



MEDIA RELEASE

4 July 2007

MRM ENTERS AGREEMENT FOR COMMUNITY BENEFITS TRUST

McArthur River Mining (MRM) will provide in the order of \$32 million to deliver economic and social benefits to the Borroloola region via a Trust established through agreements signed today with the Northern Territory Government.

The McArthur River Mine Community Benefits Trust will fund local initiatives in the areas of enterprise and job creation, environment, arts, culture, health, education, social and community development. This includes MRM's commitment to achieve 20 percent indigenous workforce participation at the mine and increased local purchasing.

In a ceremony held in Borroloola today, MRM General Manager, Mr Brian Hearne and Northern Territory Minister for Regional Development, the Hon Kon Vatskalis, executed an Agreement between the mine and government, the Trust Deed and the Trustee company Constitution.

Mr Hearne said the documents formalise the mine's commitment to the delivery of long-term community benefits.

"The extended mine life made possible by the open pit development provides the opportunity for MRM to expand its support for the regional community," Mr Hearne said.

"The Trust is designed to address both the issues and the opportunities that will make a real difference to the community's development and the people of the region.

"Helping create a strong Borroloola community is perhaps the greatest legacy we can develop.

"We look forward to working closely with the Government and the community to ensure the regional benefits we all seek are delivered."

This initiative is consistent with the objectives of Xstrata's global Corporate Social Involvement Policy which supports communities associated with the group's operations and will fund the Trust. The Trust will allocate \$1.35 million per year for the first eight years, and \$1.25 million in each of the following years subject to regular reviews over the life of the mine.

Mr Hearne said community involvement will be important to the success of the Trust and engagement with community on the structure, focus and priorities is a critical first step in its implementation. Initial community feedback has been positive.



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Mr Billy Coolibah, a Traditional Owner of the Gurdanji people on whose land the mine is located, said: "It's a very good thing for jobs and the people of Borroloola. The mine does a great deal for our community. We look forward to the good things this money will provide."

Fellow Gurdanji Traditional Owner, Mr Ronny Ragget said: "The Community Benefits Trust is a good thing. We support the mine. They help our families and provide more opportunity for our young fellas and the community."

These comments were endorsed by Ms Judy Cotton, Principal of the Borroloola Community Education Centre who said: "The money provided by MRM will be money well spent in building the educational capacity of the community and will enhance the quality of life of people in Borroloola."

A Board of nine Directors comprising Northern Territory Government and MRM representatives, indigenous members of the community, and an elected representative of community organisations is to be appointed to the Trustee company formed to manage the Trust.

The Board is responsible for developing and implementing an Annual Plan of community programs and is accountable for the allocation of funds and results.

Xstrata has committed to set aside a minimum of one percent of annual Group profit before tax to fund social involvement programs, which contribute to the prosperity and the sustainable development of the communities hosting its global operations.

In October 2006, the Northern Territory Government approved a \$110 million open pit development which has extended the mine life by an estimated 21 years.

Ends

For more information

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About Xstrata Zinc:

Xstrata Zinc is one of the world's largest producers of zinc. 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. Xstrata's zinc and lead operations are located in Australia, Canada, Germany, Spain and the UK. They comprise: the San Juan de Nieva zinc smelter and the Arnao zinc semis plant in Asturias, Spain; the Hinojedo roasting plant in Cantabria, Spain; the Nordenham zinc smelter in northern Germany; the Mount Isa, George Fisher-Hilton and Black Star zinc-lead mines and lead smelter in Queensland, Australia; McArthur River zinc-lead mine in the Northern Territory, Australia; the Northfleet lead refinery located in the UK; the Brunswick zinc-lead mine and lead smelter in New Brunswick, Canada; 25% of the CEZ zinc smelter near Montreal, Canada; 50% of Lennard Shelf zinc lead mine in Western Australia; 75% of Lady Loretta zinc lead deposit in Queensland, Australia; 33.75% of Antamina mine in Peru and the Perseverance zinc deposit in Quebec.

McArthur River Mining (MRM) and the Northern Territory Government have entered into an agreement to establish the McArthur River Mining Community Benefits Trust as a vehicle for delivering social and economic benefits to the Borroloola regional community.

The Trust is guided by three legal agreements which were executed on 4 July 2007:

1. An agreement between MRM and the Northern Territory Government formalising the commitments.
2. The McArthur River Mine Community Benefits Trust Deed for the establishment of a charitable Trust Fund to hold MRM's financial commitments and any other money raised to support community programs.
3. The Constitution of McArthur River Mine Community Benefits Ltd, a Trustee company which manages the Trust Fund and its investments in line with objectives.

These documents deliver on a promise made in a Heads of Agreement between MRM and the Northern Territory Government in October 2006.

Objectives

The Agreement between MRM and the Northern Territory Government aims to:

- Facilitate ongoing sustainable development of the community and the region including community capacity building and local business enterprise development
- Build infrastructure within the community to a level that will facilitate the creation of local jobs, diversity of new enterprise, beneficial social activity and improved health outcomes
- Enhance the positive social and economic impact of MRM's mining operations on the community and the region as far as is reasonably practical
- Create jobs and training opportunities.

