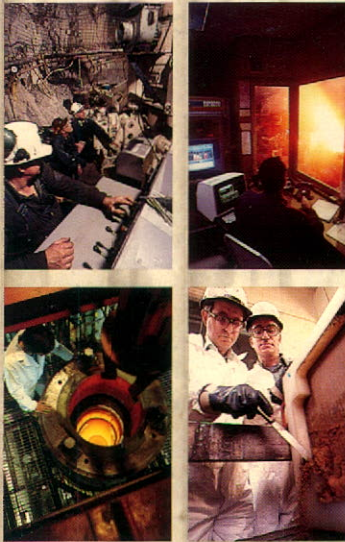


INCO

Annual Report 1983



Inco's productivity improvement programs began to have real, measurable impact during 1983 in reducing the Company's costs and strengthening its competitiveness.

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Corporate Profile

Inco is the non-communist world's leading producer and marketer of nickel, much of it in the form of high-grade electrolytic nickel (depicted on the cover) that Inco first brought into commercial-scale production at Port Colborne, Ontario in 1926. The emerging nickel market attracted few new competitors for the next several decades. More recently, however, the market has changed dramatically with the influx of new producers, the growth of government-sponsored production facilities (now accounting for more than one-third of total non-communist world nickel capacity) and the increased tendency of industrial consumers to view nickel as a commodity bought mainly on the basis of price. To compete effectively in this challenging environment, Inco has placed a high priority on productivity improvement programs to strengthen further its position as a low-cost nickel producer. These programs had increasing impact in 1983. The largest consumer of Inco's primary nickel is Inco Alloy Products Company, an international group of companies producing high-nickel rolling mill, forged and machined products essential to the energy, chemical, aerospace and other major industries. Inco also recovers substantial amounts of copper, cobalt, precious metals and sulphuric acid from its Canadian ores, and has other interests in metals, venture capital, energy, technology and engineering. At year end, the Company employed 24,866 in 22 countries.



Annual Meeting

The Company's Annual Meeting will be held in Toronto on April 18, 1984.

Rapport Annuel

La version française du Rapport Annuel sera fournie sur demande.

Three 65-ton haulage trucks laden with nickel ore move up the ramp at the Pipe Open Pit Mine near Thompson, Manitoba following a three-month Manitoba Division production shutdown which ended in January 1983.

Results in Brief

Inco Limited and Subsidiaries

<i>(in thousands, except per share amounts)</i>	1983	1982
Net sales	\$1,173,421	\$1,235,983
Loss before income and mining taxes	\$ (326,186)	\$ (323,269)*
Net loss	\$ (234,894)	\$ (203,342)*
Net loss per common share	\$(2.69)	\$(2.81)*
Common dividends paid	\$ 19,099	\$ 16,099
Dividends per common share	\$0.20	\$0.20
Capital expenditures	\$ 71,079	\$ 95,290

Dollar amounts in this Report are expressed in United States currency, unless otherwise stated.

*Restated

Highlights of the Year

- ☐ Primary metals production returned to more normal levels following extended production shutdowns in late 1982-early 1983.
- ☐ Inco's quarterly operating losses became progressively smaller over the course of the year.
- ☐ Significant progress was achieved in reducing unit costs of production.
- ☐ The Company became an important supplier of cobalt metal with the start-up of a two-million-pound-a-year refinery at Port Colborne, Ontario.
- ☐ Development of the Thompson Open Pit Mine was resumed.
- ☐ Inco Alloy Products Company continued to reduce costs and stress the development of new alloys, products and processes.



10-K Report Available

A copy of the 1983 Annual Report on Form 10-K to be filed with the United States Securities and Exchange Commission may be obtained from the Company upon request.

Requests should be addressed to
The Secretary, Inco Limited
at 1 First Canadian Place,
Toronto, Ontario M5X 1C4
or at One New York Plaza,
New York, New York 10004.

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Message to Shareholders

Inco is on the road to recovery. Following the extremely difficult market conditions of the past three years, we believe the worst financial results are now behind us.

In 1984 we expect a loss in the first quarter. However, given a reasonable degree of price improvement, coupled with the growing impact of the many actions we have taken to reduce Inco's costs and strengthen its world-wide competitiveness, the balance of 1984 should be profitable.

Factors in Recovery

In last year's Annual Report, we stated that Inco's recovery would depend on three factors: increased nickel demand, the success of our cost reduction and productivity improvement programs, and higher nickel prices.

Nickel demand did increase 13 per cent in 1983 from depressed 1982 levels, and Inco's total deliveries, including nickel in alloy products, increased 25 per cent.

In addition, we achieved significant progress in cost reduction and productivity improvements.

Average nickel prices, unfortunately, were lower than in 1982. Consequently, 1983 results were disappointing. Both primary metals and alloy products had operating losses.

Financial Results

In many respects, 1983 was a mirror image of 1982 in terms of quarterly operating and pretax results. As markets deteriorated and operations were shut down during 1982, Inco's operating losses increased. As markets improved during 1983 and the effect of productivity improvement programs began to take hold, operating losses were reduced.

Following an operating loss of \$96 million in the first quarter of 1983, operating losses narrowed to \$49 million in the second quarter, \$23 million in the third and \$20 million in the fourth.

Depressed Prices

Inco's average price realizations for all nickel products hit rock bottom at \$1.94 per pound in the first quarter of 1983, following the precipitous price declines of late 1982. Although prices strengthened somewhat thereafter, the average price realized for full-year 1983 was only \$2.17 per pound—no better than the 1977 level, 15 per cent below 1982 and more than 30 per cent below 1980. Traditionally, nickel price increases tend to trail a market recovery.

Copper prices failed to recover at all and remained at their lowest levels, in real terms, since the late 1940s.

Productivity Improvements and Cost Reduction

To compete successfully in this very challenging environment, we have acted aggressively during the past three years to streamline Inco's operations, to reduce costs and to institute major productivity improvement programs in both primary metals and alloy products. These actions are now beginning to pay off.

