



Xstrata Zinc Australia Sustainability Report **2010**



Xstrata

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.

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.

Cover page: The city of Mount Isa in north-west Queensland which is the location of Xstrata Zinc's largest operations in Australia. This page: McArthur River Mine processing facilities at dusk in the Northern Territory.

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AUSTRALIAN OPERATIONS

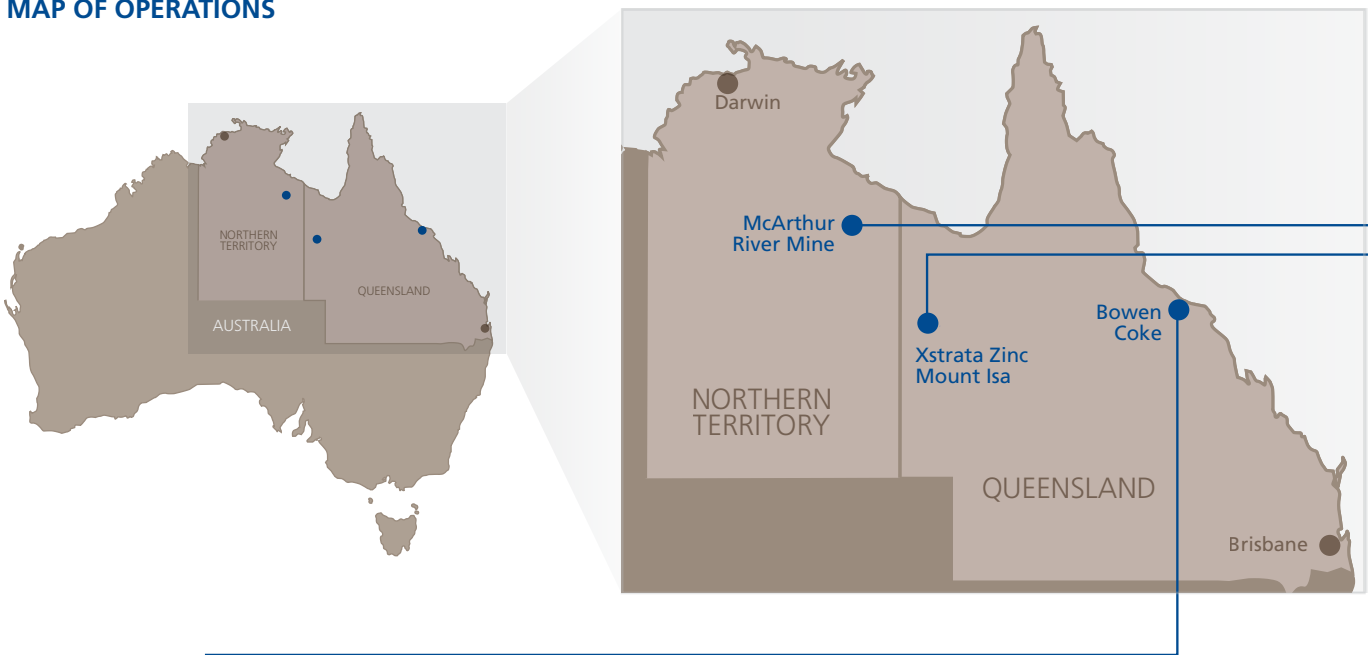
Headquartered in Brisbane, Xstrata Zinc Australia was established in 2008 to manage a portfolio of assets that form a strategic part of Xstrata Zinc's global business.

Our mission is to maximise value for Xstrata plc shareholders by successfully growing and managing an industry-leading portfolio of zinc-lead assets that deliver superior returns. We will achieve this in a safe, environmentally and socially responsible way, through genuine partnerships between our people, the communities in which we operate, governments and other stakeholders.

Our strategic objectives are:

- Injury-free, safe work environments
- Recognised leadership in environmental performance
- Reputation for social responsibility
- Realisation of the full potential of our people
- Achievement of the full capacity of our physical assets
- Cost competitiveness through the cycles
- Value creation through dynamic growth and continuous improvement.

MAP OF OPERATIONS



Bowen Coke – Organisational scale, as at December 2010

Description

- Established in 1933
- Comprises:
 - 54 ovens
 - Coal handling facility
 - Coke screening and crushing plant.
- Three grades of coke produced:
 - Metallurgical coke
 - Nut coke
 - Breeze.

Markets

- Metallurgical coke is exported or used in the blast furnace at the Xstrata Zinc Mount Isa lead smelter
- Nut coke is used in aluminium smelting
- Breeze is used in fuel production

Employees (excluding contractors)	21
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Production	2010	2009
Coke (t)	45,958	45,343



McArthur River Mining (MRM) – Organisational scale, as at December 2010

- Description**
- Commenced in 1995
 - Comprises:
 - Open-pit mine
 - 53 million tonnes in total ore reserves (as at 30 June 2010)
 - 2.5 million tonnes per annum capacity concentrator and processing plant
 - Bing Bong loading facility on the Gulf of Carpentaria.

- Markets**
- MRM supplies 70% of global demand for bulk concentrate
 - All outputs are exported
 - Major markets are Imperial Smelting Furnace smelters in Poland, Japan and China

Employees (excluding contractors) 282

Production	2010	2009
Ore mined (t)	2,231,032	2,092,179
Zinc in concentrate (t)	183,517	166,467
Lead in concentrate (t)	31,635	37,093
Silver in concentrate (k oz)	1,463	1,465



Xstrata Zinc Mount Isa – Organisational scale, as at December 2010

- Description**
- Commenced in 1924
 - Comprises:
 - George Fisher underground mine
 - Black Star open cut mine
 - Handlebar Hill open cut mine
 - Total ore reserves of 112 million tonnes (as at 30 June 2010)
 - Zinc-lead concentrator
 - Lead smelter
 - Zinc filter plant
 - Lady Loretta Project

- Markets**
- Approximately 60% of zinc concentrate is exported to the Far East and 25% to Xstrata's zinc smelters in Europe
 - Approximately 15% of zinc concentrate is purchased domestically
 - Bullion from the lead smelter is shipped to Xstrata Zinc's Britannia Refined Metals lead refinery in the UK

Employees (excluding contractors) 1,149

Production	2010	2009
Ore mined (t)	8,596,675	7,321,971
Zinc in concentrate (t)	355,024	324,164
Lead in bullion (t)	140,059	146,099
Silver in crude lead (k oz)	6,775	7,792

Chief Executive's statement



Santiago Zaldumbide
Executive Director Xstrata plc and Chief Executive Xstrata Zinc

Xstrata Zinc Australia performs a significant role in the integrated Xstrata Zinc business worldwide and it is satisfying that in 2010, this region demonstrated its commitment to the sustainable operation and development of its assets.

As detailed within the Xstrata plc Annual Report, operating profit from the Australian operations rose from USD192 million in 2009 to USD270 million in 2010. This was achieved through improved mining and production volumes as well as the continuing focus on efficiency improvements and cost reduction.

Significantly, this performance has also been delivered in a manner which supports Xstrata Zinc's Sustainable Development (SD) Policy and Strategy.

Our commitment to sustainable development is based upon the following principles:

- Implementation and maintenance of ethical business practices, uphold fundamental human rights and respect the traditional rights of local communities
- Prevention of environmental degradation, occupational injuries and diseases
- Continuous improvement through the assessment, establishment, control and management of SD objectives and targets and the allocation of appropriate resources to achieve them
- Compliance with legislation as well as adopting the requirement of other applicable standards and exceeding them where reasonably practical
- Open and honest engagement with relevant stakeholders to consider their opinions, suggestions, complaints and concerns regarding SD issues into account in our decision-making process, as well as managing responses in a positive way.

In these respects, the Australian operations have achieved many of the targets set for 2010. For example, both Xstrata Zinc Mount Isa and McArthur River Mine have maintained their records of effective environmental management. McArthur River Mine has exceeded its target of 20% Indigenous workforce participation for the first time. All operations have supported the introduction of the Xstrata Zinc Innova Suggestion System which is encouraging innovation, employee engagement and continual improvement. Safety performance has improved compared to 2009 results but remains a significant focus for action in order to achieve our target of providing a safe, injury free workplace.

The results of an Xstrata Zinc Global Employee Survey conducted in November 2010 reflect the benefits of SD initiatives focused on our people. Our Australian personnel are now better engaged and better perceive the company's reputation, safety and leadership compared with the results of the 2008 survey.

This 2010 Sustainability Report provides further details on our Australian achievements.

A handwritten signature in dark ink, appearing to read 'S. Zaldumbide', written in a cursive style.

Santiago Zaldumbide
Executive Director Xstrata plc and Chief Executive Xstrata Zinc

Chief Operating Officer's statement



Brian Hearne
Chief Operating Officer, Xstrata Zinc Australia

In 2010, we marked the beginning of another phase of development for Xstrata Zinc Australia.

For the past few years we have been focused on internal transformation and improvement to drive increased production. In 2010, we have set new records for operational performance in Mount Isa. A 5% increase in ore production at George Fisher Mine to 3.3 million tonnes and a 32% increase at Black Star open cut to 4.5 million tonnes supported a 15% increase in throughput in the Mount Isa concentrator to 8.6 million tonnes. Similarly, McArthur River Mine (MRM) has continued to progress with a 3% increase in ore milled to 2.2 million tonnes and a 10% increase in zinc concentrate volumes due to higher average head grades and recovery rates.

The conclusion of several feasibility studies led to the commencement of significant new projects.

In Mount Isa, we announced three major developments valued at \$443 million which aim to ensure the full capacity of our zinc-lead concentrator is utilised and continue to improve operational efficiency. The \$274 million George Fisher Mine expansion will increase annual production rates by almost 30% to 4.5 million tonnes by 2013.

The \$133 million Black Star Deeps project is extending the life of this open pit mine by up to four years to 2016. The \$36 million George Fisher North Crushing Facility is relocating 40% of crushing from in Mount Isa to the surface of the underground mine 20 kilometres outside town in a development which will reduce emissions from our operations and eliminate double handling.

At MRM, we completed a scoping study assessing the potential expansion of production. As a result, we announced in March 2011, the intention to proceed with the feasibility study and environmental assessment of a \$270 million development which would increase production to 5.0 million tonnes from 2014. Significantly, this project forms an essential component of a \$900 million integrated development plan involving the Xstrata Zinc smelters in Spain, Germany and Canada and aims to secure the future of the operation in the face of a decline in the traditional international markets for the bulk zinc-lead concentrate produced by MRM.

In addition, we have in 2011, initiated a review of the Lady Loretta project 140 kilometres north of Mount Isa after acquiring the 25% of this asset held by joint venture partner, Cape Lambert, taking our holding to 100%.

All these projects are critical to the long term sustainability of our operations. As these developments progress, our attention to SD strategy will be a key part of their success.

In the past year, it has been pleasing to report improvements in lost time injury frequency rates at all operations. However, recordable and disabling injuries are continuing to occur across all areas and reinforce our need to remain focused on risks and hazards within our workplaces.

McArthur River Mine has continued its record of no adverse impact on the surrounding environment. It is significant that the Northern Territory Government appointed Independent Monitor reported that its audit of the 2009 environmental management programs concluded that all monitoring is appropriate and there were no urgent issues requiring attention.

Surveys of our communities in both Mount Isa and the Gulf Region of the Northern Territory found a high level of recognition for our commitment and contribution to these communities and the effectiveness of our engagement with them.




Within this context, we continue to invest in our employees. In 2010, employee numbers rose by 12% to 1,462. Within Australia's highly competitive labour market in the resources sector, we are conscious of the need to offer compelling and challenging opportunities. Given the significant growth occurring within our operations, these opportunities abound.

A handwritten signature in black ink, appearing to read 'Brian Hearne', written in a cursive style.

Brian Hearne
Chief Operating Officer Xstrata Zinc Australia

2010 scorecard and 2011 targets

2010 TARGETS	2010 PERFORMANCE	2011 TARGETS
Health and Safety		
0 fatalities, fines and penalties	<ul style="list-style-type: none"> ✓ Xstrata Zinc North Queensland ✓ McArthur River Mine 	0 fatalities, fines and penalties
15% reduction on TRIFR	<ul style="list-style-type: none"> ✗ Xstrata Zinc North Queensland 16.6 – 7% improvement ➔ McArthur River Mine 8.9 – same as 2009 	TRIFR 9.1 TRIFR 8.9 Sites to develop lead and lag reporting indicators to monitor and analyse incident trends
15% reduction on LTIFR	<ul style="list-style-type: none"> ✓ Xstrata Zinc North Queensland 1.7 – 21% improvement ✓ McArthur River Mine 0.9 – 65% improvement 	LTIFR 1.7 LTIFR 0.9
15% reduction on DISR	<ul style="list-style-type: none"> ✗ Xstrata Zinc North Queensland 494 ✓ McArthur River Mine 85 – 55% improvement 	DISR 139 DISR 76
0 occupational illnesses	<ul style="list-style-type: none"> ✓ Xstrata Zinc North Queensland ✓ McArthur River Mine 	0 occupational illnesses
0 Employees and contractors > 38µg/dl blood lead level	<ul style="list-style-type: none"> ✗ Xstrata Zinc North Queensland – 6 ✗ McArthur River Mine –1 	0 male personnel >36µg/dl blood-lead level 0 female personnel of child-bearing capacity >12 µg/dl blood-lead level
0 blood lead and cadmium removals and relocations due to exceedance of site standards	<ul style="list-style-type: none"> ✗ Xstrata Zinc North Queensland – 6 ✗ McArthur River Mine –1 	
Blood lead 95th percentile annual average to be 29 µg/dl or below	<ul style="list-style-type: none"> ✗ Xstrata Zinc North Queensland – 30.1 µg/dl ✓ McArthur River Mine – 19.9 µg/dl 	
0 Employees and Contractors >8 µg/l blood cadmium	<ul style="list-style-type: none"> ✓ Xstrata Zinc North Queensland ✓ McArthur River Mine 	0 employees and contractors >6µg/l blood cadmium 0 employees and contractors >6ug/g creatinine cadmium
Blood cadmium annual average 95th percentile to be 5 µg/dl or below	<ul style="list-style-type: none"> ✓ Xstrata Zinc North Queensland ✓ McArthur River Mine 	
Conclude development of major hazard plans, including the plans for heavy metal exposure	<ul style="list-style-type: none"> ✓ Xstrata Zinc North Queensland ✓ McArthur River Mine 	
Fully implement local drug and alcohol policies	<ul style="list-style-type: none"> ✓ Xstrata Zinc North Queensland ✓ McArthur River Mine 	Sites to maintain fit-for-work programs
Annually review occupational health and hygiene hazard registers	<ul style="list-style-type: none"> ✓ Xstrata Zinc North Queensland ✓ McArthur River Mine 	Review and implement identified actions and controls from hygiene risk assessments

 Achieved
  Not achieved
  Action continues into 2011

2010 TARGETS	2010 PERFORMANCE	2011 TARGETS
Our People		
Update all job descriptions and action plans to link to job and sustainability requirements	<ul style="list-style-type: none"> ✓ Xstrata Zinc North Queensland ✓ McArthur River Mine 	Ensure 88% compliance with mandatory training requirements as identified in the Sustainability Management System
Develop targets for training, turnover and absenteeism	<ul style="list-style-type: none"> ✓ Xstrata Zinc North Queensland ✓ McArthur River Mine 	<p>12% reduction in turnover from 2010</p> <p>15% reduction in absenteeism from 2010</p>
Develop supervisor training to measure retention of required management system information	<ul style="list-style-type: none"> → Xstrata Zinc North Queensland → McArthur River Mine 	Develop leadership initiatives/programs in line with safety and risk strategy
Implement a Safety Observation Program to assist the PASS (Positive Attitude Safety System) program	<ul style="list-style-type: none"> ✓ Xstrata Zinc North Queensland ✓ McArthur River Mine 	
Support the implementation of all CBU Human Resource initiatives	<ul style="list-style-type: none"> ✓ Xstrata Zinc North Queensland ✓ McArthur River Mine 	<p>Identify and train potential successors for all business critical positions</p> <p>Achieve one suggestion per employee using the Xstrata Zinc Suggestion System</p> <p>Ensure over 90% of non-unionised employees are a part of the performance management system</p> <p>0.75% of employees recognised under the Xstrata Zinc recognition system</p>
Define graduate, vacation student and apprenticeship intakes through integration with succession planning and turnover data	<ul style="list-style-type: none"> ✗ Xstrata Zinc North Queensland ✗ McArthur River Mine <p>The retention of vacation students into the graduate program is monitored continuously and further work is required to integrate into succession planning at sites</p>	
Continue to provide opportunities in line with the Indigenous Employment and Training Strategy at MRM	<ul style="list-style-type: none"> ✓ McArthur River Mine – 21% indigenous employment achieved 	<p>Sites to continue to further develop indigenous employment programs with the ability to monitor and analyse performance</p> <p>Develop communication processes for information to all levels of employees in the business</p>
Environment		
0 environmental breaches	<ul style="list-style-type: none"> ✓ Xstrata Zinc North Queensland ✓ McArthur River Mine 	0 environmental breaches
0 category 3, 4 or 5 environmental incidents	<ul style="list-style-type: none"> ✓ Xstrata Zinc North Queensland ✓ McArthur River Mine 	0 category 3, 4 or 5 environmental incidents
10% reduction in category 2 environmental incidents over 2009 performance	<ul style="list-style-type: none"> ✓ Xstrata Zinc North Queensland – 4 ✓ McArthur River Mine – 0 	20% reduction in category 2 environmental incidents over 2009 performance
0 environmental fines, penalties or prosecutions	<ul style="list-style-type: none"> ✓ Xstrata Zinc North Queensland ✓ McArthur River Mine 	0 environmental fines, penalties or prosecutions

