, US$76 million in 2013, US$61 million in 2014, US$56 million in 2015 and US$37 million in 2016 are being made in order to eliminate the deficiency in the North America plans. The total contributions to the defined benefit pension plans in 2011, including these further contributions, are US$136 million.

2010

Additional contributions of US$83 million in 2011, US$82 million in 2012, US$86 million in 2013, US$81 million in 2014 and US$60 million in 2015 are being made in order to eliminate the deficiency in the North America plans. The total contributions to the defined benefit pension plans in 2011, including these further contributions, are US$139 million.

2009

Additional contributions of US$83 million in 2011, US$82 million in 2012, US$86 million in 2013, US$81 million in 2014 and US$60 million in 2015 are being made in order to eliminate the deficiency in the North America plans. The total contributions to the defined benefit pension plans in 2011, including these further contributions, are US$139 million.

The components of benefit expense/(income) recognised in the income statement during the year are as follows:

	Pension plans 2009	Post-retirement medical plans 2009	Pension plans 2010	Post-retirement medical plans 2010	Pension plans 2011	Post-retirement medical plans 2011
			(US$m)			
Service cost	35	2	26	9	38	11
Interest cost	144	27	151	29	149	30
Expected return on plan assets (net of expected expenses)	(111)	—	(132)	—	(141)	—
	68	29	45	38	46	41

The components of actuarial losses/(gains) recognised in the statement of comprehensive income during the year are as follows:

	Pension plans 2009	Post-retirement medical plans 2009	Pension plans 2010	Post-retirement medical plans 2010	Pension plans 2011	Post-retirement medical plans 2011
			(US$m)			
Expected return on plan assets (net of expected expenses)	111	—	132	—	141	—
Actual return on plan assets	(242)	—	(213)	—	(130)	—
Actual return less expected return on plan assets	(131)	—	(81)	—	11	—
Actuarial losses/(gains) on obligations	(12)	—	(64)	—	12	—
Change of minimum funding requirement	—	—	194	—	(159)	—
Change of assumptions	229	36	200	52	315	16
	86	36	249	52	179	16

The cumulative amount of net actuarial losses recognised in the statement of comprehensive income is US$700 million (2010 loss US$521 million; 2009 loss US$272 million).

The reconciliation of the present value of benefit obligations and fair value of plan asset movements during the year is as follows:

	Pension plans 2009	Post-retirement medical plans 2009	Pension plans 2010	Post-retirement medical plans 2010	Pension plans 2011	Post-retirement medical plans 2011
			(US$m)			
Benefit obligation present value as at 1 January	1,994	345	2,556	444	2,821	535
Current service cost	35	2	26	9	38	11
Interest cost	144	27	151	29	149	30
Employee contributions	1	—	1	—	1	—
Actuarial losses/(gains)	(12)	—	(64)	—	12	—
Actual benefit payments	(160)	(22)	(182)	(25)	(197)	(27)
Change of assumptions	229	36	200	52	315	16
Translation adjustments	325	56	133	26	(69)	(6)
Benefit obligation present value as at 31 December	2,556	444	2,821	535	3,070	559
Plan assets fair value as at 1 January	1,677	—	2,145	—	2,197	—
Actual return on plan assets	242	—	213	—	130	—
Company contributions	109	—	108	—	142	—
Employee contributions	1	—	1	—	1	—
Change of minimum funding requirement	—	—	(194)	—	159	—
Benefits paid from fund	(160)	—	(182)	—	(197)	—
Translation adjustments	276	—	106	—	(54)	—
Plan assets fair value as at 31 December	2,145	—	2,197	—	2,378	—
Net liability as at 31 December	411	444	624	535	692	559
Net liability as at 1 January	317	345	411	444	624	535

The defined benefit obligation present value included above for unfunded pension plans at 31 December 2011 was US$8 million (2010 US$8 million; 2009 US$7 million).

The major categories of plan assets as a percentage of the fair value of total plan assets are as follows:

	Pension plans		
	2009	2010	2011
		(%)	
Equities	38	40	34
Bonds	59	57	63
Other	3	3	3

Included in equities is US$nil (2010 US$nil; 2009 US$nil) of Xstrata plc shares.

The overall expected rate of return on assets is determined based on the market value weighted expected return applicable to the underlying asset category.

35 Related parties

Name	Country of incorporation	Principal activities	% of ordinary shares held & voting rights 2009 and 2010	% of ordinary shares held & voting rights 2011
			(%)	
Principal subsidiaries				
Xstrata Coal:				
Abelshore Pty Limited	Australia	Coal operations	100	100
AZSA Holdings Pty Limited	Australia	Holding company	100	100
Coalex Holdings Pty Limited	Australia	Coal operations	78	78

Name	Country of incorporation	Principal activities	% of ordinary shares held & voting rights 2009 and 2010	% of ordinary shares held & voting rights 2011
			(%)	
Cook Resources Mining Pty Limited	Australia	Coal operations	100	100
Cumnock No. 1 Colliery Pty Limited	Australia	Coal operations	100	100
Enex Foydell Limited	Australia	Coal operations	100	100
Enex Liddell Pty Limited	Australia	Coal operations	100	100
Enex Oakbridge Pty Limited	Australia	Coal operations	100	100
Enex Togara Pty Limited	Australia	Coal project	100	100
Jonsha Pty Limited	Australia	Coal operations	100	100
Oakbridge Pty Limited	Australia	Coal operations	78	78
Oceanic Coal Australia Limited	Australia	Coal operations	100	100
Ravensworth Operations Pty Limited	Australia	Coal operations	100	100
Resource Pacific Pty Limited	Australia	Coal operations	77.8	77.8
Saxonvale Coal Pty Limited	Australia	Coal operations	78	78
Tahmoor Coal Pty Limited	Australia	Coal operations	100	100
The Wallerawang Collieries Limited	Australia	Coal operations	74.1	74.1
Ulan Coal Mines Limited	Australia	Coal operations	90	90
Ulan Power Company Pty Limited	Australia	Feasibility projects	100	100
United Collieries Pty Limited	Australia	Coal operations	95	95
Xstrata Coal Queensland Pty Limited	Australia	Coal operations	100	100
Xstrata Mangoola Pty Limited	Australia	Coal project	100	100
Xstrata Rail (NSW) Pty Limited	Australia	Rail project	100	100
Xstrata Newpac Pty Limited	Australia	Investment company	100	100
Xstrata Coal Donkin Limited	Canada	Coal project	100	100
Tavistock Collieries (Pty) Limited	South Africa	Coal operations	100	100
Tironimus AG	Switzerland	Holding company	100	100
Xstrata Coal Marketing AG	Switzerland	Marketing & trading	100	100
Xstrata Alloys:				
Xstrata South Africa (Pty) Limited	South Africa	Coal, chrome, platinum & vanadium operations	100	100
Eland Platinum Holdings Limited	South Africa	Platinum operations	74	74
African Carbon Union (Pty) Limited	South Africa	Char operations	74	74
Char Technology (Pty) Limited	South Africa	Char operations	100	100
African Fine Carbon (Pty) Limited	South Africa	Char operations	100	100
African Carbon Manufacturers (Pty) Limited	South Africa	Char operations	100	100
African Carbon Producers (Pty) Limited	South Africa	Char operations	100	100

Name	Country of incorporation	Principal activities	% of ordinary shares held & voting rights 2009 and 2010	% of ordinary shares held & voting rights 2011
			(%)	
Xstrata Copper:				
Ernest Henry Mining Pty Limited	Australia	Copper operations	100	100
Minera Alumbrera Limited(1)	Antigua	Copper operations	50	50
Mount Isa Mines Limited	Australia	Copper, lead and zinc operations	100	100
Sagittarius Mines, Inc	Philippines	Holding company	62.5	62.5
Xstrata Tintaya S.A.	Peru	Copper operations	100	100
Compania Minera Xstrata Lomas Bayas	Chile	Copper operations	100	100
Xstrata Inversiones Chile Limitada	Chile	Holding company	100	100
Xstrata Copper Chile S.A.	Chile	Copper smelter	100	100
Xstrata Commodities Middle East DMCC(5)	UAE	Marketing	100	100
Xstrata Recycling Inc.	USA	Copper recycling	100	100
Xstrata Iron Ore:				
Xstrata Projects Pty Limited	Australia	Exploration company	100	100
Ploutos Australia Pty Limited	Australia	Holding company	100	100
Sidero Pty Limited	Australia	Holding company	100	100
Xstrata Projects Services (UK) Pty Limited	UK	Service provider	—	100
Sphere Minerals Limited	Australia	Exploration company	75.5	87.8
Xstrata Nickel:				
Xstrata Nickel International Limited	Barbados	Nickel feeds acquisition	100	100
Falconbridge Dominicana S.A.	Dom. Republic	Ferronickel operations	85	85.3
Xstrata Nickel Marketing S.A.	Belgium	Nickel marketing	100	100
Xstrata Nikkelverk AS	Norway	Nickel refinery	100	100
Xstrata Nickel International S.A.	Belgium	Nickel procurement agent	100	100
Xstrata Nickel Australasia Pty Ltd	Australia	Nickel operations	100	100
Xstrata Nouvelle-Calédonie SAS	New Caledonia	Service provider	—	100
Xstrata Brasil Exploracao Mineral Ltda	Brazil	Exploration	100	100
Koniambo Nickel SAS(2)	New Caledonia	Ferronickel project	49	49
Xstrata Zinc:				
Asturiana de Zinc SA	Spain	Zinc smelter	100	100
Britannia Refined Metals Limited	UK	Lead smelter	100	100
McArthur River Mining Pty Limited	Australia	Zinc operations	100	100
Xstrata Zinc GmbH	Germany	Zinc smelter	100	100
Xstrata Technology:				
Xstrata Technology Pty Limited	Australia	Technology operations	100	100

Name	Country of incorporation	Principal activities	% of ordinary shares held & voting rights 2009 and 2010	% of ordinary shares held & voting rights 2011
			(%)	
MIM Process Technology South Africa (Pty) Limited	South Africa	Technology operations	100	100
Mintrade Pty Ltd	Australia	Technology operations	—	100
Xstrata Technology Canada Limited	Canada	Technology operations	—	100
Shengzhou Xstrata Metal Refining Technology Company Limited	China	Technology operations	—	50
Other:				
Xstrata (Schweiz) AG[3]	Switzerland	Holding company	100	100
Xstrata Capital Corporation AVV[4]	Aruba	Finance company	100	100
Xstrata Finance (Dubai) Limited[5]	UAE	Finance company	100	100
Xstrata Holdings Pty Limited	Australia	Holding company	100	100
Xstrata Queensland Limited	Australia	Holding company	100	100
Xstrata Canada Corporation	Canada	Copper, nickel and zinc operations	100	100
Xstrata Canada Financial Corp	Canada	Finance company	100	100
Xstrata Finance (Canada) Limited	Canada	Finance company	100	100
1184760 Alberta Limited	Canada	Holding company	100	100

Notes:

(1) This investment is treated as a subsidiary as the Xstrata Group is entitled to two of the four Board positions of Minera Alumbrera Limited, including the Chairman who is the manager of the copper operations. The Chairman has the casting vote where any vote is split equally between the four board positions. However, in a limited number of situations, the vote must be unanimous, including transactions with related parties.

(2) The Xstrata Group has de facto control of Koniambo Nickel SAS as a result of its industry expertise and the ability to control the operating and financing decisions of the joint venture.

(3) Directly held by the parent company.

(4) 43% (2010 51%) of ordinary shares held by the parent company.

(5) 90% held by the parent company.

Name	Principal place of operations/ country of incorporation	Principal activities	Effective interest held
			(%)
Principal joint ventures			
Xstrata Coal:			
Bulga Joint Venture	Australia	Coal operations	68.25
Cerrejón Joint Venture	Colombia	Coal operations	33.33
Cumnock Joint Venture	Australia	Coal operations	90
Donkin Joint Venture	Canada	Coal project	75
Goedgevonden Joint Venture	South Africa	Coal operations	73.99
Foybrook Joint Venture	Australia	Coal operations	67.5
Liddell Joint Venture	Australia	Coal operations	67.5
Macquarie Coal Joint Venture	Australia	Coal operations	80
Newlands, Collinsville, Abbot Point Joint Venture	Australia	Coal operations	55
Pentland Joint Venture	Australia	Coal operations	75
Rolleston Joint Venture	Australia	Coal operations	75

Name	Principal place of operations/ country of incorporation	Principal activities	Effective interest held
			(%)
Wandoan Joint Venture	Australia	Coal operations	75
Ravensworth Underground Mine Joint Venture	Australia	Coal operations	70
Oaky Creek Coal Joint Venture	Australia	Coal operations	55
Togara North Joint Venture	Australia	Coal project	70
Ulan Coal Mines Joint Venture	Australia	Coal operations	90
United Joint Venture	Australia	Coal operations	95
Xstrata Alloys:			
Merafe Pooling and Sharing Venture	South Africa	Chrome operations	79.5
Mototolo Joint Venture	South Africa	Platinum operations	37
Xstrata Copper:			
Antamina Joint Venture	Peru	Copper & zinc operations	33.75
Collahuasi Joint Venture	Chile	Copper operations	44
Xstrata Nickel:			
Kabanga Joint Venture	Tanzania	Nickel project	50
Xstrata Iron Ore:			
El Aouj Joint Venture	Mauritania	Iron ore project	44
Principal associates			
Xstrata Alloys:			
Lonmin plc	UK	Platinum operations	24.6
Xstrata Coal:			
ARM Coal (Pty) Limited	South Africa	Coal operations	49
Newcastle Coal Shippers Pty Limited	Australia	Coal terminal	31
Port Kembla Coal Terminal Limited	Australia	Coal terminal	33
Richards Bay Coal Terminal Company Limited	South Africa	Coal terminal	20.2
Xstrata Zinc:			
Noranda Income Fund	Canada	Zinc refinery	25

The Xstrata Group comprises a large number of companies and it is not practical to include all of these in the above list. All entities operate mainly in the country of incorporation and these interests are held indirectly by the parent company unless otherwise indicated.

As disclosure about related undertakings under section 410 of the Companies Act 2006 (the "2006 Act") would result in information of excessive length being given in the notes to the financial statements, advantage has been taken of the alternative compliance option given under section 410(2) of the 2006 Act by giving information only in respect of undertakings whose results or financial positions affect the figures shown in the financial statements.

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

	Glencore[1]			Joint venture entities			Associates		
	2009	2010	2011	2009	2010	2011	2009	2010	2011
					(US$m)				
Sales[2]	7,688	9,319	9,475	—	—	—	407	543	591
Purchases	537	745	1,098	541	617	799	—	5	—
Treatment and refining charges	344	301	241	—	—	—	165	206	228
Treatment and refining revenues	7	13	17	—	—	—	—	—	—
Agency and other charges	66	89	83	—	—	—	10	—	—
Interest and other revenues	—	4	1	3	—	—	—	—	—
Call option premium (refer to note 10)	208	42	—	—	—	—	—	—	—
Earnings from other financial assets (refer to note 10)	146	29	—		—	—	—	—	—
Amounts payable	80	78	134	531	120	130	20	21	26
Amounts receivable[2]	622	842	560	—	—	—	72	47	56
Other financial assets	2,424	—	—	—		—	—	—	

Notes:

(1) Includes share of joint ventures.

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

Included in the transactions with Glencore International plc (Glencore) are US$1,227 million (2010: US$980 million; 2009: US$1,329 million) of back-to-back sales whereby the title to the goods has passed to Glencore but they are then on-sold to customers at the same sales price that the Xstrata Group received.

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

Glencore International plc—substantial shareholder

As at 31 December 2011, Glencore owned 34.1 per cent. (2010: 34.1 per cent.; 2009: 34.4 per cent.) of the issued share capital of Xstrata, representing 1,010,403,999 ordinary shares (2010: 1,010,403,999 ordinary shares; 2009: 1,010,403,999 ordinary shares).

Alloys

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

If at any time Xstrata Alloys and Merafe notifies Glencore that it is able to find purchasers for its production at prices higher than those generally obtainable by Glencore, Xstrata Alloys may, unless Glencore is able to obtain similar prices, sell its products in the market. Glencore is nevertheless entitled to an agency fee of 3.5 per cent. of FOB sales revenue in respect of such sales. Glencore is also entitled to receive a US$50,000 monthly fee in connection with market analysis and certain administrative tasks it performs for Xstrata Alloys. Interest is charged by Xstrata Alloys on single monthly settlements made by Glencore, and Glencore charges interest on any selling expenses incurred on behalf of Xstrata Alloys at LIBOR and a margin of 150 basis points.

Ferrochrome sold into the USA and Canada is distributed by Glencore Ltd and Glencore Canada Inc respectively, under two distribution agreements. These agreements continue indefinitely, with both parties having the right to terminate the agreement at 12 months' notice. The percentage of distribution fees payable by the Xstrata Group in respect of ferrochrome sold under the distribution agreement is

substantially the same as the commission paid in respect of ferrochrome sold under the marketing agreement.

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

Xstrata Alloys entered into a chrome ore marketing agreement with Glencore in July 2010, appointing Glencore as its exclusive worldwide marketing agent for the sale of Xstrata Alloys' and Merafe's entire production of chrome ore. The agreement is for a fixed term extended to 20 May 2012. Glencore is entitled to receive an agency fee of 2 per cent. on FOB sales revenue loading port value. Glencore assumes 100 per cent. of the risk of non-payment by customers in relation to chrome ore sales. Interest is charged by Xstrata Alloys on single monthly settlements by Glencore at LIBOR and a margin of 150 basis points.

In January 2005, the Xstrata Group entered into a 13-year marketing agreement with Glencore in respect of Rhovan's and Vantech's (closed in 2004) entire production of vanadium other than vanadium sold into the USA and Canada.

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

If at any time Xstrata Alloys notifies Glencore that it is able to find purchasers for its production at prices higher than those generally obtainable by Glencore, Xstrata Alloys may, unless Glencore is able to obtain similar prices, sell its products in the market. Glencore is nevertheless entitled to the 3.5 per cent. agency fees described above in respect of such sales. Interest is charged by Xstrata Alloys on single monthly settlements made by Glencore, and Glencore charges interest on any selling expenses incurred on behalf of Xstrata Alloys at LIBOR and a margin of 150 basis points.

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

Coal

In 2002, the Xstrata Group entered into a 20-year market advisory agreement with Glencore with fee reviews at the end of every fifth year of the agreement. Pursuant to this agreement, Glencore acts as the Xstrata Group's market adviser with respect to its export production of coal (other than for Xstrata Coal's share of production from the Cerrejón thermal coal operation in Colombia). The fee payable to Glencore is US$0.50 per attributable tonne of coal exported by the Xstrata Group from Australia or South Africa.

In 2011, the Xstrata Group entered into market standard forward commodity price derivatives for 2,825,000 tonnes (2010: 1,070,000 tonnes; 2009: 4,455,000 tonnes) and bought market standard forward commodity price derivatives for nil tonnes (2010: 385,000 tonnes; 2009: nil tonnes) with Glencore as counterparty. During the year ended 31 December 2011, 1,845,000 sold tonnes and nil bought tonnes were delivered at an average FOB price of US$112.31 and US$nil per tonne respectively (2010: 3,360,000 sold tonnes and 385,000 bought tonnes at an average FOB price of US$76.73 and US$86.54 per tonne respectively; 2009: 3,180,000 tonnes were sold at an average FOB price of US$71.78 per tonne). At 31 December 2011, 2,050,000 tonnes (2010: 965,000 tonnes; 2009: 3,255,000 tonnes) were contracted with Glencore for delivery in 2012 and 2013. These derivatives are on arm's length terms and conditions and are included within Derivative financial assets and liabilities (refer to notes 23, 29 and 36).

During the year ended 31 December 2011, nil tonnes were borrowed from Glencore (2010: nil tonnes; 2009: 2,550 tonnes), and at 31 December 2011 nil tonnes were owed to Glencore (2010: nil tonnes, 2009 nil tonnes) on arm's length terms and conditions.

In April 2010, the Xstrata Group entered into a five-year fuel supply agreement with Glencore to supply diesel fuels to coal mines and cattle stations in New South Wales and Queensland. Under this supply

agreement, US$313 million (2010: US$147 million; 2009: US$111 million) worth of fuel was delivered during the year ended 31 December 2011. The supply agreement is on arm's length terms and prices change monthly according to the world market price per barrel.

In February 2010, Cerrejón entered into a five-year fuel supply agreement with Glencore to supply diesel fuels. The Xstrata Group's share of the fuel purchases for the year ended 31 December 2011 was US$97 million (2010: US$65 million; 2009: US$44 million). The supply agreement is on arm's length terms and prices change for each shipment according to the world market price per barrel.

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

Copper

Xstrata Copper has entered into an "evergreen" service agreement with Glencore with a 12-month cancellation notice for the supply of advice, support and assistance with regard to its marketing and operational hedging activities.

Copper cathode sales agreements for 287,000 tonnes (2010: 334,000 tonnes) were entered into between Xstrata Copper Canada, Xstrata Copper North Chile, Xstrata Commodities Middle East and Glencore for the period 1 January to 31 December 2011. All sales are based on either spot or benchmark terms in accordance with prevailing market conditions.

Xstrata Copper (Minera Alumbrera Limited) has entered into frame contracts for 140,000 tonnes (2010: 257,000 tonnes) with Glencore on an "evergreen" basis. The sales terms for the copper concentrate are negotiated annually on arm's length terms and conditions. Minera Alumbrera Limited on occasions sells concentrate to Glencore at prevailing spot market prices.

Copper concentrate sales agreements for 52,000 tonnes (2010: 74,000 tonnes) were entered into between Xstrata Copper Tintaya and Glencore based on benchmark terms.

A spot copper concentrate sales agreement for 25,000 tonnes (2010: nil tonnes) was entered into between Xstrata Copper Canada and Glencore during 2011.

Copper concentrate sales agreements have been entered into between Xstrata Commodities Middle East and Glencore for 132,000 tonnes (2010: 126,000 tonnes) on an "evergreen" basis at benchmark terms. Xstrata Commodities Middle East has sold 30,000 tonnes (2010: 145,000 tonnes) of concentrate to Glencore on a spot basis on occasions throughout the period at prevailing market terms.

A copper concentrate sales agreement for 76,000 tonnes (2010: nil tonnes) was entered into between Xstrata Commodities Middle East and Philippine Associated Smelting and Refining Corporation (PASAR)—78 per cent. owned by Glencore International AG—for a three-year period effective from 1 January 2011 and "evergreen" thereafter at benchmark terms.

Xstrata Copper North Queensland has entered into a sales agreement for 62,000 tonnes (2010: 30,000 tonnes) with Glencore for copper concentrate for a three-year period effective from 1 June 2008 and "evergreen" thereafter. This agreement is based on annual benchmark terms.

Copper concentrate purchase agreements were entered into between Xstrata Copper North Chile, Xstrata Commodities Middle East and Glencore for 12,000 tonnes (2010: 47,500 tonnes) for an "evergreen" frame contract at benchmark terms in accordance with prevailing market conditions. Spot copper concentrate purchase agreements were entered into between Copper North Chile, Copper Commodities Middle East and Glencore for 91,000 tonnes (2010: 12,000 tonnes) at spot terms.

Copper blister and anode sales agreements for 23,830 tonnes (2010: 27,090 tonnes) were entered into between Xstrata Commodities Middle East and Glencore for the period 1 January to 31 December 2011 at benchmark terms.

A sulphuric acid sale agreement for 20,000 tonnes (2010: 50,000 tonnes) was entered into between Xstrata Copper North Chile and Glencore for the period 1 January to 31 December 2011 at benchmark terms.

Molybdenum concentrate sales contracts for 4,476 tonnes (2010: 832 tonnes) were entered into between Xstrata Copper (Minera Alumbrera Limited/Xstrata Norte Exploraciones) and Glencore for the period 1 January to 31 December 2011 at market-related terms.

Spot magnetite sales contracts for 450,000 tonnes (2010: nil tonnes) were entered into between Xstrata Commodities Middle East and Glencore between July and December 2011 at market-related terms.

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

Nickel

In March 2007, Xstrata Nickel entered into sole distributorship agreements with Glencore for its nickel, cobalt and Falcondo ferronickel production. These agreements are effective until 31 December 2012 and are automatically renewed for successive three-year periods unless terminated by either party with not less than 12 months' notice prior to the end of the original term or any renewal terms, or unless Xstrata Nickel permanently ceases production of these metals.

Xstrata Nickel, at its sole discretion, may cease, suspend or reduce production at any time. Glencore is obliged to distribute the products with all due care and diligence and to cultivate and maintain good relations with purchasers and potential purchasers in accordance with sound commercial principles and taking into account Xstrata Nickel's business principles. All sales terms and conditions are on an arm's length basis. For nickel and cobalt sales, the price basis is the month following the month of delivery to Glencore with reference to, in the case of nickel, the monthly average LME cash "sellers" settlement price and, in the case of cobalt, Metal Bulletin low grade. For ferronickel, the price basis is with reference to the nickel price quoted on the LME at a time linked to the sale to the end customer. Accordingly, provisionally priced nickel, cobalt and ferronickel revenues are subject to final price adjustments due to future price changes. During the year ended 31 December 2011, Xstrata Nickel sold to Glencore 92,647 tonnes of nickel, 2,915 tonnes of cobalt, and 12,880 tonnes of nickel in ferronickel compared with 92,139 tonnes of nickel, 3,104 tonnes of cobalt and nil tonnes of nickel in ferronickel for the year ended 31 December 2010. In addition, Glencore pre-pays to Xstrata Nickel in two equal instalments each month 100 per cent. of the value of that month's planned production. The prepayment balance as at 31 December 2011 amounted to US$44 million (31 December 2010: US$36 million, 2009: US$49 million) in favour of Glencore.

In August 2011, Xstrata Nickel and Glencore agreed to extend the term of the nickel and cobalt distribution agreements (in respect of nickel) until 31 December 2017 with a significantly higher performance floor becoming effective 1 January 2013. Xstrata Nickel is the exclusive distribution agent for Koniambo and in August 2011 concluded a ferronickel sub-distribution with Glencore for an initial period ending 31 December 2017 and to cover all of the ferronickel produced at Koniambo, to be commissioned in 2012. In December 2011, Glencore gave to Xstrata Nickel notices of termination of the cobalt and Falcondo ferronickel distribution arrangements, and, accordingly, these arrangements expire at the end of 2012.

Xstrata Nickel has entered into purchase agreements with Glencore for raw material feeds to the Sudbury smelter in Canada and Nikkelverk refinery in Norway. Contracts may include both a metal purchase and a metal return component for cobalt. Pricing terms and treatment charges are based on prevailing market rates. During 2011, Xstrata Nickel purchased from Glencore 140 tonnes of nickel, 141 tonnes of copper, 52 tonnes of cobalt and 2 kilograms of PGM (2010: 102 tonnes, 109 tonnes, 15 tonnes and 66 kilograms, respectively). In addition, during 2011, Xstrata Nickel returned to Glencore 92 tonnes of cobalt (2010: 64 tonnes).

Xstrata Nickel also sold refined copper to Glencore on arm's length terms and conditions under a contract covering the period 1 January to 31 December 2011, in which Glencore agreed to purchase all copper production not otherwise sold by Xstrata Nickel under its long-term contracts. The term of this contract has been extended to 31 December 2012. During 2011, Xstrata Nickel sold to Glencore 5,903 tonnes of copper (2010: 3,698 tonnes under spot arrangements; 2009: 1,547 tonnes).

Zinc

On 1 January 2007, Xstrata Zinc renewed a service agreement for an initial period of three years (which shall continue in effect thereafter unless terminated by any of the parties giving the other prior written notice of no less than 12 calendar months) with Glencore (the Xstrata Zinc Service Agreement), under the terms of which Glencore provides advice and assistance with respect to pricing and structural issues regarding hedging and the optimisation of internal flows of raw materials. The fees payable by Asturiana under the Asturiana Service Agreement are US$2 million per annum.

In 2011, Xstrata Zinc (San Juan de Nieva and Nordenham) agreed to supply Glencore with 257,639 tonnes (2010: 255,000 tonnes; 2009: 315,000 tonnes) of SHG zinc slabs or CGG ingots based on market prices plus the respective FOB/CPT market premium.

In 2011, Britannia Refined Metals agreed to supply Glencore with 2,946 tonnes (2010: 22,960 tonnes) of 99.99 per cent. refined lead based on market prices plus the respective Ex works market premium. The agreement was made on an arm's length basis and at terms prevailing in the current market.

In 2011, Xstrata Zinc Canada made agreements to supply Glencore with 6,241 tonnes of lead metal ingots and jumbos. All agreements are based on market prices plus the respective DDP premium (2010: 18,300 tonnes; 2009: 32,000 tonnes).

In 2011, Xstrata Zinc (Mt Isa) had an evergreen contract to supply 80,000 tonnes to Glencore (2010: 80,000 tonnes; 2009: 80,000 tonnes). During the period January to December 2011, 83,545 tonnes were shipped (2010: 80,000 tonnes).

In 2011, Xstrata Zinc contracted to sell 300,000 tonnes of zinc concentrate to Glencore under an evergreen swap contract. In return, Xstrata Zinc contracted to purchase 300,000 tonnes of various zinc concentrate qualities delivered to Xstrata Zinc smelters (2010: 300,000 tonnes; 2009: 300,000 tonnes).

In 2011, Xstrata Zinc sold 123,000 tonnes of zinc concentrate under various spot sales contracts. The spot contracts were supplied from Mt Isa, Antamina and McArthur River (2010: 158,400 tonnes).

In 2011, Xstrata Zinc (McArthur River) had an agreement to supply Glencore 247,800 tonnes of bulk concentrate on an evergreen basis (2010: 247,800 tonnes). In 2011, 247,800 tonnes were shipped under this agreement (2010: 245,700 tonnes). Further to the aforementioned agreement, an additional 40,000 tonnes of BMS bulk concentrate were sold under an annual contract. (2010: 60,000 tonnes BMS bulk) and 21,650 tonnes of MRM bulk concentrate were sold under spot contracts (2010: 28,500 tonnes).

In 2011, Xstrata Zinc Canada purchased 36,800 tonnes of lead concentrates from Glencore for delivery to the Belledune lead smelter under various spot contracts (2010: 26,708 tonnes).

All evergreen and annual zinc concentrate and bulk concentrate contracts are based on recognised annual industry benchmark treatment charges and related terms for price participation and silver payables. Spot contracts are negotiated at prevailing market terms.

Technology

In 2006, Xstrata Technology was contracted to install a copper ISASMELT™ furnace, a lead ISASMELT™ furnace and an IsaProcess copper refinery at Kazzinc, a Glencore subsidiary, for US$99 million. The project commenced in May 2006 and commissioning is on-going with an expected completion date of late 2012. This transaction with Kazzinc is on arm's length terms and conditions.

Associates

Platinum

The Xstrata Group acquired 24.9 per cent. of Lonmin PLC shares on 6 October 2008 and equity accounts this investment as an associate. During 2010, the Xstrata Group participated in a rights issue for US$58 million (2009: US$112 million) (refer to note 20).

Coal

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

Xstrata Coal South Africa holds a 20.2 per cent. (2010: 20.2 per cent.; 2009: 20.9 per cent.) interest in Richards Bay Coal Terminal Company Ltd ("RBCT"), a company that operates the coal terminal in Richards Bay, South Africa. Xstrata Coal South Africa reimburses RBCT for its share of operating and capital expenditure.

Xstrata Coal Australia has a 33 per cent. (2010: 33 per cent.; 2009: 33 per cent.) interest in Port Kembla Coal Terminal Limited and a 31 per cent. (2010: 31 per cent.; 2009: 33 per cent.) interest in Newcastle Coal Shippers Pty Limited. Xstrata Coal Australia reimburses these coal terminals for its share of coal loading and handling charges.

Zinc

The Xstrata Group has a 25 per cent. economic and voting interest in the Noranda Income Fund ("NIF"), which owns a zinc refinery in Salaberry-de-Valleyfield, Quebec. The Xstrata Group's interest in the NIF

are held as ordinary units of the partnership, which are subordinate to the priority units in respect of cash distributions in any month until 3 May 2017. In addition, the Xstrata Group has entered into a supply and processing agreement that continues until 2 May 2017, and is obliged to sell to the NIF up to 550,000 tonnes of zinc concentrate per year. The NIF pays the Xstrata Group a concentrate price, based on the price of zinc metal on the London Metal Exchange, for the payable zinc metal contained in the concentrate less a processing fee of US$0.393183 per pound (2010: US$0.37333 per pound; 2009: US$0.33311 per pound) of such payable zinc metal at 31 December 2011.

Joint venture entities

Coal

Xstrata Coal has a one-third interest in the Cerrejón thermal coal operation in Colombia. All purchase terms and conditions are set on an arm's length basis.

Copper

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

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

Iron Ore

Xstrata Iron Ore has a 50 per cent. interest in El Aouj Mining Company in Mauritania.

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

Remuneration of key management personnel of the Xstrata Group

	2009	2010	2011
		(US$m)	
Wages and salaries	31	21	23
Pension and other post-retirement benefit costs	6	7	8
Share-based compensation plans[1]	249	86	(116)
	286	114	(85)

Note:

(1) Amounts are based on the income statement expense/(credit) for the year calculated in accordance with IFRS 2.

Directors' loans

An interest-free short-term loan of US$1 million (2010: US$2 million; 2009: US$3 million) was provided to the Chief Executive in accordance with the Xstrata Group's policy to cover periods where employees of the Xstrata Group are exposed to overlapping periods of double taxation due to the requirement of working in multiple jurisdictions. The terms of the loan agreement require repayment of the loan amount on realisation of the foreign taxation credit claimed.

36 Financial instruments

Principles of risk management

The main risks arising from the Xstrata Group's financial instruments are credit risk, interest rate risk, liquidity risk, foreign currency risk and commodity price risk. These risks arise from exposures that occur in the normal course of business and are managed by the Treasury Committee, which operates as a sub-committee of the Executive Committee. The responsibilities of the Treasury Committee include the recommendation of policies to manage financial instrument risks. These recommendations are reviewed and approved by the Board of directors and implemented by the Xstrata Group's Treasury Department.

The overall objective of the Treasury Committee is to effectively manage credit risk, liquidity risk and other market risks in accordance with the Xstrata Group's strategy. Other responsibilities of the Treasury Committee include management of the Xstrata Group's cash resources and debt funding programmes, approval of counterparties and relevant transaction limits and the monitoring of all significant treasury activities undertaken by the Xstrata Group. The Xstrata Group uses both conventional financial instruments and derivative financial instruments to manage these risks.

The Xstrata Group's Treasury Department prepares monthly treasury reports which monitor all significant treasury activities undertaken by Xstrata Group companies. The report also benchmarks significant treasury activities. The Treasury Committee and Executive Committee review these reports to monitor the financial instrument risks of the Xstrata Group and to ensure compliance with established Xstrata Group policies and procedures.

The Xstrata Group's significant financial instruments, other than derivatives, comprise bank loans and overdrafts, capital market notes, finance leases, hire purchase contracts, cash and short-term deposits. The main purpose of these financial instruments is to finance the Xstrata Group's acquisitions and on-going operations. The Xstrata Group has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations.