During the second quarter of 1983, Inco's average production cost per pound of nickel fell below the full-year 1982 average and by the fourth quarter was reduced below the 1981 level, despite inflation. This favourable trend is expected to continue in 1984. Cost reduction and productivity improvements will remain a priority.

Financial Position

In 1983 we were successful again in minimizing the adverse impact of the ongoing losses upon our financial position, and in reducing debt. Factors which contributed significantly to this were continued reduction in inventories and the issuance of \$80 million of additional common shares. We recognize the paramount importance of achieving a substantial improvement in our financial position and, as our results improve, we intend to take every opportunity to strengthen our balance sheet.



Chairman Charles F. Baird (right) and President Donald J. Phillips with model of Thompson Open Pit now under development. When in production in 1986, this mine will enhance Inco's production flexibility and reduce costs.

Outlook

By any measure, Inco has strong core business positions. We have the largest market share in the non-communist world in both primary nickel and nickel alloy products. We are a low-cost producer. We have earned the respect of our customers and we continue in the technological forefront of our businesses. We plan to stay in those businesses, to be the very best and most profitable in them. We will invest in those areas that will maintain and improve our existing businesses. Preference will be given to projects that will reduce costs, improve productivity and safety, and give relatively quick payouts.

We anticipate that nickel demand will increase about 10 per cent in 1984,

assuming a continued and more balanced economic improvement. Of greater importance to Inco, however, is the recovery of prices—not only for nickel but for other products as well. The Company would have shown a net profit after taxes in 1983 if prices for Inco products had been at their 1980 levels. Given the increasing impact of our cost reduction programs, we are in a position to return to profitability in 1984 at prices below those for 1980.

We wish once again to thank all Inco employees for their loyalty and dedication through these difficult times. Because of their efforts, and the understanding and support of our shareholders, Inco has survived this period of unprecedented depressed market conditions—the worst in half a century—and has emerged a leaner, more competitive company.

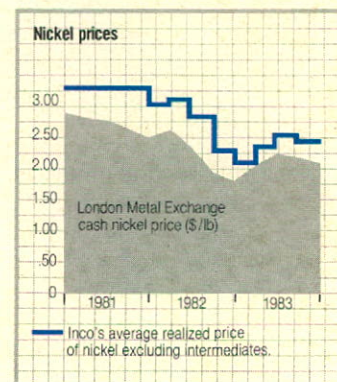
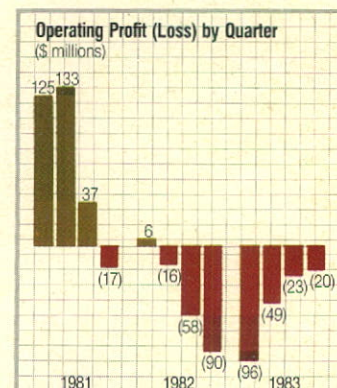
Charles F. Baird

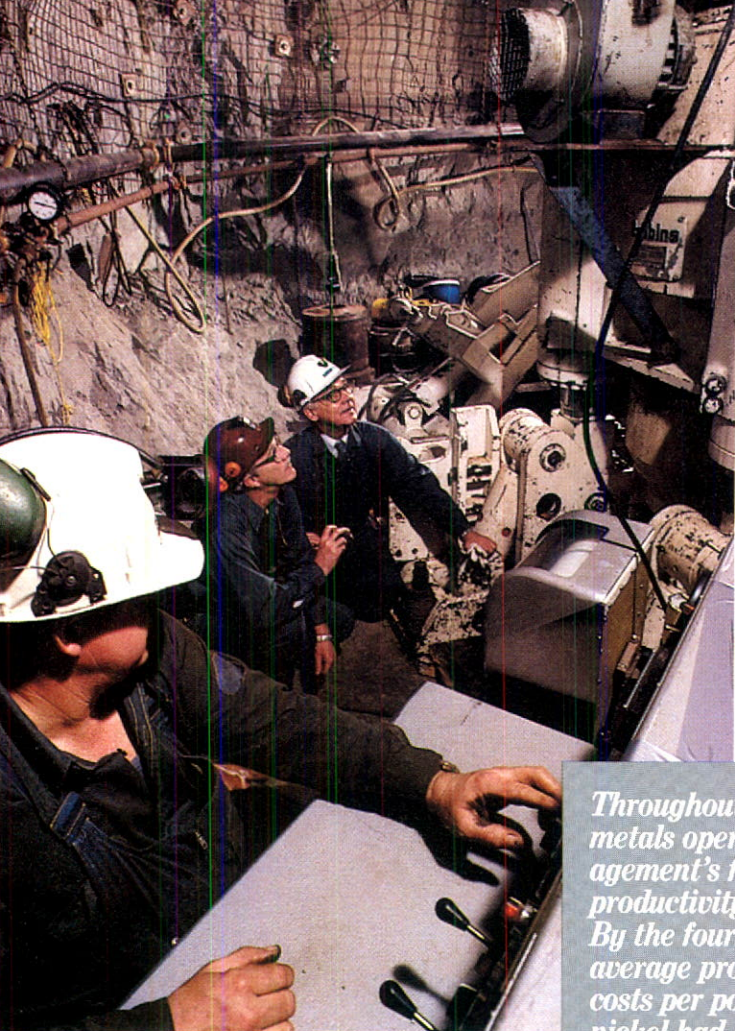
Chairman and Chief Executive Officer

Donald J. Phillips

President and Chief Operating Officer

February 16, 1984





Throughout primary metals operations, management's focus is on productivity and safety. By the fourth quarter, average production costs per pound of nickel had been reduced below the average 1981 level despite inflation.



Report on Operations

Primary Metals

Demand for many metals, including nickel, increased from the very depressed levels of late 1982, reflecting improved worldwide economic conditions. However, prices of nickel, copper and many other nonferrous metals remained inadequate. Many producers continued to sell metals at prices below cost.