2010 scorecard and 2011 targets *continued*

2010 TARGETS	2010 PERFORMANCE	2011 TARGETS
Environment (continued)		
5% reduction in the intensity of direct GHG emissions (per tonne of final product/ore milled) over 2005 performance by 2010	<ul style="list-style-type: none"> ✘ Xstrata Mount Isa Mines Processing 1071.1 kg/Tn – Target 927 Kg/Tn ✘ Xstrata Mount Isa Mines Mining Operations 11.4 kg/Tn – Target 4.0 kg/Tn. This was due to factors explained on page 30. ✘ Bowen Coke 1.6 kg/Tn – Target 1.5 kg/Tn ✘ McArthur River Mine 21.9 kg/Tn – Target 8.4 kg/Tn This was due to the change in operations since 2005 from underground to open pit since 2006 which requires greater fuel consumption. 	3% reduction in GHG direct emissions intensity (tonnes CO ₂ -eq/tonne of bullion and zinc and lead in ore mined) over 2010 performance by 2012
1% reduction in energy intensity (per tonne of final product/ore milled) over 2007 performance by 2012	<ul style="list-style-type: none"> ✘ Xstrata Mount Isa Mines Processing 10.4 – Target 8.7 ✔ Xstrata Mount Isa Mines Mining Operations 0.5 – Target 0.5 ✔ Bowen Coke 0.1 – Target 0.1 ✔ McArthur River Mine 0.1 – Target 0.6 	1% reduction in energy intensity (per tonne of final product/ore milled) over 2007 performance by 2012
Comply with requirements under the National Greenhouse and Energy Reporting Scheme (NGERS), Energy Efficiency Opportunities Act 2006	<ul style="list-style-type: none"> ✔ Xstrata Zinc North Queensland ✔ McArthur River Mine 	<p>Sites to report monthly on NGERS requirements and track performance according to targets set by CBU</p> <p>Sites to continue to develop Energy Efficiency Opportunities and report annually</p> <p>Sites to report on cost savings associated with GHG or energy efficiency projects on an annual basis</p> <p>XZA and Energy Management group to work together to develop energy reduction programs in line with the FTSE 4 Good Climate Change Criteria</p>
5% reduction of freshwater consumption per tonne of final product/ore milled over 2008 by end of 2010	<ul style="list-style-type: none"> ✔ Xstrata Zinc North Queensland 589l/t – Target 589 l/t ✔ McArthur River Mine 587 l/t – Target 680 l/t 	2% reduction in fresh water consumption intensity (m ³ /tonne of bullion + zinc and lead in ore mined) over 2010 performance by 2012
Develop reduction of freshwater consumption and conservation plans with stakeholders	<ul style="list-style-type: none"> ✔ Xstrata Zinc North Queensland ✔ McArthur River Mine 	<p>Sites to develop water management strategies for conservation and operational control mechanisms</p> <p>Includes specific targets for Xstrata Zinc Mount Isa water infrastructure upgrades and management controls</p>
0 net loss of habitat for IUCN Red List Species, and system to monitor these species	<ul style="list-style-type: none"> ✔ Xstrata Zinc North Queensland ✔ McArthur River Mine 	0 net loss of habitat for International Union of Conservation and Nature (IUCN) Red List Species, and system to monitor these species
Xstrata Zinc Mount Isa to continue to investigate potential to increase SO ₂ capture rate in line with environmental planning for submission to the Queensland Government in 2011	<ul style="list-style-type: none"> → Xstrata Zinc North Queensland 	<p>Mount Isa operations to complete Emissions Reduction Project before April 2011</p> <p>Mount Isa to develop emission project deadlines after the Xstrata Zinc CBU project review outcomes</p> <p>Mount Isa Mines Air Quality Model to be implemented in 2011</p> <p>Mount Isa operations to submit an Environmental Management Plan for all relevant mining activities in May 2011</p>

2010 TARGETS	2010 PERFORMANCE	2011 TARGETS
Environment (continued)		
Develop an Xstrata Zinc Australia Biodiversity framework that includes strategic site programs	<ul style="list-style-type: none"> ✔ McArthur River Mine – proposal submitted ✔ Xstrata Mount Isa Mines – Plan developed in consultation with key stakeholders 	<p>Sites to continue to develop biodiversity programs for flora, fauna, weed, pest and potential conservation area development with key stakeholders</p> <p>MRM to undertake design phase of Biodiversity Offset project</p>
Continue to conduct and develop rehabilitation programs at MRM	<ul style="list-style-type: none"> ✔ McArthur River Mine 	
Conduct audits on tailings storage facilities and process water ponds	<ul style="list-style-type: none"> ✔ Xstrata Zinc North Queensland ✔ McArthur River Mine 	Conduct audits on tailings storage facilities and process water ponds and develop/review long-term tailings/pond management plans annually
Conduct a hydrocarbon storage audit for all areas	<ul style="list-style-type: none"> ✔ Xstrata Zinc North Queensland ✔ McArthur River Mine 	
		<p>Sites to further develop waste characterisation into minimisation in waste streams and develop waste reduction targets and report quarterly</p> <p>Develop guidelines that determine end points for product stewardship tracking and potential control mechanisms for sites</p>
Our Communities		
Annually review stakeholder engagement plans	<ul style="list-style-type: none"> ✔ Xstrata Zinc North Queensland ✔ McArthur River Mine 	Annually review stakeholder engagement plans
Maintain and manage community complaint processes	<ul style="list-style-type: none"> ✔ Xstrata Zinc North Queensland ✔ McArthur River Mine 	Maintain effective and transparent engagement and communication processes with stakeholders
Corporate social involvement plans measured annually against specific outcomes	<ul style="list-style-type: none"> ✔ Xstrata Zinc North Queensland ✔ McArthur River Mine 	<p>Conduct annual review of partnership programs and CSI plans against specific outcomes</p> <p>Develop long term (3-5 year) CSI plans including principles and criteria for all investments and develop communication strategies/plans to support CSI activities</p>
Further enhance the University of Ballarat Alliance	<ul style="list-style-type: none"> ✔ Xstrata Zinc North Queensland 	
Promote the Xstrata Zinc CBU Ethics Code	<ul style="list-style-type: none"> ✔ Xstrata Zinc North Queensland ✔ McArthur River Mine 	
Continue to conduct community information sessions as planned	<ul style="list-style-type: none"> ✔ Xstrata Zinc North Queensland 	
Maintain involvement in and support for key industry forums	<ul style="list-style-type: none"> ✔ Xstrata Zinc North Queensland ✔ McArthur River Mine 	
Implement the Xstrata Zinc Suggestion System	<ul style="list-style-type: none"> ✔ Xstrata Zinc North Queensland ✔ McArthur River Mine 	

About this report

This report summarises the Sustainable Development (SD) performance of Xstrata Zinc Australia's operations from 1 January 2010 to 31 December 2010. This is the second Xstrata Zinc Australia Sustainability Report, following the establishment of Xstrata Zinc Australia in 2008. All monetary values are expressed in Australian Dollars.

The data presented within this report is offered to provide a full and accurate account of the performance of each site in line with policy and international standards. However, it should be noted that due to the significant differences in the comparative scale and nature of the Mount Isa, MRM and Bowen Coke sites and their regulatory environments, this data should not be read as a direct comparison.

Corporate definitions

This document refers to and provides results for the following organisations or business operations defined as follows.

Term	Definition
Xstrata Mount Isa Mines	This refers to the collective operations in Mount Isa which are comprised of two separate mining and processing streams: copper and zinc-lead-silver. Where SD issues are jointly managed by the zinc and copper businesses, they are reported on as 'Xstrata Mount Isa Mines'.
Xstrata Zinc Mount Isa	Refers to the performance of the zinc-lead-silver operations in Mount Isa only.
Xstrata Zinc North Queensland	Refers to the performance of the zinc-lead-silver operations in Mount Isa and Bowen Coke Works. Bowen is managed by the Xstrata Zinc Mount Isa Processing Department therefore some statistics are grouped.

Target audience

Xstrata Zinc Australia's Sustainability Report provides stakeholders with information about SD policies, practices and performances. Target groups for this report are employees and their families, communities associated with our operations, governments, business partners, media, employee unions and industry participants. The report also provides relevant information for development organisations, non-government organisations, the investment community, existing and prospective shareholders, socially responsible investment analysts and investors, and inter-governmental bodies.

Defining report content

We apply and manage the principles of inclusivity, materiality and responsiveness, as defined by the AccountAbility 1000 Accountability Principles Standards 2008 (AA1000APS). SD issues are identified from many sources, including:

- Legislative requirements, stated policies and business principles, and risk assessment processes
- Industry norms and challenges
- Stakeholder concerns and needs identified through formal consultation initiatives and through our ongoing stakeholder engagement process
- External initiatives and best practice guidelines, including the Global Reporting Initiative (GRI) G3 guidelines and its Mining and Metals supplement.

We prioritise these issues based on their relevance to stakeholders and their significance to the success of the operations. We aim to provide in this report a complete and balanced view of our performance in the areas we have defined as being material. The extent of content provided for each site is based on our assessment of the importance of an issue or topic for local stakeholders.

Data and assurance

This report has not been subjected to external assurance. Data in this report covers economic, environmental and social performance at Xstrata Zinc Australia sites. Data is recorded in Xstrata's proprietary online sustainability database, which is validated at commodity business and Group level. Xstrata's sustainability data, reporting systems and Group Sustainability Report are subject to annual assurance by an independent verifier. The signed assurance review report is provided in the Group Sustainability Report.

Restatements

Due to the detailed and evolving mandatory reporting requirements of the National Greenhouse and Energy Reporting Scheme (NGERS), we continue to review our existing data and reporting systems to improve data integrity and compliance. This process was applied to 2010 data in this report and has been retrospectively applied to previous years' data. Changes to our GHG and energy data in this report are due to the way energy use for on-site generation of electricity is reported at Xstrata Mount Isa Mines. This has resulted in revisions to previously reported figures to now align with legislated Australian Government reporting requirements under NGERS. The changes at Xstrata Mount Isa Mines also result in a revision of the Xstrata Zinc Australia figures as shown on page 31.

GRI Application Level

This report is self-declared to meet Application Level B of the GRI G3 Sustainability Reporting Guidelines, including the Mining and Metals sector supplement. A GRI guide is at the end of this report.

GRI Application Level		2002 in accordance	C	C+	B	B+	A	A+
Mandatory	Self-declared			Report externally assured	✓	Report externally assured		Report externally assured



Sustainability Strategy and Governance

The bank of ovens which produce three grades of coke at the Bowen Coke Works.

Sustainability Strategy and Governance

OUR STRATEGY AND FRAMEWORK

As a diversified mining and metallurgical company, Xstrata Zinc recognises that our operations may have an impact on the communities where we operate.

We are therefore committed to sustainable development by integrating economic, environmental and social responsibility aspects in our governance.

To achieve this, we are governed by Xstrata’s world-class Sustainable Development (SD) Framework as reflected in Figure 1. This comprises Xstrata’s Business Principles, Sustainable Development Policy, Sustainable Development Standards and Independent Assurance Program.

Figure 1: Sustainable Development document hierarchy



Xstrata’s SD Framework has been mapped to international standards, including the International Council on Mining and Metals framework, United Nations Global Compact Principles, Voluntary Principles on Security and Human Rights, ISO14001 and OHSAS18001.

This corporate framework is complemented within the commodity businesses. Xstrata Zinc’s SD Policy is specific to the operations of its business and is implemented with site-specific policies related to safety and health, training, environment, community, risk management, and human resources.

Xstrata Zinc’s SD Strategy for 2009 – 2012 provides the guide for annual plans of action which require all operations to address both corporate and site-specific targets for continuous improvement.

More information on Xstrata’s approach to SD is at www.xstrata.com/sustainability.

Xstrata Zinc’s SD policy is displayed at all sites and is available at www.xstratazinc.com/en/publications/pages/sustainable

SUSTAINABLE DEVELOPMENT GOVERNANCE

Under Xstrata’s highly devolved management model, the leaders of our business at each site are responsible for implementing the SD Framework. Guided by Xstrata’s SD Standards in leadership, strategy and planning, our leaders are empowered to identify and evaluate risks and opportunities, provide internal communication and training and monitor performance. Outcomes at each site are reported to the global Xstrata Zinc SD Committee which meets quarterly.

Our Chief Operating Officer has direct responsibility for all aspects of SD and specific managers at each site have accountabilities for health and safety, environmental performance, community relations and human resources. All managers are responsible for planning, resourcing, monitoring, and risk management.

Employees and contractors are made aware of our SD responsibilities and commitments through:

- various forums, including SD committees, positive attitude safety session (PASS) meetings, tool box talks
- job description and action plans
- induction and workplace training
- risk assessments and workplace observations
- visible displays of our Policies, Standards, Strategies and Plans across the operations.

SUSTAINABILITY ASSURANCE

Xstrata Zinc’s SD Assurance Program is the key mechanism for checking the Group’s policies and standards are being met. Internal audits are conducted annually, and independent audits are conducted on a maximum three-year cycle. The results of these audits are used to ensure continuous improvements in our SD system and to improve our overall SD performance.

Table 1: 2010 Assurance Program

	Date	Risks audited	Significant issues	Reportable issues
Xstrata Zinc Mount Isa	May 2010	Shafts and winding systems	Nil	Nil
	May 2010	Project management	Nil	Nil
	September 2010	Vertical openings	Nil	Nil
	November 2010	Mobile equipment	Nil	Nil
MRM	May 2010	Underground voids	Nil	Nil
	November 2010	Third party SD Audit	Score – 57%	

Fines

In 2010, Xstrata Zinc Australia recorded:

- No fines or sanctions for non-compliance with laws and regulations
- No legal actions for anti-competitive behaviour, anti-trust or monopoly practices.

Bribery and corruption

Xstrata's Business Principles state that we do not offer, solicit or accept any form of inducement or bribe. Xstrata's internal audit function, supported by KPMG, takes into account identified fraud and compliance risks associated with our key business activities, including the ethical performance expectations contained in our Statement of Business Principles.

In addition, our Fraud Policy explicitly states any incidence of fraud committed by employees or others, either from within or outside the organisation, will not be tolerated. It outlines channels available for employees or others to safely and confidentially report fraud or other unethical behaviour contrary to the Xstrata Business Principles.

We ensure all relevant employees use the Delegated Authorities Manual that sets out the framework and controls for key decisions to be made in relation to financial matters. The internal audit function regularly tests the adequacy of these controls, particularly in relation to the procurement of goods and services. This ensures that business deals are always conducted in a competitive environment.

No incidents of corruption or fraud were recorded at our operations in 2010. Xstrata Zinc Mount Isa operations have been assessed for risks related to corruption, while our Bowen Coke and MRM sites are considered to have a low risk of corruption. Information packages on Xstrata's Business Principles, including the target for zero incidences of bribery and corruption, were distributed to all employees in 2010.

STAKEHOLDER ENGAGEMENT

Stakeholder engagement and communication is conducted in an equitable and culturally sensitive manner with the maximum transparency that is commercially possible. Engaging with our shareholders and listening to their views is an integral part of our Sustainable Development Framework.

Materiality assessments were undertaken by Xstrata Mount Isa Mines and MRM to ensure our stakeholders and their issues, concerns and opportunities were understood and taken into consideration in stakeholder engagement planning.

Our stakeholders include:

- Employees, contractors, unions and other organisations that represent these groups
- Local communities, including residents, schools, businesses and community organisations in the towns of Borrooloola, Mount Isa and Bowen surrounding our operations and in the wider Northern Territory and Queensland communities
- Traditional custodian groups
- Business partners, including joint venture partners, suppliers and customers



Left to right: MRM Community Reference Group members May Raggett, Ronnie Raggett and Syd Rusca (Chairman).

- Local, Queensland Government, Northern Territory Government and Federal Government representatives
- Inter-government bodies and organisations
- Local, regional, national and international media
- Non-governmental and development organisations
- Xstrata Community Partnership Program North Queensland Partners
- Xstrata Community Partnership Program Queensland Partners
- Partners under the MRM Community Benefits Trust.

Public policy

Xstrata Zinc Australia plays an active role in a number of significant international and national industry organisations and multi-stakeholder groups through membership, funding, provision of expertise, and participation in committees and working groups.

Principal organisations of which we are members include:

- Minerals Council of Australia
- Queensland Resources Council
- Minerals Council of Australia Northern Territory Division
- Australian Institute of Mining and Metallurgy
- International Lead Association
- The Mining Industry Skills Centre
- Skills DMC – National Industry Skills Council
- Indigenous Mining and Enterprise Task Force
- The Australian Institute of Occupational Hygienists
- Major Industry Training Advisory Council
- Queensland Minerals and Energy Academy.

Initiatives supported by Xstrata Zinc Australia, or its sites, include the annual Queensland Mining Industry Safety and Health Conference, the annual Queensland MISC Queensland Training Conference and Awards, the MISC regional training group, QRC steering committee for Indigenous employment, and the Minerals Council of Australia Workforce Committee.

In accordance with Xstrata's Business Principles, no donations were made to any political party or individuals in 2010.

Awards

Recognition awards related to SD received in 2010 include:

- McArthur River Mine – Northern Australian Emergency Rescue competition winners
- Xstrata Mount Isa Mines – inducted into the 2010 Queensland Business Leaders Hall of Fame by Her Excellency, Ms Penelope Wensley AO, Governor of Queensland, at the annual awards ceremony in recognition of outstanding contribution to Queensland’s economic development, the mining industry and rural development
- Xstrata Mount Isa Mines – North West Queensland Mines Rescue winners
- Xstrata Mount Isa Mines – winner of the Queensland and Australian Exporter of the Year for the Mining category, based on a 105% increase in zinc exports between 2008 and 2010, and a 20% increase in copper exports for same period.

MATERIAL ISSUES

On a practical level, SD is a logical, pragmatic process of identifying what’s important to our stakeholders, assessing which of these stakeholder issues have a significant (or material) impact on our business, managing these material issues and then, continually monitoring and reporting performance.

