

MEMORANDUM



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Minister Garrett approves MRM's open-pit development

On 20 February 2009 McArthur River Mining (MRM) welcomed the decision by Commonwealth Environment Minister, Peter Garrett, to approve the mine's open-pit development.

The conditions set-out by Minister Garrett in providing his approval are in line with MRM's existing commitment to best practice environmental management and community consultation. They include the continuation of Freshwater Sawfish and migratory bird studies in and around the mine's operational areas.

Xstrata Zinc Australia Chief Operating Officer, Brian Hearne, said the approval was an excellent outcome and resulted in MRM immediately re-opening the mine and rapidly mobilising its workforce.

"Minister Garrett's decision brought certainty to the operation, allowing MRM to continue to provide valuable employment and training opportunities and get on with the job of delivering a range of benefits to the local community, Gulf region, the Northern Territory and the nation," Brian said.

"Importantly, the decision by Minister Garrett supported the fact that our original approval of the mine's \$110 million open-pit development in 2006 was correct.



Ronnie Raggett, Senior Gurdanji Traditional Owner (left) with Brian Hearne

"The legal action was only ever about the process followed by the Commonwealth Government in giving the original approval for the mine expansion. It was never about the potential benefits and impacts of the project itself. These had already been assessed.

"I would like to thank the Traditional Owners, our employees and their families, suppliers and the local community for their support during the approval process.

"We now look forward to continuing to work with the local community, implementing the new conditions and getting MRM's mining operations back up to full production levels," Brian said.

MRM wins Mine of the Year



Ettienne Moller (left) accepts Mine of the Year award from awards sponsor, Mark McVey, Managing Director of MMD Australia

MRM's achievements were recognised at the 2008 Australian Mining Prospect Awards where MRM was presented the prestigious Mine of the Year and Metalliferous Mine of the Year awards.

Xstrata Zinc Australia's Chief Operating Officer and previous long-term MRM General Manager, Brian Hearne, was also recognised for his outstanding contribution to the Australian mining industry.

MRM General Manager, Ettienne Moller, said winning the awards was a terrific achievement and testament to the dedication of the MRM team.

"It is rewarding for the exceptional work of our people to be recognised nationally," Ettienne said.

"At MRM we believe success is about continuous innovation and investment in world-best technologies, community projects, Indigenous employment, training and environmental management.

"Some initiatives we are particularly proud of include our significant investment in developing our people, enhancing our traineeship program, continuing our commitment to health and safety, and increasing our Indigenous workforce participation rate.

"We were also delighted to see our long-term Northern Territory supplier, CDE Capital, awarded Contract Miner of the Year and congratulate its team," Ettienne said.

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A message from the General Manager



Etienne Moller
General Manager
McArthur River Mining

This edition of MemoRanduM heralds a new era for us at MRM.

The start of 2009 was a challenging time as we keenly awaited approval of our mining operations.

The great news is that with Minister Garrett's decision to approve the mine's open-pit development on 20 February 2009, we can now look to the future with certainty.

Right now our 250 plus workforce is getting MRM back to business as usual, and continuing to deliver significant benefits to the Territory economy and specifically our local region.

Together we are committed to working with our Traditional Owners, suppliers, government and local community to get it right as a leader in mining.

Going forward we are focussed on:

- Leading the way in environmental management and monitoring
- Continuing to meet all the requirements of our approval
- Increasing the number of locals involved in the mine's Maintenance Service Team (MST) traineeship program, which provides necessary training for unskilled workers to qualify for progression into skilled positions
- Growing the number of Indigenous people working at the mine
- Investing even more with Northern Territory and local businesses (last year we spent \$138.4 million)
- Caring for and protecting our people through safety and training innovations; and

- Consulting with our community and positively contributing to the region, helping it to become prosperous and sustainable.

Already our efforts in this area are being recognised.

Late last year, MRM was awarded the prestigious *Mine of the Year* and *Metalliferous Mine of the Year* awards at the 2008 Australian Mining Prospect Awards.

In February, the Northern Territory Government-appointed Independent Monitor released its first report which highlighted our strong environmental performance. While this was a pleasing result, we recognise the need for continuous improvement and innovation.



