Growing the world’s largest zinc resource

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Analyst Visit April 2011
Agenda

- Introduction
- Market Update
- Delivering Organic Growth – Xstrata Zinc Australia
- Future Growth Options
- Conclusion
Global Footprint of Xstrata Zinc Operations

Xstrata Zinc Canada
- Penrhynance Bracemaker project
- C-SZn
- Brunswick mine and smelter

Xstrata Zinc Europe
- Pallas Green project
- Northfleet Pla refinery
- San Juan de Nieva

Xstrata Zinc Australia
- Antamina CuZn
- XZn Madrid Head office
- Mt. Arthur River
- Lady Loretta project
- Mt. Isa complex

Introduction
Creating The Leading Global Zinc Producer Through M&A And Organic Growth

- Initial platform of European zinc smelters
- M&A growth through MIM (Mount Isa and McArthur River) and Falconbridge (Brunswick, Kidd, CEZn and Antamina)
- Acquisitions further augmented by organic growth

**Industry Ranking - 2004**

- Teck Cominco Limited
- Zinifex
- Anglo American plc
- Noranda
- New Boliden
- Xstrata

**Top five share: 26%**

**Mining assets:** Mount Isa, McArthur River

**Industry Ranking - 2010**

- Xstrata
- Vedanta
- MMG
- Teck
- Glencore

**Top five share: 30%**

**Mining Assets:** Mount Isa, McArthur River, Brunswick, Kidd, Perseverance, Antamina

Source: Brook Hunt
Significant Progress Achieved In Our Strategic Goals In Past 5 Years

- **Ongoing improvement in Sustainable Development targets**
  - 57% reduction in Total Recordable Injuries
  - 78% reduction in Lost Time Injuries
  - 86% reduction in Disabling Injuries

- **Strong production growth**
  - Zn mine production: 312kt ‡ 1.1 Mt (+255%)
  - Zn metal production capacity: 646kt ‡ 825kt (+28%)

- **Vertical integration of smelting and mine production**
  - Zn mine/Zn metal: 48% ‡ 133% (2004-2010)
Significant Progress Achieved In Our Strategic Goals In Past 5 Years (cont.)

- Growth in Resources and reserves (2004-2010)
  - Zinc mine reserves: 81Mt ore ‡ 179Mt ore (+120%)

- On-going cost cutting and C1 cash cost improvement (2004-2009)
  - Over $600m accumulated savings in past 6 years
Transformation of Xstrata Zinc repositioned to bottom half of cost curve

- Mt Isa established as tier one asset with low cost position and long mine life
- Xstrata Zinc in first quartile position excluding McArthur River production
- Although a competitive producer, McArthur River with a bulk concentrate should be analyzed separately

**Improved cost curve position**

**Cost curve position of mines**
Zinc market currently in surplus
  - Production cuts in downturn reversed on recent higher prices

World zinc demand slowly catching up with production

World lead market is now balanced

Source: ILZSG

Zinc production and consumption

Lead production and consumption

Metal production          Metal consumption
Strong Demand Outlook For Lead And Zinc

- Global zinc demand to grow ~4% in coming years, driven by strong demand in the developing countries
  - 5.8% p.a. in developing countries
  - 1.5% p.a. in mature economies

- Global lead demand also set for strong growth
  - Growth rate of more than 4% driven by China and other developing countries
  - Strong growth in lead-acid batteries (~80% of total lead consumption) driven by robust output of cars, e-bikes, motorbikes as well as by the large replacement sectors of these vehicles

Source: Brook Hunt, Xstrata Zinc
Several zinc and lead mines are expected to close as reserves become depleted

- Capacity closures by 2016:
  - Zinc: 1.9Mt
  - Lead: 0.5Mt
- New projects by 2016:
  - Zinc: 800kt
  - Lead: 150kt

Expected zinc and lead mine closures

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kt cumulative lost production

Source: Brook Hunt, Xstrata Zinc
Creating A Significant Concentrate Deficit And Difficult Conditions For Custom Smelters

- Zinc mine production in China is expected to grow at about 3% in coming years due to declining head grades, closure of end-of-life mines and delayed reserve replacement.

- Large resource base but development projected to lag strong demand growth.

- Characterized by many small producers with government encouraging consolidation and integration.

- China projected to be continued net importer of zinc and lead concentrates contributing to a tight concentrates market going forward.

Source: Brook Hunt, Xstrata Zinc
Global Zinc And Lead Markets Require Significant Supply Growth To Balance Markets

- With expected mine closures, the zinc industry will need to develop about 7Mt of new mine capacity by 2020 and about 14Mt by 2025 in order to meet expected demand.