What is considered material is determined by a process that:

- Identifies and fairly represents issues from a wide range of sources
- Evaluates the relevance of the identified sustainability issues based on criteria that are credible, clear, replicable, defensible and assurable
- Determines the significance of the identified sustainability issues
- Takes into account the context and maturity of issues and concerns
- Includes a means of addressing conflicts or dilemmas between different expectations regarding materiality.




Dr John Kunkel (left), Director – Industry Economics and Taxation, Minerals Council of Australia, Minerals and Energy sponsor with Brian Hearme (right) – Chief Operating Officer Xstrata Zinc Australia, accepting the Australian Exporter of the Year award for Xstrata Mount Isa Mines.

Table 2 summarises the top five material issues within each of four categories within our SD strategy and addressed in 2010. The table also indicates the stakeholders with the highest level of interest in these material issues and the references for where action or progress against these issues is reported in this document.

Table 2: Material issues identified by stakeholders

Material issues	Stakeholders	Page
People and workplace		
Operational sustainability: Interests in the planning for operations and life of mine in order to ensure long term benefits are delivered to stakeholders.	Employees State/Territory and Australian Governments Suppliers Customers	5
Corporate reputation: perceptions of Xstrata Zinc as a strong corporate citizen which is working in the interests of its surrounding communities.	Employees Local, State/Territory and Australian Governments Community Media	40, 42
Occupational health and safety: Our operations’ records for providing a safe working environment and minimising risk.	Employees State/Territory Governments Suppliers Unions	18

Material issues	Stakeholders	Page
People and workplace (continued)		
Local employment: Our operations' success in attracting and retaining Indigenous and local employees from surrounding communities.	Employees Local, State/Territory and Australian Governments Community Indigenous leaders and organisations	24, 44
Risk management and heavy metals exposure: Ensuring that employees within high risk environments have the appropriate training, tools, equipment, health and safety support.	Employees State/Territory and Australian Governments Unions	20, 25
Socio- economic		
Education outcomes (McArthur River Mine): Supporting improved education outcomes in the Gulf region and pathways to employment.	Northern Territory Government Indigenous leaders and organisations Media Community	43
Community benefits: The tangible outcomes delivered by our operations' corporate social involvement programs.	Local, State/Territory and Australian Governments Indigenous leaders and organisations Community	42-43
Investment: The continual development of our operations with benefits for local procurement, employment and benefits.	Employees Local, State/Territory and Australian Governments Indigenous leaders and organisations Community Suppliers Industry and business organisations	43-44
Mount Isa livability (Xstrata Mount Isa Mines): The cost of living in Mount Isa, particularly the lack of availability and affordability of housing in Mount Isa.	Employees Queensland Government Mount Isa City Council Suppliers Community	 Note: subject of research study in 2011
Lead in Blood (Xstrata Mount Isa Mines): Community-based testing indicating children with blood lead levels above recognised health standards.	Employees Local, Queensland and Australian Government Indigenous leaders and organisations Media Non-Government Organisations Suppliers Community Unions Industry and business organisations	41
Environment		
Cultural heritage protection: Ensuring sites of cultural significance are identified, protected and managed appropriately.	Employees Local, State/Territory and Australian Governments Indigenous leaders and organisations Media Non-Government Organisations Community Suppliers Industry and business organisations	41
Environmental protection: Ensuring no adverse impact is caused to the environments surrounding our operations	Employees Local, State/Territory and Australian Governments Indigenous leaders and organisations Media Non-Government Organisations Community Suppliers	32-33

Sustainability Strategy and Governance *continued*

Material issues	Stakeholders	Page
Environment (continued)		
Risk management and emergency preparedness and response: Ensuring appropriate mitigation and response strategies in case of environmental impact.	Employees Local, State/Territory and Australian Governments Indigenous leaders and organisations Media Non-Government Organisations Community Suppliers	28
Indigenous Land Use Agreement (Xstrata Mount Isa Mines): Recognising native title by the Kalkadoon Nation and establishing a working relationship based on agreed principles.	Indigenous leaders and organisations Local, Queensland and Australian Government Community	41
Governance		
Monitoring and compliance: Ensuring all required regulatory reporting obligations are met and there are no breaches of approved regulatory conditions.	Employees Local, State/Territory and Australian Governments Indigenous leaders and organisations Media Non-Government Organisations Community Suppliers	12, 29
Transparency and access: Ensuring information of interest to stakeholders is openly available.	Employees Local, State/Territory and Australian Governments Indigenous leaders and organisations Media Non-Government Organisations Community Suppliers Unions	41
Independent Environmental Monitor outcomes (McArthur River Mine): Demonstrating improved performance annually as audited by this Independent Monitor.	Local, Northern Territory and Australian Governments Indigenous leaders and organisations Media Non-Government organisations Community	30

ETHICS LINE

The Xstrata Ethics Line is a confidential facility operated independently by global business advisory firm KPMG. The line provides employees and other stakeholders with the opportunity to report any breaches of Xstrata's Business Principles, policies or prevailing legislation. A toll-free phone number is provided in every country in which Xstrata has managed operations; for Australia, the number is 1800 987 310. The Ethics Line can also be accessed online via www.xstrataethics.com.

One call was made to the Ethics Line in 2010 in respect to a matter at Xstrata Zinc Mount Isa. This concerned the racial vilification of an employee. A report on the outcomes of an investigation into this matter was provided to the Xstrata Audit Committee.

HUMAN RIGHTS

Suppliers and contractors that accept a purchase order for the supply of goods and/or services are contractually bound to comply with the governing laws of Queensland, the Northern Territory and Australia.

As the risk of human rights violations is assessed as low, our suppliers and contractors are not screened on compliance to human rights, and contracts do not include human rights clauses.

Training on human rights policies is conducted for human resource and other key personnel. Where we contract security personnel to protect our people and assets, we ensure appropriate human rights training has taken place. We also monitor compliance with our Business Principles, SD Policy and Standards with all personnel.

We uphold the elimination of all forms of forced or compulsory labour, and prohibit any form of child labour in compliance with Xstrata's Statement of Business Principles and relevant Australian workplace legislation. The age of the youngest Xstrata Zinc Australia employee in 2010 was 16, and the age of our youngest work experience student was 15.



Health and Safety

Danielle Ross, Community Relations Advisor,
Xstrata Mount Isa Mines

Health and Safety

MANAGEMENT AND STRATEGY

We aim to achieve an injury and fatality-free, safe workplace environment and promote the wellbeing of employees and contractors.

A comprehensive safety management system is maintained on each site. This is aligned to the AS/NZS 4801 standard and guided by Xstrata SD Standards relating to occupational health and safety including: Risk and Change Management; Behaviour, Awareness and Competency; Health and Occupational Hygiene; Contractors, Suppliers and Partners; Incident Management; and Emergencies, Crises and Business Continuity.

Through this system, risks are assessed continually, from everyday task-based risk assessments, project risk assessments, and risk assessments from an overall business perspective. This encourages continual dialogue among personnel at all levels about the adequacy and effectiveness of current controls.

While management is ultimately accountable for safety performance, we train employees to improve their safety knowledge and skills as part of building a culture in which all personnel are aware they have a responsibility to themselves, their colleagues, their family and friends, to work and behave safely. As a result, our people communicate about safety continually, from pre-shift safety meetings, formal safety meetings, workplace observations, risk assessments, inspections and audits.

Our operations are supported by medical and first aid facilities with appropriately qualified personnel, including 24-hour access to medical professionals. Occupational hygiene monitoring is undertaken across all of our sites, and health promotion and support is given for mental health, fatigue management, personal fitness, lead management and a variety of other health-related issues.

The key health and safety challenges continue to be:

- Ensuring site risks were identified, prioritised, mitigated and managed
- Minimising exposure to occupational hygiene hazards such as noise, dust and lead
- Managing our training requirements so that our workforce performed tasks safely regardless of their level of experience within the business
- Working in hot climatic conditions.

SAFETY

Safety performance is tracked using three key measures:

- Total Recordable Injury Frequency Rate (TRIFR), which includes all injuries except first-aid treatments
- Lost Time Injury Frequency Rate (LTIFR), which measures the number of lost time injuries per million hours worked
- Disabling Injury Severity Rate (DISR), which records the number of days lost or on restricted duties per million hours worked.

Importantly, in 2010 there were no fatalities at any of our operations.

Safety leadership

During 2010, safety statistics at MRM continued to improve (see Figure 2). The LTIFR declined by over 50% from the previous year and as of December 2010 was 0.9. The TRIFR, however, remained the same at 8.9. The DISR decreased throughout the year to 84.8, which is an indication that injuries are being managed well, enabling employees to return to the workforce. This should be improved to a greater extent in 2011 with the addition of an Injury Prevention Advisor within the Health Safety and Environment team.

During late 2010, the Stop Look Assess Manage (SLAM) program was formalised within the workforce of MRM as another form of risk assessment when procedures or Job Safety Assessments have not been completed for less hazardous tasks.

A greater emphasis was also placed on using the Xstrata risk management database, CURA, as a tool in formulating Catastrophic Hazard Plans and providing a basis for the verification of controls and risks stored within it.

Figure 2: Safety performance – MRM

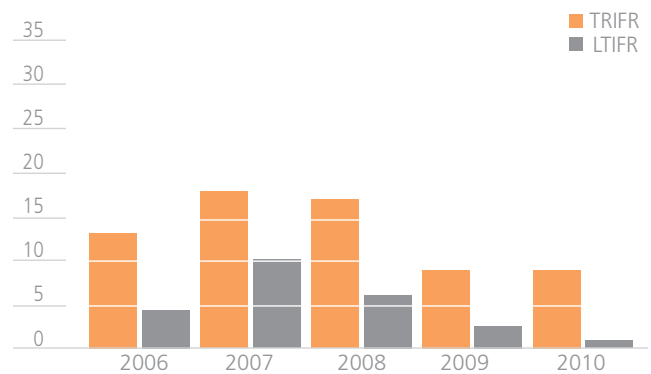
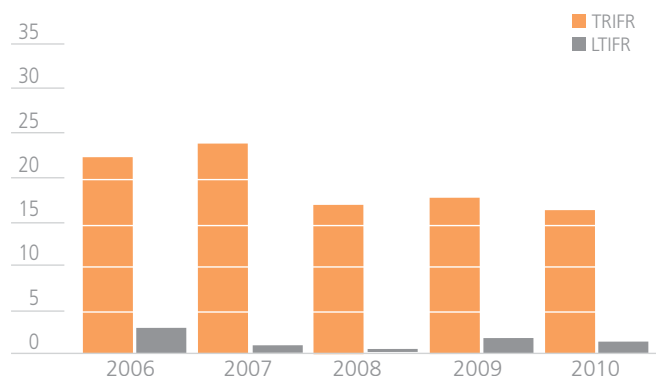


Figure 3: Safety performance – Xstrata Zinc North Queensland



In 2010, Xstrata Zinc Mount Isa had an increased focus on the concept of visible leadership in developing our safety culture across the operations.

This concept was centred on creating a controlled work environment by developing competent people, using fit-for-purpose equipment, and ensuring that safe work procedures were adhered to. This was enhanced by setting workplace observation targets for each person in the business. This approach demonstrated a direct correlation between teams where workplace observation levels are high and improved safety performance. For example, the Lead Smelter team recorded 8,422 workplace observations in 2010 and succeeded in reducing lost time injury frequency rate from 2.7 to 0.

The standards ensured that specific time was set aside to focus on safety. These included the development of a shift pre-start program to ensure all pre-shift safety meetings were conducted, and the completion of a task analysis assessment to ensure that gaps in our systems were identified and managed.

Further work on risk management was developed, with audits being conducted on a suite of our major hazards, including underground use of explosives, void management, vertical opening management, surface and mobile equipment use, cyanide storage and use, shafts and winding systems management, and the management of our tailings storage facilities and hazardous dams.

In August, a quarterly series of Safety Leaders Meetings commenced providing a forum for safety performance to be reviewed and assessed, ideas and information on new initiatives to be shared and specific leadership training to be conducted.

Emergency preparedness

To ensure we are prepared to respond to a range of operational challenges, our Response and Recovery Manuals are regularly tested with different scenarios.

Our site Mines Rescue Teams annually participate in industry coordinated Mines Rescue Challenges, judging their proficiency at dealing with realistic scenarios that could happen on or around a mine site. Both McArthur River Mine and Mount Isa Mines teams won their respective regional Mines Rescue competitions in 2010 demonstrating the high quality of the personnel engaged in these roles.

Contractor management

With contractors representing approximately 30% of the total personnel at Xstrata Zinc Mount Isa and 36% at MRM, we continue to work with contracting firms to assist them to develop safety management standards aligned with our own. Reviews and audits of contractors take place to ensure Xstrata Zinc standards are enforced and maintained throughout our operations.

Contractors now have access to all site-level SD documents to not only improve their understanding of our requirements, but to enable them to use the information to build their own systems in line with Xstrata Zinc requirements.



Members of the MRM Mines Rescue Team during their winning performance in the Northern Australian Rescue Competition.

HEALTH AND WELLBEING

A healthy workforce promotes efficiency in our business by reducing sickness absence and ensuring our people are fit to work at their full potential. Consequently, our health programs address occupational illnesses, public health issues and overall wellbeing to provide a more holistic approach to health at work. They are based around education and training, counselling, risk prevention and treatment.

An employee assistance program is available for all on-site personnel enabling them to seek support from a trained counsellor for personal or work-related issues as required.

Table 3: Occupational illnesses

	Xstrata Zinc North Queensland		MRM	
	2010	2009	2010	2009
New occupational health diseases	0	6	0	0

No new occupational illnesses were confirmed during 2010.

A cadmium testing program and procedure was peer reviewed and implemented in 2010. This is to ensure that any potential exposure is monitored and programs are in place to reduce health effects. Further work was also conducted on reducing lead exposure with the engagement of a third party specialist to create options to reduce spillage of material in the processing plant.

Table 4: Absenteeism rate

	Xstrata Zinc North Queensland		MRM	
	2010	2009	2010	2009
Absentee rate	3.1%	2.2%	2.3%	5.0%

Personal illness remains the primary cause of absenteeism in the workforce. In 2010, the absentee rate at Xstrata Zinc North Queensland rose by less than 1%. The management of absenteeism is an area of focus in 2011 in line with the new disciplinary procedure for effective personal behaviour to ensure all absentee days are verifiable.

At MRM, the rate declined by 2.7% to 2.3%.

Lead

Lead can enter the body through inhalation, ingestion or, occasionally, skin contact. We minimise exposure through various means, including engineering, mechanical and procedural controls, and additional personal protective equipment where deemed necessary.

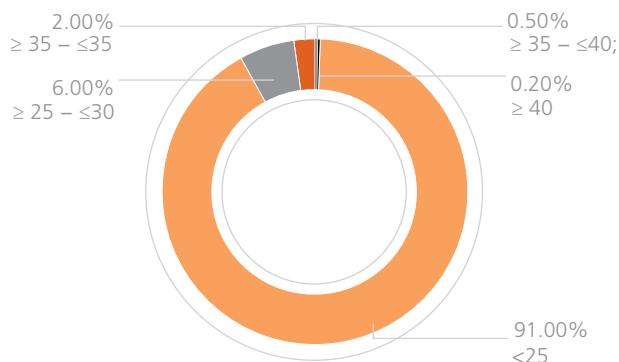
We have comprehensive biological and workplace monitoring programs in place that meet the National Occupational Health and Safety Commission standard, as well as recognised occupational hygiene standards. A community program of blood lead testing is also supported in Mount Isa.

Protocols to reduce risk of exposure to lead in the workplace include mandatory showering on completion of each shift, on-site laundering of work clothes (a Clean-In, Clean-Out policy), mandatory washing before meal breaks, and dedicated smoking areas. At Xstrata Mount Isa Mines, a dedicated internal Xstrata Lead Committee guides the management of lead within the site.

Site personnel are required to have venous lead in blood tests at frequencies determined by the area they work in, their previous result, gender and reproductive capacity. This form of biological sampling provides an accurate measure of a worker's exposure to lead. Xstrata sets its medical removal limit below the prescribed standard of 50 micrograms per decilitre ($\mu\text{g}/\text{dl}$). Employees with blood-lead concentration levels of $38\mu\text{g}/\text{dl}$ or greater must be relocated from their work area to other parts of the operation until concentrations are below $30\mu\text{g}/\text{dl}$. In the Mount Isa Lead Smelter where lead is more concentrated, the limit was reduced from $45\mu\text{g}/\text{dl}$ or greater in 2009 to $38\mu\text{g}/\text{dl}$ in 2010 for male employees. Female employees should not have a blood-lead concentration that exceeds the national standard of $20\mu\text{g}/\text{dl}$.

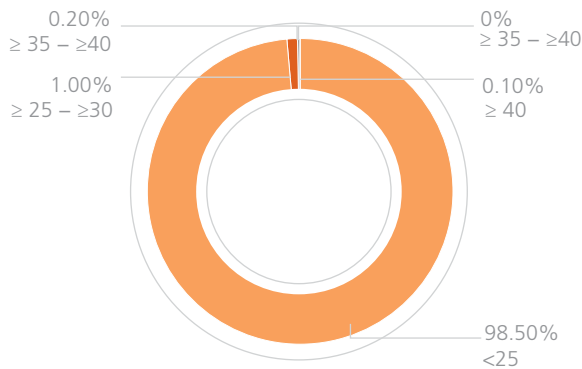
At Xstrata Zinc Mount Isa, 5,334 blood-lead samples were taken. Six employees recorded a blood-lead level higher than our internal standard of $38\mu\text{g}/\text{dl}$ and three of those people had blood-lead levels higher than $40\mu\text{g}/\text{dl}$. No employees exceeded the national level of $50\mu\text{g}/\text{dl}$ (see Figure 4).

Figure 4: Xstrata Zinc Mount Isa Male Lead in blood distribution 2010 ($\mu\text{g}/\text{dl}$)



At MRM, 1,197 blood-lead samples were taken in 2010, with only one employee above the target of 38ug/dl. The highest blood lead level reading for 2010 was 42.3ug/dl. No employees exceeded the national level of 50ug/dl (see Figure 5).

