



PRESS RELEASE

XSTRATA APPROVES DEVELOPMENT OF ERNEST HENRY UNDERGROUND MINE AND MAGNETITE PROCESSING OPERATION

Cloncurry, 3 December 2009

Xstrata Copper announces corporate approvals for a total investment of US\$542 million (approximately AUD589 million) to extend the life of its Ernest Henry Mining (EHM) operations near Cloncurry in north-west Queensland, Australia, to at least 2024, through the transformation of open pit mining operations to a major underground mine together with the construction of an associated magnetite extraction plant.

The decision follows feasibility studies into the construction of a magnetite processing facility and the installation of full scale underground mining operations at EHM that have resulted in a revised Ore Reserve Estimate of 72 million tonnes at a grade of 1.0% copper, 0.5 grams per tonne gold and 22% magnetite. The total tonnage represents a 600% increase over previously published underground reserves. Ore will be mined principally from a major hoisting shaft to be sunk to a depth of 1,000 metres, producing 6 million tonnes per annum of ore at full capacity.

The project will enable EHM to achieve annual production levels of approximately 50,000 tonnes of copper and 70,000 ounces of gold in concentrates from 2012 when processing from open pit mining operations ceases. Copper-gold concentrates from EHM will continue to be hauled by purpose-built trucks to Xstrata's Mount Isa copper smelter, with the anode then railed to Xstrata Copper's refinery in Townsville.

The existing concentrator at the Ernest Henry mine will be reconfigured to align with the underground mine production rate, resulting in continuous milling at lower throughput levels to deliver improved metallurgical recoveries and energy efficiencies. A separate extraction circuit will be installed to produce the magnetite concentrates.

The magnetite processing operation at EHM will produce approximately 1.2 million tonnes of magnetite per annum for export to Asia, making it Queensland's first iron ore producer.

Construction of the underground mine is expected to commence in the first half of 2010 with first production in late 2011 and full-scale operation from early 2013. Construction of the magnetite plant is also expected to commence in the first half of 2010 with commissioning expected by the beginning of 2011.

Xstrata Copper Chief Executive, Charlie Sartain, said: "This project marks an important step towards sustaining our north Queensland copper operations, that make a significant contribution to the Queensland economy."

“This is the second of five brownfield projects that Xstrata Copper is planning to move into the construction phase over the next nine months across our global operations, following the approval of the Lomas Bayas extension project in October.

“Overall, these projects form an integral part of Xstrata Copper’s near-term organic growth program that will see total copper production increase by 60% to 1.5 million tonnes per annum by the end of 2014, adding significant value for all Xstrata’s stakeholders.”

Xstrata Copper North Queensland Chief Operating Officer, Steve de Kruijff, said: “The project will secure 400 long term jobs at the Ernest Henry site.

“The Ernest Henry Mining operation is a critical part of Xstrata Copper’s integrated north Queensland operations.

“The project will ensure a sustainable future for our Ernest Henry operations and the continued supply of copper concentrate to our smelter in Mount Isa that in turn supports our refining operations in Townsville.

“It will generate an additional 330 jobs during construction and 400 full-time jobs from 2013.

“This investment decision demonstrates Xstrata’s commitment to the future of north west Queensland as one of the premier mining regions of the world.”

The project is dependent on final Queensland Government environmental approvals.

(Ends)

Ernest Henry Underground Mineral Resources and Ore Reserves* as of 3rd December 2009

Ernest Henry Mine	Reserve Probable Ore Reserve	Mineral Resource		
		Measured Resource	Indicated Resource	Inferred Resource
Tonnes (Mt)	72	5	72	13
Copper (%)	1.0	1.3	1.3	1.2
Gold (g/t)	0.5	0.7	0.7	0.6
Magnetite (%)	22	30	26	24

* All tonnage and grade estimations for Mineral Resources are reported as inclusive of tonnage and grade estimations for those Mineral Resource estimates that have been converted to Ore Reserves. The Underground Ore Reserve is estimated from applying underground mining methods to a mining shape derived from the Measured and Indicated Mineral Resources only. All tonnes and grade information has been rounded to appropriate significant figures as determined by the Competent Persons.

Competent Persons: Mr Myles Johnston FAusIMM (Competent Person Mineral Resource) and Mr Chris Carr FAusIMM (Competent Person Ore Reserves) are full time employees of Xstrata and both qualify as a Competent Person under the 2004 JORC Code.

The Mineral Resource estimate is based on a copper equivalent cut-off of 1.15% (CuEq = Cu % + 0.52 x Au g/t). The Underground Mineral Resource includes all material outside the current life of mine planned pit to the base of current drill testing.

The mining method is a combination of blasting ore remaining in walls above the final pit floor and Sub-Level Caving below the pit floor. Metallurgical testing has confirmed the processing performance expected from the mineralisation including the magnetite contained within the mining shape. There is no overlap between the Underground and the currently published Open Pit Mineral Resources and Ore Reserves.

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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 a growing platinum group metals business, additional exposures to 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

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: 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, Minera Alumbrera, 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 attributable mined production in 2008 of 952,000 tonnes of copper in cathodes and concentrates. The company is also the world's second and third largest producer of smelter and refined copper production respectively, including from third party materials.

ABOUT XSTRATA COPPER NORTH QUEENSLAND AND ERNEST HENRY MINING (EHM)

Xstrata Copper's North Queensland Division is headquartered in Mount Isa and comprises the Mount Isa Mines copper operations consisting of the Enterprise and X41 underground copper mines, the copper concentrator, Mount Isa copper smelter, Ernest Henry Mining open pit copper mine located near Cloncurry, and the Townsville operations comprising the copper refinery, and Townsville port facilities and logistics.

The Division's integrated operations have the capacity to produce 300,000 tonnes of refined copper per annum.

In 2008, Xstrata Copper North Queensland contributed \$1.4 billion to the Queensland economy.

Ernest Henry Mine, 38 kilometres north east of Cloncurry in north west Queensland, began commercial production in 1998 as an open pit copper mine. Mined ore is processed at a concentrator on-site at the rate of 11 million tonnes per annum (mtpa).

Copper concentrate containing gold is trucked 157 kilometres to Mount Isa for smelting to anode, and the anode is then railed to Townsville for refining to cathode at Xstrata Copper's refinery.

In 2008, EHM produced 111,000 tonnes of copper in concentrate and 146,000 ounces of gold in concentrate. EHM concentrate currently represents around 30% of Xstrata Copper north Queensland's total production.

The EHM open pit project was based on an optimised pit design to recover as much as is economically possible of the copper-gold orebody. The design had seven stages of development with mining commencing in 1996 and scheduled to be completed in 2011. Processing of mined ore will continue beyond mining to be completed in 2012.

In 2008, EHM employed 616 people, paid \$43 million in wages, spent \$230 million on goods and services (17.5% spent with local suppliers), \$33 million on rail, power and water, \$22.7 million on government taxes and charges, \$348,000 on local Council rates, \$2.1 million on local infrastructure support, and invested \$1.1 million on youth training, apprenticeships and community support.

The University of Queensland's Centre for Social Responsibility in Mining (CSRMI) found in 2007 that Ernest Henry Mining was responsible for over 30% of Cloncurry's economic activity.