



NEWS RELEASE

FALCONDO TO CONTINUE SHUTDOWN

Bonao, Dominican Republic, 4 December 2008

Xstrata Nickel's Falcondo operation (Falconbridge Dominicana C por A), a nickel mining and processing operation in the Dominican Republic, will continue the shut down of its nickel production operations that began in August 2008 and place the operations under care and maintenance.

A feasibility study is currently under way at Falcondo to examine the potential to convert the operation's energy source from oil to a viable alternative. In addition to the energy conservation project, the Loma Miranda project will provide a new higher-grade mining area for Falcondo as well as extend the mine life.

Approximately 30% of the operation's full-time equivalent employees will be retained to provide care and maintenance, operate the power plant that provides energy to the Dominican Republic grid, and conduct progressive mine rehabilitation and reforestation activities. Approximately 900 employees will be laid off and will receive severance packages in addition to outplacement services and training.

"Despite evaluating various alternatives for the Falcondo operation during the temporary suspension of operations, it is not economically viable to restart operations," said Ian Pearce, CEO of Xstrata Nickel. "Falcondo has twenty years of identified resources and we are committed to securing a viable future for the operation. The energy conversion and Loma Miranda projects are important initiatives in this regard."

Ernest Mast, President and General Manager of Falcondo said: "Our immediate priority is to provide support, training and assistance for employees through the redundancy program. Falcondo will continue to support a wide range of community initiatives while the nickel operations are under care and maintenance. Falconbridge Dominicana C por A will also increase its financial support for the Falcondo Foundation, through which we will work closely with unions, community leaders and development organisations to provide support for enterprise development and training initiatives, education, health and youth projects for the communities associated with the Falcondo operation."

Ends

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Notes to editors**About Falcondo**

Falcondo is a surface mining operation that has the capacity to produce 29,000 tonnes of nickel contained in ferronickel annually. Ferronickel is a combination of iron and nickel used almost exclusively by the stainless steel industry. The property is situated in the Dominican Republic, in the town of Bonao, 80 kilometres north of Santo Domingo. The facilities include a metallurgical treatment plant, a crude oil refinery and a 200 megawatt thermal power plant. Xstrata owns 85.26% of the outstanding shares of Falcondo.

The Falcondo Foundation, established in 1989, is a non-profit foundation designed to encourage development in the areas of health, education, environment and culture. The Falcondo Foundation also enables area residents to plan and carry out development activities by supporting projects related to the preservation and management of natural resources. Since inception, the Foundation has donated approximately US\$12 million, reforested more than 500 hectares of land, and complemented the efforts of the Dominican government to improve education by supporting approximately 78,000 students. In 2005, Falcondo received recognition from the Organization of States of America, as one of the "corporate citizens of the Americas" for its community initiatives.

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 Québec, Canada; a ferronickel mine and processing facility in Bonao, Dominican Republic; a high-grade sulphide mine and processing facility in Western Australia 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, Araguaia in Brazil and Sinclair in Australia. Xstrata Nickel is the world's fourth largest nickel producer, with annual managed production of more than 116,000 tonnes of refined nickel.