

This document is important and requires your immediate attention. If you are in doubt as to how to deal with it, you should consult your investment advisor, stockbroker, bank manager, trust company manager, accountant, lawyer or other professional advisor.

This document does not constitute an offer or a solicitation to any person in any jurisdiction in which such offer or solicitation is unlawful. The Offer is not being made to, nor will deposits be accepted from or on behalf of, Shareholders in any jurisdiction in which the making or acceptance of the Offer would not be in compliance with the laws of such jurisdiction. However, the Offeror or its agents may, in the Offeror's sole discretion, take such action as the Offeror may deem necessary to extend the Offer to Shareholders in such jurisdiction.

This Offer has not been approved or disapproved by any securities regulatory authority, nor has any securities regulatory authority passed upon the fairness or merits of this Offer or upon the adequacy of the information contained in this document. Any representation to the contrary is an offence.

April 5, 2007

XSTRATA CANADA ACQUISITION CORP.

a wholly-owned indirect subsidiary of



XSTRATA PLC

OFFER TO PURCHASE

all the outstanding common shares

(together with associated rights under the shareholder rights plan) of

LIONORE MINING INTERNATIONAL LTD.

on the basis of

Cdn.\$18.50 in cash for each share

Xstrata Canada Acquisition Corp. (the “Offeror”) hereby offers (the “Offer”) to purchase at a price of Cdn.\$18.50 cash per share all of the issued and outstanding common shares of LionOre Mining International Ltd. (“LionOre”) together with any associated rights (the “SRP Rights”) issued and outstanding under the shareholder rights plan of LionOre (collectively, the “Common Shares”), other than any Common Shares owned directly or indirectly by Xstrata plc (“Xstrata”), and including Common Shares that may become issued and outstanding after the date of this Offer but before the Expiry Time (defined below) upon the conversion, exchange or exercise of any options or other securities of LionOre (other than the SRP Rights) that are convertible into or exchangeable or exercisable for Common Shares and including Common Shares that may become conditionally issued pursuant to the Long Term Incentive Policy. The Offeror is a wholly-owned indirect subsidiary of Xstrata.

The Offer is open for acceptance until 8:00 p.m. (Toronto time) Friday, May 25, 2007 (the “Expiry Time”), unless extended or withdrawn.

The LionOre Board of Directors, upon consultation with its financial and legal advisors and on the recommendation of its Independent Committee, has resolved unanimously to RECOMMEND to the Shareholders that they ACCEPT the Offer and DEPOSIT their Common Shares under the Offer.

For further information, see the Circular accompanying the Offer, including Section 5 of the Circular, “Support Agreement”, and see the Directors’ Circular issued by the LionOre Board of Directors accompanying this Offer.

The Common Shares are listed on the Toronto Stock Exchange (the “TSX”) under the symbol “LIM”, the London Stock Exchange under the symbol “LOR”, the Australian Securities Exchange under the symbol “LIM”, and the Botswana Stock Exchange under the symbol “LIONORE”.

The closing price of the Common Shares on the TSX on March 23, 2007, the last trading day prior to the announcement of the Offeror’s intention to make the Offer, was Cdn.\$17.49. The Offer represents a premium of 5.8% over the closing price of Cdn.\$17.49 per Common Share on the TSX on March 23, 2007 and a 16.5% premium over the volume weighted average price of the Common Shares over the 30 trading days on the TSX ending on March 23, 2007.

The Dealer Managers for the Offer are

In Canada
TD Securities Inc.

In the United States
TD Securities (USA) LLC

In Australia
Macquarie Bank Limited

(continued on next page)

(continued from cover)

The Offer is subject to certain conditions, including there being validly deposited under the Offer and not withdrawn as at the Expiry Time such number of Common Shares that constitutes, together with Common Shares held by the Offeror and its affiliates, at least 66⅔% of the Common Shares then outstanding (calculated on a fully-diluted basis). This and the other conditions of the Offer are described in Section 4 of the Offer, “Conditions of the Offer”. Subject to applicable Laws, the Offeror reserves the right to withdraw the Offer and to not take up and pay for any Common Shares deposited under the Offer unless each of the conditions of the Offer is satisfied or waived at or before the Expiry Time.

Xstrata, the Offeror and LionOre have entered into a support agreement dated March 25, 2007 pursuant to which the Offeror has agreed to make the Offer and LionOre has agreed to support the Offer, subject to the conditions set forth therein. Xstrata and the Offeror have also entered into a lock-up agreement dated March 25, 2007 with certain Shareholders, including certain directors and officers of LionOre (collectively, the “**Locked-Up Shareholders**”, and each a “**Locked-Up Shareholder**”), pursuant to which each Locked-Up Shareholder has agreed irrevocably to accept the Offer, to deposit or cause to be deposited under the Offer and not withdraw, subject to certain exceptions, (i) all of the Common Shares which the Locked-Up Shareholder owns or over which it exercises direction or control and (ii) all of the Common Shares that may become owned or over which direction or control may thereafter be obtained, including Common Shares issued or conditionally issued pursuant to the Long Term Incentive Policy. Each Locked-Up Shareholder has also agreed to exercise or conditionally exercise all of the Convertible Securities currently owned by such Locked-Up Shareholder and to deposit under the Offer and not withdraw, subject to certain exceptions, all of the Common Shares issued upon such exercise or conditional exercise of Convertible Securities. The number of Common Shares beneficially owned by the Locked-Up Shareholders and subject to the Lock-Up Agreement is an aggregate of 42,945,283 Common Shares or approximately 19.5% of the currently outstanding Common Shares. See Section 6 of the Circular, “Lock-Up Agreement”.

Shareholders who wish to accept the Offer must properly complete and execute the accompanying Letter of Transmittal (printed on yellow paper) or a manually executed facsimile thereof and deposit it, at or prior to the Expiry Time, together with certificate(s) representing their Common Shares and all other required documents, with Kingsdale Shareholder Services Inc. (the “**Depository**”) at its office set out in the Letter of Transmittal, in accordance with the instructions in the Letter of Transmittal. Alternatively, Shareholders may (a) accept the Offer by following the procedures for book entry transfer of Common Shares set forth in Section 3 of the Offer, “Manner of Acceptance — Acceptance by Book Entry Transfer” or (b) follow the procedure for guaranteed delivery set forth under Section 3 of the Offer, “Manner of Acceptance — Procedure for Guaranteed Delivery”, using the accompanying Notice of Guaranteed Delivery (printed on pink paper).

All payments under the Offer will be made in Canadian dollars. Shareholders will not be required to pay any fee or commission if they accept the Offer by depositing their Common Shares directly with the Depository or if they make use of the services of a Soliciting Dealer to accept the Offer.

Questions and requests for assistance may be directed to the information agent for the Offer, Kingsdale Shareholder Services Inc. (the “**Information Agent**”) or to TD Securities Inc. (the “**Canadian Dealer Manager**”) or in the United States to TD Securities (USA) LLC (the “**U.S. Dealer Manager**”) or in Australia to Macquarie Bank Limited (the “**Australian Dealer Manager**”, and together with the Canadian Dealer Manager and the U.S. Dealer Manager, the “**Dealer Managers**”). Their contact details are provided on the back cover of this document. Additional copies of this document, the Letter of Transmittal and the Notice of Guaranteed Delivery may be obtained without charge on request from the Information Agent or the Dealer Managers and are accessible on Xstrata’s website at www.xstrata.com, on LionOre’s website at www.lionore.com and on the Canadian Securities Administrators’ website at www.sedar.com. These website addresses are provided for informational purposes only and no information contained on, or accessible from, these websites is incorporated by reference herein. **Persons whose Common Shares are registered in the name of an investment advisor, stockbroker, bank, trust company or other nominee should contact such nominee if they wish to accept the Offer.**

No broker, dealer, salesperson or other person has been authorized to give any information or make any representation other than those contained in this document, and, if given or made, such information or representation must not be relied upon as having been authorized by the Offeror, Xstrata, LionOre, the Dealer Managers, the Information Agent or the Depository.

NOTICE TO LIONORE SHAREHOLDERS IN THE UNITED STATES

The Offer is being made for the securities of a Canadian company that does not have securities registered under Section 12 of the United States Securities Exchange Act of 1934, as amended (the “Exchange Act”). Accordingly, the Offer is not subject to Section 14(d) of the Exchange Act, or Regulation 14D promulgated by the U.S. Securities and Exchange Commission (the “SEC”) thereunder. The Offer is being conducted in accordance with Section 14(e) of the Exchange Act and Regulation 14E as applicable to tender offers conducted under the U.S.-Canadian multijurisdictional disclosure system tender offer rules adopted by the SEC. The Offer is made in the United States with respect to securities of a Canadian foreign private issuer also in accordance with Canadian corporate and tender offer rules. Shareholders resident in the United States should be aware that such requirements might be different from those of the United States applicable to tender offers under the Exchange Act and the rules and regulations promulgated thereunder.

Shareholders in the United States should be aware that the disposition of Common Shares by them as described herein may have tax consequences both in the United States and in Canada. Such consequences may not be fully described herein and such holders are urged to consult their tax advisors. See Section 17 of the Circular, “Certain Canadian Federal Income Tax Considerations”, and Section 18 of the Circular, “Certain United States Federal Income Tax Considerations”.

The enforcement by Shareholders of civil liabilities under United States federal securities laws may be affected adversely by the fact that the Offeror and LionOre are incorporated under the laws of Canada, that Xstrata is incorporated under the laws of England and Wales, that the Offeror’s and Xstrata’s officers and directors and the majority of LionOre’s officers and directors reside outside the United States, that the Canadian Dealer Manager and the Australian Dealer Manager and some of the experts named herein may reside outside the United States, and that all or a substantial portion of the assets of the Offeror, Xstrata, LionOre and the other above-mentioned persons are located outside the United States.

Shareholders in the United States should be aware that the Offeror or its affiliates, directly or indirectly, may bid for or make purchases of Common Shares or of LionOre’s related securities during the period of the Offer, as permitted by applicable Canadian laws or provincial laws or regulations.

NOTICE TO HOLDERS OF OPTIONS, CONVERTIBLE NOTES AND OTHER CONVERTIBLE SECURITIES

The Offer is made only for Common Shares and is not made for any Options, Convertible Notes, LTIP Entitlements or other rights to acquire Common Shares (other than the associated SRP Rights).

Any holder of Options, Convertible Notes or other rights to acquire Common Shares (other than the associated SRP Rights and the LTIP Entitlements) who wishes to accept the Offer must exercise or convert such Convertible Securities in order to obtain certificates representing Common Shares that may be deposited in accordance with the terms of the Offer. Any such exercise or conversion must be completed sufficiently in advance of the Expiry Time to ensure that the holder of such Convertible Security will have certificate(s) representing the Common Shares received on such exercise or conversion available for deposit prior to the Expiry Time, or in sufficient time to comply with the procedures referred to in Section 3 of the Offer, “Manner of Acceptance — Procedure for Guaranteed Delivery”.

LionOre has agreed in the Support Agreement to take steps to permit holders of Options, which by their terms are currently exercisable or not, to exercise, immediately after the time at which designees of Xstrata represent a majority of the LionOre Board of Directors, such Options with an exercise price of less than Cdn.\$18.50 for a cash payment (less applicable statutory withholdings) equal to Cdn.\$18.50 per Common Share less the exercise price of such Options, which exercise may be conditional upon the Offeror taking up and paying for Common Shares under the Offer.

If any holder of Convertible Notes does not convert its Convertible Notes prior to the Expiry Time, the Convertible Notes will remain outstanding following the Expiry Time in accordance with their terms and conditions, subject to the terms of any Subsequent Acquisition Transaction. See Section 12 of the Circular, “Acquisition of Common Shares not Deposited”.

The Canadian and United States tax consequences to holders of Options, Convertible Notes and other Convertible Securities of exercising their Options, Convertible Notes or other Convertible Securities are not described in Section 17 of the Circular, “Certain Canadian Federal Income Tax Considerations”, nor in Section 18 of the Circular, “Certain United States Federal Income Tax Considerations”. Holders of Options, Convertible Notes and other Convertible Securities should consult their tax advisors for advice with respect to potential income tax consequences to them in connection with the decision to exercise or not exercise their Options or to convert or not convert the Convertible Notes or other Convertible Securities.

NOTICE TO HOLDERS OF LTIP ENTITLEMENTS

In accordance with the Long Term Incentive Policy, upon the making of the Offer, all Common Shares that are issuable pursuant to any LTIP Entitlements will, contingently and conditionally upon it being certain that such Common Shares that are so issued will be taken up and paid for under the Offer, vest and be issued to the holders of such LTIP Entitlements. Holders of LTIP Entitlements will be permitted to deposit under the Offer all Common Shares conditionally issued to such holders pursuant to the Long Term Incentive Policy. The Offeror will cause to be delivered to each holder of an LTIP Entitlement a transmittal form (the “**LTIP Tendering Letter**”) that must be completed and delivered to the Depository in accordance with the instructions therein for the Common Shares issuable pursuant to the Long Term Incentive Policy to be validly deposited under the Offer.

Any conditional issuance of Common Shares pursuant to the Long Term Incentive Policy will be deemed to have taken place concurrently with the take-up of Common Shares under the Offer and all Common Shares that are issued pursuant to such conditional issuance will be accepted as validly tendered under the Offer.

The Canadian and United States tax consequences to holders of LTIP Entitlements are not described in Section 17 of the Circular, “Certain Canadian Federal Income Tax Considerations”, nor in Section 18 of the Circular, “Certain United States Federal Income Tax Considerations”. Holders of LTIP Entitlements should consult their tax advisors for advice with respect to potential income tax consequences to them.

CURRENCY

All dollar references in the Offer and Circular are in Canadian dollars, except where otherwise indicated. On April 3, 2007, the Bank of Canada noon rates of exchange for U.S. dollars, U.K. pounds sterling and Australian dollars into Canadian dollars and the rate used for the exchange of Botswana pula into Canadian dollars are as follows:

US\$1.00	=	Cdn.\$1.16
£1.00	=	Cdn.\$2.29
A\$1.00	=	Cdn.\$0.94
1.00 pula	=	Cdn.\$0.19

STATEMENTS REGARDING FORWARD-LOOKING INFORMATION

Certain statements contained in the accompanying Circular under Section 7, “Purpose of the Offer and Plans for LionOre”, Section 8, “Source of Funds” and Section 12, “Acquisition of Common Shares not Deposited”, in addition to certain statements contained elsewhere in the Offer and Circular, are “forward-looking statements” and are prospective in nature. Forward-looking statements are not based on historical facts, but rather on current expectations and projections about future events, and are therefore subject to risks and uncertainties which could cause actual results to differ materially from the future results expressed or implied by the forward-looking statements. Often, but not always, forward-looking statements can be identified by the use of forward-looking words such as “plans”, “expects” or “does not expect”, “is expected”, “is subject to”, “budget”, “scheduled”, “estimates”, “forecasts”, “intends”, “anticipates” or “does not anticipate”, “believes”, or variations of such words and phrases or statements that certain actions, events or results “may”, “could”, “should”, “would”, “might” or “will” be taken, occur or be achieved. Such statements are qualified in their entirety by the inherent risks and uncertainties surrounding future expectations. Such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Offeror and Xstrata to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. Important factors that could cause actual results to differ materially from the expectations of the Offeror and/or Xstrata include, among other things, general business and economic conditions globally, commodity price volatility, industry trends, competition, changes in government and other regulation, including in relation to the environment, health and safety and taxation, labor relations and work stoppages, changes in political and economic stability, the failure to meet certain conditions of the Offer and/or the failure to obtain the required approvals or clearances from regulatory and other agencies and bodies on a timely basis or at all, the inability to successfully integrate LionOre’s operations and programs with those of Xstrata, incurring and/or experiencing unanticipated costs and/or delays or difficulties relating to the integration of LionOre into the Xstrata group, disruptions in business operations due to reorganization activities and interest rate and foreign currency fluctuations. Such forward-looking statements should therefore be construed in light of such factors.

Other than in accordance with its legal or regulatory obligations (including under the UK Listing Rules and the Disclosure and Transparency Rules of the Financial Services Authority), neither the Offeror nor Xstrata is under any obligation, and each of them expressly disclaims any intention or obligation, to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

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SUMMARY

The following is a summary only and is qualified in its entirety by the detailed provisions contained in the Offer and Circular. Shareholders are urged to read the Offer and Circular in their entirety. Capitalized terms used in this Summary, where not otherwise defined herein, are defined in the Offer and Circular, including the accompanying Glossary, unless the context otherwise requires.

Unless otherwise indicated, the information concerning LionOre contained herein and in the Offer and Circular has been taken from or is based upon publicly available documents or records on file with Canadian securities regulatory authorities and other public sources. Although the Offeror and Xstrata have no knowledge that would indicate that any statements contained herein relating to LionOre taken from or based upon such documents and records are untrue or incomplete, neither the Offeror, Xstrata, nor any of their officers or directors assumes any responsibility for the accuracy or completeness of the information relating to LionOre taken from or based upon such documents and records, or for any failure by LionOre to disclose events that may have occurred or may affect the significance or accuracy of any such information but that are unknown to the Offeror or Xstrata. Unless otherwise indicated, information concerning LionOre is given as of December 31, 2006.

The Offer

The Offeror is offering, upon and subject to the terms and conditions of the Offer, to purchase at a price of Cdn.\$18.50 cash per share all of the issued and outstanding Common Shares, other than any Common Shares owned directly or indirectly by Xstrata, and including Common Shares that may become issued and outstanding after the date of this Offer but before the Expiry Time upon the conversion, exchange or exercise of any Convertible Securities and including Common Shares that may become conditionally issued pursuant to the Long Term Incentive Policy.

The Offer is made only for Common Shares and is not made for any Options, Convertible Notes or any other Convertible Securities or LTIP Entitlements.

Any holder of Convertible Securities who wishes to accept the Offer must, to the extent permitted by the terms of the security and applicable Laws, exercise the Options, convert the Convertible Notes or exchange, exercise or convert such Convertible Securities in order to obtain certificates representing Common Shares and deposit those Common Shares on a timely basis under the Offer. See “Notice to Holders of Options, Convertible Notes and other Convertible Securities”.

Holders of LTIP Entitlements will be permitted to deposit under the Offer all Common Shares conditionally issued to such holders pursuant to the Long Term Incentive Policy. See “Notice to Holders of LTIP Entitlements”.

The obligation of the Offeror to take up and pay for Common Shares pursuant to the Offer is subject to certain conditions. See Section 4 of the Offer, “Conditions of the Offer”.

The Offeror

The Offeror was incorporated under the laws of Canada on February 15, 2007 and has not carried on any business prior to the date hereof other than in connection with matters directly related to the Offer. The Offeror is a wholly-owned indirect subsidiary of Xstrata.

Xstrata

Xstrata, a corporation incorporated under the laws of England and Wales, is a major global diversified mining group listed on the London and Swiss stock exchanges. Xstrata is headquartered in Zug, Switzerland and maintains a meaningful position in seven major international commodity markets: copper, coking coal, thermal coal, ferrochrome, nickel, vanadium and zinc, with a smaller but profitable aluminium business, recycling facilities, additional exposures to gold, cobalt, lead and silver and a suite of global technologies, many of which are industry leaders. Xstrata’s operations and projects span 19 countries: Argentina, Australia, Brazil, Canada,

Chile, Colombia, the Dominican Republic, Germany, Jamaica, New Caledonia, Norway, Papua New Guinea, Peru, Philippines, South Africa, Spain, Tanzania, the United States and the United Kingdom.

LionOre

LionOre is an international nickel and gold producer with mining operations in Australia, Botswana and South Africa. LionOre's nickel production is supported by significant by-product credits in the form of copper, cobalt, gold and platinum group metals. LionOre also owns the proprietary Activox® technology for the hydrometallurgical treatment of metal concentrates. LionOre employs approximately 3,600 people globally, including contractors.

The Common Shares are listed on the TSX under the symbol "LIM", the London Stock Exchange under the symbol "LOR", the Australian Securities Exchange under the symbol "LIM", and the Botswana Stock Exchange under the symbol "LIONORE".

Recommendation of the LionOre Board of Directors

The LionOre Board of Directors, upon consultation with its financial and legal advisors and on receipt of a recommendation of its Independent Committee, has unanimously determined that the Offer is fair from a financial point of view to the Shareholders and that the Offer is in the best interests of LionOre and, accordingly, the Board of Directors has resolved unanimously to RECOMMEND to the Shareholders that they ACCEPT the Offer and DEPOSIT their Common Shares under the Offer. **For further information, see the Circular accompanying the Offer, including Section 5 of the Circular, "Support Agreement", and see the Directors' Circular accompanying this Offer.**

Fairness Opinion

J.P. Morgan plc ("**JPMorgan**"), the financial advisor to the LionOre Board of Directors, has delivered a fairness opinion to the LionOre Board of Directors in which it concluded that the consideration to be received under the Offer is fair, from a financial point of view, to the Shareholders.

Support Agreement

LionOre has entered into the Support Agreement with Xstrata and the Offeror which sets out, among other things, the terms and conditions upon which the Offer is to be made. Pursuant to the Support Agreement, LionOre has agreed to support the Offer and not to solicit competing Acquisition Proposals. See Section 5 of the Circular, "Support Agreement".

Lock-Up Agreement

Pursuant to the Lock-Up Agreement entered into with Xstrata and the Offeror, each of the Locked-Up Shareholders has agreed to deposit or cause to be deposited under the Offer and not withdraw, subject to certain exceptions, all of the Common Shares which such Locked-Up Shareholder owns or over which it exercises direction or control, being an aggregate of 41,264,150 Common Shares, and to exercise or conditionally exercise all of the Convertible Securities currently owned by such Locked-Up Shareholder and to deposit or cause to be deposited under the Offer and not withdraw, subject to certain exceptions, all of the Common Shares issued upon such exercise or conditional exercise of Convertible Securities and all of the Common Shares conditionally issued pursuant to the Long Term Incentive Policy, being an aggregate of 1,681,133 Common Shares, collectively representing in aggregate beneficial ownership of 42,945,283 Common Shares or approximately 19.5% of the currently outstanding Common Shares. See Section 6 of the Circular, "Lock-Up Agreement".

Reasons to Accept the Offer

Shareholders should consider the following factors in making their decision to accept the Offer:

- *Attractive Premium.* The Offer represents a 16.5% premium to the volume weighted average price of the Common Shares over the 30 trading days on the TSX preceding the announcement of the Offer of Cdn.\$15.88. The Offer also represents a 5.8% premium to the closing price of the Common Shares on the TSX on March 23, 2007, the last trading day prior to the announcement of the Offer. At the time of announcement, the Offer exceeded the all-time high trading price for the Common Shares.
- *Fully Financed Cash Offer.* The form of consideration offered by the Offeror is cash, and the Offeror has committed funding for its Offer. The Offer provides Shareholders with certainty of value and liquidity at a time of historically high nickel prices and removes the execution risk to Shareholders associated with the significant capital expenditures planned for the Activox® initiative.
- *Fairness Opinion.* The Board of Directors of LionOre has received an opinion from JPMorgan that the Offer is fair from a financial point of view to Shareholders.
- *Offer Represents Full Value Based on Detailed Due Diligence.* The Offeror entered into a confidentiality agreement with LionOre on March 9, 2006 and has undertaken detailed technical, financial and legal due diligence in respect of LionOre. The Offeror in making the Offer has taken into consideration, among other things, the upsides associated with LionOre's growth projects, the risks and opportunities associated with integration of the LionOre assets with Xstrata's, and the buoyant commodity markets outlook.
- *Culmination of Strategic Review.* The Offer represents the culmination of a comprehensive strategic review process undertaken by LionOre since early 2006 aimed at maximizing value for Shareholders during which LionOre conducted discussions with several interested parties.
- *Unanimous Recommendation from the LionOre Board of Directors.* The LionOre Board of Directors, on the basis of the recommendation of the Independent Committee and the JPMorgan fairness opinion, has unanimously recommended that Shareholders accept the Offer.
- *Acceptance by Locked-Up Shareholders.* Certain Shareholders, including certain directors and officers of LionOre, beneficially owning in aggregate approximately 19.5% of the currently outstanding Common Shares have entered into the Lock-Up Agreement pursuant to which they have agreed to deposit all of their Common Shares under the Offer.
- *Low Execution Risk.* The Offer contains conditions that are in line with market practice. The Offeror is confident that no material competition or anti-trust issues are likely to arise in relation to the Offer and that it will receive the required regulatory clearances. The Offeror is also confident that its acquisition of Common Shares pursuant to the Offer will receive any required approval under the Investment Canada Act. The Offeror's acquisition of Common Shares pursuant to the Offer has received a statement of no objection under Australia's foreign investment policy under the *Foreign Acquisitions and Takeovers Act 1975* (Australia).

Purpose of the Offer

The purpose of the Offer is to enable the Offeror to acquire all of the outstanding Common Shares. If the Offeror takes up and pays for the Common Shares validly deposited under the Offer, the Offeror intends to complete a Compulsory Acquisition or Subsequent Acquisition Transaction, if available, to acquire all the outstanding Common Shares not deposited under the Offer. If such Compulsory Acquisition or Subsequent Acquisition Transaction is not available or is not exercised, the Offeror intends to pursue other available means of acquiring the remaining Common Shares not deposited under the Offer. LionOre has agreed that, in the event the Offeror takes up and pays for Common Shares under the Offer representing at least a simple majority of the outstanding Common Shares (calculated on a fully-diluted basis as at the Expiry Time), LionOre will assist the Offeror in connection with any Subsequent Acquisition Transaction, provided that the consideration per Common Share offered in connection with the Subsequent Acquisition Transaction is at least equal in value

to the consideration per Common Share paid under the Offer. If the Minimum Tender Condition is satisfied and the Offeror takes up and pays for the Common Shares deposited under the Offer, the Offeror should own sufficient Common Shares to effect a Subsequent Acquisition Transaction. See Section 7 of the Circular, "Purpose of the Offer and Plans for LionOre", and Section 12 of the Circular, "Acquisition of Common Shares not Deposited".

Time for Acceptance

The Offer is open for acceptance until 8:00 p.m. (Toronto time) on Friday, May 25, 2007, or such later time or times and date or dates to which the Offer may be extended, unless the Offer is withdrawn in accordance with its terms by the Offeror. The Offeror may, in its sole discretion but subject to applicable Laws, extend the Expiry Time, as described under Section 5 of the Offer, "Extension, Variation or Change in the Offer".

Manner of Acceptance

A Shareholder wishing to accept the Offer must deposit the certificate(s) representing the Shareholder's Common Shares, together with a properly completed and executed Letter of Transmittal (printed on yellow paper) or a manually executed facsimile thereof at or prior to the Expiry Time at the office of the Depository specified in the Letter of Transmittal. Detailed instructions are contained in the Letter of Transmittal which accompanies the Offer. See Section 3 of the Offer, "Manner of Acceptance — Letter of Transmittal".

If a Shareholder wishes to deposit its Common Shares under the Offer and the certificate(s) representing such Shareholder's Common Shares is (are) not immediately available, or if the certificate(s) and all other required documents cannot be provided to the Depository at or prior to the Expiry Time, such Common Shares nevertheless may be validly deposited under the Offer in compliance with the procedures for guaranteed delivery using the accompanying Notice of Guaranteed Delivery (printed on pink paper). See Section 3 of the Offer, "Manner of Acceptance — Procedure for Guaranteed Delivery".

Shareholders may accept the Offer by following the procedures for book-entry transfer established by CDS, provided that a Book-Entry Confirmation through CDSX is received by the Depository at its office in Toronto, Ontario at or prior to the Expiry Time. Shareholders may also accept the Offer by following the procedure for book-entry transfer established by DTC, provided that a Book-Entry Confirmation, together with an Agent's Message in respect thereof, or a properly completed and executed Letter of Transmittal (including signature guarantee if required) and all other required documents, are received by the Depository at its office in Toronto, Ontario at or prior to the Expiry Time. Shareholders accepting the Offer through book-entry transfer must make sure such documents or Agent's Message are received by the Depository.

No fee or commission will be payable by any Shareholder who transmits such Shareholder's Common Shares directly to the Depository or who makes use of the facilities of a Soliciting Dealer to accept the Offer.