Inco made significant progress in its efforts to restore profitability through productivity improvements. The Company achieved its goal of absorbing inflation and producing nickel and copper at lower unit costs than in 1982. Continued productivity improvements are targeted for 1984 and beyond.

Operating results for primary metals are presented in the table on this page and include an operating loss of \$138 million for the year, compared with a \$130 million operating loss in 1982.

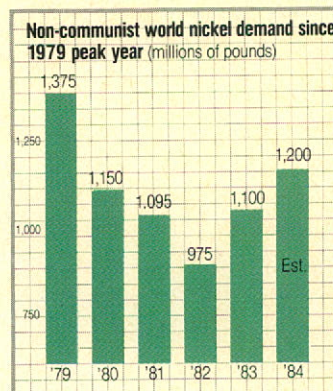
The year began at a very low business ebb following the precipitous decline in nickel prices in late 1982. Nickel demand turned higher in the first quarter of 1983, but prices remained depressed. The market recovery gained momentum in the second quarter, as both demand and prices improved, then slowed in the third quarter—historically the weakest period of the year for nickel consumption. Demand growth resumed in the fourth quarter, but prices showed no further improvement.

Inco management is deeply involved in productivity improvement and safety programs. Top left: Walter Curlook, Executive Vice-President, Toronto (right) and Winton K. Newman, President, Ontario Division, watch operation of new giant raise borer. Top right: William P. Clement, President, Manitoba Division (right) discusses flow to new bank of magnetic separators with Thomas Hamson, Mill Superintendent. Bottom left: Roy Aitken, Senior Vice-President, Toronto (right) and James D. Guiry, President and Managing Director, P.T. Inco, oversee first tapping of the No. 3 furnace at the Indonesian plant. Bottom right: Examining plans for new cost-efficient nickel residue-handling facilities at Clydach, Wales are Anthony T. Shadforth, Chairman and Managing Director, Inco Europe (right); Brian K. Davison, Director and General Manager, Clydach Refinery (left); and Eirwyn Jones, Plant Manager.

Increased Nickel Demand

Nickel demand in the non-communist world increased for the first time since 1979 and was estimated at 1.1 billion pounds in 1983, up 13 per cent from 1982.

Inco's total nickel deliveries, including nickel in alloy products, rose 25 per cent from 1982. Significant sales increases were achieved in Japan, the United States and other markets. Supported by production from P.T. Inco Indonesia, the



(\$ millions)	1983	1982	1981
Sales by product			
Primary nickel	\$ 603	\$ 552	\$ 891
Refined copper	98	117	194
Precious metals	56	68	103
Cobalt	10	24	58
Other products	19	24	24
Net sales to customers	\$ 786	\$ 785	\$ 1,270
Operating earnings (loss)	\$ (138)	\$ (130)	\$ 283
Total assets	\$2,388	\$2,535	\$2,804
Deliveries (in thousands)			
Primary nickel and intermediates	278,050	216,400	297,710
Nickel contained in alloy products	36,030	34,430	44,110
Total nickel (pounds)	314,080	250,830	341,820
Copper* (pounds)	139,980	167,420	239,830
Platinum-group metals** and gold (troy ounces)	201	310	317
Silver (troy ounces)	620	1,050	1,510
Cobalt* (pounds)	1,790	2,530	3,620
Iron ore (long tons)	181	66	156

*Includes metals contained in alloy products.

**Platinum, palladium, rhodium, ruthenium and iridium.

Company has gained a substantial share of the Japanese nickel market. Sales to newly industrialized countries were also strong.