Derivative transactions are entered into solely to mitigate risks and hedge accounting under IAS 39 is only applied when certain criteria have been met. Market fluctuations in derivative financial instruments designated as hedges are used to offset the fluctuations in the underlying exposure. The Xstrata Group does not hold derivatives for trading or speculative purposes. The Xstrata Group's accounting policies in relation to derivatives are set out in note 6.

Credit risk

Exposure to credit risk arises as a result of transactions in the Xstrata Group's ordinary course of business and is applicable to all financial assets. Investments in cash, short-term deposits, derivative instruments and similar assets are with approved counterparty banks and other financial institutions. Counterparties are assessed prior to, during and after the conclusion of transactions to ensure exposure to credit risk is limited to an acceptable level. The Xstrata Group's major exposure to credit risk is in respect of trade receivables. Given the geographical industry spread of the Xstrata Group's ultimate customers and the solvency of major trade debtors, credit risk is believed to be limited.

	Neither impaired nor past the due date	Less than 30 days	Past the due date but not impaired			More than 1 year	Total
			Between 30 and 90 days	Between 91 and 180 days	Between 181 and 365 days		
				(US$m)			
Trade debtors:							
2009	2,607	144	49	42	14	—	2,856
2010	3,809	34	68	14	1	4	3,930
2011	2,765	133	69	63	4	3	3,037

The credit quality of the Xstrata Group's significant customers is monitored on an on-going basis by the Credit Department. Receivables that are neither past due nor impaired are considered of high credit quality.

There were no material impairments of trade debtors as at 31 December 2011, 2010 or 2009. The solvency of the debtor and their ability to repay the receivables were considered in assessing the impairment of such assets. No collateral is held in respect of impaired assets or assets that are past due but not impaired.

Details of guarantees material to the Xstrata Group are outlined in note 33.

Where concentrations of credit risk exist, management closely monitors the receivables and ensures appropriate controls are in place to ensure recovery. A portion of the Xstrata Group's revenues is generated from sales to Glencore, a related party. These sales are governed by various sales, marketing and distribution agreements as outlined in note 35. In general, Glencore acts as a sales and marketing agent, on-selling purchases from the Xstrata Group to a wide variety of purchasers. As these agreements have been in place for a number of years and the Xstrata Group has not been exposed to significant unrecoverable amounts, the Xstrata Group does not believe these arrangements expose it to unacceptable credit risks. Credit risk is minimal and not concentrated for other financial assets.

The maximum exposure to credit risk is limited to the total carrying value of financial assets on the balance sheet as at the reporting date, being an amount of US$7,716 million (2010: US$8,020 million; 2009: US$9,020 million). The Xstrata Group does not have netting agreements with any debtors.

Liquidity risk

Liquidity risk is the risk that the Xstrata Group may not be able to settle or meet its obligations on time or at a reasonable price. The Xstrata Group's Treasury Department is responsible for management of liquidity risk, including funding, settlements, related processes and policies. The Xstrata Group manages its liquidity risk on a consolidated basis utilising various sources of finance to maintain flexibility while ensuring access to cost-effective funds when required. The operational, tax, capital and regulatory requirements and obligations of the Xstrata Group are considered in the management of liquidity risk. In addition, management utilises both short- and long-term cash flow forecasts and other consolidated financial information to manage liquidity risk.

The Xstrata Group's Treasury Department monitors the Xstrata Group's long-term credit ratings from major ratings agencies, including Standard & Poor's and Moody's, when assessing the on-going credit-worthiness of the Xstrata Group. At 31 December 2011, the Xstrata Group had long-term credit ratings of BBB+ (stable outlook) from Standard & Poor's (2010: BBB (positive outlook); 2009: BBB (negative outlook)) and Baa2 (positive outlook) from Moody's (2010: Baa2 (stable outlook); 2009: Baa2 (negative outlook)) and A (low) from DBRS (2010: A (low); 2009: A (low)). The ratings agencies consider a number of qualitative measurements when assessing the credit-worthiness of a company. These include an assessment of the quality of assets and management, attitudes to risk, industry type and the performance of a company in relation to its peers. They also examine a number of financial ratios such as leverage, debt to operating cash flow, interest coverage, total liabilities to total assets and return on invested capital. The Xstrata Group's Treasury Department continuously monitors the Xstrata Group's performance relative to these ratios as a guide to the on-going credit-worthiness of the Xstrata Group.

The Xstrata Group has various borrowing facilities available to it. This ensures flexibility to minimise liquidity risk and ensures the on-going solvency of the Xstrata Group. The undrawn committed facilities available at 31 December 2009, 2010 and 2011 in respect of which all conditions precedent had been met at that date are as follows:

Available undrawn borrowing facilities and maturity:

	2009	2010	2011
		(US$m)	
Expiring in:			
Less than 1 year	55	52	243
Between 1 and 2 years	—	4,680	—
Between 2 and 3 years	6,299	2,000	—
Between 4 and 5 years	—	2,000	6,000
	6,354	8,732	6,243

The following tables show the Xstrata Group's contractually agreed undiscounted forecast cash flows from financial assets and liabilities, including derivatives. Expected cash flows from derivative contracts are not materially different from the maturity profile disclosed below.

	Due within 1 year	Due between 1-2 years	Due between 2-3 years	Due between 3-4 years	Due between 4-5 years	Due after 5 years	Total
				(US$m)			
At 31 December 2009:							
Non-derivative financial assets:							
Interest-bearing cash and cash equivalents	1,131	—	—	—	—	—	1,131
Other financial assets	5,776	38	—	—	—	755	6,569
Derivative financial assets:							
Derivatives contracts	159	137	131	—	—	430	857
Total	7,066	175	131	—	—	1,185	8,557
Non-derivative financial liabilities:							
Interest-bearing loans and borrowings	(206)	(2,375)	(5,441)	(21)	(17)	(5,398)	(13,458)
Convertible borrowings	—	—	—	—	—	(335)	(335)
Interest payments on loans and borrowings	(757)	(707)	(546)	(351)	(337)	(1,934)	(4,632)
Other non-interest-bearing liabilities	(3,697)	—	—	—	—	(570)	(4,267)
Derivative financial liabilities:							
Derivatives contracts	(52)	(235)	(54)	—	—	(216)	(557)
Total	(4,712)	(3,317)	(6,041)	(372)	(354)	(8,453)	(23,249)

	Due within 1 year	Due between 1-2 years	Due between 2-3 years	Due between 3-4 years	Due between 4-5 years	Due after 5 years	Total
				(US$m)			
At 31 December 2010:							
Non-derivative financial assets:							
Interest-bearing cash and cash equivalents	1,680	—	—	—	—	—	1,680
Other financial assets	4,505	117	—	—	—	912	5,534
Derivative financial assets:							
Derivatives contracts	236	73	—	—	143	354	806
Total	6,421	190	—	—	143	1,266	8,020
Non-derivative financial liabilities:							
Interest-bearing loans and borrowings	(2,318)	(1,526)	(13)	(13)	(1,576)	(4,026)	(9,472)
Interest payments on loans and borrowings	(570)	(390)	(350)	(350)	(307)	(1,611)	(3,578)
Other non-interest-bearing liabilities	(4,802)	—	(34)	(41)	(42)	(627)	(5,546)
Derivative financial liabilities:							
Derivatives contracts	(383)	(12)	—	—	(136)	(218)	(749)
Total	(8,073)	(1,928)	(397)	(404)	(2,061)	(6,482)	(19,345)

	Due within 1 year	Due between 1-2 years	Due between 2-3 years	Due between 3-4 years	Due between 4-5 years	Due after 5 years	Total
				(US$m)			
At 31 December 2011:							
Non-derivative financial assets:							
Interest-bearing cash and cash equivalents	1,852	—	—	—	—	—	1,852
Other financial assets	3,742	—	—	—	1	1,249	4,992
Derivative financial assets:							
Derivatives contracts	96	1	—	171	177	331	776
Total	5,690	1	—	171	178	1,580	7,620
Non-derivative financial liabilities:							
Interest-bearing loans and borrowings	(1,566)	(13)	(807)	(1,583)	(1,197)	(5,204)	(10,370)
Interest payments on loans and borrowings	(553)	(476)	(473)	(408)	(355)	(2,359)	(4,624)
Other non-interest-bearing liabilities	(5,102)	(17)	(42)	(48)	(50)	(633)	(5,892)
Derivative financial liabilities:							
Derivatives contracts	(65)	—	—	(161)	—	(256)	(482)
Total	(7,286)	(506)	(1,322)	(2,200)	(1,602)	(8,452)	(21,368)

All instruments held at 31 December 2009, 31 December 2010 and 31 December 2011 and for which payments were already contractually agreed are included. Amounts in foreign currency are each translated at the closing rate at the reporting date. The variable interest payments arising from the financial instruments were calculated using interest rates as at the reporting date. Financial liabilities that can be repaid at any time are always assigned to the earliest possible time period. Future forecast transactions or transactions subsequent to year-end are not included.

Market risk analysis

IFRS 7 requires sensitivity analyses that show the effects of hypothetical changes of relevant market risk variables on the Xstrata Group's profit and shareholders' equity. The periodic effects are determined by relating the hypothetical changes in the risk variables to the balance of financial instruments at the reporting date. The Xstrata Group's primary market exposures are to interest rate risk, foreign currency risk and commodity price risk.

Interest rate risk

The Xstrata Group is exposed to interest rate risk primarily as a result of exposures to movements in LIBOR. It is the Xstrata Group's preference to borrow and invest at floating rates of interest, notwithstanding that some borrowings are at fixed rates. In addition, a limited amount of fixed rate hedging may be undertaken during periods where the Xstrata Group's exposure to movements in short-term interest rates is more significant. In keeping with the Xstrata Group's preference to borrow at

floating rates of interest, the following interest rate swap contracts were outstanding at 31 December 2009, 2010 and 2011:

	Principal amount 2009	Average rate % 2009	Fair value 2009	Principal amount 2010	Average rate % 2010	Fair value 2010	Principal amount 2011	Average rate % 2011	Fair value 2011
					(US$m)				
At fair value:									
Interest rate swap from US$ fixed rates:									
Maturing in less than 1 year[(1)]	—	—	—	2,255	1.26	78	925	1.44	36
Maturing between 1 and 2 years[(1)]	2,255	2.01	137	925	1.11	73	—	—	—
Maturing between 2 and 3 years	925	1.75	90	—	—	—	—	—	—
Maturing between 3 and 4 years[(1)]	—	—	—	—	—	—	1,430	2.29	171
Maturing between 4 and 5 years[(1)]	—	—	—	1,439	1.95	143	1,000	1.35	177
Maturing greater than 5 years[(1)]	4,099	2.42	380	2,660	1.65	346	1,660	2.31	314
Interest rate swap to US$ fixed rates:									
Maturing in less than 1 year[(1)]	—	—	—	—	—	—	100	4.54	(2)
Maturing between 1 and 2 years[(1)]	—	—	—	100	4.54	(6)	—	—	—
Maturing between 2 and 3 years	100	4.54	(7)	—	—	—	—	—	—
	7,379	2.24	600	7,379	1.56	634	5,115	2.00	696

Note:

(1) Relates to the Unsecured notes and Senior debentures (refer to note 28).

The interest rate risk profile of the Xstrata Group as at 31 December 2009 was as follows:

	Falling due within 1 year	Falling due between 1-2 years	Falling due between 2-3 years	Falling due between 3-4 years	Falling due between 4-5 years	Falling due more than 5 years	2009
				(US$m)			
Fixed rate by balance sheet category:							
Cash and cash equivalents	262	—	—	—	—	—	262
Capital market notes[(1)]	(14)	(2,293)	(1,360)	—	—	(5,271)	(8,938)
Non-controlling interest loans	(5)	—	(81)	—	—	(100)	(186)
Convertible borrowings	—	—	—	—	—	(335)	(335)
Finance leases/hire purchase contracts	(28)	(29)	(2)	(2)	(2)	(27)	(90)
Other loans	—	—	—	—	—	(10)	(10)
	215	(2,322)	(1,443)	(2)	(2)	(5,743)	(9,297)
Fixed rate by currency:							
AUD	(6)	(27)	—	—	—	(105)	(138)
CAD	—	(1)	(1)	(1)	(1)	(16)	(20)
CLP	12	—	—	—	—	—	12
EUR	—	(1,133)	(782)	—	—	(1,729)	(3,644)
GBP	10	—	—	—	—	(845)	(835)
US$	200	(1,161)	(660)	(1)	(1)	(3,038)	(4,661)
ZAR	(1)	—	—	—	—	(10)	(11)
	215	(2,322)	(1,443)	(2)	(2)	(5,743)	(9,297)
Floating rate by balance sheet category:							
Cash and cash equivalents	869	—	—	—	—	—	869
Capital market notes	(82)	—	—	—	—	—	(82)
Syndicated bank loans—unsecured	—	—	(3,840)	—	—	—	(3,840)
Bank loans—other unsecured	(47)	(35)	(139)	—	—	—	(221)
Bank overdrafts	(11)	—	—	—	—	—	(11)
	729	(35)	(3,979)	—	—	—	(3,285)
Floating rate by currency:							
AUD	173	—	—	—	—	—	173
ARS	16	—	—	—	—	—	16
CAD	6	—	—	—	—	—	6
CLP	17	—	—	—	—	—	17
EUR	21	—	—	—	—	—	21
GBP	1	—	—	—	—	—	1
NOK	2	—	—	—	—	—	2
US$	424	(34)	(3,979)	—	—	—	(3,589)
ZAR	65	(1)	—	—	—	—	64
Other	4	—	—	—	—	—	4
	729	(35)	(3,979)	—	—	—	(3,285)

Note:

(1) These borrowings are subject to interest rate swaps.

The interest rate risk profile of the Xstrata Group as at 31 December 2010 was as follows:

	Falling due within 1 year	Falling due between 1-2 years	Falling due between 2-3 years	Falling due between 3-4 years	Falling due between 4-5 years	Falling due more than 5 years	2010
				(US$m)			
Fixed rate by balance sheet category:							
Cash and cash equivalents	794	—	—	—	—	—	794
Capital market notes[1]	(2,162)	(1,292)	—	—	(1,528)	(3,730)	(8,712)
Non-controlling interest loans	—	(81)	—	—	—	(162)	(243)
Finance leases/hire purchase contracts	(71)	(9)	(5)	(5)	(4)	(19)	(113)
Other loans	—	—	—	—	—	(5)	(5)
	(1,439)	(1,382)	(5)	(5)	(1,532)	(3,916)	(8,279)
Fixed rate by currency:							
AUD	(7)	(1)	(1)	(1)	—	(161)	(171)
CAD	(2)	(3)	(3)	(3)	(3)	(9)	(23)
CLP	21	—	—	—	—	—	21
EUR	(1,040)	(722)	—	—	(874)	(774)	(3,410)
GBP	10	—	—	—	—	(842)	(832)
US$	(421)	(655)	(1)	(1)	(655)	(2,119)	(3,852)
ZAR	—	(1)	—	—	—	(11)	(12)
	(1,439)	(1,382)	(5)	(5)	(1,532)	(3,916)	(8,279)
Floating rate by balance sheet category:							
Cash and cash equivalents	886	—	—	—	—	—	886
Capital market notes	(30)	—	—	—	—	—	(30)
Bank loans—other unsecured	(40)	(139)	—	—	(34)	—	(213)
Bank overdrafts	(9)	—	—	—	—	—	(9)
	807	(139)	—	—	(34)	—	634
Floating rate by currency:							
AUD	235	—	—	—	—	—	235
ARS	12	—	—	—	—	—	12
CAD	8	—	—	—	—	—	8
CLP	22	—	—	—	—	—	22
EUR	20	—	—	—	—	—	20
GBP	1	—	—	—	—	—	1
NOK	3	—	—	—	—	—	3
US$	453	(139)	—	—	(34)	—	280
ZAR	46	—	—	—	—	—	46
Other	7	—	—	—	—	—	7
	807	(139)	—	—	(34)	—	634

Note:

(1) These borrowings are subject to interest rate swaps.

The interest rate risk profile of the Xstrata Group as at 31 December 2011 was as follows:

	Falling due within 1 year	Falling due between 1-2 years	Falling due between 2-3 years	Falling due between 3-4 years	Falling due between 4-5 years	Falling due more than 5 years	2011
				(US$m)			
Fixed rate by balance sheet category:							
Cash and cash equivalents	706	—	—	—	—	—	706
Capital market notes[(1)]	(1,234)	—	(797)	(1,538)	(1,185)	(4,874)	(9,628)
Non-controlling interest loans	—	—	—	—	—	(204)	(204)
Finance leases/hire purchase contracts	(38)	(13)	(10)	(11)	(12)	(120)	(204)
	(566)	(13)	(807)	(1,549)	(1,197)	(5,198)	(9,330)
Fixed rate by currency:							
AUD	97	(6)	(7)	(7)	(9)	(309)	(241)
CAD	(3)	(3)	(3)	(3)	(3)	(7)	(22)
CLP	3	—	—	—	—	—	3
EUR	(677)	—	—	(875)	—	(786)	(2,338)
GBP	—	—	—	—	—	(936)	(936)
US$	14	(3)	(797)	(664)	(1,185)	(3,153)	(5,788)
ZAR	—	(1)	—	—	—	(7)	(8)
	(566)	(13)	(807)	(1,549)	(1,197)	(5,198)	(9,330)
Floating rate by balance sheet category:							
Cash and cash equivalents	1,146	—	—	—	—	—	1,146
Capital market notes	(148)	—	—	—	—	—	(148)
Bank loans—other unsecured	(139)	—	—	(34)	—	—	(173)
	859	—	—	(34)	—	—	825
Floating rate by currency:							
AUD	191	—	—	—	—	—	191
ARS	19	—	—	—	—	—	19
CAD	5	—	—	—	—	—	5
CLP	4	—	—	—	—	—	4
EUR	28	—	—	—	—	—	28
GBP	15	—	—	—	—	—	15
US$	508	—	—	(34)	—	—	474
ZAR	74	—	—	—	—	—	74
Other	15	—	—	—	—	—	15
	859	—	—	(34)	—	—	825

Note:

(1) These borrowings are subject to interest rate swaps.

The interest charged on floating rate financial liabilities is based on the relevant national inter-bank rates and re-priced at least annually. Interest on financial instruments classified as fixed rate is fixed until maturity of the instrument. The other financial instruments of the Xstrata Group that are not included in the above tables are non-interest-bearing and are therefore not subject to interest rate risk.

IFRS 7 requires interest rate sensitivity analysis that shows the effects of changes in market interest rates on the income statement and, if appropriate, shareholders' equity. The interest rate sensitivity analysis is based on the following assumptions:

- for non-derivative financial instruments with fixed interest rate terms, a change in market interest rates only affects income if these are measured at their fair value. Consequently, all non-derivative financial instruments with fixed interest rate terms that are carried at amortised cost are excluded from this analysis (with the exception of those subject to a fixed to floating rate swap);
- items subject to an effective fixed to floating interest rate swap hedge are assumed to be floating instruments for the purpose of this analysis;

- for floating rate instruments, income statement impacts assume adjustments to interest income and expense for a 12-month period;
- the Xstrata Group does not have significant cash flow hedges related to interest rate risk. As such, movements that would occur in equity as a result of a hypothetical change in interest rates at reporting date have been excluded from this analysis;
- changes in the carrying value of derivative financial instruments designated as fair value hedges are assumed to be fully effective with no impact on the income statement or equity;
- changes in the carrying value of derivative financial instruments not in hedging relationships are assumed to impact the income statement;
- the Xstrata Group does not have material exposure to interest rate risk from available-for-sale financial instruments. As such, these financial instruments have been excluded from this analysis;
- the balance of interest-bearing financial instruments at reporting date is representative of the balance for the year as a whole and hypothetical interest rate movements are deemed to apply for the entire reporting period; and
- the impact of interest rate movements on the carrying value of pension obligations has been excluded.

If the market interest rates had been 100 basis points higher (lower) at 31 December 2011, income would have been US$51 million (2010: US$69 million; 2009: US$106 million) higher (lower). There would be no material effect on equity reserves other than those relating directly to movements in the income statement.

Foreign currency risk

Owing to the Xstrata Group's significant operations in Australia, North America, South America, South Africa and Europe, the balance sheet and results can be affected significantly by movements in exchange rates. The long-term relationship between commodity prices and the currencies of most of the countries where the Xstrata Group operates provides a degree of natural protection. However, in the short term, it can be quite volatile. The presentation currency of the Xstrata Group is the US dollar.

Foreign currency hedges

Xstrata Group subsidiaries located in Australia and Canada have entered into AUD/US$ and CAD/US$ exchange contracts to hedge a portion of their US$ denominated revenue and third party loans. The Xstrata Group also enters into forward contracts to hedge specific one-off foreign currency transactions. The open foreign currency exchange contracts as at 31 December 2009, 2010 and 2011 are as follows:

Classified as cash flow hedges[(1)]:

	Contract amount 2009	Average forward rate 2009	Fair value 2009	Contract amount 2010	Average forward rate 2010	Fair value 2010	Contract amount 2011	Average forward rate 2011	Fair value 2011
					(US$m)				
Forward contracts—sell US$/buy AUD:									
Maturing in less than 1 year	1,250	0.8250	100	876	0.9125	97	1,932	1.0017	24
	1,250	0.8250	100	876	0.9125	97	1,932	1.0017	24
Forward contracts—sell US$/buy EUR:									
Maturing in less than 1 year				1,174	1.5650	(170)	675	1.3500	(27)
Maturing between 1 and 2 years[(2)]	1,174	1.5650	(100)	675	1.3500	(6)	—	—	—
Maturing between 2 and 3 years	675	1.3500	41	—	—	—	—	—	—
Maturing between 3 and 4 years[(2)]	—	—	—	—	—	—	939	1.5650	(161)
Maturing between 4 and 5 years[(2)]	—	—	—	939	1.5650	(136)	—	—	—
Maturing after 5 years[(2)]	1,614	1.4673	(39)	675	1.3500	(6)	675	1.3500	(27)
	3,463	1.4776	(98)	3,463	1.4812	(318)	2,289	1.4382	(215)
Forward contracts—sell US$/buy GBP:									
Maturing after 5 years[(2)]	985	1.9700	(176)	985	1.9700	(204)	985	1.9700	(208)
	985	1.9700	(176)	985	1.9700	(204)	985	1.9700	(208)
Forward contracts—sell US$/buy ZAR:									
Maturing in less than 1 year	543	8.1681	44	348	7.3373	29	547	7.9437	(20)
Maturing between 1 to 2 years	20	8.5978	2	—	—	—	—	—	—
	563	8.1834	46	348	7.3373	29	547	7.9437	(20)

Notes:

(1) The timing of hedged cash flows is expected to coincide with the maturities of the hedging instruments to which they relate.

(2) Relates to the Unsecured notes (refer to note 28).

An Australian subsidiary has designated its US$ denominated capital market notes as a fair value hedge of an investment in a US$ denominated South American operation (refer to note 28). The hedge is being used to reduce exposure to foreign currency risk.

Classified as other derivatives:

	Contract amount 2009	Average forward rate 2009	Fair value 2009	Contract amount 2010	Average forward rate 2010	Fair value 2010	Contract amount 2011	Average forward rate 2011	Fair value 2011
					(US$m)				
Forward contracts—sell CAD/buy US$:									
Maturing in less than 1 year	—	—	—	320	1.5013	(163)	—	—	—
Maturing between 1 to 2 years	300	1.5350	(135)	—	—	—	—	—	—
	300	1.5350	(135)	320	1.5013	(163)	—	—	—
Forward contracts—sell US$/buy CAD:									
Maturing in less than 1 year	1,172	1.0585	14	1,364	1.0196	32	1,113	1.0087	(10)
	1,172	1.0585	14	1,364	1.0196	32	1,113	1.0087	(10)
Forward contracts—sell US$/buy AUD:									
Maturing in less than 1 year	10	0.7816	1	—	—	—	—	—	—
	10	0.7816	1	—	—	—	—	—	—

For the purpose of IFRS 7 sensitivity analysis, currency risks arise because financial instruments are denominated in a currency that is not the functional currency of the subsidiary or joint venture. The movements shown below largely result from trade payables and receivables that are not denominated in the local entity's functional currency. Trade payables and receivables generally arise as a result of the operations of the Xstrata Group in the ordinary course of business.

The currency sensitivity analysis is based on the following assumptions:

- differences resulting from the translation of financial statements of subsidiaries or joint ventures into the Xstrata Group's presentation currency, US$, are not taken into consideration;
- the major currency exposures for the Xstrata Group relate to the US$ and local currencies of subsidiaries and joint ventures. Foreign currency exposures between two currencies where one is not the US$ are deemed insignificant to the Xstrata Group and have therefore been excluded from the sensitivity analysis;
- derivative financial instruments designated as cash flow hedges are assumed to be fully effective hedges and therefore any movements in carrying value are captured within equity and have no impact on the income statement analysis;
- changes in the carrying value of derivative financial instruments designated as fair value hedges are assumed to be fully effective with no impact on the income statement or equity;
- changes in the carrying value of derivative financial instruments not in hedging relationships are assumed to impact the income statement; and
- the impact of foreign currency movements on the carrying value of pension obligations has been excluded.

In accordance with IFRS 7, the impact of foreign currencies has been determined based on the balances of financial assets and liabilities at 31 December 2009, 2010 and 2011. This sensitivity does not represent the income statement impact that would be expected from a movement in foreign currency exchange rates over the course of a period of time.

If the US$ had gained (lost) 5 per cent. against all currencies significant to the Xstrata Group, the impact would have been:

Local currency to the US$	Closing exchange rate 2009	Effect on net earnings of a 5% change 2009	Effect on equity of a 5% change 2009	Closing exchange rate 2010	Effect on net earnings of a 5% change 2010	Effect on equity of a 5% change 2010	Closing exchange rate 2011	Effect on net earnings of a 5% change 2011	Effect on equity of a 5% change 2011
US$:ARS	—	—	—	3.9759	(3)	—	4.3063	(4)	—
AUD:US$	0.8974	(16)	6	1.0233	(10)	(1)	1.0205	3	1
US$:CAD	1.0533	3	—	0.9983	7	—	1.0212	5	—
US$:CLP	—	—	—	468.00	5	—	519.50	5	—
US$:COP	—	—	—	1,920	2	—	1,938	—	—
EUR:US$	1.4327	6	—	1.3387	3	—	1.2960	4	—
GBP:US$	1.6173	1	—	1.5613	(1)	—	1.5550	—	—
US$:PEN	2.8870	—	—	2.8063	4	—	2.6904	4	—
US$:ZAR	7.3890	(7)	4	6.6276	(17)	—	8.0796	(8)	—
Total		(13)	10		(10)	(1)		9	1

Commodity price risk

The Xstrata Group is exposed to fluctuations in commodity prices, with the commodity mix spread between those that are priced by reference to prevailing market prices on terminal markets and those that are set on a contract basis with customers, generally on an annual basis. Commodity price risks arise in all major commodities that the Xstrata Group produces. Commodity price risk is managed by maintaining a diversified portfolio of commodities and typically does not involve large-scale strategic hedging or price management initiatives.

Due to the volatile nature of commodity prices and the historical relationship between prices and the currencies of most of the countries where the Xstrata Group operates, hedging may be entered into only in limited circumstances and subject to strict limits laid down by the Board of directors.

Commodity hedging

The Australian and South African operations have entered into coal forwards to hedge prices of future sales of coal. The open forwards and collars commodity contracts as at 31 December 2009, 2010 and 2011 are as follows:

Classified as cash flow hedges:

	2009			2010			2011		
	Tonnes	Average price US$	Fair value US$m	Tonnes	Average price US$	Fair value US$m	Tonnes	Average price US$	Fair value US$m
Coal forwards—US$ denominated contracts: FOB									
Maturing in less than 1 year	5,640,000	75.92	(36)	1,320,000	97.32	(32)	4,590,000	114.72	31
Maturing between 1 and 2 years	—	—	—	—	—	—	90,000	124.00	1
	5,640,000	75.92	(36)	1,320,000	97.32	(32)	4,680,000	114.90	32
Coal forwards—US$ denominated contracts: CIF									
Maturing in less than 1 year	315,000	71.80	(6)	935,000	104.70	(22)	—	—	—
	315,000	71.80	(6)	935,000	104.70	(22)	—	—	—
Copper forwards—US$ denominated contracts:									
Maturing in less than 1 year	14,950	6,674	(10)	—	—	—	—	—	—
	14,950	6,674	(10)	—	—	—	—	—	—

The maturities of these hedges reflect the expected timing of cash flows related to these instruments.

The IFRS 7 sensitivity analysis below has been prepared using the following assumptions:

- this analysis only takes into account commodities for which the Xstrata Group has significant exposure;
- fixed-price sale and purchases contracts will not fluctuate with movements in commodity prices and are therefore excluded from this analysis;
- derivative financial instruments designated as cash flow hedges are assumed to be fully effective hedges and therefore any movements in carrying value are captured within equity and have no impact on the income statement analysis;
- changes in the carrying value of derivative financial instruments designated as fair value hedges are assumed to be fully effective with no impact on the income statement or equity; and
- changes in the carrying value of derivative financial instruments not in hedging relationships are assumed to impact the income statement.

In accordance with IFRS 7, the impact of commodity prices has been determined based on the balances of financial assets and liabilities at 31 December 2011. This sensitivity does not represent the income statement impact that would be expected from a movement in commodity prices over the course of a period of time.

If prices for all commodities for which the Xstrata Group has significant exposure had been 10 per cent. higher (lower) at 31 December 2011, income would have been US$194 million higher (lower) (2010: US$173 million higher (lower); 2009: US$128 million higher (lower)) and equity reserves would have been US$20 million lower (higher) (2010: US$3 million lower (higher); 2009: US$79 million lower (higher)) as a result of changes to reserves for commodity cash flow hedges. There would be no other material changes in

reserves of the Xstrata Group as at 31 December 2009, 2010 or 2011 other than those relating directly to income statement movements.

Fair values

Set out below is a comparison by category of carrying value and fair values of the Xstrata Group's financial instruments that are not carried at fair value in the financial statements at 31 December:

	2009		2010		2011	
	Carrying value	Fair value	Carrying value	Fair value	Carrying value	Fair value
			(US$m)			
Financial liabilities:						
Capital market notes	8,939	8,941	8,712	8,714	9,628	9,628
Convertible borrowings	335	332	—	—	—	—
Non-controlling interest loans	186	191	243	248	204	210
Finance leases	181	181	251	252	204	206
Other loans	11	12	11	12	8	8

Market rates at 31 December 2009, 2010 and 2011 have been used to determine the fair value of fixed interest loans.

The following table shows the carrying amounts as at 31 December for each category of financial assets and liabilities as required by IFRS 7:

The following table shows the gains/(losses) for each category of financial assets and liabilities as required by IFRS 7:

	2009	2010	2011
		(US$m)	
Financial assets and liabilities:			
Available-for-sale financial assets gains/(losses) recognised in equity	209	118	(37)
Available-for-sale financial assets gains/(losses) recognised in the income statement	(1)	73	8
Derivative financial instruments gains recognised in equity	456	117	26
Derivative financial instruments gains recognised in the income statement	269	117	14

Interest revenues and expenses are not included in the calculation of the gains/(losses) of financial assets and liabilities.

The Xstrata Group uses various valuation techniques in determining the fair value of financial assets and liabilities. The following fair value hierarchy is used to categorise and disclose the Xstrata Group's financial assets and liabilities held at fair value for which a valuation technique is used:

- Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities;
- Level 2: other techniques for which all inputs that have a significant effect on the recorded fair value are observable, either directly or indirectly; and
- Level 3: techniques that use inputs that have a significant effect on the recorded fair value that are not based on observable market data.

The table below presents financial assets measured at fair value:

	2009	Level 1	Level 2	Level 3
		(US$m)		
Foreign currency cash flow hedges	228	—	228	—
Fair value interest rate hedges	566	—	566	—
Other interest rate derivatives	48	—	48	—
Other foreign currency derivatives	15	—	15	—
Shares—listed	216	216	—	—
Shares—unlisted	4	—	4	—
Rehabilitation trust fund	77	—	77	—
Loans to joint venture partners	234	—	234	—
Other financial assets	37	—	37	—

	2010	Level 1	Level 2	Level 3
		(US$m)		
Foreign currency cash flow hedges	126	—	126	—
Fair value interest rate hedges	606	—	606	—
Other interest rate derivatives	42	—	42	—
Other foreign currency derivatives	32	—	32	—
Shares—listed	160	160	—	—
Shares—unlisted	5	—	5	—
Royalty contract	182	—	182	—
Rehabilitation trust fund	91	—	91	—
Loans to joint venture partners	375	—	375	—
Other financial assets	48	—	48	—

	2011	Level 1	Level 2	Level 3
		(US$m)		
Commodity cash flow hedges	32	—	32	—
Foreign currency cash flow hedges	24	—	24	—
Fair value interest rate hedges	699	—	699	—
Other interest rate derivatives	15	—	15	—
Other foreign currency derivatives	6	—	6	—
Shares—listed	79	79	—	—
Shares—unlisted	7	—	7	—
Royalty contract	172	—	172	—
Rehabilitation trust fund	106	—	106	—
Loans to joint venture partners	396	—	396	—
TBU	183	—	183	—
Other financial assets	58	—	58	—

The table below presents financial liabilities measured at fair value:

	2009	Level 1	Level 2	Level 3
		(US$m)		
Commodity cash flow hedges	52	—	52	—
Foreign currency cash flow hedges	356	—	356	—
Other interest rate derivatives	14	—	14	—
Other foreign currency derivatives	135	—	135	—
Loans from joint venture partners	155	—	—	155

	2010	Level 1	Level 2	Level 3
		(US$m)		
Commodity cash flow hedges	50	—	50	—
Foreign currency cash flow hedges	522	—	522	—
Other interest rate derivatives	14	—	14	—
Other foreign currency derivatives	163	—	163	—
Loans from joint venture partners	236	—	—	236

	2011	Level 1	Level 2	Level 3
		(US$m)		
Foreign currency cash flow hedges	443	—	443	—
Other interest rate derivatives	23	—	23	—
Other foreign currency derivatives	16	—	16	—
Loans from joint venture partners	212	—	—	212

37 Events after balance sheet date

Recommended all-share merger of equals between Glencore and Xstrata

The Glencore Directors and the Independent Xstrata Directors have reached agreement on the terms of a recommended all-share merger of equals of Glencore and Xstrata. The terms of the Merger will provide holders of scheme shares with 2.8 new Glencore Shares for each Scheme Share held. The Merger will be effected by way of a Court sanctioned scheme of arrangement of Xstrata under Part 26 of the UK

Companies Act, pursuant to which Glencore will acquire the entire issued and to be issued ordinary share capital of Xstrata not already owned by the Glencore Group. The Merger is subject to a number of Conditions, including shareholder approval of both companies.

On 8 March 2012, the Xstrata Group announced it has agreed to acquire the Sukunka hard coking deposit in British Columbia, Canada, from Talisman Energy Incorporated for US$500 million in cash, subject to customary conditions.

