



## NEWS RELEASE

### **XSTRATA RECEIVES INVESTMENT CANADA ACT APPROVAL**

Toronto and Zug, 25 July 2006

Xstrata announces that it has today received notice from the Minister of Industry that Xstrata's acquisition of control of Falconbridge Limited has been approved by the Minister under *the Investment Canada Act*. Xstrata's all cash offer to the shareholders of Falconbridge Limited is therefore not subject to any further regulatory review.

Commenting, Xstrata CEO Mick Davis said, "I am pleased that Xstrata has been able to demonstrate the benefits to Canada of our successful acquisition of Falconbridge.

"Today's announcement effectively removes the last remaining regulatory hurdle to our acquisition of Falconbridge. Given the overwhelming support of Xstrata's shareholders for this acquisition at the first shareholders' meeting, on-going positive feedback from our shareholders and the undertakings already received to vote in favour of the transaction at the next meeting, I have no doubt that the resolution will be passed at the Xstrata general meeting on 14 August enabling us to take up and pay for any shares tendered to Xstrata's offer.

"The outcome of this transaction therefore lies – as it should – in the hands of the Falconbridge shareholders themselves. Set against the continuing significant market and commodity risk inherent in the Inco offer, particularly given Inco's significantly higher leverage post transaction, and the high degree of uncertainty around the completion of Phelps Dodge offer, Xstrata's all cash offer provides clear and certain value for Falconbridge shareholders and an opportunity to bring this prolonged process to a close, to the benefit of all Falconbridge stakeholders. I therefore urge all Falconbridge shareholders who wish to receive the full cash value of C\$62.50 per share to tender their shares to Xstrata as soon as possible and not to tender to the Inco offer.

"Following approval by Xstrata shareholder's on 14 August 2006, Xstrata will immediately take up and pay C\$62.50 in cash for all shares tendered under our offer. We anticipate that all tendering shareholders will receive their all cash consideration within three business days from 14 August, at least one full month in advance of the earliest possible payment under the proposed Phelps Dodge paper and cash deal for which a closing date has not even been set."

To demonstrate net benefit to Canada in order to obtain the approval under the Investment Canada Act, Xstrata has provided to the Minister several important commitments in respect of Falconbridge's operations and employees in Canada. Given the uncertainties that Falconbridge employees have faced through this contested transaction, Xstrata wishes to confirm a number of key commitments provided to the Minister:

### **Establishment of New Global Business: Xstrata Nickel**

Xstrata has committed to establishing a new standalone global nickel business, Xstrata Nickel, with its head office in Toronto and with responsibility for all of Xstrata's worldwide nickel operations now and in the future. The CEO of Xstrata Nickel, as well as a majority of the members of its operating board and senior management, will be Canadian. The CEO of Xstrata Nickel will also serve on Xstrata's Executive Committee, which is the primary governance body responsible for Xstrata's worldwide operations. Xstrata Nickel will oversee Falconbridge's existing nickel operations and all future growth in nickel worldwide for the Xstrata Group. Xstrata Nickel will be tasked with the mandate of expanding its position as a global leader in its industry, with Xstrata's greater access to capital enhancing its ability to grow, both organically and through acquisitions.

### **Expanded Technology and Research & Development**

Canada will benefit from having a prominent and increased role with respect to technology and research and development in the mining industry. Xstrata has committed to establishing in Toronto a Canadian Division of Xstrata Technology, which will be responsible not only for marketing Falconbridge's existing commercial technologies worldwide, but also for marketing Xstrata's existing highly successful proprietary technologies throughout the Americas. Xstrata has further committed to establishing a new technology research and development unit, the Process Technology Development Group, in Sudbury. This Group will oversee Xstrata's existing hydrometallurgical know-how and facilities in Australia as well as Falconbridge's existing research and development activities. In addition, Xstrata has made significant commitments with respect to increased research and development expenditures in Canada over the next three years.

### **Canada-Based Copper and Zinc Regional Head Offices**

Xstrata has committed to establishing regional head offices in Toronto to manage Falconbridge's Canadian copper and zinc operations, which will also benefit in other important respects from being part of the Enlarged Group. The Chief Operating Officers in charge of each of these two head offices, as well as a majority of their senior management, will be Canadian. The head office for the Canadian copper operations will also oversee the global headquarters for Xstrata's copper recycling operations, which itself will be established in Canada. Among other benefits to the Canadian copper and zinc operations, Canadian copper smelters will have increased security of copper concentrate supply due to the substantially improved copper concentrate position resulting from the combination of Xstrata's existing strong copper concentrate position with Falconbridge's copper assets.

