



## **XSTRATA PLC C\$52.50 ALL CASH OFFER FOR FALCONBRIDGE REMAINS BEST CHOICE FOR SHAREHOLDERS**

### **NEWS RELEASE**

Toronto and Zug, 1 June 2006

Xstrata plc ("Xstrata") has noted the announcement by the Falconbridge board of directors expressing their continued support for the Inco bid to acquire Falconbridge ("the Inco offer"). Xstrata re-affirms its belief that its C\$52.50 all cash offer for Falconbridge shares ("the Xstrata offer") is the best choice for Falconbridge shareholders, the company, community, and employees.

The Inco share price has risen by 11 per cent since May 5th, the day on which Teck announced their premium offer for Inco. During the same period and despite continued buoyant metal prices, the S&P mining index has declined by 11 per cent. By any objective measure, even taking into account the takeover premium currently embedded in the Inco share price, Xstrata's all cash offer of C\$52.50 remains a superior offer to that of Inco.

Mick Davis, Xstrata Chief Executive, said:

"Xstrata is offering Falconbridge shareholders a higher price in cash for their shares and we believe this clearly makes our bid the best choice for shareholders. Our offer is also the best choice for Falconbridge employees, particularly in light of Inco's recent agreement with the Steelworkers' Union to protect Inco employees at Sudbury from lay-offs for three years, including following a take-over of Inco by any third party. We stand by our commitment to Falconbridge employees to make no lay-offs at Sudbury for a minimum of three years."

Xstrata is a serious, long-term investor in mining businesses around the world, with a proven track record of creating sustained jobs, growth and value. For existing Falconbridge employees, Xstrata ownership will focus on growth and sustained investment rather than on the delivery of aspirational cost savings estimates.

Xstrata remains confident that it will obtain the approvals of its shareholders and regulatory authorities and is working to achieve these within the shortest timeframe possible.

On 18 May 2006, Xstrata, Falconbridge's largest shareholder, made its fully underwritten offer for Falconbridge valuing the total common share capital of Falconbridge at approximately

C\$20.0 billion (approximately US\$18.1 billion). The Xstrata offer is open for acceptance until 8:00 pm (Toronto time) on Friday 7 July 2006, unless extended or withdrawn.

Xstrata's offer document and offering circular were mailed to Falconbridge registered shareholders on May 30, 2006. The offer and offering circular have been filed on SEDAR and are available on the Canadian Securities Administrators' website [www.sedar.com](http://www.sedar.com) under Falconbridge's company profile, the US Securities and Exchange Commission's website at [www.sec.gov](http://www.sec.gov) and on the Xstrata website at [www.xstrata.com](http://www.xstrata.com).

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**Falconbridge Shareholders with questions please contact:**  
**Kingsdale Shareholder Services Inc.**  
**North American Toll Free: 1-866-639-7993**  
**Outside North America, Banks and Brokers Call +1 (416) 867-2272**  
**Collect**  
**Email: [contactus@kingsdaleshareholder.com](mailto:contactus@kingsdaleshareholder.com)**

For further information, please contact:

**Xstrata contacts**

Claire Divver		Brigitte Mattenberger	
Telephone	+44 20 7968 2871	Telephone	+41 41 726 6071
Mobile	+44 7785 964 340	Mobile	+41 793 811 823
Email	<a href="mailto:cdivver@Xstrata.com">cdivver@Xstrata.com</a>	Email	<a href="mailto:bmattenberger@Xstrata.com">bmattenberger@Xstrata.com</a>

Ernie Lalonde		Michael Oke	
NATIONAL Public Relations		Aura Financial	
Telephone	+1 416 848 1423	Telephone	+44 20 7321 0000
Email	<a href="mailto:elalonde@national.ca">elalonde@national.ca</a>	Mobile	+44 7834 368 299

**Deutsche Bank contacts**

Brett Olsher		Charlie Foreman	
Telephone	+44 20 7545 6459	Telephone	+44 20 7547 6843
Mobile	+44 7768 022884	Mobile	+ 44 7767 374365
Email	<a href="mailto:brett.olsher@db.com">brett.olsher@db.com</a>	Email	<a href="mailto:charlie.foreman@db.com">charlie.foreman@db.com</a>

**JP Morgan Cazenove contacts**

Ian Hannam		Barry Weir	
Telephone	+44 20 7155 8641	Telephone	+44 20 7155 4847
Mobile	+44 7785 302 693	Mobile	+ 44 7775 514 319
Email	<a href="mailto:ian.c.hannam@jpmorgancazenove.com">ian.c.hannam@jpmorgancazenove.com</a>	Email	<a href="mailto:barry.weir@jpmorgancazenove.com">barry.weir@jpmorgancazenove.com</a>

**TD Securities contacts**

Ewan Mason		Bill Quinn	
Telephone	+1 (416) 308-3099	Telephone	+1 (416) 307-8480
Email	<a href="mailto:ewan.mason@tdsecurities.com">ewan.mason@tdsecurities.com</a>	Email	<a href="mailto:bill.quinn@tdsecurities.com">bill.quinn@tdsecurities.com</a>

Each of Deutsche Bank, JPMorgan Cazenove and TD Securities is acting exclusively for Xstrata and no one else in connection with the proposed acquisition of Falconbridge (the "Falconbridge Acquisition") and will not be responsible to anyone other than Xstrata for providing the protections afforded to its clients or for providing advice in relation to the Falconbridge Acquisition and/or any other matter referred to in this announcement.

