

## BASE PROSPECTUS



### **Xstrata Finance (Dubai) Limited**

*(Guaranteed on a senior, unsecured and joint and several basis by Xstrata plc, Xstrata (Schweiz) AG and Xstrata Finance (Canada) Limited)*

### **Xstrata Finance (Canada) Limited**

*(Guaranteed on a senior, unsecured and joint and several basis by Xstrata plc, Xstrata (Schweiz) AG and Xstrata Finance (Dubai) Limited)*

**U.S.\$3,000,000,000**

### **Euro Medium Term Note Programme**

Under this U.S.\$3,000,000,000 Euro Medium Term Note Programme as described in this Base Prospectus (the "Programme"), Xstrata Finance (Dubai) Limited ("Xstrata Dubai") and Xstrata Finance (Canada) Limited ("Xstrata Canada") (each an "Issuer" and together the "Issuers") may from time to time issue notes ("Notes") denominated in any currency agreed between the relevant Issuer and the relevant Dealers (as defined below).

Notes issued by Xstrata Dubai will, subject to the limitations described in Part I — "Risk Factors" and Part VI — "Terms and Conditions of the Notes — Guarantee", be fully and unconditionally guaranteed on a senior, unsecured and joint and several basis by Xstrata plc ("Xstrata"), Xstrata (Schweiz) AG ("Xstrata Schweiz") and Xstrata Canada.

Notes issued by Xstrata Canada will be fully and unconditionally guaranteed on a senior, unsecured and joint and several basis by Xstrata, Xstrata Schweiz and Xstrata Dubai.

References in this Base Prospectus to "relevant Guarantors" are to Xstrata, Xstrata Schweiz and Xstrata Canada in respect of Notes issued by Xstrata Dubai and to Xstrata, Xstrata Schweiz and Xstrata Dubai in respect of Notes issued by Xstrata Canada. References in this Base Prospectus to the "Guarantors" are to Xstrata, Xstrata Schweiz, Xstrata Dubai and Xstrata Canada.

The maximum aggregate nominal amount of all Notes from time to time outstanding under the Programme will not exceed U.S.\$3,000,000,000 (or its equivalent in other currencies calculated as described in the Dealer Agreement described herein) subject to increase as described herein.

The Notes may be issued on a continuing basis to one or more of the Dealers specified under "Overview of the Programme" and any additional Dealer appointed under the Programme from time to time by the Issuers (each a "Dealer" and together the "Dealers"), which appointment may be for a specific issue or on an ongoing basis. References in this Base Prospectus to the "relevant Dealers" shall, in the case of an issue of Notes, be to the Dealer or Dealers agreeing to subscribe for such Notes.

**An investment in Notes issued under the Programme involves certain risks. For a discussion of these risks see Part I — "Risk Factors".**

Application has been made to the Financial Services Authority in its capacity as competent authority under the Financial Services and Markets Act 2000 ("FSMA") (the "U.K. Listing Authority") for Notes issued under the Programme during the period of 12 months from the date of this Base Prospectus to be admitted to the Official List of the U.K. Listing Authority (the "Official List") and to London Stock Exchange plc (the "London Stock Exchange") for such Notes to be admitted to trading on the London Stock Exchange's Gilt Edged and Fixed Interest Market (the "Market").

References in this Base Prospectus to Notes being "listed" (and all related references) shall mean that such Notes have been admitted to the Official List and to trading on the Market. The Market is a regulated market for the purposes of Directive 2004/39/EC.

Notice of the aggregate nominal amount of Notes, interest (if any) payable in respect of Notes, the issue price of Notes and any other terms and conditions not contained herein which are applicable to each Tranche (as defined under Part VI — "Terms and Conditions of the Notes") of Notes will be set out in a final terms supplement (the "Final Terms") which with respect to Notes to be listed will be delivered to the U.K. Listing Authority and to the London Stock Exchange.

The Programme provides that Notes may be listed or admitted to trading, as the case may be, on such other or further stock exchanges or markets as may be agreed between the relevant Issuer, the relevant Guarantors and the relevant Dealers. The relevant Issuer may also issue unlisted Notes and/or Notes not admitted to trading on any market. The relevant Final Terms in respect of the issue of any Notes will specify whether or not such Notes will be admitted to the Official List and to trading on the Market (or any other stock exchange).

The relevant Issuer and the relevant Guarantors may agree with the relevant Dealers and the Trustee (as defined herein) that Notes may be issued in a form not contemplated by the terms and conditions contained herein, in which event a supplementary prospectus, if appropriate, will be made available which will describe the effect of the agreement reached in relation to such Notes.

Tranches of Notes will be rated or unrated. A rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, change or withdrawal at any time by the assigning rating agency.

*Arranger for the Programme*

**Deutsche Bank**

#### *Dealers*

**ABN AMRO  
BNP Paribas  
Deutsche Bank  
JPMorgan Cazenove**

**Barclays Capital  
Citi  
Dresdner Kleinwort  
The Royal Bank of Scotland**

**Definitions of certain terms used in this Base Prospectus are set out in Part XVIII — “Definitions and Glossary of Technical Terms”. This Base Prospectus comprises a base prospectus for the purposes of Article 5.4 of Directive 2003/71/EC (the “Prospectus Directive”) for the purpose of giving information with regard to the Issuers, the Guarantors, Xstrata and its subsidiaries and affiliates taken as a whole (the “Group”) and the Notes which, according to the particular nature of the Issuers, the Guarantors and the Notes, is necessary to enable investors to make an informed assessment of the assets and liabilities, financial position, profits and losses and prospects of the Issuers and the Guarantors.**

Each Issuer and each Guarantor accepts responsibility for the information contained in this Base Prospectus. To the best of the knowledge and belief of the Issuers and the Guarantors (which have taken all reasonable care to ensure that such is the case), the information contained in this Base Prospectus is in accordance with the facts and does not omit anything likely to affect the import of such information.

This Base Prospectus should be read and construed in conjunction with any amendment or supplement thereto and with any other documents incorporated by reference (see Part IV — “Documents Incorporated by Reference”) and, in relation to any Series (as defined herein) of Notes, should be read and construed together with the relevant Final Terms. Copies of Final Terms will be available from the registered office of the relevant Issuer and the specified office set out below of each of the Paying Agents (as defined below).

Each Issuer and each Guarantor has confirmed to the dealers (the “Dealers”) named under “Subscription and Sale” below that the statements contained in this Base Prospectus are in every material particular true and accurate and not misleading; that this Base Prospectus does not contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements made in this Base Prospectus, in the light of the circumstances under which they are made, not misleading; that the opinions and intentions expressed in this Base Prospectus are honestly held, have been reached after considering all relevant circumstances and are based on reasonable assumptions; that there are no other facts in relation to the information contained or incorporated by reference in this Base Prospectus the omission of which would, in the context of the issue and offering of the Notes, make any statement in this Base Prospectus misleading in any material respect; and that all reasonable enquiries have been made to ascertain such facts and to verify the accuracy of all such information and statements. Each Issuer and each Guarantor has further confirmed to the Dealers that this Base Prospectus (together with the relevant Final Terms) contains all such information that is material in the context of the issue and offering of the Notes.

No person has been authorised by the Issuers, the Guarantors, any Dealer or Law Debenture Trustees Limited (the “Trustee”) to give any information or to make any representation not contained in or inconsistent with this Base Prospectus or any other document entered into in relation to the Programme or any information supplied by the Issuers, the Guarantors or such other information as is in the public domain and, if given or made, such information or representation should not be relied upon as having been authorised by the Issuers, the Guarantors, any Dealer or the Trustee.

None of the Arranger, the Dealers or the Trustee has separately verified the information contained in this Base Prospectus. No representation or warranty is made or implied by the Dealers or the Trustee or any of their respective affiliates, and neither the Dealers nor the Trustee nor any of their respective affiliates makes any representation or warranty or accepts any responsibility, as to the accuracy or completeness of the information contained in this Base Prospectus. Neither the delivery of this Base Prospectus or any Final Terms nor the offering, sale or delivery of any Note shall, in any circumstances, create any implication that the information contained in this Base Prospectus is true subsequent to the date hereof or the date upon which this Base Prospectus has been most recently amended or supplemented or that there has been no adverse change in the financial situation of the Issuers or the Guarantors since the date hereof or, if later, the date upon which this Base Prospectus has been most recently amended or supplemented or that any other information supplied in connection with the Programme is correct at any time subsequent to the date on which it is supplied or, if different, the date indicated in the document containing the same.

In the case of any Notes which are to be admitted to trading on a regulated market within the European Economic Area or offered to the public in a Member State of the European Economic Area in circumstances which require the publication of a prospectus under the Prospectus Directive, the minimum denomination of each Note shall be €50,000 (or, if the Notes are denominated in a currency other than euro, the equivalent amount in such currency as at the date of issue of the Notes).

*The distribution of this Base Prospectus and any Final Terms and the offering, sale and delivery of the Notes in certain jurisdictions may be restricted by law. Persons into whose possession this Base Prospectus or any Final Terms come are required by the Issuers, the Guarantors, the Dealers and the Trustee to inform themselves about and to observe any such restrictions. For a description of certain restrictions on offers, sales and deliveries of Notes and on the distribution of this Base Prospectus or any Final Terms and other offering material relating to the Notes, see Part XV — “Subscription and Sale”. In particular, Notes have not been and will not be registered under the United States Securities Act of 1933, as amended (the “Securities Act”) and comprise Notes in bearer form which are subject to U.S. tax law requirements. Subject to certain exceptions, Notes may not be offered, sold or delivered within the United States or to, or for the account or benefit of, U.S. persons (as such term is defined in the Securities Act).*

*This Base Prospectus relates to an Exempt Offer in accordance with the Offered Securities Rules of the Dubai Financial Services Authority. This Base Prospectus is intended for distribution only to “Persons” of a type specified in those rules. It must not be delivered to, or relied on by, any other Person. The Dubai Financial Services Authority has no responsibility for reviewing or verifying any documents in connection with Exempt Offers. The Dubai Financial Services Authority has not approved this Base Prospectus nor taken steps to verify the information set out in it, and has no responsibility for it. The Notes to which this Base Prospectus relates may be illiquid and/or subject to restrictions on their resale. Prospective holders of any Notes (“Noteholders”) should conduct their own due diligence on the Notes. If a prospective Noteholder does not understand the contents of this Base Prospectus, such Noteholder should consult an authorised financial adviser. Notes issued under the Programme may not be denominated in UAE dirham.*

*Neither this Base Prospectus nor any Final Terms constitutes an offer or an invitation to subscribe for or purchase any Notes and should not be considered as a recommendation by the Issuers, the Guarantors, the Dealers, the Trustee or any of them that any recipient of this Base Prospectus or any Final Terms should subscribe for or purchase any Notes. Each recipient of this Base Prospectus or any Final Terms shall be taken to have made its own investigation and appraisal of the condition (financial or otherwise) of the relevant Issuer and the relevant Guarantors.*

IN CONNECTION WITH THE ISSUE OF ANY TRANCHE OF NOTES, THE DEALER OR DEALERS (IF ANY) NAMED AS THE STABILISING MANAGER(S) (OR PERSONS ACTING ON BEHALF OF ANY STABILISING MANAGER(S)) IN THE APPLICABLE FINAL TERMS MAY OVER-ALLOT NOTES (PROVIDED THAT, IN THE CASE OF ANY TRANCHE OF NOTES TO BE ADMITTED TO TRADING ON A REGULATED MARKET IN THE EUROPEAN ECONOMIC AREA, THE AGGREGATE PRINCIPAL AMOUNT OF NOTES ALLOTTED DOES NOT EXCEED 105 PER CENT. OF THE AGGREGATE PRINCIPAL AMOUNT OF THE RELEVANT TRANCHE) OR EFFECT TRANSACTIONS WITH A VIEW TO SUPPORTING THE MARKET PRICE OF THE NOTES AT A LEVEL HIGHER THAN THAT WHICH MIGHT OTHERWISE PREVAIL. HOWEVER, THERE IS NO ASSURANCE THAT THE STABILISING MANAGER(S) (OR PERSONS ACTING ON BEHALF OF A STABILISING MANAGER) WILL UNDERTAKE STABILISATION ACTION. ANY STABILISATION ACTION MAY BEGIN ON OR AFTER THE DATE ON WHICH ADEQUATE PUBLIC DISCLOSURE OF THE TERMS OF THE OFFER OF THE RELEVANT TRANCHE OF NOTES IS MADE AND, IF BEGUN, MAY BE ENDED AT ANY TIME, BUT IT MUST END NO LATER THAN THE EARLIER OF 30 DAYS AFTER THE ISSUE DATE OF THE RELEVANT TRANCHE OF NOTES AND 60 DAYS AFTER THE DATE OF THE ALLOTMENT OF THE RELEVANT TRANCHE OF NOTES.

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## PART I — RISK FACTORS

*Noteholders and prospective Noteholders should consider carefully all of the information set out in this Base Prospectus and all of the information incorporated by reference into this Base Prospectus, including, in particular, the risks described below, prior to making any decisions on whether or not to invest in the Notes issued under the Programme. The risks below are all those risks presently known to the Issuers and the Guarantors that are currently considered to be material. Additional risks and uncertainties not presently known to the Issuers or the Guarantors, or that the Issuers or the Guarantors currently consider to be immaterial, may also have an adverse effect on the Group.*

*The Group's business, financial condition or results of operations could be materially and adversely affected by any of the risks described below. In such case, the market price of any Notes issued under the Programme may decline and Noteholders may lose all or part of their investment.*

### **Factors that may affect the Issuers' and the Guarantors' ability to fulfil their obligations under Notes issued under the Programme**

Unless otherwise specified by reference to Xstrata Schweiz, Xstrata Dubai or Xstrata Canada, the risks apply in the context of the Group, and are also applicable to each of Xstrata Schweiz, Xstrata Dubai and Xstrata Canada.

In this context, the following specific risks have been identified:

#### ***Finance vehicles***

Xstrata Dubai and Xstrata Canada are finance vehicles, the primary business of which is the raising of money for the purpose of on-lending to other members of the Group. Accordingly, substantially all the assets of Xstrata Dubai and Xstrata Canada are loans and advances made to other members of the Group. The ability of Xstrata Dubai and Xstrata Canada to satisfy their respective obligations in respect of the Notes will depend upon payments made to them by other members of the Group in respect of loans and advances made by them.

#### ***Economic conditions***

The Group's revenue and earnings are dependent upon prevailing prices for the commodities it produces. Historically, such prices have been volatile and are subject to wide fluctuations in response to relatively minor changes in the supply of, and demand for, such commodities, market uncertainty, the overall performance of world or regional economies and the related cyclicity in industries directly served by the Group and a variety of other factors beyond its control. In particular, demand for commodities has recently been, and is expected to be in the future, influenced by demand from specific regions, such as the Asia-Pacific region and specific countries, such as China and India, and there can be no assurance that factors beyond the Group's control, such as political, regulatory and economic factors, will not adversely affect such demand. Prices may also be affected by governmental actions intended to reduce greenhouse gas emission. See the risk factor below in the section of this Part I headed "Risks related to climate change legislation". In addition, speculative trades in certain commodities on the world markets may cause short-term price fluctuations for such commodities, including commodities produced by the Group. These external factors and the volatile nature of the commodity markets make it difficult to estimate future prices. The prices for commodities produced by the Group may decline significantly from current levels. Any substantial or extended decline in commodity prices would adversely affect the results of operations or financial condition of the Group.

As the Group, in common with its competitors, is unable to influence commodity prices directly, its competitiveness and long-term profitability are, to a significant degree, dependent upon its ability to reduce costs and maintain low-cost, efficient operations. Important cost inputs in the Group's operations generally include the extraction and processing costs of raw materials and consumables such as reductants, power, fuels, labour, transport and equipment, many of which have been, and continue to be, particularly susceptible to inflationary and supply and demand pressures. The Group's production costs are also significantly affected by production volumes and, therefore, the Group's ability to maintain production levels and maximise capacity utilisation will be a key factor in determining its overall cost competitiveness. The Group's ability to maintain earnings and undertake capital expenditure would be adversely affected in the event of a sustained material fall in world commodity prices, an appreciable rise in its production costs or a decline in its production volumes. There can be no assurance that the Group will be able to maintain or reduce production costs or maintain or increase its production volumes in the future.

Any increase in the price of a commodity may encourage other producers to increase their production of that commodity. Any over-production in a particular commodity, which is in excess of demand, could

reduce the price of that commodity and adversely affect the Group's results of operations or financial condition.

### ***Environmental, health and safety***

Various environmental, health and safety permits are required for many of the operations of the Group and these permits are subject, in certain situations or on the occurrence of certain events, to modification, renewal or revocation by issuing authorities. Governmental authorities and the courts have the power to enforce compliance with these permits and applicable environmental, health and safety laws and regulations and violations may result in civil or criminal penalties, 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.

In some jurisdictions, members of the public can initiate private proceedings to enforce compliance with permits and applicable environmental, health and safety laws and regulations. Proceedings commenced by members of the public have not to date had a material adverse effect on the results of operations or financial condition of the Group, although actions of this type have occurred in relation to other corporations. No assurance can be given that these types of private actions will not occur in the future and have a material adverse effect on the results of operations or financial condition of the Group.

Compliance with these laws, regulations and permits has not to date had a material adverse effect on the results of operations or financial condition of the Group although such permits, laws and regulations are subject to change (including the imposition of more onerous requirements and obligations) and Xstrata is unable to predict the ultimate cost of compliance with such amended environmental, health and safety permits, laws and regulations. The cost of maintaining compliance could be substantial. There can be no assurance that the cost of complying with present or future laws or regulations will not adversely affect the results of operations or financial condition of the Group.

The operations of the Group are extensively regulated. National, state and local authorities in the countries in which the Group has operations regulate the industries in which the 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 restoration 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). Numerous governmental permissions, approvals, licences and leases are required for the Group's operations. The Group is required to prepare and present to national, state or local authorities data pertaining to the anticipated effect or impact that any proposed exploration, mining or production activities may have upon the environment. The costs, liabilities and other obligations associated with complying with such requirements or arising from the manner in which the obligations are met, or, as may be necessary, the cost of rehabilitation of sites used for operations which have been closed down, may be substantial and time-consuming and may delay the commencement or continuation of exploration, mining or production activities. There can be no assurance that compliance costs, including the costs of rehabilitation of site operations which have been closed down, and dealing with environmental, and health and safety issues associated with legacy closed sites will not adversely affect the results of operations or financial condition of the Group. The Group's copper and lead smelters at Mount Isa in Australia are exempted, through special state legislation, from compliance with state environmental laws regulating air emissions. The Mount Isa operations in Queensland are subject to specific legislation of the Queensland State Parliament, the Mount Isa Mines Limited Agreement Act 1985. The Mount Isa Mines Limited Agreement Act 1985 exempts the Mount Isa operations from strict compliance with the otherwise applicable Environmental Protection Act 1994 with respect to air emissions. The state environmental regulator has informed Xstrata of its desire to assume responsibility for the regulation of special state legislation, including the Mount Isa Mines Limited Agreement Act 1985. In the event that happens and a subsequent amendment is sought and made to bring air emissions permitted under the Mount Isa Mines Limited Agreement Act 1985 into line with the Environmental Protection Act 1994, or alternatively the Mount Isa Mines Limited Agreement Act 1985 is repealed, then significant cost consequences, relating to investing in new environmental technologies and practices, could be required to maintain current production levels, which would have an adverse effect on the results of operations or financial condition of the Group.

In addition, a violation of environmental or health and safety laws relating to a mine or production facility or a failure to comply with the instructions of the relevant environmental or health and safety authorities could lead to, amongst other things, a temporary shutdown of all or a portion of the mine or production facility, a loss of the right to mine or to continue with production, or the imposition of costly compliance procedures, fines and penalties, liability for clean-up costs or damages. If environmental, health and safety authorities require the Group to shut down all or a portion of a mine or production facility or to implement costly compliance measures, or impose fines and penalties, liability for clean-up costs or damages on the Group, whether pursuant to existing or new environmental, health and safety laws and regulations, such measures could have a material adverse effect on the Group's results of operations and financial condition.

The possibility exists that new environmental and/or health and/or safety legislation or regulations may come into force and/or new information may emerge on existing environmental and/or health and/or safety conditions and/or other events (including legal proceedings brought based upon such conditions or an inability to obtain necessary permits), that may materially adversely affect the Group's operations, its cost structure, its customers' ability to use the commodities produced by the Group, demand for its products, the quality of its products and/or its methods of production and distribution. The Group expects that further environmental laws and/or regulations will likely be implemented to protect the environment and quality of life, given issues of sustainable development and other similar requirements which governmental and supragovernmental organisations and other bodies have been pursuing. Some of the issues which are relevant to the Group that are currently under review by environmental regulatory agencies include reducing or stabilising various emissions, including sulphur dioxide and greenhouse gas emissions, geochemical and geotechnical stability of mine works, mine reclamation and restoration, and water, air and soil quality and absolute liability for spills and exceeding prescribed limits. Such matters may, amongst other things, require the Group, or its customers, to change operations significantly or incur increased costs (including compliance expenditures) or could require the Group to increase financial reserves, which could have an adverse effect on the results of operations or financial condition of the Group.

In view of the uncertainties concerning future removal, stabilisation, reclamation and site restoration costs on certain of the Group's properties, the ultimate costs for future removal, stabilisation, reclamation and site restoration to the Group could differ from the amounts estimated. Estimates for such future costs are subject to change based on amendments to applicable laws and regulation, the nature of ongoing operations and technological innovations. Future changes, if any, due to their nature and unpredictability, could have a significant impact and, in such case, would be reflected prospectively as a change in an accounting estimate. In addition, regulatory authorities in various jurisdictions around the world may require the Group to provide financial security to secure, in whole or in part, future removal, stabilisation, reclamation and site restoration obligations in such jurisdictions. In some instances, the Group has already provided such security. In other instances, such security may be required to be provided upon the occurrence of certain events, including in certain cases if Xstrata or the relevant member of the Group ceases to maintain a minimum investment grade credit rating, if the regulatory authority ceases to accept alternative forms of comfort to secure the obligation or as the relevant property nears the end of its operation. Although the provision of such security does not increase the future removal, stabilisation, reclamation and site restoration costs (other than costs associated with the provision of such security), a portion of the Group's financial resources may be required to support these commitments, which could adversely affect the financial resources available to the Group.

### ***Risks related to climate change legislation***

In December 1997, in Kyoto, Japan, the signatories to the United Nations Convention on Climate Change established individual, legally binding targets to limit or reduce greenhouse gas emissions by developed nations. This international agreement, known as the Kyoto Protocol, came into force on 16 February 2005. As of 13 April 2007, 169 states and regional economic integration organisations (such as the EU) had deposited instruments of ratifications, accessions, approvals or acceptances in respect of the Kyoto Protocol.

The Group has operations in various jurisdictions that may be subject to national, regional or local laws, regulations and policies aimed at limiting or reducing greenhouse gas emissions. While the impact of the Kyoto Protocol and related legislation and regulation cannot be quantified at this time, the likely effect will be to increase costs for fossil fuels, electricity and transportation, restrict industrial emission levels, impose added costs for emissions in excess of permitted levels and increase costs for monitoring, reporting and financial accounting. As the operation of the Group's business involves

incurring certain of these costs, increases in such costs could have a material adverse effect on the results of operations or financial condition of the Group. Further, the Group may be required to change operations, reduce production capacity or make additional investments to adapt to new or amended environmental laws and regulations, which could have a material adverse effect on the results of operations or financial condition of the Group.

The coal industry, governments and other organisations are actively investing in research projects to reduce greenhouse gas emissions from the use of coal in power generation. Demand for coal is expected to be supported by forecast increases in global demand for energy. Nonetheless, there can be no assurance that the introduction of laws, regulations and practices to limit greenhouse gas emissions will not in the future adversely affect the price of, and demand for, coal. A significant decrease in the demand for coal, with current users turning increasingly to alternative forms of energy, may adversely affect the results of operations or financial condition of the Group.

A significant part of the Group's export thermal coal sales are to Japanese customers. The Japanese government's current policy on greenhouse gas emissions is that it intends to meet its Kyoto obligations by 2012. In February 2003, the Japanese cabinet approved a tax on coal imports of 700 yen per tonne to be phased-in in three stages. The first stage commenced on 1 October 2003 with a 230 yen per tonne levy and the second stage became effective on 1 April 2005 at 230 yen per tonne. The third stage became effective on 1 April 2007 with a 240 yen per tonne levy. The tax applies to all thermal coal imports, including thermal coal produced by the Group. There can be no assurance that these taxes or other taxes which may be introduced in the future in Japan and/or other countries will not adversely affect the results of operations or financial condition of the Group.

Given the uncertainty surrounding the impact of climate change, the manner of implementation of the Kyoto Protocol in those jurisdictions where it has yet to be implemented, the various mechanisms available for countries to achieve their emission reduction targets (whether under the Kyoto Protocol or otherwise) and difficulties in identifying and assessing the financial implications of such impacts and measures, it is not possible to determine with certainty at this time what the ultimate effects of climate change and the Kyoto Protocol or other similar initiatives to limit or control greenhouse gas emissions may be for the Group.

#### ***Australian native title and South African and Canadian land claims***

In Australia, the Native Title Act 1993 (Cth) (the "Native Title Act") recognises native title and establishes processes relating to mining and exploration rights. Native title represents the traditional rights and interests that the Aboriginal people have in relation to land. If native title has not been extinguished, the Native Title Act provides procedural rights for registered native title claimants, including the right to negotiate with respect to the grant of mining rights, which include exploration titles and the compulsory acquisition of land. Native title claims have been made over some areas where the Group has mining operations and there can be no assurance that such claims or any future claims will not have a material adverse effect on the Group's results of operations or financial condition or that additional claims will not be lodged in the future.

In South Africa, the government's Restitution of Land Rights Act 1994 provides remedies for persons who have been dispossessed of rights in land as a result of past racially discriminatory laws or practices. The Land Claims Court is empowered to make orders concerning the restoration of a right in land or any portion of land, compelling the payment of compensation, compelling the South African government to include a claimant as a beneficiary in a state support programme for housing or granting the claimant an appropriate right in alternatively designated state land or with any alternative and appropriate relief. Xstrata is aware that a number of land claims have been lodged in relation to the surface rights of the Group's various South African properties, but has limited information about these claims, and due to the lengthy administrative process under the Restitution of Land Rights Act 1994, there is uncertainty as to their status and prospects of success.

In Canada, the Group's properties may, in the future, be the subject of Native Americans' land claims which are generally addressed by the courts in Canada. The legal basis of such a land claim is a matter of considerable legal complexity and the impact of the assertion of a land claim, or the possible effect of a settlement of such claim upon the property interest in question, cannot be predicted with any degree of certainty at this time. In addition, no assurance can be given that any recognition of Native American rights whether by way of a negotiated settlement or by judicial pronouncement (or through the grant of an injunction prohibiting mining activity pending resolution of any such claim) would not delay or even prevent the Group's resource development or mining activities in Canada.



Accordingly, Xstrata can give no assurance that these land claims, or any other land claims of which it is not aware, will not have an adverse effect on the Group's rights to the properties that are subject to the land claims.

Nothing in this section headed "Australian native title and South African and Canadian land claims" is intended to qualify the statement in paragraph 9 of Part XVI — "General Information" that, except as set out in that paragraph, none of the Issuers or the Guarantors is or has been involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which any Issuer or Guarantor is aware) in the 12 months preceding the date of this Base Prospectus which may have or have in such period had a significant effect on the financial position or profitability of the Group.

### ***South African MPRDA and Empowerment Charter***

On 3 October 2002, the President of South Africa assented to and signed into law the Mineral and Petroleum Resources Development Act 28 of 2002 (the "MPRDA"), which came into operation on 1 May 2004. On 13 August 2004, the Empowerment Charter was promulgated, together with the "scorecard" for measuring black empowerment in the mining industry, which is intended to monitor and assess compliance with the Empowerment Charter. In addition to this the government of South Africa, in conjunction with the industry, is developing further legislation and guidelines including the Royalty Bill pertaining to royalties. Regulations pertaining to the MPRDA were promulgated on 23 April 2004, 29 October 2004 and 29 November 2006.

A key outcome is that the government of South Africa becomes the custodian of all the rights to minerals and that prospecting and mining will require prospecting and mining rights respectively which can only be granted once certain criteria are met, including empowerment criteria for historically disadvantaged South Africans ("HDSAs"). Existing prospecting and mining rights, termed "old order rights", need to be converted to new order rights and, to do so, the above criteria need to be satisfied or undertakings given.

A key objective of the above legislation is to ensure that 26 per cent. of the South African mining industry is controlled by HDSAs within ten years from 1 May 2004. In addition, mining companies need to achieve certain goals aimed at the upliftment of HDSAs both in the workplace and the communities in which they operate.

In this regard, a combined Pooling and Sharing Venture has been entered into with Merafe Resources Limited ("Merafe"), which is Xstrata Alloys' black empowerment partner in the ferrochrome business, a partnership agreement has been entered into by Xstrata Alloys with Kagiso to give effect to black economic empowerment obligations in respect of the Mototolo Joint Venture and an agreement has been entered into by Xstrata Coal South Africa with ARM to establish a new black controlled coal mining company, ARM Coal. In addition, Xstrata Alloys' vanadium division has recently agreed the commercial terms of a combined Pooling and Sharing Venture with the Bakwena-Ba-Mogopa tribe, a traditional community and owner of the surface rights where the Xstrata vanadium production facility is situated and, for these reasons, is Xstrata's natural empowerment partner. The Xstrata Alloys and Coal Divisions have to date on the basis of the aforementioned empowerment credentials been granted a number of conversions of old order mining rights as well as new applications for mining and prospecting rights by the Department of Minerals and Energy Affairs in South Africa.

Xstrata can give no assurance that, despite the initiatives taken so far by the Group, these legislative developments in South Africa will not have a material adverse effect on the Group's mining rights in South Africa and/or the results of operations or financial condition of the Group.

### ***Operational considerations***

The success of the Group's business is affected by a number of factors which are, to a large extent, outside its control. Such factors include the availability of raw materials, water and power. In addition, the Group's business is subject to numerous other operating risks which include: unusual or unexpected geological features, ground conditions or seismic activity; climatic conditions such as flooding or drought; interruptions to power supplies; congestion at commodities transport terminals; industrial action or disputes; environmental hazards; and technical failures, fires, explosions and other accidents at a mine, processing plant, cargo terminal or related facilities. These and other risks and hazards could result in damage to, or destruction of, properties or processing or production facilities, may reduce or cause production to cease at those properties or production facilities, may result in personal injury or death, environmental damage, business interruption, monetary losses and possible legal liability and may result in actual production differing from estimates of production, including those contained whether expressly or by implication, in this Base Prospectus or in information incorporated

by reference into this Base Prospectus. While the Group has insurance covering various types of business interruptions in respect of its operations, such insurance may not fully cover the consequences of such business interruptions and, in particular, may not cover interruptions arising from all types of equipment failure, labour disputes or “force majeure” events. No assurance can be given that such insurance will continue to be available, or that it will be available at economically feasible premiums. Equally, there can be no assurance that operating risks and the costs associated with them will not adversely affect the results of operations or financial condition of the Group.

Metal processing plants are especially vulnerable to interruptions, particularly where events cause a stoppage which 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 the results of operations or financial condition of the Group.

The Group depends upon seaborne freight, rail, trucking, overland conveyor and other systems to deliver its commodities to market. Disruption of these transportation services because of weather-related problems, key equipment or infrastructure failures, strikes, lock-outs or other events could temporarily impair the Group’s ability to supply its commodities to its customers and thus could adversely affect the Group’s results of operations or financial condition. Consistent with practice in the industries in which the Group operates, members of the Group may enter into long-term contracts related to, for example, infrastructure and supply of services. Any early termination of such contracts may require the payment of amounts which might have a material adverse effect on the Group’s results of operations. In addition, the Group’s ability to increase its export sales may be restricted by available rail infrastructure and port capacity which may adversely affect the Group’s ability to increase turnover.

Although the Group maintains liability insurance, the insurance does not cover every potential risk associated with its operations and meaningful coverage at reasonable rates is not obtainable for certain types of environmental hazards. 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 results of operations or financial condition of the Group.

### ***Energy supply and prices***

Certain of the Group’s operations and facilities are intensive users of natural gas, electricity, oil and other fuels. The procurement dynamics of these energy types are becoming increasingly connected as supply and demand conditions become more inter-dependent on a global basis. Factors beyond the control of the Group, such as strong demand from the Asia-Pacific region, political, regulatory and economic uncertainties and the costs associated with emissions from fossil fuels, as well as problems related to local production and delivery conditions, continue to put upward pressure on prices. Certain of the Group’s supply contracts are governed by standard energy risk management principles, which are designed to ensure that supply, price and credit risks are managed effectively.

The Group has entered into fixed-term diesel supply agreements with Glencore. On termination of those agreements, the Group will need to source its diesel requirements from Glencore or third parties. There can be no assurance that the Group will be able to renew its diesel supply agreements with Glencore or to source its diesel requirements on better or equivalent terms compared with its current agreements, which may have an adverse effect on the results of operations or financial condition of the Group. The security of energy supply is of primary importance to the Group. The Group’s business operations could be adversely affected, including loss of production and damage to its plants and equipment, if, even temporarily, the supply of energy to one or more of its facilities were interrupted. Additionally, prolonged loss of supply could materially adversely affect its results of operations or financial condition. There is an increased focus within the Group’s operations on the management of energy use and the impact of rises in energy costs on financial performance. As a significant portion of the Group’s costs relate to energy consumption, the Group’s earnings are directly related to fluctuations in the cost of natural gas, electricity, oil and other fuels.

### ***Taxation***

Although Xstrata is incorporated in England and Wales, it is regarded as resident in Switzerland, and not in the United Kingdom, for Swiss and U.K. tax purposes and for the purposes of the United Kingdom-Switzerland double tax treaty. This means, broadly, that Xstrata’s profits, income and gains are subject to the Swiss tax regime and not, save in the case of U.K. source income, to the U.K. tax regime. Any dividends paid by Xstrata will be regarded as Swiss dividends rather than U.K. dividends.

It is possible that in the future, whether as a result of a change of law or the practice of any relevant tax authority or the renegotiation of the United Kingdom-Switzerland double tax treaty, or as a result of any change in the management or the conduct of Xstrata's affairs, Xstrata could become, or be regarded as having been, resident in the United Kingdom, therefore becoming subject to the U.K. tax regime, which could adversely affect the results of operations or financial condition of the Group.

As a result of changes made to the U.K. controlled foreign company rules by the U.K. Finance Act 2006 (the "U.K. Finance Act"), it is possible that any future acquisitions by the Group could bring it within these rules in certain circumstances, with the consequence that Xstrata may become subject to U.K. tax on the income profits of certain non-U.K. resident subsidiaries. Future acquisitions could therefore adversely affect the results of operations or financial condition of the Group. However, H.M. Revenue & Customs ("HMRC") have provided a non-statutory letter of comfort to Xstrata that the legislation is not intended to apply to a company such as Xstrata and that HMRC will not regard the legislation as applying, provided that Xstrata continues to act as the parent company of its existing group, where Xstrata acts in the ordinary course of its business in making acquisitions of other groups or companies in the same general business sector as its existing group or carrying out significant post-acquisition refinancing or restructuring (including disposals). This legislation should not in practice have applied to the Falconbridge Acquisition. In this regard, HMRC had provided a separate non-statutory letter of comfort that the U.K. Finance Act 2006 would not apply specifically to either the Falconbridge Acquisition or post-acquisition restructuring on the basis of the information provided. In addition, none of the Cerrejón Acquisition, any post-acquisition restructuring of the Cerrejón Business, the Tintaya Acquisition or any post-acquisition restructuring of Tintaya will bring the Group within the U.K. controlled foreign company rules, because neither the Cerrejón Acquisition nor the Tintaya Acquisition involved the acquisition of any U.K. resident company (which is a requirement for the new legislation to apply). Similarly, none of the transactions pursuant to the LionOre Offer, any post-acquisition restructuring of LionOre, the transactions pursuant to the Gloucester Coal Offer or any post-acquisition restructuring of Gloucester Coal are expected to bring the Group within the U.K. controlled foreign company rules, because neither the transactions pursuant to the LionOre Offer or the transactions pursuant to the Gloucester Coal Offer are expected to involve the acquisition of any U.K. resident company.

A number of arrangements entered into by companies in the Group have been structured in a tax efficient manner. Although it is anticipated that these arrangements are likely to achieve their desired effect, if any of them is successfully challenged by the relevant tax authorities, Group companies may incur additional tax liabilities which could adversely affect the results of operations or financial condition of the Group. In addition, in the future, Group companies may incur additional tax liabilities as a result of changes in tax law (including, for example, the measures proposed in the Canadian federal budget of 19 March 2007 to limit the deductibility of interest expense relating to investments in foreign affiliates).

### **Reserves**

The Group's recoverable reserves decline as the commodities are extracted. Further, the Group may not be able to mine all of its reserves as profitably as it does at its current operations. The Group's future success depends upon conducting successful exploration and development activities or acquiring properties containing economically recoverable reserves. The Group's current strategy includes increasing its reserve base through acquisitions of commodity-producing properties and continuing to develop the Group's existing properties.

The Group's planned development and exploration projects and acquisition activities may not result in significant additional reserves and it may not be successful in developing additional mines. In addition, in order to develop its reserves, it must receive various governmental permits. The Group cannot predict whether it will continue to receive the permits necessary for it to operate profitably in the future. The Group may not be able to negotiate economically viable mining contracts for properties containing additional reserves.

The Group bases its reserve information on engineering, economic and geological data assembled and analysed by its staff, which includes various engineers and geologists, and which in certain cases is periodically reviewed by third parties. The reserves estimates as to both quantity and quality are periodically updated to reflect production of commodities from the reserves and new drilling or other data received. There are numerous uncertainties inherent in estimating quantities and qualities of and costs to mine reserves, including many factors beyond the Group's control. Estimates of reserves

necessarily depend upon a number of variable factors and assumptions, all of which may vary considerably from actual results such as:

- (i) geological and mining conditions which may not be fully identified by available exploration data or which may differ from experience in current operations;
- (ii) historical production from the area compared with production from other similar producing areas; and
- (iii) the assumed effects of regulation and taxes by governmental agencies and assumptions concerning commodity prices, operating costs, mining technology improvements, severance and excise tax, development costs and reclamation costs.

The Group's reported mineral reserves are estimated quantities of proven and probable reserves and other minerals that under present and anticipated conditions can be legally and economically mined and processed, including where relevant by the extraction of their mineral content.

The volume and grade of reserves actually recovered and rates of production from the Group's present mineral reserves may be less than geological measurements of the reserves. Market price fluctuations in commodities and exchange rates, and changes in operating and capital costs, may in the future render certain mineral reserves uneconomic to mine. In addition, short-term operating factors relating to the mineral reserves, such as the need for orderly development of ore bodies and other mineral resources or the processing of new or different ore grades, may cause mineral reserves to be modified or the Group's operations to be unprofitable in any particular fiscal period.

No assurance can be given that the indicated amount of ore or other minerals will be recovered or that it will be recovered at the prices assumed in determining reserves. Mineral reserve estimates are based on limited sampling and, consequently, are uncertain because the samples may not be representative of the entire orebody and mineral resource. As more knowledge and understanding of the orebody or mineral resource are obtained, the reserve estimates may change significantly, either positively or negatively.

For these reasons, estimates and classifications of reserves prepared by different engineers or by the same engineers at different times may vary substantially. Actual commodity tonnage recovered from identified reserves and revenue and expenditures with respect to the Group's reserves may vary materially from estimates. Accordingly, these reserve estimates may not accurately reflect the Group's actual reserves. Any inaccuracy in the estimates related to the Group's reserves could result in lower than expected revenue, higher than expected costs and/or decreased profitability.

### ***Currency fluctuations***

The Group produces and sells commodities that are typically priced in U.S. dollars, while a large portion of the operating costs of the Group's business are incurred in local currencies, including the Canadian dollar, the Chilean peso, the Norwegian Kroner, the Australian dollar, the Euro, the South African Rand, the Argentine peso, the Colombian peso and the Peruvian Sol. Accordingly, the strengthening of those currencies and other local currencies in which the Group incurs expenditure against the U.S. dollar has a detrimental effect on the Group's results of operations and financial condition.

The Group's operations are conducted in many countries and the results of operations and the financial condition of individual Group companies are reported in the relevant functional currency which, in some cases, is not the U.S. dollar. The results for Group companies whose functional currency is not the U.S. dollar have been translated into U.S. dollars at the applicable foreign currency exchange rates for inclusion in the Group's historical consolidated financial statements. The exchange rates between relevant currencies other than the U.S. dollar and the U.S. dollar have historically fluctuated (including over the last five years), and the translation effect of such fluctuations may have a material adverse effect on the Group's consolidated results of operations or financial condition.

