



NEWS RELEASE

RAGLAN EXPANSION STUDY COMMENCES - EXCEPTIONAL EXPLORATION RESULTS

Toronto, 7 August 2007

Xstrata Nickel announces it plans to increase mine production to over 2 million tonnes of ore per year at its wholly-owned flagship Raglan nickel mine in the Nunavik Territory of Northern Quebec, Canada. This would almost double mine output over the current annual production rate of 1.1 million tonnes of ore. Plans are already under way to increase production to 1.3 million tonnes per annum by the end of 2008; additional capacity to reach two million tonnes is expected to ramp up from 2011. After the expansion, Raglan will be one of the largest nickel mines in the world, with output approaching 50,000 tonnes of contained nickel in concentrate per annum, together with copper and platinum group metal (PGM) by-products.

Exploration results thus far from the current drilling programme have added approximately 2 million tonnes of inferred resources at 3.0% nickel in Zone 5-8, located 4 kilometres east of Katinniq, including an intersection of 63 metres at 4.4% nickel and 1.6% copper. Zone 5-8 has now replaced Katinniq as the largest ore zone in Raglan's history, with a preliminary estimate of the current inferred resource of 10 million tonnes at 3.2% nickel, 0.8% copper, 0.08% cobalt, 0.9 grams per tonne platinum and 2.1 grams per tonne palladium, or 4.0% nickel equivalent.

Xstrata's large land position in the Raglan belt has the potential to develop into one of the world's great nickel operations, which has prompted the expansion of the exploration programme to continue developing new ore reserves. Over the next five years, around C\$200 million is expected to be invested in exploration activities in support of the new production target. A dedicated expansion team has been established at Raglan to oversee both the revised exploration programme, and the expansion studies that will be initiated to move toward this new production goal.

Ian Pearce, Xstrata Nickel Chief Executive commented: "Since beginning production in 1997, the Raglan mine has consistently delivered on its promise as one of the world's most significant, low-cost nickel mines and most attractive exploration camps. Our most recent exploration results are truly exceptional and confirm that Xstrata Nickel's Raglan property is located on one of the world's great nickel belts. We are putting the necessary resources in place in order to ensure that the significant additional potential of Raglan is realised for all stakeholders. This investment is consistent with Xstrata Nickel's focus on growth and on maximizing the potential of our operations and the value for our shareholders.

From its creation in August 2006, Xstrata Nickel will have invested over C\$125 million at Raglan by the end of 2007. This includes investment of C\$104 million in total for projects currently under way to refurbish the existing Deception Bay wharf installations and to expand the operation's permanent accommodation facilities.

Investment in Raglan is also delivering additional benefit to surrounding communities and stakeholders through continued employment and supply contracts, as well as through the annual profit sharing program between Xstrata Nickel and local Inuit communities under the Raglan Agreement. Payments of C\$26 million in total have been made to date to the Makivik Corporation under the agreement.

"In recent years, the Government of Quebec has demonstrated strong support for the mining sector, in particular its encouragement of exploration activities, and the province has been truly one of the most attractive jurisdictions in our industry. We are also proud of our strong relationship with our key stakeholders in the Nunavik region and in Abitibi region. These relationships are fundamental in helping us deliver a continued flow of benefits to local communities. We will continue to value and build upon these relationships," said Pearce.

The Raglan operation currently comprises three underground mines, one open pit mine, and a concentrator. The site enjoys year-round road connections to a landing strip at Donaldson and to harbour facilities at Deception Bay. Ore from the mines is crushed, ground and processed into nickel-copper concentrate at the Raglan plant, and shipped via Quebec City to Xstrata Nickel's Sudbury smelter for further processing before being sent to Xstrata Nickel's Nikkelverk refinery in Kristiansand, Norway, for refining. Raglan has approximately 580 direct employees and 200 contractors.

ends

Notes to editors

Resource calculations are supervised and approved by Terry Mallinson (Geology Superintendent, Raglan Mine), who is the Qualified Person for the Raglan exploration programme. Core samples are assayed at the Raglan Mine laboratory and a QA-QC program is followed that includes regular insertions of mineral reference standards in each batch of samples. Check assays are performed at SGS Lakefield Laboratory.

Xstrata is a global diversified mining group, listed on the London and Zurich Stock Exchanges, with its headquarters in Zug, Switzerland. Xstrata's businesses maintain a meaningful position in seven major international commodity markets: copper, coking coal, thermal coal, ferrochrome, nickel, vanadium and zinc, with recycling facilities, additional exposures to gold, cobalt, lead and silver and a suite of global technology products, many of which are industry leaders. Xstrata Group's operations and projects span 18 countries: Argentina, Australia, Brazil, Canada, Chile, Colombia, the Dominican Republic, Germany, New Caledonia, Norway, Papua New Guinea, Peru, the Philippines, South Africa, Spain, Tanzania, the USA and the UK. Xstrata employs approximately 43,000 people, including contractors.

Xstrata Nickel, headquartered in Toronto, Canada, is one of Xstrata Group's global commodity businesses, comprising five mines and processing facilities in Ontario and Quebec, Canada; a ferronickel mine and processing facility in Bonao, Dominican Republic; and a refinery in Kristiansand, Norway. Xstrata Nickel has a significant portfolio of growth projects, including Nickel Rim South in Canada, Kabanga in Tanzania, and Koniambo in New Caledonia. Xstrata Nickel is the world's fourth largest nickel producer, with annual managed production of more than 110,000 tonnes of refined nickel.

Xstrata Nickel Contacts

Dominique Dionne

Vice-President, Corporate Affairs

Office +1 416 775-1514

Mobile +1 514 294-5898

Email ddionne@xstratanickel.ca