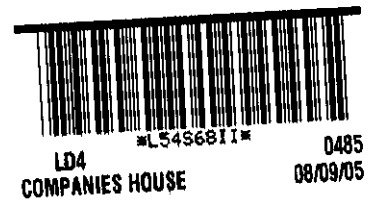




XSTRATA PLC

Company Registration Number: 4345939



INTERIM REPORT 2005

Key Financial Results

| \$m | Six months to 30.06.05 | Six months to 30.06.04† | % Change |
|--|---------------------------|----------------------------|-------------|
| Revenue | 3,765.7 | 2,936.4 | 28 |
| EBITDA (operating)* | 1,358.0 | 903.7 | 50 |
| Operating profit** | 1,079.0 | 619.0 | 74 |
| EBIT | 1,063.9 | 616.0 | 73 |
| Attributable profit (operating)*** | 763.8 | 425.2 | 80 |
| Attributable profit | 797.1 | 461.3 | 73 |
| Earnings per share (operating) ‡ | \$1.23 | \$0.68 | 81 |
| Earnings per share | \$1.28 | \$0.74 | 73 |
| Cash generated from operations | 1,136.7 | 796.6 | 44 |
| Net debt to equity | 18.6% | 29.5% | 37 |
| Net assets | 7,255.0 | 6,044.3 | 20 |
| Net assets per share | \$11.86 | \$9.63 | 23 |
| Dividends declared and paid per share | 16.0US¢ | 13.3 US¢ | 20 |
| Dividends proposed | 9.0US¢ | 8.0 US¢ | 13 |
| * Previously disclosed as EBITDA (pre-exceptionals) in UK GAAP Interim and Annual Reports ** Previously disclosed as EBIT (pre-exceptionals) in UK GAAP Interim and Annual Reports *** Previously disclosed as Attributable profit (pre-exceptionals) in UK GAAP Interim and Annual Reports ‡ Previously disclosed as Earnings per share (pre-exceptionals) in UK GAAP Interim and Annual Reports † As restated for the effect of the transition to International Financial Reporting Standards (IFRS) with the exception of IAS 32 and IAS 39 whereby Financial instruments and hedges have continued to be accounted for under UK GAAP prior to 1 January 2005 (refer to notes 4, 5 and 7 in the financial statements) | | | |

Highlights

- Attributable profit (operating) up by 80% to \$763.8 million, boosted by higher prices for all of Xstrata's commodities
- Cost savings of \$5 million in real terms, despite significant cost pressures particularly in energy costs, freight, fuel and reductants
- Free cash flow of \$700 million, in addition to a 53% increase in sustaining capital expenditure, with gearing reduced to 18.6% (net debt to equity)
- \$228 million returned to shareholders in the first half through the equity capital management programme
- Major internal growth projects in coal and ferrochrome on schedule and on budget with increased options for future growth across the Group
- Outlook remains positive for better second half earnings and an extended period of sustained commodity price strength

Chief Executive's Report

Xstrata's results

The first half of 2005 was again characterised by higher average prices for all of Xstrata's commodities. Following on from the marked increases in profitability experienced in the first half of 2004 and an exceptional full year result, Xstrata's businesses again achieved strong growth in revenues and, in particular, in profits. Group revenue rose by 28% to \$3,766 million while operating profit increased by 74% to \$1,079 million. Attributable profit on an operating basis rose to \$764 million, 80% higher than the first half of 2004.

Stronger commodity prices were the principal drivers of the growth in earnings, boosting profits by \$771 million net of commodity linked costs. Thermal and coking coal prices rose sharply, by approximately 45% and 94% respectively, contributing to an improvement in operating profit for the coal business of almost 120% to \$515 million. The realisation of the full benefit of stronger prices was particularly marked as in the comparative period significant tonnages of coking coal were delivered under the prior year's contract prices due to production shortfalls at the former MIM operations. Copper prices strengthened by over 20% on top of the significant price increases experienced in 2004, and both zinc and lead prices rose steadily in the first half of the year. Ferrochrome prices were again strong and the outlook remains positive, although pricing will begin to reflect the weakening performance of the South African rand in 2005. Vanadium prices experienced an exceptionally strong increase of over 265% period on period, although prices have weakened since the period end, reflecting the volatile nature of this market.

AVERAGE COMMODITY PRICES

| | Unit | Average price received Six months to 30.06.05 | Average price received Six months to 30.06.04 | % Change |
|--|-------|---|---|-------------|
| Australian FOB export coking | \$/t | 100.3 | 51.6 | 94 |
| Australian FOB export semi-soft coking | \$/t | 63.7 | 43.8 | 45 |
| Australian FOB export thermal coal | \$/t | 50.2 | 35.0 | 43 |
| South African export thermal coal | \$/t | 49.1 | 34.5 | 42 |
| Copper | \$/t | 3,333 | 2,760 | 21 |
| Lead | \$/t | 983 | 829 | 19 |
| Zinc | \$/t | 1,295 | 1,050 | 23 |
| Ferrochrome (Metal Bulletin) | ¢/lb | 75.5 | 63.0 | 20 |
| Ferrovanadium (Metal Bulletin) | \$/kg | 88.0 | 24.1 | 265 |

Higher commodity prices were offset to some extent by the weaker US dollar against local currencies, which trimmed operating profit by \$89 million. Lower volumes, from our copper business, due principally to the expected lower gold grades and increased concentrate inventories at Alumbra, and from the closure of Vantech in our ferroalloys business, adversely impacted operating profit by approximately \$40 million.

Efficiency programmes

Despite the inevitable cost pressures associated with the current period of high commodity prices, particularly in respect of energy costs, freight and other inputs such as reductants, our businesses continued to achieve real cost savings. Efficiency programmes across the Group reduced unit costs in real terms by over \$5 million, an impressive achievement against the backdrop of a \$46 million increase, over and above inflation, in the cost of fuel, freight and consumables alone.

Xstrata Zinc and Xstrata Coal again led the way in cost improvements, stripping out \$19 million and \$12 million of costs in real terms respectively, despite facing the same cost pressures as our industry peers. The significant cost savings achieved at the zinc operations at Mount Isa are likely to be surpassed in the second half as the overall capacity utilisation and productivity of that business continues to improve steadily. The excellent cost performance of the coal business was achieved despite the negative impact of

\$12 million of demurrage costs at Dalrymple Bay, although it is pleasing to note that demurrage costs at Newcastle fell from \$1.58 to \$0.71 per tonne period on period due to the implementation of the capacity management programme in which Xstrata played a leading role.

Xstrata Alloys also made progress, with efficiency programmes cutting costs by some \$5 million in the first half. However, this was outweighed by the significant increase in the cost of reductants and the inclusion of the higher cost Merafe operations following the formation of the Xstrata-Merafe Chrome Venture in July 2004. The Alloys team has moved quickly to reduce the cost profile of the new operations and together with the recent acquisition of additional chrome reserves, this will deliver an improved cost performance in the second half.

Xstrata Copper's efficiency programmes delivered over \$15 million of benefit in the period, on top of an excellent cost performance in the second half of 2004. However, this was reduced by the strong price increases associated with fuel and other consumables, and by the impact of lower sales volumes at Alumberrera. Improvement programmes at the Mount Isa copper smelter are expected to have a major positive impact on costs in the second half. Production of copper anode increased steadily through the period after maintenance shutdowns and on an annualised basis anode production in June was up 10% on last year's record of 236,000 tonnes.

As a consequence of the on-going efficiency initiatives group-wide, which will have their major positive impact in the second half, I expect that Xstrata will achieve a significantly enhanced reduction in costs in real terms at the full year. The capacity of our businesses to continue to strip out operating costs in real terms, even in this environment of rampant cost inflation across our industry, is distinctive and continues to deliver genuine value to shareholders.

Growth

From its inception three years ago, Xstrata has also sought to deliver value to shareholders by growing the Company, with first-half EBITDA having grown 581%, from \$200 million to \$1,358 million, since our first Interim Report in 2002.

Importantly, the expansion in the scale and diversity of Xstrata's portfolio has also delivered an improvement in the inherent options available to the Group for further growth. At the commencement of our journey three years ago, Xstrata's growth rested on the delivery of a major company transforming acquisition that, in addition to creating demonstrable value, had to be earnings and cash accretive from the outset. The successful MIM acquisition, with its accompanying entry into two new global businesses (copper and coking coal), and the progress made in improving efficiencies across all our businesses, which has substantially enhanced their cash performance, mean that Xstrata now has greater flexibility and capacity to identify, secure and integrate acquisitions, and, importantly to invest in our internal pipeline of brown- and green-field growth projects.

Our decision not to bid higher on our offer for WMC Resources rested on the fact that the fundamental driver of any of our growth initiatives will always be value creation. It also highlighted the fact that the expansion of growth options across our portfolio has clearly left Xstrata free from the imperative to deliver growth by acquisition alone.

Internal growth - Alloys

The major platform for growth in our alloys business is the Lion Project – a one million tonne ferrochrome expansion scheduled in three phases over the next 10 years. Lion represents a growth in production of around 63% from our current annual capacity of 1.6 million tonnes. Phase one, a 360,000 tonne expansion, is underway with first production expected, as planned, in the second half of next year and full production in quarter two 2007. A highly effective programme of cost savings and efficiencies has ensured that the project also remains within its budget of ZAR1.7 billion, despite the sharp increase in steel prices.

Lion will set a new benchmark for cost efficient ferrochrome production based on its utilisation of our proprietary 'Premus' technology, with operating costs some 25% below the current industry norms. The

scale, timing, short-lead times and competitive capital costs of Phases two and three of Lion will ensure that the Xstrata-Merafe Chrome Venture maintains its pre-eminent position as the world's largest ferrochrome producer into the future.

Last week, Anglo Platinum and Xstrata Alloys announced the establishment of the Mototolo Joint Venture to develop a platinum group metals PGM mine and concentrator in Mpumalanga, South Africa. The project, with total capital expenditure of around \$200 million, is expected to produce approximately 132,000 ounces of platinum and 82,000 ounces of palladium in concentrate per annum over a life of around 20 years. The project has a rapid development profile, with initial production expected in the last quarter of 2006 and full production in the third quarter of 2007. Mototolo is a low-cost, high return project that benefits from the combination of Xstrata's expertise in developing and managing underground chrome mines and Anglo Platinum's processing and downstream capabilities in PGMs.

Internal growth – Coal

A major strength of the Group is the range and quality of the organic growth options available within our global coal business. These cover both coking and thermal coal and include both greenfield projects as well as low risk, low cost expansion to existing operations.

Thermal coal

The most immediate and significant growth in our thermal coal business is associated with the Rolleston open cut operation in Queensland. Despite heavy rains and significant cost increases from suppliers, the management team of Rolleston has secured savings, particularly on civil works completed by Xstrata itself, that have kept the project within its AUD521 million budget and on time for first coal in the final quarter of this year. Phase one, which comprises annual production of six million tonnes export and two million tonnes domestic coal, will be complete in 2008. The attractions of the project include its low operating costs, its very low sulphur product and its confirmed entitlement to capacity at Gladstone port – with the latter two making Rolleston coal particularly attractive to customers. Considerable further value will be delivered to shareholders in Phase two – a 50% expansion to 12 million tonnes per annum, with a rapid development profile and exceptionally low capital cost relating mainly to the acquisition of another dragline (on which an option has already been secured).

Other already identified brownfield growth in Australia, totalling some 5 million tonnes of annual capacity, include the Bulga open-cut and Ulan longwall expansions (both 2006) and the Liddell expansion (2007), with a combined indicative capital cost of around \$80 million. In South Africa, the 5 Seam project at South Witbank, comprising both open cut (2007) and underground (2008) operations, will increase annual production by more than 2 million tonnes at an indicative capital cost of around \$75 million. Typically these brownfield projects are characterised by rates of return in excess of 25% and payback periods of less than three years.

Turning to new projects, the 2.5 million tonne Glendell open cut in New South Wales is scheduled for commencement in 2007, with a low capital cost of around \$50 million due to its use of existing Mount Owen infrastructure. Ravensworth West Open Cut, a new 1.4 million tonne per annum domestic market mine, is scheduled to commence in 2006 for a capital outlay of around \$12 million. In South Africa, the development of the \$300 million Goedgevonden Open Cut mine, with annual coal production of 3 million tonnes export and 4 million tonnes domestic, awaits a positive resolution of the rail issues that have thus far prevented the expansion at RBCT. Similarly, when port constraints ease in Australia, potential projects include a second longwall at Ulan West (New South Wales) and an open cut operation at Togara North, just 12 kilometres off the Rolleston rail line, with annual production of 4 and 2 million tonnes of export coal respectively.

Coking coal

A key focus since acquiring our coking coal assets has been on optimising mine plans and developing growth options in this high value commodity. This year, we expect to increase coking coal production by around 600,000 tonnes or 12%. Further shorter-term organic growth in coking coal will focus on the implementation of a second longwall at Oaky Creek No 1 and the new Wollombi open cut operation,

which lies between our Newlands and Collinsville operations, both of which will commence in 2006. The two projects will increase annual coking coal production by 1.2 and 1.5 million tonnes respectively, with a capital cost of \$25 million and \$20 million. In addition, we are assessing the potential for longwall operations at Cook Colliery in Queensland, and as a first stage are planning a trial longwall that would produce around 1.3 million tonnes of hard coking coal per annum.

All of the above projects represent potential growth, the timing of which will depend on the near-term issue of rail and port constraints in Australia and South Africa, and the on-going focus on the prevailing market demand for the product. The scale and quality of the projects themselves will ensure that Xstrata Coal maintains its leading global position, with the flexibility to meet a range of product specifications and the growing demand of our customers in the steel and power generation markets.

Internal growth - Copper

The acquisition of MIM Holdings gave us a meaningful entry into the global copper business, with three operations that have each delivered further value, beyond our initial expectations. At Alumbra, in particular, the additional value created by Xstrata since taking over management control of the operation is significant. Last year, Alumbra's on-going ore delineation drilling programme confirmed more than 80 million tonnes of additional ore reserves, extending the mine life by 2.5 years to 2015. This increased contained metal reserves by more than 20%, equating to an additional 350,000 tonnes of contained copper and 1.2 million ounces of gold. This year we have again increased ore reserves by a further 40 million tonnes – an increase of more than 10% or 170,000 tonnes of copper. At the same time, we have approved an expansion to the Alumbra concentrator, at a capital cost of \$15.5 million, which will increase mill throughputs by 8%, from 37 million tonnes per annum to 40 million tonnes per annum, essentially increasing production without shortening the mine life of this highly productive, low-cost operation.

Now that the management team in Xstrata Copper has well established programmes in place to maximise the value of our existing assets and mine platforms, they have turned their attention to realising additional value and optionality by growing our copper business. Three relatively early stage initiatives hold much promise.

Xstrata's \$91 million dollar acquisition in August last year of an option to develop a mine at Las Bambas in Southern Peru forms an important part of Xstrata Copper's global growth strategy. We have currently completed some three-quarters of a 50,000 metre drilling programme on site. The data obtained so far, as well as previous test work and data purchased from other parties who were unsuccessful in acquiring the project, has confirmed our initial confidence in the potential of Las Bambas. We expect to be in a position to update the market on this important project at the end of the year.

Work continues on the Tampakan copper gold deposit in the Philippines, in which Xstrata Copper holds a 62.5% acquisition option. An already completed scoping study by Xstrata's partner, Indophil Resources, with independent Competent Person sign-off, set out a mineral resource inventory totalling 900 million tonnes at 0.7% copper and 0.3 grams per tonne gold at a 0.4 % copper cut-off, which revealed the emerging scale of this deposit. This project is further advanced than Las Bambas and the pre-feasibility study that is underway is expected to conclude in the second half of 2006. The signs augur well for the project.

Xstrata Copper's investment in Australian exploration company Universal Resources Limited, which has helped to accelerate development of the Roseby Copper Project and Sulphide Prospect in north Queensland, has the potential to provide Xstrata with significant additional copper concentrate supply for the Mount Isa copper smelter. Universal is undertaking a feasibility study on the Roseby Project, containing 82 million tonnes grading 0.88% copper, while Xstrata has commenced exploration, targeting larger sulphide resources, on the prospective Roseby leases.

Internal growth - Zinc

Xstrata Zinc retains significant expansion potential in its smelters. However, the current shortage of concentrate has focused attention on growing own mine capacity to balance the Group's current position. Additional production of 2.3 million tonnes per annum of zinc lead ore from the Black Star open-cut commenced in February, and at George Fisher production improvements undertaken last year increased ore production to 1.3 million tonnes in the first half of 2005 – up 18.5% on the corresponding period. As a consequence of the various initiatives underway, Xstrata Zinc expects to grow zinc concentrate production at Mount Isa by some 126,000 tonnes or 34% this year at exceptionally low capital cost.

During this period of elevated zinc and lead prices, this low-cost growth has highlighted the potential upside that exists within our own suite of assets to grow zinc concentrate production further. Work is therefore underway to assess a major expansion at our Mount Isa zinc lead complex, where significant resources still remain. At George Fisher alone, resource drilling this year has increased ore reserves to 39 million tonnes, 67% higher than in June 2004, extending the Life of Mine to 14 years. At Mount Isa, the zinc resources surrounding the Black Star open pit total over 300 million tonnes at 4% zinc and 3.2% lead, indicating the expansion potential of the zinc operations.

In addition, the recent decision to convert the McArthur River Mine from underground to open-pit operations allows Xstrata Zinc to retain the option to develop one of the largest known deposits of zinc and lead in the world as a source for a future zinc refinery using the Group's Albion process technology.

Balance sheet, dividend and equity capital management programme

Free cash flow before expansionary capital expenditure and acquisitions, at \$700 million for the period, was up 10% compared to first half 2004, notwithstanding a 53% increase in sustaining capital expenditure. With the withdrawal from the bid for WMC Resources, this exceptional level of cash generation enabled the Group to reinitiate the equity capital management programme (ECMP). During the first half, \$228 million was returned to shareholders through the ECMP, which repurchased 2.2% of issued share capital.

The ECMP has continued to repurchase issued share capital into the second half and, given our confidence in the outlook for the remainder of the year, is likely to continue throughout 2005.

In addition, \$123 million of net debt was paid down during the period. The resultant gearing ratio of 18.6% (net debt to equity) at the end of the first half is some 11% lower than the Group's gearing position a year ago and represents a further reduction from the position at the end of 2004 when gearing stood at 20.1%.

Consequently, the Board has declared an interim dividend of 9US¢ per share, 13% higher than the declared 2004 interim dividend, reflecting our expectations of continued strong cash generation and profitability in the second half of the year.

Outlook

Over the past three years, Xstrata has delivered on the strategy set out at the time of the IPO in London. The key elements of that strategy – value creation through how we grow the business and value creation through how we run our businesses – remain intact and are appropriate still. Over the three years, Xstrata has built up a track record and has continued to secure the support of the investment markets. We were particularly encouraged by the support of our shareholders in the bid for WMC Resources and by their positive response to our decision to walk away from paying more than BHP Billiton.

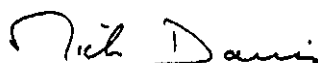
Over the same period, our industry has moved into an exceptional period of strength on the back of increasing growth in demand for commodities and restricted growth in production. As a consequence, the metals and mining industry is now making adequate returns on capital for its investors for the first time in decades and it is better positioned to continue to do so than it has ever been before.

Of course, the laws of economics have not changed, and ultimately supply will return to meet demand, with the inevitable return of prices to reflect long-run marginal costs of production. This process will

neither be smooth nor easily predictable and, as evidenced by the renewed surge in copper prices at the half year, this will engender volatility in commodity prices and inevitably in equity prices. However, the outlook is positive for an extended period of sustained commodity price strength. I see little evidence of the major mining companies with large growth potential initiating unwarranted new projects or expansions based on prevailing commodity prices or unrealistic long-term assumptions. In addition, new growth projects across the industry continue to face a number of barriers, including a lack of new exploration properties, rail or port restrictions, reduced availability of new equipment, the difficulty of securing long-term competitive power and the impact of significant cost inflation on raw materials. These, together with the lead times associated with any new mining project, suggest that the industry will need several years for long term supply catch up.

As we move into the second half of the year, demand remains strong across all our major commodities and in our bulk traded commodities this price strength is already extending well into 2006. In the current period, Xstrata will benefit from the stronger prices we have already secured in our coal business, the negative movement of key local currencies against the US dollar, the production increases in our coal (Rolleston) and copper (Mount Isa) business, and the significant growth and efficiency gains being delivered in our Australian zinc business. In addition, we remain alert to acquisition opportunities that may have a profound positive impact on our scale, diversity and rating in the investment market.

As a consequence, we expect 2005 to be a very good year. Xstrata remains well positioned to develop our existing options and to capture additional optionality, both of which I have no doubt will create further value into 2006 and beyond.

A handwritten signature in cursive script, reading "ML Davis".

ML Davis

Financial Review

Basis of presentation of financial information

Financial information is presented in accordance with International Financial Reporting Standards (IFRS). The reporting currency of Xstrata is US dollars. Financial statements of subsidiaries are maintained in their local currencies and converted to US dollars on consolidation of Group results.

The significant impacts of the introduction of IFRS primarily relate to:

- Income tax – Xstrata has recognised a deferred tax liability in respect of all temporary differences, mainly in relation to the difference between the carrying value of mineral reserves and resources on the balance sheet, and their tax base. The balance at 1 January 2005 of the net deferred tax liability was \$1,367 million. The deferred tax liability is set off against retained earnings, consequently reducing capital employed. As the mineral reserves are amortised over time, the deferred tax liability is unwound through the income statement, reducing the tax charge, and more closely aligning the Group effective tax rate with the Group weighted average statutory tax rate. During the first six months of 2005, \$53 million was unwound through the profit and loss account;
- Recycled foreign currency translation gains and losses - financial statements of Group subsidiaries are maintained in local currencies and translated into US dollars on consolidation of Group results. The impact of currency fluctuations on net assets, including long-term intercompany loans, is recorded in foreign currency translation reserves within shareholders' equity. Upon partial or full repayment of these long-term intercompany loans or disposal of Group entities, any difference between the historic exchange rate and the exchange rate at date of repayment or disposal is recycled from the foreign currency translation reserve to the income statement. Under UK GAAP, these recycled gains or losses did not pass through the profit and loss account. The Group interest charge includes net gains of \$52 million as a result of partial repayment of these loans;
- Share based payments – option awards under the Xstrata Long Term Incentive Programme are now expensed in the income statement over the vesting period. The negative impact on Group operating profit during the first half under IFRS was \$9 million compared to UK GAAP;
- Goodwill - amortisation has ceased and is now subject to an annual impairment review;
- The Xstrata-Merafe Chrome Venture is proportionality consolidated under IFRS. Under UK GAAP the venture was accounted using the gross equity method;
- Dividend accruals - the final dividend will only be recognised in the following year after it has been formally approved for payment;
- Defined benefit assets and liabilities are recognised in full on the balance sheet with actuarial gains and losses recognised directly in equity; and
- Financial instruments – IAS 32 and 39 accounting standards were adopted from 1 January 2005, consequently there is an inconsistency with IFRS statements from periods prior to this date. The fair value of open foreign currency exchange and commodity hedging is now recognised on the balance sheet and the equity component of the convertible bond has been reclassified to equity on 1 January 2005, reducing net debt.

EBITDA (operating) in this Interim Report is the equivalent to earnings before interest, taxation, depreciation and amortisation on a pre-exceptional items basis (disclosed as EBITDA pre-exceptionals) in previous UK GAAP Interim and Annual Reports. Operating profit in the IFRS financial information of this Interim Report is the equivalent to profit before interest and taxation on a pre-exceptional items basis (disclosed as EBIT pre-exceptionals) in previous UK GAAP Interim and Annual Reports.

Unless indicated to the contrary, all data and commentary in the Financial Review relates to the statutory results. All operational results in the Chief Executive's Report and the Financial and Operational Review exclude the discontinued operations (Avonmouth and Forestry). Unless otherwise indicated, all dollar figures provided refer to US dollars.

Consolidated operational results

In a continued buoyant pricing environment for commodities, Group revenue rose almost 30% or \$830 million compared to the same period last year. Robust demand supported further price increases during the period across Xstrata's businesses, with thermal and coking coal and ferroalloys contributing the bulk of the rise in Group revenue. Xstrata Zinc benefited from improved market fundamentals for both zinc and lead, boosting revenue by 18% in the period. Higher copper prices were partially offset by lower sales volumes, with revenue rising by 8% compared to last year.

EBITDA (operating) for the period ended 30 June 2005 increased by 50% to \$1,358 million and operating profit improved by almost 75%, to \$1,079 million. The increase in cash flow and profitability was predominantly driven by stronger commodity prices, partially offset by the impact of both a weaker US dollar.

CONSOLIDATED RESULTS (includes minority interests)

| \$m | Six months to 30.06.05 | Six months to 30.06.04 | Year ended 31.12.04 |
|---|---------------------------|---------------------------|------------------------|
| Alloys | 638.9 | 427.1 | 953.0 |
| Coal | 1,645.4 | 1,189.1 | 2,693.4 |
| Copper | 778.2 | 722.4 | 1,598.3 |
| Zinc | 671.8 | 569.2 | 1,165.3 |
| Technology | 31.4 | 28.6 | 52.4 |
| Total Group Revenue | 3,765.7 | 2,936.4 | 6,462.4 |
| <i>Attributable Total Group Revenue</i> | <i>3,528.1</i> | <i>2,709.8</i> | <i>5,980.2</i> |
| Alloys | 210.6 | 112.8 | 203.0 |
| Coal | 642.5 | 363.6 | 916.0 |
| Copper | 409.3 | 384.5 | 856.7 |
| Zinc | 128.7 | 63.0 | 145.5 |
| Technology | 4.5 | 13.6 | 19.2 |
| Corporate and unallocated | (37.6) | (33.8) | (75.0) |
| Total Group EBITDA (operating)* | 1,358.0 | 903.7 | 2,065.4 |
| <i>Attributable Total Group EBITDA (operating)*</i> | <i>1,143.4</i> | <i>777.5</i> | <i>1,769.0</i> |
| Alloys | (15.0) | (12.7) | (25.0) |
| Coal | (127.5) | (128.3) | (248.2) |
| Copper | (100.0) | (105.2) | (212.4) |
| Zinc | (32.9) | (35.8) | (66.4) |
| Technology | (1.7) | (1.9) | (3.7) |
| Corporate and unallocated | (1.9) | (0.8) | (5.1) |
| Depreciation & Amortisation | (279.0) | (284.7) | (560.8) |
| <i>Attributable Total Group Depreciation & Amortisation</i> | <i>(245.6)</i> | <i>(247.5)</i> | <i>(490.6)</i> |
| Alloys | 195.6 | 100.1 | 178.0 |
| Coal | 515.0 | 235.3 | 667.8 |
| Copper | 309.3 | 279.3 | 644.3 |
| Zinc | 95.8 | 27.2 | 79.1 |
| Technology | 2.8 | 11.7 | 15.5 |
| Corporate and unallocated | (39.5) | (34.6) | (80.1) |
| Total Group Operating Profit** | 1,079.0 | 619.0 | 1,504.6 |
| <i>Attributable Total Group Operating Profit**</i> | <i>897.8</i> | <i>530.0</i> | <i>1,278.4</i> |
| * Previously disclosed as EBITDA (pre-exceptionals) in UK GAAP Interim and Annual Reports | | | |
| ** Previously disclosed as EBIT (pre-exceptionals) in UK GAAP Interim and Annual Reports | | | |

OPERATING PROFIT VARIANCES

| | \$m |
|--|----------------|
| Operating profit 30.06.04 | 619.0 |
| Sales price | 771.5 |
| Volumes | (39.9) |
| Unit cost – real | 5.1 |
| Unit cost – inflation | (50.6) |
| Unit cost – foreign exchange | (89.4) |
| Foreign currency hedging | (109.1) |
| Other income and expenses | (42.9) |
| Corporate social involvement | (3.8) |
| Depreciation and amortisation (excluding foreign exchange) | 19.2 |
| Operating profit 30.06.05 | 1,079.0 |

Higher commodity prices led to a rise in Group operating profit of \$772 million compared to the previous year. Higher received thermal and coking coal prices contributed over half of this increase, adding \$402 million to operating profit, whilst ferrochrome and vanadium price increases contributed \$157 million.

Operating profit was adversely impacted by \$40 million during the first half from a combination of lower vanadium sales following the closure of Vantech in South Africa, reduced volumes from the Alumbrera copper gold mine in Argentina as a result of lower gold grades and lower copper concentrate sales from Australia. Improved zinc and lead production at Mount Isa with the commissioning of Black Star and higher production from George Fisher partially offset lower volumes of copper and vanadium.

Xstrata achieved a reduction in unit costs in real terms of \$5 million during the period. The combined impact of efficiency programmes, which delivered \$57 million of savings, was offset by specific cost increases that are being experienced across the mining industry, including fuel, freight and energy price increases.

Continued efficiency initiatives in Xstrata Alloys are directed at minimising metallurgical coke requirements and enhancing the efficiency of the furnaces. Significant progress has also been made in reducing operating costs at the Boshhoek operation since the creation of the Xstrata-Merafe Chrome Venture in July 2004. The benefits realised from these ongoing efficiency programmes were offset in the first half by the higher cost of raw materials, continued restricted availability of quality furnace feed and by the inclusion of the higher cost Boshhoek operation.

Further productivity improvements were achieved at Xstrata Coal's New South Wales operations, particularly at the Beltana mine, and demurrage costs at the Port of Newcastle were substantially reduced compared to the first half of last year. However in Queensland demurrage charges and rail freight costs increased due to severe congestion at the Dalrymple Bay Coal Terminal, despite Xstrata diverting significant quantities of coal by rail to the Gladstone Port for export. Productivity improvements in Xstrata's coal operations were partially offset by higher costs in fuel, steel and explosives, in line with the Australian mining sector as a whole. Xstrata Coal South Africa's unit costs reduced due to increased domestic sales to the local power utility and benefits realised from an ongoing programme of mechanisation.

In Xstrata's base metal divisions, the benefit of ongoing efficiency programmes in Xstrata Copper was offset by higher fuel, power and reagent costs. Xstrata Zinc achieved significant cost savings, principally through improved capacity utilisation in Australia as production at Mount Isa was increased compared to the same period last year. The new Black Star zinc lead mine contributed 0.5 million tonnes of ore for the half and is expected to have a greater impact in the second half. George Fisher achieved ore production of 1.3 million tonnes for the first half of 2005, 19% higher than 2004.

Other income and expenses includes Windimurra closure costs, the release of a YMAD royalty provision related to the Alumbrera copper gold mine in 2004, together with a higher Group share-based payments charge under IFRS.

The weaker US dollar during the first half of 2005 gave rise to an unfavourable foreign exchange variance of \$89 million. The South African rand was 7% stronger and both the Australian dollar and the Euro were 5% stronger than the prior period. The stronger Australian dollar and South African rand had the most significant impact on operating profit with negative variances of \$54 million and \$27 million respectively. In the first half of 2005, the Australian dollar hedge position contributed \$32 million to operating profit. Compared to the hedging gains in the first half of 2004 of \$141 million, this resulted in a negative impact of \$109 million versus the previous year.

CURRENCY TABLE TO \$

| | H1 average 30.06.05 | H1 average 30.06.04 | % Change | At 30.06.05 | At 30.06.04 | At 31.12.04 |
|-----|------------------------|---------------------------|-------------|----------------|----------------|----------------|
| ARS | 2.91 | 2.91 | - | 2.89 | 2.96 | 2.97 |
| AUD | 0.77 | 0.74 | 4.5 | 0.76 | 0.70 | 0.78 |
| CHF | 1.20 | 1.27 | 4.8 | 1.28 | 1.25 | 1.14 |
| EUR | 1.28 | 1.23 | 4.7 | 1.21 | 1.22 | 1.36 |
| GBP | 1.87 | 1.82 | 2.7 | 1.79 | 1.82 | 1.92 |
| ZAR | 6.21 | 6.67 | 6.8 | 6.65 | 6.14 | 5.67 |

Earnings

EARNINGS SUMMARY

| \$m | Six months to 30.06.05 | Six months to 30.06.04 | Year ended 31.12.04 |
|--|---------------------------|---------------------------|------------------------|
| Operating profit | 1,079.0 | 619.0 | 1,504.6 |
| Discontinued operations | - | (0.8) | (1.5) |
| Net interest (excluding loan issue costs written-off, realised net foreign currency translation gains and unrealised gain on interest rate swap) | (30.6) | (56.4) | (91.5) |
| Profit before taxation (operating) | 1,048.4 | 561.8 | 1,411.6 |
| Income tax | (217.5) | (65.5) | (219.4) |
| Minority interests | (67.1) | (71.1) | (158.2) |
| Attributable profit (operating) | 763.8 | 425.2 | 1,034.0 |
| Earnings per share (operating)* | 1.23 | 0.68 | 1.65 |
| Impairment of assets | (4.8) | - | (6.8) |
| Profit on sale of investments | - | - | 10.2 |
| Restructuring costs | - | (3.0) | (9.0) |
| WMC offer costs | (10.3) | - | - |
| Loan issue costs written-off | (17.3) | (35.1) | (35.1) |
| Intercompany loans realised foreign currency translation net gains | 51.9 | 67.7 | 68.6 |
| Unrealised gain on interest rate swap | 0.4 | - | - |
| | 19.9 | 29.6 | 27.9 |
| Income tax | 9.7 | 6.5 | 5.2 |
| | 29.6 | 36.1 | 33.1 |
| Profit on sale of discontinued operations | 3.7 | - | - |
| Attributable profit | 797.1 | 461.3 | 1,067.1 |
| Earnings per share* | 1.28 | 0.74 | 1.70 |

* Computed using same weighted average number of shares used to compute the statutory basic earnings per share

Discontinued operation refers to Forestry, which was sold in January 2005. The sale of the Forestry business in January 2005 gave rise to a \$4 million profit on disposal.

