



Koniambo Project

Xstrata Nickel
17 October 2007

Agenda

- **Welcome**
Thras Moraitis, EGM, Xstrata Plc
- **Transforming Xstrata Nickel**
Ian Pearce, CEO, Xstrata Nickel
- **Delivering shareholder value**
Shaun Usmar, CFO, Xstrata Nickel
- **Unique approach to project development**
Steve Flewelling, SVP, Projects, Xstrata Nickel
- **Conclusion, Q&A**
Ian Pearce, CEO, Xstrata Nickel

Transforming Xstrata Nickel



- Xstrata plc Board approval for \$3.85bn Koniambo Project
- Base case production of 60,000 tonnes of nickel p.a. over 25 yrs
- Substantial brownfield growth optionality from world's largest undeveloped nickel resource
 - Supports mine life well in excess of 50 yrs
- Tier one asset in lowest quartile of cost curve
- Transforms Xstrata Nickel
 - Reduces overall cash cost profile
 - Provides stable production base over long term
 - Adds significant growth optionality
 - Enhances geographic diversification and scale
- World-class project development capability
 - Rigorous project definition and risk mitigation process
 - Innovative approach to project development

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Project structure



- Xstrata Nickel 49%: SMSP 51% share in KNS. Operated as 50:50 joint venture
- Local partner critical factor in securing long-term buy-in and support for Koniambo from North Province
- Xstrata Nickel to lead the project development and appoint President of KNS
- Xstrata to fund >80% of capital investment in return for proportionate share of cash flows for initial 25 years of operation
- Financing plan revised to include \$500m+ funding by SMSP
- Robust economic base case of 60kt per annum providing attractive returns even in initial phase
- Growth optionality offers significant upside from base case

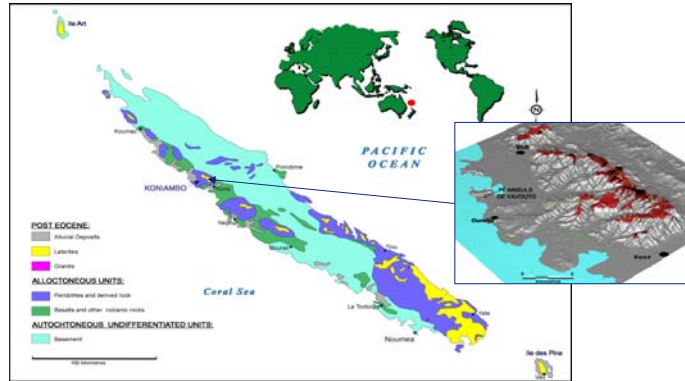
Cost of capital covered at long-run nickel price of \$4.60/lb

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Koniambo location

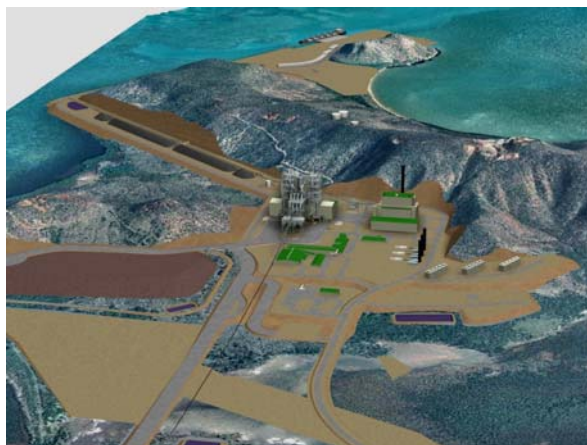


- Close proximity to coast
- Dedicated infrastructure
- Favourable location for key procurement and customer markets



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Project scope



Vavouto Metallurgical Site

Major facilities:

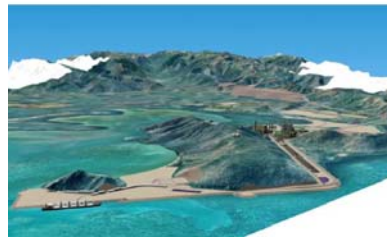
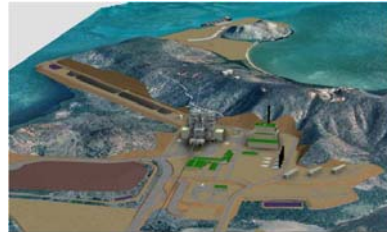
- Open pit mine
- Ore preparation facility
- Mine access road
- Overland conveyor
- Metallurgical plant
- Power plant
- Deep-sea port facility
- Coal handling facility
- Desalination plant
- Supporting infrastructure

