

SUPPLEMENTARY CIRCULAR DATED 20 JULY 2006

THIS DOCUMENT AND ITS ENCLOSURES ARE IMPORTANT AND REQUIRE YOUR IMMEDIATE ATTENTION. If you are in any doubt as to what action you should take, you are recommended to seek your own personal financial advice immediately from your stockbroker, bank manager, solicitor, accountant, fund manager or other appropriate independent financial adviser, who is authorised under the Financial Services and Markets Act 2000 if you are in the United Kingdom, or from another appropriately authorised independent financial adviser if you are in a territory outside the United Kingdom.

If you sell or have sold or otherwise transferred all of your Ordinary Shares, please forward this document and the accompanying documents 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 and the accompanying documents.

This document should be read in conjunction with the Circular dated 30 May 2006. Certain information from the Circular and other information in relation to the Xstrata Group has been incorporated by reference into this document. You should refer to the section of this document headed "Relevant Documentation".

Each of Deutsche Bank and JPMorgan Cazenove is acting exclusively for the Company and no one else in connection with the Proposed Acquisition and will not be responsible to anyone other than the Company for providing the protections afforded to its clients or for providing advice in relation to the Proposed Acquisition and/or any other matter referred to in this document.

For a discussion of certain risk factors which should be taken into account when considering whether to vote in favour of the Resolution to be proposed at the Extraordinary General Meeting referred to below, see Part II – "Risk Factors" of the Circular and Part II – "Risk Factors" of this document.

Capitalised terms have the meanings ascribed to them in the section of this document headed "Definitions and Glossary of Technical Terms". References to times in this document are to British Summer Time unless otherwise stated.

Xstrata plc

(incorporated in England and Wales under the Companies Act 1985, with registered number 4345939)

Proposed Acquisition of Falconbridge Limited Supplementary Circular and Notice of Extraordinary General Meeting

As a result of the Increased Xstrata Offer, the Proposed Acquisition is conditional, amongst other things, upon the approval of Shareholders at the Extraordinary General Meeting referred to below. Your attention is drawn to the letter from the Chairman of Xstrata plc on pages 13 to 22 of this document, which contains a recommendation by the Board of Directors that you vote in favour of the Resolution to be proposed at the Extraordinary General Meeting. You should read this document, the Circular and the other information incorporated by reference into this document in their entirety, not rely solely on summarised information and consider whether to vote in favour of the Resolution in light of the information contained in, and incorporated by reference into, this document.

Notice of the Extraordinary General Meeting, to be held at Congress Center Metalli, Parkhotel Zug, 6300 Zug, Switzerland at 11.30 a.m. (Central European Summer Time) on Monday, 14 August 2006, is set out at the end of this document. You may also attend the Extraordinary General Meeting at the registered office of the Company, 4th Floor, Panton House, 25/27 Haymarket, London SW1Y 4EN, UK, where a satellite meeting linked by video conference to the Zug meeting will be held concurrently at 10.30 a.m. (British Summer Time).

Shareholders will find enclosed a Form of Proxy for use in connection with the Extraordinary General Meeting. Shareholders are requested to complete and return the Form of Proxy, in accordance with the instructions printed thereon, whether or not they intend to be present at the meeting, so as to be received by the Company's registrars, Computershare Investor Services PLC, PO Box 1075, The Pavilions, Bridgwater Road, Bristol BS99 3FA, UK, as soon as possible but in any event by no later than 10.30 a.m. (British Summer Time) on Saturday, 12 August 2006. CREST members may also choose to utilise the CREST electronic proxy appointment service in accordance with the procedures set out in the notice convening the Extraordinary General Meeting at the end of this document. The lodging of the Form of Proxy (or the electronic appointment of a proxy) will not preclude Shareholders from attending and voting at the Extraordinary General Meeting, should they so wish.

If you hold Ordinary Shares through the SIS System you will be contacted separately by the Swiss Bank through which you hold Ordinary Shares as to how to participate at the Extraordinary General Meeting.

This document 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 Xstrata Offer is being made exclusively by means of, and subject to the terms and conditions set out in, the Offer Document as amended and varied by the Variation Documents.

Nothing in this document 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.

No statement in this document or incorporated by reference into this document is intended as a profit forecast and no statement in this document or incorporated by reference into this document should be interpreted to mean that earnings per Ordinary Share for the current or future financial years would necessarily match or exceed the historical published earnings per Ordinary Share.

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Presentation of Information

Presentation of information on the Falconbridge Group

This document and the information incorporated by reference into this document contain certain information relating to Falconbridge and the Falconbridge Group, including the information contained in Part I – “Letter from the Chairman”, Part II – “Risk Factors”, Part III – “Information on the Falconbridge Group”, Part IV – “Information on the Expected Impact of the Proposed Acquisition on the Assets, Liabilities and Earnings of the Enlarged Group” and Part VI – “Additional Information” of this document and the information contained in Part I – “Letter from the Chairman”, Part II – “Risk Factors”, Part III – “Information on the Falconbridge Group”, Part IV – “Information on the Expected Impact of the Proposed Acquisition on the Assets, Liabilities and Earnings of the Enlarged Group” and Part VI – “Additional Information” of the Circular (which have been incorporated by reference into this document as described in the section of this document headed “Relevant Documentation”).

Whilst Xstrata carried out a limited due diligence exercise in respect of Noranda and Former Falconbridge assets in the first half of 2004, it has not had any due diligence access to Noranda or Former Falconbridge since then nor has it had any due diligence access to Falconbridge since its creation through the amalgamation of Noranda and Former Falconbridge on 30 June 2005, including at the time of the Xstrata Group’s acquisitions of Falconbridge Shares in August and September 2005. Xstrata believes it does not currently have access to any material non-public financial or other information in respect of the Falconbridge Group. Consequently, the information in this document and the information incorporated by reference into this document relating to Falconbridge and the Falconbridge Group (other than in relation to the trading prices of Falconbridge Shares on the TSX and NYSE which is sourced from Bloomberg) has been compiled from information included in public documents filed by the Falconbridge Group only and has not, for the purposes of this document or the Circular, been commented on or verified by Falconbridge or the Falconbridge Directors or verified by Xstrata or the Xstrata Directors. Xstrata and the Xstrata Directors have sought to ensure that such information has been accurately reproduced from such sources and, so far as Xstrata is aware and is able to ascertain from information included in public documents filed by the Falconbridge Group, no facts have been omitted which would render the reproduced information inaccurate or misleading. See the risk factor “Lack of due diligence access to Falconbridge” in Part II – “Risk Factors” in the Circular which has been incorporated by reference into this document as described in the section of this document headed “Relevant Documentation”.

Nothing in this paragraph headed “Presentation of information on the Falconbridge Group” is intended to qualify the statements in paragraph 1 of Part VI – “Additional Information – Responsibility”.

Presentation of information on the Enlarged Group

Unless the context otherwise requires, references in this document to the “Enlarged Group” are to Xstrata and its subsidiaries (including Tintaya, following completion of the Tintaya Acquisition on 21 June 2006) and subsidiary undertakings and, where the context requires, its associated undertakings as constituted immediately following completion of the Proposed Acquisition and therefore such references include the Xstrata Group as enlarged by the Falconbridge Group. Completion of the Proposed Acquisition remains subject to a number of conditions which are described in detail in Part I – “Letter from the Chairman” and Part V – “Principal Terms of the Proposed Acquisition” of this document and Part I – “Letter from the Chairman” and Part V – “Principal Terms of the Proposed Acquisition” of the Circular (which have been incorporated by reference into this document as described in the section of this document headed “Relevant Documentation”).

Cautionary note regarding forward-looking statements

This document and the information incorporated by reference into this document include statements that are, or may be deemed to be, “forward-looking statements”. These forward-looking statements can be identified by the use of forward-looking terminology, including the terms “believes”, “estimates”, “anticipates”, “expects”, “intends”, “plans”, “goal”, “target”, “aim”, “may”, “will”, “would”, “could” or “should” or, in each case, their negative or other variations or comparable terminology. These forward-looking statements include all matters that are not historical facts. They appear in a number of places throughout this document and the information incorporated by reference into this document and include statements regarding the intentions, beliefs or current expectations of the Directors, Xstrata or the Xstrata Group concerning, amongst other things, the results of operations, financial condition, liquidity, prospects, growth, strategies and dividend policy of the Xstrata Group and the Enlarged Group and the industries in which they operate.

This document also contains forward-looking statements regarding the Proposed Acquisition, including statements regarding and relating to the expected completion, and the expected timing of completion, of the Proposed Acquisition

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(which is conditional, amongst other things, upon Shareholder approval and receipt of approval under the Investment Canada Act) and potential and/or expected synergies and cost savings available to the Enlarged Group.

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 document. Further, actual developments in relation to the Proposed Acquisition and the expected completion, and timing of completion of, the Proposed 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 Shareholders may not vote in favour of the Resolution, the risks that the Xstrata Group will not be able to obtain the required approval under the Investment Canada Act on a timely basis or at all, the other conditions of the Proposed 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 Proposed Acquisition and/or the Cerrejón Acquisition and/or the Tintaya Acquisition and the Xstrata Group may incur and/or experience unanticipated costs and/or delays and/or difficulties relating to integration of the Falconbridge Group and/or the Cerrejón Business and/or Tintaya into 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 document, 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\$, ARS/US\$, CHF/US\$, the Colombian peso/US\$ and the Peruvian Sol/US\$ exchange rates), the Xstrata Group's and the Enlarged Group's ability to integrate new businesses (including the Falconbridge Group, the Cerrejón Business and Tintaya) and recover their reserves or develop new reserves and changes in business strategy or development plans and other risks, including those described in Part II – "Risk Factors" of this document and Part II – "Risk Factors" of the Circular (which has been incorporated by reference into this document as described in the section of this document headed "Relevant Documentation").

You are advised to read this document and the information incorporated by reference into this document in their entirety, and in particular Part I – "Letter from the Chairman" and Part II – "Risk Factors" of this document and Part II – "Risk Factors" of the Circular (which has been incorporated by reference into this document as described in the section of this document headed "Relevant Documentation"), for a further discussion of the factors that could affect the Xstrata Group's and the Enlarged Group's future performance and the industries in which they operate. In light of these risks, uncertainties and assumptions, the events described in the forward-looking statements in this document may not occur.

Other than in accordance with its legal or regulatory obligations (including under the Listing Rules, the Disclosure Rules and the Prospectus Rules), 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.

Presentation of financial information

Unless otherwise indicated, financial information for the Xstrata Group in this document and the information incorporated by reference into this document is presented in US dollars and has been prepared in accordance with International Financial Reporting Standards, or IFRS. Unless otherwise indicated, financial information for the Falconbridge Group in this document and the information incorporated by reference into this document has been extracted without material amendment from published information, is presented in US dollars and has been prepared in accordance with Canadian GAAP. Financial information for the Falconbridge Group in this document and the information incorporated by reference into this document relating to the month ended 30 April 2006 and the three months ended 31 March 2006, pro forma financial information on the amalgamation of Noranda and Former Falconbridge for the three months ended 31 March 2005 and as otherwise indicated in this document and the information incorporated by reference into this document, is unaudited. See also "Presentation of information on the Falconbridge Group" above and the risk factor "Lack of due diligence access to

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Falconbridge” in Part II – “Risk Factors” of the Circular (which has been incorporated by reference into this document as described in the section of this document headed “Relevant Documentation”).

UK GAAP (in accordance with which Xstrata previously prepared its financial information) and IFRS differ in certain relevant respects from Canadian GAAP. For a discussion of certain significant differences between UK GAAP and Canadian GAAP and IFRS and Canadian GAAP, see paragraph 2.3 of Part IV – “Information on the Expected Impact of the Proposed Acquisition on the Assets, Liabilities and Earnings of the Enlarged Group – Principal differences in the application of Xstrata’s accounting policies and those applied by Falconbridge” of the Circular (which has been incorporated by reference into this document as described in the section of this document headed “Relevant Documentation”).

Unless otherwise indicated, EBITDA represents, when used in this document and the information incorporated by reference into this document in relation to the Xstrata Group, operating profit or loss from continuing operations before interest, taxation, depreciation and amortisation and, when used in this document and the information incorporated by reference into this document in relation to the Falconbridge Group, income generated from operating assets adding back depreciation, amortisation and accretion, less corporate and general administration costs and research, development and exploration costs. Although none of IFRS, UK GAAP or Canadian GAAP defines the measure EBITDA, it is a measure which is widely used in the natural resources sector to evaluate a company’s operating performance. Nevertheless, EBITDA should not be considered in isolation or as a substitute for operating profit, cash flows from operating activities or any other measure for determining Xstrata’s operating performance or liquidity that is calculated in accordance with IFRS or UK GAAP or the Falconbridge Group’s operating performance or liquidity that is calculated in accordance with Canadian GAAP. As EBITDA is not a measure of performance defined by IFRS, UK GAAP or Canadian GAAP, it may not be comparable to similarly titled measures employed by other companies.

Currencies

In this document and the information incorporated by reference into this document, references to “Argentine pesos” or “ARS” are to the lawful currency of Argentina, references to “Australian dollars” or “A\$” are to the lawful currency of Australia, references to “Canadian dollars”, “C\$” or “Cdn\$” are to the lawful currency of Canada, references to “Colombian pesos” are to the lawful currency of Colombia, references to “Euro” or “€” are to the currency introduced at the start of the third stage of European economic and monetary union pursuant to the Treaty establishing the European Community, as amended, references to the “Peruvian Sol” are to the lawful currency of Peru, references to “Rand” or “ZAR” are to the lawful currency of South Africa, references to “CHF” are to the lawful currency of Switzerland, references to “£” are to the lawful currency of the United Kingdom and references to “US dollars”, “US Dollars”, “US\$”, “\$US” or “cents” are to the lawful currency of the United States.

Unless otherwise indicated in this document and/or the information incorporated by reference into this document, the financial information contained in this document and the information incorporated by reference into this document has been presented in US dollars. In addition, solely for convenience, this document and the information incorporated by reference into this document contain translations of relevant currencies to US dollars. These translations should not be construed as representations that the relevant currency could be converted into US dollars at the rate used or at any other rate.

Ore reserve and mineral resource reporting – basis of preparation

Unless otherwise indicated in this document and/or the information incorporated by reference into this document, all mineral reserves and mineral resources information reproduced in this document and the information incorporated by reference into this document in respect of the Falconbridge Group has been prepared for the Falconbridge Group, has been extracted without material amendment from information included in public documents filed by the Falconbridge Group only and has not, for the purposes of this document or the information incorporated by reference into this document, been commented on or verified by Falconbridge or the Falconbridge Directors or verified by Xstrata or the Xstrata Directors. See – “Presentation of information on the Falconbridge Group” above and the risk factor “Lack of due diligence access to Falconbridge” in Part II – “Risk Factors” in the Circular (which has been incorporated by reference into this document as described in the section of this document headed “Relevant Documentation”).

According to information included in public documents filed by the Falconbridge Group, unless otherwise indicated in this document and/or the information incorporated by reference into this document, all estimates of mineral reserves and

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mineral resources reproduced in this document and the information incorporated by reference into this document in respect of the Falconbridge Group:

- have been estimated by or on behalf of the Falconbridge Group in accordance with the CIM Definition Standards on Mineral Resources and Reserves, adopted by the CIM Council on 14 November 2004, and the CIM Estimation of Mineral Resources and Mineral Reserves Best Practice Guidelines, adopted by the CIM Council on 23 November 2003 using geostatistical or classical methods, plus economic and mining parameters appropriate to each operation;
- were compiled, indirectly supervised and verified on behalf of the Falconbridge Group by Chester Moore who was, at 22 March 2006 (being the date of Falconbridge's 2005 Annual Information Form), Falconbridge's Director, Mineral Reserve Estimation and Reporting, a member of the Professional Geoscientists of Ontario with over 30 years of experience as a geologist and a qualified person as defined in NI 43-101;
- are shown on a 100% basis; and
- used the following long-term metal prices for estimates: nickel US\$3.25/lb, copper US\$0.90/lb, zinc US\$0.50/lb with a nickel premium added at Sudbury operations. (Exchange rate of C\$1.50 to US\$1.00).

According to information included in public documents filed by the Falconbridge Group, there were, at 22 March 2006 (being the date of Falconbridge's 2005 Annual Information Form), no environmental, permitting, legal, taxation, political or other relevant issues known to the Falconbridge Group that would materially affect the estimates of mineral reserves and mineral resources reproduced in this document and the information incorporated by reference into this document in respect of the Falconbridge Group.

Unless otherwise indicated, in this document and the information incorporated by reference into this document, mineral reserves and mineral resources information in relation to the Falconbridge Group is reported as at 31 December 2005.

Nothing in this paragraph headed "Ore reserve and mineral resource reporting – basis of preparation" is intended to qualify the statements in paragraph 1 of Part VI – "Additional Information – Responsibility".

Rounding

Certain figures included in this document and the information incorporated by reference into this document have been subject to rounding adjustments. Accordingly, discrepancies in tables between the totals and the sums of the relevant amounts are due to rounding.

Expected Timetable of Principal Events

The following is the expected timetable of principal events in relation to the Proposed Acquisition:

Commencement of the Xstrata Offer	18 May 2006
Previous Extraordinary General Meeting in relation to the Proposed Acquisition	30 June 2006
Announcement of extension of Expiry Time to 21 July 2006	7 July 2006
Announcement of increase in the offer price under the Xstrata Offer from C\$52.50 to C\$59.00 in cash per Falconbridge Share	11 July 2006
Announcement of increase in the offer price under the Xstrata Offer from C\$59.00 to C\$62.50 in cash per Falconbridge Share and provision that the consideration under the Xstrata Offer will not be reduced by the C\$0.75 Falconbridge Special Dividend	19 July 2006
Expected latest time and date for receipt of Forms of Proxy and receipt of electronic proxy appointments via the CREST system in relation to the Extraordinary General Meeting	10.30 a.m. (11.30 a.m. Central European Summer Time) on Saturday, 12 August 2006
Extraordinary General Meeting in relation to the Proposed Acquisition	10.30 a.m. (11.30 a.m. Central European Summer Time) on Monday, 14 August 2006
Earliest expected completion date of the Proposed Acquisition	14 August 2006⁽¹⁾

Note:

⁽¹⁾ The period during which the Xstrata Offer is open for acceptance may be extended by the Offeror in certain circumstances.

References to times in this document are to British Summer Time unless otherwise stated.

Relevant Documentation

The following documentation, which was sent to Shareholders at the relevant time and/or is available as described below, contains information which is relevant to the Proposed Acquisition:

1. The Circular

The Circular dated 30 June 2006 issued by the Company in connection with the Proposed Acquisition. This contains, amongst other things:

- (a) a letter from the Chairman of Xstrata, including, amongst other things, details of, background to and reasons for, the Proposed Acquisition;
- (b) a section containing a discussion of certain risk factors to be taken into account when considering whether to vote in favour of the resolutions passed at the Previous Extraordinary General Meeting;
- (c) a section containing information on the Falconbridge Group;
- (d) a section containing information on the expected impact of the Proposed Acquisition on the assets, liabilities and earnings of the Enlarged Group; and
- (e) a section containing the principal terms of the Proposed Acquisition at the date of the Circular.

2. Annual Reports and Accounts for the three financial years ended 31 December 2003, 31 December 2004 and 31 December 2005.

These contain the audited consolidated financial statements of Xstrata for the financial years ended 31 December 2003 and 31 December 2004 prepared in accordance with UK GAAP and the audited consolidated financial statements of Xstrata for the financial year ended 31 December 2005 prepared in accordance with IFRS, together with audit reports in respect of each such year.

3. The Cerrejón Circular

The Cerrejón Circular dated 23 March 2006 issued by the Company in connection with the Cerrejón Acquisition. This contains, amongst other things:

- (a) a letter from the Senior Independent Director of Xstrata, including, amongst other things, details of, background to and reasons for, the Cerrejón Acquisition;
- (b) a section containing information on Cerrejón;
- (c) a section containing the principal terms of the Cerrejón Acquisition; and
- (d) a section containing a description of the Xstrata Group's relationship with Glencore.

Documentation incorporated by reference into this document

The following sections of the Circular, the Annual Reports and Accounts and the Cerrejón Circular are incorporated by reference into this document so as to provide information in respect of the Proposed Acquisition, to provide information required by the Listing Rules, to provide historical financial information on Xstrata as background to the sections of this document and the Circular entitled "Information on the Expected Impact of the Proposed Acquisition on the Assets, Liabilities and Earnings of the Enlarged Group" and to provide information in respect of the Cerrejón Acquisition and the Relationship Agreement.

Information incorporated by reference into this document	Destination of incorporation	Page number in this document
Circular (pages 11 to 12 inclusive) – paragraph 1 of Part I – "Letter from the Chairman – Introduction and overview"	Paragraph 1 of Part I – "Letter from the Chairman – Introduction and overview"	13
Circular (pages 12 to 14 inclusive) – paragraph 2 of Part I – "Letter from the Chairman – Information on Xstrata"	Paragraph 2 of Part I – "Letter from the Chairman – Information on Xstrata"	14
Circular (pages 14 to 15 inclusive) – paragraph 3 of Part I – "Letter from the Chairman – The Proposed Acquisition"	Paragraph 3 of Part I – "Letter from the Chairman – The Proposed Acquisition"	15
Circular (pages 15 to 16 inclusive) – paragraph 4 of Part I – "Letter from the Chairman – Information on Falconbridge"	Paragraph 4 of Part I – "Letter from the Chairman – Information on Falconbridge"	18

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Information incorporated by reference into this document	Destination of incorporation	Page number in this document
Circular (pages 16 to 18 inclusive) – paragraph 5 of Part I – “Letter from the Chairman – Benefits and financial impact of the Proposed Acquisition”	Paragraph 5 of Part I – “Letter from the Chairman – Benefits and financial impact of the Proposed Acquisition”	19
Circular (pages 18 to 19 inclusive) – paragraph 7 of Part I – “Letter from the Chairman – Financing structure”	Paragraph 7 of Part I – “Letter from the Chairman – Financing structure”	20
Circular (pages 27 to 43 inclusive) – Part II – “Risk Factors”	Part II – “Risk Factors”	25
Circular (pages 47 to 387 inclusive) – Part III – “Information on the Falconbridge Group”	Part III – “Information on the Falconbridge Group”	31
Circular (pages 391 to 400 inclusive) – Part IV – “Information on the Expected Impact of the Proposed Acquisition on the Assets, Liabilities and Earnings of the Enlarged Group”	Part IV – “Information on the Expected Impact of the Proposed Acquisition on the Assets, Liabilities and Earnings of the Enlarged Group”	61
Annual Report and Accounts 2005 (Financial Statements pages 10 to 32 inclusive) - Note 5 (First time adoption of IFRS and changes in accounting policies) and Note 6 (Principal Accounting Policies) to the consolidated financial statements of Xstrata for the financial year ended 31 December 2005	Part IV – “Information on the Expected Impact of the Proposed Acquisition on the Assets, Liabilities and Earnings of the Enlarged Group”	61
Circular (pages 403 to 408 inclusive) – Part V – “Principal Terms of the Proposed Acquisition”	Part V – “Principal Terms of the Proposed Acquisition”	65
Circular (pages 411 to 414 inclusive) – paragraph 2 of Part VI – “Additional Information – Directors’, Senior Executives’ and others’ interests” (excluding paragraph 2.4 on page 414 – “Interests of major shareholders”)	Paragraph 2 of Part VI – “Additional Information – Directors’, Senior Executives’ and others’ interests”	69
Circular (pages 415 to 417 inclusive) – paragraph 3 of Part VI – “Additional Information – Directors’ service agreements and letters of appointment”	Paragraph 3 of Part VI – “Additional Information – Directors’ service agreements and letters of appointment”	69
Circular (pages 417 to 419 inclusive) – paragraph 4 of Part VI – “Additional Information – Details of key individuals important to Falconbridge’s business”	Paragraph 4 of Part VI – “Additional Information – Details of key individuals important to Falconbridge’s business”	71
Cerrejón Circular (pages 45 and 46 inclusive) – Part III – “Principal Terms of the Proposed Acquisition”	Paragraph 5 of Part VI – “Additional Information – Related party transactions”	72
Cerrejón Circular (pages 49 to 53 inclusive) – Part IV – “The Xstrata Group’s Relationship with Glencore” (excluding paragraph 4 on page 53 – “Related party transactions”)*	Paragraph 5 of Part VI – “Additional Information – Related party transactions”	72
Annual Report and Accounts 2005 (Financial Statements pages 104 to 108 inclusive) - Note 38 (Related Parties) to the consolidated financial statements of Xstrata for the financial year ended 31 December 2005	Paragraph 5 of Part VI – “Additional Information – Related party transactions”	72
Annual Report and Accounts 2004 (pages 145 to 148 inclusive) – Note 27 (Related Party Transactions) to the consolidated financial statements of Xstrata for the financial year ended 31 December 2004	Paragraph 5 of Part VI – “Additional Information – Related party transactions”	72
Annual Report and Accounts 2003 (pages 149 to 151 inclusive) – Note 27 (Related Party Transactions) to the consolidated financial statements of Xstrata for the financial year ended 31 December 2003	Paragraph 5 of Part VI – “Additional Information – Related party transactions”	72
Circular (pages 419 to 421 inclusive) – paragraph 6.1 of Part VI – “Additional Information – Litigation – Xstrata Group”	Paragraph 6.1 of Part VI – “Additional Information – Litigation – Xstrata Group”	72
Circular (page 421) – paragraph 6.2 of Part VI – “Additional Information – Litigation – Falconbridge Group”	Paragraph 6.2 of Part VI – “Additional Information – Litigation – Falconbridge Group”	73
Circular (pages 421 to 423 inclusive) – paragraph 7.1 of Part VI – “Additional Information – Significant changes – Xstrata Group”	Paragraph 7.1 of Part VI – “Additional Information – Significant changes – Xstrata Group”	73

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Information incorporated by reference into this document	Destination of incorporation	Page number in this document
Circular (pages 423 to 425 inclusive) – paragraph 7.2 of Part VI – “Additional Information – Significant changes – Falconbridge Group”	Paragraph 7.2 of Part VI – “Additional Information – Significant changes – Falconbridge Group”	74
Circular (pages 425 to 438 inclusive) – paragraph 8.1 of Part VI – “Additional Information – Material contracts – Xstrata Group”	Paragraph 8.1 of Part VI – “Additional Information – Material contracts – Xstrata Group”	75
Cerrejón Circular (pages 45 and 46 inclusive) – Part III – “Principal Terms of the Proposed Acquisition”	Paragraph 8.1 of Part VI – “Additional Information – Material contracts – Xstrata Group”	75
Cerrejón Circular (pages 49 to 53 inclusive) – paragraph 3 of Part IV – “The Xstrata Group’s Relationship with Glencore – Relationship with controlling shareholder” (excluding paragraph 4 on page 53 – “Related party transactions”)*	Paragraph 8.1 of Part VI – “Additional Information – Material contracts – Xstrata Group”	75
Circular (pages 438 to 445 inclusive) – paragraph 8.2 of Part VI – “Additional Information – Material contracts – Falconbridge Group”	Paragraph 8.2 of Part VI – “Additional Information – Material contracts – Falconbridge Group”	76
Circular (pages 447 to 448 inclusive) – paragraph 12.4 of Part VI – “Additional Information – Bases and sources – Basis of compilation of commodity and geographical splits”	Paragraph 11.4 of Part VI – “Additional Information – Bases and sources – Basis of compilation of commodity and geographical splits”	82
Circular (pages 449 to 458 inclusive) – “Definitions and Glossary of Technical Terms – Definitions”	“Definitions and Glossary of Technical Terms – Definitions”	83
Circular (pages 459 to 461 inclusive) – “Definitions and Glossary of Technical Terms – Glossary of technical terms”	“Definitions and Glossary of Technical Terms – Glossary of technical terms”	93

Note

* Page 52 of the Cerrejón Circular refers to Messrs. Strothotte, Glasenberg and Issroff being the Glencore International Nominees. Mr. Issroff resigned as a director of the Company with effect from 10 May 2006. Messrs. Strothotte and Glasenberg are currently the only Glencore International Nominees on the board of directors of the Company.

Copies of the above documents are available:

- (a) on the Company’s website (www.xstrata.com). Except to the extent expressly set out above in this section “Relevant Documentation”, neither the content of the Company’s website (or any other website) nor the content of any website accessible from hyperlinks on the Company’s website (or any other website) is incorporated into, or forms part of, this document; and
- (b) as provided in paragraph 13 of Part VI – “Additional Information – Documents available for inspection” of this document.

Offer Document and Variation Documents

Copies of the Offer Document and the Variation Documents do not accompany this document and the information in the Offer Document and the Variation Documents is not incorporated by reference into this document. Nevertheless copies of the Offer Document and each of the Variation Documents can be obtained from Xstrata’s registered office in London at 4th Floor, Panton House, 25/27 Haymarket, London SW1Y 4EN, from Xstrata’s head office in Switzerland at Bahnhofstrasse 2, 6301 Zug, Switzerland, from Xstrata’s website at www.xstrata.com or as provided in paragraph 13 of Part VI – “Additional Information – Documents available for inspection” of this document.

The Offer Document (as amended and varied by the Variation Documents) contains the terms and conditions of the Xstrata Offer. A summary of the principal terms of the Xstrata Offer is set out in this document in Part V – “Principal Terms of the Proposed Acquisition” which supplements and amends Part V – “Principal Terms of the Proposed Acquisition” of the Circular (which has been incorporated by reference into this document as described above).

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Letter from the Chairman

Xstrata plc

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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

20 July 2006

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

Dear Shareholder,

Proposed Acquisition of Falconbridge Limited

1. Introduction and overview

Xstrata announced on 17 May 2006 its offer to acquire (through an indirect wholly-owned subsidiary) all of the issued and outstanding common shares of Falconbridge Limited ("Falconbridge") not already owned by the Xstrata Group for C\$52.50 in cash per Falconbridge Share, or approximately C\$16.1 billion in total (approximately US\$14.6 billion). Xstrata announced on 11 July 2006 that its offer would be increased to C\$59.00 in cash per Falconbridge Share, or approximately C\$18.1 billion in total (approximately US\$16.2 billion). On 19 July 2006, Xstrata announced that its offer would be further increased to C\$62.50 in cash per Falconbridge Share, or approximately C\$19.2 billion in total (approximately US\$16.9 billion). At the same time Xstrata announced that the Offeror will amend the Xstrata Offer to provide that the consideration under the Xstrata Offer will not be reduced by the amount of the special cash dividend of C\$0.75 per Falconbridge Share declared by the board of directors of Falconbridge on 16 July 2006 and payable by Falconbridge on 10 August 2006 to Falconbridge Shareholders of record at the close of business on 26 July 2006.

The Increased Xstrata Offer, together with the Falconbridge Special Dividend, values the total common share capital of Falconbridge at approximately C\$24.1 billion (approximately US\$21.2 billion). The Xstrata Group will also assume Falconbridge's net debt on completion of the Proposed Acquisition, which was US\$2,814 million as at 30 April 2006, as disclosed in Falconbridge's unaudited results announcement for the month ended 30 April 2006.

The Xstrata Group currently beneficially owns 73,665,996 Falconbridge Shares, representing approximately 19.8% of the outstanding Falconbridge Shares, which were acquired at a price of C\$28 per share in August and September 2005. If the Increased Xstrata Offer is successful, this will bring the weighted average price paid per Falconbridge Share (including the payment by Falconbridge of the Falconbridge Special Dividend) to approximately C\$56.44 or a total of approximately C\$21.5 billion (approximately US\$18.8 billion). To the extent that the Falconbridge Special Dividend is paid by Falconbridge,

Letter from the Chairman

Falconbridge's cash will decrease and the amount of Falconbridge net debt assumed by Xstrata on completion of the Proposed Acquisition will increase by a corresponding amount of any such payment. Xstrata estimates, based on publicly available information, that the amount to be paid in respect of the Falconbridge Special Dividend is up to approximately C\$285 million (approximately US\$251 million) using the weighted average number of Falconbridge Shares of approximately 379,774,000 on a fully-diluted basis for the month ended 30 April 2006. Falconbridge is likely to be required to pay a break fee of up to US\$450 million to Inco, and, in the event that this is payable by Falconbridge to Inco, the amount of Falconbridge net debt assumed by Xstrata on completion of the Proposed Acquisition will also increase by an amount equivalent to the break fee. The Directors believe that the Proposed Acquisition by means of the Increased Xstrata Offer (after taking account of the Falconbridge Special Dividend) will be substantially earnings per share and cash flow per share accretive in the first full year of consolidation.

Amongst other things, the Proposed Acquisition is conditional upon the passing of the Resolution to be proposed at the Extraordinary General Meeting and approval under the Investment Canada Act.

The Proposed Acquisition will be financed through committed bank debt facilities which have been supplemented in connection with the Increased Xstrata Offer. Xstrata remains committed, if the Proposed Acquisition completes, to undertake one or more equity capital raisings to refinance part of the debt facilities. Deutsche Bank and JPMSL remain committed to underwrite, each as to 50% and subject to the terms of the Standby Equity Underwriting Letter, one or more equity offerings to raise such amount as is required to pay or repay any amounts then outstanding under the Equity Bridge Facility Agreement, under which up to US\$7.0 billion is available to the Xstrata Group, together with costs and expenses. The timing and terms of any such equity offering or offerings will be based on an assessment of the Enlarged Group's capital structure following the successful acquisition of Falconbridge. Critical to the Company's assessment will be the maintenance of an investment grade credit rating. The Directors remain confident that any rights issue will be fully supported by Glencore International AG ("Glencore International") and Credit Suisse Securities (Europe) Limited ("CSSEL"), Xstrata's two largest shareholders.

Xstrata has received irrevocable undertakings from Glencore International and CSSEL to vote in favour of the Resolution to be proposed at the Extraordinary General Meeting. In aggregate, these undertakings are given in respect of 252,601,000 Ordinary Shares representing approximately 35.84% of Xstrata's current issued ordinary share capital.

The purpose of this document is to provide you with details of, the background to and the reasons for, the Increased Xstrata Offer, to explain why the Board of Directors believes that the Proposed Acquisition and the Increased Xstrata Offer are in the best interests of the Company and its Shareholders as a whole and, following the making of the Increased Xstrata Offer, to seek your further approval for the Proposed Acquisition. A notice convening the Extraordinary General Meeting of the Company is set out at the end of this document.