On 13 March 2012, the Xstrata Group announced the creation of a joint venture between Xstrata Coal and JX Nippon Oil & Corporation Xstrata Group (JX) comprising contiguous metallurgical coal assets in the Peace River Coalfields in Western Canada. JX paid US$435 million in cash to acquire a 25 per cent. interest in the Peace River Coalfields in Western Canada.

PART IX

UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE COMBINED GROUP

Section A: Unaudited Pro Forma Financial Information of the Combined Group

The unaudited pro forma statement of net assets of the Combined Group has been based on the net assets of the Glencore Group as at 31 December 2011 and prepared on the basis of the notes set out below. The unaudited pro forma statement of net assets has been prepared to illustrate the effect of the Merger on the net assets of the Glencore Group as if the Merger had taken place on 31 December 2011.

The unaudited pro forma statement of net assets has been prepared in a manner consistent with the accounting policies adopted by the Glencore Group in preparing the audited financial statements for the year ended 31 December 2011.

The unaudited pro forma statement of net assets has been prepared for illustrative purposes only and, because of its nature, addresses a hypothetical situation and therefore does not reflect the Combined Group's actual financial position or results.

		Adjustments			
	Glencore Group net assets for the year ended 31 December 2011 (as reported)	**Xstrata Group net assets for the year ended 31 December 2011 (as reconciled)**	**Intra-Group adjustments**	**Acquisition accounting adjustments**	**Pro forma net assets of the Combined Group as at 31 December 2011**
			(US$ million)		
Note	(1)	(2)	(3)	(4)	(5)
Assets					
Non-current assets					
Intangible assets	210	6,584	—	412	7,206
Property, plant and equipment	14,639	42,005	—	—	56,644
Investments in associates and jointly controlled entities	18,858	11,205	(16,187)	—	13,876
Other investments	1,547	258	—	—	1,805
Advances and loans and other financial assets	4,141	1,644	—	—	5,785
Deferred tax assets	1,039	34	—	—	1,073
	40,434	**61,730**	**(16,187)**	**412**	**86,389**
Current assets					
Inventories	17,129	4,981	—	—	22,110
Accounts receivable	21,895	3,227	(694)	—	24,428
Other financial assets	5,065	96	—	—	5,161
Prepaid expenses	297	310		—	607
Marketable securities	40	—	—	—	40
Cash and cash equivalents	1,305	1,745	—	(69)	2,981
	45,731	**10,359**	**(694)**	**(69)**	**55,327**
Total assets	**86,165**	**72,089**	**(16,881)**	**343**	**141,716**
Non-current liabilities					
Borrowings	19,844	8,766	—	—	28,610
Deferred income	158	8	—	—	166
Other financial liabilities	—	1,207	—	—	1,207
Provisions	953	4,294	—	—	5,247
Deferred tax liabilities	1,399	4,398	—	—	5,797
	22,354	**18,673**	**—**	**—**	**41,027**

	Glencore Group net assets for the year ended 31 December 2011 (as reported)	Adjustments			Pro forma net assets of the Combined Group as at 31 December 2011
		Xstrata Group net assets for the year ended 31 December 2011 (as reconciled)	Intra-Group adjustments	Acquisition accounting adjustments	
			(US$ million)		
Current liabilities					
Accounts payable	18,160	4,773	(694)	—	22,239
Borrowings	8,185	1,398	—	—	9,583
Commodities sold with agreements to repurchase	39	—	—	—	39
Other financial liabilities	4,804	65	—	—	4,869
Provisions	98	697	—	—	795
Income taxes payable	190	782	—	—	972
	31,476	**7,715**	**(694)**	**—**	**38,497**
Total net assets	**32,335**	**45,701**	**(16,187)**	**343**	**62,192**

Notes:

(1) The consolidated net assets of the Glencore Group as at 31 December 2011 have been extracted without material adjustment from the 2011 audited financial statements of the Glencore Group, which are incorporated by reference in Part VI: "Glencore Historical Financial Information".

(2) The consolidated net assets of the Xstrata Group as at 31 December 2011 have been extracted without adjustment from note 2 to the table in section 3 of Part III: "Reconciliation of Financial Information on the Xstrata Group on the basis of the Accounting Policies of the Glencore Group" of the Glencore Circular, which is incorporated by reference into this document.

(3) These adjustments reflect the impact of eliminating intra-group receivables, payables and the carrying value of the investment in Xstrata as at 31 December 2011.

(4) (a) The unaudited pro forma statement of net assets has been prepared on the basis that the Merger will be treated as an acquisition of Xstrata by Glencore in accordance with IFRS 3—Business Combinations. The pro forma consolidated statement of net assets does not reflect the fair value adjustments to the acquired assets and liabilities assumed as the fair value measurement of these items will only be performed subsequent to Closing. For purposes of the pro forma, the excess purchase consideration over the book value of the net assets acquired has been attributed to goodwill and no pro forma impairment charge has been applied to the goodwill balance in the period presented. The fair value adjustments, when finalised post acquisition, may be material. The preliminary goodwill arising has been calculated as follows:

	US$m
Total consideration transferred[(i)]	30,991
Add fair value of previously held interest in Xstrata[(ii)]	15,122
Less book value of net assets acquired	(45,701)
Goodwill (before measurement of the assets acquired and liabilities assumed at their fair value on the Effective Date)	412

Notes:

(i) The calculation of consideration is based on the Closing Price of Glencore's ordinary shares of 354.1 pence on 29 May 2012 and a USD/GBP exchange rate of 1.5626, both references being the latest practicable date prior to publication of this document, and assumes that there will be 1,955,768,978 Xstrata Shares in issue not already owned by Glencore or held by Xstrata at completion and that each Xstrata Share will be exchanged for 2.8 Glencore Shares plus the fair value of Xstrata's share options which are expected to be exchanged for New Glencore Options as outlined in Part VII: "Xstrata Operating and Financial Review".

(ii) The fair value of Glencore's previously held interest in Xstrata is based on the Closing Price of Xstrata's ordinary shares of 991.5 pence on 29 May 2012 and a USD/GBP exchange rate of 1.5626, both references being the latest practicable date prior to publication of this document, and assumes that Glencore owns 1,010,403,999 shares of Xstrata.

(b) For purposes of the unaudited pro forma consolidated statement of net assets, transaction costs expected to be incurred by Glencore as a result of the Merger of approximately US$69 million have been deducted from cash and cash equivalents.

(5) No adjustments have been made to the unaudited pro forma consolidated statement of net assets to reflect transactions or activities such as 2012 trading results, any expected synergies or costs savings or any other transaction of the Glencore Group or the Xstrata Group since 31 December 2011.

(6) As stated in Part III: "Reconciliation of Financial Information on the Xstrata Group on the basis of the Accounting Policies of the Glencore Group" of the Glencore Circular, which is incorporated by reference into this document, the current IAS 31—

Interests in Joint Ventures allows a choice of accounting methods to be applied for interests in joint ventures of either the equity or proportionate consolidation methods. It is expected that, in 2012, the European Union ("EU") will endorse the adoption of IFRS 10—Consolidated Financial Statements ("IFRS 10"), IFRS 11—Joint Arrangements ("IFRS 11") and IFRS 12—Disclosure of Interests in Other Entities ("IFRS 12"), which will provide the Combined Group with the opportunity for early adoption in the Combined Group's 2012 accounts.

The most significant impact on the Combined Group of early adoption of these new standards is the determination of joint arrangements ("JAs"), the identification of the type of JA entered into as either a joint venture ("JV") or a joint operation ("JO") and the subsequent accounting treatment applied. IFRS 11 requires a more prescriptive principal-based approach be taken in determining the type of JA the entity participates in and removes the option for proportionately consolidating joint venture entities ("JVEs"). Under the new standards, significant changes are expected:

(a) Five of the Combined Group's JVEs (including Collahuasi and Antamina), currently accounted for using the equity accounting method, will no longer be classified as JVEs but rather as JOs and will therefore be proportionately consolidated.

(b) One of the Combined Group's JVEs (Perkoa), currently accounted for using the equity accounting method, will no longer be considered a JVE but rather a subsidiary and will therefore be fully consolidated.

As the EU has not endorsed these standards at the date of this Prospectus, the Combined Group will not be able to early adopt these policies in its 2012 financial statements or for the purposes of presenting the Historical Financial Information in this Prospectus. Although no definitive decision has yet been made, the Directors and Proposed Directors are currently of the opinion that the Combined Group will early adopt IFRS 10, 11 and 12 if permitted to do so.

	Combined Group pro forma net assets as at 31 December 2011	**Adjustment**	**Combined Group pro forma net assets as at 31 December 2011 (adjusted)**
		(US$ million)	
Note	(i)	(ii)	
Non-current assets	86,389	1,516	87,905
Current assets	55,327	678	56,005
Total assets	141,716	2,194	143,910
Non-current liabilities	41,027	1,583	42,610
Current liabilities	38,497	572	39,069
Total liabilities	79,524	2,155	81,679
Total net assets	**62,192**	**39**	**62,231**

Notes:

(i) The unaudited pro forma non-current assets, current assets, total assets, non-current liabilities, current liabilities, total liabilities and net assets of the Combined Group have been extracted from the pro forma statement of net assets as at 31 December 2011 set out above.

(ii) These adjustments show the impact on the Combined Group of the early adoption of IFRS 10, 11 and 12. The impact illustrates the expected adjustments required to the Combined Group for the consolidation of the Perkoa subsidiary and the proportionate consolidation of Collahuasi and Antamina JOs.

Section B: Accountant's Report on the Unaudited Pro Forma Financial Information of the Combined Group

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31 May 2012

Dear Sirs

Glencore International plc (the "Company")

We report on the pro forma financial information (the "Pro forma financial information") set out in Part IX of the prospectus dated 31 May 2012 (the "Prospectus"), which has been prepared on the basis described in the notes, for illustrative purposes only, to provide information about how the transaction might have affected the financial information presented on the basis of the accounting policies adopted by the Company in preparing the financial statements for the period ending 31 December 2011. This report is required by Annex I item 20.2 of Commission Regulation (EC) No. 809/2004 (the "Prospectus Directive Regulation") and is given for the purpose of complying with that requirement and for no other purpose.

Responsibilities

It is the responsibility of the directors of the Company (the "Directors") to prepare the Pro forma financial information in accordance with Annex I item 20.2 and Annex II items 1 to 6 of the Prospectus Directive Regulation.

It is our responsibility to form an opinion, in accordance with Annex I item 20.2 of the Prospectus Directive Regulation, as to the proper compilation of the Pro forma financial information and to report that opinion to you in accordance with Annex II item 7 of the Prospectus Directive Regulation.

Save for any responsibility arising under Prospectus Rule 5.5.3R(2)(f) to any person as and to the extent there provided, to the fullest extent permitted by law, we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of or in accordance with this report or our statement, required by and given solely for the purposes of complying with Annex I item 23.1 of the Prospectus Directive Regulation, consenting to its inclusion in the Prospectus.

In providing this opinion, we are not updating or refreshing any reports or opinions previously made by us on any financial information used in the compilation of the Pro forma financial information, nor do we

accept responsibility for such reports or opinions beyond that owed to those to whom those reports or opinions were addressed by us at the dates of their issue.

Basis of Opinion

We conducted our work in accordance with the Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. The work that we performed for the purpose of making this report, which involved no independent examination of any of the underlying financial information, consisted primarily of comparing the unadjusted financial information with the source documents, considering the evidence supporting the adjustments and discussing the Pro forma financial information with the Directors.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with reasonable assurance that the Pro forma financial information has been properly compiled on the basis stated and that such basis is consistent with the accounting policies of the Company.

Our work has not been carried out in accordance with auditing or other standards and practices generally accepted in jurisdictions outside the United Kingdom, including the United States of America, and accordingly, should not be relied upon as if it had been carried out in accordance with those standards or practices.

Opinion

In our opinion:

(a) the Pro forma financial information has been properly compiled on the basis stated; and

(b) such basis is consistent with the accounting policies of the Company.

Declaration

With respect to the Pro forma financial information set out in Part IX of the Prospectus, for the purposes of Prospectus Rule 5.5.3R(2)(f), we are responsible for this report as part of the Prospectus and declare that we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the Prospectus in compliance with Annex I item 1.2 of the Prospectus Directive Regulation.

Yours faithfully

Deloitte LLP
Chartered Accountants

Deloitte LLP is a limited liability partnership registered in England and Wales with registered number OC303675 and its registered office at 2 New Street Square, London EC4A 3BZ, United Kingdom. Deloitte LLP is the United Kingdom member firm of Deloitte Touche Tohmatsu Limited ("DTTL"), a UK private company limited by guarantee, whose member firms are legally separate and independent entities. Please see www.deloitte.co.uk/about for a detailed description of the legal structure of DTTL and its member firms.

Member of Deloitte Touche Tohmatsu Limited

PART X

TAXATION

The following section is a summary guide only to certain aspects of tax in the UK, Switzerland, Jersey, the US and Hong Kong. This is not a complete analysis of all the potential tax effects of acquiring, holding and disposing of Glencore Shares, nor will it relate to the specific tax position of all Shareholders in all jurisdictions. This summary does not purport to be a legal opinion. Glencore Shareholders are advised to consult their own tax advisers.

The description of the taxation consequences is written on the basis that the Company will be solely resident in Switzerland for tax purposes and will therefore be subject to the Swiss tax regime and not (except as noted below) the Jersey tax regime. As a consequence, please refer to the section "Swiss taxation" below for information about withholding tax on dividends and similar cash or in-kind distributions.

1 UK taxation

The following summary is intended as a general guide only and relates only to certain limited aspects of UK tax consequences of holding and disposing of Glencore Shares. It is based on current UK tax law and the current practice of HMRC, both of which are subject to change, possibly with retrospective effect. The summary applies only to Glencore Shareholders who are resident and, if individuals, ordinarily resident and domiciled in the UK for taxation purposes, who hold their Glencore Shares as an investment (other than under a personal equity plan or an individual savings account), who are the absolute beneficial owners of their Glencore Shares, who have not (and are not deemed to have) acquired their Glencore Shares by virtue of an office or employment (whether current, historic or prospective) and are not officers or employees of any member of the Glencore Group. In addition, these comments may not apply to certain classes of Glencore Shareholders such as traders, brokers, dealers, banks, financial institutions, collective investment schemes, insurance companies, investment companies, tax-exempt organisations, persons connected with the Company or the Glencore Group, individuals holding 10 per cent. or more in Glencore and persons who hold Glencore Shares as part of hedging or conversion transactions.

Any person who is in any doubt as to his or her tax position, or who is resident or otherwise subject to taxation in a jurisdiction outside the UK, should consult his or her tax advisers immediately.

1.1 UK taxation of dividends

Dividends paid on Glencore Shares

Glencore Shareholders who are individuals and who own less than a 10 per cent. shareholding in the Company

A Glencore Shareholder who is an individual will, if he owns less than 10 per cent. of the issued share capital in the Company, be entitled to a tax credit in respect of a dividend paid by the Company which may be set off against that Glencore Shareholder's total income tax liability. The tax credit will be equal to 10 per cent. of the aggregate of the dividend and the tax credit (the "gross dividend"), which is also equal to one-ninth of the cash dividend. Such an individual Glencore Shareholder who is liable to income tax at the basic rate will be subject to tax on the dividend at the rate of 10 per cent. of the gross dividend, so that the tax credit will satisfy in full such Shareholder's liability to income tax on the dividend.

In the case of such an individual shareholder who is liable to income tax at the higher rate, the tax credit will be set against but not fully match the shareholder's tax liability on the gross dividend and such Glencore Shareholder will have to account for additional income tax equal to 22.5 per cent. of the gross dividend (which is also equal to 25 per cent. of the cash dividend) to the extent that the gross dividend when treated as the top slice of Glencore Shareholder's income falls above the threshold for higher rate income tax.

In the case of such an individual Glencore Shareholder who is subject to income tax at the additional rate, the tax credit will also be set against but not fully match that Glencore Shareholder's liability on the gross dividend and, currently, such shareholder will have to account for additional income tax equal to 32.5 per cent. of the gross dividend (which is also equal to approximately 36 per cent. of the cash dividend) to the extent that the gross dividend when treated as the top slice of the shareholder's income falls above the threshold for additional rate

income tax. Finance (No.4) Bill provides for a reduction in the additional rate of income tax. If the Bill is enacted as currently drafted, then, with effect from 6 April 2013, a Glencore Shareholder subject to income tax at the additional rate will have to account for additional income tax equal to 27.5 per cent. of the gross dividend (which is equal to approximately 30.6 per cent. of the cash dividend received) to the extent that the gross dividend when treated as the top slice of the shareholder's income falls above the threshold for additional rate income tax.

Corporate Glencore Shareholders

Glencore Shareholders who are within the charge to corporation tax in respect of Glencore Shares in the Company will be subject to corporation tax on the gross amount of any dividends paid by the Company, subject to any applicable credit for Swiss Withholding Tax, unless (subject to special rules for such Shareholders that are small companies) the dividends fall within an exempt class and certain other conditions are met. It is expected that the dividends paid by the Company would generally be exempt for such Shareholders.

The statements contained under the heading "Dividends paid on Glencore Shares" in this paragraph 1.1 reflect the Company's understanding of the correct interpretation of current UK tax law. However, there is currently some doubt as to whether HMRC agrees with this interpretation in relation to distributions made out of share premium and, therefore, it is unclear how HMRC would interpret a distribution by the Company out of Qualifying Reserves, as is intended (see the discussion under paragraph 2 below). In such cases, there is a risk, despite recent judicial opinion to the contrary, that HMRC may seek to argue, in relation to certain classes of Glencore Shareholders, that such a distribution should not be treated under the rules for income distributions, but is instead within the charge to tax on chargeable gains. In light of this uncertainty, Glencore Shareholders are advised to consult their own professional advisers in relation to the implications of distributions by the Company.

Impact of Swiss Withholding Tax

As described more fully in paragraph 2 below, dividends and other distributions paid by the Company out of other reserves than the Qualifying Reserves will be subject to Swiss Withholding Tax on the cash amount of the distribution at the then prevailing rate (currently 35 per cent.). A UK resident Glencore Shareholder may be able to claim a partial refund of the Swiss Withholding Tax withheld under the UK-Switzerland double tax convention.

A UK resident individual Glencore Shareholder will generally be entitled to credit for any Swiss Withholding Tax withheld from a dividend or other distribution paid by the Company and not recoverable from the Swiss tax authorities against income tax payable by such Glencore Shareholder in respect of the dividend (having taken into account any benefits available under the UK-Switzerland double tax convention).

Under the dividend exemption rules of Part 9A of the Corporation Tax Act 2009, any Glencore Shareholder within the charge to corporation tax should generally not be subject to corporation tax on dividends paid by the Company. Where the dividend exemption applies, no credit for any Swiss Withholding Tax withheld from a dividend paid by the Company will be available to a UK resident corporate Glencore Shareholder. However, under the dividend exemption rules, an election can be made for a dividend not to be exempt from corporation tax. If such an election is made, HMRC will generally give credit against UK corporation tax on the dividend for any Swiss Withholding Tax withheld from a dividend paid by the Company and not recoverable from the Swiss tax authorities, applying the appropriate rate of withholding under the UK-Switzerland double tax convention.

If you are in any doubt about your tax position, you should consult your own professional adviser without delay.

1.2 UK taxation consequences of disposing of Glencore Shares

A disposal of Glencore Shares by a UK tax resident Glencore Shareholder may, depending on individual circumstances, give rise to a chargeable gain or allowable loss for UK tax purposes.

A disposal of Glencore Shares by a Glencore Shareholder who is not resident in the UK for tax purposes but who carries on a trade, profession or vocation in the UK through a branch, agency or permanent establishment and has used, held or acquired Glencore Shares for the purposes of

such trade, profession or vocation or such branch, agency or permanent establishment may, depending on individual circumstances, give rise to a chargeable gain or allowable loss for UK tax purposes.

A Glencore Shareholder who is an individual and who is temporarily non-resident in the UK for a period of less than five complete tax years may, under anti-avoidance legislation, still be liable to UK taxation on his return to the UK on a chargeable gain realised on the disposal or part disposal of Glencore Shares during the period when he is non-resident.

For corporate Glencore Shareholders only, indexation allowance on the relevant proportion of the original allowable cost should be taken into account for the purposes of calculating a chargeable gain (but not an allowable loss) arising on a disposal or part disposal of Glencore Shares.

1.3 UK stamp duty and SDRT

No UK stamp duty or SDRT will be payable on the issue of Glencore Shares.

In practice, UK stamp duty should generally not need to be paid on an instrument transferring Glencore Shares, provided that such transfer instruments are executed and retained outside of the UK.

No UK SDRT will be payable in respect of any agreement to transfer Glencore Shares.

The statements in this paragraph 1.3 summarise the current position on stamp duty and SDRT and are intended as a general guide only. They assume that Glencore Shares will not be registered in a register kept in the UK by or on behalf of the Company. The Company has confirmed it does not intend to keep such a register in the UK.

1.4 UK inheritance tax

On the basis of the assumption contained in paragraph 1.3 above, Glencore Shares will be assets situated outside the United Kingdom for the purposes of United Kingdom inheritance tax. A gift of such assets by, or the death of, an individual holder of such assets who is domiciled or is deemed to be domiciled in the United Kingdom may (subject to certain exemptions and reliefs) give rise to a liability to United Kingdom inheritance tax. Generally, United Kingdom inheritance tax is not chargeable on outright gifts to individuals if the transfer is made more than seven complete years prior to the death of the donor. For inheritance tax purposes, a transfer of assets at less than full market value may be treated as a gift and particular rules apply to gifts where the donor reserves or retains some benefit. Since Glencore Shares will be assets situated outside the United Kingdom for the purposes of United Kingdom inheritance tax, where a holder is neither domiciled nor deemed domiciled in the United Kingdom (under certain rules relating to long residence or previous domicile), neither a gift of such assets by the holder nor the death of such holder will give rise to a liability to United Kingdom inheritance tax.

2 Swiss taxation

The following paragraphs discuss Swiss Withholding Tax and the position on Swiss tax for Glencore Shareholders. This is a general summary of certain tax consequences of the ownership of Glencore Shares. These discussions are based, as applicable, on the tax laws, regulations, decrees, rulings, income tax conventions (treaties), administrative practice and judicial decisions of Switzerland as in effect on the date of this Prospectus which are subject to change (or subject to changes in interpretations), possibly with retrospective effect. This is not a complete analysis of the potential tax effects relevant to owning Glencore Shares, nor does the following summary take into account or discuss the tax laws of any jurisdiction other than Switzerland. It also does not take into account investors' individual circumstances. This summary does not purport to be a legal opinion or to address all tax aspects that may be relevant to a holder of Glencore Shares. Investors are advised to consult their own tax advisers as to Swiss or other tax consequences of the acquisition, ownership and disposition of Glencore Shares. Tax consequences may differ according to the provisions of different double taxation treaties and the investor's particular circumstances. The statements and discussion of Swiss taxes set out below are of a general nature and do not relate to persons in the business of buying and selling shares or other securities.

2.1 Swiss Withholding Tax

Any dividends and similar cash or in-kind distributions of profit and reserves other than Qualifying Reserves made by the Company in respect of Glencore Shares, including stock dividends and the distribution of any liquidation proceeds in excess of nominal share capital and Qualifying Reserves, will be subject to Swiss Withholding Tax (*Verrechnungssteuer*) imposed on the gross amount at the then prevailing rate (currently 35 per cent.).

For distributions subject to Swiss Withholding Tax, the Company may only pay out 65 per cent. of the gross amount of any dividend and similar distributions to the holders of Glencore Shares. A portion equal to 35 per cent. of the gross amount of such dividends and similar distributions must be paid to the Swiss Federal Tax Administration. The redemption of Glencore Shares by the Company may under certain circumstances (in particular, if Glencore Shares are redeemed for subsequent cancellation) be taxed as a partial liquidation for Swiss Withholding Tax purposes, with the effect that Swiss Withholding Tax at the then prevailing rate (currently 35 per cent.) is due on the difference between the redemption price and nominal value plus proportionate Qualifying Reserves of the redeemed Glencore Shares.

However, dividends and similar distributions out of Qualifying Reserves and repayments of the nominal share capital will not be subject to Swiss Withholding Tax. A ruling from the Swiss Federal Tax Administration signed 7 January 2011 confirmed that the Qualifying Reserves were created on the restructuring of Glencore International's shareholding structure pursuant to which Glencore was inserted as the immediate holding company of Glencore International prior to its IPO in 2011 (the "IPO Restructuring"). The IPO also created additional Qualifying Reserves which should be equal to the share premium of Glencore Shares issued in the IPO. This ruling is binding on the Swiss Federal Tax Administration, provided that, among other things, full disclosure of the facts and circumstances of the IPO Restructuring have been provided to the Swiss Federal Tax Administration (which the Company believes is the case), the terms of the ruling are complied with and the relevant facts and applicable laws, regulations and administrative practice remain unchanged. The declaration of the Qualifying Reserves with the Swiss Federal Tax Administration has been made, but the Swiss Federal Tax Administration has not yet confirmed the specific amount of the Qualifying Reserves. The Merger will not have any impact on the existing Qualifying Reserves of the Company. A further ruling by the Swiss Federal Tax Administration has confirmed that the cancellation of the Xstrata Scheme Shares and issue of the New Glencore Shares will qualify as a tax neutral merger-like transaction (*Quasifusion*) for Swiss tax purposes and will result in a contribution into the existing Qualifying Reserves of the Company. It is at the discretion of the Company's shareholders to decide (at a shareholders' meeting) whether to distribute a dividend out of Qualifying Reserves free of Swiss Withholding Tax and/or out of profit/retained earnings/non-qualifying reserves subject to Swiss Withholding Tax. Once cumulative distributions out of Qualifying Reserves exceed the value threshold described above, any distributions paid by the Company will be subject to Swiss Withholding Tax. To the extent that additional shares are issued by the Company in the future, the value of the distributions which can be made free of Swiss Withholding Tax will be increased by an amount corresponding to the total nominal share capital and paid-in capital/share premium of the shares issued.

Swiss resident beneficiaries of taxable dividends and similar distributions in respect of Glencore Shares are entitled to full subsequent relief of the Swiss Withholding Tax, either through a tax refund or tax credit against their income tax liability, if they duly report the underlying income in their tax returns or financial statements used for tax purposes, as the case may be, and if there is no tax avoidance. Non-Swiss resident beneficiaries of dividends and similar distributions in respect of Glencore Shares may be entitled to a partial or full credit of the Swiss Withholding Tax in accordance with any applicable double taxation convention between Switzerland and the beneficiary's country of tax residence.

2.2 Income and profit tax

Income tax for individuals holding the shares as private assets

An individual who is resident in Switzerland for tax purposes and holds Glencore Shares as part of his or her private assets (*Privatvermögen*) and who receives dividends and similar distributions (including stock dividends and liquidation proceeds in excess of nominal share capital and

Qualifying Reserves) from the Company must include these distributions in his or her personal tax return and will be subject to federal, cantonal and communal income tax on any net taxable income for the relevant tax period. However, dividends and similar distributions out of Qualifying Reserves and repayments of the nominal share capital will not be subject to federal, cantonal and communal income tax. Stock dividends may be treated differently for cantonal and communal taxes depending on the canton of residency. The Direct Federal Tax on dividends and similar distributions (including stock dividends and liquidation proceeds in excess of nominal share capital and Qualifying Reserves) from the Company is reduced to 60 per cent. of regular taxation (*Teilbesteuerung*) if the investment amounts to at least 10 per cent. of nominal share capital of the Company. Most cantons have already introduced or will introduce a similar partial taxation on a cantonal and communal level.

Income tax for individuals holding the shares as business assets

Swiss resident individuals holding Glencore Shares as business assets, as well as non-Swiss resident individuals holding the shares as part of a permanent establishment or a fixed place of business receiving dividends and similar distributions (including stock dividends and liquidation proceeds in excess of nominal share capital and Qualifying Reserves) from the Company, must include these distributions in their income statements and will be subject to federal, cantonal and communal income tax on any net taxable income for the relevant tax period. The Direct Federal Tax on dividends and similar distributions (including stock dividends and liquidation proceeds in excess of nominal share capital and Qualifying Reserves) from the Company is reduced to 50 per cent. of regular taxation (*Teilbesteuerung*) if the investment is held as a business asset in terms of Swiss tax law and amounts to at least 10 per cent. of the nominal share capital of the Company. Most cantons have already introduced or will introduce a similar partial taxation on a cantonal and communal level.

Profit tax for legal entities

Legal entities resident in Switzerland or non-Swiss resident entities holding Glencore Shares as part of a Swiss permanent establishment are required to include all taxable distributions received on Glencore Shares in their profit and loss statement relevant for profit tax purposes and will be subject to federal, cantonal and communal corporate profit tax on any net taxable earnings for such period. A Swiss corporation or co-operative, or a non-Swiss corporation or co-operative holding Glencore Shares as part of a Swiss permanent establishment, may, under certain circumstances, benefit from taxation relief with respect to distributions (*Beteiligungsabzug*), provided such Glencore Shares represent at the time of the distribution at least 10 per cent. of the share capital or 10 per cent. of the profit and reserves, respectively, or a fair market value of at least 1 million Swiss francs.

A holder of Glencore Shares who is not a resident of Switzerland for tax purposes will not be liable for any Swiss income or profit taxes on dividends and similar distributions with respect to Glencore Shares, unless Glencore Shares are attributable to a permanent establishment or a fixed place of business maintained in Switzerland by such non-Swiss resident.

2.3 Net worth and capital taxes

An individual who is a Swiss resident for tax purposes, or a non-Swiss resident holding Glencore Shares as part of a permanent establishment or fixed place of business situated in Switzerland, is required to include his or her Glencore Shares in his or her assets which are subject to cantonal and communal net worth taxes. No net worth tax is levied at the federal level.

Legal entities resident in Switzerland or non-Swiss resident legal entities with a Swiss permanent establishment are subject to cantonal and communal capital tax. The cantonal and communal capital tax is levied on the basis of the taxable equity of the legal entities. Usually, the acquisition of Glencore Shares should not influence the equity of a legal entity and should therefore have no or only limited influence on its capital tax charge. However, the acquisition of Glencore Shares may change the basis for international or inter-cantonal allocation of the taxable equity of the legal entity. No capital tax is levied at the federal level.

2.4 Taxes on capital gains upon disposal of Glencore Shares

Individuals

Individuals who are resident in Switzerland for tax purposes and hold Glencore Shares as part of their private assets (*Privatvermögen*) generally are exempt from Swiss federal, cantonal and communal taxes with respect to capital gains realised upon the sale or other disposal of Glencore Shares, unless such individuals are qualified as professional securities dealers (*Wertschriftenhändler*) for income tax purposes. Under certain circumstances, share sale proceeds of a private individual may be recharacterised into taxable investment income. Upon a repurchase of Glencore Shares by the Company, the portion of the repurchase price in excess of the nominal amount and Qualifying Reserves may be classified as taxable investment income if Glencore Shares repurchased are not sold within a six-year period or if Glencore Shares are repurchased for a capital reduction. Capital gains realised by an individual on Glencore Shares that are held as part of his or her business assets are subject to income taxation and social security contributions. Capital gains realised by individuals who, for income tax purposes, are classified as professional securities dealers are subject to income taxation and social security contributions. Certain reductions or partial taxation similar to those mentioned above for dividends (*Teilbesteuerung*) may be available for capital gains realised upon the sale of Glencore Shares if certain conditions are met. The entitlement of shareholders to such reductions must be assessed on an individual basis and shareholders should consult their own legal, financial or tax advisers.

Legal entities

Capital gains upon the sale or other disposal of Glencore Shares realised by legal entities resident in Switzerland for tax purposes or foreign legal entities holding Glencore Shares as part of a Swiss permanent establishment are generally subject to ordinary profit taxation. A Swiss corporation or co-operative, or non-Swiss corporation or co-operative holding Glencore Shares as part of a Swiss permanent establishment, may, under certain circumstances, benefit from taxation relief on capital gains realised upon the disposal of Glencore Shares (*Beteiligungsabzug*), provided such Glencore Shares were held for at least one year and the shareholder disposes of at least 10 per cent. of the share capital or 10 per cent. of the profit and reserves, respectively. Subsequent sales can be less than 10 per cent. of the nominal share capital in order to qualify for the participation relief, provided the fair market value of Glencore Shares held as per the previous financial year end prior to this sale amounts to at least 1 million Swiss francs.

Non-resident individuals and legal entities

Individuals and legal entities which are not Swiss residents for tax purposes and do not hold Glencore Shares as part of a Swiss business operation or a Swiss permanent establishment or fixed place of business situated in Switzerland are generally not subject to Swiss income or profit taxes on gains realised upon the disposal of Glencore Shares.

2.5 Gift and inheritance taxes

The transfer of Glencore Shares may be subject to cantonal and/or communal gift, estate or inheritance taxes if the donor is, or the deceased was, resident for tax purposes in a canton levying such taxes.

2.6 Federal stamp tax upon issuance and transfer of Glencore Shares

A one-time federal insurance stamp tax (*Emissionsabgabe*) will be payable on the issue of new Glencore Shares at the then prevailing rate (currently 1 per cent.). This tax will be payable by the Company.

The transfer of any Glencore Shares may be subject to a federal transfer stamp tax (*Umsatzabgabe*) at a current rate of up to 0.30 per cent. if such transfer occurs through or with a Swiss or Liechtenstein bank or securities dealer as defined in the Swiss Federal Stamp Tax Act.

3 Jersey taxation

The following summary of the anticipated treatment of the Company and holders of Glencore Shares (other than residents of Jersey) is based on Jersey taxation law and practice as it is understood to apply at the date of this Prospectus. It does not constitute legal or tax advice and does not address all

aspects of Jersey tax law and practice. Glencore Shareholders should consult their professional advisers on the implications of acquiring, buying, holding, selling or otherwise disposing of Glencore Shares under the laws of the jurisdictions in which they may be liable to taxation. Shareholders should be aware that tax laws, rules and practice and their interpretation may change.

3.1 Taxation of the Company

Jersey taxation legislation provides that the general basic rate of income tax on the profits of companies regarded as resident in Jersey or having a permanent establishment in Jersey will be zero per cent. and that only a limited number of financial services companies shall be subject to income tax at a rate of 10 per cent.

The Comptroller of Taxes has confirmed that the Company shall not be regarded as resident in Jersey so long as it satisfies the conditions set out in Article 123(1)(a) of the Income Tax (Jersey) Law 1961, and therefore the Company will not (except as noted below) be liable to Jersey income tax.

If the Company derives any income from the ownership, disposal or exploitation of land in Jersey or the importation into Jersey or supplying in Jersey of hydrocarbon oil, such income will be subject to Jersey income tax at the rate of 20 per cent. It is not expected that the Company will derive any such income.

A 5 per cent. goods and services tax is generally paid in Jersey on the sale or exchange of goods and services in Jersey. All businesses with a 12-month taxable turnover in excess of £300,000 must, by Jersey law, register for this tax unless they are an international services entity ("ISE"). For so long as the Company is an ISE within the meaning of the Goods and Services (Jersey) Law 2007, having satisfied the requirements of the Goods and Services Tax (International Services Entities) (Jersey) Regulations 2008, as amended, a supply of goods or services made by or to the Company shall not be a taxable supply for the purposes of Jersey law.

