

INCO LTD
Form SC14D1F
October 25, 2005

Table of Contents

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
Schedule 14D-1F
TENDER OFFER STATEMENT PURSUANT TO RULE 14d-1(b) UNDER
THE SECURITIES EXCHANGE ACT OF 1934
FALCONBRIDGE LIMITED
(Name of Subject Company)
Ontario, Canada**

Letter of Transmittal means the letter of transmittal and election form in the form accompanying the Offer and Circular (printed on blue paper).

Material Adverse Change means, when used in connection with a person, any change, effect, event or occurrence with respect to the condition (financial or otherwise), properties, assets, liabilities, obligations (whether absolute, accrued, conditional or otherwise), businesses, operations or results of operations of that person, its subsidiaries or its material joint ventures that is, or could reasonably be expected to be, material and adverse to that person, its subsidiaries and its material joint ventures taken as a whole, other than any change, effect, event or occurrence (i) relating to the Canadian and United States economies, political conditions or securities markets in general;

Table of Contents

(ii) affecting the mining industry in general; (iii) relating to a change in the market trading price of shares of that person, either, (A) related to the Support Agreement and the Offer or the announcement thereof, or (B) related to such a change in the market trading price primarily resulting from a change, effect, event or occurrence excluded from the definition of Material Adverse Change under clauses (i), (ii), (iv) or (v); (iv) relating to any of the principal markets served by that person's business generally or shortages or price changes with respect to raw materials, metals or business generally or shortages or price changes with respect to raw materials, metals or other products (including, but not limited to, nickel, copper, cobalt, any platinum-group metals, sulfur, sulphuric acid, electricity, zinc or aluminium) used or sold by that person; or (v) relating to any generally applicable change in applicable Laws or regulations (other than orders, judgments or decrees against that person, or any of its subsidiaries or any of its material joint ventures) or in Canadian GAAP; provided, however, that such change, effect, event or occurrence (other than in the case of clause (iii) above) does not primarily relate only to (or have the effect of primarily relating only to) the person, its subsidiaries and its material joint ventures, taken as a whole, or disproportionately adversely affect the person, its subsidiaries and its material joint ventures, taken as a whole, compared to other companies of similar size operating in the industry in which the party, its subsidiaries and its material joint ventures operate;

Material Adverse Effect means, when used in connection with a person, any effect that is, or could reasonably be expected to be, material and adverse to the condition (financial or otherwise), properties, assets, liabilities, obligations (whether absolute, accrued, conditional or otherwise), businesses, operations or results of operations of that person, its subsidiaries and its material joint ventures taken as a whole, other than any effect (i) relating to the Canadian and United States economies, political conditions or securities markets in general; (ii) affecting the mining industry in general; (iii) relating to a change in the market trading price of shares of that person, either: (A) related to the Support Agreement and the Offer or the announcement thereof, or (B) related to such a change in the market trading price primarily resulting from a change, effect, event or occurrence excluded from the definition of Material Adverse Effect under clauses (i), (ii), (iv) or (v) hereof; (iv) relating to any of the principal markets served by that person's business generally or shortages or price changes with respect to raw materials, metals or business generally or shortages or price changes with respect to raw materials, metals or other products (including, but not limited to, nickel, copper, cobalt, any platinum-group metals, sulfur, sulphuric acid, electricity, zinc or aluminium) used or sold by that party; or (v) relating to any generally applicable change in applicable Laws or regulations (other than orders, judgments or decrees against that person, any of its subsidiaries or any of its material joint ventures) or in Canadian GAAP; provided, however, that such effect (other than in the case of clause (iii) above) does not primarily relate only to (or have the effect of primarily relating only to) that person, its subsidiaries and its material joint ventures, taken as a whole, or disproportionately adversely affect that person, its subsidiaries and its material joint ventures, taken as a whole, compared to other companies of similar size operating in the industry in which that person, its subsidiaries and its material joint ventures operate.

material joint venture means a joint venture in which a person participates, whether as a partner, shareholder, interest holder or otherwise, that is material to that person's financial condition, operations or prospects.

Maximum Take-Up Date Cash Consideration means, in respect of a Take-Up Date, the product obtained by multiplying (i) Cdn.\$2,872,648,913 by (ii) the quotient resulting when the aggregate number of Falconbridge Shares to be taken up on such Take-Up Date is divided by 383,019,855, being the aggregate number of Falconbridge Shares outstanding as at the date hereof (calculated on an adjusted fully diluted basis).

Maximum Take-Up Date Share Consideration means, in respect of a Take-Up Date, the number of Inco Shares equal to the product obtained by multiplying (i) 200,702,404 Inco Shares by (ii) the quotient resulting when the aggregate number of Falconbridge Shares to be taken up on such Take-Up Date is divided by 383,019,855, being the aggregate number of Falconbridge Shares outstanding as at the date hereof (calculated on an adjusted fully diluted basis).

Minimum Tender Condition means the condition that there has been validly deposited under the Offer and not withdrawn at the Expiry Time such number of Falconbridge Shares which, together with any Falconbridge Shares directly or indirectly owned by the Offeror, constitutes at least 66²/₃% of the Falconbridge Shares outstanding at the Expiry Time (calculated on a fully-diluted basis).

Noranda means Noranda Inc., a predecessor corporation of Falconbridge that existed prior to the amalgamation of Noranda and Old Falconbridge to form Falconbridge effective June 30, 2005.

Notice of Guaranteed Delivery means the notice of guaranteed delivery accompanying the Offer and Circular (printed on green paper).

Table of Contents

NYSE means the New York Stock Exchange.

OBCA means the *Business Corporations Act* (Ontario), as amended.

Offer means Inco's offer to purchase the Falconbridge Shares made hereby, the terms and conditions of which are set forth in the Offer to Purchase, the Circular, the Letter of Transmittal and the Notice of Guaranteed Delivery.

Offeror means Inco.

Offer and Circular means the Offer to Purchase and the Circular, collectively.

Offer to Purchase means the offer to purchase Falconbridge Shares as described herein.

Old Falconbridge means Falconbridge Limited, a predecessor corporation of Falconbridge that existed prior to the amalgamation of Noranda and Old Falconbridge to form Falconbridge on June 30, 2005.

Ontario Securities Act means the *Securities Act* (Ontario), as amended, and the regulations and rules made thereunder.

OSC means the Ontario Securities Commission.

Outside Date means the date that is 10 months following the date of the Support Agreement.

person means an individual, partnership, association, body corporate, joint venture, business organization, trustee, executor, administrator, legal representative, government or any other entity, whether or not having legal status.

Policy Q-27 means the Autorité des marchés financiers du Québec Policy Statement Q-27 *Protection of minority securityholders in the course of certain transactions*.

Rule 61-501 means the Ontario Securities Commission Rule 61-501 *Insider Bids, Issuer Bids, Business Combinations and Related Party Transactions*.

SEC means the United States Securities and Exchange Commission.

Share Alternative has the meaning given to it in Section 1 of the Offer to Purchase, *The Offer*.

Shareholder means a holder of Falconbridge Shares.

Shareholder Rights Plan means the shareholder rights plan agreement dated September 22, 2005 between Falconbridge and CIBC Mellon Trust Company as rights agent.

Soliciting Dealer Group has the meaning given to it in Section 25 of the Circular, *Dealer Managers and Soliciting Dealer Group*.

SRP Rights means the rights issued pursuant to the Shareholder Rights Plan.

Subsequent Acquisition Transaction has the meaning given to it in Section 7 of the Circular, *Acquisition of Falconbridge Shares Not Deposited*.

subsidiary means, with respect to a specified body corporate, any body corporate of which more than 50% of the outstanding shares ordinarily entitled to elect a majority of the Board of Directors thereof (whether or not shares of any other class or classes shall or might be entitled to vote upon the happening of any event or contingency) are at the time owned directly or indirectly by such specified body corporate and shall include any body corporate, partnership, joint venture or other entity over which it exercises direction or control or which is in a like relation to a subsidiary.

Support Agreement means the agreement between Inco and Falconbridge, dated October 10, 2005, providing, among other things, for the making of the Offer and the agreement of Falconbridge to support the Offer.

Take-Up Date means a date upon which Inco takes up or acquires Falconbridge Shares pursuant to the Offer.

Tax Act means the *Income Tax Act* (Canada) and the regulations thereunder, as amended.

trading day means any day on which trading occurs on the TSX or the NYSE.

TSX means the Toronto Stock Exchange.

U.S. Exchange Act means the *U.S. Securities Exchange Act of 1934*, as amended.

U.S. GAAP means U.S. generally accepted accounting principles.

U.S. Securities Act means the *U.S. Securities Act of 1933*, as amended.

Table of Contents

OFFER TO PURCHASE

October 24, 2005

TO: THE HOLDERS OF COMMON SHARES OF FALCONBRIDGE

1. The Offer

The Offeror hereby offers to purchase, upon the terms and subject to the conditions of the Offer, all of the issued and outstanding Falconbridge Shares other than any Falconbridge Shares owned directly or indirectly by the Offeror and including Falconbridge Shares that may become issued and outstanding after the date of this Offer but before the Expiry Time upon the conversion, exchange or exercise of any securities of Falconbridge that are convertible into or exchangeable or exercisable for Falconbridge Shares, on the basis of, at the election of the Shareholder:

(a) Cdn.\$34.00 in cash in respect of each Falconbridge Share held (the Cash Alternative); or

(b) 0.6713 of an Inco Share and Cdn.\$0.05 in cash in respect of each Falconbridge Share held (the Share Alternative),

in each case, as elected by the Shareholder in the applicable Letter of Transmittal, and subject to pro ration as set out below.

Assuming all Falconbridge Shareholders tendered to the Cash Alternative or all Falconbridge Shareholders tendered to the Share Alternative, each Shareholder would be entitled to receive Cdn.\$7.50 in cash and 0.524 of an Inco Share for each Falconbridge Share tendered, subject to adjustment for fractional shares.

Any Shareholder who fails to complete the Letter of Transmittal electing the Cash Alternative or who does not properly elect either the Cash Alternative, on the one hand, or the Share Alternative, on the other hand, with respect to any Falconbridge Shares deposited by such Shareholder pursuant to the Offer will be deemed to have elected the Share Alternative and will be entitled to receive 0.6713 of an Inco Share and Cdn.\$0.05 in cash as consideration for each of such Shareholder's Falconbridge Shares, subject to proration.

The Offer is made only for Falconbridge Shares and is not made for any options, convertible debentures or other rights to acquire Falconbridge Shares. Any holder of such options, convertible debentures or other rights to acquire Falconbridge Shares who wishes to accept the Offer should, to the extent permitted by their terms and applicable law, fully exercise the options, convertible debentures or other rights in order to obtain certificates representing Falconbridge Shares that may be deposited in accordance with the terms of the Offer. Any such exercise must be made sufficiently in advance of the Expiry Date to ensure such holders that they will have certificates representing Falconbridge Shares available for deposit prior to the Expiry Date or in sufficient time to fully comply with the procedures referred to in Section 3 of this Offer to Purchase, Manner of Acceptance Procedure for Guaranteed Delivery .

If any holder of Falconbridge Options does not exercise such options prior to the Expiry Time, their Falconbridge Options will remain outstanding in accordance with their terms and conditions, including with respect to term to expiry, vesting schedule and exercise prices, except that, to the extent permitted, an option to acquire Falconbridge Shares will become an option to acquire that number of Inco Shares equal to the number of Falconbridge Shares multiplied by 0.6723 (representing 0.6713 Inco Shares adjusted to account for the Cdn.\$0.05 payable under the Share Alternative) and have an exercise price per Inco Share equal to the exercise price per Falconbridge Share of that option immediately prior to the Expiry Time divided by 0.6723, subject to adjustments to ensure the in-the-money amount in respect of such option does not increase.

The maximum amount of cash consideration available under the Offer is Cdn.\$2,872,648,913 and the maximum number of Inco Shares issuable under the Offer is 200,702,404 Inco Shares. The consideration payable under the Offer will be prorated on each Take-Up Date as necessary to ensure that the total aggregate consideration payable under the Offer and in any Subsequent Acquisition Transaction does not exceed these maximum aggregate amounts and will be based on the number of Falconbridge Shares acquired in proportion to the number of Falconbridge Shares outstanding on an adjusted fully-diluted basis. The actual consideration to be received by a Shareholder will be determined in accordance with the following:

(a)

the aggregate amount of cash (including the aggregate of Cdn.\$0.05 in cash per Falconbridge Share of cash consideration that will be paid to Shareholders who elect the Share Alternative, and any cash paid in lieu of

Table of Contents

fractions of Inco Shares referred to below) that the Offeror will pay as consideration for all Falconbridge Shares acquired on any Take-Up Date shall not exceed the Maximum Take-Up Date Cash Consideration;

- (b) the aggregate number of Inco Shares that the Offeror will issue as consideration for all Falconbridge Shares acquired on any Take-Up Date shall not exceed the Maximum Take-Up Date Share Consideration;
- (c) if, on any Take-Up Date, the aggregate cash consideration that would otherwise be payable by the Offeror to Shareholders who elect to receive cash under the Cash Alternative in respect of their Falconbridge Shares to be taken up on such Take-Up Date, together with the aggregate of Cdn.\$0.05 per share cash consideration to be paid by the Offeror to Shareholders who elect the Share Alternative in respect of their Falconbridge Shares to be taken up on such Take-Up Date and all cash to be paid by the Offeror in lieu of fractions of Inco Shares, exceeds the Maximum Take-Up Date Cash Consideration, then the amount of consideration to be paid to a Shareholder that elects the Cash Alternative shall be such Shareholder's pro rata share of (i) cash equal to the difference between (x) the Maximum Take-up Date Cash Consideration and (y) the aggregate of the Cdn.\$0.05 per share cash consideration to be paid to each Shareholder in respect of Falconbridge Shares taken up on such Take-Up Date who elects the Share Alternative and all cash to be paid by the Offeror in lieu of fractions of Inco Shares; and (ii) Inco Shares equal to the difference between (x) the Maximum Take-Up Date Share Consideration and (y) the number of Inco Shares issued on such Take-Up Date to each Shareholder who has elected the Share Alternative; and
- (d) if, on any Take-Up Date, the number of Inco Shares that would otherwise be issuable to Shareholders who elect (or are deemed to elect) the Share Alternative in respect of their Falconbridge Shares to be taken up on such Take-Up Date exceeds the Maximum Take-Up Date Share Consideration, then the amount of consideration to be paid to a Shareholder that elects the Share Alternative shall be Cdn.\$0.05 per Falconbridge Share tendered plus such Shareholder's pro rata share of (i) the Maximum Take-Up Date Share Consideration; and (ii) cash equal to the difference between (x) the Maximum Take-up Date Cash Consideration and (y) the aggregate of (A) all cash to be paid to Shareholders who elect to receive cash under the Cash Alternative, (B) the aggregate of Cdn.\$0.05 per share cash consideration to be paid to Shareholders in respect of Falconbridge Shares taken up on such Take-Up Date who elect the Share Alternative, and (C) all cash to be paid by the Offeror in lieu of fractions of Inco Shares.

For greater certainty, unless a Shareholder receives only cash in consideration for Falconbridge Shares, in all circumstances, including those described in paragraphs (c) and (d) above, a Shareholder will receive a combination of cash and Inco Shares in respect of each whole Falconbridge Share deposited under the Offer.

(Jurisdiction of Subject Company's Incorporation or Organization)

INCO LIMITED

(Bidder)

Common Shares

(Title of Class of Securities)

453258402

(CUSIP Number of Class of Securities)

Stuart F. Feiner, Esq.

Executive Vice-President, General Counsel & Secretary

145 King Street West, Suite 1500,

Toronto, Ontario M5H 4B7

(416) 361-7511

(Name, address (including zip code) and telephone number (including area code) of person(s) authorized to receive notices and communications on behalf of Bidder)

Copy to:

James C. Morphy, Esq.
George J. Sampas, Esq.
Sullivan & Cromwell LLP
125 Broad Street

New York, New York 10004-2498

October 24, 2005

(Date tender offer first published, sent or given to security holders)

CALCULATION OF FILING FEE*

Transaction Valuation	Amount of Filing Fee
\$936,653,318	\$110,244

* Calculated in accordance with Rule 0-11 of the Securities Exchange Act of 1934, the registration fee has been calculated on the basis of the market value of common shares of Falconbridge Ltd. estimated to be held by U.S. holders as of October 5, 2005, of Cdn.\$1,109,121,750 (U.S.\$936,653,318). Such value is calculated based upon 60,795,447 common shares of Falconbridge Ltd. estimated to be held by U.S. holders on October 5, 2005, and a market value per common share of Cdn.\$32.79 (U.S.\$27.69) (based upon the average of the high and low prices reported in the consolidated reporting system of such common shares on the Toronto Stock Exchange as of October 20, 2005, within five business days prior to the date of filing the Schedule). For purposes of this calculation, Cdn.\$1.00 = U.S. \$0.8445, which is the inverse of the Federal Reserve Bank of New York's Noon Buying Rate for Canadian dollars on October 21, 2005.

b Check box if any part of the fee is offset as provided by Rule 0-11(a)(2) and identify the filing with which the offsetting fee was previously paid. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

Amount Previously Paid: \$54,020

Registration No.: 001-01143 (Inco's Commission File No.)

Filing Party: **Inco Limited**

Form: **Form F-8**

Date Filed: **October 24, 2005**

Table of Contents

**PART I
INFORMATION REQUIRED TO BE SENT TO SHAREHOLDERS**

1. Home Jurisdiction Document.

Offer to Purchase and Circular dated October 24, 2005, including Letter of Transmittal, Notice of Guaranteed Delivery, and Letter to Shareholders.

2. Informational Legends.

See the inside front cover page of the cover page of the Offer to Purchase and Circular dated October 24, 2005.

Table of Contents

This document is important and requires your immediate attention. If you are in any doubt as to how to deal with it, you should consult your investment dealer, stockbroker, trust company manager, bank manager, lawyer or other professional advisor. No securities regulatory authority has expressed an opinion about the securities that are the subject of this Offer and it is an offence to claim otherwise.

This Offer has not been approved by any securities regulatory authority nor has any securities regulatory authority passed upon the fairness or merits of the Offer or upon the adequacy of the information contained in this document. Any representation to the contrary is an offence.

October 24, 2005

**INCO LIMITED
OFFER TO PURCHASE**

**all of the outstanding common shares of
FALCONBRIDGE LIMITED**

on the basis of, at the election of each holder,

(a) Cdn.\$34.00 in cash (the Cash Alternative); or

(b) 0.6713 of a common share of Inco Limited and Cdn.\$0.05 in cash

(the Share Alternative),

&nze: 10pt; margin-top: 6pt; margin-left: 0; margin-right: 0;

margin-bottom: 0; color: #000000; background: #ffffff;"> Fractional Inco Shares will not be issued in

connection with the Offer. Where a Shareholder is to receive Inco Shares as consideration under the Offer and

the aggregate number of Inco Shares to be issued to such Shareholder would result in a fraction of an Inco Share being issuable, the number of Inco Shares to be received by such Shareholder will either be rounded up

or down and the amount of cash to be received by such Shareholder will correspondingly be either decreased

or increased (on the basis of Cdn.\$50.574 per Inco Share) such that the Maximum Take-Up Date Cash

Consideration is paid and the Maximum Take-up Date Share Consideration is issued in respect of

Falconbridge Shares taken up on such Take-Up Date.

The Offer is made only for Falconbridge Shares and is not made for any options, convertible debentures or other rights to purchase Falconbridge Shares (other than the SRP Rights). Shareholders who deposit their Falconbridge Shares will be deemed to have deposited the SRP Rights associated with such Falconbridge Shares. No additional payment will be made for the SRP Rights and no amount of the consideration to be paid by the Offeror for the Falconbridge Shares will be allocated to the SRP Rights.

