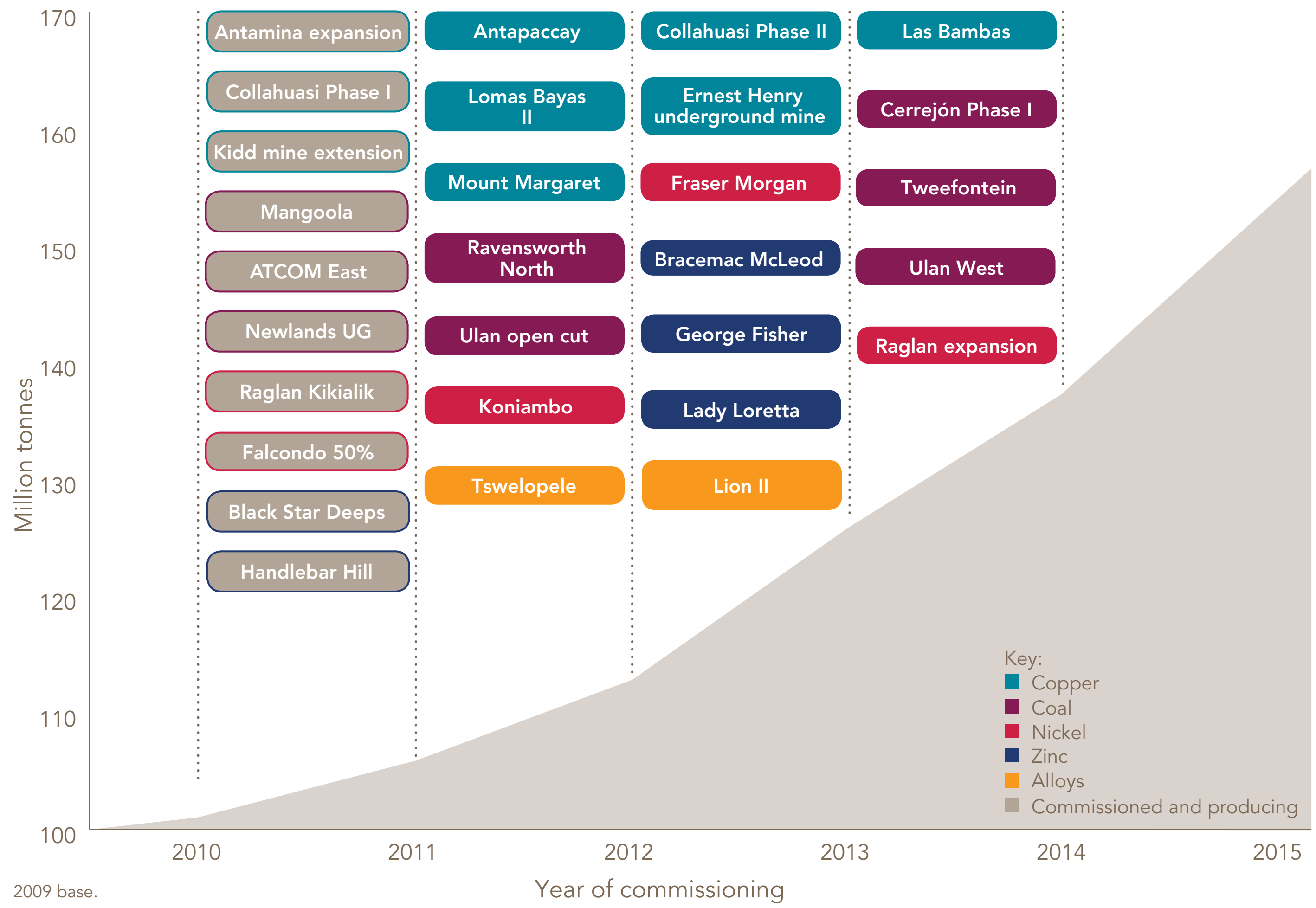
Chief Executive Officer's strategic review *continued*