2. Information on Xstrata

Details of the development and delivery of Xstrata's strategy and a current trading update as at the date of the Circular are set out in paragraph 2 of Part I – "Letter from the Chairman" of the Circular (which has been incorporated by reference into this document as described in the section of this document headed "Relevant Documentation").

Since publication of the Circular, Xstrata has continued to trade very satisfactorily. The Tintaya Acquisition completed on 21 June 2006 expanding Xstrata Copper's current production portfolio with an additional 120,000 tonnes of copper in cathode and concentrate per annum and strengthening the Xstrata Group's strategic position in southern Peru. Further acquisition opportunities remain under active review. On 6 July 2006, Xstrata and African Rainbow Minerals Limited ("ARM") jointly announced that all regulatory conditions precedent had been met relating to the transaction between the Xstrata Group and ARM to establish a new black controlled coal mining company, ARM Coal (Proprietary) Limited, with operating assets and growth projects in South Africa and participation in the export and domestic thermal coal markets.

Letter from the Chairman

3. The Proposed Acquisition

Background to, and details of, the Proposed Acquisition are set out in paragraph 3 of Part I – “Letter from the Chairman – The Proposed Acquisition” of the Circular (which has been incorporated by reference into this document as described in the section of this document headed “Relevant Documentation”).

The principal developments in relation to the Proposed Acquisition since the publication of the Circular on 30 May 2006 are as follows:

Regulatory and Shareholder approvals for the Proposed Acquisition

On 14 June 2006, Xstrata announced that the US Department of Justice had confirmed that there are no US competition issues with respect to the Proposed Acquisition. On 15 June 2006, Xstrata announced that it had received Canadian competition clearance for the Proposed Acquisition following receipt of an advance ruling certificate from the Canadian Competition Bureau. On 13 July 2006, Xstrata announced that the Proposed Acquisition had been cleared unconditionally by the European Commission. The Offeror is therefore free to proceed with the Proposed Acquisition without further anti-trust reviews.

On 30 June 2006, Shareholders approved each of the resolutions proposed at the Previous Extraordinary General Meeting, being the resolutions set out in the Previous EGM Notice to:

- (a) approve the Proposed Acquisition;
- (b) increase the authorised share capital of the Company;
- (c) renew the authority of the directors of the Company to allot relevant securities of the Company for the purposes of section 80 of the Companies Act; and
- (d) authorise the directors of the Company to allot equity securities for cash pursuant to the authority referred to in paragraph (c) above as if section 89(1) of the Companies Act did not apply to such allotment.

The resolutions referred to in paragraphs (a) to (c) above, the passing of each of which was a condition of the original Xstrata Offer, were passed unanimously on a show of hands following the receipt of proxies under which over 99% of all votes were in favour of each of the resolutions.

On 3 July 2006, Xstrata advised that it had been informed by the Investment Review Division of Industry Canada that the Minister responsible for the Investment Canada Act (the “Minister”) was unable to complete the consideration of Xstrata’s investment in connection with the Proposed Acquisition within the initial 45-day period. As prescribed by the Investment Canada Act, the Minister therefore extended the review period for up to a further 30 days (or such other period as may be agreed) from 3 July 2006.

Other recent developments concerning the Proposed Acquisition

In a directors’ circular dated 31 May 2006 relating to the original Xstrata Offer, the Falconbridge board of directors determined that the original Xstrata Offer was not a “superior proposal” under the terms of the Inco Support Agreement. The Falconbridge board of directors also stated in the directors’ circular that it continued to recommend that Falconbridge Shareholders accept the Inco Offer. The Falconbridge board of directors elected to make no recommendation with respect to the original Xstrata Offer.

On 27 June 2006, a three-member panel of the Ontario Securities Commission (the “OSC”) conducted a hearing relating to the application by Xstrata to terminate Falconbridge’s Shareholder Rights Plan. The panel issued its decision on 30 June 2006 to the effect that the Shareholder Rights Plan be cease traded on the earlier of the date that: (a) the Offeror takes up sufficient Falconbridge Shares pursuant to the Xstrata Offer to satisfy the condition of the Xstrata Offer (prior to its deletion under the Second Xstrata Notice of Variation) that at least a majority of the Falconbridge Shares then outstanding (calculated on a fully diluted basis), the votes attached to which would be included in the minority approval of a second step business combination or going private transaction pursuant to Rule 61-501 and Regulation Q-27, have been validly deposited to the Xstrata Offer and not withdrawn (the “Majority of the Minority Condition”); and (b) 28 July 2006. The panel also ordered that the Offeror be precluded from exercising its right as stated in the original Xstrata Offer to acquire

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Letter from the Chairman

up to 5% of the Falconbridge Shares through normal course purchases on the Toronto Stock Exchange in accordance with applicable securities laws, until the earlier of the date on which the Offeror takes up sufficient Falconbridge Shares to satisfy the Majority of the Minority Condition and 28 July 2006.

Xstrata filed an application against Falconbridge on 28 June 2006 with the Superior Court of Justice (Ontario), alleging that Falconbridge violated the OBCA (as defined in the section of this document headed "Definitions and Glossary of Technical Terms – Definitions") when it postponed its annual meeting of shareholders until October 2006. The application was dismissed on 30 June 2006.

The Offeror issued the Xstrata Notice of Extension, dated 7 July 2006, relating to the extension of the Xstrata Offer to 8:00 p.m. (Toronto time) on 21 July 2006.

The Offeror issued the First Xstrata Notice of Variation on 11 July 2006, which increased the cash consideration payable under the Xstrata Offer from C\$52.50 to C\$59.00 per Falconbridge Share, removed the condition that 66% of the Falconbridge Shares outstanding (on a fully diluted basis) be deposited and not withdrawn at the Expiry Time of the Xstrata Offer and further extended the Expiry Time to midnight (Vancouver time) on 21 July 2006.

On 16 July 2006, Falconbridge announced the declaration by its board of directors of the Falconbridge Special Dividend.

In a notice of change dated 17 July 2006 to its directors' circulars relating to the Inco Offer and the Xstrata Offer as at the date of the notice of change, the board of directors of Falconbridge unanimously recommended that Falconbridge Shareholders accept the amended Inco Offer and that Falconbridge Shareholders not accept the Xstrata Offer as at the date of the notice of change. In the notice of change, Falconbridge indicated that under the Inco Support Agreement, the Falconbridge board of directors remains able to respond, in accordance with its fiduciary duties, to unsolicited proposals that are more favourable from a financial point of view than the amended Inco Offer.

On 19 July 2006, Xstrata announced that, under the Second Xstrata Notice of Variation, the consideration under the Xstrata Offer would be further increased from C\$59.00 to C\$62.50 per Falconbridge Share, the Minimum Tender Condition would be deleted (so that the Offeror may take up any or all Falconbridge Shares under the Xstrata Offer), the consideration under the Xstrata Offer would not be reduced by the amount of the Falconbridge Special Dividend, the Xstrata Offer would be made conditional on further Shareholder approval of the Proposed Acquisition at the EGM and the Expiry Time would be further extended to 8:00 p.m. (Toronto time) on 14 August 2006.

The Directors remain confident that the acquisition of Falconbridge by the Xstrata Group will deliver significant benefits to the operations, employees and stakeholders of Falconbridge. Given the Xstrata Group's stated growth strategy, the Directors continue to believe the Xstrata Group's position as a major and long-term direct investor in its Canadian businesses will deliver significant net benefits to Canada. The Directors therefore expect to receive the necessary approval under the Investment Canada Act prior to the Expiry Time of the Xstrata Offer.

The Directors believe that Xstrata's all cash offer is a superior offer for Falconbridge Shareholders to the revised offer that Inco has proposed, offering them a compelling opportunity to realise a guaranteed cash value, with no market risk.

Recent developments concerning the Inco Offer for Falconbridge

On 7 June 2006, Falconbridge and Inco announced that they had reached a definitive agreement with LionOre Mining International Ltd. ("LionOre") covering the sale to LionOre of certain assets and related operations of Falconbridge, including Falconbridge's Nikkelverk refinery in Norway and the Falconbridge marketing and custom feed organisations that market and sell the finished nickel and other products produced at Nikkelverk and obtain third party feeds for this facility (the "Falconbridge Divested Assets"). In addition, the sale would include an agreement to supply up to 60,000 tonnes of nickel-in-matte annually, approximately equivalent to the current volume of feed provided by Falconbridge's operations to this refinery, for up to ten years. The closing of the sale of the Falconbridge Divested Assets is conditional on, amongst other things, the clearance by the US Department of Justice and the European Commission of the Inco Offer and Inco having acquired more than 50% (on a fully diluted basis) of the Falconbridge Shares pursuant to the Inco Offer or otherwise. Xstrata understands, therefore, that Falconbridge will not be obliged to sell the Falconbridge Divested Assets to LionOre if the Xstrata Group acquires Falconbridge under the Proposed Acquisition. The purchase price agreed to be paid by LionOre for the assets and related operations agreed to be sold is US\$650 million (subject to certain adjustments).

Part I

Letter from the Chairman

On 9 June 2006, Xstrata advised Inco that it had determined that it did not intend to tender the Falconbridge Shares the Xstrata Group owns to the Inco Offer and that Xstrata had also determined that if Inco does ultimately take up and pay for Falconbridge Shares deposited under the Inco Offer and proceeds to complete a subsequent acquisition transaction to acquire the Falconbridge Shares that are not deposited under the Inco Offer, the Offeror intends to exercise the statutory right to dissent and demand payment in cash of the fair value of the Falconbridge Shares held by the Xstrata Group.

On 23 June 2006, Inco announced that it received formal clearance from the US Department of Justice for Inco's proposed acquisition of Falconbridge through "early termination" of the applicable waiting period under the HSR Act (as defined in the section of this document headed "Definitions and Glossary of Technical Terms – Definitions") in view of the commitment by Inco and Falconbridge to sell the Falconbridge Divested Assets.

Inco disclosed in filings with the SEC that, in response to Teck Cominco's unsolicited offer to acquire all of the outstanding Inco shares, the board of directors of Inco authorised the entering into of discussions and negotiations with third parties for the purpose of exploring strategic alternatives. Subsequently, Inco held discussions with a number of third parties, including Phelps Dodge Corporation ("Phelps Dodge"), with respect to possible strategic alternatives in connection with the Inco Offer and the Teck Offer. As a result of its discussions and eventual negotiations with Phelps Dodge, on 26 June 2006, Inco and Phelps Dodge announced that they had entered into a combination agreement, pursuant to which Phelps Dodge agreed to acquire all of the outstanding Inco shares by way of a statutory plan of arrangement for C\$17.50 in cash and 0.672 common shares of Phelps Dodge for each Inco share, assuming full pro-rata (amended on 16 July 2006 to C\$20.25 in cash and 0.672 common shares of Phelps Dodge for each Inco share, as described below). The Phelps Dodge Inco Combination is subject to, amongst other things, the approval of Inco shareholders, Phelps Dodge shareholders and the Superior Court of Justice (Ontario).

Also on 26 June 2006, in connection with the Phelps Dodge Inco Combination, Inco announced that it would increase its offer for each Falconbridge Share to C\$17.50 in cash and 0.55676 common shares of Inco, assuming full pro-rata. Phelps Dodge agreed to purchase up to US\$3.0 billion aggregate principal amount of Inco convertible subordinated notes only to the extent that Inco requires the proceeds of the notes for the acquisition of the Falconbridge Shares under the Inco Offer and/or satisfaction of the obligations of Inco and Falconbridge to any Falconbridge Shareholders who properly exercise dissent rights in respect of a compulsory acquisition or subsequent acquisition transaction conducted following the Inco Offer and demand that fair value be paid in cash.

Inco issued a notice of variation and extension, dated 29 June 2006, relating to the increase in the consideration under the Inco Offer in connection with the Phelps Dodge Inco Combination and the extension of the Inco Offer to 8:00 p.m. (Toronto time) on 13 July 2006. Falconbridge issued a notice of change to directors' circular, also dated 29 June 2006, in which the Falconbridge board of directors unanimously recommended that Falconbridge Shareholders accept the Inco Offer, as amended.

On 4 July 2006, Inco announced that the Inco Offer had been cleared by the European Commission and that it had therefore satisfied the final outstanding regulatory condition to the Inco Offer. The European Commission clearance is conditioned on the same remedy agreed upon with the US Department of Justice, which consists of the sale of the Falconbridge Divested Assets.

On 7 July 2006, following the extension of the Xstrata Offer on the same date, Falconbridge reiterated its recommendation of the Inco Offer and urged Falconbridge Shareholders to tender their shares to the Inco Offer.

On 12 July 2006, Phelps Dodge announced it had received notification that the US Department of Justice and the US Federal Trade Commission had granted early termination of the waiting period under the HSR Act relating to Phelps Dodge's proposed acquisition of Inco.

On 13 July 2006, Inco announced that it would extend the expiry time of the Inco Offer until midnight (Vancouver time) on 24 July 2006. Inco stated in its announcement that it did not expect the minimum tender condition under the Inco Offer to be satisfied prior to the previous expiry time of the Inco Offer of 8:00 p.m. (Toronto time) on 13 July 2006 and that, accordingly, Inco had not yet taken up any of the Falconbridge Shares deposited under the Inco Offer. Inco mailed a formal notice of extension dated 13 July 2006 to Falconbridge Shareholders.

Letter from the Chairman

On 16 July 2006, Phelps Dodge, Inco and Falconbridge announced that Phelps Dodge had increased the cash portion of the consideration to be paid to the shareholders of Inco in the Phelps Dodge Inco Combination by C\$2.75 per Inco share, that Inco had increased the cash portion of the Inco Offer for Falconbridge by C\$1.00 per Falconbridge Share and that the Falconbridge board of directors had declared the Falconbridge Special Dividend. Under the further revised Inco Offer, Inco is offering C\$18.50 plus 0.55676 shares of Inco for each Falconbridge Share, assuming full pro-ration of the consideration. The announcement also stated that the board of directors of Falconbridge had unanimously determined that the further revised Inco Offer was superior to the Xstrata Offer at the time of the announcement and unanimously recommended that Falconbridge Shareholders accept the Inco Offer.

In addition, the announcement stated that Inco had reduced the minimum condition in the Inco Offer from two thirds of the outstanding shares of Falconbridge to 50.01% of such outstanding shares on a fully-diluted basis and that Phelps Dodge and Inco had also amended the Phelps Dodge Inco Combination Agreement so that the combination of Phelps Dodge and Inco may be consummated before the acquisition by Inco of 100% of Falconbridge. The waiver and amendment agreement dated 16 July 2006 between Phelps Dodge and Inco in respect of the Phelps Dodge Inco Combination Agreement added a new condition precedent to the Phelps Dodge Inco Combination in favour of Phelps Dodge that provided that Inco shall have acquired at least 50.01% of the Falconbridge Shares under the Inco Offer and, if Inco shall have acquired at least two-thirds of the Falconbridge Shares, Inco shall have completed a subsequent acquisition transaction in order to acquire any remaining Falconbridge Shares, or that the Inco Support Agreement shall have been terminated in accordance with its terms without Inco having acquired any Falconbridge Shares under the Inco Offer. On 16 July 2006, Inco also extended the expiry time of the Inco Offer to midnight (Vancouver time) on 27 July 2006 and amended the Inco Offer to provide that the consideration under the Inco Offer would not be reduced by the amount of the Falconbridge Special Dividend.

In a notice of change dated 17 July 2006 to its directors' circulars relating to the Inco Offer and the Xstrata Offer as at the date of the notice of change, the board of directors of Falconbridge unanimously recommended that Falconbridge Shareholders accept the amended Inco Offer and that Falconbridge Shareholders not accept the Xstrata Offer as at the date of the notice of change.

Recent developments concerning the Teck Offer for Inco

In a directors' circular dated 29 May 2006, Inco's board of directors unanimously recommended that Inco shareholders reject the Teck Offer.

On 14 June 2006, Teck Cominco announced that it had received Canadian and United States anti-trust clearance for the Teck Offer to proceed. On 14 June 2006, Teck also announced that its Class B subordinate voting shares had begun trading on the New York Stock Exchange.

On 7 July 2006, Teck Cominco announced that it had received notice of non-opposition from the European Commission with respect to the Teck Offer and that Teck Cominco had therefore received all necessary anti-trust clearances for the Teck Offer to proceed.

On 14 July 2006, the Ontario Securities Commission issued a notice of hearing to consider an application by Teck Cominco for a permanent order that trading cease in respect of any securities issued or to be issued in connection with Inco's shareholder rights plan and that prospectus exemptions in connection with the distribution and exercise of rights issued under the Inco shareholder rights plan be removed, with the hearing scheduled to take place on 21 July 2006.

4. Information on Falconbridge

Information on Falconbridge and the Falconbridge Group is set out in paragraph 4 of Part I – "Letter from the Chairman – Information on Falconbridge" and Part III – "Information on the Falconbridge Group" of the Circular (which have been incorporated by reference into this document as described in the section of this document headed "Relevant Documentation") and in paragraph 3 of this Part I above and Part III – "Information on the Falconbridge Group" of this document.

See "Presentation of Information – Presentation of information on the Falconbridge Group" in this document and the risk factor "Lack of due diligence access to Falconbridge" in Part II – "Risk Factors" in the Circular (which has been incorporated by reference into this document as described in the section of this document headed "Relevant Documentation").

Letter from the Chairman

5. Benefits and financial impact of the Proposed Acquisition

Information on the benefits and financial impact of the Proposed Acquisition is set out in paragraph 5 of Part I – “Letter from the Chairman – Benefits and financial impact of the Proposed Acquisition” of the Circular (which has been incorporated by reference into this document as described in the section of this document headed “Relevant Documentation”).

Benefits of the Proposed Acquisition

The Directors remain confident that a combination of Xstrata and Falconbridge has a strong strategic rationale. The Board continues to believe that there are substantial benefits to be gained from a combination of the two businesses and that the transaction would be in the best interests of both Xstrata and Falconbridge and of their respective shareholders, customers and employees.

Xstrata’s increased offers for Falconbridge underline the Directors’ belief that the combination of Xstrata and Falconbridge represents an excellent opportunity to create an outstanding global mining company, ideally positioned to create further value for all stakeholders through active involvement in the ongoing consolidation of the industry.

The Directors believe that the Proposed Acquisition by means of the Increased Xstrata Offer (after taking account of the Falconbridge Special Dividend) will be substantially earnings per share and cash flow per share accretive in the first full year of consolidation and that the Enlarged Group will benefit from enhanced critical mass, leading market positions in major commodities, a range of growth opportunities, best in class diversification of earnings and a robust financial position from which to pursue further organic and acquisition-led growth.

Xstrata has an excellent track record of support for, and co-operation with, local communities, sound labour relations, programmes to improve safety, environmental performance and efficiency at operations, long-term investment in operations and devolved responsibility to locally-based management teams. Accordingly, Xstrata believes that a combination of Falconbridge and Xstrata is the best outcome for all stakeholders of both companies.

The Enlarged Group following successful completion of the Proposed Acquisition

The Increased Xstrata Offer, together with the Falconbridge Special Dividend, values the total common share capital of Falconbridge at approximately C\$24.1 billion (approximately US\$21.2 billion). The Xstrata Group will assume Falconbridge’s net debt on completion of the Proposed Acquisition, which was US\$2,814 million as at 30 April 2006 (being Falconbridge’s gross indebtedness of US\$3,279 million (US\$353 million current debt and US\$2,926 million non-current debt) offset by cash or cash equivalents of US\$465 million), as disclosed in Falconbridge’s unaudited results announcement for the month ended 30 April 2006 and assuming the acquisition of all outstanding Falconbridge Shares not already owned by the Xstrata Group. To the extent that the Falconbridge Special Dividend is paid by Falconbridge, Falconbridge’s cash will decrease and the amount of Falconbridge net debt assumed by Xstrata on completion of the Proposed Acquisition will increase by a corresponding amount of any such payment. Xstrata estimates, based on publicly available information, that the amount to be paid in respect of the Falconbridge Special Dividend is up to approximately C\$285 million (approximately US\$251 million) using the weighted average number of Falconbridge Shares of approximately 379,774,000 on a fully-diluted basis for the month ended 30 April 2006. Falconbridge is likely to be required to pay a break fee of up to US\$450 million to Inco following termination of the Inco Support Agreement entered into in respect of the Inco Offer, including in the event that the Xstrata Offer is successful. Any such payment would also reduce Falconbridge’s cash and increase Falconbridge’s net debt by a corresponding amount. For further details in relation to this break fee, see paragraph 8.2(b) of Part VI – “Additional Information – Material contracts” of the Circular (which has been incorporated by reference into this document as described in the section of this document headed “Relevant Documentation”).

See paragraph 7 of this Part I below in relation to the financing structure for the Proposed Acquisition and paragraphs 8.1(c) and 8.1(d) of Part VI – “Additional Information – Material contracts” of the Circular (which have been incorporated by reference into this document as described in the section of this document headed “Relevant Documentation”) and paragraph 8.1(b) of Part VI – “Additional Information – Material Contracts” of this document for details of the Xstrata Group’s debt facilities available to the Xstrata Group in connection with the Proposed Acquisition.

On 31 May 2006, Falconbridge and Inco indicated that their operations personnel had jointly identified the potential to realise estimated average annual pre-tax operating and corporate synergies of approximately US\$550 million, an increase of US\$200 million from the estimated synergies at the time of the announcement of the original Inco Offer. Falconbridge

Letter from the Chairman

indicated that this increase in the synergies estimate was attributable to developed improvements in the Inco-Falconbridge integration plan and to changes in commodity price assumptions as a result of the improved commodity market outlook since October 2005 and that the net present value of the estimated annual average pre-tax run-rate operating and corporate synergies of US\$550 million, using a 7% discount rate, was approximately US\$3.5 billion on an after-tax basis.

Xstrata continues fully to support the Inco and Falconbridge synergy plan for the Sudbury basin nickel operations and continues to believe that a merger of Inco and Falconbridge is not a necessary requirement for achieving the Sudbury synergy plan. Xstrata remains fully committed to working with Inco and other key stakeholders to optimise the Sudbury operations in order to secure these synergies that Xstrata believes are critical to securing the long-term robustness and future viability of the Sudbury operations through more normalised nickel pricing environments.

The Board of Directors has taken into account, amongst other things, Falconbridge paying the Falconbridge Special Dividend and the likelihood of Falconbridge having to pay the break fee of up to US\$450 million to Inco in reaching its decision to recommend that Shareholders vote in favour of the Proposed Acquisition. See paragraph 14 of this Part I.

6. Dividend policy

The Directors have hitherto adopted a progressive dividend policy which takes into account the underlying growth in earnings of the Xstrata Group, as well as its capital requirements and cash flows, whilst maintaining an appropriate level of dividend cover. Following completion of the Proposed Acquisition, Xstrata intends to maintain this dividend policy, increasing dividends broadly in line with underlying earnings growth.

7. Financing structure

Assuming the acquisition of all outstanding Falconbridge Shares not already owned by the Xstrata Group, the aggregate consideration payable by the Xstrata Group for the Proposed Acquisition is expected to be approximately C\$19.2 billion (approximately US\$16.9 billion) and will be financed through committed bank debt facilities.

Details of the financing structure of the Proposed Acquisition are set out in paragraph 7 of Part I – “Letter from the Chairman” of the Circular (which has been incorporated by reference into this document as described in the section of this document headed “Relevant Documentation”).

In connection with the Increased Xstrata Offer, the syndicated loan arrangements have been supplemented.

Summaries of the principal terms of the syndicated loan arrangements and the Standby Equity Underwriting Letter are set out in paragraphs 8.1(c) to 8.1(e) of Part VI – “Additional Information – Material contracts” of the Circular (which have been incorporated by reference into this document as described in the section of this document headed “Relevant Documentation”) and a summary of the New Debt Underwriting Letter is set out in paragraph 8.1(b) of Part VI – “Additional Information – Material Contracts” of this document.

8. Irrevocable undertakings

Glencore International and CSSEL have irrevocably undertaken to vote in favour of the Resolution to be proposed at the EGM. In aggregate, these undertakings are given in respect of 252,601,000 Ordinary Shares representing approximately 35.84% of Xstrata’s current issued ordinary share capital.

9. Principal terms of the Proposed Acquisition

The Xstrata Offer is being effected by means of a tender offer to Falconbridge Shareholders. The Offeror, a wholly-owned indirect subsidiary of Xstrata, is offering, upon and subject to the terms and conditions of the Xstrata Offer, to purchase all of the issued and outstanding Falconbridge Shares, at a price of C\$62.50 in cash per Falconbridge Share, other than the Falconbridge Shares already owned by the Xstrata Group. Under the Second Xstrata Notice of Variation, the Offeror will amend the Xstrata Offer to provide that the consideration under the Xstrata Offer will not be reduced by the amount of the Falconbridge Special Dividend.

The Xstrata Offer (as amended and varied under the Variation Documents) will remain conditional upon, amongst other things:

- approval under the Investment Canada Act;

Letter from the Chairman

- following the making of the Increased Xstrata Offer, Xstrata Shareholders having approved the Proposed Acquisition at the Extraordinary General Meeting; and
- the Offeror having determined in its sole judgment that, amongst other things, Falconbridge's Shareholder Rights Plan does not provide rights to Falconbridge Shareholders to purchase any securities of Falconbridge as a result of the Xstrata Offer and does not and will not adversely affect the Xstrata Offer, the Offeror or Xstrata, either before or on consummation of the Xstrata Offer.

Under the Second Xstrata Notice of Variation, the Minimum Tender Condition of the original Xstrata Offer will be deleted so that under the Increased Xstrata Offer the Offeror may take up any or all Falconbridge Shares.

A summary of the principal terms of the Proposed Acquisition and the Xstrata Offer, and details of the purpose of the Xstrata Offer and plans for Falconbridge, are set out in Part V – "Principal Terms of the Proposed Acquisition" of the Circular (which has been incorporated by reference into this document as described in the section of this document headed "Relevant Documentation") and Part V – "Principal Terms of the Proposed Acquisition" of this document.

10. Risk factors

For a discussion of certain risk factors which should be taken into account when considering whether to vote in favour of the Resolution, see Part II – "Risk Factors" of the Circular (which has been incorporated by reference into this document as described in the section of this document headed "Relevant Documentation") and Part II – "Risk Factors" of this document.

11. Extraordinary General Meeting

Xstrata is required under the Listing Rules to obtain further Shareholder approval of the Proposed Acquisition as the increase in the price offered per Falconbridge Share under the Increased Xstrata Offer constitutes a material change to the terms of the Class 1 acquisition previously approved by Shareholders. **A notice convening an extraordinary general meeting of the Company to be held at Congress Center Metalli, Parkhotel Zug, 6300 Zug, Switzerland at 11.30 a.m. (Central European Summer Time) on Monday, 14 August 2006 is set out at the end of this document.** You may also attend the Extraordinary General Meeting at the registered office of the Company, 4th Floor, Panton House, 25/27 Haymarket, London SW1Y 4EN, UK, where a satellite meeting linked by video conference to the Zug meeting will be held concurrently at 10.30 a.m. (British Summer Time). A Form of Proxy to be used in connection with the Extraordinary General Meeting is enclosed with this document. The purpose of the Extraordinary General Meeting is to seek Shareholders' approval of the Resolution set out in the EGM Notice.

The Resolution will propose to approve the Proposed Acquisition. Following the making of the Increased Xstrata Offer, the Proposed Acquisition is conditional, amongst other things, upon the passing of the Resolution.

The Resolution will be proposed as an ordinary resolution and, being an ordinary resolution, will be decided on a show of hands unless a poll is demanded in a manner permitted by the Company's Articles of Association. On a show of hands, each member present in person or by proxy has one vote. The passing of the Resolution requires a majority of the votes cast.

Only holders of Ordinary Shares may vote at the Extraordinary General Meeting.

12. Action to be taken

You will find enclosed a Form of Proxy for use in connection with the Extraordinary General Meeting. Whether or not you intend to be present at the meeting you are requested to complete the Form of Proxy (in accordance with the instructions printed thereon) and return it to the Company's registrars, Computershare Investor Services PLC, PO Box 1075, The Pavilions, Bridgwater Road, Bristol BS99 3FA, UK as soon as possible but in any event so as to arrive by no later than 10.30 a.m. (British Summer Time) (11.30 a.m. Central European Summer Time) on Saturday, 12 August 2006.

CREST members may also choose to utilise the CREST electronic proxy appointment service in accordance with the procedures set out in the EGM Notice.

The lodging of the Form of Proxy (or the electronic appointment of a proxy) will not preclude you from attending the meeting and voting in person if you so wish.

Letter from the Chairman

13. Further information

Your attention is drawn to the further information contained in Parts II to VI of this document and to the information incorporated by reference into this document as described in the section of this document headed "Relevant Documentation".

You are advised to read the whole of this document and the information incorporated by reference into this document as described in the section of this document headed "Relevant Documentation", and not to rely solely on the information in this letter.

14. Recommendation

The Directors have received financial advice from Deutsche Bank and JPMorgan Cazenove in relation to the Proposed Acquisition and the Increased Xstrata Offer. In providing advice to the Directors, Deutsche Bank and JPMorgan Cazenove have taken into account the Directors' assessments of the commercial merits of the Proposed Acquisition and the Increased Xstrata Offer.

The Board of Directors considers the Proposed Acquisition, the Increased Xstrata Offer and the Resolution to be in the best interests of the Company and the Shareholders of Xstrata as a whole and, accordingly, recommends Shareholders to vote in favour of the Resolution, as the Directors intend to do in respect of their own beneficial shareholdings held at the time of the EGM, amounting to 642,036 Ordinary Shares in aggregate at the date of this document, representing approximately 0.09% of Xstrata's current issued ordinary share capital.

15. Conclusion

The Directors continue to believe that the successful acquisition of Falconbridge will have a profound and positive impact on Xstrata's future performance. It will establish Xstrata with the critical mass, quality diversified portfolio and significant internal growth profile that will secure considerable additional value for all stakeholders in the future.

Yours sincerely

Willy Strothotte
Chairman

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Part II

Risk Factors

The Proposed Acquisition is subject to a number of risks. Accordingly, Shareholders should consider carefully all of the information set out in this document and the information incorporated by reference into this document, including, in particular, the risks described in Part II – “Risk Factors” of the Circular (which has been incorporated by reference into this document as described in the section of this document headed “Relevant Documentation”) and below, prior to making any decisions on whether or not to vote in favour of the Resolution. Additional risks and uncertainties not presently known to the Directors, or that the Directors currently consider to be immaterial, may also have an adverse effect on the Xstrata Group, the Falconbridge Group and/or the Enlarged Group.

For risks and uncertainties relating to the business of the Falconbridge Group, Shareholders should carefully consider the information set out in Part II – “Risk Factors – Risks relating to the business of the Falconbridge Group” of the Circular (which has been incorporated by reference into this document as described in the section of this document headed “Relevant Documentation”), which is extracted from information published by the Falconbridge Group as part of its ongoing periodic reporting requirements under the securities laws of Canada and the United States and is extracted without material amendment from the Falconbridge Annual Information Form dated 22 March 2006. That information has not, for the purposes of the Circular or this document, been commented on or verified by Falconbridge or the Falconbridge Directors or verified by Xstrata or the Xstrata Directors. Nothing in the previous sentence is intended to qualify the statements in paragraph 1 of Part VI – “Additional Information – Responsibility” of this document. Xstrata and the Xstrata Directors have sought to ensure that such information has been accurately reproduced from such source and, so far as Xstrata is aware and is able to ascertain from information included in public documents filed by the Falconbridge Group, no facts have been omitted which would render the reproduced information inaccurate or misleading.

The Xstrata Group’s and/or the Enlarged Group’s business, financial condition or results of operations could be materially and adversely affected by any of the risks described in Part II – “Risk Factors” of the Circular (which has been incorporated by reference into this document as described in the section of this document headed “Relevant Documentation”) and below. In such case, the market price of the Ordinary Shares may decline due to any of these risks and investors may lose all or part of their investment.

Borrowings

The Xstrata Group has, and, if the Proposed Acquisition completes, the Enlarged Group will have, a significant amount of indebtedness, which may impair the operating and financial flexibility of the Xstrata Group and/or the Enlarged Group and could adversely affect the business and financial position of the Xstrata Group and/or the Enlarged Group and the Company’s ability to pay dividends.

The Xstrata Group has a substantial amount of debt and significant debt service obligations. As at 31 December 2005, the Xstrata Group had gross outstanding indebtedness of US\$3,135.2 million. In connection with the Proposed Acquisition, US\$19.0 billion will be available to the Xstrata Group under the New Acquisition Facilities Agreement, the New Debt Bridge Facility Agreement and the Equity Bridge Facility Agreement. The Xstrata Group’s financing arrangements have been used to finance the Tintaya Acquisition and will be used to finance the Proposed Acquisition, to refinance the Cerrejón Bridge Facility Agreement and the First Existing Facility Agreement, to refinance certain existing indebtedness of Falconbridge and to provide working capital facilities for the Enlarged Group. Xstrata expects to assume the Falconbridge Group’s existing net debt (which was US\$2,814 million as at 30 April 2006, as disclosed in Falconbridge’s unaudited results announcement for the month ended 30 April 2006) if the Proposed Acquisition completes. To the extent that the Falconbridge Special Dividend is paid by Falconbridge, Falconbridge’s cash will decrease and the amount of Falconbridge net debt assumed by Xstrata on completion of the Proposed Acquisition will increase by a corresponding amount of any such payment. Xstrata estimates, based on publicly available information, that the amount to be paid in respect of the Falconbridge Special Dividend is up to approximately C\$285 million (approximately US\$251 million) using the weighted average number of Falconbridge Shares of approximately 379,774,000 on a fully-diluted basis for the month ended 30 April 2006. Falconbridge is likely to be required to pay a break fee of up to US\$450 million to Inco following termination of the Inco Support Agreement entered into in respect of the Inco Offer, including in the event that the Xstrata Offer is successful. Any such payment would also reduce Falconbridge’s cash and increase Falconbridge’s net debt by a corresponding amount. Xstrata anticipates that its substantial leverage (including for the Enlarged Group) will continue for the foreseeable future.

For details of the debt financing arrangements in respect of the Proposed Acquisition, the Cerrejón Acquisition and the Tintaya Acquisition, see paragraphs 8.1(c), 8.1(d) and 8.1(g) of Part VI – “Additional Information – Material contracts” of the Circular (which have been incorporated by reference into this document as described in the section of this document headed “Relevant Documentation”) and, for details of the New Debt Underwriting Letter entered into in connection with

Part II

Risk Factors

the Increased Xstrata Offer, see paragraph 8.1(b) of Part VI – “Additional Information – Material contracts” of this document.