Shareholders whose Common Shares are registered in the name of an investment advisor, stockbroker, bank, trust company or other nominee should immediately contact that nominee for assistance if they wish to accept the Offer in order to take the necessary steps to be able to deposit such Common Shares under the Offer.

Australian CDI Holders may only accept the Offer through the CDI Nominee. CDI Holders should contact the Australian Dealer Manager, their broker or the CDI Nominee for further information.

Holders of LTIP Entitlements will be permitted to deposit under the Offer all Common Shares conditionally issued to such holders pursuant to the Long Term Incentive Policy. The Offeror will cause to be delivered to each holder of an LTIP Entitlement an LTIP Tendering Letter that must be completed and delivered to the Depository in accordance with the instructions therein for the Common Shares issuable pursuant to the Long Term Incentive Policy to be validly deposited to the Offer.

Shareholders should contact the Dealer Managers, the Information Agent, or a broker or dealer for assistance in accepting the Offer and in depositing Common Shares with the Depository.

Conditions of the Offer

The Offeror reserves the right to withdraw or terminate the Offer and not take up and pay for any Common Shares deposited under the Offer unless the conditions described in Section 4 of the Offer, “Conditions of the Offer”, are satisfied or waived by the Offeror prior to the Expiry Time. The Offer is conditional upon, among other things, there being validly deposited under the Offer and not withdrawn such number of Common Shares which, together with the Common Shares owned by the Offeror and its affiliates, constitutes at least 66 $\frac{2}{3}$ % of the Common Shares (calculated on a fully-diluted basis). See Section 4 of the Offer, “Conditions of the Offer”.

Take-Up and Payment for Deposited Common Shares

Upon the terms and subject to the conditions of the Offer, the Offeror will take up Common Shares validly deposited under the Offer and not withdrawn not later than three business days after the Expiry Time. Any Common Shares taken up will be paid for as soon as possible, but in any event not later than three business days after they are taken up. Any Common Shares deposited under the Offer after the first date upon which Common Shares are first taken up under the Offer will be taken up and paid for not later than 10 days after such deposit. See Section 6 of the Offer, “Take-Up of and Payment for Deposited Common Shares”.

Withdrawal of Deposited Common Shares

Common Shares deposited under the Offer may be withdrawn by or on behalf of the depositing Shareholder at any time before the Common Shares have been taken up by the Offeror pursuant to the Offer and in the other circumstances discussed in Section 8 of the Offer, “Withdrawal of Deposited Common Shares”.

Canadian Federal Income Tax Considerations

A Shareholder who is resident in Canada, who holds Common Shares as capital property and who sells such shares to the Offeror under the Offer will realize a capital gain (or capital loss) equal to the amount by which the cash received, net of any reasonable costs of disposition, exceeds (or is less than) the aggregate adjusted cost base to the Shareholder of such Common Shares.

Generally, Shareholders who are non-residents of Canada for the purposes of the Tax Act will not be subject to tax in Canada in respect of any capital gain realized on the sale of Common Shares to the Offeror under the Offer, unless those shares constitute “taxable Canadian property” to such Shareholder within the meaning of the Tax Act and that gain is not otherwise exempt from tax under the Tax Act pursuant to an exemption contained in an applicable income tax treaty.

The foregoing is a very brief summary of certain Canadian federal income tax consequences. See Section 17 of the Circular, “Certain Canadian Federal Income Tax Considerations”, for a summary of the principal Canadian federal income tax considerations generally applicable to Shareholders. Shareholders are urged to consult their own tax advisors to determine the particular tax consequences to them of a sale of Common Shares pursuant to the Offer, a Compulsory Acquisition or a Subsequent Acquisition Transaction. Holders of Options, holders of other Convertible Securities and holders of LTIP Entitlements should consult their own tax advisors having regard to their own personal circumstances.

U.S. Federal Income Tax Considerations

A Shareholder who is a U.S. person and who sells Common Shares in the Offer generally will recognize gain or loss for United States federal income tax purposes equal to the difference, if any, between the amount of cash received and the Shareholder’s adjusted tax basis in the Common Shares sold in the Offer. If the Common Shares sold constitute capital assets in the hands of the U.S. Shareholder, the gain or loss will be a capital gain or loss. In general, capital gains recognized by an individual will be subject to a maximum United States federal income tax rate of 15% if the initial Common Shares were held for more than one year.

The foregoing is a very brief summary of certain United States federal income tax consequences. See Section 18 of the Circular, “Certain United States Federal Income Tax Considerations”, for a summary of the principal United States federal income tax considerations generally applicable to U.S. Shareholders.

Shareholders are urged to consult their own tax advisors to determine the particular tax consequences to them of a sale of Common Shares pursuant to the Offer, a Compulsory Acquisition or a Subsequent Acquisition Transaction. Holders of Options, holders of other Convertible Securities and holders of LTIP Entitlements should consult their own tax advisors having regard to their own personal circumstances.

Depositary and Information Agent

The Offeror has engaged Kingsdale Shareholder Services Inc. to act as the Depositary to receive deposits of certificates representing Common Shares and accompanying Letters of Transmittal deposited under the Offer at the office specified in the Letter of Transmittal. In addition, the Depositary will receive Notices of Guaranteed Delivery and LTIP Tendering Letters at its office in the City of Toronto. The Depositary will also be responsible for giving certain notices, if required, and for making payment for all Common Shares purchased by the Offeror under the Offer. See Section 20 of the Circular, "Depositary".

The Offeror has also retained Kingsdale Shareholder Services Inc. to act as Information Agent to provide a resource for information for Shareholders in connection with the Offer. Kingsdale Shareholder Services Inc., in its capacity as Depositary and as Information Agent, will receive reasonable and customary compensation from the Offeror for services in connection with the Offer and will be reimbursed for certain out-of-pocket expenses.

Financial Advisors and Dealer Managers

The Offeror has retained Macquarie Bank Limited to act as its financial advisor with respect to the Offer and TD Securities Inc. to act as its Canadian financial advisor with respect to the Offer.

The Offeror has engaged the services of TD Securities Inc. as dealer manager in Canada to assist the Offeror in connection with the Offer in Canada, TD Securities (USA) LLC to act as dealer manager in the United States in connection with the Offer in the United States and Macquarie Bank Limited to act as dealer manager in Australia in connection with the Offer in Australia. The Canadian Dealer Manager has undertaken to form a Soliciting Dealer Group comprised of members of the Investment Dealers Association of Canada and members of Canadian stock exchanges to solicit acceptances of the Offer from persons resident in Canada.

No fee or commission will be payable by any Shareholder who transmits such Shareholder's Common Shares directly to the Depositary or who makes use of the facilities of a Soliciting Dealer to accept the Offer.

GLOSSARY

In the accompanying summary, Offer and Circular, unless the context otherwise requires, the following terms shall have the meanings set forth below:

“**Acquisition Proposal**” has the meaning ascribed thereto in Section 5 of the Circular, “Support Agreement — No Solicitation”;

“**affiliate**” has the meaning ascribed thereto in the OSA;

“**Agent’s Message**” has the meaning ascribed thereto in Section 3 of the Offer, “Manner of Acceptance — Acceptance of Book-Entry Transfer”;

“**ARC**” has the meaning ascribed thereto in Section 15 of the Circular, “Regulatory Considerations — Canadian Competition Act”;

“**associate**” has the meaning ascribed thereto in the OSA;

“**Australian Commission**” means the Australian Competition & Consumer Commission;

“**Australian Dealer Manager**” means Macquarie Bank Limited;

“**Australian Tribunal**” means the Australian Competition Tribunal;

“**Book-Entry Confirmation**” means confirmation of a book-entry transfer of the Shareholder’s Common Shares into the Depository’s account at CDS and/or DTC;

“**business combination**” has the meaning ascribed thereto in Rule 61-501;

“**Canadian Commissioner**” has the meaning ascribed thereto in Section 15 of the Circular, “Regulatory Considerations — Canadian Competition Act”;

“**Canadian Competition Act**” means the *Competition Act* (Canada), as amended;

“**Canadian Dealer Manager**” means TD Securities Inc.;

“**CBCA**” means the *Canada Business Corporations Act*, as amended;

“**CDI**” means a CHESSE Depository Interest over a Common Share;

“**CDI Holder**” means the holder of one or more CDIs;

“**CDI Nominee**” means CHESSE Depository Nominees Limited a company registered in Australia (ABN 75 071 346 506);

“**CDS**” means CDS Clearing and Depository Services Inc.;

“**CDSX**” means the CDS on-line tendering system pursuant to which book-entry transfers may be effected;

“**Circular**” means the circular accompanying and forming part of the Offer;

“**Code**” has the meaning ascribed thereto in Section 18 of the Circular, “Certain United States Federal Income Tax Considerations”;

“**Committed Financing Agreements**” has the meaning ascribed thereto in Section 8 of the Circular, “Source of Funds”;

“**Common Shares**” means the common shares in the capital of LionOre (including those that are subject to CDIs), together, unless the context otherwise requires, with any associated SRP Rights;

“**Community**” has the meaning ascribed thereto in Section 15 of the Circular, “Regulatory Considerations — Merger Regulation in the European Union”;

“**Competing Proposal**” has the meaning ascribed thereto in Section 5 of the Circular, “Support Agreement — Termination Payment”;

“**Compulsory Acquisition**” has the meaning ascribed thereto in Section 12 of the Circular, “Acquisition of Common Shares not Deposited — Compulsory Acquisition”;

“**Contemplated Transactions**” means the making of the Offer, the entering into of the Lock-Up Agreement, the consummation of the transactions contemplated by the Support Agreement and all actions and negotiations in the contemplation thereof, including the Offer, the take-up of Common Shares under the Offer, the Lock-Up Agreement, any Compulsory Acquisition, any Subsequent Acquisition Transaction and any subsequent amalgamation of the Offeror and LionOre;

“**Convertible Notes**” means the US\$144 million principal amount of 3.80% convertible notes of LionOre due July 2011, issued pursuant to the trust deed dated July 29, 2004;

“**Convertible Securities**” means any securities of LionOre that are convertible into or exchangeable or exercisable for Common Shares, other than the SRP Rights and the LTIP Entitlements;

“**CRA**” has the meaning ascribed thereto in Section 17 of the Circular, “Certain Canadian Federal Income Tax Considerations”;

“**Credit Facilities**” has the meaning ascribed thereto in Section 8 of the Circular, “Source of Funds”;

“**Dealer Managers**” means the Canadian Dealer Manager, the U.S. Dealer Manager and the Australian Dealer Manager;

“**Depository**” means Kingsdale Shareholder Services Inc.;

“**Deposited Common Shares**” has the meaning ascribed thereto in Section 3 of the Offer, “Manner of Acceptance — Dividends and Distributions”;

“**Dissenting Offeree**” has the meaning ascribed thereto in Section 12 of the Circular, “Acquisition of Common Shares not Deposited — Compulsory Acquisition”;

“**Distributions**” has the meaning ascribed thereto in Section 3 of the Offer, “Manner of Acceptance — Dividends and Distributions”;

“**DTC**” means The Depository Trust Company;

“**EC**” means the European Commission;

“**EC Merger Regulation**” means European Council Regulation (EC) No 139/2004 of January 20, 2004;

“**EEA**” has the meaning ascribed thereto in Section 15 of the Circular, “Regulatory Considerations — Merger Regulation in the European Union”;

“**EFTA States**” has the meaning ascribed thereto in Section 15 of the Circular, “Regulatory Considerations — Merger Regulation in the European Union”;

“**Eligible Institution**” means a Canadian Schedule I chartered bank, a major trust company in Canada, a member of the Securities Transfer Agents Medallion Program (STAMP), a member of the Stock Exchange Medallion Program (SEMP) or a member of the New York Stock Exchange, Inc. Medallion Signature Program (MSP);

“**EU Member States**” means member states of the European Union;

“**Exchanges**” means, collectively, the TSX, the Australian Securities Exchange, the London Stock Exchange and the Botswana Stock Exchange;

“**Expiry Time**” means 8:00 p.m. (Toronto time) on Friday, May 25, 2007, or such later date or dates as may be fixed by the Offeror from time to time pursuant to Section 5 of the Offer, “Extension, Variation or Change in the Offer”;

“**Falconbridge**” means Falconbridge Limited, a corporation amalgamated under the laws of Ontario and a wholly-owned indirect subsidiary of Xstrata;

“**FATA**” means the *Foreign Acquisitions and Takeovers Act 1975* (Australia);

“**FIRB**” means the Foreign Investment Review Board (Australia);

“**fully-diluted basis**” means, with respect to the number of outstanding Common Shares at any time, the number of Common Shares that would be outstanding if all rights to acquire Common Shares were exercised, other than the SRP Rights and other than those that are not, and cannot in accordance with their terms, become exercisable within 120 days following the Expiry Time, but including, for the purposes of this calculation, all Common Shares issuable upon the exercise of Options and all Common Shares issuable pursuant to the Long Term Incentive Policy, in either case whether vested or unvested, and all Common Shares issuable upon conversion of the Convertible Notes;

“**going private transaction**” has the meaning ascribed thereto in Regulation Q-27;

“**Governmental Entity**” means any (i) multinational, supranational, federal, provincial, state, regional, municipal, local or other government, governmental or public department, central bank, court, tribunal, arbitral body, commission, board, bureau or agency, domestic or foreign, (ii) self-regulatory organization or stock exchange including the TSX, the Australian Securities Exchange, the London Stock Exchange, the Botswana Stock Exchange and the Luxemburg Stock Exchange, (iii) subdivision, agent, commission, board, or authority of any of the foregoing, or (iv) quasi-governmental or private body exercising any regulatory, expropriation or taxing authority under or for the account of any of the foregoing;

“**Independent Committee**” has the meaning ascribed thereto in Section 3 of the Circular, “Background to the Offer”;

“**Information Agent**” means Kingsdale Shareholder Services Inc.;

“**Investment Canada Act**” means the *Investment Canada Act* (Canada), as amended;

“**IRS**” has the meaning ascribed thereto in Section 18 of the Circular, “Certain United States Federal Income Tax Considerations”;

“**JPMorgan**” means J.P. Morgan plc, financial advisor to LionOre;

“**Laws**” means any law, including supranational, national, provincial, state, municipal and local civil, commercial, banking, securities, tax, personal and real property, security, mining, environmental, water, energy, investment, property ownership, land use and zoning, sanitary, occupational health and safety laws, treaties, statutes, ordinances, judgments, decrees, injunctions, writs, certificates and orders, by-laws, rules, regulations, ordinances, protocols, codes, guidelines, policies, notices, directions or other requirements of any governmental entity;

“**Letter of Transmittal**” means the letter of transmittal in the form accompanying the Offer and the Circular (printed on yellow paper);

“**LionOre**” means LionOre Mining International Ltd., a corporation existing under the laws of Canada, and where the context requires, its subsidiaries and joint ventures;

“**LionOre Board of Directors**” means the board of directors of LionOre;

“**LionOre Parties**” has the meaning ascribed thereto in Section 5 of the Circular, “Support Agreement — No Solicitation Covenant”;

“**Lock-Up Agreement**” means the lock-up agreement dated March 25, 2007 between Xstrata, the Offeror and the Locked-Up Shareholders, as amended from time to time;

“**Locked-Up Shareholders**” means, collectively, Colin H. Steyn (President, Chief Executive Officer and a director of LionOre), Gilbert E. Playford (director of LionOre), Theodore C. Mayers (Chief Financial Officer and a director of LionOre) and eight other Shareholders, beneficially owning in aggregate 19.5% of the currently outstanding Common Shares;

“**Long Term Incentive Policy**” means the LionOre 2007 long term incentive policy adopted by the LionOre Board of Directors on March 7, 2007 established pursuant to the Stock Option Plan and relating to the issue of bonus shares;

“**LTIP Entitlements**” means outstanding rights, whether vested or unvested, to receive Common Shares in accordance with the terms of the Long Term Incentive Policy;

“**LTIP Tendering Letter**” has the meaning ascribed thereto on page ii in the section entitled “Notice to Holders of LTIP Entitlements”;

“**Material Adverse Effect**” means, in respect of any person, an effect that is, or would reasonably be expected to be, material and adverse to the business, properties, assets, liabilities (including any contingent liabilities that may arise through outstanding, pending or threatened litigation or otherwise), condition (financial or otherwise), operations, results of operations or prospects, of that person and its subsidiaries taken as a whole, other than any effect: (i) relating to the economies of Canada, Australia, Botswana and South Africa or to political conditions or securities markets in general; (ii) affecting the nickel mining industry or the mining industry in general; (iii) relating to a change in the market trading price of shares of that person, either: (A) related to the Support Agreement and the Offer or the announcement thereof, or (B) related to such a change in the market trading price primarily resulting from a change, effect, event or occurrence excluded from this definition of Material Adverse Effect under clause (i), (ii), (iv) or (v) hereof; (iv) relating to any of the principal markets served by that person’s business generally (including the business of that person’s subsidiaries) or shortages or price changes with respect to raw materials, metals or other products used or sold by that person or its subsidiaries; or (v) relating to any generally applicable change in applicable Laws or regulations (other than orders, judgments or decrees against that person or any of its subsidiaries) or in applicable generally accepted accounting principles; provided, however, that such effect referred to in clause (i), (ii), (iv) or (v) above does not primarily relate 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 (other than any change in Canadian tax “bump” rules, which change shall not result in a Material Adverse Effect notwithstanding the foregoing);

“**Member States Agencies**” means any Governmental Entity of any relevant EU Member States or EFTA State;

“**Merger Referral**” has the meaning ascribed thereto in Section 15 of the Circular, “Regulatory Considerations — SA Competition Act”;

“**Minimum Tender Condition**” has the meaning ascribed thereto in paragraph (a) of Section 4 of the Offer, “Conditions of the Offer”;

“**Minister**” has the meaning ascribed thereto in Section 15 of the Circular, “Regulatory Considerations — Investment Canada Act”;

“**Non-Resident Holder**” has the meaning ascribed thereto in Section 17 of the Circular, “Certain Canadian Federal Income Tax Considerations — Shareholders Not Resident in Canada”;

“**Notice of Guaranteed Delivery**” means the notice of guaranteed delivery in the form accompanying the Offer and Circular (printed on pink paper);

“**Offer**” means the offer to purchase Common Shares made hereby to the Shareholders pursuant to the terms set forth herein;

“**Offeror**” means Xstrata Canada Acquisition Corp., a corporation incorporated under the laws of Canada;

“**Offeror’s Notice**” has the meaning ascribed thereto in Section 12 of the Circular, “Acquisition of Common Shares not Deposited — Compulsory Acquisition”;

“**Options**” means the options granted through the Stock Option Plan through which options may be granted to directors, officers and employees for the purchase of Common Shares;

“**OSA**” means the *Securities Act* (Ontario), as amended;

“**OSC**” means the Ontario Securities Commission;

“**PFIC**” has the meaning ascribed thereto in Section 18 of the Circular, “Certain United States Federal Income Tax Considerations — Passive Foreign Investment Companies”;

“**Pre-Acquisition Reorganization**” has the meaning ascribed thereto in Section 5 of the Circular, “Support Agreement — Pre-Acquisition Reorganization”;

“**Purchased Common Shares**” has the meaning ascribed thereto in Section 3 of the Offer, “Manner of Acceptance — Power of Attorney”;

“**Redeemable Shares**” has the meaning ascribed thereto in Section 17 of the Circular, “Certain Canadian Federal Income Tax Considerations — Shareholders Resident in Canada — Subsequent Acquisition Transaction”;

“**Regulation Q-27**” means Regulation Q-27 — Protection of Minority Securityholders in the Course of Certain Transactions of the Autorité des marchés financiers (Québec), as amended;

“**Regulations**” has the meaning ascribed thereto in Section 17 of the Circular, “Certain Canadian Federal Income Tax Considerations”;

“**Resident Holder**” has the meaning ascribed thereto in Section 17 of the Circular, “Certain Canadian Federal Income Tax Considerations — Shareholders Resident in Canada”;

“**Reviewable Transaction**” has the meaning ascribed thereto in Section 15 of the Circular, “Regulatory Considerations — Investment Canada Act”;

“**Rights Certificates**” means the certificates representing the SRP Rights;

“**Rule 61-501**” means OSC Rule 61-501 — *Insider Bids, Issuer Bids, Business Combinations and Related Party Transactions*, as amended or replaced;

“**SA Commission**” has the meaning ascribed thereto in Section 15 of the Circular, “Regulatory Considerations — SA Competition Act”;

“**SA Competition Act**” means the *Competition Act*, No. 89 of 1998 (South Africa);

“**SA Tribunal**” has the meaning ascribed thereto in Section 15 of the Circular, “Regulatory Considerations — SA Competition Act”;

“**Sales Contracts**” has the meaning ascribed thereto in Section 3 of the Circular, “Background to the Offer”;

“**Securities Authorities**” means, collectively, the securities commissions and similar regulatory authorities in each of the provinces and territories of Canada;

“**SEDAR**” means the Canadian Securities Administrators’ website at www.sedar.com;

“**Separation Time**” means the close of business on the tenth business day after the earlier of (i) the first public announcement of facts indicating that a person has acquired Beneficial Ownership (as defined in the Shareholder Rights Plan) of 20% or more of the Common Shares, (ii) the date of commencement of, or first public announcement of the intent of any person to commence, a take-over bid to acquire 20% or more of the Common Shares, other than as a result of a Permitted Bid (as defined in the Shareholder Rights Plan), and (iii) the date upon which a Permitted Bid ceases to be such;

“**Shareholder Rights Plan**” means the shareholder rights plan set out in the shareholder rights plan agreement dated as of April 7, 2003 between LionOre and CIBC Mellon Trust Company, as rights agent, as approved and confirmed by the Shareholders in May 2003 and reconfirmed by the Shareholders in May 2006, or any other shareholder rights plan adopted by the LionOre Board of Directors;

“**Shareholders**” means, collectively, the holders of Common Shares;

“**Soliciting Dealer**” has the meaning ascribed thereto in Section 21 of the Circular, “Financial Advisors, Dealer Managers and Soliciting Dealer Group”;

“**Soliciting Dealer Group**” has the meaning ascribed thereto in Section 21 of the Circular, “Financial Advisors, Dealer Managers and Soliciting Dealer Group”;

“**SRP Rights**” means the rights issued pursuant to the Shareholder Rights Plan;

“**Stock Option Plan**” means the LionOre 2006 Stock Option and Share Compensation Plan adopted by the Shareholders on May 17, 2006, together with the Stock Option Plan as most recently amended on February 25, 2002 (which amendments were approved by the Shareholders on May 15, 2002);

“**Subsequent Acquisition Transaction**” has the meaning ascribed thereto in Section 12 of the Circular, “Acquisition of Common Shares not Deposited — Subsequent Acquisition Transaction”;

“**subsidiary**” means, with respect to a specified body corporate, any body corporate of which more than 50% of the outstanding shares ordinarily entitled to elect a majority of the board of directors thereof (whether or not shares of any other class shall or might be entitled to vote upon the happening of any event or contingency) are at the time owned directly or indirectly by such specified body corporate and shall include any body corporate, partnership, joint venture or other entity over which it exercises direction or control or which is in a like relation to a subsidiary;

“**Superior Proposal**” has the meaning ascribed thereto in Section 5 of the Circular, “Support Agreement — Ability of LionOre to Accept a Superior Proposal”;

“**Support Agreement**” means the support agreement between Xstrata, LionOre and the Offeror dated March 25, 2007 and as may be amended from time to time;

“**Tax Act**” has the meaning ascribed thereto in Section 17 of the Circular, “Certain Canadian Federal Income Tax Considerations”;

“**Tax Proposals**” has the meaning ascribed thereto in Section 17 of the Circular, “Certain Canadian Federal Income Tax Considerations”;

“**Termination Payment**” has the meaning ascribed thereto in Section 5 of the Circular, “Support Agreement — Termination Payment”;

“**TPA**” means the *Trade Practices Act 1974* (Cth) (Australia);

“**TSX**” means the Toronto Stock Exchange;

“**Unsolicited Proposal**” has the meaning ascribed thereto in Section 5 of the Circular, “Support Agreement — No Solicitation Covenant”;

“**U.S. Dealer Manager**” means TD Securities (USA) LLC;

“**U.S. Shareholder**” has the meaning ascribed thereto in Section 18 of the Circular, “Certain United States Federal Income Tax Considerations”;

“**U.S. Treaty**” has the meaning ascribed thereto in Section 17 of the Circular, “Certain Canadian Federal Income Tax Considerations — Shareholders Not Resident in Canada — Disposition of Common Shares Pursuant to the Offer or a Compulsory Acquisition”;

“**Xstrata**” means Xstrata plc, a corporation incorporated under the laws of England and Wales, and where the context requires, its subsidiaries and joint ventures;

“**Xstrata Board of Directors**” means the board of directors of Xstrata; and

“**Xstrata Schweiz**” has the meaning ascribed thereto in Section 3 of the Circular, “Background to the Offer”.

OFFER

The accompanying Circular, which is incorporated into and forms part of the Offer, contains important information that should be read carefully before making a decision with respect to the Offer.

Capitalized terms used in the Offer, where not otherwise defined herein, have the meaning set out in the accompanying Glossary, unless the context otherwise requires.

April 5, 2007

TO: THE HOLDERS OF COMMON SHARES OF LIONORE MINING INTERNATIONAL LTD.

1. The Offer

The Offeror is offering, upon and subject to the terms and conditions of the Offer, to purchase at a price of Cdn.\$18.50 in cash per share all of the issued and outstanding Common Shares, other than any Common Shares owned directly or indirectly by Xstrata, and including Common Shares that may become issued and outstanding after the date of this Offer but before the Expiry Time upon the conversion, exchange or exercise of any Convertible Securities and including Common Shares that may become conditionally issued pursuant to the Long Term Incentive Policy. The Offeror is a wholly-owned indirect subsidiary of Xstrata.

The Offer is made only for Common Shares and is not made for any Options, Convertible Notes or any other Convertible Securities or LTIP Entitlements.

Any holder of Convertible Securities who wishes to accept the Offer must, to the extent permitted by the terms of the security and applicable Law, exercise the Options, convert the Convertible Notes or exchange, exercise or convert such other Convertible Securities in order to obtain certificates representing Common Shares and deposit those Common Shares on a timely basis under the Offer. Any such exchange, exercise or conversion must be completed sufficiently in advance of the Expiry Time to ensure that the holder of such Convertible Securities will have certificate(s) received on exchange, exercise or conversion available for deposit prior the Expiry Time, or in sufficient time to comply with the procedures referred to in Section 3 of the Offer, "Manner of Acceptance — Procedure for Guaranteed Delivery".

Holders of LTIP Entitlements will be permitted to deposit under the Offer all Common Shares conditionally issued to such holders pursuant to the Long Term Incentive Policy. See "Notice to Holders of LTIP Entitlements" above.

The LionOre Board of Directors, upon consultation with its financial and legal advisors and on the recommendation of its Independent Committee, has unanimously determined that the Offer is fair, from a financial point of view, to all Shareholders and, accordingly, has resolved unanimously to recommend to the Shareholders that they accept the Offer and deposit their Common Shares under the Offer.

Shareholders who have deposited their Common Shares pursuant to the Offer will be deemed to have deposited the SRP Rights associated with such Common Shares. No additional payment will be made for the SRP Rights and no part of the consideration to be paid by the Offeror for the Common Shares will be allocated to the SRP Rights.

Shareholders who do not deposit their Common Shares under the Offer will not be entitled to any dissenters' or appraisal rights. However, any such Shareholders who dissent from a Compulsory Acquisition or Subsequent Acquisition Transaction will have certain rights to seek a judicial determination of the fair value of their Common Shares. See Section 12 of the Circular, "Acquisition of Common Shares not Deposited".

Shareholders will not be required to pay any fee or commission if they accept the Offer by depositing their Common Shares directly with the Depositary or if they make use of the services of a member of the Soliciting Dealer Group to accept the Offer.

Shareholders whose Common Shares are registered in the name of an investment advisor, stockbroker, bank, trust company or other nominee should immediately contact such nominee for assistance in depositing their Common Shares.

Australian CDI Holders should immediately contact their broker or the CDI Nominee if they wish to arrange for the acceptance of this Offer. CDI Holders may only accept the Offer through the CDI Nominee.