The Group may, from time to time, hedge a portion of its currency exposures and requirements to try to limit any adverse effect of exchange rate fluctuations on the Group's results of operations and financial condition, but there can be no assurance that such hedges will eliminate the potential material adverse effect of such fluctuations.

### ***Borrowings***

The Group has a significant amount of indebtedness, which may impair the operating and financial flexibility of the Group and could adversely affect the business and financial position of the Group and the Guarantors' ability to pay dividends and amounts due under the Guarantees.

The Group has a substantial amount of debt and significant debt service obligations. As at 31 December 2006, the Group had gross outstanding indebtedness of U.S.\$15,461 million. For further

information on the Group's gross outstanding indebtedness as at 31 December 2006, see the 2006 Xstrata Financial Information (which has been incorporated by reference into this Base Prospectus as described in Part IV — "Information Incorporated by Reference").

Whilst the proceeds of the Rights Issue have been used to reduce the Group's existing indebtedness and Xstrata is committed to maintaining an investment grade credit rating, Xstrata anticipates that the Group will continue to have significant indebtedness for the foreseeable future.

The Group's significant indebtedness has important consequences for Noteholders. For example, it could potentially:

- (i) cause the Group to dedicate a substantial portion of cash flow from operations to payments to service debt, depending on the level of borrowings, prevailing interest rates and, to a lesser extent, exchange rate fluctuations, which reduces the funds available for working capital, capital expenditure, acquisitions and other general corporate purposes;
- (ii) curtail the Guarantors' ability to pay, pursuant to the Guarantees, principal or interest under Notes to be issued under the Programme;
- (iii) limit the Group's ability to borrow additional funds for working capital, capital expenditure, acquisitions and other general corporate purposes;
- (iv) limit the Group's flexibility in planning for, or reacting to, changes in technology, customer demand, competitive pressures and the industries in which it operates;
- (v) place the Group at a competitive disadvantage compared to its competitors that are less leveraged than it is; and
- (vi) increase the Group's vulnerability to both general and industry specific adverse economic conditions.

In addition, any lowering of Xstrata's credit rating may have important consequences for Noteholders. For example, it could potentially:

- (i) increase the margin payable under its bank debt facilities; and
- (ii) make it more expensive for the Group to raise funds through the capital markets.

Xstrata's existing debt facilities contain a number of financial, operating and other obligations that limit the Group's operating and financial flexibility. The Group's ability to comply with these obligations depends on the future performance of its business.

### ***Integration of acquisitions***

A substantial portion of the Group's growth in turnover and earnings has historically been generated from and, will be generated from, acquisitions and investments and subsequent improvements in the performance of the businesses acquired or invested in, including MIM, the Cerrejón Business, Tintaya, Falconbridge, LionOre and Gloucester Coal. Xstrata expects to continue a strategy of identifying, acquiring and investing in businesses with a view to expanding its operating businesses or diversifying into other natural resources. Xstrata believes that acquisitions and investments will continue to be an important part of its business strategy.

There can be no assurance that Xstrata will continue to identify suitable acquisition opportunities, obtain the financing necessary to complete and support such acquisitions or its investment or acquire businesses on satisfactory terms, or that any business acquired will prove to be profitable. In addition, acquisitions and investments involve a number of risks, including possible adverse effects on the Group's operating results, diversion of management's attention, failure to retain key personnel, risks associated with unanticipated events or liabilities, difficulties in the assimilation of the operations, technologies, systems, services and products of the acquired companies or investments and risks arising from change of control provisions in contracts of any acquired company. Further, the Group's integration strategy may also be influenced by local factors in the markets in which it has made and makes acquisitions, such as black empowerment in South Africa. Any failure to achieve successful integration of such acquisitions or joint ventures could have a material adverse effect upon the results of operations or financial condition of the Group.

### ***Labour***

The majority of the workforce of the Group is unionised. Xstrata believes that all of the Group's operations have, in general, good relations with their employees and unions, but the Group's operations in South America, South Africa, Australia, Canada and Chile have from time to time experienced limited work stoppages and other forms of industrial action in recent years. There can be no assurance that the Group's operations will not be affected by such problems in the future. In

addition, the Group has been subject to union demands for pay rises and increased benefits. Furthermore, the Group contains operations in South America where recent strike action associated with demands for pay rises and increased benefits at operations of other industry participants has received widespread media attention. Strike action at other industry participants' operations in South America may encourage work stoppages in connection with any labour-related demands of employees or unions at the Group's operations in South America and/or elsewhere. There can be no assurance that work stoppages or other labour-related developments (including the introduction of new labour regulations in countries where the Group operates) will not adversely affect the results of operations or financial condition of the Group.

The majority of the workforce of the 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 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 Group and the relevant unions or other employee representative organisations. There can be no assurance that collective agreements when due to be renewed will be so renewed without work stoppages or other forms of industrial action or without additional or unforeseen costs being incurred by the Group.

There is a serious problem with HIV/AIDS infection of the Group's South African workforce, as there is in South Africa generally. The HIV/AIDS infection rate of the Group's South African workforce is expected to continue to increase significantly during this decade. The costs and lost workers' time associated with HIV/AIDS may continue to adversely affect the Group's South African results of operations or financial condition although through aggressive Antiretroviral intervention programmes underway in the Group's South African operations it is expected that this risk may be mitigated to a certain extent.

### ***The Group may face risk associated with labour relations***

Xstrata is undertaking a detailed review of Falconbridge's activities to evaluate long-term performance, profitability and potential synergies for the Group. Xstrata expects that benefits will accrue to the Group from access to pooled managerial and technical expertise, with increased opportunities for employees across the Group. There can be no assurance, however, that relationships with former Falconbridge Group employees at the Group's operations in Canada and/or elsewhere will be positive or that new collective agreements will be entered into without work interruptions. The Group could also be adversely affected by labour disruptions involving third parties who may provide the Group with goods or services at its operations in Canada and elsewhere. Strikes and other labour disruptions at any of the Group's operations, or lengthy work interruptions at its existing and future development projects, could materially adversely affect the timing, completion and cost of any such project, as well as the Group's results of operations or financial condition.

### ***Key employees***

The management of the Group's operations depends on a relatively small number of key employees. The loss of the services of certain key employees, particularly to competitors, could have a material adverse effect on the results of operations or financial condition of the Group. In addition, as the Group's business develops and expands, Xstrata believes that the Group's future success will depend on its ability to attract and retain highly skilled and qualified personnel, which is not guaranteed.

### ***Joint ventures***

Members of the Group hold, and expect to hold in the future, undivided interests in joint ventures. Special risks associated with joint ventures include the possibility that the joint venture partners, which in certain cases include competitors of Xstrata, may: (i) have economic or business interests or goals that are inconsistent with those of the Group; (ii) take action contrary to the Group's policies or objectives with respect to its investments, for instance by vetoing proposals in respect of the joint venture operations; (iii) be unable or unwilling to fulfil their obligations under the joint venture or other agreements; or (iv) experience financial or other difficulties. Any of the foregoing may have a material adverse effect on the results of operations or financial condition of the Group. In addition, the termination of certain of these joint venture agreements, if not replaced on similar terms, could have a material adverse effect on the results of operations or financial condition of the Group.

### ***Holding company structure and dependence on subsidiaries***

Each of Xstrata and Xstrata Schweiz's results of operations and financial condition are entirely dependent on the trading performance of members of the Group. Their ability to pay amounts due under the Xstrata Guarantee and the Xstrata Schweiz Guarantee, respectively, will depend upon the level of distributions, if any, received from their respective operating subsidiaries and interests, any amounts received on capital raisings and asset disposals and the level of cash balances. Certain of each of Xstrata and Xstrata Schweiz's operating subsidiaries and interests may, from time to time, be subject to restrictions on their ability to make distributions to it including as a result of restrictive covenants contained in loan agreements, foreign exchange limitations and other regulatory restrictions and agreements with the other shareholders of such subsidiaries or associated companies. There can be no assurance that such restrictions will not have a material adverse effect on the Group's results of operations or financial condition.

### ***Political risk***

Certain of the Group's activities and related assets are located in countries which may be considered to be, or may become, politically or economically unstable. Exploration or development activities in such countries may require protracted negotiations with host governments, international organisations and other third parties, including non-governmental organisations, and are frequently subject to economic and political considerations, such as taxation, nationalisation, inflation, currency fluctuations and governmental regulation and approval requirements, which could adversely affect the economics of projects. These projects and investments could be adversely affected by war, civil disturbances and activities of governments which limit or disrupt markets, restrict the movement of funds or supplies or result in the restriction of contractual rights or the taking of property without fair compensation.

The Group performs a thorough risk assessment on a country-by-country basis when considering its activities and attempts to conduct its business and financial affairs so as to protect against political, legal, regulatory and economic risks applicable to operations in the various countries where the Group operates, but there can be no assurance that the Group will be successful in so protecting itself. These projects and investments could also be adversely affected by changes in laws and regulations relating to foreign trade, investment and taxation.

The Group has significant operations in South Africa. As a result, there are important political, economic and other risks relating to South Africa which could affect an investment in Notes issued under the Programme. Large parts of the population of South Africa do not have access to adequate education, healthcare, housing and other services, including water and electricity. South Africa has also experienced high levels of crime and unemployment in comparison with more developed countries. These problems have been among the factors that have impeded inward investment into South Africa, prompted the emigration of skilled workers and affected South Africa's growth rate negatively. While the South African government committed itself to creating a stable free market economy, it is difficult to predict the future political, social and economic direction of South Africa or how the government will try to address South Africa's challenges. It is also difficult to predict the effect on the Group's business of these problems or of the government's efforts to solve them.

Further, there has been political and economic instability in South Africa's neighbouring countries. If this instability were to extend into or cause similar instability in South Africa, it could have a negative impact on the Group's ability to manage and operate its South African operations and therefore on its results of operations or financial condition.

There are political and economic risks relating to the Group's operations at Alumbrera, Argentina. Argentina suffered a period of deep social and economic deterioration and political and economic instability during 2001 and a devaluation of its currency in 2002. The Group's operations in Argentina may be adversely affected by changes in the nature of the Argentinean government, its policies, including taxation, or the political, economic or social dynamics affecting Argentina, any or all of which may not be within the control of the Group.

Cerrejón operates in Colombia. As a result, there are political and other risks relating to Colombia which could affect an investment in the Group. Colombia has experienced several periods of criminal violence over the past four decades, primarily due to the activities of guerrilla groups and drug cartels. In response, the Colombian government has implemented various security measures and has strengthened its military and police forces by creating specialised units. Despite these efforts, drug-related crime and guerrilla activity continue to exist in Colombia. If this violence affected the operations of the Cerrejón Business, it could have an adverse effect on the Group's results of operations. Historically, Colombia has also experienced other political and economic instability. The Cerrejón

Business may be adversely affected by any deterioration in the political, economic or security situation in Colombia, including where such factors have a direct impact on the operations of Cerrejón's mines and Cerrejón's rights to carry on its operations. There can be no assurance that such deterioration will not have a material adverse effect on the results of operations or financial condition of any or both of the Cerrejón Business and the Group.

The Group has operations in Peru and Chile. These operations may be adversely affected by changes in government policies, including taxation, changes in the ruling government or the political, economic or social matrix of factors affecting Peru and/or Chile, any or all of which may not be within the control of the Group.

### ***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 (other than subject to certain monetary limits and within certain parameters), without the approval of the exchange control authorities, to export capital from South Africa or to hold foreign currency or foreign investments, as restrictions are imposed on foreign investments by South African residents. It is impossible to know whether any further modifications may be made by the South African government. There can be no assurance that the expansion of existing, or imposition of new, exchange controls would not adversely affect the Group's results of operations or financial condition.

In 2002, Argentina imposed exchange control restrictions which required revenues from exports to be repatriated to Argentina and exchanged for Argentine pesos. However, pursuant to a decree issued on 27 February 2003, all mining companies which enjoyed "exchange control stability" between March 1991 and December 2001, which includes Minera Alumbrera Limited, a member of the Group, are exempt from compliance with the exchange control restrictions. There can be no assurance that Argentinean government policy in relation to this issue will not change again in the future and any change could have a material adverse effect on the Group's results of operations or financial condition.

### ***Market access***

Global and regional demand for metals is influenced by regulatory and voluntary initiatives to restrict or eliminate the use of certain metals in particular products or applications. Impacts of such measures can be global, creating non-tariff barriers to international trade and affecting product design and specifications on a global basis. Such measures could affect the balance between supply and demand and depress metal prices and treatment/refining charges. Metals with a limited number of major applications are most susceptible to changes in demand and price in response to such measures. Such changes in demand and price could have a material adverse effect on the Group's results of operations or financial condition.

### ***Production technology***

Xstrata believes that the technology it uses to produce and process metals is significantly advanced and, in part due to high investment costs, subject only to slow technological change. However, there can be no assurance that more economical production or processing technology will not be developed or that the economic conditions in which current technology is applied will not change.

### ***Sulphuric acid***

Sulphur dioxide is a by-product from the smelting of copper, zinc, nickel and lead sulphide concentrates. The Group captures sulphur dioxide to limit acid rain emissions and produces sulphuric acid as a marketable by-product. Due to increasingly strict environmental standards worldwide for sulphur dioxide emissions, involuntary production of sulphuric acid by smelters is growing. The balance of world acid production is largely based on elemental sulphur, whose supply is now a by-product of oil and gas production, and growing more rapidly than demand. Long term, these factors may make it more difficult for the Group to obtain satisfactory prices for its sulphuric acid. However, the Group's production of sulphuric acid cannot be reduced in response to low prices, or dropping sales volumes, without a corresponding reduction in the Group's production of metals.

### ***Raw material procurement risks***

Procurement of raw materials involves the risks typically connected with commercial transactions, which can include trade barriers, political instability and problems due to local production conditions. In addition, the Group's supply contracts provide that suppliers of concentrate may be released from their



delivery obligations to the Group if certain “force majeure” events occur. The Group’s business operations could be adversely affected, at least temporarily, if supplies of raw materials are interrupted as a result of the imposition of trade barriers or other events and if the Group is unable, on short notice, to shift to alternative sources of supply.

### ***Legal proceedings***

The nature of the Group business subjects the Group to numerous regulatory investigations, claims, lawsuits and other proceedings in the ordinary course of its business. The results of these legal proceedings cannot be predicted with certainty. There can be no assurance that these matters will not have a material adverse effect on the Group’s results of operations in any future period, and a substantial judgement could have a material adverse impact on the Group’s business, financial condition, liquidity and results of operations.

Nothing in this section headed “Legal proceedings” is intended to qualify the statement in paragraph 9 of Part XVI — “General Information” that, except as set out in that paragraph, none of the Issuers or the Guarantors is or has been involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which any Issuer or Guarantor is aware) in the 12 months preceding the date of this Base Prospectus which may have or have in such period had a significant effect on the financial position or profitability of the Group.

### **Factors which are material for the purpose of assessing the market risks associated with Notes issued under the Programme**

#### ***The Notes may not be a suitable investment for all investors***

Each prospective Noteholder must determine the suitability of that investment in light of its own circumstances. In particular, each prospective Noteholder should:

- (i) have sufficient knowledge and experience to make a meaningful evaluation of the Notes, the merits and risks of investing in the Notes and the information contained or incorporated by reference in this Base Prospectus or any applicable supplement;
- (ii) have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Notes and the impact the Notes will have on its overall investment portfolio;
- (iii) have sufficient financial resources and liquidity to bear all of the risks of an investment in the Notes, including Notes with principal or interest payable in one or more currencies, or where the currency for principal or interest payments is different from the prospective Noteholder’s currency;
- (iv) understand thoroughly the terms of the Notes and be familiar with the behaviour of any relevant indices and financial markets; and
- (v) be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

Some Notes are complex financial instruments. Sophisticated institutional investors generally do not purchase complex financial Notes as stand-alone investments. They purchase complex financial instruments as a way to reduce risk or enhance yield with an understood, measured, appropriate addition of risk to their overall portfolios. A prospective Noteholder should not invest in Notes which are complex financial instruments unless it has the expertise (either alone or with a financial adviser) to evaluate how the Notes will perform under changing conditions, the resulting effects on the value of the Notes and the impact this investment will have on the prospective Noteholder’s overall investment portfolio.

#### ***Risks related to the structure of a particular issue of Notes***

A wide range of Notes may be issued under the Programme. A number of these Notes may have features which contain particular risks for prospective Noteholders. Set out below is a description of the most common such features:

##### ***Notes subject to optional redemption by the relevant Issuer***

An optional redemption feature of Notes is likely to limit their market value. During any period when the relevant Issuer may elect to redeem Notes, the market value of those Notes generally will not rise substantially above the price at which they can be redeemed. This also may be true prior to any redemption period.

The relevant Issuer may be expected to redeem Notes when its cost of borrowing is lower than the interest rate on the Notes. At those times, a Noteholder generally would not be able to reinvest the redemption proceeds at an effective interest rate as high as the interest rate on the Notes being redeemed and may only be able to do so at a significantly lower rate. Prospective Noteholders should consider reinvestment risk in light of other investments available at that time.

#### *Index-Linked Notes and Dual Currency Notes*

The relevant Issuer may issue Notes with principal or interest determined by reference to an index or formula, to changes in the prices of securities or commodities, to movements in currency exchange rates or other factors (each, a "Relevant Factor"). In addition, the relevant Issuer may issue Notes with principal or interest payable in one or more currencies which may be different from the currency in which the Notes are denominated. Prospective Noteholders should be aware that:

- (i) the market price of such Notes may be volatile;
- (ii) they may receive no interest;
- (iii) payment of principal or interest may occur at a different time or in a different currency than expected;
- (iv) they may lose all or a substantial portion of their principal;
- (v) a Relevant Factor may be subject to significant fluctuations that may not correlate with changes in interest rates, currencies or other indices;
- (vi) if a Relevant Factor is applied to Notes in conjunction with a multiplier greater than one or contains some other leverage factor, the effect of changes in the Relevant Factor on principal or interest payable likely will be magnified; and
- (vii) the timing of changes in a Relevant Factor may affect the actual yield to investors, even if the average level is consistent with their expectations. In general, the earlier the change in the Relevant Factor, the greater the effect on yield.

The historical experience of an index should not be viewed as an indication of the future performance of such index during the term of any Index-Linked Notes. Accordingly, prospective Noteholders should consult their own financial and legal advisers about the risk entailed by an investment in any Index-Linked Notes and the suitability of such Notes in light of their particular circumstances.

#### *Partly-paid Notes*

The relevant Issuer may issue Notes where the issue price is payable in more than one instalment. Failure to pay any subsequent instalment could result in a Noteholder losing all of his investment.

#### *Variable rate Notes with a multiplier or other leverage factor*

Notes with variable interest rates can be volatile investments. If they are structured to include multipliers or other leverage factors, or caps or floors, or any combination of those features or other similar related features, their market values may be even more volatile than those for securities that do not include those features.

#### *Inverse Floating Rate Notes*

Inverse Floating Rate Notes have an interest rate equal to a fixed rate minus a rate based upon a reference rate such as LIBOR. The market values of those Notes typically are more volatile than market values of other conventional floating rate debt securities based on the same reference rate (and with otherwise comparable terms). Inverse Floating Rate Notes are more volatile because an increase in the reference rate not only decreases the interest rate of the Notes, but may also reflect an increase in prevailing interest rates, which further adversely affects the market value of these Notes.

#### *Fixed/Floating Rate Notes*

Fixed/Floating Rate Notes may bear interest at a rate that converts from a fixed rate to a floating rate, or from a floating rate to a fixed rate. Where the relevant Issuer has the right to effect such a conversion, this will affect the secondary market and the market value of the Notes since such Issuer may be expected to convert the rate when it is likely to produce a lower overall cost of borrowing. If the relevant Issuer converts from a fixed rate to a floating rate in such circumstances, the spread on the Fixed/Floating Rate Notes may be less favourable than then prevailing spreads on comparable Floating Rate Notes tied to the same reference rate. In addition, the new floating rate at any time may be lower than the rates on other Notes. If the relevant Issuer converts from a floating rate to a fixed rate in such circumstances, the fixed rate may be lower than then prevailing rates on its Notes.

#### *Notes issued at a substantial discount or premium*

The market values of securities issued at a substantial discount or premium from their principal amount tend to fluctuate more in relation to general changes in interest rates than do prices for conventional interest-bearing securities. Generally, the longer the remaining term of the securities, the greater the price volatility as compared to conventional interest-bearing securities with comparable maturities.

#### ***Risks related to Notes generally***

Set out below is a brief description of certain risks relating to the Notes generally:

##### *Modification and waivers*

The terms and conditions of the Notes contain provisions for calling meetings of Noteholders to consider matters affecting their interests generally. These provisions permit defined majorities to bind all Noteholders including Noteholders who did not attend and vote at the relevant meeting and Noteholders who voted in a manner contrary to the majority.

##### *EU Savings Directive*

Under EC Council Directive 2003/48/EC on the taxation of savings income, Member States are required to provide to the tax authorities of another Member State details of payments of interest (or similar income) paid by a person within its jurisdiction to an individual resident in that other Member State. However, for a transitional period, Belgium, Luxembourg and Austria are instead required (unless during that period they elect otherwise) to operate a withholding system in relation to such payments. The transitional period is to terminate at the end of the first full fiscal year following an agreement by certain non-EU countries to the exchange of information relating to such payments. A number of non-EU countries and territories including Switzerland have agreed to adopt similar measures (a withholding system in the case of Switzerland).

Further details in relation to this Directive are provided in Part XIV — “Taxation — U.K. taxation”. If, following implementation of this Directive, a payment were to be made or collected through a Member State which has opted for a withholding system and an amount of, or in respect of, tax were to be withheld from that payment, neither the relevant Issuer nor any Paying Agent nor any other person would be obliged to pay additional amounts with respect to any Note as a result of the imposition of such withholding tax. If a withholding tax is imposed on payment made by a Paying Agent following implementation of this Directive, the relevant Issuer will be required to maintain a Paying Agent in a Member State that will not be obliged to withhold or deduct tax pursuant to the Directive.

##### *Change of law*

The conditions of the Notes are based on English law in effect as at the date of this Base Prospectus. No assurance can be given as to the impact of any possible judicial decision or change to English law or administrative practice after the date of this Base Prospectus.

##### *Trading in clearing systems*

In relation to any issue of Notes which have a denomination consisting of a minimum Specified Denomination plus a higher integral multiple of another smaller amount, it is possible that such Notes may be traded in amounts in excess of the minimum Specified Denomination. In such a case a Noteholder who, as a result of trading such amounts, holds a principal amount of less than the minimum Specified Denomination in his account with the relevant clearing system at the relevant time may not receive a definitive Note in respect of such holding (should definitive Notes be issued) and would need to purchase a principal amount of Notes such that its holding amounts to a Specified Denomination. If definitive Notes are issued, Noteholders should be aware definitive Notes which have a denomination that is not an integral multiple of the minimum Specified Denomination may be illiquid and difficult to trade.

##### *Notes are structurally subordinated to the indebtedness of non-Guarantor subsidiaries*

In the event of a bankruptcy, liquidation or reorganisation of a subsidiary of a Guarantor (including, in particular, Falconbridge and Xstrata Queensland Limited), holders of the subsidiary’s indebtedness or preferred stock and the subsidiary’s trade creditors will generally be entitled to payment of their claims from the assets of that subsidiary before any assets are made available for distribution to such Guarantor (as a direct or indirect holding company of that subsidiary).

##### *Notes are effectively subordinated to all secured indebtedness*

The Notes will be effectively subordinated to all of the Group’s existing and future secured indebtedness to the extent of the value of the assets securing that indebtedness. The Group may incur additional indebtedness in the future, subject to limitations contained in the instruments governing its existing indebtedness. This additional indebtedness may also be secured.

#### *Limitations in respect of Xstrata Schweiz Guarantee*

The liability of Xstrata Schweiz as Guarantor of payments of all amounts due in respect of Notes issued by Xstrata Dubai is (to the extent that such is a requirement of applicable Swiss law in force at the relevant time) limited to a sum equal to the maximum amount of Xstrata Schweiz's profits available for distribution at any time (being the balance sheet profits and any reserves made for this purpose, in each case in accordance with art. 675(2) and art. 678(1) and (2) no. 3, of the Swiss Code of Obligations) provided that such limitations shall not free Xstrata Schweiz from payment obligations in excess of its distributable profits, but merely postpone the payment date of those obligations until such times as payment is permitted notwithstanding such limitations. Any payment under the guarantee by Xstrata Schweiz of payments of all amounts due in respect of Notes issued by Xstrata Dubai may require certain corporate formalities to be completed prior to payment including, but not limited to, obtaining an audit report, shareholders' resolutions and board resolutions approving payment. As at 31 December 2006, Xstrata Schweiz's profits available for distribution as a dividend were estimated to be in the region of CHF2,237,911,000 (approximately U.S.\$1,786 million) before deduction of withholding taxes (if applicable). Any payment made by Xstrata Schweiz pursuant to the Xstrata Schweiz Guarantee of amounts due in respect of Notes issued by Xstrata Dubai may be subject to Swiss withholding taxes on dividends (the present rate of which is 35%).

#### ***Risks related to the market generally***

Set out below is a brief description of the principal market risks, including liquidity risk, exchange rate risk, interest rate risk and credit risk:

##### *The secondary market generally*

Notes may have no established trading market when issued, and one may never develop. If a market does develop, it may be illiquid. Therefore, Noteholders may not be able to sell their Notes easily or at prices that will provide them with a yield comparable to similar investments that have a developed secondary market. This is particularly the case for Notes that are especially sensitive to interest rate, currency or market risks, are designed for specific investment objectives or strategies or have been structured to meet the investment requirements of limited categories of investors. These types of Notes generally would have a more limited secondary market and more price volatility than conventional debt securities. Liquidity may have a severely adverse effect on the market value of Notes.

##### *Exchange rate risks and exchange controls*

The relevant Issuer will pay principal and interest on the Notes and the relevant Guarantors will make any payments under the Guarantees in the Specified Currency. This presents certain risks relating to currency conversions if a Noteholder's financial activities are denominated principally in a currency or currency unit (the "Noteholder's Currency") other than the Specified Currency. These include the risk that exchange rates may significantly change (including changes due to devaluation of the Specified Currency or revaluation of the Noteholder's Currency) and the risk that authorities with jurisdiction over the Noteholder's Currency may impose or modify exchange controls. An appreciation in the value of the Noteholder's Currency relative to the Specified Currency would decrease (1) the Noteholder's Currency-equivalent yield on the Notes, (2) the Noteholder's Currency-equivalent value of the principal payable on the Notes and (3) the Noteholder's Currency-equivalent market value of the Notes.

Government and monetary authorities may impose (as some have done in the past) exchange controls that could adversely affect an applicable exchange rate. As a result, investors may receive less interest or principal than expected, or no interest or principal.

##### *Interest rate risks*

Investment in Fixed Rate Notes involves the risk that subsequent changes in market interest rates may adversely affect the value of the Fixed Rate Notes.

##### *Credit ratings may not reflect all risks*

One or more independent credit rating agencies may assign credit ratings to the Notes. The ratings may not reflect the potential impact of all risks related to structure, market, additional factors discussed above, and other factors that may affect the value of the Notes. A credit rating is not a recommendation to buy, sell or hold securities and may be revised or withdrawn by the rating agency at any time.

#### **Legal investment considerations may restrict certain investments**

The investment activities of certain Noteholders are subject to legal investment laws and regulations, or review or regulation by certain authorities. Each prospective Noteholder should consult its legal advisers to determine whether and to what extent (1) Notes are legal investments for it, (2) Notes can

be used as collateral for various types of borrowing, and (3) other restrictions apply to its purchase or pledge of any Notes. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of Notes under any applicable risk-based capital or similar rules.

## PART II — OVERVIEW OF THE PROGRAMME

*The following description does not purport to be complete and should be read in conjunction with the rest of this Base Prospectus and, in relation to any Notes, in conjunction with the relevant Final Terms and, to the extent applicable, the Terms and Conditions of the Notes set out herein.*

Issuers: .....	Xstrata Dubai Xstrata Canada
Guarantors: .....	Notes issued by Xstrata Dubai will, subject to the limitations described in Part I — “Risk Factors” and Part VI — “Terms and Conditions of the Notes — Guarantee”, be fully and unconditionally guaranteed on a senior, unsecured and joint and several basis by Xstrata, Xstrata Schweiz and Xstrata Canada.  Notes issued by Xstrata Canada will be fully and unconditionally guaranteed on a senior, unsecured and joint and several basis by Xstrata, Xstrata Schweiz and Xstrata Dubai.
Arranger: .....	Deutsche Bank AG, London Branch
Dealers: .....	ABN AMRO Bank N.V., Barclays Bank PLC, BNP Paribas, Citigroup Global Markets Limited, Deutsche Bank AG, London Branch, Dresdner Bank Aktiengesellschaft, J.P. Morgan Securities Ltd., The Royal Bank of Scotland plc and any other dealer appointed from time to time by the Issuers generally in respect of the Programme or by the relevant Issuer in relation to a particular Tranche (as defined below) of Notes.
Trustee: .....	Law Debenture Trustees Limited
Issuing and Paying Agent: .....	Citibank, N.A.
Programme Amount: .....	Up to U.S.\$3,000,000,000 (and, for this purpose, any Notes denominated in another currency shall be translated into U.S. dollars at the date of the agreement to issue such Notes using the spot rate of exchange for the purchase of such currency against payment of U.S. dollars in the London foreign exchange market quoted by any leading bank selected by the relevant Issuer at any time selected by that Issuer during the five-day period ending on the date on which the relevant agreement in respect of the relevant Tranche was made or such other rate as the relevant Issuer and the relevant Dealer may agree) in aggregate nominal amount of Notes outstanding at any one time. The maximum aggregate nominal amount of Notes which may be outstanding under the Programme may be increased from time to time, subject to compliance with the relevant provisions of the Dealer Agreement as defined under Part XV — “Subscription and Sale”.
Method of Issue: .....	Notes will be issued on a syndicated or non-syndicated basis. Notes will be issued in series (each, a “Series”). Each Series may comprise one or more tranches (“Tranches” and each, a “Tranche”) issued on different issue dates. The Notes of each Series will all be subject to identical terms, except that the issue date and the amount of the first payment of interest may be different in respect of different Tranches. The Notes of each Tranche will all be subject to identical terms in all respects save that a Tranche may comprise Notes of different denominations. The specific terms of each Tranche will be completed in the final terms (the “Final Terms”).
Form of Notes: .....	Notes will be issued in bearer form. Each Tranche of Notes having an initial maturity of more than one year and being issued in compliance with U.S. Treas. Reg §1.163-5(c)(2)(i)(D) will initially be represented on issue by a temporary global note

in bearer form (a “Temporary Global Note”), otherwise such Tranche will be represented by a permanent global note in bearer form (a “Permanent Global Note” and, together with a Temporary Global Note, the “Global Notes”). Global Notes may be deposited on or before the relevant issue date with a common depository for Euroclear Bank S.A./N.V. (“Euroclear”) and Clearstream Banking, société anonyme (“Clearstream, Luxembourg”) and/or any other relevant clearing system. Each Temporary Global Note will be exchangeable for a Permanent Global Note or, if so specified in the relevant Final Terms, for Notes in definitive bearer form (“Definitive Notes”) upon certification as to non-U.S. beneficial ownership as required by United States Treasury regulations. Each Permanent Global Note will be exchangeable for Definitive Notes in accordance with its terms. (See further under Part VII — “Provisions Relating to the Notes Whilst in Global Form” below). Definitive Notes will, if interest-bearing, have interest coupons (“Coupons”) attached and, if appropriate, a talon (“Talon”) for further Coupons and will, if the principal thereof is repayable by instalments, have payment receipts (“Receipts”) attached.

Currencies: ..... Notes may be denominated in euro, Sterling, U.S. dollars, Yen or in any other currency or currencies, subject to compliance with all applicable legal and/or regulatory and/or central bank requirements. Payments in respect of Notes may, subject to compliance as aforesaid, be made in and/or linked to any currency or currencies other than the currency in which such Notes are denominated.

Status of the Notes: ..... The Notes will be direct and, subject to “Terms and Conditions of the Notes — Negative Pledge”, unsecured obligations of the relevant Issuer ranking *pari passu* without any preference among themselves and, with certain statutory exceptions, equally with all the relevant Issuer’s other obligations which are unsecured and not subordinated.

Status of Guarantees: ..... Subject to “Terms and Conditions of the Notes — Negative Pledge”, each guarantee constitutes an unsecured obligation of the relevant Guarantor and, with certain statutory exceptions, ranks equally with all its other obligations which are unsecured and unsubordinated.

Issue Price: ..... Notes may be issued at any price and either on a fully or partly paid basis, as specified in the relevant Final Terms.

Maturities: ..... Any maturity, subject, in relation to specific currencies, to compliance with all applicable legal and/or regulatory and/or central bank requirements.

Redemption: ..... Notes may be redeemable at par or at such other redemption amount (detailed in a formula or otherwise) as may be specified in the relevant Final Terms.

Early Redemption: ..... Early redemption will be permitted for taxation reasons as mentioned in “Terms and Conditions of the Notes — Redemption and Purchase — Early redemption for tax reasons”, but will otherwise be permitted only to the extent specified in the relevant Final Terms.

Interest: ..... Notes may be interest bearing or non-interest bearing. Interest (if any) may accrue at a fixed or floating rate or such other rate specified in the applicable Final Terms and may vary during the lifetime of the relevant Series.

Denominations: ..... Notes will be issued in such denominations as may be specified in the relevant Final Terms, subject to compliance

with all applicable legal and/or regulatory and/or central bank requirements; see the section above in this Part VI headed "Redemption". In the case of (i) Notes which are to be admitted to trading on a regulated market within the European Economic Area or offered to the public in a Member State of the European Economic Area in circumstances which require the publication of a prospectus under the Prospectus Directive, the minimum denomination of each Note shall be €50,000 (or, if the Notes are denominated in a currency other than euro, the equivalent amount in such currency as at the date of issue of the Notes), and (ii) unless otherwise permitted by then current laws and regulations, Notes (including Notes denominated in sterling) which have a maturity of less than one year and in respect of which the issue proceeds are to be accepted by an Issuer in the United Kingdom or whose issue otherwise constitutes a contravention of Section 19 of FSMA, the minimum denomination of such Notes shall be £100,000 (or its equivalent in other currencies).

Taxation: .....	All payments in respect of Notes by the relevant Issuer or the relevant Guarantor will be made without deduction for, or on account of, withholding taxes of the country of tax residence of the relevant Issuer and the relevant Guarantor, subject as provided in Part VI — "Terms and Conditions of the Notes — Taxation".
Governing Law: .....	The Notes and all related contractual documentation will be governed by, and construed in accordance with, English law.
Listing: .....	Application has been made to the U.K. Listing Authority for Notes issued under the Programme to be admitted to the Official List and to the London Stock Exchange for such Notes to be admitted to trading on the Market.  Notes may be listed or admitted to trading, as the case may be, on other or further stock exchanges or markets agreed between the relevant Issuer and the relevant Dealer in relation to the Series. Notes which are neither listed nor admitted to trading on any market may also be issued.  The applicable Final Terms will state whether or not the relevant Notes are to be listed and/or admitted to trading and, if so, on which stock exchanges and/or markets.
Terms and Conditions: .....	Final Terms will be prepared in respect of each Tranche of Notes, a copy of which will, in the case of Notes to be admitted to the Official List and admitted to trading on the Market, be delivered to the U.K. Listing Authority on or before the date of issue of such Notes. The terms and conditions applicable to each Tranche will be those set out herein under "Terms and Conditions of the Notes" as supplemented, modified or replaced by the relevant Final Terms.
Clearing Systems: .....	Euroclear, Clearstream, Luxembourg and/or any other clearing system as may be approved by the relevant Issuer, the Issuing and Paying Agent and the Trustee.
Ratings: .....	The Programme has been rated Baa2 by Moody's Investors Service Limited ("Moody's") with a stable outlook and BBB+/A-2 by Standard & Poor's Ratings Services, a Division of the McGraw-Hill Companies Inc. ("Standard & Poor's"). Notes issued under the Programme may be rated or unrated. Where an issue of Notes is rated, its rating will not necessarily be the same as the rating applicable to the Programme. A rating is not a recommendation to buy, sell or hold securities and may be



subject to suspension, change or withdrawal at any time by the assigning rating agency.

Selling Restrictions: .....

For a description of certain restrictions on offers, sales and deliveries of Notes and on the distribution of offering material in Switzerland, the UAE, Canada, Japan, the European Economic Area (in respect of Notes having a specified denomination of less than €50,000 (or its equivalent in any other currency as at the date of Issue of the Notes)) the United Kingdom and the United States of America, see Part XV — “Subscription and Sale”.

## PART III — PRESENTATION OF INFORMATION

### Market and Industry Information

Market data and certain industry forecasts used in this Base Prospectus were obtained from internal surveys, reports and studies, where appropriate, as well as market research, publicly available information and industry publications. Industry publications generally state that the information they contain has been obtained from sources believed to be reliable but that the accuracy or completeness of such information is not guaranteed. Similarly, internal surveys, reports and studies and market research, while believed by each Issuer and each Guarantor to be reliable and accurately extracted by each Issuer and each Guarantor for the purposes of this Base Prospectus, have not been independently verified and each Issuer and each Guarantor makes no representation as to the accuracy of such information. The industry forecasts are forward-looking statements. See below in the section of this Part III headed "Cautionary Note Regarding Forward-Looking Statements".

Analysis of the coking coal markets in this Base Prospectus does not include coals known as pulverised coal injection ("PCI") coals, which are used for injection directly into blast furnaces, and refers only to coal used for coke-making.

The table set out below describes the basis of the competitive statements in respect of the Group included in this Base Prospectus. The market data supporting the competitive statements was obtained from internal surveys, reports and studies, where appropriate, as well as market research, publicly available information and industry publications. Xstrata has not relied on single sources but has instead sought to ensure that each competitive statement is balanced and reasonable, based on various available sources and Xstrata's knowledge of the markets in which the Group operates. See above in this section of this Part III headed "Market and Industry Information".

<b>Statement</b>	<b>Basis</b>
The Group is the fifth largest diversified mining group in the world	Enterprise value calculated as market capitalisation (sourced from Bloomberg and Datastream) plus interest bearing net debt plus minorities sourced from the latest publicly available financial information, in each case as at 20 April 2007
The Group's top four industry positions in copper, thermal and coking coal, zinc, nickel and vanadium	Production for the year ended 31 December 2006
The Group's top four industry position in ferrochrome	Market share of sales for the year ended 31 December 2006
The Group is the world's fourth largest producer of mined copper	Production for the year ended 31 December 2006
On a managed basis, the Group is one of the world's largest producers of export thermal coal, one of the largest producers of export semi-soft/PCI coal and amongst the top four producers of exporting coking coal	Production for the year ended 31 December 2006
The Group is the fourth largest producer of refined nickel in the world	Production for the year ended 31 December 2006
The Group is one of the largest recyclers and processors of nickel and cobalt-bearing materials	Production for the year ended 31 December 2006
The Group is the world's largest producer of zinc	Production for the year ended 31 December 2006
The Group is the world's largest producer of ferrochrome	Market share of attributable production for the year ended 31 December 2006
The Group is one of the world's leading producers of primary vanadium	Production for the year ended 31 December 2006

### Cautionary Note Regarding Forward-Looking Statements

This Base Prospectus includes statements that are, or may be deemed to be, "forward-looking statements". These forward-looking statements can be identified by the use of forward-looking

terminology, including the terms “believes”, “estimates”, “anticipates”, “expects”, “intends”, “plans”, “goal”, “target”, “aim”, “may”, “will”, “would”, “could” or “should” or, in each case, their negative or other variations or comparable terminology. These forward-looking statements include all matters that are not historical facts. They appear in a number of places throughout this Base Prospectus and the information incorporated by reference into this Base Prospectus and include statements regarding the intentions, beliefs or current expectations of Xstrata or the Group concerning, amongst other things, the results of operations, financial condition, liquidity, prospects, growth, strategies and dividend policy of the Group and the industries in which it operates.

This Base Prospectus and the information incorporated by reference into this Base Prospectus also contain forward-looking statements regarding the Falconbridge Acquisition, including statements regarding and relating to potential and/or expected synergies and cost savings available to the Group in connection with the Falconbridge Acquisition.

