



NEWS RELEASE

SUSPENSION OF EXPENDITURE ON AUD6BN WANDOAN COAL AND AUD600M ERNEST HENRY UNDERGROUND COPPER PROJECTS IN QUEENSLAND

Brisbane, 3 June 2010

Xstrata has suspended AUD586 million of expenditure to develop both the AUD6 billion Wandoan thermal coal project and a AUD600 million project to extend the life of the Ernest Henry copper mine, with immediate effect. Together these two projects in Queensland would have created 3,250 new jobs which are now at risk. The decisions represent the initial findings from Xstrata's ongoing review of planned investment into its Australian operations and growth projects as a result of the Australian Government's proposed Resource Super Profits Tax ("RSPT"). The review includes growth projects comprising total investment of AUD22 billion and the potential to create 14,725 new jobs.

Key Queensland growth initiatives to be suspended are:

- AUD400 million Ernest Henry Mining (EHM) shaft underground mine project, already approved by Xstrata for development near Cloncurry in north-west Queensland ;
- AUD91 million early works and detailed design for the first stage of the 30 million tonnes per annum, AUD6 billion Wandoan Coal Project and related infrastructure;
- AUD82 million of additional exploration and sampling for Wandoan and the Surat basin; and
- AUD13 million of drilling on additional coal expansion projects in Queensland including Rolleston West and Sarum.

Mick Davis, Xstrata plc Chief Executive commented:

"The RSPT has created significant uncertainty for the future of mining investment into Australia and would impair the value of previously approved projects and exploration to the point that continued investment can no longer be justified.

"Our Australian management teams' analysis demonstrates that the RSPT would significantly impact the value and cashflows of both of these projects. The impact of the tax eliminates the net present value of the Wandoan coal project almost entirely and substantially reduces the value of

the Ernest Henry underground shaft project. The two projects involve significant risks and total capital investment of over AUD6.4 billion. Neither will be viable if the RSPT is imposed.

“In addition, the Government’s decision to change the rules for existing investments has introduced the significant risk that any new investment in Australia may again be subject to tax regime changes without consultation. Any potential Australian mining investment now needs to show a higher rate of return to compensate for the impact of the world’s highest mining taxation on cashflows. Investors will also expect higher project returns to justify the increased risk of investing in Australia.

“The suspension of investment into these key projects for the future of our business in Queensland makes them less likely to proceed and ultimately compromises Australia’s ability to continue to benefit from future commodity price rises.

“We will continue to seek meaningful consultation with the Federal Government to engage on the industry’s key concerns in respect of the RSPT. In the meantime, we have an obligation to make business decisions in response to changing circumstances and we continue to develop business opportunities and develop growth projects in countries which promote competitive and predictable fiscal regimes.”

Ernest Henry copper mine, Cloncurry

The Ernest Henry underground mine project was approved by the Xstrata plc Board in December 2009 and would have extended the life of the EHM operations from 2013 to at least 2024, with a total capital investment of AUD589 million (US\$542 million). EHM’s current open pit mining operations would have been progressively transformed into a major shaft underground mine through this investment.

The announcement involves the loss of approximately 60 contractor jobs with immediate effect and a further 190 positions that would have been created over the next 18 months.

Although the development of the smaller decline underground mine is currently planned to continue, the suspension of the majority of the underground development project will halve the mine’s planned annual production rate from 2012 and reduce the planned life of the operations by at least five years, from 2024 to 2019.

Xstrata Copper Chief Executive Charlie Sartain said, “The shelving of the capital investment for the EHM underground mine development so soon after the corporate approvals were obtained is extremely disappointing and threatens the longer term viability of our operations in north Queensland.

“This has been a very difficult decision, particularly with its immediate impact on our workforce and the local communities, and given our strong collaboration with the Queensland Government last year to obtain internal approvals for the project. This project clearly would have benefited the region and Queensland as a whole.”

Wandoan coal project, Surat Basin

Xstrata Coal has spent approximately AUD200 million over three years progressing the Wandoan Coal Project through feasibility studies. Early works scheduled to commence from July 2010 will be suspended immediately, including drilling, the construction of workers' accommodation, communications and road upgrades.

The Wandoan Coal Project and associated infrastructure and exploration initiatives were to provide over 3,000 jobs throughout construction and operation over the next five years and open up the Surat Basin as the next major new export region for Queensland.

"The RSPT puts the future of this globally significant AUD6 billion project at risk, together with the development of the Surat Basin as an internationally competitive export coal region," Xstrata Coal Chief Executive Peter Freyberg said.

"We are deeply disappointed to put these important activities on hold and regret the significant impact their suspension will have on jobs, our project partners and surrounding regional communities.

"Our priority is to discuss the implications of this suspension with affected communities and other stakeholders. We will honour all obligations and agreements entered into with landowners and key stakeholders to date."

Ends

Xstrata contacts

Xstrata Coal

James Rickards
Telephone +61 2 9253 6789
Mobile +61 419 731371
Email jrickards@xstratacoal.com

Xstrata Copper

Sue Sara
Telephone +61 7 3295 7535
Mobile +61 411 206 090
Email ssara@xstratacopper.com

Xstrata

Claire Diver
Telephone +44 20 7968 2871
Mobile +44 7785 964340
Email cdivver@xstrata.com

www.xstrata.com