All cash payable under the Offer, including the cash consideration under the Cash Alternative, the cash portion of the consideration under the Share Alternative and the cash payable in lieu of fractional Inco Shares otherwise issuable under the Share Alternative, will be denominated in Canadian dollars. However, Shareholders can also elect to receive their cash consideration in U.S. dollars based upon the Bank of Canada noon buying rate of exchange for U.S. dollars on the Take-Up Date.

The accompanying Circular, which is incorporated into and forms part of the Offer, and the Letter of Transmittal and the Notice of Guaranteed Delivery contain important information that should be read carefully before making a decision with respect to the Offer.

Table of Contents

2. Time for Acceptance

The Offer is open for acceptance until 8:00 p.m. (Toronto time) on December 23, 2005, unless withdrawn by the Offeror, or until such other time and date as extended by the Offeror or accelerated in accordance with the terms of the Support Agreement. The Expiry Time may be extended by the Offeror in its sole discretion as described in Section 7 of this Offer to Purchase, Extension and Variation of the Offer .

3. Manner of Acceptance

Letter of Transmittal

The Offer may be accepted by delivering the following documents to the Depositary at any of the offices identified on the Letter of Transmittal and on the back cover of the Offer and Circular, so as to arrive there not later than the Expiry Time:

- (a) a Letter of Transmittal (printed on blue paper) in the form accompanying the Offer and Circular or a facsimile thereof properly completed and duly executed as required by the instructions set out in the Letter of Transmittal;
- (b) the certificate(s) representing the Falconbridge Shares in respect of which the Offer is being accepted; and
- (c) all other documents required by the instructions set out in Letter of Transmittal.

Participants of CDS should contact the Depositary with respect to the deposit of their Falconbridge Shares under the Offer. CDS will be issuing instructions to its participants as to the method of depositing such Falconbridge Shares under the terms of the Offer. No fee or commission will be payable by Shareholders who deposit their Falconbridge Shares pursuant to the Offer directly to the Depositary or who make use of the facilities of a member of the Soliciting Dealer Group to accept the Offer.

Currency of Payment

The cash payable under the Offer, including all cash consideration under the Cash Alternative, the cash portion of the consideration under the Share Alternative and the cash payable in lieu of fractional Inco Shares otherwise issuable under the Share Alternative, will be denominated in Canadian dollars. However, Shareholders can also elect to receive their cash consideration in U.S. dollars based upon the Bank of Canada noon buying rate of exchange for U.S. dollars on the Take-Up Date. If a Shareholder wishes to receive the cash payable under the Cash Alternative in U.S. dollars, the box captioned Currency of Payment in the Letter of Transmittal and, if applicable, the Notice of Guaranteed Delivery must be completed. Otherwise, cash payment will be received in Canadian dollars.

Signature Guarantees

No signature guarantee is required on the Letter of Transmittal if:

- (a) the Letter of Transmittal is signed by the registered owner of the Falconbridge Shares exactly as the name of the registered holder appears on the Falconbridge Share certificate deposited therewith, and the cash payable and/or the certificates for Inco Shares issuable, in each case under the Offer, are to be delivered directly to such registered holder, or
- (b) Falconbridge Shares are deposited for the account of an Eligible Institution.

In all other cases, all signatures on the Letter of Transmittal must be guaranteed by an Eligible Institution. If a certificate representing Falconbridge Shares is registered in the name of a person other than the signatory of a Letter of Transmittal or if the cash payable and/or certificates for the Inco Shares issuable are to be delivered to a person other than the registered owner, the certificate must be endorsed or accompanied by an appropriate power of attorney, in either case, signed exactly as the name of the registered owner appears on the certificate with the signature on the certificate or power of attorney guaranteed by an Eligible Institution.

Method of Delivery

The method of delivery of Falconbridge Shares and all other required documents is at the option and risk of the depositing Shareholder. If certificates for Falconbridge Shares are to be sent by mail, registered mail with return receipt requested, properly insured, is recommended, and it is suggested that the mailing be made sufficiently in

advance of the Expiry Time to permit delivery to the Depositary on or prior to such time. Delivery will only be effective upon actual receipt of certificates for such Falconbridge Shares by the Depositary.

Table of Contents

A Shareholder who wishes to deposit Falconbridge Shares under the Offer and whose certificate is registered in the name of a broker, dealer, commercial bank, trust company or other nominee should immediately contact such nominee in order to take the necessary steps to be able to deposit such Falconbridge Shares under the Offer.

Procedure for Guaranteed Delivery

If a Shareholder wishes to deposit Falconbridge Shares pursuant to the Offer and the certificates representing the Falconbridge Shares are not immediately available or the Shareholder is not able to deliver the certificates and all other required documents to the Depository at or prior to the Expiry Time, those Falconbridge Shares may nevertheless be deposited under the Offer provided that all of the following conditions are met:

- (a) the deposit is made by or through an Eligible Institution;
- (b) a Notice of Guaranteed Delivery (printed on green paper) in the form accompanying the Offer and Circular or a facsimile thereof, properly completed and duly executed, including a guarantee by an Eligible Institution in the form specified in the Notice of Guaranteed Delivery, is received by the Depository at its Toronto office as set out in the Notice of Guaranteed Delivery, at or prior to the Expiry Time; and
- (c) the certificate(s) representing all deposited Falconbridge Shares, together with a properly completed and duly executed Letter of Transmittal or a facsimile thereof, relating to such Falconbridge Shares, with signatures guaranteed if so required in accordance with the Letter of Transmittal, and all other documents required by the Letter of Transmittal, are received by the Depository at its Toronto office as set out in the Notice of Guaranteed Delivery before 5:00 p.m. (Toronto time) on the third trading day on the TSX after the date on which the Expiry Time occurs.

The Notice of Guaranteed Delivery may be delivered by hand or transmitted by facsimile or mail to the Toronto office of the Depository and must include a guarantee by an Eligible Institution in the form set forth in the Notice of Guaranteed Delivery.

Determination of Validity

All questions as to the form of documents and the validity, eligibility (including time of receipt) and acceptance for exchange of any deposit of Falconbridge Shares will be determined by the Offeror, in its sole discretion, which determination will be final and binding on all parties. The Offeror reserves the absolute right to reject any and all deposits of Falconbridge Shares determined by it not to be in proper form, or the acceptance for exchange of Inco Shares and/or payment of cash in respect of which may, in the opinion of the Offeror's counsel, be unlawful. The Offeror also reserves the absolute right to waive (i) any of the conditions of the Offer, provided, however, that the Offeror may not waive the Minimum Tender Condition in order to acquire less than 50.01% of the Falconbridge Shares outstanding (calculated on a fully-diluted basis) or less than 50.01% of the Falconbridge Shares outstanding held by Independent Shareholders (as defined in the Shareholder Rights Plan), or (ii) any defect or irregularity in any deposit of Falconbridge Shares. No deposit of Falconbridge Shares will be deemed to be properly made until all defects and irregularities have been cured or waived. None of the Offeror, the Depository or any other person will be under any duty to give notification of any defect or irregularity in deposits or incur any liability for failure to give any such notice. The Offeror's interpretation of the terms and conditions of the Offer (including the Letter of Transmittal and the Notice of Guaranteed Delivery) will be final and binding on all parties. The Offeror reserves the right to permit the Offer to be accepted in a manner other than as set forth herein.

Under no circumstances will any amount be paid by the Offeror or the Depository by reason of any delay in exchanging any Falconbridge Shares or in making payments for Falconbridge Shares or in lieu of fractional Inco Shares to any person on account of Falconbridge Shares accepted for exchange or payment pursuant to the Offer.

Dividends and Distributions

Subject to the terms and conditions of the Offer and subject, in particular, to Falconbridge Shares being validly withdrawn by or on behalf of a depositing shareholder, and except as provided below, by accepting the Offer pursuant to the procedures set forth above, a Shareholder deposits, sells, assigns and transfers to the Offeror all right, title and

interest in and to the Falconbridge Shares covered by the Letter of Transmittal delivered to the Depositary (the Deposited Shares) and in and to all rights and benefits arising from such Deposited Shares including, without limitation, any and all dividends (other than regular quarterly cash dividends declared by Falconbridge in accordance

Table of Contents

with its current dividend policy as established in July 2005), distributions, payments, securities, property or other interests which may be declared, paid, accrued, issued, distributed, made or transferred on or in respect of the Deposited Shares or any of them on and after the date of the Offer, including any dividends, distributions or payments on such dividends, distributions, payments, securities, property or other interests (collectively, Distributions).

Power of Attorney

An executed Letter of Transmittal irrevocably appoints, effective on and after the date that the Offeror takes up and pays for the Deposited Shares covered by the Letter of Transmittal (which shares upon being taken up and paid for are, together with any Distributions thereon, hereinafter referred to as the Purchased Securities), certain officers of the Offeror and any other person designated by the Offeror in writing (each an Appointee) as the true and lawful agents, attorneys and attorneys-in-fact and proxies, with full power of substitution, of the depositing Shareholder with respect to the Purchased Securities. The Letter of Transmittal authorizes an Appointee, in the name and on behalf of such Shareholder (a) to register or record the transfer of such Purchased Securities (to the extent consisting of securities) on the appropriate register maintained by or on behalf of Falconbridge; (b) for so long as any Purchased Securities are registered or recorded in the name of such Shareholder, to exercise any and all rights of such Shareholder including, without limitation, the right to vote, execute and deliver any and all instruments of proxy, authorizations or consents in form and on terms satisfactory to the Offeror in respect of any or all Purchased Securities, to revoke any such instrument, authorization or consent, and to designate in such instrument, authorization or consent any person or persons as the proxy of such Shareholder in respect of the Purchased Securities for all purposes including, without limitation, in connection with any meeting or meetings (whether annual, special or otherwise or any adjournment thereof, including without limitation, any meeting to consider a Subsequent Acquisition Transaction) of holders of relevant securities of Falconbridge; and (c) to execute, endorse and negotiate, for and in the name of and on behalf of such Shareholder, any and all cheques or other instruments representing any Distribution payable to or to the order of, or endorsed in favour of, such Shareholder.

A Shareholder accepting the Offer under the terms of the Letter of Transmittal revokes any and all other authority, whether as agent, attorney-in-fact, attorney, proxy or otherwise, previously conferred or agreed to be conferred by the Shareholder at any time with respect to the Deposited Shares or any Distributions. The Shareholder accepting the Offer agrees that no subsequent authority, whether as agent, attorney-in-fact, attorney, proxy or otherwise will be granted with respect to the Deposited Shares or any Distributions by or on behalf of the depositing Shareholder unless the Deposited Shares are not taken up and paid for under the Offer. A Shareholder accepting the Offer also agrees not to vote any of the Purchased Securities at any meeting (whether annual, special or otherwise or any adjournment thereof, including, without limitation, any meeting to consider a Subsequent Acquisition Transaction) of holders of relevant securities of Falconbridge and not to exercise any of the other rights or privileges attached to the Purchased Securities, and agrees to execute and deliver to the Offeror any and all instruments of proxy, authorizations or consents in respect of all or any of the Purchased Securities, and agrees to appoint in any such instruments of proxy, authorizations or consents, the person or persons specified by the Offeror as the proxy of the holder of the Purchased Securities. **Upon such appointment, all prior proxies and other authorizations (including, without limitation, all appointments of any agent, attorney or attorney-in-fact) or consents given by the holder of such Purchased Securities with respect thereto will be revoked and no subsequent proxies or other authorizations or consents may be given by such person with respect thereto.**

Further Assurances

A Shareholder accepting the Offer covenants under the terms of the Letter of Transmittal to execute, upon request of the Offeror, any additional documents, transfers and other assurances as may be necessary or desirable to complete the sale, assignment and transfer of the Purchased Securities to the Offeror. Each authority therein conferred or agreed to be conferred may be exercised during any subsequent legal incapacity of such holder and shall, to the extent permitted by law, survive the death or incapacity, bankruptcy or insolvency of the holder and all obligations of the holder therein shall be binding upon the heirs, personal representatives, successors and assigns of such holder.

Formation of Agreement

The acceptance of the Offer pursuant to the procedures set forth above constitutes a binding agreement between a depositing Shareholder and the Offeror, effective immediately following the Offeror taking up Falconbridge Shares

deposited by such Shareholder, in accordance with the terms and conditions of the Offer. This agreement includes a

Table of Contents

representation and warranty by the depositing Shareholder that (i) the person signing the Letter of Transmittal has full power and authority to deposit, sell, assign and transfer the Deposited Shares and any Distributions being deposited to the Offer, (ii) the Deposited Shares and Distributions have not been sold, assigned or transferred, nor has any agreement been entered into to sell, assign or transfer any of the Deposited Shares and Distributions, to any other person, (iii) the deposit of the Deposited Shares and Distributions complies with applicable Laws, and (iv) when the Deposited Shares and Distributions are taken up and paid for by the Offeror, the Offeror will acquire good title thereto, free and clear of all liens, restrictions, charges, encumbrances, claims and rights of others.

4. Withdrawal Rights

Except as otherwise provided in this Section 4, all deposits of Falconbridge Shares to the Offer will be irrevocable. Unless otherwise required or permitted by applicable Laws, any Falconbridge Shares deposited in acceptance of the Offer may be withdrawn by or on behalf of the depositing Shareholder:

- (a) at any time before the Falconbridge Shares have been taken up by the Offeror pursuant to the Offer;
- (b) if the Falconbridge Shares have not been paid for by the Offeror within three business days after having been taken up; or
- (c) at any time before the expiration of 10 days from the date upon which either:
 - (i) a notice of change relating to a change in the information contained in the Offer, as amended from time to time, that would reasonably be expected to affect the decision of a Shareholder to accept or reject the Offer (other than a change that is not within the control of the Offeror or an affiliate of the Offeror, unless it is a change in a material fact relating to the Inco Shares), in the event that such change occurs at or before the Expiry Time or after the Expiry Time but before the expiry of all rights of withdrawal in respect of the Offer; or
 - (ii) a notice of variation concerning a variation in the terms of the Offer (other than a variation consisting solely of an increase in the consideration offered for the Falconbridge Shares where the Expiry Time is not extended for more than 10 days);

for each common share of Falconbridge Limited subject, in each case, to proration as described below.

Inco Limited (Inco or the Offeror) hereby offers (the Offer) to purchase all of the issued and outstanding common shares of Falconbridge Limited (Falconbridge) (together with associated rights issued and outstanding under the shareholder rights plan of Falconbridge, the Falconbridge Shares) other than any Falconbridge Shares owned directly or indirectly by is mailed, delivered, or otherwise properly communicated, but subject to abridgement of that period pu the Offeror and including Falconbridge Shares that may become issued and outstanding after the date of this Offer upon the conversion, exchange or exercise of any securities of Falconbridge that are convertible into or exchangeable or exercisable for Falconbridge Shares.

The Offer is open for acceptance until 8:00 p.m. (Toronto time) on December 23, 2005 unless accelerated, extended or withdrawn (the Expiry Time).

Each holder of Falconbridge Shares (a Shareholder) may elect to receive either the Cash Alternative or the Share Alternative in respect of all of the Shareholder s Falconbridge Shares deposited under the Offer. The total amount of cash available under the Offer is limited to Cdn.\$2,872,648,913 and the total number of common shares of Inco (Inco Shares) available for issuance under the Offer is limited to 200,702,404 Inco Shares. See Section 1 of the Offer to Purchase, The Offer .

The Offer is conditional upon, among other things, there being validly deposited to the Offer, and not withdrawn at the Expiry Time, such number of Falconbridge Shares which, together with any Falconbridge Shares directly or indirectly owned by the Offeror, constitutes at least 66²/3% of the Falconbridge Shares outstanding, calculated on a fully-diluted basis. Subject to applicable Law (as defined in the Offer enclosed), the Offeror reserves the right to withdraw the Offer and to not take up and pay for any Falconbridge Shares deposited to the Offer unless each of the conditions to the Offer is satisfied or, where permitted, waived by the Offeror at or before the Expiry Time. Each of

the conditions of the Offer is set out in Section 5 of the Offer to Purchase, Conditions of the Offer . The Inco Shares are listed on the Toronto Stock Exchange (the TSX) and the New York Stock Exchange (the NYSE) under the symbol N , and the Falconbridge Shares are listed on the TSX under the symbol FAL.LV and the NYSE under the symbol FAL . The closing price on the TSX of the Inco Shares on October 7, 2005, being the last trading day on the TSX prior to the Offeror s announcement of the Offer, was Cdn.\$51.90. The closing price on the NYSE of the Inco Shares on October 10, 2005, being the last trading day on the NYSE prior to the Offeror s announcement of the Offer, was \$42.83. The closing price of the Falconbridge Shares on October 7, 2005 was Cdn.\$30.82 on the TSX and the closing price of the Falconbridge Shares on October 10, 2005 was \$26.41 on the NYSE. As of the date of announcement of the Offer, the Offer represents a premium of 13.0% over the volume-weighted average trading price of the Falconbridge Shares on the TSX and a premium of 12.6% over the volume-weighted average trading price of the Falconbridge Shares on the NYSE for the 20 trading days ended, in the case of the TSX, October 7, 2005 and, in the case of the NYSE, October 10, 2005.

For a discussion of risks and uncertainties you should consider in evaluating the Offer and ownership of Inco Shares, see Section 6 of the Circular, Risk Factors Relating to the Offer , and the section entitled Risks and Uncertainties contained in the Offeror s Annual Report on Form 10-K for the fiscal year ended December 31, 2004, incorporated by reference into the Offer and Circular. The Offeror has applied to the TSX, and will be applying to the NYSE, to list the Inco Shares to be issued to Shareholders in connection with the Offer.

This document does not constitute an offer or a solicitation to any person in any jurisdiction in which such offer or solicitation is unlawful. The Offer is not being made to, nor will deposits be accepted from or on behalf of, Shareholders in any jurisdiction in which the making or acceptance thereof would not be in compliance with the laws of such jurisdiction. However, the Offeror may, in its sole discretion, take such action as it may deem necessary to extend the Offer to Shareholders in any such jurisdiction.

The Dealer Manager for the Offer is:
RBC Capital Markets

In Canada:
RBC Dominion Securities Inc.

In the United States:
RBC Capital Markets Corporation

Table of Contents

Any Shareholder wishing to deposit all or any portion of his or her Falconbridge Shares under the Offer must properly complete and sign the accompanying Letter of Transmittal (printed on blue paper), or a properly completed and duly executed facsimile of the Letter of Transmittal, in accordance with the instructions provided therein and deliver it and all other required documents to CIBC Mellon Trust Company, as depository (the Depository), and either deliver the certificates for such Falconbridge Shares to the Depository according to the procedure set forth in Section 3 of the Offer to Purchase, Manner of Acceptance, or request his or her broker, dealer, commercial bank, trust company or other nominee to effect the transaction on his or her behalf. Any Shareholder having Falconbridge Shares registered in the name of a broker, dealer, commercial bank, trust company or other nominee should contact such person or institution if he or she desires to deposit such Falconbridge Shares. Any Shareholder who desires to deposit Falconbridge Shares and whose certificates for such Falconbridge Shares are not immediately available may deposit such Falconbridge Shares by following the procedure for guaranteed delivery set forth in Section 3 of the Offer to Purchase, Manner of Acceptance. No fees will be payable by a Shareholder for tendering Falconbridge Shares to the Depository directly or through a broker or dealer that is a member of the Soliciting Dealer Group.

