



NEWS RELEASE

XSTRATA NICKEL TO BEGIN FIRST PHASE DEVELOPMENT OF FRASER MORGAN PROJECT IN SUDBURY

Toronto, 1 December 2006

Xstrata Nickel announces the first phase of development of the Fraser Morgan nickel project located in Sudbury, Ontario.

Cdn\$18 million will be invested by March 2007 to complete a pre-feasibility study, definition drilling, equipment procurement and infrastructure improvements at the 3900-foot level of the existing Fraser shaft to allow for project development and for potential future ore handling.

Subsequent development phases will be subject to approval in the second and third quarters of 2007. Mine production could begin in early 2009.

When brought into production, Fraser Morgan annual production will contribute an estimated 7,200 tonnes refined nickel per year over a seven-year mine life.

"The Sudbury operations remain a key component of Xstrata Nickel's growth strategy, and the first phase of development of the Fraser Morgan project demonstrates our ongoing commitment to this resource-rich area," said Ian Pearce, Chief Executive Officer of Xstrata Nickel.

"Fraser Morgan is a promising project that builds on our portfolio of assets in the Sudbury Basin," said Mike Romaniuk, Vice-President of Sudbury Operations.

Field work in Phase One will be undertaken primarily using existing Xstrata Nickel employees. It is anticipated that by early 2007, up to 30 employees will be working on field work related to the Fraser-Morgan project.

The Fraser Morgan nickel-copper orebody was discovered in 1995 and consists of five separate mineralized zones located two kilometres east of Xstrata Nickel's Fraser Mine. The orebody, which will be accessed by the existing Fraser Mine shaft, contains 4.9 million tonnes of measured and indicated reserves grading 1.8% nickel and 0.65% copper, and 2.4 million tonnes inferred resources grading 1.8% nickel and 0.5% copper.

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Background

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 Kristiansand, 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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