3.2 Taxation of holders of Glencore Shares

The Company will be entitled to pay dividends to holders of Glencore Shares without any withholding or deduction for, or on account of, Jersey tax. The holders of Glencore Shares (other than residents of Jersey) will not be subject to any tax in Jersey in respect of the holding, sale or other disposition of such Glencore Shares.

3.3 Stamp duty

No stamp duty is payable in Jersey on the issue or *inter vivos* transfer of Glencore Shares.

Upon the death of a holder of Glencore Shares, a grant of probate or letters of administration will be required to transfer Glencore Shares of the deceased person, except that, where the deceased person was domiciled outside of Jersey at the time of death, the Company may (at its discretion) dispense with this requirement where the value of the deceased's movable estate in Jersey does not exceed £10,000.

Upon the death of a holder of Glencore Shares, Jersey probate stamp duty will be payable on the registration in Jersey of a grant of probate or letters of administration, which will be required in order to transfer or otherwise deal with:

(i) (where the deceased person was domiciled in Jersey at the time of death) the deceased person's personal estate wherever situated (including any Glencore Shares) if the net value of such personal estate exceeds £10,000; or

(ii) (if the deceased person was domiciled outside of Jersey at the time of death) the deceased person's personal estate situated in Jersey (including any Glencore Shares) if the net value of such personal estate exceeds £10,000.

The rate of probate stamp duty payable is:

(a) (where the net value of the deceased person's relevant personal estate does not exceed £100,000) 0.5 per cent. of the net value of the deceased person's relevant personal estate; or

(b) (where the net value of the deceased person's relevant personal estate exceeds £100,000) £500 for the first £100,000 plus 0.75 per cent. of the net value of the deceased person's relevant personal estate which exceeds £100,000.

In addition, application and other fees may be payable.

Jersey does not otherwise levy taxes upon capital, inheritances, capital gains or gifts, nor are there any other estate duties.

4 US taxation

CERTAIN US FEDERAL INCOME TAX CONSIDERATIONS

TO ENSURE COMPLIANCE WITH TREASURY DEPARTMENT CIRCULAR 230, HOLDERS ARE HEREBY NOTIFIED THAT: (A) ANY DISCUSSION OF FEDERAL TAX ISSUES IN THIS PROSPECTUS IS NOT INTENDED OR WRITTEN TO BE RELIED UPON, AND CANNOT BE RELIED UPON, BY HOLDERS FOR THE PURPOSE OF AVOIDING PENALTIES THAT MAY BE IMPOSED ON HOLDERS UNDER THE INTERNAL REVENUE CODE; (B) SUCH DISCUSSION IS INCLUDED HEREIN BY THE ISSUER IN CONNECTION WITH THE PROMOTION OR MARKETING (WITHIN THE MEANING OF CIRCULAR 230) BY THE ISSUER OF THE TRANSACTIONS OR MATTERS ADDRESSED HEREIN; AND (C) HOLDERS SHOULD SEEK ADVICE BASED ON THEIR PARTICULAR CIRCUMSTANCES FROM AN INDEPENDENT TAX ADVISER.

* * * * *

The following is a summary of certain material US federal income tax consequences of the acquisition, ownership and disposition of Glencore Shares by a US Holder (as defined below). This summary deals only with initial purchasers of Glencore Shares that are US Holders that will hold Glencore Shares as capital assets. The discussion does not cover all aspects of US federal income taxation that may be relevant to, or the actual tax effect that any of the matters described herein will have on, the acquisition, ownership or disposition of Glencore Shares by particular investors, and does not address state, local, foreign or other tax laws. This summary also does not address tax considerations applicable to investors that own (directly, indirectly or constructively) 10 per cent. or more of the voting stock of the Company, nor does this summary discuss all of the tax considerations that may be relevant to certain types of investors subject to special treatment under the US federal income tax laws (such as financial institutions, insurance companies, investors liable for the alternative minimum tax, individual retirement accounts and other tax-deferred accounts, tax-exempt organisations, dealers in securities or currencies, investors that will hold Glencore Shares as part of straddles, hedging transactions or conversion transactions for US federal income tax purposes or investors whose functional currency is not the US dollar).

As used herein, the term "US Holder" means a beneficial owner of Glencore Shares that is, for US federal income tax purposes, (i) an individual citizen or resident of the United States, (ii) a corporation created or organised under the laws of the United States or any State thereof, (iii) an estate the income of which is subject to US federal income tax without regard to its source, or (iv) a trust if a court within the United States is able to exercise primary supervision over the administration of the trust and one or more US persons have the authority to control all substantial decisions of the trust, or the trust has elected to be treated as a domestic trust for US federal income tax purposes.

The US federal income tax treatment of a partner in a partnership that holds Glencore Shares will depend on the status of the partner and the activities of the partnership. Prospective purchasers that are partnerships should consult their tax advisers concerning the US federal income tax consequences to their partners of the acquisition, ownership and disposition of Glencore Shares by the partnership.

The summary assumes that the Company is not a passive foreign investment company (a "PFIC") for US federal income tax purposes, which the Company believes to be the case. The Company's possible status as a PFIC must be determined annually and therefore may be subject to change. If the Company were to be a PFIC in any year, materially adverse consequences could result for US Holders.

The summary is based on the tax laws of the United States, including the Internal Revenue Code of 1986, as amended, its legislative history, existing and proposed regulations thereunder, published

rulings and court decisions, as well as on the income tax treaty between the US and Switzerland (the "Treaty"), all as of the date hereof and all subject to change at any time, possibly with retroactive effect.

THE SUMMARY OF US FEDERAL INCOME TAX CONSEQUENCES SET OUT BELOW IS FOR GENERAL INFORMATION ONLY. ALL PROSPECTIVE PURCHASERS SHOULD CONSULT THEIR TAX ADVISERS AS TO THE PARTICULAR TAX CONSEQUENCES TO THEM OF OWNING GLENCORE SHARES, INCLUDING THEIR ELIGIBILITY FOR THE BENEFITS OF THE TREATY, THE APPLICABILITY AND EFFECT OF STATE, LOCAL, FOREIGN AND OTHER TAX LAWS AND POSSIBLE CHANGES IN TAX LAW.

4.1 Glencore Shares

Dividends

General

Distributions paid by the Company out of current or accumulated earnings and profits (as determined for US federal income tax purposes), before reduction for any Swiss Withholding Tax paid by the Company with respect thereto, will generally be taxable to a US Holder as foreign source dividend income, and will not be eligible for the dividends-received-deduction allowed to corporations. Distributions in excess of current and accumulated earnings and profits will be treated as a non-taxable return of capital to the extent of the US Holder's basis in Glencore Shares and thereafter as capital gain. However, the Company does not maintain calculations of its earnings and profits in accordance with US federal income tax accounting principles. US Holders should therefore assume that any distribution by the Company with respect to Glencore Shares will constitute ordinary dividend income. US Holders should consult their own tax advisers with respect to the appropriate US federal income tax treatment of any distribution received from the Company.

Foreign currency dividends

Dividends paid in pounds sterling, euros or Swiss Francs will be included in income in a US dollar amount calculated by reference to the exchange rate in effect on the day the dividends are received by the US Holder, regardless of whether the pounds sterling, Euros or Swiss Francs are converted into US dollars at that time. If dividends received in pounds sterling, Euros or Swiss Francs are converted into US dollars at the spot rate on the day they are received, the US Holder generally will not be required to recognise foreign currency gain or loss in respect of the dividend income.

Effect of Swiss Withholding Taxes

As discussed in paragraph 2.1 above, under current law, payments of dividends by the Company out of reserves other than Qualifying Reserves are subject to Swiss Withholding Tax at the then prevailing rate (currently 35 per cent.). The rate of withholding tax applicable to US Holders that are eligible for benefits under the Treaty is reduced to a maximum of 15 per cent. For US federal income tax purposes, US Holders will be treated as having received the amount of Swiss taxes withheld by the Company, and as then having paid over the withheld taxes to the Swiss taxing authorities. As a result of this rule, the amount of dividend income included in gross income for US federal income tax purposes by a US Holder with respect to a payment of dividends will be greater than the amount of cash actually received (or receivable) by the US Holder from the Company with respect to the payment.

A US Holder will generally be entitled, subject to certain limitations, to a credit against its US federal income tax liability, or a deduction in computing its US federal taxable income, for Swiss income taxes withheld by the Company. US Holders that are eligible for benefits under the Treaty will not be entitled to a foreign tax credit for the amount of any Swiss taxes withheld in excess of the 15 per cent. maximum rate, and with respect to which the holder is entitled to obtain a refund from the Swiss taxing authorities.

For the purposes of the foreign tax credit limitation, foreign source income is classified in one of two "baskets", and the credit for foreign taxes on income in any basket is limited to US federal income tax allocable to that income. Dividends paid by the Company generally will constitute foreign source income in the "passive income" basket.

US Holders that are accrual basis taxpayers, and who do not otherwise elect, must translate Swiss taxes into US dollars at a rate equal to the average exchange rate for the taxable year in which the taxes accrue, while all US Holders must translate taxable dividend income into US dollars at the spot rate on the date received. This difference in exchange rates may reduce the US dollar value of the credits for Swiss taxes relative to the US Holder's US federal income tax liability attributable to a dividend. However, cash basis and electing accrual basis US Holders may translate Swiss taxes into US dollars using the exchange rate in effect on the day the taxes were paid. Any such election by an accrual basis US Holder will apply for the taxable year in which it is made and all subsequent taxable years, unless revoked with the consent of the IRS.

Prospective purchasers should consult their tax advisers concerning the foreign tax credit implications of the payment of Swiss taxes.

Sale or other disposition

Upon a sale or other disposition of Glencore Shares, a US Holder generally will recognise capital gain or loss for US federal income tax purposes equal to the difference, if any, between the amount realised on the sale or other disposition and the US Holder's adjusted tax basis in Glencore Shares. This capital gain or loss will be long-term capital gain or loss if the US Holder's holding period in Glencore Shares exceeds one year.

A US Holder's tax basis in a Glencore Share will generally be its US dollar cost. The US dollar cost of a Glencore Share purchased with foreign currency will generally be the US dollar value of the purchase price on the date of purchase, or the settlement date for the purchase, in the case of Glencore Shares traded on an established securities market, within the meaning of the applicable Treasury Regulations, that are purchased by a cash basis US Holder (or an accrual basis US Holder that so elects). Such an election by an accrual basis US Holder must be applied consistently from year to year and cannot be revoked without the consent of the IRS. The amount realised on a sale or other disposition of Glencore Shares for an amount in foreign currency will be the US dollar value of this amount on the date of sale or disposition. On the settlement date, the US Holder will recognise US source foreign currency gain or loss (taxable as ordinary income or loss) equal to the difference (if any) between the US dollar value of the amount received based on the exchange rates in effect on the date of sale or other disposition and the settlement date. However, in the case of Glencore Shares traded on an established securities market that are sold by a cash basis US Holder (or an accrual basis US Holder that so elects), the amount realised will be based on the exchange rate in effect on the settlement date for the sale, and no exchange gain or loss will be recognised at that time.

Disposition of foreign currency

Foreign currency received on the sale or other disposition of a Glencore Share will have a tax basis equal to its US dollar value on the settlement date. Foreign currency that is purchased will generally have a tax basis equal to the US dollar value of the foreign currency on the date of purchase. Any gain or loss recognised on a sale or other disposition of a foreign currency (including its use to purchase Glencore Shares or upon exchange for US dollars) will be US source ordinary income or loss.

4.2 Passive Foreign Investment Company considerations

A foreign corporation will be a PFIC in any taxable year in which, after taking into account the income and assets of the corporation and certain subsidiaries pursuant to applicable "look-through rules", either (i) at least 75 per cent. of its gross income is "passive income" or (ii) at least 50 per cent. of the average value of its assets is attributable to assets which produce passive income or are held for the production of passive income. The Company does not believe that it was a PFIC for its preceding year and does not expect to be or become a PFIC for US federal income tax purposes. Although income from the sales of commodities is generally passive income, a special rule treats active business gains from the sales of commodities as non-passive income provided certain requirements are met. To the extent the Company derives income from the sale of commodities, the Company believes that it currently meets these requirements. The Company's possible status as a PFIC must be determined annually, however, and may be subject to change if the Company fails to qualify under this special rule for any year in which a US Holder holds Glencore Shares.

If the Company was to be treated as a PFIC, US Holders of Glencore Shares would be required (a) to pay a materially greater amount of tax on certain distributions and gains on sale and (b) to pay tax on any gain from the sale of Glencore Shares at ordinary income (rather than capital gains) rates in addition to paying a materially greater amount of tax on this gain. Prospective purchasers should consult their tax advisers regarding the potential application of the PFIC regime.

4.3 Backup withholding and information reporting

Payments of dividends and other proceeds with respect to Glencore Shares by a US paying agent or other US intermediary will be reported to the IRS and to the US Holder as may be required under applicable regulations. Backup withholding may apply to these payments if the US Holder fails to provide an accurate taxpayer identification number or certification of exempt status or fails to report all interest and dividends required to be shown on its US federal income tax returns. Certain US Holders are not subject to backup withholding. US Holders should consult their tax advisers as to their qualification for exemption from backup withholding and the procedure for obtaining an exemption.

4.4 Reportable transactions

A US taxpayer that participates in a "reportable transaction" will be required to disclose its participation to the IRS. Under the relevant rules, if Glencore Shares are denominated in a foreign currency, a US Holder may be required to treat a foreign currency exchange loss from Glencore Shares as a reportable transaction if this loss exceeds the relevant threshold in the regulations (US$50,000 in a single taxable year, if the US Holder is an individual or trust, or higher amounts for other non-individual US Holders), and to disclose its investment by filing Form 8886 with the IRS. A penalty in the amount of US$10,000 in the case of a natural person and US$50,000 in all other cases is generally imposed on any taxpayer that fails to timely file an information return with the IRS with respect to a transaction resulting in a loss that is treated as a reportable transaction. Prospective purchasers are urged to consult their tax advisers regarding the application of these rules.

4.5 Foreign financial asset reporting

Recently enacted legislation imposes new reporting requirements on the holding of certain foreign financial assets, including equity of foreign entities, if the aggregate value of all of these assets exceeds US$50,000. Glencore Shares are expected to constitute foreign financial assets subject to these requirements unless Glencore Shares are held in an account at a domestic financial institution. US Holders should consult their tax advisers regarding the application of this legislation.

5 Hong Kong taxation

The summary in the following paragraphs is intended for general information only and therefore does not constitute, in whole or in part, an expression of an opinion. The summary is based solely upon the information, documents, facts and assumptions which are included or referenced in the following paragraphs. Only the following specific Hong Kong tax issues and tax consequences are discussed and no other taxes of any kind are considered. The summary is based on the relevant laws, regulations and interpretations of Hong Kong (the "authorities") that are in effect as of the date of this Prospectus. The authorities are subject to changes, which may be retroactive in their effect. Any changes or developments that may affect the summary or any matters set forth herein and, in particular, any subsequent event after the date of this Prospectus will not be taken into consideration. In addition, the summary is not binding on the tax authorities or the courts and should not be considered as any representation, warranty or guarantee that the tax authorities or the courts will concur with the summary. Any person who is in any doubt as to his or her tax position should consult his or her tax advisers immediately.

5.1 Tax on dividends

If the Company is chargeable to Hong Kong profits tax and a dividend is received from the Company, such dividend is specifically exempted from tax in Hong Kong under Hong Kong tax legislation. In other cases, i.e. where the dividend is received from the Company and the

Company is not chargeable to Hong Kong profits tax, the current practice of the Hong Kong Inland Revenue Department is that no tax is charged in Hong Kong on such a dividend.

5.2 Tax on gains and profits tax

Chargeability to Hong Kong profits tax on gains from the sale of assets depends on the nature and source of the gains. No tax is imposed in respect of gains arising from the sale of capital assets. Trading gains from the sale of assets by persons carrying on a trade, profession or business in Hong Kong where the gains are derived from or arise in Hong Kong will be subject to Hong Kong profits tax, which is currently imposed at the rate of 16.5 per cent. on corporations and at the rate of 15 per cent. on individuals.

In accordance with the prevailing practice of the Hong Kong Inland Revenue Department, the source of gains from the purchase and sale of listed shares through a stock exchange is ascertained by the location of the stock exchange where the shares in question are traded. In respect of the gains from the sale of Glencore Shares through the Hong Kong Stock Exchange, the seller will be subject to Hong Kong profits tax if the seller carries on a trade, profession or business in Hong Kong and holds Glencore Shares for trading purposes.

5.3 Stamp duty

No Hong Kong stamp duty will be payable on the new issue of Glencore Shares by the Company.

Hong Kong stamp duty will be payable by the purchaser on every purchase and by the seller on every sale of Hong Kong stock. Hong Kong stock is defined as "stock the transfer of which is required to be registered in Hong Kong" and includes Glencore Shares traded through the Hong Kong Stock Exchange. The duty is charged at the ad valorem rate of 0.1 per cent. of the consideration for, or (if greater) the value of, the shares transferred on each of the seller and purchaser. In other words, a total of 0.2 per cent. would currently be payable on a typical sale and purchase transaction with respect to the transfer of the Company's Glencore Shares through the Hong Kong Stock Exchange. In addition, any instrument of transfer (if required) will be subject to a flat rate of stamp duty of HK$5.00. The agent or, where no agent, the principal effecting the sale or purchase is liable for the payment of the stamp duty.

The purchaser and the seller of Glencore Shares traded through the Hong Kong Stock Exchange are subject to Hong Kong stamp duty.

PART XI

ADDITIONAL INFORMATION

1 Responsibility

Glencore, the Directors and the Proposed Directors, whose names appear in Part IV: "Directors, Proposed Directors and Corporate Governance", accept responsibility for the information contained in this document. To the best of the knowledge and belief of Glencore, the Directors and the Proposed Directors (who have taken all reasonable care to ensure that such is the case), the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.

2 Incorporation and registered office

2.1 The Company was incorporated and registered in Jersey on 14 March 2011 as a public company limited by shares under the Jersey Companies Law with the name "Glencore International Limited" and with the registered number 107710. The Company changed its name to "Glencore International plc" on 12 April 2011 pursuant to a special resolution. It is proposed that the Company's name be changed, subject to the Scheme becoming Effective or, as the case may be, the Merger Offer becoming or being declared wholly unconditional, to "Glencore Xstrata plc" pursuant to a special resolution to be proposed at the Glencore General Meeting.

2.2 The Company's registered office is at Queensway House, Hilgrove Street, St Helier, Jersey JE1 1ES (telephone number +44 1534 281800) and its principal place of business is Baarermattstrasse 3, PO Box 777, CH-6341 Switzerland.

2.3 The principal legislation under which the Company operates, and under which Glencore Shares were created, is the Jersey Companies Law.

2.4 The principal business of the Company is to act as the ultimate holding company of the Glencore Group.

3 Share capital

3.1 The issued and fully paid share capital of the Company as at 29 May 2012, being the latest practicable date prior to publication of this document, was as follows:

Class of shares	Nominal Value	Number	Amount
Glencore Shares	US$0.01	6,922,713,511	US$69,227,135.11

3.2 The issued and fully paid share capital of the Company immediately following completion of the Merger is expected to be as follows (assuming (a) that the Xstrata Employee Benefit Trust will be issued with new Xstrata Shares such that it holds sufficient Xstrata Shares at the Scheme Record Time to satisfy all share options outstanding under the Xstrata Share Schemes, (b) vesting of all share awards held under the Xstrata Share Schemes and such Xstrata Shares being acquired by Glencore and (c) none of the outstanding Glencore Convertible Bonds are converted):

Class of shares	Nominal Value	Number	Amount
Glencore Shares	US$0.01	12,583,030,571	US$125,830,305.71

3.3 The Company was incorporated on 14 March 2011 with an authorised share capital of US$100 and an issued share capital of US$0.02 divided into two Glencore Shares of US$0.01 each (the "Subscriber Shares"). The Subscriber Shares were issued on incorporation to each of Computershare Company Secretarial Services (Jersey) Limited and Computershare Nominees (Channel Islands) Limited as nominees for Ivan Glasenberg and Steven Kalmin, respectively. On 20 April 2011, one Subscriber Share was transferred to each of Ivan Glasenberg and Steven Kalmin. By various written resolutions passed on 12 April 2011 and 3 May 2011, it was resolved by the holders of the Subscriber Shares that the authorised share capital of the Company be increased from US$100 to US$500,000,000 by the creation of an additional 49,999,990,000 Glencore Shares. On 23 May 2011, the Company issued 6,000,000,000 Glencore Shares, credited as fully paid

up, pursuant to the acquisition by the Company of Glencore International AG. The Subscriber Shares were repurchased by the Company on 23 May 2011 at their nominal value and then cancelled. On 24 May 2011, 922,713,511 Glencore Shares were issued in the global offer of Glencore Shares of the Company as described in the Glencore IPO Prospectus, immediately following which the issued and fully paid share capital of the Company was US$69,227,135.11. Glencore Shares are admitted to trading on the London Stock Exchange with ISIN number JE00B4T3BW64.

3.4 The New Glencore Shares to be issued pursuant to the Merger will be ordinary shares of US$0.01 each in the capital of Glencore. The New Glencore Shares will be issued in registered form, will be capable of being held in both certificated and uncertificated form, will be issued credited as fully paid and will rank *pari passu* in all respects with the existing Glencore Shares. Glencore Shareholders who hold their Glencore Shares in certificated form will retain their existing certificates and no replacement certificates will be issued.

3.5 **Existing shareholder authorities**

It was resolved by Glencore Shareholders at the Company's AGM held on 9 May 2012 that:

(a) authority be conferred on the Directors pursuant to Article 10.2 of the Articles to allot shares or grant rights to subscribe for or to convert any security into shares for an Allotment Period (as defined in the Articles) commencing on 9 May 2012 and ending on the earlier of 30 June 2013 and the conclusion of the Company's AGM in 2013 and, for that purpose, the Authorised Allotment Amount (as defined in the Articles) shall be US$23,075,711 and the Rights Issue Allotment Amount (as defined in the Articles) shall be US$23,075,711;

(b) subject to and conditionally upon the passing of resolution (a), the Directors be empowered pursuant to Article 10.3 of the Articles to allot equity securities for an Allotment Period (each as defined in the Articles) commencing on 9 May 2012 and ending on the earlier of 30 June 2013 and the conclusion of the Company's AGM in 2013 wholly for cash as if Article 11 of the Articles did not apply to such allotment and, for the purposes of Article 10.3(c), the Non-Pre-Emptive Amount (as defined in the Articles) shall be US$3,461,357; and

(c) the Company be generally and unconditionally authorised:

(i) pursuant to Article 57 of the Jersey Companies Law to make market purchases of ordinary shares, provided that:

(A) the maximum number of ordinary shares authorised to be purchased is 692,271,351;

(B) the minimum price, exclusive of any expenses, which may be paid for an ordinary share is US$0.01;

(C) the maximum price, exclusive of any expenses, which may be paid for an ordinary share shall be the higher of:

(I) an amount equal to 5 per cent. above the average of the middle market quotations for ordinary shares taken from the London Stock Exchange Daily Official List for the five business days immediately preceding the day on which such shares are contracted to be purchased; and

(II) the higher of the price of the last independent trade and the highest current independent bid on the London Stock Exchange Daily Official List at the time that the purchase is carried out; and

(D) the authority hereby conferred shall expire on the earlier of the conclusion of the Company's AGM in 2013 or on 30 June 2013 (except that the Company may make a contract to purchase ordinary shares under this authority before such authority

expires, which will or may be executed wholly or partly after the expiry of such authority, and may make purchases of ordinary shares in pursuance of any such contract as if such authority had not expired); and

(ii) pursuant to Article 58A of the Jersey Companies Law, to hold, if the Directors so desire, as treasury shares, any ordinary shares purchased pursuant to the authority conferred by paragraph (i) above.

3.6 **Shareholder authorities proposed at Glencore General Meeting**

The following resolutions are set out in the Glencore Circular sent to Glencore Shareholders on the date of this document and it is proposed that these resolutions will be voted on at the Glencore General Meeting on 11 July 2012 for the purpose of implementing the Merger. The Merger is only conditional on the passing of resolution 1 set out below.

Resolution 1 (Ordinary Resolution)

THAT:

(a) the Merger to be effected pursuant to a Scheme or Merger Offer made by or on behalf of Glencore for the entire issued and to be issued share capital of Xstrata, substantially on the terms and subject to the conditions set out in the Glencore Circular to shareholders of Glencore outlining the Merger and the Prospectus prepared by Glencore in connection with the Admission (a copy of each of which is produced to the Glencore General Meeting and signed for identification purposes by the chairman of the meeting) be and is hereby approved and the Directors (or any duly constituted committee thereof) be authorised to: (i) take all such steps as may be necessary or desirable in connection with, and to implement, the Merger; and (ii) agree such modifications, variations, revisions or amendments to the terms and conditions of the Merger (provided that any such modifications, variations, revisions or amendments are not a material change to the terms of the Merger for the purposes of Listing Rule 10.5.2), and to any documents relating thereto, as they may in their absolute discretion think fit; and

(b) subject to and conditional upon the Scheme becoming effective (save for any conditions relating to: (i) the delivery of the orders of the Court sanctioning the Scheme and confirming the reduction of capital in Xstrata to the Registrar of Companies; (ii) registration of such orders by the Registrar of Companies; and (iii) the UK Listing Authority and the London Stock Exchange agreeing to Admission or, as the case may be, the Merger Offer becoming or being declared wholly unconditional (save for Admission), the Directors be and are hereby generally and unconditionally authorised in accordance with Article 10.1 of the Articles to exercise all powers of Glencore to allot equity securities (as defined in the Articles), credited as fully paid, with authority to deal with fractional entitlements arising out of such allotment as it thinks fit and to take all such other steps as it may deem necessary, expedient or appropriate to implement such allotment in connection with the Merger up to an aggregate nominal amount of US$56,603,171, and which authority shall expire on the date of the Company's AGM in 2013 or on 30 June 2013, whichever is the earlier (unless previously revoked or varied by Glencore in general meeting), save that Glencore may before such expiry make an offer or agreement which would or might require relevant securities to be allotted after such expiry and the Directors may allot relevant securities in pursuance of such an offer or agreement as if the authority conferred hereby had not expired.

Resolution 2 (Special Resolution)

THAT, subject to the Scheme becoming effective or, as the case may be, the Merger Offer becoming or being declared wholly unconditional, Glencore's name be changed to "Glencore Xstrata plc" and that the memorandum of association of Glencore be

amended by the deletion of the first paragraph thereof and the insertion in its place of the following:

"1. The name of the Company is Glencore Xstrata plc".

Resolution 3 (Ordinary Resolution)

THAT, subject to the Scheme becoming effective or, as the case may be, the Merger Offer becoming or being declared wholly unconditional, pursuant to Article 10.2 of the Articles, and in addition to the amount set out in paragraph (b) of resolution 1 but in substitution for the previous authority conferred upon the Directors under that Article, the Directors be and are hereby authorised unconditionally to allot Glencore Shares or grant rights to subscribe for or to convert any security into Glencore Shares for an Allotment Period (as defined in the Articles) commencing on the date of the passing of this resolution and ending on the earlier of 30 June 2013 and the conclusion of the Company's AGM in 2013, and for that purpose the Authorised Allotment Amount (as defined in the Articles) shall be US$41,943,436 and the Rights Issue Allotment Amount (as defined in the Articles) shall be US$41,943,436.

Resolution 4 (Special Resolution)

THAT, subject to the Scheme becoming effective or, as the case may be, the Merger Offer becoming or being declared wholly unconditional and the passing of resolution 3, pursuant to Article 10.3 of the Articles and in substitution for the previous authority conferred on the Directors under that Article, the Directors be and are hereby empowered to allot equity securities for an Allotment Period (each as defined in the Articles) commencing on the date of the passing of this resolution and ending on the earlier of 30 June 2013 and the conclusion of the Company's AGM in 2013 wholly for cash as if Article 11 of the Articles did not apply to such allotment and, for the purposes of Article 10.3(c), the Non-Pre-Emptive Amount (as defined in the Articles) shall be US$6,291,516.

Resolution 5 (Special Resolution)

THAT, subject to the Scheme becoming effective or, as the case may be, the Merger Offer becoming or being declared wholly unconditional:

(a) Glencore be and is hereby generally and unconditionally authorised pursuant to Article 57 of the Jersey Companies Law to make market purchases of Glencore Shares, provided that:

  (i) the maximum number of Glencore Shares authorised to be purchased is 1,258,303,058;

  (ii) the minimum price, exclusive of any expenses, which may be paid for a Glencore Share is US$0.01;

  (iii) the maximum price, exclusive of any expenses, which may be paid for a Glencore Share shall be the higher of:

    (A) an amount equal to 5 per cent. above the average of the middle market quotations for Glencore Shares taken from the London Stock Exchange Daily Official List for the five business days immediately preceding the day on which such shares are contracted to be purchased; and

    (B) the higher of the price of the last independent trade and the highest current independent bid on the London Stock Exchange Daily Official List at the time that the purchase is carried out; and

  (iv) the authority hereby conferred shall be in substitution for the previous authority conferred on the Directors under that Article and shall expire on the earlier of the conclusion of the Company's AGM in 2013 and 30 June 2013 (except that Glencore may make a contract to purchase Glencore Shares under this authority before such authority expires,

which will or may be executed wholly or partly after the expiry of such authority, and may make purchases of Glencore Shares in pursuance of any such contract as if such authority had not expired); and

(b) Glencore be and is hereby generally and unconditionally authorised pursuant to Article 58A of the Jersey Companies Law to hold, if the Directors so desire, as treasury shares, any Glencore Shares purchased pursuant to the authority conferred by (a) above.

3.7 Save as disclosed in this paragraph 3 and paragraph 10.2, no share or loan capital of the Company or any other member of the Glencore Group is under option or is, or will, immediately following the Merger, be agreed, conditionally or unconditionally, to be put under option.

3.8 The Glencore Convertible Bonds are US$2.3 billion 5 per cent. convertible bonds due December 2014 and are currently convertible, at the option of the holder, into approximately 413,608,922 Glencore Shares. The Glencore Convertible Bonds are the only convertible securities, exchangeable securities or securities with warrants of the Company in issue. Details of the Glencore Convertible Bonds are set out in paragraph 19.1.8, together with an indication of the conditions governing and the procedure for conversion, exchange or subscription.

4 List of significant operating, finance and industrial subsidiaries and undertakings

The Company is the ultimate holding company of the Glencore Group. The following table shows details of the Company's significant subsidiaries and undertakings as at 31 December 2011 as contained in the Company's Annual Report and Accounts 2011. The issued share capital of each of these companies is fully paid.

Entity	Country of incorporation	Principal Activities	Percentage held by the Company (directly or indirectly)	Publicly traded (✓/×)
Glencore International AG	Switzerland	Operating	100.0	×
Glencore AG	Switzerland	Operating	100.0	×
—Allied Alumina Inc. (Sherwin Alumina)	US	Alumina production	100.0	×
—Century Aluminum Company[(1)]	US	Aluminium production	46.4[(1)]	✓
—Glencore Funding LLC	US	Finance	100.0	×
Glencore UK Ltd	UK	Operating	100.0	×
—Glencore Commodities Ltd	UK	Operating	100.0	×
—Glencore Energy UK Ltd	UK	Operating	100.0	×
Glencore Group Funding Limited	UAE	Finance	100.0	×
—Glencore Finance (Bermuda) Ltd	Bermuda	Finance	100.0	×
—AR Zinc Group	Argentina	Zinc/Lead production	100.0	×
—Boundary Ventures Limited[(2)]	Burkina Faso	Zinc development	55.7	×
—Empresa Minera Los Quenuales S.A.	Peru	Zinc/Lead production	97.5	×
—Glencore Exploration (EG) Ltd.	Bermuda	Oil exploration/development	100.0	×
—Glencore Finance (Europe) S.A.	Luxembourg	Finance	100.0	×
—Kansuki Group	DRC	Copper production	37.5	×
—Minera Altos de Punitaqui	Chile	Copper production	100.0	×
—Mopani Copper Mines plc	Zambia	Copper production	73.1	×
—Mutanda Group	DRC	Copper production	40.0	×
—Prodeco Group	Colombia	Coal production	100.0	×
—Recylex S.A.	France	Zinc/Lead production	32.2	✓
—Sinchi Wayra Group	Bolivia	Zinc/Tin production	100.0	×
—United Company Rusal Limited	Jersey	Aluminium production	8.8	✓

Entity	Country of incorporation	Principal Activities	Percentage held by the Company (directly or indirectly)	Publicly traded (✓/×)
Finges Investment B.V.	Netherlands	Finance	100.0	×
—Biopetrol Industries AG[(3)]	Switzerland	Biodiesel production	60.3	✓
—Glencore Grain B.V.	Netherlands	Operating	100.0	×
—Nyrstar N.V.	Belgium	Zinc/Lead production	7.8	✓
—Optimum Coal Holdings Limited	South Africa	Coal production	31.2	×
—Pannon Vegetable Oil Manufacturing	Hungary	Vegetable oil production	100.0	×
—Rio Vermelho	Brazil	Sugar cane/ethanol production	100.0	×
—Sable Zinc Kabwe Limited	Zambia	Copper production	100.0	×
—Umcebo Mining (Pty) Ltd[(4)]	South Africa	Coal production	43.7	×
—Usti Oilseed Group	Czech Republic	Edible oil products	100.0	×
—Xstrata plc	UK	Diversified production	34.5	✓
—Zaklady Tluszczowe w Bodaczowie	Poland	Edible oil production	90.7	×
Chemoil Energy Limited[(5)]	Hong Kong	Oil storage and bunkering	51.5	✓
Cobar Group	Australia	Copper production	100.0	×
Glencore Singapore Pte Ltd.	Singapore	Operating	100.0	×
Kazzinc Ltd	Kazakhstan	Zinc/Lead/Copper production	50.7	×
—Vasilkovskoye	Kazakhstan	Gold production	100.0	×
Katanga Mining Limited[(6)]	Bermuda	Copper production	75.2	✓
Murrin Murrin Group	Australia	Nickel production	100.0	×
Moinho Agua Branca S.A.	Brazil	Wheat flour milling	97.0	×
Moreno Group	Argentina	Edible oils production	100.0	×
Pacorini Group	Switzerland	Metals warehousing	100.0	×
Pasar Group	Philippines	Copper production	78.2	×
Polymet Mining Corp.	Canada	Copper production	24.1	×
Portovesme S.r.L	Italy	Zinc/Lead production	100.0	×
Renova S.A.	Argentina	Vegetable oil production	33.5	×
Russneft Group (various companies)[(7)]	Russia	Oil production	40.0–49.0	×
Shanduka Coal (Pty) Ltd	South Africa	Coal production	70.0	×
ST Shipping & Transport Pte Ltd	Singapore	Operating	100.0	×
Topley Corporation	British Virgin Islands	Ship owner	100.0	×
Volcan Compañia Minera S.A.A.	Peru	Zinc production	6.9	✓

Notes:

(1) Represents Glencore's economic interest in Century Aluminum, comprising 41.6 per cent. voting interest and 4.8 per cent. non-voting interest.

