



## NEWS RELEASE

### **XSTRATA'S ALL CASH OFFER FOR FALCONBRIDGE REMAINS BEST CHOICE FOR SHAREHOLDERS**

Toronto and Zug, 25 July 2006

Xstrata today responded to the statement from the Board of Directors of Falconbridge Limited regarding their continued support for Inco Limited's offer. The true value of Inco's offer remains highly speculative as it depends not only on the uncertain outcome of Phelps Dodge Corp's offer for Inco but is also subject to the significant market and commodity risk associated with Inco's share price. As a result it compares very unfavourably to the certainty of Xstrata's all cash offer.

Commenting, Xstrata Chief Executive Mick Davis said, " The position of the Falconbridge Board looks increasingly unsupportable and entrenched.

" If more than 50% of Falconbridge shareholders accept Inco's offer, Inco's share price may well fall significantly as a result of subsequent selling pressure. This means that Falconbridge shareholders are highly unlikely to realise the value of Inco's current share price in the short term if they accept Inco's offer. We also believe that Inco's share price remains inflated by market expectations that Inco will fail in its acquisition of Falconbridge and become a standalone takeover target.

" Any potential Phelps Dodge acquisition of Inco remains highly uncertain, as it is subject to approval from anti-trust authorities in the EU, approval under the Investment Canada Act, approval from Phelps Dodge shareholders and, furthermore, no closing date has been set.

" In contrast, Xstrata's offer:

- provides shareholders with a guaranteed cash value for their shares at an excellent price
- has received approval under the Investment Canada Act and requires no further regulatory clearance
- requires approval by a simple majority of the votes cast by Xstrata's shareholders at a meeting to be held on 14 August, at which Xstrata's two largest shareholders have irrevocably undertaken to vote in favour in respect of 36% of Xstrata's shares
- enables shareholders to choose how and where to invest their cash, including in the mining sector
- does not depend on above-consensus commodity price assumptions, volatile share price movements or aspirational earnings estimates
- does not depend on a potential future acquisition of Inco by Phelps Dodge which is highly uncertain and which may not proceed.

“Xstrata will be able to take up, and pay \$62.50 in cash per share, for any and all shares tendered under our offer as of 14 August. We anticipate that all tendering shareholders will receive their all-cash consideration within three business days from 14 August. I urge Falconbridge shareholders to tender to Xstrata’s superior and certain cash offer and not to tender to Inco.”

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. (contact 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:

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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 25 July 2006, Falconbridge filed publicly its notice of change to directors' circular, dated 24 July 2006, setting out the reasons for Falconbridge's board of directors reaffirming its unanimous support for the Inco offer.

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 announcements issued by Xstrata on 11, 19, 20 and 25 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.