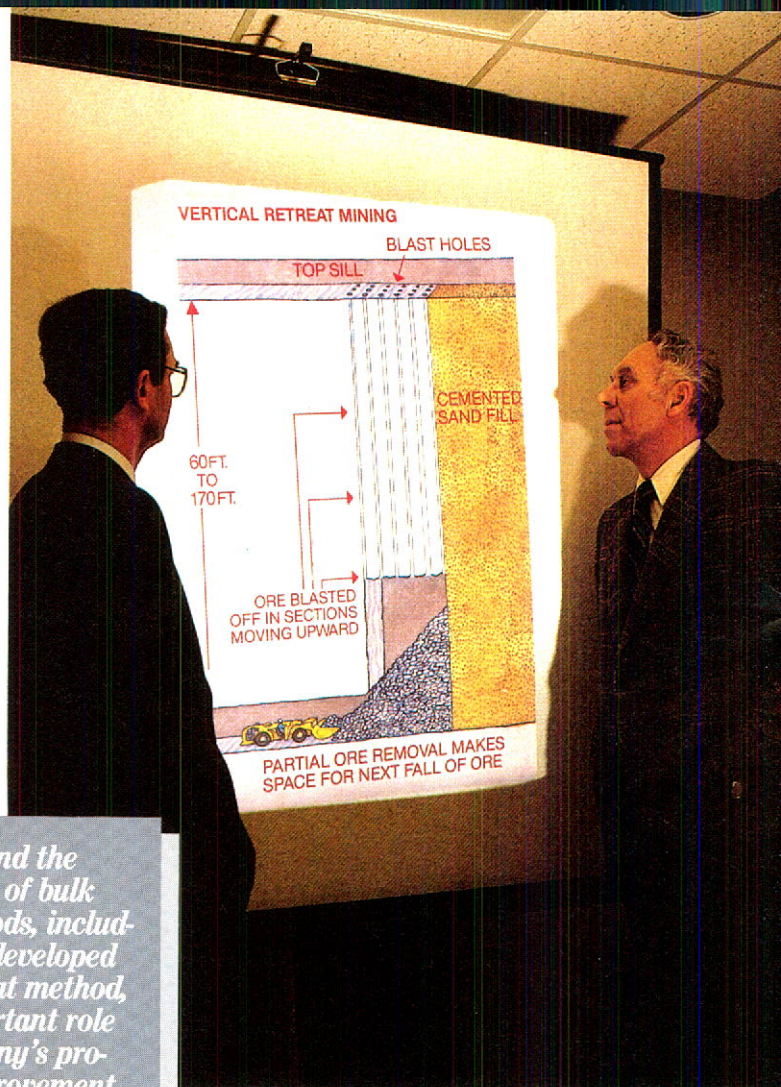
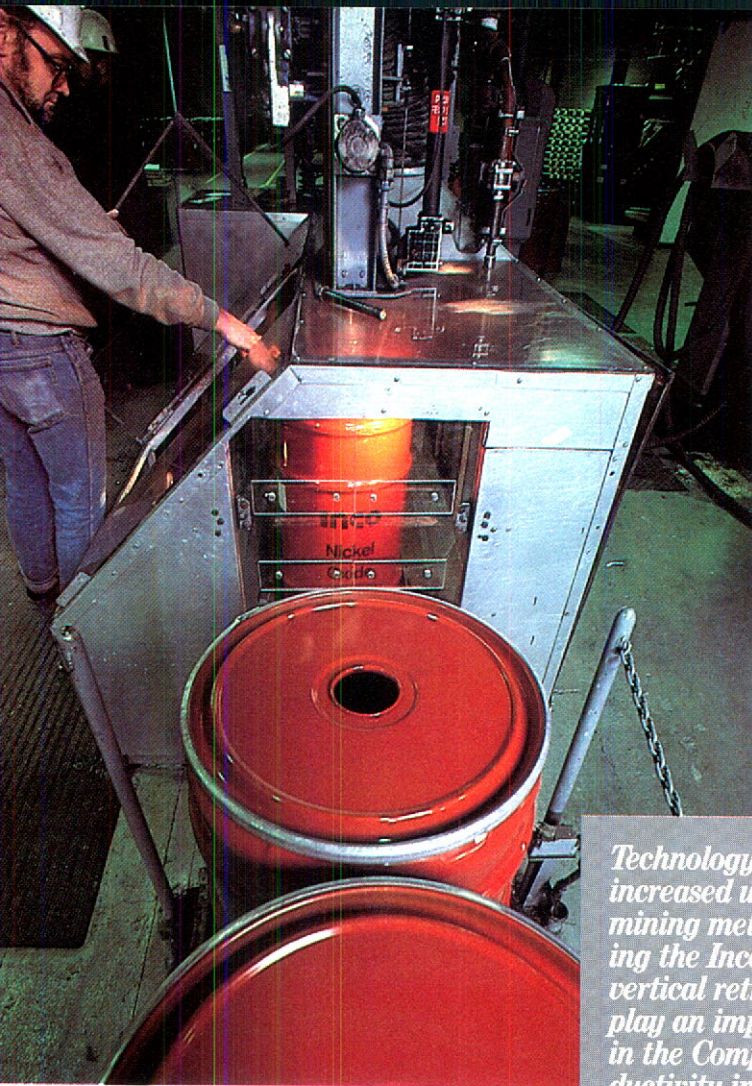
Nickel Prices

Inco's average realized price for primary nickel, excluding intermediates, was \$2.25 per pound in 1983, compared with \$2.71 per pound in 1982.

The cash nickel price on the London Metal Exchange (LME), which fell to a low of \$1.44 per pound in November 1982, recovered somewhat in 1983 and stood at \$2.13 on December 30, 1983.

Nickel Inventories

Producer inventories of finished nickel declined during most of 1983, as many



Technology and the increased use of bulk mining methods, including the Inco-developed vertical retreat method, play an important role in the Company's productivity improvement programs.



producers exercised production restraint in view of low prices. Producer inventories ended the year at an estimated 330 million pounds, down 26 per cent from year-end 1982. Although nickel inventories on the LME increased during 1983 to approximately 60 million pounds at year end, total inventories—producer and LME—were down substantially.

Inco reduced its inventories for the third consecutive year. The Company's finished nickel inventories were 83 million pounds at year-end 1983, down 22 per cent from year-end 1982 and the lowest year-end total in nearly a decade. The 1983 decrease resulted from both increased sales and continued production curtailments. Current inventories are tight, but adequate to meet near-term demand.

Copper and Other Metals

Western world refined copper supplies exceeded demand for the third consecutive year, resulting in substantial inventory increases and low copper prices. In real terms, prices were at their lowest level since the late 1940s. Inco realized an average of 72 cents per pound in 1983 compared with 71 cents in 1982.

Precious metals revenues declined because of lower volumes due to the need to replenish in-process inventories following the Company's 1982-83 production shutdowns.

Cobalt metal prices ranged between \$5.50 and \$6.50 per pound through most of 1983 and showed strength near year end. The May start-up of a \$24 million refinery at Port Colborne for the production of high-purity electrolytic cobalt metal has established Inco as an important North American source for this

strategic metal. This facility has a production capacity of two million pounds annually. Inco also markets cobalt oxide.

Inco's chromite mining facility, opened in 1982 at Tiebaghi, New Caledonia, operated successfully and profitably during its first full year in 1983. Inco holds a 55 per cent interest and manages the operation.

Productivity Improvements

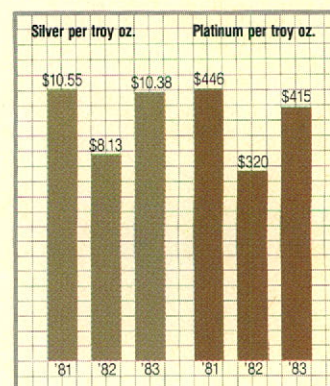
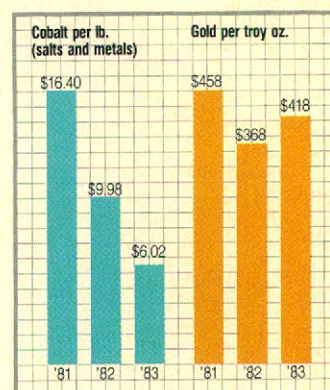
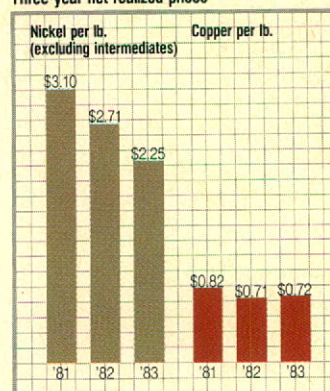
While Inco ranks as one of the world's lowest-cost nickel producers, further cost reduction is essential in view of continuing depressed prices and the uncertain price outlook for primary metals.

