



## NEWS RELEASE

### **XSTRATA APPROVES KONIAMBO NICKEL PROJECT**

Zug, 17 October 2007

The Board of Xstrata plc has approved the development of the Koniambo project, a major long-life, low cost, open pit nickel mine, metallurgical plant and associated infrastructure located in the North Province of New Caledonia. Xstrata Nickel owns a 49% stake in Koniambo Nickel SAS (“KNS”); the remaining 51% share is held by New Caledonian joint venture partner Société Minière du Sud Pacifique (“SMSP”). Xstrata Nickel will lead the project implementation and operations development on behalf of KNS and has the right to appoint the President of KNS. Xstrata’s Board approval follows the recent approval by SMSP’s Board of the Koniambo project.

The project development entails investment of \$3.8 billion to be majority-funded by Xstrata, in return for a proportionate share of the project’s cash flows in the first 25 years of operation. The project will be funded through Xstrata’s internal cash reserves and ongoing strong cash flows from the Group’s operations.

Koniambo will be among the world’s lowest cost producers of nickel with initial annual production of 60,000 tonnes of nickel in ferronickel per annum and substantial further high-return, brownfield expansion potential. First ore is expected to be processed in the first half of 2011, ramping up to steady state production in 2013.

Koniambo benefits from a world-class resource base, providing a mine life in excess of 25 years from 62.5 million tonnes of saprolite reserves grading 2.40% nickel at a 2.0% cut-off grade. This major resource also has the potential to extend mine life to well in excess of 50 years of economic production. The resource base currently comprises 142.1 million tonnes of measured and indicated saprolite resources at 2.13% nickel at a 1.5% nickel cut-off grade, 140.7 million tonnes of inferred saprolite resource, grading 2.16% nickel (1.5% cut-off) and 104 million tonnes of inferred limonite resources at 1.5% nickel (1.2% cut-off).

Nickel will be produced using Xstrata Nickel’s Nickel Smelting Technology which integrates calcining, reduction and smelting unit operations from the mineral processing industry with dust containment and counter-current gas flow technologies from the cement industry. The benefits associated with this technology include higher metallurgical recoveries, improved dust containment and lower operating costs than conventional ferronickel operations.

The decision to approve the Koniambo project comes after a one-year renewal phase, during which Xstrata Nickel and its partners undertook extensive work to optimize the scope, design and financing of the project. This renewal phase enabled the four major risks associated with the project to be closely defined: execution risk; project stability; socio-political risks; and environmental risks. Comprehensive mitigation strategies have been put in place to address each of these risk areas, including the development of a robust execution plan, a modular approach to engineering and construction, an innovative

procurement strategy, comprehensive stakeholder consultation and environmental planning.

Mick Davis, Xstrata Chief Executive, said, "Koniambo represents the opportunity to develop an outstanding nickel operation with cash costs in the lowest quartile and exciting, low-cost growth potential from its vast resource base. The project is based on very strong valuation metrics and will meet Xstrata's cost of capital at a long-run nickel price of \$4.60 per pound. Our decision to develop the Koniambo resource marks an important milestone in the ongoing transformation of our portfolio and in developing our exceptional growth pipeline, which will deliver compound annual growth of 12% over the next five years."

Ian Pearce, Xstrata Nickel Chief Executive, commented, "Koniambo is the most attractive undeveloped nickel resource in the world and will be a cornerstone asset for the future growth of our nickel business. The project will leverage Xstrata Nickel's strong project development and metallurgical skills, using proven, low-cost nickel smelting technology and benefiting from the thorough analysis undertaken during the project renewal phase. The decision to proceed with this project underlines our confidence in the outlook for nickel.

"Koniambo enjoys strong support from the New Caledonian and French authorities, and from local communities. Together with our partners, we are excited about the project's potential to deliver value to stakeholders in New Caledonia and to Xstrata's shareholders over very many years."

*Ends*

#### **INVESTMENT MARKET PRESENTATION**

An investment market presentation will be held today at Deutsche Bank Auditorium, 1 Great Winchester St, London EC2N 2DB. Please arrive at 9am to start promptly at **9.15am**.

The presentation will also be available via a live webcast and is available to view from [www.xstrata.com](http://www.xstrata.com). An archive of the webcast will be available from Xstrata's website following the event.

A telephone dial in facility is available from the following numbers:

#### **TOLL FREE**

**Switzerland and UK: 00800 2467 8700**

**Australia: 1 800 005 903**

**USA: 1 866 291 4166**

**Canada: 1 866 416 25 55**

#### **ALTERNATIVE NUMBERS**

**UK: +44 (0) 207 107 0611**

**Europe and ROW: +41 (0) 91 610 56 00**

An audio replay of the presentation will be available from the following telephone numbers, approximately one hour after the presentation ends. All callers must enter ID number **329** followed by the # sign.

**Europe: +41 91 612 4330**

**UK: +44 207 108 6233**

**North America: +1 (1) 866 4162558**

**Australia: 1 800 220 860**

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## Notes to editors

### Further information about the Koniambo project:

#### Location

Koniambo is located near the North Province capital of Koné in New Caledonia, an overseas department of France in the South Pacific. Situated 270 kilometres northwest of Nouméa, the Koniambo Massif rises from a coastal plain to 930 metres above sea level. Koniambo benefits from a location in close proximity to the west coast of New Caledonia, approximately 15 kilometres from the shore.

#### Infrastructure

Koniambo will benefit from proprietary infrastructure including an ore preparation facility (3 mtpa), an overland conveyor, a 350 MW power plant, a deep-sea port facility and a 1 million tonne per annum coal handling facility. A desalination plant will also be constructed for process and potable water supply.

### **About Société Minière du Sud Pacifique**

Société Minière du Sud Pacifique (SMSP) is the largest exporter of nickel laterite ore from New Caledonia and also ranks as the world's largest ore supplier. SMSP is majority owned (85%) by Société de Financement et d'Investissement de la Province Nord, (SOFINOR), which is the principal investment and development company of the North Province of New Caledonia.

### **About Xstrata Nickel**

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 Koniambo in New Caledonia, Nickel Rim South in Canada, Kabanga in Tanzania and Araguaia in Brazil. Xstrata Nickel is the world's fourth largest nickel producer, with annual managed production of more than 110,000 tonnes of refined nickel.

### **About Xstrata plc**

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. The company also has recycling facilities, additional exposures to gold, lead, silver and cobalt 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, New Caledonia, Norway, Papua New Guinea, Peru, Philippines, South Africa, Spain, Tanzania, the USA and the UK.