

McArthur River Mine expansion to deliver increased local benefits

Darwin, 31 January 2012

A Draft Environmental Impact Statement (EIS) for the proposed AUD270 million expansion of McArthur River Mining (MRM) has revealed the project would deliver more benefits for the Northern Territory than first thought.

The project will increase MRM's operational workforce by 67%, creating 295 new jobs when in operation and bringing the total workforce to 735 at its peak by 2020, compared to initial estimates of 550 jobs. The expansion has been designed to sustain the long-term future of the mine at a higher rate of production. Our investment into the local, regional and national economies would increase commensurately, including a further AUD11.3 million of investment through the MRM Community Benefits Trust.

We lodged the draft EIS with the Northern Territory Government today. It proposes increasing capacity at the mine from 2.5 million tonnes of ore per annum to 5.5 million tonnes, producing approximately 800,000 dry metric tonnes per annum of zinc-lead concentrate for export markets.

Xstrata Zinc Australia Chief Operating Officer Mr Brian Hearne said: "Our earlier estimates have now gone through the robust process of an EIS and we're looking at being able to offer more jobs, a longer mine life and greater financial investment into the community in which we operate and the Northern Territory and Australian economies."

The project proposes:

- increasing MRM's mineable reserves from an identified 53 million tonnes to 115 million tonnes
- extending the life of mine by nine years from 2027 to 2036
- expanding the current pit within the existing bund from a footprint of 145 hectares to 210 hectares and the depth from 210 metres to 420 metres
- increasing our operational workforce by 67% at its peak from 440 currently to 735 by 2020 and sustaining a high level of Indigenous workforce participation
- extending the life of our MRM Community Benefits Trust to 2036, which will allow an additional AUD11.3 million to be invested in the community and bring total investment by the Trust to AUD43.3 million since 2007
- increasing the capacity of the existing tailings storage facility, including an already planned, new, lined water management dam
- generating approximately 530 million tonnes of additional overburden to be accommodated in one existing and two new overburden emplacement facilities
- expanding the power station at the mine to a capacity of 45-50 MW
- building a temporary construction camp and expanding existing accommodation facilities.

Over its lifetime the project is expected to produce approximately 20 million tonnes of zinc-lead concentrate for export.

Mr Hearne said: "The expansion will enable MRM to meet demand for zinc in concentrates more competitively."

“Aside from the direct employment benefits, we will require a wide range of products and services from other business sectors, predominantly in the Northern Territory, to support and service an expanded operation.”

The project is expected to boost industry output by AUD8.4 billion within the Northern Territory economy and AUD9.3 billion nationally during the construction, operational and decommissioning periods. This includes the benefits of direct and indirect investment and employment as well as all goods and services procured.

As part of the comprehensive draft EIS, we completed more than 40 detailed baseline studies and assessments of flora, fauna, land resources, surface water, groundwater, air quality, noise, traffic and cultural heritage working with external experts.

“The project also provides opportunities to introduce advances in environmental management techniques, particularly in managing tailings and waste rock,” Mr Hearne said.

Nearly 300 people, including representatives from government departments and agencies, community groups, businesses, Traditional Owners and other community members have already provided feedback to us in the past 10 months as part of the EIS consultation process. We have received overwhelming support for the project from stakeholders, particularly in relation to the benefits of employment, local contracts and our community investment under the MRM Community Benefits Trust.

The public comment period begins on 4 February and ends on 16 March 2012. You can find the complete EIS online at www.mcarthurriverrivermine.com.au from 4 February 2012.

The proposed expansion of MRM is currently in the feasibility study stage and is subject to approval by Xstrata.

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Neither the content of the company's website nor the content of any other website accessible from hyperlinks on the company's website is incorporated into, or forms part of, this announcement

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Notes to editors

About Xstrata Zinc

Headquartered in Madrid, Spain, Xstrata Zinc is one of the world's largest producers of zinc and one of the commodity business units within the major global diversified mining group Xstrata plc. Xstrata's zinc and lead operations and exploration projects are located in Australia, Canada, Germany, Peru, Spain and the United Kingdom.

Xstrata Zinc's operations in Spain comprise the San Juan de Nieva zinc smelter and the Arnao zinc semis plant in Asturias, and the Hinojedo roasting plant in Cantabria.

In Australia, operations comprise: the Mount Isa, George Fisher underground, Handlebar Hill open cut and Black Star open cut zinc-lead mines, zinc-lead concentrator, lead smelter and Bowen Coke Works in north Queensland; the McArthur River open pit zinc-lead mine, processing and loading facility in the Northern Territory; and the Lady Loretta mine in north-west Queensland.

In Canada, operations and exploration projects include the Brunswick zinc-lead mine and lead smelter in New Brunswick; 25% of the CEZ zinc smelter near Montreal; and the Perseverance zinc deposit in Quebec.

Xstrata Zinc also operates the Nordenham zinc smelter in northern Germany; the Northfleet lead refinery in the United Kingdom; and owns 33.75% of the Antamina mine in Peru.

Around half of all zinc currently consumed is used for galvanizing steel, which is an environmentally friendly method of protecting steel against corrosion. Zinc also finds application in the manufacture of die-cast alloys, brass and the production of zinc oxides and chemicals.