Funding

The total value of MRM's commitment is in the order of \$32 million over the life of mine which is currently 21 years.

MRM will pay \$1.35 million per annum into the Trust for the Initial Period of the Agreement of eight years to October 2013. After this, the annual contribution will be \$1.25 million per annum, increased in line with CPI, for the remaining life of the mine. These payments are made in advance of each year.

The Trust can also raise money to support community programs through other sources such as grants from the Federal or NT Governments.

Resources

Both MRM and the Northern Territory Government agree to provide non-financial support for the Trust such as management support, advice, government services, and the functions of the Trustee Project Officer and Secretariat.

Commitments

The Trust will contribute to the funding of commitments focussing on:

1. Employment, training and enterprise development generated both through the mine's operations and in the wider economy including:
 - fulfilling MRM's target to achieve 20% workforce participation by indigenous people
 - the commitment to generate and support the establishment of one new local business per annum to supply a product or service to the mine
 - the establishment of a Borroloola-based business hub to support the development of sustainable enterprises.
2. Community based package of social and economic programs benefiting: enterprise and job creation; environment; education; social and community development; health; culture and art.

Annual Plan

An Annual Plan will be developed each financial year (to 30 June) which outlines priorities, agreed projects and funding commitments.

The Plan will be developed in consultation and engagement with government stakeholders, Community Members and Advisory Committees. This will form the basis of a community needs assessment identifying funding priorities within the local community. Criteria will be established for the assessment of project proposals.

The Plan must be approved by the Northern Territory Government and MRM and can only be changed during the year with their consent.

At the end of each year, performance against the Plan will be reviewed and a report prepared for the community.

Eligible projects

A project is eligible for support by the Trust if it:

- Is to be conducted for a charitable purpose (that is: providing grants, scholarships, bursaries and other assistance for education, vocational training and enterprise development; and providing grants and other assistance for community infrastructure, and community development including the promotion of initiatives in the areas of health, law, arts, sport and culture)
- Is consistent with the Annual Plan and commitments
- Is recommended by the Allocation and Investment Committee
- Is not an excluded project ie:
 - not for a charitable purpose
 - is for funding funerals
 - is an ex gratia payment to an individual or individuals.

Trustee structure and activities

The Trustee has responsibility for developing and implementing the Annual Plan and accountability for how the Trust funds are invested and the results achieved.

The Trustee has two staff:

- a Project Officer whose job is to provide organisational and managerial support to the Trustee, arrange independent advice for community members and form a line of communication between the Board and advisory committees
- a Secretariat who provides administrative support to the Trustee.

In the first year, the Project Officer will be provided by the Northern Territory Government The Secretariat will be run by MRM.

Trustee Members

There are three classes of membership of the Trustee:

1. Foundation Members – MRM and Northern Territory Government
2. Community Members – these are groups or organisations that have been identified, invited to participate as representatives of their community, made an application in writing to become a Community Member and been accepted by the Board
3. Indigenous Members – these are nominated organisations or groups that represent a major language group (Gurdanji, Mara, Garawa or Yanyuwa).

Trustee Board

The Trustee Board comprises nine Directors whose roles are to manage the Trustee company's business and affairs, authorise payments and appoint supporting officers. The Board members will be:

- two directors nominated by Northern Territory Government – one of whom must be an independent
- two directors nominated by MRM – one of whom must be an independent
- one director elected by Community Members
- four directors representing Indigenous Members - one director nominated by each of the Gurdanji, Mara, Garawa and Yanyuwa language groups.

The first Chairperson in the inaugural year will be appointed by MRM. At the end of the first year, the Directors will decide whether the Chairperson will continue in their role or if a new one is to be appointed.

Board meetings will be held at least quarterly and an Annual General Meeting will be held once per year. General meetings of the company and Community Members meetings can be called at any time.

Advisory Committees

The Trustee Board will also draw on the support of Advisory Committees who advise on the priorities and projects which will have the greatest impact and deliver on needs in the community. The first advisory committees to be established are:

MAWA Committee: The Mawurli and Wirriwangkuma Aboriginal Corporation (MAWA) will be invited to form a committee to identify projects which the Trustee Board can consider for development.

Allocations and Investments Committee: Responsible for inviting, accepting and assessing applications for distributions from the Trust Fund and investing the Trust Fund.

Community engagement

Community involvement will drive the development of the Annual Plans and is considered essential to the success of the Trust.

The community has the opportunity to be involved in the activities of the Trust through:

- The Community Members and Indigenous Members of the Trustee company including their appointed Directors
- Regular meetings of Community Members
- Participation in Advisory Committees
- Submitting proposals for new projects and priorities to the Allocations and Investments Advisory Committee.

Reviews

MRM must report to Northern Territory Government six monthly on its financial and non-financial contributions under the Agreement.

The Trust will be reviewed six months prior to the end of the initial eight year period in 2013 and each eight year period thereafter. At that time, the review might consider any variations to the commitments, the annual contributions, and any other changes necessary.