

June 2, 2006

VIA COURIER AND E-MAIL

Ontario Securities Commission
Suite 1800
20 Queen Street West
Toronto ON M5H 3S8

Attention: Naizam Kanji

Dear Sirs/Mesdames:

Re: Application by Xstrata Canada Inc. (“Xstrata Canada”) and Xstrata plc (together with Xstrata Canada, “Xstrata”) dated May 18, 2006 (the “Xstrata Application”)

We are counsel to Falconbridge Limited (“**Falconbridge**”).

We are writing on behalf of Falconbridge in response to Xstrata’s application for several forms of relief in respect of Falconbridge’s shareholder rights plan dated as of March 21, 2006 (the “**Rights Plan**”) and Xstrata Canada’s offer (the “**Xstrata Offer**”) to purchase all of the outstanding common shares (“**Falconbridge Shares**”) of Falconbridge by way of a take-over bid circular dated May 18, 2006 (the “**Xstrata Circular**”).

Summary of Falconbridge’s Position

For the following reasons, the continued existence of the Rights Plan is in the best interests of the shareholders of Falconbridge and it would be contrary to the public interest to terminate the Rights Plan at this time:

- (a) The Rights Plan is a genuine attempt by the Board of Directors of Falconbridge to protect the best interests of the common shareholders of Falconbridge (“**Falconbridge Shareholders**”) by preventing a “creeping” take-over of Falconbridge, creating an auction for the company and ensuring the equal treatment of all Falconbridge Shareholders in the event of a change of control of Falconbridge. Falconbridge submits that the Rights Plan has precipitated an auction for Falconbridge and to terminate the plan now would be premature, would have the effect of ending the current auction for

Falconbridge and would enable Xstrata to engage in coercive conduct that would be clearly abusive of the integrity of the capital markets.

- (b) The Xstrata Application is a thinly veiled attempt to enlist the assistance of the Ontario Securities Commission (the “**Commission**”) in enabling Xstrata to engage in activity which is coercive and contrary to the public interest. The Xstrata Application appears to be motivated by a desire on the part of Xstrata, without offering a premium to all Falconbridge Shareholders, to (i) acquire in the market a sufficient number of Falconbridge Shares to achieve a blocking position, and end the current auction for Falconbridge, and (ii) put itself in a position to waive the conditions to its offer, take up a small number of deposited shares, and then again block any competing offer.
- (c) If Xstrata wanted to avoid the application of the Rights Plan, they could simply have made a “Permitted Bid” (within the meaning of the Rights Plan). Unlike many other shareholder rights plans, the Rights Plan is not unduly restrictive nor defensive and requires only that a take-over bid be made to all Falconbridge Shareholders and that that take-over bid contain a condition that no Falconbridge Shares may be taken up under the bid unless a majority of shares not owned by the bidder are tendered to the bid. There is nothing preventing Xstrata from making a Permitted Bid at this time.
- (d) The Rights Plan was adopted, and remains in effect, in compliance with the Rules (the “**TSX Rules**”) of the Toronto Stock Exchange (the “**TSX**”) and the knowledge of staff of the TSX. The Rights Plan is not an extension or amendment of a predecessor shareholder rights plan adopted by Falconbridge in September, but rather a new shareholder rights plan that differs materially from that earlier plan.
- (e) The Xstrata Application is premature. The Xstrata Offer does not expire until July 7, 2006 and has been in existence for only 13 days. On May 23, 2006, the Falconbridge Board deferred the separation time under the Rights Plan with respect to the announcement by Xstrata of the Xstrata Offer, thereby deferring the application of the plan to the Xstrata Offer. Falconbridge believes that the Investment Canada approval condition in the Xstrata Offer will require Xstrata to extend the Xstrata Offer well beyond July 7. The Commission normally does not convene a shareholder rights plan hearing until a rights plan is being used by a target board to prevent a bidder from taking up shares. Xstrata is not in such a position. We submit that any determination to cease trade the Rights Plan at this stage would be premature and only serve to enable Xstrata to engage in the coercive behaviour that was at the heart of the H.E.R.O. decision and put an end to an auction for Falconbridge.

