



INTEGRATION UPDATE NUMBER 4

1 September 2006

Dear colleagues

The momentum established during our first week as a combined group has continued this week with the confirmation of further senior management appointments and good progress in a number of areas.

Xstrata acquires over 97% of Falconbridge

As we announced last weekend, Xstrata now owns over 97% of Falconbridge and our offer has expired. Within the next week, remaining Falconbridge shareholders who have not tendered their shares will receive documentation advising of our compulsory acquisition, which is expected to take around 30 days in total to complete. At this point, Xstrata will own 100% of Falconbridge.

Xstrata Nickel Senior Management Appointments

Following on from the management appointments announced by Xstrata Copper last week, Xstrata Nickel finalized its senior management team this week.

Shaun Usmar, previously Chief Financial Officer, Xstrata Alloys, based in Johannesburg, has been appointed as Vice President and Chief Financial Officer, Xstrata Nickel, and will move to be based in Toronto.

Steve Flewelling has been appointed Vice President, Projects and Exploration, Xstrata Nickel. Doug McLarty has been appointed Vice President, Legal and Steve Young has been appointed as Group Counsel and Secretary. Emree Siaroff has been appointed Vice President, Human Resources and David Rae has been appointed Vice President, Strategy and Marketing.

As previously announced, Dominique Dionne has been appointed as Vice President, Corporate Affairs and will also co-ordinate Canadian external affairs activity for Xstrata Copper and Xstrata Zinc.

Mike Romaniuk has been appointed Vice President, Sudbury Operations and will also oversee Montcalm, while Denis Lachance continues in his role as Vice President and General Manager Raglan Operations. Ed Henriksen remains as Managing Director, Nikkelverk. The role of President of Falcondo has yet to be appointed.

All of these appointments report directly to Ian Pearce, Chief Executive Xstrata Nickel.

Mike Dufresne, General Manager, Sudbury Mines/Mill Business Unit and Allen Hayward, Vice-President, Nickel Mining have decided to retire, while Bill Rogers, Manager, Sudbury Mines and Kathy Rohacek, Director Human Resources, Nickel have decided to leave the company. Allen

Hayward will continue as a consultant to the nickel business unit for the next six months as Xstrata Nickel becomes fully established.

Brian Kenny has also decided to leave his position as President of Koniambo Nickel SAS. Michel Rioux has been appointed as General Manager, New Caledonia Operations for the Koniambo Project and will report to Kevin Brown, Koniambo Project Director.

In addition to the above Xstrata Nickel changes, Robert Telewiak, Senior Vice-President, Environment, Health and Safety and Kathy Rethy, Senior Vice-President, Information Services, Procurement, Logistics, Risk Management and Facilities, have both left the company.

Branding

There has already been a great deal of progress at the former Falconbridge operations and offices towards rebranding using the appropriate Xstrata commodity business logo. The revised Xstrata corporate identity guidelines booklet is currently being printed in English, French and Spanish and will be made available, together with a CD containing all Xstrata logos in a range of formats, to each operation and office throughout the enlarged Xstrata Group in the next two weeks. The pdf version of the revised booklet, which also includes guidelines for standard North American sized business cards and letterhead, will be made available on the integration intranet on Monday in all three languages, as an update to the guidelines that are currently available.

In Quebec province in Canada only, 'Xstrata Copper' must be replaced by 'Xstrata Cuivre' to comply with legislation governing the use of the French language in Quebec. The Xstrata Cuivre logo must be used in place of Xstrata Copper for all signs, internal memos, internal postings at operations and offices located in Quebec and for letters to external municipal and Quebec provincial officials on matters pertaining to Xstrata Copper in Quebec. For all communications with customers, suppliers and other parties based outside Quebec, and at all operations and offices not based in Quebec, the standard Xstrata Copper logo will be used.

SOX compliance

This week we confirmed that Xstrata does not intend to be subject to the Securities Act reporting obligations and therefore will not have to comply with the requirements of Section 404 of the Sarbanes-Oxley Act. Although this means that we will now close out SOX compliance, we are keen to preserve the benefits of the work undertaken to date, in particular to document controls and procedures for risk mitigation. It is also important that established controls are continued to be enforced and will be subject to periodic review by Group Audit Services.

Email addresses

While the vast majority of employees now have Xstrata email addresses, it has not been possible to complete the changeover for the Tokyo sales office and New Caledonia due to legal restrictions on domain registration. These sites are likely to be completed within the next two weeks.

In addition, a number of sites cannot share domain names with other operations currently and have been assigned Xstrata email addresses that include the site name, in line with their former Falconbridge email addresses, as an interim measure. Affected sites are listed below. These interim email addresses will apply until these operations can be brought into Xstrata's IT environment fully.

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|----------|----------------------------|
| Sudbury | @sudbury.xstratanickel.ca |
| Kiddmet | @kiddmet.xstratacopper.ca |
| Raglan | @katinniq.xstratanickel.ca |
| Santiago | @santiago.xstratacopper.cl |

Altonorte @altonorte.xstratacopper.cl
Lomas Bayas @lomas.xstratacopper.cl

Thank you all for your collaboration in ensuring our integration happens quickly and professionally. I look forward to communicating further progress in the near future and, of course, to your ongoing feedback.

Best regards

Thras Moraitis
Head of Group Strategy and Development
Chief Integration Officer