NOTICE TO SHAREHOLDERS IN THE UNITED STATES

The Offer is made for the securities of a Canadian issuer by a Canadian issuer that is permitted, under a multijurisdictional disclosure system adopted by the United States, to prepare the Offer and Circular in accordance with the disclosure requirements of Canada. Prospective investors should be aware that such requirements are different from those of the United States. The financial statements included or incorporated by reference in the Offer and Circular have been prepared in accordance with Canadian generally accepted accounting principles, and are subject to Canadian auditing and auditor independence standards, and thus may not be comparable to financial statements of United States companies.

Shareholders in the United States should be aware that the disposition of Falconbridge Shares and the acquisition of Inco Shares by them as described herein may have tax consequences both in the United States and in Canada. Such consequences may not be fully described herein and such holders are urged to consult their tax advisors. See Section 21 of the Circular, Certain Canadian Federal Income Tax Considerations, and Section 23 of the Circular, Certain U.S. Federal Income Tax Considerations.

The enforcement by Shareholders of civil liabilities under United States federal securities laws may be affected adversely by the fact that the Offeror is incorporated under the laws of Canada, that some or all of its officers and directors may reside outside the United States, that the Canadian Dealer Manager for the Offer and some or all of the experts named herein may reside outside the United States, and that a substantial portion of the assets of the Offeror and Falconbridge and the above-mentioned persons are located outside the United States.

THE SECURITIES OFFERED PURSUANT TO THE OFFER AND CIRCULAR HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION OR ANY UNITED STATES STATE SECURITIES COMMISSION NOR HAS THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION OR ANY UNITED STATES STATE SECURITIES COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THE OFFER AND CIRCULAR. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

Shareholders should be aware that, during the period of the Offer, the Offeror or its affiliates, directly or indirectly, may bid for or make purchases of the Falconbridge Shares to be exchanged, or certain related securities, as permitted by applicable laws or regulations of Canada or its provinces or territories.

Table of Contents**NOTICE TO HOLDERS OF OPTIONS AND CONVERTIBLE DEBENTURES**

The Offer is made only for Falconbridge Shares and is not made for any options, convertible debentures or other rights to acquire Falconbridge Shares. Any holder of such options, convertible debentures or other rights to acquire Falconbridge Shares who wishes to accept the Offer should, to the extent permitted by their terms and applicable law, fully exercise the options, convertible debentures or other rights in order to obtain certificates representing Falconbridge Shares that may be deposited in accordance with the terms of the Offer. If any holder of options to acquire Falconbridge Shares under the Falconbridge Stock Option Plan (Falconbridge Options) does not exercise their options and deposit their Falconbridge Shares under the Offer prior to the Expiry Time, their Falconbridge Options will remain outstanding following the Expiry Time in accordance with their terms and conditions, including with respect to term to expiry, vesting schedule and exercise prices, except that, to the extent permitted, each option to acquire one Falconbridge Share will become an option to acquire 0.6723 of an Inco Share (representing 0.6713 of an Inco Share adjusted to account for the Cdn.\$0.05 payable under the Share Alternative) and have an exercise price per Inco Share equal to the exercise price per Falconbridge Share of that option immediately prior to the Expiry Time divided by 0.6723. If any holder of convertible debentures of Falconbridge (Falconbridge Convertible Debentures) does not convert its Falconbridge Convertible Debentures under the Offer prior to the Expiry Time, the Falconbridge Convertible Debentures will remain outstanding following the Expiry Time in accordance with their terms and conditions, subject to the terms of any subsequent acquisition transaction. See Section 7 of the Circular, Acquisition of Falconbridge Shares Not Deposited .

STATEMENTS REGARDING FORWARD-LOOKING INFORMATION

The Offer and Circular and some of the information incorporated by reference into the Offer and Circular contain forward-looking statements (as defined in the United States *Securities Exchange Act of 1934*). Often, but not always, forward looking statements can be identified by the use of words such as plans , expects or does not expect , is expected , budget , scheduled , estimates , forecasts , intends , anticipates or does not anticipate , or believes of such words and phrases or state that certain actions, events or results may , could , would , might or will be taken, occur or be achieved. Forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of Inco to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements.

Examples of such statements include, but are not limited to: (A) factors relating to the Offer and the results expected to be achieved from the successful completion of the Offer and the combination of Inco and Falconbridge, including the operating and other synergies and cost savings expected to be realized, and the timing thereof; the increased market capitalization, share price multiple and improved liquidity of Inco Shares; the improved cash flow and earnings of Inco; statements regarding plans, objectives and expectations with respect to existing and future operations; statements regarding business and financial prospects; statements regarding anticipated financial or operating performance and cash flows; statements regarding possible divestitures; statements regarding strategies, objectives, goals and targets; and the financial position and international presence that permits Inco to compete against global metals and mining companies; and (B) factors relating to mining and the business, financial position, operations and prospects of Inco, including (1) the price volatility for nickel and other primary metal products produced by Inco; (2) the demand for and supply of nickel, copper and other metals, both globally and for certain markets and uses, as well as the availability of, and prices for, intermediate products containing nickel purchased by Inco and/or to be produced by Inco and nickel-containing stainless steel scrap and other substitutes for primary nickel and nickel inventories; (3) the premiums realized by Inco over the London Metal Exchange (LME) cash prices and the sensitivity of Inco's results of operations to changes in metals prices, prices of commodities and other supplies used in its operations and interest and exchange rates; (4) Inco's strategies and plans; (5) Inco's nickel unit cash cost of sales before and after by-product credits, interest and other expenses; (6) Inco's energy and other costs, and pension contributions and expenses and assumptions relating thereto; (7) Inco's position as a low-cost producer of nickel; (8) Inco's debt-equity ratio and tangible net worth; (9) the political unrest or instability in countries (such as Indonesia) in which Inco and its subsidiaries (such as PT International Nickel Indonesia Tbk (PT Inco)) operate and the impact thereof on Inco and/or its subsidiaries; (10) construction, commissioning, initial shipment and other schedules, capital

costs and other aspects of Inco's Goro and Voisey's Bay projects and other growth projects and PT Inco's program to

Table of Contents

increase its production, capital expenditures, and hydroelectric power generation at PT Inco and the effect thereon of lower water levels; (11) the necessary agreements and arrangements for the construction of the Goro project, and the timing of the start of production and the costs of construction with respect to the issuance of the necessary permits and other authorizations required for, and engineering and construction timetables for, the Goro and Voisey's Bay projects; (12) Inco's estimates of the quantity and quality of its ore/mineral reserves; (13) planned capital expenditures and tax payments; (14) Inco's costs of production and production levels, including the costs of and potential impact on operations and production of complying with existing and proposed environmental laws and regulations and net reductions in environmental emissions; (15) the impact of changes in Canadian dollar-U.S. dollar and other exchange rates on Inco's costs and the results of its operations; (16) Inco's sales of specialty nickel products; (17) Inco's cost reduction and other financial and operating objectives and planned maintenance and other shutdowns; (18) the commercial viability of new production processes and process changes for, and processing recoveries from, its development projects; (19) Inco's productivity, exploration and research and development initiatives as well as environmental, health and safety initiatives; (20) the negotiation of collective agreements with its unionized employees; (21) Inco's sales organization and personnel requirements; (22) business and economic conditions; and (23) the extension of current mining and other leases, export licences and concessionary rights. Actual results and developments are likely to differ, and may differ materially, from those expressed or implied by the forward-looking statements contained in the Offer and Circular.

Such forward-looking statements are based on a number of assumptions which may prove to be incorrect, including, but not limited to, assumptions in connection with the combination of Inco and Falconbridge or otherwise about: the ability of Inco to successfully compete against global metals and mining and exploration companies by creating through such a combination an enterprise of increased scale; strong demand for nickel, copper and other metals in emerging markets such as China; approximately \$350 million per annum in pre-tax operating and other synergies and cost savings, and other benefits being realized based on the achievement of operational efficiencies from restructuring, integration and other initiatives relating to the Inco/Falconbridge combination (as described in further detail in Section 5 of the Circular, "Purpose of the Offer and Inco's Plans for Falconbridge - Strategic Rationale for the Offer and Anticipated Benefits to be Realized"); the approvals or clearances required to be obtained by Inco and Falconbridge from regulatory and other agencies and bodies being obtained in a timely manner; divestitures required by regulatory agencies being acceptable and completed in a timely manner; there being limited costs, difficulties or delays related to the integration of Falconbridge's operations with those of Inco; the timely completion of the steps required to be taken for the eventual combination of the two companies; business and economic conditions generally; exchange rates, energy and other anticipated and unanticipated costs and pension contributions and expenses; the supply and demand for, deliveries of, and the level and volatility of prices of, nickel, copper, cobalt, aluminum, zinc and other primary metals products, purchased intermediates and nickel-containing stainless steel scrap and other substitutes and competing products for the primary nickel and other metal products Inco and Falconbridge produce; the timing of the receipt of remaining regulatory and governmental approvals for the Goro project and other operations; the continued availability of financing on appropriate terms, including through partner or other participation arrangements in the case of the Goro project, for development projects for the combined company; Inco's costs of production and production and productivity levels, as well as those of Inco's competitors; engineering and construction timetables and capital and operating costs for the Goro and Voisey's Bay projects and PT Inco's expansion initiative; market competition; mining, processing, exploration and research and development activities; the accuracy of ore/mineral reserve estimates; premiums realized over LME cash and other benchmark prices; tax benefits/charges; the resolution of environmental and other proceedings and the impact on the combined company of various environmental regulations and initiatives; assumptions concerning political and economic stability in Indonesia and other countries or locations in which Inco operates or otherwise; and Inco's ongoing relations with its employees at its operations throughout the world.

While Inco anticipates that subsequent events and developments may cause Inco's views to change, Inco specifically disclaims any obligation to update these forward-looking statements. These forward-looking statements should not be relied upon as representing Inco's views as of any date subsequent to the date of this Offer and Circular. Although Inco has attempted to identify important factors that could cause actual actions, events or results to differ

materially from those described in forward-looking statements, there may be other factors that cause actions, events or results not to be as anticipated, estimated or intended. There can be no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements. These factors are not intended to represent a complete list of the factors that could affect Inco and the combination of Inco and Falconbridge.

Table of Contents

Additional factors are noted elsewhere in the Offer and Circular and in the documents incorporated by reference into the Offer and Circular. See, for example, Section 6 of the Circular "Risk Factors Related to the Offer" and the section entitled "Risks and Uncertainties" contained in the Offeror's Annual Report on Form 10-K for the year ended December 31, 2004. Inco undertakes no obligation to update forward-looking statements.

REPORTING CURRENCIES AND ACCOUNTING PRINCIPLES

Unless otherwise indicated, all references to "\$" or "dollars" in the Offer and Circular refer to United States dollars and references to "Cdn.\$" in the Offer and Circular refer to Canadian dollars. The Offeror's financial statements included and incorporated by reference into the Circular are reported in U.S. dollars and are prepared in accordance with Canadian GAAP. Certain of the financial information in these financial statements is reconciled to U.S. GAAP.

The Falconbridge and Noranda financial statements included and incorporated by reference into the Circular are reported in U.S. dollars and are prepared in accordance with Canadian GAAP. For a discussion of the material differences between U.S. GAAP and Canadian GAAP in the context of the Offeror, see Note 24 to the Offeror's audited consolidated financial statements as at and for the period ended December 31, 2004 and Note 17 to the Offeror's unaudited consolidated financial statements as at and for the period ended June 30, 2005. For a discussion of the material differences between U.S. GAAP and Canadian GAAP in the context of Noranda, see Note 19 to Noranda's consolidated financial statements as at and for the period ended December 31, 2004.

CURRENCY EXCHANGE RATE INFORMATION

The following table sets forth the high and low exchange rates for one U.S. dollar expressed in Canadian dollars, for each period indicated, the average of such exchange rates, and the exchange rate at the end of such period, in each case, based upon the noon buying rates as quoted by the Bank of Canada:

	Nine Months Ended		Year Ended December 31		
	September 30 2005	2004	2003	2002	2001
High	1.2704	1.3968	1.5747	1.6132	1.6021
Low	1.1611	1.1774	1.2924	1.5110	1.4936
Rate at end of period	1.1611	1.2036	1.2924	1.5796	1.5926
Average rate for period	1.2240	1.3015	1.4015	1.5704	1.5484

On October 20, 2005, the exchange rate for one U.S. dollar expressed in Canadian dollars based upon the noon buying rate of the Bank of Canada was Cdn.\$1.1767.

v

TABLE OF CONTENTS

	Page
<u>SUMMARY</u>	1
<u>GLOSSARY</u>	7
<u>OFFER TO PURCHASE</u>	11
1. <u>The Offer</u>	11
2. <u>Time for Acceptance</u>	13
3. <u>Manner of Acceptance</u>	13

<u>4. Withdrawal Rights</u>	16
<u>5. Conditions of the Offer</u>	17
<u>6. Take Up of and Payment for Deposited Shares</u>	19
<u>7. Extension and Variation of the Offer</u>	20
<u>8. Return of Deposited Falconbridge Shares</u>	21
<u>9. Mail Service Interruption</u>	21
<u>10. Notices and Delivery</u>	21
<u>11. Adjustments; Liens</u>	22
<u>12. Market Purchases</u>	22
<u>13. Other Terms of the Offer</u>	23
<u>CIRCULAR</u>	24
<u>1. Inco Limited</u>	24
<u>2. Falconbridge</u>	27
<u>3. Recommendation of the Board of Directors of Falconbridge</u>	29
<u>4. Background to the Offer</u>	29
<u>5. Purpose of the Offer and Inco's Plans for Falconbridge</u>	38
<u>6. Risk Factors Related to the Offer</u>	41
<u>7. Acquisition of Falconbridge Shares Not Deposited</u>	44
<u>8. Judicial Developments</u>	46
<u>9. Source of Funds</u>	47
<u>10. Ownership of and Trading in Securities</u>	47
<u>11. Previous Distributions of Falconbridge Shares</u>	47
<u>12. Previous Purchases and Sales</u>	48
<u>13. Falconbridge Dividends</u>	48
<u>14. Commitments to Acquire Falconbridge Shares</u>	49
<u>15. Benefits from the Offer</u>	49
<u>16. Arrangements, Agreements or Understandings</u>	49
<u>17. Material Changes and Other Information</u>	49
<u>18. Stock Exchange Listing Applications</u>	49
<u>19. Effect of the Offer on the Market for and Listing of Falconbridge Shares</u>	50
<u>20. Regulatory Matters</u>	50
<u>21. Certain Canadian Federal Income Tax Considerations</u>	53
<u>22. Procedure for Tax Election</u>	58
<u>23. Certain U.S. Federal Income Tax Considerations</u>	58
<u>24. Depositary</u>	61
<u>25. Dealer Manager and Soliciting Dealer Group</u>	62
<u>26. Information Agent</u>	62
<u>27. Legal Matters</u>	62
<u>28. U.S. Exchange Act Requirements</u>	62
<u>29. Offeree's Statutory Rights</u>	63
<u>30. Registration Statement Filed With the SEC</u>	63
<u>31. Directors' Approval</u>	63
<u>EXPERTS</u>	64
<u>CONSENT OF OSLER, HOSKIN & HARCOURT LLP</u>	65

rsuant to such order or orders as may be granted by applicable courts or securities regulatory authorities and only if such Deposited Shares have not been taken up by the Offeror at the date of the notice.

For a withdrawal to be effective, a written or facsimile transmission notice of withdrawal must be received in a timely manner by the Depositary at the place of deposit of the relevant Falconbridge Shares. Any such notice of withdrawal must (i) be signed by or on behalf of the person who signed the Letter of Transmittal (or Notice of Guaranteed Delivery) that accompanied the Falconbridge Shares to be withdrawn, and (ii) specify the number of Falconbridge Shares to be withdrawn, the name of the registered holder and the certificate number shown on each

Falconbridge Share to be withdrawn. No signature guarantee is required on a notice of withdrawal if the notice of withdrawal is signed by the registered holder of the Falconbridge Shares exactly as the name of the registered holder appears on the certificate representing Falconbridge Shares deposited with the Letter of Transmittal or if the Falconbridge Shares were deposited for the account of an Eligible Institution. In all other cases, the signature on a notice of withdrawal must be guaranteed by an Eligible Institution. The withdrawal will take effect upon actual receipt by the Depository of the properly completed notice of withdrawal. **A withdrawal of Falconbridge Shares deposited pursuant to the Offer can only be accomplished in accordance with the foregoing procedure. The withdrawal will take effect only upon actual receipt by the Depository of the properly completed and executed written or facsimile notice of withdrawal.**

All questions as to form and validity (including, without limitation, time of receipt) of notices of withdrawal will be determined by the Offeror in its sole discretion and such determination will be final and binding. There will be no duty or obligation on the Offeror, the Depository or any other person to give notice of any defect or irregularity in any notice of withdrawal, and no liability will be incurred by any of them for failure to give such notice.

Withdrawals may not be rescinded and any Falconbridge Shares properly withdrawn will thereafter be deemed not validly deposited for the purposes of the Offer. However, withdrawn Falconbridge Shares may be re-deposited at any subsequent time prior to the Expiry Time by again following any of the procedures described in Section 3 of this Offer to Purchase, Manner of Acceptance .

Table of Contents

If the Offeror extends the period of time during which the Offer is open, is delayed in taking up or exchanging the Falconbridge Shares or is unable to take up or exchange Falconbridge Shares for any reason, then, without prejudice to the Offeror's other rights under the Offer, the Depositary may, subject to applicable Law, retain on behalf of the Offeror all Deposited Shares and Distributions, and such Falconbridge Shares may not be withdrawn except to the extent that depositing Shareholders are entitled to withdrawal rights as set forth in this Section or pursuant to applicable Law.

5. Conditions of the Offer

The Offeror shall have the right to withdraw the Offer and to not take up and pay for, or extend the period of time during which the Offer is open and to postpone taking up and paying for, any Falconbridge Shares deposited under the Offer unless all of the following conditions are satisfied or waived by the Offeror at or prior to the Expiry Time:

- (a) the Minimum Tender Condition;
- (b) (A)(i) the Commissioner shall have issued an advance ruling certificate under Section 102 of the Competition Act in respect of the purchase of the Falconbridge Shares by the Offeror, or (ii) the waiting period under Part IX of the Competition Act shall have expired or have been waived in accordance with the Canadian Competition Act and the Commissioner shall have advised the Offeror in writing (which advice shall not have been rescinded or amended) to the satisfaction of the Offeror acting reasonably that she has determined not to make an application under Part VIII of the Competition Act in respect of the purchase of the Falconbridge Shares by the Offeror; (B) the applicable waiting periods (and any extension thereof) under the HSR Act shall have expired or been terminated; (C) the applicable waiting periods instituted by the European Commission and/or the EC member states agencies shall have expired or been terminated; and (D) all requisite approvals, notifications and authorizations for the Contemplated Transactions under the HSR Act, the EC Merger Regulation or otherwise, the Competition Act or any corresponding requirements of the EC member states, and all consents or clearances required from such other Governmental Entities in order to complete any Contemplated Transaction, where the assets, revenues, or operations of each or both the Offeror or Falconbridge in the particular jurisdiction of any such other Governmental Entity are more than de minimus, and any director, officer, or employee of the Offeror or Falconbridge would be subject to criminal penalties for failure to obtain such consent or clearance from such other Governmental Entity, shall have been obtained;
- (c) without limiting the scope of the conditions in paragraph (b) above, all government or regulatory approvals (including, without limitation, those of any stock exchanges or other securities regulatory authorities) that in the Of AUDITORS CONSENT (PRICEWATERHOUSECOOPERS LLP)

<u>AUDITORS</u>	
<u>CONSENT</u>	
<u>(ERNST &</u>	
<u>YOUNG LLP)</u>	67
<u>CERTIFICATE</u>	C-1
<u>COMPILATION</u>	
<u>REPORT</u>	C-3
<u>UNAUDITED</u>	A-1
<u>PRO FORMA</u>	
<u>CONSOLIDATED</u>	

FINANCIAL
INFORMATION

EX-1.1

EX-1.2

EX-1.3

EX-1.4

EX-2.2

EX-2.3

EX-2.4

Table of Contents**SUMMARY**

This summary highlights information more fully discussed elsewhere in the Offer and Circular. This summary is not intended to be complete and is qualified by reference to the more detailed information contained in the Offer and Circular. Shareholders are urged to read the Offer and Circular, including the documents incorporated by reference into the Offer and Circular and the consolidated pro forma financial statements and notes thereto, in their entirety.