Net interest charges and similar items decreased by \$26 million from the same period last year to \$31 million due to the reduction of net debt from strong operating cash flows during the past year.

The effective tax rate for the period is 19.4%. Increased taxable earnings in 2005 led to a higher weighted average statutory tax rate of 22.8% in the first half. The effective tax rate benefited from a decrease in corporate tax rates in South Africa and the recognition of research and development allowances in Australia.

Xstrata incurred costs of \$27 million associated with its offer for Western Mining Resources Limited, of which \$17 million is related to debt financing costs and underwriting.

The net foreign currency translation gain of \$52 million represents the effect of the release of cumulative foreign currency translation gains and losses on repayment of inter company loans that are considered equity in nature. In accordance with IFRS these gains and losses are recorded in the foreign currency translation reserve until the loans are repaid, at which point they are recycled through the income statement.

OPERATING PROFIT SENSITIVITIES

| \$m | Impact on second half 2005 operating profit* | Indicative full year operating profit** |
|--|--|--|
| 1¢/lb movement in ferrochrome price | 5.0 | 12.1 |
| \$1/kg movement in ferrovanadium price | 1.6 | 4.1 |
| \$1/tonne movement in Australian thermal export FOB coal price | 1.5 | 31.2 |
| \$1/tonne movement in Australian coking export FOB coal price | 0.3 | 5.3 |
| \$1/tonne movement in South African export thermal FOB coal price | 1.2 | 13.3 |
| 1¢/lb movement in copper price | 6.1 | 10.5 |
| \$10/oz movement in gold price | 3.1 | 7.3 |
| 1¢/lb movement in zinc price | 5.0 | 10.1 |
| \$10/tonne movement in zinc treatment charge price | (4.3) | 5.0 |
| 1¢/lb movement in lead price | 2.4 | 4.1 |
| 10% movement ARS | 1.0 | 2.0 |
| 10% movement AUD | 51.7 | 227.6 |
| 10% movement EUR | 11.1 | 22.6 |
| 10% movement GBP | 0.3 | 1.0 |
| 10% movement ZAR | 61.8 | 120.6 |
| *After impact of currency and commodity hedging, and contracted, priced sales as at 30 June 2005 | | |
| ** Assuming current annualised production and sales profiles, no currency or commodity hedging and no contracted, priced sales and purchases at 30 June 2005 | | |

Xstrata's sensitivity to Australian export thermal coal prices reduced during the period due to the introduction of ad valorem royalty payments in New South Wales. Xstrata Zinc has secured all of its concentrate requirements for the remainder of 2005 into the San Juan de Nieva and Nordenham zinc smelters in Spain and Germany respectively, with treatment charges fixed under these agreements. In Australia however, treatment charges for mined concentrate sales are largely unpriced, leading to the negative treatment charge sensitivity for the second half of the year.

Cash Flow, Net Debt and Financing Summary

Xstrata's operations generated \$700 million of free cash flow during the first half of 2005 after funding sustaining capital expenditure of \$154 million. This strong cash generation has enabled net debt to be reduced by \$123 million after the repurchase of 2.2% of Xstrata's issued share capital under the Equity Capital Management Programme at a cost of \$228 million, \$151 million of capital investment at operations to enhance production capacities, \$60 million relating to the acquisition of African Carbon Group, and dividend payments of \$168 million.

CASH FLOW SUMMARY

| \$m | Six months to 30.06.05 | Six months to 30.06.04 |
|---|---------------------------|---------------------------|
| Net cash inflow from operating activities | 1,136.7 | 796.6 |
| Net interest paid | (33.2) | (57.0) |
| Taxation | (255.3) | (12.2) |
| Cash flow before capital expenditure | 848.2 | 727.4 |
| Sustaining capital expenditure | (153.6) | (100.3) |
| Disposals of fixed assets | 5.0 | 12.3 |
| Free cash flow | 699.6 | 639.4 |
| Expansionary capital expenditure | (151.4) | (48.6) |
| Cash flow before acquisitions | 548.2 | 590.8 |
| Disposal of Ravenswood gold operation | - | 34.5 |
| Disposal of Queensland coal assets | - | 38.9 |
| Purchase of investments and other assets | (5.1) | (0.3) |
| Purchase of African Carbon Group, net of cash acquired | (60.4) | - |
| Sale of Forestry operation, net of cash disposed | 25.2 | - |
| Net cash flow before financing | 507.9 | 663.9 |
| Redemption of Alumbra capital to minority interests | - | (81.0) |
| Purchase of own shares | (227.9) | - |
| Sale of own shares | 12.1 | - |
| Equity dividends paid | (100.0) | (83.6) |
| Dividends paid to minority interests | (68.0) | - |
| Foreign exchange adjustment | 11.5 | 4.8 |
| Debt acquired with operations | (5.7) | - |
| Debt disposed of with operations | 12.0 | - |
| Convertible bond IAS 32/39 opening balance adjustment | 42.3 | - |
| Borrowing costs written off | (17.3) | (35.1) |
| New finance leases | (40.9) | (15.3) |
| Other non-cash movements | (3.5) | (13.5) |
| Movement in net debt | 122.5 | 440.2 |
| Net debt at the start of the year | (1,472.0) | (2,221.5) |
| Net debt at the end of the period* | (1,349.5) | (1,781.3) |
| * Includes 100% of Alumbra cash and third party shareholder loans | | |

Despite tax paid increasing by \$243 million versus the prior period, cash flow before capital expenditure increased by 18% to \$857 million compared to the first half of 2004.

The financial instruments accounting standards IAS 32 and IAS 39 were adopted effective 1 January 2005, resulting in a portion of the convertible bond net proceeds being reallocated to equity. Borrowing costs written off relate to the payment of debt arrangement fees in connection with the bid for WMC Resources.

RECONCILIATION OF EBITDA TO NET CASH FLOW FROM OPERATING ACTIVITIES

| \$m | Six months to 30.06.05 | Six months to 30.06.04 |
|---|------------------------------|---------------------------|
| EBITDA (operating) | 1,358.0 | 903.7 |
| Discontinued operations EBITDA | - | 0.2 |
| Net profit on disposal of property, plant & equipment | - | (2.2) |
| (Increase)/decrease in inventories | (92.9) | 18.1 |
| Increase in trade and other receivables | (53.1) | (52.2) |
| Increase in deferred stripping and other assets | (90.7) | (6.0) |
| Increase/(decrease) in creditors | 12.1 | (52.2) |
| Movement in provisions and other non-cash items | 3.3 | (12.8) |
| Net cash inflow from operating activities | 1,136.7 | 796.6 |

Inventories rose as concentrate stocks increased, due to lower smelter production at the Mount Isa copper operations as converter maintenance was undertaken, together with lower copper sales volumes from Alumbraera due to shipment delays. The increase was partially offset by reduced concentrate inventories at the European zinc smelters and drawdown of thermal coal stockpiles, due to higher domestic sales volumes in South Africa and a plant upgrade at the Bulga operation in Australia towards the end of the period. The increase in receivables was primarily due to higher sales prices across all of Xstrata's commodity businesses and a reduction in the use of more costly debtor financing in South Africa.

As a consequence of the ongoing development of Australian operations, stripping ratios increased, with significant overburden removal at both the Black Star zinc lead open pit at Mount Isa and at the Ernest Henry copper operation increasing the value of deferred stripping assets. Other assets also increased due to increased receivables from Merafe Resources Ltd (Merafe), Xstrata's partner in the Xstrata-Merafe Chrome Venture, for short-term funding purposes while Merafe completes its capital raising.

Although creditor balances decreased, this was mostly due to the non-cash effect of a stronger US dollar on local currency payables. The underlying creditor movements resulted in a net positive effect on cash, as timing of payments outweighed higher raw material prices and peak period electricity prices in South Africa.

NET DEBT SUMMARY

| \$m | As at 30.06.05 | As at 30.06.04 | As at 31.12.04 |
|------------------------------------|-------------------|-------------------|-------------------|
| Cash | 263.8 | 297.1 | 459.6 |
| External borrowings | (1,403.0) | (2,010.7) | (1,760.1) |
| Arrangement fees | 11.9 | 14.5 | 13.5 |
| Finance leases | (222.2) | (82.2) | (185.0) |
| Net debt * | (1,349.5) | (1,781.3) | (1,472.0) |
| Net debt to equity | 18.6% | 29.5% | 20.1% |
| By currency: | | | |
| AUD | (61.4) | 2.7 | (51.1) |
| EUR | 1.8 | (1.8) | - |
| GBP | (1.1) | (4.6) | 8.5 |
| USD | (1,276.9) | (1,738.8) | (1,441.8) |
| ZAR | (12.6) | (41.4) | 10.1 |
| Other | 0.7 | 2.6 | 2.3 |
| Net debt by currency | (1,349.5) | (1,781.3) | (1,472.0) |
| * Includes 100% of Alumbraera cash | | | |

Finance leases included in debt increased primarily in respect of rail infrastructure associated with the Rolleston thermal coal project in Queensland, Australia.

Working Capital

MOVEMENTS IN WORKING CAPITAL

| \$m | As at 30.06.05 | As at 31.12.04 |
|-----------------------------|-------------------|-------------------|
| Inventories | 851.7 | 825.9 |
| Trade and other receivables | 970.0 | 897.9 |
| Trade and other payables | (759.6) | (788.8) |
| Net working capital | 1,062.1 | 935.0 |

The differences between the working capital balances above and the movements shown in the EBITDA cash flow reconciliation reflect non-cash items such as movements in exchange rates and non-current assets, such as deferred stripping.

Treasury Management and Financial Instruments

Group Treasury has responsibility for strategic planning of the Group's treasury activities. Its responsibilities include: management of the Group's cash resources and debt funding programmes; funding acquisitions and investments; management of interest rate and foreign exchange exposures; and co-ordinating effectively relationships with banks, rating agencies and other financial institutions.

The Group is exposed to US dollars through its revenue stream. The Group will seek to source debt capital in US dollars directly or by borrowing in other currencies and swapping them into US dollars, thus matching the negative exposure of our debt service obligations against the positive exposure of our revenue.

Currency Hedging

Currency hedging may be used to reduce the Group's short-term exposure to fluctuations in the Australian dollar, Euro and Sterling exchange rates to the US dollar. The Australian dollar hedging gains reflected in the income statement for the period ended 30 June 2005 amounted to \$32 million compared to \$141 million for the corresponding period in 2004. The unrealised mark-to-market gain on currency hedging in place at 30 June 2005 was \$2 million.

FOREIGN CURRENCY FORWARD CONTRACTS

| | Currencies | Forward sale \$m 30.06.05 | Weighted average exchange rate | Fair value \$m 30.06.05 |
|----------------------|------------|---------------------------------|--------------------------------------|-------------------------------|
| <i>Maturing 2005</i> | | | | |
| Coal NSW | \$ to AUD | 454.6 | 0.7549 | 2.7 |
| Coal Qld | \$ to AUD | 243.2 | 0.7534 | 1.7 |
| Copper | \$ to AUD | 6.0 | 0.7672 | (0.1) |
| | \$ to AUD | 703.8 | 0.7545 | 4.3 |
| Coal NSW | AUD to GBP | 21.9 | 0.3954 | (1.7) |
| Coal Qld | AUD to EUR | 2.9 | 0.5626 | (0.3) |
| Copper | AUD to EUR | 0.6 | 0.5887 | - |
| Copper | \$ to EUR | 1.3 | 1.2261 | - |
| <i>Maturing 2006</i> | | | | |
| Coal NSW | \$ to AUD | 182.2 | 0.7533 | - |
| Coal Qld | \$ to AUD | 70.6 | 0.7516 | 0.1 |
| Total | | 983.3 | | 2.4 |

Commodity Hedging

The Group is exposed to fluctuations in commodity prices, with the commodity mix spread relatively evenly between those which are priced by reference to prevailing market prices on terminal markets and those that are set on a contract basis with customers, generally on an annual basis. Commodity hedging relates to forward contracts covering a portion of planned attributable gold, copper, coal and silver production. The commodity hedging gain reflected in the income statement for the period ended 30 June 2005 amounted to \$2 million.

The unrealised mark-to-market loss on commodity hedging in place at 30 June 2005 was \$13 million.

COMMODITY FORWARD CONTRACTS

| | Commodity | Volume | Average Price \$* | Fair value \$m 30.06.05 |
|--|-----------|-----------|----------------------|-------------------------------|
| <i>Maturing in 2005</i> | | | | |
| Thermal coal (tonnes) | \$ Coal | 1,080,000 | 54.2 | 3.2 |
| Gold (ounces) | AUD Gold | 43,596 | 477.5 | 1.4 |
| Gold (ounces) | \$ Gold | 71,432 | 367.0 | (5.3) |
| Copper (tonnes) | \$ Copper | 28,200 | 3,181.1 | (4.2) |
| Silver (ounces) | \$ Silver | 1,200,000 | 7.4 | 0.2 |
| <i>Maturing in 2006</i> | | | | |
| Gold (ounces) | AUD Gold | 87,095 | 515.3 | 4.0 |
| Gold (ounces) | \$ Gold | 139,000 | 374.4 | (10.8) |
| Copper (tonnes) | \$ Copper | 77,550 | 2,804.2 | (0.5) |
| Silver (ounces) | \$ Silver | 2,400,000 | 7.2 | (0.2) |
| Thermal coal (tonnes) | \$ Coal | 2,055,000 | 53.1 | (1.5) |
| <i>Maturing 2007 to 2009</i> | | | | |
| Gold (ounces) | AUD Gold | 260,500 | 553.5 | 10.3 |
| Gold (ounces) | \$ Gold | 125,000 | 386.3 | (9.9) |
| Total | | | | (13.3) |
| * The average price is stated in US dollars and where necessary has been converted from foreign currencies at period end exchange rates. | | | | |

The copper hedges maturing in 2005 relate to sale of concentrate from Alumbra that have been concluded but which will only price with reference to quotational periods in the second half of the year. Forward sales are used to lock in prices at the time of concluding the physical sale. The Ernest Henry copper gold operation is scheduled in 2006 to enter a period of abnormally low ore grades for several months. As a consequence, unit costs are expected to increase temporarily. A decision was taken to lock in the profitability of the operation through the forward sale of copper for this period.

Interest Rate Hedging

The Group normally borrows and invests at floating rates of interest. A limited amount of fixed rate hedging is undertaken during periods where the Group's exposure to movements in short-term interest rates is more significant. The unrealised mark-to-market gain on interest rate hedging in place at 30 June 2005 was \$10 million.

INTEREST RATE SWAPS

| | Principal \$m | Average rate % | Fair value \$m 30.06.05 |
|--|------------------|----------------------|-------------------------------|
| <i>Maturing 2005</i> | | | |
| Interest rate swapped to fixed rates | 600 | 2.2 | 0.9 |
| <i>Maturing 2010</i> | | | |
| Interest rate swapped from fixed rates | 600 | 4.5 | 9.1 |
| Total | | | 10.0 |

Consolidated Capital Expenditure

Capital expenditure increased compared to the same period last year as additional projects were initiated to take advantage of a continuation of elevated commodity prices. Overall capital expenditure across the Group increased by \$190 million or 118% to \$351 million.

Sustaining capital expenditure of \$153 million included:

- \$70 million at Xstrata Coal, including \$14 million of expenditure towards the \$68 million longwall system at the Ulan underground mine and \$11 million towards the \$16 million underground drift conveyor system at the same operation;
- \$30 million at Mount Isa Copper including \$8 million for continued mobile equipment replacements to assist in mining at greater depth at Ernest Henry, together with \$8 million for mine developments at Mount Isa.

While the expenditure above is generally sustaining in nature, these investments in new equipment and technologies are expected to increase efficiencies and throughput.

Expansionary capital expenditure of almost \$200 million included progress on Xstrata's two key growth projects, the Rolleston coal development in Queensland, Australia, and Project Lion, the greenfield ferrochrome smelter and related mine in South Africa. At Rolleston, \$78 million was spent in the period, and the operation remains on track to commence production in the fourth quarter of 2005, on time and within budget. At Project Lion, \$31 million was incurred in the period as construction ramped up, and again, despite escalating input costs, in particular steel, the project remains both on budget and schedule for commissioning in the second half of 2006.

CAPITAL EXPENDITURE SUMMARY

| \$m | Six months to 30.06.05 | Six months to 30.06.04 | Year ended 31.12.04 |
|--|------------------------------|------------------------------|------------------------|
| Alloys | 10.8 | 2.4 | 10.1 |
| Coal | 70.6 | 63.3 | 132.3 |
| Copper | 38.2 | 23.7 | 94.6 |
| Zinc | 31.8 | 21.6 | 65.7 |
| Technology | 0.2 | 0.1 | 0.5 |
| Unallocated | 1.4 | 1.6 | 3.0 |
| Total Sustaining | 153.0 | 112.7 | 306.2 |
| <i>Attributable Sustaining</i> | <i>139.6</i> | <i>106.0</i> | <i>286.6</i> |
| Alloys | 48.9 | 15.0 | 36.9 |
| Coal | 128.0 | 22.7 | 172.1 |
| Copper* | 10.8 | 4.6 | 4.7 |
| Zinc | 9.9 | 6.1 | 29.6 |
| Total Expansionary | 197.6 | 48.4 | 243.3 |
| <i>Attributable Expansionary</i> | <i>190.5</i> | <i>46.9</i> | <i>241.9</i> |
| Alloys | 59.7 | 17.4 | 47.0 |
| Coal | 198.6 | 86.0 | 304.4 |
| Copper* | 49.0 | 28.3 | 99.3 |
| Zinc | 41.7 | 27.7 | 95.3 |
| Technology | 0.2 | 0.1 | 0.5 |
| Unallocated | 1.4 | 1.6 | 3.0 |
| Total | 350.6 | 161.1 | 549.5 |
| <i>Attributable total</i> | <i>330.1</i> | <i>152.9</i> | <i>528.5</i> |
| * Excludes Las Bambas project acquisition in August 2004 | | | |

The industry is currently experiencing significant cost pressures due to rising input costs, particularly raw materials and labour. Xstrata continues to expect that sustaining capital expenditure will rise to the level indicated at our annual results earlier this year, to around \$315 million across the Group.

As highlighted earlier in the year, expansionary capital expenditure will also rise with a number of major, discrete projects accelerated to take advantage of the current commodity pricing environment. The most significant of these are Project Lion and the development of the open cut Rolleston coal mine, both of which will incur the bulk of their capital expenditure this year. Other major items of expansionary capital expenditure include the following:

- Xstrata Coal will spend \$23 million to upgrade the coal flotation plant at Newlands. This project is particularly attractive because as well as providing additional capacity to coincide with the development of the new Northern underground mine, it will also yield an increased proportion of coking coal. The Northern underground mine will be operational in the first quarter of 2006 at a total cost to Xstrata of approximately \$25 million.
- The feasibility study on the Goedgevonden colliery development in South Africa will be completed by the end of 2005. It is anticipated that potential production capacity from Goedgevonden will reach three million tonnes of export thermal coal and three to four million tonnes of domestic power station feedstock. The timing of the project is contingent upon rail infrastructure and the Richards Bay Coal Terminal expansion;
- Construction will begin on the UG2 mine and concentrator for the Mototolo joint venture with Anglo Platinum, with Xstrata's share estimated at approximately \$33 million for the second half of 2005 as outlined below.
- During the second half, \$11 million of a planned \$25 million will be incurred to develop the Northern 3500 underground copper orebody at Mount Isa's Enterprise copper mine. The development enables

improved utilisation of the existing hoisting and concentrating facilities and allows the mine to achieve its rated capacity of 3.5 million tonnes per annum.

- \$13 million of an estimated total of \$29 million will be spent to expand the capacity of the Mount Isa copper smelter to 280,000 tonnes per annum. The expansion is currently in the design and tender phases and is scheduled for completion in mid 2006.

Total expansionary capital expenditure for the full year is expected to be in the range of \$630 to \$650 million, in line with guidance provided at the time the full year results for 2004 were announced.

Acquisitions

| Acquisition summary including acquired debt \$m | Six months to 30.06.05 | Six months to 30.06.04 |
|--|-----------------------------------|---------------------------|
| Cook Colliery | - | 6.3 |
| African Carbon Group * | 66.5 | - |
| Universal Resources Limited (Universal) | 5.1 | - |
| Total | 71.6 | 6.3 |
| * Includes net debt acquired of \$3.0 million | | |

In January 2005, Xstrata Alloys acquired a controlling stake in the African Carbon Group ("ACG"), a char producer situated in the Mpumalanga province, South Africa. The acquisition of ACG extends Xstrata Alloys' strategy to secure its own supply of reductants. Integration is now advanced, and it is envisaged that operational synergies will be realised in the second half.

In March 2005, Xstrata Copper acquired 13.2% of Universal Resources Limited (Universal) a listed Australian exploration company for a cost of \$5 million. Universal owns a number of prospective copper deposits in the Mount Isa Inlier in north west Queensland. Xstrata Copper has the right to explore the deeper deposits and has secured an option to acquire 51% of the deposits should the exploration prove viable.

In May 2005, Xstrata Alloys and Merafe Resources Limited ("Merafe") signed an agreement with Samancor to acquire chrome ore reserves and resources associated with the Kroondal and Marikana mining areas for a total consideration of \$16 million and \$29 million respectively. Xstrata's share of the total consideration is \$29.5 million. The consideration for the Marikana reserves has been paid to Samancor, however the transaction requires South African Competition Commission clearance before these resources can be exploited. As a result, the amount is reflected as a receivable in Xstrata's accounts. Approval for the acquisition is expected in the second half of 2005.

In August 2005, Anglo Platinum and Xstrata Alloys announced the formation of the Mototolo Joint Venture to develop a platinum group metals (PGM) mine and concentrator on the Eastern Limb of the Bushveld Complex in Mpumalanga, South Africa. The total capital expenditure for the project is estimated at \$200 million to commissioning, of which Xstrata's share is \$100 million. Construction of the mine and concentrator is expected to commence in the third quarter of 2005, with initial production of PGM ounces anticipated in the last quarter of 2006 and full production in the third quarter of 2007.

Disposals and other changes to group companies

In January 2005, Xstrata sold its wholly owned forestry operation in Chile, Forestal Los Lagos SA ("FLL") realising a \$4 million gain on the disposal.

In April 2005, Xstrata Alloys reached agreement with Precious Metals Australia Limited ("PMA") regarding the disposal of the Windimurra vanadium project. The sale was finalised in August 2005 following approval by all relevant Western Australian government departments and authorities of the transfer of the tenements, assets and liabilities associated with the Windimurra vanadium project to PMA. As a consequence, Xstrata is now released from all obligations associated with the Windimurra project.

Dividends

The Directors have proposed a 2005 interim dividend of 9 US¢ per share amounting to \$55 million which will be paid on 14 October 2005. The proposed final 2004 dividend of 16 US¢ per share amounting to \$100 million was paid on 20 May 2005.

INTERIM DIVIDEND DATES

| | 2005 |
|--|--------------|
| Ex-dividend date | 21 September |
| Deadline for return of currency election forms | 23 September |
| Record date | 23 September |
| Applicable exchange rate date | 7 October |
| Payment date | 14 October |

As Xstrata plc is a Swiss tax resident company, the dividend payment will be taxed at source in Switzerland at the rate of 35%. A full or partial refund of this tax may be available in certain circumstances.

The interim dividend is declared and will be paid in US dollars. Shareholders may elect to receive this dividend in Sterling, Euros or Swiss francs. The Sterling, Euro or Swiss francs amount payable will be determined by reference to the exchange rates applicable to the US dollar seven days prior to the dividend payment date. Dividends can be paid directly into a UK bank or building society account to shareholders who elect for their dividend to be paid in Sterling.

Further details regarding tax refunds on dividend payment, together with currency election and dividend mandate forms, are available from Xstrata's website (www.xstrata.com) or from the Company's Registrars.

Share Data

Under IFRS, own shares (treasury stock) are deducted from the total issued share capital when calculating earnings per share. During the period, 1.2 million shares were sold in the market and 1 million shares were issued relating to the disposal of Xstrata equity allotted to an Employee Share Ownership Trust, (an employees' share scheme as that term is defined for the purposes of the Companies Act 1985 and within the provisions), to service the exercise of employee share options.

SHARE PRICE: First half 2005

| | XTA LSE (GBp) | XTA SWX (CHF) |
|------------------------|------------------|------------------|
| Closing price 31.12.04 | 9.31 | 20.50 |
| Closing price 30.06.05 | 10.77 | 24.50 |
| Period high | 10.94 | 24.75 |
| Period low | 8.69 | 19.20 |

SHARES IN ISSUE FOR EPS CALCULATIONS

| | Number of Shares |
|--|---------------------|
| <u>2005</u> | |
| Weighted average for 6 months ended 30.06.05 used for 2005 statutory eps calculation | 622,628,394 |
| <u>2004</u> | |
| Weighted average for 6 months ended 30.06.04 used for 2004 statutory eps calculation | 627,373,636 |
| Total issued share capital | 632,502,416 |

Equity Capital Management Programme

Under the equity capital management programme (ECMP), up to 10% of the issued capital of Xstrata plc can be purchased in the market by Batiss Investments (Batiss), a Guernsey-registered entity owned by a trust and independent of the Xstrata Group. During the period to 30 June 2005, 13.6 million shares were purchased under the ECMP for \$228 million. This brings the total purchases to 30 June 2005 to 17 million shares (2.7% of ordinary share capital) at an average cost of GBP9.64 per share. No shares were sold under the ECMP during the period.

Future Application of Xstrata Shares Held by Batiss

Xstrata Capital intends that the shares held by Batiss will either be used by the Group as a source of financing for future acquisitions, in keeping with the Group's growth strategy, or placed in the market.

The decision when to place the shares in the market, use the shares to assist the Group in facilitating future transactions, or to repurchase shares for cancellation, will be considered in light of the Group's funding requirements and capital structure at the time.

Accounting Treatment

For so long as the shares continue to be held by Batiss they are disregarded for the purposes of calculating the earnings per share of Xstrata plc. Batiss will be consolidated by Xstrata as a quasi-subsiidiary, and the shares held by it will be accounted for as a deduction from shareholders' funds in the consolidated balance sheet of the Group.

If Xstrata shares held by Batiss are subsequently disposed of by way of a placing or as consideration for an acquisition by the Group, any gain or loss will be taken directly to the Group's reserves.

PUBLICLY DISCLOSED MAJOR SHAREHOLDERS

| | % of Ordinary Issued Share Capital at 30.06.05 |
|--|---|
| Glencore International AG* | 40.33 |
| Credit Suisse Group* | 40.59 |
| Fidelity Investments | 3.85 |
| Standard Life Investments Ltd | 3.14 |
| * Pursuant to a capital management programme, as announced on 29 May 2003, entered into by Credit Suisse First Boston Equities Limited (CSFB Equities) and Credit Suisse First Boston (Europe) Limited (CSFB Europe), (being members of the Credit Suisse Group), and Glencore International AG (Glencore), in connection with the Group's acquisition of the MIM Group and the associated Rights Issue, Glencore, CSFB Equities and CSFB Europe are jointly interested in 255,096,956 (253,699,767) ordinary shares representing 40.33% (June 2004: 40.17%) of the issued share capital of the Company. | |

Xstrata Alloys

Chrome

FINANCIAL AND OPERATING DATA

| \$m | Six months to 30.06.05 | Six months to 30.06.04 | Year ended 31.12.04 |
|---|---------------------------|---------------------------|------------------------|
| Revenue | 447.9 | 363.0 | 819.3 |
| EBITDA (operating)* | 116.4 | 89.9 | 168.9 |
| Depreciation & amortisation | (12.2) | (9.6) | (20.0) |
| Operating profit** | 104.2 | 80.3 | 148.9 |
| Net assets | 597.1 | 409.7 | 483.1 |
| Capital employed | 725.3 | 533.8 | 618.7 |
| Share of Group operating profit | 9.7% | 13.0% | 9.9% |
| Share of Group net assets | 8.2% | 6.8% | 6.6% |
| Return on capital employed*** | 26.9% | 32.7% | 27.3% |
| Capital expenditure | 54.4 | 13.7 | 42.5 |
| Sustaining | 8.4 | 1.9 | 8.8 |
| Expansionary | 46.0 | 11.8 | 33.7 |
| Attributable saleable production (kt) | 591.8 | 588.7 | 1,225.4 |
| Indicative average published price (£/lb) (Metal Bulletin) | 75.5 | 63.0 | 68.0 |
| * Previously disclosed as EBITDA (pre-exceptionals) in UK GAAP Interim and Annual Reports | | | |
| ** Previously disclosed as EBIT (pre-exceptionals) in UK GAAP Interim and Annual Reports | | | |
| *** ROCE % based on average exchange rates for the period | | | |

Markets

Demand for ferrochrome remained strong during the first half of 2005 and quoted European base prices increased by 6.8% from 73 US¢ per pound to 78 US¢ per pound.

The market for ferrochrome was supported by strong stainless steel melt growth in the first half of 2005, estimated at around 13 million tonnes, up by around 7.4% from 12.1 million tonnes for the same period in 2004. China continues to be the major growth area with melt expected to increase by over 30% to approximately 3.7 million tonnes for the full year.

Some correction in stainless steel melt is inevitable in the second half, as stocks build in China. This, together with the recent depreciation of the South African rand against the US dollar, which declined by 6.5% from Q1 to Q2, will result in downward pressure on ferrochrome prices. The third quarter base price has declined by 5 US¢ per pound.

Despite some short-term softening, the outlook for ferrochrome demand remains steady, with global demand anticipated to rise to around 6 million tonnes for the full year, up from 5.5 million tonnes in 2004.

Operations

Revenue during the first half of 2005 increased by 23% compared to the corresponding period in 2004, predominantly driven by higher prices. Operating profit improved by 30% to \$104.2 million.

The exceptional pricing volatility for reductants experienced in 2004 has stabilised, albeit at higher levels. Although coke prices are expected to weaken somewhat in the second half of 2005, this benefit will only be realised in the fourth quarter as higher priced stocks are depleted. Nonetheless, real progress was made in controlling costs in the first half of 2005 across all our operations. Operational costs (ZAR per tonne) increased by around 3% period on period in real terms, attributable mainly to the higher cost of the Boshhoek plant, which was only incorporated into Xstrata's results in the second half of 2004.

Since inception of the Xstrata-Merafe Chrome Venture, significant progress has been achieved in reducing operating costs at the Boshhoek plant. Operating costs are expected to improve further in the second half due to the recent acquisition of the Kroondal and Marikana chrome resources by the Xstrata-Merafe Chrome Venture partners and the furnace reconfiguration to improve efficiencies that will take place at Boshhoek during the winter maintenance shutdown.

Operating costs on a pro-forma basis, excluding the Boshhoek operation, were reduced by 0.5% in real terms (ZAR per tonne), driven primarily by reduced coke usage and enhanced metallurgical efficiencies. The initial sharing in the EBITDA from the Xstrata-Merafe Chrome Venture was structured to anticipate the disparity in costs between the Xstrata and Merafe operations, with Merafe's share of the EBITDA increasing annually over a three year period as operational efficiencies are increased and synergies realised.

Operating conditions improved during the first half due to increased metallurgical efficiencies, particularly at the Rustenburg pelletising plant, reduced raw material requirements and improved availability of agglomerated ores. In June 2005, suspensions were announced at seven of the Xstrata-Merafe Chrome Venture furnaces to perform planned maintenance during the winter months when Eskom power prices are elevated. The temporary closures are not expected to have a material impact on 2005 financial performance. Challenging geological conditions at the Western mines continued into the first half but the new opencast section, which began production in late 2004, substantially offset any negative impact on the smelting operations.

OPERATING PROFIT VARIANCES

| | \$m |
|--|--------------|
| Operating profit 30.06.04 | 80.3 |
| Sales price (net of commodity price linked costs) | 56.4 |
| Volumes | (0.5) |
| Unit cost – real | (5.9) |
| Unit cost – inflation | (8.8) |
| Unit cost – foreign exchange | (9.5) |
| Other income and expenses | (3.0) |
| Corporate social responsibility | (2.9) |
| Depreciation and amortisation (excluding foreign exchange) | (1.9) |
| Operating profit 30.06.05 | 104.2 |

Developments

In May 2005, Xstrata and Merafe Resources (formerly SA Chrome Ltd) signed an agreement with Samancor to acquire chrome ore reserves and resources associated with the Kroondal and Marikana mining areas for a total consideration of \$16 million and \$29.1 million respectively. Xstrata's share of the total consideration is \$29.5 million. The new resources are situated close to Xstrata's Wonderkop ferrochrome operations and adjacent to Xstrata's existing Waterval East, Waterval West and Kroondal mines. The agreement allows the Xstrata-Merafe Chrome Venture to begin mining the Marikana portion of the new resources, which borders the western perimeter of Xstrata's Kroondal mine, as soon as the necessary regulatory approvals have been obtained. The Marikana deposit provides a low-cost, immediate source of chrome ore and is a key component of the mining division's efforts to counter the poor geology currently being experienced, particularly at the Kroondal mine and adjacent areas. In addition, Merafe has

signed another agreement to acquire Samancor's 50% stake in the Wonderkop Joint Venture for a total consideration of \$38 million.

The acquisition of Samancor's stake in the Wonderkop joint venture and the acquisition of the Kroondal resources are conditional upon Merafe successfully raising the necessary funds, approval by the South African and European competition authorities and obtaining shareholder approval. Xstrata will assist Merafe in making these acquisitions by providing a bridging loan to fund Merafe's share of the Marikana resources and by standing as guarantor for a new external loan facility which, together with equity financing, will fund Merafe's acquisition of Samancor's stake in the Wonderkop JV and the Marikana and Kroondal resources.

