



NEWS RELEASE

AUD274M EXPANSION OF GEORGE FISHER MINE APPROVED

MOUNT ISA, 29 October 2010

Xstrata and Queensland Government approvals have now been received for a AUD274 million (USD246 million) expansion of Xstrata Zinc's George Fisher Mine in Mount Isa to increase the production rate by almost 30% from 2013.

Xstrata Zinc Australia Chief Operating Officer Mr Brian Hearne said the expansion of the underground mine is indicative of the strategic opportunities for growth within the group's assets.

"George Fisher Mine contains one of the largest zinc reserves in the world and the expansion project enables us to further tap its significant resource potential," Mr Hearne said.

The George Fisher Mine (GFM) expansion follows the approval of the AUD133 million Black Star Deeps open cut development to bring the total value of new mining projects in Mount Isa announced by Xstrata Zinc this year to AUD407 million (USD362 million).

Both projects ensure the full utilisation of the zinc-lead concentrator capacity in Mount Isa which was raised to 8.0 million tonnes per annum in 2009.

The GFM expansion will increase the annual production rate from 3.5 million tonnes per annum to 4.5 million tonnes per annum and will create jobs for an additional 250 contractors in construction and 120 employees in its operation.

The project involves the development of a second hoisting shaft and associated infrastructure to service the northern area of the mine using large diameter raise boring technology. It will also include the installation of an underground crushing and ore handling facility and upgrades to power and air ventilation services. An existing shaft servicing the northern end of the mine will be lined and extended by 420 metres to a depth of 1,140 metres.

The Xstrata Executive Committee approved the development on 29 September 2010. The Queensland Government's approval of a Mine Plan Variation for the project was received on 28 October 2010.

The Mine Plan Variation was prepared based on a 14 month, AUD6.5 million feasibility study which found the project would cause minimal changes to the mine's current environmental conditions.

Mr Hearne said the expansion project had been encouraged by a 126% increase in zinc reserves from 33 million tonnes when Xstrata acquired the operation in 2003 to 76 million tonnes this year.

“While the increased production rate will reduce the life of mine by five years to 21 years, the orebody remains open at depth to the north of the mine,” he said.

“The additional production capacity built into the expansion project and our ongoing exploration program will ensure GFM remains a key part of our long term strategy for Mount Isa.”

Work will commence immediately on the 2.5 year GFM expansion project with equipment mobilised to begin ventilation shaft works during November.

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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 75% of the Lady Loretta zinc lead deposit 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.