The Offer

The Offeror is offering to purchase, upon the terms and subject to the conditions of the Offer, all of the issued and feror s reasonable judgment are necessary or desirable to complete the Offer or any Contemplated Transaction, including any necessary approvals of competition regulatory authorities in other jurisdictions, shall have been obtained or concluded or, in the case of waiting or suspensory periods, expired or been terminated, each on terms and conditions satisfactory to the Offeror, acting reasonably; (d) all necessary orders, authorizations or consents which the Offeror determines acting reasonably are necessary or desirable under all applicable securities Laws in Canada and the United States for the offering and issuance of the Inco Shares under the Offer shall have been obtained and a registration statement relating to such Inco Shares to be issued pursuant to the Offer shall have become effective under the U.S. Securities Act and no stop order relating to such registration statement shall be in effect; (e) the Offeror shall have determined, acting reasonably, that outstanding Falconbridge Shares other than any Falconbridge Shares owned directly or indirectly by the Offeror and including Falconbridge Shares that may become issued and outstanding after the date of this Offer, but before the Expiry Time, upon the conversion, exchange or exercise of any securities of Falconbridge that are convertible into or exchangeable or exercisable for Falconbridge Shares, on the basis of, at the election of the Shareholder:

(a) Cdn.\$34.00 in cash in respect of each Falconbridge Share held (the Cash Alternative); or

(b) 0.6713 of an Inco Share and Cdn.\$0.05 in cash in respect of each Falconbridge Share held (the Share Alternative),

in each case, as elected by the Shareholder in the applicable Letter of Transmittal, and subject to proration as more fully described in Section 1 of the Offer to Purchase, The Offer .

Assuming all Falconbridge Shareholders tendered to the Cash Alternative or all Falconbridge Shareholders tendered to the Share Alternative, each Shareholder would be entitled to receive Cdn.\$7.50 in cash and 0.524 of an Inco Share for each Falconbridge Share tendered, subject to adjustment for fractional shares.

Any Shareholder who fails to complete the Letter of Transmittal electing the Cash Alternative or who does not properly elect either the Cash Alternative, on the one hand, or the Share Alternative, on the other hand, with respect to any Falconbridge Shares deposited by such Shareholder pursuant (i) no act, action, suit or proceeding shall have been threatened in writing or taken before or by any domestic or foreign court or tribunal or governmental agency or other regulatory authority or administrative agency or commission or by any elected or appointed public official or private person (including, without limitation, any individual, corporation, firm, group or other entity) in Canada, the United States or elsewhere, whether or not having the force of Law; and (ii) no Law, regulation or policy shall have been proposed, enacted, promulgated or applied, in either case:

(A) to cease trade, enjoin, prohibit or impose material limitations or conditions on the purchase by or the sale to the Offeror of the Falconbridge Shares, the right of the Offeror to own or exercise full rights of ownership of the Falconbridge Shares, or the consummation of any Contemplated Transaction;

(B) which, if any Contemplated Transaction were consummated, would reasonably be expected to have a Material Adverse Effect with respect to Falconbridge or the Offeror; or

Table of Contents

(C) which would materially and adversely affect the ability of the Offeror to effect any Contemplated Transaction;

The Offer is made only for Falconbridge Shares and is not made for any options, convertible debentures or other rights to acquire Falconbridge Shares. Any holder of such options, convertible debentures or other rights to acquire Falconbridge Shares who wishes to accept the Offer should, to the extent permitted by their terms and applicable law, fully exercise the options, convertible debentures or other rights in order to obtain certificates representing Falconbridge Shares that may be deposited in accordance with the terms of the Offer.

The maximum amount of cash consideration available under the Offer is Cdn.\$2,872,648,913 and the maximum number of Inco Shares issuable under the Offer is 200,702,404 Inco Shares. The consideration payable under the Offer will be prorated on each Take-Up Date as necessary to ensure that the total aggregate consideration payable under the Offer and in any Subsequent Acquisition Transaction does not exceed these maximum aggregate amounts and will be based on the number of Falconbridge Shares acquired in proportion to the number of Falconbridge Shares outstanding on an adjusted fully-diluted basis.

Time for Acceptance

The Offer is open for acceptance until 8:00 p.m. (Toronto time) on December 23, 2005, unless withdrawn by the Offeror, or until such other time and date as extended by the Offeror or accelerated in accordance with the terms of the Support Agreement. The Expiry Time may be extended by the Offeror in its sole discretion as described in Section 7 of the Offer to Purchase, Extension and Variation of the Offer .

Manner of Acceptance

Shareholders may accept the Offer by delivering to the Depositary at any of the offices identified in the Letter of Transmittal and on the back cover of the Offer and Circular, so as to arrive there not later than the Expiry Time: (a) a Letter of Transmittal (printed on blue paper) in the form accompanying the Offer and Circular or a facsimile thereof properly completed and duly executed as required by the instructions set out in the Letter of Transmittal; (b) the certificate(s) representing the Falconbridge Shares in respect of which the Offer is being accepted; and (c) all other documents required by the instructions set out in the Letter of Transmittal.

Table of Contents

If a Shareholder wishes to deposit Falconbridge Shares pursuant to the Offer and the certificates representing the Falconbridge Shares are not immediately available or the Shareholder is not able to deliver the certificates and all other required documents to the Depository at or prior to the Expiry Time, those Falconbridge Shares may nevertheless be deposited under the Offer provided that all of the following conditions are met: (a) the deposit is made by or through an Eligible Institution; (b) a Notice of Guaranteed Delivery (printed on green paper) in the form accompanying the Offer and Circular or a facsimile thereof, properly completed and duly executed, including a guarantee by an Eligible Institution in the form specified in the Notice of Guaranteed Delivery, is received by the Depository at its Toronto office as set out in the Notice of Guaranteed Delivery, at or prior to the Expiry Time; and (c) the certificate(s) representing all deposited Falconbridge Shares together with a properly completed and duly executed Letter of Transmittal or a facsimile thereof, relating to such Falconbridge Shares, with signatures guaranteed if so required in accordance with the Letter of Transmittal, and all other documents required by the Letter of Transmittal, are received by the Depository at its Toronto office as set out in the Notice of Guaranteed Delivery before 5:00 p.m. (Toronto time) on the third trading day on the TSX after the date on which the Expiry Time occurs. No fees will be payable by a Shareholder for tendering Falconbridge Shares to the Depository directly or through a broker or dealer that is a member of the Soliciting Dealer Group.

Right to Withdraw Deposited Shares

Falconbridge Shares deposited under the Offer may be withdrawn by or on behalf of the depositing Shareholder at any time before the Falconbridge Shares have been taken up by the Offeror pursuant to the Offer and in the other circumstances discussed in Section 4 of the Offer to Purchase, **Withdrawal Rights** .

Conditions to the Offer

The Offeror has the right to withdraw the Offer and to not take up and pay for, or extend the period of time during which the Offer is open and to postpone taking up and paying for, any Falconbridge Shares deposited under the Offer unless all of the conditions described in Section 5 of the Offer to Purchase, **Conditions of the Offer** are satisfied or waived by the Offeror at or prior to the Expiry Time. Those conditions include, among other things, there having been validly deposited under the Offer and not withdrawn at the Expiry Time such number of Falconbridge Shares which, together with any Falconbridge Shares directly or indirectly owned by the Offeror, constitutes at least 66²/₃% of the Falconbridge Shares outstanding at the Expiry Time (calculated on a fully-diluted basis). Each of the conditions to the Offer is set forth in Section 5 of the Offer to Purchase, **Conditions of the Offer**

(f) the Offeror shall have determined acting reasonably that there shall not exist any prohibition at Law against the Offeror making the Offer or taking up and paying for any Falconbridge Shares deposited under the Offer or completing any Contemplated Transaction; (g) the Offeror shall have determined acting reasonably that there shall not exist or have occurred (or, if there does exist or shall have occurred prior to the commencement of the Offer, there shall not have been disclosed, generally or to the Offeror in writing) any change (or any condition, event or development involving a prospective change) in the business, operations (including results of operations), assets, capitalization, properties, condition (financial or otherwise), prospects or liabilities of Falconbridge or any of its subsidiaries which, when considered either individually or in the aggregate, constitutes a Material Adverse Effect with respect to Falconbridge or which, if any Contemplated Transaction were consummated, would be reasonably expected to constitute a Material Adverse Effect with respect to the Offeror; (h) the representations and warranties made by Falconbridge in the Support Agreement shall be true and correct at and as of the Expiry Time, as if made at and as of such time (except for those expressly stated to speak at or as of an earlier time), without giving effect to, applying or taking into consideration any materiality, Material Adverse Change or Material Adverse Effect qualification already contained within such representation or warranty, except for untrue or incorrect representations and warranties which, individually or in the aggregate, would not reasonably be expected to have a Material Adverse Effect on Falconbridge or materially and adversely affect the ability of the Offeror to effect any Contemplated Transaction or, if any Contemplated Transaction were consummated, reasonably be expected to have a Material Adverse Effect on the Offeror; (i) the Offeror shall not have become aware of any untrue statement of a material fact, or an omission to state a material fact that is required to be stated or that is necessary to make a statement not misleading in light of the circumstances in which it was made and at the date it was made (after giving effect to all subsequent filings in relation to all matters covered in earlier filings) in any document filed by or on behalf of Falconbridge with any securities

regulatory authority in Canada or elsewhere which the Offeror shall have determined in its reasonable judgment constitutes a Material Adverse Effect with respect to Falconbridge or which, if any Contemplated Transaction were consummated, would be reasonably expected to constitute a Material Adverse Effect with respect to the Offeror; (j) the Support Agreement shall not have been terminated by Falconbridge or by the Offeror in accordance with its terms; (k) the Offeror shall have determined in its reasonable judgment that the Shareholder Rights Plan does not provide rights to the shareholders of Falconbridge to purchase any securities of Falconbridge as a result of the Offer or a Contemplated Transaction, and does not and will not adversely affect the Offer or the Offeror, either before or on consummation of the Offer, or the acquisition by the Offeror of any Falconbridge Shares under the Offer or any Compulsory Acquisition or Subsequent Acquisition Transaction. Without limiting the generality of the foregoing, Falconbridge shall have, if considered necessary by Inco, acting reasonably, (A) deferred the separation time of the SRP Rights; and (B) waived or suspended the operation of or otherwise rendered the Shareholder Rights Plan inoperative against any Contemplated Transaction; and (l) the Offeror shall have determined in its reasonable judgment that there shall not have occurred, developed or come into effect or existence any event, action, state, condition or financial occurrence; and (m) the Offeror shall have determined in its reasonable judgment that there shall not have occurred, developed or come into effect or existence any event, action, state, condition or financial occurrence.

Payment for Deposited Shares

Upon the terms and subject to the conditions of the Offer (including, without limitation, the conditions specified in Section 5 of the Offer to Purchase, Conditions of the Offer), the Offeror will take up Falconbridge Shares validly deposited under the Offer and not withdrawn pursuant to Section 4 of the Offer to Purchase, Withdrawal Rights , not later than 10 calendar days after the Expiry Time and will pay for the Falconbridge Shares taken up as soon as possible, but in any event not later than three business days after taking up the Falconbridge Shares. Any Falconbridge Shares deposited under the Offer after the date on which the Offeror first takes up Falconbridge Shares will be taken up and paid for not later than 10 calendar days after such deposit. See Section 6 of the Offer to Purchase, Take Up and Payment for Deposited Shares .

Inco

Inco is one of the world's premier mining and metals companies and a leading producer of nickel, a hard, malleable metal which, given its properties and wide range of applications, can be found in thousands of products. Inco is also an important producer of copper, precious metals and cobalt and a major producer of value-added specialty nickel products. Inco also produces sulphuric acid and liquid sulphur dioxide as by-products from its processing operations in Sudbury, Ontario. Inco's business operations consist of two segments: (i) the finished products segment, representing the mining, processing and refining operations in Ontario and Manitoba, the refining operations in the United Kingdom and interests in the refining operations in Japan and other Asian countries referred to below; and (ii) the intermediates segment, which represents the mining and processing operations of Inco's approximately 61% owned Indonesian subsidiary, PT Inco where nickel-in-matte, an intermediate product, is produced and sold primarily into the Japanese market. The Inco Shares are listed on the TSX and the NYSE under the symbol **N** . See Section 1 of the Circular, Inco Limited'surrence of national or international consequence, or any Law, regulation, action, government regulation, inquiry or other occurrence of any nature whatsoever, that materially adversely affects or involves, or could reasonably be expected to materially adversely affect or involve, the financial, banking or capital markets generally.

The foregoing conditions are for the exclusive benefit of the Offeror and may be asserted by the Offeror regardless of the circumstances giving rise to any such assertion, including any action or inaction by the Offeror. The Offeror may waive any of the foregoing conditions in whole or in part at any time and from time to time without prejudice to any other rights which the Offeror may have, provided however, that the Offeror may not waive the Minimum Tender Condition in order to acquire less than 50.01% of the Falconbridge Shares outstanding (calculated on a fully-diluted basis) or less than 50.01% of the Falconbridge Shares outstanding held by Independent Shareholders (as defined in the

Table of Contents

Shareholder Rights Plan). The failure by the Offeror at any time to exercise any of the foregoing rights will not be deemed to be a waiver of any such right and each such right shall be deemed to be an ongoing right which may be asserted at any time and from time to time. Waiver of certain of the foregoing conditions requires the consent of the majority of lenders under the loan facilities contemplated by the Commitment Letter.

6. Take Up of and Payment for Deposited Shares

Upon the terms and subject to the conditions of the Offer (including, without limitation, the conditions specified in Section 5 of this Offer to Purchase, Conditions of the Offer), the Offeror will take up Falconbridge Shares validly deposited under the Offer and not withdrawn pursuant to Section 4 of this Offer to Purchase, Withdrawal Rights , not later than 10 calendar days after the Expiry Time and will pay for the Falconbridge Shares taken up as soon as possible, but in any event not later than three business days after taking up the Falconbridge Shares. Any Falconbridge Shares deposited under the Offer after the date on which the Offeror first takes up Falconbridge Shares will be taken up and paid for not later than 10 calendar days after such deposit.

Subject to applicable law, the Offeror expressly reserves the right in its sole discretion to delay or otherwise refrain from taking up and paying for any Falconbridge Shares or to terminate the Offer and not take up or pay for any Falconbridge Shares pursuant to the Offer if any condition of the Offer is not satisfied or waived by the Offeror, in whole or in part;

Table of Contents**Falconbridge**

Falconbridge is a leading international copper and nickel producer with investments in fully integrated zinc and aluminum assets. Falconbridge's primary focus is on the identification and development of world class copper and nickel mining deposits. Falconbridge is one of the world's largest producers of zinc and nickel and a significant producer of copper, primary and fabricated aluminum, cobalt, lead, molybdenum, silver, gold and sulphuric acid, and also one of the world's largest processors and recyclers of metal-bearing materials. The principal markets for Falconbridge's products include the steel, refinery and foundry, construction, telecommunications, automotive, agricultural and chemical industries. Falconbridge has its operations and offices in 18 countries. Since 2002, Falconbridge has focused on increasing the profitability of its core operations through cost reductions and capacity expansions while identifying and defining orebodies for future development. On June 30, 2005, Noranda and Old Falconbridge completed their merger transaction after shareholders of each company approved the amalgamation of the two companies. The amalgamated company operates under the name Falconbridge Limited. The Falconbridge Shares are listed on the TSX under the symbol FAL.LV and the NYSE under the symbol FAL. See Section 2 of the Circular, Falconbridge.

Strategic Rationale for the Offer and Anticipated Benefits to be Realized

Inco believes that the combination of Inco and Falconbridge will create significant benefits and opportunities that will allow the combined company to better serve its customers, provide it with, by giving notice thereof or other communication confirmed in writing to the Depositary at its principal office in Toronto. The Offeror also expressly reserves the right, in its sole discretion and notwithstanding any other condition of the Offer, to delay taking up and paying for Falconbridge Shares in order to comply, in whole or in part, with any applicable law.

For the purposes of the Offer, the Offeror will be deemed to have taken up and accepted for payment Falconbridge Shares validly deposited and not withdrawn pursuant to the Offer if, as and when the Offeror gives written notice or other communication confirmed in writing to the Depositary of its acceptance for payment of such Deposited Shares pursuant to the Offer at its principal office in Toronto.

The Offeror will pay for Falconbridge Shares validly deposited under the Offer and not withdrawn by providing the Depositary with sufficient certificates representing the Inco Shares and sufficient funds (by bank transfer or other means satisfactory to the Depositary), in each case for transmittal to Shareholders subject to the maximum amounts. The Depositary will act as the agent of persons who have deposited Falconbridge Shares in acceptance of the Offer for the purpose of receiving cash payment and/or Inco Share certificates, as the case may be, from the Offeror and transmitting such cash payment and/or Inco Share certificates, as the case may be, to such persons, and receipt thereof by the Depositary will be deemed to constitute receipt thereof by persons depositing Falconbridge Shares pursuant to the Offer. Under no circumstances will interest accrue or be paid by the Offeror or the Depositary to persons depositing Falconbridge Shares on the purchase price of Falconbridge Shares purchased by the Offeror, regardless of any delay in making such payment.

Settlement with each Shareholder who has validly deposited and not withdrawn his or her Falconbridge Shares will be made by the Depositary forwarding enhanced financial and other resources and better compete in the global metals and mining industry than either Inco or Falconbridge could alone. Those benefits will include the following:

Creation of a World-Class Metals and Mining Company Inco will become one of the world's largest metals and mining companies, ranking as the second largest North American metals and mining company in terms of enterprise value, based upon share prices as of October 7, 2005. In addition, Inco will become the world's largest producer of nickel and a leading producer of copper and cobalt.

Substantial Anticipated Cost and Related Synergies Unique to Inco and Falconbridge Inco and Falconbridge have jointly identified the potential to realize annual pre-tax operating and corporate synergies of approximately \$350 million, and expect these savings to be fully realized by the end of 2007. Both companies believe that a significant portion of these synergies are available only from a combination of Inco and of Falconbridge given the contiguous nature of their nickel mining operations within the Sudbury basin and, to a lesser extent, the proximity of each company's headquarters in downtown Toronto.

Diversification of Metals and Geographic Markets The combined company will have enhanced production and geographic diversification. From a metals perspective, if the combination of Inco and Falconbridge had occurred on January 1, 2005, the revenue of Inco on a pro-forma basis for the six months ended June 30, 2005 would have been derived approximately 48% from nickel, 34% from copper, 9% from aluminum, and 9% from all other metals. On a stand alone basis, Inco's revenues for the same time period were derived approximately 83% from nickel, 9% from copper, and 8% from other metals.

Enhanced Platform and Flexibility for Future Growth Due to its increased size and diversification, Inco should have greater flexibility and financial resources to pursue future growth opportunities than either Inco or Falconbridge would have alone. In particular, the increased size of Inco will reduce overall enterprise exposure to certain risks, including operating, geopolitical and financial risks, inherent from any specific operation or development project and/or jurisdiction.