2. Time for Acceptance

The Offer is open for acceptance during the period commencing on the date hereof and ending at 8:00 p.m. (Toronto time) on Friday, May 25, 2007, or such later time or times and date or dates as may be fixed by the Offeror from time to time pursuant to Section 5 of the Offer, "Extension, Variation or Change in the Offer", unless the Offer is withdrawn by the Offeror.

3. Manner of Acceptance

Letter of Transmittal

The Offer may be accepted by delivering to the Depository at its office listed in the Letter of Transmittal (printed on yellow paper) accompanying the Offer, so as to be received not later than the Expiry Time:

- (a) certificate(s) representing the Common Shares in respect of which the Offer is being accepted;
- (b) a Letter of Transmittal in the form accompanying the Offer or a manually executed facsimile thereof, properly completed and executed as required by the instructions and rules set forth in the Letter of Transmittal; and
- (c) any other relevant documents required by the instructions and rules set forth in the Letter of Transmittal.

The Offer will be deemed to be accepted only if the Depository has actually received these documents before the Expiry Time. Except as otherwise provided in the instructions and rules set out in the Letter of Transmittal, the signature on the Letter of Transmittal must be guaranteed by an Eligible Institution. If a Letter of Transmittal is executed by a person other than the registered holder of the certificate(s) deposited therewith, or if the cash payable is to be delivered to a person other than the registered owner, the certificate(s) must be endorsed, or be accompanied by an appropriate share transfer power of attorney, in either case, duly and properly completed by the registered holder, with the signature on the endorsement panel or share transfer power of attorney guaranteed by an Eligible Institution.

Unless waived by the Offeror, holders of Common Shares are required to deposit one SRP Right for each Common Share in order to effect a valid deposit of such Common Share or, if available, a book-entry confirmation must be received by the Depository with respect thereto. If the Separation Time does not occur before the Expiry Time, a deposit of Common Shares will also constitute a deposit of the associated SRP Rights. If the Separation Time occurs before the Expiry Time and Rights Certificates are distributed by LionOre to Shareholders prior to the time that the holder's Common Shares are deposited pursuant to the Offer, in order for the Common Shares to be validly deposited, Rights Certificate(s) representing SRP Rights equal in number to the number of Common Shares deposited must be delivered to the Depository. If the Separation Time occurs before the Expiry Time and Rights Certificates are not distributed by the time that a Shareholder deposits its Common Shares pursuant to the Offer, the Shareholder may deposit its SRP Rights before receiving Rights Certificate(s) by using the guaranteed delivery procedure described below. In any case, a deposit of Common Shares constitutes an agreement by the signatory to deliver Rights Certificate(s) representing SRP Rights equal in number to the number of Common Shares deposited pursuant to the Offer to the Depository on or before the third trading day on the TSX after the date, if any, that Rights Certificate(s) are distributed. The Offeror reserves the right to require, if the Separation Time occurs before the Expiry Time, that the Depository receive, prior to taking up the Common Shares for payment pursuant to the Offer, Rights Certificate(s) from a Shareholder representing SRP Rights equal in number to the Common Shares deposited by such holder.

Participants of CDS or DTC should contact the Depository with respect to the deposit of their Common Shares under the Offer. CDS and DTC will be issuing instructions to their participants as to the method of depositing such Common Shares under the terms of the Offer.

Acceptance by Book-Entry Transfer

Shareholders may accept the Offer by following the procedures for a book-entry transfer established by CDS, provided that a Book-Entry Confirmation through CDSX is received by the Depository at its office in Toronto, Ontario at or prior to the Expiry Time. The Depository has established an account at CDS for the purpose of the Offer. Any financial institution that is a participant in CDS may cause CDS to make a book-entry transfer of a Shareholder's Common Shares into the Depository's account in accordance with CDS procedures

for such transfer. Delivery of Common Shares to the Depository by means of a book-based transfer will constitute a valid tender under the Offer.

Shareholders, through their respective CDS participants, who utilize CDSX to accept the Offer through a book-based transfer of their holdings into the Depository's account with CDS shall be deemed to have completed and submitted a Letter of Transmittal and to be bound by the terms thereof and therefore such instructions received by the Depository are considered a valid tender in accordance with the terms of the Offer.

Shareholders may also accept the Offer by following the procedures for book-entry transfer established by DTC, provided that a Book-Entry Confirmation, together with an Agent's Message (as described below) in respect thereof, or a properly completed and executed Letter of Transmittal (including signature guarantee if required) and all other required documents, are received by the Depository at its office in Toronto, Ontario at or prior to the Expiry Time. The Depository has established an account at DTC for the purpose of the Offer. Any financial institution that is a participant in DTC may cause DTC to make a book-entry transfer of a Shareholder's Common Shares into the Depository's account in accordance with DTC's procedures for such transfer. However, as noted above, although delivery of Common Shares may be effected through book-entry transfer at DTC, either an Agent's Message in respect thereof, or a Letter of Transmittal (or a facsimile thereof), properly completed and executed (including signature guarantee if required), and all other required documents, must, in any case, be received by the Depository, at its office in the City of Toronto at or prior to the Expiry Time. Delivery of documents to DTC in accordance with its procedures does not constitute delivery to the Depository.

The term "**Agent's Message**" means a message, transmitted by DTC to, and received by, the Depository and forming part of a Book-Entry Confirmation, which states that DTC has received an express acknowledgement from the participant in DTC depositing the Common Shares which are the subject of such Book-Entry Confirmation that such participant has received and agrees to be bound by the terms of the Letter of Transmittal as if executed by such participant and that the Offeror may enforce such agreement against such participant.

Procedure for Guaranteed Delivery

If a Shareholder wishes to deposit Common Shares pursuant to the Offer and (a) the certificate(s) representing the Common Shares is (are) not immediately available or (b) the certificate(s) and all other required documents cannot be delivered to the Depository at or prior to the Expiry Time, those Common Shares nevertheless may be deposited validly under the Offer provided that all of the following conditions are met:

- (i) the deposit is made by or through an Eligible Institution;
- (ii) a Notice of Guaranteed Delivery (printed on pink paper) in the form accompanying the Offer or a manually executed facsimile thereof, properly completed and executed, is received by the Depository at its office in the City of Toronto at or prior to the Expiry Time;
- (iii) the certificate(s) representing deposited Common Shares, in proper form for transfer, and, if the Separation Time has occurred before the Expiry Time and Rights Certificates have been distributed to Shareholders before the Expiry Time, the Rights Certificate(s) representing the deposited SRP Rights, together with a Letter of Transmittal or a manually executed facsimile thereof, properly completed and executed, and all other documents required by the Letter of Transmittal, are received by the Depository at or prior to 5:00 p.m. (Toronto time) on the third trading day on the TSX after the Expiry Time. To constitute delivery for the purpose of satisfying a guaranteed delivery, the Letter of Transmittal and accompanying share certificate(s) and Rights Certificate(s), if applicable, must be delivered to the Toronto office of the Depository; and
- (iv) in the case of SRP Rights where the Separation Time has occurred before the Expiry Time but Rights Certificates have not been distributed to Shareholders before the Expiry Time, the Rights Certificate(s) representing the deposited SRP Rights, together with a Letter of Transmittal (or a manually signed facsimile thereof), properly completed and duly executed with signatures guaranteed if so required in accordance with the Letter of Transmittal and all other documents required thereby are received by the Depository at its office in the City of Toronto listed in the Letter of Transmittal before 5:00 p.m. (Toronto time) on the third trading day on the TSX after Rights Certificates are distributed to Shareholders.

The Notice of Guaranteed Delivery may be delivered by hand or courier or transmitted by facsimile transmission to the Depository at its principal office in the City of Toronto and must include a guarantee by an Eligible Institution in the form set forth in the Notice of Guaranteed Delivery.

Procedure for LTIP Entitlements

In accordance with the Long Term Incentive Policy, upon the making of the Offer all Common Shares that are issuable pursuant to the Long Term Incentive Policy will, contingently and conditionally upon it being certain that such Common Shares that are so issued will be taken up and paid for under the Offer, vest and be issued to the holders of such LTIP Entitlements. Holders of LTIP Entitlements will be permitted to deposit under the Offer all Common Shares conditionally issued to such holders pursuant to the Long Term Incentive Policy. The Offeror will cause to be delivered to each holder of an LTIP Entitlement an LTIP Tendering Letter that must be completed and delivered to the Depository in accordance with the instructions therein for the Common Shares issuable pursuant to the Long Term Incentive Policy to be validly deposited to the Offer.

Australian CDI Holders

CDI Holders can only accept the Offer by contacting the CDI Nominee and directing the CDI Nominee to accept the Offer in respect of those CDIs.

General

In all cases, payment for Common Shares (other than Common Shares issued pursuant to LTIP Entitlements) deposited and taken up by the Offeror will be made only after timely receipt by the Depository of (a) certificate(s) representing the Common Shares, (b) a Letter of Transmittal, or a manually executed facsimile thereof, properly completed and duly executed, covering such Common Shares with the signature(s) guaranteed in accordance with the instructions set out in the Letter of Transmittal (if required) and (c) any other required documents. Payment for Common Shares issued pursuant to LTIP Entitlements that are deposited and taken up by the Offeror will be made only after timely receipt by the Depository of (a) an LTIP Tendering Letter, or a manually executed facsimile thereof, properly completed and duly executed, covering such Common Shares with the signature(s) guaranteed in accordance with the instructions set out in the LTIP Tendering Letter (if required) and (b) any other required documents.

The method of delivery of certificate(s) representing Common Shares, the Letter of Transmittal, the LTIP Tendering Letter, if applicable, and all other required documents is at the option and risk of the person depositing those documents. The Offeror recommends that those documents be delivered by hand to the Depository and a receipt obtained or, if mailed, that registered mail, with return receipt requested, be used and that proper insurance be obtained. It is suggested that any such mailing be made sufficiently in advance of the Expiry Time to permit delivery to the Depository before the Expiry Time. Delivery will only be effective upon actual receipt by the Depository.

Shareholders whose Common Shares are registered in the name of an investment advisor, stockbroker, bank, trust company or other nominee should contact such nominee if they wish to accept the Offer.

All questions as to the validity, form, eligibility (including timely receipt) and acceptance of any Common Shares deposited pursuant to the Offer will be determined by the Offeror in its sole discretion. Depositing Shareholders agree that such determination shall be final and binding. The Offeror reserves the absolute right to reject any and all deposits which it determines not to be in proper form or which may be unlawful to accept under the laws of any jurisdiction. The Offeror reserves the absolute right to waive any defects or irregularities in the deposit of any Common Shares. There shall be no duty or obligation of the Offeror, the Depository, the Dealer Managers or any other person to give notice of any defects or irregularities in any deposit and no liability shall be incurred by any of them for failure to give any such notice. The Offeror's interpretation of the terms and conditions of the Offer, the Circular, the Letter of Transmittal, the LTIP Tendering Letter and the Notice of Guaranteed Delivery will be final and binding.

Under no circumstance will interest accrue or any amount be paid by Xstrata, the Offeror or the Depository by reason of any delay in making payments for Common Shares to any person on account of Common Shares accepted for payment under the Offer.

The Offeror reserves the right to permit the Offer to be accepted in a manner other than that set out above.

Dividends and Distributions

Subject to the terms and conditions of the Offer and subject, in particular, to Common Shares being validly withdrawn by or on behalf of a depositing Shareholder, and except as provided below, by accepting the Offer pursuant to the procedures set forth herein, a Shareholder deposits, sells, assigns and transfers to the Offeror all right, title and interest in and to the Common Shares covered by the Letter of Transmittal or LTIP Tendering Letter delivered to the Depository (the “**Deposited Common Shares**”) and in and to all rights and benefits arising from such Common Shares including, without limitation, any and all dividends, distributions, payments, securities, property or other interests (including the SRP Rights) which may be declared, paid, accrued, issued, distributed, made or transferred on or in respect of the Deposited Common Shares or any of them on and after March 25, 2007, including any dividends, distributions or payments on such dividends, distributions, payments, securities, property or other interests (collectively, “**Distributions**”).

Power of Attorney

The execution of a Letter of Transmittal or LTIP Tendering Letter (or, in the case of Common Shares deposited by book-entry transfer by the making of a book-entry transfer), as applicable, irrevocably constitutes and appoints, effective on and after the date that the Offeror takes up and pays for the Deposited Common Shares, each director or officer of the Offeror, and any other person designated by the Offeror in writing, as the true and lawful agent, attorney and attorney-in-fact of the holder of the Common Shares covered by the Letter of Transmittal or LTIP Tendering Letter or book-entry transfer with respect to Common Shares registered in the name of the holder on the securities registers maintained by or on behalf of LionOre and deposited pursuant to the Offer and purchased by the Offeror (the “**Purchased Common Shares**”), and with respect to any and all Distributions which may be declared, paid, accrued, issued, distributed, made or transferred on or in respect of the Purchased Common Shares on or after March 25, 2007 with full power of substitution (such powers of attorney, being coupled with an interest, being irrevocable), in the name of and on behalf of such Shareholder:

- (a) to register or record the transfer or cancellation of Purchased Common Shares and Distributions consisting of securities on the appropriate registers maintained by or on behalf of LionOre;
- (b) for so long as any such Purchased Common Shares are registered or recorded in the name of such Shareholder, to exercise any and all rights of such Shareholder including, without limitation, the right to vote, to execute and deliver (provided the same is not contrary to applicable Laws), as and when requested by the Offeror (by whom such Common Shares are purchased), any instruments of proxy, authorizations or consents in form and on terms satisfactory to the Offeror in respect of any Purchased Common Shares and Distributions, and to designate in any such instruments, authorizations or consents any person or persons as the proxyholder of such Shareholder in respect of such Purchased Common Shares and Distributions for all purposes including, without limitation, in connection with any meeting or meetings (whether annual, special or otherwise, or any adjournment thereof, including, without limitation, any meeting to consider a Subsequent Acquisition Transaction) of holders of relevant securities of LionOre;
- (c) to execute, endorse and negotiate any cheques or other instruments representing such Distributions payable to or to the order of, or endorsed in favour of the Shareholder; and
- (d) to exercise any rights of a Shareholder with respect to such Purchased Common Shares and such Distributions, all as set forth in the Letter of Transmittal or LTIP Tendering Letter.

A Shareholder accepting the Offer under the terms of the Letter of Transmittal (including by book-entry transfer) or LTIP Tendering Letter revokes any and all other authority, whether as agent, attorney-in-fact, attorney, proxy or otherwise, previously conferred or agreed to be conferred by the Shareholder at any time with respect to the Deposited Common Shares or any Distributions. The Shareholder accepting the Offer agrees that no subsequent authority, whether as agent, attorney-in-fact, attorney, proxy or otherwise will be granted by or on behalf of the depositing Shareholder with respect to the Deposited Common Shares or any Distributions unless the deposited Common Shares are not taken up and paid for under the Offer or are withdrawn in accordance with Section 8 of the Offer, “Withdrawal of Deposited Common Shares”.

A Shareholder accepting the Offer also agrees not to vote any of the Purchased Common Shares at any meeting (whether annual, special or otherwise or any adjournment thereof, including, without limitation, any

meeting to consider a Subsequent Acquisition Transaction) of holders of relevant securities of LionOre and not to exercise any of the other rights or privileges attached to the Purchased Common Shares, and agrees to execute and deliver to the Offeror any and all instruments of proxy, authorizations or consents in respect of all or any of the Purchased Common Shares, and agrees to appoint in any such instruments of proxy, authorizations or consents, the person or persons specified by the Offeror as the proxy of the holder of the Purchased Common Shares. Upon such appointment, all prior proxies and other authorizations (including, without limitation, all appointments of any agent, attorney or attorney-in-fact) or consents given by the holder of such Purchased Common Shares with respect thereto will be revoked and no subsequent proxies or other authorizations or consents may be given by such person with respect thereto.

Further Assurances

A Shareholder accepting the Offer covenants under the terms of the Letter of Transmittal (including by book-entry transfer) or the LTIP Tendering Letter to execute, upon request of the Offeror, any additional documents, transfers and other assurances as may be necessary or desirable to complete the sale, assignment and transfer of the Purchased Common Shares to the Offeror. Each authority therein conferred or agreed to be conferred may be exercised during any subsequent legal incapacity of such holder and shall, to the extent permitted by law, survive the death or incapacity, bankruptcy or insolvency of the holder and all obligations of the holder therein shall be binding upon the heirs, executors, administrators, attorneys, personal representatives, successors and assigns of such holder.

Formation of Agreement

The acceptance of the Offer pursuant to the procedures set forth above constitutes a binding agreement between a depositing Shareholder and the Offeror, effective immediately following the time at which the Offeror takes up Common Shares deposited by such Shareholder, in accordance with the terms and conditions of the Offer. This agreement includes a representation and warranty by the depositing Shareholder that (i) the person signing the Letter of Transmittal or LTIP Tendering Letter or on whose behalf a book-entry transfer is made has full power and authority to deposit, sell, assign and transfer the Deposited Common Shares and any Distributions deposited pursuant to the Offer, (ii) the person signing the Letter of Transmittal or LTIP Tendering Letter or on whose behalf a book-entry transfer is made owns the Deposited Common Shares and any Distributions deposited pursuant to the Offer, (iii) the Deposited Common Shares and Distributions have not been sold, assigned or transferred, nor has any agreement been entered into to sell, assign or transfer any of the Deposited Common Shares and Distributions, to any other person, (iv) the deposit of the Deposited Common Shares and Distributions complies with applicable Laws, and (v) when the Deposited Common Shares and Distributions are taken up and paid for by the Offeror, the Offeror will acquire good title thereto, free and clear of all liens, restrictions, charges, encumbrances, claims and rights of others.

The Offeror reserves the right to permit the Offer to be accepted in a manner other than that set forth in this Section 3.

4. Conditions of the Offer

Notwithstanding any other provision of the Offer and subject to applicable Laws, the Offeror will have the right to withdraw or terminate the Offer (or amend the Offer to postpone taking up and paying for any Common Shares deposited under the 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 Offer is open and postpone taking up and paying for any Common Shares deposited under the Offer, unless all of the following conditions are satisfied or waived by the Offeror at or prior to the Expiry Time:

- (a) there shall have been validly deposited under the Offer and not withdrawn at the Expiry Time such number of Common Shares that, together with Common Shares held by the Offeror and its affiliates, constitutes at least 66⅔% of the Common Shares then outstanding (calculated on a fully-diluted basis) (the “**Minimum Tender Condition**”);
- (b) the Offeror shall have determined acting reasonably that, on terms satisfactory to the Offeror, the Shareholder Rights Plan does not provide rights to the Shareholders to purchase any securities of LionOre as a result of any Contemplated Transaction, and does not and will not adversely affect the

Offer, Xstrata, the Offeror or any other Xstrata subsidiary or any Xstrata affiliate either before or on consummation of the applicable Contemplated Transaction; without limiting the generality of the foregoing, LionOre shall have: (A) deferred the Separation Time of the SRP Rights; and (B) waived or suspended the operation of or otherwise rendered the Shareholder Rights Plan inoperative against the Offer and any other Contemplated Transaction;

- (c) all government and regulatory approvals, waiting or suspensory periods, waivers, permits, consents, reviews, investigations, orders, rulings, decisions, statements of no objection and exemptions (including, without limitation, those required under the Investment Canada Act and the *Foreign Acquisitions and Takeovers Act 1975* (Australia) and those of any stock exchange or other securities regulatory authority), which the Offeror shall have determined, acting reasonably, are necessary or desirable to complete the Offer or any Compulsory Acquisition or Subsequent Acquisition Transaction, shall have been obtained or concluded or, in the case of waiting or suspensory periods, expired or been terminated, each on terms and conditions satisfactory to the Offeror acting reasonably;
- (d) without limiting the scope of the conditions of paragraph (c) above, (A)(i) the Canadian Commissioner shall have issued an advance ruling certificate under Section 102 of the Canadian Competition Act in respect of the purchase of the Common Shares by the Offeror, or (ii) the waiting period under Part IX of the Canadian Competition Act shall have expired or have been waived in accordance with the Canadian Competition Act and the Canadian Commissioner shall have advised the Offeror in writing (which advice shall not have been rescinded or amended) to the reasonable satisfaction of the Offeror acting reasonably that she is of the view that, at that time, grounds do not exist to initiate proceedings before the Canadian Competition Tribunal under the merger provisions of the Canadian Competition Act with respect to the purchase of the Common Shares by the Offeror (or words to that effect); (B) the Offer shall have been approved or deemed approved under the EC Merger Regulation and/or all requisite consents, approvals, clearances and authorizations under the competition, merger control or antitrust laws and regulations are obtained from the relevant Member States Agencies (and/or all relevant waiting periods have expired or terminated); (C) the approval (or approval subject to conditions acceptable to the Offeror acting reasonably) of South Africa's Competition Tribunal shall have been obtained; (D) any informal clearance from the Australian Commission that is considered necessary or desirable shall have been obtained; and (E) any applicable waiting periods (and any extensions thereof) under any other competition, merger, control or similar law, rule, regulation or policy or any governmental or regulatory approval or consent in respect of competition or merger control matters, shall have expired or been earlier terminated, or been granted or deemed granted, on terms and conditions satisfactory to the Offeror acting reasonably;
- (e) the Support Agreement shall not have been terminated by LionOre or by Xstrata in accordance with its terms;
- (f) the Offeror shall have determined, acting reasonably, that (i) no act, action, suit or proceeding shall have been threatened or taken before or by any domestic or foreign court, tribunal or governmental agency or other regulatory authority or administrative agency or commission or by any elected or appointed public official or private person (including, without limitation, any individual, corporation, firm, group or other entity) in Canada or elsewhere, whether or not having the force of law, and (ii) no Laws shall have been proposed, enacted, promulgated or applied, in either case:
 - (A) to cease trade, enjoin, prohibit or impose material limitations or conditions on the purchase by or the sale to the Offeror of the Common Shares, or the right of the Offeror to own or exercise full rights of ownership of the Common Shares or the consummation of a Compulsory Acquisition or a Subsequent Acquisition Transaction;
 - (B) which, if the Offer (or any Compulsory Acquisition or any Subsequent Acquisition Transaction) were consummated, would reasonably be expected to have a Material Adverse Effect in respect of LionOre, the Offeror or Xstrata;
 - (C) which would materially and adversely affect (i) the value of the Common Shares to the Offeror, or (ii) the ability of the Offeror to proceed with the Offer, effect any Compulsory Acquisition or

Subsequent Acquisition Transaction and/or take up and pay for any Common Shares deposited under the Offer; or

- (D) seeking to prohibit or limit the ownership or operation by Xstrata or the Offeror of any material portion of the business or assets of LionOre or any LionOre subsidiary or joint venture or to dispose of or hold separate any material portion of the business or assets of LionOre or any LionOre subsidiary or joint venture as a result of the Offer (or any Compulsory Acquisition or any Subsequent Acquisition Transaction);
- (g) there shall not exist any prohibition at Law against the Offeror making or maintaining the Offer or taking up and paying for any Common Shares deposited under the Offer or completing any Compulsory Acquisition or Subsequent Acquisition Transaction;
- (h) the Offeror shall have determined, acting reasonably, that there does not exist and shall not have occurred (or, if there does exist or shall have occurred prior to the commencement of the Offer, there shall not have been disclosed, generally by way of press release and material change report or to the Offeror in writing on or before the execution and delivery of the Offer) any change (or any condition, event or development involving a prospective change) in the business, operations (including results of operations), properties, assets, liabilities (including contingent liabilities that may arise through outstanding, pending or threatened litigation), condition (financial or otherwise), operations, results of operations or prospects of LionOre or any of the LionOre subsidiaries or joint ventures that, when considered either individually or in the aggregate, has resulted or would reasonably be expected to result in a Material Adverse Effect in respect of LionOre, or which, if the other Contemplated Transactions were consummated, would be reasonably expected to have a Material Adverse Effect in respect of the Offeror or Xstrata;
- (i) LionOre shall have complied in all material respects with its covenants and obligations under the Support Agreement to be complied with at or prior to the Expiry Time (without giving effect to, applying or taking into consideration any materiality qualification already contained in such covenant or obligation); and
- (j) the Offeror shall not have become aware of any untrue statement of a material fact, or an omission to state a material fact that is required to be stated or that is necessary to make a statement not misleading in light of the circumstances in which it was made and at the date it was made (after giving effect to all subsequent filings in relation to all matters covered in earlier filings), in any document filed by or on behalf of LionOre with any Securities Authorities or elsewhere or any applicable stock exchange or self-regulatory authority in Canada or elsewhere, including any prospectus, annual information form, financial statement, material change report, management proxy circular, feasibility study or executive summary thereof, press release or any other document so filed by LionOre which the Offeror shall have determined in its reasonable judgment constitutes a Material Adverse Effect in respect of LionOre or, if the Offer or any Compulsory Acquisition or Subsequent Acquisition Transaction were consummated, would reasonably be expected to have a Material Adverse Effect in respect of the Offeror or Xstrata.

The foregoing conditions are for the sole benefit of the Offeror and may be asserted by the Offeror regardless of the circumstances giving rise to any such assertion, including any action or inaction by the Offeror. Subject to the provisions of the Support Agreement, the Offeror in its sole discretion, may modify or waive any term or condition of the Offer; provided that the Offeror shall not, without the prior consent of LionOre, increase the Minimum Tender Condition, impose additional conditions to the Offer, decrease the consideration per Common Share, decrease the number of Common Shares in respect of which the Offer is made, change the form of consideration payable under the Offer (other than to increase the total consideration per Common Share and/or add additional consideration or consideration alternatives) or otherwise vary the Offer or any terms or conditions thereof (which for greater certainty does not include a waiver of a condition) in a manner which is adverse to the Shareholders. Furthermore, the Offeror may not decrease (including by waiver thereof) the Minimum Tender Condition to less than 50.01% of the Common Shares then outstanding (calculated on a fully-diluted basis) without the prior written consent of LionOre, provided that nothing herein shall prevent the Offeror from, at its sole discretion, decreasing (including by waiver thereof) the Minimum Tender Condition or

removing or waiving the Minimum Tender Condition in order to take up no more than 20% of the then outstanding Common Shares under the Offer.

The failure by the Offeror at any time to exercise any of the foregoing rights will 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 waiver of a condition or the withdrawal of the Offer will be effective upon written notice or other communication confirmed in writing by the Offeror to that effect to the Depositary 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 as soon as practicable thereafter to notify the Shareholders in the manner set forth in Section 10 of the Offer, "Notices and Delivery" and will provide a copy of the aforementioned notice to the Exchanges. If the Offer is withdrawn, the Offeror will not be obligated to take up or pay for any Common Shares deposited under the Offer and the Depositary will promptly return all certificate(s) representing Deposited Common Shares, Letters of Transmittal, LTIP Tendering Letters, Notices of Guaranteed Delivery and related documents in its possession to the parties by whom they were deposited.

5. Extension, Variation or Change in the Offer

The Offer is open for acceptance until, but not after, the Expiry Time, subject to extension or variation in the Offeror's sole discretion unless the Offer is withdrawn.

Subject to the limitations hereafter described, the Offeror reserves the right, in its sole discretion, at any time and from time to time while the Offer is open for acceptance, to extend the Expiry Time or to vary the Offer by giving written notice (or other communication subsequently confirmed in writing, provided that such confirmation is not a condition of the effectiveness of the notice) of such extension or variation to the Depositary at its principal office in the City of Toronto, and by causing the Depositary as soon as practicable thereafter to communicate such notice in the manner set forth in Section 10 of the Offer, "Notices and Delivery", to all Shareholders whose Common Shares have not been taken up prior to the extension or variation. The Offeror shall, as soon as possible after giving notice of an extension or variation to the Depositary, make a public announcement of the extension or variation. Any notice of extension or variation will be deemed to have been given and to be effective on the day on which it is delivered or otherwise communicated in writing to the Depositary at its principal office in the City of Toronto.

Where the terms of the Offer are varied (other than a variation consisting solely of a waiver of a condition provided in Section 4 of the Offer, "Conditions of the Offer"), the Offer will not expire before 10 days after the notice of such variation has been given to the Shareholders, unless otherwise permitted by applicable Laws and subject to abridgement or elimination of that period pursuant to such orders as may be granted by Securities Authorities.