By their nature, forward-looking statements involve risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future and may be beyond Xstrata’s ability to control or predict. Forward-looking statements are not guarantees of future performance. The Group’s actual results of operations, financial condition, liquidity, dividend policy and the development of the industries in which it operates may differ materially from the impression created by the forward-looking statements contained in this Base Prospectus and/or the information incorporated by reference into this Base Prospectus. Further, actual developments in relation to acquisitions may differ materially from those contemplated by forward-looking statements depending on certain factors which include, but are not limited to, the risks that the Group may not realise the anticipated benefits, operational and other synergies and/or cost savings from those acquisitions and the Group may incur and/or experience unanticipated costs and/or delays and/or difficulties relating to integration of new businesses. In addition, even if the results of operations, financial condition, liquidity and dividend policy of the Group, and the development of the industries in which it operates, are consistent with the forward-looking statements contained in this Base Prospectus and/or the information incorporated by reference into this Base Prospectus, those results or developments may not be indicative of results or developments in subsequent periods. Important factors that could cause these differences include, but are not limited to, general economic and business conditions, commodity price volatility, industry trends, competition, changes in government and other regulation, including in relation to the environment, health and safety and taxation, labour relations and work stoppages, changes in political and economic stability, currency fluctuations (including the €/U.S.\$, £/U.S.\$, A\$/U.S.\$, C\$/U.S.\$, ZAR/U.S.\$, ARS/U.S.\$, CHF/U.S.\$, CLP/U.S.\$, the Colombian peso/U.S.\$, the Peruvian Sol/U.S.\$ and the Kroner/U.S.\$ exchange rates), the Group’s ability to integrate new businesses and recover its reserves or develop new reserves and changes in business strategy or development plans and other risks, including those described in Part I — “Risk Factors”.

Prospective Noteholders are advised to read this Base Prospectus and the information incorporated by reference into this Base Prospectus in their entirety for a further discussion of the factors that could affect the Group’s future performance and the industries in which it operates. In light of these risks, uncertainties and assumptions, the events described in the forward-looking statements in this Base Prospectus and/or the information incorporated by reference into this Base Prospectus may not occur.

Other than in accordance with their legal or regulatory obligations (including under the Listing Rules, the Disclosure and Transparency Rules and the Prospectus Rules), no Issuer or Guarantor undertakes any obligation to update or revise publicly any forward-looking statement, whether as a result of new information, future events or otherwise.

## **Presentation of Financial Information**

### ***Historical Financial Information***

Historical financial information for Xstrata in this Base Prospectus and the information incorporated by reference into this Base Prospectus is presented in U.S. dollars and has been prepared in accordance with International Financial Reporting Standards, or IFRS, for the financial years ended 31 December 2005 and 31 December 2006.

**Historical financial information for Xstrata Schweiz is presented in Swiss Francs, has been prepared in accordance with Swiss GAAP and has not been prepared in accordance with IFRS. There may be material differences in the historical financial information of Xstrata Schweiz had that financial information been prepared in accordance with IFRS. A narrative description of the material changes that would have been made to the accounting policies of Xstrata Schweiz to**

**conform with IFRS is set out in Part XVII — “Financial Information — Summary of the Principal Differences between Swiss GAAP and IFRS”.**

Historical financial information for Xstrata Dubai in this Base Prospectus is presented in U.S. dollars and has been prepared in accordance with IFRS for the period 15 January 2006 to 31 December 2006.

Historical financial information for Xstrata Canada is presented in U.S. dollars and has been prepared in accordance with Canadian GAAP for the period 10 October 2006 to 31 December 2006. The historical financial information has not been prepared in accordance with IFRS. There may be material differences in the historical financial information of Xstrata Canada had that financial information been prepared in accordance with IFRS.

***EBITDA and EBIT are not defined under IFRS, Canadian GAAP or Swiss GAAP***

Although none of IFRS, Canadian GAAP or Swiss GAAP defines the measures EBITDA and EBIT, they are measures that 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 or Xstrata Dubai’s operating performance or liquidity that is calculated in accordance with IFRS, Xstrata Canada’s operating performance or liquidity that is calculated in accordance with Canadian GAAP or Xstrata Schweiz’s operating performance or liquidity that is calculated in accordance with Swiss GAAP. As EBITDA and EBIT are not measures of performance defined by IFRS, Canadian GAAP or Swiss GAAP, these measures may not be comparable to similarly titled measures employed by other companies.

***EBITDA and EBIT in relation to the Group***

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

#### **PART IV — DOCUMENTS INCORPORATED BY REFERENCE**

This Base Prospectus should be read and construed in conjunction with the audited consolidated financial statements of Xstrata for the year ended 31 December 2005 (together with the audit report on those financial statements) on page 2 to page 120 of the Financial Statements part of the Xstrata plc Annual Report 2005 and the audited consolidated financial statements of Xstrata for the year ended 31 December 2006 (together with the audit report on those financial statements) on page 141 to page 250 of the Xstrata plc Annual Report 2006, which have been previously published and which have been approved by the Financial Services Authority or filed with it. Such documents shall be incorporated in, and form part of, this Base Prospectus, save that any statement contained in a document which is incorporated by reference herein shall be modified or superseded for the purpose of this Base Prospectus to the extent that a statement contained herein modifies or supersedes such earlier statement (whether expressly, by implication or otherwise). Any statement so modified or superseded shall, except as so modified or superseded, constitute a part of this Base Prospectus.

Copies of documents incorporated by reference in this Base Prospectus may be obtained from (i) the registered office of the relevant Issuer or Guarantor, as the case may be, and/or (ii) the website of the Regulatory News Service operated by the London Stock Exchange at [www.londonstockexchange.com/en-gb/pricesnews/marketnews/](http://www.londonstockexchange.com/en-gb/pricesnews/marketnews/).

Any documents incorporated by reference in the financial statements referred to above do not form part of this Base Prospectus.

## **PART V — SUPPLEMENTARY PROSPECTUS**

If at any time an Issuer shall be required to prepare a supplementary prospectus pursuant to Section 87G of the FSMA, the relevant Issuer will prepare and make available an appropriate amendment or supplement to this Base Prospectus or a further Base Prospectus which, in respect of any subsequent issue of Notes to be admitted to the Official List and to trading on the Market, shall constitute a supplementary prospectus as required by the U.K. Listing Authority and Section 87G of the FSMA.

Each Issuer and each Guarantor has given an undertaking to the Dealers that, unless the Issuers have notified the Dealers in writing that they do not intend to issue Notes under the Programme for the time being, if at any time during the duration of the Programme a significant new factor, material mistake or inaccuracy arises or is noted relating to information included in this Base Prospectus which is capable of affecting an assessment by prospective Noteholders of the assets and liabilities, financial position, profits and losses and prospects of any Issuer and/or any Guarantor and/or of the rights attaching to the Notes and/or the Guarantees, each Issuer and each Guarantor shall prepare an amendment or supplement to this Base Prospectus, and shall furnish to each Dealer such number of copies of this Base Prospectus, each amendment, supplement or replacement of it as may from time to time reasonably be requested.

## PART VI — TERMS AND CONDITIONS OF THE NOTES

*The following are the Terms and Conditions of the Notes which as supplemented, modified or replaced in relation to any Notes by the relevant Final Terms, will be applicable to each Series of Notes. Certain provisions relating to the Notes whilst in global form, and certain modifications of these Terms and Conditions applicable to Notes whilst in Global Form, are described in Part VII — “Provisions Relating to the Notes whilst in Global Form”. References in these Terms and Conditions to the “Issuer” and the “Guarantors” shall be references to the parties specified as shown in the relevant Final Terms.*

This Note is one of a Series (as defined below) of Notes issued by, as specified in the applicable Final Terms, Xstrata Finance (Dubai) Limited (“Xstrata Dubai”) or Xstrata Finance (Canada) Limited (“Xstrata Canada”) (each an “Issuer” and together the “Issuers”) and guaranteed by, as specified in the applicable Final Terms, Xstrata plc (“Xstrata”), Xstrata (Schweiz) AG (“Xstrata Schweiz”) and Xstrata Canada, in the case of Notes issued by Xstrata Dubai, or Xstrata, Xstrata Schweiz and Xstrata Dubai, in the case of Notes issued by Xstrata Canada (each a “Guarantor” and together the “Guarantors”). The Notes are constituted by a Trust Deed (such Trust Deed as amended and/or supplemented and/or restated from time to time, the “Trust Deed”) dated 26 April 2007 made between, *inter alios*, the Issuers, the Guarantors and Law Debenture Trustees Limited (the “Trustee”, which expression shall include any successor as Trustee).

References herein to the “Notes” shall be references to the Notes of this Series and to the “Issuer” and the “Guarantors” are to the Issuer or, as the case may be, the Guarantors of such Notes as specified in the applicable Final Terms.

For the purposes of payments and other matters relating to the Notes, the Receipts (as defined below) and the Coupons (as defined below), an Agency Agreement (such Agency Agreement as amended and/or supplemented and/or restated from time to time, the “Agency Agreement”) dated 26 April 2007 has been entered into between the Issuers, the Guarantors, Citibank, N.A. as initial Issuing and Paying Agent (the “Issuing and Paying Agent”, which expression shall include any successor Issuing and Paying Agent), the other paying agents named therein (together with the Issuing and Paying Agent, the “Paying Agents”, which expression shall include any additional or successor paying agents), the calculation agent (the “Calculation Agent”) and the Trustee.

The final terms for this Note (or the relevant provisions thereof) are set out in Part A of the Final Terms attached to or endorsed on this Note which supplement these Terms and Conditions and may specify other terms and conditions which shall, to the extent so specified or to the extent inconsistent with these Terms and Conditions, replace or modify these Terms and Conditions for the purposes of this Note. References to the “applicable Final Terms” are to Part A of the Final Terms (or the relevant provisions thereof) attached to or endorsed on this Note.

The Trustee acts for the benefit of the holders for the time being of the Notes (the “Noteholders”), the holders of the Receipts (the “Receiptholders”) and the holders of the Coupons (the “Couponholders”, which expression shall, unless the context otherwise requires, include the holders of the Talons (as defined below)), in accordance with the provisions of the Trust Deed.

As used herein, “Tranche” means Notes which are identical in all respects (including as to listing and admission to trading) and “Series” means a Tranche of Notes together with any further Tranche or Tranches of Notes which are (i) expressed to be consolidated and form a single series, and (ii) identical in all respects (including as to listing and admission to trading) except for their respective Issue Dates (as defined below), Interest Commencement Dates (as defined below) and/or Issue Prices (as defined below).

Copies of the Trust Deed and the Agency Agreement are available for inspection during normal business hours at the registered office for the time being of the Trustee presently at Fifth Floor, 100 Wood Street, London EC2V 7EX, United Kingdom, and at the specified office of each of the Paying Agents. Copies of the applicable Final Terms are available for viewing at, and copies may be obtained from, the registered office of the Issuer, the registered office of each Guarantor and the specified office of each of the Paying Agents save that, if this Note is neither admitted to trading on a regulated market in the European Economic Area nor offered in the European Economic Area in circumstances where a prospectus is required to be published under the Prospectus Directive, the applicable Final Terms will only be obtainable by a Noteholder holding one or more Notes and such Noteholder must produce evidence satisfactory to the Issuer and the Trustee or, as the case may be, and the relevant Paying Agent as to its holding of such Notes and identity. The Noteholders, the Receiptholders and the Couponholders are deemed to have notice of, and are entitled to the benefit of, all the provisions of the Trust Deed, the Agency Agreement and the applicable Final Terms which are applicable to them.

The statements in the Conditions include summaries of, and are subject to, the detailed provisions of the Trust Deed.

Words and expressions defined in the Trust Deed or the Agency Agreement or used in the applicable Final Terms shall have the same meanings where used in these Terms and Conditions unless the context otherwise requires or unless otherwise stated provided that, in the event of inconsistency between the Trust Deed and the Agency Agreement, the Trust Deed shall prevail and, in the event of inconsistency between the Agency Agreement or the Trust Deed and the applicable Final Terms, the applicable Final Terms shall prevail.

## **1. Form and Denomination**

- 1.1 *Form:* The Notes are in bearer form, serially numbered and in the Specified Currency and the Specified Denomination(s). Notes of one Specified Denomination may not be exchanged for Notes of another Specified Denomination.
- 1.2 *Interest Basis:* This Note is a Fixed Rate Note, a Floating Rate Note, a Zero Coupon Note, an Index Linked Interest Note, a Dual Currency Interest Note or a combination of any of the foregoing, depending upon the Interest Basis shown in the applicable Final Terms.
- 1.3 *Redemption/Payment Basis:* This Note may be an Index Linked Redemption Note, an Instalment Note, a Dual Currency Redemption Note, a Partly Paid Note or a combination of any of the foregoing, depending on the Redemption/ Payment Basis shown in the applicable Final Terms.
- 1.4 *Coupons and Talons:* Interest bearing Notes (unless otherwise indicated in the applicable Final Terms) have interest coupons ("Coupons") and, if indicated in the applicable Final Terms, talons for further Coupons ("Talons") attached on issue. Any reference herein to Coupons or coupons shall, unless the context otherwise requires, be deemed to include a reference to Talons or talons. If this Note is a Zero Coupon Note, references to Coupons and Couponholders in these Terms and Conditions are not applicable.
- 1.5 *Instalment Notes:* Notes repayable in instalments have receipts ("Receipts") for the payment of the instalments of principal (other than the final instalment) attached on issue.

## **2. Title**

Title to the Notes, Receipts and Coupons will pass by delivery. The Issuer, the Guarantors, any Paying Agent and the Trustee will (except as otherwise required by law) deem and treat the bearer of any Note, Receipt or Coupon as the absolute owner thereof (whether or not overdue and notwithstanding any notice of ownership or writing thereon or notice of any previous loss or theft thereof) for all purposes.

## **3. Status**

The Notes, Receipts and Coupons are direct and, subject to Condition 5, unsecured obligations of the Issuer ranking *pari passu* without any preference among themselves and, with certain statutory exceptions, equally with all its other obligations which are unsecured and unsubordinated.

## **4. Guarantee**

The obligations of the Issuer under or pursuant to the Trust Deed have been unconditionally and irrevocably guaranteed by the Guarantors in the Trust Deed. Subject to Condition 5, such guarantees (the "Guarantees") constitutes an unsecured obligation of the Guarantors and, with certain statutory exceptions, ranks equally with all other unsecured and unsubordinated obligations of the Guarantors. The liability of Xstrata Schweiz as Guarantor of payments of all amounts due in respect of instruments issued by Xstrata Dubai is (to the extent that such is a requirement of applicable Swiss law in force at the relevant time) limited to a sum equal to the maximum amount of Xstrata Schweiz's profits available for distribution at any time (being the balance sheet profits and any reserves made for this purpose, in each case in accordance with art. 675(2) and art. 678(1) and (2) no.3, of the Swiss Code of Obligations) provided that such limitations shall not free Xstrata Schweiz from payment obligations in excess of its distributable profits, but merely postpone the payment date of those obligations until such times as payment is permitted notwithstanding such limitations. Any payment under the guarantee by Xstrata Schweiz of payments of all amounts due in respect of Notes issued by Xstrata Dubai may require certain corporate formalities to be completed prior to payment including, but not limited to, obtaining an audit report, shareholders' resolutions and board resolutions approving payment. Any payment made by Xstrata Schweiz pursuant to the Xstrata Schweiz Guarantee of amounts due in respect of Notes issued by Xstrata Dubai may be subject to Swiss withholding taxes on dividends (the present rate of which is 35%).



## 5. Negative Pledge

So long as any of the Notes remain outstanding (as defined in the Trust Deed) the Issuer and each Guarantor will ensure that no Relevant Indebtedness of the Issuer or of the Guarantors will be secured by any Security Interest upon, or with respect to, the whole or any part of the present or future business, undertaking, assets or revenues (including any uncalled capital) of the Issuer or of the Guarantors unless the Issuer or, as the case may be, the Guarantors shall, in the case of the creation of a Security Interest, before or at the same time and, in any other case, promptly take any and all action necessary to ensure that:

- (i) all amounts payable by the Issuer under the Notes and the Trust Deed or, as the case may be, by the Guarantors under the Guarantees are secured by the Security Interest equally and rateably with the Relevant Indebtedness to the satisfaction of the Trustee; or
- (ii) such other Security Interest or other arrangement (whether or not it includes the giving of a Security Interest) is provided in favour of the Noteholders in respect of all amounts payable by the Issuer under the Notes and the Trust Deed or, as the case may be, by the Guarantors under the Guarantees, either (a) as the Trustee shall in its absolute discretion deem not materially less beneficial to the interests of the Noteholders, or (b) as shall be approved by an Extraordinary Resolution (as defined in the Trust Deed) of the Noteholders.

## 6. Interest

6.1 *Interest on Fixed Rate Notes:* Each Fixed Rate Note bears interest on its outstanding nominal amount (or, if it is a Partly Paid Note, the amount paid up) from (and including) the Interest Commencement Date at the rate(s) per annum equal to the Rate(s) of Interest. Such interest will be payable in arrear on the Interest Payment Date(s) in each year and on the Maturity Date if that does not fall on an Interest Payment Date.

Except as provided in the applicable Final Terms, the amount of interest payable on each Interest Payment Date in respect of the Fixed Interest Period ending on (but excluding) such date will amount to the Fixed Coupon Amount. Payments of interest on any Interest Payment Date will, if so specified in the applicable Final Terms, amount to the Broken Amount(s) so specified.

If interest is required to be calculated for a period other than a Fixed Interest Period, or, if in the case of Notes in definitive form, no Fixed Coupon Amount is specified in the applicable Final Terms, such interest shall be calculated by applying the Rate of Interest to:

- (i) in the case of Fixed Rate Notes which are represented by a global Note held on behalf of Clearstream, Luxembourg and/or Euroclear, the full nominal amount outstanding of Fixed Rate Notes (or if they are Partly Paid Notes, the full amount paid up); or
- (ii) in the case of Fixed Rate Notes in definitive form, the Calculation Amount,

and, in each case, multiplying such sum by the applicable Day Count Fraction, and rounding the resultant figure to the nearest sub-unit of the relevant Specified Currency, half of any such sub-unit being rounded upwards or otherwise in accordance with applicable market convention. Where the Specified Denomination of a Fixed Rate Note in definitive form comprises more than one Calculation Amount, the amounts of interest payable in respect of such Fixed Rate Note shall be the aggregate of the amounts (determined in the manner provided above) for each Calculation Amount comprising the Specified Determination without any further rounding.

In these Terms and Conditions:

- (A) "Day Count Fraction" means, in respect of the calculation of an amount of interest in accordance with this Condition 6.1.
  - (i) if "Actual/Actual (ICMA)" is specified in the applicable Final Terms:
    - (a) in the case of Notes where the number of days in the relevant period from (and including) the most recent Interest Payment Date (or, if none, the Interest Commencement Date) to (but excluding) the relevant payment date (the "Accrual Period") is equal to or shorter than the Determination Period during which the Accrual Period ends, the number of days in such Accrual Period divided by the product of (1) the number of days in such Determination Period and (2) the number of Determination Dates (as specified in the applicable Final Terms) that would occur in one calendar year; or

- (b) in the case of Notes where the Accrual Period is longer than the Determination Period during which the Accrual Period ends, the sum of:
  - (1) the number of days in such Accrual Period falling in the Determination Period in which the Accrual Period begins divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Dates (as specified in the applicable Final Terms) that would occur in one calendar year; and
  - (2) the number of days in such Accrual Period falling in the next Determination Period divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Dates that would occur in one calendar year; and
- (ii) if "30/360" is specified in the applicable Final Terms, the number of days in the period from (and including) the most recent Interest Payment Date (or, if none, the Interest Commencement Date) to (but excluding) the relevant payment date (such number of days being calculated on the basis of 12 30-day months) divided by 360;
- (B) "Determination Period" means each period from (and including) a Determination Date to (but excluding) the next Determination Date (including, where either the Interest Commencement Date or the final Interest Payment Date is not a Determination Date, the period commencing on the first Determination Date prior to, and ending on the first Determination Date falling after, such date);
- (C) "Fixed Interest Period" means the period from (and including) an Interest Payment Date (or, if none, the Interest Commencement Date) to (but excluding) the next (or first) Interest Payment Date; and
- (D) "sub-unit" means, with respect to any currency, the lowest amount of such currency that is available as legal tender in the country of such currency.

## 6.2 Interest on Floating Rate Notes and Index Linked Interest Notes

6.2.1 *Interest Payment Dates:* Each Floating Rate Note and Index Linked Interest Note bears interest from (and including) the Interest Commencement Date and such interest will be payable in arrear on either:

- (i) the Specified Interest Payment Date(s) (each an "Interest Payment Date") in each year specified in the applicable Final Terms; or
- (ii) if no Specified Interest Payment Date(s) is/are specified in the applicable Final Terms, each date (each an "Interest Payment Date") which falls the number of months or other period specified as the Interest Period in the applicable Final Terms after the preceding Interest Payment Date or, in the case of the first Interest Payment Date, after the Interest Commencement Date.

Such interest will be payable in respect of each Interest Period (which expression shall, in these Terms and Conditions, mean the period from (and including) an Interest Payment Date (or the Interest Commencement Date) to (but excluding) the next (or first) Interest Payment Date). For so long as any of the Floating Rate Notes or Index Linked Interest Notes are represented by a global Note held on behalf of Euroclear and/or Clearstream, Luxembourg, interest will be calculated on the full nominal amount outstanding of the relevant Notes (or, if they are Partly Paid Notes, the full amount paid up) and will be paid to Euroclear and Clearstream, Luxembourg for distribution by them to entitled accountholders in accordance with the usual rules and operating procedures. In respect of each definitive Floating Rate Note or Index Linked Interest Note, interest will be calculated on its outstanding nominal amount (or, if it is a Partly Paid Note, the full amount paid up).

6.2.2 *Interest Payment Dates and Business Day Convention:* If a Business Day Convention is specified in the applicable Final Terms and (x) if there is no numerically corresponding day in the calendar month in which an Interest Payment Date should occur or (y) if any Interest Payment Date would otherwise fall on a day which is not a Business Day, then, if the Business Day Convention specified is:

- (i) in any case where Interest Periods are specified in accordance with Condition 6.2.(ii) above, the Floating Rate Convention, such Interest Payment Date (i) in the case of (x) above, shall be the last day that is a Business Day in the relevant month and the provisions of (B) below shall apply *mutatis mutandis*, or (ii) in the case of (y) above,

shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event (A) such Interest Payment Date shall be brought forward to the immediately preceding Business Day, and (B) each subsequent Interest Payment Date shall be the last Business Day in the month which falls the Interest Period after the preceding applicable Interest Payment Date; or

- (ii) the Following Business Day Convention, such Interest Payment Date shall be postponed to the next day which is a Business Day; or
- (iii) the Modified Following Business Day Convention, such Interest Payment Date shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event such Interest Payment Date shall be brought forward to the immediately preceding Business Day; or
- (iv) the Preceding Business Day Convention, such Interest Payment Date shall be brought forward to the immediately preceding Business Day.

In these Terms and Conditions, "Business Day" means a day that is both:

- (A) a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in any Business Centre specified in the applicable Final Terms; and
- (B) either (1) in relation to any sum payable in a Specified Currency other than euro, a day on which commercial banks and foreign exchange markets settle payments in the principal financial centre of the country of the relevant Specified Currency (which in the case of Australian dollars shall be Sydney and in the case of New Zealand dollars shall be Wellington) (if other than any Business Centre), or (2) in relation to any sum payable in euro, a day on which the TARGET System is open. In these Terms and Conditions, "TARGET System" means the Trans-European Automated Real-Time Gross Settlement Express Transfer (TARGET) System.

6.2.3 *Rate of Interest:* The Rate of Interest payable from time to time in respect of Floating Rate Notes and Index Linked Interest Notes will be determined in the manner specified in the applicable Final Terms.

6.2.4 *ISDA Determination for Floating Rate Notes:* Where ISDA Determination is specified in the applicable Final Terms as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Period will be the relevant ISDA Rate plus or minus (as indicated in the applicable Final Terms) the Margin (if any). For the purposes of this Condition 6.2.4, "ISDA Rate" for an Interest Period means a rate equal to the Floating Rate that would be determined by the Calculation Agent under an interest rate swap transaction if the Calculation Agent were acting as calculation agent (as such term is defined in the ISDA Definitions (as defined below)) for that swap transaction under the terms of an agreement incorporating the 2006 ISDA Definitions as published by the International Swaps and Derivatives Association, Inc. and as amended and updated as at the Issue Date of the first Tranche of the Notes (the "ISDA Definitions") and under which:

- (1) the Floating Rate Option is as specified in the applicable Final Terms;
- (2) the Designated Maturity is a period specified in the applicable Final Terms; and
- (3) the relevant Reset Date is either (i) if the applicable Floating Rate Option is based on the London inter-bank offered rate ("LIBOR") or on the Euro-zone inter-bank offered rate ("EURIBOR") for a currency, the first day of that Interest Period or (ii) in any other case, as specified in the applicable Final Terms.

For the purposes of this Condition 6.2.4, "Floating Rate", "Floating Rate Option", "Designated Maturity" and "Reset Date" have the meanings given to those terms in the ISDA Definitions.

6.2.5 *Screen Rate Determination for Floating Rate Notes:* Where Screen Rate Determination is specified in the applicable Final Terms as the manner in which the Rate of Interest is to be

determined, the Rate of Interest for each Interest Period will, subject as provided below, be either:

- (1) the offered quotation; or
- (2) the arithmetic mean (rounded if necessary to the fifth decimal place, with 0.000005 being rounded upwards) of the offered quotations,

(expressed as a percentage rate per annum) for the Reference Rate which appears or appear, as the case may be, on the Relevant Screen Page as at 11.00 a.m. (London time, in the case of LIBOR, or Brussels time, in the case of EURIBOR) on the Interest Determination Date in question plus or minus (as indicated in the applicable Final Terms) the Margin (if any), all as determined by the Calculation Agent. If five or more of such offered quotations are available on the Relevant Screen Page, the highest (or, if there is more than one such highest quotation, one only of such quotations) and the lowest (or, if there is more than one such lowest quotation, one only of such quotations) shall be disregarded by the Calculation Agent for the purpose of determining the arithmetic mean (rounded as provided above) of such offered quotations.

The Agency Agreement contains provisions for determining the Rate of Interest in the event that the Relevant Screen Page is not available or if, in the case of (1) above, no such offered quotation appears or, in the case of (2) above, fewer than three such offered quotations appear, in each case as at the time specified in the preceding paragraph.

If the Reference Rate from time to time in respect of Floating Rate Notes is specified in the applicable Final Terms as being other than LIBOR or EURIBOR, the Rate of Interest in respect of such Notes will be determined as provided in the applicable Final Terms.

- 6.2.6 *Minimum Rate or Amount of Interest and/or Maximum Rate or Amount of Interest:* If the applicable Final Terms specifies a Minimum Rate of Interest or a Minimum Amount of Interest for any Interest Period, then, in the event that the Rate of Interest or Amount of Interest in respect of such Interest Period determined in accordance with the provisions of Condition 6.2.4 or 6.2.5 above is less than such Minimum Rate of Interest or such Minimum Amount of Interest, the Rate of Interest or the Amount of Interest, as the case may be, for such Interest Period shall be such Minimum Rate of Interest or such Minimum Amount of Interest.

If the applicable Final Terms specifies a Maximum Rate of Interest or a Maximum Amount of Interest for any Interest Period, then, in the event that the Rate of Interest or Amount of Interest in respect of such Interest Period determined in accordance with the provisions of Condition 6.2.4 or 6.2.5 above is greater than such Maximum Rate of Interest or such Maximum Amount of Interest, the Rate of Interest or Amount of Interest, as the case may be, for such Interest Period shall be such Maximum Rate of Interest or such Maximum Amount of Interest.

- 6.2.7 *Determination of Rate of Interest and Calculation of Interest Amounts:* The Calculation Agent will at or as soon as practicable after each time at which the Rate of Interest is to be determined, determine the Rate of Interest for the relevant Interest Period. In the case of Index Linked Interest Notes, the Calculation Agent will notify the Issuing and Paying Agent of the Rate of Interest for the relevant Interest Period as soon as practicable after calculating the same.

The Calculation Agent will calculate the amount of interest (the "Interest Amount") payable on the Floating Rate Notes or Index Linked Interest Notes for the relevant Interest Period by applying the Rate of Interest:

(A) in the case of Floating Rate Notes or Index Linked Interest Notes which are represented by a global Note held on behalf of Euroclear and/or Clearstream, Luxembourg, the full nominal amount outstanding of the relevant Notes (or if they are Partly Paid Notes, the full amount paid up); or

(B) in the case of Floating Rate Notes or Index Linked Interest Notes in definitive form, the Calculation Amount,

and, in each case, multiplying such sum by the applicable Day Count Fraction, and rounding the resultant figure to the nearest sub-unit of the relevant Specified Currency, half of any such sub-unit being rounded upwards or otherwise in accordance with applicable market convention. Where the Specified Denomination of a Floating Rate Note or an Index Linked Interest Note comprises more than one Calculation Amount, the

Interest Amount payable in respect of such Note shall be the aggregate of the amounts (determined in the manner provided above) for each Calculation Amount comprising the Specified Denomination without any further rounding.

“Day Count Fraction” means, in respect of the calculation of an amount of interest for any Interest Period:

- (i) if “Actual/365” or “Actual/Actual — ISDA” is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 365 (or, if any portion of that Interest Period falls in a leap year, the sum of (A) the actual number of days in that portion of the Interest Period falling in a leap year divided by 366 and (B) the actual number of days in that portion of the Interest Period falling in a non-leap year divided by 365);
- (ii) if “Actual/365 (Fixed)” is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 365;
- (iii) if “Actual/360” is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 360;
- (iv) if “30/360”, “360/360” or “Bond Basis” is specified in the applicable Final Terms, the number of days in the Interest Period divided by 360 (the number of days to be calculated on the basis of a year of 360 days with 12 30-day months (unless (a) the last day of the Interest Period is the 31st day of a month but the first day of the Interest Period is a day other than the 30th or 31st day of a month, in which case the month that includes that last day shall not be considered to be shortened to a 30-day month, or (b) the last day of the Interest Period is the last day of the month of February, in which case the month of February shall not be considered to be lengthened to a 30-day month)); and
- (v) if “30E/360” or “Eurobond Basis” is specified in the applicable Final Terms, the number of days in the Interest Period divided by 360 (the number of days to be calculated on the basis of a year of 360 days with 12 30-day months, without regard to the date of the first day or last day of the Interest Period unless, in the case of an Interest Period ending on (but excluding) the Maturity Date, the Maturity Date is the last day of the month of February, in which case the month of February shall not be considered to be lengthened to a 30-day month).

6.2.8 *Notification of Rate of Interest and Interest Amounts:* The Calculation Agent will cause the Rate of Interest and each Interest Amount for each Interest Period and the relevant Interest Payment Date to be notified to the Issuer and any stock exchange or other relevant authority on which the relevant Floating Rate Notes or Index Linked Interest Notes are for the time being listed or by which they have been admitted to listing and notice thereof to be published in accordance with Condition 15 as soon as possible after their determination but in no event later than the fourth London Business Day thereafter. Each Interest Amount and Interest Payment Date so notified may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) without prior notice in the event of an extension or shortening of the Interest Period. Any such amendment will be promptly notified to each stock exchange or other relevant authority on which the relevant Floating Rate Notes or Index Linked Interest Notes are for the time being listed or by which they have been admitted to listing and to the Noteholders in accordance with Condition 15. For the purposes of this paragraph, the expression “London Business Day” means a day (other than a Saturday or a Sunday) on which banks and foreign exchange markets are open for business in London.

6.2.9 *Determination or Calculation by Trustee:* If for any reason at any relevant time the Calculation Agent defaults in its obligation to determine the Rate of Interest or the Calculation Agent defaults in its obligation to calculate any Interest Amount in accordance with Condition 6.2.4 or 6.2.5 above or as otherwise specified in the applicable Final Terms, as the case may be, and in each case in accordance with Condition 6.2.6, the Trustee shall determine the Rate of Interest at such rate as, in its absolute discretion (having such regard as it shall think fit to the foregoing provisions of this Condition 6.2, but subject always to any Minimum Rate or Amount of Interest or Maximum Rate or Amount of Interest specified in the applicable Final Terms), it shall deem fair and reasonable in all the circumstances or, as the case may be, the Trustee shall calculate the Interest Amount(s) in

such manner as it shall deem fair and reasonable in all the circumstances (and, where practicable, in accordance with this Condition 6.2) and each such determination or calculation shall be deemed to have been made by the Calculation Agent.

6.2.10 *Certificates to be final:* All certificates, communications, opinions, determinations, calculations, quotations and decisions given, expressed, made or obtained for the purposes of the provisions of this Condition 6.2, whether by the Calculation Agent or the Trustee, shall (in the absence of wilful default, bad faith or manifest error) be binding on the Issuer, the Issuing and Paying Agent, the Calculation Agent (if applicable), the other Paying Agents and all Noteholders, Receiptholders and Couponholders and (in the absence as aforesaid) no liability to the Issuer, the Noteholders, the Receiptholders or the Couponholders shall attach to the Calculation Agent or the Trustee in connection with the exercise or non-exercise by it of its powers, duties and discretions pursuant to such provisions.

### 6.3 *Interest on Dual Currency Interest Notes*

The rate or amount of interest payable in respect of Dual Currency Interest Notes shall be determined in the manner specified in the applicable Final Terms.

### 6.4 *Interest on Partly Paid Notes*

In the case of Partly Paid Notes (other than Partly Paid Notes which are Zero Coupon Notes), interest will accrue as aforesaid on the paid-up nominal amount of such Notes and otherwise as specified in the applicable Final Terms.

### 6.5 *Accrual of interest*

Each Note (or in the case of the redemption of part only of a Note, that part only of such Note) will cease to bear interest (if any) from the date for its redemption unless, upon due presentation thereof, payment of principal is improperly withheld or refused. In such event, interest will continue to accrue as provided in the Trust Deed.

### 6.6 *Additional amounts*

Condition 9 sets out the circumstances under which the Issuer or a Guarantor, as the case may be, is required to pay additional amounts where the Issuer or such Guarantor is required to withhold or deduct certain taxes or duties from a payment of interest in respect of the Notes, Receipts or Coupons.

## **7 Payments**

### 7.1 *Method of payment:* Subject as provided below:

- (i) payments in a Specified Currency other than euro will be made by credit or transfer to an account in the relevant Specified Currency maintained by the payee with, or, at the option of the payee, by a cheque in such Specified Currency drawn on, a bank in the principal financial centre of the country of such Specified Currency; and
- (ii) payments in euro will be made by credit or transfer to a euro account (or any other account to which euro may be credited or transferred) specified by the payee or, at the option of the payee, by a euro cheque.

Payments will be subject in all cases to any fiscal or other laws and regulations applicable thereto in the place of payment, but without prejudice to the provisions of Condition 9.

### 7.2 *Presentation of Notes, Receipts and Coupons:* Payments of principal in respect of Notes will (subject as provided below) be made in the manner provided in Condition 7.1 above only against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of Notes. Payments of interest in respect of Notes will (subject as provided below) be made as aforesaid only against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of Coupons, in each case at the specified office of any Paying Agent outside the United States (which expression, as used herein, means the United States of America (including the States and the District of Columbia), its territories, its possessions and other areas subject to its jurisdiction).

Payments of instalments of principal (if any) in respect of Notes, other than the final instalment, will (subject as provided below) be made in the manner provided in Condition 7.1 above against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of the relevant Receipt in accordance with the preceding paragraph. Payment of the final instalment will be made in the manner provided in Condition 7.1 above only against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of the relevant Note in accordance

with the preceding paragraph. Each Receipt must be presented for payment of the relevant instalment together with the Note to which it appertains. Receipts presented without the Note to which they appertain do not constitute valid obligations of the Issuer. Upon the date on which any Note becomes due and repayable, unmatured Receipts (if any) relating thereto (whether or not attached) shall become void and no payment shall be made in respect thereof.

Fixed Rate Notes (other than Dual Currency Notes or Index Linked Interest Notes) should be presented for payment together with all unmatured Coupons appertaining thereto (which expression shall for this purpose include Coupons falling to be issued on exchange of matured Talons), failing which the amount of any missing unmatured Coupon (or, in the case of payment not being made in full, the same proportion of the amount of such missing unmatured Coupon as the sum so paid bears to the total amount due) will be deducted from the sum due for payment. Each amount of principal so deducted will be paid in the manner mentioned above against surrender of the relative missing Coupon at any time before the expiry of 10 years after the Relevant Date (as defined in Condition 9.4) in respect of such principal (whether or not such Coupon would otherwise have become void under Condition 10) or, if later, five years from the date on which such Coupon would otherwise have become due, but in no event thereafter.

Upon any Fixed Rate Note becoming due and repayable prior to its Maturity Date, all unmatured Talons (if any) appertaining thereto will become void and no further Coupons will be issued in respect thereof.

Upon the date on which any Floating Rate Note, Dual Currency Note or Index Linked Interest Note becomes due and repayable, unmatured Coupons and Talons (if any) relating thereto (whether or not attached) shall become void and no payment or, as the case may be, exchange for further Coupons shall be made in respect thereof.

If the due date for redemption of any Note is not an Interest Payment Date, interest (if any) accrued in respect of such Note from (and including) the preceding Interest Payment Date or, as the case may be, the Interest Commencement Date shall be payable only against surrender of the relevant Note.

7.3 *U.S. Paying Agent:* Notwithstanding the foregoing provisions of this Condition, if any amount of principal and/or interest in respect of Notes is payable in U.S. dollars, such U.S. dollar payments of principal and/or interest in respect of such Notes will be made at the specified office of a Paying Agent in the United States if:

- (i) the Issuer has appointed Paying Agents with specified offices outside the United States with the reasonable expectation that such Paying Agents would be able to make payment in U.S. dollars at such specified offices outside the United States of the full amount of principal and interest on the Notes in the manner provided above when due;
- (ii) payment of the full amount of such principal and interest at all such specified offices outside the United States is illegal or effectively precluded by exchange controls or other similar restrictions on the full payment or receipt of principal and interest in U.S. dollars; and
- (iii) such payment is then permitted under United States law without involving, in the opinion of that Issuer, adverse tax consequences to it.

7.4 *Payment Day:* If the date for payment of any amount in respect of any Note, Receipt or Coupon is not a Payment Day, the holder thereof shall not be entitled to payment until the next following Payment Day in the relevant place and shall not be entitled to further interest or other payment in respect of such delay. For these purposes, "Payment Day" means any day which (subject to Condition 10) is:

- (i) a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in:
  - (A) the relevant place of presentation; and
  - (B) any Financial Centre specified in the applicable Final Terms; and
- (ii) either (1) in relation to any sum payable in a Specified Currency other than euro, a day on which commercial banks and foreign exchange markets settle payments in the principal financial centre of the country of the relevant Specified Currency (if other than the place of presentation and any Financial Centre) or (2) in relation to any sum payable in euro, a day on which the TARGET System is open.

7.5 *Interpretation of principal and interest:* Any reference in these Terms and Conditions to principal in respect of the Notes shall be deemed to include, as applicable:

- (i) any additional amounts which may be payable with respect to principal under Condition 9 or any undertaking or covenant given in addition thereto, or in substitution therefor, pursuant to the Trust Deed;
- (ii) the Final Redemption Amount of the Notes;
- (iii) the Early Redemption Amount of the Notes;
- (iv) the Optional Redemption Amount(s) (if any) of the Notes;
- (v) in relation to Notes redeemable in instalments, the Instalment Amounts;
- (vi) in relation to Zero Coupon Notes, the Amortised Face Amount (as defined in Condition 8.5(ii)); and
- (vii) any premium and any other amounts (other than interest) which may be payable by the Issuer under or in respect of the Notes.

Any reference in these Terms and Conditions to interest in respect of the Notes shall be deemed to include, as applicable, any additional amounts which may be payable with respect to interest under Condition 9 or under any undertaking or covenant given in addition thereto, or in substitution therefor, pursuant to the Trust Deed.

## **8. Redemption and Purchase**

8.1 *Redemption at maturity:* Unless previously redeemed or purchased and cancelled as specified below, each Note (including each Index Linked Redemption Note and each Dual Currency Redemption Note) will be redeemed by the Issuer at its Final Redemption Amount specified in, or determined in the manner specified in, the applicable Final Terms in the relevant Specified Currency on the Maturity Date.