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Development timeline



- Construction to commence Q4 2007
- Production start-up Q2 2011
- Full production rate by Q2 2013
- Mine plan covers 25 years
- Initial production of 60,000t of nickel-in-ferronickel
- Significant opportunity exists beyond the currently defined reserves
 - Vast saprolite and limonite resource
 - Resource for 50+ years



Koniambo is the best undeveloped nickel resource in the world

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Largest undeveloped nickel resource

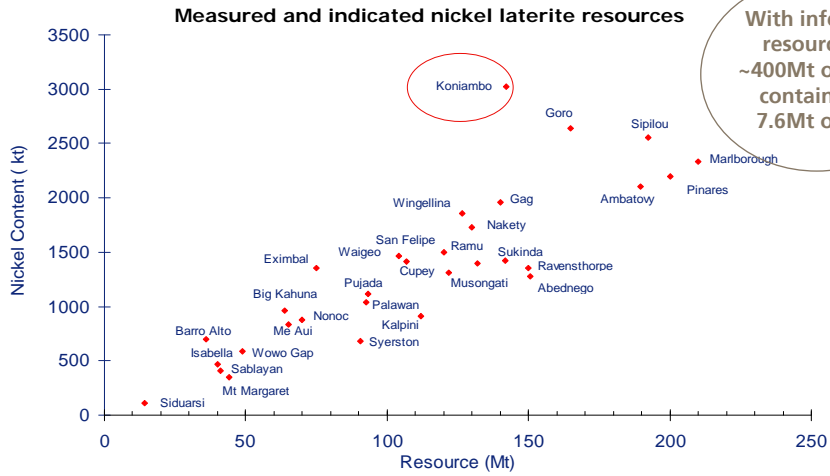


- **Major resource base with 7.6mt contained Ni**
- Well-defined 25 year reserve as basis for initial production:
62.5mt @ 2.40% Ni
- Vast resource for future expansion:
 - Saprolite Measured & Indicated⁽¹⁾ 142mt @ 2.13%
 - Saprolite Inferred 141mt @ 2.16%
 - Limonite Inferred 104mt @ 1.50%

(1) Includes saprolite reserve

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Industry-leading grade and scale



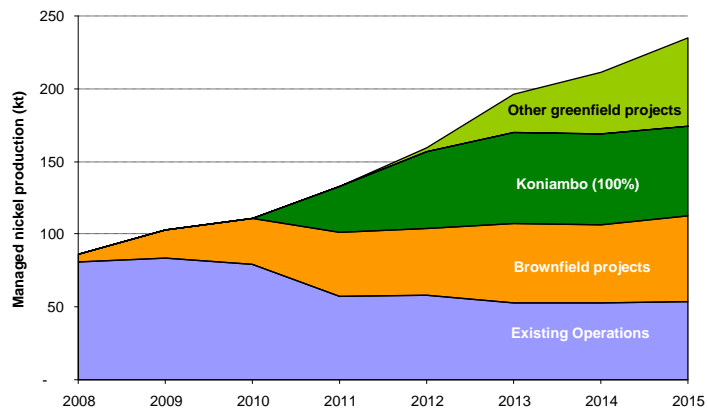
Source – Brookhunt and Xstrata

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Cornerstone of future growth



Xstrata Nickel Growth Profile



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Delivering shareholder value

Shaun Usmar
CFO, Xstrata Nickel

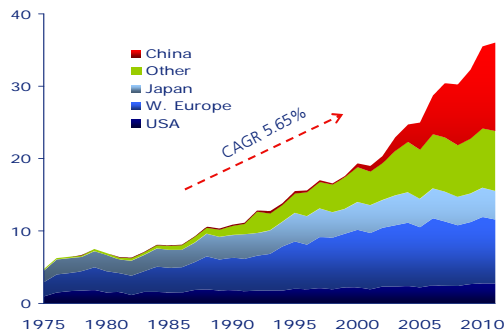
Delivering shareholder value

- Attractive industry fundamentals support stronger long-term price
 - Continuing stainless steel growth driven by China
 - Structural difficulties in delivery of required supply growth
- Financing plan providing preferred access to cash flow
- Favourable tax environment
- Loi Girardin French government support
- Capital cost management
- Lowest quartile cash cost
- Upside value from growth options