If, before the Expiry Time or after the Expiry Time but before the expiry of all rights of withdrawal with respect to the Offer, a change occurs in the information contained in the Offer or the Circular, as amended from time to time, that would reasonably be expected to affect the decision of a Shareholder to accept or reject the Offer (other than a change that is not within the control of the Offeror or of an affiliate of the Offeror), the Offeror will give written notice of such change to the Depositary at its principal office in the City of Toronto, and will, at the expense of the Offeror, cause the Depositary to provide as soon as practicable thereafter a copy of such notice in the manner set forth in Section 10 of the Offer, "Notices and Delivery", to all Shareholders whose Common Shares have not been taken up under the Offer at the date of the occurrence of the change, if required by applicable Law. As soon as practicable after giving notice of a change in information to the Depositary, the Offeror will make a public announcement of the change in information and provide a copy of the notice thereof to the Exchanges. Any notice of change in information will be deemed to have been given and to be effective on the day on which it is delivered or otherwise communicated to the Depositary at its principal office in the City of Toronto.

Notwithstanding the foregoing, but subject to applicable Laws, the Offer may not be extended by the Offeror if all of the terms and conditions of the Offer, except those waived by the Offeror, have been fulfilled or complied with, unless the Offeror first takes up all Common Shares deposited under the Offer and not withdrawn.

During any extension or in the event of any variation of the Offer or change in information, all Common Shares previously deposited and not taken up or withdrawn will remain subject to the Offer and may be accepted for purchase by the Offeror in accordance with the terms hereof, subject to Section 8 of the Offer, “Withdrawal of Deposited Common Shares”. An extension of the Expiry Time, a variation of the Offer or a change in information does not constitute a waiver by the Offeror of its rights under Section 4 of the Offer, “Conditions of the Offer”. If the consideration being offered for the Common Shares under the Offer is increased, the increased consideration will be paid to all depositing Shareholders whose Common Shares are taken up under the Offer.

6. Take-Up of and Payment for Deposited Common Shares

If all conditions referred to in Section 4 of the Offer, “Conditions of the Offer”, have been fulfilled or waived by the Offeror at or prior to the Expiry Time, the Offeror will take up and pay for Common Shares validly deposited under the Offer and not properly withdrawn not later than three business days after the Expiry Time. Any Common Shares taken up will be paid for as soon as possible, and in any event not later than three business days after they are taken up. Any Common Shares deposited pursuant to the Offer after the first date on which Common Shares have been taken up and paid for by the Offeror will be taken up and paid for not later than 10 days after such deposit.

The Offeror will be deemed to have taken up and accepted for payment Common Shares validly deposited and not withdrawn pursuant to the Offer if, as and when the Offeror gives written notice, or other communication confirmed in writing, to the Depositary at its principal office in the City of Toronto to that effect. Subject to applicable Laws, the Offeror expressly reserves the right to delay taking up and paying for any Common Shares or to, on or after the initial Expiry Time, terminate the Offer and not take up or pay for any Common Shares if any condition specified in Section 4 of the Offer, “Conditions of the Offer”, is not satisfied or waived, by giving written notice thereof, or other communication confirmed in writing, to the Depositary at its principal office in the City of Toronto. The Offeror also expressly reserves the right to delay taking up and paying for Common Shares in order to comply, in whole or in part, with any applicable Law or governmental regulatory approval. The Offeror will not, however, take up and pay for any Common Shares deposited under the Offer unless it simultaneously takes up and pays for all Common Shares then validly deposited under the Offer.

The Offeror will pay for Common Shares validly deposited under the Offer and not withdrawn by providing the Depositary with sufficient funds (by bank transfer or other means satisfactory to the Depositary) for transmittal to depositing Shareholders. Under no circumstances will interest accrue or be paid by the Offeror or the Depositary to persons depositing Common Shares on the purchase price of Common Shares purchased by the Offeror, regardless of any delay in making such payment.

The Depositary will act as the agent of persons who have deposited Common Shares in acceptance of the Offer for the purposes of receiving payment from the Offeror and transmitting such payment to such persons, and receipt of payment by the Depositary will be deemed to constitute receipt of payment by persons depositing Common Shares under the Offer.

All payments under the Offer will be made in Canadian dollars.

Settlement with each Shareholder who has deposited Common Shares under the Offer will be made by the Depositary forwarding a cheque payable in Canadian funds by first-class mail representing the cash payment for the Common Shares taken up. Unless otherwise directed by the Letter of Transmittal or the LTIP Tendering Letter, the cheque will be issued in the name of the registered holder of the Common Shares so deposited. Unless the person depositing the Common Shares instructs the Depositary to hold the cheque for pick-up by checking the appropriate box in the Letter of Transmittal or the LTIP Tendering Letter, the cheque will be forwarded by first class mail to such person at the address specified in the Letter of Transmittal or LTIP Tendering Letter. If no such address is specified, the cheque will be sent to the address of the holder as shown on the register of Shareholders maintained by or on behalf of LionOre. Cheques mailed in accordance with this paragraph will be deemed to be delivered at the time of mailing.

7. Return of Deposited Common Shares

Any Deposited Common Shares that are not taken up by the Offeror pursuant to the terms and conditions of the Offer will be returned, at the Offeror's expense, to the depositing Shareholder as soon as practicable after the Expiry Time or withdrawal and early termination of the Offer, by either sending certificates representing the Common Shares not purchased by first-class mail to the address of the depositing Shareholder specified in the Letter of Transmittal or, if such name or address is not so specified, in such name and to such address as shown on the share register maintained by or on behalf of LionOre.

8. Withdrawal of Deposited Common Shares

Except as otherwise stated in this Section 8, all deposits of Common Shares pursuant to the Offer are irrevocable. Unless otherwise required or permitted by applicable Law, any Common Shares deposited in acceptance of the Offer may be withdrawn by or on behalf of the depositing Shareholder:

- (a) at any time before the Common Shares have been taken up by the Offeror pursuant to the Offer;
- (b) if the Common Shares have not been paid for by the Offeror within three business days after having been taken up; or
- (c) at any time before the expiration of 10 days from the date upon which either:
 - (i) a notice of change relating to a change which has occurred in the information contained in the Offer or the Circular, as amended from time to time, that would reasonably be expected to affect the decision of a Shareholder to accept or reject the Offer (other than a change that is not within the control of the Offeror or of an affiliate of the Offeror), in the event that such change occurs before the Expiry Time or after the Expiry Time but before the expiry of all rights of withdrawal in respect of the Offer; or
 - (ii) a notice of variation concerning a variation in the terms of the Offer (other than a variation consisting solely of an increase in the consideration offered for the Common Shares where the Expiry Time is not extended for more than 10 days, or a variation consisting solely of a waiver of a condition of the Offer),

is mailed, delivered or otherwise properly communicated (subject to abridgement of that period pursuant to such order or orders as may be granted by applicable courts or Securities Authorities) and only if such deposited Common Shares have not been taken up by the Offeror at the date of the notice.

Withdrawals of Common Shares deposited pursuant to the Offer must be effected by notice of withdrawal made by or on behalf of the depositing Shareholder and must be actually received by the Depositary at the place of deposit before such Common Shares are taken up and paid for. Notice of withdrawal: (a) must be made by a method, including facsimile transmission, that provides the Depositary with a written or printed copy; (b) must be signed by or on behalf of the person who signed the Letter of Transmittal or the LTIP Tendering Letter (or Notice of Guaranteed Delivery) accompanying the Common Shares which are to be withdrawn; (c) must specify such person's name, the number of Common Shares to be withdrawn, the name of the registered holder and the certificate number shown on each certificate representing the Common Shares to be withdrawn; and (d) must be actually received by the Depositary at the place of deposit of the applicable Common Shares (or Notice of Guaranteed Delivery in respect thereof). Any signature in a notice of withdrawal must be guaranteed by an Eligible Institution in the same manner as in a Letter of Transmittal (as described in the instructions and rules set out therein), except in the case of Common Shares deposited for the account of an Eligible Institution. The withdrawal will take effect upon actual physical receipt by the Depositary of the properly completed and signed written notice of withdrawal.

Alternatively, if Common Shares have been deposited pursuant to the procedures for book-entry transfer, as set out in Section 3 of this Offer, "Manner of Acceptance — Acceptance by Book-Entry Transfer", any notice of withdrawal must specify the name and number of the account at CDS or DTC, as applicable, to be credited with the withdrawn Common Shares and otherwise comply with the procedures of CDS or DTC, as applicable.

All questions as to the validity (including timely receipt) and form of notices of withdrawal will be determined by the Offeror in its sole discretion, and such determination will be final and binding. None of the

Depository, Xstrata, the Offeror or any other person will be under any duty to give notice of any defect or irregularity in any notice of withdrawal or will incur any liability for failure to give such notice.

If the Offeror extends the period of time during which the Offer is open, is delayed in taking up or paying for Common Shares or is unable to take up or pay for Common Shares for any reason, then, without prejudice to the Offeror's other rights, Common Shares deposited under the Offer may be retained by the Depository on behalf of the Offeror and such Common Shares may not be withdrawn except to the extent that depositing Shareholders are entitled to withdrawal rights as set forth in this Section 8 or pursuant to applicable Laws.

A withdrawal of Common Shares deposited pursuant to the Offer can only be accomplished in accordance with the foregoing procedure. The withdrawal will take effect only upon actual receipt by the Depository of the properly completed and executed written notice of withdrawal.

Withdrawals may not be rescinded and any Common Shares withdrawn will be deemed not validly deposited for the purposes of the Offer, but may be re-deposited at any subsequent time prior to the Expiry Time by following any of the procedures described in Section 3 of the Offer, "Manner of Acceptance".

In addition to the foregoing rights of withdrawal, Shareholders in certain provinces of Canada are entitled to statutory rights of rescission or to damages, or both, in certain circumstances. See Section 24 of the Circular, "Statutory Rights".

9. Adjustments; Liens

If, on or after the date of the Offer, LionOre should divide, combine, reclassify, consolidate, convert or otherwise change any of the Common Shares or its capitalization or disclose that it has taken or intends to take any such action, then the Offeror may, in its sole discretion and without prejudice to its rights under Section 4 of the Offer, "Conditions of the Offer", may make such adjustments as it considers appropriate to the purchase price and other terms of the Offer (including, without limitation, the type of securities offered to be purchased and the amount payable therefor) to reflect such division, combination, reclassification, consolidation, conversion or other change.

Common Shares acquired pursuant to the Offer shall be transferred to the Offeror free and clear of all liens, charges, encumbrances, claims and equities and together with all rights and benefits arising therefrom, including the right to all dividends, distributions, payments, securities, rights (including SRP Rights), assets or other interests which may be declared, paid, issued, distributed, made or transferred on or after March 25, 2007 on or in respect of the Common Shares.

The declaration or payment of any such dividend or distribution may have tax consequences not discussed under "Certain Canadian Federal Income Tax Considerations" in Section 17 of the Circular.

10. Notices and Delivery

Without limiting any other lawful means of giving notice, any notice to be given by the Offeror or the Depository pursuant to the Offer will be deemed to have been properly given if it is mailed by first class mail, postage prepaid, to the registered Shareholders at their addresses as shown on the share register maintained by or on behalf of LionOre and will be deemed to have been received on the first business day following the date of mailing. For this purpose, "**business day**" means any day other than a Saturday, Sunday or statutory holiday in the jurisdiction to which the notice is mailed. These provisions apply notwithstanding any accidental omission to give notice to any one or more Shareholders and notwithstanding any interruption of mail services following mailing. In the event of any interruption of mail service following mailing, the Offeror intends to make reasonable efforts to disseminate the notice by other means, such as publication. Except as otherwise required or permitted by law, if post offices in Canada are not open for the deposit of mail, any notice which the Offeror or the Depository may give or cause to be given to Shareholders under the Offer will be deemed to have been properly given and to have been received by Shareholders if it is given to the Exchanges for dissemination through their respective facilities or it is published once in the National Edition of *The Globe and Mail* or *The National Post* and in *La Presse* or it is given to the Canada News Wire Service for dissemination through its facilities.

The Offer and the Circular and accompanying Letter of Transmittal and Notice of Guaranteed Delivery will be mailed to registered holders of Common Shares and will be furnished by the Offeror to brokers, investment

advisors, banks and similar persons whose names, or the names of whose nominees, appear in the register maintained by or on behalf of LionOre in respect of the Common Shares or, if security position listings are available, who are listed as participants in a clearing agency's security position listing, for subsequent transmittal to the beneficial owners of Common Shares where such listings are received.

These securityholder materials are being sent to both registered and non-registered owners of securities. If you are a non-registered owner, and the Offeror or its agent has sent these materials directly to you, your name and address and information about your holdings of securities have been obtained in accordance with applicable regulatory requirements from the intermediary holding on your behalf.

Wherever the Offer calls for documents to be delivered to the Depository, such documents will not be considered delivered unless and until they have been physically received at the address listed for the Depository specified in the Letter of Transmittal, the LTIP Tendering Letter or in the Notice of Guaranteed Delivery, as applicable. Wherever the Offer calls for documents to be delivered to a particular office of the Depository, such documents will not be considered delivered unless and until they have been physically received at the particular office at the address indicated in the Letter of Transmittal, LTIP Tendering Letter or Notice of Guaranteed Delivery, as applicable.

11. Mail Service Interruption

Notwithstanding the provisions of the Offer, the Circular, the Letter of Transmittal, the LTIP Tendering Letter and the Notice of Guaranteed Delivery, cheques and any other relevant documents will not be mailed if the Offeror determines that delivery thereof by mail may be delayed. Persons entitled to cheques and/or any other relevant documents which are not mailed for the foregoing reason may take delivery thereof at the office of the Depository to which the deposited certificate(s) for Common Shares were delivered until such time as the Offeror has determined that delivery by mail will no longer be delayed. The Offeror shall provide notice of any such determination not to mail made under this Section 11 as soon as reasonably practicable after the making of such determination and in accordance with Section 10 of the Offer, "Notices and Delivery". Notwithstanding Section 6 of the Offer, "Take-Up of and Payment for Deposited Common Shares", cheques and any other relevant documents not mailed for the foregoing reason will be conclusively deemed to have been delivered on the first day upon which they are available for delivery to the depositing Shareholder at the appropriate office of the Depository.

12. Market Purchases

The Offeror reserves the right to, and may acquire, or cause an affiliate to acquire, beneficial ownership of Common Shares or Convertible Securities by making purchases through the facilities of the Exchanges, subject to applicable Law, at any time prior to the Expiry Time. The Offeror intends to make such purchases if and to the extent that market conditions, the trading price of the Common Shares and other factors make it desirable for the Offeror to complete such purchases. In no event will the Offeror make any such purchases of Common Shares or Convertible Securities until the third business day following the date of the Offer. The aggregate number of Common Shares acquired by the Offeror through the facilities of the Exchanges during the course of the Offer shall not exceed 5% of the outstanding Common Shares as of the date of the Offer, and the Offeror will issue and file a news release forthwith after the close of business of the TSX on each day on which such Common Shares or Convertible Securities have been purchased. If the Offeror purchases Common Shares through the facilities of the Exchanges while the Offer is outstanding, the Common Shares so purchased shall be counted in any determination as to whether the Minimum Tender Condition has been fulfilled. For the purposes of this Section 12, the "Offeror" includes any Xstrata subsidiary and any person acting jointly or in concert with Xstrata.

Although the Offeror has no present intention to sell Common Shares taken up under the Offer, subject to applicable Laws, it reserves the right to make or enter into arrangements, commitments or understandings at or prior to the Expiry Time to sell any of such Common Shares after the Expiry Time.

13. Other Terms of the Offer

- (a) The Offer and all contracts resulting from acceptance thereof shall be governed by and construed in accordance with the laws of the Province of Ontario and the laws of Canada applicable therein. Each

party to any agreement resulting from the acceptance of the Offer unconditionally and irrevocably attorns to the exclusive jurisdiction of the courts of the Province of Ontario and all courts competent to hear appeals therefrom.

- (b) In any jurisdiction in which the Offer is required to be made by a licensed broker or dealer, the Offer shall be made on behalf of the Offeror by brokers or dealers licensed under the laws of such jurisdiction.
- (c) The Offeror reserves the right to transfer to one or more affiliates of the Offeror the right to purchase all or any portion of the Common Shares deposited pursuant to the Offer, but any such transfer will not relieve the Offeror of its obligation under the Offer and will in no way prejudice the rights of persons depositing Common Shares to receive payment for Common Shares validly deposited and accepted for payment pursuant to the Offer.
- (d) No broker, dealer or other person has been authorized to give any information or make any representation on behalf of the Offeror not contained herein or in the accompanying Circular, and, if given or made, such information or representation must not be relied upon as having been authorized. No stockbroker, investment dealer or other person shall be deemed to be the agent of the Offeror, the Depository or the Dealer Managers for the purposes of the Offer.
- (e) The provisions of the Glossary, the Summary, the Circular, the Letter of Transmittal, the LTIP Tendering Letter and the Notice of Guaranteed Delivery accompanying the Offer, including the instructions and rules contained therein, as applicable, form part of the terms and conditions of the Offer.
- (f) The Offeror, in its sole discretion, shall be entitled to make a final and binding determination of all questions relating to the interpretation of the Offer (including, without limitation, the satisfaction of the conditions of the Offer), the Circular, the Letter of Transmittal, the LTIP Tendering Letter and the Notice of Guaranteed Delivery, the validity of any acceptance of the Offer and the validity of any withdrawals of Common Shares.
- (g) The Offeror reserves the right to waive any defect in acceptance with respect to any particular Common Shares or any particular Shareholder. There shall be no duty or obligation of the Offeror, the Depository, the Information Agent, the Dealer Managers or any other person to give notice of any defect or irregularity in the deposit of any Common Shares or in any notice of withdrawal and in each case no liability shall be incurred or suffered by any of them for failure to give such notice.
- (h) The Offer and Circular do not constitute an offer or a solicitation to any person in any jurisdiction in which such offer or solicitation is unlawful. The Offer is not being made to, nor will deposits be accepted from or on behalf of, Shareholders residing in any jurisdiction in which the making of the Offer or the acceptance thereof would not be in compliance with the laws of such jurisdiction. The Offeror may, in its sole discretion, take such action as it may deem necessary to make the Offer in any jurisdiction and extend the Offer to Shareholders in any such jurisdiction.

The Offer and the accompanying Circular constitute the take-over bid circular required under Canadian provincial securities legislation with respect to the Offer. Shareholders are urged to refer to the accompanying Circular for additional information relating to the Offer.

Dated: April 5, 2007

XSTRATA CANADA ACQUISITION CORP.

(Signed) *Ian W. Pearce*
Ian W. Pearce
President

CIRCULAR

The following information is supplied by the Offeror with respect to the accompanying Offer dated April 5, 2007 to purchase all of the issued and outstanding Common Shares of LionOre. The terms and conditions of the Offer, the Letter of Transmittal, the LTIP Tendering Letter and the Notice of Guaranteed Delivery are incorporated into and form part of this Circular. Shareholders should refer to the Offer for details of the terms and conditions of the Offer, including details as to payment and withdrawal rights. Capitalized terms used in the Circular, where not otherwise defined herein, have the meanings set out in the accompanying Glossary, unless the context otherwise requires.

Unless otherwise indicated, the information concerning LionOre contained in the Offer and this Circular has been taken from or based upon publicly available documents and records on file with Canadian securities authorities and other public sources. Although the Offeror has no knowledge that would indicate that any statements contained herein and taken from or based on such information are untrue or incomplete, the Offeror does not assume any responsibility for the accuracy or completeness of such information or for any failure by LionOre to disclose events or facts which may have occurred or which may affect the significance or accuracy of any such information but which are unknown to the Offeror. Unless otherwise indicated, information concerning LionOre is given as of December 31, 2006.

1. The Offeror and Xstrata

The Offeror was incorporated under the laws of Canada on February 15, 2007 and has not carried on any business prior to the date hereof other than in connection with matters directly related to the Offer. The registered office of the Offeror is located at 1 First Canadian Place, 44th Floor, Toronto, Ontario, Canada M5X 1B1. The Offeror is a wholly-owned indirect subsidiary of Xstrata.

Xstrata, a corporation incorporated under the laws of England and Wales, is a major global diversified mining group, listed on the London and Swiss stock exchanges. Xstrata is headquartered in Zug, Switzerland and maintains a meaningful position in seven major international commodity markets: copper, coking coal, thermal coal, ferrochrome, nickel, vanadium and zinc, with a smaller but profitable aluminium business, recycling facilities, additional exposures to gold, cobalt, lead and silver and a suite of global technologies, many of which are industry leaders. Xstrata's operations and projects span 19 countries: Argentina, Australia, Brazil, Canada, Chile, Colombia, the Dominican Republic, Germany, Jamaica, New Caledonia, Norway, Papua New Guinea, Peru, Philippines, South Africa, Spain, Tanzania, the United States and the United Kingdom.

2. LionOre

LionOre is a corporation existing under the laws of Canada and was incorporated in 1958. LionOre is an international nickel and gold producer with mining operations in Australia, Botswana and South Africa. In 2006, LionOre produced 34,094 tonnes of payable nickel and 155,203 ounces of gold. LionOre's nickel production is supported by significant by-product credits in the form of copper, cobalt, gold and platinum group metals. LionOre also owns the proprietary Activox® technology for the hydrometallurgical treatment of metal concentrates. LionOre employs approximately 3,600 people globally, including contractors.

The Common Shares are listed on the TSX under the symbol "LIM", the London Stock Exchange under the symbol "LOR", the Australian Securities Exchange under the symbol "LIM", and the Botswana Stock Exchange under the symbol "LIONORE".

The principal executive offices of LionOre are located at 12th Floor, 20 Toronto Street, Toronto, Ontario, telephone number: +1 (416) 777-1985.

Share Capital of LionOre

The authorized capital of LionOre consists of an unlimited number of Common Shares and an unlimited number of preferred shares issuable in series.

LionOre has represented to Xstrata and the Offeror in the Support Agreement that as of March 23, 2007, there were issued and outstanding: (i) 219,939,895 Common Shares and no preferred shares; (ii) 4,005,000

Options to acquire an aggregate of 4,005,000 Common Shares outstanding under the Stock Option Plan; and (iii) 1,747,676 LTIP Entitlements to acquire an aggregate of up to 1,747,676 Common Shares.

In addition, LionOre has outstanding US\$144 million aggregate principal amount of Convertible Notes that are convertible by the holders thereof into Common Shares at a conversion price of US\$6.1329 per Common Share. A holder of Convertible Notes will be entitled, within 60 days of receipt from LionOre of notice of a change of control, which would include the acquisition by the Offeror of a majority of the Common Shares, to convert such Convertible Notes at a price equal to 90% of the conversion price otherwise in effect. As of March 23, 2007, the aggregate principal amount of Convertible Notes outstanding is convertible into 23,479,919 Common Shares based on the conversion price of US\$6.1329 per Common Share.

Price Range and Trading Volume of Common Shares

There are four principal markets on which the Common Shares are traded, the TSX, the Australian Securities Exchange, the London Stock Exchange and the Botswana Stock Exchange. On March 23, 2007, being the last trading day on the Exchanges prior to the announcement of the Offeror's intention to make the Offer, the closing price for Common Shares was Cdn.\$17.49 on the TSX. The following tables set forth, for the periods indicated, the reported high and low daily closing prices and the aggregate volume of trading of the Common Shares on the Exchanges:

	Trading of Common Shares TSX			Trading of Common Shares London Stock Exchange		
	High (Cdn.\$)	Low (Cdn.\$)	Volume (#)	High (£)	Low (£)	Volume (#)
2006						
January	5.45	4.88	24,406,380	2.73	2.48	44,654
February	6.19	5.55	36,391,477	2.95	2.75	24,034
March	6.11	4.75	39,445,226	2.68	2.35	553,656
April	5.93	5.21	24,224,508	2.93	2.60	23,750
May	6.05	5.16	24,042,257	2.95	2.48	20,661
June	6.15	4.89	45,808,352	3.03	2.58	47,304
July	6.72	5.78	54,394,643	3.25	2.90	52,592
August	7.25	6.20	33,783,300	3.33	2.93	43,408
September	7.37	6.43	31,736,524	3.50	3.20	48,602
October	9.47	6.61	56,324,445	4.43	3.73	39,985
November	11.78	8.93	67,822,809	5.00	4.23	94,018
December	13.25	11.82	38,498,687	5.80	5.20	66,809
2007						
January	14.18	11.88	47,975,179	6.03	5.25	83,448
February	16.99	13.04	49,194,625	7.28	5.58	220,861
March	19.29	14.45	128,562,378	8.53	6.68	1,629,247
April 1-3	19.21	19.15	9,047,467	8.43	8.43	36,657

	Trading of Common Shares Australian Securities Exchange			Trading of Common Shares Botswana Stock Exchange		
	High (A\$)	Low (A\$)	Volume (#)	High (Pula)	Low (Pula)	Volume (#)
2006						
January	6.25	5.55	767,093	n/a	n/a	n/a
February	7.18	6.40	1,817,589	n/a	n/a	n/a
March	7.15	5.70	603,154	25.50	25.50	2,874
April	6.90	6.10	1,598,871	28.40	25.50	9,874
May	6.99	5.80	590,224	28.40	26.42	3,455
June	7.36	6.15	623,282	29.52	29.52	200
July	7.95	6.62	560,705	33.65	32.50	3,355
August	8.39	6.90	541,745	34.50	33.00	20,060
September	8.55	7.80	706,069	38.86	38.12	4,280
October	10.75	8.00	771,113	40.73	38.59	965
November	12.40	10.10	877,041	55.39	51.42	8,615
December	14.32	12.92	408,760	67.14	61.25	9,540
2007						
January	15.20	13.05	238,635	72.69	65.06	3,136
February	18.20	14.01	384,748	80.93	68.88	7,645
March	20.35	16.00	1,241,530	103.47	85.79	14,757
April 1-3	20.4	20.09	29,896	103.73	103.73	100

In February 2007, LionOre announced its intention to delist the Common Shares from the Australian Securities Exchange. LionOre indicated that the financial, administrative and compliance costs associated with the listing on the ASX were no longer considered to be justified. The delisting is proposed to take effect from June 5, 2007.

3. Background to the Offer

In early 2006, the LionOre Board of Directors gave LionOre management a mandate to review strategic alternatives that would be likely to increase the value of LionOre for the benefit of Shareholders and other stakeholders. To assist with the evaluation of strategic alternatives, LionOre retained JPMorgan as its financial advisor.

LionOre had discussions with a number of parties whose assets or businesses were deemed to be complementary to LionOre. This included a range of options including mergers, acquisitions and joint ventures. Five parties entered into confidentiality agreements with LionOre, three of whom were allowed access to the data room established by LionOre, including Xstrata (Schweiz) AG (“**Xstrata Schweiz**”), an affiliate of Xstrata. LionOre and Xstrata Schweiz on March 9, 2006 entered into a confidentiality and standstill agreement pursuant to which LionOre agreed to provide confidential information concerning the business and affairs of LionOre in connection with the consideration by Xstrata Schweiz of a possible transaction involving LionOre and/or the Shareholders. At various intervals throughout the last twelve months, Xstrata conducted certain financial, technical and legal due diligence on LionOre and its subsidiaries and joint ventures.

In June 2006, as part of management’s initiative to create a fully integrated nickel company and to create incremental value, LionOre reached agreement with Falconbridge to acquire its Nikkelverk refinery for US\$650 million, subject to certain conditions including the successful completion of the merger of Inco Limited and Falconbridge. This transaction did not close due to the acquisition of Falconbridge by Xstrata.

The strategic review process led LionOre in the past few months to more advanced discussions with two parties potentially interested in the acquisition of LionOre, one of whom was Xstrata. Only the Xstrata discussions progressed to a transaction.

Management of Xstrata reviewed their assessment of the merits of a transaction with LionOre with the Xstrata board of directors at a meeting on February 26, 2007. The Xstrata board of directors declined to give a mandate to management of Xstrata to consider a possible approach to LionOre regarding a potential transaction. This determination was communicated by Ian Pearce, Chief Executive Officer of Xstrata Nickel, a business unit of Falconbridge, to Colin Steyn, the President and Chief Executive Officer of LionOre on February 26, 2007.