A specific objective for 1983 was to reduce the Company's average production cost per pound of nickel below average 1982 levels. This was achieved during the second quarter. By the fourth quarter, production costs had been reduced below the average level for full-year 1981. Continued cost reductions are anticipated in 1984.

Productivity improvements are being achieved through a variety of actions:

- The Company is increasing the use of safer, less labour-intensive and less costly bulk mining methods, including the Inco-developed vertical crater retreat mining technique. In 1983, about half the Company's sulphide ore was produced through these methods, compared to about one-third in 1982. By 1985, about two-thirds is expected to be produced through these methods.
- The Company has resumed development of the Thompson Open Pit Mine in Manitoba. The first phase, involving an \$80 million investment, is scheduled to be on stream in 1986 and will enhance Inco's production flexibility and reduce costs.
- The Copper Cliff North Mine was reactivated in 1983, with production commencing in January 1984, as the focal point of the Company's mining productivity improvement and cost reduction programs. These programs include the development of improved drilling, blasting and ore removal techniques; the use of high-density, self-supporting backfill; improvements in illumination and roadway construction; and extensive use of computers for in-plant communication and production planning and reporting.

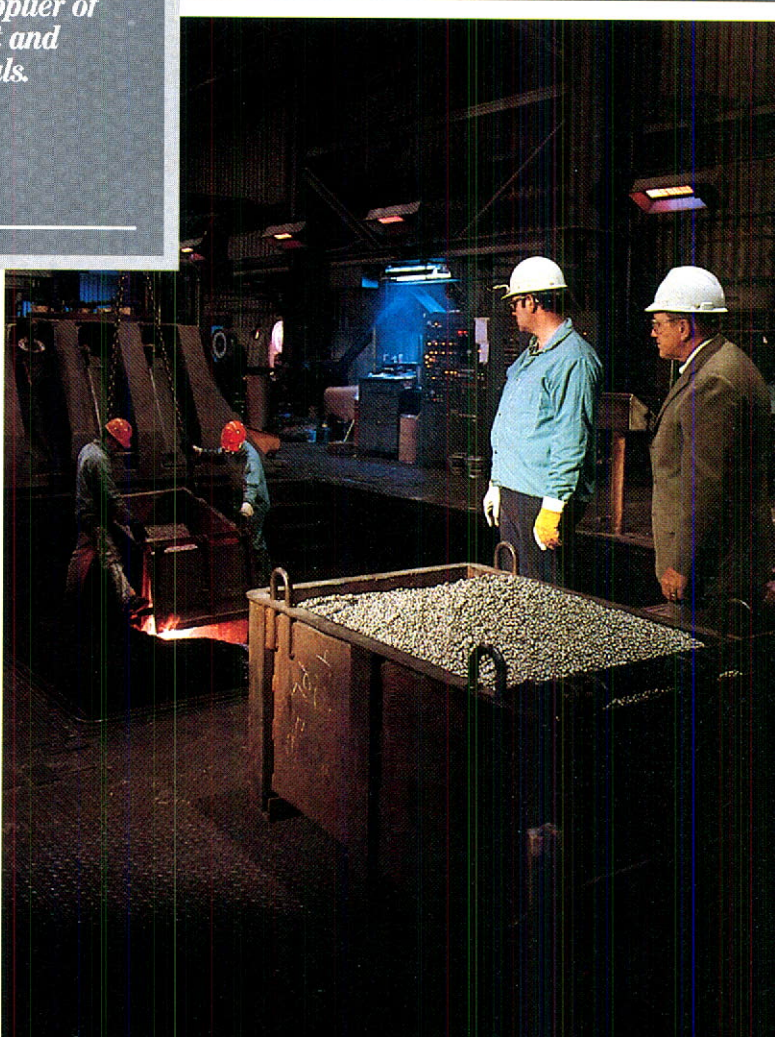
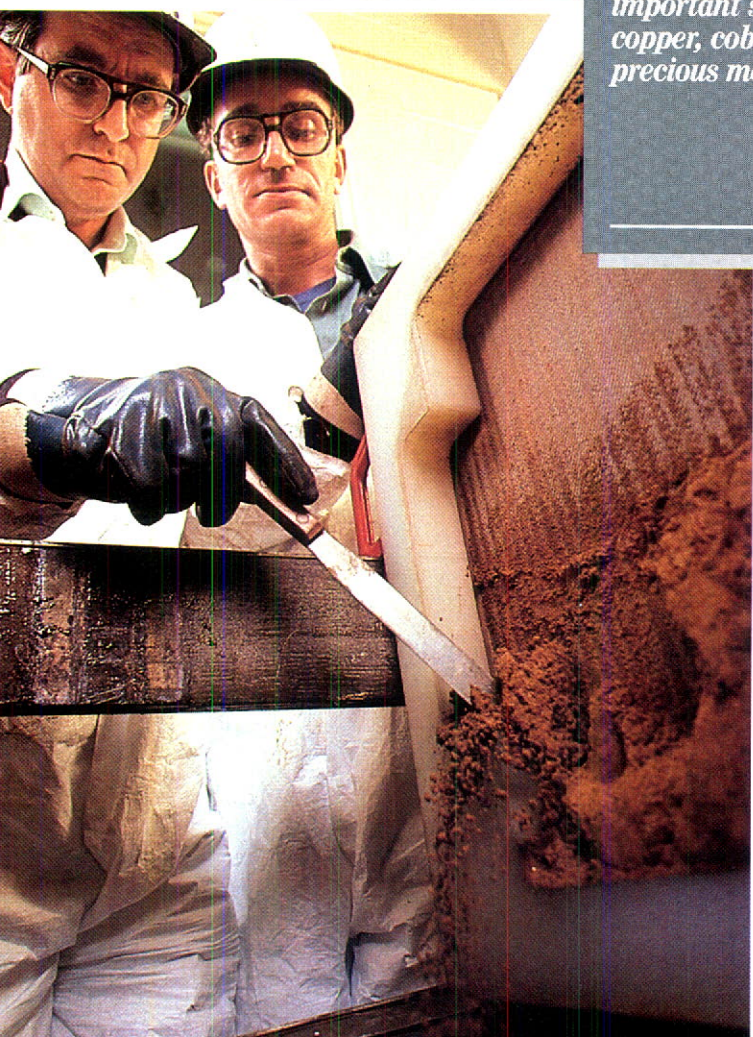
Three-year net realized prices



