



**SECOND SUPPLEMENTARY CIRCULAR DATED 12 SEPTEMBER 2006**

**If you sell or have sold or otherwise transferred all of your Ordinary Shares, please forward this document to the purchaser or transferee or the stockbroker, bank or other agent through whom the sale or transfer is/was effected for onward transmission to the purchaser or transferee. If you sell or have sold or otherwise transferred only part of your holding of Ordinary Shares, you should retain this document.**

Xstrata plc

Registered in England and Wales under the Companies Act 1985, with registered number 4345939

Registered office:

4<sup>th</sup> Floor, Panton House,

25/27 Haymarket,

London SW1Y 4EN,

United Kingdom

Tel: +44 20 7968 2800

Head office:

Bahnhofstrasse 2,

6301 Zug,

Switzerland

Tel: +41 41 726 6070

Directors:

Willy Strothotte (Chairman)\*†

David Rough (Senior Independent Director and Deputy Chairman)\*

Michael Davis (Chief Executive)

Trevor Reid (Chief Financial Officer)

Santiago Zaldumbide (Executive Director)

Ivan Glasenberg\*†

Paul Hazen\*

Robert MacDonnell\*

Sir Steve Robson CB\*

Dr Fred Roux\*

Ian Strachan\*

\*Non-executive Director

†Glencore International Nominee

12 September 2006

To Shareholders and, for information only, to participants in the Xstrata Share Schemes

Dear Shareholder,

**Acquisition of Falconbridge Limited and working capital**

**1. Introduction**

I am pleased to report that, since I last wrote to you, we have successfully completed the acquisition of Falconbridge Limited ("Falconbridge"), creating a new major mining group with top five industry positions in copper, thermal and coking coal, ferrochrome, zinc, nickel and vanadium, a smaller but profitable aluminium business, recycling facilities, additional exposures to gold, lead and silver and a suite of global technologies, many of which are industry leaders.

The Enlarged Group's operations and projects span 18 countries: Argentina, Australia, Brazil, Canada, Chile, Colombia, the Dominican Republic, Germany, Jamaica, New Caledonia, Norway, Papua New Guinea, Peru, South Africa, Spain, Tanzania, the USA and the UK.

Xstrata now beneficially owns approximately 97.1% of the issued and outstanding Falconbridge Shares on a fully-diluted basis. Since the Xstrata Offer was accepted by holders of more than 90% of Falconbridge Shares, Xstrata has begun the process of exercising its right under the compulsory acquisition provisions of section 188 of the Business Corporations Act (Ontario), as amended, to acquire all outstanding Falconbridge Shares not already owned by Xstrata at the Xstrata Offer price of C\$62.50 per Falconbridge Share. Xstrata expects the compulsory acquisition process to conclude in early November 2006.

The purpose of this letter is to provide you with Xstrata's opinion on the sufficiency of working capital of the Enlarged Group, in accordance with the Listing Rules. **You do not need to take any action in respect of this letter.**

## **2. Working capital**

In the circular issued by the Company on 30 May 2006 (the "Circular") and in the supplementary circular issued by the Company on 20 July 2006 (the "First Supplementary Circular"), Xstrata stated that its opinion on the sufficiency of working capital of the Xstrata Group including the Falconbridge Group following completion of the Falconbridge acquisition (the "Falconbridge Acquisition") was intended to be available and to be published as soon as Xstrata was granted access sufficient for the purpose to the information allowing Xstrata to undertake appropriate procedures to support a statement in respect of the sufficiency of working capital of the Enlarged Group and in any event within 28 days of the date of satisfaction or waiver of all of the conditions of the Xstrata Offer and the announcement by Xstrata Canada Inc. (the "Offeror") that the Offeror had taken up Falconbridge Shares under the Xstrata Offer.

The Offeror first took up Falconbridge Shares under the Xstrata Offer on 15 August 2006, when Xstrata announced that it beneficially owned approximately 92.1% of the issued and outstanding Falconbridge Shares on a fully-diluted basis.

Xstrata is of the opinion that, taking into account the bank and other facilities available to the Enlarged Group, the Enlarged Group has sufficient working capital for its present requirements, that is for at least 12 months from the date of publication of this document.

## **3. Responsibility**

The Directors, whose names are set out in the header of this letter, accept responsibility for the information contained in this letter. To the best of the knowledge and belief of the Directors (who have taken all reasonable care to ensure that such is the case), the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.

## **4. General**

This letter is supplemental to, and should be read in conjunction with, the Circular and the First Supplementary Circular.

Unless otherwise defined in this letter, capitalised terms have the meanings ascribed to them in the sections of the Circular and/or the First Supplementary Circular headed "Definitions and Glossary of Technical Terms".

**Copies of the Circular, the First Supplementary Circular, this letter and all announcements in connection with the Falconbridge Acquisition released by Xstrata via a Regulatory Information Service approved by the UK Financial Services Authority are available on Xstrata's website ([www.xstrata.com](http://www.xstrata.com)).**

Neither the content of Xstrata's website (or any other website) nor the content of any website accessible from hyperlinks on Xstrata's website (or any other website) is incorporated into, or forms part of, this letter.

## **5. Conclusion**

Xstrata emerges from the acquisition of Falconbridge as a new global mining "supermajor", the fifth largest diversified mining company in the world, with an outstanding portfolio of cash generative operations, promising growth projects and the financial flexibility to realise the Enlarged Group's potential to create further value for all stakeholders, both existing and new.

Yours sincerely

**Willy Strothotte**  
Chairman