8.2 *Early redemption for tax reasons:*

- (i) The Notes may be redeemed at the option of the Issuer, in whole but not in part, at any time (if this Note is neither a Floating Rate Note nor an Index Linked Interest Note) or on any Interest Payment Date (if this Note is either a Floating Rate Note or an Index Linked Interest Note) on giving not less than 30 nor more than 60 days' notice to the Trustee and the Issuing and Paying Agent and, in accordance with Condition 15, the Noteholders (which notice shall be irrevocable), if due to a Change in Tax Law (i) the Issuer or a relevant Guarantor, in accordance with the terms of the applicable Notes or the applicable Guarantees, respectively, has, or would, become obligated to pay additional amounts as provided or referred to in Condition 9, (ii) in the case of a Guarantor, (A) such relevant Guarantor would be unable, for reasons outside its control, to procure payment by the Issuer, or (B) the procuring of such payment by the Issuer would be subject to withholding taxes imposed by the Relevant Jurisdiction, and (iii) such obligation otherwise cannot be avoided by the Issuer, or relevant Guarantor taking reasonable measures available to it, provided that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer or, as the case may be, the relevant Guarantor would be obliged to pay such additional amounts were a payment in respect of the Notes then due. Prior to the publication of any notice of redemption pursuant to this Condition, the Issuer shall deliver to the Trustee a certificate signed by two directors of the Issuer stating that the Issuer is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Issuer so to redeem have occurred and the Trustee shall be entitled to accept such certificate and opinion as sufficient evidence of the satisfaction of the conditions precedent set out above in which event they shall be conclusive and binding on the Noteholders, the Receiptholders and the Couponholders.
- (ii) Notes redeemed pursuant to this Condition 8.2 will be redeemed at their Early Redemption Amount referred to in Condition 8.5 below together (if appropriate) with interest accrued to (but excluding) the date of redemption.

8.3 *Redemption at the option of the Issuer (Call Option):* If Call Option is specified in the applicable Final Terms, the Issuer may, having given:

- (i) not less than 15 nor more than 30 days' notice to the Noteholders in accordance with Condition 15; and
- (ii) not less than 15 days before the giving of the notice referred to in (i) notice to the Trustee and the Issuing and Paying Agent (which notices shall be irrevocable and shall



specify the date fixed for redemption), redeem all or some only of the Notes then outstanding on any Optional Redemption Date and at the Optional Redemption Amount(s) specified in, or determined in the manner specified in, the applicable Final Terms together, if appropriate, with interest accrued to (but excluding) the relevant Optional Redemption Date. Any such redemption must be of a nominal amount not less than the Minimum Redemption Amount or not more than the Maximum Redemption Amount. In the case of a partial redemption of Notes, the Notes to be redeemed ("Redeemed Notes") will be selected individually by lot not more than 30 days prior to the date fixed for redemption (such date of selection being hereinafter called the "Selection Date"). A list of the serial numbers of such Redeemed Notes will be published in accordance with Condition 15 not less than 15 days prior to the date fixed for redemption.

- 8.4 *Redemption at the option of the Noteholders (Put Option):* If Put Option is specified in the applicable Final Terms, upon any Noteholder giving to the Issuer in accordance with Condition 15 not less than 15 nor more than 30 days' notice the Issuer will, upon the expiry of such notice, redeem, subject to, and in accordance with, the terms specified in the applicable Final Terms, each Note held by such Noteholder on the Optional Redemption Date. Any such redemption shall be at the Optional Redemption Amount together, if appropriate, with interest accrued to (but excluding) the Optional Redemption Date.

To exercise the right to require redemption of this Note, the Noteholder must deliver such Note at the specified office of any Paying Agent at any time during normal business hours of such Paying Agent falling within the notice period, accompanied by a duly completed and signed notice of exercise (the "Exercise Notice") in the form obtainable from any specified office of any Paying Agent and in which the Noteholder must specify a bank account (or, if payment is required to be made by cheque, an address) to which payment is to be made under this Condition 8.4. While any Notes are represented by a Permanent Global Note, the Put Option may be exercised in the manner described in Part VII — "Provisions relating to the Notes whilst in Global Form".

- 8.5 *Early Redemption Amounts:* For the purpose of Condition 8.2 above and Condition 11, each Note will be redeemed at the Early Redemption Amount calculated as follows:
- (i) at the amount specified in, or determined in the manner specified in, the applicable Final Terms or, if no such amount or manner is so specified in the applicable Final Terms, at its nominal amount; or
  - (ii) in the case of a Zero Coupon Note, at an amount (the "Amortised Face Amount") equal to the sum of:
    - (A) the Reference Price; and
    - (B) the product of the Accrual Yield (compounded annually) being applied to the Reference Price from (and including) the Issue Date of the first Tranche of the Notes to (but excluding) the date fixed for redemption or (as the case may be) the date upon which such Notes become due and repayable.

Where such calculation is to be made for a period that is not a whole number of years, it shall be made on the basis of a 360-day year consisting of 12 months of 30 days each or on such other calculation basis as may be specified in the applicable Final Terms.

- 8.6 *Instalments:* Instalment Notes will be redeemed in the amounts and on the dates specified in the applicable Final Terms. In the case of early redemption, the Early Redemption Amount will be determined pursuant to Condition 8.5 above.
- 8.7 *Partly Paid Notes:* Partly Paid Notes will be redeemed, whether at maturity, early redemption or otherwise, in accordance with the provisions of this Condition and the applicable Final Terms.
- 8.8 *Purchases:* The Issuer, each Guarantor or any affiliate may at any time purchase Notes (provided that all unmatured Receipts, Coupons and Talons appertaining thereto are purchased therewith) at any price in the open market or otherwise. Notes may be held, reissued, resold or, at the option of the Issuer, surrendered to any Paying Agent for cancellation.
- 8.9 *Cancellation:* All Notes which are redeemed will forthwith be cancelled (together with all unmatured Receipts, Coupons and Talons attached thereto or surrendered therewith at the

time of redemption). All Notes so cancelled and Notes purchased and cancelled pursuant to Condition 8.8 above (together with all unmatured Receipts, Coupons and Talons cancelled therewith) shall be forwarded to the Issuing and Paying Agent and cannot be reissued or resold.

- 8.10 *Late payment on Zero Coupon Notes:* If the amount payable in respect of any Zero Coupon Note upon redemption of such Zero Coupon Note pursuant to Conditions 8.1, 8.2, 8.3 or 8.4 above or upon its becoming due and repayable as provided in Condition 11 is improperly withheld or refused, the amount due and repayable in respect of such Zero Coupon Note shall be the amount calculated as provided in Condition 8.5(ii) above as though the references therein to the date fixed for the redemption or the date upon which such Zero Coupon Note becomes due and repayable were replaced by references to the date which is the earlier of:
- (i) the date on which all amounts due in respect of such Zero Coupon Note have been paid; and
  - (ii) five days after the date on which the full amount of the moneys payable in respect of such Zero Coupon Note has been received by the Issuing and Paying Agent or the Trustee and notice to that effect has been given to the Noteholders in accordance with Condition 15.

## **9 Taxation**

- 9.1 All payments of principal and interest in respect of the Notes, Receipts and Coupons by the Issuer or a Guarantor will be made without withholding or deduction for or on account of any and all present or future taxes or duties of whatever nature imposed or levied by or on behalf of the UAE in the case of Xstrata Dubai, Canada in the case of Xstrata Canada, Switzerland in the case of Xstrata Schweiz and the United Kingdom and Switzerland in the case of Xstrata or any political subdivision thereof or any authority thereof or therein having the power to tax unless such withholding or deduction is required by law. In such event, the Issuer or, as the case may be, a Guarantor will pay such additional amounts as shall be necessary in order that the net amounts received by the holders of the Notes, Receipts or Coupons after such withholding or deduction shall equal the respective amounts of principal and interest which would otherwise have been receivable in respect of the Notes, Receipts or Coupons, as the case may be, in the absence of such withholding or deduction.
- 9.2 No such additional amounts as referred to in Condition 9.1 shall be payable with respect to any Note, Receipt or Coupon issued by Xstrata Dubai:
- (i) presented for payment by or on behalf of a holder who is liable for such taxes or duties in respect of such Note, Receipt or Coupon by reason of his having some connection with the jurisdiction by which such taxes or duties have been imposed, amassed, levied or collected other than the mere holding of such Note, Receipt or Coupon; or
  - (ii) presented for payment by or on behalf of a holder who could avoid (but has not so avoided) such withholding or deduction by complying or procuring that any third party complies with any statutory requirements including supplying appropriate tax identity details or by making or procuring that any third party makes a declaration of non-residence or other similar claim for exemption to any tax authority in the jurisdiction imposing the relevant tax; or
  - (iii) presented for payment by or on behalf of a holder in respect of whom such taxes or duties are required to be withheld or deducted by reason of the holder being a person with whom Xstrata Dubai is not dealing at arm's length; or
  - (iv) presented for payment more than 30 days after the Relevant Date (as defined below) except to the extent that the holder thereof would have been entitled to an additional amount on presenting the same for payment on such thirtieth day assuming that day to have been a Payment Day (as defined in Condition 7.4); or
  - (v) where such withholding or deduction is imposed on a payment to an individual and is required to be made pursuant to European Council Directive 2003/48/EC on the taxation of savings income or any other law implementing or complying with, or introduced in order to conform to, such Directive; or

- (vi) presented for payment by or on behalf of a holder who would have been able to avoid such withholding or deduction by presenting the relevant Note, Receipt or Coupon to another Paying Agent in a Member State of the European Union.
- 9.3 No such additional amounts as referred to in Condition 9.1 shall be payable with respect to any Note, Receipt or Coupon issued by Xstrata Canada:
- (i) presented for payment by or on behalf of a holder who is liable for such taxes or duties in respect of such Note, Receipt or Coupon by reason of his having some connection with the jurisdiction by which such taxes or duties have been imposed, amassed, levied or collected other than the mere holding or use or ownership of such Note, Receipt or Coupon or deemed holding or use outside Canada or ownership as a non-resident of Canada of such Note, Receipt or Coupon; or
  - (ii) presented for payment by or on behalf of a holder who could avoid (but has not so avoided) such withholding or deduction by complying or procuring that any third party complies with any statutory requirements including supplying appropriate tax identity details or by making or procuring that any third party makes a declaration of non-residence or other similar claim for exemption to any tax authority in the jurisdiction imposing the relevant tax; or
  - (iii) presented for payment by or on behalf of a holder in respect of whom such taxes or duties are required to be withheld or deducted by reason of the holder being a person with whom Xstrata Canada is not dealing at arm's length (within the meaning of the Income Tax Act (Canada)); or
  - (iv) presented for payment more than 30 days after the Relevant Date (as defined below) except to the extent that the holder thereof would have been entitled to an additional amount on presenting the same for payment on such thirtieth day assuming that day to have been a Payment Day (as defined in Condition 7.4); or
  - (v) where such withholding or deduction is imposed on a payment to an individual and is required to be made pursuant to European Council Directive 2003/48/EC or any law implementing or complying with, or introduced in order to conform to, such Directive on the taxation of savings income; or
  - (vi) presented for payment by or on behalf of a holder who would have been able to avoid such withholding or deduction by presenting the relevant Note, Receipt or Coupon to another Paying Agent in a Member State of the European Union.
- 9.4 In these Terms and Conditions, the "Relevant Date" means the date on which such payment first becomes due, except that, if the full amount of the moneys payable has not been duly received by the Issuing and Paying Agent or the Trustee on or prior to such due date, it means the date on which, the full amount of such moneys having been so received, notice to that effect is duly given to the Noteholders in accordance with Condition 15.

## **10. Prescription**

The Notes, Receipts and Coupons will become void unless presented for payment within a period of 10 years (in the case of principal) and five years (in the case of interest) after the Relevant Date (as defined in Condition 9.4) therefor.

There shall not be included in any Coupon sheet issued on exchange of a Talon any Coupon the claim for payment in respect of which would be void pursuant to this Condition or Condition 7.2 or any Talon which would be void pursuant to Condition 7.2.

## **11. Events of Default**

The Trustee at its discretion may, and if so requested in writing by the holders of at least one-quarter in principal amount of the Notes then outstanding or if so directed by an Extraordinary Resolution (as defined in the Trust Deed) of the Noteholders shall, subject in each case to being indemnified and/or secured to its satisfaction, (but, in the case of the happening of any of the events mentioned in subparagraphs (ii) to (viii) inclusive (other than (iv)) and (x), only if the Trustee shall have certified in writing to the Issuer and the Guarantors that such event is, in its opinion, materially prejudicial to the interests of the Noteholders), give notice in writing to the Issuers and the Guarantors that the Notes are, and they shall accordingly thereby forthwith become, immediately due and repayable at their principal

amount together with accrued interest, if applicable (as provided in the Trust Deed) if any of the following events (each an "Event of Default") shall have occurred and be continuing:

- (i) if default is made in the payment of any amount in respect of any principal due on the Notes, or default is made for a period of 14 calendar days or more in the payment of any interest due in respect of the Notes or any of them; or
- (ii) if the Issuer or any Guarantor fails to perform or observe any of its other obligations expressed to be binding upon it, notwithstanding that the same shall not be so binding by virtue of any rule of law or otherwise, under the Notes or the Trust Deed and (except where the Trustee shall have certified to the Issuer and such Guarantor in writing that it considers such failure to be incapable of remedy in which case no such notice or continuation as is hereinafter mentioned will be required) such failure continues for the period of 30 calendar days (or such longer period as the Trustee may in its absolute discretion permit) next following the service by the Trustee of notice on the Issuer or, as the case may be, such Guarantor requiring the same to be remedied; or
- (iii) if (i) any indebtedness for borrowed money of the Issuer, a Guarantor or a Material Subsidiary becomes due and repayable prior to its stated maturity by reason of an event of default except where the Issuer, such Guarantor or such Material Subsidiary, as the case may be, is contesting such event of default in good faith and by appropriate action, or (ii) any such indebtedness for borrowed money is not paid when due or, as the case may be, within any originally applicable grace period except where such Issuer, such Guarantor or such Material Subsidiary, as the case may be, is contesting its liability in good faith by appropriate action, or (iii) the Issuer, a Guarantor or a Material Subsidiary fails to pay when due (or, as the case may be, within any originally applicable grace period) any amount payable by it under any present or future guarantee for, or indemnity in respect of, any indebtedness for borrowed money except where the Issuer, such Guarantor or such Material Subsidiary, as the case may be, is contesting its liability under such guarantee or indemnity in good faith and by appropriate action, or (iv) any Security Interest given by the Issuer, a Guarantor or a Material Subsidiary for any indebtedness for borrowed money of any other person becomes enforceable by reason of a default, event of default or other similar event in relation thereto and the holder thereof shall have commenced proceedings or appointed a receiver, manager or similar officer to take steps to enforce the same except where the Issuer, such Guarantor or such Material Subsidiary, as the case may be, is contesting such default, event of default or other similar event, as the case may be, in good faith and by appropriate action, provided that no event described in this Condition 11(iii) shall constitute an Event of Default unless the aggregate amount of the relevant indebtedness for borrowed money or any such guarantee or indemnity as aforesaid in respect of which any one or more of the events mentioned above in this Condition 11(iii) has or have occurred equals or exceeds U.S.\$50,000,000 or its equivalent in other currencies (as determined by the Trustee); or
- (iv) if any order shall be made by any competent court or any resolution shall be passed for the winding up or dissolution of the Issuer or a Guarantor, save for the purpose of amalgamation, merger, consolidation, reorganisation, reconstruction or other similar arrangement on terms previously approved in writing by the Trustee (such approval not to be unreasonably withheld or delayed having regard to the interests of the Noteholders) or by an Extraordinary Resolution of the Noteholders; or
- (v) if any order shall be made by any competent court or any resolution shall be passed for the winding up or dissolution of a Material Subsidiary, save for the purposes of amalgamation, merger, consolidation, reorganisation, reconstruction or other similar arrangement either (i) not involving or arising out of the insolvency of such Material Subsidiary and under which all the surplus assets of such Material Subsidiary are transferred to the Issuer, any Guarantor or any of Xstrata's other Subsidiaries, or (ii) on terms previously approved in writing by the Trustee (such approval not to be unreasonably withheld or delayed having regard to the interests of Noteholders) or by an Extraordinary Resolution of the Noteholders; or
- (vi) if Xstrata or a Material Subsidiary shall cease to carry on the whole or substantially the whole of its business, except (i) in each case for the purpose of amalgamation, merger, consolidation, reorganisation, reconstruction or other similar arrangement either (A) on terms previously approved in writing by the Trustee (such approval not to be unreasonably withheld or delayed having regard to the interests of Noteholders) or by an Extraordinary

- Resolution of the Noteholders, or (B) in the case of a Material Subsidiary not involving or arising out of the insolvency of such Material Subsidiary and under which all or substantially all of its assets are transferred to another member or members of the Group or to a transferee or transferees which immediately upon such transfer become(s), a member or members of the Group, or (ii) as a result of any disposal of assets by a Material Subsidiary either (1) to any other Subsidiary of a Guarantor or a Guarantor, or (2) to any other person on arm's length terms; or
- (vii) if the Issuer, a Guarantor or a Material Subsidiary shall suspend or announce its intention to suspend payment of its debts generally or shall be declared or adjudicated by a competent court to be unable, or shall admit in writing its inability, to pay its debts generally (within the meaning of Section 123(1) or (2) of the Insolvency Act 1986 other than Section 123(1)(a)) as they fall due, or shall be adjudicated or found insolvent by a competent court or shall enter into any composition or other similar arrangement with its creditors generally under Section 1 of the Insolvency Act 1986; or
  - (viii) if a receiver, administrative receiver, administrator or other similar official shall be appointed in relation to the Issuer, a Guarantor or a Material Subsidiary or, as the case may be, in relation to the whole or substantially the whole of the undertaking or assets of any of them or a distress, execution or other process shall be levied or enforced upon or sued out against, or any encumbrances shall take possession of, the whole or substantially the whole of the assets of any of them and in any of the foregoing cases (other than the appointment of an administrator) it or he shall not be paid out or discharged within 60 calendar days (or such longer period as the Trustee may in its absolute discretion permit) or, following such 60 calendar day period, the appointment is not being contested in good faith and by appropriate action; or
  - (ix) a Guarantee is not (or is claimed by the relevant Guarantor not to be) in full force and effect; or
  - (x) any event occurs (i) under the laws of the UAE, in the case of Xstrata Dubai, or (ii) under the laws of Canada, in the case of Xstrata Canada, or (iii) under the laws of England, in the case of Xstrata, or (iv) under the laws of Switzerland, in the case of Xstrata Schweiz, or (v) under the laws of its country of incorporation, in the case of a Material Subsidiary, which has an analogous effect to any of the events referred to in sub-paragraph (iv), (v), (vii) or (viii) in this Condition 11.

## **12. Replacement of Notes, Receipts, Coupons and Talons**

Should any Note, Receipt, Coupon or Talon be lost, stolen, mutilated, defaced or destroyed, it may be replaced at the specified office of the Issuing and Paying Agent upon payment by the claimant of such costs and expenses as may be incurred in connection therewith and on such terms as to evidence and indemnity as the Issuer may require. Mutilated or defaced Notes, Receipts, Coupons or Talons must be surrendered before replacements will be issued.

## **13. Paying Agents**

The names of the initial Paying Agents and their initial specified offices are set out below.

The Issuer is entitled, with the prior written approval of the Trustee, to vary or terminate the appointment of any Paying Agent and/or appoint additional or other Paying Agents and/or approve any change in the specified office through which any Paying Agent acts, provided that:

- (i) there will at all times be an Issuing and Paying Agent;
- (ii) there will at all times be one or more Calculation Agent(s) where the Conditions so require;
- (iii) so long as the Notes are listed on any stock exchange or admitted to listing by any other relevant authority, there will at all times be a Paying Agent with a specified office in such place as may be required by the rules and regulations of the relevant stock exchange or other relevant authority; and
- (iv) it will ensure that it maintains a Paying Agent with a specified office in a member state of the European Union that is not obliged to withhold or deduct tax pursuant to European Council Directive 2003/48/EC on the taxation of savings income or any other law implementing or complying with, or introduced in order to conform to, such Directive.

In addition, the Issuer shall forthwith appoint a Paying Agent having a specified office in New York City in the circumstances described in Condition 7.3. Any variation, termination, appointment or change shall only take effect with the prior written approval of the Trustee (other than in the case of insolvency,

when it shall be of immediate effect) after not less than 30 nor more than 45 days' prior notice thereof shall have been given to the Noteholders in accordance with Condition 15.

In acting under the Agency Agreement, the Paying Agents act solely as agents of the Issuer and the Guarantors and, in certain limited circumstances specified therein, of the Trustee and do not assume any obligation to, or relationship of agency or trust with, any Noteholders. The Agency Agreement contains provisions permitting any entity into which any Paying Agent is merged or converted or with which it is consolidated or to which it transfers all or substantially all of its assets to become the successor paying agent.

#### **14. Exchange of Talons**

On and after the Interest Payment Date on which the final Coupon comprised in any Coupon sheet matures, the Talon (if any) forming part of such Coupon sheet may be surrendered at the specified office of the Issuing and Paying Agent or any other Paying Agent in exchange for a further Coupon sheet including (if such further Coupon sheet does not include Coupons to (and including) the final date for the payment of interest due in respect of the Notes to which it appertains) a further Talon, subject to the provisions of Condition 10.

#### **15. Notices**

All notices regarding the Notes will be deemed to be validly given if published in a leading English language daily newspaper of general circulation in London. It is expected that such publication will be made in the *Financial Times*. The Issuer shall also ensure that notices are duly published in a manner which complies with the rules and regulations of any stock exchange or other relevant authority on which the Notes are for the time being listed or by which they have been admitted to trading. Any such notice will be deemed to have been given on the date of the first publication or, where required to be published in more than one newspaper, on the date of the first publication in all required newspapers. If publication as provided above is not practicable, notice will be given in such other manner, and will be deemed to have been given on such date, as the Trustee may approve.

Notices to be given by any Noteholder shall be in writing and given by lodging the same, together with the relative Note or Notes, with the Issuing and Paying Agent.

#### **16. Meetings of Noteholders, Modification, Waiver and Substitution etc.**

- 16.1 *Meetings:* The Trust Deed contains provisions for convening meetings of the Noteholders to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution of a modification, abrogation, variation or compromise of, or arrangement in respect of, the rights of the Noteholders and/or the Couponholders against the Issuers or the Guarantors, whether or not those rights arise under the Trust Deed. The Issuer, a Guarantor or the Trustee may convene such a meeting. The Trustee shall convene a meeting of the Noteholders of any Series if it receives a written request by Noteholders holding at least 10 per cent. in nominal amount of the Notes of that Series for the time being outstanding and is indemnified and/or secured to its satisfaction. The quorum at any such meeting for passing an Extraordinary Resolution is one or more persons holding or representing a clear majority in nominal amount of the Notes for the time being outstanding or, at any adjourned meeting, one or more persons holding or representing Notes for the time being outstanding whatever the proportion of the Notes which they represent, except that at any meeting the business of which includes the modification of certain provisions of the Notes, the Receipts, the Coupons or the Trust Deed (including modifying the date of maturity of the Notes or any date for payment of interest thereon, reducing or cancelling the amount of principal or the rate of interest payable in respect of the Notes or altering the currency of payment of the Notes, the Receipts or the Coupons), the quorum shall be one or more persons holding or representing not less than two-thirds in nominal amount of the Notes for the time being outstanding or, at any adjourned such meeting, one or more persons holding or representing not less than one-third in nominal amount of the Notes for the time being outstanding. An Extraordinary Resolution passed at any meeting of the Noteholders shall be binding on all the Noteholders, whether or not present at the meeting, and on all Receiptholders and Couponholders and each of them shall be bound to give effect to it accordingly. A resolution in writing signed by or on behalf of the holders of not less than 75 per cent. in nominal amount of the Notes for the time being outstanding shall be as valid and effective as a resolution passed at a meeting of the Noteholders duly convened and held in accordance with the provisions of the Trust Deed.

- 16.2 *Modification and Waiver:* The Trustee may agree without the consent of the Noteholders, Receiptholders or Couponholders to any modification to the Trust Deed which is, in its opinion of a formal, minor or technical nature or to correct a manifest error. The Trustee may also, subject to certain exceptions, so agree to any modification to the Trust Deed that is in its opinion not materially prejudicial to the interests of the Noteholders. The Trustee may, without the consent of the Noteholders, Receiptholders or Couponholders, if in its opinion the interests of the Noteholders will not be materially prejudiced thereby, waive or authorise, on such terms as seem expedient to it, any breach or proposed breach by the Issuer or a Guarantor of the Trust Deed or these Conditions or determine that an Event of Default or Potential Event of Default shall not be treated as such, where, in any such case, it is not, in the opinion of the Trustee, materially prejudicial to the Noteholders to do so provided that the Trustee shall not do so in contravention of an express direction given by an Extraordinary Resolution or a request made pursuant to Condition 11.
- 16.3 *Substitution:* The Trust Deed contains provisions permitting the Trustee (if it is satisfied that to do so would not be materially prejudicial to the interests of Noteholders) to agree, if requested by the Issuer and subject to such amendment of the Trust Deed and such other conditions as the Trustee may require, but without the consent of the Noteholders, to the substitution of any other company in place of the Issuer, or of any previous substituted company, as principal debtor under the Trust Deed and the Notes and as party to the Agency Agreement, subject to the Notes remaining unconditionally and irrevocably guaranteed by the Guarantors as provided in these Conditions and the Trust Deed.
- 16.4 *Considerations:* In connection with the exercise by it of any of its trusts, powers, authorities and discretions (including, without limitation, any modification, waiver, authorisation or determination), the Trustee shall have regard to the general interests of the Noteholders as a class (but shall not have regard to any interests arising from circumstances particular to individual Noteholders, Receiptholders or Couponholders whatever their number) and, in particular but without limitation, shall not have regard to the consequences of any such exercise for individual Noteholders, Receiptholders or Couponholders (whatever their number) resulting from their being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory or any political sub-division thereof and the Trustee shall not be entitled to require, nor shall any Noteholder, Receiptholder or Couponholder be entitled to claim, from the Issuer, a Guarantor, the Trustee or any other person any indemnification or payment in respect of any tax consequence of any such exercise upon individual Noteholders, Receiptholders or Couponholders except as against the Issuer and the Guarantors to the extent already provided for in Condition 9 and/or any undertaking given in addition to, or in substitution for, Condition 9 pursuant to the Trust Deed.
- 16.5 *Decisions Binding:* Any such modification, waiver, authorisation, substitution or determination pursuant to this Condition shall be binding on the Noteholders, the Receiptholders and the Couponholders and, unless the Trustee requires otherwise, shall be notified to the Noteholders as soon as practicable thereafter in accordance with Condition 15.

## **17. Indemnification of the Trustee and its contracting with Guarantors and/or Issuer**

The Trust Deed contains provisions for the indemnification of the Trustee and for its relief from responsibility, including provisions relieving it from taking action unless indemnified and/or secured to its satisfaction.

The Trust Deed also contains provisions pursuant to which the Trustee is entitled, *inter alia*, whether or not acting for itself (i) to acquire, hold or dispose of any Note, Receipt, Coupon, Talon or other security (or any interest therein) of the Issuer, a Guarantor, any of their subsidiaries or any other person, (ii) to enter into or be interested in any contract or transaction with any such person, and (iii) to act on, or as depositary or agent for, any committee or body of holders of any securities of any such person, in each case with the same rights as it would have had if the Trustee were not acting as Trustee and need not account for any profit.

## **18. Enforcement of Rights**

- 18.1 The Trustee may at any time, at its discretion and without notice, take such proceedings against the Issuer and/or a Guarantor as it may think fit to enforce the provisions of the Trust Deed, the Notes, the Receipts and the Coupons. The Trustee shall not be bound to

take any such proceedings unless respectively directed or requested to do so (i) by an Extraordinary Resolution or (ii) in writing by the holders of at least 25 per cent. in principal amount of the Notes of the relevant Series then outstanding, and in either case then only if it shall be indemnified and/or secured to its satisfaction.

18.2 No Noteholder, Receiptholder or Couponholder shall be entitled to take proceedings directly against the Issuer and/or a Guarantor unless the Trustee having become bound as aforesaid to take proceedings fails so to do within a reasonable period and such failure shall be continuing.

## **19. Further Issues**

Each Issuer shall be at liberty from time to time without the consent of the Noteholders, the Receiptholders or the Couponholders to create and issue further notes having terms and conditions the same as the Notes or the same in all respects save for the amount and date of the first payment of interest thereon and so that the same shall be consolidated and form a single Series with the outstanding Notes. The Trust Deed contains provisions for convening a single meeting of the Noteholders and the holders of Notes of other Series in certain circumstances where the Trustee so decides.

## **20. Contracts (Rights of Third Parties) Act 1999**

No rights are conferred on any person under the Contracts (Rights of Third Parties) Act 1999 to enforce any term of this Note, but this does not affect any right or remedy of any person which exists or is available apart from that Act.

## **21. Governing Law and Jurisdiction**

21.1 *Governing Law:* The Trust Deed, the Agency Agreement, the Notes, the Receipts and the Coupons are governed by, and shall be construed in accordance with, English law.

21.2 *Submission to Jurisdiction:* Each of the Issuer and each Guarantor (other than Xstrata) has in the Trust Deed irrevocably agreed for the benefit of the Trustee, the Noteholders and the Couponholders that the courts of England are to have non-exclusive jurisdiction to settle any disputes which may arise out of or in connection with the Trust Deed, the Notes, the Receipts, the Coupons or the Talons and that accordingly any legal action or proceedings arising out of or in connection therewith (together referred to as "Proceedings") may be brought in the courts of England.

Each of the Issuer and each Guarantor (other than Xstrata) has in the Trust Deed irrevocably waived any objection to Proceedings in the courts of England on the ground of venue or on the ground that the Proceedings have been brought in an inconvenient forum and it has further irrevocably and unconditionally agreed that a judgment in Proceedings brought in the courts of England shall be conclusive and binding upon each of the Issuer and each Guarantor (other than Xstrata) and may be enforced in the courts of any other jurisdiction. Nothing in this Condition shall limit the right of the Trustee, the Noteholders or the Couponholders to take Proceedings against the Issuer and/or a Guarantor (other than Xstrata) in any other court of competent jurisdiction, nor shall the taking of Proceedings in one or more jurisdictions preclude the taking of Proceedings in any other jurisdiction (whether concurrently or not).

Each of the Issuer and each Guarantor (other than Xstrata) has in the Trust Deed irrevocably appointed Xstrata whose registered office is 4th Floor Panton House, 25/27 Haymarket, London SW1Y 4EN, United Kingdom as its agent for service of process in any Proceedings in England and has undertaken that in the event of Xstrata ceasing so to act, each of the Issuer and the relevant Guarantors will appoint a substitute process agent acceptable to the Trustee.

## **22. Definitions**

In these Terms and Conditions:

"Change in Tax Law" shall mean (i) any change in, or amendment to, any law of the Relevant Issuer Jurisdiction or the Relevant Guarantor Jurisdiction (including any regulations or rulings promulgated thereunder) or any amendment to or change in the application or official interpretation (including judicial or administrative interpretation) of such law, which change or amendment is announced, if applicable, and becomes effective on or after 26 April 2007 or (ii) if the Issuer or the relevant Guarantor consolidates or merges with, or transfers or leases its assets substantially as an entirety to, any Person that is incorporated or tax resident under the laws of any jurisdiction other than a Relevant Issuer



Jurisdiction or a Relevant Guarantor Jurisdiction, respectively, and as a consequence thereof such Person becomes the successor obligor to such Issuer or such Guarantor in respect of additional amounts as provided or referred to in Condition 9 that may become payable (in which case, for purposes of Condition 8.2, all references to such Issuer or such Guarantor hereunder, as applicable, shall be deemed to be and include references to such Person), any change in, or amendment to, any law of the jurisdiction of incorporation of such Person or any successor entity or any amendment to or change in the application or official interpretation (including judicial or administrative interpretation) of such law, which change or amendment becomes effective on or after the date of such consolidation, merger or other transaction;

“Guarantees” means the Xstrata Canada Guarantee, the Xstrata Dubai Guarantee, the Xstrata Guarantee and the Xstrata Schweiz Guarantee;

“Group” means Xstrata and its Subsidiary Undertakings and “member of the Group” shall be construed accordingly;

“Material Subsidiary” at any time shall mean any Subsidiary of Xstrata:

- (i) whose turnover (consolidated in the case of a Subsidiary which itself has Subsidiaries but excluding intra-Group items) or whose total assets (consolidated in the case of a Subsidiary which itself has Subsidiaries) at any time equals or exceeds 10 per cent. of the consolidated turnover or, as the case may be, consolidated total assets, of Xstrata, all as calculated respectively by reference to the then most recent audited consolidated financial statements of Xstrata and the then most recent annual financial statements (consolidated or, as the case may be, unconsolidated) of the relevant Subsidiary; or
- (ii) to which is transferred all or substantially all of the business, undertaking and assets of a Subsidiary of Xstrata which immediately prior to such transfer is a Material Subsidiary, whereupon the transferor Subsidiary shall immediately cease to be a Material Subsidiary and the transferee shall become a Material Subsidiary, provided that the transferee Subsidiary shall cease to be a Material Subsidiary under the provisions of this sub-paragraph (ii) (but without prejudice to the provisions of sub-paragraph (i) above), upon publication of its next audited financial statements, provided that any Subsidiary whose only or principal business is that of a holding company (within the meaning of Section 736 of the Companies Act 1985 of Great Britain) shall not be a Material Subsidiary for the purposes of this definition.

A report by two directors of Xstrata that, in their opinion, a Subsidiary of Xstrata is or is not or was or was not at any particular time or throughout any specified period a Material Subsidiary shall, in the absence of manifest error, be conclusive and binding on the Trustee and the Noteholders;

“Non-Material Subsidiary” means any Subsidiary of Xstrata other than a Material Subsidiary;

“Person” means any individual, corporation, partnership, joint venture, association, limited liability company, joint stock company, trust, unincorporated organisation or government or any agency or political subdivision thereof;

“Project Finance Indebtedness” means any present or future indebtedness (whether being principal, premium, interest or other amounts) for or in respect of money borrowed or any notes, bonds, debentures, debenture stock or other securities (for the purposes of this definition “Indebtedness”) to finance the ownership, acquisition, development and/or operation of projects, assets or installations (including, without limitation, (1) the discovery, mining, extraction, transportation or development (in each case whether directly or indirectly) of metals or minerals, or (2) the development or operation of processing facilities (in each case whether directly or indirectly) related to natural resources including, without limitation, metals smelting, processing and refining) in respect of which the person or persons to whom any such Indebtedness is or may be owed by (in this definition the “Lender”) the relevant borrower (whether or not a member of the Group) has or have no recourse whatsoever to any member of the Group (other than a Non-Material Subsidiary) for the repayment thereof other than:

- (i) recourse to such borrower for amounts limited to the present and future cash flow or net cash flow from such projects, assets or installations; and/or
- (ii) recourse to the proceeds of enforcement of any mortgage, charge, lien, pledge or other security interest (for the purposes of this definition an “Encumbrance”) given by such borrower over such projects, assets or installations or the income, cash flow or other proceeds deriving therefrom (or given by any shareholder or the like in the borrower over its shares or the like in the capital of the borrower) to secure such Indebtedness, provided that (A) the extent of such recourse to such borrower is limited solely to the amount of any recoveries made on any such enforcement, and (B) such Lender is not entitled, by virtue of any right or claim arising out of or in connection with

such Indebtedness, to commence proceedings for the winding-up or dissolution of such borrower or to appoint or procure the appointment of any receiver, trustee or similar person or officer in respect of such borrower or any of its projects, assets or installations (save for the projects, assets or installations the subject of such Encumbrance); and/or

- (iii) recourse to such borrower generally, or directly or indirectly to a member of the Group, under any form of assurance, undertaking or support, which recourse is limited to a claim for damages (other than liquidated damages and damages required to be calculated in a specified way) for breach of an obligation (not being a payment obligation or an obligation to procure payment by another person or an indemnity in respect thereof or an obligation to comply or to procure compliance by another person with any financial ratios or other tests of financial condition) by the person against whom such recourse is available;

“Relevant Guarantor Jurisdiction” means any of the jurisdictions of incorporation or residence for tax purposes of the relevant Guarantor or any successor entity, or any political subdivision or taxing authority thereof or therein. If a relevant Guarantor becomes subject at any time to any taxing jurisdiction other than the Relevant Guarantor Jurisdiction, references to “Relevant Guarantor Jurisdiction” shall for these purposes be construed as references to the Relevant Guarantor Jurisdiction and such other jurisdiction;

“Relevant Indebtedness” means (i) any present or future indebtedness (whether being principal, premium, interest or other amounts) in the form of, or represented or evidenced by, notes, bonds, debentures, debenture stock, loan stock or other securities with an original maturity of more than one year which are, with the consent of the relevant Issuer or, as the case may be, the relevant Guarantors, for the time being quoted, listed or ordinarily traded on any stock exchange or recognised over-the-counter or other securities market, and (ii) any guarantee or indemnity in respect of any such indebtedness, excluding Project Finance Indebtedness;

“Relevant Issuer Jurisdiction” means any of the jurisdictions of incorporation or residence for tax purposes of the relevant Issuer or any successor entity, or any political subdivision or taxing authority thereof or therein. If a relevant Issuer becomes subject at any time to any taxing jurisdiction other than the Relevant Issuer Jurisdiction, references to “Relevant Issuer Jurisdiction” shall for these purposes be construed as references to the Relevant Issuer Jurisdiction and such other jurisdiction;

“Relevant Jurisdiction” means a Relevant Issuer Jurisdiction and/or a Relevant Guarantor Jurisdiction;

“Security Interest” means any mortgage, charge, lien (other than a lien arising by operation of law), pledge or other security interest excluding any mortgage, charge, lien, pledge, or other security interest given or assumed in relation to Project Finance Indebtedness;

“Subsidiary” has the meaning ascribed to it under Section 736 of the Companies Act 1985 of Great Britain;

“Subsidiary Undertaking” shall have the meaning given to it by Section 258 of the Companies Act 1985 of Great Britain (but, in relation to Xstrata, shall exclude any undertaking (as defined in the Companies Act 1985 of Great Britain) whose accounts are not included in the then latest published audited consolidated accounts of Xstrata, or (in the case of an undertaking which has first become a Subsidiary Undertaking of a member of the Group since the date as at which any such audited accounts were prepared) would not have been so included or consolidated if it had become so on or before that date);

“Xstrata Canada Guarantee” means the guarantee provided by Xstrata Canada in respect of Notes issued by Xstrata Dubai;

“Xstrata Dubai Guarantee” means the guarantee provided by Xstrata Dubai in respect of Notes issued by Xstrata Canada;

“Xstrata Guarantee” means the guarantee provided by Xstrata in respect of Notes issued by Xstrata Dubai and Xstrata Canada; and

“Xstrata Schweiz Guarantee” means the guarantee provided by Xstrata Schweiz in respect of Notes issued by Xstrata Dubai and Xstrata Canada.

## **PART VII — PROVISIONS RELATING TO THE NOTES WHILST IN GLOBAL FORM**

The following is a summary of the provisions to be contained in the Trust Deed to constitute the Notes and in the global Notes which will apply to, and in some cases modify, the Terms and Conditions of the Notes while the Notes are represented by the global Notes.

### **1. Form of Notes**

Each Tranche of Notes will be in bearer form. Global Notes (being Temporary Global Notes and Permanent Global Notes) may be deposited on or before the relevant issue date with a common depository for Euroclear and Clearstream, Luxembourg (the "Common Depository") and/or any other relevant clearing system. Whilst any Note is represented by a Temporary Global Note payments of principal, interest (if any) and any other amount payable in respect of the Note due prior to the date (the "Exchange Date") which is 40 days after the later of (i) the date the Temporary Global Note is issued or (ii) the completion of the distribution of the Notes comprising the relevant Tranche as certified to the Issuers and Paying Agent of the relevant Issuer by the Dealer(s) will be made against presentation of the Temporary Global Note only to the extent that certification in a form to be provided, in writing, by tested telex or by electronic transmission, substantially similar to the form of the certificate in Schedule 2 to the Agency Agreement to the effect that the beneficial owners of interests in such Note are not U.S. persons or persons who have purchased for resale to any U.S. person, as required by U.S. Treasury regulations, has been received by Euroclear and/or Clearstream, Luxembourg, and Euroclear and/or Clearstream, Luxembourg, as applicable, has given a like certification, (based on the certifications it has received) similar to the form of the certificate in Schedule 3 to the Agency Agreement, to the Issuing and Paying Agent.

### **2. Exchange of Temporary Global Notes**

Interests in a Temporary Global Note may be exchanged for:

- (i) interests in a Permanent Global Note; or
- (ii) if so specified in the Final Terms, Definitive Notes.

Exchanges of interests in a Temporary Global Note for Definitive Notes or, as the case may be, a Permanent Global Note will be made only on or after the Exchange Date and provided certification as to the beneficial ownership thereof as required by U.S. Treasury regulations in substantially the form set out in Schedules 2 and 3 to the Agency Agreement has been received.

