

Xstrata Group shows improvement in performance, but Xstrata Alloys suffers

Xstrata PLC announced a stronger financial performance as demand starts to grow again for the Group's products - Xstrata Alloys' ferrochrome production drops by 4%

Sustainability rests on three pillars of development: economic, social and environmental. For a company to be in a position to make a meaningful contribution to the social upliftment of local communities, it has to be a successful commercial entity.

The Xstrata Group operates across 21 countries around the world and in seven major international commodity markets: copper, coking coal, thermal coal, ferrochrome, nickel, vanadium and zinc, amongst others.

Chief Executive Officer of Xstrata plc, Mick Davis, said that operational performance improved in the second quarter of the year.

This was largely because of an increased demand for the Group's various products as economies are recovering slowly from the global recession experienced over the last few years.

In South Africa, Phase II of the Lion ferrochrome plant and the Tswelopele pelletising plant project remain on budget and on schedule. Both these projects are designed to improve energy efficiency and reduce operating costs, reinforcing our position as the lowest cost chrome producer in South Africa.

The conversion of Eland platinum mine into a major underground operation is also on track to commission at the end of 2015.

Mick Davis said that the Group was recovering well from the global economic recession and the work done in the first half of the year meant the Group was on track to deliver an even stronger second half performance. As global economies continue to improve, Xstrata is well-positioned to continue to deliver value to its shareholders.

Xstrata Alloys

The amount of ferrochrome produced in Xstrata's South African operations fell by 4% in the first half of 2011 compared to the first six months of 2010. This was because there was work to be done on a number of the furnaces which increased costs and lowered efficiencies.

Production of ferrovanadium dropped by 10% compared to the first six months of 2010, because of a planned two week maintenance shutdown during this time.

The price that the company can get for ferrochrome on the international market changed from quarter to quarter and this affected the revenue.

Eland produced less platinum group metals (PGMs) in the first half of the year because of permitting delays and blasting restrictions for the open pit operation. Mining restarted in the second quarter.

The development of both decline shafts at the Eland underground mine is progressing well with a total of 7,650 metres developed to date and the bulk of the surface infrastructure completed. Initial production from the first operating level is expected during the last quarter of 2011.

The Mototolo joint venture managed to maintain its production levels of around 200,000 tonnes per month.



Profile: Rhovan Mine

Nature of operation

Rhovan is an integrated operation (mine and plant) producing vanadium pentoxide and ferrovanadium for local and international markets.

Age of operation

Mining started in 1989 and acquired by Xstrata Alloys in 1997.

Capacity

9800 tonnes of V2O5 per annum

Full-time employees

481

Contractors

200

Ownership

The Bakwena-Ba-Mogopa Traditional Community has a 26% interest in Rhovan which is owned by Xstrata Alloys. The pooling and sharing venture (PSV) means that both parties have agreed to put their assets together for the purpose of mining while still keeping individual ownership, and to share in the earnings of the operation.



Welder Jonas Maepa, at Rhovan's project workshop

It is not a new mine and there are no major expansion plans on the cards, but there is a definite sense of achievement when you visit Rhovan mine.

This may have something to do with the fact that Rhovan had a record production year in 2010, producing 9 922 tonnes of vanadium.

It may also be because of the recently signed joint venture with the Bakwena-Ba-Mogopa Traditional Community which now has a 26% stake in the operation.

Then there is the projects team - with an established drawing office and workshop - that is successfully tackling projects that previously would have been outsourced to contractors at a much higher cost.

It is probably a combination of these and other exciting things that are happening at the operation, which are all aimed at containing costs and improving efficiencies. The focus at Rhovan is on continuous improvement. Everyone working at the operation has the responsibility and opportunity to contribute to this process.