For details of the Standby Equity Underwriting Letter, see paragraph 8.1(e) of Part VI – “Additional Information – Material contracts” of the Circular (which has been incorporated by reference into this document as described in the section of this document headed “Relevant Documentation”).

For details of the break fee, see paragraph 8.2(b) of Part VI – “Additional Information – Material contracts” of the Circular (which has been incorporated by reference into this document as described in the section of this document headed “Relevant Documentation”).

The Xstrata Group’s and the Enlarged Group’s substantial indebtedness has important consequences for Shareholders. For example, it could potentially:

- cause the Xstrata Group or the Enlarged Group to dedicate a substantial portion of cash flow from operations to payments to service debt, depending on the level of borrowings, prevailing interest rates and, to a lesser extent, exchange rate fluctuations, which reduces the funds available for working capital, capital expenditure, acquisitions and other general corporate purposes;
- curtail the Company’s ability to pay dividends;
- limit the Xstrata Group’s or the Enlarged Group’s ability to borrow additional funds for working capital, capital expenditure, acquisitions and other general corporate purposes;
- limit the Xstrata Group’s or the Enlarged Group’s flexibility in planning for, or reacting to, changes in technology, customer demand, competitive pressures and the industries in which it operates;
- place the Xstrata Group or the Enlarged Group at a competitive disadvantage compared to its competitors that are less leveraged than it is; and
- increase the Xstrata Group’s or the Enlarged Group’s vulnerability to both general and industry specific adverse economic conditions.

Xstrata’s existing debt facilities and the underwritten debt facilities available in connection with the Proposed Acquisition (as such facilities have been supplemented in connection with the Increased Xstrata Offer) contain a number of financial, operating and other obligations that limit the Xstrata Group’s and the Enlarged Group’s operating and financial flexibility. The Xstrata Group’s and the Enlarged Group’s ability to comply with these obligations depends on the future performance of their business.

Nothing in this paragraph headed “Borrowings” is intended to qualify the statement in paragraph 9 of Part VI – “Additional Information – Working capital” of the Circular (which has been incorporated by reference into this document as described in the section of this document headed “Relevant Documentation”).

The Proposed Acquisition remains conditional and the conditions may not be satisfied

The Proposed Acquisition remains conditional, amongst other things, upon the passing of the Resolution to be proposed at the EGM, approval under the Investment Canada Act and a sufficient number of acceptances by Falconbridge Shareholders. There can be no assurance that these conditions will be satisfied and completion of the Proposed Acquisition will be achieved. In addition, the approval process under the Investment Canada Act may take a lengthy period to complete, which would delay the completion of the Proposed Acquisition.

In relation to approval under the Investment Canada Act, the Canadian Minister responsible for the Investment Canada Act may choose to prevent the Proposed Acquisition from taking place. Alternatively, the relevant Minister may permit the Proposed Acquisition but subject it to conditions, including the giving of certain undertakings by the Company. Although the Board is confident that the required approval will be obtained by the Expiry Time of the Xstrata Offer, there can be no assurance as to the timing or outcome of the approval processes, including the undertakings that may be required for approval.

See also “Market considerations – Possible volatility of the price of Ordinary Shares” in Part II – “Risk Factors” of the Circular (which has been incorporated by reference into this document as described in the section of this document headed “Relevant Documentation”).

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Risk Factors

Deletion of the Minimum Tender Condition

If the Offeror and its affiliates hold 66⅔% or more of the Falconbridge Shares following the Xstrata Offer, Xstrata would have the ability to control the outcome of Falconbridge Shareholder votes relating to fundamental changes of Falconbridge, including with respect to a Subsequent Acquisition Transaction (as defined in the section of this document headed "Definitions and Glossary of Technical Terms – Definitions"). By amending and subsequently deleting the Minimum Tender Condition under the original Xstrata Offer under the First Xstrata Notice of Variation and the Second Xstrata Notice of Variation, however, the Offeror may acquire any number of Falconbridge Shares tendered to the Xstrata Offer. If the Offeror acquires Falconbridge Shares under the Xstrata Offer but holds, together with its affiliates, less than 66⅔% of the Falconbridge Shares outstanding (on a fully-diluted basis) there can be no assurance that the Offeror would ultimately be able to acquire 66⅔% or more of the Falconbridge Shares. In these circumstances, there can be no assurance that the Offeror would be able to effect a Subsequent Acquisition Transaction, whether through purchasing additional Falconbridge Shares, obtaining the support of other Falconbridge Shareholders or otherwise.

If the Offeror and its affiliates hold less than 66⅔% of the Falconbridge Shares following the Xstrata Offer, Falconbridge would continue as a separate public company following the completion of the Xstrata Offer and prior to the completion of a Subsequent Acquisition Transaction. If Xstrata is considered to be a "control block holder", certain potential transactions between the Offeror and Falconbridge may be considered "related party transactions" under applicable law (specifically, Rule 61-501 and Regulation Q-27) which would, unless an exemption is available, require a formal valuation for the transaction and, in addition to any other required securityholder approval, the approval of a majority of the votes cast by "minority" holders of the affected securities, which would include holders other than the Offeror and any other person who is a "related party" of the Offeror, including an affiliate or an insider of the Offeror and/or Xstrata and any person acting jointly or in concert therewith. The ability to effect such "related party transactions" would also be subject to future negotiations between the respective boards of directors of the Offeror and Falconbridge, and in such negotiations, any representatives of the Xstrata appointed to the Falconbridge board of directors would be precluded from voting on such transactions.

If the Offeror were unable to complete a Subsequent Acquisition Transaction in a timely manner or at all, then it would be unable to fully integrate the operations of the Xstrata Group and Falconbridge and, consequently, unless the Offeror were successful in completing one or more "related party transactions" with Falconbridge, as described above, the Offeror would be limited in its ability to avail itself of Falconbridge's cash flows (other than through pro rata distributions to the Falconbridge Shareholders) and in its ability to effect potential transactions with Falconbridge for the purposes of integrating the business and operations of the Xstrata Group and Falconbridge and, consequently, realising a significant portion of the synergies otherwise expected to be realised through a combination of the Xstrata Group and Falconbridge.

Furthermore, if the Offeror and its affiliates continue to hold less than a majority of the outstanding Falconbridge Shares following the Xstrata Offer, Xstrata will not be able to exercise a controlling influence over the Falconbridge business and affairs and will not have the power to determine any matters submitted to a vote of the Falconbridge Shareholders, including the election of directors and the approval of significant corporate transactions such as amendments to the Falconbridge constitutional documents, mergers, amalgamations and the sale of all or substantially all of Falconbridge's assets.

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Part III

Information on the Falconbridge Group

Part III – "Information on the Falconbridge Group" of the Circular (which has been incorporated by reference into this document as described in the section of this document headed "Relevant Documentation") and this Part III have been written solely on the basis of publicly available information and have not, for the purposes of this document or the Circular, been commented on or verified by Falconbridge or the Falconbridge Directors or verified by Xstrata or the Xstrata Directors. Nothing in the previous sentence is intended to qualify the statements in paragraph 1 of Part VI – "Additional Information – Responsibility" of this document. See "Presentation of information – presentation of information on the Falconbridge Group" in this document and the risk factor "Lack of due diligence access to Falconbridge" in Part II – "Risk Factors" of the Circular (which has been incorporated by reference into this document as described in the section of this document headed "Relevant Documentation").

Description of the business of the Falconbridge Group

The description of the businesses of Falconbridge, Noranda and Former Falconbridge contained in Part III of the Circular (which has been incorporated by reference into this document as described in the section of this document headed "Relevant Documentation") has been extracted without material amendment from the following sources:

- 1) the Falconbridge Annual Information Form dated 22 March 2006;*
- 2) Noranda's F80 SEC filing dated 8 June 2005;*
- 3) Falconbridge's material public announcements issued and filed with the Canadian Securities Administrators between 31 December 2005 and 29 May 2006 (being the latest practicable date prior to the publication of the Circular);*
- 4) Noranda's Management's Discussion and Analysis as disclosed in Noranda's 2003 Annual Report;*
- 5) Noranda's Management's Discussion and Analysis as of 3 February 2005 as disclosed in Noranda's 2004 Annual Report;*
- 6) Falconbridge's Management's Discussion and Analysis as of 22 February 2006 as disclosed in Falconbridge's 2005 Annual Report;*
- 7) Falconbridge's Management's Discussion and Analysis as of 25 April 2006, as filed with the Canadian Securities Administrators on 1 May 2006; and*
- 8) the audited financial statements of Falconbridge for the year ended 31 December 2005 as disclosed in Falconbridge's annual accounts for that period and the audited financial statements of Noranda for the years ended 31 December 2004 and 31 December 2003 as disclosed in Noranda's annual accounts for those periods,*

and has not, for the purposes of this document or the Circular, been commented on or verified by Falconbridge or the Falconbridge Directors or verified by Xstrata or the Xstrata Directors.

The following information on the Falconbridge Group has been extracted without material amendment from Falconbridge's material public announcements issued and filed with the Canadian Securities Administrators between 29 May 2006 (being the latest practicable date prior to the publication of the Circular) and 19 July 2006 (being the latest practicable date prior to the publication of this document) and updates the information on the Falconbridge Group included in Part III – "Information on the Falconbridge Group" of the Circular (which has been incorporated by reference into this document as described in the section of this document headed "Relevant Documentation"). It has not, for the purposes of this document, been commented on or verified by Falconbridge or the Falconbridge Directors or verified by Xstrata or the Xstrata Directors. Nothing in the previous sentence is intended to qualify the statements in paragraph 1 of Part VI – "Additional Information – Responsibility" of this document.

Part III

Information on the Falconbridge Group

On 31 May 2006, Falconbridge made the following public announcement:

"INCO AND FALCONBRIDGE IDENTIFY US\$550 MILLION IN SYNERGIES

TORONTO, ONTARIO, May 31, 2006 – Falconbridge Limited announced today that Inco Limited today has indicated that Inco and Falconbridge operations personnel have now jointly identified the potential to realize estimated average annual pre-tax operating and corporate synergies of approximately US\$550 million, an increase of US\$200 million from the estimated synergies at the time of the announcement of the Falconbridge transaction.

This increase in the synergies estimate is attributable to developed improvements in the Inco-Falconbridge integration plan and to changes in commodity price assumptions as a result of the improved commodity market outlook since October 2005. The net present value of the estimated annual average pre-tax run-rate operating and corporate synergies of US\$550 million, using a 7% discount rate, is approximately US\$3.5 billion on an after-tax basis.

For more information, visit www.inco.com/newscentre/newsreleases/ to view Inco's press release.

FORWARD-LOOKING INFORMATION

Certain statements contained in this News Release are forward-looking statements (as defined in applicable securities legislation). Examples of such statements include, but are not limited to, statements concerning (i) Falconbridge's assessment of the outlook for metal markets in 2006, (ii) Inco's offer to acquire all of the common shares of Falconbridge Limited and the benefits of such combination, (iii) Xstrata's offer to acquire all of the common shares of Falconbridge Limited and the effects of such combination (iv) Falconbridge's future financial requirements, including to redeem the junior preference shares, and funding of those requirements, (v) Falconbridge's expectations with respect to Falconbridge's development projects, and (vi) Falconbridge's production forecast for 2006. Inherent in forward-looking statements are risks and uncertainties well beyond Falconbridge's ability to predict or control. Actual results and developments are likely to differ, and may differ materially, from those expressed or implied by the forward-looking statements contained in this News Release.

Such statements are based on a number of assumptions which may prove to be incorrect, including, but not limited to, assumptions about the timing, steps to be taken and completion of Inco's offer to acquire all of Falconbridge's common shares, the ability to successfully compete against global metals and mining and exploration companies by creating through such a combination an enterprise of increased scale; strong demand for nickel, copper and other metals in emerging markets such as China; approximately \$550 million per annum in pre-tax operating and other synergies and cost savings, and other benefits being realized based on the achievement of operational efficiencies from restructuring, integration and other initiatives relating to the combination of Falconbridge and Inco; the approvals or clearances required to be obtained by Inco and Falconbridge from regulatory and other agencies and bodies being obtained in a timely manner; divestitures required by regulatory agencies being acceptable and completed in a timely manner; there being limited costs, difficulties or delays related to the integration of the Falconbridge's operations with those of Inco; the timely completion of the steps required to be taken for the eventual combination of the two companies; business and economic conditions generally; exchange rates, energy and other anticipated and unanticipated costs and pension contributions and expenses; the supply and demand for, deliveries of, and the level and volatility of prices of, nickel, copper, aluminum, zinc and other primary metals products and other metal products Inco and Falconbridge produce; the timing of the receipt of remaining regulatory and governmental approvals for the development projects and other operations; the continued availability of financing on appropriate terms for development projects; Falconbridge's costs of production and production and productivity levels, as well as those of its competitors; market competition; mining, processing, exploration and research and development activities; the accuracy of ore/mineral reserve estimates; premiums realized over LME cash and other benchmark prices; tax benefits/charges; the resolution of environmental and other proceedings and the impact on the combined company of various environmental regulations and initiatives; assumptions concerning political and economic stability in countries or locations in which Falconbridge operates or otherwise and the ability to continue to pay quarterly cash dividends in such amounts as Falconbridge's Board of Directors may determine in light of other uses for such funds and other factors.

Inherent in those statements are known and unknown risks, uncertainties and other factors well beyond Falconbridge's ability to control or predict. Some of these known risks and uncertainties are outlined in filings by Falconbridge with applicable securities regulatory authorities, including in Falconbridge's annual information form. Readers are encouraged to consult such filings. While Falconbridge anticipates that subsequent events and developments may cause Falconbridge's views to change, Falconbridge specifically disclaims any obligation to update these forward-looking statements. These forward-looking statements should not be relied upon as representing Falconbridge's views as of any date subsequent to

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Information on the Falconbridge Group

the date of this news release. Although Falconbridge has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in forward-looking statements, there may be other factors that cause actions, events or results not to be as anticipated, estimated or intended. There can be no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements. These factors are not intended to represent a complete list of the factors that could affect Falconbridge and the combination of Inco and Falconbridge.

Falconbridge Limited is a leading copper and nickel company with investments in fully-integrated zinc and aluminum assets. Its primary focus is the identification and development of world-class copper and nickel orebodies. It employs 14,500 people at its operations and offices in 18 countries. Falconbridge's common shares are listed on the New York Stock Exchange (FAL) and the Toronto Stock Exchange (FAL.LV). Falconbridge's website can be found at www.falconbridge.com.

Note: All dollar amounts are expressed in U.S. dollars unless otherwise noted.

Important Legal Information

This communication is being made in respect of Inco Limited's proposed combination with Falconbridge Limited. Inco has filed with the U.S. Securities and Exchange Commission ("SEC") a registration statement on Form F-8 (containing an offer to purchase and a share exchange take-over bid circular) and amendments thereto, and, if required, will file other documents with the SEC in connection with the proposed combination. Falconbridge has filed a Schedule 14D-9F with the SEC in connection with Inco's offer and has filed and, if required, will file other documents regarding the proposed combination with the SEC.

INVESTORS AND SECURITYHOLDERS ARE URGED TO READ THE REGISTRATION STATEMENT AND ANY OTHER RELEVANT DOCUMENTS FILED OR TO BE FILED WITH THE SEC WHEN THEY BECOME AVAILABLE BECAUSE THEY WILL CONTAIN IMPORTANT INFORMATION.

Investors and security holders may obtain copies of the registration statement and Inco's and Falconbridge's SEC filings free of charge at the SEC's website (www.sec.gov). In addition, documents filed with the SEC by Inco may be obtained free of charge by contacting Inco's media or investor relations departments. Documents filed with the SEC by Falconbridge may be obtained free of charge by contacting Falconbridge's investor relations department.

Filings made by Inco and Falconbridge with Canadian securities regulatory authorities, including filings made in connection with the offer, are available at www.sedar.com."

On 31 May 2006, Falconbridge made the following public announcement:

"FALCONBRIDGE BOARD OF DIRECTORS REAFFIRMS SUPPORT FOR INCO OFFER

Toronto, Ontario, May 31, 2006 – Falconbridge Limited today announced that its Board of Directors has conducted its assessment of the offer by Xstrata plc ("Xstrata") to acquire the outstanding common shares of Falconbridge.

The assessment was completed with the assistance of external legal and financial advisors and focused on both the financial and non-financial aspects of the offer from Xstrata. Falconbridge's Board has decided to continue to endorse the Inco offer and recommends that Falconbridge shareholders tender their shares to the Inco offer.

Given the conditional nature of Xstrata's offer, including both the requirement for Xstrata to receive the approval of its own shareholders, which will not be obtained until the end of June at the earliest, and Investment Canada approval, significant conditions have yet to be satisfied that would permit the offer to proceed.

In addition, though Xstrata's bid is expressed to be for all Falconbridge shares, Xstrata has reserved the right to take up any number of shares tendered to it. When combined with its current holding of 20% of Falconbridge, the acquisition of a further small number of shares may well result in Xstrata acquiring effective control of Falconbridge without acquiring all of the shares.

The Falconbridge Board of Directors determined that Xstrata's offer is not a "superior proposal" under the terms of the Support Agreement entered into with Inco and will reaffirm its recommendation of the Inco bid in a Directors Circular responding to the Xstrata offer. The Directors Circular will be sent to shareholders in the near future.

Part III

Information on the Falconbridge Group

"Clearly, one of the strengths of the Inco offer is that it gives Falconbridge shareholders almost 50% participation in the growth of the New Inco, a company that would have one of the best portfolios of development projects in the base metals industry at a time when the fundamental outlook is so positive," said Derek Pannell, Falconbridge's Chief Executive Officer.

The Falconbridge Board remains committed to pursue the combination proposed by Inco and will be seeking the outstanding regulatory approvals from the U.S. Department of Justice and the European Commission.

FORWARD-LOOKING INFORMATION

Certain statements contained in this News Release are forward-looking statements (as defined in applicable securities legislation). Examples of such statements include, but are not limited to, statements concerning (i) Falconbridge's assessment of the outlook for metal markets in 2006, (ii) Inco's offer to acquire all of the common shares of Falconbridge Limited and the benefits of such combination, (iii) Xstrata's offer to acquire all of the common shares of Falconbridge Limited and the effects of such combination (iv) Falconbridge's future financial requirements, including to redeem the junior preference shares, and funding of those requirements, (v) Falconbridge's expectations with respect to Falconbridge's development projects, and (vi) Falconbridge's production forecast for 2006. Inherent in forward-looking statements are risks and uncertainties well beyond Falconbridge's ability to predict or control. Actual results and developments are likely to differ, and may differ materially, from those expressed or implied by the forward-looking statements contained in this News Release.

Such statements are based on a number of assumptions which may prove to be incorrect, including, but not limited to, assumptions about the timing, steps to be taken and completion of Inco's offer to acquire all of Falconbridge's common shares, the ability to successfully compete against global metals and mining and exploration companies by creating through such a combination an enterprise of increased scale; strong demand for nickel, copper and other metals in emerging markets such as China; the estimated pre-tax operating and other synergies and cost savings, and other benefits being realized based on the achievement of operational efficiencies from restructuring, integration and other initiatives relating to the combination of Falconbridge and Inco; the approvals or clearances required to be obtained by Inco and Falconbridge from regulatory and other agencies and bodies being obtained in a timely manner; divestitures required by regulatory agencies being acceptable and completed in a timely manner; there being limited costs, difficulties or delays related to the integration of the Falconbridge's operations with those of Inco; the timely completion of the steps required to be taken for the eventual combination of the two companies; business and economic conditions generally; exchange rates, energy and other anticipated and unanticipated costs and pension contributions and expenses; the supply and demand for, deliveries of, and the level and volatility of prices of, nickel, copper, aluminum, zinc and other primary metals products and other metal products Inco and Falconbridge produce; the timing of the receipt of remaining regulatory and governmental approvals for the development projects and other operations; the continued availability of financing on appropriate terms for development projects; Falconbridge's costs of production and production and productivity levels, as well as those of its competitors; market competition; mining, processing, exploration and research and development activities; the accuracy of ore/mineral reserve estimates; premiums realized over LME cash and other benchmark prices; tax benefits/charges; the resolution of environmental and other proceedings and the impact on the combined company of various environmental regulations and initiatives; assumptions concerning political and economic stability in countries or locations in which Falconbridge operates or otherwise and the ability to continue to pay quarterly cash dividends in such amounts as Falconbridge's Board of Directors may determine in light of other uses for such funds and other factors.

Inherent in those statements are known and unknown risks, uncertainties and other factors well beyond Falconbridge's ability to control or predict. Some of these known risks and uncertainties are outlined in filings by Falconbridge with applicable securities regulatory authorities, including in Falconbridge's annual information form. Readers are encouraged to consult such filings. While Falconbridge anticipates that subsequent events and developments may cause Falconbridge's views to change, Falconbridge specifically disclaims any obligation to update these forward-looking statements. These forward-looking statements should not be relied upon as representing Falconbridge's views as of any date subsequent to the date of this news release. Although Falconbridge has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in forward-looking statements, there may be other factors that cause actions, events or results not to be as anticipated, estimated or intended. There can be no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements. These factors are not intended to represent a complete list of the factors that could affect Falconbridge and the combination of Inco and Falconbridge.

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Falconbridge Limited is a leading copper and nickel company with investments in fully-integrated zinc and aluminum assets. Its primary focus is the identification and development of world-class copper and nickel mining deposits. It employs 14,500 people at its operations and offices in 18 countries. Falconbridge's common shares are listed on the New York Stock Exchange (FAL) and the Toronto Stock Exchange (FAL.LV). Falconbridge's website can be found at www.falconbridge.com.

Note: All dollar amounts are expressed in U.S. dollars unless otherwise noted.

Important Legal Information

This communication is being made in respect of Inco Limited's proposed combination with Falconbridge Limited. Inco has filed with the U.S. Securities and Exchange Commission ("SEC") a registration statement on Form F-8 (containing an offer to purchase and a share exchange take-over bid circular) and amendments thereto, and, if required, will file other documents with the SEC in connection with the proposed combination. Falconbridge has filed a Schedule 14D-9F with the SEC in connection with Inco's offer and has filed and, if required, will file other documents regarding the proposed combination with the SEC.

INVESTORS AND SECURITYHOLDERS ARE URGED TO READ THE REGISTRATION STATEMENT AND ANY OTHER RELEVANT DOCUMENTS FILED OR TO BE FILED WITH THE SEC WHEN THEY BECOME AVAILABLE BECAUSE THEY WILL CONTAIN IMPORTANT INFORMATION.

Investors and security holders may obtain copies of the registration statement and Inco's and Falconbridge's SEC filings free of charge at the SEC's website (www.sec.gov). In addition, documents filed with the SEC by Inco may be obtained free of charge by contacting Inco's media or investor relations departments. Documents filed with the SEC by Falconbridge may be obtained free of charge by contacting Falconbridge's investor relations department.

Filings made by Inco and Falconbridge with Canadian securities regulatory authorities, including filings made in connection with the offer, are available at www.sedar.com.

On 6 June 2006, Falconbridge made the following public announcement:

"ONTARIO SECURITIES COMMISSION HEARING TO BE HELD ON FALCONBRIDGE LIMITED'S SHAREHOLDER RIGHTS PLAN

Toronto, Ontario, June 6, 2006 – Falconbridge Limited today announced that the Ontario Securities Commission will conduct a hearing on June 27, 2006, relating to the application by Xstrata plc to terminate Falconbridge's shareholder rights plan.

"Xstrata is asking securities regulators to permit it to acquire up to an additional 5% of Falconbridge shares in the market in an attempt to obtain a blocking position and end the current competitive bidding process," said Derek Pannell, Chief Executive Officer of Falconbridge. "We expect to demonstrate to the Ontario Securities Commission that this would not be in the best interests of Falconbridge shareholders."

Falconbridge implemented its rights plan on March 21, 2006. The plan is designed to ensure that any acquisition of control of Falconbridge occurs through a transaction whereby all Falconbridge shareholders are able to participate in any premium paid for control. The rights plan does not prevent an offer made to all shareholders for all their shares, and specifically allows a "permitted bid", which is a bid for all shares that contains an unwaivable condition that it will only proceed if a majority of shares not owned by the bidder are tendered to it.

On May 17, 2006, Xstrata announced an offer to acquire the outstanding common shares of Falconbridge. Xstrata chose not to make a permitted bid. Specifically the Xstrata offer includes a provision allowing it to waive the minimum level of acceptance by shareholders, giving Xstrata the option to acquire a small percentage of shares and gain effective control of Falconbridge without acquiring a majority of the shares.

The termination of the rights plan would immediately permit Xstrata to purchase an additional 5% of Falconbridge shares in the market and/or take up a small number of shares that might be tendered to it in its bid. In either case, this may well give Xstrata enough shares, together with their current 20% holding, to block a competing bid including the current offer from Inco.

On June 1, 2006, a senior executive of Xstrata was quoted in the Financial Times of London as saying that Falconbridge's shareholder rights plan "was irrelevant now" and that the "shareholders of Falconbridge will tender their shares to the

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company that offers them the most value". Mr. Pannell commented: "This is in fact the way we see the process unfolding, but Xstrata's attempt to gain strategic advantage by knocking out our rights plan suggests a different agenda on their part. Their actions are not aligned with their words".

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Certain statements contained in this News Release are forward-looking statements (as defined in applicable securities legislation). Examples of such statements include, but are not limited to, statements concerning (i) Falconbridge's assessment of the outlook for metal markets in 2006, (ii) Inco's offer to acquire all of the common shares of Falconbridge Limited and the benefits of such combination, (iii) Xstrata's offer to acquire all of the common shares of Falconbridge Limited and the effects of such combination (iv) Falconbridge's future financial requirements, including to redeem the junior preference shares, and funding of those requirements, (v) Falconbridge's expectations with respect to Falconbridge's development projects, and (vi) Falconbridge's production forecast for 2006. Inherent in forward-looking statements are risks and uncertainties well beyond Falconbridge's ability to predict or control. Actual results and developments are likely to differ, and may differ materially, from those expressed or implied by the forward-looking statements contained in this News Release.

Such statements are based on a number of assumptions which may prove to be incorrect, including, but not limited to, assumptions about the timing, steps to be taken and completion of Inco's offer to acquire all of Falconbridge's common shares, the ability to successfully compete against global metals and mining and exploration companies by creating through such a combination an enterprise of increased scale; strong demand for nickel, copper and other metals in emerging markets such as China; the estimated pre-tax operating and other synergies and cost savings, and other benefits being realized based on the achievement of operational efficiencies from restructuring, integration and other initiatives relating to the combination of Falconbridge and Inco; the approvals or clearances required to be obtained by Inco and Falconbridge from regulatory and other agencies and bodies being obtained in a timely manner; divestitures required by regulatory agencies being acceptable and completed in a timely manner; there being limited costs, difficulties or delays related to the integration of the Falconbridge's operations with those of Inco; the timely completion of the steps required to be taken for the eventual combination of the two companies; business and economic conditions generally; exchange rates, energy and other anticipated and unanticipated costs and pension contributions and expenses; the supply and demand for, deliveries of, and the level and volatility of prices of, nickel, copper, aluminum, zinc and other primary metals products and other metal products Inco and Falconbridge produce; the timing of the receipt of remaining regulatory and governmental approvals for the development projects and other operations; the continued availability of financing on appropriate terms for development projects; Falconbridge's costs of production and production and productivity levels, as well as those of its competitors; market competition; mining, processing, exploration and research and development activities; the accuracy of ore/mineral reserve estimates; premiums realized over LME cash and other benchmark prices; tax benefits/charges; the resolution of environmental and other proceedings and the impact on the combined company of various environmental regulations and initiatives; assumptions concerning political and economic stability in countries or locations in which Falconbridge operates or otherwise and the ability to continue to pay quarterly cash dividends in such amounts as Falconbridge's Board of Directors may determine in light of other uses for such funds and other factors.

Inherent in those statements are known and unknown risks, uncertainties and other factors well beyond Falconbridge's ability to control or predict. Some of these known risks and uncertainties are outlined in filings by Falconbridge with applicable securities regulatory authorities, including in Falconbridge's annual information form. Readers are encouraged to consult such filings. While Falconbridge anticipates that subsequent events and developments may cause Falconbridge's views to change, Falconbridge specifically disclaims any obligation to update these forward-looking statements. These forward-looking statements should not be relied upon as representing Falconbridge's views as of any date subsequent to the date of this news release. Although Falconbridge has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in forward-looking statements, there may be other factors that cause actions, events or results not to be as anticipated, estimated or intended. There can be no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements. These factors are not intended to represent a complete list of the factors that could affect Falconbridge and the combination of Inco and Falconbridge.

Falconbridge Limited is a leading copper and nickel company with investments in fully-integrated zinc and aluminum assets. Its primary focus is the identification and development of world-class copper and nickel mining deposits. It employs 14,500 people

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at its operations and offices in 18 countries. Falconbridge's common shares are listed on the New York Stock Exchange (FAL) and the Toronto Stock Exchange (FAL.LV). Falconbridge's website can be found at www.falconbridge.com.

Note: All dollar amounts are expressed in U.S. dollars unless otherwise noted.

Important Legal Information

This communication is being made in respect of Inco Limited's proposed combination with Falconbridge Limited. Inco has filed with the U.S. Securities and Exchange Commission ("SEC") a registration statement on Form F-8 (containing an offer to purchase and a share exchange take-over bid circular) and amendments thereto, and, if required, will file other documents with the SEC in connection with the proposed combination. Falconbridge has filed a Schedule 14D-9F and amendments thereto with the SEC in connection with Inco's offer and has filed and, if required, will file other documents regarding the proposed combination with the SEC.

INVESTORS AND SECURITYHOLDERS ARE URGED TO READ THE REGISTRATION STATEMENT AND ANY OTHER RELEVANT DOCUMENTS FILED OR TO BE FILED WITH THE SEC WHEN THEY BECOME AVAILABLE BECAUSE THEY WILL CONTAIN IMPORTANT INFORMATION.

Investors and security holders may obtain copies of the registration statement and Inco's and Falconbridge's SEC filings free of charge at the SEC's website (www.sec.gov). In addition, documents filed with the SEC by Inco may be obtained free of charge by contacting Inco's media or investor relations departments. Documents filed with the SEC by Falconbridge may be obtained free of charge by contacting Falconbridge's investor relations department.

Filings made by Inco and Falconbridge with Canadian securities regulatory authorities, including filings made in connection with the offer, are available at www.sedar.com.

On 7 June 2006, Falconbridge made the following public announcement:

INCO AND FALCONBRIDGE PROVIDE UPDATE ON STATUS OF REGULATORY CLEARANCES OF INCO'S OFFER FOR FALCONBRIDGE LIMITED AGREEMENT REACHED ON SALE OF FALCONBRIDGE ASSETS AND RELATED OPERATIONS TO BE DIVESTED

TORONTO, June 7, 2006 – Falconbridge Limited and Inco Limited announced today that they have reached a definitive agreement with LionOre Mining International Ltd. covering the sale to LionOre of certain assets and related operations of Falconbridge. Inco and Falconbridge have been discussing with the U.S. Department of Justice (DOJ) and European Commission (the Commission) the assets and related operations that would be divested and the associated arrangements that would be necessary as the proposed remedy to address potential competition issues that the DOJ and the Commission have identified relating to Inco's pending acquisition of Falconbridge. The sale of these assets and related operations to LionOre will include Falconbridge's Nikkelverk refinery in Norway and the Falconbridge marketing and custom feed organizations that market and sell the finished nickel and other products produced at Nikkelverk and obtain third-party feeds for this facility. In addition, the sale will include an agreement to supply up to 60,000 tonnes of nickel in matte annually, approximately equivalent to the current volume of feed provided by Falconbridge's operations to this refinery, for up to ten years. The closing of this sale is conditioned on, and expected to be completed upon receipt of, the clearance by both the DOJ and the Commission of the pending acquisition of Falconbridge by Inco, as well as Inco taking up and paying for Falconbridge shares pursuant to its offer and certain other standard terms and conditions to closing.

The purchase price to be paid by LionOre for the assets and related operations to be sold is US\$650 million, of which US\$400 million will be in cash and US\$250 million of LionOre common shares. This purchase price is subject to certain adjustments tied to changes in the final working capital levels of the operations to be sold to LionOre and certain other adjustments.

"We are pleased in having reached this agreement with LionOre," said Scott Hand, Chairman and CEO of Inco. "This is an important milestone in the regulatory clearance process and we look forward to completing this process so that the acquisition can be cleared by the U.S. Department of Justice and the European Commission."

Inco and Falconbridge understand that the DOJ and the Commission are currently and will be reviewing the final terms of the proposed remedy that they have been discussing with these regulatory agencies, including the terms of this sale to LionOre. Inco and Falconbridge currently expect that the DOJ and the Commission will advise them whether the acquisition

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will be cleared based upon this sale to LionOre prior to the end of June 2006. Both companies believe that the competition issues that have been identified by the DOJ and the Commission are addressed by the agreements entered into covering this sale to LionOre. The parties will continue to cooperate with the DOJ and the Commission in connection with their respective final reviews of the terms of the remedy.

Cautionary Statement Regarding Forward-Looking Statements

This news release contains forward-looking statements regarding Inco's offer to purchase all of the common shares of Falconbridge Limited and the sale of certain assets and related businesses of Falconbridge Limited as part of the regulatory clearance process of such offer, including statements regarding the anticipated timing of achievement of milestones in the regulatory clearance process, reaching an agreement on any required remedy and the terms of the sale of certain assets and related operations to be divested as part of such clearance. Actual results and developments may differ materially from those contemplated by these statements depending on, among others, the risks that Inco will not be able to obtain the required approvals or clearances from regulatory agencies and bodies on a timely basis, or divestitures or other remedies required by regulatory agencies may not be acceptable or may not be completed in a timely manner, that changes in the terms and conditions of sale of any assets and related operations to be divested may not be acceptable, and other risk factors listed from time to time in Inco's and Falconbridge's reports filed with the U.S. Securities and Exchange Commission. The forward-looking statements included in this release represent Inco's views as of the date of this release. While Inco anticipates that subsequent events and developments may cause its views to change, it specifically disclaims any obligation to update these forward-looking statements. These forward-looking statements should not be relied upon as representing its views as of any date subsequent to the date of this release.