From 1 July 2005, Merafe's share in the earnings from the venture increased from 11% to 14%. Merafe's participation interest is expected to increase to 20.5% by 1 July 2006 following the successful completion of the acquisition of the Wonderkop JV and Marikana reserves, along with the conclusion of phase one of the Lion project.

In January 2005, Xstrata Alloys acquired the African Carbon Group, a char producer situated in the Mpumalanga province in South Africa. The purchase extends Xstrata Alloys' strategy to secure its supply of reductants and to gain greater control over key inputs into the ferrochrome manufacturing process. Other reductant supply alternatives continue to be actively pursued by the carbon division.

Construction started on the 360,000 tonnes per annum first stage of the Lion project in late December 2004, following finalisation of the environmental impact study. The project is on schedule and on budget and commissioning is on track to commence in the second half of 2006, ramping up to full production in the first half of 2007.

In August 2005, Anglo Platinum and Xstrata Alloys announced the formation of the Mototolo Joint Venture to develop a platinum group metals (PGM) mine and concentrator on the Eastern Limb of the Bushveld Complex in Mpumalanga, South Africa. The project is expected to produce approximately 132,000 ounces of platinum and 82,000 ounces of palladium in concentrate per annum. Anglo Platinum and Xstrata will each contribute a similar amount of in-situ PGM reserves and resources. The project benefits from a life of mine of approximately 20 years at a planned milling rate of 200,000 tonnes per month and an estimated head grade of 3.74 grammes per tonne.

Xstrata will be responsible for developing and operating the underground mine, contributing its expertise in mechanised room and pillar mining, while Anglo Platinum will construct and manage a 200,000 tonnes per month PGM concentrator. Anglo Platinum will purchase Xstrata's 50% share of PGM concentrate for further smelting refining and marketing of finished product. Xstrata will construct a beneficiation plant at its own cost to process the UG2 chrome tailings arising from the PGM concentrator and will purchase Anglo Platinum's share of chrome concentrate. The total capital expenditure for the project is estimated at \$200 million to commissioning, of which Xstrata's share is \$100 million. Construction of the mine and concentrator is expected to commence in the third quarter of 2005, with initial production of PGM ounces anticipated in the last quarter of 2006 and full production in the third quarter of 2007.

Encouraging progress has been made in the implementation of Xstrata's transformation programme to comply with the requirements of the Minerals and Petroleum Resources Development Act (MPRDA). Notable progress was particularly made in the areas of Employment Equity (EE) and Black Economic Empowerment (BEE) procurement. The number of historically disadvantaged South Africans (HDSAs) in management positions increased from 20% to 23% compared to the corresponding period in 2004. BEE procurement accounted for 23% of Xstrata Alloys' total expenditure on procurement during 2004 and increased to 31% of total procurement expenditure during the period under review.

Vanadium

FINANCIAL AND OPERATING DATA

| \$m | Six months to 30.06.05 | Six months to 30.06.04 | Year ended 31.12.04 |
|---|------------------------------|---------------------------|------------------------|
| Revenue | 191.0 | 64.1 | 133.7 |
| EBITDA (operating)* | 94.2 | 22.9 | 34.1 |
| Depreciation & amortisation | (2.8) | (3.1) | (5.0) |
| Operating profit** | 91.4 | 19.8 | 29.1 |
| Net assets | 141.0 | 122.9 | 143.3 |
| Capital employed | 141.9 | 123.1 | 143.6 |
| Share of Group operating profit | 8.4% | 3.2% | 1.9% |
| Share of Group net assets | 2.0% | 2.0% | 2.0% |
| Return on capital employed*** | 119.8% | 34.9% | 23.1% |
| Capital expenditure | 5.3 | 3.7 | 4.5 |
| Sustaining | 2.4 | 0.5 | 1.3 |
| Expansionary | 2.9 | 3.2 | 3.2 |
| Attributable saleable production | | | |
| V ₂ O ₅ (k lbs) | 10,016 | 10,529 | 21,067 |
| Ferrovanadium (k kg) | 2,551 | 2,691 | 5,791 |
| Indicative average published prices | | | |
| V ₂ O ₅ (\$/lb) | 20.6 | 5.3 | 6.0 |
| (Metal Bulletin) | | | |
| Ferrovanadium (\$/kg V) | 88.0 | 24.1 | 27.2 |
| (Metal Bulletin) | | | |
| * Previously disclosed as EBITDA (pre-exceptionals) in UK GAAP Interim and Annual Reports | | | |
| ** Previously disclosed as EBIT (pre-exceptionals) in UK GAAP Interim and Annual Reports | | | |
| *** ROCE % based on average exchange rates for the period | | | |

Markets

Carbon steel, the major market for vanadium, continued to show strong growth in the first half of 2005, with world crude steel production forecast to have increased by around 8% over this period. The associated robust increase in demand, in combination with no meaningful increase in vanadium supply, resulted in a continued supply deficit.

Ferrovanadium prices increased rapidly to an average of \$88 per kilogram for the first half of 2005, compared to an average price of \$27 per kilogram in 2004. The extended period of elevated vanadium prices is resulting in substitution in certain applications, reducing demand and placing downward pressure on prices. Prices are, however, expected to remain above historical levels for the remainder of the year.

Operations

Revenue increased by almost 200% to \$191 million compared with the previous period, while operating profit increased by 362% to \$91 million. Increased profitability was principally driven by higher sales prices, despite the effects of US dollar weakness and marginal increases in real unit costs during the period. Vanadium pentoxide volumes were lower than the previous period, due to the closure of Xstrata's Vantech operation announced in November 2004. Vantech produced 1.1 million pounds of vanadium pentoxide in 2004 before the operation was put onto a care and maintenance schedule and ceased production in the first half of 2004.

Rhovan, Xstrata's remaining vanadium operation, showed a steady 6.7 % improvement in output. This improvement was driven by several minor capital expenditure projects to improve mill feed and coal burner performance.

During the period, Xstrata Alloys took advantage of the very strong price environment for vanadium to access previously uneconomic reserves, incurring additional costs of \$1.9 million but potentially extending the life of mine by six months. Output was also increased over the period in order to maximise operating profits in this high-price environment, but came at the expense of slightly higher unit costs due to lower efficiencies being achieved on energy consumption and overall recoveries.

OPERATING PROFIT VARIANCES

| | \$m |
|--|-------------|
| Operating profit 30.06.04 | 19.8 |
| Sales price (net of commodity price linked costs) | 100.7 |
| Volumes | (7.7) |
| Unit cost – real | (3.1) |
| Unit cost – inflation | (1.3) |
| Unit cost - currency | (0.1) |
| Other income and expenses (Windimurra closure) | (17.7) |
| Depreciation and amortisation (excluding foreign exchange) | 0.6 |
| Operating profit 30.06.05 | 91.4 |

Developments

Xstrata Alloys announced the permanent closure of the Vantech vanadium operation in South Africa in November 2004. Rehabilitation of the site is in progress and is expected to scale down by the second half of 2006. Full closure is expected after a period of approximately five years, to allow groundwater remediation to take place.

Xstrata Alloys announced the permanent closure of the Windimurra vanadium operation in Western Australia in May 2004. In April 2005 Xstrata announced an agreement with Precious Metals Australia (PMA), its former partner in the Windimurra project, to sell the tenements, remaining project assets and all project information about Windimurra to PMA. The sale was finalised in August 2005 and all relevant Western Australian government departments and authorities have approved the transfer of the tenements, assets and liabilities associated with the Windimurra vanadium project to PMA. As a consequence, Xstrata is now released from all obligations associated with the Windimurra project.

As part of its obligations, PMA will bear all costs incurred in finalising and implementing the approved Decommissioning and Closure Plan. To facilitate this, Xstrata has paid PMA AUD10.3 million, representing the estimated total rehabilitation cost required to final closure, less costs incurred on rehabilitation since the 22 April announcement. PMA has provided replacement performance bonds, following Xstrata's release from the bonds provided in respect of the project.

Xstrata Coal

FINANCIAL AND OPERATING DATA

| \$m | Six months to 30.06.05 | Six months to 30.06.04 | Year ended 31.12.04 |
|--|---------------------------|---------------------------|------------------------|
| Revenue: own production | 1,556.6 | 1,145.2 | 2,510.1 |
| Coking Australia | 256.5 | 130.5 | 358.3 |
| Thermal Australia | 950.7 | 770.7 | 1,587.8 |
| Thermal South Africa | 349.4 | 244.0 | 564.0 |
| Revenue: third party purchased coal | 88.8 | 43.9 | 183.3 |
| Thermal Australia | 56.3 | 43.9 | 76.3 |
| Thermal South Africa | 32.5 | - | 107.0 |
| Total revenue | 1,645.4 | 1,189.1 | 2,693.4 |
| Coking Australia | 256.5 | 130.5 | 358.3 |
| Thermal Australia | 1,007.0 | 814.6 | 1,664.1 |
| Thermal South Africa | 381.9 | 244.0 | 671.0 |
| EBITDA (operating)* | 642.5 | 363.6 | 916.0 |
| Coking Australia | 113.2 | 36.2 | 144.1 |
| Thermal Australia | 401.8 | 266.7 | 597.7 |
| Thermal South Africa | 127.5 | 60.7 | 174.2 |
| Depreciation & amortisation | (127.5) | (128.3) | (248.2) |
| Coking Australia | (15.8) | (15.0) | (32.5) |
| Thermal Australia | (75.2) | (77.2) | (143.6) |
| Thermal South Africa | (36.5) | (36.1) | (72.1) |
| Operating profit** | 515.0 | 235.3 | 667.8 |
| Coking Australia | 97.4 | 21.2 | 111.6 |
| Thermal Australia | 326.6 | 189.5 | 454.1 |
| Thermal South Africa | 91.0 | 24.6 | 102.1 |
| Net assets | 4,269.2 | 3,974.6 | 4,550.6 |
| Australia | 2,865.2 | 2,447.6 | 2,868.5 |
| South Africa | 1,404.0 | 1,527.0 | 1,682.1 |
| Capital employed | 4,500.0 | 4,082.6 | 4,751.1 |
| Australia | 3,087.3 | 2,529.8 | 3,053.5 |
| South Africa | 1,412.7 | 1,552.8 | 1,697.6 |
| Share of Group operating profit | 47.7% | 38.0% | 44.4% |
| Australia | 39.3% | 34.0% | 37.6% |
| South Africa | 8.4% | 4.0% | 6.8% |
| Share of Group net assets | 58.9% | 65.7% | 62.4% |
| Australia | 39.5% | 40.4% | 39.3% |
| South Africa | 19.4% | 25.3% | 23.1% |
| Return on capital employed*** | 22.2% | 11.4% | 15.3% |
| Australia | 27.1% | 15.7% | 19.6% |
| South Africa | 12.1% | 3.4% | 6.8% |
| Capital expenditure | 198.6 | 86.0 | 304.4 |
| Australia | 178.7 | 65.6 | 239.6 |
| South Africa | 19.9 | 20.4 | 64.8 |
| Sustaining | 70.6 | 63.3 | 132.3 |
| Expansionary | 128.0 | 22.7 | 172.1 |

* Previously disclosed as EBITDA (pre-exceptionals) in UK GAAP Interim and Annual Reports

** Previously disclosed as EBIT (pre-exceptionals) in UK GAAP Interim and Annual Reports

*** ROCE % based on average exchange rates for the period

PRODUCTION DATA

| (million tonnes) | Six months to 30.06.05 | Six months to 30.06.04 | Year ended 31.12.04 |
|--|---------------------------|---------------------------|------------------------|
| Total consolidated production | 29.6 | 28.9 | 60.0 |
| Queensland coking | 2.4 | 2.5 | 5.2 |
| NSW Semi-soft coking | 2.5 | 4.1 | 6.7 |
| Australian thermal | 15.5 | 13.6 | 28.9 |
| South African thermal | 9.2 | 8.7 | 19.2 |
| Consolidated Australian sales total† | 21.2 | 21.0 | 41.5 |
| Queensland coking export | 2.5 | 2.2 | 4.9 |
| NSW semi-soft coking export | 2.5 | 4.1 | 6.7 |
| Thermal export | 14.2 | 12.6 | 25.6 |
| Domestic | 2.0 | 2.1 | 4.3 |
| Consolidated South African sales total† | 9.6 | 8.2 | 17.5 |
| Thermal export | 6.3 | 6.4 | 12.9 |
| Thermal domestic | 3.3 | 1.8 | 4.6 |
| Attributable Australian sales total† | 20.0 | 19.7 | 39.1 |
| Queensland coking export | 2.5 | 2.2 | 4.9 |
| NSW semi-soft coking export | 2.3 | 3.9 | 6.3 |
| Thermal export | 13.2 | 11.6 | 23.8 |
| Domestic | 2.0 | 2.0 | 4.1 |
| Attributable South African sales total† | 9.6 | 8.2 | 17.5 |
| Thermal export | 6.3 | 6.4 | 12.9 |
| Thermal domestic | 3.3 | 1.8 | 4.6 |
| Average received export FOB coal price (\$/t) | | | |
| Queensland coking | 100.3 | 51.6 | 65.3 |
| NSW semi-soft coking | 63.7 | 43.8 | 47.2 |
| Australian thermal | 50.2 | 35.0 | 40.9 |
| South African thermal | 49.1 | 34.5 | 39.0 |

† All sales data is ex-mine i.e. does not include sale of third party purchased coal

Markets**European and South African thermal coal markets**

The strong demand experienced in the Atlantic market in the second half of 2004 continued through the first six months of 2005, albeit with some softening in the first quarter where prices declined to around \$45 per tonne before regaining ground towards the end of the first half and ending the period at just above \$50 per tonne.

Supply was constrained in a number of areas throughout the period. Lower Chinese exports offset growing Indonesian supply, and a combination of growth constraints in the Australian market and freight differentials curbed the supply of Pacific coal into the Atlantic market.

In South Africa rail infrastructure constraints continued to restrict growth from Richards Bay, with overall export tonnages for the full year expected to either fall or, at best, remain flat. Colombian exports were affected by poor weather and restricted equipment availability, both of which negatively impacted production in the first half.

In Europe, demand was weaker at the start of the year due to an initially mild European winter which caused a fall in coal consumption and a consequent stock build up, however colder weather in March helped to normalise stocks and boosted spot activity.

Increased availability of hydro power in Scandinavia was offset by extremely low hydro reserves in the Iberian Peninsular, which is expected to lead to an increase in coal imports to this area well above 2004 levels. In the UK, imports continue to grow on the back of reduced domestic production and high gas prices.

The EU Emissions Trading Scheme began in January 2005 to trade carbon dioxide allowances between industrial installations. Since the scheme's inception, the price of carbon credits has traded up from an initial range of €6-8 per tonne of carbon dioxide to above €25 per tonne. This, together with high oil, gas and coal prices, has resulted in record European electricity prices for both prompt as well as forward electricity markets. As expected, the advent of carbon emissions trading has had little impact on coal demand from the Atlantic market.

The Americas, in particular the United States, absorbed a significant share of Colombian export volumes as expected.

Xstrata Coal maintained its market share in the South African domestic market and realised price increases linked to inflation or better. Non Eskom sales volumes increased by 16% compared to the corresponding period and realised prices were up by 21%.

Demand from Eskom was strong and while the long-term Eskom contract sales volumes from the Douglas Tavistock JV were lower than the corresponding period, contract prices were higher. The reduced contract sales volumes were more than offset by increased spot sales to Eskom, resulting in total Eskom sales volumes being 143% higher than in the first half of 2004. Realised prices for these spot sales were down 29% due in the main to the lower quality mix. Demand from Eskom is expected to remain robust as previous contracts are replaced and new supply is sought for plants that are to be re-commissioned.

Far East and Australian thermal coal markets

The Pacific thermal coal market remained firm during the first half of 2005, characterised by steady prices indicating supply and demand were closely matched. Coal exports from Australia, Indonesia and China were in line with expectations and the net increase in export production was matched by increases in Asian demand.

Thermal coal demand was firm in each of the major markets of Japan, Korea and Taiwan in the first six months of 2005. Substantial import growth from India and Latin America compensated for a decline in overall Pacific exports to the European market in the six months to June 2005.

In China, growth in the demand for coal used for power generation continues to out-pace increases in domestic thermal coal production. As a result, Chinese thermal coal exports are expected to decline once again in 2005. India is facing a similar shortfall of domestic thermal coal production and both India and Southern China are expected to become increasingly important markets for seaborne export thermal coal.

New South Wales exports during the period were higher than the corresponding period in 2004 due to new production capacity and ongoing improvements to the coal supply chain. The Hunter Valley coal chain capacity distribution scheme, approved by the Australian Competition and Consumer Commission (ACCC), has increased export capacity whilst reducing unnecessary demurrage payments. Growth in overall thermal coal exports from Australia has nevertheless been held back by infrastructure constraints and Australian producers' preference to export higher value coking coal wherever possible, often at the expense of thermal coal. This has been most clearly demonstrated in Queensland where thermal coal exports during the period were below 2004 levels.

Indonesian thermal coal producers have been able to claim the majority of the growth in the Pacific thermal coal market. In addition, Indonesia has been the only major Pacific producer to maintain sales to the Atlantic market as high freight rates in early 2005 substantially reduced the competitiveness of Australian and Chinese coal. Russian thermal coal exports to the Pacific market remain port-constrained.

Indonesia's strong export growth has kept supply and demand in balance in the Pacific market and prices have shown minimal volatility throughout the first half of 2005. During this period the Newcastle FOB spot price has remained range-bound between \$51 and \$53 per tonne.

Xstrata Coal secured an average contract year price (effective 1 April 2005) of around \$53.75 per tonne FOB with the Japanese power utilities. This was in line with the unofficial Japanese Reference Price for JFY05 and represents a 19% price increase over term prices achieved last year by Xstrata Coal. Similar price settlements on a quality-adjusted basis were achieved for Xstrata Coal's sales into the Korean market.

Xstrata Coal continues to direct the majority of its thermal coal sales into the Asian market as first Japanese and now also Korean and Taiwanese customers seek to increase their purchases from reliable Australian suppliers to protect against Chinese volatility. Xstrata Coal also maintained a significant supply contract into Mexico during the first half of 2005.

Despite the current attractiveness of the export market, Xstrata Coal is committed to maintaining a stable and balanced domestic portfolio to provide geographic and currency diversification. Domestic thermal coal sales are predominantly long-term contracts with power utilities in both New South Wales and Queensland and represent about 14% of total thermal coal sales from Xstrata's Australian operations.

Coking coal markets

Steel production in the first half of 2005 maintained the strong growth seen in the three consecutive previous years and was around 8% higher year-on-year, driven by further escalations in Chinese domestic demand for both imported and locally-produced steel.

Global steel prices softened in some regions in the first half of 2005 however prices remained at relatively high levels. Although European steel-makers indicated a slight production slowdown, steel-makers across Asia continued to maximise output and their demand for steel-making raw materials, particularly high quality coking coal, remains undiminished. Higher steel production levels drove demand and prices for export coking coal to record levels.

China continued to influence the global coking coal market during the first half of 2005. The extent of domestic demand for raw materials within China was evidenced not only by the continued imposition of a license system to restrict exports of coke and coking coal but also by the increased volumes of hard coking coal imported, despite record contract prices.

Indian demand for imported coking coal has continued to grow strongly, fuelled by expanding steel demand in the strengthening Indian economy. Indian steel-makers do not have high quality domestic coking coal reserves and therefore import the majority of coking coal required.

A supply gap developed in 2004 following strong growth in the demand for hard coking coal coupled with Australian and Canadian supply problems and infrastructure constraints. This was partially met by the USA's re-emergence as a high-cost swing supplier to the Asian steelmakers. During the first half of 2005 there has been a significant increase in the production and exports of coking coal from Canada and particularly Australia. Consumption levels remain strong and there are no signs of an oversupply situation developing for the premium quality hard coking coals. Coal chain capacity in Queensland continues to constrain export growth to some extent, with substantial improvements and expansions having lead times of around two years.

Hard coking coal settlements for the 2005-06 contract year were reached with Xstrata Coal's worldwide customers at varying prices up to \$135 per tonne, similar levels to the previous contract year. Unlike last year, these prices will not be averaged with lower priced carryover tonnage, caused by inherited production problems at Oaky Creek.

Current contract prices reflect the ongoing positive outlook in the medium to longer term for prime quality, hard coking coals, such as the coals from Xstrata Coal's Oaky Creek and Collinsville operations, on the back of underlying strong demand from the traditional Asian and European markets and continuing growth in demand from markets such as China, India and South America.

The growth in global demand for hard coking coal has also had a positive effect on New South Wales semi-soft coking coal prices. Semi-soft coking coal prices for the year commencing April 2005 have been agreed with existing Asian customers and have risen to an average level of \$79.50 per tonne as compared to \$40 to \$45 per tonne last year. Semi-soft deliveries during the first quarter of the new contract year were affected by Asian steelmakers maximising offtake of lower price carryover tonnage from other producers. Ongoing favourable market conditions for semi-soft coking coals will depend on the future availability of hard coking coal.

Operations

OPERATING PROFIT VARIANCES

| | \$m |
|---|--------------|
| Operating profit 30.06.04 | 235.3 |
| Sales price (net of commodity hedging and commodity price linked costs) | 402.1 |
| Volumes | 14.8 |
| Unit cost – real | 12.0 |
| Unit cost – inflation | (24.2) |
| Unit cost – foreign exchange | (51.2) |
| Foreign currency hedging | (80.9) |
| Depreciation and amortisation (excluding foreign exchange) | 7.1 |
| Operating profit 30.06.05 | 515.0 |

Australian thermal coal

Consolidated saleable production for the first half of 2005 totalled 18.0 million tonnes, 2% or 0.3 million tonnes higher than the prior period.

A number of Xstrata Coal operations contributed to this performance. Beltana obtained statutory approval to extend the length of its longwall blocks, securing additional output from the most highly productive underground operation in Australia. Total underground production was boosted at United, as the conversion to a longwall operation continues to deliver excellent productivity gains.

Local currency unit cash costs rose 5% period on period, mainly as a result of increased royalties associated with the higher coal prices received in the first half of 2005, and the “ad valorem” royalty system in New South Wales, which came into effect from 1 July 2004.

Local unit costs fell by 3% in real terms, due to continued productivity improvements at Beltana and a significant reduction in demurrage costs through the Port of Newcastle (\$0.71 versus \$1.58 per tonne), offset by an increase in the cost of mining inputs such as fuel, steel and explosives.

Despite the continued strength of the Australian dollar which saw US dollar unit cash costs increase by 9% period on period, EBIT increased by 72% period on period to \$327 million, up from \$190 million in the first half of 2004. This significant increase was primarily driven by higher coal prices.

On a like-for-like basis, export sales for the first half of 2005 totalled 16.7 million tonnes which remained consistent with sales in the first half of last year.

Significant productivity improvements, particularly at Mount Owen, and at the Bulga Complex following the completion of the coal handling and preparation plant upgrade, are expected to lead to an increase in saleable production in the second half of 2005. It is also anticipated that production improvements and synergies will drive down cash costs.

During the first half, Xstrata Coal secured two new domestic contracts with Macquarie Generation. The currently undeveloped Ravensworth West area will supply 7.3 million tonnes of coal to Macquarie Generation over a six-year period from January 2006, following the completion of necessary approvals and construction works. In addition, an existing contract with Narama Mine, adjacent to Ravensworth West, has been accelerated. Narama and Ravensworth West, collectively known as Ravensworth Operations, will

together produce 3.5 to 4 million tonnes of thermal coal per annum and will benefit from operating synergies through the sharing of existing infrastructure and equipment.

Ulan open cut secured a one-year contract from July 2005 to supply Macquarie Generation with 500,000 tonnes thereby expanding production from the mine during the coming year.

Baal Bone commenced open cut operations in the first quarter of 2005, with proposed annual production of 500,000 tonnes per annum for three years. In today's strong market this will increase Xstrata Coal's sales through Port Kembla, an unconstrained port, while also allowing Baal Bone to optimize its existing rehabilitation requirements and minimise costs via the selective placement of overburden.

Australian coking coal

Coking coal production for the first half of 2005 at 2.4 million tonnes was down 0.1 million tonnes from the 2.5 million tonnes produced in the corresponding period. Continued productivity improvements at Oaky North, including a 262,000 tonne increase on the corresponding period, were offset by a planned reduction in production at the higher cost Oaky Creek Open Cut, and lower output from Collinsville as a result of two weeks industrial action in February.

Severe congestion at Dalrymple Bay Coal Terminal (DBCT), an increase in the cost of mining inputs (including fuel, steel and explosives) and increased royalty payments associated with higher cost prices drove Australian dollar unit cash costs up by 30%, period on period. The DBCT congestion has led to a significant increase in the demurrage charges charged to exporters using this port from \$0.58 to \$6.21, prompting Oaky Creek to ship larger quantities of coal through Gladstone at a higher rail freight charge. These items, combined with the continued strengthening of the Australian dollar by around 4%, resulted in a 36% increase in US dollar unit cash costs period on period.

Despite the impact of higher unit costs, EBIT increased by 359% from \$21.2 million to \$97.4 million period on period, boosted by significantly higher prices.

Coking export sales for the first half increased by 12% to 2.5 million, up from 2.2 million tonnes in the prior period, despite the congestion at DBCT. The recent reconfiguration of the Oaky North longwall has boosted face control and sales during the first half increased by 416,000 tonnes above 2004 levels, which were reduced due to a roof fall at Oaky North in the first half of 2004.

Following the introduction of a quota scheme at DBCT, demurrage charges are expected to ease in the second half.

South Africa

Salable production for the first half of 2005 increased by 6% to 9.2 million tonnes, up from 8.7 million tonnes period on period. The increase has resulted from higher domestic production to take advantage of the aforementioned domestic demand, at a time when export sales continue to be constrained by infrastructure issues and rail derailments.

Despite the continued strength of the South African rand, EBIT increased to \$91 million, up 270% from \$24.6 million in the corresponding period, predominantly due to the higher coal prices achieved during the period.

In real terms local currency cash unit costs decreased by 8% period on period, achieved mainly on the back of increased domestic sales. However with the South African rand strengthening by 7%, US dollar unit cash costs rose by 3%.

As noted above, export sales growth has continued to be constrained and sales for the period have remained relatively consistent with the corresponding period at 6.3 million tonnes. Sales in the prior period totalled 6.4 million tonnes.

Based on targets set by the rail service provider, export sales for the second half of the year are expected to be higher than first half sales.

Developments

Australia

Capital expenditure for Xstrata Coal's Australian operations totalled \$179 million in the first half of 2005, with the majority of the expenditure in Queensland. Expenditure in the second half of the year is expected to be higher as a number of major projects continue into the second half. Capital expenditure for the six months to date relates to a number of key projects, including:

- an upgrade of the fines circuit at the Bulga coal handling and preparation plant;
- construction of the Mt Owen dump hopper;
- continued work on the transformation of the Ulan underground mine including the installation of a \$68 million state-of-the-art longwall system together with a \$16 million underground drift conveyor system. Expenditure on these two projects will continue into the second half;
- development of the Rolleston project. First production is expected in the second half of the year;
- development of the Northern Underground at Newlands, with first production expected by the end of the year; and
- replacement of the existing Newlands coal handling and preparation plant with a new dense medium cyclone plant. This project will increase the production of coking coal product from the existing reserves and provide additional capacity to coincide with the commencement of full production at the Northern Underground mine in early 2006.

The commissioning of Rolleston Coal mine, which is due to commence production in the fourth quarter of 2005, remains on track in terms of both budget and timing. The implementation of various cost-focused initiatives has enabled this to be achieved despite the prevailing backdrop of rising input costs.

South Africa

Capital expenditure for Xstrata Coal's South African operations in the first half of the year on sustaining programmes and initial pre-feasibility work at Goedgevonden totalled \$19.9 million.

Expenditure in the second half is expected to increase due to further sustaining capital maintenance and additional pre-feasibility projects aimed at increasing output and enhancing the efficiency and longevity of the South African operations. These projects include:

- The finalisation of the Goedgevonden Feasibility Study. This project will result in around 3 million additional tonnes for export in addition to 3 to 4 million tonnes of Eskom supply capacity. The timing of the incremental export tonnage from Goedgevonden is dependent on the Richards Bay Coal Terminal phase V expansion, together with an improvement in the performance of rail infrastructure within the region;
- Further studies following the pre-feasibility work for a new processing plant and export load out system located at Boschmans. This plant will process coal from Boschmans, Waterpan and Witcons and will provide significant improvements in yield and operating cost; and
- Full feasibility study for the South Witbank / Tavistock 5 Seam operations to detail the mining and beneficiation of the high value 5-seam coal to service the domestic metallurgical market and the export market.

The planned expansion of Richards Bay Coal Terminal remains contingent on the industry's discussions with Spoornet regarding rail capacity. These discussions appear set to continue into the second half.

Xstrata Copper

CONSOLIDATED FINANCIAL AND OPERATING DATA

| \$m | Six months to 30.06.05 | Six months to 30.06.04 | Year ended 31.12.04 |
|--|---------------------------|---------------------------|------------------------|
| Revenue | 778.2 | 722.4 | 1,598.3 |
| Australia | 459.5 | 379.7 | 874.1 |
| South America† | 318.7 | 342.7 | 724.2 |
| EBITDA (operating)* | 409.3 | 384.5 | 856.7 |
| Australia | 219.5 | 145.8 | 369.0 |
| South America† | 189.8 | 238.7 | 487.7 |
| Depreciation & amortisation | (100.0) | (105.2) | (212.4) |
| Australia | (49.1) | (42.2) | (93.5) |
| South America† | (50.9) | (63.0) | (118.9) |
| Operating profit** | 309.3 | 279.3 | 644.3 |
| Australia | 170.4 | 103.6 | 275.5 |
| South America† | 138.9 | 175.7 | 368.8 |
| Net assets | 2,025.3 | 1,766.6 | 2,006.6 |
| Australia | 1,116.5 | 927.2 | 1,098.3 |
| South America† | 908.8 | 839.4 | 908.3 |
| Capital employed | 2,106.4 | 1,961.6 | 2,087.6 |
| Australia | 1,116.5 | 927.2 | 1,098.3 |
| South America† | 989.9 | 1,034.4 | 989.3 |
| Share of Group operating profit | 28.7% | 45.1% | 42.8% |
| Australia | 15.8% | 16.7% | 18.3% |
| South America† | 12.9% | 28.4% | 24.5% |
| Share of Group net assets | 27.9% | 29.2% | 27.5% |
| Australia | 15.4% | 15.3% | 15.1% |
| South America† | 12.5% | 13.9% | 12.4% |
| Return on capital employed*** | 29.2% | 27.7% | 31.8% |
| Australia | 30.1% | 21.1% | 26.6% |
| South America† | 28.1% | 34.0% | 37.3% |
| Capital expenditure | 49.0 | 28.3 | 99.3 |
| Australia | 34.5 | 20.7 | 73.1 |
| South America‡ | 14.5 | 7.6 | 26.2 |
| Sustaining | 38.2 | 23.7 | 94.6 |
| Expansionary§ | 10.8 | 4.6 | 4.7 |

* Previously disclosed as EBITDA (pre-exceptionals) in UK GAAP Interim and Annual Reports

** Previously disclosed as EBIT (pre-exceptionals) in UK GAAP Interim and Annual Reports

*** ROCE % based on average exchange rates for the period

† 100% consolidated figures

§ Excludes Las Bambas project acquisition in 2004

PRODUCTION DATA

| | Six months to 30.06.05 | Six months to 30.06.04 | Year ended 31.12.04 |
|---|---------------------------|---------------------------|------------------------|
| Australia – Ernest Henry | | | |
| Material mined (t) | 35,323,706 | 28,821,976 | 58,140,940 |
| Ore mined (t) | 5,433,243 | 5,339,237 | 11,166,159 |
| Copper head grade (%) | 1.26 | 1.10 | 1.14 |
| Gold head grade (g/t) | 0.61 | 0.57 | 0.56 |
| Ore treated (t) | 5,581,642 | 5,385,977 | 10,799,276 |
| Concentrate produced (t) | 224,239 | 188,565 | 392,045 |
| Copper in concentrate (t) | 65,258 | 54,244 | 114,007 |
| Gold in concentrate (oz) | 83,130 | 68,198 | 142,616 |
| Australia – Mount Isa | | | |
| Ore mined (t) | 2,598,308 | 2,562,025 | 5,402,648 |
| Copper head grade (%) | 3.11 | 3.24 | 3.37 |
| Ore treated (t)†† | 2,635,856 | 2,665,098 | 5,481,698 |
| Concentrate produced from ore (t) | 304,092 | 304,542 | 654,102 |
| Copper in concentrate from ore (t) | 76,895 | 80,517 | 170,197 |
| Anode copper (t) | 108,728 | 116,263 | 236,252 |
| Refined copper (t) | 105,672 | 117,663 | 237,621 |
| North Queensland cash cost (C1) post by-product credits (US\$/lb) | 74.5 | 69.2 | 59.4 |
| South America – Alumberrat | | | |
| Material mined (t) | 57,078,087 | 56,721,332 | 111,641,485 |
| Ore mined (t) | 17,808,482 | 15,868,276 | 32,182,529 |
| Copper head grade (%) | 0.53 | 0.53 | 0.56 |
| Gold head grade (%) | 0.57 | 0.72 | 0.72 |
| Ore treated (t) | 18,347,417 | 17,049,582 | 35,353,521 |
| Concentrate produced (t) | 321,213 | 302,920 | 654,366 |
| Copper in concentrate (t) | 86,818 | 80,688 | 176,439 |
| Gold in concentrate (oz) | 234,734 | 273,667 | 583,568 |
| Gold in doré (oz) | 22,594 | 25,013 | 49,598 |
| Total gold (oz) | 257,328 | 298,680 | 633,166 |
| Cash cost (C1) – post by-product credits (US\$/lb) | 35.4 | 6.5 | 6.0 |
| Copper and gold sales volumes | | | |
| Australia – North Queensland | | | |
| Refined copper (t) | 105,193 | 115,802 | 241,790 |
| Copper in concentrate (t) (payable metal) | 19,742 | 17,952 | 43,245 |
| Third party sourced (t) (payable metal) | - | 103 | 181 |
| Total copper (t) (payable metal) | 124,934 | 133,857 | 285,216 |
| Gold in concentrate and slimes (oz) (payable metal) | 65,280 | 59,355 | 148,659 |
| South America – Alumberrat | | | |
| Copper in concentrate (t) (payable metal) | 75,513 | 87,732 | 179,361 |
| Gold in concentrate (oz) (payable metal) | 214,658 | 300,877 | 597,261 |
| Gold in doré (oz) (payable metal) | 27,537 | 25,959 | 45,270 |
| Total gold (oz) (payable metal) | 242,195 | 326,836 | 642,531 |
| Average LME copper price (\$/t) | 3,333 | 2,760 | 2,866 |
| Average LBM gold price (\$/oz) | 427 | 401 | 409 |

† 100% consolidated figures

†† Includes mined ore only and excludes impact of reprocessed slag

Markets

Critically low exchange stocks and continued strength in Chinese demand drove copper prices to new highs during the first half of 2005. The LME copper price averaged 151 US¢ per pound for the first six months of the year. The first half average represents an increase of 21% over the corresponding period in 2004.

