



**MOUNT ISA
MINES**

Media Release

XSTRATA ZINC PROPOSES AUD133 MILLION MINE EXPANSION

Mount Isa, 30 March 2010

Xstrata Zinc is proposing to expand its Black Star Open Cut (BSOC) mine in Mount Isa through an AUD133 million project which will potentially extend the life of the mine at current production rates by four years to 2016.

Xstrata Zinc Australia Chief Operating Officer Brian Hearne, said the project remains subject to internal and external approvals but, if approved, the BSOC 'Deeps' project would ensure the mine's sustainability and maintain current employment levels. A feasibility study into the expansion commenced in 2009 and technical studies are continuing.

The project is expected to be submitted for approval to the Xstrata plc Executive Committee in April 2010.

Mr Hearne commented: "The investment in Black Star is part of a value adding strategy to increase production from current assets. With the deepening of Black Star, we can maximise the significant resource potential it contains and maintain the mine's current production profile. This would enable us to continue to fill the concentrator to its expanded 8 million tonnes per annum capacity."

The BSOC Deeps project would deepen the existing pit and target ore at a depth of 400 metres below ground surface level, 100 metres below the current design. This is expected to add approximately 14 million tonnes of ore to the production profile at a rate of up to 4.6 million tonnes per year.

Mr Hearne said that importantly, if approved, the expanded BSOC operation would continue to operate in accordance with approved operating procedures.

"Detailed planning shows the BSOC Deeps project will cause minimal changes to current environmental conditions," he said. "The detailed feasibility study initiated in 2009 supports this expansion and included detailed geotechnical analysis and studies into air quality, noise, vibration, surface and ground water."

A Mining Plan Amendment detailing plans for the development was submitted to the Queensland Government in March for consideration.

The project would employ up to 100 contractors during the development phase and maintain the current 190-strong workforce at BSOC.



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"This initiative is an important part of our continuing commitment to invest in the sustainability of our North Queensland assets and the communities in which we operate," Mr Hearne said.

The project has gained support from community leaders in Mount Isa including State Member for Mount Isa, Mrs Betty Kiernan MP, Cr John Molony, Mayor of Mount Isa, Mr Brett Peterson – President Mount Isa Chamber of Commerce and Mr David Glasson – Chair of Mount Isa Townsville Economic Zone (MITEZ).

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Notes to editors:

ABOUT XSTRATA PLC

Xstrata is a global diversified mining group, listed on the London and Swiss Stock Exchanges, with its headquarters in Zug, Switzerland. Xstrata's businesses maintain a meaningful position in seven major international commodity markets: copper, coking coal, thermal coal, ferrochrome, nickel, vanadium and zinc, with a growing platinum group metals business, additional exposures to gold, cobalt, lead and silver, recycling facilities and a suite of global technology products, many of which are industry leaders. The Group's operations and projects span 18 countries: Argentina, Australia, Brazil, Canada, Chile, Colombia, the Dominican Republic, Germany, New Caledonia, Norway, Papua New Guinea, Peru, the Philippines, South Africa, Spain, Tanzania, the USA and the UK. Xstrata employs approximately 56,000 people, including contractors.

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.

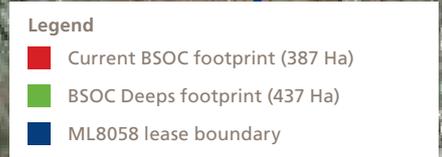
Around half of all zinc currently consumed is used for galvanizing steel, which is an environmentally friendly method of protecting steel against corrosion. Zinc also finds application in the manufacture of die-cast alloys, brass and the production of zinc oxides and chemicals.



Black Star Open Cut
Deeps Expansion Feasibility Project



Diagram 1:
BSOC footprint – an increase of around 50 ha



The proposed \$133 million expansion project will employ 100 contractors during the development phase and will maintain the current 190-strong workforce at Black Star Open Cut (BSOC), which includes 60 technical and 130 production personnel.

Project overview

- Xstrata Zinc North Queensland is proposing to expand our Black Star Open Cut operation as part of a program to invest in the sustainability of our North Queensland assets.
- The project gets its name from our strategy to narrowly cut back the existing pit and target ore at a depth of 100 metres below the current design.
- Importantly, the \$133 million project provides a significant opportunity to extend the life of the BSOC mine by three to four years, maximise the significant resource potential it contains and maintain current employment rates at the operation.
- A detailed feasibility study initiated in 2009 supports the proposed expansion.

Delivering the proposed project

- As an existing mine, we propose to continue to operate BSOC in accordance with currently approved operating procedures.
- A Mining Plan Amendment (MPA) detailing our plans for the development was submitted to the Queensland Government in March 2010 for consideration. Subject to necessary approvals, construction would commence immediately with a view to commencing ore mining in mid to late 2012.
- The final stages of a feasibility study into the BSOC deepening project are underway. This includes a detailed geotechnical analysis.