Additionally, we also question the need for the requested hearing at all, given recent comments by Xstrata: in an article in the Toronto Star on June 1, 2006, Xstrata spokesman Marc Gonsalves was reported as saying that the Rights Plan is irrelevant now and that “The shareholders of Falconbridge will tender their shares to the company that offers them the best value.”

Background

By way of background, it is important to recognize that the Falconbridge Board of Directors has, for over two years, been engaged in an extensive and thorough process designed to maximize shareholder value. That process has, with the judicious and appropriate use of shareholder rights plans, resulted in an offer by Inco Limited (“**Inco**”) for all of the Falconbridge Shares, and generated a public auction for the company.

In February of 2004, Brascan Corporation (“**Brascan**”), the then owner of 41% of the common shares of Noranda Inc. (“**Noranda**”, then 59% shareholder of the predecessor Falconbridge Limited (“**Old Falconbridge**”)) before its amalgamation with Noranda) indicated to the Noranda Board of Directors that Noranda no longer fit within the parameters of Brascan’s stated business model. Given this indication, the Noranda Board of Directors determined to review its strategic options.

The Noranda Board of Directors engaged in discussions with several parties who had expressed interest in acquiring Noranda, as well as others who were considered by the Noranda Board of Directors to be potential strategic investors. These parties included Xstrata and Inco.

In addition to discussions with other parties interested in acquiring Noranda, a special committee of the Noranda Board of Directors reviewed a number of alternative courses of action respecting a reorganization of Noranda and Old Falconbridge. On March 8, 2005, Noranda announced its intention to make an offer to purchase up to 63,377,140 of its common shares in exchange for 50,000,000 junior preferred shares (the “**Issuer Bid**”) and to make an offer to purchase all of the common shares of Old Falconbridge not then owned by it (the “**Take-over Bid**”). The Take-over Bid and the Issuer Bid were successfully completed in late April and early May of 2005.

On August 15, 2005, Brascan announced that it had sold 73,115,756 Falconbridge Shares to Xstrata at Cdn.\$28.00 per share. Brascan also announced that, as part of its arrangements with Xstrata relating to such sale, it had been agreed that, if Xstrata makes an offer or announces its intention to make an offer to acquire a majority or more of the common shares of Falconbridge within nine months at a price per share in excess of Cdn.\$28.00, Xstrata would pay Brascan such excess amount in respect of the shares sold by Brascan to Xstrata. At the time of the purchase, Xstrata CEO Mick Davis indicated that he believed that Xstrata had purchased an option to acquire Falconbridge but that the acquisition would not necessarily lead to an offer for the remaining Falconbridge Shares.

On August 23, 2005, the Falconbridge Board of Directors met to consider the implications to Falconbridge of the sale of the Falconbridge Shares by Brascan to Xstrata.

On August 24, 2005, members of senior management of Falconbridge met with Mr. Mick Davis, CEO of Xstrata, to discern Xstrata's objectives in acquiring the Falconbridge Shares from Brascan and Xstrata's future intentions with respect to Falconbridge. On August 25, 2005, the Falconbridge Board of Directors met and received a presentation from Mr. Davis, which included a discussion about, among other things, the possible combination of Xstrata and Falconbridge and a request for board representation. Based upon that meeting with Mr. Davis and his presentation to the Falconbridge Board of Directors, the Board concluded that Xstrata's objective was to ultimately acquire Falconbridge at a price below \$28 per share and on a timetable of his choosing.

