



NEWS RELEASE

McARTHUR RIVER MINE TO MOVE TO OPEN CUT

Darwin, 3 August 2005

Xstrata Zinc announces its intention to convert the McArthur River zinc-lead mine ("MRM") in the Northern Territory from an underground to an open cut operation to enable production to continue at the mine. The switch of mining methods entails an investment of AUD66 million.

Xstrata Zinc Chief Executive Santiago Zaldumbide said: "The McArthur River ore body remains one of the largest known deposits of zinc and lead in the world and there is continuing strong demand for these commodities. Going forward underground mining is no longer viable at MRM and the development of an open-cut operation is the only way to access MRM's significant ore reserves and to secure the future of the operation. The open-pit conversion will increase annual ore throughput from 1.6 to 1.8 million tonnes to maintain current levels of concentrate production and to extend the life of mine by at least 25 years.

"Importantly, Xstrata Zinc retains the option to develop MRM as a source of zinc feed for a future zinc refinery using the Group's Albion process technology, which would significantly improve the profitability of MRM's mining operations. Given the power requirements associated with zinc refineries, the MRM site has been ruled out as a possible location for an Albion plant and Xstrata continues to assess other sites."

The development of an open pit mine within the mining lease requires government approval. As part of this process, Xstrata has prepared a full Environmental Impact Statement that will shortly be lodged with the Northern Territory Government and available for public review. Subject to government approval, the open pit development would be completed over a period of two years, with underground operations scheduled to cease in the fourth quarter of 2005. MRM's current Mine Management Plan, which has been approved by the Northern Territory Government's Department of Business, Industry and Resource Development, includes approval for a test pit on site that will contribute ore for sampling and for processing as underground operations are curtailed, with an additional 200,000 tonnes of ore sourced from existing stockpiles.

The open cut development marks a considerable change from previous plans by the former MIM Holdings to expand the mine significantly, which entailed the construction of a zinc refinery and coal-fired power station on site and the damming of the Glyde River. The development of open pit mining within the existing mine lease will necessitate the rechannelling of a 5.5 kilometre section of the McArthur River and around 2.5 kilometres of Barney and Surprise Creek around the open pit, but entails no additional infrastructure construction. The rechannelling will be undertaken as a detailed environmental project over a two year period to encourage revegetation and minimise the loss of biodiversity, and to avoid any impact on downstream fishing activities.

The change in mining method from specialised underground mining to open-cut will ensure that approximately 270 jobs are retained at the mine. Open cut operations require fewer specialist skilled employees than underground operations, and the development will therefore provide greater access to jobs and training for local and indigenous people. Underground mining is highly specialised work and where possible, opportunities for underground staff will be sought at other Xstrata mines in Australia. These employees will also be given the chance to apply for new jobs with the open cut contractor or offered redundancies should they choose.

General Manager of McArthur River Mining Brian Hearne said: "MRM has made considerable progress in the last 18 months in reducing costs and improving the quality and commercial attractiveness of its bulk concentrate product, particularly through the reduction of its silica content. Despite these efforts, the mine in its current form will come to the end of its effective economic life by the end of 2005. The most accessible underground ore has been extracted and the underground mining operations, which comprise over 100 kilometres of underground tunnels, have now become uneconomical. The move to open cut operations will secure the future for the mine, providing continued jobs, training and business opportunities for local people.

"The development of the operation will adhere to the highest health, safety and environmental standards, in line with Xstrata's Group HSEC policy and management standards. We will consult widely with the local community in the Borroloola region, environmental interest groups, business and government representatives and other stakeholders as part of the development process."

The Xstrata Group has invested over AUD8.5 billion in Australia since 2002 and has over AUD1.9 billion of capital expenditure committed at its Australian operations over the next three years.

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For further information

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About MRM

McArthur River Mine (MRM), which is 900 kilometres south-east of Darwin near the Gulf of Carpentaria, opened in 1995 and contributes both directly and indirectly around \$350 million annually to the Northern Territory economy. MRM is constituted as a joint venture between Xstrata Zinc (75%) and ANT Minerals (25%), a consortium of leading Japanese companies.

About 350 people work at the mine, which is the main employer in the Borroloola region. MRM provides a training and employment programme that includes pre-vocational training, traineeships, apprenticeships and jobs for local Aboriginal people. MRM also brings benefits to traditional owners and the local community through sponsorships and donations valued at approximately \$50,000 per annum.

MRM has a measured and indicated ore resource of greater than 120 million tonnes, equating to over 85 years of production at current levels. In 2004, MRM processed some 1.4 million tonnes of ore on site, producing 120,500 tonnes of zinc in concentrate and 26,200 tonnes of lead in concentrate, which is shipped overseas through Bing Bong Port, 120 kilometres from the mine. The *Aburri* barge at Bing Bong is operated by Carpentaria Shipping Services, a joint venture between P&O and MAWA, representing four Aboriginal groups in the Borroloola region.

As part of the approval process of its current Mine Management Plan by the Northern Territory Government's Department of Business, Industry and Resource Development, MRM had to satisfy the Office of Environment and Heritage that the development will address a range of environmental and social issues associated with the test pit. This will cover an area of six hectares and will reach a depth of 40 metres.

About Xstrata Zinc

Xstrata is one of the world's largest producers of zinc concentrates and refined zinc. Over half of all zinc currently consumed is used for galvanizing steel, which is a highly cost-effective and 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.

Xstrata's zinc and lead operations are located in northern Spain, northern Germany, Australia and the UK. They comprise: the San Juan de Nieva zinc smelter and the Arnao zinc semis plant in Asturias, Spain; the Hinojedo roasting plant in Cantabria, Spain; the Nordenham zinc smelter near Bremerhaven in northern Germany; the Mount Isa, George Fisher-Hilton and Black Star zinc-lead mines in Queensland, Australia; McArthur River zinc-lead mine in the Northern Territory, Australia; and the Northfleet lead refinery located in UK.

Xstrata Zinc produced some 312,000 tonnes of zinc in concentrate and 646,000 tonnes of zinc metal in 2004.