- The proposed expansion will involve extending BSOC to the north, east and west and increasing the total footprint of BSOC by 50 ha (see Diagram 1). Ore will be gained by deepening the pit to 400 metres. This is expected to add approximately 14 million tonnes of ore to the production profile.
- By deepening the pit, a production rate of up to 4.6mtpa can be sustained from the beginning of 2012 until 2016. This enables Xstrata Zinc to maintain its current production profile in Mount Isa.
- There is no significant difference in the style and nature of the zinc and lead mineralisation currently being mined at the operation and in the proposed expansion. For these reasons the same mining and processing techniques will be adopted for the expanded operation.

Diagram 2:

Artist's impression of the change to visual amenity – Overburden dump viewed from the Mount Isa lookout*



Among Xstrata's best practice dust suppression techniques are controls to reduce the speed of vehicles on site



Water carts spray work zones, unsealed roads, ore and waste rock haulage circuits

Environmental considerations

- A priority of the feasibility study was to identify potential impacts to the environment and community and develop mitigation strategies.
- Detailed planning shows the Deeps project will cause minimal changes to current environmental conditions.
- As part of the feasibility study, comprehensive investigations have been conducted by recognised specialist experts in the areas of air quality, noise and vibration. Internal assessments were also carried out on surface and ground water and visual amenity.
- These assessments generated the necessary technical information to support decisions regarding the recommended project design.

Their findings are outlined below.

Air quality

- Because the majority of work will be occurring deep within the pit there will be little difference in dust concentrations between the current operation and proposed BSOC Deeps expansion operation

- Xstrata will continue to use best practice dust suppression controls on site including:
 - water carts to spray work zones, unsealed areas, ore and waste rock haulage circuits
 - effective maintenance of unsealed roads and using dust suppression additives for road watering
 - controls to reduce the speed of vehicles on site
- An additional air quality control of minimising operations at high elevation on the eastern side of the BSOC pit during unfavourable weather conditions will be used in conjunction with other dust controls throughout the project

Noise and vibration

- Potential noise and vibration impacts were considered to be low
- Xstrata's current monitoring system is adequate and no further vibration and noise controls in addition to those currently in place were identified as necessary.
- There is the potential for a slight increase in noise levels over an estimated 2 week period in May due to the relocation of the refrigeration plant, which provides cool air to the underground mining operations, to an area west of the zinc filter plant

Surface and groundwater

- There was no expected increase in groundwater impacts between the current operation and proposed BSOC Deeps expansion operations.

Visual amenity

- The visual effect of the BSOC Deeps project, in the context of existing infrastructure and approvals and the mining landscape, is rated as low.
- Changes to the visual amenity of the mine site will be a 15 metre increase in the height profile of the existing approved overburden dump to the western side of the BSOC pit (refer diagram 2) and the relocation of the refrigeration plant, which provides cool air to the underground mining operations, to an area west of the zinc filter plant.

Diagram 3:

Map of sulphur dioxide monitors and high volume dust samplers in Mount Isa



* TEOMs are real time dust concentration monitors

Monitoring emissions in the community

Xstrata acquired Mount Isa Mines in 2003 and is committed to continuing its track-record for never exceeding prescribed lead levels in Mount Isa. Ambient air quality in Mount Isa continues to remain within Queensland Department of Environment and Research Management (DERM) requirements.

The Air Quality Control Centre, first introduced in 1975, is a comprehensive monitoring system that incorporates 15 monitoring stations throughout Mount Isa to monitor ambient air quality levels. These stations are, in turn, used to direct operations at our lead and copper smelters and Incitec Pivot's acid plant. It is the most intensive air quality monitoring system of any city in Australia (refer diagram 3).

Community engagement

While the application and approval of the MPA does not require a formal consultation program, Xstrata Zinc recognises the importance of engaging with stakeholders and the wider community and will undertake a formal engagement program to discuss the expansion.

Further information about the project will be made available to the community via:

- Future Community Information Sessions.
- Displays at community events including the Xstrata Mount Isa Mining Expo.
- Regular updates in Xstrata's monthly newsletter *Mine to Market*, available at local newsagents.
- Local media stories containing timely information about the project's milestones.

About Black Star Open Cut

BSOC mine opened in 2004 in order to supplement production at the Mount Isa zinc-lead concentrator.

Ore from BSOC mine is treated at Mount Isa's zinc-lead concentrator and separated into two separate streams: zinc and lead. The lead concentrate is smelted at Mount Isa's lead smelter and zinc concentrate is then railed to Townsville Port where it is shipped to Spain and refined at an Xstrata Zinc refinery. Zinc concentrate is sold to various smelters around the world including the Xstrata smelter in Spain.

For more information

For more information contact Xstrata Mount Isa Mines' Community Relations department on ph: (07) 4744 2210.