At the August 25, 2005 meeting, following the presentation from Mr. Davis, the Board of Directors formed an independent committee (the "**Independent Committee**") comprised of all directors except Mr. Kerr, Mr. Pannell, and those directors who were related to Brascan. The Independent Committee authorized Mr. Pannell to pursue negotiations with Xstrata with respect to their request for Board representation in exchange for certain concessions to be made by Xstrata, including a restriction on Xstrata acquiring additional Falconbridge Shares other than pursuant to an offer for all Falconbridge Shares. It also authorized Mr. Pannell to pursue meetings with major investors and analysts. The Board also authorized Mr. Pannell to consider and approach other possible acquirers of Falconbridge, including Teck Cominco Limited ("**Teck Cominco**") and Inco. Each of Teck Cominco and Inco was subsequently approached.

During September, the Falconbridge Board of Directors received regular updates from Mr. Pannell on discussions with major investors and with Xstrata. Ultimately, Xstrata declined to agree to Falconbridge's request that, in exchange for representation on Falconbridge's Board of Directors, Xstrata would agree that any further acquisitions by Xstrata of Falconbridge Shares would be made only pursuant to a bid for all Falconbridge Shares.

It is important to note that the fact that the discussions between Falconbridge and Xstrata took place are conspicuously absent from both the Xstrata Application and the Xstrata Circular. In paragraph 22 of the Xstrata Application, Xstrata incorrectly states that Falconbridge did not contact Xstrata to discuss Xstrata's intentions to increase its investment in Falconbridge. We believe that those discussions are material facts that Xstrata should have brought to the attention of the Commission and Falconbridge Shareholders.

On September 9, 2005, Mr. Pannell and Mr. Scott Hand, the Chairman and CEO of Inco Limited ("**Inco**"), met to determine whether Inco would be interested in pursuing a transaction involving Falconbridge. Inco and Falconbridge entered into a confidentiality and standstill agreement. During the balance of September, due diligence teams from Falconbridge and Inco and their respective financial and legal advisors met to review each

company's respective operations, assets, material contracts and financial condition and to establish the extent of potential synergies between the two companies if they were to merge.

On September 22, 2005, the Falconbridge Board of Directors adopted a shareholder rights plan, in order to enhance Falconbridge's ability to obtain the best value for its shareholders and to prevent a person or company from acquiring control of Falconbridge in a manner detrimental to shareholders. In particular, the Falconbridge Board of Directors was concerned about Xstrata increasing its shareholdings above 20%, thereby possibly precluding any other party from competing with Xstrata for control of Falconbridge. That plan had the effect of keeping Xstrata at a 20% shareholding level unless they were prepared to make an offer to all Falconbridge Shareholders. Falconbridge did not discuss the plan with Inco prior to its adoption by the Board of Directors.

On October 10, 2005, representatives of Inco met with representatives of Falconbridge, proposed improved financial terms from their original offer and advised that, subject to the final approval of the Inco Board of Directors, Inco wished to proceed with an offer (the "**Initial Inco Offer**") to acquire the Falconbridge Shares on the basis of Cdn.\$34.00 in cash per Falconbridge Share or 0.6713 of a common share of Inco (an "**Inco Share**") plus Cdn.\$0.05 in cash per Falconbridge Share, in each case at the election of the Falconbridge Shareholders, subject to limitations on the aggregate amount of cash and shares available and subject to reaching agreement on the terms of a support agreement. The Falconbridge Board of Directors, having received the recommendation of management with respect to the Initial Inco Offer, legal advice as to their fiduciary responsibilities in the context of the Initial Inco Offer and the opinion of CIBC World Markets that the consideration offered pursuant to the Initial Inco Offer was fair, from a financial point of view, to the Falconbridge Shareholders, authorized management to enter into the Support Agreement and resolved to recommend to Shareholders acceptance of the Initial Inco Offer. Falconbridge and Inco finalized and executed a support agreement (the "**Support Agreement**") late in the evening of October 10, 2005.

Between December 2005 and February 2006, Inco extended its offer three times, resulting in a current expiry date for the Inco Offer of June 30, 2006. On March 21, 2006, Falconbridge enacted a new shareholder rights plan (being the "Rights Plan") and Falconbridge and Inco entered into an amendment to the Support Agreement.