Continuing introduction of cost-cutting technology and systems is a major priority. Top left: Packaging nickel oxide powder produced by a new process at Sudbury. Top right: Closely involved in developing new mining technology in Ontario Division are Claudio Barsotti, Manager, Mines Research (left) and Eric Kossatz, Vice-President, Mining. Bottom left: Computer simulates blasting patterns for most efficient blasting of ore bodies. Bottom right: Computerized scheduling booth at the Copper Cliff smelter makes more efficient use of nickel converters.



While competing in all segments of the nickel market, Inco places special emphasis on proprietary forms of nickel commanding above-average prices. The Company is also an important supplier of copper, cobalt and precious metals.



- New equipment is being introduced to enhance productivity. One example is an Inco-developed large-diameter drill which permits bulk mining in areas where previously it was not feasible. Twelve of these drills are now in operation, and the number is expected to double in 1984.
- Productivity improvement programs in surface operations include improved operational and maintenance scheduling, product mix and facility rationalization, conservation of energy and supplies, and organizational streamlining and job restructuring. Automation and computers are being applied increasingly in surface operations for cost savings, productivity improvements and safety.
- In Indonesia, significant productivity increases are being achieved through improved operating practices.
- Inco's worldwide employment levels in primary metals operations were further reduced in 1983 and have now been decreased by 25 per cent since the end of 1980.

Production

Inco's nickel and copper production was as follows:

(millions of pounds)	1983	1982	1981
Nickel	283	201	330
Copper	147	135	244

Most Inco primary metals production facilities were closed as the year began, extending shutdowns initiated in 1982. Production was resumed in January 1983 at the Clydach, Wales, refinery and the Manitoba Division, although production was held to four days a week from February through July at the latter location.

Other metals recovered from the Company's Canadian ores and Inco's proprietary nickel products make valuable contributions to Inco's primary metals business. Top left: Quality of Inco's ORC* brand copper cathodes is well known in major world markets. Top right: High-quality cobalt from new Port Colborne electro cobalt refinery which came on stream in 1983. Bottom left: Gold and silver concentrates are now being recovered at Port Colborne. Bottom right: Proprietary Inco nickel pellets are poured into furnace at a U.S. customer's plant, watched (right) by Michael C. McFadden Jr., Vice-President, International Nickel Inc.

*Trademark of the Inco family of companies.

The Port Colborne, Ontario, nickel refinery was re-opened in February and other Ontario Division facilities in March and April. Additional production shutdowns included summer vacation closings at both the Ontario and Manitoba Divisions and a five-week shutdown beginning in December 1983 at Port Colborne.

Nickel matte production at P.T. Inco Indonesia was increased toward the end of the year in response to rising Japanese demand.

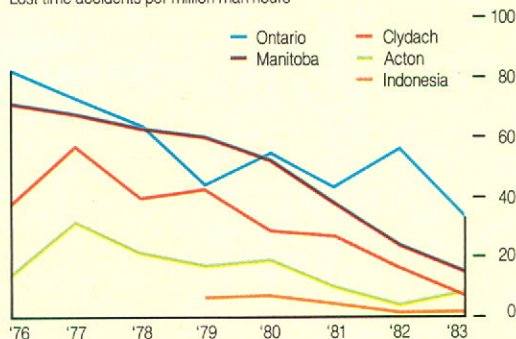
Occupational Safety and Health

Safety in the workplace is a priority. Employee involvement and management commitment are key factors in the steady improvements in lost-time accidents shown in the accompanying chart.

Four fatalities occurred during 1983 at the Company's Canadian operations. This loss of life is tragic and reinforces management's determination to prevent accidents in the workplace.

Safety

Lost time accidents per million man hours

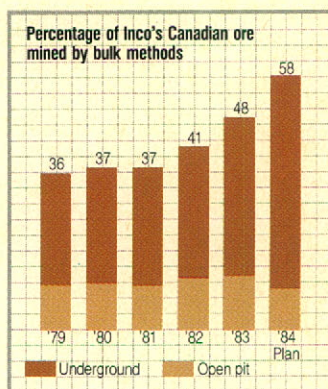


Exploration and New Mineral Ventures

Inco is pursuing the development of new mining ventures with a primary focus on gold. Where appropriate, the Company is working with partners to share know-how and financial risk.

Exploration expenditures for primary metals were \$10 million in 1983 compared with \$13 million a year earlier. Of the 1983 total, \$2 million was spent on exploration in the vicinity of current Inco mining operations. About 70 per cent of the remaining \$8 million was spent to explore gold prospects, including 20 properties in Canada, seven in the United States and four in Brazil.

In Ontario, the McBean Mine is scheduled to begin production in the second



quarter of 1984, at a rate of 500 tons of ore per day with an average grade of 0.15 ounces of gold per ton. Inco holds a 65 per cent interest in the property and manages the operation.