Important Legal Information

This release may be deemed to be solicitation material in respect of Inco's pending acquisition of Falconbridge. Inco has filed a registration statement on Form F-8 and amendments thereto containing a share exchange take-over bid circular and notice of extension of offer delivered to the shareholders of Falconbridge and other documents with the SEC.

INVESTORS AND SECURITYHOLDERS ARE URGED TO READ THE REGISTRATION STATEMENT AND ALL AMENDMENTS AND ANY OTHER RELEVANT DOCUMENTS FILED OR THAT WILL BE FILED WITH THE SEC WHEN THEY BECOME AVAILABLE BECAUSE THEY CONTAIN OR WILL CONTAIN IMPORTANT INFORMATION."

On 9 June 2006, Falconbridge made the following public announcement:

"FALCONBRIDGE'S COMMON SHARE STOCK SYMBOL TO CHANGE ON THE TORONTO STOCK EXCHANGE
"FAL.LV" TO BECOME "FAL" ON MONDAY JUNE 12th

TORONTO, JUNE 9, 2006 – Falconbridge Limited today announced that as of Monday June 12, 2006 Falconbridge's stock symbol for its common shares listed on the Toronto Stock Exchange (TSX) will be amended to "FAL". The new stock symbol, which drops the ".LV" suffix, was assigned by the Toronto Stock Exchange in light of its symbol extension program having been discontinued.

Falconbridge Limited is a leading copper and nickel company with investments in fully-integrated zinc and aluminum assets. Its primary focus is the identification and development of world-class copper and nickel orebodies. It employs 14,500 people at its operations and offices in 18 countries. Falconbridge's common shares are listed on the New York Stock Exchange (FAL) and the Toronto Stock Exchange (FAL). Falconbridge's website can be found at www.falconbridge.com."

On 21 June 2006, Falconbridge made the following public announcement:

"FALCONBRIDGE LIMITED'S BRUNSWICK SMELTER EMPLOYEES RATIFY COLLECTIVE AGREEMENT

Belledune, New Brunswick, June 21, 2006 — Falconbridge Limited announced today that employees at Brunswick Smelter, members of United Steelworkers of America, Local 7085, have voted in favour of a new collective agreement. The previous agreement expired on February 28, 2006.

The new contract is a five-year agreement. Highlights of the agreement include:

- A definition of how seniority will apply and how pensions and severances will be provided to workers.
- Wage increases of 25 cents per hour for each year of the agreement.

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- An increase in the basic pension from \$47 per month per year of service to \$52 in 2010.

"We are very pleased to have reached agreement with our employees," said Peter Hancock, General Manager Brunswick Smelter.

The Brunswick smelter, located approximately 30 kilometres north of Bathurst, New Brunswick, employs over 400 people, with approximately 300 being members of the USWA-Local 7085.

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On 22 June 2006, Falconbridge made the following public announcement:

"FALCONBRIDGE TO OFFER TO ACQUIRE THE SHARES OF ITS SUBSIDIARY NOVICOURT INC. NOT ALREADY OWNED BY FALCONBRIDGE

TORONTO, June 22, 2006 – Falconbridge Limited announced today that it will offer to acquire by way of takeover bid all of the outstanding common shares of its subsidiary Novicourt Inc. ("Novicourt") that it does not already own (7,620,207 shares) at a cash offer price of Cdn\$2.30 per Novicourt share. Falconbridge presently holds approximately 62.1% of the outstanding common shares of Novicourt. The offer is subject to customary conditions, including the condition, which may not be waived by Falconbridge, that not less than 50% of the Novicourt shares that are the subject of the offer be tendered to the bid.

The offer is an insider bid under applicable securities laws. After Falconbridge advised the Novicourt Board of Directors on March 15, 2006 of its intention to make such an offer, a special committee comprised of independent directors of Novicourt (the "Special Committee") was formed to evaluate the Falconbridge proposal and supervise the preparation of a formal valuation of Novicourt. Upon receipt today of the Special Committee's recommendation and the formal valuation and fairness opinion of Orion Securities Inc., which states that in its opinion the Falconbridge offer is fair, from a financial point of view, to the Novicourt minority shareholders, the members of the Board of Directors of Novicourt (who are not related to Falconbridge) voted unanimously to recommend that Novicourt shareholders tender their shares to the Falconbridge offer.

The take-over bid circular is expected to be mailed to Novicourt's shareholders on or about June 30, 2006.

On successful completion of the bid, Falconbridge, if necessary, intends to initiate a second-step acquisition transaction for the remaining shares of Novicourt in order that Novicourt continue as a wholly-owned private company subsidiary of Falconbridge.

Falconbridge Limited is a leading copper and nickel company with investments in fully-integrated zinc and aluminum assets. Its primary focus is the identification and development of world-class copper and nickel mineral deposits. It employs 14,500 people at its operations and offices in 18 countries. Falconbridge's common shares are listed on the New York Stock Exchange (FAL) and the Toronto Stock Exchange (FAL). Falconbridge's website can be found at www.falconbridge.com.

FORWARD-LOOKING INFORMATION

Certain statements contained in this News Release are forward-looking statements (as defined in applicable securities legislation). Examples of such statements include, but are not limited to, statements concerning Falconbridge's intention to undertake a second step transaction if shares of Novicourt are taken-up and paid under this offer. Inherent in forward-looking statements are risks and uncertainties well beyond Falconbridge's ability to predict or control. Actual results and developments are likely to differ, and may differ materially, from those expressed or implied by the forward-looking statements contained in this News Release. Such statements are based on a number of assumptions which may prove to be incorrect, including, but not limited to, assumptions about the timing, steps to be taken with respect to the offer to acquire all of Novicourt's common shares; the approvals or clearances required to be obtained by Falconbridge from regulatory and other agencies and bodies being obtained in a timely manner. Inherent in those statements are known and unknown risks, uncertainties and other factors well beyond Falconbridge's ability to control or predict. Some of these known risks and uncertainties are outlined in filings by Falconbridge with applicable securities regulatory authorities, including in Falconbridge's annual information form. Readers are encouraged to consult such filings. While Falconbridge

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anticipates that subsequent events and developments may cause Falconbridge's views to change, Falconbridge specifically disclaims any obligation to update these forward-looking statements. These forward-looking statements should not be relied upon as representing Falconbridge's views as of any date subsequent to the date of this news release. Although Falconbridge has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in forward-looking statements, there may be other factors that cause actions, events or results not to be as anticipated, estimated or intended. There can be no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements."

On 23 June 2006, Falconbridge made the following public announcement:

"INCO OBTAINS U.S. REGULATORY CLEARANCE OF OFFER FOR FALCONBRIDGE LIMITED

Update on European Commission Clearance

TORONTO, ONTARIO, June 23, 2006 — Falconbridge Limited announced today that it and Inco Limited have reached a definitive agreement with the U.S. Department of Justice (DOJ) on a remedy to address potential competition issues related to Inco's pending acquisition of Falconbridge and provide for the DOJ's clearance of this transaction.

The remedy consists of the sale to LionOre Mining International Ltd. of Falconbridge's Nikkelverk refinery in Norway and the Falconbridge marketing and custom feed organizations that market and sell the finished nickel and other products produced at Nikkelverk and obtain third-party feeds for this facility. In addition, the sale will include an agreement to supply up to 60,000 tonnes of nickel in matte annually, approximately equivalent to the current volume of feed provided by Falconbridge's operations to this refinery, for up to ten years.

Inco and Falconbridge have continued their discussions with the European Commission on the final terms of this same remedy. Inco and Falconbridge currently expect that the Commission will issue their decision on whether the acquisition will be cleared based upon this remedy by July 12, 2006 and believe that the transaction will be cleared by the Commission on the basis of this remedy.

For more information, visit www.inco.com/newscentre/newsreleases/ to view Inco's press release.

FORWARD-LOOKING INFORMATION

Certain statements contained in this News Release are forward-looking statements (as defined in applicable securities legislation). Examples of such statements include, but are not limited to, statements concerning Inco's offer to acquire all of the common shares of Falconbridge and the sale of certain assets and related business of Falconbridge as part of the regulatory clearance process of such offer including statements regarding the anticipated timing of achievement of certain milestones in the regulatory clearance process, reaching an agreement on any required remedy and the terms of the sale of certain assets and related operations to be divested as part of such clearances. Inherent in forward-looking statements are risks and uncertainties well beyond Falconbridge's ability to predict or control. Actual results and developments are likely to differ, and may differ materially, from those expressed or implied by the forward-looking statements contained in this News Release.

Such statements are based on a number of assumptions which may prove to be incorrect, including, but not limited to, assumptions about all of the conditions to the transaction with LionOre Mining International Ltd. being met and the transaction being completed in accordance with its terms.

Inherent in those statements are known and unknown risks, uncertainties and other factors well beyond Falconbridge's ability to control or predict. Some of these known risks and uncertainties are outlined in filings by Falconbridge with applicable securities regulatory authorities, including in Falconbridge's annual information form. Readers are encouraged to consult such filings. While Falconbridge anticipates that subsequent events and developments may cause Falconbridge's views to change, Falconbridge specifically disclaims any obligation to update these forward-looking statements. These forward-looking statements should not be relied upon as representing Falconbridge's views as of any date subsequent to the date of this news release. Although Falconbridge has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in forward-looking statements, there may be other factors that cause actions, events or results not to be as anticipated, estimated or intended. There can be no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements. These

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factors are not intended to represent a complete list of the factors that could affect Falconbridge and the combination of Inco and Falconbridge.

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Note: All dollar amounts are expressed in U.S. dollars unless otherwise noted.

Important Legal Information

This communication is being made in respect of Inco Limited's proposed combination with Falconbridge Limited. Inco has filed with the U.S. Securities and Exchange Commission ("SEC") a registration statement on Form F-8 (containing an offer to purchase and a share exchange take-over bid circular) and amendments thereto, and, if required, will file other documents with the SEC in connection with the proposed combination. Falconbridge has filed a Schedule 14D-9F and an amendment thereto with the SEC in connection with Inco's offer and has filed and, if required, will file other documents regarding the proposed combination with the SEC.

INVESTORS AND SECURITYHOLDERS ARE URGED TO READ THE REGISTRATION STATEMENT AND ANY OTHER RELEVANT DOCUMENTS FILED OR TO BE FILED WITH THE SEC WHEN THEY BECOME AVAILABLE BECAUSE THEY WILL CONTAIN IMPORTANT INFORMATION.

Investors and security holders may obtain copies of the registration statement and Inco's and Falconbridge's SEC filings free of charge at the SEC's website (www.sec.gov). In addition, documents filed with the SEC by Inco may be obtained free of charge by contacting Inco's media or investor relations departments. Documents filed with the SEC by Falconbridge may be obtained free of charge by contacting Falconbridge's investor relations department.

Filings made by Inco and Falconbridge with Canadian securities regulatory authorities, including filings made in connection with the offer, are available at www.sedar.com."

On 26 June 2006, Falconbridge, jointly with Phelps Dodge Corporation and Inco, made the following public announcement:

"PHELPS DODGE, INCO AND FALCONBRIDGE AGREE TO US\$56 BILLION THREE-WAY COMBINATION, CREATING ONE OF WORLD'S LARGEST MINING COMPANIES

Transaction Creates World's Largest Nickel Producer and Largest Publicly Traded Copper Producer

Combines High-Quality, Long-Lived Assets in Regions with Low Geopolitical Risk and Strong Development Pipelines; Enhances Ability to Invest in Long-Term Growth

US\$900 Million of Estimated Annual Synergies Expected by 2008; Combination Expected to Be Immediately Accretive to Cash Flow and Accretive to Earnings Per Share in 2008

Phelps Dodge Offer for Combined Inco/Falconbridge is Valued at C\$80.13 Per Share; Agreement Enables Inco to Enhance Offer for Falconbridge to C\$62.11 Per Share

Phelps Dodge Also Announces Up to US\$5 Billion Share Repurchase Program

PHOENIX AND TORONTO, June 26, 2006 – Phelps Dodge Corporation, Inco Limited and Falconbridge Limited announced today they have agreed to combine in a US\$56⁽¹⁾ billion transaction to create a North American-based mining company that is one of the world's largest. The new company will be named Phelps Dodge Inco Corporation.

Phelps Dodge Inco will be the world's leading nickel producer, the world's largest publicly traded copper producer and a leading producer of molybdenum and cobalt, and it will have a world-class portfolio of growth projects and exciting exploration opportunities. For the quarter ended March 31, 2006, the three companies had combined revenues of US\$6.3 billion and EBITDA (earnings before interest, taxes, depreciation and amortization) of US\$1.9 billion.

⁽¹⁾ Enterprise Value defined as equity value plus debt, preferred stock and minority interest less cash and investments in unconsolidated affiliates.

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The corporate office and the new company's copper division will be headquartered in Phoenix. Inco Nickel, the new company's nickel division, will be headquartered in Toronto.

The Phelps Dodge board of directors also announced, as part of the transaction, a share repurchase program of up to US\$5.0 billion to be commenced after closing.

Phelps Dodge Inco will have operations in more than 40 countries and will employ approximately 40,000 people globally. Phelps Dodge Inco will be listed on the New York Stock Exchange and will apply for a listing on the Toronto Stock Exchange. As a result of the three-way combination, Phelps Dodge Inco will have a significantly increased weighting in the S&P 500 Index. A Web site with detailed information on the transaction is available at www.phelpsdodgeinco.com.

J. Steven Whisler, chairman and chief executive officer of Phelps Dodge Corporation, said: "This transaction represents a unique opportunity in a rapidly consolidating industry to create a global leader based in North America – home of the world's deepest and most liquid capital markets. The combined company has one of the industry's most exciting portfolios of development projects, and the scale and management expertise to pursue their development successfully. The creation of this new company gives us the scale and diversification to manage cyclicalities, stabilize earnings and increase shareholder returns. At the same time, we are committed to maintaining an investment-grade credit rating throughout the business cycle."

Scott M. Hand, chairman and chief executive officer of Inco, said: "This combination allows Inco's shareholders, in addition to receiving a substantial premium for their stock, to share in the significant synergies both from our agreed merger with Falconbridge and from the combination with Phelps Dodge, and it creates an opportunity for all three groups of shareholders to participate in an exciting, new, diversified industry leader. We believe the Phelps Dodge transaction delivers an excellent value proposition for our shareholders. The new Phelps Dodge Inco also will maintain a very strong commitment to and presence in Canada."

Derek Pannell, chief executive officer of Falconbridge, said: "This is an industry-redefining transaction. Phelps Dodge Inco will have the scale, diversification, market leadership, reserve position, growth profile and balance sheet necessary to create tremendous value for shareholders. It represents a significant premium to Falconbridge shareholders, with ongoing participation in the upside of the three-way combination. We believe this transaction represents a most compelling opportunity for all Falconbridge shareholders."

Terms of the Transaction

Under the terms of the transaction, Phelps Dodge will acquire all of the outstanding common shares of Inco for a combination of cash and common shares of Phelps Dodge having a value of C\$80.13 per Inco share, based upon the closing price of Phelps Dodge stock and the closing US/Canadian dollar exchange rate on Friday, June 23, 2006. Each shareholder of Inco would receive 0.672 shares of Phelps Dodge stock plus C\$17.50 per share in cash for each share of Inco stock. This represents a premium of 23 percent to Inco's market price as of close of trading on June 23 and a 19 percent premium to the value of the existing Teck Cominco Limited unsolicited offer for Inco.

Simultaneous with its entry into the combination agreement with Phelps Dodge, Inco has entered into an agreement with Falconbridge to increase its previously recommended offer for Falconbridge. Under the terms of this enhanced offer, Inco has increased the cash component of the offer from C\$12.50 to C\$17.50 and the exchange ratio from 0.524 shares of Inco for each share of Falconbridge to 0.55676 shares of Inco for each share of Falconbridge. The board of Falconbridge has unanimously agreed to recommend this revised offer and also approved an amendment of the Support Agreement with Inco to reflect the revised price.

Based upon the value of the consideration offered by Phelps Dodge for Inco of C\$80.13 per share, the implied value of the revised agreed offer for Falconbridge including the increased cash component is C\$62.11 per share, representing a 12 percent premium to Falconbridge's closing price on June 23, and an 18 percent premium to the existing Xstrata plc unsolicited offer for Falconbridge.

At Phelps Dodge's June 23 closing price of US\$82.95, the total enterprise value of the acquisition by Phelps Dodge of the combined Inco and Falconbridge is approximately US\$40 billion.

The acquisition of Falconbridge by Inco is subject to regulatory approvals and other customary closing conditions, and Inco's tender offer is expected to close in July. Inco anticipates conducting a second-stage transaction to acquire the remaining Falconbridge shares, which is expected to close in August. Upon the closing of the Phelps Dodge-Inco combination, shareholders of Falconbridge who have been issued Inco common shares in the Inco-Falconbridge transaction will be entitled to receive for those shares the same package of cash and Phelps Dodge shares as will other Inco shareholders.

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Phelps Dodge strongly supports Inco's agreed offer for Falconbridge and has entered into a definitive agreement under which it will purchase up to US\$3.0 billion of convertible subordinated notes issued by Inco to provide Inco with substantial additional liquidity at the time of its purchase of Falconbridge common shares and to satisfy related dissent rights, as needed. The convertible subordinated notes will only be funded in the event the Inco/Falconbridge combination is consummated. The instrument will be redeemable for cash at any time by Inco after the merger with Falconbridge and may be converted at any time beginning six months after issuance by Phelps Dodge at a conversion rate equal to 95 percent of the market value of Inco's common shares plus accrued interest of the security at the time of conversion. The instrument will bear an 8 percent PIK coupon. The issuance of the convertible subordinated notes will be subject to regulatory approval.

Phelps Dodge intends to complete its share repurchase program within the 12 months after closing of the Inco transaction in an amount equal to US\$5 billion, less the amount of any convertible subordinated notes purchased by Phelps Dodge.

The transaction between Phelps Dodge and Inco is not conditioned upon the completion of the Inco and Falconbridge combination. Thus, in the event the Inco-Falconbridge merger is not completed, Inco shareholders will receive the same 0.672 shares of Phelps Dodge and C\$17.50 per share in cash that they would have received in the proposed three-way combination. Should Inco not complete the Falconbridge transaction, the Phelps Dodge board of directors intends to execute the full US\$5.0 billion share repurchase program within 12 months of closing a transaction with Inco.

Inco has agreed to pay a break-up fee to Phelps Dodge under certain circumstances of US\$475 million on a stand-alone basis and US\$925 million in conjunction with its combination with Falconbridge. Inco has also given Phelps Dodge certain other customary rights, including a right to match competing offers. Phelps Dodge has agreed to pay Inco a US\$500 million break-up fee under certain circumstances.

Phelps Dodge has received financing commitments from Citigroup and HSBC that may be drawn upon to fund the contemplated transactions and the up to US\$5.0 billion share repurchase program.

Inco has received additional financing commitments from Morgan Stanley, Goldman, Sachs & Co., Royal Bank of Canada, and Bank of Nova Scotia in support of the increased cash component of its revised agreed offer for Falconbridge.

After completion of the transaction, current Phelps Dodge shareholders would own approximately 40 percent of Phelps Dodge Inco, current Inco shareholders would own approximately 31 percent, and current Falconbridge holders would own approximately 29 percent. The transaction, which is subject to Phelps Dodge and Inco shareholder approval, regulatory approvals and customary closing conditions, is expected to close in September 2006.

Delivering Significant Value to Shareholders Through Synergies and Growth

The combination of Phelps Dodge, Inco and Falconbridge is expected to result in total annual synergies of approximately US\$900 million by 2008. This includes US\$550 million in total expected annual synergies from the combination of Inco and Falconbridge.

The net present value of total synergies, at a 7.0 percent discount rate, is approximately US\$5.8 billion after-tax.

The combination brings together three companies with unique, complementary skill sets. The synergies previously identified by Inco and Falconbridge will be generated in part by joint operation of facilities in the Sudbury Basin, where there are contiguous, interwoven mines and processing facilities. Consolidation of the district allows feed flow changes that result in production increases and cost reductions. Also, consolidation of management allows for the sharing of best practices.

The inclusion of Phelps Dodge enhances these synergies. Its three-year-old North American One Mine processes are an excellent blueprint for the consolidation of the Sudbury district. In addition, Phelps Dodge brings a focus on technology that can be applied to improve process recoveries and throughput in Sudbury and elsewhere. Also, the larger company will realize savings in procurement and supply-chain management because of its much larger size.

Based on these synergies, the combination is expected to be immediately accretive to cash flow and accretive to earnings per share in 2008, excluding integration and transaction costs.

The new, larger company will benefit from a strengthened financial position to take advantage of future growth opportunities. This increased financial strength, coupled with its combined assets and expertise, will enable it to pursue current and future development projects more effectively.

The combined company will have an impressive list of greenfield and brownfield projects and expansions. Those now in commissioning or in the late stages of construction include Voisey's Bay (nickel), Cerro Verde (copper/molybdenum) and Henderson (molybdenum). Other projects include Safford (copper), Tenke Fungurume (copper/cobalt), Climax

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(molybdenum), Lomas Bayas (copper), Collahuasi (copper/molybdenum), El Morro (copper), El Pachon (copper), El Abra (copper), Goro (nickel), Koniambo (nickel), and Nickel Rim (nickel).

Management Team and Board of Directors

J. Steven Whisler, 51, chairman and chief executive officer of Phelps Dodge, will be chairman and chief executive officer of the new company. Scott M. Hand, 64, chairman and chief executive officer of Inco, will become vice chairman of Phelps Dodge Inco. Derek Pannell, 60, chief executive officer of Falconbridge, will become president: Inco Nickel and will head the new company's nickel, zinc and aluminum operations. Timothy R. Snider, 56, president and chief operating officer of Phelps Dodge, will hold the same position in the new company. Ramiro G. Peru, 50, executive vice president and chief financial officer of Phelps Dodge, will be the chief financial officer of the new company. Whisler, Snider and Peru will be based in Phoenix. Hand and Pannell will be based in Toronto.

The board of directors of the new company will be composed of 15 members, 11 from the board of Phelps Dodge and four from the boards of Inco and Falconbridge.

Benefits to Canada

Canada will derive benefits not only from the new Phelps Dodge Inco's scale and global reach, but its continuing strong commitment to Canada overall and the local communities in which it operates. As the largest mining company based in North America, Phelps Dodge Inco will have ready access to global capital markets and be well positioned to draw upon its leading market position, combined management teams, technical depth and the expertise of its collective workforce. In Canada, Phelps Dodge Inco will continue to pursue all major capital expenditure projects that Inco and Falconbridge have initiated.

Regarding Canadian employment, Phelps Dodge Inco will not lay off any employees at any of its Canadian operating companies for at least three years after the completion of the transaction, unless those employees are part of an already announced shutdown or reduction in workforce. Canadians will occupy a majority of management positions of the Canadian businesses at Phelps Dodge Inco. While there will be some head-office workforce reduction, as is natural in any such combination, Phelps Dodge Inco will provide severance and make available appropriate outplacement and/or counseling services. Phelps Dodge Inco has committed to establish the head office of the global nickel business in Toronto. The company will maintain a major nickel research and development facility in Canada, and continue all existing Canadian exploration activities for a period of at least three years. Additionally, Phelps Dodge Inco will abide by any practices or agreements engaged in by Inco or Falconbridge with provincial Canadian governments concerning the export or processing of intermediate ore products.

In local communities, Phelps Dodge Inco will maintain all community and educational programs currently in place. In Ontario, Manitoba, Newfoundland and Labrador, Quebec, and New Brunswick, Phelps Dodge Inco has committed to direct resources toward training, education and other initiatives with the specific goal of training potential new employees, as well as enhancing the resources and quality of training available to existing employees. The new company will also maintain and carry forward the practice of environmental protection established over many years by each company, as well as keeping an unwavering focus on worker health and safety.

A World Leader in Metals and Mining

The combined entity will have large-scale production capabilities, significant proven and probable reserves in all of its core commodities and a diversified asset base.

Copper

Pro-forma 2005 copper production for the combined entity was 3.4 billion pounds. Pro-forma 2005 copper revenues were US\$11.13 billion. Phelps Dodge Inco will be the world's largest publicly traded copper corporation after the closing.

Nickel

Pro-forma 2005 nickel production for the combined entity was 738 million pounds. Pro-forma 2005 nickel revenues were US\$5.8 billion. Upon closing of the transaction, Phelps Dodge Inco will be the world's largest nickel producer.

Molybdenum

Pro-forma 2005 molybdenum production for the combined entity was 68 million pounds. Proforma 2005 molybdenum revenues were US\$1.89 billion. Phelps Dodge Inco will be the world's second largest producer of molybdenum.

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Cobalt

Pro-forma 2005 cobalt production for the combined entity was 14 million pounds. Pro-forma 2005 cobalt revenues were US\$210 million. Phelps Dodge Inco will be the world's third-largest producer of cobalt.

Webcast

Management of Phelps Dodge, Inco and Falconbridge will host a webcast for investors today at 9:00 a.m. eastern time, to discuss the details of the transaction. The webcast can be accessed at www.phelpsdodgeinco.com.

Phelps Dodge is one of the world's leading producers of copper and molybdenum and is the largest producer of molybdenum-based chemicals and continuous-cast copper rod. The company employs 13,500 people worldwide.

Inco is a primary metals company. In business for 100 years, it is one of Canada's best-known companies and largest exporters. It employs 12,000 people around the world at mining operations, production facilities, a research center and through its marketing and sales network.

Falconbridge is a leading copper and nickel company with investments in fully integrated zinc and aluminum assets. Its primary focus is the identification and development of world-class copper and nickel ore bodies. It employs 14,500 people at its operations and offices in 18 countries.

Advisors and Counsel

Phelps Dodge is being advised by Citigroup Corporate and Investment Banking and by HSBC Securities. Phelps Dodge's counsel are Debevoise & Plimpton LLP and Heenan Blaikie LLP. Inco is being advised by Morgan Stanley, RBC Capital Markets and Goldman Sachs. Inco's counsel are Sullivan & Cromwell and Osler Hoskin & Hartcourt LLP. Falconbridge is being advised by CIBC World Markets. Falconbridge's counsel are McCarthy Tetrault LLP and Fried Frank Harris Shriver & Jacobson LLP.

Forward-Looking Information

Certain statements contained in this News Release are forward-looking statements (as defined in applicable securities legislation). Examples of such statements include, but are not limited to, statements concerning Inco's offer to acquire all of the common shares of Falconbridge and the anticipated timing for completion of such offer and ancillary transactions upon the requisite regulatory approvals having been obtained. Inherent in forward-looking statements are risks and uncertainties well beyond our ability to predict or control. Actual results and developments are likely to differ, and may differ materially, from those expressed or implied by the forward-looking statements contained in this News Release.

Such statements are based on a number of assumptions which may prove to be incorrect, including, but not limited to, assumptions about all of the conditions to the Inco offer being met and the successful completion of a second step business combination transaction.

Inherent in those statements are known and unknown risks, uncertainties and other factors well beyond the company's ability to control or predict. Some of these known risks and uncertainties are outlined in filings by Falconbridge with applicable securities regulatory authorities, including in Falconbridge's annual information form. Readers are encouraged to consult such filings. While Falconbridge anticipates that subsequent events and developments may cause Falconbridge's views to change, the company specifically disclaims any obligation to update these forward-looking statements. These forward-looking statements should not be relied upon as representing the company's views as of any date subsequent to the date of this News Release. Although the company has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in forward-looking statements, there may be other factors that cause actions, events or results not to be as anticipated, estimated or intended. There can be no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements. These factors are not intended to represent a complete list of the factors that could affect Falconbridge and the combination of Inco and Falconbridge.

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Important Legal Information

This communication is being made in respect of Inco Limited's proposed combination with Falconbridge Limited. Inco has filed with the U.S. Securities and Exchange Commission ("SEC") a registration statement on Form F-8 (containing an offer to purchase and a share exchange take-over bid circular) and amendments thereto, and, if required, will file other documents with the SEC in connection with the proposed combination. Falconbridge has filed a Schedule 14D-9F and an amendment thereto with the SEC in connection with Inco's offer and has filed and, if required, will file other documents regarding the proposed combination with the SEC.

INVESTORS AND SECURITYHOLDERS ARE URGED TO READ THE REGISTRATION STATEMENT AND ANY OTHER RELEVANT DOCUMENTS FILED OR TO BE FILED WITH THE SEC WHEN THEY BECOME AVAILABLE BECAUSE THEY WILL CONTAIN IMPORTANT INFORMATION.

Investors and security holders may obtain copies of the registration statement and Inco's and Falconbridge's SEC filings free of charge at the SEC's website (www.sec.gov). In addition, documents filed with the SEC by Inco may be obtained free of charge by contacting Inco's media or investor relations departments. Documents filed with the SEC by Falconbridge may be obtained free of charge by contacting Falconbridge's investor relations department.

Filings made by Inco and Falconbridge with Canadian securities regulatory authorities, including filings made in connection with the offer, are available at www.sedar.com.

Forward-Looking Statements

These materials include "forward-looking statements" (as defined in Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934) including statements regarding, among other things, the benefits of the combination with Inco and the combined company's plans, objectives, expectations and intentions. All statements other than historical information are forward-looking statements. These forward-looking statements are based on management's current beliefs and expectations, speak only as of the date made, and are subject to a number of significant risks and uncertainties that cannot be predicted or quantified and are beyond our control. Future developments and actual results could differ materially from those set forth in, contemplated by, or underlying the forward-looking statements. The following factors, among others, could cause actual results to differ from those described in the forward-looking statements in this documents: (i) the ability to obtain governmental approvals of the combination on the proposed terms and schedule; (ii) the failure of Inco's shareholders to approve the plan of arrangement; (iii) the failure of Phelps Dodge's shareholders to authorize the issuance of Phelps Dodge common shares, the change of Phelps Dodge's name to Phelps Dodge Inco and an increase in the size of Phelps Dodge's board of directors as required under the combination agreement; (iv) the risks that the businesses of Phelps Dodge and Inco and/or Falconbridge will not be integrated successfully; (v) the risks that the cost savings, growth prospects and any other synergies from the combination may not be fully realized or may take longer to realize than expected; (vi) the combined company's inability to refinance indebtedness incurred in connection with the combination on favorable terms or at all; (vii) the possibility that Phelps Dodge will combine with Inco only; (viii) the possible impairment of goodwill and other long-lived assets resulting from the combination and the resulting impact on the combined company's assets and earnings; and (ix) additional factors that may affect future results of the combined company set forth in Phelps Dodge's, Inco's and Falconbridge's filings with the Securities and Exchange Commission, which filings are available at the SEC's Web Site at (www.sec.gov). Except as required by law, we are under no obligation, and expressly disclaim any obligation, to update, alter or otherwise revise any forward-looking statement, whether written or oral, that may be made from time to time, whether as a result of new information, future events or otherwise.

Supplemental Data

These materials also include terms used to describe supplemental data. Any such data or terms are not a substitute for any U.S. generally accepted accounting principle measure and should be evaluated within the context of our U.S. GAAP results. Any such references may not be comparable to similarly titled measures reported by other companies. As required by Regulation G, we have posted on our Web Site – www.phelpsododgeinco.com – a full reconciliation of non-GAAP financial measures to U.S. GAAP financial measures. Unless otherwise indicated, all information in this news release relating to Phelps Dodge is on a post-FIN-46 basis (i.e., Candelaria and El Abra are fully consolidated with minority interests shown separately rather than a pro rata consolidation).

NOTE: In connection with the proposed combination, Phelps Dodge Corporation ("Phelps Dodge") intends to file a preliminary proxy statement on Schedule 14A with the SEC. Investors are urged to read the proxy statement (including all amendments and supplements to it) when it is filed because it contains important

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information. Investors may obtain free copies of the proxy statement, as well as other filings containing information about Phelps Dodge, Inco and Falconbridge, without charge, at the SEC's Web site (www.sec.gov). Copies of Phelps Dodge's filings may also be obtained without charge from Phelps Dodge at Phelps Dodge's Web site (www.phelpsdodge.com) or by directing a request to Phelps Dodge, One North Central Avenue, Phoenix, Arizona 85004-4415, Attention: Assistant General Counsel and Corporate Secretary (602) 366-8100."

On 29 June 2006, Falconbridge made the following public announcement:

"FALCONBRIDGE OPPOSES XSTRATA APPLICATION TO SUPERIOR COURT

Toronto, Ontario – June 29, 2006 – Falconbridge Limited announced today that it intends to aggressively oppose an Application to the Superior Court of Justice that was filed by Xstrata against Falconbridge. The Application was filed on June 28, just one day after Xstrata had argued before the Ontario Securities Commission to have Falconbridge's shareholder rights protection plan terminated.

Xstrata's Application to the Court demands that Falconbridge be forced to call an early Annual General Meeting of Shareholders on the basis of alleged violations of the Ontario Business Corporations Act ("OBCA") by Falconbridge. Falconbridge had previously received approval from the TSX to hold its Annual General Meeting on October 9, 2006 in accordance with the provisions of the rules of the TSX.

"In our view this is yet another attempt by Xstrata to avoid the fair and open auction process currently underway for Falconbridge. We remain committed to acting in the best interests of all Falconbridge shareholders," said Derek Pannell, Chief Executive Officer of Falconbridge Limited.

Falconbridge Limited is a leading copper and nickel company with investments in fully-integrated zinc and aluminum assets. Its primary focus is the identification and development of world-class copper and nickel orebodies. It employs 14,500 people at its operations and offices in 18 countries. Falconbridge's common shares are listed on the New York Stock Exchange (FAL) and the Toronto Stock Exchange (FAL). Falconbridge's website can be found at www.falconbridge.com.

Forward-Looking Information

Certain statements contained in this News Release are forward-looking statements (as defined in applicable securities legislation). Examples of such statements include, but are not limited to, statements concerning Inco's offer to acquire all of the common shares of Falconbridge and the anticipated timing for completion of such offer and ancillary transactions upon the requisite regulatory approvals having been obtained. Inherent in forward-looking statements are risks and uncertainties well beyond Falconbridge's ability to predict or control. Actual results and developments are likely to differ, and may differ materially, from those expressed or implied by the forward-looking statements contained in this News Release.

Such statements are based on a number of assumptions which may prove to be incorrect, including, but not limited to, assumptions about all of the conditions to the Inco offer being met and the successful completion of a second step business combination transaction.

