



## NEWS RELEASE

# **XSTRATA APPROVES INVESTMENT OF US\$1.47 BILLION TO CONSTRUCT ANTAPACCAY COPPER PROJECT**

Brisbane, 7 July 2010

The Xstrata plc Board has approved an investment of US\$1.47 billion to develop the Antapaccay copper project as a major long-life, low cost brownfield expansion to the Tintaya copper mine in southern Peru. The Peruvian authorities have recently approved the project's Environmental and Social Impact Study.

Antapaccay is located approximately 10 kilometres from the Tintaya open pit mine and will use some of Tintaya's existing infrastructure. The commencement of this new mine is designed to coincide with the existing mine at Tintaya reaching the end of its life in 2012. Development of the Antapaccay deposit will increase annual copper in concentrate production from Tintaya by 60% to an average of 160,000 tonnes for the first six years and transform the mine into a long life business with at least 20 years of operations, based on currently known mineral resources.

Tintaya-Antapaccay will enjoy significantly reduced costs as a result of lower mine strip ratios, economies of scale and the construction of a modern concentrator facility. The remnant Tintaya open pit will be used to store tailings from Antapaccay, reducing considerably the project's environmental footprint and capital costs. The ore will be processed in a new 70,000 tonne a day concentrator facility and the concentrate will be transported by truck to Matarani Port for shipment to worldwide customers.

Construction of Tintaya-Antapaccay will commence in the third quarter of 2010 and operations are expected to be commissioned in the second half of 2012. Some 3,000 direct jobs are expected to be created on average in the construction phase and the operation will employ a permanent workforce of 1,100 people, including 100 new jobs that will be created in addition to the existing Tintaya workforce once operations begin.

Commenting on the approval, Xstrata Chief Executive Mick Davis said:

"When Xstrata acquired Tintaya in 2006, the operation was nearing the end of its mine life. Since then, the local management team has systematically implemented a range of operational initiatives that have significantly improved the net present value of the operation. The development of the Antapaccay project will continue the operation's transformation into an impressive, long-life, low cost operation. The construction of the Antapaccay project marks the next step in Xstrata Copper's strategy to develop its assets in southern Peru, including the development of the world-class Las Bambas project, into a major new copper-producing region and is an important milestone in the Group's delivery

of its extensive growth pipeline to provide a 50% increase in overall volumes by 2014 with substantially reduced operating costs.”

Xstrata Copper Chief Executive Charlie Sartain said: “The approval to commence construction of the Tintaya-Antapaccay project will continue the ongoing transformation of Xstrata Copper’s portfolio. This project, together with the other major projects currently in construction or approaching the approval stage, will increase total annual copper production by 50% to almost 1.5 million tonnes per year by the end of 2014.

“The expansion and extension of operations at Tintaya provide important sustainable benefits for the regional communities. We will be able to provide continued employment and training opportunities, important local infrastructure, benefits for local suppliers and enterprise development, additional royalty and tax revenues and investment in community projects and partnerships via the continuation of our voluntary contributions and the Tintaya Framework Agreement.”

Xstrata Copper’s Southern Peru Division is also developing the major Las Bambas project in neighbouring Apurimac Region that will benefit from some of Antapaccay’s infrastructure and require an indicative capital investment of US\$4.2 billion. The project’s feasibility study has been completed, the Environmental and Social Impact Study has been presented for approval to Peruvian authorities and the citizen participation process is now underway.

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#### **Xstrata contacts**

Claire Diver  
Telephone +44207 968 2871  
Mobile +44 7785 964340  
Email [cdivver@xstrata.com](mailto:cdivver@xstrata.com)

Hanre Rossouw **(Investors & analysts)**  
Telephone +44 20 7968 2820  
Mobile +44 7879 455885  
Email [hrossouw@xstrata.com](mailto:hrossouw@xstrata.com)

#### **Xstrata Copper contacts:**

Domingo Drago  
Telephone +511372 2233  
Mobile +511 989259180  
Email [ddrago@xstratacopper.com.pe](mailto:ddrago@xstratacopper.com.pe)

Emily Russell  
Telephone +56 2 478 2204  
Mobile +56 9 443 3571  
Email [erussell@xstratacopper.com](mailto:erussell@xstratacopper.com)

#### **Notes for editors**

#### **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 19 countries

#### **ABOUT XSTRATA COPPER**

Xstrata Copper is the fourth largest global copper producer with attributable mined production in 2009 of 907,000 tonnes of copper in cathodes and concentrates. The company is also one of the world’s largest producers of smelter and refined copper, including from third party materials.

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

## **ABOUT XSTRATA COPPER'S SOUTHERN PERU DIVISION**

In November 2007, Xstrata Copper announced the creation of the Southern Peru Division, headquartered out of the city of Arequipa. The division is responsible for the management of the Tintaya mining operation, the Las Bambas, Antapaccay and Coroccohuayco development projects, regional exploration and the development and implementation of the company's growth strategy in southern Peru.

### **Tintaya-Antapaccay**

The Tintaya open pit mine is located 4,100 metres above sea level in the Yauri district of Espinar Province in southern Peru's Cusco Region. Tintaya commenced production in 1985, and was acquired by BHP Billiton in January 1996 following their acquisition of Magma Copper Company. In June 2006 Xstrata acquired Tintaya from BHP Billiton, including the satellite Antapaccay and Coroccohuayco exploration targets. The existing Tintaya operation consists of a concentrator and SX/EW plant and has annual production of approximately 100,000 tonnes per annum of copper in concentrates and cathodes.

In August 2009, Xstrata Copper upgraded its Mineral Resource estimate for Antapaccay to 720 million tonnes at a grade of 0.56%, plus gold credits, using a 0.2% copper cut-off grade. A total of 163,000 metres has now been drilled at Antapaccay including 90,000 metres of historical drilling conducted prior to Xstrata's acquisition of Tintaya.