Continued strong demand growth

- 67% of nickel is consumed in stainless steel
- China is expected to fuel future demand growth
- Short term cyclical nature due to stocking and de-stocking of inventories

World melted stainless steel production 1975-2011

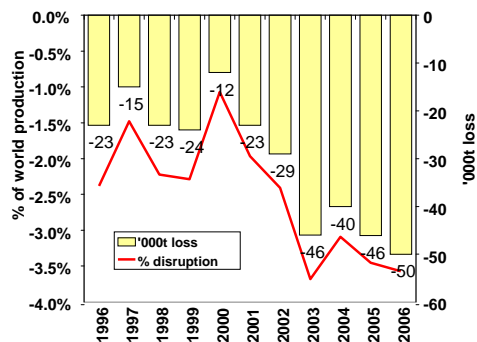


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Supply response difficulties

- Significant delays in project start-up and over-run of capital budgets
 - Shift from established sulphide operations to more complex laterites
 - Structural shift in energy costs
- Brownfield additions hold marginal addition to nickel supply
- Continued production disruptions due to industry running at full capacity

Production losses in refined nickel production

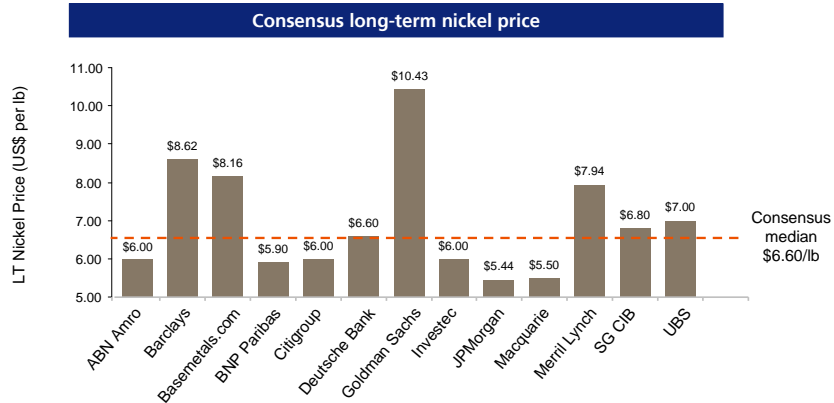


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Robust fundamentals



- Project fundamentals based on Xstrata below-consensus LT nickel price
- Koniambo yields Xstrata's cost of capital at a long-term price of \$4.60/lb



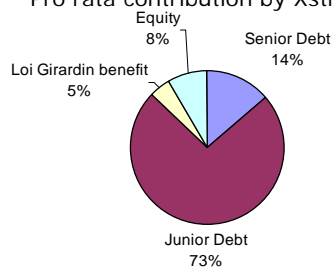
Source: Reuters long-term base metals price poll - October 2007

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Financing structure recognises relative capital contributions



- Senior Debt: Funded by Xstrata yielding LIBOR + margin with amortization of principal between year 6 to 25
- Junior Debt: Funded by Xstrata and SMSP yielding base + variable participating interest with amortization of principal between year 4 to 25
- Loi Girardin Benefit: French State providing financing support through tax benefit
- Equity: Pro rata contribution by Xstrata and SMSP



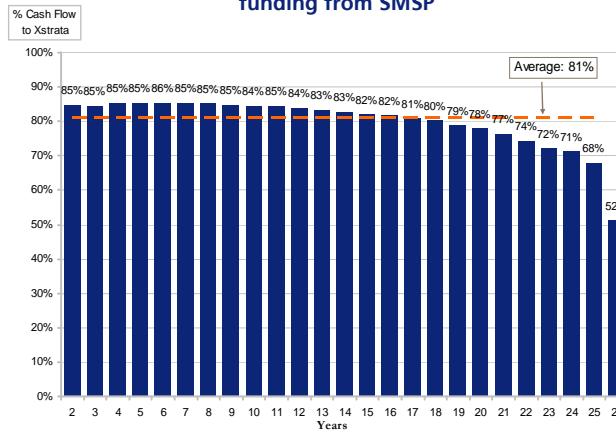
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Xstrata's front loaded effective economic interest