Early in May, 2006, Falconbridge and Inco engaged in discussions regarding the possibility of Inco raising its offer for Falconbridge Shares in order to take into account developments since the Initial Inco Offer was made. On May 13, 2006, Inco advised Falconbridge that it was prepared to make an improved offer upon negotiation of a satisfactory amendment to the Support Agreement, including an increase in the termination and expense fees payable to reflect the increased consideration payable under the improved offer. The amended offer (the "**Amended Inco Offer**") would, among other things, increase the maximum amount of cash payable by Inco by approximately Cdn.\$1.9 billion, or Cdn.\$5.00 per Falconbridge Share, assuming full proration.

On May 13, 2006, following a review of the terms and conditions of the Amended Inco Offer and after receipt of advice from its financial and legal advisers, the Falconbridge Board of Directors unanimously approved the amendment to the Support Agreement to recommend acceptance of the Amended Inco Offer to Falconbridge Shareholders.

On May 17, 2006, Xstrata announced the Xstrata Offer. On May 18, 2006, Xstrata announced that it had filed with the Canadian securities regulators and the U.S. Securities and Exchange Commission the formal offer documents in respect of the Xstrata Offer. On May 23, 2006, the Falconbridge Board deferred the separation time under its shareholder rights plan with respect to the announcement by Xstrata of the Xstrata Offer.

Submissions

In its application, Xstrata makes several allegations, all of which Falconbridge believes are without merit. Our response to those allegations is set out below.

Xstrata's Allegation That the Xstrata Offer is not a "Creeping" Take-over and Falconbridge Does Not Need the Rights Plan to Ensure an Auction for the Company

The Rights Plan Is Auction-Promoting

Xstrata's allegation that Falconbridge does not need the Rights Plan to ensure an auction for the company is simply not true. The Rights Plan has created an auction for Falconbridge and is necessary to maintain that auction.

The purpose of the Rights Plan is to prevent a creeping take-over of Falconbridge and ensure that any offer to acquire Falconbridge is made to all Falconbridge Shareholders for all of their Falconbridge Shares and cannot be completed unless Falconbridge Shareholders holding at least 50% of the Falconbridge Shares (other than those held by any shareholder or group of shareholders making the take-over bid) are tendered in favour of the offer. Thus, the Rights Plan preserves Falconbridge's ability to obtain the best value for all Falconbridge Shareholders. The plan was also designed to provide the share ownership stability to protect the opportunity for Falconbridge Shareholders to tender to the Inco Offer or any other offer for Falconbridge and, additionally, seeks to ensure that all Falconbridge Shareholders are treated fairly in any transaction involving a change in control of Falconbridge and have an equal opportunity to participate in the benefits of a take-over bid. The Rights Plan encourages potential acquirors to negotiate the terms of any offers for Falconbridge Shares with the Falconbridge Board of Directors or to make a Permitted Bid (as defined in the Rights Plan) without the approval of the Board of Directors. Inco has advised Falconbridge that Inco would not have made its initial offer had Falconbridge not had in place the predecessor plan to the Rights Plan and would not have increased its offer in the absence of the Rights Plan.

Unlike many shareholders rights plans, a bid qualifies as a Permitted Bid under the Rights Plan so long as it is made to all Falconbridge Shareholders for all of their Falconbridge Shares and is accepted by the holders of more than 50% of the Falconbridge Shares (other than those held by any shareholder or group of shareholders making a take-over bid). A Permitted Bid under the Rights Plan need only be open for the minimum amount of time required by applicable securities laws, unlike many plans which require a bid to be open for a longer time. As a result, the Rights Plan is not unduly restrictive nor defensive.

To date, Inco has made a Permitted Bid and Xstrata has not. Both the Amended Inco Offer and the Xstrata Offer are at an attractive price. However, each offer is also below the current market price of the Falconbridge Shares, indicating that the market assumes that at least one bidder will increase its offer price and that the auction for Falconbridge is far from over.