On March 11, 2007, Mr. Steyn met with Trevor Reid, Chief Financial Officer of Xstrata. At the meeting they discussed the possibility of an offer by Xstrata for all of the Common Shares, which offer would be recommended by the LionOre Board of Directors and would require the support, in the form of signed lock-up agreements of Shareholders holding approximately 20% of the Common Shares. Following that meeting, Xstrata evaluated further the possibility of making such an offer. Subsequently, the Xstrata Board of Directors' meeting on March 22, 2007 was arranged, at which Xstrata's management was authorized to negotiate and conclude a satisfactory offer for all of the Common Shares within certain parameters.

Later in the day on March 22, 2007, Mr. Pearce wrote to Mr. Steyn setting forth an outline of a non-binding proposal for an agreement between LionOre and Xstrata whereby Xstrata, through an affiliate, would make a cash offer for all of the issued and outstanding Common Shares by way of a supported take-over bid for a cash price of Cdn.\$18.50 per Common Share. Mr. Pearce stated in the letter to LionOre that prior to executing the support agreement, Xstrata would require the support of the LionOre Board of Directors and the support, in the form of signed lock-up agreements of Shareholders holding at least 19% of the outstanding Common Shares. Draft copies of the Support Agreement and the Lock-Up Agreement were enclosed with the letter. Mr. Pearce also noted that Xstrata would need to be provided with, and to complete the review of, certain additional information that had not been previously shared with Xstrata during its earlier due diligence.

On March 23, 2007, in response to the letter from Mr. Pearce, LionOre commenced providing to Xstrata the final documents required to conclude its due diligence investigations. Xstrata continued to conduct financial, technical and legal due diligence on LionOre and its subsidiaries and joint ventures.

On March 24, 2007, the LionOre Board of Directors met to consider the draft Support Agreement and formed an independent committee comprising all of the independent directors of LionOre: Gilbert Playford (Chairman of the Independent Committee), Alan Thompson, Louis Riopel and Oyvind Hushovd (the "**Independent Committee**").

On March 24 and March 25, 2007, representatives of LionOre and Xstrata met at the offices of Davies Ward Phillips & Vineberg LLP, counsel to Xstrata and the Offeror, to discuss the terms of the draft Support Agreement. During this period, LionOre, its legal counsel, McCarthy Tétrault LLP, and JPMorgan conducted discussions and negotiations with Xstrata, its legal counsel and TD Securities Inc. and Macquarie Bank Limited regarding the terms of the Support Agreement and various due diligence matters. Representatives of LionOre were also in contact with the Locked-Up Shareholders and arranged for the negotiation of the Lock-Up Agreement between Xstrata, the Offeror and the Locked-Up Shareholders.

In the late afternoon on March 25, 2007 (Toronto time), the LionOre Board of Directors, having received the fairness opinion of JPMorgan and on the recommendation of the Independent Committee and advice from its legal counsel, unanimously determined that the Offer was fair from a financial point of view to all LionOre Shareholders and that the Offer was in the best interests of LionOre and accordingly unanimously approved the entering into of the Support Agreement, subject to resolution of outstanding issues, and the making of a recommendation that the Shareholders accept the Offer.

In the evening of March 25, 2007 (Toronto time), LionOre halted the trading of the Common Shares on the Australian Securities Exchange prior to the start of trading pending an announcement. Overnight, Xstrata, the Offeror and LionOre executed the Support Agreement and Xstrata and the Offeror executed the Lock-Up Agreement with the Locked-Up Shareholders. Shortly thereafter and prior to the opening of trading on the London Stock Exchange, the TSX and the Botswana Stock Exchange, Xstrata and LionOre issued a joint press release announcing the entering into of the Support Agreement and the Lock-Up Agreement and Xstrata's intention to make the Offer.

4. Reasons to Accept the Offer

Shareholders should consider the following factors in making their decision to accept the Offer:

- *Attractive Premium.* The Offer represents a 16.5% premium to the volume weighted average price of the Common Shares over the 30 trading days on the TSX preceding the announcement of the Offer of Cdn.\$15.88. The Offer also represents a 5.8% premium to the closing price of the Common Shares on the TSX on March 23, 2007, the last trading day prior to the announcement of the Offer. At the time of announcement, the Offer exceeded the all-time high trading price for the Common Shares.
- *Fully Financed Cash Offer.* The form of consideration offered by the Offeror is cash, and the Offeror has committed funding for its Offer. The Offer provides Shareholders with certainty of value and liquidity at a time of historically high nickel prices and removes the execution risk to Shareholders associated with the significant capital expenditures planned for the Activox® initiative.
- *Fairness Opinion.* The Board of Directors of LionOre has received an opinion from JPMorgan that the Offer is fair from a financial point of view to Shareholders.
- *Offer Represents Full Value Based on Detailed Due Diligence.* The Offeror entered into a confidentiality agreement with LionOre on March 9, 2006 and has undertaken detailed technical, financial and legal due diligence in respect of LionOre. The Offeror in making the Offer has taken into consideration, among other things, the upsides associated with LionOre's growth projects, the risks and opportunities associated with integration of the LionOre assets with Xstrata's, and the buoyant commodity markets outlook.
- *Culmination of Strategic Review.* The Offer represents the culmination of a comprehensive strategic review process undertaken by LionOre since early 2006 aimed at maximizing value for Shareholders during which LionOre conducted discussions with several interested parties.
- *Unanimous Recommendation from the LionOre Board of Directors.* The LionOre Board of Directors, on the basis of the recommendation of the Independent Committee and the JPMorgan fairness opinion, has unanimously recommended that Shareholders accept the Offer.
- *Acceptance by Locked-Up Shareholders.* Certain Shareholders, including certain directors and officers of LionOre, beneficially owning in aggregate approximately 19.5% of the currently outstanding Common Shares have entered into the Lock-Up Agreement pursuant to which they have agreed to deposit all of their Common Shares under the Offer.
- *Low Execution Risk.* The Offer contains conditions that are in line with market practice. The Offeror is confident that no material competition or anti-trust issues are likely to arise in relation to the Offer and that it will receive the required regulatory clearances. The Offeror is also confident that its acquisition of Common Shares pursuant to the Offer will receive any required approval under the Investment Canada Act. The Offeror's acquisition of Common Shares pursuant to the Offer has received a statement of no objection under Australia's foreign investment policy under the *Foreign Acquisitions and Takeovers Act 1975* (Australia).

5. Support Agreement

Xstrata, the Offeror and LionOre entered into the Support Agreement, dated March 25, 2007. The Support Agreement sets forth, among other things, the terms and conditions upon which the Offeror agrees to make the Offer and LionOre agrees to recommend that Shareholders accept the Offer.

The following is a summary of certain provisions of the Support Agreement. It does not purport to be complete and is subject to, and is qualified in its entirety by reference to, the provisions of the Support Agreement. The Support Agreement has been filed by LionOre on SEDAR.

Support of the Offer

LionOre has announced that the LionOre Board of Directors, upon consultation with its financial and legal advisors and on receipt of a recommendation from the Independent Committee, has unanimously approved entering into the Support Agreement and determined that the Offer is fair, from a financial point of view, to Shareholders and that the Offer is in the best interests of LionOre. Accordingly, the LionOre Board of Directors has resolved unanimously to recommend to Shareholders that they accept the Offer and deposit their Common Shares under the Offer. LionOre has agreed to take all reasonable actions to support the Offer and ensure that the Offer will be successful.

The Offer

The Offeror has agreed to make the Offer on the terms and conditions set forth in the Support Agreement, as fully described in the Offer. The only conditions to which the Offer is subject are those described in Section 4 of the Offer, “Conditions of the Offer”.

The Offeror may, in its sole discretion, modify or waive any term or condition of the Offer; provided that the Offeror shall not, without the prior consent of LionOre, increase the Minimum Tender Condition, impose additional conditions to the Offer, decrease the consideration per Common Share, decrease the number of Common Shares in respect of which the Offer is made, change the form of consideration payable under the Offer (other than to increase the total consideration per Common Share and/or add additional consideration or consideration alternatives) or otherwise vary the Offer or any terms or conditions thereof (which for greater certainty does not include a waiver of a condition) in a manner which is adverse to the Shareholders. Additionally, the Offeror shall not, without the prior consent of LionOre, decrease (including by waiver thereof) the Minimum Tender Condition to less than 50.01% of the Common Shares (calculated on a fully-diluted basis), provided that the Offeror may do so in order to take up no more than 20% of the then outstanding Common Shares under the Offer.

Pursuant to the Support Agreement, Xstrata has agreed to cause the Offeror to comply with all of its obligations under the Support Agreement.

Shareholder Rights Plan

LionOre has agreed to take all action necessary to ensure that (a) the Separation Time (as defined in the Shareholder Rights Plan) with respect to the SRP Rights does not occur in connection with any of the Contemplated Transactions and (b) the Shareholder Rights Plan does not otherwise interfere with or impede the success of any of the Contemplated Transactions. LionOre further agreed that it will not waive the application of the Shareholder Rights Plan to any Acquisition Proposal unless it is a Superior Proposal and the five business day right to match period provided for in the Support Agreement has expired, nor amend the Shareholder Rights Plan or authorize, approve or adopt any other shareholder rights plan.

Xstrata Board Representation

At the time that at least a majority of the then outstanding Common Shares (calculated on a fully-diluted basis) are purchased by the Offeror and from time to time thereafter, Xstrata will be entitled to designate such number of members of the LionOre Board of Directors, and any committees thereof, as is proportionate to the percentage of the outstanding Common Shares owned from time to time by Xstrata (the “**Xstrata Percentage**”), and LionOre will not frustrate Xstrata’s attempt to do so and LionOre will co-operate fully with Xstrata, subject to all applicable Laws, to enable Xstrata’s designees to be elected or appointed and to constitute the Xstrata Percentage including, at the request of Xstrata, using its reasonable best efforts to increase the size of the LionOre Board of Directors and to secure the resignations of such directors as Xstrata may request.

No Solicitation Covenant

LionOre has agreed that, except as provided in the Support Agreement, it will not, and it will cause (in the case of joint ventures, to the extent LionOre is able to do so) each of its subsidiaries not to, directly or indirectly, through any officer, director or representative (including financial or other advisors) of LionOre or any

subsidiary, or consultant to LionOre previously identified to Xstrata (collectively, the “**LionOre Parties**”), take any action of any kind that might reasonably be expected to, directly or indirectly, interfere with the successful acquisition of Common Shares by the Offeror under the Offer, any Compulsory Acquisition, any Subsequent Acquisition Transaction or any alternative transactions permitted by the Support Agreement, including any action to:

- make, solicit, assist, initiate, knowingly encourage or otherwise facilitate (including by way of furnishing information, permitting any visit to any facilities or properties of LionOre or any subsidiary of LionOre, or entering into any form of written or oral agreement, arrangement or understanding) any inquiries, proposals or offers regarding an Acquisition Proposal;
- engage in any discussions or negotiations regarding, or provide any information with respect to, any Acquisition Proposal provided that LionOre may advise any person making an unsolicited Acquisition Proposal that such Acquisition Proposal does not constitute a Superior Proposal when the LionOre Board of Directors has so determined;
- withdraw, modify or qualify, or propose publicly to withdraw, modify or qualify, in any manner adverse to Xstrata or the Offeror, the approval or recommendation of the LionOre Board of Directors or any committee thereof of the Support Agreement or the Offer;
- approve or recommend, or propose publicly to approve or recommend any Acquisition Proposal; or
- accept or enter into, or publicly propose to accept or enter into, any letter of intent, agreement in principle, agreement, arrangement or undertaking related to any Acquisition Proposal.

The Support Agreement defines an “**Acquisition Proposal**” as (a) any merger, take-over bid, amalgamation, plan of arrangement, business combination, consolidation, recapitalization, tender offer, issuer bid, reorganization, dividend, distribution, liquidation, dissolution or winding-up in respect of LionOre or any LionOre subsidiary; (b) any sale or acquisition of any of the assets of LionOre (other than sales of products in the ordinary course of business consistent with past practice and other than sales or acquisitions that are not prohibited under the Support Agreement); (c) any sale or acquisition of an equity interest in LionOre or of any LionOre subsidiary or rights or interests therein or thereto (other than a sale or acquisition that is not prohibited under the Support Agreement); (d) any sale by LionOre or by any LionOre subsidiary of an interest in any joint venture or mineral property (other than a sale that is not prohibited under the Support Agreement); (e) any similar business combination or transaction of or involving LionOre or any LionOre subsidiary or any joint venture, other than with Xstrata, the Offeror or any other Xstrata subsidiary; or (f) any proposal or offer to, or public announcement of an intention to do, any of the foregoing from any person other than Xstrata, the Offeror or any other Xstrata subsidiary.

LionOre has agreed to immediately cease, and to instruct its financial advisors and other representatives and agents to cease, any existing solicitation, discussion or negotiation with any person (other than Xstrata and the Offeror), by or on behalf of LionOre or any of its subsidiaries with respect to or which could lead to any potential Acquisition Proposal, whether or not initiated by LionOre or any of its subsidiaries or any LionOre Party, and to discontinue access to any data rooms. LionOre has agreed to request the return or destruction of all information provided to any third parties who have entered into a confidentiality agreement with LionOre relating to any potential Acquisition Proposal and to use all commercially reasonable efforts to ensure that such requests are honoured in accordance with the terms of such confidentiality agreements.

LionOre has agreed not to waive or release any person from, or fail to enforce on a timely basis any confidentiality agreement or standstill agreement or amend any such agreement (except to allow the person to propose confidentially to the LionOre Board of Directors an Unsolicited Proposal or otherwise make a Superior Proposal), provided that the remaining provisions of the Support Agreement are complied with.

The Support Agreement defines an “**Unsolicited Proposal**” as a *bona fide* unsolicited Acquisition Proposal to purchase or otherwise acquire, directly or indirectly, by means of a merger, take-over bid, amalgamation, plan of arrangement, business combination consolidation, recapitalization, liquidation, winding-up or similar transaction, all of the Common Shares and offering or making available to all Shareholders the same consideration in form and amount per Common Share to be purchased or otherwise acquired.

LionOre has agreed to promptly notify Xstrata of any proposal, inquiry, offer (or any amendment thereto) or request relating to or constituting a *bona fide* Acquisition Proposal, any request for discussions or negotiations, and/or any request for non-public information relating to LionOre, any LionOre subsidiary, joint venture, mineral property, contractual or legal rights or for access to properties, books and records or a list of shareholders of which LionOre's directors, officers, employees, representatives or agents are or become aware, or any amendments to the foregoing.

Due Diligence Access for Unsolicited Proposals

If LionOre receives a request for non-public information from a person who proposes to LionOre an Unsolicited Proposal and the LionOre Board of Directors determines, in good faith, after the receipt of advice from its financial advisors that such Acquisition Proposal would be reasonably likely, if consummated in accordance with its terms, to result in a Superior Proposal, LionOre may provide such person with access to information regarding LionOre for a period of no more than seven clear calendar days and/or engage in discussions with such person for the sole purpose of explaining or supplementing the due diligence materials contained in the electronic data room maintained by LionOre, subject to, among other conditions, the execution of a confidentiality agreement which is in form and substance similar to the confidentiality agreement between Xstrata and LionOre. The confidentiality agreement must include a standstill provision that restricts such person from announcing an intention to acquire, or acquiring, any securities or assets of LionOre, any LionOre subsidiary or any joint venture of LionOre without the approval of LionOre for a period of not less than one year from the date of such confidentiality agreement.

Ability of LionOre to Accept a Superior Proposal

LionOre has agreed not to accept, approve or recommend, nor enter into any agreement (other than a confidentiality agreement permitted under the Support Agreement) relating to an Acquisition Proposal unless:

- the Acquisition Proposal constitutes a Superior Proposal;
- LionOre has complied with its non-solicitation covenant;
- LionOre has given the Offeror notice in writing that there is a Superior Proposal, and all documentation relating to and detailing the Superior Proposal, at least five clear business days before the LionOre Board of Directors proposes to accept, approve, recommend or enter into any agreement relating to such Superior Proposal;
- five clear business days have elapsed from the later of the date the Offeror received the notice and other documentation referred to in the bullet above in respect of the Acquisition Proposal and the date the Offeror received notice of LionOre's proposed determination to accept, approve, recommend or enter into any agreement relating to such Superior Proposal and, if the Offeror has proposed to amend the terms of the Offer in accordance with the Support Agreement, the LionOre Board of Directors (after receiving advice from its financial advisors and outside legal counsel) has determined in good faith that the Acquisition Proposal is a Superior Proposal compared to the proposed amendment to the terms of the Offer by the Offeror;
- LionOre concurrently terminates the Support Agreement to enter into a definitive agreement with respect to the Superior Proposal, under the terms of the Support Agreement; and
- LionOre has previously, or concurrently will have, paid to the Offeror or the Offeror's assignee the Termination Payment.

The Support Agreement defines a "**Superior Proposal**" as an Unsolicited Proposal received after March 25, 2007 that: (a) is not subject to a financing contingency and in respect of which such person has delivered to the LionOre Board of Directors a letter of commitment of one or more financial institutions of nationally recognized standing, such letter(s) committing the required funds to effect payment in full for all of the Common Shares; (b) is not subject to any due diligence and/or access condition; (c) that the LionOre Board of Directors has determined in good faith (after receipt of advice from its financial advisors and with its outside legal counsel) is reasonably capable of completion without undue delay taking into account all legal, financial,

regulatory and other aspects of such Acquisition Proposal and the person making such Acquisition Proposal; and (d) in respect of which the LionOre Board of Directors determines in good faith after receipt of advice from its outside legal counsel that failure to recommend such Acquisition Proposal to Shareholders would be inconsistent with its fiduciary duties and from its financial advisors that such Acquisition Proposal would, if consummated in accordance with its terms (but not assuming away any risk of non-completion), result in a transaction more favourable to the Shareholders from a financial point of view than the Offer (including any adjustment to the terms and conditions of the Offer proposed by the Offeror pursuant to the Support Agreement).

Xstrata's Right to Match

Under the Support Agreement, LionOre has agreed that, during the five business day period referred to above or such longer period as LionOre may approve for such purpose, the Offeror will have the opportunity, but not the obligation, to propose to amend the terms of the Offer. LionOre has agreed that it will co-operate with Xstrata and the Offeror, including negotiating in good faith with Xstrata and the Offeror to make such adjustment to the terms and conditions of the Support Agreement and the Offer as Xstrata and the Offeror deem appropriate and as would enable Xstrata and the Offeror to proceed with the Offer on such adjusted terms. The LionOre Board of Directors will review any proposal by the Offeror to amend the terms of the Offer in order to determine, in good faith in the exercise of its fiduciary duties, whether the Offeror's proposal to amend the Offer would result in the Acquisition Proposal not being a Superior Proposal compared to the proposed amendment to the terms of the Offer.

Reaffirmation of Recommendation by the LionOre Board of Directors

The LionOre Board of Directors has agreed to promptly reaffirm its recommendation of the Offer by press release after any Acquisition Proposal is publicly announced or made and either (a) the LionOre Board of Directors determines that the Acquisition Proposal is not a Superior Proposal or (b) the LionOre Board of Directors determines that a proposed amendment to the terms of the Offer would result in the Acquisition Proposal not being a Superior Proposal, and the Offeror has so amended the terms of the Offer.

Subsequent Acquisition Transaction

The Offeror may, to the extent possible, effect a Compulsory Acquisition of the Common Shares, as described in Section 12 of the Circular, "Acquisition of Common Shares not Deposited", from those Shareholders who have not accepted the Offer. If that statutory right of acquisition is not available or the Offeror chooses not to avail itself of such statutory right of acquisition, the Offeror has agreed to use its commercially reasonable efforts to pursue other means of acquiring the remaining Common Shares not tendered to the Offer. LionOre has agreed that, in the event the Offeror takes up and pays for Common Shares under the Offer representing at least a simple majority of the outstanding Common Shares (calculated on a fully-diluted basis as at the Expiry Time), it will assist the Offeror in connection with any Subsequent Acquisition Transaction that the Offeror may, in its sole discretion, undertake to pursue to acquire the remaining Common Shares, provided that the consideration per Common Share offered in connection with the Subsequent Acquisition Transaction is at least equivalent in value to the consideration per Common Share offered under the Offer.

Pre-Acquisition Reorganization

LionOre has agreed that, upon request by Xstrata, it shall: (a) effect such reorganizations of LionOre's business, operations and assets or such other transactions as Xstrata may request, acting reasonably (each a "**Pre-Acquisition Reorganization**"); and (b) co-operate with the Offeror and its advisors in order to determine the nature of the Pre-Acquisition Reorganizations that might be undertaken and the manner in which they might most effectively be undertaken; provided that the Pre-Acquisition Reorganizations (i) do not result in any breach by LionOre of any existing contract or commitment of LionOre or of any Law; or (ii) would not reasonably be expected to impede or delay the Offeror's ability to take up and pay for the Common Shares tendered to the Offer. The completion of any Pre-Acquisition Reorganization shall be subject to the satisfaction or waiver by the

Offeror of the conditions to the Offer and shall be effected immediately prior to any take-up by the Offeror of Common Shares tendered to the Offer.

Termination of the Support Agreement

The Support Agreement may be terminated at any time prior to the time that designees of Xstrata represent a majority of the LionOre Board of Directors:

- by mutual written consent of the Offeror and LionOre;
- by Xstrata, if the Minimum Tender Condition or any other condition of the Offer is not satisfied or waived at or prior to the Expiry Time and the Offeror has not elected to waive such condition to the extent permitted by the Support Agreement;
- by Xstrata or LionOre, if the Offeror does not take up and pay for the Common Shares deposited under the Offer by the date that is four months following the date of mailing of this Circular, subject to certain conditions, provided that if the take-up and payment of Common Shares has been delayed as a result of an injunction or order made by a Governmental Entity, or failure to get any waiver, consent or approval of any Governmental Entity, none of the parties may terminate the Support Agreement until six months after the date of mailing of the Offer;
- by the Offeror, if LionOre is in default of any of its non-solicitation covenants or obligations under the Support Agreement, is in material default of any other covenant or obligation under the Support Agreement or if any representation or warranty of LionOre under the Support Agreement shall have been untrue or incorrect on March 25, 2007 or shall have become untrue or incorrect in any material respect at any time prior to the Expiry Time (without giving effect to, applying or taking into consideration any materiality or Material Adverse Effect qualification already contained within such representation or warranty) where such default of the covenants or obligations under the Support Agreement (other than any non-solicitation covenant or obligation) or inaccuracy is not curable or, if curable, is not cured by the earlier of the date which is 15 days from the date of written notice of such breach and the Expiry Time;
- by LionOre, if Xstrata or the Offeror is in material default of any covenant or obligation under the Support Agreement or any representation or warranty of Xstrata or the Offeror under the Support Agreement is untrue or incorrect in any material respect at any time prior to the Expiry Time and such inaccuracy is reasonably likely to prevent, restrict or materially delay the consummation of the Offer and is not curable or, if curable, is not cured by the earlier of the date which is 15 days from the date of written notice of such breach and the Expiry Time;
- by the Offeror, if: (i) the LionOre Board of Directors fails to publicly reaffirm its approval of the Offer in accordance with the terms of the Support Agreement; (ii) the LionOre Board of Directors or any committee thereof withdraws, modifies, changes or qualifies its approval or recommendation of the Support Agreement or the Offer in any manner adverse to the Offeror; (iii) the LionOre Board of Directors or any committee thereof recommends or approves or publicly proposes to recommend or approve a Superior Proposal; or (iv) LionOre fails to take any action with respect to the Shareholder Rights Plan to defer the Separation Time of the SRP Rights or to allow the timely completion of the Offer or other Contemplated Transactions, each of cases (i) through (iv) being a Termination Payment Event;
- by LionOre, if LionOre proposes to enter into a definitive agreement with respect to a Superior Proposal in compliance with the provisions of the Support Agreement provided that LionOre has previously or concurrently will have paid to the Offeror or the Offeror's assignee the Termination Payment and further provided that LionOre has not breached in a material respect any of its covenants, agreements or obligations in the Support Agreement, which is a Termination Payment Event; or
- by the Offeror if: (i) any court of competent jurisdiction or other governmental authority issues an order, decree or ruling enjoining or otherwise prohibiting any of the Contemplated Transactions (unless such order, decree or ruling has been withdrawn, reversed or otherwise made inapplicable); or (ii) any

litigation or other proceeding is pending or has been threatened to be instituted by any person or governmental authority, which, in the good faith judgment of the Offeror, could reasonably be expected to result in a decision, order, decree or ruling which enjoins, prohibits, grants damages in a material amount in respect of, or materially impairs the benefits of, any of the Contemplated Transactions.

Termination Payment

LionOre is obligated to pay the Offeror or the Offeror's assignee a termination payment in an amount equal to Cdn.\$131,376,000 (the "**Termination Payment**"), representing 2.85% of the total value of the Common Shares (on a fully-diluted basis) at the Offer price, if:

- any Termination Payment Event described under "— Termination of Support Agreement" above has occurred; or
- during the period commencing on March 25, 2007 and ending 12 months following the termination of the Support Agreement, (i) a Competing Proposal is consummated, or (ii) the LionOre Board of Directors approves or recommends a Competing Proposal, or LionOre enters into a definitive agreement with respect to a Competing Proposal;

provided, in each case, that the Offeror is not in material default in the performance of its obligations under the Support Agreement.

The Support Agreement defines a "**Competing Proposal**" as: (a) any merger, take-over bid, amalgamation, plan of arrangement, business combination, consolidation, or similar transaction in respect of LionOre; (b) any purchase or other acquisition by a person of such number of Common Shares or any rights or interests therein or thereto which together with such person's other direct or indirect holdings of Common Shares and the holdings of any other person or persons with whom such first person may be acting jointly or in concert constitutes at least 50.01% of the outstanding Common Shares on a fully-diluted basis; (c) any similar business combination or transaction, of or involving LionOre; or (d) any proposal or offer to, or public announcement of an intention to do, any of the foregoing from any person other than the Offeror, Xstrata or an Xstrata subsidiary, in any case that is made either (i) prior to the termination of the Support Agreement or (ii) prior to the termination of another Competing Proposal.

Expense Reimbursement

LionOre is obligated to pay the Offeror or the Offeror's assignee an expense reimbursement payment in an amount equal to Cdn.\$23 million if the Support Agreement is terminated as a result of (i) LionOre being in material breach of any covenant or obligation under the Support Agreement other than the non-solicitation covenant, or (ii) any representation or warranty made by LionOre in the Support Agreement having been untrue or incorrect as of the date of the Support Agreement or becoming untrue or incorrect in any material respect at or prior to the Expiry Time. The expense reimbursement payment is not payable under circumstances where the Termination Payment is payable.

Representations and Warranties

The Support Agreement contains a number of customary representations and warranties of Xstrata, the Offeror and LionOre relating to, among other things, corporate status and the corporate authorization and enforceability of, and board approval of, the Support Agreement and the Offer. The representations and warranties of LionOre also address various matters relating to the business, operations and properties of LionOre and its subsidiaries, including: capitalization; fair presentation of financial statements; absence of any Material Adverse Effect and certain other changes or events since the date of the last audited financial statements; absence of litigation or other actions which if determined adversely would reasonably be expected to have a Material Adverse Effect; employee severance payments upon a change of control; accuracy of reports required to be filed with applicable securities regulatory authorities; real property and mineral interests and rights; and environmental matters. In addition, Xstrata and the Offeror have represented that they have made adequate arrangements to ensure that the required funds are available to effect payment in full of the consideration for all of the Common Shares to be acquired pursuant to the Offer.

Conduct of Business

LionOre has covenanted and agreed that, prior to the earlier of the time that designees of Xstrata represent a majority of the LionOre Board of Directors and the termination of the Support Agreement, except with the prior written consent of Xstrata and the Offeror, acting reasonably, or as expressly contemplated or permitted by the Support Agreement, LionOre will carry on its business (which includes the business of its subsidiaries and certain joint ventures) in a manner consistent in all material respects with prior practices and use reasonable commercial efforts to preserve intact its present business organization and goodwill, to preserve intact its respective real property interests, mining leases, mining concessions, mining claims, exploration permits or prospecting permits or other property, mineral or proprietary interests or rights or contractual or other legal rights or claims in good standing, to keep available the services of its officers and employees as a group and to maintain satisfactory relationships with suppliers, distributors, employees and others having business relationships with them. LionOre has also agreed that it will not and will cause each of its subsidiaries not to take certain actions specified in the Support Agreement.