Despite disappointing copper demand from the major Western consuming regions, China's continued expansion helped maintain the downward trend in visible copper exchange stocks. From 128,500 tonnes at the beginning of the year, exchange stocks finished the first half of 2005 at 71,000 tonnes, a level representing less than two days' consumption.

Copper concentrate markets remain in oversupply, despite lower than anticipated mine production. Smelter and refinery production growth was limited by a significant number of smelter maintenance shutdowns during the first half of 2005, and a large concentrate surplus that was carried forward from 2004.

Early settlements in the mid-year smelter contract negotiations reflect the oversupply of concentrates. Benchmark treatment and refining charges recorded a sharp jump from \$85.50 per dry metric tonne and 8.5 US¢ per pound at the end of 2004 to \$115 per dry metric tonne and 11.5 US¢ per pound. However, it is evident that the modest growth in first half mine production signalled the peak of the current cycle with spot treatment and refining charges easing towards the end of the half.

The commissioning of new smelting capacity, particularly in India and China, together with increased utilisation following maintenance shutdowns, will generate considerable growth in refined production during the second half of 2005. Demand growth in Europe and the United States appears to have slowed considerably in the first half, although globally this continues to be balanced by ongoing strong demand from China and a critically low inventory situation.

Operations

OPERATING PROFIT VARIANCES

| | \$m |
|---|--------------|
| Operating profit 30.06.04 | 279.3 |
| Sales price (net of commodity hedging and commodity price linked costs) | 157.3 |
| Volumes | (54.4) |
| Unit cost – real | (16.5) |
| Unit cost – inflation | (8.9) |
| Unit cost – foreign exchange | (15.7) |
| Foreign currency hedging | (23.6) |
| Other income and expenses | (15.7) |
| Corporate social responsibility | (0.9) |
| Depreciation and amortisation (excluding foreign exchange) | 8.4 |
| Operating profit 30.06.05 | 309.3 |

South America

The operating performance at Alumbra was characterised by increased production volumes and further mill efficiency initiatives, as the full benefits of last year's flotation circuit expansion were realised. Mill throughput was 8% higher than the corresponding period last year and concentrate production increased by 6%. Total material mined was slightly higher than the first half last year.

Financial performance in the first half was affected by a saturated concentrate market, with sales lagging the strong production performance. First half concentrate sales reduced by 14% over the corresponding period last year which, together with reduced gold production from lower grade gold ores, were the main drivers behind a 7% fall in revenue from \$343 million to \$319 million. Operating profit fell by 21% to \$139 million and EBITDA (operating) was down by 20% to \$190 million compared to the same period last year, for similar reasons.

Cash operating costs (C1) for the first half averaged 35.4 US¢ per pound of copper produced (net of gold credits). The increase in C1 cash costs compared to the corresponding period in 2004 was due to the increased ore milled and lower head grades, higher treatment and refining charges, higher sea freight costs and lower gold production levels.

Production and sales volumes for both copper and gold are expected to increase during the second half of 2005 as copper and gold head grades increase and as market conditions for concentrates improve due to increased refining capacity coming on stream in the second half.

Australia

The north Queensland copper division achieved operating profit of \$170 million for the first half, an increase of 64% on the corresponding period in 2004. The main contributor to this result was the strong copper price, which was partially offset by the negative impact of currency movements of \$12 million. Revenue increased by 21% to \$460 million. Sales volumes decreased by 9,000 tonnes of copper due to a build-up in copper-in-process stocks.

At the Ernest Henry operation, copper head grade improved to 1.26% from 1.10% in the same period in 2004. Further efficiency gains in the concentrator resulted in a mill throughput increase of 4%. The combination of higher head grades, increased throughputs and improved metallurgical performance resulted in a 19% surge in copper-in-concentrate production relative to the first half of 2004. Gold production was 22% higher for similar reasons. Material mined at Ernest Henry was 23% higher in comparison with the same period in 2004, as stripping ratios increased in the mine.

In the Mount Isa copper operations, ore production from the underground mines was up slightly on the same period in 2004. However, this was offset by the expected lower ore grades, which reduced to 3.11% from 3.24% in the first half of 2004. This resulted in a 4.5% reduction in contained metal produced from ore.

Copper smelter production was 7% lower than in the first half of 2004 mainly as a result of maintenance and improvement activities undertaken in the converter section of the smelter during the first quarter. By the end of the second quarter, the average output per converter batch was at historical highs as the benefits of the improvement activities were realised. The Townsville copper refinery produced 106,000 tonnes of saleable cathode, 10% lower than the same period in 2004, mainly due to lower anode supply in the first quarter.

North Queensland unit costs on a C1 basis were 74.5 US¢ per pound compared to 69.2 US¢ per pound for the same period last year. The unit costs were impacted by increased mining volumes at Ernest Henry, lower cathode production, higher TC/RCs and a stronger Australian dollar against the US dollar.

For the second half, production of concentrate, anode and refined copper are expected to increase as a result of increased underground production volumes and grades from the Mount Isa operations, and substantially improved smelter and refinery production levels.

Developments

South America

An expansion to the Alumbra concentrator, which is expected to increase mill throughputs by 8%, from 37 million tonnes per annum to 40 million tonnes per annum, was approved in June 2005. The project, which will cost \$15.5 million, is scheduled for commissioning in December 2006. The expansion will further improve mill productivities and fully utilise the downstream capacity of the pipeline and filter plant.

An ongoing ore delineation drilling programme, undertaken both within the existing ore envelope and for extensions at depth, has confirmed 40 million tonnes of additional ore reserves at Alumbra, representing an increase of more than 10%. This equates to an additional 170,000 tonnes of contained copper and 0.5 million ounces of gold over the life of the mine and follows the additional 80 million tonnes of ore reserves at Alumbra announced in June 2004. The mine plan has been re-optimised based on a new geological model with additional mineralisation.

Alumbra management will continue with in-pit resource programme in the second half with the objective of adding further ore reserves to the Alumbra business in the coming year. In addition, Xstrata Copper has continued its Alumbra district exploration programme independently of the Alumbra Joint Venture work. Exploration drilling at the Filo Colorado prospect in Catamarca is expected to commence in the second half of 2005.

Following the successful outcome in August 2004 of the competitive tender for the Las Bambas copper-gold project in southern Peru, a vigorous start has been made to the exploration programme required to advance the project. A substantial camp has been constructed at the project site, a workforce of around 300 employees and contractors hired and drilling and other contractors mobilised. Provision of employment opportunities for local residents has been a priority; in addition, a number of projects are underway working with local communities to improve nutrition and to put in place training schemes to improve employment opportunities.

The plan for 2005 is to complete 50,000 metres of diamond drilling for exploration and resource definition. By the end of June, 30,385 metres had been drilled in 132 drill holes. Planned drilling at the Ferrobamba zone of mineralisation has been completed, with activities now focused on the other two major known zones, Chalcobamba and Sulfabamba. Initial indications from the drilling programme at Ferrobamba are positive with detailed results for all three zones expected by the end of December 2005.

Australia

During 2004 capital expenditure of AUD36 million (\$24.8 million) was approved to develop the Northern 3500 underground copper ore body at Mount Isa's Enterprise copper mine. The project will provide an additional high-grade mining zone in Enterprise, enabling the mine to maintain its rated capacity of 3.5 million tonnes per annum and improve the utilisation of the existing hoisting and concentrator capacity. Capital work is progressing according to schedule with initial production to commence in late 2006.

Also in 2004, Xstrata Copper announced the approval of an AUD7.2 million (\$5 million) leaching plant to recover around 2,500 tonnes per annum of additional copper from the electrostatic precipitator dust in the Mount Isa copper smelter. This project is scheduled for completion by the end of 2005.

In November 2004, capital expenditure of AUD41 million (\$29.3 million) was approved to expand the capacity of the Mount Isa copper smelter and improve its efficiency. The project comprises the installation of a second rotary holding furnace, a copper slag cleaning furnace, a converter slag treatment plant and associated plant and equipment. These are all designed to increase the smelter's capacity from 240,000 tonnes per annum to 280,000 tonnes per annum and to obviate

the current need for slag re-treatment through the smelter. This project is progressing in the design and tender phases and is scheduled for completion in mid-2006.

Exploration activity in north west Queensland is continuing to focus on leveraging value from Xstrata Copper's strong regional asset and infrastructure base in North Queensland, targeting mineralisation in the Mount Isa / Cloncurry district.

In March 2005 Xstrata Copper agreed to invest AUD6.6 million in listed Australian exploration company Universal Resources Limited. These funds will provide Xstrata Copper with the right to explore and options to acquire 51% of the Roseby copper deposits in the Mount Isa Inlier in north west Queensland. Of Xstrata Copper's AUD6.6 million investment in Universal AUD4.4 million will be used to part-fund the planned Roseby Feasibility Project scheduled for completion in the December quarter of 2005. The remaining AUD2.2 million will fund an exploration project undertaken by Xstrata Copper for additional copper sulphide mineralisation within the Roseby tenement area during 2005 and 2006. Known as the Sulphide Extension Exploration Project (SEEP), principal exploration targets are expected to be beneath and adjacent to the native copper deposits within the Roseby Feasibility Project.

Philippines

Xstrata holds an option to acquire 62.5% of the Tampakan copper-gold deposit in the Philippines. During the period under review, agreement was reached with the current project owner Indophil Resources to accelerate the development and completion of a project pre-feasibility study by September 2006. Exploration activity continues following the earlier publication with sign-off by an independent Competent Person of a Mineral Resource estimate totalling 900 million tonnes at 0.7% copper and 0.3 grammes per tonne gold at a cut-off grade of 0.4% copper.

Xstrata Zinc

FINANCIAL AND OPERATING DATA

| \$m | Six months to 30.06.05 | Six months to 30.06.04 | Year ended 31.12.04 |
|---|---------------------------|---------------------------|------------------------|
| Revenue | 671.8 | 569.2 | 1,165.3 |
| Zinc Australia | 101.4 | 84.5 | 197.0 |
| Zinc Europe | 454.6 | 376.0 | 759.0 |
| Lead Australia | 6.5 | 27.7 | 53.8 |
| Lead Europe | 109.3 | 81.0 | 155.5 |
| EBITDA (operating)* | 128.7 | 63.0 | 145.5 |
| Zinc Australia | 34.1 | 11.3 | 31.9 |
| Zinc Europe | 76.5 | 42.1 | 87.5 |
| Lead Australia | 10.7 | 1.7 | 12.2 |
| Lead Europe | 7.4 | 7.9 | 13.9 |
| Depreciation & amortisation | (32.9) | (35.8) | (66.4) |
| Zinc Australia | (6.6) | (9.8) | (16.1) |
| Zinc Europe | (16.6) | (14.8) | (30.0) |
| Lead Australia | (7.5) | (9.1) | (16.0) |
| Lead Europe | (2.2) | (2.1) | (4.3) |
| Operating profit** | 95.8 | 27.2 | 79.1 |
| Zinc Australia | 27.5 | 1.5 | 15.8 |
| Zinc Europe | 59.9 | 27.3 | 57.5 |
| Lead Australia | 3.2 | (7.4) | (3.8) |
| Lead Europe | 5.2 | 5.8 | 9.6 |
| Net assets | 1,265.2 | 1,247.5 | 1,374.0 |
| Australia | 343.9 | 388.3 | 347.9 |
| Europe | 921.3 | 859.2 | 1,026.1 |
| Capital employed | 1,279.4 | 1,256.5 | 1,377.4 |
| Australia | 343.9 | 388.4 | 347.9 |
| Europe | 935.5 | 868.1 | 1,029.5 |
| Share of Group operating profit | 8.9% | 4.4% | 5.3% |
| Australia | 2.8% | (1.0)% | 0.8% |
| Europe | 6.1% | 5.4% | 4.5% |
| Share of Group net assets | 17.5% | 20.6% | 18.8% |
| Australia | 4.7% | 6.4% | 4.7% |
| Europe | 12.8% | 14.2% | 14.1% |
| Return on capital employed*** | 14.3% | 4.2% | 6.2% |
| Australia | 17.6% | (2.9)% | 3.7% |
| Europe | 13.1% | 7.6% | 7.1% |
| Capital expenditure | 41.7 | 27.7 | 95.3 |
| Australia | 28.3 | 15.0 | 60.6 |
| Europe | 13.4 | 12.7 | 34.7 |
| Sustaining | 31.8 | 21.6 | 65.7 |
| Expansionary | 9.9 | 6.1 | 29.6 |
| * Previously disclosed as EBITDA (pre-exceptionals) in UK GAAP Interim and Annual Reports | | | |
| ** Previously disclosed as EBIT (pre-exceptionals) in UK GAAP Interim and Annual Reports | | | |
| *** ROCE % based on average exchange rates for the period | | | |

PRODUCTION DATA

| | Six months to 30.06.05 | Six months to 30.06.04 | Year ended 31.12.04 |
|--|---------------------------|---------------------------|------------------------|
| Europe – San Juan de Nieva | | | |
| Zinc metal (t) | 248,437 | 244,208 | 491,720 |
| Europe – Nordenham | | | |
| Zinc metal (t) | 74,116 | 77,910 | 154,446 |
| Europe – Northfleet | | | |
| Mount Isa sourced lead (t) | 81,630 | 58,270 | 115,910 |
| Other lead (t) | - | 7,061 | 10,028 |
| Total lead (t) | 81,630 | 65,331 | 125,938 |
| Mount Isa refined silver (koz) | 4,959 | 4,452 | 8,752 |
| Other silver (koz) | - | 217 | 224 |
| Total silver (koz) | 4,959 | 4,669 | 8,976 |
| Australia – Mount Isa | | | |
| Ore mined (t) | 2,135,614 | 1,454,209 | 3,147,971 |
| Zinc head grade (%) | 7.3 | 7.3 | 7.5 |
| Lead head grade (%) | 4.8 | 4.8 | 4.7 |
| Silver head grade (g/t) | 109.6 | 112.9 | 108.9 |
| Ore treated (t) | 2,032,100 | 1,471,899 | 3,181,527 |
| Zinc in concentrate (t) | 114,184 | 85,808 | 191,433 |
| Lead in lead/silver bullion (t) | 79,964 | 66,460 | 139,538 |
| Lead in purchased concentrate (t) | 17,279 | 19,627 | 37,281 |
| Silver in crude lead (koz) | 5,961 | 5,071 | 10,581 |
| Silver in purchased concentrate (koz) | 2,556 | 2,827 | 5,442 |
| Cash cost (C1) – post by-product credits (US\$/lb) | 38.6 | 46.1 | 36.6 |
| Australia – McArthur River | | | |
| Ore mined (t) | 560,370 | 561,943 | 1,142,432 |
| Zinc head grade (%) | 12.3 | 12.9 | 12.7 |
| Lead head grade (%) | 5.2 | 5.6 | 5.5 |
| Ore treated (t) | 596,988 | 575,144 | 1,184,822 |
| Zinc in concentrate (t) | 56,527 | 59,043 | 120,465 |
| Lead in concentrate (t) | 12,795 | 13,159 | 26,212 |
| Silver in concentrate (koz) | 514 | 534 | 1,077 |
| Cash cost (C1) – post by-product credits (US\$/lb) | 49.8 | 41.5 | 43.2 |
| Average LME zinc price (\$/t) | 1,295 | 1,050 | 1,048 |
| Average LME lead price (\$/t) | 983 | 829 | 886 |
| Average LBM silver price (\$/oz) | 7.01 | 6.52 | 6.69 |

Markets

Zinc

Global demand for zinc increased in the first half of 2005 by over 4%, driven by strong growth in Eastern Europe and China where galvanising capacity has grown markedly in the past year. Western zinc demand grew at a more moderate pace of 1.6% during the first half of 2005. Cuts in coated steel production in Western Europe are temporarily affecting zinc demand in Europe although the market remains tight due to further reductions in local refined zinc capacity. Higher levels of zinc consumption in China resulted in it becoming a net importer of zinc metal in early 2004 and this has continued into 2005.

Mine production globally remained at similar levels to the first half last year with increased production in India, Morocco, Peru and Ireland offset by lower production in Tunisia, Japan and Canada. As a result, the supply of zinc concentrates remained tight, contributing to a further reduction in negotiated base treatment charges (TCs) which fell from an average of \$141 per tonne for the full year in 2004 to \$126 per tonne in the first half of 2005. As zinc metal output is now largely restricted by the availability of zinc concentrates in the market, global metal production increased moderately by 1%.

The net effect of higher global zinc consumption and a moderate increase in global metal output has kept the zinc metal market in deficit, a factor which should continue to support zinc prices. Zinc stocks at LME warehouses showed a modest decrease of about 20,000 tonnes during the first half. However, this was the net effect of more than 100,000 tonnes of unreported stocks being delivered to LME warehouses and market observers estimate that non-LME stocks have fallen significantly during the first half of 2005.

Due to improved market prospects, zinc prices have remained above \$1,200 per tonne since the start of the year averaging \$1,295 per tonne in the first half compared to an average price of \$1,050 per tonne in the same period of last year.

Lead

The first half of 2005 was characterised by sustained high lead prices. The average daily official LME price for lead during the first half of 2005 was \$983 per tonne compared with \$829 per tonne for the same period last year. Lead forward prices have remained lower than spot prices for the majority of the first half.

Secondary lead production in the West continues to grow. However primary production has continued to decline, as in previous years, resulting in net lower production of lead overall. There remains some potential for further primary production closures in the remainder of 2005 and 2006.

Primary production in China has grown rapidly with China's largest metal producer, Yuguang, increasing production capacity by 21% to 250,000 tonnes annually. Increased primary and secondary production in China, set against lower production in the West, global lead production levels have remained broadly similar to 2004. LME stocks have remained at low levels finishing the first half at around 42,100 tonnes.

One of the most important drivers of the lead market, in common with many other commodities, is China's strong economic and industrial growth. With domestic demand for lead growing, Chinese exports of refined lead have decreased with total exports down 7.2% in the first half to 173,200 tonnes, providing support for global lead prices.

Growth in lead consumption continues to be driven by battery demand. Global consumption of lead has increased 2.7% to 7.3 million tonnes annually, primarily due to increased demand for batteries from China and the USA.

OPERATING PROFIT VARIANCES

| \$m | Zinc | Lead | Total |
|---|-------------|--------------|---------------|
| Operating profit 30.06.04 | 28.8 | (1.6) | 27.2 |
| Sales price (net of commodity hedging and commodity price linked costs) | 57.4 | 4.6 | 62.0 |
| Volumes | 4.6 | 3.3 | 7.9 |
| Unit cost – real | 13.1 | 5.5 | 18.6 |
| Unit cost – inflation | (5.0) | (2.6) | (7.6) |
| Unit cost – foreign exchange | (9.6) | (3.1) | (12.7) |
| Foreign currency hedging | (4.6) | - | (4.6) |
| Depreciation and amortisation (excluding foreign exchange) | 2.7 | 2.3 | 5.0 |
| Operating profit 30.06.05 | 87.4 | 8.4 | 95.8 |

Operations**Zinc Lead Australia**

The profitability of the Australian zinc and lead operations improved during the first half of the year with operating profit increasing to \$31 million, \$37 million higher than the same period of 2004. Most of this increase came from the Mount Isa operations, with higher metal prices for both zinc and lead representing the main drivers of the rise. The Australian zinc lead operations also achieved unit cost savings in real terms, contributing an additional \$15 million to operating profits. Lower unit costs were achieved through an increase in production of around 34% in the period, a target achieved with stable operating costs. Revenue increased by 25%, contributing over \$9 million to operating profit, and the depreciation charge decreased by \$6 million due to the increase in mine reserves at George Fisher mine from 22 million tonnes to 39 million tonnes. The impact of the stronger Australian dollar against the US dollar in the period negatively impacted earnings by \$8 million.

At Mount Isa, a number of major operational milestones were reached in the first half of 2005. The open pit Black Star zinc lead mine produced its first ore in February 2005, George Fisher Mine continued to build on its production improvement of 2004, throughput was substantially higher at the zinc lead concentrator and the lead smelter treated all available additional feed.

George Fisher achieved ore production of 1.3 million tonnes for the first half of 2005, 19% higher than 2004. This improvement is mainly as a result of improved mine planning, the renewal and subsequent reduction of mining fleet and improved geotechnical control of stoping through changed mining parameters.

The Mount Isa Lead Mine produced 0.4 million tonnes of ore in the period, 6% higher than 2004, as the operation aimed to mine higher tonnages to improve profitability during the mine closure period. Mining at the Mount Isa Lead Mine is expected to cease at the end of December 2005 due to the anticipated exhaustion of the mine's reserves. Production from the Black Star Open Cut mine will more than compensate for the closure of this mine and benefits from a lower cost profile. Employees from the Lead Mine are being transferred to other areas of Xstrata's Mount Isa operations.

During the first half of 2005 the Black Star Open Cut mine produced 0.5 million tonnes of ore, with 12.4 million tonnes of waste moved from the pit. Ore production and crushing commenced on schedule in February 2005. Ore supply has been maintained at levels sufficient to ensure the concentrator is fully utilised.

Due to the substantial improvements in maintenance and operational practices at the concentrator plant, the quantity of ore treated increased by 38% to 2 million tonnes during the first half of the year. Zinc in concentrate production improved by 33% to 114,200 tonnes, mainly due to higher throughput and to slightly higher grades than in the first half of 2004. Lead in concentrate was 40% higher at 71,300 tonnes, also due to the higher throughput and the slightly higher grades.

Lead smelter production has increased in line with the additional feed available during the first half of the year. Lead production increased by 20% over the corresponding period in 2004 to 80,256 tonnes.

As a consequence of increased ore production in the mines, improved capacity utilisation at the concentrator plant, operational improvements and the division's continued focus on containing operating costs, an improvement in unit costs in real terms of \$19 million was achieved in comparison to the same period last year.

McArthur River Mine produced 560,370 tonnes of ore in the first half in line with production of 562,000 tonnes in the same period of 2004. Production was maintained at this level despite lower head grade of 12.3 in 2005 compared to 12.9 in 2004 due to the depletion of the number 2 ore body and the mining of bulk stopes. Underground operations are expected to cease at McArthur River in October 2005. Xstrata's intention to change the mining method at McArthur River to open pit was announced in August 2005. Mining efficiencies were improved, reducing operating costs.

Zinc Lead Europe

Operating profit for the European operations almost doubled to \$65 million from \$33 million compared with the corresponding period last year. This improvement was mainly due to the stronger zinc price which contributed \$32 million to operating profit, offset by the weakening of the US dollar which impacted operating profit by \$5 million.

Consolidated production of zinc metal for the first half of 2005 amounted to 323,000 tonnes, similar to production levels in the first half of 2004.

Zinc production at San Juan de Nieva for the first six months of 2005 was 249,000 tonnes, an increase of over 4,000 tonnes compared to the first half of 2004.

Nordenham zinc production fell by 3,800 tonnes to 74,000 tonnes in the first half of 2005, mainly due to production problems related to a transformer failure. The loss in production was partially compensated with additional calcine received from San Juan de Nieva amounting to 11,600 tonnes in the first half of 2005.

As a result of increased bullion supplies from Australia and process improvements, production at the Northfleet refinery during the first half of 2005 increased by 25% over the equivalent period in 2004. These gains were achieved whilst maintaining production through a single stream.

Silver production also increased during the period as a result of the higher silver content contained in the bullion received.

The market for lead in the UK and Europe has experienced a setback in 2005 with a number of industry sectors, notably oxide, sheet lead and tetra ethyl taking less product than in 2004. While new markets are developed, finished stock levels may remain higher than expected.

Developments

Zinc Lead Australia

At Mount Isa, the pastefill plant at George Fisher Mine is expected to produce backfill in July. This, combined with the commissioning of two new drills and two new trucks, is expected to have a positive effect on maintenance cost and production levels. Maintenance improvements on the hoisting system are expected to improve hoisting capacity moving closer to the 3 million tonnes capacity required for future years.

Production at the Stage 2 North and the Stage 2 East areas at the Black Star Open Cut zinc-lead mine commenced in June and will continue throughout the remainder of 2005. Stage 2 South is expected to commence in July.

The new zinc filter plant will be commissioned next January 2006 and will allow increased zinc concentrate production, reducing the moisture of the concentrate and therefore transport costs. The plant will also minimise the loss of any concentrate from the wind as the concentrate dries.

In the lead smelter, work being carried out on the blast furnace cooling water system restoration has been delayed due to increased site project work and resource availability in the region. It is anticipated that this work will now be completed early in 2006. The pre-feasibility study to examine the restarting of the ISA smelt lead furnace will be completed during the second half of 2005.

As previously stated, ore reserves at George Fisher have increased to 39 million tonnes at 30 June 2005, 67% higher than in June 2004, extending the life of mine to 14 years based on existing reserves only. Current resource drilling is aimed at further increasing the operation's reserves.

Xstrata Zinc recently announced its intention to convert the McArthur River zinc-lead mine (MRM) in the Northern Territory, Australia, from an underground to an open cut operation to enable production to continue at the mine. The switch of mining method entails an investment of AUD66 million and requires government approval. Xstrata has prepared a full Environmental Impact Statement that has been lodged with the Northern Territory government and is available for public review. Subject to approval, the open pit development would be completed over a period of two years, with underground operations scheduled to cease in the fourth quarter of 2005.

McArthur River Mine's current Mine Management Plan, which has been approved by the Northern Territory Government's Department of Business, Industry and Resource Development, includes approval for a test pit on site that will contribute ore for sampling and for processing as underground operations are closed, with an additional 200,000 tonnes of ore sourced from existing stockpiles.

The McArthur River ore body remains one of the largest known deposits of zinc and lead in the world. The development of an open cut mine at McArthur River means that Xstrata Zinc retains the option to develop MRM as a source of zinc feed for a future zinc refinery using the Group's Albion process technology. This would significantly improve the profitability of mining operations at MRM. Given the power requirements associated with zinc refineries, the MRM site has been ruled out as a possible location for an Albion plant. Other sites continue to be assessed.

Zinc Lead Europe

At the end of 2004, the San Juan smelter completed a project to increase the capacity of the plant by 7,000 tonnes through direct atmospheric leaching of zinc concentrates and the enlargement of the electrodes from 3.4 m² to 3.6 m² in tankhouse D. From the beginning of 2005, San Juan smelter has operated at full capacity at over 500,000 tonnes and is performing in line with expectations.

Due to the tight supply of zinc concentrates and the lack of clean concentrates, during the first six months of the year a number of process improvements have been implemented at San Juan de Nieva. These improvements will allow the smelter to treat low grade concentrates containing a higher level of impurities while maintaining zinc recoveries and low zinc dust consumption.

In 2004, a \$14 million project to produce silver concentrate from the leach residue was approved at San Juan de Nieva. This project will recover around 85% of the silver contained in zinc concentrates and will treat high silver concentrates from new mines in development. The construction works are on schedule and first production is forecast for mid 2006.

Northfleet lead refinery in the UK continues to focus on reducing lead production cycle times through improved process control and standardisation of the operation. Further gains have been recorded in this area during 2005 with average production cycle times now 45% lower than a year ago. The refinery now has the capability to process future anticipated production levels through a single stream. During the coming months, silver production will be subject to similar process developments and significant improvements are also expected from these initiatives.

Xstrata Technology

FINANCIAL AND OPERATING DATA

| | Six months to 30.06.05 | Six months to 30.06.04 | Year ended 31.12.04 |
|-----------------------------|---------------------------|---------------------------|------------------------|
| Technology | | | |
| Revenue | 31.4 | 28.6 | 52.4 |
| EBITDA (operating) | 4.5 | 13.6 | 19.2 |
| Depreciation & amortisation | (1.7) | (1.9) | (3.7) |
| Operating profit | 2.8 | 11.7 | 15.5 |
| Capital expenditure | 0.2 | 0.1 | 0.5 |
| Net assets | 52.2 | 47.4 | 43.5 |
| Capital employed | 52.2 | 47.4 | 43.6 |

In previous reports, financial results for Xstrata Technology included the Townsville port operations. From 1 January 2005 Townsville port operations financial results are reported as part of Xstrata Copper. The financial results for H1 2005 therefore exclude the Townsville port operations.

Xstrata Technology continues to experience strong demand for its technology solutions in 2005 as producers seek to capitalise on the current buoyant environment for metals and mining products. Revenue increased by 10% compared to the comparable period in 2004. However, EBITDA (operating) and operating profit both fell compared to the first half of 2004 due to the timing of a number of large contracts which were recognised in the first half of 2004.

ISASMELT continues to deliver the Southern Peru Copper and Mopani (Zambia) copper smelter projects, for commissioning in 2006. The second Sterlite ISASMELT was been successfully commissioned this half, and commissioning of the Yunnan Metallurgical Group lead smelter commenced in June.

ISAPROCESS was commissioned in a number of projects, including Japanese and Indian plants. Progress on the manufacture of cathodes and machines for the BHP Billiton's Spence Project in Chile continued on schedule. Work commenced on Frontera Copper's Piedras Verdes project in Mexico where ISA PROCESS has been chosen as the preferred tankhouse technology.

ISAMILL technology will be commissioned at the Kumtor gold mine in the Kyrgyzstan Republic in the second half of 2005. This is the second installation for the large scale M10,000 mill, and is expected to establish the technology's reputation in this market.

JAMESON CELL sales have exceeded expectations with strong demand from both Australian mining groups and China, in both coal and base metals.

In June 2005, an arrangement was finalised to market the **Albion Process** atmospheric leach technology commercially. Xstrata and Highlands Pacific will retain ownership of the intellectual property for the technology.

The outlook for the second half of 2005 is encouraging, with high levels of interest being expressed in the entire portfolio of technology offerings within Xstrata Technology.

INDEPENDENT REVIEW REPORT TO XSTRATA PLC

Introduction

We have been instructed by the company to review the financial information for the six months ended 30 June 2005 which comprises the Consolidated Income Statement, Consolidated Balance Sheet, Consolidated Cash Flow Statement, Consolidated Statement of Recognised Income and Expenses, and the related notes. We have read the other information contained in the interim report and considered whether it contains any apparent *misstatements or material inconsistencies with the financial information.*

This report is made solely to the company in accordance with guidance contained in Bulletin 1999/4 'Review of interim financial information' issued by the Auditing Practices Board. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company, for our work, for this report, or for the conclusions we have formed.

Directors' responsibilities

The interim report, including the financial information contained therein, is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the interim report in accordance with the Listing Rules of the Financial Services Authority.

As disclosed in the notes, the next annual financial statements of the group will be prepared in accordance with those IFRSs adopted for use by the European Union. This interim report has been prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting" and the requirements of IFRS 1, "First Time Adoption of International Financial Reporting Standards" relevant to interim reports.

The accounting policies are consistent with those that the directors intend to use in the next financial statements. There is, however, a possibility that the directors may determine that some changes to these policies are necessary when preparing the full annual financial statements for the first time in accordance with those IFRSs adopted for use by the European Union. This is because, as disclosed in the notes, the directors have anticipated that the new IFRS 6, IAS 19 and IFRICs 4 and 5, which have yet to be formally adopted for use in the EU will be so adapted in time to be applicable to the next annual financial statements.

Review work performed

We conducted our review in accordance with guidance contained in Bulletin 1999/4 'Review of interim financial information' issued by the Auditing Practices Board for use in the United Kingdom. A review consists principally of making enquiries of group management and applying analytical procedures to the financial information and underlying financial data, and based thereon, assessing whether the accounting policies have been applied. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit performed in accordance with United Kingdom Auditing Standards and therefore provides a lower level of assurance than an audit. Accordingly we do not express an audit opinion on the financial information.

Review conclusion

On the basis of our review we are not aware of any material modifications that should be made to the financial information as presented for the six months ended 30 June 2005.