NT Young Achiever Regional and Rural Initiative Award Winner, Bronte James with Etienne Moller

More recently, I had the honour of presenting the MRM-sponsored 2009 Northern Territory Young Achiever Regional and Rural Initiative Award in Darwin to Territorian, Bronte James — a young woman who truly typified the all-round Territorian cattle pioneer, having formed her own herd and brand of cattle by the age of 26. MRM has proudly sponsored this award for three years and each year enjoys recognising young people, who like MRM, are striving each day to achieve great things in remote parts of the Territory.

Contained within this copy of *MemoRanduM* you will find even more great stories of our work to-date.

I would like take this opportunity to thank you for your ongoing interest and support and look forward to working together in 2009 to continue to deliver excellent results for the local region and the Territory.

Staff and suppliers celebrate mine approval

Obtaining approval for MRM's open-pit development in February was cause for celebration for the mine's 250-plus workforce and Northern Territory-based suppliers.

On 4 March 2009 MRM held a cocktail function in Darwin to thank MRM's suppliers for their continued support while the approval was being sought.

Attending the function was MRM's freight supplier, Pandion Haulage.

According to the company's owner, John Lemon, the approval was fantastic news for the business and the region.

"When the mine was placed into care and maintenance, we were forced to reduce our service to one delivery per week, which meant Borrooloola residents and surrounding areas were only getting mail once a week," John said.

"It also meant that any tourists who broke down while visiting the area were forced to wait an extra week for vehicle parts if our weekly service had already left for the region.

"As a result of the approval we have resumed our regular twice-weekly freight service to MRM, Borrooloola and the surrounding region, which is an excellent result for the mine, our business, visitors to the area and the local people of Borrooloola."

Later in the week MRM put on a special seafood buffet to thank its own dedicated workers for their continued patience and loyalty.

According to long-term MRM staff member Site Electrical Superintendent, Eddie Thomas, the dinner was a great celebration.

"Having worked at MRM for more than 14 years, MRM has become such a big part of my life so it is great to get back on-site and working again," Eddie said.



Long-term MRM staff member, Eddie Thomas



MRM's fleet of haul trucks

MRM continues to invest millions in the Territory

In 2008 MRM continued to make a significant economic contribution to the Borrooloola region and the Northern Territory (NT).

Recent figures show that last year MRM generated direct economic value of \$296.8 million, of which \$138.4 million was within the NT.

Etienne Moller said MRM's decision in 2007 to strengthen its local procurement policy has meant even more NT businesses had the opportunity to benefit from the mine's operations.

"Making a positive and long-lasting difference to the local region is a real priority for us and one of the ways we can do this is by spending more with local businesses in the region in which we operate," Etienne said.

Locals welcome opportunity to learn new skills at MRM

MRM's Indigenous Training Program continues to offer viable work options for local residents in the Borrooloola region.

MRM offers local residents access to a 12 month program designed to introduce participants to 'mine-life'. Along the way the trainees learn new skills and receive accreditation for a variety of machinery and equipment, varying from forklifts to ride-on mowers.

MRM's Certificate II Entry into Mining program received national accreditation in December 2008. This is good news for the trainees, who can now be fully endorsed for the training and qualifications they have acquired throughout the program to-date.

With operations at MRM now back underway, training will begin to shift into providing participants with access to work placements in various operational areas, with two of the trainees already set to join the mining operations team in the coming weeks.

For those participants who joined the program in June 2008, training in MRM's on-site simulator will be the next phase of their program.

In 2008 the local direct economic value of \$138.4 million included:

- \$106.5 million in local supply contracts, of which:
 - \$89.9 million was for goods, services and materials purchased from suppliers and community organisations
 - \$16.6 million was spent on electricity and utilities under commercial contracts with the Northern Territory Power and Water Authority.
- \$17.4 million paid in wages (of which \$4.5 million was paid to the Australian Government in Group Tax)
- \$1.1 million paid to the NT government in payroll tax
- \$315,000 in sponsorship and donations
- \$1.35 million paid to the MRM Community Benefits Trust.

Held in a state-of-the-art training suite, MRM's simulator offers participants the opportunity to experience life behind the controls of a Caterpillar 785 Dump Truck, and other heavy machinery in a safe, simulated environment.

Recent graduates of MRM's training program are now successfully engaged in full-time positions within MRM operations.



MRM trainee, Joelene Cole, puts newly acquired MST skills into practice



MRM Community Benefits Trust-funded plant equipment at work in Robinson River

MRM Community Benefits Trust update

MRM CBT invests a further \$300,000 in community initiatives

Applications continue to be submitted to MRM's Community Benefits Trust (CBT), which was established in July 2007 to provide in the order of \$32 million over the life of the mine to deliver economic and social benefits to the Borroloola region.