LionOre has also agreed to notify the Offeror of (a) any material change (within the meaning of the OSA) in relation to LionOre and of any material governmental or third party complaints, investigations or hearings (or communications indicating that the same may be contemplated); and (b) the occurrence, or failure to occur, of any event or state of facts which occurrence or failure would or would be likely to (i) cause any of the representations or warranties of LionOre contained in the Support Agreement to be untrue or inaccurate (without giving effect to, applying or taking into consideration any materiality or Material Adverse Effect qualification already contained within such representation or warranty) in any material respect, or (ii) result in the failure in any material respect of LionOre to comply with or satisfy any covenant, condition or agreement to be complied with or satisfied prior to the date on which designees of Xstrata represent a majority of the LionOre Board of Directors.

Other Covenants

Each of LionOre, Xstrata and the Offeror has agreed to a number of mutual covenants, including to co-operate in good faith and use all reasonable efforts to take all action and do all things necessary, proper or advisable: (a) to consummate and make effective as promptly as is practicable the Offer and other Contemplated Transactions; (b) for the discharge of its respective obligations under the Offer and the Support Agreement, including its obligations under applicable securities laws; and (c) to obtain all necessary waivers, consents, rulings, orders and approvals and to effect all necessary registrations and filings, including filings under applicable Laws and submissions of information requested by governmental entities in connection with the Offer and other Contemplated Transactions, including in each case the execution and delivery of documents reasonably required by the other party. In addition, upon reasonable notice, and subject to the terms of the Confidentiality Agreement, LionOre has agreed to provide the Offeror with reasonable access (without disruption to the conduct of LionOre's business) during normal business hours, to: (i) all books, records and other materials in LionOre's possession and control, including material contracts; (ii) the personnel of LionOre and its subsidiaries; and (iii) the properties of LionOre and its subsidiaries, in order to allow the Offeror to perform confirmatory due diligence and for strategic planning purposes.

LionOre Officers and Directors

From and after the date on which designees of Xstrata represent a majority of the LionOre Board of Directors, Xstrata will cause LionOre (or its successor) to maintain its current directors' and officers' insurance policy or a reasonably equivalent policy. Alternatively, Xstrata can cause LionOre to purchase non-cancellable run-off directors' and officers' liability insurance. In addition, Xstrata has agreed to cause LionOre (or its successor) to indemnify the current and former directors and officers of LionOre and its subsidiaries to the fullest extent to which LionOre is required to indemnify such officers and directors under its charter, by-laws and applicable Laws for a minimum period of six years following completion of the Offer.

Xstrata has agreed to communicate to each officer identified by LionOre prior to the time of the appointment or election to the Board of Directors of persons designated by Xstrata who represent a majority of the directors of LionOre (the “**Effective Time**”) whether such officer’s employment with LionOre or a LionOre subsidiary will be terminated at the Effective Time and will cause LionOre or the applicable LionOre subsidiary to pay promptly following the Effective Time to any such officer any termination, severance, change of control or other payments to which such officer is entitled under existing employment arrangements.

Outstanding LionOre Options

LionOre has agreed to take steps to permit holders of Options, which by their terms are currently exercisable or not, to exercise, immediately after the time at which designees of Xstrata represent a majority of the LionOre Board of Directors, such Options with an exercise price of Cdn.\$18.50 or less for a cash payment (less any applicable statutory withholdings) equal to Cdn.\$18.50 per Common Share less the exercise price of such Options, which exercise or tender may be conditional upon the Offeror taking up and paying for Common Shares under the Offer. Alternatively, holders of Options may exercise their Options in order to obtain certificates representing Common Shares that may be deposited in accordance with the terms of the Offer. The Offeror has no information regarding which election will be made by holders of Options. In addition, the LionOre Board of Directors will authorize accelerated vesting of all Options whose vesting would not otherwise be accelerated under the terms of the Stock Option Plan as a result of the Offer.

LionOre has agreed to use its commercially reasonable efforts to cause all outstanding Options to be exercised, or if not exercised, terminated at or prior to the Expiry Time, which termination may be conditional on the take-up of Common Shares under the Offer.

LTIP Entitlements

LionOre, Xstrata and the Offeror have agreed to co-operate and use their commercially reasonable efforts to implement tendering arrangements in respect of the Offer that will facilitate (a) the issuance of Common Shares pursuant to the Long Term Incentive Policy, such issuance to be conditional upon the Offeror taking up and paying for Common Shares under the Offer and (b) the tender to the Offer of Common Shares issued as a result of such conditional issuance. Any conditional issuance of Common Shares pursuant to the Long Term Incentive Policy will be deemed to have taken place concurrently with the take-up of Common Shares under the Offer and all Common Shares that are issued pursuant to such conditional issuance will be accepted as validly tendered under the Offer.

6. Lock-Up Agreement

Under the Lock-Up Agreement, each of the Locked-Up Shareholders has agreed, among other things, to accept the Offer, to deposit or cause to be deposited under the Offer and not withdraw, subject to certain exceptions, all of the Common Shares which such Locked-Up Shareholder owns or over which it exercises direction or control and all of the Common Shares issued or conditionally issued pursuant to the Long Term Incentive Policy and to exercise or conditionally exercise all of the Convertible Securities currently owned by such Locked-Up Shareholder and to deposit under the Offer and not withdraw, subject to certain exceptions, all of the Common Shares issued upon such exercise or conditional exercise of Convertible Securities (or pursuant to the Long Term Incentive Policy representing an aggregate of 42,945,283 Common Shares or approximately 19.5% of the currently outstanding Common Shares), except in limited circumstances, some of which are discussed below.

The following is a summary of certain provisions of the Lock-Up Agreement.

Agreement to Make the Offer

The Offeror agrees to make the Offer within the time period and upon and subject to the terms and conditions set out in the Support Agreement and to use all reasonable efforts to complete the Offer.

Agreement to Tender

The Locked-Up Shareholders agree to irrevocably accept the Offer and to deposit or cause to be deposited under the Offer all Common Shares which they own or over which they exercise direction or control, including Common Shares issuable or conditionally issuable pursuant to the Long Term Incentive Policy or upon the exercise or conditional exercise of Options held by them.

Competing Offer

The Locked-Up Shareholders have also agreed not to withdraw their deposited Common Shares from the Offer during the term of the Lock-Up Agreement other than pursuant to the termination provisions of the Lock-Up Agreement described below or for the purpose of tendering to a Superior Proposal if, and only if, (i) the Support Agreement is terminated in accordance with its terms, and (ii) if an event that requires the payment of a termination payment has occurred under the terms of the Support Agreement, such termination payment is so paid.

Covenants of the Locked-Up Shareholders

Each Locked-Up Shareholder agrees, among other things, that it will (a) immediately terminate any existing discussions with parties (other than the Offeror) with respect to any Acquisition Proposal, and will not, make or solicit proposals or offers from any person whatsoever (including any of its officers or employees) relating to any potential Acquisition Proposal, enter into any agreement related to any Acquisition Proposal, or otherwise assist or participate in, facilitate or encourage, any effort or attempt by any person other than the Offeror or its affiliates to do or seek to do any of the foregoing; (b) not take any action of any kind which would cause its representations or warranties in the Lock-Up Agreement to become untrue or which may in any way adversely affect or delay the likelihood of success of the Offer; (c) not sell, transfer, pledge, encumber or otherwise convey or grant an option in any way over any Common Shares or Convertible Securities (or enter into any agreement or commitment to do any of the foregoing) or modify its right to vote any Common Shares, except as provided in the Lock-Up Agreement; (d) promptly notify the Offeror (and in any event within 24 hours) of receiving any Acquisition Proposal, or becoming aware of any *bona fide* inquiry, proposal, discussions or negotiation with respect to any Acquisition Proposal; (e) take all such steps as are required to ensure that at the time at which the Locked-Up Shareholder tenders the Common Shares to the Offer and at the time the Offeror becomes entitled to take up and pay for the Common Shares, the Common Shares will be owned beneficially by such Locked-Up Shareholder with good and marketable title thereto; (f) use its reasonable efforts in its capacity as Shareholder to successfully complete the Offer; (g) not grant or agree to grant any proxy or other right to the Common Shares, or enter into any voting trust, vote pooling or other agreement with respect to the right to vote; (h) not vote or cause to be voted any of the Common Shares in respect of any proposed action by LionOre, its securityholders, any LionOre subsidiary or any other person in a manner which might reasonably be regarded as likely to prevent or delay the successful completion of the Offer; (i) exercise the voting rights attached to the Common Shares to oppose any proposed action by LionOre, its subsidiaries, its securityholders or any other person in respect of any Acquisition Proposal including LionOre or any LionOre subsidiary; and (j) not do indirectly that which it may not do directly in respect of the restrictions on its rights with respect to the Common Shares pursuant to the Lock-Up Agreement.

Representations and Warranties of the Locked-Up Shareholders

The Lock-Up Agreement contains customary representations and warranties of the Locked-Up Shareholders including, without limitation, representations and warranties as to: (a) sole right to sell and ownership of the Common Shares, free and clear of encumbrances; (b) absence of any breach of such representations and warranties; (c) absence of required consent to tender the Common Shares; (d) authority, execution, delivery and enforceability of the Lock-Up Agreement; and (e) absence of claims against the Locked-Up Shareholder.

Representations and Warranties of the Offeror

The Lock-Up Agreement also contains customary representations and warranties of Xstrata and the Offeror including, without limitation, representations and warranties as to: (a) due incorporation and existence of Xstrata and the Offeror; (b) authority, execution, delivery and enforceability of the Lock-Up Agreement; and (c) absence of any conflict or breach.

Termination of the Lock-Up Agreement

The Lock-Up Agreement may be terminated by mutual written consent of Xstrata, the Offeror and the relevant Locked-Up Shareholder. The Lock-Up Agreement may also be terminated earlier by Xstrata upon written notice if: (a) the Support Agreement is terminated for any reason; or (b) any of the Locked-Up Shareholders is in material default of any covenant or obligation under the Lock-Up Agreement or if any representation or warranty of any of the Locked-Up Shareholders under the Lock-Up Agreement shall have been or subsequently becomes untrue or incorrect in any material respect and such default or inaccuracy is not curable or, if curable, is not cured within seven days of written notice thereof.

The Lock-Up Agreement may be terminated earlier by a Locked-Up Shareholder upon written notice if: (a) the Offeror fails, in a material respect, to make the Offer in accordance with the requirements of the Support Agreement; (b) the Offeror modifies or waives any term or condition of the Offer in a manner contrary to the provisions of the Lock-up Agreement; (c) the Common Shares have not been taken up and paid for by the Offeror by the outside date set out in the Support Agreement; or (d) any representation or warranty of the Offeror under the Lock-Up Agreement is untrue or incorrect in any material respect prior to the Expiry Time, such inaccuracy is reasonably likely to prevent, restrict or materially delay consummation of the Offer and is not curable or, if curable, is not cured within seven days of written notice. Any termination of the Lock-Up Agreement in accordance with the termination provisions of the Lock-Up Agreement shall render the provisions of the Lock-Up Agreement of no further force and effect.

7. Purpose of the Offer and Plans for LionOre

The purpose of the Offer is to enable the Offeror to acquire beneficial ownership of all the Common Shares. If the Offeror takes up and pays for a sufficient number of Common Shares validly deposited under the Offer, the Offeror intends to complete a Compulsory Acquisition or a Subsequent Acquisition Transaction if available, to acquire all the outstanding Common Shares not deposited under the Offer. See Section 12 of the Circular, "Acquisition of Common Shares not Deposited". If permitted by applicable Laws, subsequent to the completion of the Offer and, if necessary, any Compulsory Acquisition or any Subsequent Acquisition Transaction, the Offeror intends to delist the Common Shares from the Exchanges. For so long as LionOre has public debt, Options and Convertible Notes outstanding, there may be limitations on its ability to cease to be a reporting issuer and to cease to have public reporting obligations.

LionOre has agreed that, in the event the Offeror takes up and pays for Common Shares under the Offer representing at least a simple majority of the outstanding Common Shares (calculated on a fully-diluted basis as at the Expiry Time), LionOre will assist the Offeror in connection with any Subsequent Acquisition Transaction, provided that the consideration per Common Share offered in connection with the Subsequent Acquisition Transaction, is at least equal in value to the consideration per Common Share paid under the Offer. If the Minimum Tender Condition is satisfied and the Offeror takes up and pays for the Common Shares deposited under the Offer, the Offeror should own sufficient Common Shares to effect a Subsequent Acquisition Transaction.

If the Offeror proposes a Compulsory Acquisition or a Subsequent Acquisition Transaction but cannot obtain any required approvals promptly, the Offeror will evaluate its other alternatives. Such alternatives could include, to the extent permitted by applicable Laws, purchasing additional Common Shares in the open market, in privately negotiated transactions or in another take-over bid or otherwise, or selling or otherwise disposing of any or all of the Common Shares acquired pursuant to the Offer.

Upon completion of the Offer, the Offeror intends to conduct a detailed review of LionOre and its subsidiaries, including an evaluation of their respective business plans, assets, operations and organizational and

capital structure. Promptly upon the initial take-up and payment by the Offeror of such number of Common Shares representing at least a majority of the outstanding Common Shares, the Offeror will be entitled to requisition a meeting of the Shareholders at which the Offeror may remove the current members of the LionOre Board of Directors and elect directors nominated by the Offeror.

If the Offer and a Compulsory Acquisition or a Subsequent Acquisition Transaction are successful:

- The Offeror will own all of the equity interests in LionOre and the Offeror will be entitled to all the benefits and risks of loss associated with such ownership;
- Current holders of Common Shares (other than the Offeror) will no longer have any interest in LionOre or LionOre's assets, book value or future earnings or growth and the Offeror will hold a 100% interest in such assets, book value, future earnings and growth;
- The Offeror will have the right to elect all directors to the LionOre Board of Directors;
- Subject to any obligations with respect to LionOre's outstanding public debt, Options, Convertible Notes and other Convertible Securities which remain outstanding, LionOre will no longer be a public company and LionOre will no longer file periodic reports (including financial information) with any securities regulatory authorities; and
- The Common Shares will no longer trade on the Exchanges. See Section 16 of the Circular, "Information Concerning Securities of LionOre — Effect of the Offer on the Market for and Listing of Common Shares and Status as a Reporting Issuer".

8. Source of Funds

The Offeror estimates that, if it acquires all of the Common Shares (based on the number of Common Shares on a fully-diluted basis as of March 23, 2007 as represented by LionOre in the Support Agreement), the total amount of cash required for the purchase of the Common Shares will be approximately Cdn.\$4.6 billion. Xstrata has agreed to fund or arrange for the funding of the Offer in an amount sufficient to satisfy such cash requirement by way of equity investment in the Offeror and/or loans to the Offeror.

Xstrata intends to use a portion of its existing cash reserves and also avail itself of its committed credit facilities (the "**Credit Facilities**") to pay for the Common Shares acquired under the Offer. Xstrata reserves the right to use such other methods of financing the cash required for the payment of the Common Shares with or without any of the above discussed sources as it may determine in its discretion.

Borrowings incurred in connection with the Offer may be refinanced or repaid by Xstrata without restriction. Xstrata proposes to repay drawdowns of the Credit Facilities made in connection with the Offer using funds generated from additional long-term financing, and/or cash generated from its operations, although no plans or arrangements to finance or repay the Credit Facilities have been made as of the date hereof.

The Offeror believes that the financial condition of each of Xstrata and the Offeror is not material to a decision by a Shareholder whether to deposit Common Shares under the Offer because (i) cash is the only consideration that will be paid to Shareholders in connection with the Offer, (ii) the Offeror is offering to purchase all of the outstanding Common Shares in the Offer, (iii) the Offer is not subject to obtaining any financing or to any financing contingencies and (iv) with its cash on hand and the cash available under the Credit Facilities, Xstrata will have sufficient funds to fund or arrange for funding of the Offeror with the total amount required to purchase the Common Shares under the Offer.

9. Ownership of and Trading in Securities of LionOre

No Common Shares, Options, Convertible Notes or other securities of LionOre are beneficially owned, directly or indirectly, nor is control or direction exercised over any of such securities, by Xstrata, the Offeror or any other Xstrata subsidiary or their directors or senior officers, other than in respect of the Support Agreement and the Lock-Up Agreement. To the knowledge of the Offeror, after reasonable enquiry, no Common Shares, Options, Convertible Notes or other securities of LionOre are owned, directly or indirectly, nor is control or direction exercised over any such securities, by any associate of a director or senior officer of Xstrata, any person

or company holding more than 10% of any class of equity securities of Xstrata, or any person or company acting jointly or in concert with Xstrata, the Offeror or any other Xstrata subsidiary.

None of Xstrata, the Offeror or any other Xstrata subsidiary or any director or senior officer of Xstrata, the Offeror or any other Xstrata subsidiary or, to the knowledge of the Offeror after reasonable enquiry, any of the other persons referred to above, has traded in any securities of LionOre during the six months preceding the date hereof.

There is no person acting “jointly or in concert” with Xstrata, the Offeror or any other Xstrata subsidiary in connection with the transactions described in the Offer and this Circular.

10. Commitments to Acquire Securities of LionOre

None of Xstrata, the Offeror or any other Xstrata subsidiary or any director or senior officer of Xstrata, the Offeror or any other Xstrata subsidiary, or, to the knowledge of the Offeror, after reasonable enquiry, any associate of any such director or senior officer, any person or company holding more than 10% of any class of equity securities of Xstrata, or any person or company acting jointly or in concert with the Offeror, has entered into any commitments to acquire any equity securities of LionOre, except for the commitments made by Xstrata and the Offeror pursuant to the Support Agreement and the Lock-Up Agreement. See Section 5 of the Circular, “Support Agreement” and Section 6 of the Circular, “Lock-Up Agreement”.

11. Material Changes in Affairs of LionOre

The Offeror has no information which indicates any material change in the affairs of LionOre since the date of the last published financial statements of LionOre, other than as disclosed in the Circular and such other material changes as have been publicly disclosed by LionOre. The Offeror has no knowledge of any other matter that has not previously been generally disclosed but which would reasonably be expected to affect the decision of Shareholders to accept or reject the Offer.

12. Acquisition of Common Shares not Deposited

It is the Offeror’s current intention that if it takes up and pays for Common Shares deposited under the Offer, it will enter into one or more transactions to enable the Offeror or an affiliate of the Offeror to acquire all Common Shares not acquired pursuant to the Offer. There is no assurance that such transaction will be completed.

Compulsory Acquisition

Section 206 of the CBCA permits an offeror to acquire the securities not tendered to a take-over bid for securities of a particular class of securities of a corporation if, within 120 days after the date of the take-over bid, it is accepted by the holders of not less than 90% of the securities to which the take-over bid relates, other than securities held at the date of the take-over bid by or on behalf of the offeror or its affiliates or associates (as such terms are defined in the CBCA).

If, within 120 days after the date of the Offer, the Offer has been accepted by Shareholders of not less than 90% of the outstanding Common Shares as at the Expiry Time, excluding Common Shares held on the date of the Offer by or on behalf of the Offeror or its affiliates or associates (as such terms are defined in the CBCA), the Offeror may, to the extent possible, acquire (a “**Compulsory Acquisition**”) the remainder of the Common Shares from those Shareholders who have not accepted the Offer on the same terms as such Common Shares were acquired under the Offer, pursuant to the provisions of Section 206 of the CBCA. In determining whether or not 90% of the outstanding Common Shares have been acquired under the Offer, any Common Shares acquired by the Offeror during the course of the Offer are included in the number of outstanding Common Shares but excluded from the number of Common Shares acquired under the Offer. If a Compulsory Acquisition cannot be effected, the Offeror currently intends to acquire Common Shares not tendered to the Offer pursuant to a Subsequent Acquisition Transaction, as discussed below under “Subsequent Acquisition Transaction”.

To exercise such statutory right, the Offeror must give notice (the “**Offeror’s Notice**”) to each holder of Common Shares who did not accept the Offer (and to each person who subsequently acquires any such Common Shares) (in each case, a “**Dissenting Offeree**”) of such proposed acquisition on or before the earlier of the 60th day following the Expiry Time and the 180th day following the date of the Offer. Within 20 days of giving the Offeror’s Notice, the Offeror must pay or transfer to LionOre the consideration the Offeror would have had to pay to the Dissenting Offerees if they had elected to accept the Offer, to be held in trust for the Dissenting Offerees. In accordance with Section 206 of the CBCA, within 20 days after receipt of the Offeror’s Notice, each Dissenting Offeree must send the certificate(s) representing the Common Shares held by such Dissenting Offeree to LionOre, and may elect either to transfer such Common Shares to the Offeror on the terms of the Offer or to demand payment of the fair value of such Common Shares held by such holder by so notifying the Offeror. If a Dissenting Offeree has elected to demand payment of the fair value of such Common Shares, the Offeror may apply to a court having jurisdiction to hear an application to fix the fair value of such Common Shares of the Dissenting Offeree. If the Offeror fails to apply to such court within 20 days after it made the payment or transferred the consideration to LionOre referred to above, the Dissenting Offeree may then apply to the court within a further period of 20 days to have the court fix the fair value. If there is no such application by the Dissenting Offeree within such period, the Dissenting Offeree will be deemed to have elected to transfer such Common Shares to the Offeror on the terms of the Offer. Any judicial determination of the fair value of the Common Shares could be more or less than the amount paid pursuant to the Offer.

The foregoing is a summary only of the rights of Compulsory Acquisition and is qualified in its entirety by the provisions of Section 206 of the CBCA. **Section 206 of the CBCA is complex and may require strict adherence to notice and timing provisions, failing which a Dissenting Offeree’s rights thereunder may be lost or altered. In the event the Offeror acquires Common Shares not tendered to the Offer pursuant to Section 206 of the CBCA, Shareholders should review Section 206 of the CBCA for the full text of the relevant statutory provisions and Shareholders who wish to be better informed about those provisions of the CBCA should consult their legal advisors.**

See Section 17 of the Circular, “Certain Canadian Federal Income Tax Considerations” and Section 18 of the Circular, “Certain United States Federal Income Tax Considerations”, for a discussion of the tax consequences to Shareholders in the event of a Compulsory Acquisition.

Subsequent Acquisition Transaction

If the Offeror takes up and pays for Common Shares validly deposited under the Offer and the foregoing statutory right of Compulsory Acquisition is not available or not exercised, the Offeror reserves the right (and currently intends to do so in the appropriate circumstances if the Offeror considers it necessary or desirable) to use all reasonable efforts to complete an amalgamation, plan of arrangement, amendment to articles, capital reorganization, share consolidation or other transaction involving LionOre and the Offeror and/or one or more affiliates of the Offeror (a “**Subsequent Acquisition Transaction**”) for the purpose of enabling the Offeror or an affiliate of the Offeror to acquire all Common Shares not acquired by the Offeror pursuant to the Offer (or already owned directly or indirectly by Xstrata). The timing and details of any such transaction will necessarily depend on a variety of factors, including the number of Common Shares acquired pursuant to the Offer.

Rule 61-501 and Regulation Q-27 may respectively deem a Subsequent Acquisition Transaction to be a “business combination” or “going private transaction” if such Subsequent Acquisition Transaction would result in the interest of a holder of Common Shares being terminated without the consent of the holder and a “related party” of LionOre, directly or indirectly, acquiring LionOre or combining with LionOre through an amalgamation, arrangement or otherwise. Following completion of the Offer, the Offeror would be a “related party” of LionOre for purposes of Rule 61-501 and Regulation Q-27. Rule 61-501 and Regulation Q-27 provide that, unless exempted, a corporation proposing to carry out a business combination or going private transaction is required to prepare a valuation of the affected securities (and any non-cash consideration being offered therefor) and provide to the holders of the affected securities a summary of such valuation. The Offeror intends to rely on available exemptions (or, if such exemptions are not available, to seek waivers pursuant to Rule 61-501 and Regulation Q-27 exempting LionOre and the Offeror or one or more of its affiliates, as appropriate) from the valuation requirements of Rule 61-501 and Regulation Q-27. An exemption is available under Rule 61-501

and Regulation Q-27 for certain business combinations or going private transactions completed within 120 days after the expiry of a formal take-over bid where the consideration under such transaction is at least equal in value to and is in the same form as the consideration that tendering securityholders were entitled to receive in the take-over bid, provided that certain disclosure is given in the take-over bid disclosure documents. The Offeror expects that these exemptions will be available.

Depending on the nature and terms of the Subsequent Acquisition Transaction, the provisions of the CBCA may require the approval of 66⅔% of the votes cast by holders of the outstanding Common Shares at a meeting duly called and held for the purpose of approving the Subsequent Acquisition Transaction. Rule 61-501 and Regulation Q-27 would also require that, in addition to any other required securityholder approval, in order to complete a business combination or going private transaction, the approval of a simple majority of the votes cast by “minority” shareholders of each class of affected securities must be obtained. If, however, following the Offer, the Offeror and its affiliates are the registered holders of 90% or more of the Common Shares at the time the Subsequent Acquisition Transaction is initiated, the requirement for minority approval would not apply to the transaction if an enforceable appraisal right or substantially equivalent right is made available to minority shareholders.

In relation to the Offer and any business combination or going private transaction, the “minority” shareholders will be, unless an exemption is available or discretionary relief is granted by applicable securities regulatory authorities, all Shareholders other than the Offeror, related parties of the Offeror or any person or company acting jointly or in concert with the Offeror in connection with the Offer or any subsequent business combination or going private transaction. Rule 61-501 and Regulation Q-27 also provide that the Offeror may treat Common Shares acquired pursuant to the Offer as “minority” shares and to vote them, or to consider them voted, in favour of such business combination or going private transaction if, among other things, the consideration per security in the business combination or going private transaction is at least equal in value to and in the same form as the consideration paid under the Offer and the Shareholder that tendered the Common Shares was not (a) acting jointly or in concert with the Offeror in respect of the Offer, (b) a direct or indirect party to any connected transaction to the Offer or (c) entitled to receive, directly or indirectly, in connection with the Offer consideration per security that is not identical in amount and form to the entitlement of Shareholders in Canada or a collateral benefit. The Offeror currently intends that the consideration offered for Common Shares under any Subsequent Acquisition Transaction proposed by it would be identical to the consideration offered under the Offer and the Offeror intends to cause Common Shares acquired under the Offer to be voted in favour of any such transaction and, where permitted by Rule 61-501 and Regulation Q-27, to be counted as part of any minority approval required in connection with any such transaction.

Any such Subsequent Acquisition Transaction may also result in Shareholders having the right to dissent in respect thereof and demand payment of the fair value of their Common Shares. The exercise of such right of dissent, if certain procedures are complied with by the holder, could lead to a judicial determination of fair value required to be paid to such dissenting Shareholder for its Common Shares. The fair value so determined could be more or less than the amount paid per Common Share pursuant to such transaction or pursuant to the Offer.

The details of any such Subsequent Acquisition Transaction, including the timing of its implementation and the consideration to be received by the minority holders of Common Shares, would necessarily be subject to a number of considerations, including the number of Common Shares acquired pursuant to the Offer.

If the Offeror is unable or decides not to effect a Compulsory Acquisition or propose a Subsequent Acquisition Transaction, or proposes a Subsequent Acquisition Transaction but cannot obtain any required approvals or exemptions promptly, the Offeror will evaluate its other alternatives. Such alternatives could include, to the extent permitted by applicable Laws, purchasing additional Common Shares in the open market, in privately negotiated transactions, in another take-over bid or exchange offer or otherwise, or from LionOre, or taking no action to acquire additional Common Shares. Subject to applicable Laws, any additional purchases of Common Shares could be at a price greater than, equal to, or less than the price to be paid for Common Shares under the Offer and could be for cash, securities and/or other consideration. Alternatively, the Offeror may take no action to acquire additional Common Shares, or may either sell or otherwise dispose of any or all Common Shares acquired pursuant to the Offer, on terms and at prices then determined by the Offeror, which may vary from the price paid for Common Shares under the Offer.

The tax consequences to a Shareholder of a Subsequent Acquisition Transaction may differ from the tax consequences to such Shareholder of accepting the Offer. See Section 17 of the Circular, “Certain Canadian Federal Income Tax Considerations” and Section 18 of the Circular, “Certain United States Federal Income Tax Considerations”.

Shareholders should consult their legal advisors for a determination of their legal rights with respect to a Subsequent Acquisition Transaction.