The Xstrata Offer contains a condition that requires a minimum acceptance by Falconbridge Shareholders. However, that acceptance level can be waived by Xstrata in its sole discretion such that Xstrata would be able to take up any amount of Falconbridge Shares tendered to the Xstrata Offer. As a result there is effectively no minimum acceptance level for the Xstrata Offer and because Xstrata currently owns approximately 20% of the outstanding Falconbridge Shares, Xstrata could potentially frustrate or prevent another competing bid for Falconbridge, including the Inco Offer, by taking up a very small number of Falconbridge Shares under the Xstrata Offer. This would leave Xstrata in the position it has sought since it first announced its acquisition of Falconbridge Shares – an option to acquire the balance of the Falconbridge Shares at a time and price of its choosing. Falconbridge believes that this aspect of the Xstrata Offer is coercive because Falconbridge Shareholders who may not find the Xstrata Offer attractive will be concerned that they may be left in the position of being a minority shareholder with less liquidity as a result of actions by a relatively small number of other Falconbridge Shareholders, with Xstrata becoming effectively a controlling shareholder.

A Permitted Bid would ensure that holders of Falconbridge Shares would not feel compelled to accept the Xstrata Offer if they were otherwise unsatisfied with the offer. Xstrata could easily have made a Permitted Bid as the Rights Plan was adopted and announced, and a copy publicly filed, in March and the Xstrata Offer was made in May. Xstrata chose not to make a Permitted Bid. Furthermore, there is nothing preventing Xstrata from making a Permitted Bid at this time.

Xstrata's True Intention Is to Acquire a Blocking Position and Put an End to the Current Auction

In the Xstrata Circular mailed to Falconbridge Shareholders and filed with Canadian securities regulatory authorities, Xstrata states that it “does not currently intend” to acquire additional Falconbridge Shares in the market, presumably in reliance upon the exemption in section 94(3) of the *Securities Act* (Ontario) (the “Act”) from the general prohibition in the Act against acquisitions during a take-over bid. The Xstrata Circular and the Xstrata

Application are each dated May 18, 2006. We submit that it is patently obvious from the timing and nature of the Xstrata Application that Xstrata, in fact, does intend to make market purchases in reliance on section 94(3) of the Act. Since that date, Xstrata has made no public announcement of that intention, yet significant numbers of Falconbridge Shares have been traded daily at prices well above both bids. In addition, the Xstrata Circular indicates that Xstrata intends to acquire all of the outstanding Falconbridge Shares. We find this assertion difficult to believe in light of the Xstrata Application.

We believe that Xstrata wishes the Rights Plan terminated at this time for the sole purpose of enabling it to acquire an additional 5% of the Falconbridge Shares in the market in reliance on the exemption in s. 94(3) of Act. Given that the current market price of Falconbridge Shares exceeds the offer price under the Xstrata Offer, those acquisitions are likely to be made from a select number of Falconbridge Shareholders at a premium to that offer price. We submit that such a result would be coercive and contrary to the public interest, and would put an end to the current auction for Falconbridge.

In the case of many take-over bids, not all shareholders tender to the bid, because of misplaced share certificates, changes of address, lack of knowledge of how to proceed, errors in realizing that actions must be taken by a certain date, and various other factors. The Inco bid requires that two-thirds of the shares be tendered to the bid, in order for Inco to assure itself of the ability to proceed under applicable securities and corporate law to acquire shares not tendered to the bid. If even 10% of the Falconbridge Shares are not tendered to the Inco bid for any of the reasons set forth above, a 25% block in Xstrata's hands would result in Inco receiving only 65% of the Falconbridge Shares. Accordingly, though holders of 90% of the independent holders of Falconbridge Shares would want to take advantage of the Inco bid, they would be prevented from doing so by the actions of one shareholder. Xstrata would then have acquired effective control of Falconbridge and denied Falconbridge Shareholders the opportunity to receive the benefit of an attractive bid for all the shares. In the meantime, a small number of shareholders who sold to Xstrata in the public markets would have received a very high price for their shares.

