



MEDIA RELEASE

MRM PAYS FIRST ROYALTIES TO NORTHERN TERRITORY GOVERNMENT

Darwin, 16 July 2007

McArthur River Mining Pty Ltd, owner of the McArthur River open pit zinc-lead mine and processing operations and a company wholly owned by global mining group Xstrata plc, has made its first royalty payment to the Northern Territory (NT) Government.

The payment of \$13.06 million represents 50% of the total royalty payment for calendar year 2007. Royalty arrangements for the mining operation are dictated by the McArthur River Project Agreement Ratification Act 1993 as well as the Mineral Royalty Act. The arrangements are calculated based on a formula which takes into consideration revenue, operating costs, capital deductions, exploration expenses and other deductions approved by the NT Treasurer.

Payment of royalties is largely dependent on global commodity prices and the recovery of costs of both the mine's establishment and the open pit development. Once these costs have been recovered, royalty payments are due to the NT Government.

General Manager of McArthur River Mining Brian Hearne said: "We are very pleased that, as expected, the development of an open pit mining area is improving the profitability of McArthur River Mine (MRM), allowing us to provide further benefits to the Territory through royalty payments.

"As one of the three largest mines in the Northern Territory, MRM plays a significant role in the region's economic development, through direct job creation, payment of taxes, community investment and through our policy of prioritising local industry and businesses to supply our operation, increasing local procurement by 14% in 2007 to date," he said.

MRM began as an underground zinc-lead mine and processing operation in 1995, and in October last year approval was given for the company to undertake a \$110 million conversion of the underground mine to an open pit operation.

An economic impact study conducted for the MRM Environmental Impact Statement estimates the mine has generated \$3.5 billion worth of economic benefits to the NT between 1995 and 2005 through direct and indirect employment and investment, taxes and charges, operating costs, income generation and value-adding.



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In 2006, this contribution included:

- direct employment for 590 people including contractors, compared to 340 people in 2005
- an annual wages bill of over \$11.6 million
- \$4 million paid to Governments in taxes and charges, including payroll and group tax
- \$17.8 million spent on electricity and utilities under commercial contracts with the NT Power and Water Authority
- \$14,000 paid in annual office rental to the Borroloola Community Council, and
- \$127,000 in sponsorships/donations.

MRM has also committed \$950,000, including but not limited to, the upgrade of the King Ash Bay Road and the allocation of funding for the MRM contribution to the construction of the Borroloola swimming pool.

The MRM open pit development is expected to generate benefits valued at \$329 million per annum for the NT economy and \$523 million per annum for the Australian economy. This includes 570 direct and indirect jobs nationally through the construction of the development and 1,700 direct and indirect national jobs in its operation.

In the past six months MRM's spending with NT suppliers has increased by 14%, building on the \$71 million invested in 2006.

In addition, MRM will provide in the order of \$32 million over the life of the mine to deliver economic and social benefits to the Borroloola region through the MRM Community Benefits Trust established through agreements signed with the NT Government on 4 July, 2007. The life of the mine is currently 21 years.

In March this year, MRM announced that its concentrator capacity would be increased from an annual throughput of 1.8 million tonnes per annum (mtpa) of ore to 2.5 mtpa, at a low capital cost of US\$37 million (\$50 million).

The expansion will enable annual production capacity to increase from approximately 320,000 tonnes to around 430,000 tonnes of zinc-lead concentrate, including the potential to produce a bulk concentrate with lower lead content, which can be processed in conventional smelters.

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For more information

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