- Large "quasi-equity" tranche recognises Xstrata's share of the funding obligation
- Small Senior Debt tranche tied to Loi Girardin funding
- Maintains the 51%/49% equity structure between SMSP/XNi
- Ensures early cash flow to SMSP via priority dividend on equity and LG
- Allows SMSP to participate in funding

Illustrative cashflow to Xstrata assuming \$500m funding from SMSP

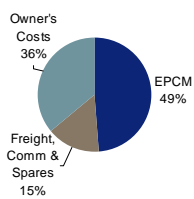


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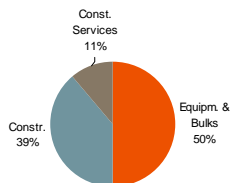
Greater capital certainty through renewal phase



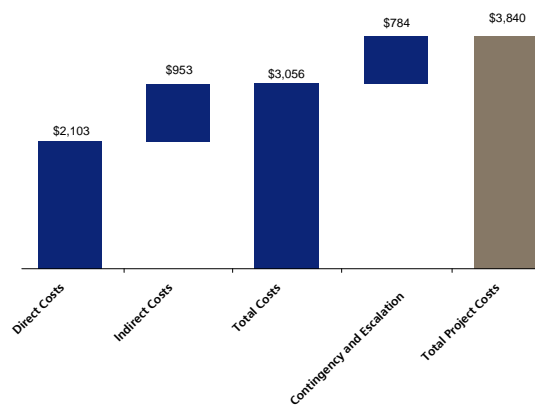
Breakdown of Indirect Costs



Breakdown of Direct Costs



Capital Investment Summary

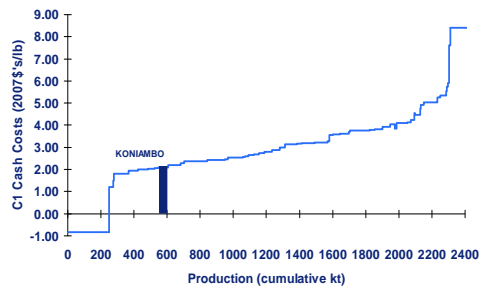


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First quartile cash costs

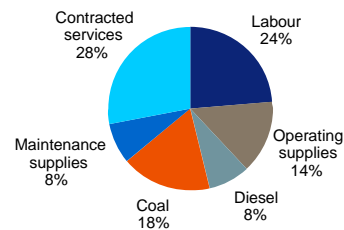
- Leveraging of existing technology reduces operational risk
- Process efficiency reduces energy price exposure
- Open pit, easily accessible resource

2015 industry nickel cash cost curve



Based on Brook Hunt Cost Study and XNI assumptions

Koniambo cash cost at ~\$2/lb (real)



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Supportive tax environment

- Qualifying Metallurgical Project (QMP) status:
 - Exemption from Income Tax: 15 years + 5 years at 50% tax rate (35%)
 - Exemption from any new taxes or duties imposed during this period
 - No royalties as covered under Project Agreement for 25 years
- Project Agreement provides for stable tax environment
 - Agreement period of 25 years from date that project achieves commercialization/completion

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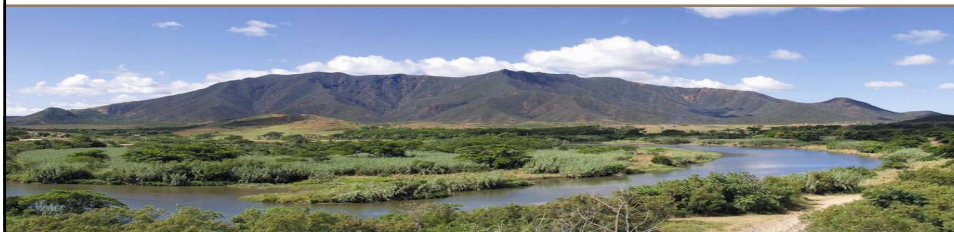
Upside value potential



- Brownfield expansion scenarios provide further valuation upside
 - High return brownfield expansions in saprolite and limonite:
 - Saprolite resource supports significant future expansion
 - Limonite resource supports future hydromet expansion
- Cyclical nature of nickel prices provides inherent option value
 - LT pricing valuation does not account for value in price spikes
 - > 50 years mine life ensures project experiences multiple pricing cycles

Development of this world-class asset will provide attractive returns to shareholders