### **Commitment to Employment**

Xstrata is confident that its acquisition of Falconbridge will have a positive impact on long-term employment stability and growth as a result of improved diversification by commodities, countries and currencies, as well as improved access to capital. Xstrata has committed not to make any lay-offs of operating staff at any of Falconbridge's operating facilities in Canada for a three-year period. Any potential lay-offs in Canada over that period will be confined to head office, administrative and non-Canadian exploration positions. More generally, Canadian employees (both management and non-management) will benefit from increased training and employment opportunities that result from being exposed to Xstrata's global management skills, training and development programmes and international best practices. Xstrata's track record in other countries has demonstrated the very real benefits to employees in terms of overall employment growth and increased opportunities that result from being part of the Enlarged Group.

### **Improved Exploration and Capital Expenditure in Canada**

Xstrata has made substantial commitments with respect to improved capital expenditures in Canada over the next three years consistent with the Enlarged Group's excellent access to capital and Xstrata's long-term growth philosophy and commitment to Canada. Xstrata has similarly provided significant commitments in respect of increased expenditures on exploration, including greenfield exploration, in Canada over that same period.

### **Canadian Non-Executive Director**

Given the importance to the Enlarged Group of its Canadian businesses, Xstrata has committed to a process to identify for consideration by the Nominations Committee of Xstrata plc an appropriate Canadian candidate to be put forward to shareholders as a non executive director of Xstrata.

### **Commitment to Communities**

Xstrata has an established practice of setting aside 1% of its annual pre-tax profits to support communities in which it operates. Consistent with that philosophy, Xstrata has committed that a set portion of the Group social involvement funding will be spent on community and social initiatives in Canada, with a particular focus on supporting aboriginal communities.

For a discussion of recent developments concerning the Xstrata offer for Falconbridge, please refer to the section below under the heading: 'Recent developments in relation to Xstrata's offer for Falconbridge'.

Falconbridge shareholders wishing to withdraw their shares from the Inco offer should immediately contact their broker or other financial intermediary and instruct such intermediary to withdraw their Falconbridge common shares. Xstrata encourages all Falconbridge shareholders to tender their shares to the Xstrata cash offer. For directions on tendering your Falconbridge shares to the Xstrata offer please contact Kingsdale Shareholder Services Inc. (details below).

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### **Falconbridge Shareholders with questions please contact:**

Kingsdale Shareholder Services Inc.

North American Toll Free:

1-866-639-7993

Outside North America, Banks and Brokers Call Collect

+1 (416) 867-2272

Email:

[contactus@kingsdaleshareholder.com](mailto:contactus@kingsdaleshareholder.com)

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### **Xstrata contacts**

Claire Diver

Telephone +44 20 7968 2871

Mobile +44 7785 964 340

Email [cdivver@xstrata.com](mailto:cdivver@xstrata.com)

Ernie Lalonde

National Public Relations

Telephone +1 416 848 1423

Email [elalonde@national.ca](mailto:elalonde@national.ca)

Michael Oke

Aura Financial

Telephone +44 20 7321 0033

Mobile +44 7834 368 299

Email [michael@aura-financial.com](mailto:michael@aura-financial.com)

Each of Deutsche Bank AG, JPMorgan Cazenove Limited and TD Securities Inc. is acting exclusively for Xstrata plc ("Xstrata" or the "Company") and no one else in connection with the proposed acquisition of Falconbridge (the "Falconbridge Acquisition") and will not be responsible to anyone other than Xstrata for providing the protections afforded to its clients or for providing advice in relation to the Falconbridge Acquisition and/or any other matter referred to in this announcement.

The offer for Falconbridge referred to herein (as the same may be varied in accordance with applicable law, the "Offer") is being made by Xstrata Canada Inc. (the "Offeror"), a wholly-owned indirect subsidiary of the Company.

This announcement does not constitute or form part of any offer or invitation to purchase, otherwise acquire, subscribe for, sell, otherwise dispose of or issue, or any solicitation of any offer to sell, otherwise dispose of, issue, purchase, otherwise acquire or subscribe for, any security. The Offer is being made exclusively by means of, and subject to the terms and conditions set out in, the offer and offering circular filed on 18 May 2006, as amended and varied by the notice of extension dated 7 July 2006, the notice of variation dated 11 July 2006 and the notice of variation dated 21 July 2006, each filed with Canadian provincial and United States federal securities regulators.

The release, publication or distribution of this announcement in certain jurisdictions may be restricted by law and therefore persons in such jurisdictions into which this announcement is released, published or distributed should inform themselves about and observe such restrictions.

Unless the context otherwise requires, references in this announcement to the "Enlarged Group" are to Xstrata and its subsidiaries (including BHP Billiton Tintaya S.A. ("Tintaya") following completion of the acquisition by the Xstrata group of Tintaya announced by Xstrata on 16 May 2006 (the "Tintaya Acquisition")) and subsidiary undertakings and, where the context requires, its associated undertakings as constituted immediately following completion of the Falconbridge Acquisition and therefore such references include the Xstrata group as enlarged by the Falconbridge group. Completion of the Falconbridge Acquisition is subject to a number of conditions.