Inherent in those statements are known and unknown risks, uncertainties and other factors well beyond Falconbridge's ability to control or predict. Some of these known risks and uncertainties are outlined in filings by Falconbridge with applicable securities regulatory authorities, including in Falconbridge's annual information form. Readers are encouraged to consult such filings. While Falconbridge anticipates that subsequent events and developments may cause Falconbridge's views to change, Falconbridge specifically disclaims any obligation to update these forward-looking statements. These forward-looking statements should not be relied upon as representing Falconbridge's views as of any date subsequent to the date of this News Release. Although Falconbridge has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in forward-looking statements, there may be other factors that cause actions, events or results not to be as anticipated, estimated or intended. There can be no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements. These factors are not intended to represent a complete list of the factors that could affect Falconbridge and the combination of Inco and Falconbridge.

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Investors and security holders may obtain copies of the registration statement and Inco's and Falconbridge's SEC filings free of charge at the SEC's website (www.sec.gov). In addition, documents filed with the SEC by Inco may be obtained free of charge by contacting Inco's media or investor relations departments. Documents filed with the SEC by Falconbridge may be obtained free of charge by contacting Falconbridge's investor relations department.

Filings made by Inco and Falconbridge with Canadian securities regulatory authorities, including filings made in connection with the offer, are available at www.sedar.com.

On 30 June 2006, Falconbridge made the following public announcement:

"SUPERIOR COURT DISMISSES XSTRATA APPLICATION

Toronto, Ontario, June 30, 2006 – Falconbridge Limited announced today that the Ontario Superior Court of Justice has dismissed an Application filed by Xstrata alleging violations to the Ontario Business Corporations Act ("OBCA") by Falconbridge.

In its ruling, the Superior Court confirmed that Falconbridge had acted in accordance with the OBCA. As a result, the court upheld Falconbridge's decision to hold its Annual General Meeting no later than October 9, 2006, in accordance with the provisions of the rules of the TSX.

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Investors and security holders may obtain copies of the registration statement and Inco's and Falconbridge's SEC filings free of charge at the SEC's website (www.sec.gov). In addition, documents filed with the SEC by Inco may be obtained free of charge by contacting Inco's media or investor relations departments. Documents filed with the SEC by Falconbridge may be obtained free of charge by contacting Falconbridge's investor relations department.

Filings made by Inco and Falconbridge with Canadian securities regulatory authorities, including filings made in connection with the offer, are available at www.sedar.com."

On 30 June 2006, Falconbridge made the following public announcement:

"ONTARIO SECURITIES COMMISSION ISSUES ORDER ON XSTRATA PLC APPLICATION CONCERNING FALCONBRIDGE'S SHAREHOLDER RIGHTS PLAN

Toronto, Ontario, June 30, 2006 – Falconbridge Limited today announced that the Ontario Securities Commission issued an order stating that the Falconbridge Shareholder Rights Plan will remain in place until the earlier of Xstrata plc obtaining a majority of the outstanding common shares of Falconbridge it does not already own or July 28, 2006.

Falconbridge Limited is a leading copper and nickel company with investments in fully-integrated zinc and aluminum assets. Its primary focus is the identification and development of world-class copper and nickel orebodies. It employs 14,500 people at its operations and offices in 18 countries. Falconbridge's common shares are listed on the New York Stock Exchange (FAL) and the Toronto Stock Exchange (FAL). Falconbridge's website can be found at www.falconbridge.com.

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Certain statements contained in this News Release are forward-looking statements (as defined in applicable securities legislation). Examples of such statements include, but are not limited to, statements concerning Inco's offer to acquire all of the common shares of Falconbridge and the anticipated timing for completion of such offer and ancillary transactions upon the requisite regulatory approvals having been obtained. Inherent in forward-looking statements are risks and uncertainties well beyond Falconbridge's ability to predict or control. Actual results and developments are likely to differ, and may differ materially, from those expressed or implied by the forward-looking statements contained in this News Release.

Such statements are based on a number of assumptions which may prove to be incorrect, including, but not limited to, assumptions about all of the conditions to the Inco offer being met and the successful completion of a second step business combination transaction.

Inherent in those statements are known and unknown risks, uncertainties and other factors well beyond Falconbridge's ability to control or predict. Some of these known risks and uncertainties are outlined in filings by Falconbridge with applicable securities regulatory authorities, including in Falconbridge's annual information form. Readers are encouraged to

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consult such filings. While Falconbridge anticipates that subsequent events and developments may cause Falconbridge's views to change, Falconbridge specifically disclaims any obligation to update these forward-looking statements. These forward-looking statements should not be relied upon as representing Falconbridge's views as of any date subsequent to the date of this News Release. Although Falconbridge has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in forward-looking statements, there may be other factors that cause actions, events or results not to be as anticipated, estimated or intended. There can be no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements. These factors are not intended to represent a complete list of the factors that could affect Falconbridge and the combination of Inco and Falconbridge.

Falconbridge Limited is a leading copper and nickel company with investments in fully-integrated zinc and aluminum assets. Its primary focus is the identification and development of world-class copper and nickel mineral deposits. It employs 14,500 people at its operations and offices in 18 countries. Falconbridge's common shares are listed on the New York Stock Exchange (FAL) and the Toronto Stock Exchange (FAL). Falconbridge's website can be found at www.falconbridge.com.

Note: All dollar amounts are expressed in U.S. dollars unless otherwise noted.

Important Legal Information

This communication is being made in respect of Inco Limited's proposed combination with Falconbridge Limited. Inco has filed with the U.S. Securities and Exchange Commission ("SEC") a registration statement on Form F-8 (containing an offer to purchase and a share exchange take-over bid circular) and amendments thereto, and, if required, will file other documents with the SEC in connection with the proposed combination. Falconbridge has filed a Schedule 14D-9F and an amendment thereto with the SEC in connection with Inco's offer and has filed and, if required, will file other documents regarding the proposed combination with the SEC.

INVESTORS AND SECURITYHOLDERS ARE URGED TO READ THE REGISTRATION STATEMENT AND ANY OTHER RELEVANT DOCUMENTS FILED OR TO BE FILED WITH THE SEC WHEN THEY BECOME AVAILABLE BECAUSE THEY WILL CONTAIN IMPORTANT INFORMATION.

Investors and security holders may obtain copies of the registration statement and Inco's and Falconbridge's SEC filings free of charge at the SEC's website (www.sec.gov). In addition, documents filed with the SEC by Inco may be obtained free of charge by contacting Inco's media or investor relations departments. Documents filed with the SEC by Falconbridge may be obtained free of charge by contacting Falconbridge's investor relations department.

Filings made by Inco and Falconbridge with Canadian securities regulatory authorities, including filings made in connection with the offer, are available at www.sedar.com."

On 4 July 2006, Falconbridge made the following public announcement:

"CLEARANCE BY EUROPEAN COMMISSION REMOVES FINAL REGULATORY CONDITION TO INCO'S ACQUISITION OF FALCONBRIDGE

Toronto, July 4, 2006 – Falconbridge Limited today announced that the proposed acquisition by Inco Limited of Falconbridge has been cleared by the European Commission ("Commission"). In a news release, Inco indicated that it has therefore satisfied the final outstanding regulatory condition to the acquisition, and Falconbridge shareholders may tender their shares to Inco's enhanced offer announced on June 26, 2006, and which expires on July 13, 2006. The Inco offer has been recommended to Falconbridge shareholders by the Board of Directors of Falconbridge.

The regulatory clearance, set forth in a decision issued by the Commission, is structured on the same remedy agreed upon with the U.S. Department of Justice. This remedy is outlined in a Falconbridge news release distributed June 7, 2006, and available at www.falconbridge.com/newsroom/press_releases.

For more information, visit www.inco.com/newscentre/newsreleases/ to view Inco's press release.

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Forward-Looking Information

Certain statements contained in this News Release are forward-looking statements (as defined in applicable securities legislation). Examples of such statements include, but are not limited to, statements concerning Inco's offer to acquire all of the common shares of Falconbridge and the anticipated timing for completion of such offer and ancillary transactions upon the requisite regulatory approvals having been obtained. Inherent in forward-looking statements are risks and uncertainties well beyond Falconbridge's ability to predict or control. Actual results and developments are likely to differ, and may differ materially, from those expressed or implied by the forward-looking statements contained in this News Release.

Important Legal Information

This communication is being made in respect of Inco Limited's proposed combination with Falconbridge Limited. Inco has filed with the U.S. Securities and Exchange Commission ("SEC") a registration statement on Form F-8 (containing an offer to purchase and a share exchange take-over bid circular) and amendments thereto, and, if required, will file other documents with the SEC in connection with the proposed combination. Falconbridge has filed a Schedule 14D-9F and an amendment thereto with the SEC in connection with Inco's offer and has filed and, if required, will file other documents regarding the proposed combination with the SEC.

INVESTORS AND SECURITYHOLDERS ARE URGED TO READ THE REGISTRATION STATEMENT AND ANY OTHER RELEVANT DOCUMENTS FILED OR TO BE FILED WITH THE SEC WHEN THEY BECOME AVAILABLE BECAUSE THEY WILL CONTAIN IMPORTANT INFORMATION.

Investors and security holders may obtain copies of the registration statement and Inco's and Falconbridge's SEC filings free of charge at the SEC's website (www.sec.gov). In addition, documents filed with the SEC by Inco may be obtained free of charge by contacting Inco's media or investor relations departments. Documents filed with the SEC by Falconbridge may be obtained free of charge by contacting Falconbridge's investor relations department.

Filings made by Inco and Falconbridge with Canadian securities regulatory authorities, including filings made in connection with the offer, are available at www.sedar.com.

On 4 July 2006, Falconbridge also made the following public announcement:

"FALCONBRIDGE ANNOUNCES WEBCAST OF SECOND QUARTER 2006 FINANCIAL RESULTS CONFERENCE CALL

TORONTO, July 4, 2006 – Falconbridge Limited announced today that it will webcast on a live, listen-only basis, its second quarter financial results conference call on Monday July 24, 2006 at 1:00 p.m. EDT. The results for Falconbridge will be released via CCMatthews on Monday July 24, 2006 before markets open.

During the meeting, senior management from Falconbridge will review second quarter financial and operating results. The live, interactive webcast and slide presentation will be accessible at www.falconbridge.com under the "Investor Relations" section.

If you are unable to participate during the live webcast, the call will be archived on Falconbridge's website at www.falconbridge.com.

Falconbridge Limited is a leading copper and nickel company with investments in fully-integrated zinc and aluminum assets. Its primary focus is the identification and development of world-class copper and nickel mineral deposits. It employs 14,500 people at its operations and offices in 18 countries. Falconbridge's common shares are listed on the New York Stock Exchange (FAL) and the Toronto Stock Exchange (FAL). Falconbridge's website can be found at www.falconbridge.com.

On 7 July 2006, Falconbridge made the following public announcement:

"FALCONBRIDGE REITERATES RECOMMENDATION TO SHAREHOLDERS

- XSTRATA FAILED TO IMPROVE ITS OFFER
- SHAREHOLDERS URGED TO TENDER TO SUPERIOR INCO OFFER

Toronto, Ontario, July 7, 2006 – Falconbridge Limited today reiterated its recommendation of Inco Limited's superior offer to acquire Falconbridge and urged shareholders to tender their shares to the Inco offer. This is in response to Xstrata's announcement on July 7 that it has extended its current offer for Falconbridge without increasing its price.

"Falconbridge's Board of Directors continues to endorse the Inco offer, which has an implied value of Cdn\$59.02 per share, compared to the Xstrata offer of Cdn\$52.50," said Derek Pannell, Chief Executive Officer of Falconbridge. "We do not understand Xstrata's decision to extend its conditional offer without increasing its dollar value. Our only conclusion is that Xstrata intends to draw out the process beyond July 28, 2006 and ultimately attempt to acquire control of Falconbridge

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through a creeping takeover. We believe the best option for shareholders is to tender to the superior offer on the table from Inco, which has already obtained all necessary regulatory approvals."

INCO OFFER – Superior offer with implied value of \$59.02

Inco Limited's offer for all outstanding Falconbridge shares will expire at 8:00 p.m., Toronto time on Thursday July 13, 2006. Assuming full pro-rata, the consideration payable under their offer is Cdn\$17.50 plus 0.55676 Inco common shares for each Falconbridge common share.

The implied value of this offer is Cdn\$59.02 per Falconbridge share, based on Inco's closing price on the Toronto Stock Exchange on Friday, July 7, 2006.

In its Directors' Circular dated June 26, 2006, the Board of Directors of Falconbridge has recommended that Falconbridge shareholders tender their shares to the Inco offer. This offer has received all necessary regulatory approvals and remains conditional on Falconbridge shareholders tendering a minimum of 66⅔% of Falconbridge shares to the offer (which condition can only be waived by extending the offer's expiry date).

"The combination of Falconbridge with Inco will deliver excellent value to shareholders and result in the creation of an outstanding base metals company with tremendous potential for further value creation. Falconbridge shareholders will own approximately 50% of the Inco/Falconbridge combined company and will have the opportunity to participate in this potential as shareholders of the new Inco," said Pannell. "The subsequent opportunity presented by the friendly Phelps Dodge offer will provide a further opportunity to participate as shareholders in Phelps Dodge Inco, a top tier mining company."

Shareholders are urged to contact their brokers or investment advisors immediately to begin the tender process to the Inco offer.

XSTRATA OFFER – Xstrata fails to improve offer

On July 7, Xstrata extended its offer for Falconbridge to July 21, 2006, but did not improve the Cdn\$52.50 per share offer for Falconbridge. Although Xstrata's bid is expressed to be for all Falconbridge shares, Xstrata continues to reserve the right to take up any number of shares tendered to it. Therefore, under Falconbridge's shareholders rights plan, the Xstrata bid is not considered a permitted bid and any shares tendered to this bid could not be taken up without triggering the dilutive effects of the rights plan until July 28, 2006.

The bid remains conditional on the approval of Investment Canada and on the elimination of the Falconbridge shareholders rights plan, neither of which are expected to occur prior to July 21, 2006.

"Xstrata's reluctance to accept a negotiated standstill agreement in the fall of 2005, their attempt to have the Ontario Securities Commission strike down the shareholders rights plan on June 27, and their attempt to force an early Annual General Meeting of Falconbridge shareholders are all consistent with its intention to creep," said Pannell. "The two-week extension announced today without a price improvement is another attempt to push this process towards the date when the shareholders rights plan falls away and Xstrata can creep by executing small market purchases. Falconbridge believes this strategy is a deliberate attempt to frustrate the competitive auction process to the detriment of the present superior Inco offer."

SHAREHOLDERS RIGHTS PLAN

The expiry of Falconbridge shareholders rights plan occurs on July 28, 2006 in accordance with the ruling of the OSC. Falconbridge's rights plan ensures that any acquisition of control of Falconbridge occurs through a transaction where an offer is made to all shareholders for all their shares. Falconbridge's shareholder rights plan will terminate on the earlier of (a) Inco acquiring a majority of Falconbridge common shares, (b) Xstrata acquiring a majority of the outstanding Falconbridge common shares not currently owned by Xstrata or a related party or (c) July 28, 2006.

After July 28, 2006, Xstrata would be permitted to acquire in the market, at any price, up to 5% of the outstanding Falconbridge common shares and/or take up a small number of shares that might be tendered to it in its bid. In either case, this may well give Xstrata enough shares, together with its current 20% holding, to frustrate a competing bid including the current offer from Inco and to end the current competitive auction process underway for Falconbridge.

"We continue to support a process in which any acquisition of Falconbridge occurs through a transaction in which all Falconbridge shareholders are able to participate in any premium paid for control and we continue to believe that only the Inco offer currently provides this to shareholders," said Pannell.

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FALCONBRIDGE BOARD RECOMMENDATION

"The recommendation of the Falconbridge board remains that the shareholders of Falconbridge tender their to the Inco offer which expires on July 13, 2006. If shareholders wish to speculate that the conditional offer of Xstrata will represent higher value for them that is their prerogative, but they should be aware of the implications of extending the process beyond July 28, 2006 when Xstrata will be able to acquire further Falconbridge shares through market purchases, without any obligation to further extend or enhance its offer to shareholders," said Pannell.

Falconbridge Limited is a leading copper and nickel company with investments in fully integrated zinc and aluminum assets. Its primary focus is the identification and development of world-class copper and nickel orebodies. It employs 14,500 people at its operations and offices in 18 countries. Falconbridge's common shares are listed on the New York Stock Exchange (FAL) and the Toronto Stock Exchange (FAL). Falconbridge's website can be found at www.falconbridge.com.

Forward-Looking Information

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Important Legal Information

This communication is being made in respect of Inco Limited's proposed combination with Falconbridge Limited. Inco has filed with the U.S. Securities and Exchange Commission ("SEC") a registration statement on Form F-8 (containing an offer to purchase and a share exchange take-over bid circular) and amendments thereto, and, if required, will file other documents with the SEC in connection with the proposed combination. Falconbridge has filed a Schedule 14D-9F and an amendment thereto with the SEC in connection with Inco's offer and has filed and, if required, will file other documents regarding the proposed combination with the SEC.

INVESTORS AND SECURITYHOLDERS ARE URGED TO READ THE REGISTRATION STATEMENT AND ANY OTHER RELEVANT DOCUMENTS FILED OR TO BE FILED WITH THE SEC WHEN THEY BECOME AVAILABLE BECAUSE THEY WILL CONTAIN IMPORTANT INFORMATION.

Investors and security holders may obtain copies of the registration statement and Inco's and Falconbridge's SEC filings free of charge at the SEC's website (www.sec.gov). In addition, documents filed with the SEC by Inco may be obtained free of charge by contacting Inco's media or investor relations departments. Documents filed with the SEC by Falconbridge may be obtained free of charge by contacting Falconbridge's investor relations department.

Filings made by Inco and Falconbridge with Canadian securities regulatory authorities, including filings made in connection with the offer, are available at www.sedar.com."

On 11 July 2006, Falconbridge made the following public announcement:

"FALCONBRIDGE RESPONDS TO ANNOUNCEMENT BY XSTRATA

Toronto, Ontario, July 11, 2006 – Falconbridge Limited is reviewing the implications of the press release issued today by Xstrata plc indicating that Xstrata intends to increase its offer to purchase for \$59 cash per share all of the outstanding common shares of Falconbridge.

The Falconbridge Board of Directors will evaluate the terms of the offer and provide Falconbridge shareholders with a formal response as soon as it has completed its analysis.

Falconbridge Limited is a leading copper and nickel company with investments in fully integrated zinc and aluminum assets. Its primary focus is the identification and development of world-class copper and nickel orebodies. It employs 14,500 people at its operations and offices in 18 countries. Falconbridge's common shares are listed on the New York Stock Exchange (FAL) and the Toronto Stock Exchange (FAL). Falconbridge's website can be found at www.falconbridge.com."

On 13 July 2006, Falconbridge made the following public announcement:

"FALCONBRIDGE RESPONDS TO REVISED OFFERS

Toronto, Ontario, July 13, 2006 – Falconbridge Limited is reviewing the details of Inco Limited's announcement indicating that Inco intends to extend its offer to Falconbridge shareholders. The revised offer will expire on July 24, 2006.

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The Falconbridge Board of Directors, which is also currently reviewing the revised Xstrata offer, will evaluate the terms of the revised Inco offer and provide Falconbridge shareholders with a formal recommendation as soon as it has completed its analysis.

Falconbridge Limited is a leading copper and nickel company with investments in fully integrated zinc and aluminum assets. Its primary focus is the identification and development of world-class copper and nickel orebodies. It employs 14,500 people at its operations and offices in 18 countries. Falconbridge's common shares are listed on the New York Stock Exchange (FAL) and the Toronto Stock Exchange (FAL). Falconbridge's website can be found at www.falconbridge.com.

FORWARD-LOOKING INFORMATION

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Such statements are based on a number of assumptions which may prove to be incorrect, including, but not limited to, assumptions about all of the conditions to the Inco offer being met and the successful completion of a second step business combination transaction.

Inherent in those statements are known and unknown risks, uncertainties and other factors well beyond Falconbridge's ability to control or predict. Some of these known risks and uncertainties are outlined in filings by Falconbridge with applicable securities regulatory authorities, including in Falconbridge's annual information form. Readers are encouraged to consult such filings. While Falconbridge anticipates that subsequent events and developments may cause Falconbridge's views to change, Falconbridge specifically disclaims any obligation to update these forward-looking statements. These forward-looking statements should not be relied upon as representing Falconbridge's views as of any date subsequent to the date of this News Release. Although Falconbridge has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in forward-looking statements, there may be other factors that cause actions, events or results not to be as anticipated, estimated or intended. There can be no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements. These factors are not intended to represent a complete list of the factors that could affect Falconbridge and the combination of Inco and Falconbridge.

Important Legal Information

This communication is being made in respect of Inco Limited's proposed combination with Falconbridge Limited. Inco has filed with the U.S. Securities and Exchange Commission ("SEC") a registration statement on Form F-8 (containing an offer to purchase and a share exchange take-over bid circular) and amendments thereto, and, if required, will file other documents with the SEC in connection with the proposed combination. Falconbridge has filed a Schedule 14D-9F and amendments thereto with the SEC in connection with Inco's offer and has filed and, if required, will file other documents regarding the proposed combination with the SEC.

INVESTORS AND SECURITYHOLDERS ARE URGED TO READ THE REGISTRATION STATEMENT AND ANY OTHER RELEVANT DOCUMENTS FILED OR TO BE FILED WITH THE SEC WHEN THEY BECOME AVAILABLE BECAUSE THEY WILL CONTAIN IMPORTANT INFORMATION.

Investors and security holders may obtain copies of the registration statement and Inco's and Falconbridge's SEC filings free of charge at the SEC's website (www.sec.gov). In addition, documents filed with the SEC by Inco may be obtained free of charge by contacting Inco's media or investor relations departments. Documents filed with the SEC by Falconbridge may be obtained free of charge by contacting Falconbridge's investor relations department.

Filings made by Inco and Falconbridge with Canadian securities regulatory authorities, including filings made in connection with the offer, are available at www.sedar.com.

On 16 July 2006, Falconbridge made the following public announcement:

"FALCONBRIDGE LIMITED DECLARES SPECIAL DIVIDEND OF C\$0.75 PER COMMON SHARE

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Toronto, Ontario, July 16, 2006 – The Board of Directors of Falconbridge Limited today declared a special dividend of C\$0.75 per common share payable on August 10, 2006 to shareholders of record at close of business on July 26, 2006. The special dividend will be paid regardless of the outcome of the offers to acquire the common shares of Falconbridge.

Falconbridge Limited is a leading copper and nickel company with investments in fully integrated zinc and aluminum assets. Its primary focus is the identification and development of world-class copper and nickel orebodies. It employs 14,500 people at its operations and offices in 18 countries. Falconbridge's common shares are listed on the New York Stock Exchange (FAL) and the Toronto Stock Exchange (FAL). Falconbridge's website can be found at www.falconbridge.com.

On 16 July 2006, Falconbridge, jointly with Phelps Dodge and Inco, made the following public announcement:

"INCO ENHANCES OFFER FOR FALCONBRIDGE

Phoenix, Arizona and Toronto, Ontario, July 17, 2006 – Phelps Dodge Corp., Inco Ltd. and Falconbridge Ltd. announced today that all three companies have taken action to improve the terms of their three-way combination. Phelps Dodge has increased the cash portion of the consideration to be paid to the shareholders of Inco in the combination of Phelps Dodge and Inco by C\$2.75 per Inco share. Inco has increased the cash portion of its offer to purchase all outstanding common shares of Falconbridge by C\$1.00 per Falconbridge share, and the Falconbridge board of directors has declared a special cash dividend of C\$0.75 per Falconbridge common share.

Improved Terms

Under the improved terms, Phelps Dodge will acquire all outstanding common shares of Inco for a combination of cash and common shares of Phelps Dodge having a value of C\$80.70 per Inco share, based upon the closing price of Phelps Dodge stock and the closing U.S./Canadian dollar exchange rate on Friday, July 14, 2006. Shareholders of Inco will receive 0.672 shares of Phelps Dodge stock plus C\$20.25 per share in cash for each share of Inco stock. This represents a premium of 7.8 percent to Inco's market price as of close of trading on July 14 and a premium of 23.7 percent to Inco's market price as of the close of trading on June 23, the last trading day before the announcement of the combination of Phelps Dodge, Inco and Falconbridge.

Under its enhanced bid for Falconbridge, Inco is now offering C\$18.50 plus 0.55676 shares of Inco for each share of Falconbridge, assuming full proration of the consideration. With the completion of both transactions, Falconbridge shareholders would receive an implied total consideration on a "look-through" basis of C\$63.43 per Falconbridge common share, consisting of: (a) C\$29.77 in cash; and (b) 0.3741 of a Phelps Dodge Inco Corp. common share (based on the closing price of the Phelps Dodge common shares on the New York Stock Exchange and applicable U.S. Federal Reserve U.S.-Canadian dollar exchange rates on July 14, 2006).

Falconbridge Special Dividend

In order to further increase the value received by Falconbridge shareholders, the board of Falconbridge declared a special cash dividend of C\$0.75 per Falconbridge share payable on Aug. 10, 2006, to common shareholders of record at the close of business on July 26, 2006. The Falconbridge board also has unanimously determined that Inco's amended offer for the shares of Falconbridge is superior to the unsolicited offer by Xstrata and unanimously recommends that Falconbridge shareholders accept the Inco offer.

Reduction in Minimum Tender Condition

In addition, Inco has reduced the minimum condition in its offer for Falconbridge from two thirds of the outstanding shares of Falconbridge to 50.01 percent of such outstanding shares on a fully diluted basis. Phelps Dodge and Inco also amended their Combination Agreement so that the combination of Phelps Dodge and Inco may be consummated before the acquisition by Inco of 100 percent of Falconbridge. Inco's amended offer for Falconbridge will expire on July 27, 2006.

The three-way combination of Phelps Dodge, Inco and Falconbridge will create one of the world's leading mining companies and the largest based in North America. Phelps Dodge Inco will be the world's leading nickel producer, the largest publicly traded copper producer and a leading producer of molybdenum and cobalt.

As part of the transaction, Phelps Dodge expects to repurchase up to US\$5.0 billion of its shares in the 12 months after closing.

J. Steven Whisler, chairman and chief executive officer of Phelps Dodge, said: "We strongly believe the combination of Phelps Dodge, Inco and Falconbridge represents a unique value-creation opportunity for the shareholders of all three companies. There's no question that the value of the enhanced Inco offer for Falconbridge is superior to the unsolicited

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offer by Xstrata. In addition to the value inherent in the offer, the Falconbridge shareholders will have the ability to participate in the upside resulting from the three-way combination through their ownership of almost 30 percent of the combined company, which includes a 30 percent share in the \$900 million of expected annual synergies, which in total have a net present value of approximately \$5.8 billion."

Scott Hand, chairman and chief executive officer of Inco, said: "Today's actions demonstrate our shared commitment to create the leading North American-based mining company and a global powerhouse in copper and nickel. That's great news for our shareholders, for our employees, for our communities and for Canada."

Derek Pannell, chief executive officer of Falconbridge, said: "We are pleased with the actions taken today by Phelps Dodge and Inco and by their affirmation of the value of Falconbridge. The special dividend declared by our board today further enhances the expected return to our shareholders. We are confident our shareholders will see the value in the combination of these three companies to create Phelps Dodge Inco."

All required regulatory approvals for Inco's acquisition of Falconbridge have been received. Phelps Dodge's offer to acquire Inco is expected to close in September, subject to Phelps Dodge and Inco shareholder approval, regulatory approvals and customary closing conditions.

Phelps Dodge is one of the world's leading producers of copper and molybdenum and is the largest producer of molybdenum-based chemicals and continuous-cast copper rod. The company employs 13,500 people worldwide.

Inco is a primary metals company and the world's second largest producer of nickel. It employs 12,000 people around the world at mining operations, production facilities, a research center and through its marketing and sales network.

Falconbridge is a leading copper and nickel company with investments in fully integrated zinc and aluminum assets. Its primary focus is the identification and development of world-class copper and nickel ore bodies. It employs 14,500 people at its operations and offices in 18 countries.

Webcast

Management of Phelps Dodge, Inco and Falconbridge will host a webcast for investors at 9:00 a.m. eastern time Monday, July 17, to discuss the details of the transaction. The webcast can be accessed at www.phelpsdodgeinco.com.

Forward-Looking Statements

These materials include "forward-looking statements" (as defined in Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934) including statements regarding, among other things, the benefits of the combination with Inco and the combined company's plans, objectives, expectations and intentions. All statements other than historical information are forward-looking statements. These forward-looking statements are based on management's current beliefs and expectations, speak only as of the date made, and are subject to a number of significant risks and uncertainties that cannot be predicted or quantified and are beyond our control. Future developments and actual results could differ materially from those set forth in, contemplated by, or underlying the forward-looking statements. The following factors, among others, could cause actual results to differ from those described in the forward-looking statements in this documents: (i) the ability to obtain governmental approvals of the combination on the proposed terms and schedule; (ii) the failure of Inco's shareholders to approve the plan of arrangement; (iii) the failure of Phelps Dodge's shareholders to authorize the issuance of Phelps Dodge common shares, the change of Phelps Dodge's name to Phelps Dodge Inco and an increase in the size of Phelps Dodge's board of directors as required under the combination agreement; (iv) the risks that the businesses of Phelps Dodge and Inco and/or Falconbridge will not be integrated successfully; (v) the risks that the cost savings, growth prospects and any other synergies from the combination may not be fully realized or may take longer to realize than expected; (vi) the combined company's inability to refinance indebtedness incurred in connection with the combination on favorable terms or at all; (vii) the possibility that Phelps Dodge will combine with Inco only; (viii) the possible impairment of goodwill and other long-lived assets resulting from the combination and the resulting impact on the combined company's assets and earnings; and (ix) additional factors that may affect future results of the combined company set forth in Phelps Dodge's, Inco's and Falconbridge's filings with the Securities and Exchange Commission, which filings are available at the SEC's Web Site at (www.sec.gov). Except as required by law, we are under no obligation, and expressly disclaim any obligation, to update, alter or otherwise revise any forward-looking statement, whether written or oral, that may be made from time to time, whether as a result of new information, future events or otherwise.

Note: In connection with the proposed combination, Phelps Dodge Corporation ("Phelps Dodge") has filed a preliminary proxy statement on Schedule 14A with the SEC. Investors are urged to read the definitive proxy statement (including all

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amendments and supplements to it) because it contains important information. Investors may obtain free copies of the definitive proxy statement when it is filed, as well as other filings containing information about Phelps Dodge, Inco and Falconbridge, without charge, at the SEC's Web site (www.sec.gov). Copies of Phelps Dodge's filings may also be obtained without charge from Phelps Dodge at Phelps Dodge's Web site (www.phelpsdodge.com) or by directing a request to Phelps Dodge, One North Central Avenue, Phoenix, Arizona 85004-4415, Attention: Assistant General Counsel and Corporate Secretary (602) 366-8100.

Important Legal Information

This communication may be deemed to be solicitation material in respect of Inco's proposed combination with Falconbridge. Inco filed with the U.S. Securities and Exchange Commission (the "SEC"), on October 24, 2005, and July 14, 2006, registration statements on Form F-8, which include Inco's offer and take-over bid circular, and has filed amendments thereto, which include notices of extension and variation, and will file further amendments thereto as required, in connection with the proposed combination with Falconbridge. The offer and take-over bid circular and the notices of variation and extension have been sent to shareholders of Falconbridge Limited. Inco has also filed, and will file (if required), other documents with the SEC in connection with the proposed combination. Falconbridge has filed a Schedule 14D-9F in connection with Inco's offer and has filed, and will file (if required), amendments thereto and other documents regarding the proposed combination, in each case with the SEC.

Investors and security holders are urged to read the registration statements and any other relevant documents filed or that will be filed with the SEC when they become available because they will contain important information.

Investors and security holders are urged to read Inco's solicitation/recommendation statement on schedule 14D-9 that Inco filed with the SEC on May 31, 2006, and any amendments Inco may file thereto, as it contains, and such amendments, if any, will contain, important information regarding Teck Cominco's proposed combination with Inco.

This communication is not a solicitation of a proxy from any security holder of Inco or Phelps Dodge in respect of Inco's proposed combination with Phelps Dodge. Inco intends to file a Management Information Circular regarding the proposed combination with the securities commissions or equivalent regulatory authorities in Canada and to provide the Management Information Circular to Inco shareholders and Phelps Dodge has filed a preliminary Proxy Statement on Schedule 14A regarding the proposed combination with the SEC. We urge investors to carefully read the management information circular, and any amendments Inco may file thereto, when it becomes available because it, and any such amendments, if any, will contain important information about Inco, Phelps Dodge and the proposed combination. We urge investors to carefully read the Proxy Statement, and any amendments Phelps Dodge may file thereto, because it and such amendments, if any, will contain important information about Inco, Phelps Dodge and Inco's proposed combination with Phelps Dodge.

Inco, Phelps Dodge and their executive officers and directors may be deemed to be participants in the solicitation of proxies from Inco and Phelps Dodge security holders in favor of Inco's proposed combination with Phelps Dodge. Information regarding the security ownership and other interests of Inco's and Phelps Dodge's executive officers and directors will be included in the Management Information Circular and Proxy Statement, respectively.

Investors and security holders may obtain copies of the offer and take-over bid circular, the notices of variation and extension, the registration statement, the Solicitation/Recommendation Statement and Inco's, Falconbridge's and Phelps Dodge's other public filings made from time to time by Inco, Falconbridge and Phelps Dodge with the Canadian Securities Regulators, at www.sedar.com, and with the SEC at the SEC's web site, www.sec.gov, free of charge. The proxy statement may also be obtained free of charge at www.sec.gov and the Management Information Circular (when it becomes available) may also be obtained free of charge at www.sedar.com. In addition, the offer and take-over circular and the other disclosure documents may be obtained free of charge by contacting Inco's media or investor relations departments and copies of Phelps Dodge's filings may be obtained without charge from Phelps Dodge at Phelps Dodge's Web site (www.phelpsdodge.com) or by directing a request to Phelps Dodge, One North Central Avenue, Phoenix, Arizona 85004-4415, Attention: Assistant General Counsel and Corporate Secretary (602) 366-8100."

