

Las Bambas Independent Advisory Group

Founding Agreement

1. Background – the history of mining in Peru

Peru has a long mining tradition and continues to be an important mining region; however, the history of mining in Peru has not always been a happy one for local communities. The extraction of natural resources could provide better benefits to communities in terms of local development. From 1998 onwards, some progress has been made to address the social dimension of mining, but it is clear that the need for change remains.

New mining projects in Peru must seek to avoid the mistakes of the past by identifying and properly managing the complex social and environmental issues associated with mining operations from the project's inception and by working in partnership with local communities and local, regional and national Government.

It is vitally important, particularly in an area that is so fragile and so historically disadvantaged, to build a socially acceptable model at every stage of the Las Bambas project. The Independent Advisory Group aims to make a responsible contribution towards this objective.

2. The Las Bambas Independent Advisory Group – Purpose

2.1 Xstrata plc ('Xstrata') is committed to developing and executing all stages of the Las Bambas Project ('the project') in a manner that contributes significantly to sustainable development for communities at Las Bambas and for other parties in Peru. To assist in meeting this objective, Xstrata has established an Independent Advisory Group ('IAG' or 'the Group'). Xstrata and the IAG undertake to work together to ensure that to achieve this goal of contributing to sustainable development:

- Each stage of the project is managed to the highest social, environmental, ethical and economic standards, in line with Xstrata's health, safety, environmental and community policy and standards, and any other best practice standards recommended by the IAG and accepted by Xstrata;
- The process of engagement with parties directly and indirectly affected by the project at community, provincial, regional and national levels is fair, transparent and inclusive.

2.2 The IAG will focus primarily on strategic and policy issues associated with the Las Bambas project, offering external, independent advice and recommendations. It is not the purpose of the IAG to replace Xstrata's executive responsibility for designing and executing appropriate activities at Las Bambas and in Peru more broadly that contribute to sustainable development.

2.3 Xstrata is not bound by the IAG's recommendations. Where Xstrata does not follow the Group's recommendations, it undertakes to explain to the Group the reasons for actions it has taken.

3. Independence and membership

3.1 The IAG will comprise people with experience of community, social, environmental, ethical and economic issues encountered by companies working in developing

countries. The group will include members who have specific experience of Peru, and members with international experience and perspectives.

- 3.2 The IAG's independence is fundamental to the achievement of its objectives. The IAG is therefore completely independent of Xstrata's management structure. Xstrata employees and contractors or consultants to Xstrata are not eligible for membership.
- 3.3 Initial invitations for membership of the IAG were made by Xstrata. Proposals for new members may be made by the IAG or Xstrata. Decisions on membership will be made jointly by Xstrata and the IAG.
- 3.4 IAG members serve in a personal capacity and not as representatives of organisations by which they are employed or with which they are affiliated. Nonetheless, the experience and perspectives derived through members' association with these organisations are relevant to their suitability as members of the IAG. These organisational affiliations will therefore be made public for information.

4. Information provided to the IAG

- 4.1 Xstrata undertakes to provide the IAG with accurate and comprehensive information about the Las Bambas project and other relevant activities in Peru. Most of this information will not be in the public domain at the time that it is provided by Xstrata to the IAG but may subsequently be made available.
- 4.2 The IAG will not receive information that might materially affect Xstrata's share price before such information is disclosed to the investment market under the company's regulatory obligations.
- 4.3 Members of the IAG undertake to maintain the confidentiality of all information provided by Xstrata, and of discussions in the IAG and between the IAG and Xstrata.
- 4.4 Information about the Las Bambas project from sources other than Xstrata will be essential for the work of the IAG. The IAG may seek information from any party it considers appropriate. Where such information cannot be obtained without cost, the IAG may request Xstrata to provide the necessary funds. If Xstrata does not approve such requests, it will explain to the IAG its reasons for so doing.
- 4.5 The IAG may invite observers to attend its meetings to provide specialist expertise on particular topics, and may request Xstrata to cover any associated costs.

