



NEWS RELEASE

SENIOR MANAGEMENT OF XSTRATA AND XSTRATA NICKEL MEET WITH KEY KONIAMBO PROJECT STAKEHOLDERS AND PROVIDE A PROJECT UPDATE

Noumea, September 13, 2006 – Xstrata Nickel, for whom growth is a key objective, remains committed to developing the Koniambo complex, one of its anchor projects, along with its controlling shareholder partner, SMSP. More than US\$388 million have already been committed to the project to date.

During their visit, Mick Davis, Xstrata Chief Executive, and Ian Pearce, Chief Executive Xstrata Nickel, met with the key Caledonian decision makers. After meeting with SMSP management, the representatives of the two entities visited the North Province and had talks with Paul Néaoutyine, President of the Assembly of the North Province, and its Vice-Presidents. They have also met with Patrick Hérole, Deputy Commissioner of the North Province.

Upon their return to the South Province, Messrs. Davis and Pearce had an opportunity to speak with, Harold Martin, President of New Caledonia Congress, Philippe Gomez, President of the South Province, and with Didier Leroux, member of the government. They also visited with the Customary Senate, presided by Mr Jean-Guy M'Boueri.

The purpose of their visit was to introduce Xstrata, owner of the former Falconbridge, to the key New Caledonian stakeholders and provide an update on the Koniambo Project.

With its partner, SMSP, Xstrata Nickel reviewed the project fundamentals to ensure its full potential value and future success.

A few months earlier, Falconbridge had already begun a review of the costs and its execution strategy so as to measure the impact of the new economic reality on the project. The overheated world economy, especially in the mining sector, has resulted in a considerable increase in the costs of energy, raw materials and goods and services, and a shortage of skilled labour. Based on this review, the company (now Xstrata Nickel) is designing a new project execution strategy.

The Koniambo Project will continue to be actively developed during this period of strategy renewal, particularly in the Voh-Koné-Pouembout region. This includes in particular the current environmental, archeological and geotechnical studies.

In the coming months, representatives from the partners will be working jointly to define the next steps of the renewal phase.

The close-communication approach used since the start of the project with the local stakeholders will remain unchanged, and the local team will maintain its strong presence in the community.

The Koniambo Project is a mega-project with a far-reaching impact. In light of these new challenges, a cautious step-by-step approach is required for the project to be properly executed and for maximizing its value.

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Backgrounder

Koniambo is a pyrometallurgical complex for the production of ferronickel, highly anticipated by stainless steel producers. Production is targeted to begin in 2009/2010 and is expected to reach 60,000 tonnes of nickel per year, which represents approximately 5% of current world consumption.

In December 2005, SMSP, a New Caledonian mining company partnering with Falconbridge Ltd. (now Xstrata), announced the construction of the Project based on the positive findings of the Bankable Feasibility Study and the Environmental and Social Impact Assessment.

On August 15, 2006, Xstrata plc became the new owner of Falconbridge. Xstrata is recognized for its strategy and its commitment to growing the Group's core commodity businesses, including nickel.

On August 21, Xstrata assumed full control of the newly acquired company. The same day, Ian Pearce, former Chief Operating Officer of Falconbridge, was appointed Chief Executive Xstrata Nickel, responsible for Xstrata's nickel operations and projects worldwide. Xstrata Nickel's headquarters are in Toronto, Canada, and the majority of its management are former Falconbridge employees. Mr. Pearce brings with him an extensive knowledge of the Koniambo Project, having been one of its key players as Senior Vice-President, Projects and Engineering, from 2003 to June 2006.

Today, the Koniambo Project continues to advance the Detailed Engineering, the Execution Plan and the Procurement Program with a 2006 budget of US\$240 million (over 22 billion CFP francs), in addition to the US\$71 million (over 7 billion CFP francs) invested in 2005.

The Koniambo Project team is currently concentrating its efforts to address the challenges typical of such projects in the areas of controlling costs, execution planning and sustainable development. As is the case with other major industrial projects, Koniambo is faced with very significant growth in the costs associated with raw materials, transportation and the shortage of specialized resources for all projects because of the extension of the Goro Nickel construction schedule.

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Xstrata is a major global diversified mining group, listed on the London and Swiss stock exchanges. Headquartered in Zug, Switzerland, Xstrata 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, lead and silver and a suite of global technologies, many of which are industry leaders. The Group's operations and projects span 18 countries: Argentina, Australia, Brazil, Canada, Chile, Colombia, the Dominican Republic, Germany, Jamaica, New Caledonia, Norway, Papua New Guinea, Peru, South Africa, Spain, Tanzania, the USA and the UK.

Xstrata Nickel is headquartered in Toronto, Canada, and is one of the commodity business units within the major global diversified mining group Xstrata plc.

Xstrata Nickel's mining operations include five mines and processing facilities in Ontario, Canada; Quebec, Canada; a ferronickel mine and processing facility in Bonao, Dominican Republic; and a refinery in Nikkelverk, Norway. Xstrata Nickel has a promising portfolio of growth projects, including Nickel Rim South in Canada, Kabanga in Tanzania, and Koniambo in New Caledonia.

Xstrata Nickel is the fourth largest global nickel producer, with annual managed production of more than 110,000 tonnes of refined nickel.

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