



NEWS RELEASE

Cloncurry, 27 November 2007

XSTRATA COPPER ANNOUNCES DEVELOPMENT OF AUD26 MILLION UNDERGROUND DECLINE AND INITIAL UNDERGROUND PRODUCTION AT ERNEST HENRY MINE

Xstrata Copper announces investment of AUD26 million on the development of an underground decline at its Ernest Henry open-pit copper-gold mine near Cloncurry as part of the company's plans to potentially extend the life of mine by converting the open pit to an underground mine.

Xstrata Copper North Queensland Chief Operating Officer, Mr Steve de Kruijff, said he was pleased to be announcing this important project.

"This is a significant commitment by Xstrata Copper to the ongoing sustainability of the Ernest Henry Mine (EHM) and the Cloncurry community. Xstrata has a clear commitment to continuing to look for strategic opportunities to grow and improve our operations in north Queensland," said Mr de Kruijff.

A pre-feasibility study to convert the current open-pit operation to an underground operation was commissioned by Xstrata Copper in late 2006.

"The Xstrata Copper Board recently reviewed the recommendations from the pre-feasibility study and approved investment of AUD26 million over 2008 and 2009 to develop the Stage 1 decline," he said.

"Construction of the decline is likely to commence in February next year, with around 75,000 tonnes of copper in concentrate expected from underground production during 2011-12.

"A further feasibility study to evaluate the viability of full scale underground mining operations at Ernest Henry Mine will start in early 2008 and run in parallel with the development of the Stage 1 decline," said Mr de Kruijff.

"We expect the construction of the decline to be completed in early 2009," he said.

EHM General Manager, Mr Mike Westerman, said it was an exciting step for the company and they were now preparing for the work ahead of them.

"The Ernest Henry deposit is known to extend more than 400 metres below the final Stage 7 open pit. Scoping studies completed in 2005 indicated that the resource below the pit has the potential to be a viable underground operation, and recommended further evaluation," said Mr Westerman.

The scope of the pre-feasibility study included diamond drilling to confirm extensions to the orebody and continuity at depth, and an evaluation of the optimal mining method and detailed scheduling for access and eventual production. These results allowed a financial analysis of the project with a positive result.

The analysis and report included a recommendation that an early commitment to developing the first stage of a decline, that could be used for a variety of scales of underground operation, would minimise the production gap between the end of treating open pit stockpiles and a ramp up to full scale underground production.

"This decline development was tendered to eight mining contractors resulting in a recommendation to award the contract for this work to Barminco.

"Barminco was rated the highest in the evaluation criteria including safety performance, industry reputation and overall competitiveness. They have demonstrated a good track record at other project sites and have a significant presence in the area with an owner-operator mine at Eloise and provision of mining contracting services to other mines in the area," he said.

The EHM decline will entail approximately 3.2 kilometres of development and ventilation connections. It is anticipated that around 35 people will be working full-time on the project for its duration.

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Xstrata Copper Contacts

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|---------------|-----------------------------|---------------|------------------------------|
| Melanie Edgar | | Andrew Upfill | |
| Telephone | +61 7 4744 2832 | Telephone | +61 7 4769 4524 |
| Mobile | +61 423 820 701 | Mobile | +61 409 866 823 |
| Email | medgar@xstratacopper.com.au | Email | aupfill@xstratacopper.com.au |

ABOUT XSTRATA PLC

Xstrata is a global diversified mining group, listed on the London and Swiss Stock Exchanges, with its headquarters in Zug, Switzerland. Xstrata's businesses maintain a meaningful position in seven major international commodity markets: copper, coking coal, thermal coal, ferrochrome, nickel, vanadium and zinc, with additional exposures to platinum group metals, gold, cobalt, lead and silver, recycling facilities and a suite of global technology products, many of which are industry leaders. The Group's operations and projects span 18 countries: Argentina, Australia, Brazil, Canada, Chile, Colombia, the Dominican Republic, Germany, New Caledonia, Norway, Papua New Guinea, Peru, the Philippines, South Africa, Spain, Tanzania, the USA and the UK. Xstrata employs approximately 50,000 people, including contractors.

ABOUT XSTRATA COPPER

Headquartered in Brisbane, Xstrata Copper is one of the commodity business units within the major global diversified mining group Xstrata plc. Its operations and projects span eight countries: Australia, Argentina, Chile, Peru, Canada, the USA, the Philippines and Papua New Guinea. Its operations are administered by five separate divisions, based close to the mining operations, namely the North Queensland, Alumbraera, North Chile, Southern Peru and Canada divisions. It also has a recycling business (Xstrata Recycling) with plants in the United States and offices in Canada and Asia.

Xstrata Copper is the fourth largest global copper producer with annual managed production of over one million tonnes.