(2) Although Glencore holds more than 50 per cent. of the voting rights, it does not have the ability to exercise control over Boundary Ventures as a result of shareholder agreements which provide for joint control over the governance of the financial and operating policies.

(3) Publicly traded on the Frankfurt Stock Exchange under the symbol A0HNQ5. Glencore owns 46,812,601 shares.

(4) Although Glencore holds less than 50 per cent. of the voting rights, it has the ability to exercise control over Umcebo as a result of shareholder agreements.

(5) Publicly traded on the Singapore Exchange under the symbol CHEL.SI. Glencore owns 666,204,594 shares.

(6) Publicly traded on the Toronto Stock Exchange under the symbol KAT.TO. Glencore owns 1,433,702,634 shares.

(7) Although Glencore holds more than 20 per cent. of the voting rights, it has limited key management influence and thus does not exercise significant influence.

5 Directors, Proposed Directors and Senior Managers

5.1 The Directors, the Proposed Directors and the Senior Managers together with details of their functions in Glencore or Xstrata (as appropriate) and, following the Merger, the Combined Group, and brief biographies are set out in Part IV: "Directors, Proposed Directors and Corporate Governance".

5.2 The companies and partnerships of which the Directors, the Proposed Directors and the Senior Managers are, or have been, within the past five years, members of the administrative, management or supervisory bodies or partners (excluding, (i) in the case of the Directors, the Company and its subsidiaries and also excluding the subsidiaries of the companies listed in paragraph 4 and (ii) in the case of the Proposed Directors and Trevor Reid, subsidiaries of Xstrata) are as follows:

Name	Current directorships/ partnerships	Former directorships/ partnerships
Independent Chairman		
Simon Murray[(1)]	ARF Investment Management Limited Asia Resources Fund Limited Beryl Overseas Limited Beyond Asia Holdings Ltd Bright Zone Enterprises Ltd Capital Way Holdings Limited Cheung Kong Holdings Ltd. Compagnie Financiere Richemont SA Diamond Creek International Limited Eminent Bond Limited Energy Success Investments Limited Essar Energy plc GEMS III Limited GEMS Investment Management Limited GEMS Natural Resources Fund II (International) Limited GEMS Natural Resources Fund II Limited General Enterprise Management Services (International) Limited General Enterprise Management Services Limited Greenheart Group Limited Guggenheim Investment Advisors (Europe) Limited IRC Limited K.K. Jermyn Capital Million Star Corporation Morningstar Capital & Investment Ltd Orient Overseas (International) Ltd. Poly Stone Holdings Limited San Marino Telecom Silver Heritage Limited Simclan Ltd. Simon Film Productions Limited Simon Murray & Associates Limited Simon Murray & Co. (Cayman) Limited Simon Murray & Co. China Fund Limited Simon Murray & Co. (Japan) Limited	Arnhold Holdings Ltd Bemobile Limited Clariden Limited Compass Technology Holdings Ltd. Developments Ltd. GEMS AAA Limited GEMS Oriental And General Fund II Limited GEMS Oriental And General Fund Limited Grace Semiconductor Manufacturing Corporation Hutchison Whampoa Ltd. Onyx Overseas Limited Pacific Century Regional SMC (China) Capital Limited Sunday Communications Ltd. Tommy Hilfiger Corporation Usinor Vivendi Universal Vodafone Group Plc Yozan Inc.

Name	Current directorships/ partnerships	Former directorships/ partnerships
	Simon Murray & Co. Limited Simon Murray & Company (Hong Kong) Limited Simon Murray (San Marino) Holdings Ltd Sino Forest Corporation SMC China Fund SPC SMC RMB General Partner I Limited Tektite Overseas Limited Ultragrand Limited Wing Tai Properties Limited Yarrum Limited	
Executive Directors		
Ivan Glasenberg	JSC Zarubezhneft United Company RUSAL Plc Xstrata plc	Century Aluminum Co.
Steven Kalmin(2)	Century Aluminum Co.	None
Non-Executive Directors		
Peter Coates	Amalgamated Holdings Limited Peter Coates & Associates Santos Ltd.	Cumnock Coal Limited Downer EDI Limited Minara Resources Limited Xstrata Australia Pty Limited
Leonhard Fischer	Arecon AG AXA Konzern AG Bank Julius Baer & Co. Ltd Julius Baer Gruppe AG Kleinwort Benson Bank Ltd Kleinwort Benson Group Ltd RHJ International S.A. The Aspen Institute	3W Power Holdings Ltd
Anthony Hayward	AEA Capital Genel Energy plc Numis Corporation Plc	BP plc Corus Group Tata Steel TNK-BP
William Macaulay	City University of New York Dresser-Rand Group, inc. First Reserve XII Advisors, LLC First Reserve Energy Infrastructure Advisors, LLC First Reserve Energy Infrastructure GP Limited First Reserve GP X, inc. First Reserve GP XI, inc. First Reserve GP XII Limited First Reserve Management Limited First Reserve Management, L.P. First Reserve Partners Limited FR X Offshore GP Limited FR XII Alternative GP Ltd. FR XII PBF Holdings LLC FRC Founders Corporation FR Horizon GP Limited Odyssey Investment Partners The Rogosin Institute Weatherford International, Ltd.	2B2J, L.P. AMCI Capital GP Limited First Reserve GP IX, inc. BGWM L.P. DSS Holdings GP Limited First Reserve International Limited Foundation Coal Holdings, inc. FR IX Offshore GP Limited FR XI Offshore GP Limited Sirocco Holdings Limited Sirocco Reinsurance Limited (Bermuda) Whitehaven Coal Mining Limited Turbo Cayman Limited

Name	Current directorships/ partnerships	Former directorships/ partnerships
Li Ning[1]	Henderson Land Development Company Limited Hong Kong (Ferry) Holdings Company Limited	Henderson Investment Limited
Proposed Directors		
Sir John Bond	A.P.Moller-Maersk A/S Shui On Land Limited Xstrata plc	Ford Motor Company Vodafone Group plc
Mick Davis	Xstrata plc	None
Con Fauconnier	Xstrata plc	Exxaro Resources Ltd Merafe Resources Ltd Namakwa Diamonds Ltd
Peter Hooley	Xstrata plc BSN medical Luxembourg Holdings Sarl	Cobham plc
Sir Steve Robson	Xstrata plc Financial Reporting Council Public Interest Committee KPMG Europe LLP KPMG Chairman's Advisory Board	JP Morgan Cazenove Partnerships UK Royal Bank of Scotland plc
Ian Strachan	Xstrata plc Rolls Royce plc Transocean Ltd Caithness Petroleum Ltd	Johnson Matthey plc Reuters Group PLC
Proposed Senior Manager		
Trevor Reid	Xstrata plc	None

Notes:

(1) Resigning from the Board with effect from the Effective Date.

(2) Following the Merger, Steven Kalmin will resign from the Glencore Board but will be appointed Deputy Chief Financial Officer of the Combined Group (and will be a Senior Manager) with effect from the Effective Date.

Save as set out above, none of the Directors, Proposed Directors or Senior Managers has any business interests, or performs any activities, outside Glencore which are significant with respect to Glencore.

5.3 There are no family relationships between any Directors, Proposed Directors or Senior Managers.

5.4 As at the date of this Prospectus, none of the Directors, Proposed Directors or Senior Managers has, at any time within the last five years:

(a) had any prior convictions in relation to fraudulent offences;

(b) been a director or senior manager (who is relevant to establishing that a company has the appropriate expertise and experience for the management of that company) of any company at the time of any bankruptcy, receivership or liquidation of such company; or

(c) been subject to any official public incrimination and/or sanction by any statutory or regulatory authority (including designated professional bodies) or been disqualified by a court from acting as a director of a company or in the management or conduct of the affairs of a company.

5.5 None of the Directors, Proposed Directors or Senior Managers has any potential conflicts of interest between their duties to Glencore and their private interests or other duties.

6 Directors' and Proposed Directors' service contracts, terms of appointment and other details

6.1 Each of the Executive Directors has a service contract with Glencore International. The terms of the Executive Directors' service contracts are summarised below:

Name	Position	Date of contract	Notice period[(1)]	Salary (£)
Executive Directors[(2)(3)]				
Ivan Glasenberg[(4)]	Chief Executive Officer	28 April 2011	12 months	925,000
Steven Kalmin[(5)]	Chief Financial Officer	28 April 2011	12 months	700,000

Notes:

(1) Other than entitlement to notice and a payment in lieu of notice, Executive Directors are not entitled to compensation on termination of their contract.

(2) The Executive Directors are entitled to participate in any benefit (including pension) arrangements which Glencore has in place from time to time for categories of employees of which they are members.

(3) The Executive Directors are entitled, at the Company's discretion, to participate in the Company's bonus arrangements from time to time. The current maximum annual bonus opportunity for each of them is 200 per cent. of annual salary mentioned above.

(4) Following the Merger, Ivan Glasenberg will be the Deputy Chief Executive Officer and President of the Combined Group with effect from the Effective Date.

(5) Following the Merger, Steven Kalmin will resign from the Glencore Board, but will be appointed Deputy Chief Financial Officer of the Combined Group with effect from the Effective Date.

6.2 The Non-Executive Directors do not have service contracts, although they have letters of appointment reflecting their responsibilities and commitments. Under the Articles, all Directors must retire by rotation and seek re-election by shareholders every three years; however, it is intended that the Directors shall each retire and submit themselves for re-election by shareholders annually. Consequently, all of the Directors will seek re-election by shareholders at the Annual General Meeting.

6.3 The terms of the Non-Executive Directors' appointment letters are summarised below:

Name	Position	Date of joining the Glencore Board	Notice period (months)[(1)(2)]	Total fees[(4)] (£)
Non-Executive Directors				
Simon Murray[(5)]	Non-Executive Chairman	28 April 2011	Three[(3)]	675,000
Peter Coates	Non-Executive Director	14 April 2011	Three[(3)]	178,800
Leonhard Fischer	Non-Executive Director	14 April 2011	Three[(3)]	128,800
Anthony Hayward	Non-Executive Director	14 April 2011	Three[(3)]	158,800
William Macaulay	Non-Executive Director	14 April 2011	Three[(3)]	126,300
Li Ning[(5)]	Non-Executive Director	14 April 2011	Three[(3)]	90,800

Notes:

(1) Under the Articles, all Directors must retire by rotation and seek re-election by shareholders every three years; however, it is intended that the Directors shall each retire and submit themselves for re-election by shareholders annually.

(2) Non-Executive Directors are not entitled to compensation on termination of their appointment, subject to note (3) below.

(3) Other than the Chairman's appointment, which is terminable on three months' notice by either party, the Non-Executive Directors are required to give three months' notice and their appointment terminated upon its expiry, but any notice served on the Non-Executive Directors (other than the Chairman) by the Glencore Board is effective immediately.

(4) Total fees vary due to different roles and committees on which the various Non-Executive Directors sit.

(5) Resigning from the Glencore Board with effect from the Effective Date.

6.4 The aggregate remuneration paid (including any contingent or deferred compensation) and benefits in kind granted to the Directors by Glencore and its subsidiaries during the financial year ended 31 December 2011 for services in all capacities was US$5,247,000.

6.5 The total amount set aside or accrued by Glencore or its subsidiaries to provide pension, retirement or similar benefits for the Directors for the financial year ended 31 December 2011 was US$106,000.

6.6 Following the Merger, the Proposed Directors will be appointed to the board of the Combined Group with effect from the Effective Date. The terms of the Proposed Directors' service contracts and appointment letters are summarised below:

Name	Position in the Combined Entity	Notice period (months)(1)	Total salary/ fees(2) (£)
Proposed Executive Director			
Mick Davis(3)(4)(5)	Chief Executive Officer	12	1,501,500
Proposed Non-Executive Directors(6)			
Sir John Bond	Non-Executive Chairman	12	700,000
Con Fauconnier	Non-Executive Director	Three(7)	109,800
Peter Hooley	Non-Executive Director	Three(7)	118,200
Sir Steve Robson	Non-Executive Director	Three(7)	109,800
Ian Strachan	Non-Executive Director	Three(7)	119,350

Notes:

(1) Under the Articles, all Directors must retire by rotation and seek re-election by shareholders every three years; however, it is intended that the Proposed Directors (as with the current Directors) shall each retire and submit themselves for re-election by shareholders annually.

(2) Total fees will vary due to different roles and committees on which the various Non-Executive Directors sit.

(3) Following the Merger, Mr Davis will be employed by Glencore Services Limited and seconded to the Combined Entity and to Glencore Exco AG. Mr Davis may terminate his employment at any time by giving 12 months' notice, such notice not to expire before the second anniversary of the Effective Date. Glencore Services Limited may terminate the employment immediately and without notice at any time after the Second Anniversary of the Effective Date. After the third anniversary of the Effective Date, in the event that Glencore Services Limited terminates the employment (either by giving notice in accordance with his contract of employment or in breach of his contract of employment) or if Mr Davis resigns for a 'valid reason' in accordance with his contract of employment (see paragraph 7), Mr Davis is entitled to be paid a sum equal to 100 per cent of his annual salary plus retirement benefits and other benefits and his previous year's bonus (plus any accrued basic salary and expenses) and to have all entitlements under his retirement benefit plans paid in accordance with the plan rules. If Glencore Services Limited terminates his employment on or before the third anniversary of the Effective Date (other than if he is dismissed for cause in accordance with his contract of employment) or if Mr Davis resigns for "valid reason" in accordance with his contract of employment, Mr Davis is entitled to an accelerated payment (or, in the case of nil cost options, the acceleration of exercise of relevant options) of any outstanding tranches of his retention bonus, as described in paragraph 7.

(4) Mr Davis is entitled to continue to participate in the pension arrangements put in place by Xstrata, being a money purchase retirement plan which targets a defined benefit pension. Contributions are reassessed annually and are based on actuarial advice, with the objective of accumulating sufficient funds over the working lifetime of Mr Davis to provide an overall target retirement benefit that is currently intended to be equivalent to 3 per cent of final pensionable salary per year of service (up to a maximum of 20 years) targeting retirement at age 60. The actual benefits payable from the retirement benefit plan will be based on the amount that has accumulated in the money purchase accounts. Contributions are made through a combination of payments to a registered retirement benefit plan and cash sum allowances to Mr Davis, having regard to the tax limits on contributions and benefits from registered UK retirement benefit plans (with only cash sum allowances being made after 2007). No employee contributions will be payable by Mr Davis.

(5) Mr Davis will be entitled, at the Combined Entity's discretion, to participate in the Combined Entity's bonus arrangements from time to time. The current annual bonus opportunity for him will be 300 per cent. of annual salary mentioned above.

(6) Proposed Non-Executive Directors will not be entitled to compensation on termination of their appointment, subject to note (7) below.

(7) Other than Sir John Bond, the Proposed Non-Executive Directors are required to give three months' notice and their appointment will be terminated upon its expiry, but any notice served on the Proposed Non-Executive Directors by the Combined Group Board is effective immediately.

7 Management Incentive Arrangements

Each of the Xstrata key employees (being Mick Davis, Trevor Reid, Peter Freyberg, Benny Levene, Thras Moraitis, Peet Nienaber, Ian Pearce, Charles Sartain and Santiago Zaldumbide) (the "Xstrata key employees") along with 64 other Xstrata employees have been offered retention arrangements with the aim of ensuring they transition into the Combined Group and to ensure that each is motivated to remain in position and contribute to the execution of the Combined Group's business strategy.

Retention arrangements have been designed to ensure the agreed governance structure is sustained and its key objectives are underpinned, namely to:

(a) ensure Xstrata Shareholders' interests are reflected in the Combined Group to balance the influence of Glencore management, who will continue to hold significant individual shareholdings in the Combined Group;

(b) provide the optimal management structure to enable the Combined Group to execute its strategy and achieve superior returns for shareholders, reflecting the earnings contribution of the industrial assets (which, based on the 2011 financial results of Xstrata and Glencore, would have contributed 84 per cent. of 2011 EBIT); and

(c) ensure the transaction is effected as a merger, as proposed, that harnesses the best from both companies and ensures Xstrata Shareholders continue to gain exposure to the Xstrata key employees and industry-leading operational and sustainability expertise. The Glencore Directors and the Independent Non-Executive Xstrata Directors have recognised the importance of retaining key Xstrata personnel for the on-going success of the Combined Group, in view of the following:

    (i) the Xstrata key employees have a proven track record of shareholder value creation from managing and growing a diversified portfolio of industrial assets and transforming operational and sustainability performance. The majority of the Combined Group's earnings will be generated by mining and other industrial activities;

    (ii) Xstrata and Glencore are developing a number of approved growth projects to increase copper equivalent volumes substantially in the period to 2015. 20 approved major projects are currently in construction with the majority due to commence production during the next two years. Project development skills are in scarce supply throughout the sector. Retention of key operational management is critical to deliver growth from the project pipeline and maximise shareholder value; and

    (iii) the Merger is taking place during a period of intense competition from global competitors for the skills, expertise and knowledge base of Xstrata's mining executives and other key employees.

The Scheme is conditional upon, amongst other things, the passing of the resolution to approve the Management Incentive Arrangements at the Xstrata General Meeting. Accordingly, the Scheme will not become Effective if the resolution to approve the Management Incentive Arrangements is not passed at the Xstrata General Meeting.

Retention awards

Each of the Xstrata key employees and 64 other employees of the Xstrata Group have been offered retention measures to, in each case, motivate them to remain in position after the completion of the Merger and contribute to the execution of the Combined Group's business strategy. This is in addition to entitlements to salary, benefits and any discretionary performance bonuses (which are subject to the satisfaction of relevant performance conditions) that are payable pursuant to the terms of each relevant individual's revised contract of employment with the Combined Group. Details of the maximum amounts payable to the Xstrata key employees and the other 64 Xstrata employees in relation to these retention awards are set out below under the sub-paragraph entitled "Summary of Management Incentive Arrangements" of this paragraph 7. Payment of all retention awards will be in tranches following completion of the Merger. The value

of each tranche of a retention award is equal to the total of an individual's current annual salary, pension and other benefits, and the bonus awarded in February 2012 in respect of performance during the financial year ended 31 December 2011, except in the case of Mr Zaldumbide, who does not receive retirement or other benefits. As a result, the value of each tranche of Mr Zaldumbide's retention award is equal to 150 per cent. of his current annual salary and the bonus awarded in February 2012 in respect of performance during the financial year ended 31 December 2011. The payment of each retention award is conditional upon completion of the Merger and the individual not being dismissed for cause in accordance with his or her employment contract before the date of payment of the award.

Mr Davis' retention award is payable in three equal tranches on the first, second and third anniversaries, respectively, of the Effective Date. Each payment will be paid as to two-thirds in cash and one-third in Glencore Shares (the number of which will be fixed by reference to their value at the Effective Date). The Glencore Shares will be delivered in the form of the grant of a nil-cost option over the fixed number of Glencore Shares which will be exercisable as to one-third on the first, second and third anniversaries, respectively, of the Effective Date and for up to ten years from the date of grant.

Mr Davis has entered into an employment agreement with the Combined Group which is conditional upon, and takes effect on, the Effective Date. Payment of Mr Davis' award will be accelerated if his employment is terminated by the Combined Group at any time for any reason (other than if he is dismissed for cause in accordance with his contract of employment) or if Mr Davis resigns for a "valid reason" as defined in his contract of employment with the Combined Group. Details of Mr Davis's contract of employment with the Combined Group are set out in paragraph 6.

The retention awards of the other Xstrata key employees and of the other 64 Xstrata employees are payable in two equal tranches in cash on the first and second anniversaries, respectively, of the Effective Date. In each case, retention awards are subject to the same conditions for payment as Mr Davis' award. For these purposes, "valid reason" has a similar definition to that in Mr Davis' employment contract with the Combined Group and includes a material change to the terms of employment and benefits or compensation, Glencore ceasing to comply with the governance structure as set out in the announcement of the Merger made on 7 February 2012 (including where Mr Davis ceases to be Chief Executive Officer of the Combined Group) and a change of control of Glencore. The maximum aggregate amount payable to the Xstrata key employees (with the exception of Mr Davis and other than Messrs Reid and Zaldumbide, as to which see below) in respect of year one under their retention awards is £16,088,493 (assuming all retention awards are ultimately paid). At the second anniversary of the closing of the Merger, a maximum of a further £16,088,493 (assuming all retention awards are ultimately paid) will be payable in aggregate. The maximum aggregate amount payable to the 64 other Xstrata employees under their retention awards is £46,447,660 at the first anniversary of closing of the Merger (assuming all retention awards are ultimately paid). A maximum of £46,447,660 will be paid at the second anniversary of the closing of the Merger (assuming all retention awards are ultimately paid).

Payments in respect of contractual provisions

The existing employment contracts of the Xstrata key employees provide for a contractual severance payment to be made if employment is terminated in certain circumstances, including if the individual terminates his employment for a "valid reason" (as defined in the contract). This includes circumstances where an employee cannot in good faith be expected to continue in employment, for example if there is a diminution in his role or duties. To secure their transition into the Combined Group, Xstrata has agreed to compensate each Xstrata key employee, with the exception of Mr Davis, by paying an amount equal to the amount to which he would have been entitled on termination of his employment for a "valid reason" under his contractual provision. Payment is conditional upon completion of the Merger and on the individual being in employment with the Combined Group on the Effective Date.

Mr Reid and Mr Zaldumbide will not be appointed to the board of the Combined Group. Accordingly, Xstrata has agreed to make a payment to "buy out" Mr Reid's and Mr Zaldumbide's contractual right to receive a severance payment which may have been triggered in the circumstances of the Merger, in an amount of £5,451,848 in the case of Mr Reid and £3,942,785 in the case of Mr Zaldumbide.

In addition, arrangements structured in a similar way to those proposed for the Xstrata key employees have been put in place for 27 senior employees of the Xstrata Group, each of whom is considered to be key to the execution of the Combined Group's business strategy. These arrangements seek to ensure that none of this group of senior employees terminates his/her contract of employment with the Xstrata Group prior to the completion of the Merger. Payment to each eligible senior employee is conditional upon completion of the Merger and on the individual being in employment with the Combined Group on the Effective Date. The maximum aggregate amount payable to the Xstrata key employees (other than Messrs Reid and Zaldumbide, as to which see above) under this arrangement is £16,088,493 (assuming that they are still in employment with the Combined Group on the Effective Date), and the maximum aggregate amount payable to the aforementioned 27 senior Xstrata employees under their arrangements is £19,006,927 (assuming that they are still in employment with the Combined Group on the Effective Date). Details of the amounts payable to the Xstrata key employees and the other 64 Xstrata employees in relation to these payments and arrangements are set out below under the sub-paragraph entitled "Summary of Management Incentive Arrangements" of this paragraph 7.

Xstrata Long Term Incentive Plan and Glencore Performance Share Plan

On completion of the Merger, the Xstrata LTIP will terminate — for further detail on the terms of the Xstrata LTIP and the impact of the Merger upon awards under this plan, please refer to paragraph 8 below. Participants in the Xstrata LTIP will be eligible for awards under the Glencore Performance Share Plan, on and subject to the terms of that plan from 2013. Awards will be granted in the normal grant period following the announcement of Glencore's results for the financial year ending 31 December 2012.

Glencore has agreed to grant share awards under the Glencore Performance Share Plan to the Xstrata key employees for the financial year ending 31 December 2012, the value of which, expressed as a multiple of each individual's salary, will be at least equal to the multiple of salary represented by the share award granted to the individual under the Xstrata LTIP in February 2012. These awards will be subject to objective performance conditions over a period of at least three years. These individuals will also be eligible to participate in the Glencore Performance Share Plan in future years, albeit without a guaranteed base level of award.

The salary multiples for the awards granted to each of the Xstrata executive directors under the Xstrata LTIP in February 2012 are as follows:

Mick Davis	400%
Trevor Reid	400%
Santiago Zaldumbide	300%

Summary of Management Incentive Arrangements

Set out below is a summary of the payments to be made to the Xstrata key employees and the other 64 Xstrata employees in connection with the Management Incentive Arrangements:

	Retention awards[(1)]			Payments in respect of contractual provisions[(2)]	Indicative value of award at grant under 2013 Glencore Performance Share Plan[(3)]
	2013	**2014**	**2015**	**2012**	
Mr Davis[(4)]	£9,598,475	£9,598,475	£9,598,475	N/A	£6,000,000
Mr Reid	£5,451,848	£5,451,848	N/A	£5,451,848	£3,260,000
Mr Zaldumbide	£3,942,785	£3,942,785	N/A	£3,942,785	£2,600,000
Xstrata key employees[(5)]	£16,088,493	£16,088,493	N/A	£16,088,493	£13,750,000
Other Xstrata employees[(6)]	£46,447,660	£46,447,660	N/A	£19,006,927	N/A

Notes:

(1) Maximum aggregate amount payable.

(2) Maximum aggregate amount payable.

(3) The amounts stated are indicative only. No value is realised on completion of the Merger and relevant awards may never vest. Vesting of awards will be subject to performance conditions in line with the Combined Group's

strategy. These awards will be subject to objective performance conditions over a period of at least three years. On completion of the Merger, the Xstrata LTIP will terminate. Participants in the Xstrata LTIP will be eligible for awards under the Glencore Performance Share Plan, on and subject to the terms of that plan from 2013. Amounts stated are the product of respective current annual salary converted into Sterling at prevailing foreign exchange rates and the multiple of salary awarded to the respective individuals under the Xstrata LTIP in February 2012. The value of awards granted under the Glencore Performance Share Plan in 2013 will be at least the product of respective 2013 annual salary converted into Sterling and the multiple of salary awarded to the respective individuals under the Xstrata LTIP in February 2012. In the case of Mr Davis, the relevant multiple is 400 per cent., in the case of Mr Reid, 400 per cent., in the case of Mr Zaldumbide, 300 per cent., and, in the case of the other members of Xstrata's Management, the multiple is between 285 and 400 per cent. (and, on average, 351 per cent.).

(4) Mr Davis' retention award is payable in three equal tranches on the first, second and third anniversaries, respectively, of the Effective Date. Each payment will be paid as to two-thirds in cash and one-third in Glencore Shares (the number of which will be fixed by reference to their value at the Effective Date). The Glencore Shares will be delivered in the form of the grant of a nil-cost option over the fixed number of Glencore Shares which will be exercisable as to one-third on the first, second and third anniversaries, respectively, of the Effective Date and for up to ten years from the date of grant.

(5) The individuals referred to at the beginning of this paragraph 7 excluding Messrs Davis, Reid and Zaldumbide.

(6) 64 employees in total are eligible to receive retention awards. Of those 64 employees, 27 are eligible to receive payments in respect of contractual provisions.

8 Xstrata Share Schemes

Glencore option proposal

To enable Xstrata Share Schemes participants to remain invested in the Combined Group following the Effective Date and to encourage further alignment with shareholders' interests, Glencore is offering participants who hold share options under each of the Xstrata Share Schemes ("Xstrata Options") the opportunity to exchange, at their election, all or some of their Xstrata Options for equivalent new options over Glencore Shares ("New Glencore Options"). An Xstrata Option will be exchanged for a New Glencore Option over Glencore Shares on equivalent economic terms as existing Xstrata Options, calculated by reference to the Merger ratio and having a proportionate per share exercise price (if any) as the equivalent Xstrata Option. The New Glencore Options will be fully vested and will remain exercisable until the original expiry date of the equivalent Xstrata Options. It is expected that the trustee of the Xstrata Employee Benefit Trust will hold sufficient Xstrata Shares at the Scheme Record Time (which will be replaced by the New Glencore Shares under the terms of the Scheme) to satisfy the exercise of such New Glencore Options in the future.

Messrs Davis, Reid and Zaldumbide have also indicated that they propose to accept the "Glencore option proposal" described above and will exchange all of their vested options under the Xstrata LTIP, the Xstrata Annual Bonus Plan and, in the case of Mr Davis only, the Xstrata Added Value Incentive Plan for New Glencore Options.

Further details on the impact of the Scheme on the Xstrata Share Schemes are set out below.

(a) Xstrata LTIP

Share awards granted under the Xstrata LTIP which have not already vested will vest upon sanction of the Scheme by the Court. On vesting, participants will receive Xstrata Shares prior to the date of the Scheme Court Order and these Xstrata Shares will be subject to the terms of the Scheme in the same way as the Xstrata Shares held by other Scheme Shareholders and will receive 2.8 New Glencore Shares for every Xstrata Share that vests under the share awards.

Share options will, to the extent not already exercisable, vest on and become exercisable upon sanction of the Scheme by the Court. Participants may choose whether to exercise their share options within the period of six months following the sanction of the Scheme by the Court or to accept the "Glencore option proposal" described above. Participants who choose to exercise their share options will receive 2.8 New Glencore Shares for each Xstrata Share to which they are entitled on exercise of their option.

The following table shows the number of share awards granted under the Xstrata LTIP as at 29 May 2012 (being the last practicable date prior to posting of this document), which have not

already vested but which will vest upon sanction of the Scheme by the Court at the Scheme Court Hearing:

LTIP	Series	Unvested LTIP awards	Exercise price (£)	Exercisable on or between
Xstrata LTIP	2010	13,340,572	10.3086	18 February 2013—18 February 2020
Xstrata LTIP	2011	9,302,961	14.6829	18 February 2014—18 February 2021
Xstrata LTIP	2012	15,118,314	11.9371	18 February 2015—18 February 2022
Xstrata LTIP (Free Xstrata Shares)	2010	3,999,948	N/A	18 February 2013
Xstrata LTIP (Free Xstrata Shares)	2011	3,386,276	N/A	18 February 2014
Xstrata LTIP (Free Xstrata Shares)	2012	5,487,821	N/A	18 February 2015
Total		**50,635,892**		
Percentage of current issued ordinary share capital		**1.686**		

Note:

The figures for the unvested Xstrata LTIP awards set out in the table above include the unvested LTIP awards granted to the Xstrata key employees and the other 64 Xstrata employees, each of whom is participating in the Management Incentive Arrangements.

(b) Xstrata Annual Bonus Plan

Deferred bonus awards that have already been granted under previous bonus awards but that have not yet vested, will vest upon sanction of the Scheme by the Court. No additional value will arise from the Merger but awards will become available approximately 7 months and 19 months earlier than if the Merger did not take place. On vesting of the deferred bonus awards, participants will receive Xstrata Shares prior to the date of the Scheme Court Order and these Xstrata Shares will be subject to the terms of the Scheme in the same way as the Xstrata Shares held by other Scheme Shareholders and they will receive 2.8 New Glencore Shares for every Xstrata Share that vests under the deferred bonus awards.

Participants who hold nil-cost share options over Xstrata Shares may exercise those options within 30 days following sanction of the Scheme by the Court or accept the "Glencore option proposal" described above. To the extent that a participant exercises an option and acquires Xstrata Shares prior to the date of the Scheme Court Order, the Xstrata Shares acquired on exercise will be subject to the terms of the Scheme in the same way as the Xstrata Shares held by other Scheme Shareholders and participants will receive 2.8 New Glencore Shares for every Xstrata Share acquired under the share option. Participants who exercise an option after the date on which the Xstrata Articles of Association are amended will receive 2.8 New Glencore Shares for each Xstrata Share to which they are entitled on exercise of their option. This is not included in the table of Management Incentive Arrangements in paragraph 7 above.

(c) Xstrata Added Value Incentive Plan

Mr Davis holds deferred awards in the form of nil-cost options over Xstrata Shares granted on 18 April 2012 in respect of the vesting of the 2009-2012 performance cycle under the Xstrata Added Value Incentive Plan. He may exercise these options within 30 days following the sanction of the Scheme by the Court or accept the "Glencore option proposal" described above. If he exercises his options after the date on which the Xstrata Articles are amended he will receive 2.8 New Glencore Shares for each Xstrata Share. No additional value will arise from the Merger. This is not included in the table of Management Incentive Arrangements in paragraph 7 above.

9 Glencore Employee Share Plans

At the time of the IPO, Glencore adopted two employee share plans — the Glencore Performance Share Plan (the "PSP") and the Glencore Deferred Bonus Plan (the "DBP"). These plans will be operated for the first time in summer 2012.

Awards granted under the PSP in 2012 will vest in annual tranches over three years subject to continued employment and forfeiture for malus events. It is not proposed to grant any PSP awards to executive directors in 2012.

Awards under the DBP will be granted in 2012, in respect of bonuses earned in 2011. A proportion of a participant's 2011 bonus may be deferred, in cash or shares, in the form of an award which will

vest after a period of up to two years subject to continued employment and forfeiture for malus events. No executive director will be granted a DBP award in 2012.

The principal features of the rules of the PSP and the DBP were summarised in the Glencore IPO Prospectus and such summary of the plan rules is incorporated by reference into, and forms part of, this document. Each summary is to be read subject to the updated details given in this paragraph 9.

The Glencore IPO Prospectus also summarised the principal features of certain long-service and phantom equity awards made to employees of the Group and such summary is incorporated by reference into, and forms part of, this document. It is not proposed to grant further awards under either of these arrangements.

10 Interests of the Directors, Proposed Directors and Senior Managers

10.1 As at 29 May 2012, being the latest practicable date prior to the publication of this document, the interests (all of which are beneficial unless otherwise stated) of the Directors, Proposed Directors, Senior Managers, their immediate families and (so far as is known to them or could with reasonable diligence be ascertained by them) persons connected (within the meaning of section 252 of the UK Companies Act) with the Directors, Proposed Directors or Senior Managers in the issued ordinary share capital of Glencore, including: (i) those arising pursuant to transactions notified to Glencore pursuant to DTR3.1.2R; or (ii) those of persons connected with the Directors, Proposed Directors or Senior Managers, which would, if such connected person were a Director, Proposed Director or Senior Manager, be required to be disclosed under (i) above, together with the interests which are expected to subsist immediately following the Merger becoming Effective, are set out in the following table:

	As at 29 May 2012 (the latest practicable date prior to publication of this document)		Interests immediately following the Merger becoming Effective[1]	
Name	**Number of Glencore Shares**	**Percentage of issued share capital of Glencore**	**Number of Glencore Shares**	**Percentage of Combined Group Ordinary Share Capital**
Executive Directors				
Ivan Glasenberg[2]	1,093,418,752	15.79	1,093,418,752	8.69
Steven Kalmin[3]	70,523,154	1.02	70,523,154	0.56
Non-Executive Directors				
Peter Coates	82,700	0.00	1,329,789[4]	0.01
Li Ning[3]	123,000	0.00	123,000	0.00
William Macaulay[5]	121,996,976	1.76	121,996,976	0.97
Proposed Directors				
Sir John Bond	N/A	N/A	2,800	0.00
Mick Davis[6]	N/A	N/A	7,049,137	0.06
Ian Strachan	N/A	N/A	120,674	0.00
Proposed Senior Manager				
Trevor Reid[6]	N/A	N/A	1,812,622	0.01

Notes:

(1) Figures are calculated assuming (i) that the interests of the Directors, Proposed Directors and Senior Managers as at close of business 29 May 2012 do not change, (ii) that the maximum number of the New Glencore Shares are issued in connection with the Merger (assuming (a) that the Xstrata Employee Benefit Trust will be issued with new Xstrata Shares such that it holds sufficient Xstrata Shares at the Scheme Record Time to satisfy all share options outstanding under the Xstrata Share Schemes, (b) vesting of all share awards held under the Xstrata Share Schemes and such Xstrata Shares being acquired by Glencore and (c) none of the outstanding Glencore Convertible Bonds are converted) and (iii) excluding any other issues of Glencore Shares (including under Glencore Share Plans) between publication of this document and the Effective Date.