- Projects classified as probable would cover only 2.4Mt.

- Although many other projects classified as “possible” could help cover this gap, timing and delivery remains uncertain.

**Zinc mine production**
- 7 Mt needed by 2020
- 14 Mt needed by 2025

**Lead mine production**
- 2 Mt needed by 2020
- 4 Mt needed by 2025

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**Forecast global zinc mine production and consumption**

- **Probable projects B**
- **Probable projects A**
- **Zn Mine Production**
- **Mine prod required**

- 2020: 7 Mt
- 2025: 14 Mt

Source: Brook Hunt, Xstrata Zinc
Xstrata Zinc Australia

- 2,070 employees and contractors
- Mount Isa Mines zinc, Lead and Silver production
  - George Fisher underground, Black Star open pit, Handlebar Hill open pit
  - Zinc-lead concentrator and lead smelter
  - Lady Loretta Project
- Bowen Coke Works
- McArthur River Mine
  - Open pit mine and zinc-lead concentrator
  - Bing Bong port loading facility
Xstrata Zinc has world’s largest zinc resource base, as well as mines of industry-leading quality and scale

- Mt Isa* region contains the largest zinc resource in the world at 36Mt
- Mc Arthur River follows in 2nd place with 19Mt

![Ranking of zinc assets by resource](chart.png)

Source: Brook Hunt  * Mt Isa includes G. Fisher and the Lady Loretta deposit
Mount Isa Mines
Zinc-Lead Operations

- Commenced in 1969

- Products:
  - Zinc in concentrate
  - Lead in bullion
  - Silver in bullion

- 74% of zinc concentrate exported to Asia and Europe

- Lead bullion shipped to UK for refining

- Current Projects:
  - Black Star Deeps
  - George Fisher Mine Expansion
  - George Fisher North Crushing Plant
  - Black Star South

- All mining projects are planned to ensure full utilisation of the zinc-lead concentrator capacity
Significant increase in Mine production since 2005 to above 8.5Mtpa in 2010.

MIM Zinc mining and concentrate production (kt Zn)
Expand extraction capacity and ore production by 1Mtpa from 3.5 to 4.5Mtpa and access new 20Mt mining block

- Estimated capex $274m in next 3 years (underground crusher, new shaft at GF North, underground mine development for new 20Mt mining block, mobile equipment, etc.)
- Production to start in early 2013
George Fisher Mine Expansion
5% Complete
Around 40% of zinc-lead ore crushing currently conducted in Mount Isa being relocated to GFM

$36 million development announced in December and to be complete late 2011

Replaces 3 mobile crushing units

New facility will service the GFM operations for the life of mine at expanded production rate

Eliminates double handling of ore, lowers operating costs, reduces diesel consumption and reduces emissions
Mount Isa Mines
Black Star Deeps Project
Approved April 2010

Deepening of Black Star Open Pit

- Access to 15mt of ore @ 4.3% Zn and 2.5% Pb
- Estimated capex $113m
- Project approved in April 2010
- Production to start at the end of 2011

Opportunity to extend the life of mine by 3 to 4 years to 2016

Maintains current employment levels of 190 employees

Up to 100 temporary contractors employed during development phase

Maintains current production profile of 4.5Mtpa
Black Star Deeps Project
Civil Works 95% Complete / Pre-strip 15% Complete

- Construction progressing as scheduled on time and on budget

- BSOC Deeps starter projects
  - R67 refrigeration relocation - completed
  - Water management & drainage
  - Portal relocation
  - Road net work revamp
  - WWD waste rock dump upgrade
  - Equipment & labour reinforcements

- Stage 4 Ore & Stage 5 waste stripping

- Sustain lead and dust management

- Maintain vigilance over Void Management process
Mount Isa Mines
Additional Growth Options – Mount Isa

- Extension of Black Star to the South
  - 13.4Mt ore @ 5.6% Zn and 4.2% Pb
  - 1.5Mt ore @ 1.1% Cu
  - Mine Plan Variation submitted for Queensland Government approval in February 2011
  - Mine life extension to 2018

- Black Rock Open Pit
  - 1st stage 9Mt copper ore
  - 2nd stage: 12Mt Zn ore @ 3.5% Zn, 3.1% Pb and 15Mt Cu ore @ 1.1% Cu

- Rio Grande open pit
  - 6 million tonnes ore; 2.4% Zn, 3.6% Pb
Mount Isa Mines
Additional Growth Options – Handlebar Hill