Exploration to extend known reserves continued at the Crixas gold property in Brazil. Agreement was reached with Kennecott Minerals Co. under which Kennecott can earn a 50 per cent interest in the property by undertaking additional exploration and committing to make specified capital expenditures in bringing the deposit into production.

In November, Inco entered into an agreement with Golden Knight Resources Inc. under which Golden Knight could earn a 40 per cent interest by spending \$3 million to explore the Casa Berardi property comprising 882 claims in northwestern Quebec.

Ore Reserves

At year end, Inco had proven and probable ore reserves in Canada of 483 million short tons, containing 7.1 million tons of nickel and 4.4 million tons of copper. This compares with year-earlier proven and probable reserves of 491 million tons, containing 7.3 million tons of nickel and 4.5 million tons of copper. Only material that is economically viable and has been sampled in sufficient detail to permit a reliable calculation is included in reserves. Significant quantities of platinum-group metals, gold, silver and cobalt are also contained in the Canadian ore reserves.

At the Company's Indonesian nickel operation, continuing detailed sampling of the large nickeliferous laterite resources has increased the proven and probable ore reserves to 72 million short tons containing 1.3 million tons of nickel, from 66 million tons containing 1.2 million tons of nickel at the end of 1982.

Research and Development

Inco maintains active research and development programs directed toward improving productivity and safety, improving workplace conditions, and increasing metals recovery. These programs cover the range of primary metals operations—from mining through milling, smelting and refining to final products. Research and development expenditures for primary metals were \$16 million in

1983 compared with \$20 million in 1982.

Important studies are directed toward the use of numerical modelling techniques to predict rock behaviour with a view to improved mine safety and productivity.

During the year, the concentrate grade at the Shebandowan mill was increased substantially through implementation of a new talc rejection process developed at the J. Roy Gordon Research Laboratory. Pilot plant test work was carried out on a new milling process to improve metals recovery at higher concentrate grades. This work will continue in 1984.

Inco continued its research on new leach electrowinning processes and proprietary chlorine and oxygen-evolving electrodes, which offer potential energy savings and productivity improvements in refining. Pilot plant studies are scheduled to begin at Port Colborne in 1984.

Essentially all of Inco's gold and silver is now being refined in Canada as a result of modifications and improvements at the Port Colborne Research Stations.

INCO TECH

Inco technical services are marketed worldwide through INCO TECH*. Two additional licensing agreements were reached with Canadian gold producers for use of an Inco process to destroy cyanide in effluents, following the initial licensing of this process in 1982. Companies in other industries, including plating and coal gasification, are examining the process to meet their environmental needs.

A copper smelter employing Inco's oxygen flash smelting technology was successfully started up in New Mexico.

*Trademark of the Inco family of companies.

Environment

Acid rain is a subject of public concern and controversy. It occurs when sulphur dioxide (SO₂) and nitrogen oxides (NO_x) are emitted into the atmosphere, are oxidized, and fall as dry particulate or combine with normal precipitation to fall as acid rain or snow.

Attention to date has focused mainly on emissions of SO₂, which in 1980 totalled about 29 million tonnes annually in North America, although concern is growing about NO_x emissions, which totalled some 21 million tonnes.

Thermal power plants are the largest source of total SO₂-NO_x emissions in North America, contributing some 47 per cent. Other major sources include industrial boilers and processes, about 23 per cent; transportation, 18 per cent; non-ferrous smelters, 8 per cent; and residential and commercial heating, 4 per cent.

Sudbury Smelter

Since Inco's Sudbury smelter is the largest point source of SO₂ emissions in North America, it has played a prominent role in the acid rain controversy. However, as the Minister of Environment for Ontario stated in October 1983, "according to the best scientific evidence we have, even with the shutdowns that occurred at Inco, there was not a substantial improvement in the analysis that we took of the deposition levels in Ontario."

It is clear that acid rain can be reduced in a meaningful way only by a comprehensive program of SO₂ and NO_x emission control in both Canada and the United States. Inco is committed to do its part in such a program.

Inco's Record of Improvement

Inco began developing procedures and technology to reduce its SO₂ emissions long before acid rain became a public issue.

Since the mid-1960s, the Company's Sudbury operations have achieved the largest SO₂ emission decrease for any single point source in North America. Compared with 1965 emissions of 2.25 million tonnes, 1983 emissions at Sudbury were 0.46 million tonnes (an 80 per cent reduction) and would have been an estimated 0.67 million tonnes (a 70 per cent reduction) if the Sudbury operations had not been closed for the first 3½

months in 1983. Most of this reduction has been achieved through new technologies and improved operating procedures, although some is due to lower production levels.

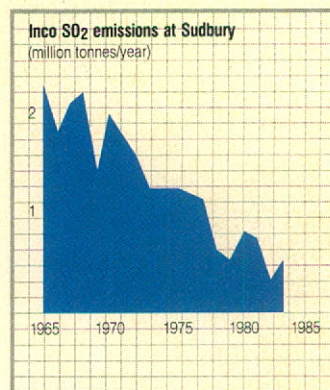
Removing Sulphur

Sulphur dioxide emissions occur at Sudbury because of the high sulphur content of local ores. For every pound of nickel plus copper contained in these ores, there are four pounds of sulphur. Furthermore, a large amount of the nickel mineral is interlocked with sulphur-rich pyrrhotite, making separation difficult.

Inco has employed a variety of technologies at Sudbury to reduce SO₂ emissions, including improved milling methods to separate more pyrrhotite from the ore before it reaches the smelter and processes for converting sulphur dioxide gas to saleable sulphuric acid and liquid SO₂.