Value Creation for All Shareholders Through their future ownership in Inco, shareholders of both companies will have exposure to the benefits that are expected to accrue from the significant annual pre-tax synergies identified to date. In addition, from a Falconbridge shareholder perspective, as of the date of announcement of the Offer, the Offer represents a premium of 13.0% over the volume-weighted average trading price of the Falconbridge Shares on the TSX and a premium of 12.6% over the volume-weighted average trading price of the Falconbridge Shares on the NYSE for the 20 trading days ended, in the case of the TSX, October 7, 2005 and, in the case of the NYSE, October 10, 2005. From an Inco shareholder perspective, based on median First Call estimates for each of the two companies, the acquisition of Falconbridge by Inco under the Offer is expected to be accretive to cash flow in the first full year after the acquisition, effectively neutral to earnings per share in the first full year after the acquisition and accretive to earnings per share in the second full year following the acquisition.

Table of Contents

These benefits are based on various assumptions (see STATEMENTS REGARDING FORWARD-LOOKING INFORMATION above) and are subject to various risks (see Section 6 of the Circular, Risk Factors Related to the Offer).

Support Agreement

On October 10, 2005 Inco and Falconbridge entered into the Support Agreement. The Support Agreement sets forth, among other things, the terms and conditions upon which the Offer is to be made by Inco. Pursuant to the Support Agreement, Falconbridge agreed to, among other things, a non-solicitation covenant and to support the Offer. See Section 4 of the Circular, Background to the Offer Support Agreement .

Recommendation of Board of Directors of Falconbridge

Falconbridge has confirmed in the Support Agreement that the Board of Directors of Falconbridge, upon consultation with its financial and legal advisors, determined that the consideration offered under the Offer is fair from a financial point of view to all Shareholders and that it is in the best interests of Falconbridge for the Offer to be made and for the Board of Directors of Falconbridge to support the Offer. The Board of Directors of Falconbridge has recommended that Shareholders accept the Offer.

Acquisition of Falconbridge Shares Not Deposited

If the conditions of the Offer are satisfied or waived and Inco takes up and pays for Falconbridge Shares validly deposited under the Offer, Inco intends to take such action as is necessary, including causing a special meeting of Shareholders a cheque payable in Canadian funds (or, at the election of the Shareholder, the equivalent in U.S. dollars), representing the cash consideration and/or share certificates representing the Inco Shares to which such Shareholder is entitled. Unless otherwise directed in the Letter of Transmittal, the cheque and/or share certificate will be issued in the name of the registered holder of deposited Falconbridge Shares. Unless the person depositing Falconbridge Shares instructs the Depositary to hold the cheque and/or share certificate for pick-up by checking the appropriate box in the Letter of Transmittal, the cheque and/or share certificate will be forwarded by first class mail to such person at the address specified in the Letter of Transmittal. If no address is specified, cheques and/or share certificates will be forwarded to the address of the Shareholder as shown on the Falconbridge Share register maintained by or on behalf of Falconbridge. Cheques and/or share certificates mailed in accordance with this paragraph will be deemed to have been delivered at the time of mailing.

If any deposited Falconbridge Shares are not accepted for payment pursuant to the terms and conditions of the Offer for any reason, or if certificates are submitted for more Falconbridge Shares than are deposited, certificates for unpurchased Falconbridge Shares will be returned, at the Offeror's expense, to the depositing Shareholder as soon as is practicable following the Expiry Time or withdrawal and early termination of the Offer. Unless otherwise directed in the Letter of Transmittal, certificates representing unpurchased Falconbridge Shares will be forwarded to the address of the registered holder as shown on the securities register maintained by Falconbridge.

Table of Contents

Shareholders depositing Falconbridge Shares will not be required to pay any fees or commissions if they accept the Offer by transmitting their Falconbridge Shares directly to the Depository or if they make use of the services of a member of the Soliciting Dealer Group to accept the Offer.

7. Extension and Variation of the Offer

The Offer is open for acceptance up to and including, but not after, the Expiry Time, unless the Offer is withdrawn or is extended by the Offeror.

The Offeror expressly reserves the right, in its sole discretion, at any time and from time to time while the Offer is open for acceptance, to extend or accelerate, in accordance with the terms of the Support Agreement, the Expiry Time or to vary the Offer by giving written or oral notice to be confirmed in writing of extension or variation to the Depository at its principal office in Toronto and by causing the Depository to provide, where required by law, as soon as practicable thereafter, a copy of such notice in the manner set forth in Section 10 of this Offer to Purchase, Notices and Delivery , to all Shareholders whose Falconbridge Shares have not been taken up prior to the extension or variation. The Offeror will, as soon as practicable after giving notice of an extension or variation to the Depository, make a public announcement of the extension or variation and provide, or cause to be provided, a copy of the notice thereof to the TSX and the NYSE and the applicable securities regulatory authorities. Any notice of extension or variation will be deemed to have been given and to be effective on the day on which it is delivered or otherwise communicated to the Depository at its principal office in Toronto.

Where the terms of the Offer are varied, the period during which Falconbridge Shares may be deposited pursuant to the Offer will not expire before 10 calendar days after the notice of such variation has been given to Shareholders unless otherwise permitted by applicable law and subject to abridgement or elimination of that period pursuant to such orders as may be granted by applicable securities regulatory authorities.

If on or before the Expiry Time, or after the Expiry Time but before the expiry of all rights of withdrawal with respect to the Offer, a change occurs in the information contained in the Offer or the Circular, as amended from time to time, that would reasonably be expected to affect a decision of a Shareholder to accept or reject the Offer (other than a change that is not within the control of the Offeror or an affiliate of the Offeror unless it is a change in a material fact relating to the Inco Shares), the Offeror will give written notice of such change to the Depository at its principal office in Toronto, and will cause the Depository to provide as soon as practicable thereafter a copy of such notice in the manner set forth in Section 10 of this Offer to Purchase, Notices and Delivery , to all Shareholders whose Falconbridge Shares have not been taken up under the Offer at the date of the occurrence of the change. As soon as possible after giving notice of a change in information to the Depository, the Offeror will make a public announcement of the change in information and provide a copy of the notice thereof to the TSX, the NYSE and the applicable regulatory authorities. Any notice of change in information will be deemed to have been given and to be effective on the day on which it is delivered or otherwise communicated to the Depository at its principal office in Toronto.

During any such extension or in the event of any variation, all Falconbridge Shares previously deposited and not taken up or withdrawn will remain subject to the Offer and may be accepted for payment by the Offeror in accordance with the terms of the Offer, subject to Section 4 of this Offer to Purchase, Withdrawal Rights . An extension of the Expiry Time, a variation of the Offer or a change in information does not constitute a waiver by the Offeror of its rights under Section 5 of the Offer to Purchase, Conditions of the Offer .

Notwithstanding the foregoing, the Offer may not be extended by the Offeror if all of the terms and conditions of the Offer have been complied with, except those waived by the Offeror, unless the Offeror first takes up and pays for all Deposited Shares. If, prior to the Expiry Time, a variation in the terms of the Offer increases the consideration offered to Shareholders by the Offeror in its sole discretion, such increase will be applicable to all Shareholders whose Falconbridge Shares are taken up pursuant to the Offer.

In circumstances where more than 50% of the then outstanding Falconbridge Shares held by Independent Shareholders (as defined in the Shareholder Rights Plan) have been validly deposited under the Offer and not withdrawn, the Offeror may take up and pay for the deposited Falconbridge Shares (subject to the conditions of the Offer) but will make a public announcement of that fact and the Offer will be extended with the result that the period

during which Falconbridge Shares may be deposited pursuant to the Offer will remain open for not less than 10 days from the date of such public announcement.

Table of Contents**8. Return of Deposited Falconbridge Shares**

Any Deposited Shares not taken up and paid for or exchanged, as the case may be, by the Offeror will be returned at the Offeror's expense promptly after the Expiry Time or termination of the Offer. Such Deposited Shares (and other relevant documents) will be forwarded by first class mail in the name and to the address specified in the Letter of Transmittal, unless the person who deposited the Falconbridge Shares instructs the Offeror to hold the cheques and/or the Falconbridge Shares for pick-up by checking the appropriate box in the Letter of Transmittal. If no address is specified therein, Falconbridge Shares will be forwarded to the address shown on the register maintained in respect of the Falconbridge Shares.

9. Mail Service Interruption

Notwithstanding the provisions of the Offer and Circular and the Letter of Transmittal, cheques, share certificates for Inco Shares and any other relevant documents will not be mailed if the Offeror determines that delivery thereof by mail may be delayed. Persons entitled to cheques, share certificates for Inco Shares and any other relevant documents which are not mailed for the foregoing reason may take delivery thereof at the office of the Depositary to which the Deposited Shares were delivered until such time as the Offeror has determined that delivery by mail will no longer be delayed. The Offeror will provide notice of any such determination not to mail under this Section 9 as soon as reasonably practicable after the making of such determination. Notwithstanding Section 6 of this Offer to Purchase,

Take Up of and Payment for Deposited Shares, cheques, share certificates for Inco Shares or other relevant documents not mailed for the foregoing reason will be conclusively deemed to have been mailed on the first day upon which they are available for delivery to the depositing Shareholder at the appropriate office of the Depositary.

10. Notices and Delivery

Without limiting any other lawful means of giving notice, any notice to be given by the Offeror to the Depositary pursuant to the Offer will be deemed to have been properly given to registered holders of Falconbridge Shares if it is in writing and is mailed by first class mail, postage prepaid, to registered Shareholders at their respective addresses as shown on the share register maintained by or on behalf of Falconbridge in respect of the Falconbridge Shares and will be deemed to have been received on the first business day following the date of mailing. For this purpose, business day means any day other than a Saturday, Sunday or statutory holiday in the jurisdiction to which the notice is mailed. These provisions apply notwithstanding any accidental omission to give notice to any one or more Shareholders and notwithstanding any interruption of mail services in Canada or the United States following mailing. Except as otherwise required or permitted by law, in the event of any interruption of or delay in mail services following mailing, the Offeror intends to make reasonable efforts to disseminate the notice by other means, such as publication. Except as otherwise required or permitted by law, if post offices in Canada or the United States are not open for the deposit of mail, any notice which the Offeror or the Depositary may give or cause to be given under the Offer will be deemed to have been properly given and to have been received by Shareholders if (i) it is given to the TSX and the NYSE for dissemination through their facilities, (ii) if it is published once in the National Edition of *The Globe and Mail* or the *National Post*, together with the *Wall Street Journal* and *La Presse*, or (iii) it is given to the Canada News Wire Service and the Dow Jones News Wire Service.

The Offer and Circular and the Letter of Transmittal and Notice of Guaranteed Delivery will be mailed to registered holders of Falconbridge Shares or made in such other manner as is permitted by applicable regulatory authorities and the Offeror will use its reasonable efforts to furnish such documents to brokers, banks and similar persons whose names, or the names of whose nominees, appear on the security holder lists or, if applicable, who are listed as participants in a clearing agency's security position listing, for subsequent transmission to beneficial owners of Falconbridge Shares (and securities exercisable into Falconbridge Shares) when such list or listing is received.

Whenever the Offer calls for documents to be delivered to the Depositary, such documents will not be considered delivered unless and until they have been physically received at one of the addresses listed for the Depositary in the Letter of Transmittal or Notice of Guaranteed Delivery, as applicable. Whenever the Offer calls for documents to be delivered to a particular office of the Depositary, such documents will not be considered delivered unless and until they have been physically received at that particular office at the address listed in the Letter of Transmittal or Notice of Guaranteed Delivery, as applicable.

Table of Contents**11. Adjustments; Liens**

If, on or after the date of the Offer, Falconbridge should divide, combine, reclassify, consolidate, convert or otherwise change any of the Falconbridge Shares or its capitalization, or should disclose that it has taken or intends to take any such action, then the Offeror may, in its sole discretion and without prejudice to its rights under Section 5 of this Offer to Purchase, Conditions of the Offer, make such adjustments as it deems appropriate to the purchase price or other terms of the Offer (including, without limitation, the type of securities offered to be purchased and the consideration payable therefore) to reflect such division, combination, reclassification, consolidation, conversion or other change.

Falconbridge Shares acquired pursuant to the Offer shall be transferred by the Shareholder and acquired by the Offeror free and clear of all liens, charges, encumbrances, claims and equities and together with all rights and benefits arising therefrom, including, without limitation, the right to any and all dividends, distributions, payments, securities, rights (including SRP Rights), assets or other interests which may be declared, paid, issued, distributed, made or transferred on or after date of Offer on or in respect of the Falconbridge Shares, whether or not separated from the Falconbridge Shares, but subject to any Falconbridge Shares being validly withdrawn by or on behalf of a depositing Shareholder. If, on or after the date of the Offer, Falconbridge should declare or pay any dividend (other than regular quarterly cash dividends declared by Falconbridge in accordance with its current dividend policy as established in July 2005) or declare, make or pay any other distribution or payment on or declare, allot, reserve or issue any securities, rights or other interests with respect to any Falconbridge Shares, which is or are payable or distributable to Shareholders of record on a date prior to the transfer into the name of the Offeror or its nominees or transferees on the securities register maintained by or on behalf of Falconbridge in respect of Falconbridge Shares, then (a) in the case of any such cash dividend, distribution or payment that does not exceed the cash consideration per Falconbridge Share, the cash consideration payable per Falconbridge Share pursuant to the Offer will be reduced by the amount of any such dividend, distribution or payment; and (b) in the case of any such cash dividend, distribution or payment that exceeds the cash consideration per Falconbridge Share, or in the case of any other dividend, distribution, payment, right or other interest, the whole of any such dividend, distribution, payment, right or other interest will be promptly remitted and transferred by the depositing Shareholder to the Depositary for the account of the Offeror accompanied by appropriate documentation of transfer. Pending such remittance, the Offeror will be entitled to any such dividend, distribution, payment, right or other interest and may withhold the entire amount of cash and share consideration payable by the Offeror pursuant to the Offer or deduct from the purchase price payable by the Offeror pursuant to the Offer the amount or value thereof, as determined by the Offeror in its sole discretion. The declaration or payment of any such dividend or distribution may have tax consequences not discussed in Section 21 of the Circular, Certain Canadian Federal Income Tax Considerations.

12. Market Purchases

The Offeror reserves the right to, and may, acquire, or cause an affiliate to acquire, beneficial ownership of Falconbridge Shares or securities convertible into Falconbridge Shares by making purchases through the facilities of the TSX and the NYSE, subject to applicable law, at any time prior to the Expiry Time. In no event will the Offeror make any such purchases of Falconbridge Shares until the third business day following the date of the Offer. The aggregate number of Falconbridge Shares acquired by the Offeror through the facilities of the TSX or the NYSE during the course of the Offer shall not exceed 5% of the outstanding Falconbridge Shares as of the date of the Offer, and the Offeror will issue and file a news release forthwith after the close of business of the TSX or the NYSE, as applicable, on each day on which such Falconbridge Shares or securities convertible into Falconbridge Shares have been purchased. If the Offeror purchases Falconbridge Shares through the facilities of the TSX or the NYSE while the Offer is outstanding, the Falconbridge Shares so purchased shall be counted in any determination as to whether the Minimum Tender Condition has been fulfilled.

Risk Factors

In assessing the Offer, Falconbridge Shareholders should carefully consider the risks described in Section 6 of the Circular, Risk Factors Related to the Offer and the section entitled Risks and Uncertainties contained in the Offeror's Annual Report on Form 10-K for the year ended December 31, 2004, and the other information contained in, and

incorporated by reference into, the Offer and the Circular. Additional risks and uncertainties, including those that Inco does not know about now or that Inco currently deems immaterial, may also adversely affect Inco's business, including the proposed combination of Inco with Falconbridge upon the successful completion of the Offer (including any Compulsory Acquisition or Subsequent Acquisition Transaction).

Certain Canadian Federal Income Tax Considerations

A Shareholder who is resident in Canada, who holds Falconbridge Shares as capital property and who disposes of such shares to the Offeror under the Offer (subject to entering into a joint tax election with Inco to obtain a full or partial tax deferral when available as described in Section 21 of the Circular, Canadian Federal Income Tax Considerations), will realize a capital gain (or capital loss) equal to the amount by which the sum of the fair market value, on the date of disposition, of the Falconbridge Shares and the cash received, net of any reasonable costs of disposition, exceeds (or is less than) the aggregate adjusted cost base to the Shareholder of such Falconbridge Shares.

Generally, Shareholders who are non-residents of Canada for the purposes of the Tax Act will not be subject to tax under the Tax Act in respect of any capital gain realized on the sale of Falconbridge Shares to the Offeror under the Offer unless those shares constitute taxable Canadian property (within the meaning of the Tax Act) to such Shareholders and the gain is not otherwise exempt from tax under the Tax Act pursuant to an exemption contained in an applicable income tax treaty.

An Eligible Holder who disposes of Falconbridge Shares pursuant to the Share Alternative (or who disposes of Falconbridge Shares pursuant to the Cash Alternative but who receives Inco Shares because the proration provisions of the Offer apply) may, depending upon the circumstances, obtain a full or partial tax deferral in respect of a disposition of Falconbridge Shares by entering into a joint tax election with the Offeror under Section 85 of the Tax Act (and the corresponding provisions of any applicable provincial tax legislation) specifying therein an elected amount in accordance with certain limitations provided for in the Tax Act (and in any applicable provincial tax legislation).

Table of Contents

See the discussion in Section 21 of the Circular, **Certain Canadian Federal Income Tax Considerations** .

Certain U.S. Federal Income Tax Considerations

U.S. Shareholders will recognize taxable capital gain or loss in an amount equal to the difference between (i) the sum of the fair market value on the date of the exchange of any Inco Shares and the value of any currency received in the exchange and (ii) its tax basis in its Falconbridge Shares. See Section 23 of the Circular, **Certain United States Federal Income Tax Considerations** for more details.

Depository

Inco has engaged CIBC Mellon Trust Company to act as Depository for the receipt of certificates in respect of Falconbridge Shares and related Letters of Transmittal and Notices of Guaranteed Delivery deposited under the Offer and for the payment for Falconbridge Shares purchased by Inco pursuant to the Offer. The Depository will receive reasonable and customary compensation. Subject to applicable Laws, the Offeror reserves the right to make or enter into an arrangement, commitment or understanding prior to the Expiry Time to sell after the Expiry Time any Falconbridge Shares taken up and paid for under the Offer although the Offeror has no current intention to do so.

Table of Contents

13. Other Terms of the Offer

- (a) The Offer and all contracts resulting from acceptance of the Offer will be governed by and construed in accordance with the laws of the Province of Ontario and the laws of Canada applicable therein. Each party to any agreement resulting from the acceptance of the Offer unconditionally and irrevocably attorns to the exclusive jurisdiction of the courts of the Province of Ontario.
- (b) The Offeror reserves the right to transfer to one or more affiliates of the Offeror the right to purchase all or any portion of the Falconbridge Shares deposited pursuant to the Offer, but any such transfer will not relieve the Offeror of its obligation under the Offer and will in no way prejudice the rights of persons depositing Falconbridge Shares to receive payment for Falconbridge Shares validly deposited and accepted for payment pursuant to the Offer.
- (c) The provisions of the Offer and Circular, the Letter of Transmittal and the Notice of Guaranteed Delivery, including the instructions contained therein, as applicable, form part of the terms and conditions of the Offer.
- (d) **The Offer is not being made to, nor will deposits be accepted from or on behalf of, Shareholders residing in any jurisdiction in which the making of the Offer or the acceptance thereof would not be in compliance with the laws of such jurisdiction. The Offeror may, in its sole discretion, take such action as it may deem necessary to make the Offer in any jurisdiction and extend the Offer to Shareholders in any such jurisdiction.**
- (e) **The Offeror, in its sole discretion, will be entitled to make a final and binding determination of all questions relating to the interpretation of the Offer and the validity of any acceptance of the Offer, the validity of any deposit of Falconbridge Shares and the validity of any withdrawals of Falconbridge Shares.**
- (f) **No broker, dealer or other person has been authorized to give any information or to make any representation on behalf of the Offeror other than as contained herein or in the accompanying Circular, and if any such information or representation is given or made, it must not be relied upon as having been authorized by the Offeror.**

The Offer to Purchase and the accompanying Circular together constitute the take-over bid circular required under Canadian securities legislation with respect to the Offer. Shareholders are urged to refer to the accompanying Circular for additional information relating to the Offer.