- Currently operates as a swing mine utilising Black Star resources and fleet

- Proposed extension of Handlebar Hill open pit mine through a single stage cutback – approved in March

- Extension allows access to deeper ore and ore to north-east that is outside the currently approved Stage 2 pit design

- Additional targeted reserves generate approximately 3Mt of ore @ 6.8% zinc and 2.7% lead

- Estimated capex: $38m
McArthur River Mining

- Approx 900km south east of Darwin
- 60km from Borroloola
- 120km from Bing Bong port loading facility
- 24 hour operation mining zinc, lead and silver
- One of the world’s largest zinc resources
- Supplies 70% of world zinc bulk concentrate market.
McArthur River – Open Pit Conversion

- Underground mine established in 1995
- Converted to open pit operations in a project completed in 2009
- Phase 3 Development Project announced in March 2011
Significant increase in Mine production since 2005 to above 2.2Mtpa in 2010.
McArthur River
Phase 3 Development Project

- $270 million development project
- Increases mine production to around 5 million tonnes per annum and 800kt of bulk concentrate
- Open pit will expand within existing bund wall
- Approximately 110 additional personnel in operation
- Extends mine life by 6 years to 2033.

2011: Submission of environmental assessment report. SUBJECT TO INTERNAL AND GOVERNMENT APPROVALS
2012 Commence development works.
2014 Commence operations at higher rate of production
McArthur River
Xstrata Zinc’s Technology Advantage

β Allows integrated expansion of McArthur River Mine, doubling its current production
   - Significant conversion of resources to reserves
   - Significant on-site cost reduction

β Allows integrated expansion of Xstrata Zinc’s smelters with corresponding cost reductions

β Facilitates improvement of Brunswick Lead smelter

Xstrata’s proprietary hydrometallurgy technology offers strategic advantages for Xstrata Zinc through the recovery of base and precious metals from refractory sulphide ores
Expansion of Xstrata Zinc European smelters would be sufficient to absorb the expanded production of McArthur River mine

- Demonstration plant commissioned in July 2010 at San Juan de Nieva and another to be commissioned in Nordenham in early 2011

Lead by-product from the smelters could be processed at the Brunswick lead smelter
McArthur River - Phase 3 Development Project
Significantly Improving The Cost Base

- Xstrata’s proprietary hydrometallurgy technology will enable MRM to increase production and reduce unit costs

- Doubling production capacity to 5mtpy will result in ~20% reduction of on-site costs
  - Zinc contained would increase to 370ktpy

- Cost reduction would give added benefit by converting large share of resources into reserves
  - Mineable reserves expected to increase about 70Mt
  - LOM extended about 6 years to 2033 at higher production rate
McArthur River
Environmental Performance

- 2009 Independent Monitors’ report found no issues requiring urgent investigation
  - Improvements in water management and dust mitigation
  - Monitoring programs appropriate
  - MRM acted to eliminate previously identified risks
- No adverse impact on the McArthur River or Gulf environments from mining operations
- Rehabilitation of McArthur River and Barney Creek Channel continuing and escalating
  - 40,000 plants in 2010 equals amount planted in previous 2 years
McArthur River Community Engagement

- MRM Community Benefits Trust formed in 2007
- $7 million invested to date

MRM Community Benefits Trust Grant Allocations as at July 2010.
McArthur River
Increased Indigenous Employment

- Indigenous employment increased from 9% in 2006 to 21% in 2010
- Effective traineeship program engaging with local youth (men and women)
- Provides pathways to employment through on-the-job training, formal instruction and apprenticeships
- Heavy machinery simulator popular and effective
- New programs have improved retention rates
| Future Growth Options |
Other Australian Greenfield Growth Options

Lady Loretta (100%)

- Transaction to acquire remaining 25% from joint venture partner, Cape Lambert, settled on 1 April for $30 million
- Greenfield development subject to review
- Located 140 kilometres north-north west of Mount Isa
- 13.6Mt resource @ 17% Zn, 6% Pb
- Indicative capex $460m
- Investigating processing options at Mount Isa
Zinc supply and demand fundamentals remain attractive in the medium-long term

Xstrata Zinc Australia achieved significant growth in the past few years through organic growth and improved operational efficiencies

Xstrata Zinc Australia achieved significant year-on-year cost reductions at its operations
  - Improved cost position from the upper part of the curve in the past years to within the second quartile in 2010
  - Continued cost improvement of all operations

Xstrata Zinc Australia has portfolio of projects to facilitate further organic growth and maintain group’s leading position in the Zinc industry
Questions ?