### **3. Exchange of Permanent Global Notes**

A Permanent Global Note will be exchangeable in whole but not, except as provided below, in part (free of charge to the holder) for Definitive Notes only if either Euroclear or Clearstream, Luxembourg is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention permanently to cease business or does in fact do so. Thereupon the holder of the relevant Permanent Global Note (acting on the instructions of (an) Accountholder(s) (as defined below)) or the Trustee may give notice to the relevant Issuer of its intention to exchange the relevant Permanent Global Note for Definitive Notes on or after the day specified in the notice requiring exchange (falling not less than 60 days after that on which such notice is given and on which banks are open for business in the city in which the specified office of the Issuing and Paying Agent is located).

For so long as a Permanent Global Note is held on behalf of a clearing system and the rules of that clearing system permit, such Permanent Global Note will be exchangeable in part on one or more occasions for Definitive Notes if so provided in, and in accordance with, the Conditions (which will be set out in the relevant Final Terms) relating to Partly Paid Notes.

On or after such date specified for exchange, the holder of the relevant Permanent Global Note may surrender the Permanent Global Note or, in the case of a partial exchange, present it for endorsement, to or to the order of the Issuing and Paying Agent. In exchange for the Permanent Global Note, or the part thereof to be exchanged, the relevant Issuer will deliver, or procure the delivery of, an equal aggregate nominal amount of Definitive Notes (having attached to them all Coupons in respect of interest which has not already been paid on the Permanent Global Note and all Receipts in respect of instalments of principal which have not already been so paid), security printed in accordance with any applicable legal and stock exchange requirements and in or substantially in the form set out in the Trust Deed. On exchange of the Permanent Global Note, the relevant Issuer will procure that it is cancelled and, if the holder so requests, returned to the holder together with any relevant Definitive Notes.

#### **4. Payments**

No payment will be made on the relevant Temporary Global Note unless exchange for an interest in the relevant Permanent Global Note or Definitive Note is improperly withheld or refused. Payments of principal and interest in respect of Notes represented by a global Note will, subject as set out below, be made against presentation for endorsement and, if no further payment falls to be made in respect of the Notes, surrender of such global Note to the order of the Issuing and Paying Agent or such other Paying Agent as shall have been notified to the Noteholders for such purposes. A record of each payment made will be endorsed on the appropriate schedule to the relevant global Note by or on behalf of the Issuing and Paying Agent, which endorsement shall be *prima facie* evidence that such payment has been made in respect of the Notes. Payments of interest on the relevant Temporary Global Note will be made upon certification as to non-U.S. beneficial ownership in accordance with U.S. Treasury regulations unless such certification has already been made.

#### **5. Notices**

For so long as all of the Notes are represented by one or both of a Temporary Global Note and/or a Permanent Global Note and such global Note(s) is/are held on behalf of Euroclear and/or Clearstream, Luxembourg, notices to Noteholders may be given by delivery of the relevant notice to Euroclear and/or Clearstream, Luxembourg (as the case may be) for communication to the relative Accountholders (as defined below) rather than by publication as required by Condition 15 provided that, so long as the Notes are listed on a stock exchange or admitted to listing by another relevant authority, such stock exchange or other relevant authority so agrees. Any such notice shall be deemed to have been given to the Noteholders on the date on which such notice is delivered to Euroclear and/or Clearstream, Luxembourg (as the case may be) as aforesaid.

#### **6. Accountholders**

For so long as all of the Notes are represented by one or both of a Temporary Global Note and/or a Permanent Global Note and such global Note(s) is/are held on behalf of Euroclear and/or Clearstream, Luxembourg, each person who is for the time being shown in the records of Euroclear or Clearstream, Luxembourg as the holder of a particular principal amount of such Notes (each an "Accountholder") (in which regard any certificate or other document issued by Euroclear or Clearstream, Luxembourg as to the principal amount of such Notes standing to the account of any person shall be conclusive and binding for all purposes) shall be treated as the holder of such principal amount of such Notes for all purposes (including for the purposes of any quorum requirements of, or the right to demand a poll at, meetings of the Noteholders) other than with respect to the payment of principal and interest on such Notes, the right to which shall be vested, as against the relevant Issuer, the relevant Guarantor and the Trustee, solely in the bearer of the relevant global Note in accordance with and subject to its terms and the terms of the Trust Deed. Each Accountholder must look solely to Euroclear or Clearstream, Luxembourg, as the case may be, for its share of each payment made to the bearer of the relevant global Note.

#### **7. Prescription**

Claims against the relevant Issuer and the relevant Guarantor in respect of principal and interest on the Notes represented by a global Note will be prescribed after 10 years (in the case of principal) and five years (in the case of interest) from the Relevant Date (as defined in Condition 9.4).

#### **8. Cancellation**

Cancellation of any Note represented by a global Note and required by the Terms and Conditions of the Notes to be cancelled following its redemption or purchase will be effected by endorsement by or on behalf of the Issuing and Paying Agent of the reduction in the principal amount of the relevant global Note on the relevant schedule thereto.

#### **9. Noteholders' Put**

Any option of the Noteholders provided for in the Conditions of any Notes while such Notes are represented by a Permanent Global Note may be exercised by the holder of the Permanent Global Note giving notice to the Issuing and Paying Agent within the time limits relating to the deposit of Notes with a Paying Agent set out in the Conditions substantially in the form of the notice available from any Paying Agent, except that the notice shall not be required to contain the serial numbers of the Notes in respect of which the option has been exercised, and stating the nominal amount of Notes in respect of which the option is exercised and at the same time presenting the Permanent Global Note to the Issuing and Paying Agent, or to a Paying Agent acting on behalf of the Issuing and Paying Agent, for notation.

**10. Issuer Call**

For so long as all of the Notes are represented by one or both of a Temporary Global Note and/or a Permanent Global Note and such global Note(s) is/are held on behalf of Euroclear and/or Clearstream, Luxembourg, no drawing (if applicable) of Notes will be required under Condition 8.3 in the event that the relevant Issuer exercises its call option pursuant to Condition 8.3 in respect of less than the aggregate principal amount of the Notes outstanding at such time. In such event, the standard procedures of Euroclear and/or Clearstream, Luxembourg shall operate to determine which interests in the global Note(s) are to be subject to such option.

**11. Euroclear and Clearstream, Luxembourg**

References therein to Euroclear and/or Clearstream, Luxembourg shall be deemed to include references to any other clearing system approved by the relevant Issuer, the Issuing and Paying Agent and the Trustee.

**12. Partly Paid Notes**

The provisions relating to Partly Paid Notes are not set out in this Base Prospectus, but will be contained in the relevant Final Terms and thereby in the Global Notes. While any instalments of the subscription moneys due from the holder of Partly Paid Notes are overdue, no interest in a Global Note representing such Notes may be exchanged for an interest in a Permanent Global Note or for Definitive Notes (as the case may be). If any Noteholder fails to pay any instalment due on any Partly Paid Notes within the time specified, the Issuer may forfeit such Notes and shall have no further obligation to their holder in respect of them.

## **PART VIII — USE OF PROCEEDS**

The net proceeds from each issue of Notes will be used:

- (a) to repay amounts that remained outstanding under facilities that were, or will be, drawn down for the purposes of the Falconbridge Acquisition and the acquisition of LionOre (if completed); and/or
- (b) for working capital, capital expenditure, acquisitions and other general corporate purposes.

If, in respect of any particular issue of Notes that are derivative securities for the purposes of Article 15 of the Commission Regulation No 809/2004 implementing the Prospectus Directive, there is a particular identified use of proceeds, this will be stated in the applicable Final Terms.

## PART IX — FORM OF FINAL TERMS

Set out below is the form of Final Terms which will be completed for each Tranche of Notes issued under the Programme.

[Date]

**Xstrata Finance (Dubai) Limited/Xstrata Finance (Canada) Limited  
Issue of [Aggregate Nominal Amount of Tranche] [Title of Notes] guaranteed by  
[Xstrata plc, Xstrata (Schweiz) AG and Xstrata Finance (Canada) Limited]  
[Xstrata plc, Xstrata (Schweiz) AG and Xstrata Finance (Dubai) Limited] under  
the U.S.\$3,000,000,000  
Euro Medium Term Note Programme  
PART A — CONTRACTUAL TERMS**

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions set forth in the Base Prospectus dated [date] [and the supplemental Prospectus dated [date]] which [together] constitute[s] a base prospectus for the purposes of the Prospectus Directive (Directive 2003/71/EC) (the "Prospectus Directive"). This document constitutes the Final Terms of the Notes described herein for the purposes of Article 5.4 of the Prospectus Directive and must be read in conjunction with the Base Prospectus [as so supplemented]. Full information on the Issuer, the Guarantors and the offer of the Notes is only available on the basis of the combination of these Final Terms and the Base Prospectus [as so supplemented]. The Base Prospectus [and the supplemented Prospectus] [is] [are] available for viewing [at [website]] [and] during normal business hours at [address] and copies may be obtained from [address].

*The following alternative language applies if the first tranche of an issue which is being increased was issued under a Base Prospectus with an earlier date.*

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions (the "Conditions") set forth in the Base Prospectus dated [original date] [and the supplemented Prospectus dated [date]]. This document constitutes the Final Terms of the Notes described herein for the purposes of Article 5.4 of the Prospectus Directive (Directive 2003/71/EC) (the "Prospectus Directive") and must be read in conjunction with the Base Prospectus dated [current date] [and the supplemented Prospectus dated [date]] which [together] constitute[s] a base prospectus for the purposes of the Prospectus Directive, save in respect of the Conditions which are extracted from the Base Prospectus dated [original date] [and the supplemented Prospectus dated [date]] and are attached hereto. Full information on the Issuer, the Guarantors and the offer of the Notes is only available on the basis of the combination of these Final Terms and the Base Prospectuses dated [current date] and [original date] [and the supplemented Prospectuses dated [date] and [date]]. Copies of such Base Prospectuses [and the supplemented Prospectuses] are available for viewing [at [website]] [and] during normal business hours at [address] and copies may be obtained from [address].

*[Include whichever of the following apply or specify as "Not Applicable" (N/A). Note that the numbering should remain as set out below, even if "Not Applicable" is indicated for individual paragraphs or sub-paragraphs. Italics denote directions for completing the Final Terms.]*

*[When adding any other final terms or information consideration should be given as to whether such terms or information constitute "significant new factors" and consequently trigger the need for a supplement to the Base Prospectus under Article 16 of the Prospectus Directive.]*

1. (i) Issuer: [Xstrata Finance (Dubai) Limited/Xstrata Finance (Canada) Limited]  
(ii) Guarantors: [Xstrata plc, Xstrata (Schweiz) AG and Xstrata Finance (Canada) Limited]  
[Xstrata plc, Xstrata (Schweiz) AG and Xstrata Finance (Dubai) Limited]
2. [(i)] Series Number: [ ]  
[(ii)] Tranche Number: [ ]  
(If fungible with an existing Series, details of that Series, including the date on which the Notes become fungible)
3. Specified Currency or Currencies: [ ]

4. Aggregate Nominal Amount of Notes admitted to trading  
 [(i) Series: [ ]  
 [(ii) Tranche: [ ]
5. Issue Price: [ ] per cent. of the Aggregate Nominal Amount [plus accrued interest from [insert date]]
6. (i) Specified Denominations: [ ]  
 (ii) Calculation Amount: [ ]
7. [(i) Issue Date: [ ]  
 [(ii) Interest Commencement Date: [ ] [Not Applicable]]
8. Maturity Date: [*specify date or (for Floating Rate Notes) Interest Payment Date falling in or nearest to the relevant month and year*]
9. Interest Basis: [[ ] per cent. Fixed Rate]  
 [[*specify reference rate*] +/- [ ] per. cent Floating Rate  
 [Zero Coupon]  
 [Index Linked Interest]  
 [Other [*specify*]]  
 (further particulars specified below)
10. Redemption/Payment Basis: [Redemption at par]  
 [Index Linked Redemption]  
 [Dual Currency]  
 [Partly Paid]  
 [Instalment]  
 Other [*specify*]
11. Change of Interest Basis or Redemption/Payment Basis: [*Specify details of any provision for convertibility of Notes into another interest or redemption/payment basis*]
12. Put/Call Options: [Investor Put]  
 [Issuer Call]  
 [(further particulars specified below)]
13. Method of distribution: [Syndicated/Non-syndicated]

**PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE**

14. **Fixed Rate Note Provisions:** [Applicable/Not Applicable]  
 (*If not applicable, delete the remaining sub-paragraphs of this paragraph*)
- (i) Rate(s) of Interest: [ ] per cent. per annum [payable [annually/semi-annually/quarterly/monthly/other (*specify*)] in arrear]



- (ii) Interest Payment Date(s): [[ ] in each year [adjusted in accordance with [specify Business Day Convention and any applicable Business Centre(s) for the definition of "Business Day"']]/[not adjusted]
- (iii) Fixed Coupon Amount(s): [ ] per Calculation Amount
- (iv) Broken Amount(s): [ ] per Calculation Amount payable on the Interest Payment Date falling [in/on] [ ].
- (v) Day Count Fraction: [Actual/Actual (ICMA)/other]
- (vi) Determination Date(s): [ ] in each year (*insert regular interest payment dates, ignoring issue date or maturity date in the case of a long or short first or last coupon. N.B. only relevant where Day Count Fraction is Actual/Actual (ICMA)*)
- (vii) Other terms relating to the method of calculating interest for Fixed Rate Notes: [Not Applicable/give details]
- 15. Floating Rate Note Provisions:** [Applicable/Not Applicable]  
(*If not applicable, delete the remaining sub-paragraphs of this paragraph*)
- (i) Interest Period(s): [ ]
- (ii) Specified Interest Payment Dates: [ ]
- (iii) First Interest Payment Date: [ ]
- (iv) Business Day Convention: [Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/other (*give details*)]
- (v) Business Centre(s): [ ]
- (vi) Manner in which the Rate(s) of Interest is/are to be determined: [Screen Rate Determination/ISDA Determination/ other (*give details*)]
- (vii) Party responsible for calculating the Rate(s) of Interest and Interest Amount(s) (if not the Calculation Agent): [ ]
- (viii) Screen Rate Determination:  
— Reference Rate: [ ]  
— Interest Determination Date(s) [ ]  
— Relevant Screen Page: [ ]
- (ix) ISDA Determination:  
— Floating Rate Option: [ ]  
— Designated Maturity: [ ]  
— Reset Date: [ ]
- (x) Margin(s): [+/-] [ ] per cent. per annum
- (xi) Minimum Rate/Amount of Interest: [ ] per cent. per annum
- (xii) Maximum Rate/Amount of Interest: [ ] per cent. per annum
- (xiii) Day Count Fraction: [ ]

- (xiv) Fallback provisions, rounding provisions and any other terms relating to the method of calculating interest on Floating Rate Notes, if different from those set out in the Terms and Conditions: [ ]
- 16. Zero Coupon Note Provisions:** [Applicable/Not Applicable]  
*(If not applicable, delete the remaining sub-paragraphs of this paragraph)*
- (i) [Amortisation/Accrual] Yield: [ ] per cent. per annum
- (ii) Reference Price: [ ]
- (iii) Any other formula/basis of determining amount payable: [ ]
- 17. Index Linked Interest Note/other variable-linked interest Note Provisions:** [Applicable/Not Applicable]  
*(If not applicable, delete the remaining sub-paragraphs of this paragraph)*  
*[give or annex details]*
- (i) Index/Formula/other variable:
- (ii) Party responsible for calculating the Rate(s) of Interest and Interest Amount(s) (if not the Calculation Agent): *[give name [and address\*]]*
- (iii) Provisions for determining Coupon where calculated by reference to Index and/or Formula and/or other variable: [ ]
- (iv) Determination Date(s) [ ]
- (v) Provisions for determining Coupon where calculation by reference to Index and/or Formula and/or other variable is impossible or impracticable or otherwise disrupted: [ ]
- (vi) Interest or calculation period(s): [ ]
- (vii) Specified Interest Payment Dates: [ ]
- (viii) Business Day Convention: [Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/other *(give details)*]
- (ix) Business Centre(s): [ ]
- (x) Minimum Rate/Amount of Interest: [ ] per cent. per annum
- (xi) Maximum Rate/Amount of Interest: [ ] per cent. per annum
- (xii) Day Count Fraction: [ ]
- 18. Dual Currency Notes Provisions:** [Applicable/Not Applicable]  
*(If not applicable, delete the remaining sub-paragraphs of this paragraph)*
- (i) Rate of Exchange/method of calculating Rate of Exchange: *[give details]*

- (ii) Party, if any, responsible for calculating the principal and/or interest due if not the Issuing and Paying Agent: [       ]
- (iii) Provisions applicable where calculation by reference to Rate of Exchange impossible or impracticable: [       ]
- (iv) Person at whose option Specified Currency(ies) is/are payable: [       ]

**PROVISIONS RELATING TO REDEMPTION**

**19. Call Option:** [Applicable/Not Applicable]  
*(If not applicable, delete the remaining sub-paragraphs of this paragraph)*

- (i) Optional Redemption Date(s): [       ]
- (ii) Optional Redemption Amount(s) of each Note and method, if any, of calculation of such amount(s): [       ] per Calculation Amount
- (iii) If redeemable in part:
  - (a) Minimum Redemption Amount: [       ] per Calculation Amount
  - (b) Maximum Redemption Amount: [       ] per Calculation Amount
- (iv) Notice period (if other than as set out in the Terms and Conditions): [       ]

**20. Put Option:** [Applicable/Not Applicable]  
*(If not applicable, delete the remaining sub-paragraphs of this paragraph)*

- (i) Optional Redemption Date(s): [       ]
- (ii) Optional Redemption Amount(s) of each Note and method, if any, of calculation of such amount(s): [       ] per Calculation Amount
- (iii) Notice period: [       ]

**21. Final Redemption Amount of each Note:** [       ] per Calculation Amount

In cases where the Final Redemption Amount is Index-Linked or other variable-linked:

- (i) Index/Formula/Variable: *[give or annex details]*
- (ii) Party responsible for calculating the Final Redemption Amount (if not the Issuing and Paying Agent) [       ]
- (iii) Provisions for determining Final Redemption Amount where calculated by reference to Index and/or Formula and/or other variable: [       ]
- (iv) Determination Date(s): [       ]
- (v) Provisions for determining Final Redemption Amount where calculation by reference to Index and/or Formula and/or other variable is impossible or impracticable or otherwise disrupted: [       ]
- (vi) Payment Date: [       ]
- (vii) Minimum Final Redemption Amount: [       ] per Calculation Amount
- (viii) Maximum Final Redemption Amount: [       ] per Calculation Amount

**22. Early Redemption Amount:**

Early Redemption Amount(s) per Calculation Amount payable on redemption for taxation reasons or on event of default or other early redemption and/or the method of calculating the same (if required or if different from that set out in the Conditions):

[ ]

**GENERAL PROVISIONS APPLICABLE TO THE NOTES**

**23. Form of Notes:**

[Temporary Global Note exchangeable for a Permanent Global Note which is exchangeable for Definitive Notes in the limited circumstances specified in the Permanent Global Note]

[Temporary Global Note exchangeable for Definitive Notes on or after the Exchange Date]

[Permanent Global Note exchangeable for Definitive Notes in the limited circumstances specified in the Permanent Global Note]

**24. Financial Centre(s) or other special provisions relating to Payment Dates:**

[Not Applicable/*give details*]  
*(Note that this item relates to the place of payment, and not interest period end dates to which items 15(v) and 17(ix) relate)*

**25. Talons for future Coupons or Receipts to be attached to Definitive Notes (and dates on which such Talons mature):**

[Yes/No. *If yes, give details*]

**26. Details relating to Partly Paid Notes: amount of each payment comprising the Issue Price and date on which each payment is to be made and consequences (if any) of failure to pay, including any right of the Issuer to forfeit the Notes and interest due on late payment:**

[Not Applicable/*give details*]

**27. Details relating to Instalment Notes (amount of each Instalment, date on which each payment is made):**

[Not Applicable/*give details*]

**28. Redenomination, renominatisation and reconventioning provisions:**

[Not applicable/*give details*]

**29. Consolidation provisions:**

[Not Applicable/*give details*]

**30. Other final terms:**

[Not Applicable/*give details*]  
*(When adding any other final terms consideration should be given as to whether such terms constitutes a "significant new factor" and consequently trigger the need for a supplement to the Prospectus under Article 16 of the Prospectus Directive)*

**DISTRIBUTION**

**31. (i) If syndicated, names of Managers:**

[Not Applicable/*give names*]

**(ii) Stabilising Manager(s) (if any):**

[Not Applicable/*give name*]

32. If non-syndicated, name of Dealer: [Not Applicable/*give name*]
33. U.S. Selling Restrictions: [Reg S Compliance Category; TEFRA C/TEFRA D/TEFRA not applicable]
34. Additional selling restrictions: [Not Applicable/*give details*]

**[LISTING AND ADMISSION TO TRADING APPLICATION**

These Final Terms comprise the final terms required for issue and admission to trading on London/other stock exchange (*specify*) of the Notes described herein pursuant to the U.S.\$3,000,000,000 Euro Medium Term Note Programme.

**RESPONSIBILITY**

Each Issuer and each Guarantor accepts responsibility for the information contained in these Final Terms. [*Relevant third party information*] has been extracted from [*specify source*]. Each Issuer and each Guarantor confirms that such information has been accurately reproduced and that, so far as it is aware and is able to ascertain from information published by [*specify source*], no facts have been omitted which would render the reproduced information inaccurate or misleading].

Signed on behalf of the Issuer:

By: \_\_\_\_\_  
*Duly authorised*

Signed on behalf of Xstrata plc as Guarantor:

By: \_\_\_\_\_  
*Duly authorised*

Signed on behalf of Xstrata (Schweiz) AG as Guarantor:

By: \_\_\_\_\_  
*Duly authorised*

[Signed on behalf of Xstrata Finance (Dubai) Limited as Guarantor:

By: \_\_\_\_\_ ]  
*Duly authorised*

[Signed on behalf of Xstrata Finance (Canada) Limited as Guarantor:

By: \_\_\_\_\_ ]  
*Duly authorised*

## PART B — OTHER INFORMATION

### 1. LISTING

- (i) Listing: [London/other (*specify*)/None]
- (ii) Admission to trading: [Application has been made by the Issuer (or on its behalf) for the Notes to be admitted to trading on [ ] with effect from [ ].]  
[Application is expected to be made by the Issuer (or on its behalf) for the Notes to be admitted to trading on [ ] with effect from [ ].]  
[Not Applicable.]  
(Where documenting a fungible issue need to indicate that original Notes are already admitted to trading.)\*
- (iii) Estimate of total expenses related to admission to trading: [ ]

### 2. RATINGS

- Ratings: The Notes to be issued have been rated:  
[S&P: [ ]]  
[Moody's: [ ]]  
[[Other]: [ ]]  
(The above disclosure should reflect the rating allocated to Notes of the type being issued under the Programme generally or, where the issue has been specifically rated, that rating.)

### [3. INTERESTS OF NATURAL AND LEGAL PERSONS INVOLVED IN THE ISSUE/OFFER

Need to include a description of any interest, including conflicting ones, that is material to the issue/offer, detailing the persons involved and the nature of the interest. May be satisfied by the inclusion of the following statement:

"Save as discussed in ["Subscription and Sale"], so far as the Issuer is aware, no person involved in the offer of the Notes has an interest material to the offer.]

### [4. REASONS FOR THE OFFER, ESTIMATED NET PROCEEDS AND TOTAL EXPENSES

- (i) Reasons for the offer: [ ]  
(See Part VIII — "Use of Proceeds" wording in Base Prospectus — if reasons for offer different from making profit and/or hedging certain risks will need to include those reasons here.)
- (ii) Estimated net proceeds: [ ]  
(If proceeds are intended for more than one use will need to split out and present in order of priority. If proceeds insufficient to fund all proposed uses state amount and sources of other funding.)
- (iii) Estimated total expenses: [ ]  
If the Notes are derivative securities for which Annex XII of the Prospectus Directive Regulation applies it is only necessary to include disclosure of net proceeds and total expenses at (ii) and (iii) above where disclosure is included at (i) above.)\*

**5. FIXED RATE NOTES ONLY — YIELD**

Indication of yield:

[            ]

The yield is calculated at the Issue Date on the basis of the Issue Price. It is not an indication of future yield.

**6. [INDEX-LINKED OR OTHER VARIABLE-LINKED NOTES ONLY — PERFORMANCE OF INDEX/FORMULA/OTHER VARIABLE AND OTHER INFORMATION CONCERNING THE UNDERLYING**

*Need to include details of where past and future performance and volatility of the index/formula/other variable can be obtained. Where the underlying is an index need to include the name of the index and a description if composed by the Issuer and if the index is not composed by the Issuer need to include details of where the information about the index can be obtained. Where the underlying is not an index need to include equivalent information.]\**

**7. [DUAL CURRENCY NOTES ONLY — PERFORMANCE OF RATE[S] OF EXCHANGE**

*Need to include details of where past and future performance and volatility of the relevant rate[s] can be obtained.]\**

**8. OPERATIONAL INFORMATION**

(i) ISIN Code:

[            ]

(ii) Common Code:

[            ]

(iii) Any clearing system(s) other than Euroclear Bank S.A./N.V. and Clearstream Banking, société anonyme and the relevant identification number(s):

[Not Applicable/give name(s) and number(s)]

(iv) Delivery:

Delivery [against/free of] payment

(v) Names and addresses of initial Paying Agent(s):

[            ]

(vi) Names and addresses of additional Paying Agent(s) (if any):

[            ]

\* Required for derivative securities to which Annex XII of the Prospectus Directive Regulation applies.

## PART X — BUSINESS OF THE GROUP

### **Incorporation and Business**

Xstrata was incorporated and registered in England and Wales under the name Glassdesk Limited on 31 December 2001 with registered number 4345939 under the Companies Act as a private company with limited liability. By a written resolution passed on 9 February 2002, Glassdesk Limited resolved to change its name to Xstrata Limited. The change of name became effective on 18 February 2002. On 20 February 2002, Xstrata Limited re-registered as a public limited company under the Companies Act. The principal legislation under which Xstrata operates is the Companies Act and the regulations made under it.

The registered office of Xstrata is 4th Floor, Panton House, 25/27 Haymarket, London SW1Y 4EN, United Kingdom, telephone number +44 20 7968 2800. The principal place of business of Xstrata is Bahnhofstrasse 2, CH-6301 Zug, Switzerland, telephone number +41 41 726 6070.

Xstrata is the holding company of the Group. The Group is the fifth largest diversified mining group in the world with top four industry positions in copper, thermal and coking coal, ferrochrome, zinc, nickel and vanadium, a smaller aluminium business (but see below in the section of this Part X headed "Recent Developments — Disposal of aluminium assets" for information on the disposal of this business), recycling facilities, additional exposures to gold, cobalt, lead and silver and a suite of global technologies, many of which are industry leaders. The Group's operations and projects span 19 countries: Argentina, Australia, Brazil, Canada, Chile, Colombia, the Dominican Republic, Germany, Jamaica (but see below in the section of this Part X headed "Recent Developments — Disposal of aluminium assets" for information on the disposal of the Group's entire aluminium operations, which, as a consequence, will result in the Group no longer having operations in Jamaica), New Caledonia, Norway, Papua New Guinea, Peru, Philippines, South Africa, Spain, Tanzania, the United Kingdom and the United States.

For further information on the Group's recent developments (including information on its acquisitions and disposals), see below in the section of this Part X headed "Recent Developments".

The Group had approximately U.S.\$17.6 billion in revenue for the year ended 31 December 2006. As at 31 December 2006, the Group had approximately U.S.\$19.7 billion in equity. The Ordinary Shares are traded on the London Stock Exchange and the SWX. As at 20 April 2007, the market capitalisation of Xstrata was approximately U.S.\$54.1 billion. Xstrata is a member of the FTSE-100, an index that comprises the 100 largest publicly-traded U.K. companies by market capitalisation.

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

**Copper:** Xstrata Copper is the world's fourth largest producer of mined copper with mining and processing operations in five countries. Xstrata Copper operates two mines, a smelter and a refinery in an integrated division in Queensland, Australia. In South America, Xstrata Copper operates mines and processing facilities in three countries: in Argentina, with the Minera Alumbrera mine and associated processing facilities; in Chile, with the Lomas Bayas mine and solvent extraction-electrowinning (SX-EW) refinery, and the Altonorte copper smelter; and in Peru, with the Tintaya mine and processing facilities (including an SX-EW refinery). Xstrata Copper also has significant shareholder interests in the Antamina copper and zinc mine in Peru and the Collahuasi copper mine and processing facilities. In North America, Xstrata Copper operates the Kidd copper and zinc mine in Canada as well as smelting, refining and recycling facilities in Canada and the United States.

**Coal:** On a managed basis, the Group is one of the world's largest producers of export thermal coal, one of the largest producers of export semi-soft/PCI coal and amongst the top four producers of export coking coal. It has interests in 33 operating coal mines, 19 of which are located in Australia, 13 in South Africa and one in Colombia.

**Nickel:** The Group is the fourth largest producer of refined nickel in the world, and one of the largest recyclers and processors of nickel and cobalt-bearing materials. Its operations include mines and processing facilities in Canada, Norway and the Dominican Republic.

**Zinc:** The Group is the world's largest producer of zinc, and also produces lead and silver. The zinc business incorporates zinc smelting operations in Spain, Germany and Canada, interests in four operating mines and a lead smelter in Australia and a lead refining plant in the United Kingdom, interests in the Antamina copper and zinc mine in Peru, the Brunswick zinc mine, a lead smelter and refinery in New Brunswick and a minority interest in a zinc smelter in Valleyfield, Quebec, Canada.

**Aluminium:** The Group's aluminium operations currently include six plants in the United States that produce alumina, primary aluminium and aluminium foil, as well as a mining operation in St. Ann, Jamaica. On 11 April 2007, Xstrata announced the disposal of its entire aluminium operations. For



further information on this disposal, see below in the section of this Part X headed “Recent Developments — Disposal of aluminium assets”.

**Alloys:** The Group is the world’s largest producer of ferrochrome and one of the world’s leading producers of primary vanadium, with integrated production facilities in South Africa. It also has a platinum group metal joint venture with Rustenburg Platinum Mines and Kagiso in South Africa.

In addition to its six principal businesses, the Group also operates Xstrata Technology, a mining and processing technology business with operations in Australia, South Africa, Chile and Canada.

Xstrata’s strategy since its IPO in 2002 has been to grow and manage a distinct, value-focused, global diversified resources group positioned to compete for and create value, with the single aim of delivering industry-leading returns for shareholders. Xstrata recognises that this aim can only be achieved through genuine partnerships with employees, customers, shareholders, local communities, lenders and other stakeholders which are based on integrity, co-operation, transparency and mutual value creation.

The strategy leverages the Group’s size and momentum and focuses on:

- commitment, capacity and headroom to grow in moves that are themselves creators of value; and
- constant improvement in the quality of Xstrata’s businesses through ongoing efficiency gains, margin improvements, net present value enhancements and cost reductions.

Xstrata’s strategy is based on its assessment of key success factors in global mining, being:

- scale and critical mass;
- diversification of commodity, currency and country exposure;
- a wide range of growth options, including via acquisitions and brown-field and green-field expansions; and
- operating excellence.

### **History and Development of Xstrata**

Xstrata is the holding company of the Group.

Xstrata AG, which was the predecessor of Xstrata plc, 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 March 25, 2002, Xstrata plc merged with Xstrata AG to become the holding company of the Former Xstrata Group. At the same time, the Former Xstrata Group acquired Enx and Duiker and the shares of Xstrata plc were admitted to the Official List, to trading on the London Stock Exchange’s market for listed securities and to listing on the SWX.

In December 2002, the Former Xstrata Group acquired the Nordenham zinc smelter from Metaleurop SA.

In June 2003, Xstrata acquired, through a wholly-owned subsidiary, MIM Holdings Limited, now known as Xstrata Queensland Limited.

In May 2006, the Former Xstrata Group acquired 33⅓% of the Cerrejón thermal coal operation in Colombia, in June 2006, the Former Xstrata Group acquired the Tintaya mine and associated satellite deposits in Peru and on 1 November 2006, the Former Xstrata Group completed the Falconbridge Acquisition.

For further information on the Group’s recent developments (including information on its acquisitions and disposals), see below in the section of this Part X headed “Recent Developments”.

### **Relationship with Glencore**

Glencore International is a private, 100% employee-owned, diversified natural resources company with worldwide activities in the smelting, refining, mining, processing, purchasing, selling and marketing of metals and minerals, energy products and agricultural products. Glencore International operates on a global scale, marketing physical commodities which it produces at its own industrial assets or purchases from third parties to industrial consumers, such as those in the automotive, steel, power generation, oil and food processing industries. Glencore International also provides financing, logistics and other services to producers and consumers of commodities. These activities are supported by investments in industrial assets relating to its core commodities. Glencore International’s headquarters are located in Baar, Switzerland and it has a network of 60 field offices in over 50 countries throughout the world.

In 1990, Glencore International became a substantial shareholder in Xstrata AG (which merged with Xstrata in 2002 as Xstrata plc became the ultimate holding company of the Group), following which Xstrata AG built a portfolio of businesses operating in the natural resources sector.

On 20 March 2002, Glencore International and Xstrata entered into an agreement (the "Relationship Agreement"), which regulates the ongoing relationship between them. The principal purpose of the Relationship Agreement is to ensure that Xstrata is capable of carrying on the Group's business independently of Glencore International and that transactions and relationships between Glencore and the Group are at arm's length and on normal commercial terms. The Relationship Agreement will continue for so long as the Ordinary Shares are listed on the Official List and traded on the London Stock Exchange and Glencore International is Xstrata's controlling shareholder (as such term is defined in the Relationship Agreement). Currently, a controlling shareholder is a person who holds either 30% or more of the votes exercisable at general meetings of Xstrata or has the right to control the appointment of the majority of the directors of Xstrata. As stated below in the section of this Part X headed "Interests of Major Shareholders", so far as is known to Xstrata, Glencore, through its wholly-owned subsidiaries, Finges Investment BV ("Finges") and Hanmer BV ("Hanmer"), owns 336,801,333 Ordinary Shares, representing approximately 34.66% of the current issued ordinary share capital of Xstrata. Glencore International notified Xstrata that Finges and Hanmer are merging on 28 April 2007 with Finges being the surviving entity.

Under the Relationship Agreement:

- Xstrata and Glencore International agree that transactions and relationships between the Group and Glencore will be conducted at arm's length and on a normal commercial basis;
- Xstrata and Glencore International agree to ensure that Xstrata is capable, at all times, of carrying on its business independently of any member of Glencore;
- Glencore International is only permitted to nominate a maximum of three directors of Xstrata or (if lower or higher) such number of directors of Xstrata nominated by Glencore International as is equal to one less than the number of independent directors. Glencore International previously nominated three directors to the board of directors of Xstrata. However, following Mr. David Issroff's resignation from the board of directors of Xstrata with effect from 10 May 2006, Glencore International currently only has two nominees on the board of directors of Xstrata, being Messrs. Strothotte and Glasenberg;
- directors of Xstrata nominated by Glencore International shall not be permitted, unless the independent directors agree otherwise, to vote on any resolutions of the Xstrata's board of directors to approve any aspect of the Group's involvement in or enforcement of any arrangements, agreements or transactions with any member of Glencore; and
- Glencore International undertakes to procure that Glencore shall not exercise its voting rights to procure amendment to the constitutional documents of Xstrata which would be inconsistent with, or undermine, the Relationship Agreement.

The Group believes that the terms of the Relationship Agreement as described above enable it to carry on its business independently from Glencore.

### **Interests of Major Shareholders**

So far as is known to Xstrata, Glencore, through its wholly-owned subsidiaries, Finges and Hanmer, owns 336,801,333 Ordinary Shares, representing approximately 34.66% of the current issued ordinary share capital of Xstrata. Xstrata was notified by Glencore on 8 January 2007 that these Ordinary Shares are registered in the name of HSBC Bank plc ("HSBC"). The ownership of Ordinary Shares by each of Finges and Hanmer is subject to certain lock-up arrangements, which expire on 27 April 2007.

AXA Investment Managers UK Limited ("AXA") notified Xstrata on 6 November 2006 that AXA holds a beneficial interest in 1,517,000 Ordinary Shares or approximately 0.16% of the current issued ordinary share capital of Xstrata and a non-beneficial interest in 74,401,308 Ordinary Shares or approximately 7.66% of the current issued ordinary share capital of Xstrata. In total, AXA is therefore deemed to have an interest in 75,918,308 Ordinary Shares, representing approximately 7.81% of the current issued ordinary share capital of Xstrata.

### **Other Offerings**

Since 2002, Xstrata has raised U.S.\$11.6 billion through the issue of Ordinary Shares in four offerings (including most recently the Rights Issue).

In addition, on 15 August 2003, Xstrata Capital issued U.S.\$600,000,000 3.95% guaranteed convertible bonds due 2010 (the "2010 Convertible Bonds") which are convertible at the option of the holder, at

any time after 26 September 2003, into 3.95% exchangeable redeemable preference shares of Xstrata Capital which are exchangeable immediately upon issuance for fully paid new Ordinary Shares. The aggregate principal amount of the 2010 Convertible Bonds outstanding on the close of business on 14 March 2007 was U.S.\$14,730,000. On 15 March 2007, Xstrata Capital exercised its right to call for the redemption of all of its outstanding 2010 Convertible Bonds. On 3 April 2007, the Trustee elected to convert U.S.\$110,000 of the 2010 Convertible Bonds on 16 April 2007. This represented the aggregate principal amount of 2010 Convertible Bonds outstanding as at the close of business on 2 April 2007. Accordingly, there were no 2010 Convertible Bonds outstanding as at the close of business on 16 April 2007.

On 13 October 2006, Xstrata Capital issued U.S.\$375,000,000 4.00% guaranteed convertible bonds due 2017 (the "2017 Convertible Bonds") which are convertible at the option of the holder, at any time after 14 August 2006, into 4.00% exchangeable redeemable preference shares of Xstrata Capital which are exchangeable immediately upon issuance for fully paid new Ordinary Shares.

On 15 November 2006, Xstrata Dubai issued U.S.\$500,000,000 floating rate notes due 2009. On that date also, Xstrata Canada issued U.S.\$750,000,000 5.50% notes due 2011 at an issue price of 99.987% and issued U.S.\$1,000,000,000 5.80% notes due 2016 at an issue price of 99.753%.

### Directors of Xstrata

A list of the members of Xstrata's board of directors is set forth in the table below.

#### Directors

<u>Name</u>	<u>Age</u>	<u>Position</u>
Willy Strothotte .....	63	Chairman
Mick Davis .....	49	Chief Executive
Trevor Reid .....	46	Chief Financial Officer
Santiago Zaldumbide .....	64	Executive Director, Chief Executive of Xstrata Zinc and Executive Chairman of Asturiana de Zinc
Ivan Glasenberg .....	50	Non-executive Director
Paul Hazen .....	65	Non-executive Director
Robert MacDonnell .....	69	Non-executive Director
Sir Steve Robson CB .....	63	Non-executive Director
David Rough .....	56	Non-executive Director
Dr. Frederik Roux .....	59	Non-executive Director
Ian Strachan .....	64	Non-executive Director

#### Secretary

Richard Ellison

The business address for each Xstrata director is c/o Bahnhofstrasse 2, P.O. Box 102, 6301 Zug, Switzerland.

**Willy Strothotte**, aged 63, is Chairman of Glencore International. From 1961 to 1978 Mr. Strothotte held various positions with responsibility for international trading in metals and minerals in Germany, Belgium and the United States. In 1978, Mr. Strothotte joined Glencore International, taking up the position of Head of Metals and Minerals in 1984. Mr. Strothotte was appointed Chief Executive Officer of Glencore International in 1993 and held the combined positions of Chairman and Chief Executive Officer from 1994 until 2001, when the roles of Chairman and Chief Executive were split. Mr. Strothotte has been Chairman of Xstrata AG since 1994, and Chairman of Xstrata since February 2002, and is currently a director of Century Aluminum Corporation and Minara Resources Limited.

**Mick Davis**, aged 49, is the Chief Executive of Xstrata. Mr. Davis was appointed as Chief Executive of Xstrata AG in October 2001, and was appointed to the Board of Xstrata in February 2002. 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. He joined Gencor Limited in early 1994 from Eskom, the South African state-owned electricity utility, where he was an executive director.

**Trevor Reid**, aged 46, is the Chief Financial Officer of Xstrata. Mr. Reid joined Xstrata AG in January 2002, and was appointed to the Board of Xstrata 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.