At the October 2008 Board Meeting more than \$300,000 was approved for a variety of community initiatives.

These included:

- Purchasing plant equipment to help deliver much needed major infrastructure works in the Robinson River community
- Continuing a youth mentorship program currently provided in Borroloola by The Smith Family which is focused on increasing school participation
- Buying Brahman bulls to improve bloodlines in an expanding cattle herd.

What projects are eligible for funding under the Trust?

For those considering applying to the MRM CBT, remember, 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

Since the introduction of the MRM CBT in 2007, more than \$1 million has been allocated to community initiatives in the Borroloola and Gulf region. These include funding of projects that have helped to provide better community infrastructure, educational outcomes, educational facilities and economic opportunities for the region.

A public meeting held in Borroloola in December 2008 provided the community with an update of the MRM CBT's performance to-date.

Brian Hearne appointed new Chair

At the October 2008 meeting Brian Hearne was elected Chairman for the next 12 months. Brian replaces Sue Sara who completed her term as Chairwoman of the Trust Board in May 2008.

The meeting was also an ideal opportunity for Board Members to greet new Northern Territory Government MRM CBT Project Officer, Maurice (Mo) Motlop. Mo occupies the position that had been left vacant with the departure of Mike Lane in June last year.

Mo brings a wealth of knowledge and skill to the position, and has wasted no time familiarising himself with MRM CBT processes, as well as acquainting himself with members of the Borroloola/Gulf region.

development including the promotion of initiatives in the areas of health, law, arts, sport and culture)

- Consistent with the Trust's Annual Plan and its existing commitments
- Recommended by the Trust's Allocation and Investment Committee.

The Trust will not fund projects that are not for a charitable purpose (ie funerals) or *ex gratia* payments to an individual or individuals.

Community update

MRM is committed to working with the local people of Borroloola and government to help create a positive, long-lasting and sustainable future for this remote region. Here are some of our achievements to-date.

Borroloola's first Renal Dialysis Unit opens

In Aboriginal communities throughout the Territory, kidney disease has for decades been described as a 'silent killer'. But in the town of Borroloola, the outlook is now more positive.

Statistics show that in some communities the rate of kidney disease is 30-times higher than that of non-Aboriginal people; and it is estimated that 100 people in the Top End of the Northern Territory will require dialysis treatment within the next eight to 12 months, with a quarter of the 100 requiring dialysis within just six months.

In the township of Borroloola alone, an estimated 200 people have, or will develop symptoms associated with the disease. In a town populated by fewer than 900 residents, this figure equates to almost a quarter of the population, with all these people expected to undergo dialysis treatment at some stage.

However, with the help of MRM, the local community of Borroloola can now cater to the needs of its dialysis patients with a newly constructed and dedicated renal facility.

This self-administering facility provides local patients with direct, daily access to the vital treatment they require, and importantly, it can be administered in a home environment, which prevents patients from having to travel to Darwin for care.

The facility provides all the necessary equipment for two patients at a time to undergo the life-saving dialysis process; including a direct telephone link to specialists in Darwin should assistance be required.

Construction of the Borroloola swimming pool nearly complete

Construction of the Borroloola swimming pool is now well progressed and expected to be completed before the start of the 2009 summer.

The pool is being delivered as part of the *Pools in Remote Areas* program, of which MRM is a proud partner, and will provide a much needed social outlet for Borroloola residents.

When complete the facility will consist of a five-lane, 25-metre lap-pool and wading pool. The complex will also provide kiosk and change rooms to locals and visiting sporting groups alike.

The pool will provide residents with a safe and enjoyable recreational facility and will also be used for educational and health purposes.

Currently, plans are underway to provide residents with access to learn basic first aid and lifesaving techniques, as well as to promote healthy living and lifestyle programs.

The local school will conduct swimming carnivals and other motivational activities for students, and is developing plans to use the facility as a reward incentive for regular school attendance.

The local pastoral property of 'Kianna' has also benefitted from the initiative — rather than simply demolish the building previously located where the new facility now stands, MRM recycled the building, and it now serves as a welcome and much needed medical centre.

With statistics indicating that Indigenous health in Australia continues to deteriorate, the construction of the renal unit comes at a critical time for Borroloola residents who will require dialysis treatment at a minimum of three times per week.