In *Re H.E.R.O. Industries Limited*¹, the Commission held that, where a significant shareholder's use of the private agreement exemption is what is now s. 93(1)(c) of the Act in the face of an existing take-over bid had the effect of thwarting that bid, such actions were "clearly prejudicial to the public interest". In describing the propriety of the use of the private agreement exemption in those circumstances, the Commission stated:

"[the significant shareholder's] conduct seems to us, to be clearly abusive of the integrity of the capital markets, which have every right to expect that participants like [the significant shareholder] **will adhere to both the letter and the spirit of**

¹ (1990), 13 OSCB 3775;

the rules that are intended to guarantee equal treatment of offerees in the course of a take-over bid, no matter by whom the bid is made.” **[emphasis added.]**

Falconbridge has been advised by its financial advisors, CIBC World Markets Inc. that, if Xstrata were permitted to increase its shareholding in Falconbridge to 25% of the outstanding Falconbridge Shares, the practical effect would be to put to an end to the current auction for Falconbridge as it would render the possibility of a successful Inco Offer (including one at a higher price than that currently contemplated by the Amended Inco Offer) unlikely and would discourage other potential bidders from making a competing offer.

In light of Xstrata’s significant shareholding in Falconbridge and contrary to Xstrata’s allegations, the continued existence of the Rights Plan is necessary to ensure an unrestricted auction of Falconbridge.

Xstrata’s Allegation That The Rights Plan Has Not Been Approved By Falconbridge Shareholders

The Rights Plan was adopted, and remains in effect, in compliance with the TSX Rules and the knowledge of staff of the TSX. The Rights Plan is not an extension or amendment of a predecessor shareholder rights plan adopted by Falconbridge in September 2005, but rather a new shareholder rights plan that differs materially from that earlier plan.

On September 21, 2005, Falconbridge submitted to the TSX for its approval a shareholder rights plan. By letter dated September 22, 2005, following discussions between staff of the TSX and ourselves, on behalf of Falconbridge, the TSX advised Falconbridge that its Advisory Committee had determined to defer consideration of the acceptance for filing of that plan. In March 2006, that plan expired in accordance with its terms and on March 21, 2006 Falconbridge enacted the Rights Plan. The Rights Plan differs from the prior plan in several respects. In particular, in order for a take-over bid to qualify as a “Permitted Bid” under the prior plan (and therefore be exempt from its application) the take-over bid had to be open for at least 60 days and extended for 10 days from the date that the bidder first took up shares under the bid. The Rights Plan does not contain either of those requirements, thereby enabling a potential bidder to make a bid without undue concern for the plan should that bidder truly intend to treat all shareholders of Falconbridge equally and fairly.

On March 22, 2006, submitted the Rights Plan to the TSX for its approval. The TSX subsequently advised Falconbridge that it had determined to defer its consideration of the plan until the earlier of (i) such time as Falconbridge can confirm in writing that it is not aware of any pending or threatened take-over bid for Falconbridge, and (ii) such time as the TSX is notified that the Ontario Securities commission will not intervene pursuant to National Policy 62-202 in any take-over bid for Falconbridge.

The TSX Rules draw a clear distinction between those shareholder rights plans that are enacted in response to a hostile take-over bid and those that are not. In the case of the former, the TSX will defer its review of the plan pending a change in circumstances and/or a review by the Commission. During that intervening period, the TSX Rules do not obligate an issuer to seek shareholder approval. In the case of Falconbridge, the TSX has consistently deferred its review of Falconbridge's shareholder rights plans.

Xstrata's Allegation That Falconbridge Has Implemented Other Defensive Tactics

Xstrata suggests that the Commission should give the Falconbridge Board of Directors no deference simply because the Board has, in good faith, elected to support the Inco Offer in exchange for Inco's covenant to make its offer on the terms set out in the Support Agreement. We strongly disagree.

