



**MOUNT ISA
MINES**

NEWS RELEASE

LONG-TERM ENERGY SUPPLIES SECURED FOR NORTH WEST QUEENSLAND OPERATIONS

Mount Isa, 6 October 2011

Xstrata Mount Isa Mines has secured a long-term supply of electricity and gas to meet forecast demand for the life of Xstrata's current and planned copper and zinc-lead operations in north-west Queensland, Australia. Xstrata has agreed a 17 year contract with the Diamantina Power Station consortium from 2013 to 2030, with gas supply and pricing fixed until 2023. The consortium comprises joint venture partners APA Group, the owner and operator of the Carpentaria Gas Pipeline, and national energy company, AGL Energy Limited.

Xstrata will also invest US\$30 million (A\$28 million) over the next two years to support modifications to existing infrastructure to accommodate the integration of the new gas-fired Diamantina Power Station adjacent to the existing Mica Creek Power Station near Mount Isa.

Xstrata Copper North Queensland Chief Operating Officer Steve de Kruijff said the contract underpinned Xstrata's ongoing investment in the region.

"This decision secures the long-term future of our current operations and growth projects in north west Queensland. The Diamantina Power Station consortium offers the most reliable and cost effective solution for our energy requirements. Critically, Diamantina Power Station is able to guarantee new capacity and gas supply from 2013, providing continuity of supply as current energy contracts expire," Mr de Kruijff said.

"The increased capacity from Diamantina Power Station will also ensure continuity of supply to the north west communities of Mount Isa and Cloncurry and facilitate the ongoing growth of the broader resources industry within the highly prospective North West Minerals Province."

Xstrata Zinc Australia Chief Operating Officer, Brian Hearne, said the potential 440MW capacity available through both Diamantina Power Station and the Mica Creek Power Station after the retirement of old plant, will support the life of mine planning for Xstrata's north west Queensland operations, and expansionary projects currently in development and planning.

"Energy is a key input into our operations and processing streams and this contract provides us with certainty over the availability, reliability and cost of energy when we need it. Securing our future energy supply enables us to continue to invest in and grow our operations and create long-term job opportunities." Mr Hearne said.

"Our agreement with the Diamantina Power Station consortium provides the security of a long-term energy price, increased total capacity and a reduced carbon footprint."

The selection of the Diamantina Power Station consortium follows a two year, competitive process to assess alternatives for long-term energy supply. The competitive process was established by the Queensland Government following the recommendations of the Sims Review into north west Queensland energy needs commissioned by the Queensland Government and the Queensland Resources Council in 2009. The assessment was based on key criteria established by the Sims Review, including economic viability, regional growth and opportunities, environmental impact, reliability of energy supply and community interests. Xstrata underwrote several million dollars into the feasibility studies and other activities undertaken by CopperString and Diamantina Power Station to enable both options to be fully considered.

The Diamantina Power Station will be a new 242MW high efficiency combined cycle gas-fired power station to be constructed and commissioned in two 121MW blocks each consisting of two 40MW gas turbines and one 41MW steam turbine. The first block is scheduled to be commissioned in December 2013 and the second in March 2014. Manufacturing slots reservations for long lead items were secured in advance of any final decisions, to allow delivery timelines to be achieved.

Diamantina Power Station will be built on a sublease within the Mount Isa Mines mining lease (ML8058). Site works are planned to commence in the first quarter of 2012 with development approvals already being progressed with the Mount Isa City Council. It will be supplied with gas sourced from the Surat Basin coal seam gas reserves and transported through existing gas pipeline infrastructure to Mount Isa. A new gas compressor station is to be built at Ballera to provide a second option for transfer of gas between the South West Queensland pipeline and the Carpentaria Pipeline.

Ends

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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Notes to editors

Diamantina Power Station will provide energy to Xstrata Mount Isa Mines' copper and zinc operations including:

- the Enterprise and X41 underground copper mines, Black Star Open Cut zinc mine and copper and zinc processing streams in Mount Isa
- the George Fisher underground and Handlebar Hill Open Cut zinc mines approximately 20 kilometres north of Mount Isa

- the Lady Loretta underground zinc mine under construction 140 kilometres north west of Mount Isa
- the Ernest Henry copper and magnetite mine 38 kilometres north east of Cloncurry
- development projects including the Mount Isa Open Pit development, currently subject to a US\$50 million (A\$47) million pre-feasibility study.

ABOUT XSTRATA PLC

Xstrata is a global diversified mining group, listed on the London and Swiss Stock Exchanges. Headquartered in Zug, Switzerland, Xstrata maintains a meaningful position in seven major international commodity markets: copper, coking coal, thermal coal, ferrochrome, nickel, vanadium and zinc with additional exposure to gold, cobalt, lead and silver. The Xstrata Group also comprises a growing platinum group metals business, iron ore projects, recycling facilities and a suite of global technology products, many of which are industry leaders. The Group's operations and projects span 20 countries.

ABOUT XSTRATA COPPER

Xstrata Copper is the fourth largest global copper producer with attributable mined production in 2010 of 913,500 tonnes of copper in cathodes and concentrates. The company is also one of the world's largest producers of smelter and refined copper, including from third party materials.

Headquartered in Brisbane, Xstrata Copper is one of the commodity business units within the major global diversified mining group Xstrata plc. Its mining and metallurgical operations and development projects span eight countries: Argentina, Australia, Canada, Chile, Peru, the Philippines, Papua New Guinea and the USA. Its operations and projects are administered through a regional divisional management structure, which ensures that critical decisions are taken close to the related businesses. It also has a recycling business (Xstrata Recycling) with plants in the United States and offices in Canada and Asia.

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 mine 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.

ABOUT XSTRATA MOUNT ISA MINES

Xstrata Mount Isa Mines is a world class mining operation and a significant asset within the Xstrata global portfolio. Xstrata Mount Isa Mines is operated jointly by the Xstrata Copper and Xstrata Zinc business units.

Xstrata Mount Isa Mines processes and mines copper and zinc ore from the Mount Isa, George Fisher, Black Star, Handlebar Hill, Enterprise, and X41 ore bodies. Mining is both underground and open-cut. Products marketed by the company for export are: Copper Cathode, Copper Concentrate, Zinc Concentrate, Crude Lead and Tankhouse Slimes (a co-product of copper refining with significant copper, gold and silver content).

With a workforce of almost 4,500 employees and contractors, Xstrata Mount Isa Mines is a significant contributor to the local economy, contributing nearly \$2 billion in 2010.

The company's structure recognises a fully integrated marketing approach blending global marketing intelligence with local logistics, shipping, port and commercial expertise. Commercial and sales staff are located in Townsville and Brisbane.

In addition to domestic sales, Xstrata Mount Isa Mines serves 16 countries in five markets including Asia, Europe, North America and the United Kingdom.