



## NEWS RELEASE

### MRM WELCOMES NT MINISTER'S APPROVAL OF \$110 MILLION OPEN PIT MINE

Darwin, 13 October 2006

McArthur River Mining (MRM) today welcomed the approval of the Northern Territory Minister for Mines and Energy, the Hon Chris Natt for its AUD110 million development to convert from underground to open pit operations.

Related to this announcement, the Minister also endorsed MRM's 2007 Mining Management Plan (MMP), a Heads of Agreement for a AUD32 million package of economic and social benefits to the Borroloola region, and an agreement for independent environmental monitoring of the mine operations.

MRM General Manager Mr Brian Hearne said that subject to final approval by Australia's Federal Minister for Environment Senator Ian Campbell, the mine would progress immediately with the development program.

"We thank the Minister and the NT Government for approving this development," Mr Hearne said.

"This announcement provides much needed certainty for the mine's future and acknowledges our commitment to environmental management and the community.

"It is tremendous news for all our staff, suppliers and customers who have been waiting for a resolution on this development for more than three years. We appreciate their support and patience."

The decision provides job security for more than 430 staff and contractors currently employed by the mine as well as an estimated 1,400 people indirectly employed by MRM through more than 400 Territory-based suppliers.

The approved open pit development will enable MRM to continue to access one of the world's largest known deposits of zinc and lead. It will increase annual ore throughput from 1.6 to 1.8 million tonnes to maintain current levels of concentrate production of around 320,000dmt per year, and extend the life of mine by 25 years.

"We are pleased that as a result of intense scrutiny, the NT Environment Protection Agency is satisfied there is no evidence the mine has adversely impacted on the McArthur River or Gulf environments and that the river diversions will be safe in all weather conditions," Mr Hearne said.

He added the company has complied with all the conditions requested by the Government.

"The agreements entered have formalised our long standing commitment to minimising the mine's environmental footprint and maximising regional benefits."

In particular, the Heads of Agreement for economic and social benefits formalises MRM's long term commitment to local employment, training and community development initiatives which target health, education, arts and culture, environment, social issues, enterprise development and job creation.



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"These initiatives are particularly important in providing economic opportunities for isolated communities," Mr Hearne said.

"We are working to increase the level of indigenous employment to 20 percent of the mine workforce and will also continue to support the establishment of local business opportunities to supply the mine."

Under the approved MMP, the first stage of work involves the expansion of the existing test pit operations in order to maintain current production levels while work on the full open pit development proceeds under a two year program.

MRM produces 70 percent of the world's zinc-lead bulk concentrate making it a leading exporter of raw material to Imperial Smelters in Poland, Romania, Japan and China. By converting to open pit operations, the business is forecast to inject AUD329 million into the Territory economy and AUD523 million into the Australian economy each year. This equates to a total benefit of AUD13 billion over the 25 year mine life.

MRM has already indicated that 100 percent of the cost of the open pit development will be spent with Australian suppliers of which 31 percent (AUD34 million) will be invested directly in the Territory.

The final step in the approval process is for the Federal Minister for Environment, Senator Ian Campbell, to announce his decision regarding matters under the *Environmental Protection and Biodiversity Conservation Act 1999 (EPBC Act)*.

The NT Government's decision concludes a comprehensive environmental assessment of the proposed open pit development which commenced in March 2003 and has included a Draft Environmental Impact Study (August 2005), an EIS Supplement (December 2005) and a Public Environmental Report (July 2006).

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#### **For more information**

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## **About MRM**

McArthur River Mine (MRM) is a zinc-lead mine wholly owned by Xstrata Zinc and located 900 kilometres south-east of Darwin near the Gulf of Carpentaria. It opened in 1995 to mine an ore body which is one of the largest known deposits of zinc and lead in the world. Since then, it has contributed both directly and indirectly around AUD350 million annually to the Northern Territory economy and employed a workforce of 350.

In August 2005, MRM announced its intention to convert the mine from an underground to an open pit operation to enable production to continue. This development would extend the life of mine by at least 25 years. MRM has a measured and indicated ore resource of greater than 120 million tonnes, equating to over 85 years of production at current levels.

The mine faces the prospect of closure however, as underground mining is no longer viable. After 10 years of operation, the most accessible underground ore has been extracted and the underground mining operations, which comprise over 100 kilometres of underground tunnels, have become uneconomical. The development of an open-pit operation is the only way to access MRM's significant ore reserves and secure the future of the operation.

Growing world demand for zinc, particularly in Asia, and improved refining methods, coupled with reduced operating costs and improved quality of MRM's bulk concentrate product have supported the decision to inject further investment in the mine.

In August 2005, MRM lodged a draft Environmental Impact Statement (EIS) with the Northern Territory Government for the open pit conversion. In December 2005, an EIS Supplement was submitted responding to around 150 matters raised through a public review process. At the conclusion of the EIS process in February 2006, the NT Minister for Natural Resources, Environment and The Arts, Marion Scrymgour, recommended against the mine proposal. This recommendation was passed to the Minister for Mines and Energy, the Hon Kon Vatskalis, MLA, who in March 2006, referred the matter back to the NT Environment Protection Agency (EPA) for further assessment on nine issues via a Public Environmental Report (PER) process. The PER was lodged in July 2006.

On Monday 28 August, Minister Scrymgour announced her conditional recommendation in favour of the mine development following the EPA's assessment of the PER.

Since April 2006, MRM's production has been generated by an approved test pit as underground operations have now ceased.

## **About Xstrata Zinc**

Xstrata Zinc is one of the world's largest producers of zinc. 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.

Xstrata's zinc and lead operations are located in Australia, Canada, Germany, Spain and the UK. They comprise: the San Juan de Nieva zinc smelter and the Arnao zinc semis plant in Asturias, Spain; the Hinojedo roasting plant in Cantabria, Spain; the Nordenham zinc smelter in northern Germany; the Mount Isa, George Fisher-Hilton and Black Star zinc-lead mines and lead smelter in Queensland, Australia; McArthur River zinc-lead mine in the Northern Territory, Australia; the Northfleet lead refinery located in the UK; the Brunswick zinc-lead mine and lead smelter in New Brunswick, Canada, 25% of the CEZ zinc smelter near Montreal, Canada; 50% of Lennard Shelf zinc lead mine in Western Australia; 75% of Lady Loretta zinc lead deposit in Queensland, Australia; 33.75% of Antamina mine in Peru and the Perseverance zinc deposit in Quebec.