Unless the context otherwise requires, references in this announcement to the "Falconbridge Acquisition" assume an acquisition under the Offer of all outstanding Falconbridge shares not already owned by the Xstrata group.

Nothing in this announcement is an offer of securities for sale or a solicitation of an offer to purchase securities in the United States or in any other jurisdiction. The securities of Xstrata referred to herein have not been and will not be registered under the US Securities Act of 1933, as amended (the "Securities Act"), and such securities may not be offered or sold in the United States absent registration under the Securities Act or an applicable exemption from the registration requirements of the Securities Act.

This announcement includes statements that are, or may be deemed to be, "forward-looking statements". By their nature, forward-looking statements involve risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future and may be beyond Xstrata's ability to control or predict. Forward-looking statements are not guarantees of future performance. The Xstrata group's and the Enlarged Group's actual results of operations, financial condition, liquidity, dividend policy and the development of the industries in which they operate may differ materially from the impression created by the forward-looking statements contained in this announcement. Further, actual developments in relation to the Falconbridge Acquisition and the expected completion, and timing of completion, of the Falconbridge Acquisition may differ materially from those contemplated by forward-looking statements depending on certain factors which include, but are not limited to, the risk that Xstrata shareholders may not vote in favour of the resolution to be proposed at the extraordinary general meeting to consider the Falconbridge Acquisition, the other conditions of the Falconbridge Acquisition may not be satisfied on a timely basis or at all, the risks that (and the risks associated with the fact that) the Xstrata group may not acquire under the Xstrata offer all of the Falconbridge shares not already owned by the Xstrata group, the Xstrata group may not realise the anticipated benefits, operational and other synergies and/or cost savings from the Falconbridge Acquisition and/or the acquisition by the Xstrata group of a one third interest in Cerrejón which completed on 12 May 2006 (the "Cerrejón Acquisition") and/or the Tintaya Acquisition and the Xstrata group may incur and/or experience unanticipated costs and/or delays or difficulties relating to integration of the Enlarged Group. In addition, even if the results of operations, financial condition, liquidity and

dividend policy of the Xstrata group and the Enlarged Group (as the case may be), and the development of the industries in which they operate, are consistent with the forward-looking statements contained in this announcement, those results or developments may not be indicative of results or developments in subsequent periods. Important factors that could cause these differences include, but are not limited to, general economic and business conditions, commodity price volatility, industry trends, competition, changes in government and other regulation, including in relation to the environment, health and safety and taxation, labour relations and work stoppages, changes in political and economic stability, currency fluctuations (including the €/US\$, £/US\$, A\$/US\$, C\$/US\$, ZAR/US\$, the Colombian peso/US\$ and the Peruvian Sol/US\$ exchange rates), the Xstrata group's ability to integrate new businesses (including the Falconbridge group, the Xstrata group's interest in Cerrejón and Tintaya) and recover its reserves or develop new reserves and changes in business strategy or development plans and other risks.

Other than in accordance with its legal or regulatory obligations (including under the Listing Rules (the "Listing Rules"), the Disclosure Rules and the Prospectus Rules of the UK Financial Services Authority), Xstrata does not undertake any obligation to update or revise publicly any forward-looking statement, whether as a result of new information, future events or otherwise.

No statement in this announcement is intended as a profit forecast and no statement in this announcement should be interpreted to mean that earnings per Xstrata ordinary share for the current or future financial years would necessarily match or exceed the historical published earnings per Xstrata ordinary share.

Recent developments in relation to Xstrata's offer for Falconbridge.

On 24 July 2006, Falconbridge announced its second quarter 2006 net income increased 260% to US\$728 million.

On 24 July Falconbridge announced that its Board of Directors had reaffirmed its unanimous support for the Inco offer of C\$18.50 cash per share and 0.55676 of an Inco share per Falconbridge share, assuming full pro-rata.

For the purposes of and in accordance with the Listing Rules, Xstrata confirms that, except as disclosed in this announcement and/or as disclosed in the Xstrata shareholder circular dated 30 May 2006 and/or the announcement issued by Xstrata on 11 July 2006 in connection with the Falconbridge Acquisition and/or the announcement issued by Xstrata on 19 July 2006 in connection with the Falconbridge Acquisition and/or the announcement issued by Xstrata on 20 July 2006 in connection with the Falconbridge Acquisition and/or the Xstrata shareholder circular dated 20 July 2006 and/or as otherwise disclosed by Xstrata via a Regulatory Information Service approved by the UK Financial Services Authority and, in relation to the Falconbridge group, so far as Xstrata is aware having regard to public information, there has been no significant change affecting any matter contained in the announcement issued by Xstrata on 17 May 2006 in connection with the Falconbridge Acquisition (the "17 May 2006 Announcement") and no other significant new matter has arisen which would have been required to be mentioned in the 17 May 2006 Announcement if it had arisen at the time of preparation of the 17 May 2006 Announcement.