DATED: October 24, 2005.

INCO LIMITED

Scott M. Hand
Chairman and Chief Executive Officer

23

Table of Contents**CIRCULAR**

This Circular is furnished in connection with the accompanying Offer to Purchase dated October 24, 2005 by Inco to purchase all of the issued and outstanding Falconbridge Shares (including Falconbridge Shares that may become issued and outstanding after the date of this Offer upon the conversion, exchange or exercise of any securities of Falconbridge that are convertible into or exchangeable or exercisable for Falconbridge Shares (other than SRP Rights)). The terms and conditions of the Offer to Purchase, the Letter of Transmittal and the Notice of Guaranteed Delivery are incorporated into and form part of this Circular. Shareholders are urged to refer to the Offer to Purchase for details of its terms and conditions, including details as to payment and withdrawal rights. Defined terms used in the Offer to Purchase are used in this Circular with the same meaning unless the context otherwise requires.

Except as otherwise indicated, the information concerning Falconbridge contained in the Offer to Purchase and this Circular has been taken from or based upon publicly available documents and records on file with Canadian securities regulatory authorities, and other public sources. Although Inco has no knowledge that would indicate any statements contained herein relating to Falconbridge taken from or based upon such documents and records are untrue or incomplete, neither Inco nor any of its officers or directors assumes any responsibility for the accuracy or completeness of the information relating to Falconbridge taken from or based upon such documents or records, or for any failure by Falconbridge to disclose events that may have occurred or may affect the significance or accuracy of any such information but which are unknown to Inco.

1. Inco Limited

Inco is one of the world's premier mining and metals companies and a leading producer of nickel, a hard, malleable metal which, given its properties and wide range of applications, can be found in thousands of products. Inco is also an important producer of copper, precious metals and cobalt and a major producer of value-added specialty nickel products. Inco also produces sulphuric acid and liquid sulphur dioxide as by-products from its processing operations in Sudbury, Ontario. Unless the context otherwise requires, all references in this Circular to Inco include all of its consolidated subsidiaries, incorporated units and divisions.

Inco's business operations consist of two segments, (i) the finished products segment, representing the mining and processing operations in Ontario and Manitoba, the refining operations in the United Kingdom and interests in the refining operations in Japan and other Asian countries referred to below, and (ii) the intermediates segment, which represents the mining and processing operations of PT Inco (as defined below) mining and processing operations in Indonesia, where nickel-in-matte, an intermediate product, is produced and sold primarily into the Japanese market.

Inco's principal mines and processing operations are located in the Sudbury area of Ontario, the Thompson area of Manitoba and, through a subsidiary in which Inco has an equity interest of approximately 61%, PT Inco, on the island of Sulawesi, Indonesia. Inco also operates additional wholly-owned metals refineries at Port Colborne, Ontario and in the United Kingdom at Clydach, Wales and Acton, England. Inco also has interests in nickel refining capacity in the following countries: in Japan, through Inco TNC Limited (ITL), in which Inco has an equity interest of 67%; in Taiwan, through Taiwan Nickel Refining Corporation (Taiwan Nickel), in which Inco has an equity interest of 49.9%; and in South Korea, through Korea Nickel Corporation (Korea Nickel), in which Inco has an equity interest of 25%. Additionally, Inco has a 65% equity interest in Jinco Nonferrous Metals Co., Ltd. (Jinco), a company that produces nickel salts in Kunshan Cityation from Inco for its services relating to the Offer and will be reimbursed for certain out-of-pocket expenses. Inco has also agreed to indemnify the Depository for certain liabilities, including liabilities under securities laws, and expenses in connection with the Offer.

Dealer Manager and Information Agent

Inco has engaged the services of RBC Dominion Securities Inc. as Dealer Manager in Canada to solicit acceptances of the Offer. RBC Dominion Securities Inc. intends to form a soliciting dealer group (the Soliciting Dealer Group) comprised of members of the Investment Dealers Association of Canada and members of the TSX and the TSX Venture Exchange to solicit acceptances of the Offer from persons who are resident in Canada and it will also solicit acceptances of the Offer in the United States through its United States registered broker dealer affiliate, RBC Capital Markets Corporation.

Inco has retained MacKenzie Partners, Inc. to act as Information Agent in connection with the Offer. The Information Agent will receive reasonable and customary compensation from Inco for services in connection with the Offer and will be reimbursed for certain out-of-pocket expenses.

Table of Contents**SELECTED INCO PRO FORMA CONSOLIDATED FINANCIAL INFORMATION**

The selected pro forma consolidated financial information set forth below should be read in conjunction with Inco's and Falconbridge's unaudited pro forma consolidated financial statements, the accompanying notes thereto and the compilation report of PricewaterhouseCoopers LLP thereon included in the Offer and Circular. The pro forma consolidated balance sheet has been prepared from the unaudited consolidated balance sheet of the Offeror as at June 30, 2005 and gives pro forma effect to the successful completion of the Offer (including any Compulsory Acquisition or Subsequent Acquisition Transaction) as if the transactions occurred on June 30, 2005. The pro forma consolidated statements of earnings for the year ended December 31, 2004 and the six month period ended June 30, 2005 have been prepared, respectively, from the audited consolidated statement of earnings of the Offeror for the year ended December 31, 2004 and the unaudited interim consolidated statement of earnings of the Offeror for the six month period ended June 30, 2005 and gives pro forma effect to the successful completion of the Offer (including any Compulsory Acquisition or Subsequent Acquisition Transaction) as if the transactions occurred on January 1, 2004.

The selected pro forma consolidated financial information is not intended to be indicative of the results that would actually have occurred, or the results expected in future periods, had the events reflected herein occurred on the dates indicated. Actual amounts recorded upon consummation of the transactions contemplated by the Offer will differ from the pro forma information presented below. No attempt has been made to calculate or estimate any potential synergies between Inco and Falconbridge.

	Six Months Ended June 30		Year Ended December 31	
	Inco 2005	Pro forma 2005	Inco 2004	Pro forma 2004
(in millions of U.S.\$)				
Statement of Earnings Data				
Revenues	\$ 2,318	\$ 6,418	\$ 4,326	\$ 11,304
Total costs and operating expenses	1,503	4,947	3,170	9,261
Earnings before minority interest	567	1,002	731	1,363
Minority interest	39	55	126	169
Net earnings	528	947	605	1,194

As part of Inco's strategy to be the world's lowest cost and most profitable nickel producer, Inco is currently developing two major new or so-called greenfield projects, the wholly-owned Voisey's Bay nickel-copper-cobalt project in the Province of Newfoundland and Labrador, Canada

and the Goro
nickel-cobalt project
in the French
overseas territorial
community
(*collectivité
territoriale*) of New
Caledonia in which
Inco currently holds
approximately a 71%
interest.

24

Table of Contents

Inco was incorporated in 1916 under the laws of Canada, succeeding a business established in 1902. In 1979, Inco was continued by articles of continuance under the *Canada Business Corporations Act* and is governed by that Act. Inco's executive offices are located at 145 King Street West, Suite 1500, Toronto, Ontario, Canada, M5H 4B7.

Documents Incorporated by Reference

The following documents of Inco have been filed with the securities regulatory authority in each of the provinces and territories of Canada, and are specifically incorporated by reference into, and form an integral part of, the Circular:

- (a) annual report on Form 10-K for the year ended December 31, 2004;
- (b) material change report filed October 12, 2005 concerning the entering into by Inco and Falconbridge of

the Support
Agreement;

(c) material change
report filed
August 9, 2005
concerning the
appointment of a
new Executive
Vice-President
and Chief
Financial Officer
of Inco effective
November 1,
2005;

(d) material change
report filed
April 20, 2005
concerning the
approval of the
reinstatement of
a quarterly cash
dividend on the
Inco Shares and
declaration of a
quarterly
dividend of
\$0.10 per share,
payable June 1,
2005 to Inco
shareholders of
record as of
May 16, 2005;

(e) unaudited
consolidated
financial
statements,
including the
notes thereon, as
at June 30, 2005,
and for the three
and six-month
periods ended
June 30, 2005
and 2004;

(f) audited
consolidated
financial

statements,
including the
notes thereon,
and together with
the auditor's
report, as at and
for each of the
financial years
ended
December 31,
2004, 2003 and
2002;

(g) management's
discussion and
analysis of
financial
condition and
results of
operations for
the year ended
December 31,
2004;

(h) management's
discussion and
analysis of
financial
condition and
results of
operations for
the three and
six-month
periods ended
June 30, 2005;
and

(i) proxy circular
and statement
dated March 18,
2005 in
connection with
the annual and
special meeting
of shareholders
held on April 20,
2005 (excluding
the sections
entitled Report
on Executive
Compensation ,

Comparative
Shareholder
Return and
Corporate
Governance).

Any documents of the type referred to above, excluding confidential material change reports, filed by Inco with a securities regulatory authority in Canada after the date of the Circular and prior to the termination of the Offer shall be deemed to be incorporated by reference into the Circular.

Any statement contained in the Offer and Circular or in a document incorporated or deemed to be incorporated by reference herein shall be deemed to be modified or superseded, for purposes of the Offer and Circular, to the extent that a statement contained in the Offer and Circular or in any other subsequently filed document that also is or is deemed to be incorporated by reference in the Offer and Circular modifies or supersedes such prior statement. The modifying or superseding statement need not state that it has

modified or superseded a prior statement or include any other information set forth in the document that it modifies or supersedes. Any statement so modified or superseded shall not constitute a part of the Offer and Circular, except as so modified or superseded.

Information has been incorporated by reference in the Circular from documents filed with the securities regulatory authority in each of the provinces and territories of Canada. Copies of the documents incorporated by reference in the Circular regarding Inco may be obtained on request without charge from the Secretary of Inco at Inco Limited, 145 King Street West, Suite 1500, Toronto, Ontario, Canada, M5H 4B7 or by telephone at 416-361-7511. For the purpose of the Province of Quebec, the Circular contains information to be completed by consulting the permanent

information record, a copy of which permanent information record may also be obtained from the Secretary of Inco at the above-mentioned address and telephone number. Copies of documents incorporated by reference or forming part of the permanent information record may also be obtained by accessing the website of the Canadian securities regulatory authorities located at www.sedar.com and the SEC website located at www.sec.gov.

Information contained in or otherwise accessed through Inco's website, www.inco.com, or any other website, does not form part of this Offer and Circular. All such references to Inco's website, or any other website, are inactive textual references only.

Table of Contents

Share Capital of Inco

The authorized share capital of Inco consists of an unlimited number of common shares and 45 million preferred shares issuable in series, each series consisting of such number of shares and having such provisions attached thereto as may be determined by the Board of Directors of Inco, subject to a maximum aggregate issue price of Cdn.\$1,500 million (or the equivalent in other currencies). As at September 30, 2005, there were approximately 231 million Inco Shares outstanding calculated on a fully-diluted basis and no preferred shares issued and outstanding.

Inco Shares

The Inco Shares have general voting rights. Each holder of Inco Shares is entitled to receive notice of, to attend and to vote at, on the basis of one vote for each Inco Share held, all meetings of shareholders of Inco other than meetings at which the holders of another class or series of shares are

entitled to vote separately.

Subject to the preferential rights of any prior ranking shares (of which none were issued and outstanding as of the date of this Circular), the holders of Inco Shares are entitled to such dividends as may be declared by the Board of Directors in its discretion out of funds legally available therefor. No dividend or other distribution on the Inco Shares shall be paid, and no Inco Share shall be acquired for value, unless dividends on any and all outstanding preferred shares have been paid for all past quarterly periods.

Inco announced on April 19, 2005 that its Board of Directors had approved the reinstatement of a quarterly cash dividend on the Inco Shares and declared an initial quarterly dividend of \$0.10 per Inco Share, payable June 1, 2005 to shareholders of record as of May 16, 2005. Inco has declared two additional quarterly dividends of \$0.10 per Inco Share since that time,

including a \$0.10 per share dividend payable December 1, 2005 to holders of record as of November 15, 2005.

Subject to the preferential rights of any prior ranking shares (of which none were issued and outstanding as of the date of the Circular), the holders of Inco Shares shall, in the event of a distribution of assets of Inco among its shareholders on a liquidation, dissolution or winding-up of Inco, whether voluntary or involuntary, or any other distribution of assets of Inco among its shareholders for the purpose of winding up its affairs, be entitled to receive, in respect of each share so held, a pro rata amount of such assets of Inco equivalent to the proportion equal to the Inco Shares then outstanding divided by the number of Inco Shares then outstanding.

Inco Shareholder Rights Plan

Inco has in place a shareholder rights plan, as set out in a rights plan agreement, as amended and restated, entered into between Inco and

CIBC Mellon Trust Company, as rights agent. The rights plan is designed to

- (i) encourage the fair and equal treatment of shareholders in connection with any take-over offer of Inco by providing them with more time than the minimum statutory period during which such bid must remain open in order to fully consider their options, and
- (ii) provide Inco's Board of Directors additional time, if appropriate, to pursue other alternatives to maximize shareholder value.

The rights plan was approved by shareholders of Inco at the 1999 Annual and Special Meeting of Inco Shareholders and was most recently reconfirmed by shareholders at the 2005 Annual and Special Meeting and will remain in effect until October 2008. The following represents a summary of some of the key terms of the plan.

The rights issued under the plan will attach to and trade with the Inco Shares and no separate certificates will be

issued unless an event triggering these rights occurs. Certificates evidencing Inco Shares will be legended to reflect that they evidence the rights until the Separation Time (as defined below). The rights will separate from the Inco Shares (Separation Time) and be transferable, trade separately from the Inco Shares and become exercisable only when a person, including any party acting jointly or in concert with such person, acquires or announces its intention to acquire, beneficial ownership of 20% or more of (i) the then outstanding voting securities of Inco, or (ii) the then outstanding Inco Shares alone, in either case without complying with the permitted bid provisions of the plan (as summarized below), or without the approval of the Board of Directors. Should such an acquisition occur, each right would entitle its holder, other than the acquiring person or persons related to or acting jointly or in concert with such person, to purchase

additional Inco Shares at a 50 per cent discount to the then current market price. The acquisition by any person (an Acquiring Person) of 20 per cent or more of the Inco Shares or voting securities, other than by way of a permitted bid, is referred to as a Flip-in-Event . Any rights held by an Acquiring Person will become void upon the occurrence of a Flip-in-Event. A permitted bid is a bid made to all holders of the outstanding voting securities that is open for at least 60 days. If, at the end of such 60-day period, more than 50% of the then outstanding Inco Shares, other than those

Table of Contents

securities owned by the party making the bid and certain related persons, have been tendered, such party may take up and pay for the Inco Shares but must extend the bid for a further 10 business days to allow other shareholders to tender, thus providing shareholders who had not tendered to the bid with enough time to tender to the bid once it is clear that a majority of Inco Shares have been tendered. Under this plan, Inco can (i) waive its application to enable a particular takeover bid to proceed, in which case the plan will be deemed to have been waived with respect to any other takeover bid made prior to the expiry of any bid subject to such waiver or (ii) with the prior approval of the holders of voting securities or rights, redeem the rights for nominal consideration at any time prior to a Flip-in-Event.

Price Range and Trading Volume of Inco Shares

There are two principal markets on

which the Inco Shares are traded, the TSX and the NYSE. On October 7, 2005, being the last trading day on the TSX prior to the announcement of the Offer by Inco, the closing trading price for Inco Shares was Cdn.\$51.90 on the TSX. On October 10, 2005, being the last trading day on the NYSE prior to the announcement of the Offer by Inco, the closing"2" align="left" style="border-top: 3pt double #000000;">

	As at June 30	
(in millions of U.S.\$)	Inco 2005	Pro forma 2005
Balance Sheet Data		
Cash and cash equivalents ⁽¹⁾	\$ 1,173	\$ 2,711
Other current assets	1,571	4,321
Property, plant and equipment and other non-current assets	8,547	26,238
Current liabilities excluding current portion of long-term debt	1,027	2,232
Total debt ⁽¹⁾⁽²⁾	1,840	9,366
Minority interest	750	1,125
 Total shareholders' equity	 4,875	 13,517

(1) These balances do not reflect Falconbridge's debt repayment of approximately \$980 million of long-term debt due within one year in the third quarter of 2005.

(2) Included in long-term debt are \$750 million of junior preference shares intended to be refinanced subsequent to the acquisition of control of Falconbridge by Inco.

See Note 3 to the unaudited pro forma consolidated financial statements included in the Offer and Circular for the pro forma assumptions and adjustments given effect to in the foregoing selected pro forma consolidated financial information.

Table of Contents

GLOSSARY

In the Offer and Circular, unless the context otherwise requires, the following terms have the meanings set forth below.

adjusted fully diluted basis means, with respect to the Falconbridge Shares, that number of Falconbridge Shares which would be outstanding if all rights to acquire Falconbridge Shares were exercised, other than those which are not, and cannot in accordance with their terms become, exercisable within 120 days following trading prices for Inco Shares was \$42.83 on the NYSE. The following table sets forth, for the periods indicated, the reported high and low trading prices and the aggregate volume of trading of the Inco Shares on the TSX and the NYSE:

Trading of Inco Shares

	TSX		NYSE		
	Low	Volume	High	Low	Volume
High affiliate					
has the meaning given to it in the <i>Securities Act</i> (Ontario).					
AMF					
means the Autorité des marchés financiers (Québec).					
associate ,					
where used to indicate a relationship with any person or company means, (i) any company of which such person or					

company
beneficially
owns,
directly
or
indirectly,
voting
securities
carrying
more
than
10 per
cent of
the
voting
rights
attached
to all
voting
securities
of the
company
for the
time
being
outstanding,
(ii) any
partner
of that
person
or
company,
(iii) any
trust or
estate
in
which
such
person
or
company
has a
substantial
beneficial
interest
or as to
which
such
person
or
company

serves
as
trustee
or in a
similar
capacity,
(iv) any
relative
of that
person
who
resides
in the
same
home
as that
person,
(v) any
person
who
resides
in the
same
home
as that
person
and to
whom
that
person
is
married
or with
whom
that
person
is
living
in a
conjugal
relationship
outside
marriage,
or
(vi) any
relative
of a
person
mentioned
in
clause

(v) who has the same home as that person.

business

day

means any day of the week other than a Saturday, Sunday or a statutory or civic holiday observed in Toronto, Ontario, Canada.

Canadian

GAAP

means Canadian generally accepted accounting principles.

	Cdn.\$	Cdn.\$	(#)	(\$)	(\$)	(#)
2004						
November						
		Cash				
		Alternative				
		has the meaning given to it in Section 1 of the Offer to Purchase,				
	46.75	The Offer .				

CDS means The Canadian Depository for Securities Limited.

Circular means the offering circular accompanying the Offer to Purchase.

Commissioner means the Commissioner of Competition appointed under the Competition Act.

Commitment Letter means the commitment letter dated October 10, 2005 addressed to Inco under which certain loan facilities were committed to be made available to the Offeror for the purpose of financing the cash consideration under

the Offer.

Competition Act means the *Competition Act* (Canada), as amended.

Compulsory Acquisition has the meaning given to it in Section 7 of the Circular, Acquisition of Falconbridge Shares Not Deposited .