Figure 5: MRM Male Lead in blood distribution 2010 (µg/dl)



Wellbeing programs

At MRM, the on-site wellbeing program includes the provision of health and fitness programs, sports facilities, and information on healthy life choices. During 2010, additional sporting facilities were introduced at the camp with the construction of a Pilates room and an upgrade to the volleyball court.

A new program of mosquito monitoring also commenced with six sites being monitored on a monthly basis during the dry season and twice monthly during the wet season. This is intended to reduce the risk of mosquito-borne diseases and promote good health. Spraying programs are conducted in areas experiencing high levels of mosquitoes based on feedback from employees and contractors at safety meetings. Monitoring data is then tracked and information on mosquito levels shared with personnel via safety briefs.

Of concern however, was an increase during 2010 in positive drug tests with 15 reported, up from 5 in 2009. The majority of these cases involved contractors rather than employees highlighting the need for improved education of contract personnel about the site's zero tolerance of drugs. A total of 1,493 random drug tests were undertaken which is 37% greater than the 1,089 in 2009 reflecting the higher level of attention being directed to this matter.

In Mount Isa, programs on obesity, smoking, alcohol abuse, fatigue, nutrition, sleep apnoea, mental health and shift work are in place including information available on the site intranet under 'Health Promotions'.

Zinc-Lead Concentrator task analysis eliminates lost time injuries

A detailed task analysis and risk assessment conducted between 2009 and 2010 has contributed to the elimination of lost time injuries at the Mount Isa zinc-lead concentrator. The exercise analysed every task undertaken in each part of the concentrator process divided into grinding; flotation; Ball Mill 4 grinding and flotation; SAG Mill grinding; control room; and thickening.

Each piece of equipment used in these sections and the tasks associated were identified and observed. This information was then considered in a risk assessment including an environmental analysis for each task.

As a result of this analysis, new engineering controls have been installed to reduce the risk of falls and new standard work instructions developed for the use of tools. Training packages have also been developed to better educate all personnel on safe work practices within the concentrator.

This initiative has addressed some of the most common causes of injury or illness in the operations by correcting the use and availability of the appropriate tools and equipment, reducing the risk of trip and slip hazards and ensuring all workplace hazards are effectively identified and controlled.





Our People

George Fisher Mine Technical Services Manager, Johannes Grobler on site at the George Fisher Mine expansion.

Our People

MANAGEMENT AND STRATEGY

We aim to maintain a workplace based on mutual respect, fairness, and integrity.

Our employees receive career development opportunities and competitive, fair compensation. We prioritise local employment where possible. Employment policies prohibit discrimination, promote diversity and protect human rights, including the right to collective representation.

Xstrata SD Standards relating to labour practices and work engagement include: Planning and Resources; Communication and Engagement; Behaviour, Awareness and Competency; Health and Occupational Hygiene; Contractors, Suppliers and Partners; Incident Management; and Emergencies, Crises and Business Continuity. Xstrata also has an ethics hotline and all sites have fair treatment systems in place to ensure we follow our business principles of:

- We work ethically
- We work responsibly
- We work openly
- We work together and with others.

In 2010, our SD Workforce Committees comprised 50% employees and 50% management at Xstrata Zinc Mount Isa and 65% employees and 35% management at MRM.

We educate our workforce about training opportunities, labour relations and human rights, through initiatives including our training management system, inductions and regular staff communication mediums.

The priorities in 2010 were to:

- Attract and retain appropriately skilled employees to regional sites
- Renew Enterprise Agreements for the North Queensland operations
- Continue to maximise local employment
- Develop skills and leadership.

EMPLOYEES AND EMPLOYMENT PRACTICES

The number of employees engaged directly by Xstrata Zinc Australia increased by 12% in 2010 from 1,301 to 1,462. This includes ten head office employees located in Brisbane and the remainder located at our three operating sites.

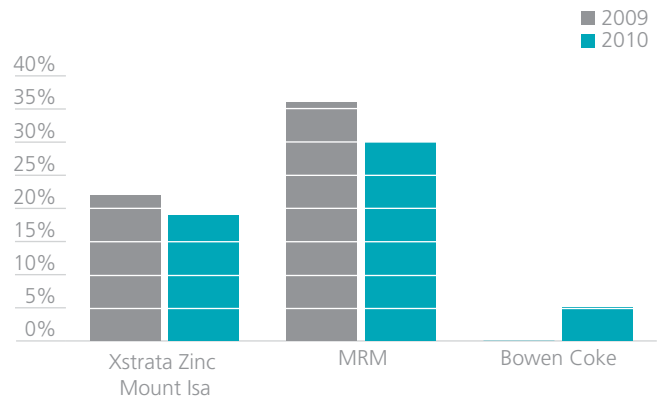
Full time, permanent employees account for the majority at 98% of the workforce with temporary or part-time employees accounting for only 2%.

There has been a significant shift in the percentage of women in the workforce which grew from 15% in 2009 to 20% in 2010.

The most significant area of growth was at MRM which experienced a 37% increase in employees as the operation continues to recover from an enforced two month period under care and maintenance in 2009 by replacing contract personnel with permanent employees.

Overall, the workforce continues to be characterised by a significant percentage of employees with less than three years' experience within our operations due to turnover rates averaging 19% during 2010 (Figure 6). We value our skilled employees and are focusing on strategies to retain them for longer periods within the business in order to continue to benefit from their knowledge and efficiency.

Figure 6: Staff Turnover (%)



Our remuneration system ensures equitable pay and allowances. Roles are based on relevant experience and qualifications, and non-gender specific criteria. Entry-level wages are higher than the Australian minimum wage, and all positions attract the same rate of pay regardless of gender.

Benefits provided to Xstrata Zinc Australia permanent employees that are not provided to casual employees include:

- Paid leave provisions
- External education assistance/tertiary education assistance
- Higher rates of superannuation (13% superannuation contributions of ordinary time earnings, while part-time and temporary employees receive the current legal requirement of 9% of their superannuation salary)
- Disability cover and salary continuance.

Labour relations

All employees are free to join a union and be represented collectively in line with the Xstrata Business Principles, but subject to the existing Representation Order in Mount Isa which recognises the Australian Workers Union.

In December 2010, Collective Agreements expired for employees of Underground Mining, Open Cut Mining, Metallurgical Plants, Services and Bowen Coke Works. These cover 58% of the workforce.

All were successfully renegotiated under new four year Enterprise Agreements which came into effect from 1 January 2011.

Our People *continued*

Through a consultative process with employee representatives and committees, the Agreements were updated to comply with the new provisions regulated by the federal Fair Work Act 2009 and National Employment Standards and also featured:

- Base salary increases above national industry benchmarks recognising the need for remuneration to be competitively increased and to recognise the unique operating conditions in Mount Isa
- Improvements to the process for ensuring effective personal behaviour including a decision tree for consistent disciplinary action and greater clarity for all involved
- Introduction of freedom of choice superannuation for employees
- The ability for employees to transfer to different roles on site between Enterprise Agreements and subject to merit and skill based criteria.

MRM has an Enterprise agreement in place until 2012 covering 95% of the workforce.

To facilitate production and operational requirements, as much notice as possible is given for changes in working hours. The minimum notice period for roster changes is 24 hours at Xstrata Mount Isa Mines, and one month at MRM. Under the terms of the Enterprise Agreements however, all employees are consulted prior to any change in roster arrangements.

There were no days lost to industrial disputes or stoppages at our operations in 2010.

Recruitment

The Australian Government's Resourcing the Future: National Resources Sector Employment Taskforce Report (July 2010) highlights the challenge of recruitment within the industry through its identification of 61,500 new jobs being created within mining operations by 2015 due to increased production and 45,000 new jobs peaking in 2012/2013 due to significant construction projects. Within the context of this highly competitive environment, we have adapted our recruitment strategies to:

- Prioritise local employment in Mount Isa resulting in over 160 new entry level employees being sourced from within the city in 2010
- Utilise short term contractors to fill vacant positions until such time as permanent employees can be secured due to the length of time it can take to source the best person for each job
- Rotate contract personnel on short term projects where feasible to ensure their knowledge of our operations is retained and transferred to new projects as they arise
- Utilise external recruitment providers to broaden the network of potential candidates for positions
- Expanded our approach to Indigenous employment and training at MRM to attract both trainees and skilled workers either locally or via fly-in fly-out arrangements.

As a result of these initiatives, Xstrata Zinc Mount Isa recorded a net increase of 77 employees (after taking into consideration turnover).

MRM was successful in increasing Indigenous employment from 17% in 2009 to 21% in 2010, surpassing the target of 20% for the first time. Significantly, the retention rate of Indigenous employees at MRM was equivalent to that of non-Indigenous employees, also for the first time. This has demonstrated the benefits of the expanded strategy as well as improved mentoring and development programs to keep these employees engaged.

Discrimination and harassment cases

In 2010, Xstrata Zinc investigated 14 cases of discrimination and harassment: five related to bullying, two concerned racial vilification and seven involved harassment. All were resolved internally to the satisfaction of the complainant and typically involved disciplinary action, directions for training in anger management or counselling. In some cases, the complaints were found to be without merit.

Figure 7: Age breakdown, Xstrata Zinc Australia employees

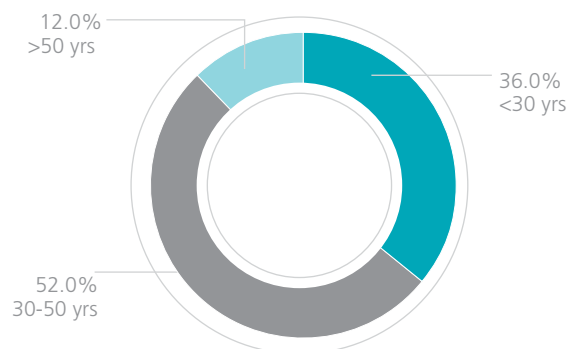
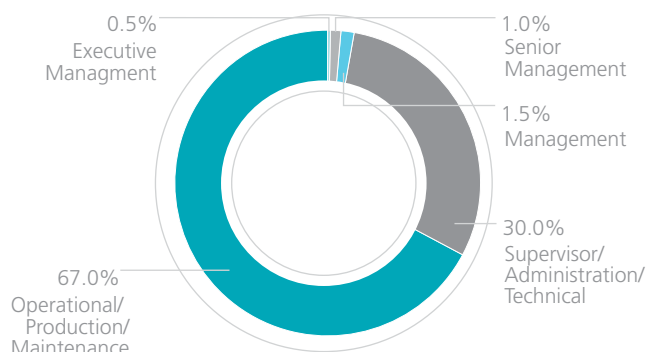


Figure 8: Role breakdown, Xstrata Zinc Australia employees



DEVELOPMENT AND TRAINING

Xstrata Zinc Australia invested \$2.7 million in training during 2010 compared to \$6.8 million in 2009. However, the total training hours delivered increased substantially by 25% in Xstrata Zinc Mount Isa and 216% at MRM due to the better utilisation of internal training resources.

The difference in the value expended is based primarily on the change in strategy and focus in the Mount Isa operations which represent 79% of Xstrata Zinc Australia employees. This is demonstrated through the trends in training hours as shown in table 5. During 2009, a significant focus was placed on leadership training in Mount Isa with the management team. Having made that investment, the focus in 2010 shifted to operational or workplace training. This is primarily delivered by internal training specialists rather than external or public courses.

Our training systems deliver competency-based training for all workers, enabling them to work safely and competently, and to support continued learning and employability at all stages of their development.

Training coordinators work closely with line management and supervisory staff to identify training requirements and gaps in knowledge. All employees have an annual performance review where training opportunities are identified as part of professional development planning.

Our supervisors continued to participate in the Xstrata Mount Isa Mines Leadership Development Program. This four day, internal program is facilitated by recognised employees within the business and in 2010, 47 workshops were conducted and were attended by 221 Xstrata Zinc Mount Isa participants.

A full review was completed of leadership training and in 2011, a broader program will be implemented by Xstrata Zinc Mount Isa. This aims to address a range of skills for supervisors, superintendents and managers including communication, operating efficiency, presentation skills, human resource management and financial analysis. The intention of improving leadership performance is to improve operating performance, employee engagement and culture.



Training at Xstrata Skills Centre, Mount Isa

Apprentices

In 2010, Xstrata Mount Isa Mines invested \$5.1 million in apprenticeships and scholarships with 50 apprentices, 11 school-based apprentices and 5 school-based trainees engaged in the Xstrata Skills Centre, our specialist apprentice and trainee training facility. Xstrata Zinc Mount Isa employed 12 of the graduating tradespeople from the Skills Centre during the year.

We also offer existing employees interested in moving into a trade field the opportunity to undertake an apprenticeship through the internal Skills Centre.

MRM employed 13 apprentices in 2010 in fields including carpentry, electrical, plumbing, fitting and boiler-making.

Table 5: Training

	Xstrata Zinc Mount Isa		MRM		Bowen Coke	
	2010	2009	2010	2009	2010	2009
Total training (hours)	49,685	39,750	29,398	9,317	335	816
Executive management (average hours)	0	0				0
Senior management (average hours)	3	34				0
Management (average hours)	33	49				0
Supervisors/admin/technical (average hours)	31	39			14	184
Operational / production/maintenance (average hours)	71	36			16	13
Total \$ spend on training	\$2.24m	\$6.1m	\$0.45m	\$0.6m	\$41,502	\$0.1m
Average \$ spend per employee	\$1,956	\$4,684	\$1,615	\$1,739	\$1,976	\$5,400

* Training hours per position was not recorded at MRM.

MRM achieves Indigenous employment target

One of the commitments MRM made when converting from underground to open pit operations in 2006 was to increase Indigenous workforce participation from the then current level of 9% to a target of 20%. After 11 years of operation, more than 200 local people had participated in a traineeship at MRM but retention rates had been poor.

In 2010, MRM surpassed its target for the first time and achieved 21% Indigenous workforce participation and succeeded in retaining 82% during the year which is equivalent to the retention rate of non-Indigenous employees.

Central to the success in achieving this target has been a shift in strategy which began in 2007 and was refined in 2009 to include stronger pre-employment training, on the job rotations and mentoring support. The end result has been that both entry level trainees and skilled Indigenous employees have progressed to real jobs faster than was previously possible.

Indigenous employees are now engaged in apprenticeships in Diesel Fitting, Light Vehicle Fitting and Plumbing, make up a significant proportion of the vehicle operators due to the success of a heavy vehicle simulator for training, and are also represented in technical areas such as environmental management teams.



MRM employee, Michael Keighran working as a laboratory technician and conducting sample testing to identify the quality and quantity of zinc for the Metallurgy Department

Vocational skills

We work closely with community stakeholders to provide real and meaningful vocational career pathways for individuals that reflect the needs of our business.

Xstrata Mount Isa Mines has programs that introduce secondary school students to opportunities and careers within the mining sector. We also run a comprehensive Graduate Program to provide employment and structured development opportunities for recent graduates. In 2010, 18 permanent graduates were recruited, 27 university students employed in the Vacation Work Experience Program, and 33 bursaries worth \$14,000 each awarded to university students to assist with their education.

In addition, Xstrata Mount Isa Mines continued to develop its \$2.1 million Alliance Program with the University of Ballarat's Metallurgical, Geology and Mining Engineering Departments. This mutually beneficial program provides our expertise to develop the University's curriculum in line with industry requirements, and gives us the opportunity to benefit from the increased knowledge and technical capacity of the students within our Graduate Program. Scholarships, sponsored by Xstrata Zinc, were presented to 19 University of Ballarat students in 2010.

XSTRATA ZINC GLOBAL EMPLOYEE SURVEY 2010

In October, our employees participated in the second, biennial Xstrata Zinc global employee survey which aimed to gather views on a wide range of aspects concerning their work in the company. The report on this survey was received in early 2011.

The results of the first global employee survey in 2008 led to improvements in training and internal communication, the launch of the Xstrata Zinc Innova Suggestion System as a way for all employees to contribute their ideas on improving productivity, safety or sustainability, the introduction of the Xstrata Zinc Ethics Code and Zinc Character award recognising outstanding performance.

The participation rate in Australia increased from 44% in 2008 to 55% in 2010 to provide a reliable result.

The results significantly depict an 8% improvement in perceptions of the company image or reputation, which is one of the material issues identified by employees. Improvements were also reported in regard to communication, empowerment, leadership, job satisfaction and work tools and safety which are all critical factors for supporting employee engagement.

The key areas for improvement identified were in regard to human resource management factors such as performance evaluation and career development, training and remuneration strategies.

Action plans have been developed at a site and regional level to address the findings of the survey and will be introduced in 2011.



Environment

Environment

MANAGEMENT AND STRATEGY

Our objective is to preserve the long-term health, viability and function of the environment.

We aim to maintain an environment that sustains biodiversity, landscape functions and the needs of local communities. There are significant challenges and opportunities posed by the need to limit environmental impacts associated with mining operations. Xstrata Zinc Australia's SD Policy and Standards set out its commitment to identify, reduce and eliminate, where possible, all the significant impacts of its operations on the environment.

The SD Standards articulate management and performance expectations regarding the environment, biodiversity and landscape management, lifecycle management of products and operations, incident management, and product stewardship. Environmental risks and impacts are managed through a Group-wide framework that identifies risks, prioritises actions, implements mitigation measures and tracks progress.

We apply the precautionary principle in our approach to environmental management. This proactive approach means that even in the absence of evidence that environmental degradation is occurring, or will occur, we take action to mitigate the possibility of any adverse events.

If and when environmental incidents do occur, the cause is determined and preventative measures are taken to avoid recurrence.

Our operations invested a combined \$18.2 million in environmental management in 2010. Please note: this figure is not directly comparable to the result published in 2009 as for the first time, direct costs to Xstrata Zinc Mount Isa have been separated from the Xstrata Mount Isa Mines total environmental management expenditure.