Ernst & Young LLP
London
9 August 2005

Consolidated Income Statement

For the period ended

| US\$m | Notes | (Unaudited) 6 months to 30.06.05 | (Unaudited) 6 months to 30.06.04* | (Audited) 12 months to 31.12.04* |
|--|-------|--|---|--|
| Revenue | | 3,765.7 | 2,938.2 | 6,465.3 |
| Cost of sales | | (2,085.2) | (1,924.1) | (4,057.6) |
| Gross profit | | 1,680.5 | 1,014.1 | 2,407.7 |
| Distribution costs | | (485.7) | (305.2) | (712.1) |
| Administrative expenses | | (108.6) | (78.6) | (167.5) |
| Other expenses | | (32.7) | (23.0) | (55.4) |
| Other income | | 25.5 | 10.9 | 30.4 |
| Operating profit | | 1,079.0 | 618.2 | 1,503.1 |
| Acquisition costs | 17 | (10.3) | - | - |
| Profit on sale of investments | | - | - | 10.2 |
| Impairment of assets | 18 | (4.8) | - | (6.8) |
| Restructuring and closure costs | | - | (3.0) | (9.0) |
| Profit before interest and taxation | | 1,063.9 | 615.2 | 1,497.5 |
| Finance income | 20 | 74.1 | 88.8 | 119.7 |
| Finance cost | 21 | (69.7) | (112.6) | (177.7) |
| Profit before taxation | | 1,068.3 | 591.4 | 1,439.5 |
| Income tax expense | 22 | (207.8) | (59.0) | (214.2) |
| Profit from continuing operations | | 860.5 | 532.4 | 1,225.3 |
| Profit on sale of discontinued operations | 9 | 3.7 | - | - |
| Profit for the period | | 864.2 | 532.4 | 1,225.3 |
| Attributable to: | | | | |
| Equity holders of the parent | | 797.1 | 461.3 | 1,067.1 |
| Minority interests | | 67.1 | 71.1 | 158.2 |
| | | 864.2 | 532.4 | 1,225.3 |
| Earnings per share (US\$) | | | | |
| - basic (continuing operations) | 23 | 1.27 | 0.74 | 1.71 |
| - basic | 23 | 1.28 | 0.74 | 1.70 |
| - diluted (continuing operations) | 23 | 1.16 | 0.68 | 1.56 |
| - diluted | 23 | 1.17 | 0.68 | 1.56 |
| Dividends (US\$m) | | | | |
| - declared and paid | | 100.0 | 83.6 | 133.8 |
| - proposed | | 55.0 | 50.2 | 100.0 |
| Dividend per share (US¢) | | | | |
| - declared and paid | | 16.0 | 13.3 | 21.3 |
| - proposed | | 9.0 | 8.0 | 16.0 |

* As restated for the effect of the transition to International Financial Reporting Standards (IFRS) with the exception of IAS 32 and IAS 39 whereby financial instruments and hedges have continued to be accounted for under UK GAAP prior to 1 January 2005 (refer to notes 4, 5 and 7)

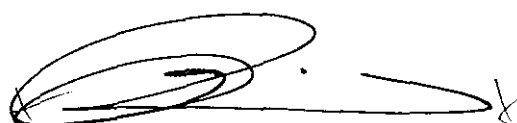
Consolidated Balance Sheets

As at period ended

| US\$m | Notes | (Unaudited) at 30.06.05 | (Unaudited) at 30.06.04* | (Audited) at 31.12.04* |
|---------------------------------------|--------|----------------------------|-----------------------------|---------------------------|
| ASSETS | | | | |
| Non-current assets | | | | |
| Intangible assets | 13 | 1,381.6 | 1,410.2 | 1,523.9 |
| Property, plant & equipment | 14 | 7,787.9 | 7,222.9 | 8,128.5 |
| Biological assets | | 12.7 | 30.7 | 32.2 |
| Inventories | | 75.7 | 87.8 | 83.2 |
| Investment in associates | | 1.1 | 3.4 | 3.8 |
| Available-for-sale financial assets | | 85.1 | - | - |
| Other financial assets | | 104.0 | 111.7 | 122.3 |
| Deferred tax assets | | 7.6 | 6.9 | 2.0 |
| Pension asset | | 2.8 | 2.4 | 2.7 |
| Other non-current assets | | 181.6 | 125.7 | 150.4 |
| | | 9,640.1 | 9,001.7 | 10,049.0 |
| Current assets | | | | |
| Inventories | | 851.7 | 685.1 | 825.9 |
| Trade and other receivables | | 970.0 | 673.5 | 897.9 |
| Other financial assets | | 11.4 | 17.4 | 53.8 |
| Cash and cash equivalents | 19 | 263.8 | 297.1 | 459.6 |
| | | 2,096.9 | 1,673.1 | 2,237.2 |
| TOTAL ASSETS | | 11,737.0 | 10,674.8 | 12,286.2 |
| EQUITY AND LIABILITIES | | | | |
| Shareholders' equity | | | | |
| Issued capital | 15, 16 | 316.3 | 315.8 | 315.8 |
| Share premium | 15, 16 | 2,500.1 | 2,481.5 | 2,481.5 |
| Own shares | 15, 16 | (326.1) | (40.8) | (91.7) |
| Convertible bond - equity component | 16 | 63.4 | - | - |
| Other reserves | 16 | 2,862.3 | 2,750.9 | 3,485.7 |
| Retained earnings | 16 | 1,333.1 | 73.4 | 627.3 |
| | | 6,749.1 | 5,580.8 | 6,818.6 |
| Minority interests | 16 | 505.9 | 463.5 | 506.6 |
| TOTAL EQUITY | | 7,255.0 | 6,044.3 | 7,325.2 |
| Non-current liabilities | | | | |
| Interest-bearing loans and borrowings | 19 | 980.3 | 1,349.3 | 1,232.7 |
| Convertible bond | 19 | 550.9 | 589.6 | 590.4 |
| Other financial liabilities | | 15.6 | - | - |
| Provisions | | 463.0 | 401.2 | 480.3 |
| Deferred tax liabilities | | 1,255.2 | 1,286.2 | 1,357.7 |
| Pension deficit | | 26.0 | 32.7 | 27.7 |
| Other non-current liabilities | | 22.0 | 44.4 | 21.9 |
| | | 3,313.0 | 3,703.4 | 3,710.7 |
| Current liabilities | | | | |
| Trade and other payables | | 759.6 | 607.8 | 788.8 |
| Interest-bearing loans and borrowings | 19 | 82.1 | 139.5 | 108.5 |
| Other financial liabilities | | 12.1 | - | - |
| Provisions | | 108.4 | 72.6 | 94.7 |
| Income taxes payable | | 188.7 | 93.0 | 238.7 |
| Other current liabilities | | 18.1 | 14.2 | 19.6 |
| | | 1,169.0 | 927.1 | 1,250.3 |
| TOTAL LIABILITIES | | 4,482.0 | 4,630.5 | 4,961.0 |
| TOTAL EQUITY AND LIABILITIES | | 11,737.0 | 10,674.8 | 12,286.2 |

* As restated for the effect of the transition to IFRS with the exception of IAS 32 and IAS 39 whereby financial instruments and hedges have continued to be accounted for under UK GAAP prior to 1 January 2005 (refer to notes 4, 5 and 7)

APPROVED BY THE BOARD AND SIGNED
ON ITS BEHALF BY TREVOR REID,
CHIEF FINANCIAL OFFICER
ON 10 AUGUST 2005



Consolidated Cash Flow Statement

For the period ended

| US\$m | Notes | (Unaudited) 6 months to 30.06.05 | (Unaudited) 6 months to 30.06.04 | (Audited) 12 months to 31.12.04 |
|--|-------|--|--|---------------------------------------|
| Profit before taxation | | 1,068.3 | 591.4 | 1,439.5 |
| Adjustments for: | | | | |
| Finance income | | (74.1) | (88.8) | (119.7) |
| Finance cost | | 69.7 | 112.6 | 177.7 |
| Net profit on sale of investments | | - | - | (10.2) |
| Net (profit)/loss on disposal of property, plant and equipment | | - | (2.2) | (4.2) |
| Impairment of assets | | 4.8 | - | 6.8 |
| Depreciation | | 275.4 | 280.9 | 555.9 |
| Amortisation | | 3.6 | 4.8 | 6.5 |
| | | 1,347.7 | 898.7 | 2,052.3 |
| Increase in trade and other receivables | | (53.1) | (52.2) | (258.0) |
| Increase in deferred stripping and other assets | | (90.7) | (6.0) | (24.6) |
| Decrease/(increase) in inventories | | (92.9) | 18.1 | (36.6) |
| Increase/(decrease) in trade and other payables | | 12.1 | (52.2) | 64.8 |
| Decrease in provisions | | (6.6) | (10.3) | (16.6) |
| Other non-cash movements | | 6.4 | (5.0) | (11.2) |
| Share-based compensation plans | | 13.8 | 5.5 | 14.8 |
| Cash generated from operations | | 1,136.7 | 796.6 | 1,784.9 |
| Income tax paid | | (255.3) | (12.2) | (57.6) |
| Interest paid | | (57.3) | (61.0) | (101.5) |
| Interest received | | 24.1 | 4.0 | 12.4 |
| Net cash flow from operating activities | | 848.2 | 727.4 | 1,638.2 |
| Purchase of property, plant and equipment | | (302.9) | (147.6) | (518.4) |
| Proceeds from sale of property, plant and equipment | | 5.0 | 12.3 | 15.2 |
| Purchase of intangible assets | | (2.1) | (1.3) | (2.8) |
| Purchase of investments | | - | (0.3) | (3.3) |
| Purchase of available-for-sale financial assets | | (5.1) | - | - |
| Proceeds from sale of investments | | - | - | 12.1 |
| Acquisition of subsidiaries, net of cash acquired | | (60.4) | - | - |
| Disposal of subsidiaries, net of cash disposed | | 25.2 | 73.4 | 73.4 |
| Net cash flow from investing activities | | (340.3) | (63.5) | (423.8) |
| Redemption of minority interests | | - | (81.0) | (81.0) |
| Purchase of own shares | | (227.9) | - | (51.3) |
| Disposal of own shares | | 12.1 | - | 0.4 |
| Proceeds from interest bearing loans and borrowings | | 7.2 | 960.0 | 960.0 |
| Interest bearing loans and borrowings issue costs | | (17.3) | (4.1) | (4.6) |
| Repayment of interest bearing loans and borrowings | | (338.9) | (1,405.7) | (1,648.8) |
| Payment of finance lease liabilities | | (4.2) | (4.1) | (6.9) |
| Dividends paid to equity holders of the parent | | (100.0) | (83.6) | (133.8) |
| Dividends paid to minority interests | | (68.0) | - | (43.1) |
| Net cash flow from financing activities | | (737.0) | (618.5) | (1,009.1) |
| Net increase/(decrease) in cash and cash equivalents | | (229.1) | 45.4 | 205.3 |
| Net foreign exchange difference | | (4.5) | (7.4) | 6.6 |
| Cash and cash equivalents at 1 January | | 451.2 | 239.3 | 239.3 |
| Cash and cash equivalents at period end | 19 | 217.6 | 277.3 | 451.2 |

Consolidated Statement of Recognised Income and Expenses

For the period ended

| | (Unaudited) 6 months to 30.06.05 | (Unaudited) 6 months to 30.06.04 | (Audited) 12 months to 31.12.04 |
|---|--|--|---------------------------------------|
| US\$m | | | |
| First time adoption of IAS32/IAS39: | | | |
| Available-for-sale financial assets | 1.3 | - | - |
| Cash flow hedges | 42.0 | - | - |
| Deferred tax on cash flow hedges | (11.0) | - | - |
| Convertible bond | 63.4 | - | - |
| | 95.7 | - | - |
| Actuarial gains/(losses) on defined benefit pension plans | - | - | (6.4) |
| Foreign currency translation of subsidiaries | (556.6) | (157.4) | 536.5 |
| Hedge of net investments | (5.8) | - | 40.9 |
| Available-for-sale financial assets | (2.0) | - | - |
| Cash flow hedges | (47.7) | - | - |
| Deferred tax on cash flow hedges | 13.2 | - | - |
| Net income/(expense) recognised directly in equity | (503.2) | (157.4) | 571.0 |
| Profit for the period | 864.2 | 532.4 | 1,225.3 |
| Total recognised income and expense for the period | 361.0 | 375.0 | 1,796.3 |
| Attributable to: | | | |
| Equity holders of the parent | 293.7 | 304.0 | 1,639.1 |
| Minority interests | 67.3 | 71.0 | 157.2 |
| | 361.0 | 375.0 | 1,796.3 |

Notes to the Financial Statements (unaudited)

1. Corporate Information

The interim financial information was authorised for issue in accordance with a directors' resolution on 28 July 2005. The ultimate parent entity of the Group, Xstrata plc, is a publicly traded limited company incorporated in England and Wales. The financial information contained in this interim report does not constitute the statutory accounts as defined in Section 240 of the Companies Act 1985.

The financial information for the full preceding year is based on the statutory accounts for the financial year ended 31 December 2004, restated for the effects of the adoption of IFRS as published in the IFRS announcement dated 13 May 2005. Those statutory accounts, upon which the auditors issued an unqualified opinion, have been delivered to the Registrar of Companies.

2. Statement of compliance

These consolidated financial statements of Xstrata plc and all its subsidiaries (the Group) have been prepared in accordance with IAS 34 'Interim Financial Reporting'. The accounting policies adopted are in accordance with the International Financial Reporting Standards (IFRS) and International Financial Reporting Interpretations Committee (IFRIC) interpretations issued by the International Accounting Standards Board (IASB) effective for the Group's reporting for the year ended 31 December 2005, on the assumption that they will all be endorsed by the European Commission (EC). The failure of the EC to endorse some of these standards and interpretations in time for 2005 reporting, or the issue of further interpretations by IFRIC in advance of the reporting date, could result in the need to change the basis of accounting or presentation of certain financial information from that presented in these consolidated interim financial statements.

The following IFRS standards and IFRIC interpretations have not yet received EC endorsement:

- IFRS 6 'Exploration and Evaluation of Mineral Resources'
- IFRIC 4 'Determining whether an Arrangement contains a Lease'
- IFRIC 5 'Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds'
- Amendment to IAS 19 'Employee Benefits'

3. Basis of preparation

These financial statements have been prepared under the historical cost convention, except for certain financial instruments, available-for-sale financial assets and biological assets that have been measured at fair value and in accordance with applicable IFRS.

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

4. First time adoption of IFRS

To comply with European Union legislation, the Group has adopted IFRS from 1 January 2005. The date of transition is 1 January 2004 and as a result the 2004 comparative information has been adjusted to conform with IFRS. Under IFRS 1 'First time adoption of International Financial Reporting Standards', IFRS are applied retrospectively at the transition balance sheet date with all adjustments to assets and liabilities as stated under UK GAAP taken to retained earnings unless certain exemptions are applied.

The primary exemptions that have been applied by the Group are:

- IFRS 3 is not retrospectively applied to business combinations occurring before 1 January 2004;
- The cumulative surpluses or deficits on defined benefit pension schemes and similar benefits at transition date have been recognised in full;
- IFRS 2 has not been applied to equity-settled share-based payment awards that were granted on or before 7 November 2002 that had not vested prior to 1 January 2005; and
- 2004 comparative information is not presented or prepared in accordance with IAS 32 and IAS 39. Financial instruments and hedges are accounted for in accordance with UK GAAP prior to 1 January 2005.

Early adoption of other International Financial Reporting Standards

The Group has resolved to early adopt the following new or revised standards and interpretations from the date of transition (1 January 2004):

- IFRS 6 'Exploration for and Evaluation of Mineral Resources'
- IFRIC 4 'Determining whether an Arrangement contains a Lease'
- Amendment to IAS 19 'Employee Benefits'

Further information regarding the impact of the adoption of IFRS on the Group is found in the Change in accounting policies note 5 and IFRS Reconciliation to UK GAAP in note 7.

5. Change in accounting policies

The principal changes to the Group's accounting policies adopted in the previous financial year arising as a result of the adoption of IFRS are discussed below and the effect on earnings and the balance sheet is outlined in the IFRS Reconciliation to UK GAAP section below.

Share-Based Payments

IFRS requires an expense to be recognised where the Group buys goods or services in exchange for shares or rights over shares (equity-settled transactions), or in exchange for other assets equivalent in value to a given number of shares or rights over shares (cash-settled transactions). The main impact of this on the Group is the expensing of the employees' and Directors' share options and other share-based incentives by using an option-pricing model.

The Group has taken advantage of the transitional provisions of IFRS 2 in respect of equity-settled awards and has applied this accounting standard only to equity-settled awards granted on or after 7 November 2002 that had not vested prior to 1 January 2005.

Business Combinations, Impairment of Assets and Intangible Assets

IFRS 3 has been applied to accounting for business combinations for which the agreement date is on or after 1 January 2004.

Upon acquisition, the Group initially measures the identifiable assets and liabilities acquired at their fair values as at the acquisition date hence causing any minority interest in the acquiree to be stated at the minority proportion of the net fair values of those items.

Additionally, the adoption of IFRS has resulted in the Group ceasing annual goodwill amortisation from 1 January 2004 and the requirement to test goodwill for impairment annually at the cash generating unit level (unless an event occurs during the year which requires the goodwill to be tested more frequently) from 1 January 2004. The useful lives of intangible assets are now assessed at the individual asset level as having either a finite or indefinite life. Where an intangible asset has a finite life, it has been amortised over its useful life. Amortisation periods and methods for intangible assets with finite useful lives are reviewed annually or earlier where an indicator of impairment exists. Intangibles assessed as having indefinite useful lives are not amortised, as there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows for the Group. However, the intangible assets are reviewed annually for impairment, regardless of whether an indicator of impairment is present.

Dividends

Dividends are provided for when they meet the recognition criteria of a liability. Xstrata recognises a liability for the final dividend upon approval by the shareholders at the annual general meeting.

Income Taxes

IFRS requires deferred tax to be recognised on temporary differences. Temporary differences are recognised as the differences between the tax base of the asset or liability and its carrying amount in the balance sheet.

Under UK GAAP, deferred tax is provided on timing differences. Timing differences are differences between an entity's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in financial statements.

Employee Benefits

IFRS requires defined benefit plan assets to be recognised in the balance sheet at fair value, and liabilities to be recognised in the balance sheet based on an actuarial valuation.

Actuarial gains or losses are recognised directly in equity through the statement of recognised income and expenses, while the charge to the income statement reflects the Group's past and current service costs for the defined benefit plan, and financing costs of the plan assets and liabilities.

The Effects of Changes in Foreign Exchange Rates

IFRS requires foreign currency gains and losses on the translation of foreign operations to be recorded in a separate component of equity. Upon full or partial disposal or the repayment of a portion of the net investment in the foreign operation, the cumulative amount of the exchange differences are recognised in the income statement when the gain or loss on disposal or on loan repayment is recognised.

Investments in Associates

Net income from associates is reported after interest and taxation on one line in the consolidated income statement. Previously the Group's share in the associates operating profit was disclosed separately on the face of the income statement and the share of the

associates finance income, finance cost and income tax expense were included within the respective headings in the income statement. This reclassification has no impact on the Group's profit for the year.

Interest in Joint Ventures

The results, assets and liabilities and cash flows of jointly controlled entities are proportionally consolidated on a line-by-line basis in the Group financial statements. This change has no impact on the Group profit for the year or the Group net assets. For ventures which were classified as joint arrangements not creating an entity (JANES) under FRS 9 in UK GAAP and classified as 'Jointly controlled assets' or 'Jointly controlled operations' under IFRS, the treatment adopted is similar to UK GAAP.

Non-current asset held for sale

On 1 January 2005, the Group adopted IFRS 5, Non-current Assets and Discontinued Operations. Under this accounting policy, non-current assets and disposal groups are classified as held for sale if their carrying amounts will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition. The Group must be committed to the sale which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Non-current assets and disposals groups once classified as held for sale are not depreciated.

Financial Instruments

The change to the Group's accounting policies adopted in the current financial year arise as a result of the first time adoption of IAS 32 'Financial Instruments: Disclosure and Presentation' and IAS 39 'Financial Instruments: Recognition and Measurement' are discussed and the effect on the balance sheet at 1 January 2005 is outlined below.

The application of IAS 32 and IAS 39 was deferred to 1 January 2005 and as permitted, the 2004 comparatives have not been restated. The main impact of these standards for the Group are:

- Derivative financial instruments are initially recorded at cost and then for reporting purposes re-measured to fair value at subsequent balance sheet dates.

Changes in the fair value of derivative financial instruments that are designated as and are effective as cash flow hedges of forecast transactions are recognised directly in equity. Amounts deferred in this way are recognised in the income statement in the same period in which the hedged firm commitments or forecasted transactions are recognised in the income statement.

Changes in the fair value of derivative financial instruments that are designated and effective as fair value hedges of assets or liabilities are taken to the income statement. The hedged item is recorded at fair value and any gain or loss is offset by the gain or loss from the change in the fair value of the hedging instrument.

Changes in the fair value of derivative financial instruments that do not qualify for hedge accounting are recognised in the income statement as they arise.

- Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated or exercised, or no longer qualifies for hedge accounting. At that point in time, any cumulative gain or loss on the hedging instrument recognised in

equity is retained there until the forecasted transaction occurs. If a hedged transaction is no longer expected to occur, the net cumulative gain or loss recognised in equity is transferred to the income statement for the period.

- Available-for-sale financial assets are initially reported at cost when entered into and then for reporting purposes are re-measured to fair value at subsequent balance sheet dates with the unrecognised movements in the fair value being deferred in a separate component of equity until recognised.
- The liability component of convertible financial instruments is fair valued using a market rate for an equivalent non-convertible instrument with the difference in the proceeds being allocated to a separate component of equity. The liability component is maintained on an amortised cost basis until extinguished on conversion or redemption.

Under UK GAAP:

- Gains or losses on the hedging instrument are recognised in the period to which the gains and losses on the underlying transactions relate. Where the underlying transaction can no longer be identified, gains and losses on the hedge instrument are recognised in the profit and loss account.
- Investments are carried at cost less any provision for impairments.
- Convertible financial instruments are recognised at inception at the fair value of the proceeds received net of issue costs.

A reconciliation between the IFRS Balance Sheet at 31 December 2004 and 1 January 2005 upon adoption of IAS 32 and IAS 39 is provided below:

| US\$m | at 31.12.04 | Adoption of IAS 32 & 39 | at 01.01.05 |
|---------------------------------------|-------------|----------------------------|-------------|
| ASSETS | | | |
| Non-current assets | | | |
| Intangible assets | 1,523.9 | - | 1,523.9 |
| Property, plant & equipment | 8,128.5 | - | 8,128.5 |
| Biological assets | 32.2 | - | 32.2 |
| Inventories | 83.2 | - | 83.2 |
| Investment in associates | 3.8 | - | 3.8 |
| Available-for-sale financial assets | - | 89.2 | 89.2 |
| Other financial assets | 122.3 | (62.8) | 59.5 |
| Deferred tax assets | 2.0 | - | 2.0 |
| Pension asset | 2.7 | - | 2.7 |
| Other non-current assets | 150.4 | - | 150.4 |
| | 10,049.0 | 26.4 | 10,075.4 |
| Current assets | | | |
| Inventories | 825.9 | - | 825.9 |
| Trade and other receivables | 897.9 | - | 897.9 |
| Other financial assets | 53.8 | 61.6 | 115.4 |
| Cash and cash equivalents | 459.6 | - | 459.6 |
| | 2,237.2 | 61.6 | 2,298.8 |
| TOTAL ASSETS | 12,286.2 | 88.0 | 12,374.2 |
| EQUITY AND LIABILITIES | | | |
| Shareholders' equity | | | |
| Issued capital | 315.8 | - | 315.8 |
| Share premium | 2,481.5 | - | 2,481.5 |
| Own shares | (91.7) | - | (91.7) |
| Convertible bond - equity component | - | 63.4 | 63.4 |
| Other reserves | 3,515.4 | 32.3 | 3,547.7 |
| Retained earnings | 597.6 | (10.0) | 587.6 |
| | 6,818.6 | 85.7 | 6,904.3 |
| Minority interests | 506.6 | - | 506.6 |
| TOTAL EQUITY | 7,325.2 | 85.7 | 7,410.9 |
| Non-current liabilities | | | |
| Interest-bearing loans and borrowings | 1,232.7 | - | 1,232.7 |
| Convertible bond | 590.4 | (42.3) | 548.1 |
| Other financial liabilities | - | 21.2 | 21.2 |
| Provisions | 480.3 | - | 480.3 |
| Deferred tax liabilities | 1,357.7 | 11.0 | 1,368.7 |
| Pension deficit | 27.7 | - | 27.7 |
| Other non-current liabilities | 21.9 | - | 21.9 |
| | 3,710.7 | (10.1) | 3,700.6 |
| Current liabilities | | | |
| Trade and other payables | 788.8 | - | 788.8 |
| Interest-bearing loans and borrowings | 108.5 | - | 108.5 |
| Other financial liabilities | - | 12.4 | 12.4 |
| Provisions | 94.7 | - | 94.7 |
| Income taxes payable | 238.7 | - | 238.7 |
| Other current liabilities | 19.6 | - | 19.6 |
| | 1,250.3 | 12.4 | 1,262.7 |
| TOTAL LIABILITIES | 4,961.0 | 2.3 | 4,963.3 |
| TOTAL EQUITY AND LIABILITIES | 12,286.2 | 88.0 | 12,374.2 |

Notes to the reconciliation between the IFRS Balance Sheet at 31 December 2004 and 1 January 2005 upon adoption of IAS 32 and IAS 39:

- Investments in the rehabilitation trust fund, listed and unlisted shares of US\$87.9 million have been reclassified from Other financial assets to Available-for-sale assets. An unrealised fair value adjustment of US\$1.3 million was recorded to the Available-for-sale assets, adjusting Other reserves by US\$1.3 million.
- The fair values of foreign currency hedges and commodity hedges of US\$14.0 million in non-current Other financial assets, US\$59.3 million in current Other financial assets, US\$21.2 million in non-current Other financial liabilities and US\$12.4 million in current Other financial liabilities have been recognised. Deferred tax of US\$11.0 million was also recognised and the balance of US\$28.7 million was recorded in Other reserves.
- The fair value of the liability component of the convertible bond on issue date was determined using a market rate for a non-convertible instrument. The remaining balance of US\$63.4 million was allocated to a separate component of equity, net of issue costs. The amortised cost adjustment on the liability component of US\$10.0 million was adjusted to retained earnings. The interest payable on the bond was swapped from a fixed to floating interest rate and the fair value of this interest rate swap of US\$11.1 million has been adjusted against the carrying value of the convertible bond and other non-current financial assets.
- An interest rate swap from floating to fixed rates with a fair value of US\$2.3 million has been recorded in current Other financial assets and Other reserves.

6. Principal Accounting Policies

Basis of consolidation

The financial statements consolidate the financial statements of Xstrata plc and its subsidiaries. All inter-company balances and transactions, including unrealised profits and losses arising from intra-group transactions, have been eliminated in full. The results of subsidiaries acquired or sold are consolidated for the periods from or to the date on which control passes. Control is achieved where the Group has the power to govern the financial and operating policy of a company so as to obtain benefits from its activities. Where there is a loss of control of a subsidiary, the financial statements include the results for the part of the reporting period during which Xstrata plc has control. Subsidiaries use the same reporting period and same accounting policies as Xstrata plc.

The minority interest principally represents the 50% holding of Minera Alumbrera and various holdings in Coal subsidiaries.

Interests in Joint Ventures

A joint venture is a contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control.

Jointly controlled operations

A jointly controlled operation involves the use of assets and other resources of the Group and other venturers rather than the establishment of a corporation, partnership or other entity.

The Group accounts for the assets it controls and the liabilities it incurs, the expenses it incurs and the share of income that it earns from the sale of goods or services by the joint venture.

Jointly controlled assets

A jointly controlled asset involves joint control and offers joint ownership by the Group and other venturers of assets contributed to or acquired for the purpose of the joint venture, without the formation of a corporation, partnership or other entity.

The Group accounts for its share of the jointly controlled assets, any liabilities it has incurred, its share of any liabilities jointly incurred with other ventures, income from the sale or use of its share of the joint venture's output, together with its share of the expenses incurred by the joint venture, and any expenses it incurs in relation to its interest in the joint venture.

Jointly controlled entities

A jointly controlled entity involves the establishment of a corporation, partnership or other legal entity in which the Group has an interest along with other venturers.

The Group recognises its interest in jointly controlled entities using the proportionate method of consolidation.

Investments in Associates

Entities in which the Group has significant influence and which are neither subsidiaries nor joint ventures, are associates, and are accounted for under the equity method of accounting.

Under the equity method of accounting, in the year of acquisition the investment in the associate is recognised in the balance sheet on the date of acquisition at the fair value of the purchase consideration including any goodwill on acquisition.

In future years the carrying amount is adjusted by the Group's share of the post acquisition profit or loss; revisions in depreciation, amortisation or impairment arising from notional fair value adjustments made at date of acquisition and certain inter-entity transactions together with a reduction for any dividends received or receivable from the associate.

Business Combinations

On the acquisition of a subsidiary, the purchase method of accounting is used where the purchase consideration is allocated to the assets, liabilities and contingent liabilities on the basis of fair value at the date of acquisition. Those mineral reserves and resources that are able to be reliably valued are recognised in the assessment of fair values on acquisition. Other potential reserves, resources and mineral rights, for which in the Directors' opinion, values cannot be reliably determined, are not recognised. Similar procedures are applied in accounting for the purchases of interests in associates or jointly controlled entities. Any goodwill arising on such purchases is included within the carrying amount of the investment in associates or jointly controlled entity, but not thereafter amortised. Any excess of the Group's share of the net fair value of the associate's identifiable assets, liabilities and contingent liabilities over the cost of the investment is included in income in the period of the purchase.

When the cost of acquisition exceeds the fair values attributable to the Group's share of the identifiable net assets the difference is treated as purchased goodwill, which is reviewed for impairment annually. If the fair values attributable to the Group's share of the identifiable net assets exceeds the cost of acquisition the difference is immediately recognised in the income statement.

Foreign currencies

The consolidated financial statements are presented in US dollars and all values are rounded to the nearest 0.1 million except where otherwise indicated. Financial statements of subsidiaries, joint ventures and associates, are maintained in their functional currencies and converted to US dollars on consolidation of the Group results. The functional currency of each entity is determined after consideration of the primary economic environment of the entity. Transactions in foreign currencies are translated at the exchange rates ruling at the date of transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at year end exchange rates. Where transactions in foreign currencies are hedged they are translated at contractual rates.

On consolidation of foreign operations into US dollars, income statement items are translated at weighted average rates of exchange. Balance sheet items are translated at closing exchange rates.

Exchange differences on the re-translation of the investments in overseas subsidiaries, joint ventures and associates at closing rates, together with differences between income statements translated at average and at closing rates, are recorded in a separate component of equity. Exchange differences on foreign currency borrowings to finance those net investments and tax charges/credits attributable to those exchange differences are also recorded in a separate component of equity. Upon full or partial disposal or repayment of the net investment in the foreign operation, the cumulative amount of the exchange differences are recognised in the income statement when the gain or loss on disposal or on loan repayment is recognised. All other exchange differences are charged or credited to the income statement in the year in which they arise unless they relate to an item which has been recorded in equity in which case the related exchange difference is also recorded in equity. The following exchange rates to the US dollar (US\$) have been applied:

| | 30 June | Average | | Average | | Average |
|----------------------------|----------------|-----------------|----------------|-----------------|--------------------|------------------|
| | 2005 | 6 months | 30 June | 6 months | 31 December | 12 months |
| | 2005 | 2005 | 2004 | 2004 | 2004 | 2004 |
| Argentine pesos (ARS) | 2.8863 | 2.9093 | 2.9560 | 2.9061 | 2.9720 | 2.9416 |
| Australian dollars (AUD) | 0.7624 | 0.7730 | 0.6993 | 0.7400 | 0.7802 | 0.7370 |
| Chile pesos (CLP) | n/a | n/a | 636.30 | 628.32 | 557.40 | 611.45 |
| Euros (EUR) | 1.2108 | 1.2845 | 1.2200 | 1.2274 | 1.3554 | 1.2442 |
| Great Britain pounds (GBP) | 1.7915 | 1.8730 | 1.8202 | 1.8232 | 1.9179 | 1.8335 |
| South African rands (ZAR) | 6.6495 | 6.2146 | 6.1362 | 6.6685 | 5.6650 | 6.4341 |
| Swiss francs (CHF) | 1.2814 | 1.2047 | 1.2487 | 1.2654 | 1.1403 | 1.2421 |

Revenue

Revenue associated with the sales of commodities are recognised when all significant risks and rewards of ownership of the asset sold are transferred to the customer, usually when title and insurance risk has passed to the customer and the commodity has been delivered to the shipping agent. Sales revenue is recognised at the fair value of consideration received, which is invoiced amounts, with most sales being priced free on board (FOB), free on rail (FOR) or cost, insurance and freight (CIF). Revenues from the sales of by-products are also included in sales revenue. Recognition of revenue only occurs when consideration can be reliably measured and is at fair value. Revenue excludes treatment and refining charges unless payment of these amounts can be enforced by the Group at the time of the sale.

Interest income

Interest income is recognised as earned on an accruals basis based on the effective interest method in the income statement.

Property, plant and equipment

Land and buildings, plant and equipment

Property, plant and equipment are valued at cost, being the purchase price and the directly attributable costs of acquisition or construction required to bring the asset to the location and condition necessary for the asset to be capable of operating in the manner intended by management.

Property, plant and equipment is stated at cost less accumulated depreciation and any impairment in value.

Mine production assets are depreciated using a unit of production method based on estimated economically recoverable reserves, which results in a depreciation charge proportional to the depletion of reserves. Buildings, plant and equipment unrelated to production are depreciated using the straight-line method based on estimated useful lives. Where significant parts of an asset have differing useful lives, depreciation is calculated on each separate part. Each item or part's estimated useful life has due regard to both its own physical life limitations and the present assessment of economically recoverable reserves of the mine property at which the item is located, and to possible future variations in those assessments. Estimates of remaining useful lives and residual values are made annually. Changes in estimates which affect unit of production calculations are accounted for prospectively. Freehold land is stated at cost and is not depreciated.