Progress against our priorities

Strategic priorities	Progress in 2011	Priorities in 2012	Key performance indicators
To deliver a Tier 1 portfolio of projects to increase our production volumes and meet society's demands	• 10 projects successfully commissioned during 2011, four of which were delivered ahead of schedule. • Seven projects approved with a capital spend of $2.6 billion.	• Deliver seven major projects during the year across five countries and four commodities.	• Targeted 50% volume growth over 2009 levels by the end of 2014. • 20% reduction in operating costs by the end of 2014.
To increase the net present value of our business by improving the quality of our assets and by operating safely and efficiently	• Real cost savings of $391 million delivered, moving all businesses into the lower half of industry cost curves. • 26% improvement in total recordable injury frequency rate on 2010.	• Ongoing focus on improving the quality of our assets through year-on-year cost reductions, mine life extensions and productivity and safety improvements.	• Real costs savings (page 31). • Total recordable injury frequency rate (page 32).
To maintain our industry-leading standards of health, safety and environmental performance and to be viewed as a responsible partner within the communities in which we operate	• Six fatalities at our managed operations. • 26% improvement in total recordable injury frequency rate on 2010. • Zero category 3 environmental incidents. • Corporate social involvement of $102 million.	• Zero fatalities. • Further reduction in our total recordable injury frequency rate. • Zero category 3 environmental incidents.	• Zero fatalities. • Total recordable injury frequency rate (page 32). • Environmental incidents (page 33). • Corporate social involvement (page 35).
To foster a high-performance, entrepreneurial, non-hierarchal culture that attracts the best people, and empowers them to succeed and build the capabilities necessary to deliver our strategy	• On average 48 hours of training provided for each employee. • $1,028 spent on training, on average, for each employee – 9% more than in 2010. • Career development programmes in place that include annual reviews.	• Rollout of employment value proposition programme that supports the retention and attraction of high-calibre individuals.	• Voluntary turnover (page 35). • Training hours and spend (page 35).
To conduct our business activities in an ethical and commercially transparent manner	• Training across all businesses on our Code of Conduct. • Courses undertaken on human rights training. • No confirmed transgressions of human rights	• Ongoing human rights training and awareness-raising across our business.	• Zero incidents of bribery, fraud or corruption.
To maintain a strong and flexible capital structure capable of supporting our growth plans	• Our syndicated loan facilities were renegotiated into a $6 billion five-year facility. • $3 billion bond successfully launched.	• Continued cash generation to support the development of our project pipeline.	• Gearing (net debt/net debt + equity). • Cash generation from operations (page 42). • Net debt position (page 43).
To identify and take advantage of opportunities to deliver value through strategic partnerships, acquisitions or divestments	• We acquired First Coal Corporation in Canada, E1 and Monakoff copper tenements in Australia, and Hackett River and Wishbone exploration properties in Canada.	• To continue our disciplined approach towards acquisitions and divestments.	• Successful integration of acquired assets, realisation of anticipated synergies.

Xstrata's approved copper equivalent production growth



2009 base.

The second major project to start up this year, our Koniambo nickel project, is advancing at a good pace. Our teams are progressively starting up the key elements of the substantial infrastructure involved in building this remote, large-scale project ahead of delivering first ore to the furnace later this year. Koniambo will ramp up to full production in 2014 and will transform our nickel business in terms of volumes, costs and industry position.

The greenfield Las Bambas project will share some of the infrastructure at Antapaccay and early works and detailed engineering started during the second half. Las Bambas will be a major, low cost new copper mine producing 400,000 tonnes per year and will contribute to our projected total copper production of 1.5 million tonnes by 2015. Despite some severe cost pressures, and the incorporation of detailed engineering design into the cost estimates, the copper team has contained capital costs to 15% of the original indicative $4.23 billion budget we approved last year. Uncontrollable costs of $460 million represent over two-thirds of the total and include inflation in the cost of land acquisition and social infrastructure, a challenge we are facing around the world, and delays to our permitting process resulting from the wholesale change in the civil service which followed the Peruvian presidential election in July. The project remains on schedule for commissioning in the second half of 2014.

We approved a further seven growth projects in 2011 with a total capital commitment of $2.6 billion, including a significant expansion to the Cerrejón thermal coal joint venture in Colombia, and the development of the Ulan Open Cut coal mine and the greenfield Lady Loretta zinc mine in Australia. We also remain alive to prospective opportunities to replenish our growth pipeline and we completed six bolt-on acquisitions in copper, zinc and coal.

Our strategy to execute the best growth options within our portfolio is now well underway and will reduce average operating costs, increase volumes and deliver significant value to our shareholders over the coming years to respond to the positive market outlook we see for commodities.