This announcement does not constitute or form part of any offer or invitation to purchase, otherwise acquire, subscribe for, sell, otherwise dispose of or issue, or any solicitation of any offer to sell, otherwise dispose of, issue, purchase, otherwise acquire or subscribe for, any security. Xstrata Canada Inc.'s offer for Falconbridge (as the same

may be varied in accordance with applicable law) (the "Xstrata Offer") is being made exclusively by means of, and subject to the terms and conditions set out in, the offer and offering circular filed on 18 May 2006.

The release, publication or distribution of this announcement in certain jurisdictions may be restricted by law and therefore persons in such jurisdictions into which this announcement is released, published or distributed should inform themselves about and observe such restrictions.

Unless the context otherwise requires, references in this announcement to the "Enlarged Group" are to Xstrata and its subsidiaries and subsidiary undertakings and, where the context requires, its associated undertakings as constituted immediately following completion of each of the Falconbridge Acquisition and the proposed acquisition by the Xstrata group of Tintaya which was announced by Xstrata on 16 May 2006 (the "Tintaya Acquisition") and therefore such references include the Xstrata group as enlarged by the Falconbridge group and by Tintaya. Completion of the Falconbridge Acquisition and the Tintaya Acquisition are subject to a number of conditions.

Unless the context otherwise requires, references in this announcement to the "Falconbridge Acquisition" assume an acquisition under the Xstrata Offer of all outstanding Falconbridge shares not already owned by the Xstrata group.

This announcement is not an offer of securities for sale or a solicitation of an offer to purchase securities in the United States or in any other jurisdiction. The securities of Xstrata referred to herein have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the "Securities Act"), and may not be offered or sold in the United States unless they are registered with the U.S. Securities and Exchange Commission or an exemption from the registration requirements of the Securities Act is available.

This announcement includes statements that are, or may be deemed to be, "forward-looking statements". By their nature, forward-looking statements involve risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future and may be beyond Xstrata's ability to control or predict. Forward-looking statements are not guarantees of future performance. The Xstrata group's and the Enlarged Group's actual results of operations, financial condition, liquidity, dividend policy and the development of the industries in which they operate may differ materially from the impression created by the forward-looking statements contained in this announcement. Further, actual developments in relation to the Falconbridge Acquisition and/or the Tintaya Acquisition and the expected completion, and timing of completion of, the Falconbridge Acquisition and/or the Tintaya Acquisition may differ materially from those contemplated by forward-looking statements depending on certain factors which include, but are not limited to, the risks that Xstrata shareholders may not vote in favour of the resolutions on which the Xstrata Offer is conditional, the risks that the Xstrata group will not be able to obtain the required approvals or clearances from regulatory and other agencies and bodies on a timely basis or at all, the conditions of the Falconbridge Acquisition or the Tintaya Acquisition may not be satisfied on a timely basis or at all, the Xstrata group may not realise the anticipated benefits, operational and other synergies and/or cost savings from the Falconbridge Acquisition and/or the acquisition by the Xstrata group of a one third interest in Cerrejón which completed on 12 May 2006 (the "Cerrejón Acquisition") and/or the Tintaya Acquisition and the Xstrata group may incur and/or experience unanticipated costs and/or delays or difficulties relating to integration of the Enlarged Group. In addition, even if the results of operations, financial condition, liquidity and dividend policy of the Xstrata group and the Enlarged Group (as the case may be), and the development of the industries in which they operate, are consistent with the forward-looking statements contained in this document, those results or developments may not be indicative of results or developments in subsequent periods. Important factors that could cause these differences include, but are not limited to, general economic and business conditions, commodity price volatility, industry trends, competition, changes in government and other regulation, including in relation to the environment, health and safety and taxation, labour relations and work stoppages, changes in political and economic stability, currency fluctuations (including the €/US\$, £/US\$, A\$/US\$, C\$/US\$, ZAR/US\$, the Colombian peso/US\$ and the Peruvian Sol/US\$ exchange rates), the Xstrata group's ability to integrate new businesses (including the Falconbridge group, the Xstrata group's interest in Cerrejón and Tintaya) and recover its reserves or develop new reserves and changes in business strategy or development plans and other risks.

Other than in accordance with its legal or regulatory obligations (including under the UK Listing Rules, the Disclosure Rules and the Prospectus Rules of the UK Financial Services Authority), Xstrata does not undertake any obligation to update or revise publicly any forward-looking statement, whether as a result of new information, future events or otherwise.

No statement in this announcement is intended as a profit forecast and no statement in this announcement should be interpreted to mean that earnings per Xstrata ordinary share for the current or future financial years would necessarily match or exceed the historical published earnings per Xstrata ordinary share.