5. Annual public statement by the IAG

The IAG will publish an annual statement. The statement will: (a) provide a brief overview of the activities of the IAG, including any discussions with third parties; (b) identify the key sustainability issues facing the Las Bambas project that have been considered by the IAG, including details of any recommendations that have been made to Xstrata and Xstrata's response to them. A draft of the statement will be discussed with Xstrata before publication. Xstrata undertakes to place the final version of the statement on its website. If appropriate, Xstrata may also publish a response to the statement.

6. Practical arrangements

- 6.1 The IAG will elect a coordinator from among its members and determine the period for which this position should be held.

- 6.2 The IAG will meet at least twice a year. At least one of these meetings will be held in Peru. Meetings will not be held unless at least half the members can attend either in person or by video-/teleconference.
- 6.3 The agenda for meetings will be set by the IAG itself. For each meeting, Xstrata will provide an update report on the project and briefing on issues raised in advance by the IAG. Xstrata may also propose topics for discussion that have not been suggested by the IAG. All documents will be sent to IAG members at least two weeks before the meeting.
- 6.4 Xstrata representatives will attend IAG meetings to present and discuss the reports prepared by Xstrata. Xstrata Health, Safety, Environmental, Community Relations or Technical managers will be available whenever appropriate to assist the IAG on specific issues. The IAG may also request that appropriate Xstrata specialist staff from other disciplines attend its meetings. The initial Xstrata representatives are:
- Julián Rooney, General Manager Commercial and Corporate Affairs, Xstrata Copper South America
 - Claire Divver, Manager Corporate Affairs, Xstrata plc
 - Eric Ratshikhopha, Executive Director Corporate Development, Xstrata South Africa
 - Raúl Farfán Amat y León, Manager Community Relations, Xstrata Copper.
- 6.5 Xstrata will provide an honorarium of \$6,000 per annum to each member of the IAG or his/her organisation.
- 6.6 Xstrata will provide secretarial support for the IAG, arrange meetings, and cover the costs of meetings, travel, accommodation, conference calls, translation services, and preparing and distributing minutes and other documentation.

7. Public information about the IAG

This document will be made public on Xstrata's website. Procedures for public statements about the IAG and its work will be agreed between Xstrata and the Group.

8. Termination of membership and dissolution of IAG

Xstrata and the members of the IAG acknowledge that the challenges inherent in a project such as Las Bambas mean that differences of opinion are inevitable. The members of the IAG and Xstrata undertake to work in good faith to resolve such differences. However, Xstrata, individual IAG members, or the IAG as a whole may withdraw from the relationship between Xstrata and the IAG if they believe that the structure established by this Founding Agreement can no longer help to achieve the objective of contributing significantly to sustainable development at Las Bambas and in Peru more broadly.

9. Duration of this agreement

This agreement will be reviewed by Xstrata and the IAG one year after its signature. If parties agree that the relationship between them continues to serve the Purpose set out in paragraph 2 above, it shall be renewed for a period of three years.

December 8, 2005




Charlie Sartain
Chief Executive Xstrata Copper
On behalf of Xstrata plc



Milton Alva Vilacorta
Member, Independent Advisory Group
(Director Regional, Ayacucho, CARE Perú)



Luis Barrenecha
Member, Independent Advisory Group
(Technical Secretary, Andes Golden Development
Corridor, Former Mayor of Huallanca, former
Chairman of the National Association of Mine-
Affected Municipalities)




Rob Lake
Member, Independent Advisory Group
(Head of Corporate Engagement, Henderson
Global Investors)



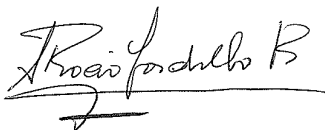
Assheton Stewart Carter
Member, Independent Advisory Group
(Senior Director, Strategic Planning, Energy and
Mining, Center for Environmental Leadership in
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Rory Sullivan
Member, Independent Advisory Group
(Director, Investor Responsibility, Insight
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Jaime Urrutia Ceruti
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Bastidas of Apurimac
Regional Coordinator, Agreement
Table on Poverty Reduction (MCLCP,
in Spanish) in Apurimac