Judicial Developments

Certain judicial decisions may be considered relevant to any business combination or going private transaction that may be proposed or effected subsequent to the expiry of the Offer. Canadian courts have, in a few instances prior to the adoption of Rule 61-501 (or its predecessor, OSC Policy 9.1) and Regulation Q-27, granted preliminary injunctions to prohibit transactions involving certain business combinations or going private transactions. The current trend in both legislation and Canadian jurisprudence is toward permitting business combinations or going private transactions to proceed, subject to evidence of procedural and substantive fairness in the treatment of minority shareholders.

Shareholders should consult their legal advisors for a determination of their legal rights with respect to any transaction that may constitute a business combination or going private transaction.

13. Benefits from the Offer

To the knowledge of the Offeror, there are no direct or indirect benefits of accepting or refusing to accept the Offer that will accrue to any director or senior officer of LionOre, to any associate of a director or senior officer of LionOre, to any person or company holding more than 10% of any class of equity securities of LionOre or to any person or company acting jointly or in concert with the Offeror, other than those that will accrue to Shareholders generally.

14. Agreements, Arrangements or Understandings

Other than the Support Agreement and the Lock-Up Agreement, there are no arrangements or agreements made or proposed to be made between the Offeror and any of the directors or senior officers of LionOre and no payments or other benefits are proposed to be made or given by the Offeror by way of compensation for loss of office or as to such directors or senior officers remaining in or retiring from office following the completion of the Offer.

Other than the Support Agreement and the Lock-Up Agreement, there are no agreements, arrangements or understandings, formal or informal, between the Offeror or Xstrata and any securityholder of LionOre with respect to the Offer or between the Offeror and any person or company with respect to any securities of LionOre in relation to the Offer, except as otherwise set out in this Circular.

15. Regulatory Considerations

Canadian Competition Act

Under the Canadian Competition Act, an acquisition of voting shares of a corporation that carries on an operating business in Canada is subject to pre-merger notification under Part IX of the Canadian Competition Act if certain financial and voting interest thresholds are exceeded. Where pre-merger notification is required, certain information must be provided to the Commissioner of Competition (the “**Canadian Commissioner**”) and the transaction may not be completed until the expiry, waiver or termination of a statutory waiting period. Notification may be made either on the basis of a short-form filing (in respect of which there is a 14-day statutory waiting period) or a long-form filing (in respect of which there is a 42-day statutory waiting period). If a short-form filing is made, the Canadian Commissioner may, within the 14-day waiting period, require that the parties make a long-form filing, thereby extending the waiting period for a further 42 days following receipt of the long-form filing. The Canadian Commissioner’s review of the transaction may take longer than the statutory waiting period.

The Canadian Commissioner may apply to the Canadian Competition Tribunal in respect of a “merger” (as defined under the Canadian Competition Act), and if the Canadian Competition Tribunal finds that the merger is likely to prevent or lessen competition substantially, the Canadian Competition Tribunal may issue an order to, among other things, prohibit the acquisition of assets or shares in the case of a proposed merger or dispose of assets or shares acquired in the case of a completed merger.

Alternatively, where the Canadian Commissioner is satisfied by a party or the parties to a transaction that she would not have sufficient grounds to apply to the Canadian Competition Tribunal under the merger provisions of the Canadian Competition Act, the Canadian Commissioner may issue an advance ruling certificate (“ARC”) in respect of that transaction. Where an ARC is issued, the parties to the transaction are not required to file a pre-merger notification. In addition, if the transaction to which the ARC relates is substantially completed within one year after the ARC is issued, the Canadian Commissioner cannot seek an order of the Canadian Competition Tribunal under the merger provisions of the Canadian Competition Act in respect of the transaction solely on the basis of information that is the same or substantially the same as the information on the basis of which the ARC was issued.

The purchase of the Common Shares contemplated by the Offer is subject to pre-merger notification and constitutes a “merger” under the Canadian Competition Act. The obligation of the Offeror to complete the Offer is, among other things, subject to the condition that (i) the Canadian Commissioner shall have issued an ARC under Section 102 of the Canadian Competition Act in respect of the purchase of the Common Shares by the Offeror, or (ii) the waiting period under Part IX of the Canadian Competition Act shall have expired or have been waived in accordance with the Canadian Competition Act and the Canadian Commissioner shall have advised the Offeror in writing (which advice shall not have been rescinded or amended) to the reasonable satisfaction of the Offeror acting reasonably that she is of the view that, at that time, grounds do not exist to initiate proceedings before the Canadian Competition Tribunal under the merger provisions of the Canadian Competition Act with respect to the purchase of the Common Shares by the Offeror (or words to that effect). See Section 4 of the Offer, “Conditions of the Offer”. The Offeror has made an application for an ARC.

Investment Canada Act

Under the Investment Canada Act, a transaction exceeding certain financial thresholds, and which involves the acquisition of control of a Canadian business by a non-Canadian, may be subject to review (a “**Reviewable Transaction**”) and in such a case cannot be implemented unless the Minister responsible for the Investment Canada Act (the “**Minister**”) is satisfied that the transaction is likely to be of “net benefit to Canada”. An application for review must be filed with the Director of Investments prior to the implementation of the Reviewable Transaction. The Minister is then required to determine whether the Reviewable Transaction is likely to be of net benefit to Canada taking into account, among other things, certain factors specified in the Investment Canada Act and any written undertakings that may have been given by the applicant. The Investment Canada Act contemplates an initial review period of up to 45 days after filing; however, if the Minister has not completed the review by that date, the Minister may unilaterally extend the review period by up to 30 days to permit completion of the review.

The prescribed factors of assessment to be considered by the Minister include, among other things, the effect of the investment on the level and nature of economic activity in Canada (including the effect on employment, resource processing, utilization of Canadian products and services and exports), the degree and significance of participation by Canadians in the acquired business, the effect of the investment on productivity, industrial efficiency, technological development, product innovation and product variety in Canada, the effect of industrial, economic and cultural policies (taking into consideration corresponding provincial policies), and the contribution of the investment to Canada’s ability to compete in world markets. If the Minister is not satisfied that the Reviewable Transaction is likely to be of net benefit to Canada, the Reviewable Transaction may not be implemented.

The obligation of the Offeror to complete the Offer is, among other things, subject to the condition that any required approval under the Investment Canada Act shall have been obtained or concluded on terms satisfactory to the Offeror in its sole judgment. See Section 4 of the Offer, “Conditions of the Offer”. The Offeror has filed an application for review with the Director of Investments.

Merger Regulation in the European Union

The EC Merger Regulation imposes a pre-merger notification requirement on all transactions that qualify as concentrations and meet one of two specified financial thresholds, namely: (A) (i) the combined worldwide turnover of all “undertakings concerned” by the transaction exceeds Euro(€) 5.0 billion, and (ii) the European Community (“**Community**”)-wide turnover of each of at least two of the undertakings concerned exceeds €250.0 million; unless each of the undertakings concerned generates more than two-thirds of its Community-wide turnover within the same Community member state or (B) (i) the combined worldwide turnover of all undertakings concerned exceeds €2.5 billion, (ii) the combined turnover of all undertakings concerned exceeds €100.0 million in each of at least three Community member states, (iii) each of at least two undertakings concerned generates more than €25.0 million turnover in each of at least three of the Community member states identified in step (ii), and (iv) each of at least two undertakings concerned generates more than €100.0 million turnover within the Community; unless each of the undertakings concerned generates more than two-thirds of its Community-wide turnover within the same Community member state.

A transaction that meets either one of these thresholds must be notified to the European Commission (“**EC**”) before it is implemented and cannot be implemented until it has been cleared by the EC. Where the EC Merger Regulation applies, subject to limited exceptions, the EC has exclusive merger control jurisdiction over the transaction within the European Union.

Likewise, where the EC Merger Regulation applies, subject to limited exceptions, the states that are signatories to the European Economic Area (“**EEA**”) Agreement (Iceland, Liechtenstein and Norway, the “**EFTA States**”) are not entitled to review the transaction under their respective domestic merger control rules. In certain circumstances where the transaction has effects within the EFTA States, the EC will exchange information and consult with the EFTA Surveillance Authority, a body established under the EEA Agreement.

Following notification, by means of a “Form CO”, the EC has 25 working days in which to undertake its initial review of the transaction (generally known as a “phase I investigation”; that period may be increased to 35 working days if an EC member state’s competition authority requests jurisdiction over the transaction or the parties offer commitments) to resolve any competition concerns. If, following its initial review, the EC has “serious doubts” as to whether the transaction threatens to “significantly impede effective competition” in the Community, it will initiate formal proceedings (generally known as a “phase II” investigation). Such proceedings last up to: (a) 90 working days from initiation of a phase II investigation, (b) 105 working days from initiation of a phase II investigation, if the parties offer commitments on or after the 55th working day following initiation of a phase II investigation, (c) within 110 working days from initiation of a phase II investigation, if (i) the EC agrees to an extension of time with the parties, or (ii) the parties request an extension within the first 15 days from initiation of proceedings, or (d) 125 working days from initiation of a phase II investigation if the parties offer commitments on or after the 55th working day following initiation of a phase II investigation and (i) the EC agrees to an extension of time with the parties or (ii) the parties request an extension of time within 15 days from initiation of a phase II investigation.

The time periods are exceptionally suspended where, owing to circumstances for which one of the parties involved in the transaction is responsible, the EC has to request information by decision or to order an on-site inspection.

If, following a phase II investigation, the EC concludes that the transaction would significantly impede effective competition in the Community, unless suitable remedies are offered by the parties, it will be blocked. Such decisions are appealable to the European Court of First Instance.

Xstrata’s proposed acquisition of control of LionOre does not satisfy either of the jurisdictional thresholds of the EC Merger Regulation (the conditions in either (A) or (B) above). Transactions that do not trigger a filing requirement under the EC Merger Regulation may still trigger a pre-merger notification requirement in one or more EU Member States and/or EFTA States and will need to be notified to and cleared prior to implementation by the Member State Agencies of those EU Member States and EFTA States where filings are required. Member State Agencies generally have up to approximately one month to review the transaction (this period may be extended if the parties offer commitments to resolve any competition concerns). If following this initial review, a Member State Agency identifies substantive competition concerns that have not been resolved,

the review period will be extended for an additional period of up to approximately three to five months. If, following an extended review, a Member State Agency concludes that the transaction raises competition concerns that have not been resolved, the Member State Agency may block the transaction. Such decisions are appealable to relevant national courts or tribunals.

Where the acquisition triggers filings at EU Member State level, the relevant Member State Agencies may request the EC to examine the transaction even though the transaction does not meet the jurisdictional thresholds of the EC Merger Regulation. EFTA States may join such requests. Such referral requests can be made only where the transaction affects trade between EU Member States and threatens to significantly affect competition within the territory of the relevant Member State or States making the request. The request will have to be made at most within 15 working days of the date on which the transaction was notified to the relevant Member State Agencies, or if no notification is required, otherwise made known to the Member State concerned. The EC will inform Member State Agencies and the notifying parties of any request received without delay. Where a referral request is made, all national time limits relating to the review of the transaction shall be suspended until it has been decided where the transaction shall be examined.

The EC may, at the latest 10 working days after the expiry of the period referred to above, decide to examine the transaction where it considers that the transaction affects trade between EU Member States and threatens to significantly affect competition within the territory of the Member State or States making the request. If the EC does not take a decision within this period, it shall be deemed to have adopted a decision to examine the transaction in accordance with the request. Upon accepting such a request, the EC may request the parties to submit a “Form CO” notification. The Member State or States making the request will no longer apply their national legislation on competition to the transaction. The EC timelines explained above will apply where the EC requests the parties to submit a “Form CO” from the date of submission of the notification, and will apply from the working day following the day on which the EC informs the parties that it has decided to review the transaction where a “Form CO” notification has not been requested. Transactions that are reviewed by the EC cannot be implemented prior to being cleared (or deemed cleared) by the EC.

Trade Practices Act 1974 (Australia)

Section 50 of the primary Australian competition/anti-trust legislation, the *Trade Practices Act 1974* (Cth) (“TPA”) prohibits a corporation from acquiring, directly or indirectly, shares or assets if the acquisition would have the effect, or be likely to have the effect, of substantially lessening competition in a market in Australia, or a State, Territory or region of Australia.

There is no mandatory pre-merger notification procedure in Australia and only the Australian competition regulator, the Australian Commission, has the power to seek an injunction to prevent the implementation of a merger. Although third parties technically have a right to seek a declaration in the Australian Federal Court that a merger contravenes the mergers test, this rarely occurs.

Accordingly, if parties to a proposed merger require regulatory comfort that the Australian Commission will not intervene, they may consider seeking:

- an informal (non-statutory) clearance decision from the Australian Commission. An informal clearance decision from the Australian Commission takes the form of a non-binding “no action” letter, indicating that on the basis of the information before it, the Australian Commission does not intend to oppose the merger. As the informal merger clearance process is not statutory, it does not benefit from stipulated timeframes. However, the Australian Commission Merger Review Process Guidelines state that the Australian Commission will typically reach a decision within 6 to 8 weeks once a merger proposal is in the public domain, although that indicative timeframe may be extended by a longer period if the merger proposal gives rise to issues; or
- a formal (statutory) binding clearance decision from the Australian Commission that a merger does not contravene the mergers test. A clearance decision granted pursuant to the formal merger clearance process is binding and confers statutory immunity from proceedings from any third party. The Australian Commission has 40 business days in which to make a decision. This may be extended for a longer period, by agreement with the parties during the initial 40 business day time period, or unilaterally by the

Australian Commission for an additional 20 business days. If the Australian Commission does not formally clear the merger within that time period, it is deemed to have made a decision not to clear the merger. A negative decision is also subject to a limited merits review, essentially “on the papers” before the Australian Competition Tribunal (“**Australian Tribunal**”); or

- a merger authorization from the Australian Tribunal. The Australian Tribunal may only grant a merger authorization if the parties are able to demonstrate that the proposed merger will give rise to net public benefits that outweigh any public detriments which flow from any lessening of competition. The Australian Tribunal must make its decision within 3 months, or within 6 months if the merger raises complex issues.

All procedural options are voluntary.

If merger parties consider that a proposed merger is unlikely to give rise to any concerns under the mergers test, they may also consider informing the Australian Commission of the proposal as a matter of courtesy. This procedural option does not involve seeking a decision from the Australian Commission, although in practice the Australian Commission will typically review a merger that is brought to its attention on a courtesy basis. If the merger is in the public domain, this review usually involves the Australian Commission seeking the views of any interested third parties.

The Offeror considers that no material competition/anti-trust issues are likely to arise in Australia in relation to the Offer. The Offeror has therefore informed the Australian Commission of the Offer on a courtesy basis. The Australian Commission has established an indicative timeline for interested third parties to provide the Australian Commission with comments in relation to the Offer, before the Australian Commission reaches a concluded view.

Foreign Acquisitions and Takeovers Act 1975 (Australia)

Foreign investment in Australia is regulated principally under Federal legislation, including the *Foreign Acquisitions and Takeovers Act 1975* (“**FATA**”), and by Australia’s Foreign Investment Policy (“**Policy**”). The Federal Treasurer is ultimately responsible for all decisions relating to foreign investment and to the administration of the Policy. The Treasurer is advised and assisted by the Foreign Investment Review Board (“**FIRB**”), which administers the FATA in accordance with the Policy. The FIRB is an administrative body with no statutory existence, and the FATA makes no reference to it. However, the Policy confirms its role. All decisions by the Treasurer relating to a foreign investment proposal are underpinned by analysis and recommendation by the FIRB.

The test applied by the Treasurer in determining whether to provide a “statement of no objection” to a proposal is whether it is contrary to the national interest. Proposals normally receive no objection unless they are judged contrary to the national interest. There is no definition of the national interest, it is assessed on a case-by-case basis. Nevertheless, where a proposal such as this involves foreign persons in an offshore take-over, the Policy states that such proposals do not raise issues that make the transaction contrary to the national interest. Where issues are raised, the Australian Government would seek to resolve any concerns through consultations with the parties involved.

Under the FATA, the Treasurer has the power to make adverse orders in respect to proposals where he considers the proposal to be contrary to the national interest. The threshold for the activation of the Treasurer’s powers in an offshore take-over is where the offshore target has Australian assets and the gross value of those assets is A\$200 million or more and the Australian assets represent less than half of the total assets of the offshore target.

The purchase of the Common Shares contemplated by the Offer is a proposal that may activate the Treasurer’s powers under the FATA as LionOre has Australian assets valued at in excess of the A\$200 million threshold. As a result, notification to the Treasurer should be made seeking a statement of no objection to the proposal. Accordingly, completion of the acquisition of the Common Shares pursuant to the Offer is conditional upon the Offer receiving a statement of no objection under the FATA. The Offeror has received a statement of no objection under the FATA.

SA Competition Act

The SA Competition Act imposes a pre-merger notification requirement on all transactions that fall within the definition of “merger” in the SA Competition Act and meet the prescribed asset or turnover notification thresholds. A transaction is categorized as a small, intermediate or large merger, depending on the relevant thresholds that are met. The purchase of the Common Shares contemplated by the Offer constitutes a large merger.

A large merger is notified to the Competition Commission (“**SA Commission**”), which investigates the merger and makes a recommendation to South Africa’s Competition Tribunal (“**SA Tribunal**”), but requires the final approval of the SA Tribunal. The SA Commission has an initial period of 40 business days to investigate the proposed transaction and submit a recommendation (“**Merger Referral**”) regarding the transaction to the SA Tribunal. The SA Commission can, however, before the expiry of the initial 40 business day period, apply to the SA Tribunal for an extension of this 40 business day period by 15 business days at a time. Once the SA Tribunal receives the SA Commission’s Merger Referral, the Registrar of the SA Tribunal must schedule a date and a time for a hearing in respect of the merger (or, if necessary, a pre-hearing conference) within 10 business days after the filing of a Merger Referral. The SA Tribunal must then give a decision within 10 business days after the end of the hearing.

A merger assessment by the competition authorities entails three distinct inquiries: a competition inquiry, an inquiry into the technological, efficiency and pro-competitive effects of the transaction, and a public interest inquiry.

In terms of the competition inquiry, the competition authorities determine whether the merger is likely to substantially prevent or lessen competition in the relevant market(s). If the merger is found to substantially prevent or lessen competition, the competition authorities determine whether the merger is likely to result in any technological, efficiency or other pro-competitive gains that outweigh its anticompetitive effects. If so, the merger will be approved provided it can be justified on the public interest grounds referred to below.

Regardless of the outcome of the competition inquiry or the inquiry into the technological, efficiency or pro-competitive effects of the merger, the competition authorities also consider whether the merger can or cannot be justified on substantial public interest grounds by assessing the effect that the merger will have on: (a) a particular industrial sector or region; (b) employment; (c) the ability of small businesses, or firms controlled by historically disadvantaged persons, to become competitive; and (d) the ability of national industries to compete in international markets.

16. Information Concerning Securities of LionOre

Previous Distributions and Purchases of Common Shares

Based solely on publicly available information, Xstrata and the Offeror believed that during the five most recently completed fiscal years preceding the date of the Offer, LionOre has not distributed or purchased any Common Shares (excluding Common Shares distributed pursuant to the exercise of Options), except for the following distributions:

<u>Period</u>	<u>Securities Issued</u>	<u>Price Per Security</u>	<u>Aggregate Gross Proceeds to LionOre</u>
2002	Issuance of 1,136,572 Common Shares on the conversion of convertible debentures.	N/A	N/A
	Issuance of 27,500,000 special warrants, exercisable into an equal number of Common Shares.	\$3.65	\$100,375,000
	Issuance of 7,708,327 Common Shares on the conversion of convertible debentures.	N/A	N/A
	Issuance of 27,500,000 Common Shares on the exercise of special warrants.	N/A	N/A
	Issuance of 7,500,000 Common Shares.	\$4.00	\$30,000,000
2003	Issuance of 4,000,000 Common Shares.	\$5.75	\$23,000,000
	Issuance of 24,989,396 Common Shares as consideration for the acquisition of Dalrymple Resources NL.	N/A	N/A
	Issuance of 115,500 Common Shares on the exercise of share purchase warrants.	\$2.00	\$231,100
2004	Issuance of 1,001,000 Common Shares on the exercise of share purchase warrants.	N/A	N/A
2005	Issuance of 21,691,295 Common Shares as consideration for the acquisition of MPI Mines Limited.	N/A	N/A

LionOre Dividends

Based solely on publicly available information, LionOre has not declared or paid any dividends in the three fiscal years preceding the date of the Offer. According to LionOre's annual information form dated March 29, 2007, LionOre has no fixed dividend policy, and any decision to pay dividends on the Common Shares will be made by the LionOre Board of Directors based on economic conditions, LionOre's operating performance and capital requirements.

Effect of the Offer on the Market for and Listing of Common Shares and Status as a Reporting Issuer

The purchase of Common Shares by the Offeror pursuant to the Offer will reduce the number of Common Shares that might otherwise trade publicly and will reduce the number of Shareholders and, depending on the number of Common Shares acquired by the Offeror, could materially adversely affect the liquidity and market value of any remaining Common Shares held by the public.

The rules and regulations of the TSX establish certain criteria which, if not met, could, upon successful completion of the Offer, lead to the delisting of the Common Shares from the TSX. Among such criteria is the number of Shareholders, the number of Common Shares publicly held and the aggregate market value of the Common Shares publicly held. Depending on the number of Common Shares purchased under the Offer, it is possible that the Common Shares would fail to meet the criteria for continued listing on the TSX. If this were to happen, the Common Shares could be delisted and this could, in turn, adversely affect the market or result in a lack of an established market for such Common Shares. If permitted by applicable Laws, subsequent to completion of the Offer or any Compulsory Acquisition or Subsequent Acquisition Transaction, if necessary, the Offeror intends to apply to delist the Common Shares from the TSX. If the Common Shares are delisted from the TSX, the extent of the public market for the Common Shares and the availability of price or other

quotations would depend upon the number of Shareholders, the number of Common Shares publicly held and the aggregate market value of the Common Shares remaining at such time, the interest in maintaining a market in Common Shares on the part of securities firms, whether LionOre remains subject to public reporting requirements in Canada and the United States and other factors.

The Offeror currently intends to promote a delisting of the Common Shares from the London Stock Exchange and the Botswana Stock Exchange if the conditions in Section 4 of the Offer, “Conditions to the Offer”, have been met. In connection with such delisting from the London Stock Exchange, LionOre will be required by the Listing Rules of the Financial Services Authority in the United Kingdom to publish an announcement, by notifying a regulatory information service, giving at least 20 U.K. business days’ notice of the intended listing cancellation.

In February 2007, LionOre announced its intention to delist from the Australian Securities Exchange. LionOre indicated that the financial, administrative and compliance costs associated with the listing on the Australian Securities Commission were no longer considered to be justified. The delisting is proposed to take effect from June 5, 2007.

17. Certain Canadian Federal Income Tax Considerations

In the opinion of Davies Ward Phillips & Vineberg LLP, counsel to the Offeror, the following summary describes the principal Canadian federal income tax considerations generally applicable to a Shareholder who sells Common Shares pursuant to the Offer or otherwise disposes of Common Shares pursuant to certain transactions described under the heading “Acquisition of Common Shares not Deposited” in Section 12 of the Circular.

This summary is based on the current provisions of the *Income Tax Act* (Canada) (“**Tax Act**”) and the regulations thereunder in force as of the date hereof, and counsel’s understanding, based on publicly available materials published in writing prior to the date hereof, of the current administrative practices of the Canada Revenue Agency (the “**CRA**”). This summary also takes into account all specific proposals to amend the Tax Act and the regulations thereunder publicly announced by or on behalf of the Minister of Finance (Canada) prior to the date hereof (the “**Tax Proposals**”), and assumes that all Tax Proposals will be enacted in the form proposed. However, there can be no assurance that the Tax Proposals will be enacted in their current form, or at all. This summary is not exhaustive of all possible Canadian federal income tax considerations and, except for the Tax Proposals, does not take into account or anticipate any changes in law or administrative practice, whether by judicial, governmental or legislative decision or action, or changes in administrative policies of CRA, nor does it take into account or consider other federal or any provincial, territorial or foreign tax considerations, which may differ significantly from the Canadian federal income tax considerations described herein.

This summary is not applicable to a Shareholder that is a “financial institution” as defined in the Tax Act for the purposes of the “mark-to-market” rules, to a Shareholder that is a “specified financial institution” as defined in the Tax Act, to a Shareholder an interest in which is, or for whom a Common Share would be, a “tax shelter investment” as defined in the Tax Act or to a Shareholder who has acquired Common Shares on the exercise of Options or pursuant to the Long Term Incentive Plan. Such Shareholders should consult their own tax advisors.

All amounts relating to the acquisition or disposition of Common Shares must be determined in Canadian dollars for purposes of the Tax Act.

This summary is of a general nature only and is not intended to be, nor should it be construed to be, legal or tax advice to any particular Shareholder. This summary is not exhaustive of all federal income tax considerations. Consequently, Shareholders are urged to consult their own tax advisors for advice regarding the income tax consequences to them of disposing of their Common Shares having regard to their own particular circumstances, including the application and effect of the income and other tax laws of any national, provincial, state or local tax authority. In addition, holders of Options, holders of other Convertible Securities and holders of LTIP Entitlements should consult their own tax advisors having regard to their own personal circumstances.

Shareholders Resident in Canada

The following portion of the summary is generally applicable to a Shareholder who, at all relevant times, for purposes of the Tax Act and any applicable income tax treaty is, or is deemed to be, resident in Canada, deals at arm's length with and is not affiliated with Xstrata, the Offeror or LionOre and holds Common Shares as capital property (a "**Resident Holder**"). Common Shares will generally be considered to be capital property to a Shareholder unless the Shareholder holds such Common Shares in the course of carrying on a business or acquired them in a transaction or transactions considered to be an adventure or concern in the nature of trade. In certain circumstances, a Shareholder whose Common Shares might not otherwise be considered capital property may make an irrevocable election under subsection 39(4) of the Tax Act to have the Common Shares and all other "Canadian securities" (as defined in the Tax Act) owned by such Shareholder in the taxation year in which the election is made and in all subsequent taxation years deemed to be capital property. Shareholders who may not hold their Common Shares as capital property should consult their own tax advisors regarding their particular circumstances.

Sale Pursuant to the Offer

A Resident Holder who disposes of Common Shares to the Offeror pursuant to the Offer will realize a capital gain (or capital loss) equal to the amount by which the proceeds of disposition of the Common Shares, net of any reasonable costs of disposition, exceed (or are less than) the adjusted cost base of the Common Shares to the Resident Holder.

Generally, a Resident Holder is required to include in computing its income for a taxation year one-half of the amount of any capital gain (a "taxable capital gain") realized in such taxation year. Subject to and in accordance with the provisions of the Tax Act, a Resident Holder is required to deduct one-half of the amount of any capital loss (an "allowable capital loss") realized in a taxation year from taxable capital gains realized by the Resident Holder in the year. Allowable capital losses in excess of taxable capital gains for the year may be carried back and deducted in any of the three preceding years or carried forward and deducted in any subsequent year against net taxable capital gains realized in such years in the circumstances described in the Tax Act.

Capital gains realized by individuals and certain trusts may give rise to a liability for alternative minimum tax under the Tax Act.

The amount of any capital loss realized by a Resident Holder that is a corporation on the disposition of a Common Share may be reduced by the amount of dividends previously received or deemed to have been received on such Common Share, subject to and in accordance with the provisions of the Tax Act. Similar rules may apply to a partnership or trust of which a corporation, trust or partnership is a member or beneficiary. Such Resident Holders should consult their own tax advisors regarding these rules.

A Resident Holder that is throughout the year a "Canadian-controlled private corporation" as defined in the Tax Act may be liable to pay an additional refundable tax of 6 $\frac{2}{3}$ % on certain investment income, including taxable capital gains.

Compulsory Acquisition

As described under Section 12 of this Circular, "Acquisition of Common Shares not Deposited — Compulsory Acquisition", the Offeror may, in certain circumstances, acquire Common Shares pursuant to Section 206 of the CBCA. A Resident Holder disposing of Common Shares pursuant to a Compulsory Acquisition will realize a capital gain (or capital loss) generally calculated in the same manner and with the tax consequences as described above under "Sale Pursuant to the Offer".