The key environmental challenges are to:

- Cost-effectively reduce greenhouse gas emissions intensity (the volume of emissions per tonne of material produced)
- Manage impacts on the surrounding environment, including air emissions and water management and by rehabilitating disturbed land
- Minimise waste generation and maximise materials recycling
- Explore efforts to reduce energy, water and materials usage.

Environmental protection, monitoring and compliance rate as some of the most significant material issues for all stakeholders and are therefore a significant focus of this report. For more detailed information, visit:

www.mcarthurrivermine.com.au

www.mrm-independentmonitor.com.au

www.mountisamines.com.au

Our environment

Xstrata Zinc Australia's three operations are in different environments with varying degrees of ecological sensitivity. None of our operations are located within protected areas.

Xstrata Mount Isa Mines manages approximately 30,000 hectares of land on mining lease ML8058 within the Inlier bioregion and Australia's tropical savannas. ML8058 is characterised by rugged, rocky hills and poor shallow soil. Low open woodland with Eucalyptus, Corymbia and Acacia species predominates with a ground layer of *Triodia* species (*Spinifex*) which reflects the complex geology, infertile soil and semi-arid climate.

A 2009 biodiversity survey identified the Red Goshawk, listed as vulnerable, on the Xstrata Mount Isa Mines lease.

Bowen Coke Works is located in the coastal town of Bowen in North Queensland. It encompasses 9 hectares of land situated on the northern bank of Doughty Creek, approximately 1.5 kilometres upstream of the creek mouth.

MRM is contained within five adjoining mineral leases located on the McArthur River Station Pastoral Lease. The 8,000 square kilometre station is an operating property leased and managed by Colinta Holdings Pty Ltd, an Xstrata subsidiary. Bing Bong Loading Facility is situated on a mining lease also located within the McArthur River Station. This lease extends into the Gulf of Carpentaria to include the navigation channel between the loading facility and the designated offshore transfer zone.

Some notable species of fauna are located in areas potentially affected by or adjacent to the open pit operations. MRM is sensitive to the potential for impact on these species and has processes to minimise the risk of impact and extensive monitoring to assess performance. These species include:

- Endangered species: Freshwater sawfish (*Pristis microdon*) found in the McArthur River and a species listed in the International Union for the Conservation of Nature and Natural Resources (IUCN) Red List
- Near threatened species: Carpentaria grasswren, spectacled hare wallaby, purple-crowned fairy wren, white-browed robin, grey falcon and Worrell's turtle
- Vulnerable species: Australian bustard.

Environmental incidents and compliance

Xstrata Zinc Australia received no environmental fines or penalties, no monetary or non-monetary sanctions for non-compliance with any regulations, and recorded no significant environmental spills during 2010. All minor environmental incidents were investigated, and corrective measures implemented to prevent recurrence. The year ended with no environmental incidents classified as moderate or greater (see Table 6).

Table 6: Environmental Incidents

Incident category	Environmental Impact	Remediation required	Number recorded	
			2010	2009
1	Negligible and reversible	Nil / minor	32	29
2	Minor and reversible	Minor	4	6
3	Moderate and reversible	Moderate	0	0
4	Serious	Significant	0	0
5	Disastrous	Major	0	0

Transition from Mount Isa Mines Limited Agreement Act 1985

In May 2008, the Queensland Government passed legislation to transition Xstrata Mount Isa Mines from the Mount Isa Mines Limited Agreement Act 1985 to the *Environmental Protection Act 1994*. The current Mining Plan 2010-2015 (originally established under the *Mount Isa Mines Limited Agreement Act 1985*) will remain the guiding document for environmental management on site until the transition period expires and Xstrata Mount Isa Mines is provided with a new Environmental Authority beyond May 2011. During the transition period, Xstrata Mount Isa Mines will work closely with the Queensland Government and other key stakeholders to implement the upcoming changes to the environmental regulation.

Studies relating to the environmental values of air, water, land, waste, noise and vibration continued to be undertaken during 2010 as part of planning for an Environmental Management Plan to be submitted to the Queensland Government in 2011. The extensive work reflected Xstrata Mount Isa Mines' unique position as Australia's largest mining and processing complex with legacy issues from its 86 year old history.

Since the transition to new regulation commenced in 2007, Xstrata Mount Isa Mines has increased its environmental team from 15 to 34 personnel, engaged two universities and 14 consultant companies to participate in 21 discrete scientific studies and conducted technical trials and studies for alternative technologies under the Smelter Emissions Project.



Members of Xstrata Mount Isa Mines Environmental Department taking water samples for quality testing.

Independent environmental monitoring

In November, the Northern Territory Government released the 2010 Independent Monitors' Audit Report on the environmental performance of MRM. This was the third audit report produced by the Independent Monitor, Environmental Earth Services of Victoria, and covered the period of October 2008 to September 2009 and an on-site inspection in May 2010.

The Independent Monitor found MRM had demonstrated a high level of conformance with respect to procedures and systems and commended MRM for taking actions to reduce the level of risk to the environment. The report supports the Government's assessment that mining and related operations at MRM are not impacting significantly on the surrounding environment.

Importantly, the Independent Monitor indicated that issues raised in their previous report as extreme risks had been eliminated and there were no issues requiring urgent investigation. A range of monitoring programs were considered 'generally appropriate' including the monitoring of dust, soil, fluvial sediment, riparian bird and macro invertebrates, vegetation monitoring at Bing Bong dredge spoil pond and marine environments.

The Independent Monitor's investigation was one of three external audits conducted at MRM in 2010 which demonstrated that MRM is complying with regulatory conditions. Others were a Commonwealth Government audit against the federal mine development approval conditions and Northern Territory Government audits by the Department of Natural Resources, Environment, The Arts and Sport and the Department of Resources.

These audits reviewed an extensive amount of data on all aspects of MRM's comprehensive environmental management program and continue to provide assurance that there has been no adverse impact to the McArthur River or Gulf environments caused by MRM.

CLIMATE CHANGE AND ENERGY

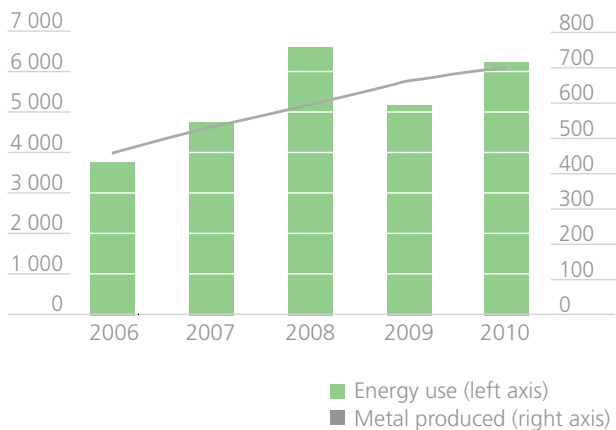
Our metallurgical operations are powered primarily by electricity while the main source of energy in our mining operations is diesel used to run the mining fleet.

Greenhouse gases, released by fossil fuel consumption related to these energy sources and other sources, contribute to climate change. The future potential impacts of climate change, including increased regulation, higher energy costs and physical impacts such as drought and flooding, present a risk to operations. Xstrata supports coordinated, global action to reduce greenhouse gas emissions.

Xstrata Zinc Australia has not achieved a targeted reduction in total energy consumption with an increase by 20%, from 5.2 million GJ in 2009 to 6.2 million GJ in 2010 experienced (see Figure 9). This was a result of factors including lower ore grades, increased ore processing volume and increased metal production.

The result was also impacted by revisions to the reporting system used to track on-site electricity generation in line with evolving National Greenhouse and Energy Report Act 2007 requirements.

Figure 9: Xstrata Zinc Australia Energy use, '000GJ



These factors contributed to a 15% increase in Xstrata Zinc Australia's greenhouse gas emissions to 688,000 tonnes of carbon dioxide equivalents (CO₂-e) in 2010. Higher greenhouse gas emissions and carbon intensity were due to increased ore mining and processing, relative to the amount of metal produced (as ore grades at Xstrata Mount Isa Mines reduce). This will increase the site's energy consumption, greenhouse gas emissions and carbon intensity, making year-on-year improvements a significant challenge.

Progress reports were submitted under the Commonwealth Energy Efficiency Opportunities Program.

Key initiatives being progressed at Xstrata Mount Isa Mines include converting from diesel to more efficient natural gas burners in the lead smelter.

National Greenhouse and Energy Reporting System (NGERS)

Xstrata Holdings Pty Ltd is registered in accordance with the National Greenhouse and Energy Report Act 2007. The annual report was submitted to Federal Government in October 2010. Xstrata Mount Isa Mines, Bowen Coke and MRM activities are reported as part of the Xstrata Holdings Pty Ltd submission.

Figure 10: Xstrata Zinc Australia Greenhouse Emissions, 000 CO₂-e tonnes

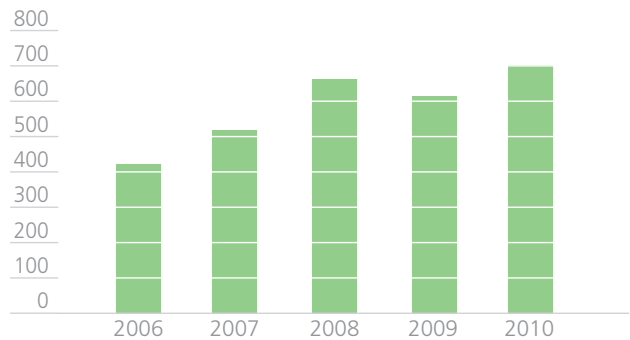


Figure 11: Xstrata Zinc Australia Energy Use GJ/tonne metal produced*

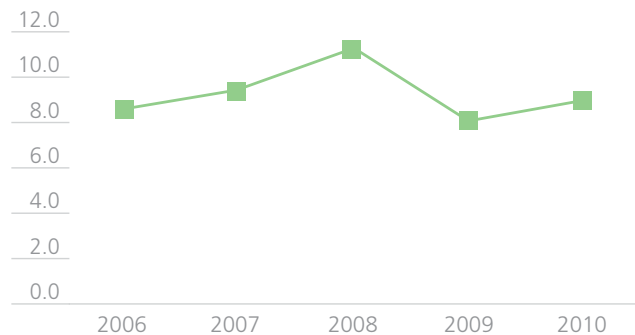
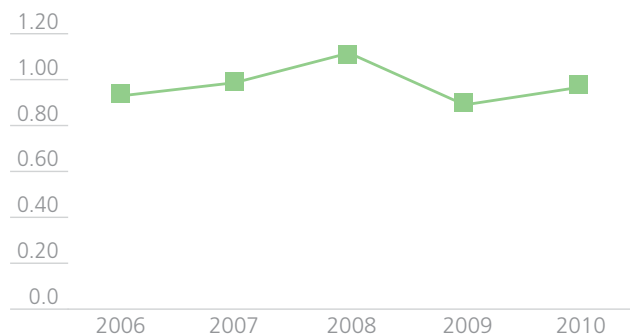


Figure 12: Xstrata Zinc Australia CO₂-e Intensity - CO₂-e/tonnes contained metal*



* 2007-2009 figures have been restated to account for a change in the reporting methodology related to the onsite generation of electricity.

Table 7: Energy Consumption

		Xstrata Zinc Mount Isa		MRM		Bowen Coke	
Direct		2010	2009	2010	2009	2010	2009
Diesel	GJ	1,500,989	1,203,414	710,101	389,012	946	1,096
Natural Gas	GJ	1,156,787	1,045,041	0	0	0	0
Coke	GJ	997,056	996,327				
Other sources (including petrol, LPG, and wood)	GJ	41,943	4,613	14,420	1,273	122	63
Indirect							
Electricity	GJ	1,297,383	1,040,488	477,190	464,034	1,773	1,744
Total	GJ	4,994,158	4,289,883	1,201,711	854,319	2,841	2,903

WATER

We are committed to continually improving the efficiency of water usage, and avoiding negative impacts on water quality.

During 2010, Xstrata Zinc Mount Isa consumed 4% more groundwater as the use of water carts for dust mitigation increased. A further 33% more potable water was consumed as the number of personnel on site increased due partly to employee growth but more so to the increase in contractors engaged to work on mine expansion projects and accommodated at the Handlebar Hill camp at George Fisher mine.

Freshwater consumed at Xstrata Mount Isa Mines is sourced from two dams, Lake Moondarra (106,000ML) and Lake Julius (107,500ML). Alternative water sources include stormwater harvested on site, underground mine dewatering, water recycled within plant areas, return water from tailings thickeners, and tailings decant water.

A new tailings reclamation line valued at \$4 million was installed at Xstrata Mount Isa Mines. This infrastructure enables water that would otherwise be lost to evaporation in the tailings dams to be

reused as process water on site. Other improvements to water management systems included cleaning out antipollution ponds, relining drains, and increasing stormwater pumping capabilities.

MRM’s groundwater is mainly sourced through the Emu, Donkey and Mimex borefields close to the mine.

During 2010, groundwater usage fell by 68% to 308ML due to the high levels of rainfall that was collected as surface water in the water management dam (WMD). Importantly, recycled or reused water increased by 17% to 11,110ML as the majority of the water for processing was sourced from the WMD as well as Cell 2 of the Tailings Storage Facility (TSF). Greater emphasis on the reuse of mill process water reduced energy consumed in maintaining pumps from the bore fields. MRM was also granted permission by the Northern Territory Government to obtain water from the Barney Creek and McArthur River channels to aid in rehabilitation and dust suppression.

Bowen Coke Works uses relatively low amounts of water, primarily in a cooling process. Water not lost as steam is recycled.



Lake Moondarra which is a source of freshwater for Xstrata Mount Isa Mines.

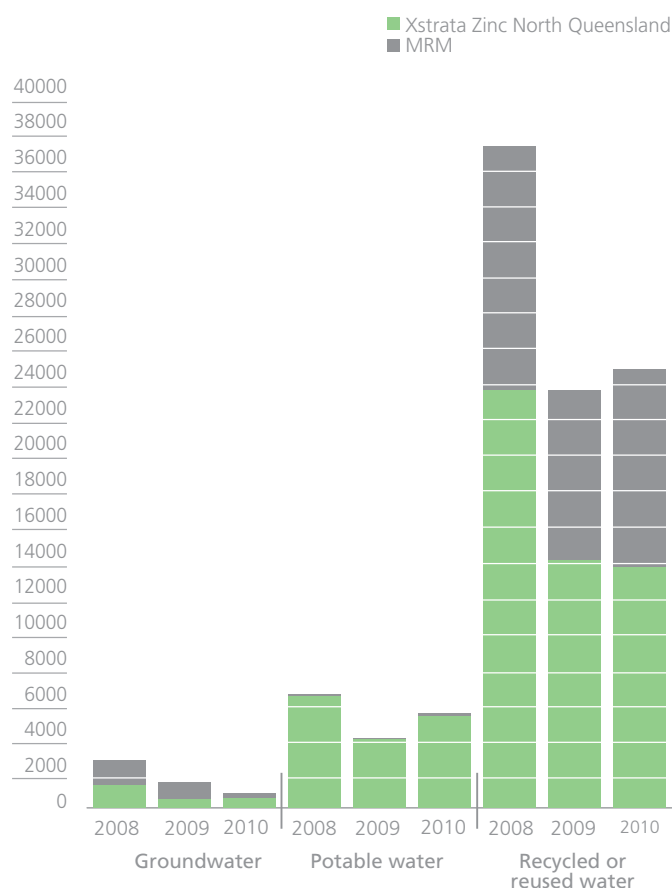
Discharges

At Xstrata Mount Isa Mines, there were several minor instances of stormwater discharging off site from the King Gully area in 2010. Significant improvements are being made to maximise reuse of stormwater and prevent stormwater from leaving site during high rainfall events. Black Star Open Cut began work in 2010 on a 'first flush' system, designed to increase retention of stormwater on site and reduce the amount of sediment in stormwater leaving the site. Water discharged off site is sampled and analysed, and the results provided to the Department of Environment and Resource Management.

During 2010, 180.8ML of water was discharged from MRM to McArthur River under a discharge licence that sets out the minimum height the river has to be to discharge, water chemistry trigger levels, and monitoring before and after discharge.

To check water quality, 24 surface water sampling sites are positioned up and downstream of MRM. Sediment is also collected at these sampling locations. During 2010, higher concentrations of lead and zinc were identified in sediment at localised points in Surprise Creek and in the lower sections at Barney Creek and McArthur River channels. MRM has investigated the potential source of the elevated levels, and implemented mitigation measures including constructing and inspecting silt traps in identified areas, and additional cleaning of the bridge.

Figure 13: Water consumption (ML)



BIODIVERSITY AND LAND MANAGEMENT

Our operations have biodiversity conservation plans to protect species and landscape functions throughout their lifecycle.

At MRM, a comprehensive monitoring program regularly assesses and records the mine's environmental performance at every point of potential impact. In 2010, the results of these programs are summarised in Table 8.

As part of Xstrata Mount Isa Mines biodiversity management planning in 2010, recommended projects from the ML8058 (the operating mining lease) biodiversity study were developed and will remain ongoing in 2011. These projects targeted key threatening processes for biodiversity on the lease, and included a fire management plan and pest management strategy.

In Bowen, a biodiversity assessment was conducted and found no significant impacts from the Bowen Coke Works on the neighbouring estuarine system. Water and sediment quality in Doughty's Creek is similar to that of other creeks in the Bowen region. The site is classified as self-bundled, due to the surrounding topography and management practices.

Rehabilitation and site closure

In Mount Isa, the land disturbed in 2010 was significantly greater than 2009 as a result of development works commencing for the expansion of the Black Star Open Cut mine and due to surface development works supporting the expansion of the George Fisher underground mine. Opportunities for rehabilitation at Xstrata Mount Isa Mines are currently limited because most areas are considered 'active' for operations and therefore not available for rehabilitation.