According to Ettienne Moller, MRM's role in providing this valuable piece of equipment is all part of the mine's commitment to the long-term wellbeing of the mine's local community and will benefit generations to come.



Borroloola's first Renal Display Unit opens



Borroloola resident undergoes dialysis treatment at the new renal unit proudly donated by MRM

Overall, the construction of the pool complex is expected to have a positive impact on the Borroloola community, providing residents with a quality recreational and educational facility.



Construction of the Borroloola swimming pool is well progressed

New x-ray machine a benefit to residents

Diagnosing fractures has become a lot easier at the Borrooloola Health Clinic (BHC), courtesy of a new state-of-the-art x-ray facility.

Donated by MRM, the machine is now installed and fully operational and is a welcome addition to the health facilities the BHC provides to residents.

The new equipment allows clinic staff to quickly and accurately diagnose and treat possible fractures. Previously, community members were required to be airlifted to Darwin to undergo further treatment. While the more severe cases may still require relocation, simple fractures can now be diagnosed and treated on the spot.

Clinic Manager, Debra Moloney, says while a little 'office-shuffling' had to be done to accommodate the equipment, its installation now means the BHC can provide a greater service to residents of Borrooloola and the surrounding region.

"The patient can be more correctly diagnosed and treated immediately, rather than waiting for the next available charter, which means less disruption to family and less concern for those who do not like to fly, and the cost savings are huge with each charter costing around \$3,000 or more," Debra said.

"We are very excited to have this top-of-the-range facility in Borrooloola."

Etienne Moller said while it had taken time for the machine to be installed in Borrooloola, having it operational was a benefit to all.

"The x-ray machine is a vital piece of equipment for the clinic, and residents can now feel a level of comfort in knowing that such facilities exist within their community," Etienne said.

"MRM is proud to have contributed to providing better health facilities to the residents of Borrooloola and the Gulf region."



X-ray machine a welcome new addition for Debra Moloney (left) and Doctor Stephen Betheras

MRM's cross-cultural awareness program

The Borrooloola and Gulf Region of the Northern Territory is a unique part of the world.

Home to a vast range of flora, fauna and natural landmarks, the region is also heritage rich. Blended among these natural treasures are the region's Aboriginal people — the Yanyuwa, Garawa, Mara and Gurdanji people.

Acknowledging their strong attachment to land, MRM has embarked on a mandatory program to ensure its workforce is culturally aware, sensitive and respectful of the region's original occupants.

With the nearest community of Borrooloola just 60-kilometres away and home to some 900 people — mostly Aboriginal — the idea to initiate such an informative program is not only in line with Xstrata's plc's Community Social Involvement policies, but it also promotes respect and understanding between Aboriginal and non-Aboriginal members of MRM's global workforce.

Delivered by the mine's Community Relations Team, MRM's Cross-Cultural Awareness program is an amalgamation of acquired knowledge obtained from years of service to Aboriginal organisations and some of the team's life experiences living in remote communities. But the program is more than that. Incorporated into the learning sessions are stories of the 'Kudjiga' — the Dreamtime — as told by Aboriginal Elders.

At the invitation of senior members of the Gurdanji, MRM has digitally recorded the stories that have been handed down from generation-to-generation. It is the first time the stories have been told outside of cultural gatherings. The purpose is to convey to MRM's workforce the specific sensitivities attached to sacred sites located within the mine lease.

Since its inception, more than 200 workers at MRM have undertaken the program, and initial feedback and session interaction has been extremely positive.



MRM workers participate in on-site cross cultural awareness training

Environment update

Independent Monitor confirms MRM's positive environmental performance

The first Independent Monitor's report on MRM's environmental action was delivered to the people of Borrooloola at a community meeting on 19 February 2009.

The 2008 report, prepared by Northern Territory Government appointed Environmental Earth Sciences (EES) Victoria, assessed the mine's environmental performance for the period October 2006 to September 2007.

MRM Health, Safety and Environment Manager, Gary Taylor, said the Independent Monitor plays an important role in providing information to the community about the outcomes of MRM's extensive environmental monitoring program.

"Our environment team worked closely with ESS during the assessment to ensure they had full access to MRM's environmental records as they undertook a review of all MRM's 96 environmental commitments," Gary said.

"As a world class miner, we are serious about caring for the environment.

"This commitment was highlighted in the Monitor's recent report, which confirmed the mine's environmental action was excellent.