The expected useful lives are as follows:

| | |
|------------------------|---------------|
| Buildings | 15 – 40 years |
| Plant and Equipment | 4 – 30 years |
| Furniture and Fixtures | 5 – 15 years |
| Other | 3 – 5 years |

The net carrying amounts of mine buildings, machinery and equipment at each mine property are reviewed for impairment either individually or at the cash-generating unit when events and changes in circumstances indicate that the carrying amount may not be recoverable and, to the extent to which these values exceed their recoverable amounts, that excess is fully provided against in the financial year in which this is determined.

Expenditure on major maintenance or repairs includes the cost of replacement of parts of assets and overhaul costs. Where an asset or part of an asset, which was separately depreciated and is now written off, is replaced and it is probable that future economic benefits associated with the item will flow to the Group, the expenditure is capitalised. Overhaul costs associated with major maintenance are expensed as incurred. All other maintenance costs are expensed as incurred.

Where an item of property, plant and equipment is disposed of, it is derecognised and the difference between its carrying value and net sales proceeds is disclosed as a profit or loss on disposal in the income statement.

Any item of property, plant or equipment that ceases to have future economic benefits expected to arise from the continued use or disposal of the assets are derecognised with any gain or loss included in the income statement in the financial year in which the item is derecognised.

Exploration and evaluation expenditure

Exploration and evaluation expenditure for each area of interest, other than that acquired from the purchase of another mining company, is carried forward as an asset provided that one of the following conditions is met:

- such costs are expected to be recouped in full through successful development and exploration of the area of interest or alternatively, by its sale; or
- exploration and evaluation activities in the area of interest have not yet reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active and significant operations in relation to the area are continuing, or planned for the future.

Identifiable exploration and evaluation assets acquired are recognised as assets at their cost of acquisition.

An impairment review is performed when facts and circumstances suggest that the carrying amount of the assets may exceed their recoverable amounts. Exploration assets are reassessed on a regular basis and these costs are carried forward provided that at least one of the conditions outlined above is met.

Mineral properties and mine development expenditure

The cost of acquiring mineral reserves and mineral resources are capitalised on the balance sheet as incurred. Capitalised costs (development expenditure) include interest and financing costs relating to the construction of plant and equipment and costs associated with a start up period where the asset is available for use but incapable of operating at normal levels without a commissioning period.

Mineral reserves and capitalised mine development expenditure are, upon commencement of production, amortised using a unit of production method based on the estimated economically recoverable reserves to which they relate or are written-off if the property is abandoned or to the extent that there is a impairment in value.

Capital work in progress

Assets in the course of construction are capitalised in the capital work in progress account. On completion, the cost of construction is transferred to the appropriate category of property, plant and equipment.

The cost of a property, plant and equipment comprises its purchase price and any costs directly attributable to bringing it into working condition for its intended use.

Costs associated with a start up period are capitalised where the asset is available for use but incapable of operating at normal levels without a commissioning period.

Capital work in progress is not depreciated.

Leasing and hire purchase commitments

Assets held under finance leases, where substantially all the risks and rewards of ownership of the asset have passed to the Group, and hire purchase contracts are capitalised in the balance sheet at the lower of the fair value of the leased property or the present value of the minimum lease payments during the lease term calculated using the interest rate implicit in the lease agreement. These amounts are determined at the inception of the lease and are depreciated over the shorter of their estimated useful lives or lease term. The capital elements of future obligations under leases and hire purchase contracts are included as liabilities in the balance sheet. The interest elements of the rental obligations are charged to the income statement over the periods of the leases and hire purchase contracts and represent a constant proportion of the balance of capital repayments outstanding.

Leases where substantially all the risks and rewards of ownership have not passed to the Group are classified as operating leases. Rentals payable under operating leases are charged to the income statement on a straight-line basis over the lease term.

Biological assets

Biological assets, being cattle and plantations, are carried at their fair value less estimated point of sale costs.

Deferred overburden removal expenditure

In open pit mining operations, it is necessary to remove overburden and other waste in order to access the ore body. During the pre-production phase, these costs are capitalised as part of the cost of the mine property.

The costs of removal of the waste material during a mine's production phase is deferred, where appropriate. The deferral of these costs, and subsequent charges to the income statement are determined with reference to the mine's strip ratio. This ratio represents the ratio of the estimated total volume of waste, to the estimated total quantity of economically recoverable ore, over the life of the mine. Deferral of these costs is made where the actual stripping ratios vary from the mine's strip ratio. The costs charged to the income statement are based on application of the mine strip ratio to the quantity of ore mined in the period. Where the ore is expected to be evenly distributed, waste removal is expensed as incurred.

Intangible assets

Purchased intangible assets are valued at cost of acquisition including expenses incidental to the acquisition.

Intangible assets acquired as part of an acquisition of a business are capitalised separately from goodwill if the fair value can be measured reliably on initial recognition.

Internally generated goodwill is not recognised.

Intangible assets are amortised using a straight-line method based on estimated useful lives, except goodwill and those intangible assets which the Directors regard as having indefinite useful lives, which are not amortised but are reviewed for impairment annually. Estimated useful lives are determined as the period over which the Group expects to use the asset or the number of

production (or similar) units expected to be obtained from the asset by the Group and for which the Group retains control of access to those benefits.

For intangible assets with a finite useful life, the amortisation method and period are reviewed annually. For an intangible asset with an indefinite useful life, this is reviewed annually to determine whether events and circumstances support the indefinite life assessment. If the asset is reassessed as having a finite life, the asset is also tested for impairment. Intangible assets are regarded as having an indefinite life when, based on an analysis of all the relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash flows.

Coal Export Rights

Coal export rights are carried at cost and are considered to have an indefinite useful life. As a result they are not amortised but are subject to an annual asset impairment review.

Software and Technology patents

Software and Technology patents are carried at cost and amortised over a period of 3 years and 20 years respectively.

Impairment

The carrying amounts of assets are reviewed annually for impairment or whenever events or changes in circumstances indicate the carrying value may not be recoverable. If there are indicators of impairment, a review is undertaken to determine whether the carrying values are in excess of their recoverable amount. The recoverable amount is determined as the higher of an asset's fair value less costs to sell and its value in use. Such review is undertaken on an asset by asset basis, except where such assets do not generate cash flows independent of other assets, when the review is undertaken at the cash generating unit level.

Where a cash generating unit, or group of cash generating units, has goodwill allocated to it, or includes intangible assets which are either not available for use or which have an indefinite useful life (and which can only be tested as part of a cash generating unit), this is tested for impairment annually and whenever there is an indication that the unit may be impaired. Any excess of carrying amount over recoverable amount results in recognition of an impairment loss in the income statement.

If the carrying amount of assets exceeds their recoverable amount, an impairment loss is recorded to reflect the asset at the lower amount. In assessing recoverable amount for assets, the relevant future cash flows expected to arise from the continuing use of such assets and from their disposal have been discounted to their present value using a market-determined discount rate which reflects current market assessments of the time value of money and asset-specific risks for which the cash flow estimates have not been adjusted.

At each reporting date, indicators that prior impairments may have reversed will also be assessed. An impairment loss is reversed if and only if there is a change in estimates used to determine recoverable amount since the prior impairment loss was recognised. The carrying amount is increased to recoverable amount but not beyond the carrying amount net of depreciation or amortisation which would have arisen if the prior impairment loss had not been recognised. Goodwill impairments are not reversed.

Non-current asset held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amounts will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition. The Group must be committed to the sale which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Derivative financial instruments

Derivative financial instruments are initially recorded at cost and then for reporting purposes re-measured to fair value at subsequent balance sheet dates.

Changes in the fair value of derivative financial instruments that are both designated as, and effective as, cash flow hedges of forecast transactions are recognised directly in equity. Any ineffective portion of the gain or loss on the derivative financial instrument is recognised in the income statement. Amounts deferred in this way are recognised in the income statement in the same period in which the hedged firm commitments or forecasted transactions are recognised in the income statement.

Changes in the fair value of derivative financial instruments that are designated as, and effective as, fair value hedges of assets or liabilities are taken to the income statement. The gain or loss on the hedged item attributable to the hedged risk is adjusted against the carrying amount of the hedged item and recognised in the income statement, where it is offset by the gain or loss from the change in the fair value of the hedging instrument.

Changes in the fair value of derivative financial instruments that do not qualify for hedge accounting are recognised in the income statement as they arise.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated or exercised, or no longer qualifies for hedge accounting. At that point in time, any cumulative gain or loss on the hedging instrument recognised in equity is retained there until the forecasted transaction occurs. If a hedged transaction is no longer expected to occur, the net cumulative gain or loss recognised in equity is transferred to the income statement for the period.

Available-for-sale financial assets

The investments in the rehabilitation trust funds are measured at fair value based on the market price of the investments held by the trust fund. Listed share investments are carried at fair value based on stock exchange quoted prices at the close of business at balance sheet date. Unlisted shares are carried at fair value where market values can be reliably obtained, otherwise they are stated at cost. Gains and losses on available-for-sale assets are recognised in a separate component of equity until the shares are disposed of or impaired, whereby the cumulated gain or loss reported in equity is transferred to the income statement.

Inventories

Inventories are valued at the lower of cost and net realisable value. Cost is determined on a weighted average basis or using first-in-first-out basis and includes all costs incurred in the normal course of business including direct material and direct labour costs,

and an allocation of production overheads, depreciation and amortisation and other costs, based on normal production capacity, incurred in bringing each product to its present location and condition. Inventories are categorised, as follows:

- Raw materials and consumables: Materials, goods or supplies (including energy sources) to be either directly or indirectly consumed in the production process.
- Work in progress: Items stored in an intermediate state that have not yet passed through all the stages of production.
- Finished goods: Products and materials that have passed all stages of the production process.

Net realisable value represents estimated selling price in the ordinary course of business less any further costs expected to be incurred to completion and disposal.

Trade receivables

Trade receivables are classified between current assets and non-current assets depending on when the amounts are expected to be received. A provision is made where the estimated recoverable amount is lower than the carrying amount. Where trade receivables are used to factor debt they are derecognised if all the significant risks and rewards relating to the financial assets in question have been transferred to a third party.

Cash and cash equivalents

Cash and cash equivalents comprise cash at bank, cash in hand and short term deposits with an original maturity of 3 months or less. For the cash flow statement, cash and cash equivalents includes bank overdrafts.

Government grants

Government grants are recognised where there is reasonable assurance that the grant will be received and all the attaching conditions will be complied with. Government grants in respect of capital expenditure are credited to the carrying amount of the related asset and are released to the income statement over the expected useful lives of the relevant assets. Grants of a revenue nature are credited to income so as to match them with the expenditure to which they relate.

Environmental protection, rehabilitation and closure costs

Provision is made for close down, restoration and for environmental rehabilitation costs (which include the dismantling and demolition of infrastructure, removal of residual materials and remediation of disturbed areas) in the accounting period when the related environmental disturbance occurs, based on the estimated future costs. The provision is discounted using a current market-based pre-tax discount rate and the unwinding of the discount is included in interest expense. At the time of establishing the provision, a corresponding asset is capitalised, where it gives rise to a future benefit, and depreciated over future production from the mine to which it relates.

The provision is reviewed on an annual basis for changes to obligations or legislation or discount rates that effect change in cost estimates or life of operations. The cost of the related asset is adjusted for changes in the provision resulting from changes in the estimated cash flows or discount rate, and the adjusted cost of the asset is depreciated prospectively. Periodic unwinding of the discount is recognised as a finance cost in the income statement.

Rehabilitation trust funds holding monies committed for use in satisfying environmental obligations are included within Other financial assets on the balance sheet.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive), as result of past events, and it is probable that an outflow of resources that can be reliably estimated will be required to settle the obligation. Where the effect will be material, the provision is discounted to net present value using an appropriate current market-based pre-tax discount rate and the unwinding of the discount is included in interest expense.

Taxation

Current tax

Current tax for each taxable entity in the Group is based on the local taxable income at the local statutory tax rate and includes adjustments to tax payable or recoverable in respect of previous periods.

Deferred tax

Deferred tax is recognised using the balance sheet method in respect of all temporary differences between the tax bases of assets and liabilities, and their carrying amounts for financial reporting purposes, except as indicated below:

Deferred income tax liabilities are recognised for all taxable temporary differences, except:

- where the deferred income tax liability arises from the initial recognition of goodwill, or the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax assets and unused tax losses can be utilised, except:

- where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised. To the extent that an asset not previously recognised fulfils the criteria for recognition, a deferred income tax asset is recorded.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which the asset is realised or the liability is settled, based on tax rates and tax laws enacted or substantively enacted at the balance sheet date.

Current and deferred tax relating to items recognised directly in equity are recognised in equity and not in the income statement.

Other taxes and duties

Other items such as non-recoverable customs duties, sales tax and VAT are recognised as incurred on an accruals basis in the income statement with the related item of income or expense.

Pensions and other post – retirement obligations

The Group's contributions to its defined contribution pension plans are charged to the income statement account in the year to which they relate.

The group contributed to separately administered defined benefit pension plans.

Plan assets are measured at fair value, while plan liabilities are measured on an actuarial basis using the projected unit credit method and discounted at an interest rate equivalent to the current rate of return on a high quality corporate bond of equivalent currency and term to the plan liabilities. In measuring its defined benefit liability past service costs are recognised as an expense on a straight-line basis over the average period until the benefits become vested. To the extent that the benefits are already vested immediately following the introduction of, or changes to, a defined benefit plan, the past service costs are recognised immediately.

The service cost of providing pension benefits to employees for the year is recognised in the income statement. The unwinding of the discount on the plan liabilities during the year is included within other finance expense. The expected return on the plan assets during the year is included as a credit in other financial expense.

Actuarial gains or losses are recognised directly in equity through the statement of other recognised income and expenses. The full pension surplus or deficit is recorded in the balance sheet, with the exception of the impact of any recognition of past service costs.

The Group also provides post retirement healthcare benefits to certain employees in South Africa. These are accounted for in a similar manner to the defined benefit pension plans. These benefits are unfunded.

Share based compensation plans

The Group makes share based awards to certain employees. The fair value is determined at the date of grant taking into account any market related performance conditions. For equity-settled awards, the fair value is charged to the income statement and credited to retained earnings, on a straight line basis over the vesting period, after adjusting for non-market based performance conditions, based on the estimated number of awards that are expected to vest. For cash-settled awards, the fair value is re-calculated at each period end, charged to the income statement and credited to provisions, over the vesting period, after adjusting for market and non-market based performance conditions, based on the estimated number of awards that are expected to vest. Movements in the fair value of unexercised cash-settled awards following vesting are recognised immediately in the income statement.

The Group has taken advantage of the transitional provisions of IFRS 2 in relation to equity-settled awards and has applied this accounting standard only to awards granted on or after 7 November 2002 that had not vested prior to 1 January 2005.

Own shares

The cost of purchases of own shares held by the Employee Share Ownership Plan (ESOP) trust are deducted from equity. Where they are issued to employees or sold, no gain or loss is recognised in the income statement. Any proceeds received on disposal of the shares or transfer to employees are also recognised in equity.

Own shares purchased under the Equity Capital Management Program (ECMP) are deducted from equity. No gain or loss is recognised in the income statement on the purchase, sale, issue or cancellation of such shares. Such gains and losses are recognised directly in equity.

Interest-bearing loans and borrowings

Loans are recognised at inception at amortised cost under the effective interest method, being the fair value of the proceeds received net of issue costs. The finance cost recognised in the income statement is amortised over the expected life of the loan at a constant rate based on the carrying amount.

Convertible financial instruments

On issue of the convertible instrument, the fair value of the liability component is determined using a market rate for a non-convertible instrument. This value is carried as a long term liability on the amortised cost basis until extinguished on conversion or redemption. The remainder of the proceeds is allocated to a separate component of equity, net of issue costs, which remains constant in subsequent periods. Issue costs are apportioned between the liability and equity components based on their respective carrying amounts when the instrument was issued.

Use of estimates

The preparation of these financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Actual outcomes could differ from these estimates.

Comparatives

Where applicable, comparatives have been adjusted to disclose them on the same basis as current period figures except for the adoption of IAS 32, IAS 39 and IFRS 5 on 1 January 2005 as explained above.

7. IFRS Reconciliation to UK GAAP

Balance sheet reconciliations

A reconciliation between the UK GAAP and IFRS Balance Sheet at 1 January 2004 (date of transition to IFRS) is provided below.

The UK GAAP balance sheet has been presented in an IFRS balance sheet format.

| | UKGAAP US\$m | Reclassif- ications US\$m | US\$m | Adjustments US\$m | Notes | IFRS US\$m |
|---------------------------------------|-----------------|---------------------------------|----------|----------------------|-------|---------------|
| Non-current assets | | | | | | |
| Intangible assets | 1,333.5 | 4.2 | 1,337.7 | - | | 1,337.7 |
| Property, plant & equipment | 7,614.8 | (25.6) | 7,589.2 | (3.7) | i | 7,585.5 |
| Biological assets | - | 30.1 | 30.1 | - | | 30.1 |
| Inventories | - | 120.5 | 120.5 | - | | 120.5 |
| Investment in associates | - | - | - | 5.6 | i | 5.6 |
| Other financial assets | 81.0 | 40.3 | 121.3 | - | | 121.3 |
| Deferred tax assets | - | 106.7 | 106.7 | (104.5) | iii | 2.2 |
| Pension asset | - | - | - | 2.8 | iv | 2.8 |
| Other non-current assets | 250.3 | (147.0) | 103.3 | - | | 103.3 |
| | 9,279.6 | 129.2 | 9,408.8 | (99.8) | | 9,309.0 |
| Current assets | | | | | | |
| Inventories | 802.8 | (129.2) | 673.6 | - | | 673.6 |
| Trade and other receivables | 702.1 | (22.1) | 680.0 | (1.9) | i | 678.1 |
| Assets held for resale | 31.1 | - | 31.1 | - | | 31.1 |
| Other financial assets | - | 22.1 | 22.1 | - | | 22.1 |
| Cash and cash equivalents | 255.1 | - | 255.1 | - | | 255.1 |
| | 1,791.1 | (129.2) | 1,661.9 | (1.9) | | 1,660.0 |
| TOTAL ASSETS | 11,070.7 | - | 11,070.7 | (101.7) | | 10,969.0 |
| EQUITY AND LIABILITIES | | | | | | |
| Shareholders' equity | | | | | | |
| Issued capital | 315.8 | - | 315.8 | - | | 315.8 |
| Share premium | 2,481.5 | - | 2,481.5 | - | | 2,481.5 |
| Own shares | (40.8) | - | (40.8) | - | | (40.8) |
| Share-based compensation plans | - | 0.6 | 0.6 | - | | 0.6 |
| Foreign currency translation | - | 1,735.2 | 1,735.2 | - | | 1,735.2 |
| Other reserves | 1,240.7 | - | 1,240.7 | - | | 1,240.7 |
| Retained earnings | 2,487.7 | (1,735.2) | 752.5 | (1,061.6) | | (309.1) |
| | 6,484.9 | 0.6 | 6,485.5 | (1,061.6) | | 5,423.9 |
| Minority interests | 614.6 | - | 614.6 | (141.1) | vii | 473.5 |
| TOTAL EQUITY | 7,099.5 | 0.6 | 7,100.1 | (1,202.7) | x | 5,897.4 |
| Non-current liabilities | | | | | | |
| Interest-bearing loans and borrowings | 1,658.5 | - | 1,658.5 | - | | 1,658.5 |
| Convertible bond | 588.7 | - | 588.7 | - | | 588.7 |
| Provisions | 621.6 | (193.7) | 427.9 | 2.9 | viii | 430.8 |
| Deferred tax liabilities | - | 117.1 | 117.1 | 1,180.5 | iii | 1,297.6 |
| Pension deficit | - | 26.4 | 26.4 | 1.2 | iv | 27.6 |
| Other non-current liabilities | - | 45.9 | 45.9 | - | | 45.9 |
| | 2,868.8 | (4.3) | 2,864.5 | 1,184.6 | | 4049.1 |
| Current liabilities | | | | | | |
| Trade and other payables | 1,102.4 | (330.1) | 772.3 | (83.6) | ix | 688.7 |
| Interest-bearing loans and borrowings | - | 229.4 | 229.4 | - | | 229.4 |
| Provisions | - | 81.1 | 81.1 | - | | 81.1 |
| Income taxes payable | - | 23.3 | 23.3 | - | | 23.3 |
| | 1,102.4 | 3.7 | 1,106.1 | (83.6) | | 1,022.5 |
| TOTAL LIABILITIES | 3,971.2 | (0.6) | 3,970.6 | 1,101.0 | | 5,071.6 |
| TOTAL EQUITY AND LIABILITIES | 11,070.7 | - | 11,070.7 | (101.7) | | 10,969.0 |

A reconciliation between the UK GAAP and IFRS Balance Sheet and Equity at 30 June 2004 is provided below:

| | UKGAAP US\$m | Reclassif- ications US\$m | US\$m | Adjustments US\$m | Notes | IFRS US\$m |
|---------------------------------------|-----------------|---------------------------------|----------|----------------------|-------|---------------|
| Non-current assets | | | | | | |
| Intangible assets | 1,399.7 | 5.2 | 1,404.9 | 5.3 | ii | 1,410.2 |
| Property, plant & equipment | 7,251.3 | (25.0) | 7,226.3 | (3.4) | i | 7,222.9 |
| Biological assets | - | 30.7 | 30.7 | - | | 30.7 |
| Inventories | - | 87.8 | 87.8 | - | | 87.8 |
| Investment in associates | - | - | - | 3.4 | i | 3.4 |
| Other financial assets | 78.8 | 32.9 | 111.7 | - | | 111.7 |
| Deferred tax assets | - | 92.5 | 92.5 | (85.6) | iii | 6.9 |
| Pension asset | - | - | - | 2.4 | iv | 2.4 |
| Other non-current assets | 251.1 | (125.4) | 125.7 | - | | 125.7 |
| | 8,980.9 | 98.7 | 9,079.6 | (77.9) | | 9,001.7 |
| Current assets | | | | | | |
| Inventories | 783.8 | (98.7) | 685.1 | - | | 685.1 |
| Trade and other receivables | 690.9 | (17.4) | 673.5 | - | | 673.5 |
| Other financial assets | - | 17.4 | 17.4 | - | | 17.4 |
| Cash and cash equivalents | 297.1 | - | 297.1 | - | | 297.1 |
| | 1,771.8 | (98.7) | 1,673.1 | - | | 1,673.1 |
| TOTAL ASSETS | 10,752.7 | - | 10,752.7 | (77.9) | | 10,674.8 |
| EQUITY AND LIABILITIES | | | | | | |
| Shareholders' equity | | | | | | |
| Issued capital | 315.8 | - | 315.8 | - | | 315.8 |
| Share premium | 2,481.5 | - | 2,481.5 | - | | 2,481.5 |
| Own shares | (40.8) | - | (40.8) | - | | (40.8) |
| Share-based compensation plans | - | 2.3 | 2.3 | 2.5 | v | 4.8 |
| Foreign currency translation | - | 1,593.2 | 1,593.2 | (83.0) | | 1,510.2 |
| Other reserves | 1,240.7 | - | 1,240.7 | - | | 1,240.7 |
| Retained earnings | 2,665.3 | (1,595.5) | 1,069.8 | (1,001.2) | | 68.6 |
| | 6,662.5 | - | 6,662.5 | (1081.7) | | 5,580.8 |
| Minority interests | 580.6 | - | 580.6 | (117.1) | vii | 463.5 |
| TOTAL EQUITY | 7,243.1 | - | 7,243.1 | (1,198.8) | x | 6,044.3 |
| Non-current liabilities | | | | | | |
| Interest-bearing loans and borrowings | 1,349.3 | - | 1,349.3 | - | | 1,349.3 |
| Convertible bond | 589.6 | - | 589.6 | - | | 589.6 |
| Provisions | 602.0 | (205.0) | 397.0 | 4.2 | viii | 401.2 |
| Deferred tax liabilities | - | 120.5 | 120.5 | 1,165.7 | iii | 1,286.2 |
| Pension deficit | - | 31.5 | 31.5 | 1.2 | iv | 32.7 |
| Other non-current liabilities | - | 44.4 | 44.4 | - | | 44.4 |
| | 2,540.9 | (8.6) | 2,532.3 | 1,171.1 | | 3,703.4 |
| Current liabilities | | | | | | |
| Trade and other payables | 968.7 | (310.7) | 658.0 | (50.2) | ix | 607.8 |
| Interest-bearing loans and borrowings | - | 139.5 | 139.5 | - | | 139.5 |
| Provisions | - | 72.6 | 72.6 | - | | 72.6 |
| Income taxes payable | - | 93.0 | 93.0 | - | | 93.0 |
| Other current liabilities | - | 14.2 | 14.2 | - | | 14.2 |
| | 968.7 | 8.6 | 977.3 | (50.2) | | 927.1 |
| TOTAL LIABILITIES | 3,509.6 | - | 3,509.6 | 1,120.9 | | 4,630.5 |
| TOTAL EQUITY AND LIABILITIES | 10,752.7 | - | 10,752.7 | (77.9) | | 10,674.8 |

A reconciliation between the UK GAAP and IFRS Balance Sheet and Equity at 31 December 2004 is provided below:

| | UKGAAP US\$m | Reclassif- ications US\$m | PSV US\$m | Adjustments US\$m | Notes | IFRS US\$m |
|---------------------------------------|-----------------|---------------------------------|--------------|----------------------|--------------------|-----------------|
| Non-current assets | | | | | | |
| Intangible assets | 1,505.2 | 6.7 | - | 1,511.9 | 12.0 ii | 1,523.9 |
| Property, plant & equipment | 7,858.6 | (26.1) | 299.8 | 8,132.3 | (3.8) i | 8,128.5 |
| Biological assets | - | 32.2 | - | 32.2 | - | 32.2 |
| Inventories | - | 83.2 | - | 83.2 | - | 83.2 |
| Investment in joint ventures: | | | | | | |
| - Share of gross assets | 621.5 | - | (621.5) | - | - | - |
| - Share of gross liabilities | (252.3) | - | 252.3 | - | - | - |
| | 369.2 | - | (369.2) | - | - | - |
| Investment in associates | - | - | - | - | 3.8 i | 3.8 |
| Other financial assets | 87.9 | 57.4 | (23.0) | 122.3 | - | 122.3 |
| Deferred tax assets | - | 235.6 | - | 235.6 | (233.6) iii | 2.0 |
| Pension asset | - | - | - | - | 2.7 iv | 2.7 |
| Other non-current assets | 476.0 | (325.6) | - | 150.4 | - | 150.4 |
| | 10,296.9 | 63.4 | (92.4) | 10,267.9 | (218.9) | 10,049.0 |
| Current assets | | | | | | |
| Inventories | 729.9 | (96.0) | 192.0 | 825.9 | - | 825.9 |
| Trade and other receivables | 928.9 | (21.2) | (9.8) | 897.9 | - | 897.9 |
| Other financial assets | - | 53.8 | - | 53.8 | - | 53.8 |
| Cash and cash equivalents | 477.3 | - | (17.7) | 459.6 | - | 459.6 |
| | 2,136.1 | (63.4) | 164.5 | 2,237.2 | - | 2,237.2 |
| TOTAL ASSETS | 12,433.0 | - | 72.1 | 12,505.1 | (218.9) | 12,286.2 |
| EQUITY AND LIABILITIES | | | | | | |
| Shareholders' equity | | | | | | |
| Issued capital | 315.8 | - | - | 315.8 | - | 315.8 |
| Share premium | 2,481.5 | - | - | 2,481.5 | - | 2,481.5 |
| Own shares | (91.7) | - | - | (91.7) | - | (91.7) |
| Share-based compensation plans | - | 4.6 | - | 4.6 | 4.9 v | 9.5 |
| Foreign currency translation | - | 2,411.5 | - | 2,411.5 | (166.5) vi | 2,245.0 |
| Other reserves | 1,245.3 | (4.6) | - | 1,240.7 | - | 1,240.7 |
| Retained earnings | 4,069.4 | (2,411.5) | - | 1,657.9 | (1,040.1) | 617.8 |
| | 8,020.3 | - | - | 8,020.3 | (1,201.7) | 6,818.6 |
| Minority interests | 635.7 | - | - | 635.7 | (129.1) vii | 506.6 |
| TOTAL EQUITY | 8,656.0 | - | - | 8,656.0 | (1,330.8) x | 7,325.2 |
| Non-current liabilities | | | | | | |
| Interest-bearing loans and borrowings | 1,232.7 | - | - | 1,232.7 | - | 1,232.7 |
| Convertible bond | 590.4 | - | - | 590.4 | - | 590.4 |
| Provisions | 662.3 | (204.4) | 13.6 | 471.5 | 8.8 viii | 480.3 |
| Deferred tax liabilities | - | 155.4 | - | 155.4 | 1,202.3 iii | 1,357.7 |
| Pension deficit | - | 27.1 | - | 27.1 | 0.6 iv | 27.7 |
| Other non-current liabilities | - | 21.9 | - | 21.9 | - | 21.9 |
| | 2,485.4 | - | 13.6 | 2,499.0 | 1,211.7 | 3,710.7 |
| Current liabilities | | | | | | |
| Trade and other payables | 1,291.6 | (459.5) | 56.5 | 888.6 | (99.8) ix | 788.8 |
| Interest-bearing loans and borrowings | - | 108.4 | 0.1 | 108.5 | - | 108.5 |
| Provisions | - | 92.8 | 1.9 | 94.7 | - | 94.7 |
| Income taxes payable | - | 238.7 | - | 238.7 | - | 238.7 |
| Other current liabilities | - | 19.6 | - | 19.6 | - | 19.6 |
| | 1,291.6 | - | 58.5 | 1,350.1 | (99.8) | 1,250.3 |
| TOTAL LIABILITIES | 3,777.0 | - | 72.1 | 3,849.1 | 1,111.9 | 4,961.0 |
| TOTAL EQUITY AND LIABILITIES | 12,433.0 | - | 72.1 | 12,505.1 | (218.9) | 12,286.2 |

Reclassifications:

The adoption of IFRS has resulted in the requirement to reclassify several items from their existing UK GAAP classifications. The main reclassifications are as follows:

- At transition date US\$30.1 million, at 30 June 2004 US\$30.7 million and at 31 December 2004 US\$32.2 million of plantations and cattle have been reclassified from Property, plant & equipment and Inventories to Biological assets.
- At transition date US\$4.2 million, at 30 June 2004 US\$5.2 million and at 31 December 2004 US\$6.7 million of software assets have been reclassified from Property, plant & equipment to intangible assets.
- At transition date US\$40.3 million, at 30 June 2004 US\$32.9 million and at 31 December 2004 US\$90.0 million for various recognised hedging assets and loans have been reclassified from Other non-current assets to Other financial assets.
- Various current hedging assets with a value of US\$22.1 million at transition date, at 30 June 2004 US\$17.4 million and US\$21.2 million at 31 December 2004 have been reclassified from Trade and other receivables to other current financial assets.
- Provisions included US\$0.6 million at transition date and Other reserves included US\$2.3 million at 30 June 2004 and US\$4.6 million at 31 December 2004 for equity based compensation plan awards that have been reclassified to retained earnings (although shown separately in the above reconciliations for transparency).
- At transition date US\$1,735.2 million, at 30 June 2004 US\$1,593.2 million and at 31 December 2004 US\$2,411.5 million of Foreign currency translation adjustments of subsidiary net assets and loans has been reclassified from Retained earnings to Other reserves. This reclassification has been revised from previously published reports.
- Various reclassifications between current and non-current have occurred as a result of the IFRS opening balance sheet requiring more detailed classifications.

Proportionate Consolidation of Alloys Pooling and Sharing Venture (PSV):

Under UK GAAP, the Group's investment in the PSV is gross equity accounted, with their share of the PSV's assets and liabilities being recorded in two lines on the face of the balance sheet 'Share of gross assets of JV', and 'Share of gross liabilities of JV'.

Under IAS 31 'Interests in Joint Ventures', the investment is accounted for as a joint venture operation, with the Group's share of the assets and liabilities of the PSV shown in each individual category of asset and liability on the face of the balance sheet.

Adjustments:

i.) Reclassification of Investment in Richards Bay Coal Terminal (RBCT) as an associate

Under UK GAAP, the investment in RBCT was classified and accounted for as a joint arrangement not creating an entity (JANE).

Under IAS 28 'Investments in Associates' the investment in RBCT is classified as an associate. As a result, the Group's proportional share of RBCT's assets and liabilities have been deconsolidated.

ii.) Goodwill

Under IFRS 3 'Business Combinations' goodwill is no longer amortised but subject to an annual impairment test.

iii.) Deferred taxation

Under IAS 12 'Income Taxes' deferred tax is recognised on temporary differences as opposed to timing differences as under UK GAAP. Temporary differences are defined as differences between the carrying amount of an asset or liability in the balance sheet and its tax base which is broader in application than the timing difference approach. For fair value adjustments to mineral reserves, mineral resources and other property, plant and equipment acquired in a business combination, the tax base is normally nil since generally no tax deduction for amortisation is obtained in the jurisdictions in which The Group operates. Under UK GAAP no deferred tax liability arose as the non-deductible amortisation was a permanent difference, however under IFRS the difference

between the carrying amounts and the asset's tax base is treated as a temporary difference and gives rise to the recognition of a deferred tax liability. Under IFRS, the recognition of such deferred tax liabilities also results in the recognition of previously unrecognised deferred tax assets, mainly relating to tax losses, on the basis that these additional deferred tax liabilities will give rise to future taxable temporary differences against which the losses will be recovered.