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A Unique Approach to Project Development

Steve Flewelling
SVP Projects, Xstrata Nickel

Unique projects capability and approach



- Highly experienced major projects team
- Detailed upfront definition and 'freezing' of project scope and facilities
- Best Value Country procurement in response to a competitive projects environment
- Detailed risk identification and mitigation
 - Minimise scope changes
 - Manage costs and technical risks
 - Seek stable development and operating environment
 - Focus on stakeholder management
 - Industry-leading environmental management

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Highly experienced project team Over 300 people



Senior Team

<i>Steve Flewelling</i> - SVP Projects, Xstrata Nickel	<ul style="list-style-type: none"> • 25 years major projects and operating experience
<i>Kevin Brown</i> – Koniambo Project Director	<ul style="list-style-type: none"> • 22 years in major project development in North America, South America and SE Asia • 16 years in EPCM management
<i>Daniel Mielcarek</i> – EPCM Project Manager, Koniambo	<ul style="list-style-type: none"> • 20 years EPCM project experience in French jurisdictions • Power, Cement and Metallurgical Plants
<i>Alana Giustizia</i> - Project Controls Manager	<ul style="list-style-type: none"> • 15 years of project control • Chartered Accountant
<i>Glen Seperich</i> - Director Capital Proc. & Contracts	<ul style="list-style-type: none"> • 30 years procurement experience • Former Falconbridge global head of procurement
<i>Gary Kaiura</i>	Operations Preparedness Manager
<i>Gary O'Connell</i>	Area Manager Met Plant
<i>Monique Moranville</i>	Area Manager Mining
<i>Mike Brazeau</i>	Site Superintendent Infrastructure
<i>Remy Belanger</i>	Manager, Health & Safety

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Ready to Go Detailed Definition and Scoping



Project Progression

Renewal

- ✓ Improve Scope Definition
- ✓ Establish sound baseline
- ✓ Develop robust execution plan
- ✓ Prepare for engineering & construction
- ✓ Cost and schedule optimization
- ✓ Project financing
- ✓ Project Agreement

Project Execution

- ✓ Robust Metallurgical approach
- ✓ Strong scope definition
- ✓ Realistic execution plan
- ✓ Risks understood and key mitigations in place
- ✓ Strong execution team and EPCM corporate engagement
- ✓ Key vendor packages
- ✓ Sound capital estimate that reflects current market
- ✓ Sound relationships with stakeholders

Commission and Operation

- ✓ Ramp-up requirements highly detailed in advance
- ✓ Human resource/training needs identified / budgeted
- ✓ Management team defined , prepared to transition
- ✓ Future operating team well-defined and scheduled
- ✓ Governance structure/definitions well-established
- ✓ Sales agreements in place

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Cost and Delivery Management



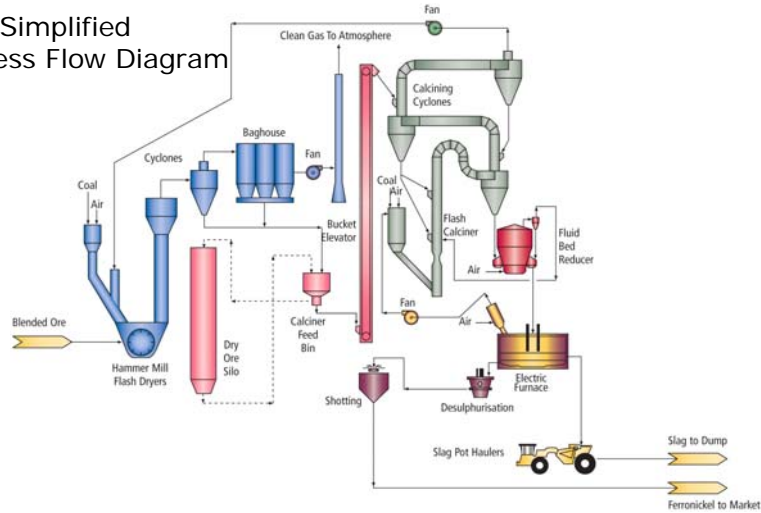
- Best Value Country (BVC) procurement programme
 - Materials and services from Best Value Countries
 - Procurement task force formed
 - Module fabrication
 - Engineering – Kuala Lumpur
 - Pursue opportunities in other BVC countries
 - Structure RFP's and support vendors to provide compliant bids
 - United States as a BVC country
- Appropriate escalation allowances