(2) Ivan Glasenberg intends to reinvest a substantial portion of his proceeds from the final dividend payment of US$0.10 per Glencore Share in Glencore Shares.

(3) Steven Kalmin and Li Ning will retire from the Glencore Board with effect from the Effective Date. Mr Kalmin will be a Senior Manager following the Merger becoming Effective.

(4) This includes 445,389 Xstrata Shares held by Peter Coates as at the latest practicable date prior to publication of this document. Peter Coates also has 67,449 share options in Xstrata which are not included in the above table.

(5) Of these shares, 114,247,165 are held by FR Galaxy Holdings S.a.r.l. ("FR") and 7,749,811 by ECP Galaxy Holdings S.a.r.l. ("ECP"). Glencore has been notified that (a) FR is a connected person of William Macaulay and (b) ECP is an affiliate of FR. In addition, FR has an economic interest under swap arrangements in 33,750,000 shares and ECP in 2,250,000 shares (being an aggregate 36,000,000 shares in Glencore).

(6) No account has been taken of any sale of shares by Mick Davis or Trevor Reid to cover tax due on the vesting of share awards held under the Xstrata Share Schemes.

Taken together, the combined percentage interest of the Directors, Proposed Directors and Senior Managers (i) in the issued ordinary share capital of Glencore as at 29 May 2012 was approximately 18.58 per cent. and (ii) following the Merger becoming Effective, will be approximately 10.23 per cent. of the Combined Group Ordinary Share Capital.

10.2 The table below sets out the options that have been granted to the Directors, Proposed Directors and Senior Managers over Glencore Shares at the close of business on 29 May 2012 (being the latest practicable date prior to the publication of this document), where, in the case of the Proposed Directors, the figures are on the basis that (i) the Merger has taken place and (ii) all share options held by Mick Davis and Trevor Reid under the Xstrata Share Schemes have been rolled over:

Name	Scheme	Exercisable between	Number of Glencore Shares over which options granted as at 29 May 2012	Exercise Price
Mick Davis[1]	Xstrata LTIP 2003 award	1 Mar 2006–10 Feb 2013	1,852,452	£0.65
	Xstrata LTIP 2004 award	6 Mar 2007–4 Mar 2014	3,810,998	£1.33
	Xstrata Annual Bonus Plan	1 Feb 2012–1 Feb 2021	257,443	Nil
	Xstrata AVP	17 Apr 2013–17 Apr 2022	2,336,594	Nil
	Xstrata AVP	17 Apr 2014–17 Apr 2022	2,336,594	Nil
	Xstrata LTIP 2010 award	19 Feb 2013–18 Feb 2020	1,951,065	£3.68
	Xstrata LTIP 2011 award	19 Feb 2014–18 Feb 2021	1,575,814	£5.24
	Xstrata LTIP 2012 award	18 Feb 2015–17 Feb 2022	1,848,070	£4.26
	Xstrata Annual Bonus Plan	1 Feb 2013–1 Feb 2021	257,443	Nil
	Xstrata Annual Bonus Plan	1 Feb 2013–1 Feb 2022	335,426	Nil
	Xstrata Annual Bonus Plan	1 Feb 2014–1 Feb 2022	335,426	Nil
Trevor Reid	Xstrata LTIP 2004 award	6 Mar 2007–4 Mar 2014	870,301	£1.33
	Xstrata LTIP 2005 award	26 Mar 2008–11 Mar 2015	1,061,698	£1.92
	Xstrata LTIP 2006 award	11 Mar 2009–10 Mar 2016	329,806	£3.11
	Xstrata LTIP 2007 award	16 Mar 2010–15 Mar 2017	258,224	£4.85
	Xstrata LTIP 2008 award	5 Apr 2011–4 Apr 2018	262,292	£7.15
	Xstrata LTIP 2009 award	13 Mar 2012–12 Mar 2019	2,102,128	£1.20
	Xstrata Annual Bonus Plan	7 Feb 2012–1 Feb 2021	129,673	Nil
	Xstrata LTIP 2010 award	19 Feb 2013–18 Feb 2020	982,979	£3.68
	Xstrata LTIP 2011 award	19 Feb 2014–18 Feb 2021	793,744	£5.24
	Xstrata LTIP 2012 award	18 Feb 2015–17 Feb 2022	969,267	£4.26
	Xstrata Annual Bonus Plan	1 Feb 2013–1 Feb 2021	129,673	Nil
	Xstrata Annual Bonus Plan	1 Feb 2013–1 Feb 2022	175,921	Nil
	Xstrata Annual Bonus Plan	1 Feb 2014–1 Feb 2022	175,921	Nil

Note:

(1) Following the Effective Date, Mick Davis will also be granted a nil-cost option over Glencore Shares under the terms of his retention award, as described fully in paragraph 7.

10.3 Save as disclosed in this paragraph 10, no Director, Proposed Director or Senior Manager, nor their immediate families, nor any person connected with any Director, Proposed Director or Senior Manager has any interests (beneficial or non-beneficial) in the share capital of Glencore or any of its subsidiaries.

11 Interests of significant shareholders

11.1 Other than the interests of Directors, Proposed Directors and Senior Managers disclosed in paragraph 10 above, so far as the Company is aware, the following persons, being the

Principal Glencore Shareholders, held, directly or indirectly, 3 per cent. or more of Glencore's voting rights as at 29 May 2012 (the latest practicable date prior to the publication of this document) or will do so immediately following the Merger becoming Effective:

	As at 29 May 2012 (the latest practicable date prior to publication of this document)		Interests immediately following the Merger becoming Effective[(1)]	
Shareholder	**Number of Glencore Shares**	**Percentage of issued share capital**	**Number of Glencore Shares**	**Percentage of Combined Group Ordinary Share Capital**
Daniel Francisco Maté Badenes	417,468,330	6.03	417,468,330	3.32
Aristotelis Mistakidis	414,730,597	5.99	414,730,597	3.30
Tor Peterson[(2)]	366,074,885	5.29	366,074,885	2.91
Alex Beard	320,260,410	4.63	320,260,410	2.55
Qatar Holding LLC	N/A	N/A	789,477,248[(3)]	6.27
BlackRock, Inc.	113,991,088[(4)]	1.65	550,837,195[(5)]	4.38

Notes:

(1) Figures are calculated assuming (i) that the interests of the significant shareholders as at close of business 29 May 2012 do not change, (ii) that the maximum number of the New Glencore Shares are issued in connection with the Merger (assuming (a) that the Xstrata Employee Benefit Trust will be issued with new Xstrata Shares such that it holds sufficient Xstrata Shares at the Scheme Record Time to satisfy all share options outstanding under the Xstrata Share Schemes, (b) vesting of all share awards held under the Xstrata Share Schemes and such Xstrata Shares being acquired by Glencore and (c) none of the outstanding Glencore Convertible Bonds are converted) and (iii) the exclusion of any other issues of Glencore Shares (including under Glencore Share Plans) between publication of this document and the Effective Date.

(2) Within the meaning of Chapter 5 of the Disclosure and Transparency Rules, Tor Peterson is an indirect holder of 109,178,079 Glencore Shares held by Cititrust (Switzerland) Limited pursuant to a fiduciary arrangement established for his benefit prior to the IPO. This indirect holding of Glencore Shares is included in the above table. Tor Peterson's interest in this fiduciary arrangement is expected to become fully vested during June 2012.

(3) As at 29 May 2012, Qatar Holding LLC had an interest in 263,391,917 Xstrata Shares and had written put options with respect to a further 18,564,243 Xstrata Shares, which is included in the above table.

(4) As at 29 May 2012, BlackRock, Inc. also held a long position in 2,172,448 derivatives (other than options) over Glencore Shares. In addition, BlackRock, Inc. also held a short position in Glencore Shares of 350,000, a short position over derivatives in Glencore Shares of 467,303 and a short position in options with respect to 74,300 Glencore Shares.

(5) As at 29 May 2012, BlackRock, Inc. held 156,016,467 Xstrata Shares which is included in the above table. In addition, BlackRock, Inc. held a long position in 568,377 derivatives (other than options) over Xstrata Shares, a short position over derivatives in Xstrata Shares of 292,037 and a short position in options with respect to 910,600 Xstrata Shares.

11.2 Save as disclosed in this Part XI, the Company is not aware of any person who is, or following the Merger becoming Effective will be, interested, directly or indirectly, in the total voting rights attaching to 3 per cent. or more of the issued share capital of the Company.

11.3 The Company is not aware of any person or persons who, immediately following the Merger becoming Effective, directly, indirectly, jointly or severally, exercise or could exercise control over the Company, nor is it aware of any arrangements, the operation of which may, at a subsequent date, result in a change in control of the Company.

11.4 None of the Principal Glencore Shareholders has or will have different voting rights attached to the shares they hold in the Company.

12 Working capital statement

Glencore is of the opinion that, after taking into account existing available facilities and existing cash resources, the working capital available to the Glencore Group is sufficient for its present requirements, that is, for at least the next 12 months from the date of this document.

13 Related party transactions

Details of related party transactions entered into by Glencore during the period covered by the historical financial information and up to the date of this Prospectus are set out in (i) Note 26 to the combined financial information contained in Section VI: "Historical Financial Information" of the IPO Prospectus for the financial years ended 31 December 2009 and 2010 and (ii) Note 28 to the audited financial statements for the financial year ended 31 December 2011 contained in the Glencore Annual Report and Accounts 2011, which are incorporated by reference into this document. Save for those transactions, Glencore has not entered into any material related party transactions during the period covered by the historical financial information and up to the date of this document.

14 Property, plant and equipment

Glencore's material assets are its mining and exploration claims, permits and licences, which are summarised in Part XII: "Glencore Summary Ore Reserves and Mineral Resources Information", contained in the Glencore Annual Report and Accounts 2011, which is incorporated by reference into this document.

In addition, Glencore leases or uses under licence properties for its business operations around the world. Glencore is of the opinion that there are currently no environmental issues that affect Glencore's utilisation of any property or other tangible fixed assets.

15 Litigation

15.1 Litigation relating to the Glencore Group

There are no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which Glencore is aware) during the year preceding the date of this document which may have, or have had in the recent past, significant effects on the financial position or profitability of Glencore or the Glencore Group.

15.2 Litigation relating to the Xstrata Group

Save as set out below, there are no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which Glencore is aware) during the year preceding the date of this document which may have, or have had in the recent past, significant effects on the financial position or profitability of Xstrata or the Xstrata Group:

15.2.1 ***Sulphuric acid class action lawsuits***

Class action lawsuits have been filed in various jurisdictions in the United States with respect to alleged sulphuric acid marketing and sales antitrust violations by the Xstrata Group's former Falconbridge operations. The class action lawsuits were precipitated by a criminal investigation by US antitrust authorities into alleged anti-competitive conduct. The criminal investigation was concluded with no finding of any wrongdoing. The Xstrata Group is vigorously defending these lawsuits and has asserted that they are without merit. The plaintiffs claim actual damages in the amount of approximately US$160 million (before trebling) plus attorney fees and costs. Under the relevant US antitrust law, if the plaintiffs were to be successful then the actual damages assessed by the jury would be automatically trebled.

15.2.2 ***Privatisation of Cerrejón Zona Norte***

Cerrejón, which is one-third held by the Xstrata Group, has two main operating companies being Cerrejón Zona Norte ("CZN S.A.") and Carbones del Cerrejón ("CdC"). Popular Action 1032 has been made against CZN S.A. and others relating to the privatisation sale of the Colombian State's interest in Cerrejón Zona Norte. The amount of damages sought pursuant to Popular Action 1032 is approximately US$2.3 billion (in respect of which each Cerrejón joint venture partner, including the Xstrata Group, would be liable for an amount equal to approximately US$766 million if the action were successful). A favourable first

instance decision has been issued in this matter which concluded that all authorities acted in conformity with law and that no damage was caused to collective rights. The plaintiff has appealed this decision, and the second instance decision is still pending.

Popular Action 242 was filed by an individual, Martín Nicolás Barros Choles, against CdC and others, and also arises out of the privatisation of Cerrejón Zona Norte, alleging irregularities in the sale as it did not include the 50 per cent. rights in the properties and assets used in the Cerrejón North Zone operation. Mr Choles is requesting the court to order CdC to pay for the use and lease of 50 per cent. of the properties and assets used in the Cerrejón North Zone operation in the period up to and until November 2009, at which time all of the properties and assets of the Cerrejón project reverted to the Colombian State. The amount of damages sought pursuant to this action is approximately US$2.4 billion (in respect of which the Xstrata Group would be liable for an amount equal to approximately US$800 million if the action were successful).

15.2.3 ***Analtracarbocol vs. Carbocol and CZN S.A.***

Analtracarbocol (Union of Carbocol) has initiated proceedings requesting annulment of the Mining Exploitation and Transfer ("MET") contract entered into between Carbocol and CZN S.A., alleging that the tender offer for the award of the MET contract filed by Analtracarbocol was not duly considered, in violation of Article 60 of the Colombian Constitution. The total amount claimed by Analtracarbocol is an amount of approximately US$367 million. Analtracarbocol's claims were rejected by the relevant court in the first instance and Analtracarbocol's appeal from this first instance decision to the Colombian Council of State is pending.

15.2.4 ***Barrancas Explosives Tax Assessment***

The municipality of Barrancas has imposed a sanction of approximately US$150 million on Cerrejón in relation to industry and commerce tax for the production of explosives, equivalent to 20 per cent. of an assumed marketing price for the relevant explosives. Cerrejón appealed the sanction to the relevant Government administrative body, which, although it upheld the imposition of a sanction, reduced the total amount payable in connection therewith to US$81 million (by applying an exchange rate as at 30 June 2011). Cerrejón has appealed this decision and is seeking to have the sanction set aside in its entirety.

15.2.5 ***Los Azules***

The matter concerns a claim by TNR Gold Corp ("TNR") in connection with a 2004 option agreement in which MIM Argentina Exploraciones SA ("MIMEXA"), formerly part of the MIM group (which group was acquired by the Xstrata Group in 2003), was granted an option to acquire a 100 per cent. interest in the Los Azules property from TNR (which option was subsequently exercised and the Los Azules property was transferred by MIMEXA to a third party, Minera Andes). Pursuant to the terms of the 2004 option agreement, TNR retained a back-in right for up to 25 per cent. of Los Azules if MIMEXA completed a feasibility study within three years. No such feasibility study was completed but TNR nevertheless commenced proceedings against MIMEXA in 2008 seeking to assert its back-in rights. These proceedings remain on-going but alleged damages have not been quantified or specified by TNR.

The trial is scheduled to last for six weeks and is currently expected to commence in November 2012.

15.2.6 ***Sulphur trioxide class action lawsuits***

A motion was filed in the Quebec Superior Court by a plaintiff alleging damages caused by sulphur trioxide accidentally released in 2004 from the CEZ refinery at Salaberry-de-Valleyfield, Quebec. The Xstrata Group has a 25 per cent. interest in CEZ, held through the Noranda Income Fund, and manages the refinery. The

motion claims damages of C$10,000 per class member on their behalf and asserts that an area with a population of some 180,000 people may have been affected by the alleged release of material. On 19 March 2012, the Quebec Superior Court granted authorisation to the plaintiff to commence a class action and prepare for formal trial proceedings, although at this stage there has been no finding on liability or on the quantum of any damages if damages were found to be payable. Xstrata is vigorously defending the claim. Environment Canada conducted a full investigation into the incident and found no wrongdoing on the part of CEZ. No charges or fines were laid against CEZ following the Environment Canada investigation of the incident. The matter is expected to proceed to trial in 2014 or 2015.

15.2.7 ***El Morro***

Xstrata is a party to proceedings in the Ontario Superior Court issued by Barrick against New Gold and Gold Corp following completion of the sale of El Morro to the New Gold group. Barrick's claim alleges, among other things, that the agreement between New Gold and Goldcorp, whereby Goldcorp financed the exercise of New Gold's right of first refusal, was unlawful. Barrick is therefore seeking a primary remedy of specific performance against Goldcorp for an order that Barrick is entitled to Xstrata's former 70 per cent. interest (together with its associated rights and assets) in El Morro and, in the alternative, damages in an aggregate amount of up to approximately C$815 million. Whilst these damages are being sought (in the alternative) against all defendants, including Xstrata, if any damages are awarded there can be no certainty that the award would not be payable solely by Xstrata.

The trial was concluded in February 2012 and the court's decision remains pending.

16 Other proceedings relating to the Glencore Group

Further to the disclosure made in the Glencore IPO Prospectus and recent press coverage on this on-going hearing, in a criminal investigation in Belgium against a public official of the European Commission's Directorate-General for Agriculture and others for violation of professional secrecy, corruption of an international civil servant and criminal conspiracy, Glencore Grain Rotterdam BV, a subsidiary of Glencore, a former employee and one current employee have been charged with having committed corruption in exchange for information covered by professional secrecy in the course of the applications for European export restitutions. Following a complaint by the European Anti-Fraud Office, the investigation led by the Brussels Prosecutor's office was initiated in October 2003, covering facts dating from 1999 until 2003. The European Commission became a civil party to this case claiming the reimbursement of the restitutions paid by the local intervention boards except those paid by the French intervention board, France AgriMer. France AgriMer joined the European Commission as a civil party in the criminal proceedings with a claim for the reimbursement of the restitutions granted to all Glencore companies, which claim increased with administrative sanctions and interest. The trial commenced in April 2012 and judgment is expected around the end of June 2012.

17 Significant change

17.1 Glencore Group

There has been no significant change in the financial or trading position of the Glencore Group since 31 December 2011, the date to which Glencore's last published audited financial statements were prepared.

17.2 Xstrata Group

There has been no significant change in the financial or trading position of the Xstrata Group since 31 December 2011, the date to which Xstrata's last published audited financial statements were prepared.

18 Pre-IPO Glencore Shareholders' lock-up arrangements

Each of the Pre-IPO Glencore Shareholders entered into a lock-up arrangement for various periods, in each case commencing on 24 May 2011 (being the date of IPO Admission) and lasting for between one and five years thereafter (with a staggered release after the first year of that period). The first release of locked-up Glencore Shares occurred on 24 May 2012. The lock-up arrangements are summarised below.

18.1 Executive Directors' lock-up

Each of Ivan Glasenberg and Steven Kalmin has executed a Lock-Up Deed, pursuant to which he has agreed that, subject to certain customary exceptions more particularly described in paragraph 18.3, during the period from and including 24 May 2011 (being the date of IPO Admission) to but excluding 24 May 2016, he will not, without the prior written consent of the Company, Dispose of Glencore Shares held by him at IPO Admission. The percentage of Glencore Shares held by Ivan Glasenberg and Steven Kalmin respectively at IPO Admission that is subject to restrictions on Disposal decreases each year as set out below.

Period[(1)]	Year 1[(2)]	Year 2	Year 3	Year 4	Year 5
Percentage of Glencore Shares held by executive Directors at IPO Admission that are subject to restrictions on Disposal in that period	100	80	60	40	20

Notes:

(1) Year 1 refers to the period from and including 24 May 2011 to but excluding 24 May 2012. Year 2 refers to the period from and including 24 May 2012 to but excluding 24 May 2013. Year 3 refers to the period from and including 24 May 2013 to but excluding 24 May 2014. Year 4 refers to the period from and including 24 May 2014 to but excluding 24 May 2015. Year 5 refers to the period from and including 24 May 2015 to but excluding 24 May 2016.

(2) Expired on 24 May 2012.

Glencore Shares held by Ivan Glasenberg and Steven Kalmin at IPO Admission and which, following the completion of Year 1, remain subject to the Lock-Up Deeds as described above represent 13.4 per cent. of the issued share capital of the Company (prior to completion of the Merger), and are expected to represent approximately 7.4 per cent. of the Combined Group Ordinary Share Capital.

18.2 Other Pre-IPO Glencore Shareholders' lock-ups

Each of the Pre-IPO Glencore Shareholders (other than Ivan Glasenberg and Steve Kalmin) has also executed a Lock-Up Deed, pursuant to which he/she has agreed that, subject to certain customary exceptions more particularly described in paragraph 18.3 below, during a period of time of one year, two years or four years from and including 24 May 2011 (being the date of IPO Admission), he/she will not, without the prior written consent of the Company, Dispose of Glencore Shares held by him/her at IPO Admission. The lock-up arrangements of one year expired on 24 May 2012. In the case of lock-up arrangements of two years and four years, the percentage of Glencore Shares held by Pre-IPO Glencore Shareholders at IPO Admission that is subject to restrictions on Disposal decreases each year as set out below.

	Percentage of issued share capital of Glencore subject to lock-up arrangement of that period	Percentage of Combined Group Ordinary Share Capital subject to lock-up arrangement of that period	Percentage of Pre-IPO Glencore Shareholders' Shares held at IPO Admission that are subject to restrictions on Disposal in each year[(1)]			
			Year 1[(2)]	Year 2	Year 3	Year 4
One year	22.0	12.1	100	—	—	—
Two years	12.0	6.6	100	50	—	—
Four years	32.4	17.8	100	75	50	25

Notes:

(1) Year 1 refers to the period from and including 24 May 2011 to but excluding 24 May 2012. Year 2 refers to the period from and including 24 May 2012 to but excluding 24 May 2013. Year 3 refers to the period from and including 24 May 2013 to but excluding 24 May 2014. Year 4 refers to the period from and including 24 May 2014 to but excluding 24 May 2015.

(2) Expired on 24 May 2012.

Glencore Shares held by Pre-IPO Glencore Shareholders (other than Ivan Glasenberg and Steven Kalmin) at IPO Admission and which, following the completion of Year 1, remain subject to the Lock-Up Deeds as described above in aggregate represent 30.3 per cent. of the issued share capital of the Company (prior to completion of the Merger), and are expected to represent approximately 16.7 per cent. of the Combined Group Ordinary Share Capital.

18.3 **Exceptions to the Lock-Up Deeds**

The restrictions to which Pre-IPO Glencore Shareholders are subject pursuant to the Lock-Up Deeds do not apply to any Glencore Shares issued to them pursuant to Glencore Shares awarded, and/or exercise of options granted, after IPO Admission under the Glencore Share Plans, and are subject to the following customary exceptions:

(a) any Disposal notified in writing in advance to the Company and to which the Company gives its (or their) prior consent in writing;

(b) an acceptance of a general offer for the ordinary share capital of the Company made in accordance with the City Code, or the provision of an irrevocable undertaking to accept such an offer, or a sale of Glencore Shares to an offeror or potential offeror during an offer period (within the meaning of the City Code);

(c) any Disposal of Glencore Shares pursuant to a compromise or arrangement by the Company with its members or a statutory merger under Jersey law, in each case providing for the acquisition by any person (or group of persons acting in concert, as such expression is defined in the City Code) of 50 per cent. or more of the ordinary share capital of the Company;

(d) any Disposal of Glencore Shares pursuant to an arrangement by the Company with its creditors under Jersey law;

(e) any Disposal by way of gift by any individual to a family member, to the trustees of a family trust or to a licensed insurance company to be held under a life insurance policy for the individual or any of his/her family members, or by a trustee to a beneficiary of a trust, or by an insurance company to the original life assured, provided that, prior to the making of any such Disposal, the relevant transferee shall have agreed to be bound by the lock-up restrictions in the same terms as Pre-IPO Glencore Shareholders;

(f) any Disposal to personal representatives or persons who take after an individual who dies or is incapacitated;

(g) any Disposal of Glencore Shares by operation of law or pursuant to an order from a court of competent jurisdiction or as otherwise required pursuant to any applicable laws;

(h) any Disposal of rights to new Glencore Shares granted, or Glencore Shares subscribed, in respect of a rights issue or other pre-emptive share offering of the Company; and

(i) any Disposal of Glencore Shares pursuant to any offer by the Company to purchase its own Glencore Shares which is made on identical terms to all holders of Glencore Shares in the Company.

19 Material contracts

19.1 Glencore material contracts

The following are the only contracts (not being contracts entered into in the ordinary course of business) which have been entered into by the Company and/or any member of the Glencore Group within the two years immediately preceding the date of this document which are, or may be, material to the Glencore Group or which have been entered into at any time by any member of the Glencore Group which contain any provision under which any member of the Glencore Group has any obligation or entitlement which is, or may be, material to the Glencore Group as at the date of this document:

19.1.1 Underwriting Agreement and Pricing Agreement

On 4 May 2011, the Company, Glencore International, the Directors, Penwith Limited (the "Selling Shareholder") and the banks named therein (the "Underwriting Banks") entered into the underwriting agreement relating to the IPO of the Company's ordinary shares (the "Underwriting Agreement"). The Company also entered into a pricing agreement on 19 May 2011 in connection with the IPO (the "Pricing Agreement"). The Glencore IPO completed on 25 May 2011, when performance of the parties' obligations under the Underwriting Agreement and the Pricing Agreement were substantially completed. Pursuant to the Underwriting Agreement, among other things, each of the Company, Glencore International, the Selling Shareholder and the Directors gave certain representations, warranties and undertakings to the underwriters named in the Underwriting Agreement. The liabilities of the Company under the Underwriting Agreement are not limited as to time or amount. The liabilities of the Directors and the Selling Shareholder under the Underwriting Agreement are limited as to time and amount. The Company gave an indemnity to the Underwriting Banks, in a form that is typical for an agreement of this nature.

19.1.2 Cornerstone Investment Agreements

On 4 May 2011, the Company, Glencore International, the IPO Joint Global Co-ordinators and certain cornerstone investors entered into subscription agreements to subscribe for shares in the IPO (the "Cornerstone Investment Agreements"). The Glencore IPO completed on 25 May 2011, when performance of the parties' obligations under the Cornerstone Investment Agreements were substantially completed. Each of the Cornerstone Investment Agreements was entered into on substantially the same terms. Each of the parties gave certain customary representations and warranties to the other, in particular regarding compliance with laws and regulations affecting the entry into of the Cornerstone Investment Agreement in relevant jurisdictions. The terms of the Cornerstone Investment Agreement do not limit the liability of the parties for breach of contract as to time or amount.

19.1.3 Glencore International Purchase Agreement

Pursuant to the Glencore International Purchase Agreement dated 3 May 2011 between Revelstoke Limited and the Company, Revelstoke Limited agreed to sell and the Company agreed to purchase, on the day before the date of the admission of Glencore Shares to the Premium Listing segment of the Official List and to the trading on London Stock Exchange (the "UK Admission"), the entire issued ordinary share capital of Glencore International. As a consequence of the Glencore International Purchase Agreement, the Company became the parent company of the Glencore Group on the day before the date of UK Admission, on 23 May 2011.

19.1.4 The medium-term revolving credit facilities agreement

On 10 May 2010, Glencore International, Glencore Singapore Pte Ltd. ("GSPL") and Glencore AG entered into a US$10.22 billion revolving credit facilities

agreement (the "MTF Agreement" and the facilities granted thereby, the "MTF Facilities") with, among others, Banc of America Securities Limited, Banco Santander, S.A., London Branch, Barclays Capital (the investment banking division of Barclays Bank PLC), BNP Paribas, Citigroup Global Markets Limited, Commerzbank Aktiengesellschaft, London Branch, Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A. (trading as Rabobank International), London Branch, Crédit Agricole Corporate and Investment Bank, Credit Suisse AG, DBS Bank Ltd., London Branch, Deutsche Bank Luxembourg S.A., Fortis Bank (Nederland) N.V., HSBC Bank plc, ING Bank N.V., J.P. Morgan plc, Lloyds TSB Bank plc, Morgan Stanley Bank International Limited, Société Générale Corporate & Investment Banking, Standard Chartered Bank, The Royal Bank of Scotland plc and UBS Limited as mandated lead arrangers with Barclays Bank PLC acting as facility agent and swingline agent and various financial institutions as lenders. Glencore International is currently the sole borrower under the MTF Agreement; Glencore AG provides a guarantee for Glencore International's borrowing obligations.

The MTF Agreement originally provided for three separate MTF Facilities, namely Facility A, Facility B and Facility C (with Facility C being further divided into two tranches, Facility C1 and Facility C2). Facility A and Facility C expired on the day falling 364 days after the date of the MTF Agreement and were subsequently refinanced by new short-term revolving credit facilities. Facility B includes two extension options whereby the maturity date of Facility B may, in each case, be extended by a period of 12 months from the then applicable maturity date. Glencore International exercised the first extension option in 2011 and the second option in 2012, thereby extending the maturity date of US$8,030 million of Facility B to 10 May 2015.

Facility B is to be used towards working capital or general corporate purposes of Glencore and is available until the date falling seven days prior to its maturity date.

Interest is payable on advances under Facility B at the rate which is the aggregate of:

(a) the margin applicable to Facility B advances, which varies between 1.250 per cent. and 2.125 per cent. per annum, depending on the then current rating assigned by Standard & Poor's and/or Moody's in respect of Glencore International's long-term senior unsecured debt;

(b) LIBOR; and

(c) the mandatory cost (being the regulatory costs of the lenders which are passed on to the borrowers), if any.

The MTF Agreement includes a mandatory prepayment provision which is triggered by certain specified change of control events.

The MTF Agreement includes certain financial covenants that require Glencore to maintain certain financial ratios. Pursuant to these covenants, which are calculated in accordance with IFRS, on (i) the last day of each financial year and (ii) 30 June in each year (or such other date as is the end of the first half of each financial year), the consolidated financial condition of Glencore International and its subsidiaries, as evidenced by its latest consolidated financial statements, shall be such that:

(A) net consolidated working capital shall not be less than US$750 million;

(B) the ratio of consolidated current assets to consolidated current liabilities shall not fall below 1.10:1; and

(C) long-term debt shall not be more than 120 per cent. of consolidated tangible net worth.

The MTF Agreement contains representations, warranties and undertakings which are typical for these types of credit arrangements. The MTF Agreement also contains customary events of default upon occurrence of which the lenders may cancel their lending commitments and demand repayment of the advances made under Facility B.

19.1.5 The short-term revolving credit facilities agreement

On 25 April 2012 (the "STF Signing Date"), the Company, Glencore International and GSPL entered into a new US$4,435 million revolving credit facilities agreement (the "STF Agreement" and the facilities granted thereunder, the "STF Facilities") with, among others, ABN AMRO Bank N.V., Citigroup Global Markets Limited, Lloyds TSB Bank plc, Standard Chartered Bank and The Royal Bank of Scotland plc as mandated lead arrangers, Barclays Bank PLC as agent and various financial institutions as lenders. There are two separate facilities under the STF Agreement, namely a US$3,710 million Facility A1 which may be borrowed by Glencore International and a US$725 million Facility A2 which may be borrowed by GSPL. The borrowing obligations of Glencore International and GSPL are guaranteed by the Company.

The maturity date of each of the STF Facilities is the day falling 14 months after the STF Signing Date and each has a 10-month extension option exercisable at the relevant borrower's discretion. Each STF Facility includes an option whereby the outstanding revolving loans may be converted into a term loan (each such loan being a "Term Out Loan").

The representations, warranties, undertakings and events of default contained in the STF Agreement are substantially the same as those in the MTF Agreement, with the exception that the financial covenants in the STF Agreement are tested at the level of the Company rather than at the level of Glencore International.

Interest is payable on loans under the STF Facilities at the rate which is the aggregate of the applicable margin, LIBOR and the mandatory cost (being the regulatory costs of the lenders which are passed on to the borrowers), if any. The applicable margin for a loan (other than a Term Out Loan) under each of the STF Facilities is 1.25 per cent. per annum. The applicable margin in respect of a Term Out Loan is 1.75 per cent. per annum.

The STF Facilities, in aggregate with the amount extended under Facility B of the MTF Agreement, provide an increase in committed available liquidity of US$12,465 million.

19.1.6 The backstop revolving credit facility agreement

On 17 April 2012 (the "Backstop Signing Date"), Glencore International and the Company entered into a US$3.1 billion revolving credit facility agreement (the "Backstop Facility Agreement" and the facility granted thereunder, the "Backstop Facility") with, among others, Citigroup Global Markets Limited and Morgan Stanley Bank International Limited as mandated lead arrangers, Citibank International plc as facility agent and various financial institutions as lenders. Glencore International is the borrower and its borrowing obligations are guaranteed by the Company.

The maturity date of the Backstop Facility is the day falling 364 days after the date of the Backstop Facility Agreement, subject to a 364-day extension option exercisable at Glencore International's discretion.

The representations, warranties, undertakings and events of default contained in the Backstop Facility Agreement are substantially the same as those in the STF Agreement.

Interest is payable on loans under the Backstop Facility at a rate which is the aggregate of the applicable margin, LIBOR and the mandatory cost (being the regulatory costs of the lenders which are passed on to the borrowers), if any. The applicable margin for a loan under the Backstop Facility is 1.5 per cent. per annum prior to the Effective Date, 1.75 per cent. per annum from the Effective Date to the date falling 364 days after the Backstop Signing Date and, for each three-month period thereafter, the margin at the end of the preceding period plus 0.25 per cent. per annum.

19.1.7 **Committed secured borrowing base facility agreement**

On 9 November 2011 (the "BBF Signing Date"), Glencore International (the "BBF Borrower") and Glencore AG (the "BBF Guarantor") renewed their US$1.7 billion committed secured borrowing base facility agreement dated 10 November 2010 under the same terms (the "Base Facility Agreement", and the facility granted under the Base Facility Agreement being the "Base Facility") with, among others, BNP Paribas in each of its capacities as bookrunner and global co-ordinator, as agent, as security agent in respect of inventory and cash collateral, and as security agent in respect of receivables, and various financial institutions as lenders. The BBF Guarantor provides a guarantee for the BBF Borrower's obligations under and in connection with the Base Facility Agreement and the other finance documents.

The Base Facility includes an extension option whereby the maturity date may be extended by a period of 364 days from its BBF Initial Maturity Date (as defined below) (the "Base Facility Extension Option").

The Base Facility is to be used towards working capital purposes, being: (i) the financing of the BBF Borrower's physical base metal inventory of aluminium, copper, lead, nickel, zinc and tin; and (ii) the financing of receivables due to the BBF Borrower or the BBF Guarantor by their debtors, arising in the ordinary course of the BBF Borrower's or the BBF Guarantor's business.

The Base Facility is available until the date falling one week prior to the BBF Termination Date (as defined below).

Interest is payable on advances under the Base Facility at the rate which is the aggregate of:

(a) 1.10 per cent. per annum;

(b) LIBOR; and

(c) mandatory cost (being regulatory costs of the lenders which are passed on to the borrowers).

The Base Facility matures on:

(i) the day falling 364 days after the BBF Signing Date (the "BBF Initial Maturity Date"); or

(ii) if the BBF Initial Maturity Date has been extended under the Base Facility Extension Option, the day falling 728 days after the BBF Signing Date, such maturity date being the "BBF Termination Date".

The Base Facility Agreement includes mandatory prepayment provisions in the event of certain specified events (including a change of control event).