Such deferred tax assets are netted against deferred tax liabilities to the extent that they arise in the same tax jurisdiction.

iv.) Pension assets and liabilities

Defined benefit pension plans with a net surplus of US\$2.8 million and a net deficit of US\$1.2 million at transition date, a net surplus of US\$2.4 million and a net deficit of US\$1.2 million at 30 June 2004 and net surplus of US\$2.7 million and a net deficit of US\$0.6 million at 31 December 2004 have been recognised and subsequently accounted for in accordance with the amended IAS 19 'Employee Benefits'.

v.) Equity-settled share-based payments

Under IFRS 2 'Share-based payments', the fair value of equity-settled options issued under the Long Term Incentive Plan (LTIP) at grant date is recognised in the income statement over the vesting period, and recorded in retained earnings.

vi.) Foreign currency translation reserve (FCTR)

This adjustment reflects the impact on the FCTR balance of the various IFRS adjustments to the balance sheet and the recycling of FCTR balance through the income statement under IAS 21 'The effects of changes in foreign exchange rates' upon full or partial disposal of a foreign operation or repayment of a portion of the net investment in such foreign operations. This adjustment has been revised from previously published reports.

vii.) Minority interests

This adjustment primarily represents the minority interest's share of the increased deferred tax liability.

viii.) Provisions

Under IFRS 2 'Share-based Payment' the fair value of cash-settled options issued under the LTIP is provided for over the vesting period, with subsequent movement in fair value after the vesting date recorded in the income statement as they arise. A provision of US\$2.9 million at transition date, US\$4.2 million at 30 June 2004 and US\$8.8 million 31 December 2004 for the estimate of the future cost of the cash-settled share-based payment awards has been recognised.

ix.) Reversal of dividend accrual

The decrease to Trade and other payables represents the reversal of the dividend accrual of \$83.6 million at transition date, US\$50.2 million at 30 June 2004 and US\$99.8 million at 31 December 2004 against Retained earnings. Under IAS 10 'Events after the balance sheet date', the Group may only accrue for a dividend if this dividend has been approved by the shareholders. Under UK GAAP, it was sufficient for the dividend to have been proposed.

x.) Equity reconciliation

A reconciliation of total equity under UK GAAP to total equity under IFRS, is outlined in the below table, which illustrates the net impact on equity of each of the major adjustments:

| US\$m | Notes | As at 1 Jan 04 | As at 30 June 04 | As at 31 Dec 04 |
|--|----------|-------------------|---------------------|--------------------|
| UK GAAP equity | | 7,099.5 | 7,243.1 | 8,656.0 |
| IFRS adjustments: | | | | |
| Goodwill amortisation reversal (including translation) | ii | - | 5.3 | 12.0 |
| Deferred tax | iii | (1,285.0) | (1,251.3) | (1,435.9) |
| Recognition of pension asset | iv | 2.8 | 2.4 | 2.7 |
| Recognition of pension liabilities | iv | (1.2) | (1.2) | (0.6) |
| Share-based compensation plans | v & viii | (2.3) | (4.2) | (8.8) |
| Dividend accrued reversal | ix | 83.6 | 50.2 | 99.8 |
| IFRS equity | | 5,897.4 | 6,044.3 | 7,325.2 |

Income statement reconciliation

A reconciliation between the UK GAAP and IFRS profit for the 6 months ended 30 June 2004 is provided below. The UK GAAP profit and loss statement has been presented in an IFRS Income Statement format.

| | UK GAAP US\$m | Notes | Adjustments US\$m | Notes | US\$m |
|--|------------------|-------|----------------------|-------|-----------|
| Revenue | 2,938.2 | | - | | 2,938.2 |
| Cost of sales | (1,924.1) | | - | | (1,924.1) |
| Gross profit | 1,014.1 | | - | | 1,014.1 |
| Distribution costs | (305.2) | | - | | (305.2) |
| Administrative expenses | (80.9) | vi | 2.3 | ii | (78.6) |
| Other expenses | (23.0) | | - | | (23.0) |
| Other income | 10.9 | | - | | 10.9 |
| Operating profit | 615.9 | | 2.3 | | 618.2 |
| Restructuring and closure costs | (3.0) | | - | | (3.0) |
| Profit before interest and taxation | 612.9 | | 2.3 | | 615.2 |
| Finance income | 7.0 | | 81.8 | iii | 88.8 |
| Finance cost | (98.5) | | (14.1) | iii | (112.6) |
| Profit before taxation | 521.4 | | 70.0 | | 591.4 |
| Income tax expense | (96.7) | | 37.7 | iv | (59.0) |
| Profit for the period | 424.7 | | 107.7 | | 532.4 |
| Attributable to: | | | | | |
| Equity holders of the parent | 365.2 | | 96.1 | | 461.3 |
| Minority interests | 59.5 | | 11.6 | v | 71.1 |
| | 424.7 | | 107.7 | | 532.4 |
| Basic earnings per share (US\$) | 0.58 | | 0.16 | | 0.74 |

A reconciliation between the UK GAAP and IFRS profit for the year ended 31 December 2004 is provided below. The UK GAAP profit and loss statement has been presented in an IFRS Income Statement format.

| | UK GAAP US\$m | PSV US\$m | US\$m | Adjustments US\$m | Notes | US\$m |
|---|------------------|--------------|-----------|----------------------|-------|-----------|
| Revenue | 6,091.6 | 373.7 | 6,465.3 | - | | 6,465.3 |
| Cost of sales | (3,803.9) | (253.7) | (4,057.6) | - | | (4,057.6) |
| Gross profit | 2,287.7 | 120.0 | 2,407.7 | - | | 2,407.7 |
| Distribution costs | (661.7) | (50.4) | (712.1) | - | | (712.1) |
| Administrative expenses | (167.7) | (1.6) | (169.3) | 1.8 | ii | (167.5) |
| Other expenses | (52.1) | (3.3) | (55.4) | - | | (55.4) |
| Other income | 29.4 | 1.0 | 30.4 | - | | 30.4 |
| Share of operating profit of joint ventures | 65.7 | (65.7) | - | - | | - |
| Operating profit | 1,501.3 | - | 1,501.3 | 1.8 | | 1,503.1 |
| Profit on disposal of available-for-sale assets | 10.2 | - | 10.2 | - | | 10.2 |
| Impairment of assets | (6.8) | - | (6.8) | - | | (6.8) |
| Restructuring and closure costs | (9.0) | - | (9.0) | - | | (9.0) |
| Profit before interest and taxation | 1,495.7 | - | 1,495.7 | 1.8 | | 1,497.5 |
| Finance income | 15.9 | - | 15.9 | 103.8 | iii | 119.7 |
| Finance cost | (142.5) | - | (142.5) | (35.2) | iii | (177.7) |
| Profit before taxation | 1,369.1 | - | 1,369.1 | 70.4 | | 1,439.5 |
| Income tax expense | (177.1) | - | (177.1) | (37.1) | iv | (214.2) |
| Profit for the year | 1,192.0 | - | 1,192.0 | 33.3 | | 1,225.3 |
| Attributable to: | | | | | | |
| Equity holders of the parent | 1,052.9 | - | 1,052.9 | 14.2 | | 1,067.1 |
| Minority interests | 139.1 | - | 139.1 | 19.1 | v | 158.2 |
| | 1,192.0 | - | 1,192.0 | 33.3 | | 1,225.3 |

| | | | | | | |
|---------------------------------|------|---|------|------|--|------|
| Basic earnings per share (US\$) | 1.68 | - | 1.68 | 0.02 | | 1.70 |
|---------------------------------|------|---|------|------|--|------|

Notes to the Reconciliation of Profit for the 6 Months Ended 30 June 2004 and Year Ended 31 December 2004

i.) Proportionate Consolidation of Alloys Pooling and Sharing Venture (PSV):

Under UK GAAP, the Group's share of the results of the PSV is recorded in a single line in the Profit & Loss Statement 'Share of operating profit of Joint Venture'. Under IAS 31 'Interest in Joint Ventures', the PSV is accounted for as a joint venture operation, with The Group's share of the PSV's results included in each line in the Income Statement.

ii.) Administration expenses

The adjustment to Administration expenses is comprised of the following:

- Reversal of goodwill amortisation

Under IFRS 3 'Business Combinations', goodwill is no longer amortised, but is instead tested annually for impairment. As a result, the UK GAAP charge of US\$5.5 million for the 6 months ended 30 June 2004 and US\$11.4 million for the year ended 31 December 2004 of goodwill amortisation has been reversed.

- Share-based compensation plan charge

Under IFRS 2 'Share-based payments', the movement in the fair value of unexercised cash-settled options issued under the Long Term Incentive Plan is recorded in the Income Statement over the vesting period, with subsequent movements in fair value after the vesting date recognised in the income statement immediately. The fair value at grant date of the equity-

settled options is recognised in the Income Statement over the vesting period, resulting in an additional charge of US\$3.2 million for the 6 months ended 30 June 2004 and US\$10.2 million for the year ended 31 December 2004.

- Pension plan entitlements

Under the amended IAS 19 'Employee Benefits', the movement in the pension plan surplus and deficits results in a reduced charge of US\$0.6 million for the year ended 31 December 2004.

iii.) Financial Income and Expense

Under IAS 21 'The effects of changes in foreign exchange rates' upon full or partial disposal of a foreign operation or the repayment of a portion of the net investment in such foreign operations, cumulative foreign currency translation gains or losses are required to be recycled through the Income Statement. This has resulted in the recycling of net cumulative foreign currency gains through the income statement of US\$67.7 million for the 6 months ended 30 June 2004 and US\$68.6 million for the year ended 31 December 2004, which were recorded directly in equity under UK GAAP.

iv.) Total Income Tax Credit/(Charge)

The increased tax charge for the year ended 31 December 2004 under IAS 12 'Income Taxes' as compared to UK GAAP is mainly due to the reversal of the benefit recognised in the UK GAAP profit and loss from the recognition of previously unrecognised tax losses, partially offset by the reversal of the deferred tax charge relating to depreciation on mineral reserves and resources which under UK GAAP is treated as a non-deductible permanent difference.

v.) Minority interest

The increase in the minority interest, represent the minority's share of the reduction in the tax charge under IFRS as the temporary differences reverse following the depreciation of mineral reserves.

vi.) Unallocated costs

The UK GAAP administrative expenses were understated at 30 June 2004 by US\$8.7 million for employee remuneration accruals which have now been adjusted to allow comparability with the results for the 6 months ended 30 June 2005.

Cash Flow Statement

The presentation of certain items in the cash flow statement prepared under IAS 7 'Cash Flow Statements' differs to the previous presentation under UK GAAP. There is no impact on the net cash flows. Cash flows of the PSV have been included in the respective categories in the Cash Flow Statement.

8. Changes in Group Companies

Business Combinations

African Carbon Group (ACG)

On 4 January 2005, the Group acquired 100% of the voting shares of a char producer (an input into the ferrochrome production process), ACG comprising African Fine Carbon (Pty) Limited and African Carbon Producers (Pty) Limited, unlisted companies situated in South Africa, for a cash consideration of US\$63.5 million (including acquisition costs of US\$0.3 million).

The provisional fair value of the identifiable assets and liabilities of ACG as at the date of acquisition was:

| US\$m | Provisional | | |
|---------------------------------------|----------------|-------------------------|---------------------------|
| | Carrying value | Revaluation adjustments | Recognised on acquisition |
| Property, plant and equipment | 21.9 | - | 21.9 |
| Inventories | 2.7 | - | 2.7 |
| Trade and other receivables | 5.0 | - | 5.0 |
| Interest-bearing loans and borrowings | 29.6 | - | 29.6 |
| Provisions | (5.7) | - | (5.7) |
| Deferred tax liabilities | (0.2) | - | (0.2) |
| Income taxes payable | (3.2) | - | (3.2) |
| Other current liabilities | (3.0) | - | (3.0) |
| Net assets | (12.0) | - | (12.0) |
| Goodwill arising on acquisition | 5.5 | - | 5.5 |
| | | | 54.9 |
| | | | 60.4 |
| Consideration: | | | |
| Net cash acquired with the subsidiary | | | (3.1) |
| Cash paid | | | 63.2 |
| Acquisition costs | | | 0.3 |
| Net cash outflow | | | 60.4 |

The fair values are provisional mainly due to the verification of the value of the supply contracts and the continuation of a review for further identifiable intangible assets.

9. Discontinued operations

Forestry

The wholly owned forestry operation in Chile, Forestal Los Lagos SA (FLL) 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 disposal proceeds amount to US\$24 million. As a result of the sale, the Group will be released from all its obligations with respect to the US\$12 million project debt related to FLL. A gain of US\$3.7 million was realised upon disposal of the investment in the forestry operation, mainly due to a US\$4.7 million recycled cumulative foreign exchange net gain from foreign currency translation reserve within equity. There was no other income or expenses during 2005.

The results of FFL for the periods ended are presented below:

| US\$m | 6 months to 30.06.04 | 12 months to 31.12.04 |
|--|-------------------------|--------------------------|
| Revenue | 1.8 | 2.9 |
| Cost of sales | (2.2) | (3.9) |
| Gross profit | (0.4) | (1.0) |
| Administrative expenses | (0.1) | (0.3) |
| Other expenses | (0.3) | (0.2) |
| Profit before interest and taxation | (0.8) | (1.5) |
| Finance cost | (0.1) | (0.1) |
| Profit before taxation | (0.9) | (1.6) |
| Income tax expense | (0.5) | (0.5) |

| | | |
|------------------------------|-------|-------|
| Profit for the period | (1.4) | (2.1) |
|------------------------------|-------|-------|

The carrying value of the major classes of assets and liabilities are as follows:

| US\$m | at 30.06.04 | at 31.12.04 |
|--|-------------|-------------|
| Property, plant and equipment | 13.9 | 16.1 |
| Biological assets | 19.8 | 19.4 |
| Other non-current assets | 0.1 | 0.1 |
| Inventories | 1.3 | 2.9 |
| Trade and other receivables | 0.6 | 0.6 |
| Interest bearing loans and borrowings | (12.0) | (9.5) |
| Other non-current liabilities | (0.1) | (0.1) |
| Trade and other payables | (0.2) | (0.2) |
| Current portion of interest bearing loans and borrowings | (0.1) | (3.7) |
| Net assets | 23.3 | 25.6 |

Zinc Lead

The Avonmouth zinc smelter in the United Kingdom was closed in March 2003, part of the MIM Group acquired in June 2003. The company holding the remaining net assets of US\$5.1 million comprise mainly cash and sundry trade and other payables, is in liquidation.

10. Litigation settlements

On 22 April 2005, the Group has reached a settlement agreement with Precious Metals Australia Limited (PMA) in respect of the Windimurra vanadium project at Mount Magnet, Western Australia. The Group paid PMA AUD10.0 million, comprising AUD5.0 million due to PMA as royalty payments until the final rehabilitation of the Windimurra site and AUD5.0 million in full and final settlement of all outstanding claims by PMA relating to the Windimurra project.

On 9 August 2005, the Group finalised the sale to PMA of the tenements, remaining Windimurra project assets and all project information on Windimurra with PMA assuming all obligations associated with the project, including environmental rehabilitation for AUD10.3 million. The Group has been released from all performance bonds provided by it in respect of the Windimurra project and replacement bonds have been furnished by PMA.

11. Events After Balance Sheet Date

Pooling and Sharing Venture

The Group and Merafe Resources Limited (Merafe) formerly SA Chrome & Alloys Limited, the Group's partner in the ferrochrome Pooling and Sharing Venture (PSV), signed an agreement with Samancor to acquire chrome ore reserves and resources associated with the Kroondal and Marikana mining areas for a total consideration of US\$16.0 million and US\$29.1 million respectively. The Group's share of the total consideration is US\$29.5 million. In addition, Merafe has signed another agreement to acquire Samancor's 50% stake in the Wonderkop Joint Venture for a total consideration of ZAR235 million (US\$37.9 million). As a result of these transactions, Merafe's participation in the earnings before interest, tax, depreciation and amortisation (EBITDA) of the

enlarged Venture will increase by 3.0% from 14.0% to 17% (at the transaction closure date which is expected to occur during the second half of 2005), increasing ultimately to 20.5% from 1 July 2006 onwards. Accordingly, the Board of Merafe has agreed to participate in the first stage of Project Lion at 20.5%, the Group's new 360,000 tonnes per annum ferrochrome smelter, that is currently under construction.

The acquisition of Samancor's stake in the Wonderkop joint venture and the acquisition of the Kroondal resources are conditional upon Merafe successfully raising the necessary funds, approval by the South African and European competition authorities and obtaining shareholder approval. The Group will assist Merafe in making these acquisitions by providing a loan to fund Merafe's share of the Marikana resources and by standing as guarantor for a new loan facility provided to Merafe by the ABSA bank of South Africa, which, together with equity financing, will fund Merafe's acquisition of Samancor's stake in the Wonderkop JV and the Kroondal resources.

The Group had previously established the PSV with Merafe, effective from 1 July 2004. Under the PSV, the Group and Merafe retain legal ownership of their respective assets, mining rights and land, with both parties undertaking to contribute to the PSV the right to use all such assets in the ratio as stated in Year 3 onwards below in exchange for the revised participations in the pooled EBITDA as follows:

| | Original PSV | | Amended PSV | |
|----------------|--------------|--------|-------------|--------|
| | Xstrata | Merafe | Xstrata | Merafe |
| Year 1 | 89.0% | 11.0% | 89.0% | 11.0% |
| Year 2 | 86.0% | 14.0% | 83.0% | 17.0% |
| Year 3 onwards | 82.5% | 17.5% | 79.5% | 20.5% |

The Group's 50% share in the Wonderkop JV was originally excluded from the PSV and will be contributed to the PSV, together with Merafe's 50% stake acquired from Samancor, following the successful completion of the transaction.

Mototolo Joint Venture

On 3 August 2005, Anglo Platinum and the Group formed the Mototolo Joint Venture to develop a platinum group metals (PGM) mine and concentrator on the Eastern Limb of the Bushveld Complex in Mpumalanga, South Africa. Anglo Platinum and the Group will each contribute a similar amount of in-situ PGM reserves and resources. Anglo Platinum will purchase the Group's 50% share of PGM concentrate for further smelting refining and marketing of finished product. The Group will construct a beneficiation plant at its own cost to process the UG2 chrome tailings arising from the PGM concentrator and will purchase Anglo Platinum's share of chrome concentrate. The total capital expenditure for the project is estimated at US\$200 million to commissioning, of which the Group's share is US\$100 million. Construction of the mine and concentrator is expected to commence in the third quarter of 2005, with initial production of PGM ounces anticipated in the last quarter of 2006 and full production in the third quarter of 2007.

12. Segmental Analysis

The Group's primary reporting format is business segments and its secondary format is geographical segments. The operating businesses are organised and managed separately according to the nature of the products produced, with each segment representing a strategic business unit that offers different products and serves different markets. The Group's geographical segments are determined by location of the Group's assets and operations.

Business segments

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

For the period ended

| US\$m | 6 months to 30.06.05 | 6 months to 30.06.04 | 12 months to 31.12.04 |
|---|-------------------------|-------------------------|--------------------------|
| Revenue | | | |
| External parties: | | | |
| Coal - Thermal | 1,388.9 | 1,058.6 | 2,335.1 |
| Coal - Coking | 256.5 | 130.5 | 358.3 |
| Coal | 1,645.4 | 1,189.1 | 2,693.4 |
| Chrome | 447.9 | 363.0 | 819.3 |
| Vanadium | 191.0 | 64.1 | 133.7 |
| Copper | 778.2 | 722.4 | 1,598.3 |
| Zinc Lead | 671.8 | 569.2 | 1,165.3 |
| Technology | 31.4 | 28.6 | 52.4 |
| Revenue (from continuing operations) | 3,765.7 | 2,936.4 | 6,462.4 |
| Discontinued operations: | | | |
| Forestry | - | 1.8 | 2.9 |
| Total | 3,765.7 | 2,938.2 | 6,465.3 |

| US\$m | 6 months to 30.06.05 | 6 months to 30.06.04 | 12 months to 31.12.04 |
|---|-------------------------|-------------------------|--------------------------|
| Earnings before interest, taxation, depreciation and amortisation (EBITDA) | | | |
| Coal - Thermal | 529.3 | 327.40 | 771.9 |
| Coal - Coking | 113.2 | 36.2 | 144.1 |
| Coal | 642.5 | 363.6 | 916.0 |
| Chrome | 116.4 | 89.9 | 168.9 |
| Vanadium | 94.2 | 22.9 | 34.1 |
| Copper | 409.3 | 384.5 | 856.7 |
| Zinc Lead | 128.7 | 63.0 | 145.5 |
| Technology | 4.5 | 13.6 | 19.2 |
| Unallocated | (37.6) | (33.8) | (75.0) |
| EBITDA (operating) (from continuing operations) | 1,358.0 | 903.7 | 2,065.4 |
| Discontinued operations: | | | |
| Forestry | - | 0.2 | 0.1 |
| EBITDA (operating) | 1,358.0 | 903.9 | 2,065.5 |
| Acquisition costs: | | | |
| Unallocated | (10.3) | - | - |
| Profit on sale of investments: | | | |
| Copper | - | - | 10.2 |
| Restructuring and closure costs: | | | |
| Vanadium | - | - | (0.6) |
| Unallocated | - | (3.0) | (8.4) |
| Profit on disposal of discontinued operations: | | | |
| Forestry | 3.7 | - | - |
| EBITDA | 1,351.4 | 900.9 | 2,066.7 |

| US\$m | 6 months to 30.06.05 | 6 months to 30.06.04 | 12 months to 31.12.04 |
|---|-------------------------|-------------------------|--------------------------|
| Depreciation and amortisation | | | |
| Coal | 127.5 | 128.3 | 248.2 |
| Chrome | 12.2 | 9.6 | 20.0 |
| Vanadium | 2.8 | 3.1 | 5.0 |
| Copper | 100.0 | 105.2 | 212.4 |
| Zinc Lead | 32.9 | 35.8 | 66.4 |
| Technology | 1.7 | 1.9 | 3.7 |
| Unallocated | 1.9 | 0.8 | 5.1 |
| Depreciation & amortisation (from continuing operations) | 279.0 | 284.7 | 560.8 |
| Discontinued operations: | | | |
| Forestry | - | 1.0 | 1.6 |
| Total | 279.0 | 285.7 | 562.4 |
| Profit before interest and taxation (EBIT) | | | |
| Coal - Thermal | 417.6 | 214.1 | 556.2 |
| Coal - Coking | 97.4 | 21.2 | 111.6 |
| Coal | 515.0 | 235.3 | 667.8 |
| Chrome | 104.2 | 80.3 | 148.9 |
| Vanadium | 91.4 | 19.8 | 29.1 |
| Copper | 309.3 | 279.3 | 644.3 |
| Zinc Lead | 95.8 | 27.2 | 79.1 |
| Technology | 2.8 | 11.7 | 15.5 |
| Unallocated | (39.5) | (34.6) | (80.1) |
| Operating profit (from continuing operations) | 1,079.0 | 619.0 | 1,504.6 |
| Discontinued operations: | | | |
| Forestry | - | (0.8) | (1.5) |
| Operating profit | 1,079.0 | 618.2 | 1,503.1 |
| Acquisition costs: | | | |
| Unallocated | (10.3) | - | - |
| Impairment of assets: | | | |
| Chrome | (2.9) | - | - |
| Copper | (1.9) | - | - |
| Vanadium | - | - | (6.8) |
| Profit on sale of investments: | | | |
| Copper | - | - | 10.2 |
| Restructuring and closure costs: | | | |
| Vanadium | - | - | (0.6) |
| Unallocated | - | (3.0) | (8.4) |
| EBIT (reported in consolidated income statement) | 1,063.9 | 615.2 | 1,497.5 |
| Profit on disposal of discontinued operations: | | | |
| Forestry | 3.7 | - | - |
| EBIT | 1,067.6 | 615.2 | 1,497.5 |

| US\$m | at 30.06.05 | at 30.06.04 | at 31.12.04 |
|---|-----------------|-------------|-------------|
| Total assets | | | |
| Coal | 5,984.5 | 5,480.9 | 6,378.3 |
| Chrome | 978.4 | 760.2 | 892.1 |
| Vanadium | 207.0 | 184.9 | 183.7 |
| Copper | 2,729.1 | 2,499.8 | 2,756.9 |
| Zinc Lead | 1,654.5 | 1,570.4 | 1,765.0 |
| Technology | 82.7 | 76.9 | 85.7 |
| Unallocated | 94.7 | 59.6 | 178.9 |
| Total assets (from continuing operations) | 11,730.9 | 10,632.7 | 12,240.6 |
| Discontinued operations: | | | |
| Zinc Lead | 6.1 | 6.4 | 6.5 |
| Forestry | - | 35.7 | 39.1 |
| Total | 11,737.0 | 10,674.8 | 12,286.2 |
| Total liabilities | | | |
| Coal | 1,715.3 | 1,506.3 | 1,827.7 |
| Chrome | 381.3 | 350.5 | 409.0 |
| Vanadium | 66.0 | 62.0 | 40.4 |
| Copper | 703.8 | 733.2 | 750.3 |
| Zinc Lead | 389.3 | 322.9 | 391.0 |
| Technology | 30.5 | 29.5 | 42.2 |
| Unallocated | 1,194.8 | 1,583.0 | 1,485.8 |
| Total liabilities (from continuing operations) | 4,481.0 | 4,587.4 | 4,946.4 |
| Discontinued operations: | | | |
| Zinc Lead | 1.0 | 30.7 | 1.1 |
| Forestry | - | 12.4 | 13.5 |
| Total | 4,482.0 | 4,630.5 | 4,961.0 |
| Net assets | | | |
| Coal | 4,269.2 | 3,974.6 | 4,550.6 |
| Chrome | 597.1 | 409.7 | 483.1 |
| Vanadium | 141.0 | 122.9 | 143.3 |
| Copper | 2,025.3 | 1,766.6 | 2,006.6 |
| Zinc Lead | 1,265.2 | 1,247.5 | 1,374.0 |
| Technology | 52.2 | 47.4 | 43.5 |
| Unallocated | (1,100.1) | (1,523.4) | (1,306.9) |
| Net assets (from continuing operations) | 7,249.9 | 6,045.3 | 7,294.2 |
| Discontinued operations: | | | |
| Zinc Lead | 5.1 | (24.3) | 5.4 |
| Forestry | - | 23.3 | 25.6 |
| Total | 7,255.0 | 6,044.3 | 7,325.2 |

| US\$m | 6 months to 30.06.05 | 6 months to 30.06.04 | 12 months to 31.12.04 |
|--|-------------------------|-------------------------|--------------------------|
| Capital expenditure | | | |
| Sustaining: | | | |
| Coal | 70.6 | 63.3 | 132.3 |
| Chrome | 8.4 | 1.9 | 8.8 |
| Vanadium | 2.4 | 0.5 | 1.3 |
| Copper | 38.2 | 23.7 | 94.6 |
| Zinc Lead | 31.8 | 21.6 | 65.7 |
| Technology | 0.2 | 0.1 | 0.5 |
| Unallocated | 1.4 | 1.6 | 3.0 |
| Total sustaining (from continuing operations) | 153.0 | 112.7 | 306.2 |
| Discontinued operations: | | | |
| Forestry | - | 1.2 | 1.3 |
| Total Sustaining | 153.0 | 113.9 | 307.5 |
| Expansionary: | | | |
| Coal | 128.0 | 22.7 | 172.1 |
| Chrome | 46.0 | 11.8 | 33.7 |
| Vanadium | 2.9 | 3.2 | 3.2 |
| Copper * | 10.8 | 4.6 | 95.7 |
| Zinc Lead | 9.9 | 6.1 | 29.6 |
| Total Expansionary | 197.6 | 48.4 | 334.3 |
| Total: | | | |
| Coal | 198.6 | 86.0 | 304.4 |
| Chrome | 54.4 | 13.7 | 42.5 |
| Vanadium | 5.3 | 3.7 | 4.5 |
| Copper * | 49.0 | 28.3 | 190.3 |
| Zinc Lead | 41.7 | 27.7 | 95.3 |
| Technology | 0.2 | 0.1 | 0.5 |
| Unallocated | 1.4 | 1.6 | 3.0 |
| Total (from continuing operations) | 350.6 | 161.1 | 640.5 |
| Discontinued operations: | | | |
| Forestry | - | 1.2 | 1.3 |
| Total | 350.6 | 162.3 | 641.8 |

* Includes US\$91.0 million for project acquisitions in 2004

Geographical segments

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

For the period ended

| US\$m | 6 months to 30.06.05 | 6 months to 30.06.04 | 12 months to 31.12.04 |
|--|-------------------------|-------------------------|--------------------------|
| Revenue by origin | | | |
| External parties: | | | |
| Africa | 1,020.8 | 670.1 | 1,621.3 |
| Americas | 318.7 | 342.7 | 724.2 |
| Australia | 1,862.3 | 1,466.6 | 3,202.4 |
| Europe | 563.9 | 457.0 | 914.5 |
| Revenue (from continuing operations) | 3,765.7 | 2,936.4 | 6,462.4 |
| Discontinued operations: | | | |
| Americas | - | 1.8 | 2.9 |
| Total | 3,765.7 | 2,938.2 | 6,465.3 |
| Revenue by destination | | | |
| External parties: | | | |
| Africa | 181.8 | 98.2 | 274.4 |
| Americas | 305.6 | 86.4 | 313.6 |
| Asia | 1,555.1 | 1,391.2 | 2,882.5 |
| Australia | 262.7 | 241.5 | 556.3 |
| Europe | 1,389.2 | 1,077.7 | 2,328.1 |
| Middle East | 71.3 | 41.4 | 107.5 |
| Revenue (from continuing operations) | 3,765.7 | 2,936.4 | 6,462.4 |
| Discontinued operations: | | | |
| Americas | - | 1.8 | 2.9 |
| Total | 3,765.7 | 2,938.2 | 6,465.3 |
| EBITDA | | | |
| Africa | 359.1 | 175.7 | 386.3 |
| Americas | 189.8 | 238.7 | 487.7 |
| Australia | 762.8 | 473.1 | 1,165.0 |
| Europe | 83.9 | 50.0 | 101.4 |
| Unallocated | (37.6) | (33.8) | (75.0) |
| EBITDA (operating) (from continuing operations) | 1,358.0 | 903.7 | 2,065.4 |
| Discontinued operations: | | | |
| Americas | - | 0.2 | 0.1 |
| EBITDA (operating) | 1,358.0 | 903.9 | 2,065.5 |
| Acquisition costs: | | | |
| Unallocated | (10.3) | - | - |
| Profit on sale of investments: | | | |
| Australia | - | - | 10.2 |
| Restructuring and closure costs: | | | |
| Africa | - | - | (0.6) |
| Unallocated | - | (3.0) | (8.4) |
| Profit on disposal of discontinued operations: | 3.7 | - | - |
| EBITDA | 1,351.4 | 900.9 | 2,066.7 |

6 months 6 months 12 months

| US\$m | to 30.06.05 | to 30.06.04 | to 31.12.04 |
|---|----------------|--------------|----------------|
| Depreciation & amortisation | | | |
| Africa | 51.5 | 48.8 | 97.0 |
| Americas | 50.9 | 63.0 | 118.9 |
| Australia | 155.9 | 155.2 | 305.4 |
| Europe | 18.8 | 16.9 | 34.4 |
| Unallocated | 1.9 | 0.8 | 5.1 |
| Total (from continuing operations) | 279.0 | 284.7 | 560.8 |
| Discontinued operations: | | | |
| Americas | - | 1.0 | 1.6 |
| Total | 279.0 | 285.7 | 562.4 |
| EBIT | | | |
| Africa | 307.6 | 126.9 | 289.3 |
| Americas | 138.9 | 175.7 | 368.8 |
| Australia | 606.9 | 317.9 | 859.6 |
| Europe | 65.1 | 33.1 | 67.0 |
| Unallocated | (39.5) | (34.6) | (80.1) |
| Operating profit (from continuing operations) | 1,079.0 | 619.0 | 1,504.6 |
| Discontinued operations: | | | |
| Americas | - | (0.8) | (1.5) |
| Operating profit | 1,079.0 | 618.2 | 1,503.1 |
| Acquisition costs: | | | |
| Unallocated | (10.3) | - | - |
| Impairment of assets: | | | |
| Africa | (2.9) | - | (6.8) |
| Americas | (1.9) | - | - |
| Profit on sale of investments: | | | |
| Australia | - | - | 10.2 |
| Restructuring and closure costs: | | | |
| Africa | - | - | (0.6) |
| Unallocated | - | (3.0) | (8.4) |
| EBIT (reported in consolidated income statement) | 1,063.9 | 615.2 | 1,497.5 |
| Profit on disposal of discontinued operations: | | | |
| Americas | 3.7 | - | - |
| EBIT | 1,067.6 | 615.2 | 1,497.5 |

| US\$m | at 30.06.05 | at 30.06.04 | at 31.12.04 |
|---|-----------------|-------------|-------------|
| Total assets | | | |
| Africa | 3,166.4 | 3,069.9 | 3,419.6 |
| Americas | 1,298.5 | 1,372.1 | 1,391.5 |
| Australia | 5,960.2 | 5,010.1 | 5,909.9 |
| Europe | 1,211.1 | 1,121.0 | 1,340.7 |
| Unallocated | 94.7 | 59.6 | 178.9 |
| Total assets (from continuing operations) | 11,730.9 | 10,632.7 | 12,240.6 |
| Discontinued operations: | | | |
| Americas | - | 35.7 | 39.1 |
| Europe | 6.1 | 6.4 | 6.5 |
| Total | 11,737.0 | 10,674.8 | 12,286.2 |
| Total liabilities | | | |
| Africa | 1,010.1 | 1,011.7 | 1,105.8 |
| Americas | 389.7 | 532.7 | 483.2 |
| Australia | 1,596.6 | 1,198.2 | 1,557.0 |
| Europe | 289.8 | 261.8 | 314.6 |
| Unallocated | 1,194.8 | 1,583.0 | 1,485.8 |
| Total liabilities (from continuing operations) | 4,481.0 | 4,587.4 | 4,946.4 |
| Discontinued operations: | | | |
| Americas | - | 12.4 | 13.5 |
| Europe | 1.0 | 30.7 | 1.1 |
| Total | 4,482.0 | 4,630.5 | 4,961.0 |
| Net assets | | | |
| Africa | 2,156.3 | 2,058.2 | 2,313.8 |
| Americas | 908.8 | 839.4 | 908.3 |
| Australia | 4,363.6 | 3,811.9 | 4,352.9 |
| Europe | 921.3 | 859.2 | 1,026.1 |
| Unallocated | (1,100.1) | (1,523.4) | (1,306.9) |
| Net assets (from continuing operations) | 7,249.9 | 6,045.3 | 7,294.2 |
| Discontinued operations: | | | |
| Americas | - | 23.3 | 25.6 |
| Europe | 5.1 | (24.3) | 5.4 |
| Total | 7,255.0 | 6,044.3 | 7,325.2 |

| US\$m | 6 months to 30.06.05 | 6 months to 30.06.04 | 12 months to 31.12.04 |
|---|-------------------------|-------------------------|--------------------------|
| Capital expenditure | | | |
| Sustaining: | | | |
| Africa | 29.5 | 22.2 | 63.9 |
| Americas | 8.4 | 4.8 | 23.1 |
| Australia | 102.7 | 73.6 | 189.8 |
| Europe | 11.0 | 10.5 | 26.4 |
| Unallocated | 1.4 | 1.6 | 3.0 |
| Total sustaining (from continuing operations) | 153.0 | 112.7 | 306.2 |
| Discontinued operations: | | | |
| Americas | - | 1.2 | 1.3 |
| Total Sustaining | 153.0 | 113.9 | 307.5 |
| Expansionary: | | | |
| Africa | 50.0 | 15.6 | 47.9 |
| Americas * | 6.0 | 2.8 | 94.2 |
| Australia | 139.2 | 27.8 | 183.9 |
| Europe | 2.4 | 2.2 | 8.3 |
| Total Expansionary | 197.6 | 48.4 | 334.3 |
| Total: | | | |
| Africa | 79.5 | 37.8 | 111.8 |
| Americas * | 14.4 | 7.6 | 117.3 |
| Australia | 241.9 | 101.4 | 373.7 |
| Europe | 13.4 | 12.7 | 34.7 |
| Unallocated | 1.4 | 1.6 | 3.0 |
| Total (from continuing operations) | 350.6 | 161.1 | 640.5 |
| Discontinued operations: | | | |
| Americas | - | 1.2 | 1.3 |
| Total | 350.6 | 162.3 | 641.8 |