On 19 July 2006, Falconbridge made the following public announcement:

"FALCONBRIDGE RESPONDS TO REVISED XSTRATA OFFER

TORONTO, ONTARIO, July 19, 2006 — Falconbridge Limited is reviewing the details of Xstrata plc's announcement indicating that it intends to increase its offer for Falconbridge to C\$62.50 per common share in cash and waive the minimum tender condition. Under the terms of the offer, the Falconbridge shareholders will also receive the special cash dividend of C\$0.75 per common share declared by Falconbridge on July 16, 2006, representing total proceeds of C\$63.25

Part III

Information on the Falconbridge Group

per Falconbridge common share. The revised Xstrata offer will expire on August 14, 2006 and is subject to approvals from Xstrata shareholders and Investment Canada.

The Falconbridge Board of Directors will evaluate the terms of the revised Xstrata offer and provide Falconbridge shareholders with a formal recommendation as soon as it has completed its analysis.

Falconbridge Limited is a leading copper and nickel company with investments in fully integrated zinc and aluminum assets. Its primary focus is the identification and development of world-class copper and nickel orebodies. It employs 14,500 people at its operations and offices in 18 countries. Falconbridge's common shares are listed on the New York Stock Exchange (FAL) and the Toronto Stock Exchange (FAL). Falconbridge's website can be found at www.falconbridge.com.

FORWARD LOOKING INFORMATION

Certain statements contained in this News Release are forward-looking statements (as defined in applicable securities legislation). Examples of such statements include, but are not limited to, statements concerning Inco's offer to acquire all of the common shares of Falconbridge and the anticipated timing for completion of such offer and ancillary transactions upon the requisite regulatory approvals having been obtained. Inherent in forward-looking statements are risks and uncertainties well beyond Falconbridge's ability to predict or control. Actual results and developments are likely to differ, and may differ materially, from those expressed or implied by the forward-looking statements contained in this News Release.

Such statements are based on a number of assumptions which may prove to be incorrect, including, but not limited to, assumptions about all of the conditions to the Inco offer being met and the successful completion of a second step business combination transaction.

Inherent in those statements are known and unknown risks, uncertainties and other factors well beyond Falconbridge's ability to control or predict. Some of these known risks and uncertainties are outlined in filings by Falconbridge with applicable securities regulatory authorities, including in Falconbridge's annual information form. Readers are encouraged to consult such filings. While Falconbridge anticipates that subsequent events and developments may cause Falconbridge's views to change, Falconbridge specifically disclaims any obligation to update these forward-looking statements. These forward-looking statements should not be relied upon as representing Falconbridge's views as of any date subsequent to the date of this News Release. Although Falconbridge has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in forward-looking statements, there may be other factors that cause actions, events or results not to be as anticipated, estimated or intended. There can be no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements. These factors are not intended to represent a complete list of the factors that could affect Falconbridge and the combination of Inco and Falconbridge.

Important Legal Information

This communication is being made in respect of Inco Limited's proposed combination with Falconbridge Limited. Inco has filed with the U.S. Securities and Exchange Commission ("SEC") a registration statement on Form F-8 (containing an offer to purchase and a share exchange take-over bid circular) and amendments thereto, and, if required, will file other documents with the SEC in connection with the proposed combination. Falconbridge has filed a Schedule 14D-9F and amendments thereto with the SEC in connection with Inco's offer and has filed and, if required, will file other documents regarding the proposed combination with the SEC.

INVESTORS AND SECURITYHOLDERS ARE URGED TO READ THE REGISTRATION STATEMENT AND ANY OTHER RELEVANT DOCUMENTS FILED OR TO BE FILED WITH THE SEC WHEN THEY BECOME AVAILABLE BECAUSE THEY WILL CONTAIN IMPORTANT INFORMATION.

Investors and security holders may obtain copies of the registration statement and Inco's and Falconbridge's SEC filings free of charge at the SEC's website (www.sec.gov). In addition, documents filed with the SEC by Inco may be obtained free of charge by contacting Inco's media or investor relations departments. Documents filed with the SEC by Falconbridge may be obtained free of charge by contacting Falconbridge's investor relations department.

Filings made by Inco and Falconbridge with Canadian securities regulatory authorities, including filings made in connection with the offer, are available at www.sedar.com."

This is the end of the section including Falconbridge's material public announcements issued and filed with the Canadian Securities Administrators between 29 May 2006 (being the latest practicable date prior to the publication of the Circular) and 19 July 2006 (being the latest practicable date prior to the publication of this document).

Part IV

Information on the Expected Impact of the Proposed Acquisition on the Assets, Liabilities and Earnings of the Enlarged Group

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Part IV

Information on the Expected Impact of the Proposed Acquisition on the Assets, Liabilities and Earnings of the Enlarged Group

The information set out in Part IV – “Information on the Expected Impact of the Proposed Acquisition on the Assets, Liabilities and Earnings of the Enlarged Group” has been incorporated by reference into this Part IV as described in the section of this document headed “Relevant Documentation”. Such information should be read as supplemented by the following information. Such information should also be read in conjunction with paragraph 8.1(b) of Part VI – “Additional Information – Material contracts” of this document, which sets out details of the New Debt Underwriting Letter entered into in connection with funding the increased cash consideration that will be payable by the Offeror under the Increased Xstrata Offer if it is successful.

To the extent that the Falconbridge Special Dividend is paid by Falconbridge, Falconbridge’s cash will decrease and the amount of Falconbridge net debt assumed by Xstrata on completion of the Proposed Acquisition will increase by a corresponding amount of any such payment. Xstrata estimates, based on publicly available information, that the amount to be paid in respect of the Falconbridge Special Dividend is up to approximately C\$285 million (approximately US\$251 million) using the weighted average number of Falconbridge Shares of approximately 379,774,000 on a fully-diluted basis for the month ended 30 April 2006. To the extent that the Falconbridge Special Dividend is paid by Falconbridge, Xstrata’s cash balance and dividend income would increase by an amount equal to the aggregate Falconbridge Special Dividend received by the Xstrata Group in respect of its holding of Falconbridge Shares at the record time.

Whilst it is Xstrata’s intention to secure 100% of the Falconbridge Shares, by amending and subsequently deleting the Minimum Tender Condition under the original Xstrata Offer under the First Xstrata Notice of Variation and the Second Xstrata Notice of Variation, the Offeror may acquire any number of Falconbridge Shares tendered to the Xstrata Offer.

Paragraph 2.2 of Part IV - “Information on the Expected Impact of the Proposed Acquisition on the Assets, Liabilities and Earnings of the Enlarged Group - Impact of the Proposed Acquisition on the assets, liabilities and earnings of the Enlarged Group - Acquisition of Falconbridge” of the Circular (which has been incorporated by reference into this Part IV as described in the section of this document headed “Relevant Documentation”) outlined the expected impact the Proposed Acquisition would have on the Xstrata Group assuming that the Xstrata Group acquired a controlling interest in Falconbridge. Following the deletion of the Minimum Tender Condition, there is a possibility that the Proposed Acquisition may result in the Xstrata Group acquiring a minority stake in excess of 19.8% (the Xstrata Group’s existing interest in Falconbridge) but less than a controlling interest (greater than 50%). In such circumstances, Xstrata would equity account for its investment in Falconbridge as an associate, whereby the Xstrata Group’s initial investment would be recorded at cost and then adjusted by the Xstrata Group’s share of the profit or loss of Falconbridge for each period.

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Part V

Principal Terms of the Proposed Acquisition

The summary of the principal terms of the Xstrata Offer in Part VI – “Principal Terms of the Proposed Acquisition” of the Circular (which has been incorporated by reference into this document as described in the section of this document headed “Relevant Documentation”) and the following summary of the principal terms of the Increased Xstrata Offer, and the other information in the Circular and this document in respect of the original Xstrata Offer and the Increased Xstrata Offer, are subject in their entirety to the actual terms and conditions set out in the Offer Document as amended and varied by the Variation Documents.

The information set out in Part V – “Principal Terms of the Proposed Acquisition” has been incorporated by reference into this Part V as described in the section of this document headed “Relevant Documentation”. Such information should be read as applying to the Increased Xstrata Offer as supplemented and amended by the following information:

The Increased Xstrata Offer

The Offeror is offering, upon and subject to the terms and conditions of the Xstrata Offer, to purchase at a price of C\$62.50 in cash all of the issued and outstanding Falconbridge Shares, together with the associated SRP Rights, other than any Falconbridge Shares owned directly or indirectly by the Xstrata Group, and including Falconbridge Shares that may become issued and outstanding after the date of the Xstrata Offer, but before the Expiry Time, upon the conversion, exchange or exercise of any Falconbridge convertible securities (other than SRP Rights).

Under the Second Xstrata Notice of Variation, the Offeror will amend the Xstrata Offer to provide that the consideration under the Xstrata Offer will not be reduced by the amount of the Falconbridge Special Dividend. Prior to these amendments, any distributions (other than regular dividends) declared on and after the date of the original Xstrata Offer (18 May 2006) would be assigned by the tendering Falconbridge Shareholder to the Offeror. The C\$62.50 per Falconbridge Share to be offered by the Offeror under the Increased Xstrata Offer, together with the Falconbridge Special Dividend, if and when paid by Falconbridge, would result in a combined amount of C\$63.25 cash per Falconbridge Share being paid to holders of Falconbridge Shares that hold Falconbridge Shares on the record date for the Falconbridge Special Dividend and that validly tender and do not withdraw their Falconbridge Shares under the Xstrata Offer. Falconbridge Shareholders of record on 26 July 2006 will be entitled to receive the Falconbridge Special Dividend irrespective of whether they tender their Falconbridge Shares to the Xstrata Offer.

Duration of the Xstrata Offer

The Xstrata Offer is open for acceptance until 8.00 p.m. (Toronto time) on 14 August 2006, or such later or earlier time or times and date or dates as may be fixed by the Offeror from time to time pursuant to the Offer Document (as amended and varied by the Variation Documents), unless the Xstrata Offer is withdrawn in accordance with its terms by the Offeror.

Conditions of the Xstrata Offer

Notwithstanding any other provision of the Xstrata Offer and subject to applicable laws, under the terms of the Offer Document (as amended and varied by the Variation Documents), the Offeror will have the right to withdraw or terminate the Xstrata Offer (or amend the Xstrata Offer to postpone taking up and paying for any Falconbridge Shares deposited under the Xstrata Offer), and shall not be required to accept for payment, take up, purchase or pay for, or extend the period of time during which the Xstrata Offer is open and postpone taking up and paying for, any Falconbridge Shares deposited under the Xstrata Offer, unless all of the conditions set out in Part V – “Principal Terms of the Proposed Acquisition Conditions of the Xstrata Offer” of the Circular (which has been incorporated by reference into this document as described in the section of this document headed “Relevant Documentation”), subject to the following amendments, are satisfied or waived by the Offeror at or prior to the Expiry Time:

- (a) the variation under the First Xstrata Notice of Variation of the Minimum Tender Condition to delete part (i) of that condition requiring there to have been validly deposited under the Xstrata Offer and not withdrawn at the Expiry Time such number of Falconbridge Shares that, together with Falconbridge Shares held by the Offeror and its affiliates (as defined in the OSA), constitutes at least 66⅔% of the Falconbridge Shares then outstanding (calculated on a fully-diluted basis), so that the Minimum Tender Condition as amended only requires there to have been validly deposited under the Xstrata Offer and not withdrawn at the Expiry Time at least a majority of the Falconbridge Shares then outstanding (calculated on a fully-diluted basis), the votes attached to which would be included in the minority approval of a second step business combination or going private transaction pursuant to Rule 61-501 and Regulation Q-27;

Part V

Principal Terms of the Proposed Acquisition

- (b) the deletion under the Second Xstrata Notice of Variation of the Minimum Tender Condition (as previously amended under the First Xstrata Notice of Variation) to delete the condition described in paragraph (a) of Part V – “Principal Terms of the Proposed Acquisition – Conditions of the Xstrata Offer” of the Circular (which has been incorporated by reference into this document as described in the section of this document headed “Relevant Documentation” and as supplemented and amended by the information in this Part V), so that the Xstrata Offer is not conditional on any minimum number of Falconbridge Shares being deposited. Subject to applicable laws and the satisfaction or waiver of each condition of the Xstrata Offer, the Offeror may, in its discretion, at any time before the Expiry Time if the applicable rights to withdraw any deposited Falconbridge Shares have expired, take up and pay for all such Falconbridge Shares then deposited under the Xstrata Offer and the Offeror shall take up and pay for all additional Falconbridge Shares validly deposited under the Xstrata Offer thereafter not later than 10 days after such deposit; and
- (c) the variation under the Second Xstrata Notice of Variation of the condition described in paragraph (l) of Part V – “Principal Terms of the Proposed Acquisition – Conditions of the Xstrata Offer” of the Circular (which has been incorporated by reference into this document as described in the section of this document headed “Relevant Documentation” and as supplemented and amended by the information in this Part V), so that such condition, as amended, requires that Xstrata Shareholders shall have approved the acquisition of Falconbridge Shares pursuant to the Increased Xstrata Offer.

Each of the conditions described in paragraphs (d)(i), (d)(ii) and (d)(iii) of Part V – “Principal Terms of the Proposed Acquisition – Conditions of the Xstrata Offer” of the Circular (which have been incorporated by reference into this document as described in the section of this document headed “Relevant Documentation” and as supplemented and amended by the information in this Part V) has been satisfied following the issue of an ARC by the Canadian Commissioner of Competition in respect of the purchase of the Falconbridge Shares by the Offeror, expiry of the applicable waiting period under the HSR Act with respect to the Xstrata Offer and approval of the Xstrata Offer under the EC Merger Regulation.

The conditions of the Xstrata Offer are for the sole benefit of the Offeror and may be asserted by the Offeror at any time, regardless of the circumstances giving rise to any such assertion or may be waived by the Offeror in whole or in part at any time and from time to time in its sole discretion, without prejudice to any other right which the Offeror may have. The failure by the Offeror at any time to exercise any of the rights in respect of the Xstrata Offer shall not be deemed to be a waiver of any such right, the waiver of any such right with respect to particular facts and circumstances will not be deemed a waiver with respect to any other facts and circumstances, and each such right shall be deemed to be an ongoing right which may be asserted at any time and from time to time. Any determination by the Offeror concerning the events described in the conditions of the Xstrata Offer shall be final and binding on all parties.

Any waiver of a condition or the withdrawal of the Xstrata Offer will be effective upon written notice or other communication confirmed in writing by the Offeror to that effect to the depositary of the Xstrata Offer at its principal office in the City of Toronto. Forthwith after giving any such notice, the Offeror will make a public announcement of such waiver or withdrawal, will cause the depositary of the Xstrata Offer as soon as practicable thereafter to notify the Falconbridge Shareholders in the manner set forth in the Offer Document (as amended and varied by the Variation Documents and in accordance with applicable law) and will provide a copy of the aforementioned notice to the TSX and the NYSE. If the Xstrata Offer is withdrawn, the Offeror will not be obligated to take up or pay for any Falconbridge Shares deposited under the Xstrata Offer.

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Additional Information

1. Responsibility

The Directors, whose names are set out in the header of the letter in Part I – “Letter from the Chairman” of this document, accept responsibility for the information contained in this document. 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.

The Directors confirm that the information relating to the Falconbridge Group, which has been sourced from information included in public documents filed by the Falconbridge Group, has been accurately reproduced from those sources and, as far as the Company is aware and is able to ascertain from information included in public documents filed by the Falconbridge Group, no facts have been omitted which would render the reproduced information inaccurate or misleading.

2. Directors’, Senior Executives’ and others’ interests

The information set out in paragraph 2 of Part VI – “Additional Information - Directors’, Senior Executives’ and others’ interests” (excluding paragraph 2.4 – “Interests of major shareholders”) has been incorporated by reference into this paragraph 2 as described in the section of this document headed “Relevant Documentation”. Such information should be read as supplemented and, where relevant, amended by the following information:

Interests of major shareholders

Interests for the purposes of the Companies Act

Insofar as is known to Xstrata, the name of each person who, directly or indirectly, has an interest in Xstrata’s ordinary share capital which is notifiable under Part VI of the Companies Act, and the amount of such person’s interest, as at 19 July 2006 (being the latest practicable date prior to the publication of this document) are as follows:

Name	Ordinary Shares	
	No.	%
Credit Suisse Securities (Europe) Limited ⁽¹⁾	151,975,911	21.56
Glencore International AG ⁽¹⁾	101,040,400	14.34
AXA Investment Managers UK Limited ⁽²⁾	2,168,783	0.31

⁽¹⁾ As a result of their participation in a capital management programme entered into by Glencore International, CSFB Equities and CSSEL in connection with the Xstrata Group’s acquisition of MIM Holdings Limited (now known as Xstrata Queensland Limited) and the associated rights issue, Glencore International, CSFB Equities and CSSEL are jointly interested in 253,016,311 Ordinary Shares, representing approximately 35.90% of the current issued ordinary share capital of the Company. In addition to the interests of CSFB Equities and CSSEL, Xstrata has been informed by Credit Suisse that: (i) an additional 360,072 Ordinary Shares, representing approximately 0.05% of the current issued ordinary share capital of the Company, were in the course of settlement at the relevant time in the notification and the registered holder of such Ordinary Shares was not known; and (ii) Credit Suisse International has interests in a further 10,406,083 Ordinary Shares, representing approximately 1.48% of the current issued ordinary share capital of the Company.

⁽²⁾ AXA Investment Managers UK Limited (“AXA”) notified the Company on 7 June 2006 that AXA holds a beneficial interest in 2,168,783 Ordinary Shares or approximately 0.31% of the current issued ordinary share capital of the Company and a non-beneficial interest in 76,241,308 Ordinary Shares or approximately 10.82% of the current issued ordinary share capital of the Company. In total, AXA is therefore deemed to have an interest in 78,410,091 Ordinary Shares, representing approximately 11.12% of the current issued ordinary share capital of the Company.

3. Directors’ service agreements and letters of appointment

3.1 Mr. Davis and Mr. Reid have employment agreements with Xstrata Services (UK) Limited but their services as Chief Executive and Chief Financial Officer respectively are provided to the Company under a secondment agreement entered into between the Company and Xstrata SL on 19 March 2002. Each of Mr. Davis and Mr. Reid are seconded to the Company for a fixed term of two years thereafter renewable by the Company for further periods of two years. The secondment agreements of Mr. Davis and Mr. Reid were renewed for the two year period commencing on 19 March 2004 and ending on 19 March 2006 and further renewed for the two year period commencing on 19 March 2006 and ending on 19 March 2008.

Under their employment agreements, Mr. Davis’ salary is currently £1,000,000 per annum and Mr. Reid’s salary is £470,693 per annum. In addition, each of Mr. Davis and Mr. Reid receives permanent health, life and private medical insurance, a housing allowance of US\$183,000 per annum and US\$141,660 per annum respectively (to enable each to maintain a residence in Switzerland so as to qualify under Swiss law for a work permit) and participates in money purchase retirement plans to which neither is required to make any contribution. In addition, Mr. Reid is eligible to participate in the Xstrata LTIP and each of Mr. Davis and Mr. Reid is eligible to participate in the annual bonus scheme operated by the Company.

Additional Information

The employment of Mr. Davis and Mr. Reid may be terminated by not less than 12 months' notice by Xstrata SL or the Director concerned. On a termination of the employment agreement by Xstrata SL in breach, or if Mr. Davis or Mr. Reid resigns in circumstances where he cannot in good faith be expected to continue in employment, he is entitled to be paid a sum equal to 150% of his annual salary, an amount equal to his previous year's bonus and to have all entitlements under any retirement benefit arrangements in which he participates paid up to the date of termination of employment in accordance with the relevant plan rules.

3.2 Mr. Zaldumbide has a professional services agreement with Asturiana de Zinc, S.A. dated 29 January 1998 as renewed on 29 January 2001 and 4 February 2004 to act as Chairman of Asturiana. The agreement is in force until 28 February 2007 (previously 29 January 2007) and continues thereafter indefinitely unless terminated by Asturiana giving six months' notice to that effect provided that such notice may not be given to result in his employment termination before 28 February 2007.

Up until 31 December 2002, Mr. Zaldumbide was entitled to a total fee for the term of his agreement of €3,005,060 payable at the rate of €601,012 per annum less any fees from external directorships. This contract predates the acquisition of Asturiana. With effect from 1 June 2003, the Remuneration Committee concluded an agreement with Mr. Zaldumbide that his annual fee should be reviewed in line with the other executive directors of the Company. His fee for the year ended 31 December 2006 is €829,450. Mr. Zaldumbide receives no pension benefits under the terms of his fixed cost remuneration arrangement. On termination of the agreement, other than on his voluntary termination or termination for gross negligence, Mr. Zaldumbide is entitled to receive a sum from the redemption of an insurance policy (acquired by Asturiana for a premium of €3,005,060), including any with profits bonus payable under the policy less the compensation received by him during the term of the agreement. This part of the agreement is not affected by the review.

On termination of the agreement by expiry of the fixed term, Mr. Zaldumbide is entitled to receive the capital redemption value of the policy, including the with profit bonus element, minus the aforementioned amount of €3,005,060 which he will already have received. Mr. Zaldumbide's entitlements under the insurance policy are in lieu of his receiving pension benefits. In addition, Mr. Zaldumbide is entitled to participate in the Xstrata LTIP and annual bonus scheme operated by the Company. Mr. Zaldumbide is engaged as a director of the Company on the terms of a letter of appointment dated 11 March 2002. The appointment, subject to re-election when appropriate by the Company in general meeting, is on an indefinite basis subject to the existence of the agreement between Mr. Zaldumbide and Asturiana. Mr. Zaldumbide receives no additional remuneration for his position as a director of the Company.

3.3 Mr. Strothotte is engaged by the Company as a non-executive director and Chairman on the terms of a letter of appointment. The appointment is for an initial fixed term of 36 months commencing on 25 February 2002 and is terminable thereafter by six months notice by Mr. Strothotte. The Company may terminate Mr. Strothotte's appointment at any time and on such termination Mr. Strothotte will not be entitled to any compensation for loss of office. The term may be renewed by the board of directors of the Company. Mr. Strothotte receives an annual fee of £200,000 as Chairman of the Company and for his membership and chairmanship of the Company's Remuneration Committee. His appointment is subject to confidentiality undertakings.

3.4 Mr. Rough is engaged by the company as a non-executive Director and Deputy Chairman on the terms of a letter of appointment. The appointment is for an initial fixed term of 36 months which commenced on 1 April 2002 and is terminable by six months' notice by Mr. Rough. The Company may terminate Mr. Rough's appointment at any time and on such termination Mr. Rough will not be entitled to any compensation for loss of office. The term may be renewed by the board of directors of the Company. Mr. Rough was also appointed Senior Independent Director by the Board. He receives an annual fee of £140,000 as Deputy Chairman and for his membership of the Company's Remuneration Committee, Audit Committee and HSEC Committee, and for his membership and chairmanship of the Nominations Committee. His appointment is subject to confidentiality undertakings.

3.5 Until his resignation as a director of the Company with effect from 10 May 2006, Mr. Issroff was engaged by the Company as a non-executive director on the terms of a letter of appointment. The appointment was for an initial fixed term of 36 months which commenced on 25 February 2002 and was terminable by six months' notice by Mr. Issroff. The Company was entitled to terminate Mr. Issroff's appointment at any time and on such termination Mr. Issroff would not have been entitled to any compensation for loss of office. The term was renewable by the board of directors of the Company. Mr. Issroff received an annual fee of £63,000 and is subject to confidentiality undertakings. Mr. Issroff has

Part VI

Additional Information

confirmed to the Company that he has no outstanding claims against the Company or any of its subsidiaries in respect of remuneration, fees, costs, expenses or otherwise.

3.6 Mr. Glasenberg is engaged by the Company as a non-executive director on the terms of a letter of appointment. The appointment is for an initial fixed term of 36 months which commenced on 25 February 2002 and is terminable thereafter by six months' notice by Mr. Glasenberg. The Company may terminate Mr. Glasenberg's appointment at any time and on such termination Mr. Glasenberg will not be entitled to any compensation for loss of office. The term may be renewed by the board of directors of the Company. Mr. Glasenberg receives an annual fee of £63,000 and is subject to confidentiality undertakings. Mr. Glasenberg receives an additional annual fee of £10,000 for his membership of the Company's Nominations Committee.

3.7 Mr. Hazen is engaged by the Company as a non-executive director on the terms of a letter of appointment. The appointment is for an initial fixed term of 36 months commencing on 25 February 2002 and is terminable thereafter by six months' notice by Mr. Hazen. The Company may terminate Mr. Hazen's appointment at any time and on such termination Mr. Hazen will not be entitled to any compensation for loss of office. The term may be renewed by the board of directors of the Company. Mr. Hazen receives an annual fee of £63,000 and is subject to confidentiality undertakings. Mr. Hazen receives an additional annual fee of £10,000 for his membership of the Company's Remuneration Committee.

3.8 Mr. MacDonnell is engaged by the Company as a non-executive director on the terms of a letter of appointment. The appointment is for an initial fixed term of 36 months which commenced on 25 February 2002 and is terminable thereafter by six months' notice by Mr. MacDonnell. The Company may terminate Mr. MacDonnell's appointment at any time and on such termination Mr. MacDonnell will not be entitled to any compensation for loss of office. The term may be renewed by the board of directors of the Company. Mr. MacDonnell receives an annual fee of £63,000 and is subject to confidentiality undertakings. Mr. MacDonnell receives an additional annual fee of £10,000 for his membership of the Company's Nominations Committee.

3.9 Dr. Roux is engaged by the Company as a non-executive director on the terms of a letter of appointment. The appointment is for an initial fixed term of 36 months which commenced on 25 February 2002 and is terminable thereafter by six months' notice by Dr. Roux. The Company may terminate Dr. Roux's appointment at any time and on such termination Dr. Roux will not be entitled to any compensation for loss of office. The term may be renewed by the board of directors of the Company. Dr. Roux receives an annual fee of £63,000 and is subject to confidentiality undertakings. Dr. Roux receives additional annual fees of £10,000 each for his membership of the Company's Audit Committee and HSEC Committee.

3.10 Sir Steve Robson is engaged by the Company as a non-executive director on the terms of a letter of appointment. The appointment is for an initial fixed term of 36 months which commenced on 25 February 2002 and is terminable thereafter by six months' notice by Sir Steve. The Company may terminate Sir Steve's appointment at any time and on such termination he will not be entitled to any compensation for loss of office. The term may be renewed by the board of directors of the Company. Sir Steve receives an annual fee of £90,000 as a non-executive director and for his membership and chairmanship of the Company's Audit Committee. His appointment is subject to confidentiality undertakings.

3.11 Mr. Strachan is engaged by the Company as a non-executive director on the terms of a letter of appointment. The appointment is for an initial fixed term of 36 months which commenced on 8 May 2003 and is terminable thereafter by six months' notice by Mr. Strachan. The Company may terminate Mr. Strachan's appointment at any time and on such termination Mr. Strachan will not be entitled to any compensation for loss of office. The term may be renewed by the board of directors of the Company. Mr. Strachan receives an annual fee of £63,000 and is subject to confidentiality undertakings. Mr. Strachan receives additional annual fees of £10,000 each for his membership of the Company's Audit Committee and HSEC Committee and a further £7,000 fee as chairman of the HSEC Committee.

4. Details of key individuals important to Falconbridge's business

The information set out in paragraph 4 of Part VI – "Additional Information - Details of key individuals important to Falconbridge's business" has been incorporated by reference into this paragraph 4 as described in the section of this document headed "Relevant Documentation". Such information has been derived solely from information included in public documents filed by the Falconbridge Group and has not, for the purposes of this document or the Circular, been

Additional Information

commented on or verified by Falconbridge or the Falconbridge Directors or verified by Xstrata or the Xstrata Directors. Nothing in the previous sentence is intended to qualify the statements in paragraph 1 of this Part VI.

5. Related party transactions

The following are descriptions of the material provisions of agreements and other arrangements between Xstrata and various individuals and entities that may be deemed to be related parties:

- (a) the Cerrejón Acquisition Agreement, a description of which is set out in Part III of the Cerrejón Circular – “Principal Terms of the Proposed Acquisition”, which has been incorporated by reference into this document as described in the section of this document headed “Relevant Documentation”;
- (b) the transactions and arrangements described in Part IV of the Cerrejón Circular – “The Xstrata Group’s Relationship with Glencore”, which has been incorporated by reference into this document as described in the section of this document headed “Relevant Documentation”; and
- (c) the related party transactions and arrangements described in the following parts of the following documents, which have been incorporated by reference into this document as described in the section of this document headed “Relevant Documentation”:
 - (i) pages 45 and 46 inclusive and pages 49 to 53 inclusive (excluding paragraph 4 on page 53) of the Cerrejón Circular;
 - (ii) pages 104 to 108 inclusive of the Financial Statements to the Annual Report and Accounts for the financial year ended 31 December 2005;
 - (iii) pages 145 to 148 (inclusive) of the Annual Report and Accounts for the financial year ended 31 December 2004; and
 - (iv) pages 149 to 151 (inclusive) of the Annual Report and Accounts for the financial year ended 31 December 2003.

6. Litigation

6.1 Xstrata Group

Except as set out in paragraph 6.1 of Part VI – “Additional Information – Litigation – Xstrata Group” of the Circular, which has been incorporated by reference into this paragraph 6.1 as described in the section of this document headed “Relevant Documentation” and below, no member of the Xstrata Group is engaged in or, so far as Xstrata is aware, has pending or threatened, any governmental, legal or arbitration proceedings which may have, or have had in the recent past (covering the 12 months preceding the date of this document), a significant effect on the Company and/or the Xstrata Group’s financial position or profitability.

Total Coal arbitration and court proceedings

As described in paragraph 6.1 of Part VI – “Additional Information – Litigation – Xstrata Group” of the Circular, there are arbitration proceedings between Tavistock Collieries (Proprietary) Limited (“Tavistock”), a member of the Xstrata Group, and Total Coal South Africa (Proprietary) Limited (“Total Coal”). The aforesaid arbitration proceedings relate to a joint venture agreement between Tavistock and Total Coal. The joint venture agreement has been cancelled. The arbitration proceedings are concerned with, amongst other things:

- (a) the dissolution of the joint venture and the manner in which the assets contributed to the joint venture by the parties are to be distributed;
- (b) a determination as to which party breached the joint venture agreement;
- (c) a claim for damages by Tavistock from Total Coal of an amount of ZAR835,963,019.19 (approximately US\$117 million); and

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(d) a claim for damages by Total Coal from Tavistock of an amount of ZAR1,734,082,000.00 (approximately US\$243 million).

The aforesaid claims for damages are amounts referred to in the pleadings exchanged between the parties and remain subject to determination in terms of the arbitration proceedings. The Company is of the view that Tavistock is entitled to dissolve the joint venture as a result of a breach by Total Coal.

Arbitration proceedings were conducted between the parties during the period from 22 May 2006 to 15 June 2006. At the conclusion of the arbitration session (on 15 June 2006) the arbitration tribunal issued an award which has substantially disposed of the issue relating to the manner in which the assets contributed by the parties to the joint venture are to be distributed. Further arbitration proceedings have been scheduled for the entire month of September 2006. The purpose of such arbitration proceedings will be to deal, amongst other things, with the effect of the letter agreement (described in paragraph 6.1 of Part VI – “Additional Information – Litigation – Xstrata Group” of the Circular) dated 15 August 2002 between Total Coal, Tavistock, Xstrata South Africa (Proprietary) Limited and Duiker Mining (Pty) Ltd concerning the mining authorisation and subsequent mining right in respect of the ATC and ATCOM mining areas.

It is not possible to state with any certainty when all of the disputes between Tavistock and Total Coal will be finalised.

Based on legal advice obtained, the Company is of the view that the Xstrata Group’s prospects of success in the arbitration and in the High Court proceedings described in paragraph 6.1 of Part VI – “Additional Information – Litigation – Xstrata Group” of the Circular are good.

6.2 Falconbridge Group

The information in paragraph 6.2 of Part VI – “Additional Information – Litigation – Falconbridge Group” of the Circular, which has been incorporated by reference into this paragraph 6.2 as described in the section of this document headed “Relevant Documentation” has been derived solely from information included in public documents filed by the Falconbridge Group and third parties and has not, for the purposes of this document or the Circular, been commented on or verified by Falconbridge or the Falconbridge Directors or verified by Xstrata or the Xstrata Directors. Nothing in the previous sentence is intended to qualify the statements in paragraph 1 of this Part VI. So far as Xstrata is aware, except as set out in paragraph 6.2 of Part VI – “Additional Information – Litigation – Falconbridge Group”, no member of the Falconbridge Group is engaged in or has pending or threatened, any governmental, legal or arbitration proceedings which may have, or have had in the recent past (covering the 12 months preceding the date of this document), a significant effect on Falconbridge and/or the Falconbridge Group’s financial position or profitability.

It is not possible for Xstrata to make an assessment of the merits of the claims set out in paragraph 6.2 of Part VI – “Additional Information – Litigation – Falconbridge Group” of the Circular against Falconbridge at this time as a result of the Xstrata Group’s lack of due diligence access to Falconbridge. See the section of this document headed “Presentation of Information – Presentation of information on the Falconbridge Group”.

7. Significant changes

7.1 Xstrata Group

The information set out in paragraph 7.1 of Part VI – “Additional Information – Significant changes – 7.2 Xstrata Group” of the Circular has been incorporated by reference into this paragraph 7.1 as described in the section of this document headed “Relevant Documentation”. Such information should be read as supplemented and amended by the following information:

The Proposed Acquisition and related financing arrangements

In connection with the Increased Xstrata Offer, on 19 July 2006 the Xstrata Group entered into the New Debt Underwriting Letter under which an aggregate of US\$9.5 billion is available to the Xstrata Group.

The principal terms of the Increased Xstrata Offer under which the Xstrata Group is offering approximately C\$19.2 billion (approximately US\$16.9 billion) in cash and providing that the consideration under the Xstrata Offer would not be reduced by the amount of the Falconbridge Special Dividend of C\$0.75 per Falconbridge Share, are described in Part V – “Principal Terms of the Proposed Acquisition” of the Circular and Part V – “Principal Terms of the Proposed Acquisition” of this document.

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The financing arrangements in relation to the Increased Xstrata Offer are described in paragraphs 8.1(c) to 8.1(e) of Part VI – “Additional Information – Material contracts” of the Circular and paragraph 8.1(b) of this Part VI.

Other than as outlined in paragraph 7.1 of Part VI – “Additional Information – Significant changes – Xstrata Group” of the Circular and this paragraph 7.1 above, there has been no significant change in the financial or trading position of the Xstrata Group since 31 December 2005, the date to which the latest published audited financial information of the Xstrata Group was prepared.