At MRM, the land disturbed increased from 67 hectares in 2009 to 173 hectares in 2010 due to the continued extension of the open pit and the overburden emplacement facility as mining progresses. Importantly, the area of land rehabilitated was four times greater than in 2009 reflecting the significant work conducted on rehabilitating the McArthur River channel and continued work on the Barney Creek channel. Approximately 40,000 native species seedlings were planted which is equivalent to the total number planted in the previous two years. A further 6,300 native trees were received on site and will be planted in 2011. Rehabilitation works also commenced at Bing Bong on the dredge spoils, including ground preparation, wall stabilisation, and ordering seeds.

Table 9: Area of land disturbed and rehabilitated (hectares)

	Xstrata Zinc North Queensland		MRM	
	2010	2009	2010	2009
Land disturbed	8.7	0.2	173	67
Land rehabilitated	0	0	60	15

Mine sites at Mount Isa and MRM have closure plans to ensure planning and budgeting to address social, environmental and economic issues associated with their eventual closure. In 2010, Xstrata Mount Isa Mines began reassessing the plan to ensure it meets the requirements of the regulatory transition to the *Environmental Protection Act 1994*. This work will continue in 2011.

Table 8 : MRM 2010 biodiversity monitoring outcomes

Fish surveys



- The design of the McArthur River and Barney Creek channels has been effective in establishing a habitat supportive of the endangered Freshwater Sawfish and a wide range of other species.

- Over 15,000 fish representing 46 species have been captured and tagged since 2006 and there is evidence that migration is occurring in the channels.
- Fish diversity is increasing with improved stability and complexity of habitat.

Image source – Dean Thorburn Indo Pacific Environmental Pty Ltd

Macroinvertebrate studies



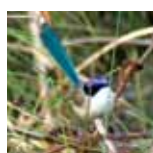
- The results of the 2009 study reported during 2010 found levels of aquatic macroinvertebrates (worms, clams, crustaceans and insects) along the McArthur River are in line with baseline studies.

Image source – Ecological Management Services

Ecotoxicology studies

- Detailed assessment of Barney Creek and McArthur River flow rates and appropriate dilution ratios to support discharges from the Water Management Dam in line with the Discharge License issued by the Northern Territory Government and the MRM Sustainable Development Water Management Plan.

Riparian bird surveys



- Over 48,380 bird observations compiled since 2006 involving 138 bird species including the purple-crowned fairy wren and the buff sided robin.
- Seasonal data on the distribution and abundance of riparian birds is assisting rehabilitation strategies and the selection of plant species.

Image source – Ecological Management Services

Seagrass survey



- There has been an increase in the number of seagrass species present around the Bing Bong Loading Facility since the 2009 survey.
- Results demonstrate the seagrass assemblage structure is continuing to recover from severe cyclones in 2000-2001.

Image source – BMT WBM Pty Ltd

Marine monitoring



- There was no measurable impact by MRM on seawater, seagrass, surface sediments and several species of oysters and molluscs along the Bing Bong coast and Sir Edward Pellew Islands.

- All traditional foods collected meet Australian and New Zealand food standards.
- Metal, arsenic and lead isotopes in seawater and surface sediments were within the recommended guidelines set by the Australian and New Zealand Environment Conservation Council and Food Standards Australia New Zealand.
- Metal concentrations in seawater are at or substantially lower than ANZECC (2000) default trigger values for 99% protection, the highest level of ecosystem protection.

Collection is conducted by Prof David Parry, Australian Institute of Marine Science

Migratory bird surveys



- Significant increase in migratory shorebirds counted in 2010 compared to 2003 and 2008 studies with more than 31,000 migratory shorebirds, resident shorebirds and other wetland birds recorded and a further 19,230 recorded during a ground count.

- Port McArthur area is an internationally significant staging ground for birds and was not being impacted by MRM's operations.

Image source – Ecological Management Services

Macropod study



- This study was commissioned following community consultation by the Independent Monitor which questioned whether there was any potential relationship between declines in wallaby (macropod) numbers and MRM operations at Bing Bong.

- This found wallaby levels are characteristically low across a wide area of this region and not just around the Bing Bong Loading Facility. Based on tracking information, wallabies are more commonly recorded closer to Bing Bong than at other sites in the region.
- Wallaby numbers respond to environmental factors including grazing pressures and predator densities, particularly dingoes, since the anecdotal comments on wallaby decline coincides with the cessation of dingo baiting in the area.
- Bing Bong Loading Facility is unlikely to have had any negative impact on wallaby populations.

McArthur River habitat re-establishing quickly

A study has shown improved diversity, size and composition of fish species in the McArthur River at sites where additional large woody debris were embedded into the river in 2010.

The design of the McArthur River channel incorporated large woody debris anchored in the bed and banks to provide localised habitat and encourage the trapping of sediment. This debris is chained to large boulders within the river which also placed over the bed and banks. Rock riffles were also located upstream and within the channel to control water flow rates.

Early monitoring results of the river environment indicated that sand, gravel and small boulders had moved within the channel as a result of heavy wet season water flows and that these were limiting fish populations in some areas. As a result in 2010, MRM installed large woody debris in an additional 35 locations along the McArthur River channel to promote ecological functioning and health of a river system.

A specific study of fish populations in these locations was conducted in the second half of the year to determine the short-term effect of the additional infrastructure.

This found the composition and abundance of fish species at sites containing large woody debris were significantly different to sites without. Mouth Almighty (*Glossamia apriona*), Sooty Grunter (*Hephaestus fuliginosus*), the Spotted Archerfish (*Toxotes chatareus*), the Spangled Perch (*Leipotheron unicolor*) and Banded Grunter (*Amniataba percoides*) were all recorded in much higher abundance. The Rainbow Fish (*Melanotaenia spendida inornata*), the most common species up and downstream of the channel but not previously recorded in the channel, was also identified.

While it had been believed that communities can take several years to stabilise following the replacement of large woody debris, the study's early analysis demonstrates the rapid change that enhanced habitat diversity can have on aquatic ecology.



In 2010, MRM installed large woody debris in an additional 35 locations along the McArthur River channel to promote the ecological development of the river system.

EMISSIONS TO AIR

Emissions to the air are sourced primarily from dust generated by open pit mining activities and transportation and our metallurgical operations. Dust generation is controlled using water carts and sprinkler systems, maintaining unsealed roads, reducing the speed of vehicles on site, blasting only under favourable weather conditions, and rehabilitating exposed areas as soon as possible.

Air emissions are material for the Mount Isa community which neighbours our processing operations but are of less interest to the Borroloola community which is 60 kilometres from MRM operations. It is important to note however, that the results reported for emissions are estimations based on monitoring on-site and do not measure emissions within the surrounding communities.

Table 10: Oxides of sulphur and nitrogen emitted to air (tonnes)

	Xstrata Zinc Mount Isa		MRM		Bowen Coke	
	2010	2009	2010	2009	2010	2009
NOx	5	5	0	0	46.8	42
SOx	133,896	128,489	3.7	2.7	271	278

Increases in oxides of sulphur released during 2010 correlate with the increase in production at both Xstrata Mount Isa Mines and MRM.

Xstrata Mount Isa Mines has invested \$275 million on more than 220 environmental initiatives since 2003 to limit potential environmental impacts on the local community. The most significant of these is the Smelter Emissions Project, established in 2007, which is assessing the feasibility of further improving the capture and treatment of sulphur dioxide (SO₂) emissions from the lead and copper smelters.

In 2010, a further \$8.7 million was invested in the Project. Lead smelter initiatives included the installation of new in-stack monitoring equipment and further evaluation of options for managing future emissions. A pilot plant was operated to demonstrate the efficiency of Dynawave scrubbing technology. This process removes sulphur dioxide from off-gas and produces effluent streams from which valuable by-products can potentially be extracted. Other improvements included converting the sinter furnace from diesel to natural gas, replacing sections of the ASARCO bag-house, improving seals and sampling ports, and upgrading fans.

The Xstrata Mount Isa Mines Air Quality Control Centre (AQCC) monitors 10 SO₂ real-time monitoring stations located in the community to ensure the smelters operate within accepted regulatory limits. The data directs operations at the copper and lead smelters and Incitec Pivot's acid plant. Five high-volume dust samplers in the community monitor levels of respirable (particles small enough to be inhaled) lead, cadmium and arsenic in the air, collecting samples of PM10 and PM2.5 (particulate matter less than 10 and 2.5 microns) which are analysed at an external laboratory.



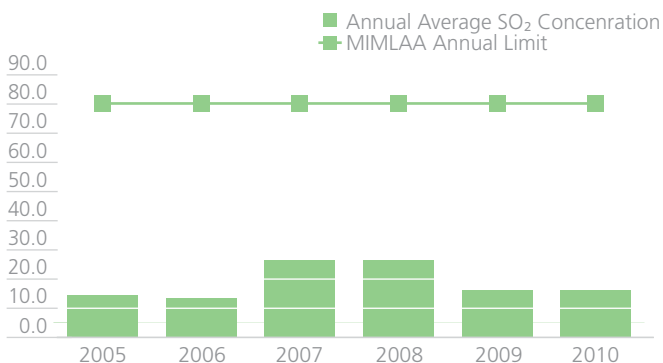
Water trucks are an integral part of dust suppression techniques used in Mount Isa operations.

During 2010, the ambient 90-day average lead-in-air (PM10) concentrations in Mount Isa remained lower than the *Mount Isa Mines Limited Agreement Act 1985* air standard.

The annual average ground level SO₂ concentration (as seen in Figure 14) was recorded as 16 micrograms per cubic metre (µg/m³) in 2010, consistent with the 2009 average and an improvement on the 2008 average of 26 µg/m³. The 2010 result is well below the level of 80 µg/m³ required by the *Mount Isa Mines Limited Agreement Act 1985*.

Westerly winds have a significant impact on Xstrata Mount Isa Mines' operations. In 2010, AQCC restricted operations (including complete and partial shutdowns) for 536 hours in the lead smelter.

Figure 14: Average annual SO₂ concentration, Mount Isa (µg/m³)



At MRM, reductions in emissions support improved workplace health and safety conditions and lower the risk of environmental impact. During 2010, significant improvements were made at the crushing facilities with additional sprinklers positioned in key locations and further investment made in double lining conveyor belts.

A more proactive approach to dust suppression was also taken to the Run of Mine pad where ore is stockpiled. The rehabilitation of Cell 1 of the Tailings Storage Facility was also completed with a 500mm layer of clay now encapsulating the surface and eliminating dust generated by sulphates. The transportation of zinc concentrate from MRM to Bing Bong Loading Facility and onto the Aburri barge is a fully contained process. However in 2010, the roof of the 16 year old Aburri was replaced as a further initiative to ensure dust is fully contained.

National Pollutant Inventory

We report emissions to the National Pollutant Inventory (NPI), a Federal Government Internet database containing information on the emission of 93 substances from industrial facilities and non-industrial sources.

Xstrata Mount Isa Mines (including both copper and zinc-lead operations) covers a significant operational footprint and is comparable to the sum of multiple individual mines and industrial facilities listed on the NPI. We reported substantial decreases in seven of the eight emission compounds, including cobalt, copper, zinc, arsenic, lead, antimony and sulphur dioxide, due to improved confidence in emissions estimates; reduced feed through the copper smelter; continuous environmental improvement; and increased gas treatment at Incitec Pivot's acid plant (which takes sulphur dioxide gas from the copper smelter). Cadmium emissions increased due to a change in the feed grade of the concentrates processed in the zinc-lead processing stream.

MRM reported increases in the majority of the 26 substances reported which correlates with the increase in ore milled and zinc concentrate produced during the year. It is also significant to note that the comparative 2009 results represent only 10 months of production due to the enforced two month period in which the mine was put in care and maintenance as a result of a legal challenge to the Commonwealth Government approval of the open pit development.

Information on the NPI and estimated on site emissions at the source are available from www.npi.gov.au.

WASTE

All operations have waste management plans designed to reduce, reuse, recycle or responsibly dispose of waste. The core of the waste management plans is a contract for general waste and scrap metal collection, based on a 'polluter pays' principle, where waste costs are distributed to departments according to the volume they generate.

Materials use increased at all operations in line with increased production (see Table 11). The key factors contributing to these results were:

- 31% increase in the use of cement due as more activities were conducted requiring cement including shotcrete, construction of drill pads and pastefill
- Changes in mining methods resulting in changes in explosive types and which led to greater consumption at Mount Isa
- Increased reagent usage through processing facilities due to higher throughput tonnages.

Environment *continued*

Our operations generated 5% less waste in 2010 to a total of 38 million tonnes (primarily excavated materials, overburden, waste rock, slag, tailings and processing wastes) compared to 40 million tonnes in 2009 as detailed in Table 12. In Mount Isa, 572,245 tonnes of hazardous waste was recycled as underground fill and 499 tonnes disposed of in line with regulatory requirements.

All non-salvageable waste is disposed of in line with strict waste management systems and legislative requirements.

Recycling initiatives included exporting scrap metal to South East Asia for recycling, and sending waste oil from MRM to Mataranka Lime Plant for addition to its calcification process as the heat generated by the addition of oil decreases emissions and consumption of gas at that facility.

Table 11: Summary non-renewable materials consumed*

Direct	Unit	Xstrata Zinc Mount Isa		MRM		Bowen Coke	
		2010	2009	2010	2009	2010	2009
Cement	tonnes	32,657	25,000				
Explosives – Ammonium nitrate/fuel oil	tonnes	236	0.1	169.5	191		
Explosives - Emulsion	tonnes	7,797	6,846	3,425	1,470		
Copper Sulphate	tonnes	4,169	3,941	5,799	4,792		
Coal	tonnes					67,389	66,322
Coke	tonnes	36,928	36,900				
Emulsion							
Grinding Media	tonnes	11,289	9,891	4,144	5,965	0	28,394
Silica	tonnes	16,361	21,089				
Xanthate / flotation reagents	tonnes	2,804	2,331	2,693	2,152		
Lubricating oils	kilolitres	871	1,335	331	196		

*None of the materials in Table 12 used recycled input materials.

Table 12: Major waste streams and disposal/treatment methods

Direct	Unit	Xstrata Zinc Mount Isa		MRM		Bowen Coke		Disposal treatment
		2010	2009	2010	2009	2010	2009	
General waste	(t)	5,163	1,632	0	0	13	13	Landfill
General waste	(t)			49	251			Incineration
Scrap metal	(t)	1,688	1,144	76	160			Recycling off-site
Hydrocarbons*	(kL)	444	313	356	169			Recycling and/or filtering for reuse. Some disposed off-site.
Light vehicle tyres*	#		685	229	-			Retreading where available, or disposal for unrepairable tyres
Batteries*	(t)	106	0.2	9.2	3			Recycling
Other recyclables	(t)		1,679	11	9			Recycling
Tailings	(t)	4,910,662	4,616,185	1,862,874	1,809,104			Tailings Storage Facility
		572,245	515,613					Recycled as underground fill
*Hazardous waste – disposed on site		7,584						

Overburden

Our operations stored an estimated 31.2 million tonnes of waste rock from overburden in 2010.

All overburden emplacement facilities are developed and managed in accordance with best practice design principles. A major component is encapsulating potentially acid-forming materials within the waste rock dumps for long term storage, away from exposure to weather.

At MRM, the Kinetic Column Leach Project (Stage 7) recommenced providing information on the reaction kinetics of mine waste materials by conducting tests that simulate the natural weathering process. The kinetic tests assess acid forming characteristics and indicate the rate of acid generation, over what period it will occur and underpins future management control strategies of waste dump placement and storage.

At Black Star, trials of engineered cover systems continue to ensure improved environmental outcomes for waste rock storage facilities at Xstrata Mount Isa Mines.

Computer modelling of final outer slope designs for the overburden emplacement facilities at Black Star and Handlebar Hill open pit mines was refined during 2010. Post wet season surveys at Handlebar Hill calibrated the erosion model. Additional work is planned in 2011 to progress these studies in developing closure criteria.

Tailings

Tailings storage facilities (TSF) are split into cells, with tailings deposition alternated between cells to keep them moist to reduce dusting by wind gusts.

Assessment of tailings' chemical properties indicates they are non-acid forming. However any seepage from tailings dams is captured in seepage ponds and pumped back to prevent off site discharges. Multiple visual inspections of the tailings dams and seepage ponds are conducted daily, with increased frequency during the wet season. Seepage to groundwater is monitored through a series of bores.

At Xstrata Mount Isa Mines, two major research projects looking at re-vegetation and the environmental risk of seepage in naturally mineralised areas are assessing long term closure options and potential impacts from the tailings dams. Along with other studies described in this report, such as the Lead Pathways Study and Biodiversity Study, these will refine closure criteria for the dams to ensure they are safe, stable and non-polluting in the long term.

At MRM, additional investment was made in the rehabilitation and integrity of the TSF as well as its efficiency in managing water levels. Initiatives include:

- The installation of five additional piezometers in Cell 1.
- The completion of the project to cap the now disused Cell 1 with a layer of 500mm thick clay covering the surface. This is the first of three covers that will be used to rehabilitate this Cell which is the part of the TSF closest to Surprise Creek.

Bowen Coke effectively minimising air pollution

An intensified community monitoring strategy at Bowen Coke is showing positive results, with independent testing in 2010 confirming emissions from the site are below all relevant national and state guidelines and standards.

The Coke Works is on the outskirts of Bowen, a coastal town of 7,500 people. Site controls are in place to minimise air pollution, including avoiding activities with a potential for generating emissions under westerly winds, using sprinklers to reduce dust emissions from stockpiles and increasing stack temperatures to disperse emissions more efficiently. The operation has intensified its community strategy over the past three years especially in all areas of environmental management. Initiatives include air, noise and water monitoring plus increased community consultation.

An external review of the site's ambient air quality monitoring program in 2008 recommended developing an air quality model to estimate potential impacts from emissions, and conducting community monitoring to test the estimates.

The air quality model was completed in 2009 and indicated the Coke Works has a minimal impact on Bowen's air quality. Community air quality monitoring was conducted from July to October 2010, historically the months with the greatest frequency and intensity of westerly winds which have the potential to influence impacts on the community. An independent consultancy measured PM10, sulphur dioxide and selected metal concentrations using Australian Standards and a Department of Environment and Resource Management-approved air monitor.