A Resident Holder who dissents in a Compulsory Acquisition and is entitled to receive from the Offeror the fair value of its Common Shares will be considered to have disposed of the Common Shares for proceeds of disposition equal to the amount fixed as such by the Court (not including the amount of interest awarded by the Court). As a result, such dissenting Resident Holder will realize a capital gain (or a capital loss) generally calculated in the same manner and with the tax consequences as described above under "Sale Pursuant to the Offer".

Any interest awarded to a dissenting Resident Holder by the Court must be included in computing such Resident Holder's income for the purposes of the Tax Act.

A Resident Holder that is throughout the year a "Canadian-controlled private corporation" as defined in the Tax Act may be liable to pay an additional refundable tax of 6⅓% on certain investment income, including interest and taxable capital gains.

Subsequent Acquisition Transaction

As described under Section 12 of this Circular, "Acquisition of Common Shares not Deposited — Subsequent Acquisition Transaction", if the compulsory acquisition provisions of Section 206 of the CBCA are not utilized, the Offeror may propose other means of acquiring the remaining issued and outstanding Common Shares. A Subsequent Acquisition Transaction may be effected by an amalgamation, statutory plan of arrangement, reorganization, consolidation, recapitalization or other transaction. The tax treatment of a Subsequent Acquisition Transaction to a Resident Holder will depend upon the exact manner in which the Subsequent Acquisition Transaction is carried out. Resident Holders should consult their own tax advisors for advice with respect to the income tax consequences to them of having their Common Shares acquired pursuant to a Subsequent Acquisition Transaction.

By way of example, a Subsequent Acquisition Transaction could be implemented by means of an amalgamation of LionOre with the Offeror and/or one or more of its affiliates pursuant to which Resident Holders who had not tendered their Common Shares under the Offer would have their Common Shares exchanged on the amalgamation for redeemable preference shares of the amalgamated corporation ("**Redeemable Shares**"), which would thereafter be immediately redeemed for cash. In those circumstances, a Resident Holder would not realize a capital gain or capital loss as a result of such exchange of Common Shares for Redeemable Shares, and the cost of the Redeemable Shares received would be the aggregate adjusted cost base of the Common Shares to the Resident Holder immediately before the amalgamation.

Upon redemption of its Redeemable Shares, the Resident Holder would be deemed to have received a dividend (subject to the potential application of subsection 55(2) of the Tax Act to Resident Holders that are corporations, as discussed below) equal to the amount by which the redemption price of the Redeemable Shares exceeds their paid-up capital for purposes of the Tax Act. The difference between the redemption price and the amount of the deemed dividend would be treated as proceeds of disposition of such shares for purposes of computing any capital gain or capital loss arising on the redemption of such shares.

Subsection 55(2) of the Tax Act provides that where a Resident Holder that is a corporation is deemed to receive a dividend under the circumstances described above, all or part of the deemed dividend may be treated instead as proceeds of disposition of the Redeemable Shares for the purpose of computing the Resident Holder's capital gain on the redemption of such shares. Accordingly, Resident Holders that are corporations should consult their own tax advisors for specific advice with respect to the potential application of this provision.

A Resident Holder that is a "private corporation" or a "subject corporation" (as such terms are defined in the Tax Act) may be liable to pay the 33⅓% refundable tax under Part IV of the Tax Act on dividends deemed to be received on the Redeemable Shares to the extent that such dividends are deductible in computing the Resident Holder's taxable income.

In the case of a Resident Holder who is an individual, dividends deemed to be received as a result of the redemption of the Redeemable Shares will be included in computing the Resident Holder's income and will be subject to the gross-up and dividend tax credit rules normally applicable to taxable dividends paid by a taxable Canadian corporation, including the enhanced gross-up and dividend tax credit for "eligible dividends" paid after 2005. There can be no assurance that any deemed dividend will be an eligible dividend.

Pursuant to the current administrative practice of the CRA, a Resident Holder who exercises his or her statutory right of dissent in respect of an amalgamation would be considered to have disposed of his or her Common Shares for proceeds of disposition equal to the amount paid by the amalgamated corporation to the dissenting Resident Holder (other than interest awarded by the Court).

Qualified Investment

As described under Section 16 of this Circular, “Information Concerning Securities of LionOre — Effect of the Offer on the Market for and Listing of Common Shares and Status as a Reporting Issuer”, the Common Shares may cease to be listed on the TSX, the London Stock Exchange and the Australian Securities Exchange following the completion of the Offer and, in the case of the Australian Securities Exchange, pursuant to LionOre’s previously announced intention to delist. Resident Holders are cautioned that the Common Shares will cease to be qualified investments for trusts governed by registered retirement savings plans, registered retirement income funds and deferred profit sharing plans at any time at which the Common Shares are not listed on a prescribed stock exchange (which currently includes the TSX, the London Stock Exchange and the Australian Securities Exchange) and LionOre ceases to be a “public corporation” for purposes of the Tax Act, and will cease to be qualified investments for trusts governed by registered education savings plans at the end of the calendar year following the year in which LionOre ceases to be a “public corporation” for purposes of the Tax Act.

Shareholders Not Resident in Canada

The following portion of the summary is generally applicable to a Shareholder who, at all relevant times, for purposes of the Tax Act and any applicable income tax treaty, is neither resident nor deemed to be resident in Canada, deals at arm’s length with and is not affiliated with Xstrata, the Offeror or LionOre, holds the Common Shares as capital property and does not use or hold, and is not deemed to use or hold, Common Shares in connection with carrying on a business in Canada (a “**Non-Resident Holder**”). Special rules, which are not discussed in this summary, may apply to a non-resident Shareholder that is an insurer for which Common Shares are “designated insurance property” under the Tax Act.

Disposition of Common Shares Pursuant to the Offer or a Compulsory Acquisition

A Non-Resident Holder who disposes of Common Shares pursuant to the Offer or a Compulsory Acquisition will realize a capital gain or a capital loss computed in the manner described above under “— Shareholders Resident in Canada — Sale Pursuant to the Offer”. A Non-Resident Holder will not be subject to tax under the Tax Act on any capital gain realized on the disposition of Common Shares pursuant to the Offer, a Compulsory Acquisition or the exercise of dissent rights under a Compulsory Acquisition unless the Common Shares constitute “taxable Canadian property” to the Non-Resident Holder and do not constitute “treaty-protected property”.

Generally, a Common Share will not constitute “taxable Canadian property” to a Non-Resident Holder at a particular time, provided that (a) such Common Share is listed at that time on a prescribed stock exchange (which currently includes the TSX, the London Stock Exchange and the Australian Securities Exchange) (or, at a time following royal assent to the relevant Tax Proposals, on a “designated stock exchange”, which will include all existing stock exchanges that are prescribed stock exchanges), (b) the Non-Resident Holder, persons with whom the Non-Resident Holder does not deal at arm’s length, or the Non-Resident Holder together with such persons, did not own 25% or more of the shares of any class or series of LionOre at any time within the 60-month period immediately preceding that time, and (c) such Common Share is not deemed to be taxable Canadian property to such Non-Resident Holder for purposes of the Tax Act. See “Delisting of Common Shares Following Completion of the Offer” below, in the case where Common Shares are delisted prior to a Compulsory Acquisition.

Even if the Common Shares are taxable Canadian property to a Non-Resident Holder, a taxable capital gain resulting from the disposition of the Common Shares will not be included in computing the Non-Resident Holder’s income for purposes of the Tax Act if the Common Shares constitute “treaty-protected property”. Common Shares owned by a Non-Resident Holder will generally be “treaty-protected property” if the gain from the disposition of such property would, because of an applicable income tax treaty, be exempt from tax under Part I of the Tax Act. By way of example, under the Canada-U.S. Income Tax Convention (the “**U.S. Treaty**”), a Non-Resident Holder who is a resident of the United States for the purposes of the Tax Act and the U.S. Treaty will generally be exempt from tax in Canada in respect of a gain realized on the disposition of the Common Shares provided the value of such shares is not derived principally from real property situated in Canada. In the

event that Common Shares constitute taxable Canadian property but not treaty-protected property to a particular Non-Resident Holder, the tax consequences as described above under “Residents of Canada — Sale Pursuant to the Offer” will generally apply. A Non-Resident Holder who disposes of “taxable Canadian property” must file a Canadian income tax return for the year in which the disposition occurs, regardless of whether the Non-Resident Holder is liable to Canadian tax on any gain realized as a result.

Any interest awarded by the Court and paid or credited to a Non-Resident Holder exercising its right to dissent in respect of a Compulsory Acquisition will be subject to Canadian withholding tax at the rate of 25%, subject to reduction pursuant to the provisions of an applicable income tax treaty. Where the Non-Resident Holder is entitled to the benefit of the U.S. Treaty, by way of example, and is the beneficial owner of the interest, at this time, the applicable rate is generally reduced to 10%. If enacted, once effective, relevant Tax Proposals will eliminate Canadian withholding tax on interest paid or credited to a Non-Resident Holder.

Disposition of Common Shares Pursuant to a Subsequent Acquisition Transaction

As described under Section 12 of this Circular, “Acquisition of Common Shares not Deposited — Subsequent Acquisition Transaction”, the Offeror reserves the right to use all reasonable efforts to acquire the balance of Common Shares not acquired pursuant to the Offer or by Compulsory Acquisition. A Subsequent Acquisition Transaction may be effected by an amalgamation, statutory plan of arrangement, reorganization, consolidation, recapitalization, or other transaction. The Canadian federal income tax consequences of a Subsequent Acquisition Transaction to a Non-Resident Holder will depend upon the exact manner in which the Subsequent Acquisition Transaction is carried out and may be substantially the same as, or materially different from, those described above. See “Delisting of Common Shares Following Completion of the Offer” below, in the case where Common Shares are delisted prior to a Subsequent Acquisition Transaction.

A Non-Resident Holder may realize a capital gain (or a capital loss) and/or a deemed dividend on the disposition of Common Shares pursuant to a Subsequent Acquisition Transaction. Capital gains and capital losses realized by a Non-Resident Holder in connection with a Subsequent Acquisition Transaction will be subject to taxation in the manner described above under “Non-Residents of Canada — Disposition of Common Shares Pursuant to the Offer or a Compulsory Acquisition”. Dividends paid or deemed to be paid to a Non-Resident Holder will be subject to Canadian withholding tax at a rate of 25%, subject to reduction pursuant to the provisions of an applicable income tax treaty. Where the Non-Resident Holder is entitled to the benefits under the U.S. Treaty, by way of example, and is the beneficial owner of the dividends, the applicable rate is generally reduced to 15%.

Any interest paid to a Non-Resident Holder exercising its right to dissent in respect of a Subsequent Acquisition Transaction will be subject to Canadian withholding tax at the rate of 25%, subject to reduction pursuant to the provisions of an applicable income tax treaty. Where the Non-Resident Holder is entitled to the benefit of the U.S. Treaty, by way of example, and is the beneficial owner of the interest, at this time, the applicable rate is generally reduced to 10%. If enacted, once effective, relevant Tax Proposals will eliminate Canadian withholding tax on interest paid or credited to a Non-Resident Holder.

Delisting of Common Shares Following Completion of the Offer

As described under Section 16 of this Circular, “Information Concerning Securities of LionOre — Effect of the Offer on the Market for and Listing of Common Shares and Status as a Reporting Issuer”, the Common Shares may cease to be listed on the TSX, the London Stock Exchange and the Australian Securities Exchange following the completion of the Offer (and, in the case of the Australian Securities Exchange, pursuant to LionOre’s previously announced intention to delist) and may not be listed on any such exchange at the time of their disposition pursuant to a Compulsory Acquisition or a Subsequent Acquisition Transaction. Non-Resident Holders are cautioned that if the Common Shares are not listed on a prescribed stock exchange (which currently includes the TSX, the London Stock Exchange and the Australian Stock Exchange) at the time they are disposed of (or, for dispositions following royal assent to the relevant Tax Proposals, on a “designated stock exchange”, which will include all existing stock exchanges that are prescribed stock exchanges):

- (a) the Common Shares will generally be taxable Canadian property for Non-Resident Holders;

- (b) Non-Resident Holders will be required to file a Canadian income tax return for the year in which the disposition (or any deemed disposition) occurs regardless of whether the Non-Resident Holder is liable to Canadian tax on any gain realized as a result;
- (c) Non-Resident Holders may be subject to income tax under the Tax Act in respect of any capital gain realized on such disposition (unless the Common Shares constitute “treaty-protected property”, as described above); and
- (d) the notification and withholding provisions of section 116 of the Tax Act will apply to Non-Resident Holders, in which case the Offeror may be required to deduct or withhold an amount from any payment made to a Non-Resident Holder in respect of the acquisition of Common Shares (unless, for dispositions following royal assent to Tax Proposals, the Common Shares are listed on a “recognized stock exchange”).

18. Certain United States Federal Income Tax Considerations

The following is a general discussion of certain material United States federal income tax considerations generally applicable to U.S. Shareholders (as defined below) with respect to the disposition of Common Shares pursuant to the Offer (or a Compulsory Acquisition). This summary is based upon the United States Internal Revenue Code of 1986, as amended (the “Code”), Treasury Regulations, administrative pronouncements, and judicial decisions, in each case as in effect on the date hereof, all of which are subject to change (possibly with retroactive effect). No ruling will be requested from the U.S. Internal Revenue Service (the “IRS”) regarding the tax consequences of the Offer (or a Compulsory Acquisition) and there can be no assurance that the IRS will agree with the discussion set forth below. The discussion does not address aspects of United States federal taxation other than income taxation, nor does it address aspects of United States federal income taxation that may be applicable to particular shareholders, including but not limited to shareholders who are dealers in securities, life insurance companies, tax-exempt organizations, banks, foreign persons, persons who hold Common Shares through partnerships or other pass-through entities, persons who own, directly or indirectly, 5% or more, by voting power or value, of the outstanding shares of LionOre or Xstrata, persons whose functional currency is not the U.S. dollar or who acquired their Common Shares in a compensatory transaction and persons who hold Common Shares as part of a straddle, hedge, constructive sale or other integrated transaction for tax purposes. This summary is limited to persons who hold their Common Shares as a “capital asset” within the meaning of Section 1221 of the Code. The discussion does not address the United States federal income tax consequences to holders of options to purchase Common Shares or holders of stock or securities convertible or exchangeable into Common Shares. In addition, it does not address state, local or foreign tax consequences. U.S. Shareholders are urged to consult their tax advisors with respect to the United States federal, state, local and foreign tax consequences to their particular situations of the Offer (or a Compulsory Acquisition) or other transactions described in Section 12 of this Circular, “Acquisition of Common Shares not Deposited”.

As used herein, the term “U.S. Shareholder” means a beneficial owner of Common Shares that is, for United States federal income tax purposes (i) a citizen or resident of the United States; (ii) a corporation, or other entity taxable as a corporation created or organized under the laws of the United States or any political subdivision thereof or therein; (iii) an estate the income of which is subject to United States federal income taxation regardless of its source; or (iv) a trust if a United States court is able to exercise primary jurisdiction over administration of the trust and one or more United States persons have authority to control all substantial decisions of the trust, or the trust has elected to be treated as a U.S. person.

Disposition of Common Shares

Subject to the discussion below under “Passive Foreign Investment Companies”, a U.S. Shareholder who sells Common Shares in the Offer (or a Compulsory Acquisition) generally will recognize gain or loss for United States federal income tax purposes equal to the difference, if any, between the amount of cash received (other than amounts, if any, received in a Compulsory Acquisition that are or are deemed to be interest for United States federal income tax purposes, which will be treated as ordinary income) and the U.S. Shareholder’s adjusted tax basis in the Common Shares sold in the Offer or the Compulsory Acquisition. The gain or loss will

be capital gain or loss, and, for non-corporate U.S. shareholders will be subject to a maximum United States federal income tax rate of 15% if the Common Shares were held for more than one year.

If the Offeror is unable to effect a Compulsory Acquisition or if the Offeror elects not to proceed with a Compulsory Acquisition, then the Offeror may propose a Subsequent Acquisition Transaction as described in Section 12 of this Circular, "Acquisition of Common Shares not Deposited". The United States federal income tax consequences resulting therefrom will depend upon the manner in which the transaction is carried out. Generally, if a U.S. Shareholder receives cash in exchange for Common Shares, it is expected that the United States federal income tax consequences to the U.S. Shareholder will be substantially similar to the consequences described above. However, there can be no assurance that the United States federal income tax consequences of a Subsequent Acquisition Transaction will not be materially different from the consequences described above. U.S. Shareholders should consult their own income tax advisors with respect to the income tax consequences to them of having their Common Shares acquired pursuant to a Subsequent Acquisition Transaction. This summary does not describe the tax consequences of any such transaction to a U.S. Shareholder.

If a U.S. Shareholder is a cash-basis taxpayer who receives foreign currency, such as Canadian dollars, in connection with a sale or other taxable disposition of Common Shares, the amount realized will be based on the U.S. dollar value of the foreign currency received with respect to such Common Shares, as determined on the settlement date of such sale or other taxable disposition.

If a U.S. Shareholder is an accrual-basis taxpayer, such U.S. Shareholder may elect the same treatment required of cash basis taxpayers with respect to a sale or other taxable disposition of Common Shares, provided the election is applied consistently from year to year. The election may not be changed without the consent of the IRS. If a U.S. Shareholder is an accrual-basis taxpayer and does not elect to be treated as a cash-basis taxpayer for this purpose, such U.S. Shareholder might have a foreign currency gain or loss for United States federal income tax purposes. This gain or loss is equal to the difference between the U.S. dollar value of the foreign currency received on the date of the sale or other taxable disposition of Common Shares and on the date of payment. Any such currency gain or loss generally will be treated as U.S. source ordinary income or loss and would be in addition to the gain or loss, if any, that such U.S. Shareholder recognizes on the sale or other taxable disposition of Common Shares.

Foreign Tax Credits for Canadian Taxes Paid or Withheld

A U.S. Shareholder that pays (directly or through withholding) Canadian income taxes in connection with the Offer (or a Compulsory Acquisition) may be entitled to claim a deduction or credit for U.S. federal income tax purposes, subject to a number of complex rules and limitations. Gain on the disposition of Common Shares generally will be U.S. source gain for foreign tax credit purposes, unless the gain is subject to tax in Canada and resourced as foreign source gain under the provisions of the U.S. Treaty. U.S. Shareholders should consult their own tax advisors regarding the foreign tax credit implications of disposing of Common Shares in the Offer (or a Compulsory Acquisition).

Passive Foreign Investment Companies

In general, LionOre would be a passive foreign investment company (a "PFIC") if, for any taxable year, 75% or more of its gross income constituted "passive income" or 50% or more of its assets produced, or were held for the production of, passive income. If LionOre is or has been a PFIC at any time during a U.S. Shareholder's holding period and the U.S. Shareholder did not elect to be taxable currently on his or her *pro rata* share of LionOre's earnings or to be taxed on a "mark to market" basis with respect to his or her Common Shares, any gain recognized by the U.S. Shareholder as a result of his or her participation in the Offer (or a Compulsory Acquisition) will be treated as ordinary income and will be subject to an interest charge. The Offeror does not believe that LionOre is or has ever been a PFIC. The Offeror, however, has not conducted the detailed factual analysis necessary to reach this conclusion with certainty and PFIC status is subject to change. Therefore, there can be no assurance that LionOre has not been or will not become a PFIC. U.S. Shareholders are urged to consult their own tax advisors regarding the consequences of LionOre being classified as a PFIC.

Information Reporting and Backup Withholding

Payments in respect of Common Shares may be subjected to information reporting to the IRS. In addition, a U.S. Shareholder (other than certain exempt holders including, among others, corporations) may be subject to backup withholding at a 28% rate on cash payments received in connection with the Offer (or a Compulsory Acquisition).

Backup withholding will not apply, however, to a U.S. Shareholder who furnishes a correct taxpayer identification number and certifies as to no loss of exemption from backup withholding and otherwise complies with the applicable requirements of the backup withholding rules. Backup withholding is not an additional tax. Rather, any amount withheld under the backup withholding rules will be creditable or refundable against the U.S. Shareholder's United States federal income tax liability, provided the required information is furnished to the IRS.

19. Acceptance of the Offer

The Offeror has no knowledge regarding whether any Shareholder will accept the Offer, other than the Locked-Up Shareholders who have agreed to accept the Offer pursuant to the Lock-Up Agreement.

20. Depositary

The Offeror has engaged Kingsdale Shareholder Services Inc. as the Depositary to receive deposits of certificates representing Common Shares and accompanying Letters of Transmittal deposited under the Offer at the office specified in the Letter of Transmittal. In addition, the Depositary will receive deposits of LTIP Tendering Letters and Notices of Guaranteed Delivery at its office in the City of Toronto. The Depositary will also be responsible for giving certain notices, if required, and for making payment for all Common Shares purchased by the Offeror under the Offer. The Depositary will receive reasonable and customary compensation from the Offeror for its services in connection with the Offer, will be reimbursed for certain out-of-pocket expenses and will be indemnified against certain liabilities, including liabilities under securities laws and expenses in connection therewith.

21. Financial Advisors, Dealer Managers and Soliciting Dealer Group

The Offeror has retained Macquarie Bank Limited to act as its financial advisor with respect to the Offer and TD Securities Inc. to act as its Canadian financial advisor with respect to the Offer.

The Offeror has also engaged the services of TD Securities Inc. to act as dealer manager in Canada and to solicit acceptances of the Offer in Canada, TD Securities (USA) LLC to act as dealer manager in the United States and Macquarie Bank Limited to act as dealer manager in connection with the Offer in Australia. The Dealer Managers will be reimbursed by the Offeror for their reasonable out-of-pocket expenses. In addition, the Dealer Managers will be indemnified against certain liabilities, including liabilities under securities laws, in connection with the Offer.

The Canadian Dealer Manager has also undertaken to form a soliciting dealer group (the "**Soliciting Dealer Group**") comprised of members of the Investment Dealers Association of Canada and members of Canadian stock exchanges to solicit acceptances of the Offer from persons resident in Canada. Each member of the Soliciting Dealer Group, including the Canadian Dealer Manager, is referred to herein as a "**Soliciting Dealer**". The Offeror has agreed to pay to each Soliciting Dealer who has entered into an agreement with the Canadian Dealer Manager and whose name appears in the appropriate space of a properly completed and executed Letter of Transmittal a fee of Cdn.\$0.10 for each Share deposited and taken up by the Offeror under the Offer, provided that a minimum of 500 Common Shares per beneficial owner are so deposited and taken up. A minimum fee of Cdn.\$85 and a maximum fee of Cdn.\$1,500 will be paid in respect of any single beneficial owner of Common Shares. Where the Common Shares deposited and registered in a single name are beneficially owned by more than one person, the Cdn.\$85 minimum and Cdn.\$1,500 maximum amounts will be applied separately in respect of each such beneficial owner, provided that no fee will be payable in respect of any Common Shares so deposited by and taken up from a beneficial holder of fewer than 500 Common Shares. The

Offeror may require the Soliciting Dealers to furnish evidence of beneficial ownership satisfactory to the Offeror at the time of deposit.

Except as set forth above, the Offeror will not pay any fees or commissions to any stockbroker, dealer or other person for soliciting tenders of Common Shares pursuant to the Offer. Stockbrokers, dealers, commercial banks, trust companies and other nominees will, upon request, be reimbursed by the Offeror for customary clerical and mailing expenses incurred by them in forwarding materials to their customers.

No fee or commission will be payable by any Shareholder who transmits such Shareholder's Common Shares directly to the Depositary or who makes use of the facilities of a Soliciting Dealer to accept the Offer. However, a broker or nominee through whom a Shareholder owns Common Shares may charge a fee to tender Common Shares on behalf of the Shareholder. Shareholders should consult their brokers or nominees to determine whether any charges will apply.

22. Information Agent

The Offeror has retained Kingsdale Shareholder Services Inc. to act as Information Agent in connection with the Offer. The Information Agent will receive reasonable and customary compensation from the Offeror for services in connection with the Offer and will be reimbursed for certain out-of-pocket expenses.

23. Statutory Rights

Securities legislation in certain of the provinces and territories of Canada provides Shareholders with, in addition to any other rights they may have at law, rights of rescission or rights to damages, or both, if there is a misrepresentation in a circular or a notice that is required to be delivered to the Shareholders. However, such rights must be exercised within prescribed time limits. Shareholders should refer to the applicable provisions of the securities legislation of their province or territory for particulars of those rights or consult with a lawyer.

24. Directors' Approval

The contents of the Offer and Circular have been approved, and the sending of the Offer and Circular to the Shareholders has been authorized, by the board of directors of each of the Offeror and Xstrata.

CONSENT OF COUNSEL

TO: The Directors of Xstrata plc and Xstrata Canada Acquisition Corp.

We hereby consent to the reference to our name and opinion contained under “Certain Canadian Federal Income Tax Considerations” in the Circular accompanying the Offer dated April 5, 2007 made by Xstrata Canada Acquisition Corp. to the holders of common shares of LionOre Mining International Ltd.

Toronto, Canada
April 5, 2007

(Signed) *Davies Ward Phillips & Vineberg LLP*
DAVIES WARD PHILLIPS & VINEBERG LLP

**APPROVAL AND CERTIFICATE OF
XSTRATA CANADA ACQUISITION CORP.**

The contents of the Offer and the Circular have been approved, and the sending, communication or delivery thereof to the shareholders of LionOre has been authorized, by the board of directors of Xstrata Canada Acquisition Corp. The foregoing contains no untrue statement of a material fact and does not omit to state a material fact that is required to be stated or that is necessary to make a statement not misleading in the light of the circumstances in which it was made. In addition, the foregoing does not contain any misrepresentation likely to affect the value or the market price of the Common Shares which are the subject of the Offer.

DATED: April 5, 2007

(Signed) *Ian W. Pearce*
IAN W. PEARCE
President

(Signed) *Shaun Usmar*
SHAUN USMAR
Chief Financial Officer

On behalf of the Board of Directors

(Signed) *Brian K. Azzopardi*
BRIAN K. AZZOPARDI
Director

(Signed) *Benny Steven Levene*
BENNY S. LEVENE
Director

**APPROVAL AND CERTIFICATE
OF XSTRATA PLC**

The contents of the Offer and the Circular have been approved, and the sending, communication or delivery thereof to the shareholders of LionOre has been authorized by, the board of directors of Xstrata plc. The foregoing contains no untrue statement of a material fact and does not omit to state a material fact that is required to be stated or that is necessary to make a statement not misleading in the light of the circumstances in which it was made. In addition, the foregoing does not contain any misrepresentation likely to affect the value or the market price of the Common Shares which are the subject of the Offer.

DATED: April 5, 2007

(Signed) *Michael Lawrence Davis*
MICHAEL LAWRENCE DAVIS
Chief Executive Officer

(Signed) *Trevor Lawrence Reid*
TREVOR LAWRENCE REID
Chief Financial Officer

On behalf of the Board of Directors

(Signed) *Santiago Zaldumbide*
SANTIAGO ZALDUMBIDE
Director

(Signed) *Ivan Glasenberg*
IVAN GLASENBERG
Director

The Depositary and Information Agent for the Offer is:



The Exchange Tower
130 King Street West, Suite 2950, P.O. Box 361
Toronto, Ontario M5X 1E2

North American Toll Free Phone: 1-866-879-7650

Facsimile: 416-867-2271
Toll Free Facsimile: 1-866-545-5580
contactus@kingsdaleshareholder.com
Outside North America, Banks and Brokers Call Collect: 416-867-2272

The Dealer Managers for the Offer are:

In Canada

TD Securities Inc.
9th Floor, TD Bank Tower
66 Wellington Street West
Toronto, ON M5K 1A2
Telephone: (416) 307-3747

In the United States

TD Securities (USA) LLC
20th Floor
31 West 52nd Street
New York, NY 10019
Telephone: (212) 827-7316

In Australia

Macquarie Bank Limited
No. 1 Martin Place
Sydney NSW 2000
Telephone: +61 (0)2 8232 3247

Any questions or requests for assistance may be directed to the Dealer Managers, the Depositary or the Information Agent. Requests for additional copies of this Offer and Circular, the Letter of Transmittal, the LTIP Tendering Letter and the Notice of Guaranteed Delivery may be directed to the Depositary or the Dealer Managers at their respective offices. Shareholders may also contact their brokers, dealers, commercial banks, trust companies or other nominees for assistance concerning the Offer.