"While this is a terrific result, we are always striving for continuous improvement and have taken on-board the report findings," he said.

In 2009 MRM's environment team will focus on developing and implementing a mosquito monitoring program, which will concentrate on species diversity and abundance, seasonal variation, education and strategies to minimise the creation and impact of mosquito breeding areas. The team will also continue its efforts in progressively rehabilitating the McArthur River and Barney Creek channels, including the dredge site at Bing Bong, and enhancing the mine's dust management procedures.

For more information about the Independent Monitor go to www.mrmindependentmonitor.com.au.



MRM regularly monitors water quality in the McArthur River, Barney Creek and Surprise Creek.

MRM responds to new conditions following Minister Garrett's approval

New conditions set out by Minister Garrett as part of his approval of the MRM open-pit development were all in-line with the mine's existing commitment to best practice environmental management and will be met.

Caring for the area's protected Freshwater Sawfish

The protection of the Freshwater Sawfish (*pristis microdon*) has always been a key part of MRM's environment management program.

That is why our environment team promptly responded to the Commonwealth Government's new conditions by updating the mine's existing Sawfish Management Plan, based on data obtained in previous surveys. This plan has now been submitted to the Commonwealth Government for approval.

Monitoring migratory birds

When the Commonwealth Government considered the bird survey data as part of its approval of the MRM Mine Management Plan in early 2009, it concluded that the changing composition of birds species in the vicinity of the Bing Bong Loading Facility meant evaluating the impact of heavy metals in sediments on the birds would be impractical. The Government has consequently advised the 2009 migratory bird survey will have its scope reduced and only focus on the mouth of the McArthur River for a period of five years.

The MRM Environment Team has now developed a five year migratory bird monitoring program in the vicinity of the Bing Bong Loading Facility and the mouth of the McArthur River and submitted it to the Commonwealth Government for approval.

Planning for and reporting on MRM's water and dust monitoring activities

Minister Garrett's new conditions required MRM to produce a plan for monitoring surface water, groundwater and dust fluvial sediment.

These activities already take place at MRM and are included in MRM's Mine Management Plan (MMP), together with an annual environmental report, which is submitted to the Northern Territory Government each year.

MRM has, however, partnered with environmental and engineering expert URS to develop a stand-alone plan which has been submitted to the Commonwealth Government for approval.

To find out more about MRM's environmental action, look out for the mine's 2008 Sustainability Report which is due to be released soon.



The migratory bird surveys are undertaken in the areas surrounding the Bing Bong Loading Facility

Open-pit update

Profile on Chris McCleave, MRM Mining Manager



How long have you worked at MRM?

I have been with MRM since January 2008. In the past I have worked for BHP Billiton in coal and Rio Tinto in iron ore.

I am happy to say, however, that MRM has been the best place to work!

What is your role at MRM?

My position title is Mining Manager. I am responsible for the Mining Department whose primary objective is the safe, cost effective delivery of ore to the mill.

Last year, I was also responsible for the civil works program, which included completion of the mine levee wall and McArthur River Channel.

2009 mining priorities

With the world zinc price dropping by more than 60% in just 12 months, the MRM Mining Department's focus for 2009 is on working more efficiently to put the mine in the best position to move forward into the future.

Key goals for the Mining Department in 2009 include:

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| Safety: | Achieving 365-days injury-free, improving on our 2008 target where five injuries were recorded. |
| Productivity: | Making every single machine-hour count. |
| Cost | We know that if we are safe and productive, then costs will almost look after themselves, however, reducing accident damage and improving the hours we achieve out of our haul truck tyres is a key focus. |
| Continuous improvement: | Getting even better at what we do by identifying innovations. One major initiative will involve changing the way we schedule and forecast on a monthly basis to create greater cohesion within the Mining Department. |



Update on the open-pit

The open-pit project is progressing well and to schedule.

All civil works are now complete and the McArthur River Channel ran as the primary water course throughout the recent wet season.

Work is continuing on developing the northern overburden emplacement facility and armouring the levee wall, with rehabilitation of the levee to begin as soon as practically possible.



ESSENTIAL MRM FACTS

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| 1 25 Indigenous staff and contractors are employed at MRM. | 2 15,231 individual fish have been caught and released since MRM's fish surveys began in 2006. | 3 \$138.4 million spent with Northern Territory suppliers in 2008. | 4 \$314,620 in sponsorships and donations in Borroloola and the Gulf regions. |
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