7.2 Falconbridge Group

The information in paragraph 7.2 of Part VI – “Additional Information – Significant changes – Falconbridge Group”, which has been incorporated by reference into this document as described in the section of this document headed “Relevant Documentation”, and the following information has been derived solely from information included in public documents published by Falconbridge and has not, for the purposes of this document or the Circular, been commented on or verified by Falconbridge or the Falconbridge Directors or verified by Xstrata or the Xstrata Directors. Nothing in the previous sentence is intended to qualify the statements in paragraph 1 of this Part VI.

Takeover bid for Novicourt

On 22 June 2006, Falconbridge announced that it would offer to acquire by way of takeover bid all of the outstanding common shares of its subsidiary Novicourt Inc. (“Novicourt”) that it did not already own (7,620,207 shares) at a cash offer price of C\$2.30 per Novicourt share, or an aggregate of approximately C\$17.5 million. Falconbridge stated that at the time of the announcement it held approximately 62.1% of the outstanding common shares of Novicourt. Falconbridge also stated that the offer was subject to customary conditions, including the condition, which may not be waived by Falconbridge, that not less than 50% of the Novicourt shares subject of the offer be tendered to the bid.

Falconbridge stated that, after Falconbridge advised the Novicourt board of directors on 15 March 2006 of its intention to make such an offer, a special committee comprised of independent directors of Novicourt (the “Special Committee”) was formed to evaluate the Falconbridge proposal and supervise the preparation of a formal valuation of Novicourt. Falconbridge’s announcement continued that, upon receipt on 22 June 2006 of the Special Committee’s recommendation and the formal valuation and fairness opinion of Orion Securities Inc., which stated that in its opinion the Falconbridge offer was fair, from a financial point of view, to the Novicourt minority shareholders, the members of the board of directors of Novicourt (who are according to Falconbridge’s announcement not related to Falconbridge) voted unanimously to recommend that Novicourt shareholders tender their shares to the Falconbridge offer for Novicourt.

Falconbridge stated the takeover bid circular was expected to be mailed to Novicourt’s shareholders on or about 30 June 2006.

On successful completion of the bid, Falconbridge stated that, if necessary, it intended to initiate a second-step acquisition transaction for the remaining shares of Novicourt in order that Novicourt continue as a wholly-owned private company subsidiary of Falconbridge.

Falconbridge issued its takeover bid circular dated 26 June 2006. Novicourt’s board of directors issued its recommendation to accept the Falconbridge bid in a directors’ circular dated 26 June 2006. The Falconbridge bid for Novicourt expires at 6:00 p.m. (Toronto time) on 9 August 2006.

LionOre Agreement

On 7 June 2006, Falconbridge and Inco announced that they had reached a definitive agreement with LionOre Mining International Ltd. (“LionOre”) covering the sale by Falconbridge to LionOre of the Falconbridge Divested Assets for US\$650 million (subject to certain adjustments) as described in paragraph 3 of Part I – “Letter from the Chairman – Recent developments concerning the Inco Offer for Falconbridge” of this document and paragraph 8.2(d) of this Part VI. Xstrata understands that Falconbridge will not be obliged to sell the Falconbridge Divested Assets to LionOre if the Xstrata Group acquires Falconbridge under the Proposed Acquisition.

Inco Offer synergies

On 31 May 2006, Falconbridge and Inco indicated that their operations personnel had jointly identified the potential to realise estimated average annual pre-tax operating and corporate synergies of approximately US\$550 million, an increase of

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US\$200 million from the estimated synergies at the time of the announcement of the original Inco Offer, as described in paragraph 5 of Part I – “Letter from the Chairman – Benefits and financial impact of the Proposed Acquisition – The Enlarged Group following successful completion of the Proposed Acquisition” of this document.

Falconbridge Special Dividend

On 16 July 2006, Falconbridge announced the declaration by its board of directors of the Falconbridge Special Dividend, being a special cash dividend of C\$0.75 per Falconbridge Share payable by Falconbridge on 10 August 2006 to Falconbridge Shareholders of record at the close of business on 26 July 2006. Xstrata estimates, based on publicly available information using the weighted average number of Falconbridge Shares of approximately 379,774,000 on a fully-diluted basis for the month ended 30 April 2006, that Falconbridge will make a cash payment of up to approximately C\$285 million (approximately US\$251 million) in respect of the Falconbridge Special Dividend.

As far as Xstrata is aware, having regard to published information, other than as outlined in paragraph 7.2 of Part VI – “Additional Information – Significant changes – Falconbridge Group” of the Circular, which has been incorporated by reference into this document as described in the section of this document headed “Relevant Documentation”, and this paragraph 7.2 above, there has been no significant change in the financial or trading position of the Falconbridge Group since 31 December 2005, the date to which the latest published audited financial information of the Falconbridge Group was prepared.

8. Material contracts

8.1 Xstrata Group

The contracts described in paragraph 8.1 of Part VI – “Additional Information – Material contracts – Xstrata Group” of the Circular, which has been incorporated by reference into this document as described in the section of this document headed “Relevant Documentation”, and the following contracts are the only contracts (not being contracts entered into in the ordinary course of business) that have been entered into by Xstrata or any member of the Xstrata Group within the two years immediately preceding the date of this document which are or may be material to the Xstrata Group or which have been entered into by Xstrata or any member of the Xstrata Group at any other time and which contain provisions under which Xstrata or any member of the Xstrata Group has an obligation or entitlement that is material to the Xstrata Group as at the date of this document:

- (a) The Increased Xstrata Offer pursuant to the Offer Document (as amended and varied by the Variation Documents), details of which are provided in Part V – “Principal Terms of the Proposed Acquisition” of the Circular and Part V – “Principal Terms of the Proposed Acquisition” of this document.
- (b) An underwriting letter dated 19 July 2006 (the “New Debt Underwriting Letter”), between, amongst others, Xstrata (Schweiz) AG, Barclays, Deutsche Bank, JPMorgan Chase and RBS (Barclays, Deutsche Bank, JPMorgan Chase and RBS together the “Debt Underwriters”) pursuant to which each of the Debt Underwriters has underwritten severally 25% of each of the following facilities:
 - (i) the New Acquisition Facilities Agreement; and
 - (ii) the New Debt Bridge Facility Agreement.

Each Debt Underwriter may terminate its underwriting commitment if (amongst other things) the New Acquisition Facilities Agreement and the New Debt Bridge Facility Agreement are not executed on or before the date falling three months after 17 May 2006. However, Xstrata (Schweiz) AG may execute the New Acquisition Facility Agreement and the New Debt Bridge Facility Agreement in advance of the Xstrata Offer being declared unconditional if it so chooses.

The agreed form of each of the New Acquisition Facilities Agreement and the New Debt Bridge Facility Agreement (each as described below) is attached to the New Debt Underwriting Letter.

Upon execution:

- (i) the New Acquisition Facilities Agreement will provide Xstrata (Schweiz) AG with facilities (the “New Acquisition Facilities”) which consist of: (i) a 36-month term loan facility for US\$3,353,000,000 (“Facility A”); (ii) a 60-month-

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and-one-day term loan facility for US\$1,117,000,000 ("Facility B"); (iii) a 60-month revolving loan facility for US\$3,353,000,000 ("Facility C"); and (iv) a 364-day term loan facility for US\$1,677,000,000 with the ability to extend (at Xstrata (Schweiz) AG's option) by 364 days ("Facility D"); and

- (ii) the New Debt Bridge Facility Agreement will provide Xstrata (Schweiz) AG with a facility (the "New Debt Bridge Facility") which consists of a six-month term loan facility for US\$2,500,000,000 with the ability to extend (at Xstrata (Schweiz) AG's option) by 364 days.

The material terms of the New Acquisition Facilities and the New Debt Bridge Facility (other than principal amount) are the same as the material terms of the Original Acquisition Facilities and the Debt Bridge Facility, details of which are set out in paragraph 8.1(c) of Part VI – "Additional Information – Material contracts" of the Circular (which has been incorporated by reference into this document as described in the section of this document headed "Relevant Documentation").

Xstrata has used part of the proceeds of the Placing to prepay the Second Existing Facility (details of which were provided in paragraph 8.1(n) of Part VI – "Additional Information – Material contracts" of the Circular (which has been incorporated by reference into this document as described in the section of this document headed "Relevant Documentation").

8.2 Falconbridge Group

The information in paragraph 8.2 of Part VI – "Additional Information – Material contracts – Falconbridge Group", which has been incorporated by reference into this document as described in the section of this document headed "Relevant Documentation", and the following information has been derived solely from information included in public documents published by Falconbridge and has not, for the purposes of this document or the Circular, been commented on or verified by Falconbridge or the Falconbridge Directors or verified by Xstrata or the Xstrata Directors. Nothing in the previous sentence is intended to qualify the statements in paragraph 1 of this Part VI. So far as Xstrata is aware, the contracts described in paragraph 8.2 of Part VI – "Additional Information – Material contracts – Falconbridge Group" of the Circular, which has been incorporated by reference into this document as described in the section of this document headed "Relevant Documentation", and the following contracts, not being contracts entered into in the ordinary course of business, have been entered into by a member of the Falconbridge Group within the two years immediately preceding the date of this document or are expected to be entered into prior to the date of this document and are, or may be, material or have been entered into at any time by a member of the Falconbridge Group and contain any provisions under which a member of the Falconbridge Group has an obligation or entitlement which is, or may be, material to the Falconbridge Group as at the date of this document:

- (a) A sixth amending agreement dated 16 July 2006 (the "Sixth Amending Agreement") between Inco and Falconbridge amending the Inco Support Agreement.

Under the terms of the Sixth Amending Agreement, Inco agreed to increase the maximum cash consideration offered to holders of Falconbridge Shares pursuant to the Inco Offer to C\$7,080,125,473. The maximum number of Inco common shares issuable under the Inco Offer was also reduced to 213,077,333 Inco shares from 213,171,558 Inco shares reflecting a reduction in the number of Falconbridge Shares outstanding on an adjusted fully-diluted basis since 25 June 2006. As a result, Falconbridge Shareholders would be entitled to elect to receive either: (a) C\$60.20 in cash for each Falconbridge Share held; or (b) 0.80312 of an Inco common share plus C\$0.05 in cash for each Falconbridge Share held, subject, in each case, to pro-rata based upon the maximum amount of cash available and the maximum number of Inco common shares issuable under the Inco Offer.

Under the terms of the Sixth Amending Agreement, Falconbridge acknowledged the reduction of the minimum tender condition of the Inco Offer from 66% to 50.01%, with the result that the Inco Offer was made subject to the condition that there have been validly deposited under the Inco Offer and not withdrawn at the expiry time of the Inco Offer such number of Falconbridge Shares which, together with any Falconbridge Shares directly or indirectly owned by Inco, constitutes at least 50.01% of the Falconbridge Shares outstanding at the expiry time of the Inco Offer (calculated on a fully-diluted basis).

Inco consented to the declaration and payment of the Falconbridge Special Dividend under the Inco Support Agreement and agreed that Falconbridge would be permitted to reduce the exercise price of any option outstanding

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on 16 July 2006 under its stock option plans that are exercised after 16 July 2006 by the amount of the Falconbridge Special Dividend in respect of each Falconbridge Share for which any such option is exercised.

Falconbridge also confirmed that the board of directors of Falconbridge, upon consultation with its financial and legal advisors, had unanimously determined that the increased price under the Inco Offer announced on 16 July 2006 was fair from a financial point of view to all Falconbridge Shareholders (other than Inco) and that it was in the best interests of Falconbridge for the Inco Offer to be made and for the board of directors of Falconbridge to support the transactions contemplated by the Inco Support Agreement, as amended. Accordingly, the board of directors of Falconbridge unanimously approved the making of a recommendation that Falconbridge Shareholders accept the Inco Offer and tender their Falconbridge Shares to the Inco Offer.

- (b) A fifth amending agreement dated 25 June 2006 (the "Fifth Amending Agreement") between Inco and Falconbridge amending the Inco Support Agreement.

Under the terms of the Fifth Amending Agreement, Inco agreed to increase the cash consideration and the share consideration offered to holders of Falconbridge Shares pursuant to the Inco Offer to C\$53.83 in cash and to 0.82419 of an Inco common share, respectively, per Falconbridge Share.

As a result, Falconbridge Shareholders were entitled to elect to receive either C\$53.83 in cash for each Falconbridge Share held or 0.82419 of an Inco common share plus C\$0.05 in cash for each Falconbridge Share held, subject in each case to pro-rata based upon the maximum amount of cash available and the maximum number of Inco common shares issuable under the Inco Offer.

The maximum amount of cash consideration available under the Offer was increased to C\$6,700,377,653 and the maximum number of Inco common shares available for issuance under the Inco Offer was increased to 213,171,558 Inco common shares.

Assuming full pro-rata of these maximum amounts, Falconbridge Shareholders would be entitled to receive C\$17.50 in cash and 0.55676 of an Inco common share for each Falconbridge Share tendered to the Inco Offer, subject to adjustment for fractional shares.

Falconbridge and Inco also agreed to a corresponding adjustment to the number of Inco common shares to be received by holders of Falconbridge options following successful completion of the Inco Offer.

The Fifth Amending Agreement also amended the Inco Support Agreement to provide that the Inco Support Agreement may be terminated by either Inco or Falconbridge in the event: (i) the other party has not complied in all material respects with its covenants or obligations under the Inco Support Agreement; or (ii) any representation or warranty of the other party under the Inco Support Agreement, as the case may be, shall have been untrue or incorrect as at 10 October 2005 (being the first date of the Inco Support Agreement) or shall have become untrue or incorrect at any time prior to the Expiry Time of the Inco Offer (as defined in the Inco Support Agreement, the "Inco Expiry Time") and such untrue or incorrect representation or warranty is not curable or, if curable, is not cured by the earlier of such date which is 30 days from the notice of such breach and the Inco Expiry Time except, in the case of a termination by Falconbridge, for any untrue representations or warranties of Inco which, individually or in the aggregate, would not reasonably be expected to have a Material Adverse Effect (as defined in the Inco Support Agreement) with respect to Inco and except, in the case of a termination by Inco, for any untrue representations or warranties of Falconbridge which, individually or in the aggregate, would not, or would not reasonably be expected to, have a Material Adverse Effect (as defined in the Inco Support Agreement) with respect to Falconbridge or would not, or would not reasonably be expected to, prevent or materially delay the completion of the Inco Offer or a subsequent acquisition transaction prior to the Inco Expiry Time.

In light of the proposed Phelps Dodge Inco Combination, under the terms and subject to the conditions of the Fifth Amending Agreement, Falconbridge agreed to use its reasonable best efforts to co-operate with Inco and to obtain all necessary consents and approvals with respect to the transactions contemplated by the Phelps Dodge Inco Combination Agreement. Falconbridge also agreed to furnish Inco with all information concerning it and Falconbridge Shareholders as may be required (and, in the case of Falconbridge Shareholders, available to it) for the preparation,

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filing and mailing of the management information and proxy circular proposed to be delivered to Inco shareholders in connection with the proposed Phelps Dodge Inco Combination, as well as the making of regulatory filings, as required under the Phelps Dodge Inco Combination Agreement.

The Fifth Amending Agreement also provided for certain technical amendments to the Inco Support Agreement for the purpose of clarifying certain provisions.

- (c) A co-operation agreement dated as of 25 June 2006 (the "Falconbridge Phelps Dodge Co-operation Agreement") between Phelps Dodge and Falconbridge in relation to the Phelps Dodge Inco Combination Agreement.

The Falconbridge Phelps Dodge Co-operation Agreement was entered into between Phelps Dodge and Falconbridge in order to facilitate the transactions contemplated by the Phelps Dodge Inco Combination Agreement and the Inco Support Agreement as amended in connection with the Phelps Dodge Inco Combination. The entry into the Falconbridge Phelps Dodge Co-operation Agreement was also a condition to: (i) Phelps Dodge's willingness to enter into a note purchase agreement pursuant to which Phelps Dodge conditionally agreed to purchase up to US\$3.0 billion aggregate principal amount of Inco convertible subordinated notes in connection with the Inco Offer; and (ii) Inco's agreeing to make the revised Inco Offer announced on 26 June 2006.

Pursuant to the Falconbridge Phelps Dodge Co-operation Agreement Falconbridge agreed to take certain actions and refrain from taking certain actions in order to facilitate the Phelps Dodge Inco Combination. Amongst other things, each of Falconbridge and Phelps Dodge agreed to afford the other with reasonable access to information concerning the other, subject to the terms and conditions of the confidentiality agreement previously entered into by Falconbridge and Phelps Dodge. In addition, Falconbridge agreed to furnish Phelps Dodge with information concerning Falconbridge and (to the extent available to Falconbridge) Falconbridge Shareholders for the preparation, filing and mailing of the proxy statement of Phelps Dodge proposed to be delivered to its shareholders in connection with the shareholder approval required to be obtained by Phelps Dodge of the transactions contemplated by the Phelps Dodge Inco Combination Agreement and the regulatory filings required to consummate the transactions contemplated by the Phelps Dodge Inco Combination Agreement. Phelps Dodge and Falconbridge have made customary representations, warranties and covenants in the Falconbridge Phelps Dodge Co-operation Agreement.

The Falconbridge Phelps Dodge Co-operation Agreement shall terminate and, except in respect of provisions relating to the personal liability of directors and officers of Falconbridge and Phelps Dodge, be of no further force and effect, upon any termination of: (i) the Inco Support Agreement by either Falconbridge or Inco; or (ii) the Phelps Dodge Inco Combination Agreement by either Phelps Dodge or Inco.

Xstrata therefore understands that this agreement will terminate as described above if the Xstrata Group acquires Falconbridge under the Proposed Acquisition and the Inco Support Agreement is terminated.

- (d) A conditional share purchase agreement dated 6 June 2006 (the "Falconbridge LionOre Agreement") between Falconbridge and LionOre relating to the sale to LionOre of the Falconbridge Divested Assets, as described in paragraph 3 of Part I – "Letter from the Chairman – Recent developments concerning the Inco Offer for Falconbridge" of this document.

The parties to the Falconbridge LionOre Agreement agreed that the proposed disposal by Falconbridge would be subject to certain conditions, including receipt of regulatory approvals from the US Department of Justice (the "DOJ") and the European Commission (the "Commission"), and to Inco acquiring 50% plus one share in Falconbridge (on a fully-diluted basis).

Pursuant to the Falconbridge LionOre Agreement, LionOre agreed to acquire all of the issued and outstanding shares in the capital of the following affiliates of Falconbridge from Falconbridge or its affiliates, as applicable: Falconbridge Nikkelverk A/S ("FNA"), Falconbridge International Limited ("FIL"), Falconbridge U.S. Inc. ("FUS"), Falconbridge Europe S.A. ("FESA"), Falconbridge (Japan) Limited ("FJKK"), Falconbridge International S.A. ("FISA"), (FNA, FIL, FUS, FESA, FJKK and FISA, collectively the "FNA Group") and further to acquire all inventories, work in process and finished goods in the possession of the FNA Group but owned by Falconbridge and the accounts receivable owing to Falconbridge either by

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sale of goods by a member of the FNA Group on behalf of Falconbridge or sale of goods to a member of the FNA Group by Falconbridge.

The purchase price agreed to be paid by LionOre for the Falconbridge Divested Assets was US\$650 million, of which US\$400 million was agreed to be in cash and US\$250 million of LionOre common shares. This purchase price was agreed to be subject to certain adjustments tied to changes in the final working capital levels of the Falconbridge Divested Assets and certain other adjustments.

Falconbridge agreed to sell, or cause to be sold, to one or more non-affiliated parties by not later than 150 days of the closing date, such number of the shares in the capital of LionOre obtained pursuant to the agreement that after giving effect to such sale, it and its affiliate shareholdings in LionOre would be in the aggregate less than 10% of the aggregate number of common shares of LionOre. This sell-down is required to be carried out in a manner which, to Falconbridge's knowledge, does not result in any purchaser receiving more than 5% of the outstanding common shares of LionOre, and with Falconbridge using commercially reasonable efforts to not sell shares of LionOre to another mining company.

Falconbridge also agreed not to exercise or permit the exercise of any voting rights attached to any shares held by it or its affiliates in LionOre. Falconbridge is also restricted from acquiring any further securities of LionOre for a period of two years following the closing date.

Each of Falconbridge and LionOre agreed to provide customary indemnities to the other in connection with specified losses suffered or incurred by the other party.

Closing under the Falconbridge LionOre Agreement was agreed to be subject to the satisfaction of a number of conditions, including:

- (i) the obtaining or attainment of all applicable approvals and consents necessary to permit the transactions contemplated by the Inco Offer and the change in ownership of the FNA Group;
- (ii) it not being illegal, and no injunction being in place prohibiting the sale and purchase of the FNA Group as contemplated in the Falconbridge LionOre Agreement; and
- (iii) the TSX having conditionally approved the issue and listing of LionOre shares being issued to Falconbridge as part of the acquisition price consideration.

LionOre's obligations pursuant to the Falconbridge LionOre Agreement were agreed to be subject to a number of conditions, including the following conditions for the exclusive benefit of LionOre:

- (i) financing being available to LionOre on the closing date; and
- (ii) LionOre being satisfied, acting reasonably, with the terms of all Regulatory Approvals (as defined in the Falconbridge LionOre Agreement) that affect it, the FNA Group or the business LionOre agreed to acquire.

Falconbridge's obligations pursuant to the Falconbridge LionOre Agreement were agreed to be subject to a number of conditions, including the following conditions for the exclusive benefit of Falconbridge:

- (i) Inco must have acquired pursuant to the Inco Offer or otherwise more than 50% (on a fully-diluted basis as further defined in the Inco Support Agreement) of the common shares of Falconbridge; and
- (ii) LionOre shall have paid to Falconbridge on closing the US\$650 million acquisition price by the delivery of US\$400 million in cash and 49,118,057 common shares of LionOre as provided for in the Falconbridge LionOre Agreement.

Falconbridge or LionOre may waive any condition in its favour by written instrument, without prejudice.

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Under the Falconbridge LionOre Agreement, Falconbridge agreed to be prohibited from soliciting, initiating or entertaining inquiries or proposals, providing non-public information to, or participating in any negotiations with respect to the acquisition of all or any part of the FNA Group or the Nikkelverk Refinery until such time as Falconbridge has determined in good faith that Regulatory Approvals (as defined in the Falconbridge LionOre Agreement) are unlikely to be obtained on a timely basis or LionOre is unlikely to be able to satisfy the conditions of closing on a timely basis.

It was further agreed under the Falconbridge LionOre Agreement, that Falconbridge be able to terminate the foregoing exclusivity obligation and be free to entertain alternative transactions by paying a break fee, however only if it determines in good faith that Regulatory Approvals (as defined in the Falconbridge LionOre Agreement) are unlikely to be obtained or that LionOre is unlikely to be able to satisfy the conditions of closing, both on a timely basis.

Based on the above, if Falconbridge desires to terminate the exclusivity obligation prior to the date the DOJ and the Commission have provided Regulatory Approvals (as defined in the Falconbridge LionOre Agreement) satisfactory to Falconbridge (the "Regulatory Approval Date"), Falconbridge will notify LionOre and concurrently Inco will pay to LionOre US\$10 million. If Falconbridge desires to terminate the exclusivity period from and after the Regulatory Approval Date, Falconbridge will notify LionOre and concurrently Inco will pay to LionOre US\$32.5 million. Termination of the exclusivity period does not terminate the Falconbridge LionOre Agreement.

If following the payment of any of the exclusivity break fees the closing of the acquisition of the Nikkelverk Refinery occurs, LionOre is required to repay to Inco the amount received on delivery of such notice on the closing date.

The closing of the transaction was agreed to be on such date as Falconbridge determines on not less than five business days' notice to LionOre provided that the closing date will be: (i) not earlier than the day on which all of the conditions precedents in the Falconbridge LionOre Agreement are satisfied or waived; and (ii) not later than the latest date until which Inco has agreed to maintain the Inco Offer (the "Closing Date").

The Falconbridge LionOre Agreement provides for termination on the earlier of: (i) Falconbridge giving LionOre a notice of termination at any time and for any reason; and (ii) the earlier of (A) the latest date until which Inco has agreed to maintain the Inco Offer as specified in the Inco Support Agreement or such earlier date on which the Inco Offer expires, is withdrawn or otherwise terminates, or (B) 1 January 2007 if by that date any conditions in the Falconbridge LionOre Agreement have not been satisfied or waived.

If the Falconbridge LionOre Agreement terminates pursuant to any reason noted in the Termination provision, if such termination occurs before the Regulatory Approval Date, Inco shall concurrently with the giving by Falconbridge of the notice of termination or the termination date, as applicable, pay to LionOre the amount of US\$10 million, provided that the failure to obtain Regulatory Approval (as defined in the Falconbridge LionOre Agreement) is not due to the failure by LionOre to act in a commercially reasonable manner in considering whether to accept any term or condition proposed by a Regulatory Authority (as defined in the Falconbridge LionOre Agreement) as a condition or requirement of such Regulatory Approval, or if such termination occurs after the Regulatory Approval Date, US\$32.5 million.

Any exclusivity break fee that has been paid will be credited towards any termination break fee payable.

Xstrata understands that Falconbridge will not be obliged under the Falconbridge LionOre Agreement to sell the Falconbridge Divested Assets to LionOre if the Xstrata Group acquires Falconbridge under the Proposed Acquisition.

- (e) The takeover bid by Falconbridge for all of the outstanding common shares of its subsidiary Novicourt pursuant to the takeover bid circular dated 26 June 2006, as described in paragraph 7.2 of this Part VI. Novicourt's board of directors issued its recommendation to accept the Falconbridge bid in a directors' circular dated 26 June 2006. The Falconbridge bid for Novicourt expires at 6:00 p.m. (Toronto time) on 9 August 2006.

In relation to the Shareholder Rights Plan described in paragraph 8.2(a) of Part VI – "Additional Information – Material contracts" of the Circular, see paragraph 6.2 of this Part VI.

Additional Information

9. Working capital

Xstrata is not currently able to undertake appropriate procedures to support a statement in respect of the sufficiency of working capital of the Xstrata Group which, in these circumstances, should ordinarily cover the Xstrata Group including the Falconbridge Group following completion of the Proposed Acquisition. This is because Xstrata does not currently have access to any material non-public financial or other information in respect of Falconbridge or the Falconbridge Group which would allow those procedures to be undertaken.

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

Xstrata's opinion on the sufficiency of working capital of the Xstrata Group including the Falconbridge Group following completion of the Proposed Acquisition is intended to be available and to be published as soon as Xstrata is granted access sufficient for the purpose to the information referred to above 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 the Offeror that the Offeror has taken up Falconbridge Shares under the Xstrata Offer.

10. Consent

Deutsche Bank has given and not withdrawn its written consent to the inclusion herein of the references to its name in the form and context in which they appear.

JPMorgan Cazenove has given and not withdrawn its written consent to the inclusion herein of the references to its name in the form and context in which they appear.

JPMSL has given and not withdrawn its written consent to the inclusion herein of the references to its name in the form and context in which they appear.

11. Bases and sources

11.1 General

Xstrata and Falconbridge operate in industries in which it is difficult in certain cases to obtain precise industry and market information. Unless the source is otherwise stated and except as described below in relation to information on the Falconbridge Group and other third party information:

- the industry and market data in this document and in those parts of the Circular which have been incorporated by reference into this document have been extracted without material amendment from the Company's management records;
- the non-financial operating data included in this document and in those parts of the Circular which have been incorporated by reference into this document have been extracted without material amendment from the Company's management records; and
- the financial information included in this document and in those parts of the Circular which have been incorporated by reference into this document in respect of the Xstrata Group has been extracted without material amendment from the financial statements contained in the Annual Reports and Accounts and the Company's accounting records.

11.2 Presentation of information on the Falconbridge Group

This document and the Circular contain certain information relating to Falconbridge and the Falconbridge Group, including the information contained in Part I – "Letter from the Chairman", Part II – "Risk Factors" and Part III – "Information on the Falconbridge Group", Part IV – "Information on the Expected Impact of the Proposed Acquisition on the Assets, Liabilities and Earnings of the Enlarged Group" and Part VI – "Additional Information" of the Circular (which have been incorporated by reference into this document as described in the section of this document headed "Relevant Documentation") and Part I – "Letter from the Chairman", Part II – "Risk Factors" and Part III – "Information on the Falconbridge Group", Part IV – "Information on the Expected Impact of the Proposed Acquisition on the Assets, Liabilities and Earnings of the Enlarged Group" and Part VI – "Additional Information" of this document.

This information has been compiled from information included in public documents filed by Falconbridge only and has not, for the purposes of this document or the Circular, been commented on or verified by Falconbridge or the Falconbridge Directors or verified by Xstrata or the Xstrata Directors. Xstrata and the Xstrata Directors have sought to ensure that such information has been accurately reproduced from such sources and, so far as Xstrata is aware and is able to ascertain from information included in public documents filed by the Falconbridge Group, no facts have been omitted which would render

Part VI

Additional Information

the reproduced information inaccurate or misleading. See the risk factor "Lack of due diligence access to Falconbridge" in Part II – "Risk Factors" of the Circular (which has been incorporated by reference into this document as described in the section of this document headed "Relevant Documentation").

Nothing in this paragraph 11.2 is intended to qualify the statements in paragraph 1 of this Part VI.

11.3 Other information from third party sources

The information contained in this document and in those parts of the Circular which have been incorporated by reference into this document that has been extracted from third party source comprises the trading prices of Falconbridge Shares on the TSX and NYSE and the trading price of Ordinary Shares on the London Stock Exchange, all of which are sourced from Bloomberg, and information in relation to the claim described in the risk factor "Falconbridge Litigation" in Part II – "Risk Factors" of the Circular and in paragraph 6.2 of Part VI – "Additional Information – Litigation – 6.2 Falconbridge Group" of the Circular (which has been incorporated by reference into this document as described in the section of this document headed "Relevant Documentation") by the Stark Claimants and Brookfield, which is sourced from a publicly available submissions by the Stark Claimants and Brookfield to the United States District Court for the Eastern District of Wisconsin, Milwaukee Division. This information has been accurately reproduced and, so far as the Company is aware, and so far as it is able to ascertain from information published by those third parties, no facts have been omitted which would render the reproduced information inaccurate or misleading.

11.4 Basis of compilation of commodity and geographical splits

Paragraph 12.4 of Part VI – "Additional Information – Bases and sources – Basis of compilation of commodity and geographical splits" of the Circular (which has been incorporated by reference into this document as described in the section of this document headed "Relevant Documentation") sets out the basis of preparation for the statements in the Circular in respect of the anticipated splits of the Enlarged Group's EBITDA on a commodity basis and of the Enlarged Group's revenue on a geographic basis. These statements are included in paragraph 5 of Part I – "Letter from the Chairman – Benefits and financial impact of the Proposed Acquisition – The Enlarged Group following successful completion of the Proposed Acquisition" of the Circular and the introductory paragraph to Part IV – "Information on the Expected Impact of the Proposed Acquisition on the Assets, Liabilities and Earnings of the Enlarged Group" of the Circular, which are incorporated by reference into this document as set out in the section of this document headed "Relevant Documentation".

12. No material change or new matter

For the purposes of, and in accordance with, the Listing Rules, Xstrata confirms that, except as disclosed in this document and, in relation the Falconbridge Group, so far as Xstrata is aware having regard to public information, there has been no material change affecting any matter contained in the Circular and no other material new matter has arisen which would have been required to be mentioned in the Circular if it had arisen at the time of the preparation of the Circular.

13. Documents available for inspection

Copies of the following documents are available for inspection during usual business hours on any weekday (Saturdays, Sundays and public holidays excepted), from the date of this document up to and including the date of conclusion of the Extraordinary General Meeting at the offices of Freshfields Bruckhaus Deringer, 65 Fleet Street, London EC4Y 1HS, UK:

- (a) the memorandum and articles of association of Xstrata;
- (b) the Annual Reports and Accounts of Xstrata, including the audited consolidated accounts and the independent auditors' reports for each of the years ended 31 December 2003, 31 December 2004 and 31 December 2005;
- (c) the consent letters referred to in paragraph 10 of this Part VI;
- (d) a copy of the Offer Document and a copy of each of the Variation Documents;
- (e) a copy of the Circular and this document; and
- (f) the documents incorporated by reference into this document as described in the section of this document headed "Relevant Documentation".

The above documents will also be available at Congress Center Metalli, Parkhotel Zug, 6300 Zug, Switzerland and the registered office of the Company, 4th Floor, Panton House, 25/27 Haymarket, London SW1Y 4EN, UK, from at least 15 minutes prior to the Extraordinary General Meeting until the conclusion of that meeting.

Dated: 20 July 2006

Definitions and Glossary of Technical Terms

Definitions

The section headed "Definitions and Glossary of Technical Terms – Definitions" in the Circular has been incorporated by reference into this document as set out in the section of this document headed "Relevant Documentation". For the purposes of this document, such definitions should be read as supplemented and amended by the following definitions:

Note that certain terms used in Falconbridge information included in Part III – "Information on the Falconbridge Group" of the Circular and Part III – "Information on the Falconbridge Group" of this document are defined within the relevant section(s) of such Falconbridge information.

