



NEWS RELEASE

XSTRATA ZINC TO DEVELOP LADY LORETTA DEPOSIT IN AUD246M PROJECT

Mount Isa, 26 July 2011

Xstrata Zinc announces the commencement of construction to develop the high grade zinc-lead-silver Lady Loretta deposit in north-west Queensland, Australia, as a new greenfield underground mine.

Work will commence immediately to develop the decline and underground services and surface infrastructure of the AUD246 million (US\$239 million) project. The mine, which is 140 kilometres north-west of Xstrata Zinc's Mount Isa operations, is planned to be operational by the end of 2013. Xstrata Zinc assumed sole ownership of the Lady Loretta deposit in April 2011 following the acquisition of the remaining 25% stake in the project.

Lady Loretta contains a total mineral resource estimated at 13.7 million tonnes, with 17% zinc and 6% lead grade. Lady Loretta will produce 1 million tonnes per annum of zinc-lead-silver ore and an annual average of 126kt of zinc in concentrate and 40kt of lead in concentrate over its 10 year mine life. Ore will be treated at Mount Isa's processing facilities.

Xstrata Zinc Australia Chief Operating Officer Brian Hearne said Lady Loretta was a strategic asset within the Australian zinc portfolio.

"Lady Loretta's higher grade zinc improves the overall quality of our Mount Isa resource base, increases annual average zinc production from this region by around 20% to 100,000 tonnes and supports further cost efficiencies from the Mount Isa operations."

The development of the Lady Loretta deposit follows the recent approval of an incremental expansion to Xstrata Zinc's Handlebar Hill open cut zinc-lead mine 20 kilometres north of Mount Isa. The expansion will extend the current open pit to the North to access an additional reserve of 2.4 million tonnes of ore, extending the life of the mine until 2013, during which time it will produce an additional 88kt of zinc contained and 22kt of lead.

Xstrata Zinc's resources in and around Mount Isa, including Lady Loretta, comprise the world's largest zinc resource base, with an estimated 600 million tonnes of ore and 36 million tonnes of contained zinc metal.

The Lady Loretta development brings total capital expenditure on current Xstrata Zinc development projects in the Mount Isa region to AUD800 million. This includes an expansion of the George Fisher Mine and crushing plant, the Black Star Deeps and Handlebar Hill open pit expansions and associated projects within the Mount Isa processing facilities, all of which will ensure full utilisation of the Mount Isa zinc-lead concentrator at increased capacity.

Xstrata Zinc CEO Santiago Zaldumbide said: "Current market conditions and the positive medium term outlook for zinc support our growth strategy to exploit the extensive resources available from our Mount Isa operations. The development of the Lady Loretta project will further strengthen Mount Isa's contribution to Xstrata Zinc's global position as the leading integrated producer of zinc."

Feasibility studies by previous owners of the deposit and more than 70,000 metres of drilling have well defined the Lady Loretta ore body. The underground mine will use a decline for access and materials handling, using haulage trucks to take ore and waste rock to the surface. When fully developed, the mine will have a maximum depth of 510 metres. The mine will create jobs for up to 230 contractors at peak of construction in 2013, followed by a similar number of permanent operational employees when operational.

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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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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 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.