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Utilises proven technologies



NST Simplified Process Flow Diagram

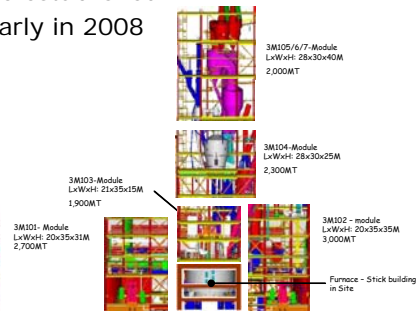


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Applying the Modular Approach



- Modular construction for smelter:
 - 18 modules with total weight of 36k tonnes
- Module scope definition is complete
 - **Structural design underway**
- Module transportation and heavy lift contractors engaged
- Module shipping and erection sequence established
- Module yard contract to be awarded early in 2008



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Detailed Identification and Mitigation of Risks



- Execution Risk
- Stable Project Environment
- New Caledonian Stakeholder Management
- Environment

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Project Execution



- Xstrata Nickel to manage project development
- EPCM Approach
- Experienced project team
 - Owner's team
 - Hatch-Technip Joint Venture EPCM contractor
 - Hatch is top tier metallurgical plant engineer
 - Technip is major French contractor
 - Oversight provided via a sponsors' committee
- Scope of process and facilities are frozen
- Robust risk assessment
- Appropriate definition and event risk contingencies

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Securing A Stable Environment



- To provide stable environment for Koniambo Project, Project Agreement established with governments to:
 - Transfer mining titles for the Koniambo ore body to Koniambo Nickel SAS
 - Extend the Project's operating and construction permits to cover the full duration of construction
 - Mitigate potential adverse effects of future fiscal and regulatory changes that could affect the Project's economic performance
 - Defined project's contribution to government's historical environmental disturbance program
 - Remain in effect for 25 years
- The implementation process and timeline have also been agreed

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Extensive Stakeholder Management New Caledonia and Beyond



- Extensive community relations program, including stakeholder consultation, impact assessment over the past nine years
- Project's environmental and social impact assessment (ESIA) was published in 2005
- Project commitment management program
- Strong relationship with local partner, SMSP
- Strong, active focus on integration with EPCM work
- Established proactive local engagement mechanisms:
 - Koniambo Environmental Committee
 - Local labour relations accord
 - Local contractors re-numeration accord

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Mobilization

- Engineering mobilization is underway in Kuala Lumpur
- Site mobilization will increase at year-end
- Significant commitments to be placed during Q4 2007 and Q1 2008 include:
 - Construction camp
 - Construction camp management / catering
 - Mass earthworks
 - Lagoon dredging
 - Power station technology packages
 - Combustion turbine generators
 - Overland Conveyor
 - Module construction
 - Module land transport and heavy lift

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Ready to Go...

- ✓ **Experienced Owner's Team**
- ✓ **Rigorous up-front scope definition and EPCM planning to ensure quality execution**
 - ✓ Capital approval only after rigorous renewal process
- ✓ **Innovative approach to modular development and BVCs**
- ✓ **Aligned stakeholders**
 - ✓ Project Agreement finalized and being implemented
 - ✓ Investment by JV Partner SMSP/Sofinor creates alignment of interests
 - ✓ Positive, productive working relationships with French and New Caledonian governments
 - ✓ High level of community involvement and consultation with all stakeholders throughout development
- ✓ **Extensive risk identification and mitigation plans**
 - ✓ Execution, environmental and social risks identified and being actively managed with consultation of stakeholders
- ✓ **Key permitting in place**

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Koniambo Project Ready for Launch

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Conclusion and Questions
Ian Pearce
CEO, Xstrata Nickel

In conclusion

- Koniambo is the best undeveloped nickel laterite resource with exceptional optionality
 - Long life, low cost producer of 60ktpa for >50 years
 - Cornerstone asset for Xstrata Nickel and a platform for high return brownfield growth
- World-class project development capability in place
- Detailed risk assessment and mitigation plans
 - Manageable risk profile with Project Agreement in place and being implemented
 - Detailed project plan and enhanced readiness to minimise execution risk
 - Utilises proven technologies
 - Strong stakeholder relationships and alignment
- Execution plan and team ready for rapid mobilisation