The Base Facility Agreement includes certain financial covenants that require Glencore to maintain certain financial ratios. Pursuant to these covenants, which are calculated in accordance with IFRS, on the last day of each financial year and on 30 June in each year, the consolidated financial condition of the BBF Borrower and its subsidiaries, as evidenced by its latest consolidated financial statements, shall be such that:

(A) net consolidated working capital shall not be less than US$750 million;

(B) the ratio of consolidated current assets to consolidated current liabilities shall not fall below 1.10:1; and

(C) long-term debt shall not be more than 120 per cent. of consolidated tangible net worth.

The Base Facility Agreement contains representations, warranties and undertakings which are typical for these types of credit arrangements. The Base Facility Agreement also contains customary events of default, upon occurrence of

which the lenders may cancel their lending commitments and demand repayment of the advances.

19.1.8 **US$2.3 billion 5 per cent. guaranteed convertible bonds due 2014**

Glencore Finance (Europe) S.A. (the "CB Issuer") issued (i) US$2.2 billion 5 per cent. guaranteed convertible bonds due 2014 (the "Original Convertible Bonds") constituted by a trust deed dated 23 December 2009 between the CB Issuer, Glencore International, Glencore AG and Citicorp Trustee Company Limited (the "Original CB Trust Deed") and (ii) a further US$100 million 5 per cent. guaranteed convertible bonds due 2014 (to be consolidated and to form a single series with the Original Convertible Bonds) (together with the Original Convertible Bonds, the "Glencore Convertible Bonds"), constituted by the Original CB Trust Deed as supplemented by a supplemental trust deed dated 10 March 2010 between the CB Issuer, Glencore International, Glencore AG (Glencore International and Glencore AG together, the "CB Guarantors") and Citicorp Trustee Company Limited (the "CB Trustee"). The Glencore Convertible Bonds constitute direct, general and unconditional obligations of the CB Issuer.

(a) Guarantee agreement

Pursuant to a guarantee agreement dated 23 December 2009, the CB Guarantors have unconditionally (subject, in the case of Glencore AG, to applicable Swiss law) and irrevocably guaranteed on a joint and several basis the due and punctual payment of all sums from time to time payable by the CB Issuer in respect of the Glencore Convertible Bonds.

(b) Negative pledge

Under the terms of the Glencore Convertible Bonds, none of the CB Issuer and the CB Guarantors will, and the CB Guarantors will not permit any material subsidiary to, directly or indirectly, create, incur, assume or permit to exist any mortgage, charge, pledge, lien or other security interest, except in certain limited circumstances, on or with respect to any property or assets of such entity or any interest therein or any income or profits therefrom to secure any present or future indebtedness in the form of, or represented or evidenced by, notes, bonds, debentures, debenture stock, loan stock or other securities which are, or are intended to be, with the consent of the person issuing the same, quoted, listed or ordinarily traded on any stock exchange or recognised over-the-counter or other securities market, and any guarantee or indemnity in respect thereof.

(c) Redemption

Unless previously redeemed, converted or purchased and cancelled, the Glencore Convertible Bonds will mature on 31 December 2014 (the "CB Maturity Date").

The Glencore Convertible Bonds may also be redeemed at the option of the CB Issuer on the occurrence of certain tax events. Bondholders may require the CB Issuer to redeem the Glencore Convertible Bonds in certain limited circumstances.

(d) Conversion

The Glencore Convertible Bonds are convertible into ordinary shares of Glencore at any time up to the 14th day prior to the CB Maturity Date. The number of shares issued to a bondholder upon conversion shall be equal to the relevant conversion ratio (subject to adjustment in certain circumstances) in effect on the relevant conversion date, as set out in the terms and conditions of the Glencore Convertible Bonds.

In addition, the Glencore Convertible Bonds are convertible into ordinary shares of Glencore at the option of the CB Issuer at the conversion ratio in effect on the relevant conversion date, at any time during the period beginning 18 months after the listing and ending on the 14th day prior to the CB Maturity Date, provided that the share price exceeds 150 per cent. of the conversion ratio for a specified period.

The conversion ratio is subject to adjustment from time to time, for so long as the Glencore Convertible Bonds remain outstanding, as a result of certain corporate actions taken by the CB Issuer, the CB Guarantors and/or Glencore.

(e) Events of default

An event of default under the Glencore Convertible Bonds will occur in certain circumstances, including, but not limited to, in respect of a failure to pay principal or interest in respect of the Glencore Convertible Bonds on the due date for payment thereof and such default continues for a period of 14 days, if the guarantee agreement is not in full force and effect, if any of the CB Issuer, the Guarantor or any material subsidiary fails to pay when due certain financial indebtedness, or such financial indebtedness becomes due and payable, or where there is a failure to pay when due under any applicable grace period amounts owing under the guarantee, in each case in circumstances where the amount of such financial indebtedness and/or the amount payable under such guarantee individually or in the aggregate exceeds US$50 million (or its equivalent in another currency). If any event of default occurs and is continuing, the CB Trustee at its discretion may and, if so requested in writing by holders of at least one quarter in principal amount of the outstanding Glencore Convertible Bonds or if so directed by an extraordinary resolution of the bondholders, shall (subject in certain cases to the CB Trustee having certified in writing that the happening of such events is in its opinion materially prejudicial to the interests of the bondholders) declare the Glencore Convertible Bonds due and payable at their principal amount together with accrued interest.

19.1.9 **US$12 billion EMTN Programme (the "EMTN Programme")**

Glencore Finance (Europe) S.A. (the "EMTN Issuer") has established the EMTN Programme under which it may from time to time issue notes (the "EMTN Notes") unconditionally and irrevocably guaranteed on a joint and several basis by Glencore and Glencore International (together the "EMTN Guarantors"). Deutsche Trustee Company Limited is appointed as trustee (the "EMTN Trustee") of the EMTN Notes pursuant to an amended and restated trust deed dated 8 November 2011. Notes issued under the EMTN Programme prior to the last update of the EMTN Programme on 8 November 2011 are guaranteed by the EMTN Guarantors and Glencore AG.

An event of default under the EMTN Notes will occur in certain circumstances, including, but not limited to, in respect of a failure to pay principal or interest in respect of the EMTN Notes on the due date for payment thereof and such default continues for a period of 14 days, if the relevant guarantee agreement is not in full force and effect, if any of the EMTN Issuer, the EMTN Guarantors or any material subsidiary fails to pay when due certain financial indebtedness, or such financial indebtedness becomes due and payable, or where there is a failure to pay when due within any applicable grace period amounts owing under any guarantee, in each case in circumstances where the amount of such financial indebtedness and/or the amount payable under such guarantee individually or in the aggregate exceeds US$50 million (or its equivalent in another currency).

If any event of default occurs and is continuing, the EMTN Trustee at its discretion may and, if so requested in writing by holders of at least one quarter in

principal amount of the relevant outstanding EMTN Notes or if so directed by an extraordinary resolution of the noteholders, shall (subject in certain cases to the EMTN Trustee having certified in writing that the happening of such events is in its opinion materially prejudicial to the interests of the noteholders) declare the EMTN Notes due and payable at their principal amount together with accrued interest.

19.1.10 **US$950 million 6 per cent. notes due 2014**

Glencore Funding LLC (the "2014 Notes Issuer") issued (i) US$800 million 6 per cent. notes due 2014 (the "Original 2014 Notes") at an issue price of 99.285 per cent. under an indenture dated 5 April 2004 between the 2014 Notes Issuer, Glencore International, Glencore AG, JPMorgan Chase Bank and BNP Paribas Securities Services, Luxembourg Branch (the "Original Indenture") and (ii) a further US$150 million 6 per cent. notes at an issue price of 96.647 per cent. (fungible, consolidated and to form a single singles with the Original 2014 Notes) (together with the Original 2014 Notes, the "2014 Notes") issued under the Original Indenture as supplemented by a supplemental indenture dated 21 April 2004 between the 2014 Notes Issuer, Glencore International, Glencore AG, JPMorgan Chase Bank (the "2014 Notes Trustee") and BNP Paribas Securities Services, Luxembourg Branch. A second supplemental indenture dated 27 July 2011 was entered into between the 2014 Notes Issuer, Glencore, Glencore International, Glencore AG (Glencore, Glencore International and Glencore AG together, the "2014 Notes Guarantors"), The Bank of New York Mellon and BNP Paribas Securities Services, Luxembourg Branch, pursuant to which, *inter alia*, Glencore was added as a guarantor. Interest on the 2014 Notes is payable semi-annually in arrears on 15 April and 15 October of each year. The 2014 Notes constitute direct, unsecured and unsubordinated obligations of the 2014 Notes Issuer.

(a) Guarantee agreements

The 2014 Notes Guarantors, jointly and severally, unconditionally (subject, in the case of Glencore AG, to applicable Swiss Law) guarantee the due and punctual payment of the principal and interest on the 2014 Notes as they become due and payable (the "2014 Notes Guarantees"). Each 2014 Notes Guarantee is a secured obligation of the applicable Guarantor and ranks *pari passu* in right of payment with other unsecured and unsubordinated indebtedness of that Guarantor.

(b) Covenants

Under the Original Indenture, the 2014 Notes Issuer and the 2014 Notes Guarantors have agreed certain restrictive covenants, including that neither the 2014 Notes Issuer nor any of the 2014 Notes Guarantors will, and Glencore will not permit any restricted subsidiary to, create, incur or assume any lien on any property or asset of the 2014 Notes Issuer, any of the 2014 Notes Guarantors or any restricted subsidiary, or any interest therein or any income or profit therefrom, securing any financial indebtedness or interest on any financial indebtedness other than in certain limited circumstances.

The 2014 Notes Issuer and each Guarantor, and Glencore on behalf of the restricted subsidiaries, have covenanted with respect to certain limitations for sale and leaseback transactions. The 2014 Notes Issuer and each Guarantor have also covenanted with respect to limitations on consolidations, mergers and the conveying, transferring or leasing of their properties and assets.

(c) Redemption

Unless previously redeemed or purchased, the 2014 Notes Issuer will redeem each Note on 15 April 2014. 2014 Notes may also be redeemed

at the option of the 2014 Notes Issuer or any of the 2014 Notes Guarantors in whole or in part at any time for a price equal to the greater of (i) 100 per cent. of the principal amount of the 2014 Notes to be redeemed and (ii) the sum of the present values of the applicable remaining scheduled payments discounted to the date of redemption on a semi-annual basis at the US treasury rate plus 35 basis points, together with, in each case, accrued interest on the principal amount of the 2014 Notes to be redeemed at the date of redemption. There is no restriction on the ability of the 2014 Notes Issuer, the 2014 Notes Guarantors or their subsidiaries to purchase or repurchase 2014 Notes. 2014 Notes are also redeemable at the option of the 2014 Notes Issuer or any 2014 Notes Guarantor on the occurrence of certain tax events.

(d) Events of default

An event of default under the 2014 Notes will occur in certain circumstances, including, but not limited to, a failure to pay any instalment of interest or additional amounts as they become due and payable and continuing for 30 days, non-payment of all or any part of the principal of any of the 2014 Notes when due and payable or if there is a failure to perform, or breach of any covenants continuing for 60 days following written notice of such breach. An event of default will also occur if there is a default under any other indebtedness of the 2014 Notes Issuer, 2014 Notes Guarantors or restricted subsidiary, or such indebtedness is not paid when due within any applicable grace period, or there is a failure by the 2014 Notes Issuer, 2014 Notes Guarantors or restricted subsidiaries to pay amounts payable under any guarantee or indemnity in respect of borrowed money, in each case provided that the aggregate amount of such financial indebtedness and/or the amount payable under such guarantee or indemnity exceeds US$50 million.

Where an event of default occurs and is continuing, either the 2014 Notes Trustee or the holders of not less than 25 per cent. in aggregate principal amount of the 2014 Notes then outstanding, by notice in writing to the 2014 Notes Issuer and the 2014 Notes Guarantors, may declare the entire principal amount of all 2014 Notes and interest accrued thereon to be due and payable.

19.1.11 **Relationship Agreement**

Glencore and Xstrata entered into a relationship agreement on 20 March 2002 to regulate the continuing relationship between the parties (the "Relationship Agreement"). In particular, it ensures that:

(a) Xstrata is capable of carrying on its business independently of Glencore as a controlling shareholder (as such term is defined in the Relationship Agreement);

(b) transactions and relationships between Glencore (or any of its subsidiaries or affiliates) and Xstrata are at an arm's length and on normal commercial terms;

(c) Glencore shall be entitled to nominate up to three directors or (if lower or higher) such number of directors equal to one less than the number of directors who are independent directors (which means a director who is not a director, officer or employee of any member of Glencore and is free from any business or other relationship with Glencore or any of its associates which could materially interfere with the exercise of his independent judgement in matters concerning Glencore); and

(d) directors of Xstrata nominated by Glencore shall not be permitted to vote on any board resolution, unless otherwise agreed by the independent directors, to approve any aspect of Xstrata's involvement in

or enforcement of any arrangements, agreements or transactions with Glencore or any of its subsidiaries or affiliates.

It is expressed that the Relationship Agreement terminates in the event that Glencore ceases to be a controlling shareholder of Xstrata following a sale or disposal of shares in Xstrata or if Xstrata ceases to be listed on the Official List and traded on the London Stock Exchange.

19.1.12 **Financing transactions relating to shares in Xstrata**

Following the Merger becoming Effective, the following transactions will be terminated as a result of Xstrata Shares no longer being listed.

Financing transactions with Credit Suisse International ("CS") relating to shares in Xstrata (the "CS Financing Transaction") effective as of the first business day after 27 March 2008

Finges Investment B.V. ("Finges"), a subsidiary of Glencore, entered into the CS Financing Transaction with CS effective as of the first business day after 27 March 2008 in order to obtain financing. The original loan amount under the CS Financing Transaction was US$1.5 billion. Finges "prepaid" US$500 million principal amount of the loan on 14 October 2008, and a further US$250 million principal amount on 29 December 2008, but redrew US$250 million principal amount on 22 April 2009, thereby bringing the principal amount outstanding under the loan to US$1 billion currently. Upon the satisfaction of certain contractual conditions, Finges may increase the amount of financing back up to US$1.5 billion. The loan was structured by way of a prepaid forward sale of a certain number of Xstrata shares by Finges to CS, and a simultaneous equity swap transaction by Finges hedging the exposure of Finges under the prepaid forward sale.

In connection with the CS Financing Transaction, Finges has provided security over a certain number of shares in Xstrata for the benefit of CS in respect of the obligations owed by Finges to CS under the CS Financing Transaction. As at 29 April 2011, the last practicable date before the publication of this Prospectus, the number of Xstrata shares subject to the security arrangement was 70,677,852.

Glencore guaranteed the payment obligations of Finges under the CS Financing Transaction pursuant to a Swiss law guarantee provided to CS on 11 September 2007, as amended on 27 March 2008.

Financing transaction with the Banks (as defined below) relating to shares in Xstrata (the "Bank Financing Transaction") effective as of the second business day after 25 September 2009

Finges Investment B.V. ("Finges"), a subsidiary of Glencore, entered into the Bank Financing Transaction with Barclays Bank PLC, Société Genérale, The Royal Bank of Scotland plc and Calyon (now known as Crédit Agricole Corporate and Investment Bank following a name change) (together the "BFT Banks" and each a "BFT Bank") effective as of the second business day after 25 September 2009 in order to obtain financing. The principal amount outstanding under the loan is currently US$1.3 billion. The loan was structured by way of a prepaid forward sale of a certain number of Xstrata shares by Finges to each of the BFT Banks, and a simultaneous equity swap transaction by Finges hedging the exposure of Finges under the prepaid forward sale.

In connection with the Bank Financing Transaction, Finges has provided security over a certain number of shares in Xstrata for the benefit of each BFT Bank in respect of the obligations owed by Finges to the BFT Banks under the Bank Financing Transaction. As at 29 April 2011, the last practicable date before the publication of this Prospectus, the number of Xstrata shares subject to the security arrangement was 91,881,208.

Glencore has guaranteed the payment obligations of Finges under the Bank Financing Transaction pursuant to a Swiss law guarantee provided to the BFT Banks on 24 September 2009.

19.1.13 **Kazzinc Share Purchase Agreements**

On 13 April 2011, Glencore International entered into two agreements with respect to the 48.73 per cent. interest in Kazzinc currently held indirectly by Verny Investments and Verny Rost:

(a) a share purchase and option agreement between Glencore International, Pasar Holdings Incorporated AG (a wholly-owned Group company) ("Pasar Holdings") and Verny Capital, acting in the interests of Verny Investments (the "Verny Investments SPA"); and

(b) a share purchase agreement between Glencore International, Kazastur Zinc AG (a wholly-owned Group company) ("Kazastur") and Verny Capital, acting in the interests of Verny Rost (the "Verny Rost SPA").

Pursuant to the Verny Investments SPA, Pasar Holdings has agreed to purchase a 12.50 per cent. interest in Kazzinc through the acquisition of interests in holding entities from Verny Investments (the "Kazzinc Tranche 1 Acquisition").

The consideration for the Kazzinc Tranche 1 Acquisition shall be satisfied on closing under the Verny Investments SPA by the issue of 116,822,428 Glencore Shares to Verny Investments (the "Kazzinc Consideration Shares"). The Kazzinc Consideration Shares shall, when issued, be subject to a lock-up with a duration of six months from issue. The parties have agreed to work towards completion in Q3 2012.

Pursuant to the Verny Rost SPA, Kazastur has agreed to purchase a 29.82 per cent. interest in Kazzinc, through the acquisition of interests in holding entities from Verny Rost (the "Kazzinc Tranche 2 Acquisition").

Closing under the Verny Rost SPA will be staggered such that a 9.94 per cent. interest in Kazzinc will be acquired by Kazastur through the acquisition of interests in holding entities from Verny Rost on three closing dates, the last of which shall not be later than 31 July 2012 or as otherwise agreed by the parties (each a "Kazzinc Tranche 2 Closing Date"). Closing is expected to occur in Q3 2012.

The consideration for the Kazzinc Tranche 2 Acquisition shall be satisfied by the payment in cash of US$2,200,000,000, which shall be paid in instalments of US$733,333,333.33 on each Kazzinc Tranche 2 Closing Date (the "Kazzinc Tranche 2 Consideration").

The Verny Investments SPA further sets out the agreement between Verny Investments and Pasar Holdings with respect to the terms of a possible acquisition by Pasar Holdings of Verny Investments' remaining 6.41 per cent. interest in Kazzinc (held indirectly) (the "Kazzinc Tranche 3 Acquisition").

Pasar Holdings and Verny Investments have a call option and a put option, respectively, in relation to the Kazzinc Tranche 3 Acquisition. Closing of the put or call option is conditional upon, amongst other things: (i) receipt of consent and waiver of pre-emption right from the Ministry of Industry and New Technologies of the Republic of Kazakhstan; (ii) subject, in both cases, to Glencore's commercial decisions on the basis of prevailing market conditions, the hive-down of all of Kazzinc's gold assets (excluding its non-ferrous business) to a new holding company wholly owned by Kazzinc ("Altyntau") and Pasar Holdings using its reasonable commercial endeavours to ensure Altyntau's listing on the Premium Listing segment of the Official List, subject to eligibility; and (iii) the publication of a pricing statement related to the initial public offering of Altyntau ("Altyntau IPO"). The put or call option may only be exercised after completion of the Kazzinc Tranche 1 Acquisition and before the earlier of: (A) the date

falling two months prior to the proposed intention to float date for Altyntau (or such other date as the parties may agree in writing); and (B) 31 December 2012; and if the put or call option is not exercised on or before 31 December 2012, then they shall lapse.

The consideration payable by Pasar Holdings following exercise of the put or call option shall be:

(I) a cash amount of US$192,000,000; plus

(II) a cash amount equal to 6.41 per cent. of the issued share capital of Altyntau multiplied by the Altyntau IPO offer price (the "Altyntau Stake Value"); minus

(III) a cash amount equal to 6.41 per cent. of the Altyntau Stake Value,

(the "Option Consideration").

The parties to the Verny Investments SPA have further agreed that, following the exercise of the put or call option, Verny Investments shall subscribe for such number of shares in Altyntau as is equal to 6.41 per cent. of Altyntau's issued share capital for an amount in cash equal to the Altyntau Stake Value.

Pursuant to the Verny Investments SPA and Verny Rost SPA, Verny Investments and Verny Rost, respectively, have given certain warranties and indemnities to Pasar Holdings and Kazastur, respectively, and Pasar Holdings and Kazastur, respectively, have given certain limited warranties to Verny Investments and Verny Rost, respectively.

In the event of any breach of the Verny Investments SPA by Verny Investments, Pasar Holdings shall have the right to reduce the Option Consideration, to the extent unpaid. In the event of any breach of the Verny Rost SPA by Verny Rost, Kazastur shall have the right to reduce the Kazzinc Tranche 2 Consideration, to the extent unpaid.

Glencore International has guaranteed the obligations of Pasar Holdings and Kazastur under the Verny Investments SPA and Verny Rost SPA, respectively.

19.1.14 **OAO RussNeft Loan Agreement**

On 21 December 2010, OAO RussNeft and Interseal Limited, a member of the Glencore Group ("Interseal"), entered into an amendment and restatement agreement (the "Consolidated Loan Agreement") which amended and consolidated various loans that had been made by Interseal to OAO RussNeft. This amendment was put in place as part of a wider restructuring of OAO RussNeft's indebtedness.

As a result of the amendment and consolidation effected by that agreement, a single loan from Interseal to OAO RussNeft is outstanding in an amount of US$2,080,655,312.12 (the "Outstanding Principal Amount").

The Consolidated Loan Agreement provides that:

(a) interest is payable on the Outstanding Principal Amount at a minimum interest rate of 9 per cent. per annum, 3 per cent. of which is payable quarterly in cash, so long as all indebtedness owed by OAO RussNeft to Sberbank of Russia remains outstanding and is current, with the balance of the interest being accrued for future payment. This accrued interest, together with an amount of unpaid interest accrued prior to the execution of the Consolidated Loan Agreement, is payable by OAO RussNeft to Interseal monthly along with the Outstanding Principal Amount in the circumstances described in paragraph (b) below;

(b) the Outstanding Principal Amount, together with accrued and unpaid interest, is only to be repaid following the repayment in full of all indebtedness owed by OAO RussNeft to Sberbank of Russia, and then in

minimum monthly instalments of US$96,000,000, commencing in the last quarter of 2017;

(c) in addition to the monthly instalments described in paragraph (b), following the repayment in full of the indebtedness owed by OAO RussNeft to Sberbank of Russia, a quarterly cash sweep will also require OAO RussNeft to reduce further the Outstanding Principal Amount by an amount equal to excess cash flow (i.e. the amount by which cash flow exceeds debt service) generated during the relevant quarter; and

(d) in any event, OAO RussNeft is required to repay the Outstanding Principal Amount, together with all accrued and unpaid interest, in full to Interseal on or before 31 December 2020.

The Consolidated Loan Agreement also includes representations, warranties and undertakings from OAO RussNeft which are typical for these types of credit arrangements. The Consolidated Loan Agreement also contains customary events of default upon occurrence of which Interseal may demand repayment of the Outstanding Principal Amount.

The amounts outstanding under the Consolidated Loan Agreement are secured by various pledges of shares of members of the OAO RussNeft group, the enforcement of which is to be agreed with Sberbank of Russia whilst all indebtedness owed to it by OAO RussNeft remains outstanding.

19.1.15 **Break fee agreement**

Glencore and Xstrata also entered into a reverse break fee agreement on 7 February 2012 pursuant to which Glencore has agreed to pay to Xstrata by way of compensation a fee in the amount of £298 million (inclusive of irrecoverable value added tax), payable in the event that the Glencore Board withdraws, amends, modifies or qualifies its recommendation of the Merger or resolves or agrees to do the same so as to cause the Merger not to proceed, save where such change in recommendation occurs, directly or indirectly, as a result of an event or events outside the control of Glencore.

19.1.16 **Viterra arrangement agreement**

Glencore, 8115222 Canada Inc. (the "Purchaser"), a wholly-owned subsidiary of Glencore, and Viterra entered into an arrangement agreement dated 20 March 2012 (the "Arrangement Agreement"), pursuant to which the Purchaser has agreed to acquire all of the outstanding shares (including those shares represented by CHESS Depositary Interests) of Viterra for C$16.25 per share (the "Purchase Price") pursuant to a court approved plan of arrangement (the "Viterra Arrangement") under the Canada Business Corporations Act. Under the Viterra Arrangement, holders of options under Viterra's management stock option plan will receive a cash payment representing the amount (if any) C$16.25 exceeds the exercise price of such option, net of all taxes required to be withheld, and each restricted share unit, key employee share unit, performance share unit (assuming performance conditions are met) and deferred share unit of Viterra will be redeemed and the holder will receive C$16.25 in cash for each such security, net of all taxes required to be withheld.

The Viterra Arrangement was subject to approval by not less than 66⅔ per cent. of shareholders of Viterra (the "Viterra Shareholders") voting in person or by proxy at a special meeting of the Viterra Shareholders. Viterra Shareholders approved the Viterra Arrangement on 29 May 2012. The Viterra Arrangement is also subject to receipt by the Purchaser of certain regulatory approvals and approval of the Ontario Superior Court of Justice (Commercial List).

Viterra is restricted by the Arrangement Agreement, subject to certain limited exceptions, from: (a) directly or indirectly, through any person, soliciting or encouraging any enquiries or proposals relating to any transaction involving Viterra or its subsidiaries representing the sale of 20 per cent. or more of the

shares of Viterra or assets which constitute 20 per cent. or more of the consolidated assets or contributing 20 per cent. or more of consolidated revenue of Viterra (an "Acquisition Proposal"); (b) withdrawing or modifying the recommendation of the Viterra Arrangement; (c) participating in discussions or negotiations with regards to an Acquisition Proposal; (d) approving or recommending or publicly proposing to approve or recommend any Acquisition Proposal; or (e) accepting or entering or proposing publicly to enter into any arrangement or agreement in respect of an Arrangement Agreement.

The Arrangement Agreement may be terminated by a party (i) if the effective date of the Viterra Arrangement does not occur before 15 October 2012, (ii) by written agreement or (iii) if the Viterra Shareholders do not approve the Viterra Arrangement. Viterra may terminate the Arrangement Agreement if (A) a condition is not satisfied by the Purchaser or Glencore or (B) Viterra wishes to enter into a binding written agreement with respect to a Superior Proposal. The Purchaser or Glencore may terminate the Arrangement Agreement if (I) a condition is not satisfied by Viterra, (II) Viterra withdraws, qualifies or modifies its recommendation to Viterra Shareholders to approve the Viterra Arrangement, (III) Viterra approves or recommends an Acquisition Proposal or (IV) Viterra fails to publicly recommend or reaffirm its approval of the Viterra Arrangement after the Viterra Shareholders receive an Acquisition Proposal.

If the Arrangement Agreement is terminated in the circumstances set out in clauses (B), (II), (III) and (IV) in the paragraph above, Viterra shall pay the Purchaser a termination fee equal to C$185 million. If the Arrangement Agreement is terminated as a result of the Purchaser being unable to obtain the required regulatory approvals, the Purchaser shall pay Viterra C$50 million.

The parties have made customary representations and warranties to each other for a transaction of this nature. Additionally, each of the parties agrees to perform all obligations required to be performed by it under the Arrangement Agreement, co-operate with each other in connection therewith, and do all such other reasonable acts and things as may be necessary or desirable in order to consummate and make effective, as soon as reasonably practicable, the transactions contemplated in the Arrangement Agreement.

Viterra has agreed to, among other things, conduct its business in the ordinary course consistent with past practice, use commercially reasonable efforts to maintain and preserve its business organisation, assets, employees, goodwill and business relationship and not undertake or enter a transaction or series of transactions that would prevent Glencore and the Purchaser from obtaining a "tax cost bump" pursuant to the Income Tax Act (Canada). Subject to certain conditions, Viterra has agreed, at the request and cost of the Purchaser, to effect such reorganisations of Viterra, its business, operations, assets and the integration of other affiliated businesses of Viterra.

19.1.17 **Agrium support and purchase agreement**

In connection with the Viterra Arrangement, Glencore, 8115222 Canada Inc. (the "Purchaser"), 8001979 Canada Inc. and Agrium entered into a support and purchase agreement dated 19 March 2012 (the "Agrium Agreement").

Agrium has agreed, on the terms and subject to the conditions of the Agrium Agreement, to acquire the majority of Viterra's worldwide agri-products business, including: (a) certain crop input retail centres, fertiliser and ammonia storage and distribution assets in western Canada, Viterra Financial™ arrangements related to crop input retail centres and Viterra's interests in Interprovincial Cooperative Limited (collectively, the "Retail Business"); (b) Viterra's interests in Canadian Fertilizer Limited and certain associated liabilities (the "Wholesale Business"); and (c) at Agrium's option, Viterra's wool business, subject to certain excluded assets and associated liabilities (collectively, the "Agrium Assets").

The purchase price for the Agrium Assets is approximately C$1.775 billion, including estimated working capital requirements, (the "Agrium Consideration") and is subject to adjustment in certain circumstances, including, among others and subject to certain conditions, upon increases in the consideration under the Viterra Arrangement (the "Viterra Consideration"). Upon any such increase in the Viterra Consideration and if Agrium does not approve the corresponding increase in the Agrium Consideration, the Purchaser may elect to maintain Agrium's obligation to acquire the Agrium Assets pursuant to the Agrium Agreement at the Agrium Consideration last agreed to by Agrium, failing which the Agrium Agreement shall automatically terminate. The transfer of the Agrium Assets is subject to the satisfaction of certain conditions and may be completed in a series of separate closings.

Agrium has agreed to lend the Purchaser approximately C$1.775 billion (the "Agrium Loan") prior to the date the Viterra Arrangement becomes effective. Glencore and 8001979 Canada Inc. have guaranteed the Purchaser's obligations under the Agrium Loan. The Agrium Loan is repayable by the transfer of the Agrium Assets to Agrium, subject to certain conditions. The Agrium Loan only bears interest if the Purchaser is in default and such interest is payable on the principal amount of the Agrium Loan then outstanding. Agrium does not have any right to acquire shares in Viterra but has been granted a security interest over an amount of shares in Viterra equal to the Agrium Loan divided by the Viterra Consideration paid under the Viterra Arrangement. The funding of the Agrium Loan and Agrium's obligation to acquire the Agrium Assets are conditional upon, among other things, no change, effect, event, circumstance, occurrence or state of facts pending or threatened that has had, or would reasonably be expected to have, an effect that is, or would reasonably be expected to be, material and adverse to Viterra's agri-products business taken as a whole since the date of the Agrium Agreement.

Agrium will be solely responsible for obtaining all regulatory clearances for its acquisition of the Agrium Assets or, alternatively, Agrium may nominate a third party purchaser of such assets. If such regulatory clearances are not obtained within 10 months, in the case of the Retail Business, and within 13 months, in the case of the Wholesale Business, and in both cases from the acquisition of Viterra by the Purchaser, the Purchaser may elect to dispose of the Agrium Assets in consultation with Agrium. Agrium accepts the risk that the proceeds of any such sale may be for an amount less than the portion of the Agrium Consideration allocated to such asset. Agrium will not own or operate the applicable Agrium Assets unless and until the completion of the transfer of the respective Agrium Assets. Subject to applicable law, from the date of the acquisition of control of Viterra by the Purchaser to each applicable date of the completion of the transfer of the Agrium Assets, Glencore will cause Viterra to operate the Agrium Assets in Viterra's ordinary course of business and consistent with past practice.

Agrium has also agreed to deal exclusively with the Purchaser and Glencore with respect to the Agrium Assets and the Purchaser and Glencore have agreed to deal exclusively with Agrium with respect to the Agrium Assets, subject to certain conditions.

The Agrium Agreement may be terminated upon two business days' prior written notice by each party thereto if: (i) Glencore and the Purchaser have abandoned the Viterra Arrangement; or (ii) the Purchaser has not acquired 66⅔ per cent. of the shares of Viterra within 160 days of the date of the Agrium Agreement.

Glencore and the Purchaser may terminate the Agrium Agreement upon one business day's prior written notice to Agrium if Agrium fails to advance the Agrium Loan as and when required by the Agrium Agreement.

The Viterra Arrangement is not conditional upon completion of the transactions contemplated under the Agrium Agreement.

19.1.18 **Richardson purchase agreement**

In connection with the Viterra Arrangement, Glencore, 8115222 Canada Inc. (the "Purchaser"), certain of Glencore's affiliates and Richardson entered into a purchase agreement dated 20 March 2012 (the "Richardson Agreement").

Richardson has agreed, on the terms and subject to the conditions of the Richardson Agreement, to acquire the following Viterra assets: (a) certain Canadian grain elevators; (b) certain agri-centres co-located with certain of the grain elevators; (c) a 25 per cent. interest in the Cascadia Terminal in Vancouver; (d) all oat milling assets and shares relating to Viterra's oat milling business in Canada; (e) all assets or shares of the 21st Century Grain Processing business of Viterra in the United States; and (f) a terminal at Thunder Bay, Ontario, together with the net working capital with respect to certain of these assets (collectively, the "Richardson Assets"). The purchase price for the Richardson Assets is approximately C$0.8 billion plus net working capital, subject to adjustment in certain circumstances (the "Richardson Consideration"), including, among others and subject to certain conditions, upon increases in the consideration under the Viterra Arrangement (the "Viterra Consideration"). Upon any such increase in the Viterra Consideration and if Richardson does not approve the corresponding increase in the Richardson Consideration, the Purchaser may elect to maintain Richardson's obligation to acquire the Richardson Assets pursuant to the Richardson Agreement at the Richardson Consideration last agreed to by Richardson, failing which the Richardson Agreement shall automatically terminate. The transfer of the Richardson Assets is subject to the satisfaction of certain conditions and may be completed in a series of separate closings.

Richardson has agreed to lend the Purchaser an amount approximately equal to the Richardson Consideration prior to the date the Viterra Arrangement becomes effective (the "Richardson Loan"). Glencore and certain of its affiliates have guaranteed the Purchaser's obligations under the Richardson Loan. The Richardson Loan is repayable by the transfer of the Richardson Assets to Richardson, subject to certain conditions. Interest shall accrue on the outstanding principal amount of the Richardson Loan from the date it is advanced until the earlier of the date of the completion of the final transfer of the Richardson Assets and the long-stop date provided under the Richardson Agreement for Richardson to obtain regulatory clearances. Richardson does not have any right to acquire shares in Viterra but has been granted a security interest over an amount of shares in Viterra equal to the Richardson Loan outstanding divided by the Viterra Consideration paid under the Viterra Arrangement. The funding of the Richardson Loan is conditional on, among other things, no change, effect, event, circumstance, occurrence or state of facts, pending or threatened, that has had, or would reasonably be expected to have, an effect that is, or would reasonably be expected to be, material and adverse to the Richardson Assets taken as whole since 24 February 2012. The Richardson Agreement will automatically terminate if Richardson notifies Glencore, prior to the acquisition of the shares in Viterra pursuant to the Viterra Arrangement, that it is relying on a funding condition to not advance the Richardson Loan.