**Santiago Zaldumbide**, aged 64, is an Executive Director of Xstrata, Chief Executive of Xstrata Zinc and Executive Chairman of Asturiana de Zinc. Mr. Zaldumbide was appointed to the Board of Xstrata in February 2002. 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. In 1994 he was appointed Chief Executive Officer of the Corporacion Industrial de Banesto and, in December 1997, Chairman and Chief Executive Officer of Asturiana de Zinc. Mr. Zaldumbide is also a member of the European Advisory Council of Air Products and Chemicals, Inc. and a director of ThyssenKrupp SA.

**Ivan Glasenberg**, aged 50, is Chief Executive Officer of Glencore International, which he joined in 1984. Mr. Glasenberg was appointed to the Board of Xstrata in February 2002. He worked in the coal department of Glencore in South Africa for three years and in Australia for two years. From 1989 to 1990, he managed Glencore International's Hong Kong and Beijing offices. In 1991 he became Head of the Glencore Coal Department and in 2002 Chief Executive Officer of Glencore International. He is also currently a Director of Minara Resources Limited.

**Paul Hazen**, aged 65, joined the Board of Xstrata AG in May 2000, and was appointed a Director of Xstrata in February 2002. Mr. Hazen is a former Chairman and CEO of Wells Fargo and Company and he was a director of Phelps Dodge Corporation until February 2003 and Deputy Chairman and Lead Independent Director of Vodafone Group Plc until July 2006. Mr. Hazen retired in April 2001 as Chairman after a 30-year career with Wells Fargo and Company. Mr. Hazen is currently Chairman of Accel-KKR and of KKR Financial Corporation. He also serves as Lead Independent Director of Safeway, Inc. and a Director of Willis Group Holdings Ltd.

**Robert MacDonnell**, aged 69, joined the Board of Xstrata AG in May 1997, and was appointed to the Board of Xstrata in February 2002. Prior to joining Kohlberg Kravis Roberts & Co. in 1976, Mr. MacDonnell was a management consultant at Arthur Andersen & Co. He subsequently formed his own firm, which specialised in small management buyouts. Mr. MacDonnell became the first non-founding partner of KKR in 1982 and participated in virtually all investment decisions until the firm expanded in the late 1980s. Mr. MacDonnell is also currently a director of Safeway, Inc.

**Sir Steve Robson CB**, aged 63, 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 U.K. financial services industry, public private partnerships, procurement policy including the private finance initiative and the Treasury's enterprises and growth unit. Sir Steve is a non-executive director of JPMorgan Cazenove Holdings, Partnerships UK plc and The Royal Bank of Scotland Group plc. Sir Steve was appointed to the Board of Xstrata in February 2002 and is Chairman of the Audit Committee.

**David Rough**, aged 56, was a Director of Legal & General Group Plc before retiring from Legal & General in June 2002. As Group Director (Investments), Mr. Rough headed all aspects of fund management within Legal & General Investments. Mr. Rough is currently a director of BBA Group plc, Emap plc, Land Securities plc, Brown, Shipley & Co Ltd and Mithras Investment Trust plc. Mr. Rough was appointed to the Board of Xstrata in April 2002, is Deputy Chairman, the Senior Independent Director and Chairman of the Nominations Committee.

**Dr. Frederik Roux**, aged 59, joined Johannesburg Consolidated Investment Company Limited in 1976, where he held positions in the Finance, Base Metals, Gold and Platinum divisions. In 1990, he joined Gencor Limited where he became Chairman of Alusaf and Executive Director responsible for Gencor Base Metals and Heavy Minerals. Since 1997, he has pursued private business interests in game ranching and safaris in South Africa. Dr. Roux is also Chairman of Impala Platinum Holdings Limited. Dr. Roux was appointed to the Board of Xstrata in February 2002.

**Ian Strachan**, aged 64, is a director of Reuters Group plc, Johnson Matthey plc, Rolls Royce plc and Transocean Inc. Mr. Strachan was Chairman of Instinet Group Inc from 2003 to 2005 and Chief Executive of BTR plc from 1996 to 1999. Mr. Strachan joined Rio Tinto plc (formerly RTZ plc) as CFO in 1987, and was Deputy Chief Executive from 1991 to 1995. Mr. Strachan was appointed to the Board of Xstrata at the Annual General Meeting held in May 2003 and is the Chairman of the Health, Safety, Environment and Community Committee.

Mr. Strothotte and Mr. Glasenberg are directors nominated by Glencore. Therefore, potential conflicts of interest may arise between the duties owed by such directors to Xstrata and their duties to Glencore. The Relationship Agreement between Xstrata and Glencore regulates the ongoing

relationship between them, as described above in the section of this Part IX headed "Relationship with Glencore".

In particular under the Relationship Agreement, directors of Xstrata nominated by Glencore are not permitted, unless the independent directors agree otherwise, to vote on any resolutions of Xstrata's board of directors to approve any aspect of Xstrata's involvement in or enforcement of any arrangements, agreements or transactions with any member of Glencore.

There are no other potential conflicts of interests between any duties to Xstrata of its directors and their private interests and/or other duties.

### **Auditor**

Xstrata has appointed Ernst & Young LLP of 1 More London Place, London SE1 2AF, United Kingdom, which is registered by the Institute of Chartered Accounts in England and Wales to carry out audit work, as its auditor. The consolidated financial statements of Xstrata for the financial years ended 31 December 2005 and 2006 have been audited without qualification by Ernst & Young LLP.

### **Recent Developments**

#### ***Disposal of aluminium assets***

On 11 April 2007, Xstrata announced the disposal of Xstrata Aluminum, comprising all of Xstrata's aluminium interests, to Apollo Management LP for a total cash consideration of U.S.\$1.15 billion.

Xstrata Aluminum was created from the former Falconbridge Group's aluminium assets, known as Noranda Aluminum, following Xstrata's acquisition of Falconbridge in 2006. The disposal follows a comprehensive strategic review by Xstrata, which examined a number of options for these assets, including an assessment of their potential as a platform from which to establish a substantial aluminium business, and of the prospects for a whole or partial sale of the business.

Xstrata Aluminum comprises a 100 per cent. owned primary smelter in New Madrid, Tennessee and three modern rolling mills in Tennessee, North Carolina and Arkansas, together with a 50 per cent. interest in the Gramercy aluminum refinery in Louisiana and St. Ann bauxite mine in Jamaica, both of which are owned through a joint venture with Century Aluminum Inc.

The transaction is subject to regulatory approval under the Hart-Scott-Rodino Act and is expected to complete in the second quarter of 2007.

#### ***Gloucester Coal Offer***

On 10 April 2007, Xstrata announced that it had entered into a merger implementation agreement (the "MIA") with Gloucester Coal Ltd ("Gloucester Coal") for the proposed acquisition of all of the shares in Gloucester Coal by Xstrata via a scheme of arrangement (the "Gloucester Coal Scheme"). Under Xstrata's proposal, Gloucester Coal shareholders will receive A\$4.75 cash per share (the "Gloucester Coal Offer"), valuing Gloucester Coal's fully-diluted equity at A\$391 million. The Gloucester Coal Offer represents a 27 per cent. premium over the closing price of A\$3.73 on 3 April 2007 (being the last full day of trading before 10 April 2007).

The board of directors of Gloucester Coal (the "Gloucester Coal Board") has advised Xstrata that it has formed the view that the Gloucester Coal Offer is in the interests of Gloucester Coal shareholders and unanimously recommends that, in the absence of a superior proposal, all Gloucester Coal shareholders vote in favour of the Gloucester Coal Scheme. The directors of Gloucester Coal have also advised that, in the absence of a superior proposal, they intend to vote all shares held or controlled by them at the time of the Gloucester Coal Scheme meeting in favour of the Gloucester Coal Scheme.

The transaction, by way of a scheme of arrangement, is subject to regulatory, court and Gloucester Coal shareholder approvals, together with other conditions. An explanatory memorandum setting out the terms and rationale for the transaction, an independent expert's opinion and the reasons for the Gloucester Coal Board's recommendation are expected to be circulated to all Gloucester Coal shareholders in early June 2007. It is expected that a general meeting of Gloucester Coal shareholders to approve the Gloucester Coal Scheme will be held in early July 2007 with transaction completion anticipated in mid-July 2007.

The MIA contains non-solicit provisions on the part of Gloucester Coal, subject to customary "fiduciary out" provisions. Gloucester Coal has agreed to pay Xstrata a break fee of 1 per cent. of the value of the Gloucester Coal Offer in certain circumstances.

Xstrata proposes to acquire Gloucester Coal through a subsidiary, Helios Australia Pty Limited.

#### ***Xstrata Copper completes option exercise over Tampakan project in the Philippines***

On 2 April 2007, Xstrata Copper announced that it had completed the exercise of its option over the majority interest and assumed management control of the Tampakan copper-gold project in the

Philippines through its Philippines subsidiary, Sagittarius Mines, Inc. ("SMI"). Accordingly, Xstrata's involvement in the Tampakan project has increased, including through the appointment of several senior Xstrata Copper executives to the board and management of SMI.

Xstrata Copper exercised its option to acquire 62.5% of the controlling interest in the Tampakan project on 21 December 2006, and assumed management control from Australian Stock Exchange-listed company Indophil Resources NL on 30 March 2007, following completion of the option agreement. The Tampakan project will continue to be managed from the Philippines through SMI.

### ***LionOre Offer***

On 26 March 2007, Xstrata and LionOre Mining International Ltd. ("LionOre") announced that they had entered into a support agreement (the "LionOre Support Agreement") for an all-cash offer to acquire all of the issued and outstanding shares of LionOre by way of a friendly take-over bid (the "LionOre Offer"). LionOre is an international nickel and gold producer with mining operations located in Australia, Botswana and South Africa. LionOre's nickel production is supported by significant by-product credits in the form of copper, cobalt, gold and platinum group metals. LionOre also owns the proprietary Activox® technology for the hydrometallurgical treatment of metal concentrates. The LionOre shares are listed on the Toronto, Australian, London and Botswana stock exchanges.

The LionOre Offer is made at C\$18.50 per LionOre share, which values the transaction at approximately C\$4.6 billion. The LionOre Offer represents a 5.8 per cent. premium over the closing price of C\$17.49 per LionOre share on the TSX on 23 March 2007 and a 16.5 per cent. premium over the volume weighted average price of the LionOre shares over the 30 trading days on the TSX ending on 23 March 2007.

The LionOre Support Agreement provides for, among other things, a non-solicitation covenant on the part of LionOre, subject to customary "fiduciary out" provisions that entitle LionOre to consider and accept a superior proposal, a right in favour of Xstrata to match any superior proposal and the payment to Xstrata of a termination payment of approximately C\$130 million, if the acquisition is not completed as a result of the superior proposal.

In connection with the LionOre Offer, certain shareholders including directors and officers of LionOre have entered into irrevocable lock-up agreements with Xstrata pursuant to which they have agreed to deposit all of their LionOre shares under the LionOre Offer, subject to certain exceptions, representing approximately 19.5 per cent. of the issued and outstanding LionOre shares.

The board of directors of LionOre (the "LionOre Board"), after consultation with its financial and legal advisers, has unanimously approved entering into the LionOre Support Agreement and recommends that LionOre shareholders tender to the LionOre Offer. J.P. Morgan plc, acting as financial adviser to the LionOre Board, has provided an opinion that the LionOre Offer is fair, from a financial point of view, to LionOre shareholders.

Successful completion of the transaction will strengthen Xstrata's position as a significant participant in the nickel industry, and ensure that the growth potential in the LionOre portfolio can be optimised through its combination with Xstrata Nickel's downstream processing facilities. Xstrata Nickel will also increase its degree of vertical integration and gain geographic and technical diversification across its operations.

The LionOre Offer documents were mailed to LionOre shareholders on 5 April 2007. The LionOre Offer is open for acceptance until 8:00 p.m. (Toronto time) on 25 May 2007, unless extended or withdrawn. The LionOre Offer is conditional upon, among other things, valid acceptances of the LionOre Offer by LionOre shareholders owning not less than 66 $\frac{2}{3}$  per cent. of the LionOre shares on a fully-diluted basis. In addition, the LionOre Offer is subject to certain customary conditions, relevant regulatory approvals including in Canada, Australia and South Africa, the absence of a material adverse change with respect to LionOre, and a waiver of the LionOre shareholder rights plan implemented by the LionOre Board as it may pertain to the LionOre Offer. Once the 66 $\frac{2}{3}$  per cent. acceptance level is met, Xstrata intends to take steps available to it under relevant securities laws to acquire any outstanding LionOre shares. Xstrata may waive the conditions of the LionOre Offer in certain circumstances.

The acquisition of the LionOre shares will be financed through Xstrata's existing credit facilities and cash on hand.

Subject to the provisions of the LionOre Support Agreement, the LionOre Offer is made by Xstrata Canada Acquisition Corp., which is a wholly-owned indirect subsidiary of Xstrata.

## PART XI — XSTRATA (SCHWEIZ) AG

### **Incorporation and Business**

Xstrata Schweiz was incorporated on 27 December 2001 as a private company limited by shares in Switzerland under the laws of Switzerland with registered number CH-170.3.025.302-8.

Xstrata Schweiz is the holding company for each member of the Group (other than Xstrata, Xstrata Capital, Xstrata Dubai and Xstrata Commodities Middle East LLC) and is a wholly-owned subsidiary of Xstrata.

Xstrata Schweiz was incorporated, among other things, to facilitate the financing activities of the Group. The object of Xstrata Schweiz, which is set out in its articles of association, is to acquire and administer equity interests. In this regard, Xstrata Schweiz may:

- conduct financial, investment, trading and fiduciary transaction and any services pertaining to those transactions;
- exploit, utilise and administer all forms of proprietary rights;
- set up branch establishments;
- acquire, sell and administer real property; and
- provide to its direct or indirect parent companies, as well as to the latter's or Xstrata's direct or indirect sister companies, loans and other financing and grant security for obligations of such other companies, including by means of pledges or fiduciary transfers of Xstrata's assets, or by means of guarantees of any kind.

Xstrata Schweiz has engaged in certain trading and financing activities in pursuit of the above objects. The registered office of Xstrata Schweiz (and its principal place of business) is Bahnhofstrasse 2, P.O. Box 102, 6301, Zug, Switzerland and the telephone number of the registered office is +41 41 726 60 70.

### **Members of Administrative, Management and Supervising Bodies**

The table below sets out the Xstrata Schweiz president, directors and officers and their respective business addresses: The table below also sets out the activities performed by the Xstrata Schweiz president, directors and officers outside Xstrata Schweiz which are significant with respect to Xstrata Schweiz.

<u>Name</u>	<u>Business address</u>	<u>Function within Xstrata Schweiz</u>	<u>Significant activities performed outside Xstrata Schweiz</u>
Michael Davis . . . . .	Bahnhofstrasse 2 6301 Zug Switzerland	President	— Chief Executive of Xstrata* — Director of Xstrata
Trevor Reid . . . . .	Bahnhofstrasse 2 6301 Zug Switzerland	Director	— Chief Financial Officer of Xstrata* — Director of Xstrata
Brian Azzopardi . . . . .	Bahnhofstrasse 2 6301 Zug Switzerland	Director	— Group Controller of Xstrata
Marc Gonsalves . . . . .	4th Floor Panton House 25/27 Haymarket London SW1Y 4EN United Kingdom	Director	— Executive General Manager, Corporate Affairs of Xstrata
Benny Levene . . . . .	Level 38 Gateway 1 Macquarie Place Sydney NSW 2000 Australia	Director	— Chief Legal Counsel of Xstrata
Peter Coates . . . . .	Level 38 Gateway 1 Macquarie Place Sydney NSW 2000 Australia	Director	— Chief Executive, Xstrata Coal (a business unit of Xstrata)
Charles Sartain . . . . .	Level 9 Riverside Centre 123 Eagle Street Brisbane QLD 4000 Australia	Director	— Chief Executive, Xstrata Copper (a business unit of Xstrata)

<u>Name</u>	<u>Business address</u>	<u>Function within Xstrata Schweiz</u>	<u>Significant activities performed outside Xstrata Schweiz</u>
Peet Nienaber . . . . .	3rd Floor 23 Melrose Boulevard Melrose Arch Melrose North Johannesburg 2196 South Africa	Director	— Chief Executive, Xstrata Alloys (a business unit of Xstrata)
Santiago Zaldumbide . .	Cardenal Marcelo Spinola 42-7, E-28016 Madrid Spain	Director	— Director of Xstrata* — Chief Executive of Xstrata Zinc (a business unit of Xstrata) — Member of the European Advisory Council of Air Products and Chemicals, Inc. — Director of ThyssenKrupp SA
Daniel Sigrist . . . . .	Bahnhofstrasse 2 6301 Zug Switzerland	Officer	— Assistant Treasurer of Xstrata
Dominic O'Brien . . . . .	Bahnhofstrasse 2 6301 Zug Switzerland	Officer	— Assistant Chief Legal Counsel of Xstrata

\* For further information, see above in Part X — “Business of the Group — Directors of Xstrata”

There are no potential conflicts of interests between any duties to Xstrata Schweiz of its president, directors or officers and their private interests and/or other duties.

**Auditor**

Xstrata Schweiz has appointed Ernst & Young Ltd of P.O. Box 4523, Zug CH 6304, Switzerland as its auditor. The unconsolidated financial statements of Xstrata Schweiz for the financial years ended 31 December 2005 and 2006 included in Part XVII “Financial Information — Financial Statements of Xstrata Schweiz” have been audited without qualification by Ernst & Young Ltd.



## **PART XII — XSTRATA FINANCE (CANADA) LIMITED**

### **Incorporation and Business**

Xstrata Canada was incorporated on 10 October 2006 as a private company in Ontario, Canada under the Business Corporations Act (Ontario) with Ontario corporation number 1712237.

Xstrata Canada has no subsidiaries. Xstrata Canada was incorporated, among other things, to facilitate the financing activities of the Group. The objects of Xstrata Canada, which are set out in its articles of incorporation are unrestricted. As at the date of this Base Prospectus, the only issued capital of Xstrata Canada Limited is the one common share owned by 1184760 Alberta Ltd.

The registered office of Xstrata Canada (and its principal place of business) is 207 Queen's Quay West, Suite 800, Toronto, Canada M5J 1A7 and the telephone number of the registered office is 416 982 7111.

### **Directors**

The Xstrata Canada directors are Benny Levene (who is also the president of Xstrata Canada) and William Ainley.

The business address of Mr. Levene is Level 38, Gateway, Macquarie Place, Sydney NSW 200, Australia. The business address of Mr. Ainley is 207 Queen's Quay West, Suite 800, Toronto, Canada M5J 1A7. No Xstrata Canada director performs any activities outside Xstrata Canada which are significant with respect to Xstrata Canada, except that Mr. Levene is Chief Legal Counsel for Xstrata.

There are no potential conflicts of interests between any duties to Xstrata Canada of its directors and their private interests and/or other duties.

### **Auditor**

Xstrata Canada has appointed Ernst & Young LLP of 222 Bay Street, P.O. Box 251, Toronto Dominion Centre, Ontario, Canada M5C 1S7 as its auditor. The unconsolidated financial statements of Xstrata Canada for the period 10 October 2006 to 31 December 2006 included in Part XVII "Financial Information — Financial Statements of Xstrata Canada" have been audited without qualification by Ernst & Young LLP.

## **PART XIII — XSTRATA FINANCE (DUBAI) LIMITED**

### **Incorporation and Business**

Xstrata Dubai was incorporated on 15 January 2006 as a company limited by shares in Dubai under the Companies Law, DIFC Law No. 3 of 2006, with registered number 127.

Xstrata Dubai was incorporated to facilitate the financing activities of the Group. The objects of Xstrata Dubai, which are set out in its articles of association, are to:

- act as a finance company, and to finance directly or indirectly, or to act as an intermediary in respect of, or otherwise to facilitate the financing of the activities of Xstrata, Xstrata Schweiz and the Group; and
- do all other lawful acts and activities.

Xstrata Dubai is a majority-owned subsidiary of Xstrata with 90 per cent. of Xstrata Dubai's shares held by Xstrata and the remaining 10 per cent. held by Xstrata Schweiz.

The registered office of Xstrata Dubai (and its principal place of business) is DIFC Business Centre, The Gate, P.O. Box 74777, Dubai, UAE and the telephone number of the registered office is +971 4 361 1944.

### **Directors**

The Xstrata Dubai directors are Brian Azzopardi, Wayne Apted and Phil Garrison.

The business address of the Xstrata Dubai directors (other than Mr. Azzopardi) is DIFC Business Centre, The Gate, P.O. Box 74777, Dubai, UAE. The business address of Mr. Azzopardi is Bahnhofstrasse 2, 6301 Zug, Switzerland. No Xstrata Dubai director performs any activities outside Xstrata Dubai which are significant with respect to Xstrata Dubai, except that Mr. Azzopardi is Group Controller for Xstrata.

There are no potential conflicts of interests between any duties to Xstrata Dubai of its directors and their private interests and/or other duties.

### **Auditor**

Xstrata Dubai has appointed Ernst & Young United Arab Emirates of P.O. Box 9267, Al Attar Business Tower, 28th Floor Sheikh Zayed Road, Dubai 9267, United Arab Emirates as its auditor. The unconsolidated financial statements of Xstrata Dubai for the period 15 January 2006 to 31 December 2006 included in Part XVII "Financial Information — Financial Statements of Xstrata Dubai" have been audited without qualification by Ernst & Young United Arab Emirates.

## PART XIV — TAXATION

The following is a general description of certain tax considerations relating to the Notes. It does not purport to be a complete analysis of all tax considerations relating to the Notes for all types of investors. Prospective purchasers of Notes should consult their tax advisers as to the consequences under the tax laws of the country of which they are resident for tax purposes of acquiring, holding and disposing of Notes and receiving payments of interest, principal and/or other amounts under the Notes. This summary is based upon the law as in effect on the date of this Base Prospectus and is subject to any change in law that may take effect after such date.

### **Canadian taxation**

The following are general comments regarding Canadian withholding tax considerations under the Income Tax Act (Canada) (the "Tax Act") relevant to a Noteholder who, at all relevant times, for purposes of the Tax Act and any applicable income tax treaty, is neither resident nor deemed to be resident in Canada and who deals at arm's length with the Issuers and the Guarantors (a "Non-Resident Noteholder").

This discussion is based on the current provisions of the Tax Act and the regulations thereunder in force as of the date hereof and on the current published administrative practices of the Canada Revenue Agency ("CRA"). Reference is also made to certain proposals relating to withholding tax announced by the Minister of Finance (Canada) on 19 March 2007 (the "Tax Proposals").

This discussion is included for information purposes only and relates only to Canadian withholding tax under the Tax Act. It does not address any other Canadian income tax considerations relevant to acquiring, holding or disposing of Notes, including any consequences as a result of the particular terms of any particular Notes. Prospective Noteholders are urged to consult their own tax advisers with respect to the tax consequences to them of an investment in the Notes.

### ***Notes issued by Xstrata Canada***

In general terms, interest paid or credited to a Non-Resident Noteholder by Xstrata Canada on a Note issued by Xstrata Canada will not be subject to Canadian withholding tax under the Tax Act provided (i) under the terms of the Note (or any agreement relating thereto) Xstrata Canada may not under any circumstances be obliged to repay more than 25% of the principal amount of the Note within five years from the date of issue except in the event of a failure or default under the terms or agreement, in the event the terms or agreement become illegal or in certain other limited circumstances and, (ii) interest on the Note (or any portion thereof) is not (a) contingent or dependent on the use of or production from property in Canada, or (b) computed by reference to revenue, profit, cash flow, commodity price or any other similar criterion, or by reference to dividends paid or payable to shareholders of any class or series of shares of the capital stock of a corporation.

Accordingly, whether Canadian withholding tax will apply to payments of interest by Xstrata Canada on any particular Notes will depend, among other things, on the terms and conditions of such Notes and of any related agreements.

If enacted, the Tax Proposals would exempt from Canadian withholding tax under the Tax Act payments of interest on Notes to a Non-Resident Noteholder by Xstrata Canada that are made on or after the date on which related proposed changes to the Canada-U.S. income tax treaty come into effect (the "Treaty Effective Date").

### ***Notes issued by Xstrata Dubai***

Interest paid or credited by Xstrata Dubai on Notes issued by Xstrata Dubai will not be subject to Canadian withholding tax under the Tax Act, provided Xstrata Dubai does not carry on business in Canada within the meaning of the Tax Act.

However, under the Tax Act and the current administrative practice of the CRA, amounts paid or credited to a Non-Resident Noteholder by Xstrata Canada as Guarantor as, on account or in lieu of payment of, or in satisfaction of, amounts that are, or are deemed to be, interest on Notes issued by Xstrata Dubai will be subject to Canadian withholding tax. The enactment of the Tax Proposals may exempt such amounts from Canadian withholding tax under the Tax Act where they are paid or credited on or after the Treaty Effective Date.

### ***Withholding tax gross-up***

Where payments on Notes (including pursuant to a Guarantee) are subject to Canadian withholding tax, such tax is imposed by the Tax Act at a rate of 25%. This rate may be reduced under the provisions of an applicable income tax treaty to which Canada is a signatory.

As described in Part VI — “Terms and Conditions of the Notes — Taxation”, subject to the exceptions in Conditions 9.2 and 9.3 thereof, the relevant Issuer and each Guarantor has agreed to gross up any payment of interest in respect of a Note that is subject to Canadian withholding tax.

#### **UAE taxation**

There is currently in force in the Emirates of Abu Dhabi and Dubai legislation establishing a general corporate taxation regime (the Abu Dhabi Income Tax Decree 1965 (as amended) and the Dubai Income Tax Decree 1969 (as amended)). The regime is however not enforced save in respect of companies active in the hydrocarbon industry and branches of foreign banks operating in the UAE. It is not known whether the legislation will or will not be enforced more generally or within other industry sectors in the future. Under current legislation, there is no requirement for withholding or deduction for or on account of UAE, Abu Dhabi or Dubai taxation in respect of payments of accrued return or principal on debt securities (including payments in respect of Receipts, Coupons and/or amounts under the Notes).

The Constitution of the UAE specifically reserves to the Federal Government of the UAE the right to raise taxes on a Federal basis for purposes of funding its budget. It is not known whether this right will be exercised in the future.

Xstrata Dubai and its employees, in accordance with Article 14 (Tax Relief) of Dubai Law 9 of 2004 (With Respect to the Dubai International Financial Centre) is subject to a zero rate of tax until 2054. Article 14 also provides for zero tax on any transfers of assets, profits or salaries to any person outside the Dubai International Financial Centre.

The UAE has entered into double taxation arrangements with 38 countries. Each prospective Noteholder should consult a taxation professional to confirm whether there is a UAE double taxation arrangement applicable to that prospective Noteholder.

#### **United Kingdom taxation**

The comments below are of a general nature based on current United Kingdom law and H.M. Revenue and Customs practice relating to United Kingdom withholding of tax on interest and associated matters. They are not intended to be, nor should they be construed to be, legal or tax advice and are included below solely for information purposes. The comments below relate only to the position of persons who are the absolute beneficial owners of their Notes and coupons. Prospective Noteholders should consult their own professional advisers as to the United Kingdom tax consequences of holding and disposing of Notes and receiving payments of interest or principal under the Notes, as well as if they are in any doubt as to their own technical position.

Xstrata’s place of effective management is in Switzerland, and it is accordingly treated as resident in Switzerland, and not in the United Kingdom, for the purposes of Swiss and United Kingdom taxation and for the purposes of the United Kingdom-Switzerland double tax treaty. This position will, however, be reviewed from time to time and it is possible that Xstrata could in the future become resident for the purposes of taxation in the United Kingdom or elsewhere. This section is written on the basis that Xstrata is and remains resident in Switzerland and, as is the case in respect of the other Guarantors, is a company not resident in the United Kingdom. It will therefore be subject to the Swiss tax regime and not (save in respect of United Kingdom source income) the United Kingdom tax regime. This section is also written on the basis that each Issuer is a company not resident in the United Kingdom.

#### ***Interest-withholding and information reporting requirements.***

Payments of interest on the Notes made by an Issuer may be made without any withholding or deduction for or on account of United Kingdom tax. As it cannot be ruled out that guarantee payments made by Xstrata may be subject to withholding or deduction for or on account of United Kingdom tax, where such payments fall to be made by it, Xstrata may make alternative arrangements for such payments, including where appropriate, arranging for such payments to be made via the relevant Issuer.

Noteholders who are individuals may wish to note that H.M. Revenue and Customs has power to obtain information (including the name and address of the beneficial owner of the interest) from any person in the United Kingdom who either pays interest to or receives interest for the benefit of an individual. H.M. Revenue and Customs also has power to obtain information from any person in the United Kingdom who pays amounts payable on the redemption of Notes which are deeply discounted securities for the purposes of Chapter 8 of Part 4 of the Income Tax (Trading and Other Income) Act 2005, to or receives such amounts for the benefit of, an individual although H.M. Revenue and Customs published practice indicates that H.M. Revenue and Customs will not exercise the power referred to above to require this information in respect of such amounts payable on redemption of Notes where such amounts are paid on or before 5 April 2008. Such information may include the name

and address of the beneficial owner of the amount payable on redemption. Any information obtained may, in certain circumstances, be exchanged by H.M. Revenue and Customs with the tax authorities of other jurisdictions.

### **The European Savings Directive**

Under Council Directive 2003/48/EC on the taxation of savings income, Member States are required to provide to the tax authorities of another Member State details of payments of interest and other similar income paid by a person within their jurisdiction to, or for, an individual resident in that other Member State. However, for a transitional period only (which will end after agreement on exchange of information is reached between the European Union and certain non-European Union States) each of Belgium, Luxembourg and Austria is instead required (unless during such period that Member State elects otherwise) to operate a withholding tax in relation to such payments unless the Noteholder authorises the person making the payment to report the payment or presents a certificate from the relevant tax authority establishing an exemption from the withholding tax requirement.

A number of non-EU countries, and certain dependent or associated territories of certain Member States, have agreed to adopt measures equivalent to those laid down in Council Directive 2003/48/EC in relation to payments made by a person within its jurisdiction to, or collected by such a person for, an individual resident in a Member State. These measures take the form either of provision of information arrangements or, for example in the case of Switzerland, transitional withholding arrangements. In addition, the Member States have entered into provision of information or transitional withholding arrangements with certain of those dependent or associated territories in relation to payments made by a person in a Member State to, or collected by such a person for, an individual resident in one of those territories.

### **Swiss taxation**

According to the current practice of the Swiss Federal Tax Administration, payments in respect of the Notes issued under the Programme by an Issuer should not be subject to Swiss withholding tax. Any payment made by Xstrata Schweiz pursuant to the Xstrata Schweiz Guarantee may be subject to Swiss withholding taxes on dividends (the present rate of which is 35%).

## PART XV — SUBSCRIPTION AND SALE

Notes may be sold from time to time by either Issuer to any one or more of ABN AMRO Bank N.V., Barclays Bank PLC, BNP Paribas, Citigroup Global Markets Limited, Deutsche Bank AG, London Branch, Dresdner Bank Aktiengesellschaft, J.P. Morgan Securities Ltd. and The Royal Bank of Scotland plc (the "Dealers"). The arrangements under which Notes may from time to time be agreed to be sold by an Issuer to, and purchased by, Dealers are set out in a dealer agreement dated 26 April 2007 (the "Dealer Agreement") and made between the Issuers, the Guarantors and the Dealers. Any such agreement will, *inter alia*, make provision for the form and terms and conditions of the relevant Notes, the price at which such Notes will be purchased by the Dealers and the commissions or other agreed deductibles (if any) payable or allowable by the relevant Issuer in respect of such purchase. The Dealer Agreement makes provision for the resignation or termination of appointment of existing Dealers and for the appointment of additional or other Dealers either generally in respect of the Programme or in relation to a particular Tranche of Notes.

**United States of America:** Each Dealer has acknowledged, and each further Dealer appointed under the Dealer Agreement will be required to acknowledge, that the Notes have not been and will not be registered under the Securities Act, and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except in accordance with Regulation S under the Securities Act ("Regulation S") or pursuant to an exemption from or in a transaction not subject to, the registration requirements of the Securities Act. Terms used in the preceding sentence have the meanings given to them by Regulation S.

Notes in bearer form are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to U.S. persons, except in certain transactions permitted by U.S. tax regulations. Terms used in the preceding sentence have the meanings given to them by the United States Internal Revenue Code and regulations thereunder.

Each Dealer has agreed, and each further Dealer appointed under the Dealer Agreement will be required to agree, that it has not offered, sold or delivered Notes and it will not offer, sell or deliver Notes, (i) as part of their distribution at any time and (ii) otherwise until forty days after the later of (a) the closing date of the sale of the relevant Tranche, or (b) the completion of the distribution of the Notes comprising the relevant Tranche, as certified to the Issuing and Paying Agent or the relevant Issuer by such Dealer (or, in the case of a sale of a Tranche of Notes to or through more than one Dealer, by each of such Dealers as to Notes of such Tranche purchased by or through it, in which case the Issuing and Paying Agent or the relevant Issuer shall notify each such Dealer when all such Dealers have so certified) within the United States or to, or for the account or benefit of, U.S. persons, and at or prior to confirmation of sale of Notes such Dealer will have sent to each distributor, dealer or person receiving a selling commission, concession, fee or other remuneration to which it sells Notes during the distribution compliance period relating thereto a confirmation or other notice setting forth the restrictions on offers and sales of the Notes within the United States or to, or for the account or benefit of, U.S. persons.

In addition, until 40 days after the commencement of the offering of Notes comprising any Tranche, any offer or sale of Notes within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act.

Each issue of index-, commodity- or currency-linked Notes shall be subject to additional U.S. selling restrictions as the relevant Dealer or Dealers shall agree as a term of the issuance and purchase of such Notes.

**Canada:** The Notes have not been and will not be qualified for sale under the securities laws of Canada or any province or territory thereof and may not be offered or sold directly or indirectly in Canada, or to or for the benefit of any resident thereof, in contravention of the securities laws of Canada or any province or territory thereof. Each Dealer has represented and agreed and each further Dealer appointed under the Dealer Agreement will be required to represent and agree that it has not offered or sold, and that it will not offer or sell, any Notes, directly or indirectly, in Canada or to, or for the benefit of, any resident thereof in contravention of the securities laws of Canada or any province or territory thereof. Each Dealer has also agreed and each further Dealer appointed under the Dealer Agreement will be required to agree not to distribute this Base Prospectus, or any other offering material relating to the Notes, in Canada in contravention of the securities laws of Canada or any province or territory thereof.

**UAE:** No marketing of any financial products or services has been or will be made or within the UAE and no subscription to any securities, financial products or financial services may or will be consummated within the UAE.

Xstrata Dubai is not a licensed broker or dealer or investment advisor under the laws applicable in the UAE, and does not advise individuals resident in the UAE as to the appropriateness of investing in or purchasing or selling securities or other financial products.

Where the Notes are offered to any person located in the Dubai International Financial Centre, the Notes may only be issued to persons who are "Professional Investors" as defined in the Dubai International Financial Centre Law Markets Law (DIFC Law 12 of 2004, as amended) and "Qualified Investors" as defined in the Offered Securities Rule Module of the Dubai Financial Services Authority Rulebook.

**Switzerland:** This Base Prospectus does not constitute an issue prospectus pursuant to Article 652a and 1156 of the Swiss Federal Code of Obligations. The Notes may therefore not be offered to investors in Switzerland without advance written consent of the relevant Issuer.

**Japan:** The Notes have not been and will not be registered under the Securities and Exchange Law of Japan (the "Securities and Exchange Law") and each Dealer has agreed that it will not offer or sell any Notes, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organised under the laws of Japan), or to others for reoffering or resale, directly or indirectly, in Japan or to a resident except pursuant to an exemption to the registration requirements of or otherwise in compliance with the Securities and Exchange Law and any other applicable laws, regulations and ministerial guidelines of Japan.

**European Economic Area:** In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a "Relevant Member State"), each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the "Relevant Implementation Date") it has not made and will not make an offer of Notes which are the subject of the offering contemplated by this Base Prospectus as completed by the final terms in relation thereto to the public (where the Notes have a denomination of less than €50,000 (or its equivalent in any other currency as at the date of issue of the Notes)) in that Relevant Member State, except that it may, with effect from and including the Relevant Implementation Date, make an offer of Notes to the public in that Relevant Member State:

- (a) if the final terms in relation to the Notes specify that an offer of those Notes may be made other than pursuant to Article 3(2) of the Prospectus Directive in that Relevant Member State (a "Non-exempt Offer"), in the period beginning on the date of publication of a prospectus in relation to such Notes which has been approved by the competent authority in that Relevant Member State or, where appropriate, approved in another Relevant Member State and notified to the competent authority in that Relevant Member State, provided that any such prospectus has subsequently been completed by the final terms contemplating such Non-exempt Offer, in accordance with the Prospectus Directive, and ending on the date specified in such prospectus or final terms, as applicable;
- (b) at any time to legal entities which are authorised or regulated to operate in the financial markets or, if not so authorised or regulated, whose corporate purpose is solely to invest in securities;
- (c) at any time to any legal entity which has two or more of (1) an average of at least 250 employees during the last financial year; (2) a total balance sheet of more than €43,000,000; and (3) an annual net turnover of more than €50,000,000, as shown in its last annual or consolidated accounts;
- (d) at any time to fewer than 100 natural or legal persons (other than qualified investors as defined in the Prospectus Directive) subject to obtaining the prior consent of the relevant Dealer or Dealers nominated by the relevant Issuer for any such offer; or
- (e) at any time in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of Notes referred to in (b) to (e) above shall require an Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

For the purposes of this provision, the expression an “offer of Notes to the public” in relation to any Notes in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe the Notes, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State and the expression “Prospectus Directive” means Directive 2003/71/EC and includes any relevant implementing measure in each Relevant Member State.

**United Kingdom:** Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that:

- (i) in relation to any Notes which have a maturity of less than one year, (i) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business and (ii) it has not offered or sold and will not offer or sell any Notes other than to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses where the issue of the Notes would otherwise constitute a contravention of Section 19 of the FSMA by the relevant Issuer;
- (ii) it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue of any Notes in circumstances in which Section 21(1) of the FSMA does not apply to the relevant Issuer or the relevant Guarantors; and
- (iii) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Notes in, from or otherwise involving the United Kingdom.

**General:** Other than with respect to the listing of the Notes on such stock exchange as may be specified in the Final Terms, no action has been or will be taken in any country or jurisdiction by the Issuers, the Guarantors or the Dealers that would permit a public offering of Notes, or possession or distribution of any offering material in relation thereto, in any country or jurisdiction where action for that purpose is required. Persons into whose hands this Base Prospectus or any Final Terms comes are required by the relevant Issuer, the relevant Guarantor and the Dealers to comply with all applicable laws and regulations in each country or jurisdiction in or from which they purchase, offer, sell or deliver Notes or have in their possession or distribute such offering material, in all cases at their own expense. The Dealer Agreement provides that the Dealers shall not be bound by any of the restrictions relating to any specific jurisdiction (set out above) to the extent that such restrictions shall, as a result of change(s) or change(s) in official interpretation, after the date hereof, in applicable laws and regulations, no longer be applicable but without prejudice to the obligations of the Dealers described in the paragraph above. Selling restrictions may be supplemented or modified with the agreement of the relevant Issuer, the Guarantors and the Dealers. Any such supplement or modification will be set out in the relevant Final Terms (in the case of a supplement or modification relevant only to a particular Tranche of Notes) or (in any other case) in a supplement to this Base Prospectus.



## PART XVI — GENERAL INFORMATION

1. The admission of the Notes to the Official List will be expressed as a percentage of their principal amount (exclusive of accrued interest). Any Tranche of Notes intended to be admitted to the Official List and to trading on the Market will be so admitted upon submission to each of the U.K. Listing Authority and the London Stock Exchange of the relevant Final Terms and subject to the issue of the Temporary or Permanent Global Note. Application has been made to the U.K. Listing Authority for Notes issued under the Programme to be admitted to the Official List and to the London Stock Exchange for such Notes to be admitted to trading on the Market. The listing of the Programme in respect of Notes is expected to be granted on or about 1 May 2007. Prior to official listing, dealings will be permitted by the London Stock Exchange in accordance with its rules.

However, Notes may be issued pursuant to the Programme which will not be admitted to the Official List and to trading on the London Stock Exchange or any other stock exchange or which will be listed on such stock exchange as the relevant Issuer and the relevant Dealer(s) may agree.