* Includes US\$91.0 million for project acquisitions in 2004

13. Intangible Assets

| US\$m | Coal export rights * | Goodwill * | Technology patents | Computer software & development | Other acquired | 2005 |
|--|-------------------------|------------|-----------------------|---------------------------------------|-------------------|----------------|
| At 1 January 2005, net carrying amount | 1,244.6 | 210.9 | 59.3 | 6.7 | 2.4 | 1,523.9 |
| Acquisition of subsidiaries | - | 54.9 | - | - | - | 54.9 |
| Additions | - | - | - | 2.1 | - | 2.1 |
| Amortisation charge | - | - | (1.6) | (1.8) | (0.2) | (3.6) |
| Translation adjustments | (162.2) | (31.7) | (1.3) | (0.3) | (0.2) | (195.7) |
| At 30 June 2005, net carrying amount | 1,082.4 | 234.1 | 56.4 | 6.7 | 2.0 | 1,381.6 |
| At 1 January 2005: | | | | | | |
| Cost | 1,244.6 | 210.9 | 64.1 | 12.4 | 12.0 | 1,544.0 |
| Accumulated amortisation | - | - | (4.8) | (5.7) | (9.6) | (20.1) |
| Net carrying amount | 1,244.6 | 210.9 | 59.3 | 6.7 | 2.4 | 1,523.9 |
| At 30 June 2005: | | | | | | |
| Cost | 1,082.4 | 234.1 | 62.7 | 13.8 | 2.4 | 1,395.4 |
| Accumulated amortisation | - | - | (6.3) | (7.1) | (0.4) | (13.8) |
| Net carrying amount | 1,082.4 | 234.1 | 56.4 | 6.7 | 2.0 | 1,381.6 |

* Purchased as part of business combinations

14. Property, Plant & Equipment

| US\$m | Land and buildings | Mining properties and leases | Plant and equipment | Capital works in progress | 2005 |
|--|--------------------------|------------------------------------|---------------------------|---------------------------------|------------------|
| At 1 January 2005, net carrying amount | 667.0 | 3,933.1 | 3,149.2 | 379.2 | 8,128.5 |
| Acquisition of subsidiaries | 1.3 | - | 20.4 | 0.2 | 21.9 |
| Additions | 2.4 | 44.5 | 144.8 | 156.8 | 348.5 |
| Disposals | (16.1) | (0.7) | (2.3) | (5.0) | (24.1) |
| Rehabilitation provision adjustment | - | 2.0 | - | - | 2.0 |
| Reclassifications - other | 176.1 | (71.0) | 0.5 | (105.6) | - |
| Depreciation charge | (18.0) | (94.8) | (162.6) | - | (275.4) |
| Impairments recognised | - | (4.2) | - | (0.6) | (4.8) |
| Translation adjustments | (58.0) | (174.1) | (159.2) | (17.4) | (408.7) |
| At 30 June 2005, net carrying amount | 754.7 | 3,634.8 | 2,990.8 | 407.6 | 7,787.9 |
| At 1 January 2005: | | | | | |
| Cost | 770.4 | 4,378.2 | 3,996.9 | 382.8 | 9,528.3 |
| Accumulated depreciation | (103.4) | (445.1) | (847.7) | (3.6) | (1,399.8) |
| Net carrying amount | 667.0 | 3,933.1 | 3,149.2 | 379.2 | 8,128.5 |
| At 30 June 2005: | | | | | |
| Cost | 901.1 | 4,216.2 | 3,829.6 | 410.0 | 9,356.9 |
| Accumulated depreciation | (146.4) | (581.4) | (838.8) | (2.4) | (1,569.0) |
| Net carrying amount | 754.7 | 3,634.8 | 2,990.8 | 407.6 | 7,787.9 |

The Group has made commitments to acquire property, plant and equipment totalling US\$201.0 million at 30 June 2005.

15. Issued Capital, Share Premium and Own Shares

US\$m

Issued, called up and fully paid:

| | |
|--|-------|
| 631,502,416 ordinary shares of US\$0.50 each as at 1 January 2004 | 315.8 |
| 631,502,416 ordinary shares of US\$0.50 each as at 1 January 2005 | 315.8 |
| 1,000,000 ordinary shares issued on exercise of share options on 24 March 2005 | 0.5 |
| 632,502,416 ordinary shares of US\$0.50 each as at 30 June 2005 | 316.3 |

Share Premium:

| | |
|---|----------------|
| As at 1 January 2004 | 2,481.5 |
| As at 1 January 2005 | 2,481.5 |
| 1,000,000 ordinary shares issued on 24 March 2005 | 18.6 |
| As at 30 June 2005 | 2,500.1 |

Own shares*:

| | |
|--|---------|
| 4,130,500 ordinary shares of US\$0.50 each at 1 January 2004 | (40.8) |
| 3,371,726 ordinary shares purchased in the ECMP during the year | (51.3) |
| 20,955 ordinary shares sold by the ESOP during the year | 0.4 |
| 7,481,271 ordinary shares of US\$0.50 each at 1 January 2005 | (91.7) |
| 13,604,250 ordinary shares purchased in the ECMP during the period | (227.9) |
| 1,000,000 ordinary shares issued to the ESOP during the period | (19.1) |
| 1,187,408 ordinary shares disposed by the ESOP during the period | 12.6 |
| 20,898,113 ordinary shares of US\$0.50 each as at 30 June 2005 | (326.1) |

* Own shares are reported at historical cost

16. Reconciliation of Changes in Equity

| | Attributable to equity holders of the parent | | | | | | | Minority interests | Total equity |
|---|--|---------------|------------|--------------------|-------------------|-----------------|---------|--------------------|--------------|
| | | | | Convertible bond | | | | | |
| US\$m | Issued capital | Share premium | Own shares | - equity component | Retained earnings | Other reserves* | Total | | Total |
| At 1 January 2004 | 315.8 | 2,481.5 | (40.8) | - | (308.5) | 2,975.9 | 5,423.9 | 473.5 | 5,897.4 |
| Net profit | - | - | - | - | 461.3 | - | 461.3 | 71.1 | 532.4 |
| Foreign currency translation differences | - | - | - | - | - | (157.3) | (157.3) | (0.1) | (157.4) |
| Recycled foreign currency translation net gains to income statement | - | - | - | - | - | (67.7) | (67.7) | - | (67.7) |
| Cost of share-based compensation plans | - | - | - | - | 4.2 | - | 4.2 | - | 4.2 |
| Redemption of minority interests | - | - | - | - | - | - | - | (81.0) | (81.0) |
| Dividends paid | - | - | - | - | (83.6) | - | (83.6) | - | (83.6) |
| At 30 June 2004 | 315.8 | 2,481.5 | (40.8) | - | 73.4 | 2,750.9 | 5,580.8 | 463.5 | 6,044.3 |
| Defined benefit plan actuarial gains/(losses) | - | - | - | - | (6.4) | - | (6.4) | - | (6.4) |
| Net profit | - | - | - | - | 605.8 | - | 605.8 | 87.1 | 692.9 |
| Net gain on hedge of net investment | - | - | - | - | - | 40.9 | 40.9 | - | 40.9 |
| Foreign currency translation differences | - | - | - | - | - | 694.8 | 694.8 | (0.9) | 693.9 |
| Recycled foreign currency translation net gains to income statement | - | - | - | - | - | (0.9) | (0.9) | - | (0.9) |
| Own share purchases | - | - | (51.3) | - | - | - | (51.3) | - | (51.3) |
| Own share disposals | - | - | 0.4 | - | - | - | 0.4 | - | 0.4 |
| Cost of share-based compensation plans | - | - | - | - | 4.7 | - | 4.7 | - | 4.7 |
| Dividends paid | - | - | - | - | (50.2) | - | (50.2) | (43.1) | (93.3) |
| At 31 December 2004 | 315.8 | 2,481.5 | (91.7) | - | 627.3 | 3,485.7 | 6,818.6 | 506.6 | 7,325.2 |

| | Attributable to equity holders of the parent | | | | | | Minority interests | Total equity |
|---|--|---------------|------------|--------------------|-------------------|-----------------|--------------------|--------------|
| | Convertible bond | | | | | | | |
| US\$m | Issued capital | Share premium | Own shares | - equity component | Retained earnings | Other reserves* | Total | Total |
| First time adoption of IAS 32 and IAS 39 | | | | | | | | |
| - Available-for-sale financial assets | - | - | - | - | - | 1.3 | 1.3 | 1.3 |
| - Cash flow hedges | - | - | - | - | - | 31.0 | 31.0 | 31.0 |
| - <i>Convertible bond</i> | - | - | - | 63.4 | - | - | 63.4 | 63.4 |
| At 1 January 2005 | 315.8 | 2,481.5 | (91.7) | 63.4 | 627.3 | 3,518.0 | 6,914.3 | 7,420.9 |
| Net gains/(losses) on: | | | | | | | | |
| - Available-for-sale financial assets | - | - | - | - | - | (2.0) | (2.0) | (2.0) |
| - Cash flow hedges | - | - | - | - | - | (34.5) | (34.5) | (34.5) |
| - Hedge of net investment | - | - | - | - | - | (5.8) | (5.8) | (5.8) |
| Foreign currency translation differences | | | | | | | | |
| | - | - | - | - | - | (556.8) | (556.8) | 0.2 |
| Recycled foreign currency translation net gains to income statement | | | | | | | | |
| | - | - | - | - | - | (56.6) | (56.6) | (56.6) |
| Net profit | - | - | - | - | 797.1 | - | 797.1 | 67.1 |
| Issue of share capital | 0.5 | 18.6 | (19.1) | - | - | - | - | - |
| Own share purchases | - | - | (227.9) | - | - | - | (227.9) | (227.9) |
| Own share disposals | - | - | 12.6 | - | - | - | 12.6 | 12.6 |
| Cost of share-based compensation plans | | | | | | | | |
| | - | - | - | - | 8.7 | - | 8.7 | - |
| Dividends paid | - | - | - | - | (100.0) | - | (100.0) | (68.0) |
| At 30 June 2005 | 316.3 | 2,500.1 | (326.1) | 63.4 | 1,333.1 | 2,862.3 | 6,749.1 | 7,255.0 |

* Other reserves

| US\$m | Other reserves | Net unrealised gains | Foreign currency translation | Total |
|---|-------------------|----------------------------|------------------------------------|----------------|
| At 1 January 2004 | 1,240.7 | - | 1,735.2 | 2,975.9 |
| Foreign currency translation of subsidiaries | - | - | (157.3) | (157.3) |
| Recycled foreign currency translation net gains | | | (67.7) | (67.7) |
| At 30 June 2004 | 1,240.7 | - | 1,510.2 | 2,750.9 |
| Foreign currency translation of subsidiaries | - | - | 694.8 | 694.8 |
| Recycled foreign currency translation net gains | - | - | (0.9) | (0.9) |
| Hedge of net investment | - | - | 40.9 | 40.9 |
| At 31 December 2004 | 1,240.7 | - | 2,245.0 | 3,485.7 |
| First time adoption of IAS 32 and IAS 39: | | | | |
| Available-for-sale financial assets | - | 1.3 | - | 1.3 |
| Cash flow hedges | - | 42.0 | - | 42.0 |
| Deferred tax | - | (11.0) | - | (11.0) |
| At 1 January 2005 | 1,240.7 | 32.3 | 2,245.0 | 3,518.0 |
| Available-for-sale financial assets | - | (2.0) | - | (2.0) |
| Cash flow hedges | - | (47.7) | - | (47.7) |
| Deferred tax on cash flow hedges | - | 13.2 | - | 13.2 |
| Hedge of net investment | - | - | (5.8) | (5.8) |
| Foreign currency translation of subsidiaries | - | - | (556.8) | (556.8) |
| Recycled foreign currency translation net gains | - | - | (56.6) | (56.6) |
| At 30 June 2005 | 1,240.7 | (4.2) | 1,625.8 | 2,862.3 |

17. Acquisition costs

The Group made a cash offer of AUD6.35 per share to purchase the entire share capital of WMC Resources Limited, an Australian listed diversified mining company in October 2004. The offer was to be funded through debt markets and received underwriting commitments for the provision of debt facilities. On 2 February 2005 the offer price was increased to AUD7.20 per share and on 2 March 2005 following a AUD0.20 per share dividend paid by WMC Resources Limited, the offer price was reduced to AUD7.00 per share and declared unconditional. On 8 March 2005 BHP Billiton Limited announced a cash offer of AUD7.85 per share and the Group announced it would not increase its offer price. The Group incurred acquisition costs of US\$10.3 million and US\$17.3 million of financing costs (refer to note 20) in relation to the offer for WMC Resources Limited. The tax credit attributable to the offer is US\$8.3 million.

18. Impairment of assets

The impairment of assets relates to the write down of capitalised exploration costs of a manganese project in South Africa following the denial of an application for the mining rights, the write down of uneconomic exploration costs and mineral resources following further geological studies in South America and South Africa. The tax credit attributable to the impairment of assets is US\$1.4 million.

19. Interest-bearing Loans and Borrowings

| US\$m | 6 months to 30.06.05 | 6 months to 30.06.04 | 12 months to 31.12.04 |
|--|-------------------------|-------------------------|--------------------------|
| Current: | | | |
| Bank overdrafts | 46.2 | 19.8 | 8.4 |
| Bank loans - secured | - | - | 2.5 |
| Bank loans - other unsecured | 1.5 | 5.7 | - |
| Capital market notes | 24.7 | 85.5 | 90.0 |
| Obligations under finance leases and hire purchase contracts | 10.0 | 7.6 | 9.3 |
| Silver loan | - | 20.9 | - |
| Other loans | 0.2 | - | 0.4 |
| Bank loan issue costs | (0.5) | - | (2.1) |
| | 82.1 | 139.5 | 108.5 |
| Non-current: | | | |
| Syndicated bank loans - unsecured | 385.0 | 724.2 | 657.0 |
| Bank loans - secured (i) | - | 12.0 | 9.5 |
| Bank loans - other unsecured | 29.8 | 36.6 | 32.4 |
| Capital market notes | 273.7 | 309.0 | 277.1 |
| Minority interest loans | 81.0 | 81.0 | 81.0 |
| Obligations under finance leases and hire purchase contracts | 212.2 | 74.6 | 175.7 |
| Project finance | - | 114.0 | - |
| Other loans | 1.6 | 2.0 | 1.8 |
| Bank loan issue costs | (3.0) | (4.1) | (1.8) |
| | 980.3 | 1,349.3 | 1,232.7 |
| Non-current: | | | |
| Convertible bond (note adjustment above on adoption of IAS 32 & 39) | 559.3 | 600.0 | 600.0 |
| Convertible bond issue costs | (8.4) | (10.4) | (9.6) |
| | 550.9 | 589.6 | 590.4 |
| Total | 1,613.3 | 2,078.4 | 1,931.6 |
| Less cash and cash equivalents | (263.8) | (297.1) | (459.6) |
| Net debt | 1,349.5 | 1,781.3 | 1,472.0 |
| Net debt by currency: | | | |
| AUD | (61.4) | 2.7 | (51.1) |
| EUR | 1.8 | (1.8) | - |
| GBP | (1.1) | (4.6) | 8.5 |
| US\$ | (1,276.9) | (1,738.8) | (1,441.8) |
| ZAR | (12.6) | (41.4) | 10.1 |
| Other | 0.7 | 2.6 | 2.3 |
| | (1,349.5) | (1,781.3) | (1,472.0) |
| For the purpose of the Consolidated Cash Flow Statement, cash and cash equivalents comprise the following: | | | |
| Cash and cash equivalents | 263.8 | 297.1 | 459.6 |
| Bank overdrafts | (46.2) | (19.8) | (8.4) |
| | 217.6 | 277.3 | 451.2 |

20. Finance Income

| US\$m | 6 months to 30.06.05 | 6 months to 30.06.04 | 12 months to 31.12.04 |
|--|-------------------------|-------------------------|--------------------------|
| Bank interest received | 10.4 | 5.4 | 13.2 |
| Dividends received | 0.5 | 0.5 | 1.6 |
| Interest received – other | 1.2 | 1.1 | 1.1 |
| | 12.1 | 7.0 | 15.9 |
| Recycled gains from the foreign currency translation reserve | 61.6 | 81.8 | 103.8 |
| Unrealised gain on interest rate swap | 0.4 | - | - |
| Total finance income | 74.1 | 88.8 | 119.7 |

21. Finance Cost

| US\$m | 6 months to 30.06.05 | 6 months to 30.06.04 | 12 months to 31.12.04 |
|--|-------------------------|-------------------------|--------------------------|
| Amortisation of loan issue costs | 1.1 | 6.0 | 7.5 |
| Bank loans and overdrafts | 10.4 | 23.1 | 32.2 |
| Discount unwinding | 10.3 | 8.0 | 15.5 |
| Guaranteed convertible bonds, Capital market notes and silver loan | 14.1 | 17.3 | 31.5 |
| Finance charges payable under finance leases and hire purchase contracts | 2.4 | 2.7 | 4.8 |
| Minority interest loans | 2.9 | 3.9 | 7.1 |
| Interest payable - other | 1.5 | 2.4 | 8.8 |
| | 42.7 | 63.4 | 107.4 |
| Recycled losses from the foreign currency translation reserve | 9.7 | 14.1 | 35.2 |
| Loan issue costs written-off on facility refinancing | 17.3 | 35.1 | 35.1 |
| Total finance cost | 69.7 | 112.6 | 177.7 |

22. Income Taxes

Income tax charge

Significant components of income tax expense for the periods ended:

| US\$m | 6 months to 30.06.05 | 6 months to 30.06.04 | 12 months to 31.12.04 |
|---|-------------------------|-------------------------|--------------------------|
| Consolidated income statement | | | |
| Current tax: | | | |
| Current | 200.0 | 87.7 | 267.0 |
| Prior year adjustments | 2.1 | (1.2) | (2.2) |
| Total current taxation charge for the period | 202.1 | 86.5 | 264.8 |
| Deferred taxation: | | | |
| Origination and reversal of temporary differences | 25.9 | 46.6 | 47.1 |
| Change in tax rates | (21.1) | - | - |
| Benefit from previously unrecognised tax losses, tax credits or temporary differences of a prior period that is used to reduce deferred tax expense | (0.7) | (31.6) | (49.6) |
| Deferred tax expense arising from the write-down, or reversal of a previous write-down, of a deferred tax asset | 1.6 | - | - |
| Prior year adjustments * | - | (42.5) | (48.1) |
| Total deferred taxation charge/(credit) for the period | 5.7 | (27.5) | (50.6) |
| Total taxation charge reported in consolidated income statement | 207.8 | 59.0 | 214.2 |

UK taxation included above:

| | | | |
|-----------------------|-------|-------|-------|
| Current tax | - | - | 1.0 |
| Deferred tax | (0.3) | (0.8) | (4.2) |
| Total taxation charge | (0.3) | (0.8) | (3.2) |

Recognised directly in equity

| | | | |
|--|------|---|---|
| Deferred tax: | | | |
| Cash flow hedges | 13.2 | - | - |
| Total current taxation charge reported in equity | 13.2 | - | - |

* The prior year deferred tax adjustments in 2004 are as a result of certain entities entering into the Australian tax consolidation regime.

A reconciliation of income tax expense applicable to accounting profit before income tax at the average statutory income tax rate to income tax expense at the Group average effective income tax rate for the periods ended is as follows:

| US\$m | 6 months to 30.06.05 | 6 months to 30.06.04 | 12 months to 31.12.04 |
|---|-------------------------|-------------------------|--------------------------|
| Profit before taxation from continuing operations | 1,068.3 | 600.4 | 1,441.1 |
| Profit before taxation from discontinued operations | 3.7 | (0.9) | (1.6) |
| Profit before taxation | 1,072.0 | 599.5 | 1,439.5 |
| At average statutory income tax rate | 244.7 | 138.5 | 322.1 |
| Non-deductible expenses | 4.2 | 5.2 | 10.8 |
| Rebatable dividends received | (0.7) | (9.0) | (13.2) |
| Research and development allowances | (21.6) | - | (1.6) |
| Other | 0.9 | (0.4) | (4.0) |
| Change in tax rates | (21.1) | - | - |
| Previously unrecognised tax losses | (0.7) | (31.6) | (49.6) |
| Prior period adjustments | 2.1 | (43.7) | (50.3) |
| At average effective income tax rate | 207.8 | 59.0 | 214.2 |

The applicable tax rate is the average of the standard income tax rates applicable in the countries in which the group operates, weighted by the profit/(loss) before tax of the subsidiaries in the respective countries as included in the consolidated accounts.

The change in the applicable tax rate is due to the variation in the weight of subsidiaries profits and by various changes in the enacted standard income tax rates.

23. Earnings Per Share

| US\$m | 6 months to 30.06.05 | 6 months to 30.06.04 | 12 months to 31.12.04 |
|--|-------------------------|-------------------------|--------------------------|
| Earnings per share profit: | | | |
| - basic (from continuing operations) | 793.4 | 462.7 | 1,069.2 |
| - basic | 797.1 | 461.3 | 1,067.1 |
| - diluted (from continuing operations) | 798.0 | 467.7 | 1,079.2 |
| - diluted | 801.7 | 466.3 | 1,077.1 |
| Weighted average number of shares (000): | | | |
| - basic | 622,628 | 627,374 | 626,351 |
| - diluted | 686,869 | 690,413 | 689,993 |
| Earnings per share (US\$) | | | |
| - basic (from continuing operations) | 1.27 | 0.74 | 1.71 |
| - basic | 1.28 | 0.74 | 1.70 |
| - diluted (from continuing operations) | 1.16 | 0.68 | 1.56 |
| - diluted | 1.17 | 0.68 | 1.56 |

24. Related Parties

The list of principal subsidiaries, joint ventures and associates is detailed on pages 158 to 159 in the Group's 2004 Annual Report except for:

- additions of African Fine Carbon (Pty) Limited and African Carbon Producers (Pty) Limited as Subsidiaries in Alloys as outlined in Changes in Group Companies (refer to note 8);
- removal of Forestal Los Lagos SA following the sale of the forestry operations as outlined in Changes in Group Companies (refer to note 9);
- JANEs are termed as joint ventures under IFRS; and
- Richards Bay Coal Terminal Company Ltd is treated as an associate rather than a JANE as outlined in IFRS Reconciliations to UK GAAP (refer to note 7).

The Group entered into the following transactions, in the ordinary course of business, with related parties as outlined below:

| US\$m | Sales | Purchases | Treatment & refining charges | Treatment & refining revenue | Agency & marketing fees | Amounts payable | Amounts receivable |
|--|---------|-----------|------------------------------------|------------------------------------|-------------------------------|--------------------|-----------------------|
| Glencore International AG * | | | | | | | |
| 6 months to 30.06.05 | 955.6 | 155.2 | 51.8 | 29.0 | 39.3 | 37.5 | 177.6 |
| 6 months to 30.06.04 | 553.8 | 104.8 | 24.1 | 13.9 | 28.4 | 44.5 | 66.7 |
| 12 months to 31.12.04 | 1,516.7 | 206.5 | 86.6 | 35.8 | 57.9 | 38.8 | 154.3 |
| Joint ventures – Pooling and Sharing Venture | | | | | | | |
| 6 months to 30.06.05 | 2.8 | - | - | - | - | 1.3 | 62.6 |
| 6 months to 30.06.04 | - | - | - | - | - | - | - |
| 12 months to 31.12.04 | 41.6 | - | - | - | - | - | 51.0 |

* Includes share in joint ventures.

Included in the transactions with Glencore are US\$417.0 million (30.06.04 US\$140.4 million and 31.12.04 US\$501.0 million) of back to back sales whereby the title to the goods has passed to Glencore but they are then on-sold to customers at the same sales price that the Group received.

Sales to and purchases from related parties are made at normal market prices. Outstanding balances at period end are unsecured and settlement occurs in cash. There have been no guarantees provided or received for any related party receivables. For the periods ended 30 June 2005, 30 June 2004 and 31 December 2004, the Group has not raised any provision for doubtful debts relating to amounts owed by related parties as the payment history has been excellent. This assessment is undertaken at each reporting period end through examining the financial position of the related party and the market in which the related party operates.

Significant changes in the terms of the long-term contracts with Glencore International AG (Glencore) as outlined on pages 145 to 148 of the Group's 2004 Annual Report are as follows:

Coal

The Group entered into forward commodity price derivatives with Glencore as counter party. During the period, 360,000 tonnes were delivered at an average FOB price of US\$59.75 per tonne. At period end, 585,000 tonnes (31.12.04: 720,000 tonnes) were contracted at an average FOB price of US\$56.59 per tonne (31.12.04 US\$59.75 per tonne) for delivery in the remainder of the year and 765,000 tonnes were contracted at an average FOB price of US\$52.63 per tonne for delivery in 2006.

Zinc

McArthur River has an agreement with Glencore to supply 204,800 wmt per annum in 2005 and 2006 of zinc concentrate.

Mt Isa has two agreements with Glencore in 2005 for the supply of zinc concentrate. The first agreement is to supply 90,000 wmt. The second agreement is to supply 80,000 wmt to 100,000 wmt for the purpose of swapping Mt Isa concentrate in exchange for the same volume to be delivered to the Group's European smelters at equivalent terms. Treatment charges are negotiated annually. The Group and Glencore have agreed to extend these agreements to the end of 2008 after which they will become "evergreen" in nature.

Data on operations

| Name of Operation | Ownership | Annual production Capacity (Full plant/mine basis) | Accounting Status | Location |
|--|-------------------------|--|--|---|
| ALLOYS | | | | |
| Wonderkop plant | 82.5% | 362kt | Joint venture | Marikana South Africa |
| Gemini plant | 50% | 191kt | Joint venture | Marikana South Africa |
| Rustenburg plant | 82.5% | 430kt | Joint venture | Rustenburg South Africa |
| Lydenburg plant | 72.2% | 396kt | Joint venture | Lydenburg South Africa |
| Kroondal mine | 82.5% | 1,920kt | Joint venture | Rustenburg South Africa |
| Kroondal opencast mine | 82.5% | 540kt | Joint venture | Rustenburg South Africa |
| Waterval mine | 82.5% | 1,440kt | Joint venture | Rustenburg South Africa |
| Thornccliffe mine | 82.5% | 1,440kt | Joint venture | Steelpoort South Africa |
| Thornccliffe opencast mine | 82.5% | 213kt | Joint venture | Steelpoort South Africa |
| Boshhoek plant | 82.5% | 240kt | Joint venture | Boshhoek South Africa |
| Horizon mine | 82.5% | 180kt | Joint venture | Pilansberg South Africa |
| Chrome Eden mine | 82.5% | 96kt | Joint venture | Pilansberg South Africa |
| Boshhoek opencast mine | 82.5% | 360kt | Joint venture | Boshhoek South Africa |
| Rhovani V ₂ O ₅ FeV | 100% | 23,300k lbs 7,800k kg | Joint venture | Brits South Africa |
| Swazi Vanadium FeV | 100% | 2,400k kg | Subsidiary | Maloma Swaziland |
| Maloma colliery plant | 75% | 826kt | Subsidiary | Maloma Swaziland |
| Maloma mine | 75% | 637kt | Subsidiary | Maloma Swaziland |
| Char Technologies | 100% | 116kt | Subsidiary | Witbank South Africa |
| African Carbon Manufacturers | 100% | 152kt | Subsidiary | Witbank South Africa |
| African Carbon Producers | 100% | 181kt | Subsidiary | Witbank South Africa |
| African Carbon Union | 74% | 130kt | Subsidiary | Witbank South Africa |
| African Carbon | 100% | 144kt | Subsidiary | Middelburg South Africa |
| COAL AUSTRALIA | | | | |
| Cumnock | 84% | 1,100kt | Subsidiary | Hunter Valley |
| Liddell | 67.5% | 2,800kt | Joint venture | Hunter Valley |
| Macquarie Coal JV - West Wallsend - Westside | 80% 80% | 2,400kt 700kt | Joint venture Joint venture | Newcastle Newcastle |
| Mt Owen | 100% | 6,500kt | Subsidiary | Hunter Valley |
| Narama | 50% | 2,000kt | Joint venture | Hunter Valley |
| Oakbridge Group - Baal Bone - Beltana - Bulga | 74.1% 68.3% 68.3% | 2,500kt 4,500kt 4,900kt | Subsidiary Joint venture Joint venture | Western Coal Fields Hunter Valley Hunter Valley |
| Ulan - Ulan Underground - Ulan Open cast | 90% 90% | 3,500kt 1,700kt | Joint venture Joint venture | Western Coal Fields Western Coal Fields |
| United | 95% | 2,400kt | Joint venture | Hunter Valley |
| Cook | 95% | 600kt | Subsidiary | Bowen Basin |
| Oaky Creek | 55% | 8,700kt | Joint venture | Bowen Basin |
| Newlands - Thermal - Coking | 55% 55% | 8,400kt 500kt | Joint venture Joint venture | Bowen Basin Bowen Basin |
| Collinsville - Thermal - Coking | 55% 55% | 3,600kt 1,700kt | Joint venture Joint venture | Bowen Basin Bowen Basin |
| COAL SOUTH AFRICA | | | | |
| Impunzi Division - Phoenix - Tavistock | 100% 100% | 1,000kt 1,800kt | Subsidiary Subsidiary | Witbank Witbank |
| Mpumalanga Division - Spitzkop - Tselentis | 100% 100% | 1,400kt 1,500kt | Subsidiary Subsidiary | Ermelo Breyten |
| Tavistock TESA JV - ATC - ATCOM | 50% 50% | 1,700kt 2,400kt | Joint venture Joint venture | Witbank Witbank |
| Tweefontein Division - Boschmans - Goedgevonden - South Witbank | 100% 100% 100% | 1,800kt 400kt 2,000kt | Subsidiary Subsidiary Subsidiary | Witbank Witbank Witbank |

| | | | | |
|---|--------------|--|--------------------------|------------------------------------|
| - Waterpan - WitCons | 100% 100% | 500kt 1,800kt | Subsidiary Subsidiary | Witbank Witbank |
| Mines operated by JV partners - Douglas/Middelburg | 16% | 25,500kt | Joint venture | Witbank / Middelburg |
| COPPER | | | | |
| Mount Isa | 100% | 6.2mt ore 180kt Cu in conc 240kt Cu in anode | Subsidiary | North West Queensland Australia |
| Ernest Henry | 100% | 10.8mt ore 115kt Cu in conc 120koz Au in conc | Subsidiary | North West Queensland Australia |
| Townsville refinery | 100% | 280kt cathode | Subsidiary | North Queensland Australia |
| Alumbrera | 50% | 37mt ore 190kt Cu in conc 550koz Au in conc 50koz Au in dore | Subsidiary | Catamarca Argentina |
| ZINC | | | | |
| San Juan de Nieva | 100% | 503kt Zn 483kt saleable Zn | Subsidiary | Asturias Spain |
| Hinojedo | 100% | 47kt calcine 31kt SO ₂ | Subsidiary | Cantabria Spain |
| Arnao | 100% | 24kt semis Zn | Subsidiary | Asturias Spain |
| Nordenham | 100% | 145kt Zn 140kt saleable Zn | Subsidiary | Nordenham Germany |
| Northfleet | 100% | 180 kt Primary Pb | Subsidiary | Northfleet UK |
| Mount Isa | 100% | 5.1mt ore 250kt Zn in conc 170kt Pb in bullion 300t Ag in bullion | Subsidiary | North West Queensland Australia |
| McArthur River | 75% | 1.7mt ore 175kt Zn in conc | Joint venture | Northern Territory Australia |