Richardson will be solely responsible for obtaining all regulatory clearances for the transfers of the Richardson Assets. Richardson will not own or operate the applicable Richardson Assets unless and until the completion of the respective transfer of the Richardson Assets. Subject to applicable law, from the date of the acquisition of control of Viterra by the Purchaser to the date of the completion of any Richardson Asset transfer, Glencore will cause Viterra to operate the Richardson Assets in Viterra's ordinary course of business and consistent with past practice.

Richardson has agreed, subject to completion of the initial Richardson Asset closing, to share a specified percentage of certain expenses incurred by Richardson and Glencore following the date of the Richardson Agreement up to US$2 million, in the event that Glencore or the Purchaser becomes entitled to a

break fee, expense reimbursement fee or other similar fee from Viterra, Richardson shall be entitled to a specified percentage of such fees.

Either Glencore or Richardson may terminate the Richardson Agreement in certain circumstances, including, among others, upon two business days' prior written notice to the other party if: (i) Glencore and the Purchaser have abandoned the Viterra Arrangement; or (ii) the Purchaser has not, among other things, acquired 66⅔ per cent. of the shares of Viterra within 160 days of the date of the Richardson Agreement, subject to extension by Richardson, in its sole judgement, with at least 10 business days' notice to Glencore and the Purchaser.

Glencore and the Purchaser may terminate the Richardson Agreement upon one business day's prior written notice to Richardson if Richardson fails to advance the Richardson Loan as and when required by the Richardson Agreement.

Until any such termination of the Richardson Agreement, Richardson, Glencore and the Purchaser have agreed to deal exclusively with each other with respect to Viterra and the Richardson Assets, subject to Glencore's ability to perform the Agrium Agreement.

The Viterra Arrangement is not conditional upon completion of the transactions contemplated under the Richardson Agreement.

19.2 **Xstrata material contracts**

The following are all of the contracts (not being contracts entered into in the ordinary course of business) which have been entered into by Xstrata and/or members of the Xstrata Group within the two years immediately preceding the date of this document which are, or may be, material to the Xstrata Group or which have been entered into at any time by any member of the Xstrata Group which contain any provision under which any member of the Xstrata Group has any obligation or entitlement which is, or may be, material to the Xstrata Group as at the date of this document:

19.2.1 **Relationship Agreement**

Please see paragraph 19.1.11, which sets out the details of the Relationship Agreement.

19.2.2 **Break fee Agreement**

Please see paragraph 19.1.15, which sets out the details of the break fee agreement.

19.2.3 **The US$6 billion multi-currency revolving credit facility**

On 24 October 2011, Xstrata (Schweiz) AG, Xstrata Finance (Canada) Limited, Xstrata Canada Financial Corporation, Xstrata Finance (Dubai) Limited as borrowers and guarantors and Xstrata as guarantor and parent entered into a US$6 billion multi-currency revolving credit facility (the "Club Facility") with Abbey National Treasury Services plc (trading as Santander Global Banking & Markets), Australia and New Zealand Banking Group Limited, Banco Bilbao Vizcaya Argentaria, S.A., Barclays Capital, Canadian Imperial Bank of Commerce, Citigroup Global Markets Limited, Commerzbank Aktiengesellschaft, Commonwealth Bank of Australia, Crédit Agricole Corporate and Investment Bank, Deutsche Bank AG, London Branch, HSBC Bank plc, J.P. Morgan Limited, Lloyds TSB Bank plc, Mizuho Corporate Bank, Limited, National Australia Bank Limited, Royal Bank of Canada, Standard Chartered Bank, Sumitomo Mitsui Banking Corporation, The Bank of Novia Scotia, The Bank of Tokyo-Mitsubishi UFJ, Limited, The Royal Bank of Scotland plc and the Toronto-Dominion Bank as arrangers and with Abbey National Treasury Services plc (trading as Santander Global Banking & Markets), Barclays Capital, Citigroup Global Markets Limited, Commerzbank Aktiengesellschaft, Crédit Agricole Corporate and Investment Bank, Deutsche Bank AG, London Branch, HSBC Bank plc, J.P. Morgan Limited, Lloyds TSB Bank plc, Mizuho Corporate Bank, Limited, Royal Bank of Canada, The Bank of Tokyo-Mitsubishi UFJ, Limited and The Royal Bank of Scotland plc as bookrunners and with Barclays Bank PLC as facility agent and certain banks as original lenders.

The Xstrata Group have used the Club Facility to refinance existing facilities and for general corporate purposes.

Interest is payable on the loans at the rate which is the aggregate of: (a) LIBOR or, in relation to any loan in Euro, EURIBOR; (b) mandatory costs (being regulatory costs of the lenders which are passed on to the borrowers); and (c) the relevant margin per annum, which is 0.85 per cent. but subject to adjustment, whereby if the long-term credit ratings assigned by Moody's/Standard & Poor's to Xstrata are: (i) A3/A− or higher, the margin payable will be 0.60 per cent.; (ii) Baa1/BBB+, the margin payable will be 0.75 per cent.; (iii) Baa2/BBB, the margin payable will be 0.85 per cent.; or (iv) Baa3/BBB− or lower, the margin payable will be 1.00 per cent. If such rating is split, the margin shall be calculated on the lower of the two ratings unless the difference is greater than one notch, in which case the margin will be calculated by averaging the margin for the two ratings. If only one rating is assigned to Xstrata, the margin will be such rating. If Xstrata ceases to be rated by such agencies, or an event of default is continuing, the margin payable will be 1.00 per cent. The margin adjustment does not apply to loans then outstanding.

The interest payable on swingline loans is the higher of: (A) the prime commercial lending rate as determined by the facility agent at such time; and (B) 0.5 per cent. per annum plus the federal funds rate at such time. Certain commitment, agency and utilisation fees are also payable.

The Club Facility is available until one month prior to maturity. Maturity is subject to two independent extension options. If no extension option is exercised, maturity, when all amounts must be repaid, will be 24 October 2016. Subject to certain conditions, Xstrata (Schweiz) AG may request an extension of the maturity until 24 October 2017 and/or until 24 October 2018.

The Club Facility contains certain mandatory prepayment events, including: (I) illegality; and (II) a change of control of Xstrata. As the occurrence of the Merger would constitute a change of control under the Club Facility, the Xstrata Group has obtained all lender consent to a waiver of such provision and intends to amend and restate the Club Facility prior to the Effective Date.

The Club Facility contains representations, warranties and undertakings (including financial condition covenants and undertakings) and a guarantee from Xstrata, Xstrata (Schweiz) AG, Xstrata Finance (Canada) Limited, Xstrata Canada Financial Corporation and Xstrata Finance (Dubai) Limited in favour of the lenders of the Club Facility, which are typical for these types of credit agreements. It also contains customary events of default upon occurrence of which the lenders may terminate and demand repayment of the Club Facility.

19.2.4 **Las Bambas option agreement**

An option contract dated 1 October 2004 between Empresa Minera del Centro del Peru S.A. ("Centromin") and Xstrata Peru S.A. relating to the grant of an option for a term of five years, with the potential to extend by a new option contract for a further one year.

The agreement was entered into following the Xstrata Group winning the right, in August 2004, to explore, and the option to develop, the Las Bambas copper-gold-molybdenum project in Southern Peru following an international bid process conducted by ProInversion (Peru's Private Investment Promotion Agency).

The consideration for the initial option was US$45.5 million plus US$500,000 and US$750,000 for each six months in year five and year six of the option, respectively. On the exercise of the option, Centromin agreed to execute a transfer agreement relating to the transfer of mining tenements covering approximately 35,000 hectares and including the Chalcobamba, Ferrobamba, Sulfobamba and Charcas deposits and other assets to Xstrata.

The Las Bambas copper project is within the Southern Peru copper belt, which hosts a series of major copper operations, including Toquepala and Cuajone

(SPCC), the Tintaya operation and Cerro Verde (Phelps Dodge). It is located in the district of Apurimac, 260 kilometres from Cuzco. Exploration work indicated a resource in excess of 500 million tonnes and copper grades of over 1 per cent.

In September 2010, the Peruvian Government transferred the Las Bambas mining titles to the Xstrata Group following the Xstrata Group's decision to invest US$4.2 billion to develop the Las Bambas Project.

19.2.5 **Option agreement relating to the Agua Rica project**

In August 2011, Xstrata Copper, Goldcorp Inc. ("Goldcorp") and Yamana Gold Inc. ("Yamana") entered into a definitive agreement providing Minera Alumbrera Limited Sucursal Argentina ("Minera Alumbrera") the exclusive option to acquire Yamana's 100 per cent. interest in the Agua Rica project. Agua Rica is a feasibility stage project in the province of Catamarca, Argentina, located approximately 35 kilometres from the currently operating Alumbrera mine.

Minera Alumbrera is a joint venture operation between Xstrata Copper (manager and 50 per cent. owner), Goldcorp (37.5 per cent. owner) and Yamana (12.5 per cent. owner) that currently operates the Alumbrera mine. Under the terms of the definitive agreement, Minera Alumbrera holds an exclusive four-year option to acquire Yamana's interest in the Agua Rica project for cumulative payments made by Goldcorp and Xstrata Copper of US$110 million. During the option period, Minera Alumbrera will manage the Agua Rica project and fund a feasibility study and all development costs. The respective ownership interests in Minera Alumbrera would remain unchanged and apply to the Agua Rica project.

Goldcorp and Xstrata Copper made a payment of US$20 million to Yamana on execution of the definitive agreement, in addition to the US$10 million paid previously.

Minera Alumbrera can elect to exercise the option at any time during the four-year period. Upon approval to proceed, Yamana would receive US$150 million and a further US$50 million on commencement of commercial production in addition to the remaining option payments. Yamana would also retain the right to a deferred payment related to 65 per cent. of the payable gold production from Agua Rica to a maximum of 2.3 million ounces.

19.2.6 **2011 bond issue**

On 4 November 2011, Xstrata announced the launch and pricing of a US$ denominated issue of notes (the "Notes") in a US$3 billion four-tranche transaction comprising three year, five year, 10 year and 30 year Notes issued through its subsidiary Xstrata Finance (Canada) Limited. The transaction covers US$800 million 2.85 per cent. guaranteed Notes due November 2014, US$700 million 3.60 per cent. guaranteed Notes due January 2017, US$1,000 million 4.95 per cent. guaranteed Notes due November 2021 and US$500 million 6.00 per cent. guaranteed Notes due November 2041.

The Notes are guaranteed by Xstrata, Xstrata (Schweiz) AG, Xstrata Finance (Dubai) Limited, and Xstrata Canada Financial Corp. The Notes have been offered and sold pursuant to Rule 144A and Regulation S of the US Securities Act.

19.2.7 **Sukunka and JX Nippon joint venture**

On 13 March 2012, Xstrata Coal and JX Nippon Oil & Energy Corporation ("JX") announced the creation of a joint venture comprising contiguous metallurgical coal assets in the Peace River Coalfields in Western Canada. JX Nippon Oil & Energy (Australia) Pty Ltd ("JX Australia"), a subsidiary of JX, has paid US$435 million in cash to acquire a 25 per cent. interest in Xstrata Coal British Columbia ("XCBC"). XCBC comprises a 100 per cent. interest in the following metallurgical coal assets:

(a) First Coal tenements, acquired by Xstrata Coal in August 2011, representing over 100,000 hectares of contiguous coal licences and applications;

(b) the Lossan coal deposit acquired by Xstrata Coal in October 2011; and

(c) the Sukunka coal deposit, the acquisition of which was announced by Xstrata Coal on 8 March 2012 and which completed on 13 March 2012.

Xstrata Coal retains a 75 per cent. interest in XCBC and will develop, operate and manage the assets on behalf of the joint venture. Together with its 25 per cent. interest in XCBC through JX Australia, JX will be the exclusive marketing agent for First Coal and Sukunka coal sold into Japan. Xstrata Coal has combined the project formerly known as Lossan with neighbouring First Coal tenements to create an expanded open-cut coal project of significantly larger scale, now known as the Suska Coal Project ("Suska"). Technical studies indicate that the two most advanced XCBC projects, Sukunka and Suska, have the potential to produce up to approximately 9.5 million tonnes per annum. The majority of this production is expected to comprise hard coking coal with the balance expected to be PCI coal.

Sukunka has an NI 43-101 compliant coal resource of 236 million tonnes in the Measured and Indicated categories. Norwest Corporation has completed a pre-feasibility study for a longwall mine producing hard coking coal. Xstrata Coal's technical studies indicate the potential to realise further value from the resource. Both historical exploration reports and recent studies highlight the prospectivity of the First Coal tenements for significant deposits of export quality metallurgical coals. An exploration programme is on track to commence in 2012 following receipt of approvals.

20 Consents

20.1 Citigroup Global Markets Limited, whose address is Citigroup Centre, Canada Square, London E14 5LB, has given and has not withdrawn its written consent to the inclusion in this document of references to its name in the form and context in which it appears.

20.2 Morgan Stanley & Co. Limited, whose address is 25 Cabot Square, Canary Wharf, London E14 4QA, has given and has not withdrawn its written consent to the inclusion in this document of references to its name in the form and context in which it appears.

20.3 Deloitte LLP has given, and has not withdrawn, its written consent to the inclusion in this document of its report set out in Part IX: "Unaudited Pro Forma Financial Information of the Combined Group" in the form and context in which it appears.

21 General

21.1 The total costs, charges and expenses payable by Glencore in connection with the Merger are estimated to be approximately US$69 million (exclusive of VAT).

21.2 Since its incorporation, the only dividend paid by Glencore was a 2011 interim dividend of US$0.05 per Glencore Share, amounting to US$346 million, which was paid on 30 September 2011. The Directors proposed a final dividend of US$0.10 per Glencore Share for the year ended 31 December 2011, amounting to US$692 million, which was declared by Glencore Shareholders on 9 May 2012 and will be paid on 1 June 2012.

22 Documents available for inspection

Copies of the following documents:

(a) the Memorandum and Articles;

(b) the Glencore IPO Prospectus;

(c) the Glencore Annual Report and Accounts for the financial year ended 31 December 2011;

(d) the Glencore Circular;

(e) the consent letters referred to in paragraph 20 above;

(f) the report from Deloitte LLP set out in Part IX: "Unaudited Pro Forma Financial Information of the Combined Group"; and

(g) this document,

are available for inspection during usual business hours on any weekday (Saturdays, Sundays and public holidays excepted) for a period from the date of publication of this document until Admission at the registered office of the Company, Queensway House, Hilgrove Street, St Helier, Jersey JE1 1ES.

PART XII

GLENCORE SUMMARY ORE RESERVES AND MINERAL RESOURCES INFORMATION

The following table sets out the ore reserves and mineral resources information incorporated by reference into this document relating to Glencore and the Glencore Group which is relevant to this document:

Information incorporated by reference into this document	Reference document	Page number(s) in reference document
Reserves and resources	Glencore Annual Report and Accounts 2011	68–77

PART XIII

XSTRATA SUMMARY ORE RESERVES AND MINERAL RESOURCES INFORMATION

The following table sets out the ore reserves and mineral resources information incorporated by reference into this document relating to Xstrata and the Xstrata Group which is relevant to this document:

Information incorporated by reference into this document	Reference document	Page number(s) in reference document
Summary Ore Reserves and Mineral Resources Information	Glencore Circular	62–89

DEFINITIONS

The definitions set out below apply throughout this Prospectus, unless the context requires otherwise.

Admission	means the New Glencore Shares being admitted to the premium listing segment of the Official List and to trading on the London Stock Exchange's main market for listed securities;
AGM	means Annual General Meeting;
Agrium	means Agrium Inc., registered under the federal laws of Canada pursuant to the Canada Business Corporations Act with corporation number 2880814 and registered office at 13131 Lake Fraser Drive S.E., Calgary AB T2J 7E8, Canada;
Articles	means the articles of association of Glencore;
AR Zinc	means AR Zinc SA, an entity in which Glencore has a 100 per cent. interest;
bbls	means barrels;
BEE	means Black Economic Empowerment;
Blackthorn Resources	means Blackthorn Resources Limited, an entity in which Glencore has a 13 per cent. interest;
Business Day	means a day on which the London Stock Exchange is open for business;
Century Aluminum	means Century Aluminum Company, an entity in which Glencore has a 46.4 per cent. economic interest;
Cerrejón	means Carbones del Cerrejón Limited;
CEZ	means Canadian Electrolyte Zinc Limited;
Chemoil	means Chemoil Energy Limited, an entity in which Glencore has a 51.5 per cent. interest;
CIM	means the Canadian Institute of Mining, Metallurgy and Petroleum;
CIM Council	means the council of the CIM;
CIM Definition Standards	means standards for the classification of mineral resources and reserves into various categories as approved by CIM on 20 August 2000, and updated on 14 November 2004, for reporting of exploration information, mineral resources and mineral reserves in Canada, adopted by the CIM Council on 11 December 2005, and are incorporated by reference in NI 43-101;
CIM Estimation Guidelines	means guidelines intended to assist a Qualified Person, as defined in NI 43-101, in the planning, supervision, preparation and reporting of mineral resources and mineral reserves estimates in accordance with NI 43-101, as presented in the report "Estimation of Mineral Resources and Mineral Reserves Best Practice Guidelines" dated 30 May 2003 by CIM, adopted by the CIM Council on 23 November 2003;
CIS	means the Commonwealth of Independent States, whose participant countries are certain former members of the Union of Soviet Socialist Republics;
Citi	means Citigroup Global Markets Limited;
City Code or **Code**	means the City Code on Takeovers and Mergers;

Cobar	means Cobar Management Pty Ltd, an entity in which Glencore has a 100 per cent. interest;
Columbia Falls	means Columbia Falls Aluminum Company LLC, an entity in which Glencore has a 100 per cent. interest;
Combined Entity	means the ultimate parent company of the Combined Group, which, upon the Merger becoming Effective, will be Glencore (to be renamed Glencore Xstrata plc);
Combined Group	means the combined group following the Merger, comprising the Glencore Group and the Xstrata Group;
Combined Group Board	means the board of directors of the Combined Entity following the Merger;
Combined Group Ordinary Share Capital	means all of the issued Glencore Shares at the date immediately following the Merger becoming Effective;
COMEX or **NYMEX**	means the Commodity Exchange division of the New York Mercantile Exchange;
Conditions	means the conditions to the implementation of the Merger (including the Scheme) as set out in Part IV of the Scheme Document;
Court	means the High Court of Justice in England and Wales;
CREST	means the computer system (as defined in the Companies (Uncertified Securities) (Jersey) Order 1999) in respect of which Euroclear UK & Ireland Limited is the authorised operator (as defined in such order) in accordance with which securities may be held and transferred in uncertificated form;
Daily Official List	means the daily official list of the London Stock Exchange;
Directors or **Glencore Directors**	means the directors of Glencore, whose names appear in the section headed "Board of Directors" in Part IV: "Directors, Proposed Directors and Corporate Governance";
Disclosure and Transparency Rules or **DTRs**	means the Disclosure and Transparency Rules of the UK Listing Authority;
Dispose	means to directly or indirectly offer, sell, contract to sell, grant or sell options over, purchase any option or contract to sell, transfer, charge, pledge, grant any right or warrant to purchase or otherwise transfer, lend or dispose of, directly or indirectly, Glencore Shares or any securities convertible into or exercisable or exchangeable for Glencore Shares or to enter into any swap or other agreement that transfers, in whole or in part, any of the economic consequences of ownership of Glencore Shares, whether any such transaction described above is to be settled by delivery of Glencore Shares or such other securities, in cash or otherwise, or dispose or enter into any other agreement to dispose of Glencore Shares or announce or otherwise publicise the intention to do any of the foregoing;
DMT	means dry metric tonnes;
DRC	means the Democratic Republic of Congo;
EEA	means the European Economic Area;
Effective	means, in the context of the Merger: (a) if the Merger is implemented by way of the Scheme, the Scheme having become effective pursuant to its terms; or

	(b) if the Merger is implemented by way of Merger Offer, such Merger Offer having been declared and become unconditional in all respects in accordance with the requirements of the Code;
Effective Date	means the date upon which the Merger becomes Effective;
ESIA	means environmental and social impact assessment;
EU	means the European Union;
Excluded Shares	means (i) any Xstrata Shares beneficially owned by Glencore or any other member of the Glencore Group; (ii) any Xstrata Shares held in treasury by Xstrata; and (iii) any other Xstrata Shares which Glencore and Xstrata agree will not be subject to the Scheme;
Financial Services Authority or **FSA**	means the Financial Services Authority;
First Coal	means First Coal Corporation;
FSMA	means the Financial Services and Markets Act 2000;
Glencore or **Company**	means Glencore International plc;
Glencore Board	means the board of Directors of Glencore;
Glencore Circular	means the circular sent to Glencore Shareholders in connection with the Merger;
Glencore Convertible Bonds	means the US$2.3 billion 5 per cent. guaranteed convertible bonds due December 2014 issued by Glencore Finance (Europe) S.A., one of the financing vehicles in the Glencore Group, as defined and described further in paragraph 19.1.8 of Part XI: "Additional Information";
Glencore General Meeting	means the general meeting of Glencore to be convened in connection with the Merger, notice of which is set out in the Glencore Circular, including any adjournment thereof;
Glencore Group	means: (i) for the purposes of paragraph 12 entitled "Working capital statement" of Part XI: "Additional Information" only, Glencore and its subsidiaries and subsidiary undertakings, from time to time, which prior to the Effective Date shall exclude the Xstrata Group and after the Effective Date shall include the Xstrata Group; and (ii) elsewhere in this document, Glencore and its subsidiaries and subsidiary undertakings from time to time (excluding, for the avoidance of doubt, Xstrata);
Glencore International	means Glencore International AG, a company incorporated in Switzerland and a wholly-owned subsidiary of the Company;
Glencore IPO Prospectus	means the prospectus dated 4 May 2011 published by Glencore in relation to the initial public offering of Glencore Shares;
Glencore Share Plans	means the Glencore International plc Performance Share Plan and the Glencore International plc Deferred Bonus Plan, each as amended from time to time;
Glencore Shareholders	means holders of Glencore Shares;
Glencore Shares	means fully paid up ordinary shares of US$0.01 each in the capital of Glencore;

HK or **Hong Kong**	means the Hong Kong Special Administrative Region of the People's Republic of China;
Hong Kong Admission	means the approval of the Listing Committee of the Hong Kong Stock Exchange for the listing of and dealing in the New Glencore Shares on the Main Board of the Hong Kong Stock Exchange;
Hong Kong Stock Exchange or **HKSE**	means The Stock Exchange of Hong Kong Limited;
IFRS	means International Financial Reporting Standards;
Independent Non-Executive Xstrata Directors	means Sir John Bond, David Rough, Dr Con Fauconnier, Peter Hooley, Claude Lamoureux, Sir Steve Robson CB and Ian Strachan;
Independent Xstrata Directors	means the Xstrata Directors other than Ivan Glasenberg, Aristotelis Mistakidis and Tor Peterson, being the Xstrata Directors nominated by Glencore;
IPO	means initial public offering;
IPO Admission	means, in connection with the IPO by the Company in May 2011, admission of Glencore Shares to the Official List and to the London Stock Exchange's main market for listed securities and the approval of the Listing Committee of the Hong Kong Stock Exchange for the listing of and dealing in Glencore Shares on the Main Board of the Hong Kong Stock Exchange;
IPO Joint Global Co-ordinators	means Citi, Credit Suisse Securities (Europe) Limited and Morgan Stanley & Co. International plc;
Jersey Companies Law	means the Companies (Jersey) Law 1991, as amended;
Joint Sponsors	means Citi and Morgan Stanley;
JORC Code	means the 2004 Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves;
Kansuki	means Kansuki Sprl, an entity in which Glencore has an effective interest of 37.5 per cent.;
Katanga	means Katanga Mining Limited, an entity in which Glencore has a 75.2 per cent. interest;
Kazzinc	means Kazzinc LLP, a limited liability partnership organised and incorporated under the laws of Kazakhstan;
LBMA	means the London Bullion Market Association;
Listing Rules	means the rules and regulations made by the UK Listing Authority, and contained in the UK Listing Authority's publication of the same name;
LME	means the London Metals Exchange;
Lock-Up Deed	means the lock-up deed entered into by the Pre-IPO Glencore Shareholders and executive Directors (Ivan Glasenberg and Steven Kalmin) in favour of the IPO Joint Global Co-ordinators and the Company in relation to the lock-up arrangements described in paragraph 18 of Part XI: "Additional Information";
London Stock Exchange	means London Stock Exchange plc;
Los Quenuales	means Empresa Minera Los Quenuales SA, an entity in which Glencore has a 97.1 per cent. interest;
Management Incentive Arrangements	means those elements of the retention and incentive arrangements proposed to be put in place for those members of

	Xstrata management who are interested in Xstrata Shares which will be voted on by the Xstrata Independent Shareholders at the Xstrata General Meeting;
Memorandum	means the memorandum of association of the Company;
Merger	means the direct or indirect acquisition of the entire issued and to be issued share capital of Xstrata by Glencore (other than Xstrata Shares already held by the Glencore Group) to be implemented by way of the Scheme or (should Glencore so elect, subject to the consent of the Panel (where necessary) and with Xstrata's prior written consent) by way of a Merger Offer;
Merger Offer	means the implementation of the Merger by means of a takeover offer under Section 974 of the UK Companies Act, rather than by means of a Scheme;
Merger Resolution	means resolution 1 set out in the notice convening the Glencore General Meeting dated 31 May 2012, as described in paragraph 3.6 of Part XI: "Additional Information";
Minara	means Minara Resources Ltd., an entity in which Glencore has a 100 per cent. interest;
Mineral Resource	means, in relation to Part III: "Information on the Xstrata Group", a concentration or occurrence of material of intrinsic economic interest in or on the Earth's crust in such form, quality and quantity that there are reasonable prospects for eventual economic extraction. The location, quantity, grade, geological characteristics and continuity of a Mineral Resource are known, estimated or interpreted from specific geological evidence and knowledge. Mineral Resources are sub-divided, in order of increasing geological confidence, into inferred, indicated and measured categories;
Moody's	means Moody's Investors Service Limited;
Mopani	means Mopani Copper Mines plc, an entity in which Glencore has a 73.1 per cent. interest;
Morgan Stanley	means Morgan Stanley & Co. Limited;
MPRDA	means the South African Mineral and Petroleum Resources Development Act 28, as amended;
MT	means metric tonnes;
Murrin Murrin	means the joint venture between Minara Resources Ltd. and Glenmurrin Pty Ltd., in which Glencore has a 100 per cent. interest;
Mutanda	means Mutanda Ya Mukonkota Mining Sprl, an entity in which Glencore has an effective interest of 60 per cent.;
New Glencore Shares	means new Glencore Shares to be issued and credited to Xstrata Shareholders pursuant to the Merger;
NI 43-101	means the Canadian National Instrument 43-101—"Standard Disclosure for Mineral Projects" of the Canadian Securities Administrators;
NYSE	means the New York Stock Exchange;
Official List	means the official list of the UK Listing Authority;
Optimum Coal	means Optimum Coal Holdings Limited, an entity in which Glencore has an effective interest of 60.98 per cent.;

Ore Reserve	means, in relation to Part III: "Information on the Xstrata Group", the economically mineable part of a measured and/or indicated Mineral Resource. It includes diluting materials and allowances for losses, which may occur when the material is mined. Appropriate assessments and studies have been carried out, and include consideration of and modification by realistically assumed mining, metallurgical, economic, marketing, legal, environmental, social and governmental factors. These assessments demonstrate at the time of reporting that extraction could reasonably be justified. Ore Reserves are sub-divided in order of increasing confidence into probable Ore Reserves and proved Ore Reserves;
Overseas Shareholders	means Scheme Shareholders who are resident in, ordinarily resident in, or citizens of, jurisdictions outside the United Kingdom, or whom Glencore reasonably believes to be a citizen, resident or national of a jurisdiction outside the United Kingdom;
Panel	means the Panel on Takeovers and Mergers;
PGM	means platinum group metals;
Polymet	means Polymet Mining Corp., an entity in which Glencore has a 24.1 per cent. interest;
Pre-IPO Glencore Shareholder	means each person who acquired Glencore Shares in the reorganisation undertaken in connection with the IPO by the Company in May 2011;
Principal Glencore Shareholders	means Daniel Francisco Maté Badenes, Aristotelis Mistakidis, Tor Peterson and Alex Beard;
Proposed Directors	means Sir John Bond, Mick Davis, Con Fauconnier, Peter Hooley, Sir Steve Robson and Ian Strachan;
Prospectus Rules	means the rules for the purposes of Part 6 of FSMA in relation to the offers of securities to the public and the admission of securities to trading on a regulated market;
Qualifying Reserves	means capital contribution reserves in terms of Swiss tax law and according to the Swiss GAAP financial statements as included in the notes to the annual financial statements. These are reserves from capital contributions made by shareholders to the Company after 31 December 1996, which can be repaid free of Swiss Withholding Tax;
Reduction Court Hearing	means the hearing by the Court of the application to confirm the Reduction of Capital;
Reduction of Capital	means the proposed reduction of Xstrata's share capital under Chapter 10 of Part 17 of the UK Companies Act, associated with the Scheme;
Reduction Court Order	means the order of the Court, to be granted at the Reduction Court Hearing, confirming the Reduction of Capital;
Registrar of Companies	means the Registrar of Companies in England and Wales;
Regulatory Information Service	means any of the services authorised from time to time by the Financial Services Authority for the purposes of disseminating regulatory announcements;
Resolutions	means the resolutions to be proposed at the Glencore General Meeting;

Restricted Jurisdiction	means any such jurisdiction where local laws or regulations may result in significant risk of civil, regulatory or criminal exposure if information concerning the Merger is sent or made available to Xstrata Shareholders in that jurisdiction (in accordance with Rule 30.3 of the Code);
Richardson	means Richardson International Limited, registered under the federal laws of Canada pursuant to the Canada Business Corporations Act with corporation number 4135253 and registered office at 2800 One Lombard Place, Winnipeg, MB R3B 0X8, Canada;
ROM	means run of mine;
Rosh Pinah	means Rosh Pinah Zinc Corporation (Proprietary) Limited;
SAMREC	means the 2007 edition of the South African Code of Reporting of Exploration Results, Mineral Resources and Mineral Reserves;
Scheme	means the scheme of arrangement proposed to be made under Part 26 of the UK Companies Act between Xstrata and the Scheme Shareholders, with or subject to any modification, addition or condition approved or imposed by the Court and agreed to by Xstrata and Glencore;
Scheme Court Hearing	means the hearing by the Court of the petition to sanction the Scheme;
Scheme Court Order	means the order of the Court sanctioning the Scheme under Part 26 of the UK Companies Act;
Scheme Document	means the document to be sent to (among others) Xstrata Shareholders containing and setting out, among other things, the full terms and conditions of the Scheme and containing the notices convening the Xstrata Court Meeting and Xstrata General Meeting;
Scheme Record Time	means 6.00 p.m. on the Business Day immediately prior to the Effective Date;
Scheme Shareholders	means holders of Scheme Shares;
Scheme Shares	means Xstrata Shares: (a) in issue as at the date of the Scheme Document; (b) (if any) issued after the date of the Scheme Document and prior to the Scheme Voting Record Time; and (c) (if any) issued on or after the Scheme Voting Record Time and at or prior to the Scheme Record Time either on terms that the original or any subsequent holders of such Xstrata Shares are to be bound by the Scheme or in respect of which the holders thereof shall have agreed in writing to be bound by the Scheme, but in each case other than the Excluded Shares;
SEC	means the US Securities and Exchange Commission;
Senior Managers	means senior managers of the Combined Group following the Merger, being Trevor Reid and Steven Kalmin;
SHFE	means Shanghai Futures Exchange;
Special Resolution	means the special resolution to be proposed by Xstrata at the Xstrata General Meeting in connection with, among other

	things, the approval of the Scheme and confirmation of the Reduction of Capital, the alteration of Xstrata's articles of association and such other matters as may be necessary to implement the Scheme and the delisting of Xstrata Shares;
Standard & Poor's	means Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc.;
Statement of Capital	means the statement of capital (approved by the Court) showing, with respect to Xstrata's share capital, as altered by the Reduction Court Order, the information required by Section 649 of the UK Companies Act;
Swiss Stock Exchange or **SIX**	means SIX Swiss Exchange Limited;
Swiss Withholding Tax	means the Swiss federal withholding tax (*Verrechnungssteuer*) under Swiss tax law;
tonne or **tonnes**	means 1,000 kilograms;
UK or **United Kingdom**	means the United Kingdom of Great Britain and Northern Ireland;
UK Companies Act	means the UK Companies Act 2006, as amended from time to time;
UK Corporate Governance Code	means the UK Corporate Governance Code on the Principles of Good Governance and Code of Best Practice published in June 2010 by the Financial Reporting Council in the UK;
UK Listing Authority or **UKLA**	means the FSA acting in its capacity as the competent authority for listing under FSMA;
US or **United States** or **United States of America**	means the United States of America, its territories and possessions, any State of the United States and the District of Columbia;
US Securities Act	means the US Securities Act of 1933 and the rules and regulations promulgated thereunder (as amended);
Verny	means Verny Investments together with Verny Rost, each an independent third party (but for its shareholding in Kazzinc);
Verny Capital	means JSC "Verny Capital" (registered in the Republic of Kazakhstan);
Verny Investments	means closed unit risk investment fund "Vernye Investitsii" (represented by Verny Capital, acting in the best interests of closed unit risk investment fund "Vernye Investitsii");
Verny Rost	means closed unit risk investment fund "Verny Rost" (represented by Verny Capital, acting in the best interests of closed unit risk investment fund "Vernye Rost");
Viterra	means Viterra Inc., registered under the federal laws of Canada pursuant to the Canada Business Corporations Act with corporation number 7501960 and registered office at 2625 Victoria Avenue, Regina SK S4T 7T9, Canada;
Viterra Arrangement	means Glencore's acquisition of 100 per cent. of the issued and outstanding shares in Viterra, by way of a court approved plan of arrangement under the Canada Business Corporations Act, as announced by Glencore and Viterra on 20 March 2012;
Volcan	means Volcan Compañía Minera S.A.A., an entity in which Glencore has a 6.9 per cent. interest;
Xstrata	means Xstrata plc;

Xstrata Court Meeting	means the meeting(s) of the Scheme Shareholders to be convened by order of the Court pursuant to Section 896 of the UK Companies Act, for the purpose of approving the Scheme, including any adjournment thereof;
Xstrata Directors	means the directors of Xstrata;
Xstrata General Meeting	means the general meeting of Xstrata to be convened in connection with the Scheme and the Reduction of Capital, including any adjournment thereof;
Xstrata Group	means Xstrata, its subsidiaries and subsidiary undertakings;
Xstrata Independent Shareholders	means those Xstrata Shareholders who are permitted under Rule 16.2 of the Code to vote on any resolution to approve the Management Incentive Arrangements at the Xstrata General Meeting;
Xstrata Shareholders	means holders of Xstrata Shares;
Xstrata Shares	means fully paid up ordinary shares of US$0.50 each in the capital of Xstrata; and
Xstrata Share Schemes	means the Xstrata plc 2002 Long-Term Incentive Plan, the Xstrata plc 2002 Executive Committee Annual Bonus Plan and the Xstrata plc 2005 Added Value Incentive Plan, each as amended from time to time.

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