The independently validated data from this monitoring campaign showed that the model's estimates were valid and emissions were below all relevant national and state guidelines and standards providing confidence in both the new methodology and the results.



Kelly Malone, Superintendent Health, Safety, Environment and Training checking air monitors in Bowen.



Lead bullion produced at Mount Isa Mines is transported to Xstrata Zinc's Britannia Refined Metals Refinery outside London.

- An additional seepage collection trench constructed on the north western side of Cell 2.
- Increased use of recycled water from the TSF in the production process.
- Use of sprinklers, water fountains and fans to increase evaporation of water.
- Improved management of clean water runoff into the WMD rather than the TSF.
- Undertaking a follow up safety audit to a 2009 study which assessed the management of the TSF and adequacy of emergency spillways.

PRODUCT STEWARDSHIP

Xstrata's SD Standards provide guidelines to ensure the impacts and risks associated with our products and services are identified, analysed, evaluated and addressed. Material safety data sheets are completed for products and intermediaries, including product physical and chemical composition, risks to human health, handling, transport, storage and exposure control.

Zinc is used to galvanise steel, a 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.

Lead is primarily used in lead acid batteries. Other applications for lead include alloys, submarine cables, lead sheeting and oxide lead uses.

We work with stakeholders – including industry associations, customers and suppliers – to understand the environmental, and health and safety risks of its products, and to find ways to mitigate these risks. We work on product stewardship issues through involvement with national and international industry and commodity associations.

Xstrata Mount Isa Mines ships most products from Townsville, 904 km from Mount Isa, by rail and road.

MRM operations are heavily reliant on air services to transport workers the 950 km from Darwin, while most goods are sourced by road. Product from the mine is transported by road to a loading facility at Bing Bong, 120 km from MRM, where a barge loads ships within an authorised channel at sea. MRM understands that one of the product stewardship dimensions is working with suppliers applying similar SD management systems. To ensure only environmentally and socially responsible suppliers are chosen to work with, MRM has introduced a SD assurance program for accredited suppliers.



Community

A joey assisted by the Northwest Wildlife Carer's Group, supported by the Xstrata Community Partnership Program, North Queensland

Community

MANAGEMENT AND STRATEGY

Xstrata Zinc contributes to the social and economic development of the communities associated with where we operate.

Our sites are based in the communities of Mount Isa in North West Queensland and Bowen in North East Queensland, and near the township of Borroloola in the gulf region of the Northern Territory.

We aim to maximise the positive impacts our activities can bring about for communities, and minimise or avoid potential negative impacts.

Our programs are guided by Xstrata's SD Standards relating to community, including Risk and Change Management; Communication and Engagement; Social and Community Engagement; and Life Cycle Management.

We work with communities to identify and evaluate their needs, opportunities and interests. We engage with our communities in a transparent and culturally appropriate manner.

The key community issues are to:

- Effectively engage with our diverse community of stakeholders
- Ensure competitive provision of goods and services to regional and remote sites
- Deliver long-term beneficial impacts to the communities in which we operate.

COMMUNITY ENGAGEMENT

Our community engagement program is critical to our understanding of material issues and to the effectiveness of our relationships with stakeholders. Stakeholder feedback is used to identify risks and opportunities, and is integrated into business planning and community relations strategy.

This strategy includes a variety of methodologies for engagement, communication and partnership with our communities including:

- Information dissemination through newsletters, websites, corporate reports and community forums

- Media relations to promote new developments and address issues related to operations
- Participation in events including the Mining Expo in Mount Isa and Borroloola Show
- MRM Community Reference Group which facilitates a two-way flow of information with community members
- Participation in various community based committees and organisations
- Site visits and tours.

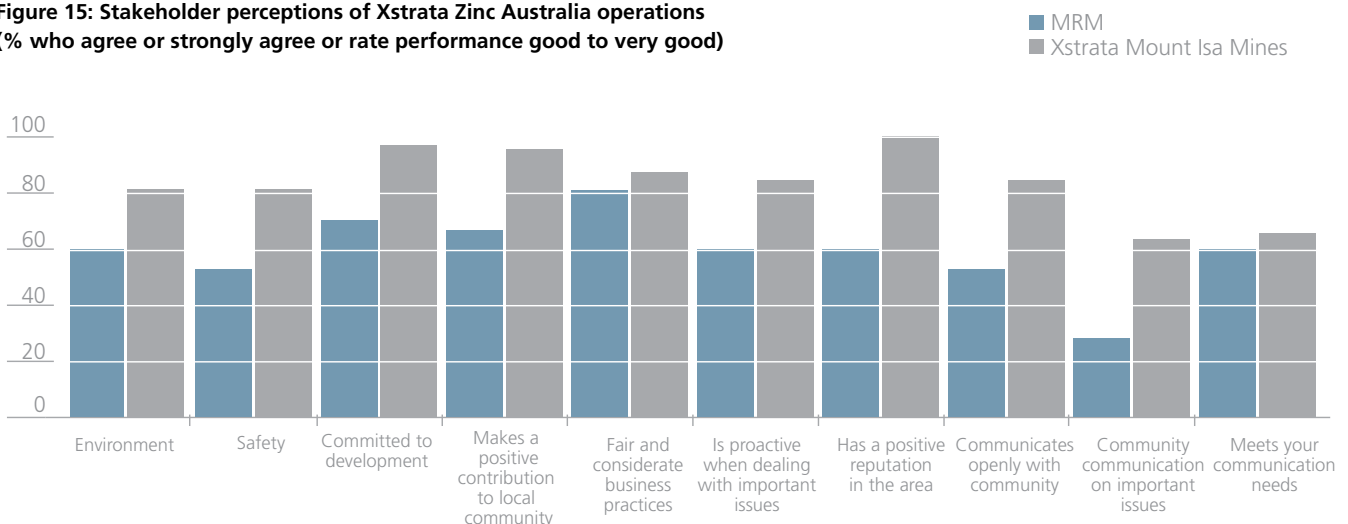
Our communities are consulted through a variety of formal and informal mechanisms including:

- Biennial Community Attitudes Surveys in North Queensland alternating with 360 Degree Stakeholder Surveys
- Continuous contact programs during the year
- Issues and complaints registers
- Structured annual consultation and associated with the planning for priorities of the MRM Community Benefits Trust.

In 2010, both MRM and Xstrata Mount Isa Mines conducted 360 Degree Stakeholder Surveys of their key stakeholders. This was the first time this survey was conducted by MRM. In North Queensland, 64 participants representing the community, government and suppliers were involved and at MRM, 29 stakeholders participated.

The results provided a snapshot of our performance in some key areas, including environment and safety, working with communities and stakeholders, Sustainable Development policy, reputation and communication. The key findings of the 2010 surveys are illustrated in Figure 15 and indicate that the majority of stakeholders perceive Xstrata Zinc Australia sites as having established positive reputations in their communities, making positive contributions and meeting stakeholder communication needs.

Figure 15: Stakeholder perceptions of Xstrata Zinc Australia operations (% who agree or strongly agree or rate performance good to very good)



Grievances and complaints

We record, monitor and address community complaints, take corrective action where appropriate, and provide feedback to complainants.

All complaints are handled by the Community Relations Team, and complainants are responded to promptly.

In 2010, 15 complaints were received by Xstrata Zinc Mount Isa. Of these, 13 were in relation to fumes, with the remainder concerning blasting and dust. In all cases, the complainants were advised of the current Air Quality Control Centre (AQCC) status, and of the action being taken at this facility. AQCC closely monitors emissions and automatically closes down the smelter if emissions approach regulatory limits.

The Mount Isa operations launched a new Community Feedback Hotline in November 2010. This telephone advisory service will be available 24 hours a day, 7 days a week and is free for callers from fixed lines. All concerns will be directed to appropriate personnel and handled in a professional and timely manner.

MRM received two complaints during 2010. Both incidents were investigated in line with the mine's procedures. One incident was in relation to an unidentified substance found on rocks downstream of the mine at the Borrooloola Crossing. MRM engaged the Australian Institute of Marine Science to fully investigate this occurrence and identified the substance as naturally occurring salts that were deposited on the rocks by high tidal flows. The other was related to material found outside the mine site. The material was removed and no environmental impacts or breaches occurred.

Bowen Coke Works received four complaints in 2010 relating to dust and fumes.

INDIGENOUS PEOPLE

We work closely with Traditional Owners and Traditional Custodians to preserve the cultural heritage of our Indigenous people. We respect local customs and values and safeguard sacred sites within the footprint of our operations.

During 2010 there were no incidents of Indigenous rights being violated or reports of cultural heritage breaches as a result of our operations.

Our cultural recognition policies provide a mandate for cross-cultural respect and awareness through which we have established valued relationships with local Aboriginal people and Traditional Owners. They also ensure our workforce understands the traditional rights and culture of Indigenous people and oversees a number of systems and processes to ensure sites of cultural significance, and matters of cultural interest, are identified and preserved.

In North West Queensland, there are 14 language groups represented; the largest of these is the Kalkadoon Nation.

During 2010, significant progress was made on the negotiation of an Indigenous Land Use Agreement with the Kalkadoon which acknowledges native title over the country on which the mining leases held by Xstrata Mount Isa Mines is based and sets out a framework for the future relationship between the company and Traditional Custodians. Work on this agreement is continuing in 2011.

MRM is situated on the traditional lands of the Gurdanji, Binbinga and Yanyula people, which continue to be important to these and other local traditional language groups including the Garrawa, Mara and Alyawa people. There are 17 identified and registered sites of cultural significance within MRM's lease area. MRM preserves and manages the sites in line with the Aboriginal Area Protection Authority conditions. Clearing permits are required by any employee or contractor undertaking works which may disturb the ground or vegetation. We work closely with Traditional Owners to organise regular site visits.

Cross Cultural Awareness Training is mandatory for MRM employees and contractors. In 2010, this training program was reviewed and from 2011, will be delivered by a local Indigenous leader as a new enterprise initiative.

COMMUNITY HEALTH

Xstrata Zinc Mount Isa Mines takes the health and safety of the Mount Isa community very seriously. We also understand the unique situation with mining and smelting operations situated close to town amid an area of naturally occurring lead mineralisation.

The Mount Isa Community Lead Screening Program 2010 showed significant improvements in the lead levels of children in Mount Isa compared with a similar study in 2006-2007. The report on samples of 167 children between February and October 2010 showed an average lead level of 4.27µg/dL with the lowest at 1.9 and the highest at 22.4. This shows a decline in both the average blood lead levels and the percentage of children's blood lead levels at or above the recognised health standard of 10µg/dL compared to the previous study. Only 4.8 per cent of the sample had elevated blood lead levels greater than 10µg/dL compared with 11.3 per cent of the total sample of children in 2006-2007. Indigenous children continued to test higher than other children.



The Living with Lead Alliance has rolled out the *LeadSmart* program in schools and day care centres in Mount Isa to teach children the importance of washing their hands.

Community continued

These results demonstrate the public awareness campaign managed by the Living with Lead Alliance (of which Xstrata Mount Isa Mines is a founding member) is achieving results by ensuring community members are aware that by taking a few simple measures relating to hygiene and nutrition, people can and do live safely in Mount Isa.

In February 2011, Xstrata Mount Isa Mines confirmed that law firm, Slater and Gordon has commenced a court proceeding on behalf of one claimant against Mount Isa City Council, the Queensland Government and Xstrata Mount Isa Mines seeking damages for alleged negligence in respect to a child's reported blood lead levels. Xstrata Mount Isa Mines is prepared to answer the claim in court.

On this matter, Xstrata Mount Isa Mines stands by its record of never exceeding regulatory limits for respirable lead at any air monitor in the Mount Isa community since acquiring Mount Isa Mines in 2003 and our voluntary investment in upgrading environmental processes and rehabilitation works.

For more than 16 years, Xstrata Zinc Mount Isa Mines has worked with the local and Queensland governments to raise community awareness about living safely with lead.

In addition to our work with the Living with Lead Alliance, Xstrata Zinc Mount Isa Mines continues to offer free, independent and confidential blood-lead testing for Mount Isa residents through Queensland Medical Laboratory (QML), and we've made significant progress in understanding and limiting potential impacts from our Mount Isa operations with projects such as the ongoing Lead Pathways Study and Smelter Emissions Project. In 2010, significant work was conducted on stages two and three of the Lead Pathways Study which concentrate on air and water. The results of these studies are expected to be released in 2011. They follow the stage one, land study, which was released in 2009.

CORPORATE SOCIAL INVOLVEMENT

Our CSI programs are an important part of our work with local communities. Through these programs, our operations develop community partnerships and undertake sponsorships and donations in the areas of enterprise and job creation, health, education, art and culture, environment, and social and community development.

In 2010, we invested \$3.3 million in community programs comprised of:

- Our participation in the Xstrata Community Partnership Program North Queensland, the Xstrata Community Partnership Program Queensland
- MRM Community Benefits Trust
- Site based sponsorships and donations.



A successful breeding and relocation program for the critically endangered Northern Hairy Nosed Wombat, is one of the partnerships under the Xstrata Community Partnership Program, Queensland.

Xstrata Community Partnership Programs

The Xstrata Community Partnership Program North Queensland is co-funded by the Xstrata Zinc and Copper commodity businesses and funds projects that deliver short and long term benefits to the Mount Isa, Cloncurry, Townsville and Bowen communities.

Examples of the ten partners and the outcomes generated during 2010 are as follows:

- Queensland Health: \$2 million towards the construction of a new \$6.6 million Mount Isa Oral Health Building.
- North West Wildlife Carer's Group: Providing a free community service to rescue and rehabilitate injured native wildlife in the Mount Isa region.
- Myuma: Funding places for Indigenous participants in 13-week, residential prevocational programs in Civil Construction and Mining Skills to encourage greater Indigenous employment in the region.
- University of New South Wales: Funding collaborative educational environmental and research initiatives into geological and paleontological resources of the World Heritage-listed Riversleigh Fossil Trail in North West Queensland. Fieldwork conducted during mid 2010 produced a significant fossil find – the discovery of a Diprotodon skeleton, the largest marsupial ever to have lived on earth.
- Queens Beach State School, Bowen: Completion of a program to install 12 interactive white boards in school classrooms to improve technological awareness and learning.

The Xstrata Community Partnership Program (Queensland) aims to make a difference in state-wide communities and is supported by the Xstrata Zinc, Copper and Coal commodity businesses. In 2010, the partnerships involved programs conducted by the Australian Red Cross, Hear and Say Centre, Lifeline, Queensland Art Gallery and Salvation Army. It also included the popular and successful breeding and relocation program for the critically endangered Northern Hairy Nosed Wombat in a partnership with the Queensland Department of Environment and Resource Management.

For further information on these programs, visit www.mountismines.com.au and www.xstratacommunity.com.au

MRM Community Benefits Trust

The MRM Community Benefits Trust was established in partnership with the Northern Territory Government in 2007 as a vehicle for delivering social and economic benefits to the gulf region.

During 2010, the partnerships supported included:

- The Smith Family: Continuation of a program to improve school attendance and student social and emotional wellbeing including mentoring, a breakfast program which served over 4,000 breakfasts and a parenting education program.
- Malandari Partnership: Support for the acquisition of the Borrooloola Bulk Discounts operation by this partnership of Indigenous organisations to promote Indigenous employment and nutrition.
- MRM: Support for the Indigenous employment and training strategy implemented by the mine as one of the key objectives of the Trust is MRM's commitment to achieve 20% Indigenous workforce participation
- Mabunji Aboriginal Resource Centre: Funding for the sustainability and growth of the annual cultural festival, the National Aboriginal Islander Observance Celebration (NAIDOC).
- Roper Gulf Shire Council: In principle agreement for a multi-purpose sports and recreational facility and separate business hub.

For more information, visit www.mcarthurriverrivermine.com.au/community_benefitstrust.cfm.

Sponsorships and community donations

Our operations are major sponsors of significant events and activities in their community which help shape local culture, facilities and organisational capacity. In many cases, we are longstanding major supporters of signature events that are integral to the lifestyle of our communities.

In Mount Isa, major sponsorships during 2010 included:

- Xstrata Mount Isa Rotary Rodeo
- Xstrata Mount Isa Mining Expo
- Lake Moondarra Fishing Classic
- Mount Isa and Regional Business Awards
- Clean Up Australia Day local initiatives.



MRM trainee Tommy-Lee Jack competing in the Annual Borrooloola Rodeo and Camp Draft, sponsored by MRM.

Donations were provided to schools for the purchase of books and speech night prizes and even geological picks and hand lenses. Our personnel also raised monies to support the Mount Isa Base Hospital Children's Ward and North West Breast Cancer Support Group through the Zinc Battle of the Mines.

Similarly, MRM's major sponsorships included:

- the Borrooloola and Daly Waters Rodeos
- the King Ash Bay Easter Fishing Classic
- Northern Territory Young Achievers Awards, Training Awards and Research and Innovation Awards
- Borrooloola Show.

As a long time supporter of the Borrooloola Cyclones Soccer Club, MRM also assisted the team to travel to Singapore to play their first ever international in an exhibition match associated with the Singapore Shield.

MRM also continued its support for the retention of a general practitioner within the Borrooloola Health Clinic in order to provide a greater range of health services than is otherwise available.

ECONOMIC DEVELOPMENT

We generate employment opportunities, support local businesses, fund community projects, and contribute to government taxes and charges. In doing so, we bring substantial benefits to the communities in which we operate.

The potential economic benefits of our operations include:

- Improved prosperity and wellbeing
- Royalties and taxes paid to governments
- Improved local infrastructure and services

- Support for local businesses and the establishment of a new enterprise
- Employment opportunities, especially for local people
- Improved local skills, and ability to secure work elsewhere
- Indirect job creation in service industries.