2. The establishment of the Programme was authorised by the board of directors of Xstrata Dubai by a resolution passed on 25 April 2007. The establishment of the Programme was authorised by the sole shareholder of Xstrata Canada by a resolution passed on 24 April 2007. The establishment of the Programme was authorised by the board of directors of Xstrata by a resolution passed on 26 February 2007 and by a committee of the board of directors of Xstrata by a resolution passed on 24 April 2007. The establishment of the Programme was authorised by the board of directors of Xstrata Schweiz by a resolution passed on 24 April 2007 and by Xstrata (as sole shareholder of Xstrata Schweiz) by a resolution passed on 24 April 2007. Each Issuer and each Guarantor has obtained or will obtain from time to time all necessary consents, approvals and authorisations in connection with the issue and performance of the Notes.
3. The Notes have been accepted for clearance through Euroclear and Clearstream, Luxembourg (which are the entities in charge of keeping the records). The appropriate Common Code and the International Securities Identification Number in relation to the Notes of each Series will be specified in the applicable Final Terms. The relevant Final Terms shall specify any other clearing system as shall have accepted the relevant Notes for clearance together with any further appropriate information.

The address of Euroclear is Euroclear Bank S.A./N.V., 1 Boulevard du Roi Albert II, B-1210 Brussels and the address of Clearstream, Luxembourg is Clearstream Banking, 42 Avenue JF Kennedy, L-1855 Luxembourg.

4. The price and amount of Notes to be issued under the Programme will be determined by the relevant Issuer and the relevant Dealers at the time of issue in accordance with prevailing market conditions.
5. Notes (other than Temporary Global Notes) with an original maturity of more than 183 days and any Receipt, Coupon or Talon appertaining thereto will bear a legend substantially to the following effect: "Any United States person who holds this obligation will be subject to limitations under the United States income tax laws, including the limitations provided in Sections 165(j) and 1287(a) of the Internal Revenue Code."

The sections referred to in such legend provide that a United States person who holds a Note, Receipt, Coupon or Talon generally will not be allowed to deduct any loss realised on the sale, exchange or redemption of such Note, Receipt, Coupon or Talon and any gain (which might otherwise be characterised as capital gain) recognised on such sale, exchange or redemption will be treated as ordinary income.

6. For a period of 12 months following the date of this Base Prospectus, copies of the following documents will, when issued, be available for inspection during normal business hours on any weekday (Saturdays and public holidays excepted) from the registered office of each Issuer and each Guarantor and from the specified office of the Issuing and Paying Agent for the time being in London:
  - (i) the constitutional documents of each Issuer and each Guarantor;
  - (ii) the audited financial statements of each Issuer and each Guarantor covering the two most recent fiscal or financial periods (or such shorter period that the relevant Issuer has been in operation), in each case together with the audit report prepared in

connection therewith, and the most recent unaudited interim financial statements, if any, of each Issuer and each Guarantor;

- (iii) the Dealer Agreement, the Trust Deed (containing the forms of the Notes, the Receipts, the Coupons and the Talons) and the Agency Agreement;
- (iv) a copy of this Base Prospectus;
- (v) any future information memoranda, prospectuses, offering circulars and supplements including Final Terms (save that Final Terms relating to a Note which is neither admitted to trading on a regulated market in the European Economic Area nor offered in the European Economic Area in circumstances where a prospectus is required to be published under the Prospectus Directive will only be available for inspection by a Noteholder of such Note and such Noteholder must produce evidence satisfactory to the relevant Paying Agent, as the case may be, as to its holding of Notes and identity) to this Base Prospectus and any other documents incorporated herein or therein by reference; and
- (vi) in the case of each issue of Notes admitted to trading on the Market subscribed pursuant to a subscription agreement, the subscription agreement (or equivalent document).

This Base Prospectus and Final Terms for Notes that are listed on the Official List of the U.K. Listing Authority and admitted to trading on the Market will be available, free of charge, at the registered office of the relevant Issuer and at the offices of the financial intermediaries placing or selling the Notes, including Paying Agents.

- 7. There has been no material adverse change in the prospects of Xstrata, Xstrata Schweiz, Xstrata Dubai or Xstrata Canada since 31 December 2006.
- 8. There has been no significant change in the financial or trading position of Xstrata, Xstrata Schweiz, Xstrata Dubai or Xstrata Canada since 31 December 2006.
- 9. Except as set out below, none of the Issuers or the Guarantors is or has been involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which any Issuer or Guarantor is aware), during the period covering the 12 months preceding the date of this Base Prospectus which may have, or have had in the recent past, significant effects on an Issuer, a Guarantor or the Group's financial position or profitability.

*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 anti-trust violations by the Group. These lawsuits have been consolidated into the District Court in Chicago, with those filed in state court in California having been consolidated into the San Francisco state court. The Group is vigorously defending these actions and has asserted that they are without merit. The plaintiffs claim actual damages in the amount of approximately U.S.\$160 million, before trebling, plus attorney fees and costs. Under the relevant U.S. antitrust law, if the plaintiffs were to be successful then the actual damages assessed by the jury would be automatically trebled. Based on the strength of the available defences, the weakness of the plaintiffs' claims, the amount of a previously negotiated settlement with another defendant and legal advice obtained, Xstrata believes that it is unlikely that the plaintiffs will recover the damages sought.

- 10. The information contained in this Base Prospectus that has been extracted from a third party source comprises the market capitalisation informed referred to in Part III — "Presentation of Information — Market and Industry Information" of this Base Prospectus which is sourced from Bloomberg and Datastream. This information has been accurately reproduced and, so far as Xstrata is aware, and so far as it is able to ascertain from information published by that third party, no facts have been omitted which would render the reproduced information inaccurate or misleading.
- 11. The Trust Deed provides that the Trustee may rely on certificates or reports from experts in accordance with the provisions of the Trust Deed whether or not any such certificate or report or any engagement letter or other document entered into by the Trustee and the relevant expert in connection therewith contains any limit on the liability of the expert.
- 12. Neither the Issuers nor the Guarantors intend to provide any post-issuance information in relation to any issues of Notes.

13. Certain of the Dealers and their affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform services to, any Issuer, any Guarantor and any of their respective affiliates in the ordinary course of business.

In the case of Notes issued by Xstrata Canada, for the purposes of disclosure only under the Interest Act (Canada):

- (i) whenever interest to be paid under such Notes is to be calculated on the basis of a year of 360 days or any other number of days that is less than the number of days in a calendar year, the yearly rate of interest to which the rate determined pursuant to such calculation is equivalent is the rate so determined multiplied by a fraction of which the numerator is the actual number of days in the calendar year in which the same is to be ascertained and the denominator is either 360 or such other number of days, as the case may be; or
- (ii) whenever interest to be paid under such Notes is to be calculated on the basis of a year of 360 days consisting of twelve 30-day months, the yearly rate of interest to which the rate determined pursuant to such calculation is equivalent during any particular period is the rate so determined multiplied by a fraction of which:
  - (a) the numerator is the product of:
    - (i) the actual number of days in the calendar year in which the same is to be ascertained; and
    - (ii) the sum of (A) the product of (x) 30 and (y) the number of complete months elapsed in the relevant period and (B) the number of days elapsed in any incomplete month in the relevant period; and
  - (b) the denominator is the product of (i) 360 and (ii) the number of days in the relevant period.

## **PART XVII — FINANCIAL INFORMATION**

### **Financial Statements of Xstrata Schweiz**

The financial statements for the years ended 31 December 2005 and 31 December 2006, which were reported on by the auditors, Ernst & Young Ltd, are set out below. The financial statements for the years ended 31 December 2005 and 31 December 2006 of Xstrata Schweiz have been prepared in accordance with Swiss GAAP.

**Report of the statutory auditors**  
with financial statements as of December 31, 2006 of  
**Xstrata (Schweiz) AG, Zug**

To the General Meeting of  
**Xstrata (Schweiz) AG, Zug**

Zug, March 12, 2007

**Report of the statutory auditors**

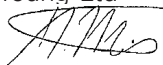
As statutory auditors, we have audited the accounting records and the financial statements (balance sheet, income statement and notes) of Xstrata (Schweiz) AG for the year ended December 31, 2006. These financial statements are the responsibility of the board of directors. Our responsibility is to express an opinion on these financial statements based on our audit. We confirm that we meet the legal requirements concerning professional qualification and independence.

Our audit was conducted in accordance with Swiss Auditing Standards, which require that an audit be planned and performed to obtain reasonable assurance about whether the financial statements are free from material misstatement. We have examined on a test basis evidence supporting the amounts and disclosures in the financial statements. We have also assessed the accounting principles used, significant estimates made and the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the accounting records and financial statements and the proposed appropriation of available earnings comply with Swiss law and the company's articles of incorporation.

We recommend that the financial statements submitted to you be approved.

Ernst & Young Ltd



Reto Hofer  
Swiss Certified Accountant  
(in charge of the audit)



Daniel Odermatt  
Swiss Certified Accountant

**Enclosures:**

- Financial statements (balance sheet, income statement and notes)
- Proposed appropriation of available earnings

**XSTRATA (SCHWEIZ) AG, ZUG**

**BALANCE SHEET AT DECEMBER 31, 2006**

	<b>31.12.2006</b>	<b>31.12.2005</b>
	<b>TCHF</b>	<b>TCHF</b>
	<hr/>	<hr/>
<b>ASSETS</b>		
<b>Current assets</b>		
Bank and cash resources .....	4'178	6'281
Receivables		
— Affiliated companies .....	514'732	616'088
Other receivables		
— Third parties .....	2'100	294
Prepaid expenses .....	113'838	21'293
<b>Total Current assets</b> .....	<hr/> <b>634'847</b>	<hr/> <b>643'956</b>
<b>Non-current assets</b>		
Fixed assets .....	2'929	3'731
Loans		
— Third parties .....	1'109	934
— Affiliated companies .....	60'017	33'951
— Shareholders .....	0	697'334
Investments .....	19'011'583	6'834'692
Other financial assets .....	1'922'561	0
<b>Total Non-current assets</b> .....	<hr/> <b>20'998'199</b>	<hr/> <b>7'570'642</b>
<b>TOTAL ASSETS</b> .....	<hr/> <b>21'633'046</b>	<hr/> <b>8'214'598</b>

**XSTRATA (SCHWEIZ) AG, ZUG**

**BALANCE SHEET AT DECEMBER 31, 2006**

	<b>31.12.2006</b>	<b>31.12.2005</b>
	<b>TCHF</b>	<b>TCHF</b>
	<hr/>	<hr/>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>Current liabilities</b>		
Bank borrowings .....	2'019'353	0
Payables		
— Affiliated companies .....	1'430'072	196'379
— Shareholder .....	1'899'869	224'575
Other Payables		
— Third parties .....	15'688	3'923
Accrued expenses .....	96'431	21'694
Provision unrealised exchange gains .....	306'504	319'873
<b>Total current liabilities</b> .....	<hr/> <b>5'767'917</b>	<hr/> <b>766'444</b>
<b>Non-current liabilities</b>		
Bank borrowings .....	8'978'870	2'200'125
Loans		
— Affiliated companies .....	625'365	12'833
<b>Total non-current liabilities</b> .....	<hr/> <b>9'604'235</b>	<hr/> <b>2'212'958</b>
<b>Total Liabilities</b> .....	<hr/> <b>15'372'152</b>	<hr/> <b>2'979'402</b>
<b>Shareholders' equity</b>		
Share capital .....	10'261	10'261
Legal reserve .....	4'012'722	4'012'722
Retained earnings, opening balance .....	1'212'213	393'083
Profit of the year .....	1'025'698	819'130
Total retained earnings .....	<hr/> <b>2'237'911</b>	<hr/> <b>1'212'213</b>
<b>Total Shareholders' equity</b> .....	<hr/> <b>6'260'894</b>	<hr/> <b>5'235'196</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b> .....	<hr/> <hr/> <b>21'633'046</b>	<hr/> <hr/> <b>8'214'598</b>



**XSTRATA (SCHWEIZ) AG, ZUG**

**INCOME STATEMENT 2006**

	<b>2006</b>	<b>2005</b>
	<b>TCHF</b>	<b>TCHF</b>
<b>INCOME</b>		
Dividends and management fees .....	1'282'113	993'956
Interest income .....	268'641	25'201
Net foreign exchange gains .....	158'508	0
<b>Total Income</b> .....	<u>1'709'262</u>	<u>1'019'157</u>
<b>GENERAL EXPENSES</b>		
Administration expense .....	117'045	93'111
Depreciation .....	2'495	2'200
Interest expense .....	69'016	29'689
Borrowing costs .....	489'889	44'199
Net foreign exchange losses .....	0	28'422
<b>Total General expenses</b> .....	<u>678'445</u>	<u>197'621</u>
Extraordinary income .....	0	129
Extraordinary expenses .....	0	-1'870
<b>PROFIT BEFORE TAXES</b> .....	<u>1'030'817</u>	<u>819'795</u>
Income taxes .....	-5'119	-665
<b>PROFIT OF THE YEAR</b> .....	<u><u>1'025'698</u></u>	<u><u>819'130</u></u>

## XSTRATA (SCHWEIZ) AG, ZUG

### NOTES AT DECEMBER 31, 2006

#### 1. GENERAL

Xstrata (Schweiz) AG is a holding company in accordance with Swiss Law.

Significant shareholders:

<u>Name of shareholder</u>	<u>Number of ordinary shares of CHF 5 each</u>	<u>% of ordinary issued share capital</u>
Xstrata plc .....	2'052'259	100.00%

#### 2. ACCOUNTING PRINCIPLES

*General* — The Company presents these financial statements in accordance with Swiss Law. The amounts are shown in thousand Swiss Francs.

*Translation of foreign currencies* — Translation of the US Dollar financial statement into Swiss Francs is performed as follows:

Current assets, loans and liabilities	— closing rate
Non-current assets (except loans)	— historical rate
Shareholders' equity	— historical rate
Income statement	— average rate

Unrealised foreign exchange gains resulting from the translation of the Financial Statements from USD into CHF are deferred and disclosed as 'Provision unrealised exchange gains' in the balance sheet whereas unrealised foreign exchange losses resulting from the translation are recorded directly in the income statement as requested by the Swiss Code of Obligation.

#### 3. FIRE INSURANCE VALUE OF FIXED ASSETS

	<u>31.12.2006</u>	<u>31.12.2005</u>
Fire insurance value of fixed assets: .....	TCHF 2'792	2'792

#### 4. INVESTMENTS

<b>TCHF Subsidiary</b>	<b>Business</b>	<b>Share-capital (in thousand)</b>	<b>Investment in % 31.12.06</b>	<b>Net book value 31.12.06</b>	<b>Investment in % 31.12.05</b>	<b>Net book value 31.12.05</b>
— Xstrata South Africa Pty Ltd. ....	Holding company South Africa	ZAR 1	100.00%	524'139	100.00%	524'139
— Xstrata Finance Aruba A.V.V...	Marketing company Aruba	USD 0	100.00%	2	100.00%	2
— Xstrata Services Ltd. ....	Service company Isle of Man	GBP 2	100.00%	0	100.00%	0
— Xstrata Magnesium AG .....	Dormant company Switzerland	CHF 100	100.00%	1	100.00%	1
— Xstrata Zinc B.V. ....	Holding company Netherlands	EUR 20	25.24%	147'447	100.00%	584'218
— Xstrata Services (UK) Ltd. ....	Service company United Kingdom	GBP 1	100.00%	0	100.00%	0
— Euroguard Insurance Company Ltd. ....	Insurance company Gibraltar	GBP 0	100.00%	401	100.00%	401
— Xstrata Coal Marketing AG ...	Trading company Switzerland	CHF 100	100.00%	252'739	100.00%	252'739
— Xstrata Capital Corporation A.V.V. ....	Finance company Aruba	USD 15	49.00%	4'547'689	49.00%	4'547'689
— Xstrata Holdings Pty Ltd, ....	Holding company Australia	AUD 2'178'004	100.00%	1'857'855	100.00%	913'860
— MimsLire Insurance Pty Ltd. ....	Insurance company Singapore	SGD 2'000	100.00%	11'643	100.00%	11'643
— ARM Coal Pty Ltd. ....	Mining company South Africa	ZAR 0	49.00%	66'270	0	0
— Xstrata Commodities Middle East DMCC .....	Marketing company Dubai	AED 500	10.00%	17	0	0
— Xstrata Capital (Dubai) Ltd. ...	Finance company Dubai	USD 50	100.00%	60	0	0
— Xstrata Finance (Dubai) Ltd. ...	Finance company Dubai	USD 5'161'550	10.00%	632'320	0	0
— Xstrata Capital Ireland Ltd. ...	Finance company Ireland	USD 0	100.00%	10'971'000	0	0
Total Investments .....				<u>19'011'583</u>		<u>6'834'692</u>

#### 5. BANK BORROWINGS

##### Syndicated Loan Facility

On 28 May 2004 Xstrata (Schweiz) AG and certain other Group companies, entered into a US\$1,400.0 million committed multi-currency syndicated loan. The loan was comprised of two tranches, a US\$1,000.0 million five year facility and a US\$400.0 million 364-day facility, with a 364-day term out option. During the period the 364-day facility was extended for a further 364-day period to 26 May 2006.

The interest payable on the syndicated loan facility was at a rate based on the London inter-bank offered rate (LIBOR) plus 50 basis points for the five-year element and 40 basis points for the 364-day tranche with a utilisation fee of 5 basis points if usage exceeds 66.6% of the facility. The Company was liable to pay a commitment fee on the un-drawn portion of the syndicated facility at a rate per annum equal to 20 basis points and 10 basis points on the five-year and 364-day elements respectively, payable quarterly in arrears. This facility was re-financed during 2006.

On 8 August 2006 Xstrata (Schweiz) AG and certain other Group companies, entered into a US\$9,500 million committed multi-currency syndicated loan to fund a portion of the Falconbridge acquisition. The loan is comprised of four tranches, a US\$3,353 million three year facility, a US\$1,117 million five year facility, a US\$3,353 million five year revolving facility and a US\$1,677 million 364-day facility, with a 364-day term out option.

The syndicated loan facility bears interest at a rate based on the London inter-bank offered rate (LIBOR) plus 60 basis points for the three year element, 70 basis points for the five year elements and 50 basis points for the 364 day tranche. The company is liable to pay a commitment fee on the un-drawn portion of the syndicated facility at a rate per annum equal to 35 per cent on the applicable margin of the three years and the five years tranches, 30 per cent on the 364-days tranche payable quarterly in arrears.

##### Bridge Facility

On 8 May 2006 Xstrata (Schweiz) AG and certain other Group companies, entered into a US\$2,500 million committed multi-currency 364-day loan facility with Barclays Capital, Deutsche Bank, J.P.Morgan and the Royal Bank of Scotland as lenders. The interest payable on the loan was at a rate based on the London inter-bank offered rate (LIBOR) plus 40 basis points per annum.

The Company was liable to pay a commitment fee on the un-drawn portion of the facility at a rate per annum equal to 25 per cent on the applicable margin, payable quarterly in arrears. This facility was re-financed during 2006.

#### **Term Bank Loan**

On 18 August 2005 Xstrata (Schweiz) AG and certain other Group companies, entered into a US\$600.0 million 364-day fully drawn advance loan facility, with Deutsche Bank and J.P.Morgan plc as lenders. The interest payable on the term loan was at a rate based on the London inter-bank offered rate (LIBOR) plus 40 basis points per annum. This facility was re-financed during 2006.

#### **Equity and Debt Bridge Facilities**

The acquisition of the Falconbridge Group was initially partly financed with equity and debt bridge facilities of US\$7,000 million and US\$2,500 million respectively. The equity and debt bridge facility bear interest at a rate based on the London inter-bank offered rate (LIBOR) plus 40 basis points. The equity and debt bridge facilities were repaid following the Rights Issue of Xstrata plc in October 2006 and a global capital market notes issue during November 2006.

#### **6. CONTINGENT LIABILITIES**

According to the above mentioned agreements, the Company guarantees irrevocably and unconditionally jointly and severally for all commitments of the borrowers.

#### **7. INCOME AND EXPENSE**

Dividends and management fees income 2006 is comprised of dividends of CHF 1.217 bin (2005: CHF 926.6 Mio) and onward charges of CHF 65.2 Mio (2005: CHF 67.4 Mio)

The total interests income include interest income from group companies of CHF 255.6 Mio (2005: CHF 24.8). The total interest expenses in 2006 include interest expenses from group companies in the amount of CHF 69.0 Mio (2005: CHF 28.2 Mio).

The personnel expense for the year 2006 was CHF 10.5 Mio (2005: CHF 9.6 Mio). Administrative expenses for 2006 include expenses for various projects of CHF 18.3 Mio (2005: Project Double CHF 35.4 Mio).

**XSTRATA (SCHWEIZ) AG, ZUG**

**APPROPRIATION OF AVAILABLE EARNINGS  
AT DECEMBER 31, 2006  
(PROPOSAL OF THE BOARD OF DIRECTORS)**

	<u>31.12.2006</u> <u>TCHF</u>	<u>31.12.2005</u> <u>TCHF</u>
Retained earnings, opening balance .....	1'212'213	393'083
Profit of the period .....	1'025'698	819'130
Total retained earnings .....	<u>2'237'911</u>	<u>1'212'213</u>
<b>Balance to be carried forward .....</b>	<u><u>2'237'911</u></u>	<u><u>1'212'213</u></u>

**Report of the statutory auditors**  
**with financial statements as of December 31, 2005 of**  
**Xstrata (Schweiz) AG, Zug**

## To the General Meeting of Xstrata (Schweiz) AG, Zug

Zug, April 11, 2006

### Report of the statutory auditors

As statutory auditors, we have audited the accounting records and the financial statements (balance sheet, income statement and notes) of Xstrata (Schweiz) AG for the year ended December 31, 2005.

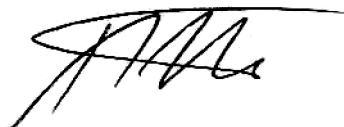
These financial statements are the responsibility of the board of directors. Our responsibility is to express an opinion on these financial statements based on our audit. We confirm that we meet the legal requirements concerning professional qualification and independence.

Our audit was conducted in accordance with Swiss Auditing Standards, which require that an audit be planned and performed to obtain reasonable assurance about whether the financial statements are free from material misstatement. We have examined on a test basis evidence supporting the amounts and disclosures in the financial statements. We have also assessed the accounting principles used, significant estimates made and the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the accounting records and financial statements and the proposed appropriation of available earnings comply with Swiss law and the company's articles of incorporation.

We recommend that the financial statements submitted to you be approved.

Ernst & Young Ltd



Reto Hofer  
Swiss Certified Accountant  
(in charge of the audit)



Patrick Fawer  
Swiss Certified Accountant

### Enclosures:

- Financial statements (balance sheet, income statement and notes)
- Proposed appropriation of available earnings

**XSTRATA (SCHWEIZ) AG, ZUG**  
**BALANCE SHEET AT DECEMBER 31, 2005**

	<u>31.12.2005</u> TCHF	<u>31.12.2004</u> TCHF
<b>ASSETS</b>		
<b>Current assets</b>		
Bank and cash resources .....	6'281	375
Receivables		
- Affiliated companies .....	616'088	47'849
- Shareholder .....	0	194'600
Other receivables		
- Third parties .....	294	162
Prepaid expenses .....	21'293	13'907
<b>Total Current assets</b> .....	<u>643'956</u>	<u>256'893</u>
<b>Non-current assets</b>		
Fixed assets .....	3'731	4'550
Loans		
- Third parties .....	934	1'202
- Affiliated companies .....	33'951	3'894
- Shareholders .....	697'334	0
Investments .....	<u>6'834'692</u>	<u>5'472'161</u>
<b>Total Non-current assets</b> .....	<u>7'570'642</u>	<u>5'481'807</u>
<b>TOTAL ASSETS</b> .....	<u><u>8'214'598</u></u>	<u><u>5'738'700</u></u>



**XSTRATA (SCHWEIZ) AG, ZUG**  
**BALANCE SHEET AT DECEMBER 31, 2005**

	<u>31.12.2005</u> TCHF	<u>31.12.2004</u> TCHF
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>Current liabilities</b>		
Payables		
- Third parties .....	3'923	3'065
- Affiliated companies .....	196'379	72'255
- Shareholder .....	224'575	468'300
Accrued expenses .....	21'694	11'556
Provision unrealised exchange gains .....	319'873	426'897
<b>Total current liabilities</b> .....	<u>766'444</u>	<u>982'073</u>
<b>Non-current liabilities</b>		
Bank borrowings .....	2'200'125	328'699
Loans		
- Affiliated companies .....	12'833	11'862
<b>Total non-current liabilities</b> .....	<u>2'212'958</u>	<u>340'561</u>
<b>Total Liabilities</b> .....	<u>2'979'402</u>	<u>1'322'634</u>
<b>Shareholders' equity</b>		
Share capital .....	10'261	10'261
Legal reserve .....	4'012'722	4'012'722
Retained earnings, opening balance .....	393'083	78'769
Profit of the year .....	819'130	314'314
Total retained earnings .....	<u>1'212'213</u>	<u>393'083</u>
<b>Total Shareholders' equity</b> .....	<u>5'235'196</u>	<u>4'416'066</u>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b> .....	<u>8'214'598</u>	<u>5'738'700</u>

**XSTRATA (SCHWEIZ) AG, ZUG**  
**INCOME STATEMENT 2005**

	2005 TCHF	2004 TCHF
<b>INCOME</b>		
Dividends and management fees .....	993'956	434'646
Interest income .....	25'201	58
Net foreign exchange gains .....	0	1'262
<b>Total Income</b> .....	<b>1'019'157</b>	<b>435'966</b>
<b>GENERAL EXPENSES</b>		
Administration expense .....	93'111	75'439
Depreciation .....	2'200	655
Interest expense .....	29'689	40'715
Borrowing costs .....	44'199	27'780
Net foreign exchange losses .....	28'422	0
<b>Total General expenses</b> .....	<b>197'621</b>	<b>144'589</b>
Extraordinary income .....	129	42'807
Extraordinary expenses .....	-1'870	-19'104
<b>PROFIT BEFORE TAXES</b> .....	<b>819'795</b>	<b>315'080</b>
Income taxes .....	-665	-766
<b>PROFIT OF THE YEAR</b> .....	<b>819'130</b>	<b>314'314</b>

## XSTRATA (SCHWEIZ) AG, ZUG

### NOTES AT DECEMBER 31, 2005

#### 1. GENERAL

Xstrata (Schweiz) AG is a holding company in accordance with Swiss Law.

Significant shareholders:

<u>Name of Shareholder</u>	<u>Number of ordinary shares of CHF 5 each</u>	<u>% of ordinary issued share capital</u>
Xstrata plc .....	2'052'259	100.00%

#### 2. ACCOUNTING PRINCIPLES

*General* — The Company presents these financial statements in accordance with Swiss Law. The amounts are shown in thousand Swiss Francs.

*Translation of foreign currencies* — Translation of the US Dollar financial statement into Swiss Francs is performed as follows:

Current assets, loans and liabilities	— closing rate
Non-current assets (except loans)	— historical rate
Shareholders' equity	— historical rate
Income statement	— average rate

#### 3. FIRE INSURANCE VALUE OF FIXED ASSETS

	<u>31.12.2005</u>	<u>31.12.2004</u>
Fire insurance value of fixed assets: .....	TCHF 2'792	2'159

#### 4. INVESTMENTS

<b>TCHF Subsidiary</b>	<b>Business</b>	<b>Share- capital (In thousand)</b>	<b>Investment in % 31.12.05</b>	<b>Net book value 31.12.05</b>	<b>Investment in % 31.12.04</b>	<b>Net book value 31.12.04</b>
— Xstrata South Africa Pty Ltd. ....	Holding company South Africa	ZAR 1	100.00%	524'139	100.00%	524'139
— Xstrata Marketing Corporation A.V.V. ....	Marketing company Aruba	USD 0	100.00%	2	100.00%	2
— Xstrata Services Ltd. ....	Service company Isle of Man	GBP 2	100.00%	0	100.00%	0
— Xstrata Magnesium AG .....	Dormant company Switzerland	CHF 100	100.00%	1	100.00%	1
— Xstrata Zinc B.V. ....	Holding company Netherlands	EUR 20	100.00%	584'218	100.00%	584'218
— Xstrata Vanadium Pty Ltd. ....	Holding company Australia	AUD 0	100.00%	148'635	100.00%	148'635
Impairment Provision .....				-148'635		-148'635
— Forestal Los Lagos S.A. ....	Woodchip plantation Chile	Sold in 2005		0	100.00%	39'421
— Xstrata Services (UK) Ltd. ....	Service company United Kingdom	GBP 1	100.00%	0	100.00%	0
— Euroguard Insurance Company Ltd. ....	Insurance company Gibraltar	GBP 0	100.00%	401	100.00%	401
— Xstrata Coal Marketing AG ...	Trading company Switzerland	CHF 100	100.00%	252'739	100.00%	252'739
— Xstrata Capital Corporation A.V.V. ....	Finance company Aruba	USD 15	49.00%	4'547'689	49.00%	3'145'737
— Xstrata Holding Pty Ltd. ....	Holding company Australia	AUD 1'178'004	100.00%	913'860	100.00%	913'860
— Mimsure Insurance Pte Ltd. ...	Insurance company Singapore	SGD 2'000	100.00%	11'643	100.00%	11'643
<b>Total Investments</b> .....				<b>6'834'692</b>		<b>5'472'161</b>

The wholly owned forestry operation in Chile, Forestal Los Lagos SA was sold on 6 January 2005. The majority (89%) of the operation has been purchased by Forestal Valdivia SA, a subsidiary of Forestal Arauco, an integrated private Chilean forestry company. The remaining 11% was purchased by Forestal del Sur SA, a privately-held forestry trading company. The gain on disposal resulted to CHF 0.1 million.

#### 5. BANK BORROWINGS

On 28 May 2004 Xstrata (Schweiz) AG and certain other Group companies, entered into a US\$1,400.0 million committed multi-currency syndicated loan. The loan is comprised of two tranches, a US\$1,000.0 million five year facility and US\$400.0 million 364-day facility, with a 364-day term out option. During the period the 364-day facility was extended for a further 364-day period to 26 May 2006, retaining the 364-day term out option.

The syndicated loan facility bears interest at a rate based on the London inter-bank offered rate (LIBOR) plus 50 basis points for the five-year element and 40 basis points for the 364-day tranche with a utilisation fee of 5 basis points if usage exceeds 66.6% of the facility. The Company is liable to pay a commitment fee on the undrawn portion of the syndicated facility at a rate per annum equal to 20 basis points and 10 basis points on the five-year and 364-day elements respectively, payable quarterly in arrears.

On 18 August 2005 Xstrata (Schweiz) AG and certain subsidiary undertakings of the Group, entered into a US\$600.0 million 364-day fully drawn advance loan facility, with Deutsche Bank and J.P.Morgan plc as lenders which bears interest at a rate based on LIBOR plus 40 basis points per annum. The facility has a 6 month term out option.

#### 6. CONTINGENT LIABILITIES

According to the above mentioned agreements, the Company guarantees irrevocably and unconditionally jointly and severally for all commitments of the borrowers.

## **7. INCOME AND EXPENSE**

Dividends and management fees income 2005 is comprised of dividends of CHF 926.6 Mio (2004: CHF 398.9 Mio), onward charges of CHF 67.4 Mio (2004: CHF 32.6 Mio) and other management fees of CHF 0.0 Mio (2004: CHF 3.1 Mio).

The total interests income includes interest income from group companies of CHF 24.8 Mio (2004: CHF 0). The total interest expenses in 2005 includes interest expenses from group companies in the amount of CHF 28.2 Mio (2004: CHF 28.3 Mio).

The personnel expense for the year 2005 was CHF 9.6 Mio (2004: CHF 9.0 Mio). Administrative expenses for 2005 include expenses for Project Double of CHF 35.4 Mio (2004: Project Ascension CHF 16.4 Mio).

**XSTRATA (SCHWEIZ) AG, ZUG**

**APPROPRIATION OF AVAILABLE EARNINGS  
AT DECEMBER 31, 2005  
(PROPOSAL OF THE BOARD OF DIRECTORS)**

	<u>31.12.2005</u> TCHF	<u>31.12.2004</u> TCHF
Retained earnings, opening balance .....	<b>393'083</b>	<b>78'769</b>
Profit of the period .....	<b>819'130</b>	<b>314'314</b>
Total retained earnings .....	<b>1'212'213</b>	<b>393'083</b>
<b>Balance to be carried forward .....</b>	<b><u>1'212'213</u></b>	<b><u>393'083</u></b>

## **Summary of the Principal Differences between Swiss GAAP and IFRS**

This “Summary of the Principal Differences between Swiss GAAP and IFRS” does not form part of the section above in this Part XVII headed “Financial Statements of Xstrata Schweiz”.

The historical financial information of Xstrata Schweiz included above in the section of this Part XVII headed “Financial Statements of Xstrata Schweiz” for the years ended 31 December 2005 and 31 December 2006 has been prepared and presented in accordance with the Swiss Code of Obligations (“Swiss law”). The historical consolidated financial information of Xstrata for the years ended 31 December 2005 and 31 December 2006, which are incorporated in, and form part of, this Base Prospectus (as described in Part IV—“Documents Incorporated by Reference”) has been prepared and presented in accordance with IFRS.

Significant differences exist between IFRS and Swiss law that may be material to the profits and shareholders’ equity shown in the financial information in, or incorporated in, this Base Prospectus.

The principal relevant differences between IFRS and Swiss law that the directors of Xstrata Schweiz believe could be material to Xstrata Schweiz’s profits and shareholders’ equity are described below. Xstrata Schweiz has not prepared its historical financial information in accordance with IFRS and, accordingly, cannot offer any assurance that the differences described below are complete or would in fact be the accounting principles creating the greatest differences had such financial information been prepared and presented under IFRS (rather than under Swiss law). The following summary does not include all differences that exist between IFRS and Swiss law and is not intended to be a comprehensive listing of all such differences specifically related to Xstrata Schweiz or the industry in which it operates.

The differences described below reflect differences between the accounting policies applied in the preparation of the historical financial information of Xstrata Schweiz. There has been no attempt to identify future differences between IFRS and Swiss law as the result of prescribed changes in accounting standards, transactions or events that may occur in the future. The organisations that promulgate IFRS and Swiss law have significant ongoing projects that could have a significant impact on future comparisons such as the one between IFRS and Swiss law. Future developments or changes in either IFRS or Swiss law may give rise to additional differences between IFRS and Swiss law, which could have a significant impact on Xstrata Schweiz.

In making an investment decision, prospective Noteholders must rely on their own examination of Xstrata Schweiz, the terms and conditions of the Notes and the financial and other information in, or incorporated in, this Base Prospectus. Prospective Noteholders should consult their own professional advisers for an understanding of the differences between IFRS and Swiss law, and how these differences may affect the financial information in, or incorporated in, this Base Prospectus.

### ***First time adoption of IFRS***

Upon the adoption of IFRS, entities are required to apply IFRS 1 ‘First time adoption of International Financial Reporting Standards’. This standard requires that all IFRS standards be applied retrospectively at the transition balance sheet date with all adjustments to assets and liabilities stated under Swiss law taken to retained earnings unless certain exemptions are applied.

### ***Deferred tax***

The broad principle under IFRS is that a deferred tax liability or asset should be recognised for all temporary differences, with some exceptions.

IFRS uses a balance sheet concept of temporary differences between the carrying amount of an asset or liability and its tax base. Temporary differences include not only timing differences but other differences between the accounting and tax bases of assets and liabilities such as a revaluation of assets for which no equivalent adjustment is made for tax purposes.

Under Swiss law, there is no concept of deferred taxes as stand-alone accounts prepared for statutory purposes are generally used as the tax base for income tax purposes. As a result, no temporary differences or deferred tax balances arise.

### ***Foreign currency transactions***

IFRS financial statements are prepared using an entity's functional currency which may or may not be the same as its presentation currency. The functional currency is the currency of the primary economic environment in which the entity operates. Transactions in foreign currencies are translated to the functional currency using the spot foreign exchange rate on the date of the transaction. Monetary assets and liabilities outstanding at the balance sheet date are re-translated to the functional currency using the spot rate on that date. In IFRS stand-alone financial statements, all exchange differences are recorded in the income statement.

Under Swiss law, the financial statements must be presented in Swiss Francs, although there are no such restrictions on the functional currency. The translation from the functional currency to Swiss Francs is in most cases done at spot rates for assets and liabilities, while the income statement is translated at average rates. Equity is translated at historical rates. Currency translation losses are charged directly to the income statement. However, Swiss law prohibits the recognition of net unrealised gains in the income statement, and so these are deferred on balance sheet until such time as they are realised or reversed.

### ***Hedge of net investment in foreign subsidiary***

In consolidated financial statements prepared in accordance with IFRS (IAS 39), foreign exchange differences on monetary items designated as an effective hedge in a net investment in a foreign subsidiary are recorded in equity.

Under Swiss law all such foreign exchange differences are immediately recorded in the income statement, except for unrealised gains which are deferred on balance sheet until realised or reversed.

### ***Pre-acquisition profits***

IFRS requires distributions out of pre-acquisition profits of subsidiaries to be regarded as a recovery of the cost of the investment, and therefore accounted for as a reduction in the cost of the investment.

Swiss law has no such requirement. Distributions out of pre-acquisition profits of Xstrata Schweiz's subsidiaries are recorded as ordinary income (e.g., dividend income) and have no direct impact on the accounting for the cost of the investment.

### ***Debt instruments***

Under IFRS, an instrument must be classified as a liability to the extent that an entity has a contractual obligation to deliver cash to another party. This applies irrespective of the legal form of the instrument.

Liabilities must be measured on inception at their fair value less transaction costs and thereafter at amortised cost, subject to some specific exemptions.

Under Swiss law, liabilities are usually measured at their nominal value. Swiss law follows a similar classification approach to IFRS. However, there are no formal guidelines under Swiss law as to whether certain instruments qualify as debt or equity and so classification differences could occur.



### **Financial Statements of Xstrata Dubai**

The financial statements for the period 15 January 2006 to 31 December 2006, which were approved by the board of directors of Xstrata Dubai on 22 March 2007, and reported on by the auditors, Ernst & Young United Arab Emirates, are set out below. The financial statements for the period 15 January 2006 to 31 December 2006 of Xstrata Dubai have been prepared in accordance with IFRS.

**Xstrata Finance (Dubai) Limited**  
**FINANCIAL STATEMENTS**  
**31 DECEMBER 2006**

## **INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF XSTRATA FINANCE (DUBAI) LIMITED**

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Xstrata Finance (Dubai) Limited ('the Company'), which comprise the balance sheet as at 31 December 2006 and the income statement, cash flow statement and statement of changes in equity for the period then ended, and a summary of significant accounting policies and other explanatory notes.

#### Directors' Responsibility for the Financial Statements

The Directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and the applicable provisions of the Companies Law pursuant to DIFC Law No. 3 of 2006. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

#### Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the shareholders of the company as a body, for our audit work, for this report, or for the opinions we have formed. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements, "The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate for the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of 31 December 2006, and its financial performance and its cash flows for the period then ended in accordance with International Financial Reporting Standards.



**Report on Other Legal and Regulatory Requirements**

We also confirm that, in our opinion, the financial statements include, in all material respects, the applicable requirements of the Companies Law pursuant to DIFC Law No. 3 of 2006. We have obtained all the information and explanations which we required for the purpose of our audit and, to the best of our knowledge and belief, no violations of the Companies Law pursuant to DIFC Law No. 3 of 2006 have occurred during the period which would have had a material effect on the business of the Company or on its financial position,

A handwritten signature in black ink that reads 'Ernst &amp; Young' in a cursive script.

22 March 2007

Dubai, United Arab Emirates

**Xstrata Finance (Dubai) Limited**

**INCOME STATEMENT**  
**Period ended 31 December 2006**

	<b>Note</b>	<b>15 January to 31 December 2006 USD'000</b>
Interest income.....		232,901
Finance costs .....	3	<u>(3,715)</u>
<b>NET FINANCE INCOME</b> .....		229,186
Foreign exchange translation gain.....	4	179,302
General and administrative expenses.....		<u>(822)</u>
<b>PROFIT BEFORE INCOME TAX</b> .....		407,666
Income tax .....	5	<u>(22,843)</u>
<b>PROFIT FOR THE PERIOD</b> .....	6	<u><u>384,823</u></u>

The attached notes 1 to 16 form part of these financial statements.