Contemplated Transactions means the consummation of the transactions contemplated by the Support Agreement, including the Offer, any Compulsory Acquisition, any Subsequent Acquisition Transaction or any subsequent amalgamation of the Offeror and Falconbridge.

Dealer Manager means RBC Dominion Securities Inc., in Canada, and RBC Capital Markets Corporation, in the United States.

Depositary means CIBC Mellon Trust Company.

Deposited Shares means Falconbridge Shares validly deposited pursuant to the Offer.

Directors Circular means the Falconbridge directors circular relating to the Offer dated October 24, 2005.

Distributions has the meaning given to it in Section 3 of the Offer to Purchase, Manner of Acceptance Dividends and Distributions .

EC means the European Commission.

EC Merger Regulation means Council Regulation 139/2004/ EC.

Eligible Holder has the meaning given to it in Section 21 of the Circular, Certain Federal Income Tax Considerations .

enterprise value means a person s market capitalization as of October 7, 2005.

Table of Contents

Eligible Institution means a Canadian Schedule I chartered bank, a major trust company in Canada, a member of a Securities Transfer Agents Medallion Program (STAMP), a member of the Stock Exchange Medallion Program (SEMP) or a member of the New York Stock Exchange, Inc. Medallion Signature Program (MSP). Members of these programs are usually members of a recognized stock exchange in Canada or the United States, members of the Investment Dealers Association of Canada, members of the National Association of Securities Dealers, Inc. or banks or trust companies in the United States.

Expiry Date means December 23, 2005 or such other date as is set out in a notice of variation of the Offer issued at any time and from time to time accelerating or extending the period during which Falconbridge Shares may be deposited under the Offer.

Expiry Time means 8:00 p.m. (Toronto time) on the Expiry Date or such other time as is set out in a notice of variation of the Offer issued at any time and from time to time.

Falconbridge means Falconbridge Limited, a corporation amalgamated under the laws of Ontario on June 30, 2005, and where the context requires, its subsidiaries and joint ventures.

Falconbridge Option means an option to purchase Falconbridge Shares granted under the Falconbridge Option Plan.

Falconbridge Option Plan means, collectively, the stock option plans for officers and employees of Falconbridge.

Falconbridge Share means, together with the associated SRP Right, a common share in the capital of Falconbridge.

fully-diluted basis means, with respect to /TD>43.24 14,676,943 39.23 35.31 22,508,600
December
45.02 42.35 15,285,086 37.37 35.00 23,520,400
2005

January

43.03 40.00 18,036,842 35.73 32.32 26,923,000

February

the Falconbridge Shares, only that number of Falconbridge Shares which would be outstanding if all rights to acquire Falconbridge Shares were exercised, other than those which are not, and cannot in accordance with their terms become, exercisable within 120 days following the Outside Date, but excluding Falconbridge Shares issuable upon exercise of the SRP Rights.

Governmental Entity means: (i) any supranational body or organization (such as the European Union and the EFTA Surveillance Authority), nation, government, state, province, country, territory, municipality, quasi-government, administrative, judicial or regulatory authority, agency, board, body, bureau, commission, instrumentality, court or tribunal or any political subdivision thereof, or any central bank (or similar monetary or regulatory authority) thereof, any taxing authority, any ministry or department or agency of any of the foregoing; (ii) any entity exercising executive, legislative, judicial, regulatory or administrative functions of or pertaining to government; and (iii) any corporation or other entity owned or controlled, through stock or capital ownership or otherwise, by any of such entities or other bodies pursuant to the foregoing.

HSR Act means the *Hart-Scott-Rodino Antitrust Improvements Act of 1976*, as amended, and the rules and regulations promulgated thereunder.

Inco means Inco Limited, a corporation incorporated under the laws of Canada and, where the context requires, its consolidated subsidiaries, incorporated units and divisions and joint ventures.

Inco Share means a common share in the capital of Inco.

Laws means any applicable laws, including, without limitation, supranational, national, provincial, state, municipal and local civil, commercial, banking, securities, tax, personal and real property, security, environmental, water, energy, investment, property ownership, land use and zoning, sanitary, occupational health and safety laws, treaties, statutes, ordinances, judgments, decrees, injunctions, writs, certificates and orders, by-laws, rules, regulations, orders, decrees, ordinances, protocols, codes, guidelines, policies, notices, directions and judgments or other requirements of any Governmental Entity;

Letter of Transmittal means the letter of transmittal and election form in the form accompanying the Offer and Circular (printed on blue paper).

Material Adverse Change means, when used in connection with a person, any change, effect, event or occurrence with respect to the condition (financial or otherwise), properties, assets, liabilities, obligations (whether absolute, accrued, conditional or otherwise), businesses, operations or results of operations of that person, its subsidiaries or its material joint ventures that is, or could reasonably be expected to be, material and adverse to that person, its subsidiaries and its material joint ventures taken as a whole, other than any change, effect, event or occurrence (i) relating to the Canadian and United States economies, political conditions or securities markets in general;

Table of Contents

(ii) affecting the mining industry in general; (iii) relating to a change in the market trading price of shares of that person, either, (A) related to the Support Agreement and the Offer or the announcement thereof, or (B) related to such a change in the market trading price primarily resulting from a change, effect, event or occurrence excluded from the definition of Material Adverse Change under clauses (i), (ii), (iv) or (v); (iv) relating to any of the principal markets served by that person's business generally or shortages or price changes with respect to raw materials, metals or business generally or shortages or price changes with respect to raw materials, metals or other products (including 51.00 42.05 28,416,306 41.50 33.68 43,374,200

March

52.55 45.82 22,071,087 43.25 37.99 45,113,400

April

49.70 44.46 23,588,156 40.67 35.50 40,106,200

May

48.89 43.30 31,274,659 38.99 34.18 45,125,600

June

51.04 46.15 19,586,415 41.43 37.74 29,522,200

July

52.86 46.02 19,138,471 43.29 38.00 34,254,700

August

52.19 48.53 18,541,942 43.58 40.73 28,216,700

September

54.99 50.00 21,875,414 47.35 42.28 34,010,500

October (1 - 20)

54.95 47.70 34,081,974 46.93 40.64 39,493,400

2. Falconbridge

Falconbridge is a leading international copper and nickel producer with investments in fully integrated zinc and aluminum assets. Falconbridge's primary focus is on the identification and development of world class copper and nickel mining deposits. Falconbridge is one of the world's largest producers of nickel and zinc and a significant producer of copper, primary and fabricated aluminum, cobalt, lead, molybdenum silver, gold and sulphuric acid, and also one of the world's largest processors and recyclers of metal-bearing materials. The principal markets for Falconbridge's products include the steel, refinery and foundry, construction, telecommunications, automotive, agricultural and chemical industries. Falconbridge has operations and offices in 18 countries. On, but not limited to, nickel, copper, cobalt, any platinum-group metals, sulfur, sulphuric acid, electricity, zinc or aluminium) used or sold by that person; or (v) relating to any generally applicable change in applicable Laws or regulations (other than orders, judgments or decrees against that person, or any of its subsidiaries or any of its material joint ventures) or in Canadian GAAP; provided, however, that such change, effect, event or occurrence (other than in the case of clause (iii) above) does not primarily relate only to (or have the effect of primarily relating only to) the person, its subsidiaries and its material joint ventures, taken as a whole, or disproportionately adversely affect the person, its subsidiaries and its material joint ventures, taken as a whole, compared to other companies of similar size operating in the industry in which the party, its subsidiaries and its material joint ventures operate;

Material Adverse Effect means, when used in connection with a person, any effect that is, or could reasonably be expected to be, material and adverse to the condition (financial or otherwise), properties, assets, liabilities, obligations (whether absolute, accrued, conditional or otherwise), businesses, operations or results of operations of that person, its subsidiaries and its material joint ventures taken as a whole, other than any effect (i) relating to the Canadian and United States economies, political conditions or securities markets in general; (ii) affecting the mining industry in general; (iii) relating to a change in the market trading price of shares of that person, either: (A) related to the Support Agreement and the Offer or the announcement thereof, or (B) related to such a change in the market trading price primarily resulting from a change, effect, event or occurrence excluded from the definition of Material Adverse Effect under clauses (i), (ii), (iv) or (v) hereof; (iv) relating to any of the principal markets served by that person's business

generally or shortages or price changes with respect to raw materials, metals or business generally or shortages or price changes with respect to raw materials, metals or other products (including, but not limited to, nickel, copper, cobalt, any platinum-group metals, sulfur, sulphuric acid, electricity, zinc or aluminium) used or sold by that party; or (v) relating to any generally applicable change in applicable Laws or regulations (other than orders, judgments or decrees against that person, any of its subsidiaries or any of its material joint ventures) or in Canadian GAAP; provided, however, that such effect (other than in the case of clause (iii) above) does not primarily relate only to (or have the effect of primarily relating only to) that person, its subsidiaries and its material joint ventures, taken as a whole, or disproportionately adversely affect that person, its subsidiaries and its material joint ventures, taken as a whole, compared to other companies of similar size operating in the industry in which that person, its subsidiaries and its material joint ventures operate.

material joint venture means a joint venture in which a person participates, whether as a partner, shareholder, interest holder or otherwise, that is material to that person's financial condition, operations or prospects.

Maximum Take-Up Date Cash Consideration means, in respect of a Take-Up Date, the product obtained by multiplying (i) Cdn.\$2,872,648,913 by (ii) the quotient resulting when the aggregate number of Falconbridge Shares to be taken up on such Take-Up Date is divided by 383,019,855, being the aggregate number of Falconbridge Shares outstanding as at the date hereof (calculated on an adjusted fully diluted basis).

Maximum Take-Up Date Share Consideration means, in respect of a Take-Up Date, the number of Inco Shares equal to the product obtained by multiplying (i) 200,702,404 Inco Shares by (ii) the quotient resulting when the aggregate number of Falconbridge Shares to be taken up on such Take-Up Date is divided by 383,019,855, being the aggregate number of Falconbridge Shares outstanding as at the date hereof (calculated on an adjusted fully diluted basis).

Minimum Tender Condition means the condition that there has been validly deposited under the Offer and not withdrawn at the Expiry Time such as June 30, 2005, Noranda and Old Falconbridge completed their merger transaction after shareholders of each company approved the amalgamation of the two companies. The Falconbridge Shares are listed on the TSX under the symbol FAL.LV and on the NYSE under the symbol FAL. The amalgamated company operates under the name Falconbridge Limited.

Documents Incorporated by Reference

Information regarding Falconbridge and Noranda has been incorporated by reference in the Circular from documents filed by Falconbridge and Noranda with the securities regulatory authority in each of the provinces and territories of Canada. Inco understands that copies of the documents incorporated herein by reference regarding

Table of Contents

Falconbridge and Noranda may be obtained on request without charge from Falconbridge's Secretary at 181 Bay Street, Suite 200, BCE Place, Toronto, Ontario, Canada M5J 2T3, Telephone: 416-982-7111. Copies of documents incorporated by reference may also be obtained by accessing the websites located at www.sedar.com and www.sec.gov.

The following documents of Falconbridge and Noranda have been filed with the securities regulatory authority in each of the provinces and territories of Canada and are specifically incorporated by reference into, and form an integral part of, the Circular:

- (a) the unaudited consolidated financial statements of Falconbridge, including notes thereto, as at June 30, 2005 and for the three and six-month periods ended June 30, 2005 and 2004;
- (b) management's discussion and analysis of financial condition and results of operations of Falconbridge for the three and six-month periods ended June 30, 2005;
- (c) the audited consolidated financial statements of Noranda, including notes thereto, as at December 31, 2004 and 2003 and for each of the years then ended, together with the auditors' report thereon;
- (d) management's discussion and analysis of financial condition and results of operations of Noranda for the fiscal year ended December 31, 2004; and
- (e) Schedule I to the Notices of Special Meetings and Joint Management Information Circular of Noranda and Old Falconbridge dated June 2, 2005, being the unaudited pro forma consolidated balance sheet of Falconbridge as at March 31, 2005, the pro forma consolidated statement of operations of Falconbridge for the three months ended March 31, 2005, the pro forma consolidated statement of operations of Falconbridge for the year ended December 31, 2004, and the notes thereon.

Share Capital of Falconbridge

The authorized capital of Falconbridge consists of an unlimited number of Falconbridge Shares, an unlimited number of Preferred Shares issuable in series, an unlimited number of Junior Preference Shares issuable in series and an unlimited number of Participating Shares issuable in series. As of October 10, 2005, there were issued and outstanding: (i) 369,224,340 Falconbridge Shares; (ii) 3,246,057 Preferred Shares, Series & Number of Falconbridge Shares which, together with any Falconbridge Shares directly or indirectly owned by the Offeror, constitutes at least 66²/₃% of the Falconbridge Shares outstanding at the Expiry Time (calculated on a fully-diluted basis).

Noranda means Noranda Inc., a predecessor corporation of Falconbridge that existed prior to the amalgamation of Noranda and Old Falconbridge to form Falconbridge effective June 30, 2005.

Notice of Guaranteed Delivery means the notice of guaranteed delivery accompanying the Offer and Circular (printed on green paper).

Table of Contents

Price Range and Trading Volume of Falconbridge Shares

There are two principal markets on which the Falconbridge Shares are traded, the TSX and the NYSE. On October 7, 2005, being the last trading day on the TSX prior to the announcement of the Offer by Inco, the closing trading price for Falconbridge Shares was Cdn.\$30.82 on the TSX. On October 10, 2005, being the last trading day on the NYSE prior to the announcement of the Offer by Inco, the closing trading price for the Falconbridge Shares was

Table of Contents

\$26.41 on the NYSE. The following table sets forth, for the periods indicated, the reported high and low sale prices and the aggregate volume of trading of the Falconbridge Shares on the TSX and the NYSE:

Trading of Falconbridge Shares⁽¹⁾

	TSX			NYSE		
	High	Low	Volume	High	Low	Volume
	(Cdn.\$)	(Cdn.\$)	(#)	(\$)	(\$)	(#)
2004						
November	21.30	20.50	27,863,239	18.16	16.85	3,095,300

OBCA means the *Business Corporations Act* (Ontario), as amended.

Offer means Inco's offer to purchase the Falconbridge Shares made hereby, the terms and conditions of which are set forth in the Offer to Purchase, the Circular, the Letter of Transmittal and the Notice of Guaranteed Delivery.

Offeror means Inco.

Offer and Circular means the Offer to Purchase and the Circular, collectively.

Offer to Purchase means the offer to purchase Falconbridge Shares as described herein.

Old Falconbridge means Falconbridge Limited, a predecessor corporation of Falconbridge that existed prior to the amalgamation of Noranda and Old Falconbridge to form Falconbridge on June 30, 2005.

Ontario Securities Act means the *Securities Act* (Ontario), as amended, and the regulations and rules made thereunder.

OSC means the Ontario Securities Commission.

Outside Date means the date that is 10 months following the date of the Support Agreement.

person means an individual, partnership, association, body corporate, joint venture, business organization, trustee, executor, administrator, legal representative, government or any other entity, whether or not having legal status.

Policy Q-27 means the Autorité des marchés financiers du Québec Policy Statement Q-27 *Protection of minority securityholders in the course of certain transactions*.

Rule 61-501 means the Ontario Securities Commission Rule 61-501 *Insider Bids, Issuer Bids, Business Combinations and Related Party Transactions*.

SEC means the United States Securities and Exchange Commission.

Share Alternative has the meaning given to it in Section 1 of the Offer to Purchase, The Offer.

Shareholder means a holder of Falconbridge Shares.

Shareholder Rights Plan means the shareholder rights plan agreement dated September 22, 2005 between Falconbridge and CIBC Mellon Trust Company as rights agent.

Soliciting Dealer Group has the meaning given to it in Section 25 of the Circular, Dealer Managers and Soliciting Dealer Group.

SRP Rights means the rights issued pursuant to the Shareholder Rights Plan.

Subsequent Acquisition Transaction has the meaning given to it in Section 7 of the Circular, Acquisition of Falconbridge Shares Not Deposited.

subsidiary means, with respect to a specified body corporate, any body corporate of which more than 50% of the outstanding shares ordinarily entitled to elect a majority of the Board of Directors thereof (whether or not shares of any other class or classes shall or might be entitled to vote upon the happening of any event or contingency) are at the time owned directly or indirectly by such specified body corporate and shall include any body corporate, partnership, joint venture or other entity over which it exercises direction or control or which is in a like relation to a subsidiary.

Support Agreement means the agreement between Inco and Falconbridge, dated October 10, 2005, providing, among other things, for the making of the Offer and the agreement of Falconbridge to support the Offer.

Take-Up Date means a date upon which Inco takes up or acquires Falconbridge Shares pursuant to the Offer.

Tax Act means the *Income Tax Act* (Canada) and the regulations thereunder, as amended.

trading day means any day on which trading occurs on the TSX or the NYSE.

TSX means the Toronto Stock Exchange.

U.S. Exchange Act means the *U.S. Securities Exchange Act of 1934*, as amended.

U.S. GAAP means U.S. generally accepted accounting principles.

U.S. Securities Act means the *U.S. Securities Act of 1933*, as amended.

Table of Contents**OFFER TO PURCHASE****October 24, 2005****TO: THE HOLDERS OF COMMON SHARES OF FALCONBRIDGE****1. The Offer**

The Offeror hereby offers to purchase, upon the terms and subject to the conditions of the Offer, all of the issued and outstanding Falconbridge Shares other than any Falconbridge Shares owned directly or indirectly by the Offeror and including Falconbridge Shares that may become issued and outstanding after the date of this Offer but before the Expiry Time upon the conversion, exchange or exercise of any securities of Falconbridge that are convertible into or exchangeable or exercisable for Falconbridge Shares, on the basis of, at the election of the Shareholder:

(a) Cdn.\$34.00 in cash in respect of each Falconbridge Share held (the Cash Alternative); or

(b) 0.6713 of an Inco Share and Cdn.\$0.05 in cash in respect of each Falconbridge Share held (the Share Alternative),

in each case, as elected by the Shareholder in the applicable Letter of Transmittal, and subject to pro ration as set out below.

December

21.35 20.20 12,835,825 17.98 16.55 3,224,500

2005

January

20.95 19.83 12,168,573 17.34 16.27 2,500,400

February

23.38 21.3 23,034,096 18.90 16.98 3,860,300

March

25.31 22.76 90,783,787 20.99 18.35 7,290,500

April

24.99 fff;"> Assuming all Falconbridge Shareholders tendered to the Cash Alternative or all Falconbridge Shareholders tendered to the Share Alternative, each Shareholder would be entitled to receive Cdn.\$7.50 in cash and 0.524 of an Inco Share for each Falconbridge Share tendered, subject to adjustment for fractional shares.

Any Shareholder who fails to complete the Letter of Transmittal electing the Cash Alternative or who does not properly elect either the Cash Alternative, on the one hand, or the Share Alternative, on the other hand, with respect to any Falconbridge Shares deposited by such Shareholder pursuant to the Offer will be deemed to have elected the Share Alternative and will be entitled to receive 0.6713 of an Inco Share and Cdn.\$0.05 in cash as consideration for each of such Shareholder's Falconbridge Shares, subject to proration.

The Offer is made only for Falconbridge Shares and is not made for any options, convertible debentures or other rights to acquire Falconbridge Shares. Any holder of such options, convertible debentures or other rights to acquire Falconbridge Shares who wishes to accept the Offer should, to the extent permitted by their terms and applicable law, fully exercise the options, convertible debentures or other rights in order to obtain certificates representing Falconbridge Shares that may be deposited in accordance with the terms of the Offer. Any such exercise must be made sufficiently in advance of the Expiry Date to ensure such holders that they will have certificates representing Falconbridge Shares available for deposit prior to the Expiry Date or in sufficient time to fully comply with the procedures referred to in Section 3 of this Offer to Purchase, Manner of Acceptance Procedure for Guaranteed Delivery .