Potential negative economic impacts of our operations include:

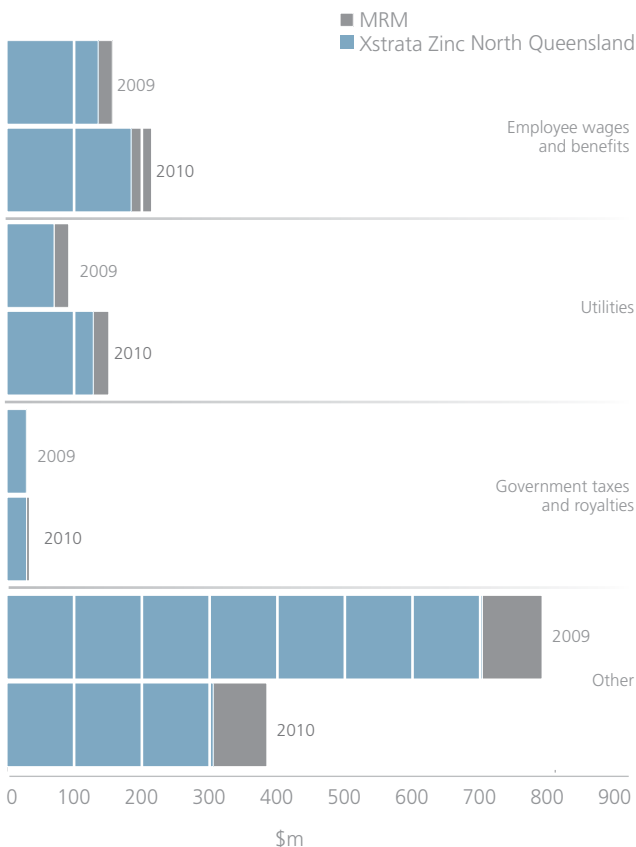
- Risk of economic dependency on company-funded projects
- Increased traffic and pressure on local services
- Loss of employment and investment following mine closure.

Economic value distributed

Our operations generated direct economic benefits valued at over \$784 million in 2010 as detailed in Figure 16. This compares with over \$1.1 billion in 2009. This result is characterised by a 4% increase in MRM’s economic contribution to \$138.1 million and a 31% decline in economic contribution by Xstrata Zinc North Queensland which is wholly attributable to impacts in the ‘Other’ category which includes procurement, consumables and contractors. All other measures reported an increase in economic benefits, notably:

- 37% increase in employee wages and benefits to total \$214 million
- 65% increase in payments for utilities to \$150 million
- 12% increase in government taxes and royalties to \$33 million
- 43% increase in community investments from \$2.3 million to \$3.3 million

Figure 16: Direct economic value distributed



Local procurement

We recognise the value that can be delivered to the local economy through our activities. Wherever possible we encourage the development and use of local suppliers and contractors. We define a ‘local’ supplier as a supplier from the nearest regional centre with proximity to our mining operations.

Our policy is to prefer local suppliers where they can competitively offer quality goods and services. All suppliers and contractors are provided with a copy of Xstrata’s Business Principles and are briefed on our SD Framework so they are aware of our expectations of business relationships.

The value of local procurement within the Gulf region by MRM remained steady in 2010 at \$7.2 million. However, procurement within the Northern Territory economy grew by 23% from \$49 million in 2009 to \$60 million in 2010.

Xstrata Zinc Mount Isa invested \$298 million with Mount Isa based suppliers, an increase of 36% on 2009 spending of \$219 million. This figure as a percentage of total procurement also rose substantially from 37% in 2009 to 49% in 2010 sourced locally.

At Bowen, the local expenditure figure was 90%.

Local employment

Our operations feature both residential and fly-in-fly-out workforces.

The Mount Isa and Bowen sites are residential operations, which maximises the number of employees living within the community and contributing to the local communities. The proportion of the workforce and senior management hired from the local community is approximately 64% with the remainder relocated from other areas of Australia and a small number (12) from overseas.

Due to the remote location of the mine and the distance to a local community, MRM is a fly-in-fly-out operation. As at December 2010, 18.5% of the MRM workforce (48) was from the local community of Borroloola. This is an increase of 1% over 2009.

Government assistance

Xstrata Mount Isa Mines received \$160,493 from the Mining Industry Skills Centre to support local training initiatives.

MRM participated in the Federal Government’s Indigenous Employment Program (IEP,) which is managed by the Department of Education, Employment and Workplace Relations (DEEWR) and received \$250,000 to support the Indigenous employment and training strategy.

In addition, MRM received employer benefits from the Northern Territory Department of Education and Training for apprenticeship training for the sum of \$16,500.



Additional Information

GRI Index

Indicator	Descriptor		Status and location
Strategy and analysis			
1.1	Statement from the most senior decision-maker	✓	4-5
1.2	Description of key impacts, risks and opportunities	✓	14-16
Organisational profile			
2.1	Name	✓	2
2.2	Major products and services	✓	2-3
2.3	Operational structure	✓	2-3
2.4	Location of organisation's headquarters	✓	2
2.5	Countries where organisation operates	✓	1
2.6	Nature of ownership	✓	1
2.7	Markets	✓	2-3
2.8	Scale of reporting organisation	✓	2-3
2.9	Significant changes during the reporting period	✓	6-9
2.10	Awards received	✓	14
Report parameters			
3.1	Reporting period	✓	10
3.2	Date of most recent previous report	✓	10
3.3	Reporting cycle	✓	10
3.4	Contact point for questions	✓	Back cover
3.5	Process for defining report content	✓	10
3.6	Boundary of the report	✓	10
3.7	Any limitations on scope or boundary of report	✓	10
3.8	Basis for reporting on joint ventures, subsidiaries, etc	✓	10
3.9	Data measurement techniques and the bases of calculations, including assumptions and estimations	✓	10
3.10	Effect of any restatements of information provided in earlier reports	✓	10
3.11	Significant changes from previous reporting periods in scope, boundary or measurements applied in report	✓	10
3.12	GRI report content table	✓	46
3.13	Assurance	✓	12
Governance, commitments and engagement			
4.1	Governance structure	✓	12
4.2	Whether Chair of highest governance body is also an executive officer	n/a	Details of our highest governance body, Xstrata plc, are provided at www.xstrata.com/sustainability
4.3	Number of members of highest governance body that are independent and/or non-executive members		
4.4	Mechanisms for shareholders and employees to provide recommendations or directions		
4.5	Linkage between executive compensation and performance		
4.6	Processes in place for the highest governance body to ensure conflicts of interest are avoided		
4.7	Process for determining the qualifications and expertise of members of governance body		
4.8	Internally developed statements of mission or values, codes of conduct, etc	✓	
4.9	Procedures of the governance body for overseeing SD performance	✓	12
4.10	Processes for evaluating governance body's own SD performance	n/a	Refer to Xstrata plc. www.xstrata.com/sustainability
4.11	Precautionary approach	✓	28
4.12	External charters or principles subscribed to or endorsed	✓	12
4.13	Principal memberships in associations and advocacy organisations	✓	13
4.14	List of stakeholders engaged by the organisation	✓	13
4.15	Basis for identification and selection of stakeholders with whom to engage	✓	13
4.16	Approaches to stakeholder engagement including frequency and type	✓	40
4.17	Key topics and concerns raised by stakeholders and how they've been addressed	✓	14-16
Economic			
EC1	Direct economic value generated and distributed	✓	44
EC2	Financial implications and other risks and opportunities due to climate change	→	30
EC3	Coverage of defined benefit plan obligations	✗	
EC4	Significant financial assistance received from government	✓	44
EC5	Range of ratios of standard entry level wage compared to local minimum wage	→	23

Indicator	Descriptor	Status and location	
EC6	Policy, practices and proportion of spending on locally-based suppliers	✓	44
EC7	Procedures for local hiring and proportion of senior management hired from the local community	✓	44
EC8	Development and impact of infrastructure investments and services provided for public benefit	✓	42-43
EC9	Understanding and describing significant indirect economic impacts	→	43
Environmental			
EN1	Materials used by weight or volume	✓	36
EN2	Percentage of materials used that are recycled input materials	✓	36
EN3	Direct energy consumption by source	✓	31
EN4	Indirect energy consumption by source	✓	31
EN5	Energy saved due to conservation and efficiency improvements	✓	30-31
EN6	Initiatives to provide energy-efficient or renewable energy	→	30-31
EN7	Initiatives to reduce indirect energy consumption and reductions achieved	→	30-31
EN8	Total water withdrawal by source	✓	32
EN9	Water sources significantly affected by withdrawal of water	✓	31
EN10	Percentage and total volume of water recycled and reused	✓	32
EN11	Location and size of land in or adjacent to protected areas and areas of high biodiversity value	✓	26
EN12	Description of significant impacts of activities on biodiversity in protected areas and areas of high biodiversity value	✓	28
EN13	Habitats protected or restored	→	28
EN14	Strategies, current actions and future plans for managing impacts on biodiversity	✓	32-33
EN15	Number of IUCN Red List species and national conservation list species with habitats in areas affected by operations	✓	28
EN16	Total direct and indirect greenhouse gas emissions by weight	✓	30
EN17	Other relevant indirect greenhouse gas emissions by weight	✗	Data is not currently recorded
EN18	Initiatives to reduce greenhouse gas emissions and reductions achieved	✓	30
EN19	Emissions of ozone depleting substances by weight	✓	30
EN20	NO, SO and other significant air emissions by type and weight	✓	34
EN21	Total water discharge by quality and destination	✓	32
EN22	Total weight of waste by type and disposal method	✓	36
EN23	Total number and volume of significant spills	✓	28
EN24	Weight of treated waste deemed hazardous and percentage shipped internationally	✓	36
EN25	Identity, size, protected status, biodiversity value of water bodies and related habitats affected by discharges of water and runoff	→	31-32
EN26	Initiatives to mitigate environmental impacts of products and services	✓	38
EN27	Percentage of products and their packaging materials that are reclaimed	n/a	
EN28	Monetary value of significant fines and non-monetary sanctions for non-compliance with environmental laws and regulations	✓	28
EN29	Significant environmental impact of transporting products and other goods	→	38
EN30	Total environmental protection expenditures and investments by type	→	28
MM1	Amount of land disturbed or rehabilitated	✓	32
MM2	Number/percentage of sites with Biodiversity Management Plans	✓	32
MM3	Total amounts of overburden, rock, tailings and sludges presenting potential hazards	✓	36
Labour practices and decent work			
LA1	Workforce by employment type, contract and region	✓	2, 3, 23, 24
LA2	Total number and employee turnover by gender, age group, region	✓	23-24
LA3	Benefits provided to full-time employees that are not provided to temporary or part-time employees	✓	23
LA4	Percentage of employees covered by collective bargaining agreements	✓	23
LA5	Minimum notice periods regarding operational changes	✓	24
LA6	Percentage of total workforce represented by joint management-worker health and safety committees	✓	23
LA7	Rate of injury, occupational diseases, lost days, fatalities and absenteeism	✓	18, 20
LA8	Education, training, counselling, prevention programs in place to assist workers, families and community	✓	25
LA9	Health and safety topics covered in formal agreements with trade unions	✓	18
LA10	Average hours of training per year per employee by category	✓	25
LA11	Programs for skills management and lifelong learning that support continued employability	✓	25-26
LA12	Percentage of employees receiving regular performance and career development reviews	✗	

GRI Index

Indicator	Descriptor	Status and location	
LA13	Composition of governance bodies and breakdown of employees per category by gender, age, minority group	X	Refer to Xstrata plc. www.xstrata.com/sustainability
LA14	Ratio of basic salary of men to women by employee category	✓	23
MM4	Number of strikes and lockouts exceeding one week's duration	✓	24
Human rights			
HR1	Percentage and total number of investment agreements that include human rights clause/screening	✓	16
HR2	Percentage of suppliers and contractors that have undergone screening on human rights	✓	16
HR3	Total hours of employee training on human rights policies and procedures	→	23
HR4	Total number of incidents of discrimination and actions taken	✓	24
HR5	Operations at which the right to freedom of association and collective bargaining may be at risk	✓	16
HR6	Operations at which child labour may be a risk	✓	16
HR7	Operations at which forced and compulsory labour may be a risk	✓	16
HR8	Percentage of security staff trained in human rights policies	✓	16
HR9	Number of incidents involving violation of Indigenous rights and actions taken	✓	16
MM5	Number of operations taking place in or adjacent to Indigenous Persons' territories, and number of operations where there is a formal agreement with Indigenous Persons' communities	✓	41
Society			
SO1	Programs and practices to manage impact of operations on communities	✓	40-43
SO2	Percentage of operations analysed for risks related to corruption	✓	16
SO3	Percentage of employees trained in anti-corruption policies and procedures	✓	16
SO4	Actions taken in response to incidents of corruption	✓	13
SO5	Public policy positions and participation in public policy development and lobbying	✓	13
SO6	Total value of financial and in-kind contributions to political parties, individuals	✓	13
SO7	Total number of legal actions for anti-competitive behaviour and their outcomes	✓	13
SO8	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations	✓	13
MM6	Number and description of significant disputes relating to land use, customary rights of local communities and Indigenous communities	✓	41
MM7	The extent to which grievance mechanisms were used to resolve disputes, and their outcomes	✓	41
MM8	Involvement in small-scale mining operations within company areas of operation	n/a	No small-scale mining undertaken
MM9	Sites where resettlement took place, number of households resettled, and how their livelihoods were affected	n/a	No resettlements occurred
MM10	Number or percentage of operations with site closure plans	✓	33
Product responsibility			
MM11	Programs and progress relating to materials stewardship	✓	38
PR1	Life cycle stage in which health and safety impacts of products area assessed for improvement	✓	38
PR2	Total number of incidents of non-compliance with regulations and voluntary codes concerning product health and safety impacts	Refer to Xstrata plc. www.xstrata.com/sustainability	
PR3	Type of produce and service labelling information required by procedures		
PR4	Total number of incidents of non-compliance with regulations and voluntary codes regarding labelling and information		
PR5	Practices related to customer satisfaction		
PR6	Programs of adherence to laws etc regarding marketing communications		
PR7	Total number of incidents of non-compliance with regulations and voluntary codes regarding marketing, advertising		
PR8	Total number of substantiated complaints regarding breaches of customer privacy		
PR9	Monetary value of significant fines for non-compliance with laws and regulations regarding products and services	✓	13

✓ Fully reported

→ Partially reported

X Not reported

n/a = not applicable

Glossary

AQC

Air Quality Control

Biodiversity

An abbreviation of “biological diversity” that means the variability among living organisms from all sources, including land based and aquatic ecosystems of which they are part

Biodiversity EMP

Biodiversity and Land Management Environmental Management Program

Business Principles

Xstrata's Statement of Business Principles sets out the ethical framework for the way we work globally. The statement sets out specific aspirations and commitments that apply to the company's relations with its customers, employees, stakeholders, partners, suppliers and in the communities where it operates

Commodity Business

Xstrata's activities are structured into global commodity businesses organised along commodity lines; Xstrata Alloys, Xstrata Coal, Xstrata Copper, Xstrata Nickel, Xstrata Zinc and Xstrata Technology

CO₂-e

Carbon Dioxide equivalents

CSI

Corporate Social Involvement programs

DISR

Disabling injury severity rate. $DISR = (LTI \text{ Days Lost} + RWI \text{ Days Lost}) \times 1,000,000 / \text{hours worked in the reporting period}$

EEO

Energy Efficiency Opportunities

EMESRT

Earth Moving Equipment Safety Round Table

EPA

Environmental Protection Agency

GHG

Green House Gas

GJ

Gigajoules (a thousand million joules)

GRI

Global Reporting Initiative – a multi stakeholder, international process whose mission is to develop and disseminate globally applicable Sustainable Reporting Guidelines to assist corporations in reporting on the economic, environmental, and social performance of their operations

IUCN

International Union for the Conservation of Nature and Natural Resource

kt

Thousand tonnes

LTIFR

Lost Time Injury Frequency Rate. $LTIFR = LTI \times 1,000,000 / \text{hours worked}$

MIMLAA

Xstrata Mount Isa Mines zinc-lead operations Mines Limited Agreement Act

MISC

Mining Industry Skills Centre

mt

Million tonnes

MW

Megawatts (1 megawatt = 1,000,000 watts or 1,000 Kilowatts)

NGERS

National Greenhouse and Energy Reporting System

NNTT

National Native Title Tribunal

NPI

National Pollution Inventory

NOHSC

National Occupational Health and Safety Commission

Rehabilitation

In this report, rehabilitation is defined as disturbed areas that have been prepared for rehabilitation and seeded.

SD

Sustainable Development

SO₂

Sulphur Dioxide

Stormwater

Rainfall that does not infiltrate into the soil but runs overland into creeks, catchment areas or man-made water storage facilities, such as dams (i.e. unplanned discharge of water). Quality of discharged stormwater is only reportable where it is directly discharged, i.e. not via a water treatment facility (which would already report total effluent quality).

Tailings and tailings dam

The fine fraction of waste rock remaining after the mining and on-site processing of mineral resources. This consists of finely ground particles and traces of process reagents and chemical residues. Tailings are piped into engineered impoundments known as tailings dams, which are developed, operated, monitored and maintained to prevent seepage and water contamination both during and after mining operations.

TRIFR

Total recordable injury frequency rate. $TRIFR = (LTI + RWI + MTI) \times 1,000,000 / \text{Hours worked in the reporting period}$

XCPPQ

Xstrata Community Partnership Program Queensland

XCPPNQ

Xstrata Community Partnership Program North Queensland

Xstrata Mount Isa Mines

Results of SD issues jointly managed by the copper and zinc-lead operations in Mount Isa

Xstrata Mount Isa Mines zinc-lead operations

Issues and performance specific to the zinc-lead business in Mount Isa and reported separately to the copper operations

Xstrata Zinc North Queensland

Combined results from Xstrata Mount Isa Mines zinc-lead operations and Bowen Coke

We welcome your feedback on any aspect
of our performance or reporting.

Please send your comments to
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