**Xstrata Finance (Dubai) Limited**

**BALANCE SHEET  
At 31 December 2006**

	<u>Notes</u>	<u>2006 USD'000</u>
<b>ASSETS</b>		
<b>Non-current assets</b>		
Loans granted to related parties .....	7	5,838,458
<b>Current assets</b>		
Accounts receivable and prepayments .....		90
Bank balances .....	8	8,966
		<u>9,056</u>
<b>TOTAL ASSETS</b> .....		<u><u>5,847,514</u></u>
<b>LIABILITIES AND EQUITY</b>		
<b>Liabilities</b>		
<b>Non-current liability</b>		
Long term loan .....	9	498,170
<b>Current liabilities</b>		
Accounts payable and accruals .....	10	4,021
<b>Total liabilities</b> .....		<u>502,191</u>
<b>Equity</b>		
Share capital .....	11	5,161,550
Retained earnings .....		183,773
<b>Total equity</b> .....		<u>5,345,323</u>
<b>TOTAL LIABILITIES AND EQUITY</b> .....		<u><u>5,847,514</u></u>

The financial statements were authorised for issue in accordance with a resolution of the directors on 22 March 2007.

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Wayne Apted  
Director

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Brian Azzopardi  
Director

The attached notes 1 to 16 form part of these financial statements.

**Xstrata Finance (Dubai) Limited**

**STATEMENT OF CASH FLOWS**  
**Period ended 31 December 2006**

	<u>Notes</u>	<u>15 January to 31 December 2006 USD'000</u>
<b>OPERATING ACTIVITIES</b>		
Profit before income tax .....		407,666
Adjustments for:		
Finance costs .....	3	3,715
Unrealised foreign exchange gain .....	4	<u>(178,708)</u>
		232,673
Working capital changes:		
Loans granted to related parties .....		(5,659,750)
Accounts receivable and prepayments .....		(90)
Accounts payable and accruals .....		<u>364</u>
Cash from operations .....		(5,426,803)
Income tax paid .....		(22,843)
Finance costs paid .....		<u>(5)</u>
Net cash used in operating activities .....		<u>(5,449,651)</u>
<b>FINANCING ACTIVITIES</b>		
Issue of share capital .....		5,660,050
Redemption of share capital .....		(498,500)
Dividends paid .....		(201,050)
Long term loan .....		500,000
Deferred borrowing costs .....		<u>(1,883)</u>
Net cash from financing activities .....		<u>5,458,617</u>
<b>CASH AND CASH EQUIVALENTS AT END OF THE PERIOD .....</b>	<b>8</b>	<u><u>8,966</u></u>

The attached notes 1 to 16 form part of these financial statements.

**Xstrata Finance (Dubai) Limited**

**STATEMENT OF CHANGES IN EQUITY**  
**Period ended 31 December 2006**

	<b>Share capital USD'000</b>	<b>Retained earnings USD'000</b>	<b>Total USD'000</b>
Issue of share capital (note 11) .....	5,660,050	—	5,660,050
Redemption of share capital contributed (note 11) .....	(498,500)		(498,500)
Profit for the period .....	—	384,823	384,823
Dividends declared and paid (note 12) .....	—	(201,050)	(201,050)
<b>Balance at 31 December 2006</b> .....	<b>5,161,550</b>	<b>183,773</b>	<b>5,345,323</b>

The attached notes 1 to 16 form part of these financial statements.



## Xstrata Finance (Dubai) Limited

### NOTES TO THE FINANCIAL STATEMENTS At 31 December 2006

#### 1 ACTIVITIES

Xstrata Finance (Dubai) Limited (the "Company") is a limited liability company registered and incorporated in the Dubai International Financial Centre (DIFC) in Dubai, United Arab Emirates. The Company is a non-regulated entity in the DIFC and is engaged in providing financial services for the Xstrata plc group of companies. The Company's registered office is at P.O. Box 121208, Level 12, DIFC Business Centre, Dubai International Financial Centre, Dubai, UAE.

The Company's major shareholder and ultimate parent is Xstrata plc, a company incorporated under the laws of England and Wales.

The Company was incorporated on 15 January 2006 and these financial statements represent the first period of operations of the Company.

#### 2 SIGNIFICANT ACCOUNTING POLICIES

##### Basis of preparation

The financial statements are prepared under the historical cost convention as modified for the measurement at fair value of financial instruments, if required under IFRS and interpretations of the International Financial Reporting Interpretations Committee (IFRIC).

The financial statements have been presented in US Dollars, which is the functional and presentation currency of the Company, and all values are rounded to the nearest thousand, except where otherwise indicated.

##### Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and applicable requirements of UAE Laws.

##### IASB Standards and Interpretations issued but not adopted

The IASB and IFRIC have issued the following standards and interpretations with an effective date after the date of these financial statements, consequently these pronouncements will impact the Company in future periods.

	<u>Effective date</u>
IFRS 7 "Financial instrument disclosures" .....	1 January 2007
IFRS 8 "Operating segments" .....	1 January 2009
IAS 1 "Amendment: Capital disclosures" .....	1 January 2007
IFRIC 7 "Applying the restatement approach under IAS 29" .....	1 March 2006
IFRIC 10 "Interim financial reporting and impairment" .....	1 November 2006
IFRIC 11 "Group and treasury share transactions" .....	1 March 2007

The Directors' do not anticipate that the adoption of these standards and interpretations on their effective dates will have a material impact on the Company's financial statements in the period of initial application.

Upon adoption of IFRS 7, the Company will have to disclose additional information about its financial instruments, their significance and the nature and extent of risks that they give rise to. More specifically the Company will need to disclose the fair value of its financial instruments and its risk exposure in greater detail. There will be no impact on income or net assets.

Application of IFRS 8, is not expected to have a material impact on the financial statements of the Company.

##### Revenue recognition

Interest income is recognised as earned on an accrual basis using the effective interest method.

##### Income tax

Taxation is provided in accordance with applicable regulations of the countries in which the Company has transactions with. Tax liabilities are recognised for amounts that are probable to be paid, and can be reliably estimated.

##### Accounts receivable

Accounts receivable are stated at original invoice amount less a provision for any uncollectible amounts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off when there is no possibility of recovery.

##### Financial instruments

###### 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.

#### **Impairment and uncollectibility of financial assets**

An assessment is made at each balance sheet date to determine whether there is objective evidence that a specific financial asset may be impaired. If such evidence exists, any impairment loss is recognised in the income statement. Impairment is determined as follows:

- (a) For assets carried at fair value, impairment is the difference between cost and fair value, less any impairment loss previously recognised in the income statement;
- (b) For assets carried at cost, impairment is the difference between carrying value and the present value of future cash flows discounted at the current market rate of return for a similar financial asset;
- (c) For assets carried at amortised cost, impairment is the difference between carrying amount and the present value of future cash flows discounted at the original effective interest rate.

#### **De-recognition of financial assets and liabilities**

##### *Financial assets*

A financial asset is derecognised where:

- the rights to receive cash flows from the asset have expired;
- the Company 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 Company 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 Company 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 on de-recognition are recognised within finance income and losses within finance costs.

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 de-recognition 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.

#### **Interest-bearing loans and borrowings**

Loans are recognised at inception at fair value of the 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.

#### **Borrowing costs**

Borrowing costs are recognised as an expense in the period they are incurred.

#### **Cash and cash equivalents**

For the purpose of the Statement of Cash Flows, cash and cash equivalents consist of cash in hand, bank balances, and short-term deposits with an original maturity of three months or less.

#### **Accounts payable and accruals**

Liabilities are recognised for amounts to be paid in the future for goods or services received, whether billed by the supplier or not.

#### **Provisions**

Provisions are recognised when the Company has an obligation (legal or constructive) arising from a past event, and the costs to settle the obligation are both probable and able to be reliably measured.

#### **Leases**

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognised as an expense in the income statement on a straight-line basis over the lease term.

#### **Foreign currencies**

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date. All differences are taken to the income statement.

### 3 FINANCE COSTS

	<b>15 January to 31 December 2006 USD'000</b>
Interest expense .....	3,657
Amortisation of deferred borrowing costs .....	53
Bank charges .....	5
	<u>3,715</u>

### 4 FOREIGN EXCHANGE TRANSLATION GAIN

	<b>15 January to 31 December 2006 USD'000</b>
Realised foreign exchange gains .....	594
Unrealised foreign exchange gains .....	178,708
	<u>179,302</u>

Realised foreign exchange gains represent translation gains upon receipt of interest on loans to related parties recognised on the date of payment. Unrealised foreign exchange gains represent translation gains on the principal amount of loans to related parties translated at exchange rates at balance sheet date.

### 5 INCOME TAX

Income tax represents final withholding tax paid to the Australian Taxation Office at the rate of 10% on each receipt of interest income by the Company from its loan granted to a related party based in Australia.

### 6 PROFIT FOR THE PERIOD

The profit for the period is stated after charging:

	<b>15 January to 31 December 2006 USD'000</b>
Rental — operating lease .....	163

### 7 LOANS TO RELATED PARTIES

	<b>2006 USD'000</b>
Xstrata Holdings (Pty) Ltd. ....	5,760,808
Xstrata South Africa (Pty) Ltd. ....	77,650
	<u>5,838,458</u>

The loans to Xstrata Holdings (Pty) Ltd. amounted to AUD 7.3 billion (USD 5.8 billion) and are subject to fixed interest rates ranging from 8.25% to 8.65% in 2006. The related maturities of the loans are as follows:

	<b>2006 USD'000</b>
AUD 2,213,318 — 8.25% due on 5 May 2016 .....	1,744,593
AUD 1,106,891 — 8.25% due on 12 June 2016 .....	872,873
AUD 1,368,613 — 8.65% due on 26 July 2016 .....	1,079,263
AUD 2,617,458 — 8.65% due on 9 August 2016 .....	2,064,079
	<u>5,760,808</u>

The loan to Xstrata South Africa (Pty) Ltd. amounted to ZAR 544 million (USD 75 million), is due on demand and is subject to floating interest rates of 11% to 12.5% in 2006. The Directors have no intention to demand repayment of this loan in the foreseeable future; as such this loan is classified as long term as at 31 December 2006.

## 8 CASH AND CASH EQUIVALENTS

Cash and cash equivalents in the statement of cash flows consist of the following balance sheet amounts:

	<b>2006</b> <b>USD'000</b>
Current accounts .....	466
Short-term deposits .....	8,500
	<u>8,966</u>

Short-term deposits are made at call for up to one week, dependent on the short term cash requirements of the Company and earn interest based on the respective short term deposit rates.

## 9 LONG TERM LOAN

	<b>2006</b> <b>USD'000</b>
Long term loan .....	500,000
Less arrangement fees, net of amortisation .....	(1,830)
	<u>498,170</u>

Long term loan represents a USD 500 million interest bearing note due on 13 November 2009. The loan is subject to interest of three months LIBOR plus 35 basis points. At 31 December 2006, the effective interest rate is 5.72% and the interest expense for the period amounted to USD 3,657 thousands. Interest is payable on a quarterly basis commencing on 13 February 2007. The loan is redeemable at 100% of the value of the loan on or after 13 November 2007.

The loan is secured by guarantees of the shareholders and a related party of the Company.

Arrangement fees incurred to obtain the loan are amortised based on the term of the loan.

## 10 ACCOUNTS PAYABLE AND ACCRUALS

	<b>2006</b> <b>USD'000</b>
Accrued interest payable .....	3,657
Due to a shareholder .....	114
Other accruals .....	250
	<u>4,021</u>

## 11 SHARE CAPITAL

	<b>2006</b> <b>USD'000</b>	
	<b>Authorised</b>	<b>Issued and fully paid</b>
15,000,000,000 shares of USD 1 each .....	<u>15,000,000</u>	<u>5,161,550</u>

The original authorised share capital of the Company was 5,000,000,000 shares at USD 1 per share. On 2 August 2006, the shareholders of the Company authorised the increase of the Company's authorised share capital to 15,000,000,000 shares of USD 1 per share.

The issued and fully paid up share capital of the Company comprises 5,161,550,000 shares of USD 1 each, net of redemption of 498,500,000 shares on 15 November 2006.

## 12 DIVIDENDS PAID

During the period, the Company declared and paid dividends to its shareholders amounting to USD 201,050.

## 13 COMMITMENTS AND CONTINGENCIES

### Financial commitments

The Company is committed to pay the principal and interest due on its USD 500 million long term loan due 13 November 2009. Interest payments will commence on a quarterly basis on 13 February 2007. As of 31 December 2006, interest accrued on this loan amounted to USD 3,657 (note 10).

### Guarantees of indebtedness of other related parties

The Company is a party to certain long term notes issued by a related party as a guarantor on such notes. The Company is committed to the holders of such notes in accordance with the provisions of the loan indentures. As of 31 December 2006, the Directors are of the opinion that no liabilities will arise in relation to the guarantees given to the note holders.

### 14 RELATED PARTY TRANSACTIONS

Related parties represent associated companies, major shareholders, directors and key management personnel of the Company, and companies of which they are principal owners. Pricing policies and terms of these transactions are approved by the Company's management.

Transactions with other related parties included in the income statement are as follows:

	<b>15 January to 31 December 2006 USD'000</b>
Interest income .....	232,901

Balances with related parties included in the balance sheet are as follows:

	<b>2006 USD'000</b>
Loans granted to related parties — other related parties (note 7) .....	5,838,458
Due to a shareholder (note 10) .....	114

### 15 RISK MANAGEMENT

#### Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect future profitability or the fair values of financial instruments. The Company is exposed to interest rate risk on its interest bearing assets (short term deposits and loans to related parties) and liabilities (long term loan).

The interest rate risk profile of the Company as at 31 December 2006 is as follows:

<b>USD'000</b>	<b>Falling due within 1 year</b>	<b>Falling due between 1-2 years</b>	<b>Falling due between 2-3 years</b>	<b>Falling due between 3-4 years</b>	<b>Falling due between 4-5 years</b>	<b>Falling due more than 5 years</b>	<b>2006</b>
Fixed rate by balance sheet category:							
Short term deposits .....	8,500	—	—	—	—	—	8,500
Loan to a related party .....	—	—	—	—	—	5,760,808	5,760,808
	<u>8,500</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>5,760,808</u>	<u>5,769,308</u>
Fixed rate by currency:							
AUD .....	—	—	—	—	—	5,760,808	5,760,808
USD .....	8,500	—	—	—	—	—	8,500
	<u>8,500</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>5,760,808</u>	<u>5,769,308</u>
Floating rate by balance sheet category:							
Loan to a related party .....	—	—	—	—	—	77,650	77,650
Long term loan .....	—	—	(500,000)	—	—	—	(500,000)
	<u>—</u>	<u>—</u>	<u>(500,000)</u>	<u>—</u>	<u>—</u>	<u>77,650</u>	<u>(422,350)</u>
Floating rate by currency:							
ZAR .....	—	—	—	—	—	77,650	77,650
USD .....	—	—	(500,000)	—	—	—	(500,000)
	<u>—</u>	<u>—</u>	<u>(500,000)</u>	<u>—</u>	<u>—</u>	<u>77,650</u>	<u>(422,350)</u>

The interest charged on floating rate financial liabilities is based on the relevant 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 Company that are not included in the above tables are non-interest bearing and are therefore not subject to interest rate risk.

**Credit risk**

The Company is not exposed to significant credit risk as its transactions are with related parties.

The Company limits its credit risk with regard to bank balances by dealing only with reputable banks.

Credit risk is limited to the carrying values of financial assets in the balance sheet.

**Liquidity risk**

The Company limits its liquidity risk by ensuring shareholder funds are available and financing through issuance of notes.

**Currency risk**

The Company is exposed to currency risk on its loans to related parties. As at 31 December 2006, loans to related parties denominated in Australian Dollars and South African Rand amounted to AUD 7.3 billion (5.8 billion) and ZAR 544 million (USD 75 million).

**16 FAIR VALUES OF FINANCIAL INSTRUMENTS**

Financial instruments comprise financial assets and financial liabilities.

Financial assets at the period end consist of cash and bank balances, receivables and loans to related parties. Financial liabilities at the period end consist of accounts payable and accruals and long term loan.

The fair values of financial instruments are not materially different from their carrying values.

**Financial Statements of Xstrata Canada**

The financial statements for the period 10 October 2006 to 31 December 2006, which were approved by the board of directors of Xstrata Canada on 2 April 2007, and reported on by the auditors, Ernst & Young Canada LLP, are set out below. The financial statements for the period 10 October 2006 to 31 December 2006 of Xstrata Canada have been prepared in accordance with Canadian GAAP.

*Financial Statements*

**Xstrata Finance (Canada) Limited**

**December 31, 2006**



**XSTRATA FINANCE (CANADA) LIMITED**  
**December 31, 2006**

**Auditors' Report**

To the Shareholder of Xstrata Finance (Canada) Limited

We have audited the balance sheet of Xstrata Finance (Canada) Limited as at December 31, 2006 and the statements of income and retained earnings and cash flows for the period from October 10, 2006 to December 31, 2006. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2006 and the results of its operations and its cash flows for the period from October 10, 2006 to December 31, 2006 in accordance with Canadian generally accepted accounting principles.

*Ernst + Young LLP*

Chartered Accountants

Toronto, Ontario  
March 23, 2007

**XSTRATA FINANCE (CANADA) LIMITED**

**Statement of Income and Retained Earnings  
For the period from October 10, 2006 to December 31, 2006  
(In \$000s of USD)**

	<u>2006</u>
<b>Revenue and Expense</b>	
Interest revenue (note 3) .....	\$ 13,383
Interest expense (note 4) .....	<u>(13,332)</u>
<b>Income for the period and retained earnings, end of period .....</b>	<u><u>\$ 51</u></u>

**See accompanying notes**

**XSTRATA FINANCE (CANADA) LIMITED**

**Balance Sheet  
As at December 31, 2006  
(In \$000s of USD)**

	<b>2006</b>
<b>Assets</b>	
Current assets	
Interest receivable from affiliate (note 3) .....	\$ 13,383
Non-current assets	
Derivative financial asset (notes 2 and 5) .....	8,151
Loans due from affiliate (note 3) .....	1,739,218
<b>Total assets</b> .....	<b>\$1,760,752</b>
 <b>Liabilities and Shareholder's Equity</b>	
Current liabilities	
Accrued interest payable (note 4) .....	\$ 13,332
Non-current liabilities	
Long-term debt (note 4) .....	1,739,218
Derivative financial liability (notes 2 and 5) .....	8,151
<b>Total liabilities</b> .....	<b>1,760,701</b>
Shareholder's equity	
Common share capital (unlimited number of shares authorized, one share issued and outstanding) .....	—
Retained earnings .....	51
Accumulated comprehensive income .....	—
Total shareholder's equity .....	51
<b>Total liabilities and shareholder's equity</b> .....	<b>\$1,760,752</b>
Guarantee (note 6)	

**See accompanying notes**

**On behalf of the board**

**Benny Levene  
Director**

**William Ainley  
Director**

**XSTRATA FINANCE (CANADA) LIMITED**

**Statement of Cash Flows**  
**For the period from October 10, 2006 to December 31, 2006**  
**(In \$000s of USD)**

	<u>2006</u>
<b>Operating Activities</b>	
Income for the period .....	\$ 51
Net change in non-cash working capital .....	(51)
<b>Cash flows related to operating activities</b> .....	<u>—</u>
<b>Investing Activities</b>	
Increase in loans due from affiliate .....	(1,739,218)
Payment for interest rate swap .....	(2,568)
<b>Cash flows related to investing activities</b> .....	<u>(1,741,786)</u>
<b>Financing Activities</b>	
Proceeds on issuance of long-term debt .....	1,739,218
Proceeds from interest rate swap .....	2,568
<b>Cash flows related to financing activities</b> .....	<u>1,741,786</u>
<b>Net change in cash, beginning and end of period</b> .....	<u>\$ —</u>

**See accompanying notes**

# XSTRATA FINANCE (CANADA) LIMITED

## Notes to Financial Statement December 31, 2006 (In \$000s of USD, except as otherwise indicated)

### 1. NATURE OF OPERATIONS

Xstrata Finance (Canada) Limited (the "Company") was incorporated on October 10, 2006 as a private company in Ontario, Canada under the Business Corporation Act (Ontario), with Ontario corporation number 1712237. Upon incorporation, one common share was issued for nominal consideration.

The Company is engaged in performing certain financing activities for the Xstrata plc group of companies. The Company is a wholly-owned indirect subsidiary of Xstrata plc, the Company's ultimate parent, and has no subsidiaries of its own. The Company's functional currency is the US dollar.

### 2. ACCOUNTING POLICIES

#### Basis of presentation

The accompanying financial statements of the Company have been prepared in accordance with Canadian generally accepted accounting principles ("Canadian GAAP").

#### Use of estimates

The preparation of financial statements in conformity with Canadian GAAP requires management to make estimates and assumptions. These estimates affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the balance sheet and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from such estimates and such differences could be material.

#### Translation of foreign currencies

Foreign currency denominated monetary assets and liabilities are translated at the exchange rate prevailing at the year end, and revenues and expenses at average rates of exchange during the year. Exchange gains and losses arising on the translation of the accounts are included in the statement of income and retained earnings.

#### Revenue recognition

Interest income is recognized as earned on an accrual basis.

#### Financial instruments

Upon incorporation, the Company early adopted CICA 3855, Financial Instruments — Recognition and Measurement, CICA 3865, Hedges and CICA 1530, Comprehensive Income.

#### Loans due from affiliate

Loans due from affiliate are non-derivative financial assets with a promise to repay on a specified date or on demand with interest. Such assets are carried at amortized cost using the effective interest rate method. Gains and losses are recognized in the statement of income and retained earnings when the loans and receivable are derecognized or impaired.

#### Derivative financial instruments and hedging

The Company uses derivative financial instruments such as interest rate swaps to hedge its risk associated with its fixed interest rate debts and loan receivables. Such derivative financial instruments are initially recognized at fair value on the date on which the derivative contract is entered into and are subsequently re-measured 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 the statement of income and retained earnings for the year. The fair value of interest rate swap contracts is determined by reference to market values for similar instruments.

#### Interest rate swaps

Interest rate swaps have been entered into by the Company, whereby fixed rates of interest are received and floating rates are paid on the long-term debt. In addition interest rate swaps have been entered into by the Company, whereby floating rates of interest are received and fixed rates are paid on the loans due from affiliate.

The Company has elected not to apply hedge accounting to its interest rate swaps. Accordingly the derivatives are re-measured at fair value and gains and losses are recorded in the statement of income and retained earnings.

#### Long-term debt

Long-term debt is initially recognized at fair value, net of directly attributable transaction costs, if any. Subsequently they are measured at amortized costs using the effective interest method over the life of the loan.

## Income Taxes

The Company provides for income taxes using the liability method of tax allocation. Under this method, future income tax assets and liabilities are determined based on deductible or taxable temporary differences between the financial statement values and tax values of the assets and liabilities, measured using substantively enacted income tax rates expected to be in effect for the year in which the differences are expected to reverse.

## Comprehensive income (loss)

In conjunction with the early adoption of CICA 3855, Financial Instruments — Recognition and Measurement and CICA 3865, Hedges, the Company has also adopted CICA 1530, Comprehensive Income. Comprehensive income (loss) is defined as all changes in equity other than those resulting from investments by owners and distribution to owners. Comprehensive income (loss) is comprised of net income and other comprehensive income ("OCI") where OCI is the changes in equity during the period that arises from transactions and other events that are related to non-owner sources. During the period there were no items that impacted comprehensive income (loss).

## 3. LOANS DUE FROM AFFILIATE

Loans due from affiliate as at December 31, 2006 consist of two fixed rate promissory notes from Xstrata Canada Inc., a wholly owned indirect subsidiary of Xstrata Plc. Both promissory notes were issued on November 15, 2006, and are as follows:

(a)	\$750,000	5.523% due November 16, 2011
(b)	\$1,000,000	5.823% due November 15, 2016

The Company has entered into interest rate swap agreements with Xstrata Canada Inc. over the term of the loan, whereby the Company will pay fixed interest rate and receive variable interest rate based on the 6-month LIBOR rate. As part of the interest rate swap agreement, the Company paid \$2,568 which was recorded as a derivative financial asset as of November 15, 2006. The blended effective interest rate as at December 31, 2006 was 6.07%.

As part of the agreement, Xstrata Canada Inc. has assumed approximately \$8,214 of commissions and issuance costs and discounts of \$2,568 for a total of \$10,782 relating to the Company's two unsecured fixed rate notes (note 4).

Interest is receivable on the loans semi-annually in arrears on May 14 and November 14 of each year commencing on May 14, 2007.

## 4. LONG-TERM DEBT

The Company issued on November 15, 2006, two unsecured fixed rate notes as follows:

(a)	\$750,000	5.50% Notes due November 16, 2011 issued at 99.987%
(b)	\$1,000,000	5.80% Notes due November 15, 2016 issued at 99.753%

Interest is payable on the notes semi-annually in arrears on May 15 and November 15 of each year commencing on May 15, 2007. The notes are fully and unconditionally guaranteed on a senior, unsecured and joint and several basis by Xstrata plc and its wholly-owned indirect subsidiaries Xstrata (Schweiz) AG and Xstrata Finance (Dubai) Limited.

The Company has entered into interest rate swap agreements over the term of the debt, whereby the Company will receive fixed interest rate and pay variable interest rate based on the 6-month LIBOR rate. As part of the interest rate swap agreement, the Company received \$2,568 which was recorded as a derivative financial liability as of November 15, 2006. The blended effective interest rate as at December 31, 2006 was 6.05%.

The Company is required to meet certain covenants under the long-term debt agreement which have been met in 2006.

## 5. FINANCIAL INSTRUMENTS

The Company believes the carrying value of its short-term financial instruments including interest receivable from affiliate and accrued interest payable approximates fair value due to their short-term nature.

### Interest rate risk

The Company entered into interest rate swap agreements to alter the interest characteristics of its long-term debt from a fixed to a floating rate basis. These agreements involve the receipt of fixed-rate amounts in exchange for floating-rate interest payments over the life of the agreement without an exchange of the underlying principal amount. During 2006, the Company recorded an unrealized loss of \$5,583 relating to this interest rate swap.

In addition, the Company entered into interest rate swap agreements to alter the interest characteristics of its loans due from affiliate, whereby floating rates of interest are received and fixed rates are paid. This has the effect of minimizing the Company's interest-rate risk exposure on the interest rate swaps on long term debt. During 2006, the Company recorded an unrealized gain of \$5,583 relating to the interest rate swap with Xstrata Canada.

### Credit risk

The Company does not consider the credit risk associated with its financial instruments to be significant. Interest-rate swaps on long term debt are maintained with high-quality counterparties, and the Company does not anticipate that any counterparty will fail to meet its obligations.

## **6. GUARANTEE**

The Company, Xstrata plc and Xstrata (Schweiz) AG has issued a full and unconditional guarantee on a senior, unsecured and joint and several basis in respect of the \$500,000 floating rate note due 2009 of Xstrata Finance (Dubai) Limited. The guarantee is unconditional and the obligation under the guarantee will rank equally with all present and future direct, unsecured and unsubordinated obligations, except for certain limited exceptions.

As at December 31, 2006, the Company does not anticipate a material cash payment and has therefore not recognized any related liability in these financial statements.

## PART XVIII — DEFINITIONS AND GLOSSARY OF TECHNICAL TERMS

### Definitions

“£” or “Sterling” or “GBP” or “pence” .....	the lawful currency of the United Kingdom
“2006 Xstrata Financial Information” ..	the financial information relating to the Group incorporated by reference into this Base Prospectus as at and for the year ended 31 December 2006
“2010 Convertible Bonds” .....	the 3.95% guaranteed convertible bonds due 2010 issued by Xstrata Capital
“2017 Convertible Bonds” .....	the 4.00% guaranteed convertible bonds due 2017 issued by Xstrata Capital
“A\$” .....	the lawful currency of Australia
“Agency Agreement” .....	the agreement dated 26 April 2007 made between, <i>inter alia</i> , the Issuers, the Guarantors, the Issuing and Paying Agent and the Trustee
“Argentine pesos” or “ARS” .....	the lawful currency of Argentina
“ARM” .....	African Rainbow Minerals Limited, a company incorporated in South Africa with limited liability
“ARM Coal” .....	ARM Coal (Proprietary) Limited, a company incorporated in South Africa with limited liability
“associated undertaking” .....	has the meaning given in paragraph 20(1) of Schedule 4A to the Companies Act
“Australia” .....	the Commonwealth of Australia
“AXA” .....	AXA Investment Managers UK Limited
“Bloomberg” .....	Bloomberg financial markets
“Canada” .....	Canada, its territories and its possessions
“Canadian dollars” or “C\$” or “Cdn\$” .....	the lawful currency of Canada
“Canadian GAAP” .....	accounting principles generally accepted in Canada
“Cerrejón Acquisition Agreement” ..	the sale and purchase agreement dated 1 March 2006 (as amended on 15 March 2006) between Glencore International and Xstrata Schweiz, which became effective on 15 March 2006
“Cerrejón Acquisition” .....	the acquisition, which completed on 12 May 2006, by the Group pursuant to the Cerrejón Acquisition Agreement
“Cerrejón Business” .....	the Group’s one-third interest in Cerrejón held through the Cerrejón Xstrata Group Companies
“Cerrejón Operating Companies” ...	CMC Coal Marketing Ltd, Cerrejón Zona Norte S.A., Carbones del Cerrejón LLC and Cerrejón Coal (Bermuda) Limited
“Cerrejón Xstrata Group Companies” .....	Tironimus AG, Xstrata Cerrejón Limited and Perly Ltd
“Cerrejón” .....	the Cerrejón coal mining operation in Colombia carried on by the Cerrejón Operating Companies
“CHF” or “Swiss Francs” .....	the lawful currency of Switzerland
“Chilean pesos” or “CLP” .....	the lawful currency of Chile



“Colombian pesos” .....	the lawful currency of Colombia
“Companies Act” .....	the Companies Act 1985, as amended
“Dealers” .....	the dealers appointed under the Programme from time to time by the Issuers
“Dealer Agreement” .....	the agreement dated 26 April 2007 made between the Issuers, the Guarantors and the Dealers
“Disclosure and Transparency Rules” ..	the Disclosure and Transparency Rules of the Financial Services Authority
“Duiker” .....	Duiker Mining (Proprietary) Limited, a company incorporated in South Africa with limited liability
“Enex” .....	Enex Resources Limited (now known as Xstrata Coal Investments Australia Pty Limited), a company incorporated in Australia with limited liability
“EU” .....	the European Union
“Euro” or “€” .....	the currency introduced at the start of the third stage of the European economic and monetary union pursuant to the Treaty establishing the European Community, as amended
“Falconbridge” .....	Falconbridge Limited, a corporation amalgamated under the laws of the Province of Ontario, Canada with limited liability
“Falconbridge Acquisition” .....	the acquisition by the Group of the Falconbridge Group
“Falconbridge Group” .....	Falconbridge and its subsidiaries and subsidiary undertakings and, where the context requires, its subsidiary undertakings
“Financial Services Authority” .....	the Financial Services Authority of the United Kingdom acting in its capacity as the competent authority for the purposes of Part VI of the FSMA and in the exercise of its functions in respect of admission to the Official List otherwise than in accordance with Part VI of the FSMA
“Finges” .....	Finges Investment BV
“Former Xstrata Group” .....	Xstrata and its subsidiaries and subsidiary undertakings and, where the context requires, its associated undertakings, excluding the members of the Falconbridge Group
“FSMA” .....	the Financial Services and Markets Act 2000, as amended
“Glencore International” .....	Glencore International AG, a company incorporated in Switzerland and with limited liability
“Glencore” .....	Glencore International and its subsidiaries and affiliates or, as the context requires, any subsidiary or affiliate thereof
“Gloucester Coal” .....	Gloucester Coal Ltd
“Gloucester Coal Board” .....	the board of directors of Gloucester Coal
“Gloucester Coal Offer” .....	the offer by Helios Australia Pty Limited to purchase all of the shares of Gloucester Coal, as described in Part X — “Business of the Group — Recent Developments — Gloucester Coal Offer”
“Gloucester Coal Scheme” .....	the scheme of arrangement under which all of the shares in Gloucester Coal will be acquired by Xstrata, as described in Part X — “Business of the Group — Recent Developments — Gloucester Coal Offer”
“Group” .....	Xstrata and its subsidiaries and subsidiary undertakings and, where the context requires, its associated undertakings

“Guarantees” .....	the Xstrata Canada Guarantee, the Xstrata Dubai Guarantee, the Xstrata Guarantee and the Xstrata Schweiz Guarantee
“Guarantors” .....	in respect of Notes issued by Xstrata Canada, Xstrata, Xstrata Schweiz and Xstrata Dubai, and, in respect of Notes issued by Xstrata Dubai, Xstrata, Xstrata Schweiz and Xstrata Canada
“Hanmer” .....	Hanmer BV
“HMRC” .....	U.K. HM Revenue & Customs
“IFRS” .....	International Financial Reporting Standards as adopted by the Council of the EU
“Interest Act (Canada)” .....	Interest Act (Canada) R.S. 1985, C. I-15
“Issuing and Paying Agent” .....	Citibank, N.A.
“Issuers” .....	Xstrata Canada and Xstrata Dubai
“Kagiso” .....	Kagiso Trust Investments (Proprietary) Limited, a company incorporated in South Africa with limited liability
“Kroners” .....	the lawful currency of Norway
“LionOre” .....	LionOre Mining International Ltd.
“LionOre Board” .....	the board of directors of LionOre
“LionOre Offer” .....	the offer by Xstrata Canada Acquisition Corp. to purchase all of the issued and outstanding shares of LionOre, as described in Part X — “Business of the Group — Recent Developments — LionOre Offer”
“LionOre Support Agreement” .....	the support agreement between Xstrata, Xstrata Canada Acquisition Corp. and LionOre, as described in Part X — “Business of the Group — Recent Developments — LionOre Offer”
“Listing Rules” .....	the Listing Rules of the Financial Services Authority
“London Stock Exchange” .....	London Stock Exchange plc
“MIA” .....	the merger implementation agreement in relation to the Gloucester Coal Scheme, as described in Part X — “Business of the Group — Recent Developments — Gloucester Coal Offer”
“MIM” .....	MIM Holdings Limited, now known as Xstrata Queensland Limited, a company incorporated in Australia with limited liability
“Notes” .....	notes issued under the Programme
“Official List” .....	the Official List of the Financial Services Authority
“Ordinary Shares” .....	ordinary shares of U.S.\$0.50 each in the capital of Xstrata
“Paying Agent” .....	Citigroup Global Markets Deutschland AG & Co. KGaA, Frankfurt
“Peruvian Sol” .....	the lawful currency of Peru
“Prospectus Rules” .....	the rules made for the purposes of Part VI of the FSMA in relation to offers of transferable securities to the public and admission of transferable securities to trading on a regulated market and brought into effect on 1 July 2005 pursuant to Commission Regulation (EC) No. 809/2004
“Rand” or “ZAR” .....	the lawful currency of South Africa

“Relationship Agreement”	the agreement dated 20 March 2002 between Xstrata and Glencore, details of which are provided in Part X — “Business of the Group — Relationship with Glencore”
“Rights Issue”	the rights issue announced by Xstrata on 3 October 2006
“Securities Act”	the U.S. Securities Act of 1933, as amended
“South Africa”	the Republic of South Africa
“Swiss GAAP”	accounting principles generally accepted in Switzerland
“SWX”	SWX Swiss Exchange
“TCHF”	thousands of Swiss Francs
“Tintaya”	Xstrata Tintaya S.A. (formerly BHP Billiton Tintaya S.A.), a company incorporated under the laws of Peru with limited liability
“Tintaya Acquisition”	the acquisition, which completed on 21 June 2006, by the Group of 99.981% of the issued and outstanding shares of Tintaya
“TSX”	Toronto Stock Exchange
“Trustee”	Law Debenture Trustees Limited
“Trust Deed”	the deed dated 26 April 2007 made between the Issuers, the Guarantors and the Trustee
“UAE”	the United Arab Emirates
“U.K. Finance Act”	the U.K. Finance Act 2006
“U.K. GAAP”	accounting principles generally accepted in the United Kingdom
“U.K.” or “United Kingdom”	the United Kingdom of Great Britain and Northern Ireland
“U.S.\$m”	millions of U.S. dollars
“U.S.” or “the United States”	the United States of America, its territories and possessions and any state of the United States and the District of Columbia
“U.S. dollars” or “U.S.\$” or “\$U.S.” or “cents”	the lawful currency of the United States
“Xstrata”	Xstrata plc, a public limited company incorporated in England and Wales
“Xstrata Alloys”	the business of the Group comprising the alloys operations
“Xstrata Aluminium”	the business of the Group comprising the aluminium operations, the disposal of which was announced by Xstrata on 11 April 2007 as described in Part X — “Business of the Group — Recent Developments — Disposal of aluminium assets”
“Xstrata Canada Guarantee”	the guarantee provided by Xstrata Canada in respect of Notes issued by Xstrata Dubai
“Xstrata Canada”	Xstrata Finance (Canada) Limited, a private company incorporated under the laws of the province of Ontario, Canada with limited liability
“Xstrata Capital”	Xstrata Capital Corporation A.V.V., a company incorporated in Aruba with limited liability
“Xstrata Coal”	the business of the Group comprising the coal operations
“Xstrata Copper”	the business of the Group comprising the copper operations

“Xstrata Dubai Guarantee” .....	the guarantee provided by Xstrata Dubai in respect of Notes issued by Xstrata Canada
“Xstrata Dubai” .....	Xstrata Finance (Dubai) Limited, a company incorporated in Dubai with limited liability
“Xstrata Guarantee” .....	the guarantee provided by Xstrata in respect of Notes issued by Xstrata Dubai and Xstrata Canada
“Xstrata Schweiz Guarantee” .....	the guarantee provided by Xstrata Schweiz in respect of Notes issued by Xstrata Dubai and Xstrata Canada
“Xstrata Schweiz” .....	Xstrata (Schweiz) AG, a company incorporated in Switzerland with limited liability
“Xstrata Zinc” .....	the business of the Group comprising the zinc operations

## Glossary of Technical Terms

“attributable production”	that part of mine or operation produced in which the relevant person has an economic interest. It therefore excludes production attributable to minority interests in controlled subsidiaries and the interests of joint venture partners
“coal mine”	an operating mine producing coal
“coke”	bituminous coal from which the volatile components have been removed
“coking coal”	coal used to create coke — which is consumed in the steel reduction process
“ferrochrome”	an alloy of iron and chromium primarily used as an input to stainless steel making
“grade”	the quality of an ore, alloy or metal, usually expressed as a percentage of the primary element
“managed”, “managed basis” or “managed tonnage basis”	in respect of the business of the Group comprising the coal operations, the commodities managed by that business on a total mine basis in respect of those mines that the Group operates and manages regardless of the Group’s attributable interest in them, except for the Douglas/Tavistock joint venture managed by Ingwe in respect of which only the Group’s attributable interest of 16% is included
“mineral reserve” <sup>(1)</sup>	economical mineable part of a measured or indicated mineral resource demonstrated by at least a preliminary feasibility study. This study must include adequate information on mining, processing, metallurgical, economic and other relevant factors that demonstrate, at the time of reporting, that economic extraction can be justified. A mineral reserve includes diluting materials and allowances for losses that may occur when the material is mined
“NI 43-101”	Canadian National Instrument 43-101 — “Standards of Disclosure for Mineral Projects” of the Canadian Securities Administrators
“ore”	a mineral or mineral aggregate containing precious or useful minerals in such quantities, grade and chemical combination to make extraction commercially profitable
“PGM” or “platinum group metals”	platinum, palladium, rhodium and related metals present in some nickel/ copper ores
“plant”	fixed or moveable equipment required in the process of winning or processing the ore
“project”	a coal deposit which is in the pre-operating phase of development and, subject to capital investment, feasibility investigations, statutory and management approvals and business considerations, may be commissioned as a coal mine
“recoverable reserves” or “recovery”	where relating to coal, the tonnages of in-situ reserves that are expected to be recovered, i.e. that portion of the seam which will be extracted
“refinery”	a plant where concentrates or matte are processed into one or more refined metals

“reserves” .....	those parts of mineral resources for which sufficient information is available to enable detailed or conceptual mine planning and for which such planning has been undertaken. Reserves are classified as either proved or probable
“resources” .....	all of the potential minerals in a defined area based on points of observation and extrapolations from those points. Potential minerals are defined as minerals which have been or could be beneficiated to give a quality acceptable for commercial usage in the foreseeable future and excludes minor mineral occurrences
“smelter” .....	a plant in which concentrates are processed into an upgraded product
“smelting” .....	thermal processing whereby molten metal is liberated from beneficiated ore or concentrate with impurities speared as lighter slag
“SX-EW” .....	solvent extraction-electrowinning is a metallurgical technique, so far applied only to copper ores, in which metal is dissolved from the rock by organic solvents and recovered from solution by electrolysis
“thermal coal” .....	coal used in generating steam for electricity production

Note:

<sup>(1)</sup> NI 43-101 definitions

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