



INTEGRATION UPDATE NUMBER 2

21 August 2006

Dear colleagues

Today, Xstrata has assumed full management control of Falconbridge. As a result, two new global commodity businesses, Xstrata Nickel and Xstrata Aluminum, have joined Xstrata's existing five business units. Former Falconbridge copper and zinc operations and projects will become part of one of these devolved commodity businesses and the technology business will be integrated into Xstrata Technology, with the exception of the Process Development Group, which will become part of Xstrata Nickel. The enlarged Xstrata emerges from this acquisition as a new global mining supermajor, the fifth largest diversified mining company in the world, with an outstanding portfolio of cash generative operations and promising growth projects.

As I will set out in my presentation today, our business philosophy rests on the devolution of responsibility and authority to our commodity businesses, to a far greater extent than our peers. This approach is very powerful in allowing managers greater freedom to do the right things for their businesses, encouraging innovation and entrepreneurial thinking and giving resources and ownership back to the operations. While this devolved approach will lead to some reorganization and change across the former Falconbridge business joining our Group today, I am confident that the very real benefits of our structure will quickly become apparent and will open up new opportunities for many of you. As we have previously communicated, the initial stage of the integration process will be complete 30 days from now, when each Falconbridge employee will have certainty over your future. By the end of this year, we hope to have completed the integration of our two businesses.

Confirmation of senior management team

Today we have also announced a number of senior appointments within Xstrata. First, Ian Pearce has been appointed as the Chief Executive of Xstrata Nickel. As former Falconbridge employees will know, Ian was previously Chief Operating Officer of Falconbridge and brings with him a wealth of experience and knowledge of Falconbridge's operations and growth projects. In particular, Ian's knowledge of the nickel business and projects such as Koniambo and Nickel Rim South will be invaluable in his new role. Xstrata Nickel will be headquartered in Toronto, with responsibility for all nickel operations and growth projects. A key focus for Ian and his team will be the formation of a joint venture at Sudbury with the eventual owner of Inco, together with a mandate to grow the nickel business rapidly from its current base into a global leader in the industry.

Second, Bill Brooks has been confirmed as CEO of Xstrata Aluminum. Bill was previously President, Aluminum and has been with Falconbridge for over 20 years. We're delighted that Bill will join Xstrata as the second new commodity business within the Group. Although Noranda Aluminum will become Xstrata Aluminum, the business will also retain the Noranda Aluminum brand, due to the very strong customer relationships this business enjoys, particularly in the USA. The head office of Xstrata Aluminum will be located in Franklin, Tennessee.

Both Ian and Bill, in their capacity as CEOs of two of our global commodity businesses, will be invited to join the Xstrata Executive Committee and will report directly to me.

Third, Robert Sippel, previously President, Zinc, has been appointed as Chief Operating Officer of Xstrata Zinc Canada, reporting to Santiago Zaldumbide, Chief Executive Xstrata Zinc. Bob will continue to be based in Toronto and will use his considerable experience to manage all zinc operations and growth projects in Canada.

Finally, Martin Schady, former Falconbridge SVP Business Development, has been confirmed as Head of Business Development, Americas, based in Toronto and reporting to Trevor Reid, Xstrata Chief Financial Officer. In this role, Martin will identify and assess new growth opportunities for the Xstrata Group in North and South America - important regions for the Group's development.

I am delighted that Ian, Bill, Bob and Martin are joining Xstrata in senior management positions and look forward to working with them.

A number of senior managers are also leaving the Group, including Aaron Regent, former President of Falconbridge Limited, Joe Laezza, formerly President, Nickel, Jeffrey Snow, former General Counsel, Denis Couture, former SVP Investor Relations, Communications and Public Affairs, and André Joron, former SVP Human Resources.

Presentations: webcast and telephone replay details

This afternoon, Xstrata's executive team will give a number of presentations to a group of senior managers from across the combined Xstrata group. The presentations will be available to all employees via an archived webcast, which will be accessible from the integration intranet homepage (<http://integration>) later today (Toronto time) and for a number of days following the event. I hope you will take the time to view the webcast and/or associated slides, which will give you a better sense of the enlarged Xstrata Group, our strategic objectives and aims for the future, as well as further details on the integration process. For those employees who do not have easy access to the intranet, we have also arranged a telephone replay number, through which you will be able to hear the audio recording of the presentations. The telephone numbers for this recording are set out below and the audio replay will be available from approximately 5pm (Toronto time) today:

Canada/US toll free:	877-289-8525
Rest of world:	+1 416-640-1917
Passcode:	21200654#

Website and email addresses

From today, the Falconbridge corporate website and other related sites will be redirected to www.xstrata.com, with the exception of Noranda Recycling and Noranda Aluminum, where customers will still be able to access the website directly. The archived Falconbridge Limited website and all related websites will be accessible from www.xstrata.com.

Email addresses will also change across the former Falconbridge offices and sites during this week to the relevant Xstrata commodity business email addresses. Following the email address changes, you will still be able to receive incoming mail to your former Falconbridge email address until the end of the year, to ensure an orderly transition. All outgoing emails will come from your new Xstrata address, which should be quoted in correspondence going forward. Further information

about how email addresses will change for each operation and project is available from the integration intranet.

Today is the beginning of our journey together as a combined Group. I would like to welcome those employees joining us from Falconbridge. I also reiterate my belief that the enlarged Xstrata is ideally positioned to create further value for all stakeholders, both existing and new.

Our integration teams have made excellent progress towards completing the combination of the two businesses. We have been impressed with the professionalism and co-operative nature of our interaction with former Falconbridge employees to date, a fact that underlines our long-held respect for the operational skills and expertise of Falconbridge personnel. As today's management appointments confirm, it is our intention to bring into the Xstrata Group the experience and capabilities of Falconbridge personnel to the greatest extent possible.

Our priorities for the integration remain to work closely with our colleagues from the former Falconbridge business to effect a smooth transition, minimizing any disruption to operations and maintaining a strict focus on safety, and to act with the utmost respect and sensitivity towards any Falconbridge personnel who may be impacted by the changes we are implementing.

We expect to announce further senior management appointments shortly and we will continue to communicate progress through the integration process regularly to employees of the combined Group.

Sincerely

A handwritten signature in black ink that reads "M L Davis". The signature is written in a cursive, flowing style.

M L Davis