"Annual Reports and Accounts"	the annual reports and accounts prepared by Xstrata for the financial years ended 31 December 2003, 31 December 2004 and 31 December 2005
"ARC"	Advance Ruling Certificate under Section 102 of the Competition Act (Canada) in respect of the purchase of Falconbridge Shares by the Offeror
"Argentine pesos" or "ARS"	the lawful currency of Argentina
"associated undertaking"	has the meaning given in paragraph 20(1) of Schedule 4A to the Companies Act
"Asturiana"	Asturiana de Zinc, S.A., a company incorporated in Spain with limited liability
"Australia"	the Commonwealth of Australia
"Australian dollars" or "A\$"	the lawful currency of Australia
"Barclays"	Barclays Bank PLC
"Batiss"	Batiss Investments Limited
"Bloomberg"	Bloomberg Financial Markets
"Board" or "Board of Directors" or "Directors" or "Xstrata Directors"	the Executive Directors and Non-Executive Directors of Xstrata as at the date of this document
"Brookfield"	Brookfield Asset Management Inc., a company formerly known as Brascan Corporation
"Canada"	Canada, its territories and its possessions
"Canadian dollars" or "C\$" or "Cdn\$"	the lawful currency of Canada
"Canadian GAAP"	accounting principles generally accepted in Canada
"Cerrejón"	the Cerrejón coal mining operation in Colombia carried on by the Cerrejón Operating Companies
"Cerrejón Acquisition"	the acquisition, which completed on 12 May 2006, by the Xstrata Group of the Cerrejón Business pursuant to the Cerrejón Acquisition Agreement
"Cerrejón Acquisition Agreement"	the sale and purchase agreement dated 1 March 2006 (as amended on 15 March 2006) between Glencore International and Xstrata (Schweiz) AG, which became effective on 15 March 2006, in relation to the Cerrejón Acquisition, pursuant to which the Cerrejón Purchasers purchased, and the Cerrejón Vendors sold, and procured the transfer of,

Definitions and Glossary of Technical Terms

	the entire issued share capital of the Cerrejón Xstrata Group Companies and the share held by a Glencore nominee in one of the Cerrejón Operating Companies
“Cerrejón Bridge Facility Agreement”	the bridge facility agreement, details of which are provided in paragraph 8.1(g) of Part VI – “Additional Information – Material contracts” of the Circular
“Cerrejón Business”	the Xstrata Group’s interests in Cerrejón held through the Cerrejón Xstrata Group Companies
“Cerrejón Circular”	the circular dated 23 March 2006 and issued by the Company in respect of the Cerrejón Acquisition
“Cerrejón Operating Companies”	CMC Coal Marketing Company Ltd, Cerrejón Zona Norte S.A., Carbones del Cerrejón LLC and Cerrejón Coal (Bermuda) Ltd
“Cerrejón Purchasers”	Xstrata Coal South America and Xstrata Coal Marketing
“Cerrejón Vendors”	Glencore International and Seez Trading
“Cerrejón Xstrata Group Companies”	Tironimus AG, Xstrata Cerrejón Ltd and Perly Ltd
“CHF”	the lawful currency of Switzerland
“Circular”	the circular dated 30 May 2006 and issued by the Company in respect of the Proposed Acquisition
“Colombian pesos”	the lawful currency of Colombia
“Companies Act”	the Companies Act 1985, as amended
“Company” or “Xstrata”	Xstrata plc, a public limited company incorporated in England and Wales
“Competition Act (Canada)”	the Competition Act (Canada), as amended
“CREST”	the relevant system (as defined in the CREST Regulations) for the paperless settlement of trades in listed securities in the United Kingdom, of which CRESTCo is the operator (as defined in the CREST Regulations)
“CRESTCo”	CRESTCo Limited
“CREST Manual”	the rules governing the operation of CREST, consisting of the CREST Reference Manual, CREST International Manual, CREST Central Counterparty Service Manual, CREST Rules, Registrars Service Standards, Settlement Discipline Rules, CCSS Operations Manual, Daily Timetable, CREST Application Procedure and CREST Glossary of Terms (all as defined in the CREST Glossary of Terms promulgated by CRESTCo on 15 July 1996 and as amended since)
“CREST member”	a person who has been admitted by CRESTCo as a system-member (as defined in the CREST Regulations)
“CREST Regulations”	the Uncertificated Securities Regulations 2001 (SI 2001/3755)
“CREST sponsor”	a CREST participant admitted to CREST as a CREST sponsor
“CREST sponsored member”	a CREST member admitted to CREST as a sponsored member

Definitions and Glossary of Technical Terms

"CSFB Equities"	Credit Suisse First Boston Equities Limited
"CSSEL"	Credit Suisse Securities (Europe) Limited
"Debt Bridge Facility"	the bridge facility to be provided under the Debt Bridge Facility Agreement
"Debt Bridge Facility Agreement"	the debt bridge facility agreement, details of which are provided in paragraph 8.1(c) of Part VI – "Additional Information – Material contracts" of the Circular
"Deutsche Bank"	Deutsche Bank AG, London Branch
"Directors" or "Xstrata Directors" or "Board" or "Board of Directors"	the Executive Directors and Non-Executive Directors of Xstrata as at the date of this document
"Disclosure Rules"	the Disclosure Rules of the Financial Services Authority
"EBITDA"	unless otherwise indicated, when used in relation to the Xstrata Group, operating profit or loss from continuing operations before interest, tax, depreciation and amortisation and, when used in relation to the Falconbridge Group, income generated from operating assets adding back depreciation, amortisation and accretion, less corporate and general administration costs and research, development and exploration costs
"EC Merger Regulation"	Council Regulation 139/2004/EC
"ECMP"	Xstrata's independently managed equity capital management programme, under which up to 10% of the issued share capital of Xstrata can be purchased in the market by Batiss, a Guernsey-registered entity owned by a charitable trust, which is independent of the Xstrata Group
"EGM Notice"	the notice of the Extraordinary General Meeting set out at the end of this document
"Enlarged Group"	the Xstrata Group as enlarged, if all of the conditions to the Xstrata Offer are satisfied or waived and the Offeror announces that the Offeror has taken up Falconbridge Shares under the Xstrata Offer, by the Falconbridge Group
"Equity Bridge Facility Agreement"	the equity bridge facility agreement, details of which are provided in paragraph 8.1(d) of Part VI – "Additional Information – Material contracts" of the Circular
"Equity Refinancing Amount"	the amount to be raised in connection with the Standby Equity Underwriting Letter
"EU"	the European Union
"Euro" or "€"	the currency introduced at the start of the third stage of the European economic and monetary union pursuant to the Treaty establishing the European Community, as amended
"Executive Directors"	the executive Directors of Xstrata
"Expiry Time"	8.00 p.m. (Toronto time) on 14 August 2006, or such later or earlier time or times and date or dates as may be fixed by the Offeror from time to time pursuant to the Offer Document (as amended and varied by the Variation Documents and in accordance with applicable law)
"Extraordinary General Meeting" or "EGM"	the second extraordinary general meeting of the Company in relation to the Proposed Acquisition convened for 14 August 2006 (including any adjournment thereof), notice of which is set out at the end of this document

Definitions and Glossary of Technical Terms

"Falconbridge"	Falconbridge Limited, a corporation amalgamated under the laws of the Province of Ontario, Canada with limited liability
"Falconbridge Directors"	the directors of Falconbridge
"Falconbridge Divested Assets"	certain assets and related operations of Falconbridge conditionally agreed to be sold by Falconbridge to LionOre, including Falconbridge's Nikkelverk refinery in Norway and the Falconbridge marketing and custom feed organisations that market and sell the finished nickel and other products produced at Nikkelverk and obtain third party feeds for this facility
"Falconbridge Group"	Falconbridge and its subsidiaries and subsidiary undertakings and, where the context requires, its associated undertakings
"Falconbridge Shareholders"	the holders of Falconbridge Shares
"Falconbridge Shares"	common shares in the capital of Falconbridge, together with the associated SRP Rights
"Falconbridge Special Dividend"	the special cash dividend of C\$0.75 per Falconbridge Share declared by the board of directors of Falconbridge on 16 July 2006 and payable by Falconbridge on 10 August 2006 to Falconbridge Shareholders of record at the close of business on 26 July 2006
"Financial Services Authority"	the UK Financial Services Authority
"First Existing Facility Agreement"	the facility agreement, details of which are provided in paragraph 8.1(t) of Part VI – "Additional Information – Material contracts" of the Circular
"First Xstrata Notice of Variation"	the notice of variation of the Offeror, dated 11 July 2006, which increased the cash consideration under the Xstrata Offer from C\$52.50 to C\$59.00 per Falconbridge Share, removed the condition that 66% of the Falconbridge Shares outstanding (on a fully diluted basis) be deposited and not withdrawn at the Expiry Time and further extended the Expiry Time to midnight (Vancouver time) on 21 July 2006
"Form of Proxy"	the form of proxy accompanying this document for use by the Shareholders in respect of the EGM
"Former Falconbridge"	Falconbridge Limited, a corporation incorporated under the laws of the Province of Ontario, Canada with limited liability and a predecessor corporation of Falconbridge that existed prior to the amalgamation of Noranda and Former Falconbridge to form Falconbridge on 30 June 2005
"FSMA"	the Financial Services and Markets Act 2000, as amended
"fully-diluted" or "fully-diluted basis"	with respect to Falconbridge Shares calculated pursuant to the Xstrata Offer, only that number of Falconbridge Shares which would be outstanding if all rights to acquire Falconbridge Shares were exercised, but excluding Falconbridge Shares issuable upon the exercise of the SRP Rights and, with respect to Falconbridge Shares calculated pursuant to the Inco Offer, only that number of Falconbridge Shares which would be outstanding if all rights to acquire Falconbridge Shares were exercised other than those which are not, and cannot in accordance with their terms become, exercisable within 120 days following 10 August 2006 and excluding Falconbridge Shares issuable upon exercise of the SRP Rights

Definitions and Glossary of Technical Terms

"Glencore"	Glencore International and its subsidiaries and affiliates or, as the context requires, any subsidiary or affiliate thereof
"Glencore International"	Glencore International AG, a company incorporated in Switzerland with limited liability
"Glencore International Nominees"	the Xstrata Directors nominated by Glencore International, currently being Messrs. Strothotte and Glasenberg
"HSR Act"	Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended, and the rules and regulations promulgated thereunder
"IFRS"	International Financial Reporting Standards expected to be endorsed by the European Commission by 31 December 2005
"Inco"	Inco Limited, a corporation incorporated under the laws of Canada with limited liability
"Inco Offer"	the offer by Inco to purchase all of the outstanding Falconbridge Shares made under an offer document issued by Inco dated 24 October 2005, as amended and as extended by Inco's notices of extension dated 14 December 2005, 19 January 2006, 27 February 2006 and 13 July 2006, by Inco's notice of variation dated 29 May 2006 and by Inco's notices of variation and extension dated 29 June 2006 and 16 July 2006 and as the same may be further amended and varied in accordance with applicable law
"Inco Support Agreement"	the support agreement between Inco and Falconbridge in relation to the Inco Offer, as amended, as described in paragraph 8.2(b) of Part VI – "Additional Information – Material contracts" of the Circular and paragraphs 8.2(a) and 8.2(b) of Part VI "Additional Information – Material contracts" of this document
"Increased Xstrata Offer"	the offer by the Offeror to purchase all of the outstanding Falconbridge Shares not already owned by the Xstrata Group for C\$62.50 in cash per Falconbridge Share made under the Offer Document as amended and varied by the Variation Documents
"Investment Canada Act"	the Investment Canada Act of 1985, as amended
"JPMorgan Cazenove"	JPMorgan Cazenove Limited
"JPMorgan Chase"	JPMorgan Chase Bank, National Association
"JPMSL"	J.P. Morgan Securities Ltd. acting as underwriter on behalf of its affiliate JPMorgan Cazenove
"£"	the lawful currency of the United Kingdom
"LionOre"	LionOre Mining International Ltd.
"Listing Rules"	the Listing Rules of the Financial Services Authority
"London Stock Exchange"	London Stock Exchange plc
"Material Adverse Effect"	in respect of the Xstrata Offer, when used in connection with a person, any effect that is, or could reasonably be expected to be, material and adverse to the condition (financial or otherwise), properties, assets, liabilities, obligations (whether absolute, accrued, conditional or

Definitions and Glossary of Technical Terms

otherwise), businesses, operations, including results of operations, assets, affairs or prospects of that person and its subsidiaries taken as a whole, other than any effect (i) relating to the Canadian and United States economies, political conditions or securities markets in general; (ii) affecting the mining industry in general; (iii) relating to a change in the market trading price of shares of that person related to such a change in the market trading price primarily resulting from an effect excluded from the definition of Material Adverse Effect under (i), (ii), (iv) or (v) of this definition; (iv) relating to any of the principal markets served by that person's business generally or shortages or price changes with respect to raw materials, metals or products (including, but not limited to, nickel, copper, cobalt, any platinum group metals, sulphur, sulphuric acid, electricity, zinc or aluminium) used or sold by that party; or (v) relating to any generally applicable change in applicable laws or regulations (other than orders, judgments or decrees against that person, any of its subsidiaries) or in Canadian generally accepted accounting principles; provided, however, that such effect (other than in the case of clause (iii) above) does not primarily relate only to (or have the effect of primarily relating to) that person and its subsidiaries, taken as a whole, or disproportionately adversely affect that person and its subsidiaries, taken as a whole, compared to other companies of similar size operating in the industry in which that person and its subsidiaries operate;

"Minimum Tender Condition"	the condition of the original Xstrata Offer (amended by the First Xstrata Notice of Variation and to be deleted by the Second Xstrata Notice of Variation) that there shall have been validly deposited under the Xstrata Offer and not withdrawn at the Expiry Time (i) such number of Falconbridge Shares that, together with Falconbridge Shares held by the Offeror and its affiliates (as defined in the OSA), constitutes at least 66⅔% of the Falconbridge Shares then outstanding (calculated on a fully-diluted basis) and (ii) at least a majority of the Falconbridge Shares then outstanding (calculated on a fully-diluted basis), the votes attached to which would be included in the minority approval of a second step business combination or going private transaction pursuant to Rule 61-501 and Regulation Q-27
"New Acquisition Facilities"	the acquisition facilities to be provided under the New Acquisition Facilities Agreement
"New Acquisition Facilities Agreement"	the acquisition facilities agreement, details of which are provided in paragraph 8.1(b) of Part VI – "Additional Information – Material contracts" of this document
"New Debt Bridge Facility"	the bridge facility to be provided under the New Debt Bridge Facility Agreement
"New Debt Bridge Facility Agreement"	the bridge facility agreement, details of which are provided in paragraph 8.1(b) of Part VI – "Additional Information – Material contracts" of this document
"New Debt Underwriting Letter"	the debt underwriting letter, details of which are provided in paragraph 8.1(b) of Part VI – "Additional Information – Material contracts" of this document
"Non-executive Directors"	the non-executive Directors of Xstrata

Definitions and Glossary of Technical Terms

"Noranda"	Noranda Inc., a corporation incorporated under the laws of the Province of Ontario, Canada with limited liability
"Novicourt"	Novicourt Inc.
"NYSE"	New York Stock Exchange
"OBCA"	the Business Corporations Act (Ontario), as amended
"Offer Document"	the offer and circular delivered to Falconbridge, filed with Canadian provincial securities regulators and mailed to Falconbridge Shareholders by the Offeror and Xstrata (which has been amended and varied by the Variation Documents) pursuant to which the Offeror makes the Xstrata Offer to Falconbridge Shareholders
"Offeror"	Xstrata Canada Inc., a corporation incorporated under the laws of the Province of Ontario, Canada with limited liability
"Ordinary Shares"	ordinary shares of US\$0.50 each in the capital of Xstrata
"Original Acquisition Facilities"	the acquisition facilities to be provided under the Original Acquisition Facilities Agreement
"Original Acquisition Facilities Agreement"	the acquisition facilities agreement, details of which are provided in paragraph 8.1(c) of Part VI – "Additional Information – Material contracts" of the Circular
"OSA"	the Securities Act (Ontario), as amended
"OSC"	Ontario Securities Commission
"Peruvian Sol"	the lawful currency of Peru
"Phelps Dodge"	Phelps Dodge Corporation
"Phelps Dodge Inco Combination"	the proposed combination by means of the Phelps Dodge Inco Combination Agreement, pursuant to which Phelps Dodge has conditionally agreed acquire all of the outstanding Inco shares by way of a statutory plan of arrangement for C\$20.25 in cash and 0.672 common shares of Phelps Dodge for each Inco share, assuming full pro-ration
"Phelps Dodge Inco Combination Agreement"	the combination agreement dated as of 25 June 2006 between Phelps Dodge and Inco (as amended under a waiver and amendment agreement dated 16 July 2006 between Phelps Dodge and Inco), under which Phelps Dodge and Inco agreed to implement the Phelps Dodge Inco Combination
"Placing"	the placing to institutional investors of 61,994,320 Ordinary Shares announced by the Company on 17 May 2006 consisting of 32,543,344 new Ordinary Shares which were issued by the Company and 29,450,976 Ordinary Shares held by Batiss and sold pursuant to the terms of the ECMP
"Previous EGM Notice"	the notice of the Previous Extraordinary General Meeting set out at the end of the Circular
"Previous Extraordinary General Meeting"	the extraordinary general meeting of the Company held on Friday, 30 June 2006

Definitions and Glossary of Technical Terms

“Proposed Acquisition”	the proposed acquisition by the Xstrata Group of issued and outstanding Falconbridge Shares in accordance with the terms of the Xstrata Offer
“Prospectus Rules”	the rules made for the purposes of Part VI of the FSMA in relation to offers of transferable securities to the public and admission of transferable securities to trading on a regulated market and brought into effect on 1 July 2005 pursuant to Commission Regulation (EC) No. 809/2004
“Rand” or “ZAR”	the lawful currency of South Africa
“RBS”	The Royal Bank of Scotland plc
“Regulation Q-27”	Regulation Q-27 – <i>Protection of Minority Securityholders in the Course of Certain Transactions</i> of the <i>Autorité des marchés financiers</i> (Québec), as amended
“Relationship Agreement”	the agreement dated 20 March 2002 between the Company and Glencore International, a description of which is set out in paragraph 3 of Part IV of the <i>Cerrejón Circular</i> – “The Xstrata Group’s Relationship with Glencore – Relationship with controlling shareholder”, which has been incorporated by reference into this document as described in the section of this document headed “Relevant Documentation”
“Remuneration Committee”	the committee established to consider and determine amongst other things the remuneration of the Executive Directors
“Resolution”	the resolution set out in the EGM Notice
“Rule 61-501”	OSC Rule 61-501 – <i>Insider Bids, Issuer Bids, Business Combinations and Related Party Transactions</i> , as amended
“SEC”	United States Securities and Exchange Commission
“Second Existing Facility”	the facility under the Second Existing Facility Agreement
“Second Existing Facility Agreement”	the facility agreement, details of which are provided in paragraph 8.1(n) of Part VI – “Additional Information – Material contracts” of the Circular
“Second Xstrata Notice of Variation”	the notice of variation of the Offeror, to be dated on or around 21 July 2006, increasing the consideration under the Xstrata Offer from C\$59.00 to C\$62.50, deleting the Minimum Tender Condition, providing that the consideration under the Xstrata Offer would not be reduced by the amount of the Falconbridge Special Dividend, making the Xstrata Offer conditional on further Shareholder approval at the EGM and further extending the Expiry Time to 8.00 p.m. (Toronto time) on 14 August 2006
“Securities Act”	the US Securities Act of 1933, as amended
“Seez Trading”	Seez Trading Corp. Limited, a company incorporated in Bermuda with limited liability
“Senior Executives”	the members of senior management of the Company set out in paragraph 2.2 of Part VI – “Additional Information – Directors’, Senior Executives’ and others’ interests – The Senior Executives” of the Circular
“Shareholder Rights Plan”	the shareholder rights plan adopted pursuant to an agreement dated as of 21 March 2006 between Falconbridge and CIBC Mellon Trust Company, as rights agent, as described in paragraph 8.2(a) of Part VI – “Additional Information – Material contracts” of the Circular

Definitions and Glossary of Technical Terms

"Shareholders"	holders of Ordinary Shares
"SIS"	SIS SegalInterSettle AG
"SIS System"	the system and/or facilities of SIS for the settlement of transactions in securities
"South Africa"	the Republic of South Africa
"SRP Rights"	rights issued pursuant to the Shareholder Rights Plan
"Standby Equity Underwriting Letter"	the standby equity underwriting letter, details of which are provided in paragraph 8.1(e) of Part VI – "Additional Information – Material contracts" of the Circular
"Stark Claimants"	Stark Trading and Shepherd Investment International Ltd
"Subsequent Acquisition Transaction"	an amalgamation, plan of arrangement, capital reorganisation, share consolidation or other transaction involving Falconbridge and the Offeror and/or one or more affiliates of the Offeror for the purpose of enabling the Offeror or an affiliate of the Offeror to acquire all Falconbridge Shares not acquired by the Offeror pursuant to the Xstrata Offer (or already owned directly or indirectly by the Offeror or its affiliates)
"Supplementary Circular" or "this document"	this supplementary circular issued by the Company and dated 20 July 2006
"Swiss Banks"	Credit Suisse, UBS AG, Zürcher Kantonalbank and certain other Swiss banks who are all SIS accountholders and through whom certain Swiss Shareholders hold their interests in Ordinary Shares
"Teck Cominco"	Teck Cominco Limited, a corporation incorporated under the laws of Canada with limited liability
"Teck Offer"	the offer by Teck Cominco to purchase all of the outstanding shares of Inco as the same may be amended and varied in accordance with applicable law
"Tintaya"	BHP Billiton Tintaya S.A., a company incorporated under the laws of Peru with limited liability
"Tintaya Acquisition"	the acquisition, which completed on 21 June 2006, by the Xstrata Group of 99.981% of the issued and outstanding shares of Tintaya pursuant to the Tintaya Acquisition Agreement
"Tintaya Acquisition Agreement"	the sale and purchase agreement in relation to the Tintaya Acquisition, details of which are provided in paragraph 8.1(f) of Part VI – "Additional Information – Material contracts" of the Circular
"TSX"	Toronto Stock Exchange
"UK GAAP"	accounting principles generally accepted in the United Kingdom
"United Kingdom" or "UK"	the United Kingdom of Great Britain and Northern Ireland
"United States" or "US" or "USA"	the United States of America, its territories and possessions and any state of the United States and the District of Columbia
"US dollars" or "US Dollars" or "US\$" or "\$US" or "cents"	the lawful currency of the United States

Definitions and Glossary of Technical Terms

“US\$m”	millions of US Dollars
“Variation Documents”	the Xstrata Notice of Extension, the First Xstrata Notice of Variation and the Second Xstrata Notice of Variation
“Xstrata” or the “Company”	Xstrata plc, a public limited company incorporated in England and Wales
“Xstrata AG”	Xstrata AG, a company formerly incorporated in Switzerland with limited liability which was dissolved at the time of the Xstrata Merger
“Xstrata AG Share Schemes”	the Xstrata AG Management and Employee Share Incentive Scheme (renamed the Xstrata Group Management Share Incentive Scheme following the Xstrata Merger), the Xstrata AG Directors’ Option Scheme and the Xstrata AG Directors’ Incentive Scheme (renamed the Xstrata Directors’ Incentive Scheme following the Xstrata Merger)
“Xstrata Coal Marketing”	Xstrata Coal Marketing AG, a company incorporated in Switzerland with limited liability
“Xstrata Coal South America”	Xstrata Coal South America Ltd., a company incorporated in Bermuda with limited liability
“Xstrata Group”	Xstrata and its subsidiaries and subsidiary undertakings and, where the context requires, its associated undertakings
“Xstrata LTIP”	the Xstrata Long Term Incentive Plan
“Xstrata Merger”	the merger of Xstrata AG and the Company on 25 March 2002 pursuant to which the Company became the ultimate holding company of the Xstrata Group
“Xstrata Notice of Extension”	the notice of extension of the Offeror, dated 7 July 2006, relating to the extension of the expiry time of the Xstrata Offer to 8.00 p.m. (Toronto time) on 21 July 2006
“Xstrata Offer”	the offer by the Offeror to purchase all of the outstanding Falconbridge Shares not already owned by the Xstrata Group made under the Offer Document as amended and varied by the Variation Documents and as the same may be further amended and varied in accordance with applicable law
“Xstrata (Schweiz) AG”	Xstrata (Schweiz) AG, a company incorporated in Switzerland with limited liability
“Xstrata Share Schemes”	the Xstrata LTIP, the Xstrata AG Share Schemes, the option granted to Mr Davis in September 2001 and the option granted to Mr Reid in January 2002
“Xstrata SL”	Xstrata Services (UK) Limited, a company incorporated in England and Wales with limited liability

Definitions and Glossary of Technical Terms

Glossary of technical terms

The section headed "Definitions and Glossary of Technical Terms – Glossary of technical terms" in the Circular has been incorporated by reference into this document as set out in the section of this document headed "Relevant Documentation". For the purposes of this document, such glossary of technical terms should be read as supplemented and amended by the following technical terms:

Note that certain technical terms used in Falconbridge information included in Part III – "Information on the Falconbridge Group" of the Circular and Part III – "Information on the Falconbridge Group" of this document are defined within the relevant section(s) of such Falconbridge information.

"CIM Definition Standards on Mineral Resources and Reserves"	standards for the classification of MRMR estimates into various categories. The category to which a resource or reserve estimate is assigned depends on the level of confidence in the geological information available on the mineral deposit; the quality and quantity of data available on the deposit; the level of detail of the technical and economic information which has been generated about the deposit, and the interpretation of the data. The CIM Definition Standards on Mineral Resources and Reserves were approved by the Canadian Institute of Mining, Metallurgy and Petroleum on 20 August 2000, and updated on 14 November 2004, for the reporting of exploration information, mineral resources and mineral reserves in Canada and are incorporated by reference into NI 43-101
"CIM Estimation of Mineral Resources and Mineral Reserves Best Practice Guidelines"	guidelines intended to assist a Qualified Person in the planning, supervision, preparation and reporting of MRMR estimates. All MRMR estimation work from which public reporting will ensue must be designed and carried out under the direction of a Qualified Person in accordance with NI 43-101. Disclosure of MRMR estimates is to be made in accordance with industry standard definitions approved by the Canadian Institute of Mining, Metallurgy and Petroleum which have been incorporated by reference into NI 43-101
"concentrate"	material that has been processed to increase the content of contained material or mineral relative to the contained waste
"grade"	the quality of an ore, alloy or metal, usually expressed as a percentage of the primary element
"LME"	London Metal Exchange
"MRMR"	mineral resource and mineral reserve
"NI 43-101"	Canadian National Instrument 43-101 – "Standards of Disclosure for Mineral Projects" of the Canadian Securities Administrators
"ore"	a mineral or mineral aggregate containing precious or useful minerals in such quantities, grade and chemical combination to make extraction commercially profitable
"pound"	Imperial pound, equivalent to 0.4536 kilogrammes
"probable reserves"	measured and/or indicated resources which are not yet proven but of which detailed technical and economic studies have demonstrated that extraction can be justified at the time of determination and under specific economic conditions

Definitions and Glossary of Technical Terms

"Qualified Person"	defined in NI 43-101 as "an individual who is an engineer or geoscientist with at least five (5) years of experience in mineral exploration, mine development, mine operation, project assessment or any combination of these; has experience relevant to the subject matter of the mineral project and technical report; and is a member in good standing of a professional association"
"reserves"	those parts of mineral resources for which sufficient information is available to enable detailed or conceptual mine planning and for which such planning has been undertaken. Reserves are classified as either proved or probable
"resources"	all of the potential minerals in a defined area based on points of observation and extrapolations from those points. Potential minerals are defined as minerals which have been or could be beneficiated to give a quality acceptable for commercial usage in the foreseeable future and excludes minor mineral occurrences
"thermal coal"	coal used in generating steam for electricity production
"t" or "tonne"	metric tonne, equivalent to 2,204.62 pounds
"waste"	rock lacking sufficient grade and/or other characteristics or ore to be economic

Notice of Extraordinary General Meeting

Xstrata plc

(incorporated in England and Wales under the Companies Act 1985, with registered number 4345939)

Notice of Extraordinary General Meeting

NOTICE is hereby given that an extraordinary general meeting of Xstrata plc (the "Company") will be held at Congress Center Metalli, Parkhotel Zug, 6300 Zug, Switzerland on Monday, 14 August 2006 at 11.30 a.m. (Central European Summer Time), with a satellite meeting held concurrently at the registered office of the Company, 4th Floor, Panton House, 25/27 Haymarket, London SW1Y 4EN, UK, at 10.30 a.m. (British Summer Time), on Monday, 14 August 2006 to consider and, if thought fit, pass the following resolution to be proposed as an ordinary resolution:

THAT the proposed acquisition by a wholly-owned indirect subsidiary of the Company, Xstrata Canada Inc. (the "Offeror"), of any and all of the issued, to be issued and outstanding Falconbridge Shares (as defined in the supplementary shareholders' circular of the Company dated 20 July 2006 (the "Circular")), other than any Falconbridge Shares owned directly or indirectly by the Offeror or its affiliates, on the terms and subject to the conditions of the Offer Document (as defined in the Circular) as amended and varied by the Variation Documents (as defined in the Circular), a copy of each of which is produced to the meeting and, for identification purposes, initialled by the chairman of the meeting, or on the terms and subject to the conditions of any amended, extended, revised, renewed, additional or other offer or offers for shares and/or associated rights in the capital of Falconbridge Limited ("Falconbridge") approved by the board of directors of the Company (the "Board") (or any duly constituted committee of the Board (a "Committee")) (the "Offer"), be and is hereby approved and that the Board (or a Committee) be and is hereby authorised to make waivers, extensions and amendments or variations to any of the terms and conditions of the Offer and to do all such things that it may consider necessary or desirable to implement and give effect to, or otherwise in connection with, the Offer and any matters incidental to the Offer, including in respect of options granted to employees of Falconbridge or its subsidiaries.

By order of the Board

Richard Elliston

Secretary

Registered Office:

4th Floor, Panton House,
25/27 Haymarket,
London SW1Y 4EN,
United Kingdom
20 July 2006

Notice of Extraordinary General Meeting

Note 1

A member entitled to attend and vote at the Extraordinary General Meeting (the "EGM") is entitled to appoint one or more proxies to attend and vote instead of them. The proxy need not also be a member of the Company. A proxy of a member's own choice may be appointed by inserting the proxy's name on the Form of Proxy in the space provided. If a Form of Proxy is returned without an indication as to how the proxy shall vote on the Resolution, the proxy will exercise his/her discretion as to whether, and if so how, he/she votes on the Resolution.

Note 2

To be valid, a Form of Proxy and, if applicable, any authority under which it is signed, or a copy of such authority certified in accordance with the Company's Articles of Association, must be lodged at the offices of Computershare Investor Services PLC, PO Box 1075, The Pavilions, Bristol, BS99 3FA UK, not later than (i) 10.30 a.m. (British Summer Time) on Saturday, 12 August 2006; or (ii) not less than 48 hours before the time of any adjourned meeting; or (iii) where a poll is taken more than 48 hours after it is demanded, after the poll has been demanded and not less than 24 hours before the time appointed for the taking of the poll. Where a poll is not taken forthwith but is taken not more than 48 hours after it was demanded, a Form of Proxy may be valid if it is delivered at the meeting at which the poll was demanded to the chairman or to the Company Secretary or to any director of the Company. CREST members may also choose to utilise the CREST electronic proxy appointment service in accordance with the procedures set out in Note 13. The lodging of the Form of Proxy (or the electronic appointment of a proxy) will not preclude Shareholders from attending and voting in person at the EGM, should they so wish.

Note 3

To be valid, a Form of Proxy must be signed by the holder or any person duly authorised by the holder or, if the holder is a corporation, executed by a duly authorised person or under its common seal or in any other manner authorised by its constitution.

Note 4

In the case of joint holders, the signature of any one holder is sufficient. If more than one holder lodges a Form of Proxy only that of the holder first named on the Company's Register of Members will be regarded as valid.

Note 5

Any alteration made to a Form of Proxy should be initialled.

Note 6

The Company, pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, specifies that only those Shareholders registered in the Register of Members of the Company as at 6.00 p.m. (British Summer Time) on Saturday, 12 August 2006 (or, in the event that the EGM is adjourned, in the Register of Members 48 hours before the time of any adjourned meeting(s)) shall be entitled to attend or vote at the EGM in respect of the number of Ordinary Shares registered in their name at that time. Changes to entries on the Register of Members after 6.00 p.m. (British Summer Time) on Saturday, 12 August 2006 (or, in the event that the EGM is adjourned, on the Register of Members 48 hours before the time of any adjourned meeting(s)) shall be disregarded in determining the rights of any person to attend or vote at the meeting.

Note 7

The Resolution, being an ordinary resolution, will be decided by a show of hands unless a poll is demanded in a manner permitted by the Company's Articles of Association.

Note 8

On a show of hands, each member present in person or by proxy has one vote. If a person holds more than one proxy to vote in different ways, then that person may vote For and Against on a show of hands, although this will only count as one vote in each sense, without regard to the number of shares in respect of which the proxy has been appointed.

Note 9

As permitted by the Company's Articles of Association, the chairman of the meeting (or at least five members present in person or by proxy having the right to vote at the EGM or any member or members present in person or by proxy representing not less than one-tenth of the total voting rights of all the members having the right to vote at the EGM) may

Notice of Extraordinary General Meeting

demand a poll. On a poll, each member present in person or by proxy has one vote for each fully paid Ordinary Share of which he is a holder.

Note 10

As permitted by the Company's Articles of Association, a proxy appointment will (a) include the right: (i) to demand, or join in demanding, a poll; (ii) to speak at a meeting; and (iii) to vote on any amendment of the Resolution as the proxy thinks fit; and (b) (unless it provides to the contrary) be valid for any adjournment of a meeting.

Note 11

As permitted by the Company's Articles of Association, members present in person or by proxy at the satellite meeting will be counted in the quorum for the meeting and entitled to vote.

Note 12

A proxy appointment which is not delivered or received in accordance with these notes and the Company's Articles of Association shall be invalid. When two or more valid proxy appointments are delivered or received in respect of the same share for use at the EGM, the one which was executed last shall be treated as replacing and revoking the others as regards that share; if the Company is unable to determine which was executed last, none of them shall be treated as valid in respect of that share.

Note 13

CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so for the EGM to be held on Monday, 14 August 2006 and any adjournment(s) thereof by using the procedures described in the CREST Manual. CREST personal members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.

In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate message (a "CREST Proxy Instruction") must be properly authenticated in accordance with CRESTCo's specifications and must contain the information required for such instructions, as described in the CREST Manual. The message, regardless of whether it constitutes the appointment of a proxy or an amendment to the instruction given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by Computershare Investor Services PLC (ID 3RA50) by (i) 10.30 a.m. (British Summer Time) on Saturday, 12 August 2006; or (ii) not less than 48 hours before the time of any adjourned meeting; or (iii) where a poll is taken more than 48 hours after it is demanded, after the poll has been demanded and not less than 24 hours before the time appointed for the taking of the poll. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which Computershare Investor Services PLC is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After such time any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.

CREST members and, where applicable, their CREST sponsors or voting service providers should note that CRESTCo does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider(s), to procure that his CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

The Company may treat as invalid a CREST Proxy Instruction in accordance with the provisions of the Uncertificated Securities Regulations 2001.

Note 14

Unless the context otherwise requires, terms used in this EGM Notice have the meanings ascribed to them in the section headed "Definitions and Glossary of Technical Terms" of the Circular issued by the Company on 20 July 2006.