If any holder of Falconbridge Options does not exercise such options prior to the Expiry Time, their Falconbridge Options will remain outstanding in accordance with their terms and conditions, including with respect to term to expiry, vesting schedule and exercise prices, except that, to the extent permitted, an option to acquire Falconbridge Shares will become an option to acquire that number of Inco Shares equal to the number of Falconbridge Shares multiplied by 0.6723 (representing 0.6713 Inco Shares adjusted to account for the Cdn.\$0.05 payable under the Share

Alternative) and have an exercise price per Inco Share equal to the exercise price per Falconbridge Share of that option immediately prior to the Expiry Time divided by 0.6723, subject to adjustments to ensure the in-the-money amount in respect of such option does not increase.

The maximum amount of cash consideration available under the Offer is Cdn.\$2,872,648,913 and the maximum number of Inco Shares issuable under the Offer is 200,702,404 Inco Shares. The consideration payable under the Offer will be prorated on each Take-Up Date as necessary to ensure that the total aggregate consideration payable under the Offer and in any Subsequent Acquisition Transaction does not exceed these maximum aggregate amounts and will be based on the number of Falconbridge Shares acquired in proportion to the number of Falconbridge Shares outstanding

23.07 51,492,705 20.43 18.49 4,319,000

May

22.98 20.01 40,029,128 18.56 15.8 4,636,700

June

22.70 20.97 27,875,357 18.32 16.79 < on an adjusted fully-diluted basis. The actual consideration to be received by a Shareholder will be determined in accordance with the following:

- (a) the aggregate amount of cash (including the aggregate of Cdn.\$0.05 in cash per Falconbridge Share of cash consideration that will be paid to Shareholders who elect the Share Alternative, and any cash paid in lieu of

Table of Contents

fractions of Inco Shares referred to below) that the Offeror will pay as consideration for all Falconbridge Shares acquired on any Take-Up Date shall not exceed the Maximum Take-Up Date Cash Consideration;

(b) the aggregate number of Inco Shares that the Offeror will issue as consideration for all Falconbridge Shares acquired on any Take-Up Date shall not exceed the Maximum Take-Up Date Share Consideration;

(c) if, on any Take-Up Date, the aggregate cash consideration that would otherwise be payable by the Offeror to Shareholders who elect to receive cash under the Cash Alternative in respect of their Falconbridge Shares to be taken up on such Take-Up Date, together with the aggregate of Cdn.\$0.05 per share cash consideration to be paid by the Offeror to Shareholders who elect the Share Alternative in respect of their Falconbridge Shares to be taken up on such Take-Up Date and all cash to be paid by the Offeror in lieu of fractions of Inco Shares, exceeds the Maximum Take-Up Date Cash Consideration, then the amount of consideration to be paid to a Shareholder shall be Cdn.\$0.05 per Falconbridge Share tendered plus such Shareholder's pro rata

July	25.25	20.79	26,805,073	20.64	17.34	4,582,000
August	29.25	26.65	49,178,058	24.27	20.90	5,745,800
September	31.46	27.80	27,558,925	26.73	23.52	3,790,300
October (1 20)	34.59	29.99	61,843,013			

(d) if, on any Take-Up Date, the number of Inco Shares that would otherwise be issuable to Shareholders who elect (or are deemed to elect) the Share Alternative in respect of their Falconbridge Shares to be taken up on such Take-Up Date exceeds the Maximum Take-Up Date Share Consideration, then the amount of consideration to be paid to a Shareholder that elects the Share Alternative shall be Cdn.\$0.05 per Falconbridge Share tendered plus such Shareholder's pro rata

share of (i) the Maximum Take-Up Date Share Consideration; and (ii) cash equal to the difference between (x) the Maximum Take-up Date Cash Consideration and (y) the aggregate of (A) all cash to be paid to Shareholders who elect to receive cash under the Cash Alternative, (B) the aggregate of Cdn.\$0.05 per share cash consideration to be paid to Shareholders in respect of Falconbridge Shares taken up on such Take-Up Date who elect the Share Alternative, and (C) all cash to be paid by the Offeror in lieu of fractions of Inco Shares.

For greater certainty, unless a Shareholder receives only cash in consideration for Falconbridge Shares, in all circumstances, including those described in paragraphs (c) $29.37 \times 25.39 = 7,271,800$

(1) Information presented prior to June 30, 2005 reflects trading information for the common shares of Noranda.

3. Recommendation of the Board of Directors of Falconbridge

Falconbridge has confirmed in the Support Agreement that the Board of Directors of Falconbridge, upon consultation with its financial and legal advisors, determined that the consideration offered under the Offer is fair from a financial point of view to all Shareholders and that it is in the best interests of Falconbridge for the Offer to be made and the Board of Directors of Falconbridge to support the Offer. Accordingly, the Board of Directors has unanimously approved the Support Agreement and the making of a recommendation that Shareholders accept the Offer. For the purposes of this Circular, reference to the unanimous approval of the Board of Directors of Falconbridge doand (d) above, a Shareholder will receive a combination of cash and Inco Shares in respect of each whole Falconbridge Share deposited under the Offer.

4. Background to the Offer

In February 2004, Brascan Corporation and its affiliates, the then owner of approximately 41% of the common shares of Noranda (with Noranda, in turn, being a 59% shareholder of Old Falconbridge), commenced soliciting expressions of interest for the purchase of Noranda. At that time, Noranda established a data room and made information available to selected prospective acquirors who signed confidentiality agreements. Noranda publicly announced on June 16, 2004 that it had commenced a review of various means of maximizing shareholder value and that a special committee of the Board of Directors of Noranda had been established to oversee a review of the expressions of interest that had been received.

Inco entered into confidentiality and standstill agreements each dated May 19, 2004 with Noranda and Old Falconbridge pursuant to which Noranda and Old Falconbridge agreed to provide confidential information for purposes of considering a transaction between Inco and those companies. Inco, together with its legal and financial advisors, conducted a review of these companies, including the evaluation of potential operating and other synergies that could be realized through a combination of both Inco and Old Falconbridge. Inco submitted non-binding indications of interest to the Noranda Board of Directors to acquire all the outstanding common shares of Noranda and the then outstanding shares of Old Falconbridge not held by Noranda in July and August 2004. In connection with its evaluation of Noranda and Old Falconbridge during the summer of 2004, Inco retained Scotia Capital Inc. to assist in the assessment of certain businesses and assets of the two companies and this firm has continued and will continue to provide advisory services in connection with such ongoing assessment with respect to Falconbridge. On September 24,

Table of Contents

2004, Noranda announced that it had entered into exclusive negotiations with China Minmetals Corporation (Minmetals) regarding a preliminary non-binding proposal from Minmetals to acquire 100% of Noranda.

Beginning in late 2004, Old Falconbridge and Inco began discussions regarding certain joint commercial opportunities, including the possible processing by Noranda of Inco's copper production in Ontario, which could result in operational efficiencies and mutual benefits from the enhanced utilization of certain of their existing operations outside of the context of a business combination. These discussions led to the eventual announcement on June 28, 2005 of the entering into of a long term agreement between Inco and Noranda under which Inco would sell all of its copper production from its Ontario operations in anode form to Falconbridge for processing at Falconbridge's Montreal copper refinery. Recognizing that there were other opportunities for similar joint commercial opportunities that could result in other operational efficiencies and benefits for both parties, discussions on a range of such opportunities continued through the summer of 2005.

On March 8, 2005, the Noranda Board of Directors resolved to proceed with an offer for Old Falconbridge common shares and an issuer bid. On March 9, 2005, Noranda and Old Falconbridge announced that they had entered into a support agreement with respect to an offer for the Old Falconbridge common shares Noranda did not then own and Noranda announced an issuer bid. The offer was made by way of take-over bid on March 24, 2005 and following take up of a majority of the Old Falconbridge common shares and subsequent special shareholder meetings approving the transaction, Noranda and Old Falconbridge amalgamated on June 30, 2005.

On August 15, 2005, Brascan announced that it and its affiliates had sold 73,115,756 Falconbridge Shares to Xstrata plc (Xstrata) and its subsidiary for Cdn.\$28.00 per share. Brascan announced that as part of its arrangements with Xstrata, if Xstrata were to make an offer or announce its intention to make an offer to acquire a majority or more of the Falconbridge Shares within a certain period of time at a price per share in excess of Cdn.\$28.00, Xstrata would pay Brascan such excess amount on the Falconbridge Shares it had purchased.

Inco's senior management continued discussions with Falconbridge's senior management in August and early September 2005 with respect to how they could work together on potential joint commercial opportunities that would create additional operating efficiencies and other mutually desirable cost savings. As the investigation of joint commercial opportunities continued, Inco concluded that opportunities to create even greater efficiencies might exist in the context of a combination of the two companies. As a result, an examination of a potential acquisition of Falconbridge by Inco was restarted. This examination included updated analyses of the potential operating and other synergies from such a combination. As a result, by early September 2005 discussions between Inco and Falconbridge began to focus on whether Inco would be interested in pursuing an acquisition of the newly merged Falconbridge. Having already undertaken certain preliminary work, Inco moved forward to reevaluate a possible combination of the two companies, including the implications of such a possible transaction having regard to the elimination of the minority interest in Old Falconbridge as a result of the amalgamation of Noranda and Old Falconbridge, and undertook updated analyses of potential operating and other synergies that could be realized from such a combination.

At a meeting of the Inco Board of Directors held on September 18, 2005, the Board was updated by senior management of its ongoing discussions with Falconbridge. Inco's senior management outlined its views as to the potential benefits to Inco of an acquisition of Falconbridge, including the fact that it would be less complicated given that Old Falconbridge and Noranda had recently amalgamated. After considering presentations made by Inco's senior management and certain of its investment advisors, the Inco Board of Directors authorized senior management of Inco to continue to pursue preliminary discussions with Falconbridge and to conduct further investigations into the merits of an acquisition of Falconbridge.

Based upon the discussions and meetings between Inco and Falconbridge through early September 2005, the two companies entered into confidentiality and standstill agreements pursuant to which they agreed to an exchange of confidential information for purposes of considering a transaction between them. To assist in its evaluation process, Inco, having utilized Morgan Stanley & Co. Incorporated (Morgan Stanley) and RBC Capital Markets for general advisory services up to this point, elected to retain Morgan Stanley, RBC Capital Markets and Goldman, Sachs & Co. as financial advisors relating to this specific potential transaction. Falconbridge had retained CIBC World Markets Inc. During September, Inco and Falconbridge exchanged confidential information and due diligence teams from each of the companies met to review the companies' respective operations, assets, joint ventures, material contracts and

financial condition and to establish the scope and implementation strategy relating to a wide range of potential operating and other synergies between their respective businesses in the context of a possible business combination or acquisition.

Table of Contents

On September 22, 2005, Falconbridge announced that its Board of Directors adopted the Shareholder Rights Plan to enhance Falconbridge's ability to obtain the best value for all holders of Falconbridge Shares and to prevent a bidder from acquiring control of Falconbridge in a manner detrimental to shareholders. At the end of September 2005, Inco and Falconbridge reached an understanding whereby they would work together on an exclusive basis, subject to certain limited exceptions, through mid-October 2005 to see whether they could reach agreement on a mutually acceptable acquisition of Falconbridge by Inco.

Discussions between representatives of Inco and Falconbridge continued through September and into early October. The Board of Directors of Inco was briefed regularly by members of Inco's senior management and Inco's financial and legal advisors through this period to assist it in its determination as to whether or not a transaction between Inco and Falconbridge should be pursued. On October 6, 2005, the Inco Board of Directors held a meeting at which Inco senior management and Inco's financial and legal advisors were present. Inco's senior management made presentations on the status of the discussions with Falconbridge and on the background and strategy of the proposed transaction with Falconbridge. Each of Inco's financial advisors reviewed certain additional analyses relating to the financial aspects of the proposed transaction with Falconbridge and Inco's legal advisors reviewed the fiduciary duties of the Inco Board of Directors in this context given the nature and expected terms of a transaction and discussed various other legal issues relating to the proposed transaction. On October 7, 2005, the Inco Board of Directors held another meeting at which Inco senior management provided further discussion and analyses of the proposed transaction with Falconbridge and reviewed with the Inco Board of Directors the progress of negotiations with Falconbridge as well as the outcome of its evaluation of various matters relating to a possible acquisition of Falconbridge. Each of Morgan Stanley, RBC Capital Markets and Goldman, Sachs & Co. made a presentation at that meeting on the financial aspects of the proposed transaction. At its meeting on October 7, 2005, the Inco Board of Directors authorized Inco senior management to make an offer to Falconbridge based on cash and share consideration, subject to finalization of the terms of the Support Agreement. A meeting was held the evening of October 7, 2005 between Inco and Falconbridge senior management for that purpose. The parties agreed to continue to meet over the weekend to determine if a final agreement could be reached.

During the period from October 7, 2005 to October 10, 2005, representatives of Inco and Falconbridge met to further discuss the terms of the proposed offer. During this period, Falconbridge, its legal counsel, McCarthy Tétrault LLP, and financial advisor conducted discussions with Inco and its legal counsel, Osler, Hoskin & Harcourt LLP and Sullivan & Cromwell LLP, and its financial advisors to finalize the definitive terms of the Offer and the Support Agreement. On October 10, 2005, representatives of Inco met with representatives of Falconbridge and advised that, subject to final approval by the Inco Board of Directors, Inco wished to proceed with the Offer to acquire the Falconbridge Shares on the basis of Cdn.\$34.00 in cash per Falconbridge Share or 0.6713 of an Inco Share per Falconbridge Share and Cdn.\$0.05 in cash, in each case at the election of the Shareholders, subject to limitations on the aggregate amount of cash consideration and share consideration available, and to reaching final agreement on the terms of the Support Agreement. On October 10, 2005, the Board of Directors of each of Falconbridge and Inco met separately to consider the proposed transaction and to receive advice from their respective financial and legal advisors. At the October 10, 2005 meeting of the Inco Board of Directors, members of Inco's senior management provided an update on the status of negotiations in respect of the proposed transaction with Falconbridge. Morgan Stanley, RBC Capital Markets and Goldman, Sachs & Co. made a presentation to the Inco Board of Directors and each of the financial advisors rendered an oral opinion to the Inco Board of Directors, subsequently confirmed in writing, that as of October 10, 2005 and based on and subject to various assumptions, matters considered and other limitations, the consideration to be paid by Inco in the Offer pursuant to the Support Agreement was fair from a financial point of view to Inco. Each opinion was provided solely for the information and assistance of the Inco Board of Directors in connection with its consideration of the transaction, and was directed only to the fairness to Inco, from a financial point of view, of the consideration to be offered by Inco in the Offer pursuant to the Support Agreement. None of the opinions were directed to the fairness to Falconbridge or the Shareholders of the consideration to be offered by Inco in the Offer, and the opinions do not constitute a recommendation to any Shareholder as to whether such Shareholder should tender all or a portion of his or her Falconbridge Shares into the Offer. While the opinions did not address the merits of the Offer as compared to other business strategies or transactions that might be available to Inco, as

indicated above, each of Morgan Stanley, RBC Capital Markets and Goldman, Sachs & Co. provided advice and assistance with respect to the analysis and evaluation of, and assisted Inco senior management and Inco's Board of Directors in their deliberations relating to, a number of business strategies and possible transactions that Inco might pursue, including the decision to pursue the acquisition of Falconbridge. The Inco Board of Directors reviewed the proposed final terms of

Table of Contents

Fractional Inco Shares will not be issued in connection with the Offer. Where a Shareholder is to receive Inco Shares as consideration under the Offer and the aggregate number of Inco Shares to be issued to such Shareholder would result in a fraction of an Inco Share being issuable, the number of Inco Shares to be received by such Shareholder will either be rounded up or down and the amount of cash to be received by such Shareholder will correspondingly be either decreased or increased (on the basis of Cdn.\$50.574 per Inco Share) such that the Maximum Take-Up Date Cash Consideration is paid and the Maximum Take-up Date Share Consideration is issued in respect of Falconbridge Shares taken up on such Take-Up Date.

The Offer is made only for Falconbridge Shares and is not made for any options, convertible debentures or other rights to purchase Falconbridge Shares (other than the SRP Rights). Shareholders who deposit their Falconbridge Shares will be deemed to have deposited the SRP Rights associated with such Falconbridge Shares. No additional payment will be made for the SRP Rights and no amount of the consideration to be paid by the Offeror for the Falconbridge Shares will be allocated to the SRP Rights.

All cash payable under the Offer, including the cash consideration under the Cash Alternative, the cash portion of the consideration under the Share Alternative and the cash payable in lieu of fractional Inco Shares otherwise issuable under the Share Alternative, will be denominated in Canadian dollars. However, Shareholders can also elect to receive their cash consideration in U.S. dollars based upon the Bank of Canada noon buying rate of exchange for U.S. dollars on the Take-Up Date.

The accompanying Circular, which is incorporated into and forms part of the Offer, and the Letter of Transmittal and the Notice of Guaranteed Delivery contain important information that should be read carefully before making a decision with respect to the Offer.

Table of Contents

2. Time for Acceptance

The Offer is open for acceptance until 8:00 p.m. (Toronto time) on December 23, 2005, unless withdrawn by the Offeror, or until such other time and date as extended by the Offeror or accelerated in accordance with the terms of the Support Agreement. The Expiry Time may be extended by the Offeror in its sole discretion as described in Section 7 of this Offer to Purchase, Extension and Variation of the Offer .

3. Manner of Acceptance

Letter of Transmittal

The Offer may be accepted by delivering the following documents to the Depositary at any of the offices identified on the Letter of Transmittal and on the back cover of the Offer and Circular, so as to arrive there not later than the Expiry Time:

- (a) a Letter of Transmittal (printed on blue paper) in the form accompanying the Offer and Circular or a facsimile thereof properly completed and duly executed as required by the instructions set out in the Letter of Transmittal;
- (b) the certificate(s) representing the Falconbridge Shares in respect of which the Offer is being accepted; and
- (c) all other documents required by the instructions set out in Letter of Transmittal.

Participants of CDS should contact the Depositary with respect to the deposit of their Falconbridge Shares under the Offer. CDS will be issuing instructions to its participants as to the method of depositing such Falconbridge Shares under the terms of the Offer. No fee or commission will be payable by Shareholders who de align="left" style="font-size: 10pt;"> the Offer and the Support Agreement and discussed various financial and legal matters relating to the proposed transaction. Following discussions, the Inco Board of Directors unanimously approved the proposed Offer and authorized Inco's senior management to enter into the Support Agreement on behalf of Inco.

The Support Agreement was finalized and executed by Inco and Falconbridge on October 10, 2005 and the Offer was publicly announced prior to the opening of markets on the morning of October 11, 2005.

Support Agreement

The Support Agreement sets forth, among other things, the terms and conditions upon which the Offer is to be made by Inco. The following is a summary of the principal terms of the Support Agreement. This summary is qualified in its entirety by the full text of the Support Agreement filed by Inco (i) with the Canadian securities regulatory authorities and available at www.sedar.com and (ii) with the SEC and available at www.sec.gov.

The Offer

Inco agreed to make the Offer on the terms and subject to the conditions set forth in the Support Agreement.

Support for the Offer

Falconbridge has indicated that its Board of Directors, upon consultation with its financial and legal advisors, has determined that it would be advisable and in the best interests of Falconbridge for the Board of Directors to support the Offer and to recommend acceptance of the Offer to holders of Falconbridge Shares, and accordingly, Falconbridge has agreed (subject to the terms and conditions of the Support Agreement) to co-operate with Inco and use its reasonable best efforts to permit the Offer to be successful.

Board Representation

&nbs