Falconbridge's covenants in the Support agreement are reasonable in the context of a friendly take-over bid. In its application, Xstrata fails to point out that the Support Agreement contains a customary "fiduciary out" which enables Falconbridge to terminate the Support Agreement in the event of a competing offer or proposal that the Falconbridge Board of Directors determines is a "Superior Proposal" for purposes of the Support Agreement and upon expiry of Inco's right to match the competing offer and payment of a termination fee. In such event, Falconbridge would be free to waive the application of the Falconbridge Rights Plan in respect of such superior proposals. As noted above, the Falconbridge Board of Directors has determined at this time that the Xstrata Offer is not a "Superior Proposal".

Throughout the Falconbridge Board of Directors' process of maximizing shareholder value, the Board has consistently taken actions which are in furtherance of the proper discharge of its fiduciary duties and not actions which would prevent an offer to all Falconbridge Shareholders, but rather those that promote an auction of the company. In our view, adopting and maintaining a shareholder rights plan in order to prevent a creeping take-over bid is entirely consistent with the fiduciary duty of Falconbridge's directors to act in the best interests of all Falconbridge Shareholders.

In National Policy 62-202, the Canadian Securities Administrators have expressly recognized the authority of a board of directors to take defensive actions in the context of an actual or potential take-over bid, stating:

"The Canadian securities regulatory authorities appreciate that defensive tactics ... may be taken by a board of directors of a target company in a genuine attempt to obtain a better bid."

As described above, the Rights Plan has enabled Falconbridge to attract the Initial Inco Offer and the improved Inco Amended Offer, and to generate an auction for the company.

June 2, 2006

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Ontario Securities Commission

Xstrata's Allegation Regarding the Length of Time Falconbridge's Shareholder Rights Plans Have Been In Place

The Commission has, in prior decisions, taken the position that the length of time a take-over bid has been outstanding is an important factor to be taken into account in determining whether to exercise its authority under section 127 of the Act and cease trade a shareholder rights plan. The facts of the present case do not support a similar conclusion here.

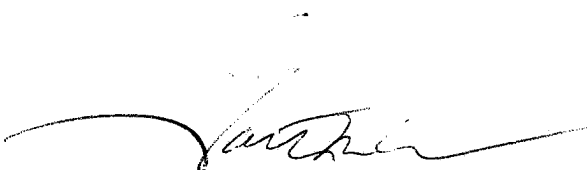
We submit that the Commission should not adopt such a narrow view in the case at hand and should defer to the judgment of the Falconbridge Board of Directors in the discharge of its fiduciary duties. The Rights Plan was not adopted in the face of a hostile take-over bid and has not been used to buy time to seek alternative bids. Rather, the Rights Plan was implemented to prevent the coercive effects of a creeping take-over and it has served that purpose and Falconbridge Shareholders well to date. The Falconbridge Board of Directors should be permitted to continue to use the Rights Plan for that legitimate purpose.

In any event, the Xstrata Offer does not expire until July 7, 2006 and has been in existence for only 13 days. On May 23, 2006, the Falconbridge Board deferred the separation time under the Rights Plan with respect to the announcement by Xstrata of the Xstrata Offer, thereby deferring the application of the plan to the Xstrata Offer. Falconbridge believes that the Investment Canada approval condition in the Xstrata Offer will require Xstrata to extend the Xstrata Offer well beyond July 7. The Commission normally does not convene a shareholder rights plan hearing until a rights plan is being used by a target board to prevent a bidder from taking up shares. Xstrata is not in such a position. We submit that any determination to cease trade the Rights Plan at this stage would be premature and only serve to enable Xstrata to engage in the coercive behaviour that was at the heart of the H.E.R.O. decision and put an end to an auction for Falconbridge.

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Should you have any questions regarding the foregoing, please contact me at 416-601-7574 or Jonathan Grant at 416-601-7604.

Yours truly,



Garth M. Girvan

GMG:JG/aw