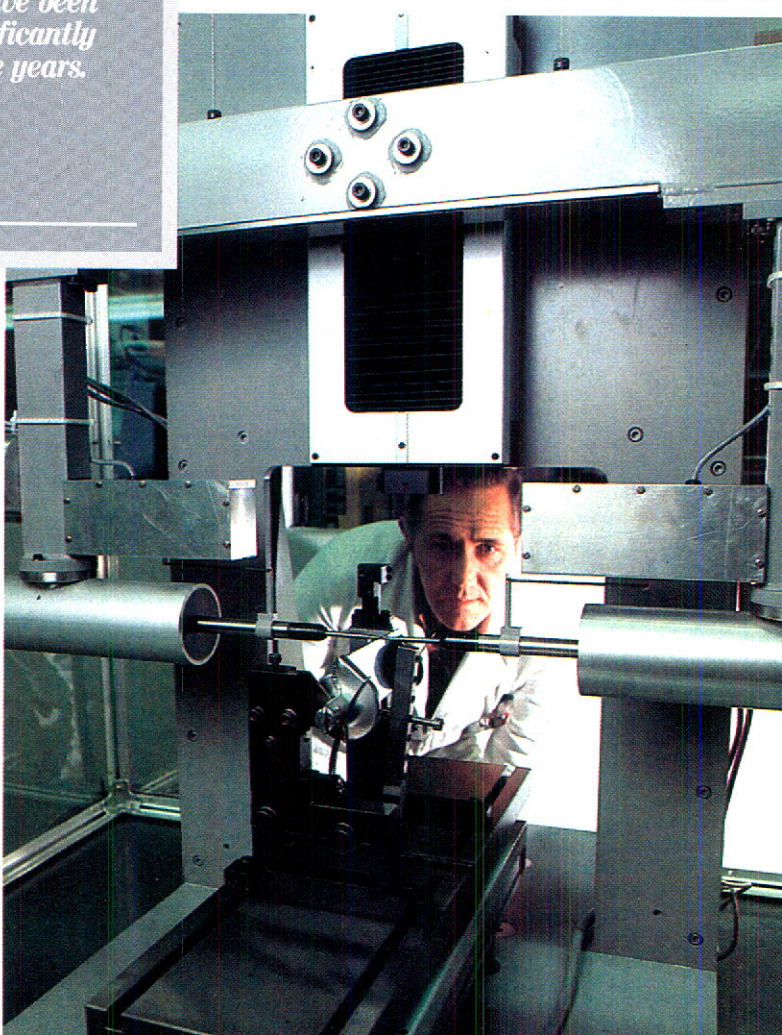
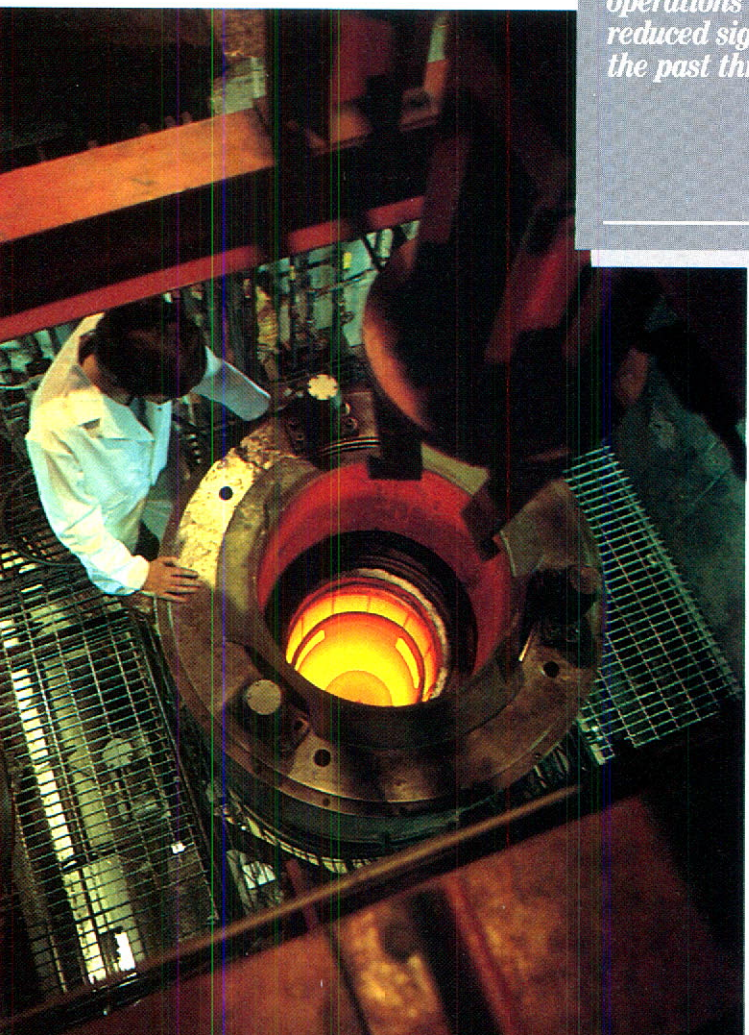
Inco has now developed a new smelting process capable of reducing its remaining SO₂ emissions at Sudbury by about one-half. However, in view of the deterioration of the Company's financial condition, due to its large financial losses over the past three years, the Company cannot afford the substantial capital investment. According to an independent engineering study, a new nickel smelter based on such process would cost between \$450 million and \$500 million in 1982 dollars, to be spent over a five to six year period after project approval. This cost might be reduced to between \$350 million and \$400 million by incorporating the existing roasting and acid plant facilities at the Iron Ore Recovery Plant. Plant trials conducted during 1983 to establish the suitability of this approach were encouraging, and Inco is now proceeding with the engineering for larger-scale tests in 1984. Current studies are focused on ways to lower still further the capital cost by incorporating more of the Company's existing facilities into the new process.

As the record indicates, Inco has made significant progress in reducing its SO₂ emissions. The Company intends to continue playing a positive, cooperative role.





Advanced technology is being employed increasingly in alloy products operations for cost reduction, process improvement and quality control. Break-even points at Inco Alloys' operations have been reduced significantly the past three years.



Inco Alloy Products Company

1983 was a very difficult year for Inco Alloy Products Company (IAPC), as demand and prices for the company's products weakened further from the depressed levels of 1982. While several operations were profitable, the group as a whole incurred an operating loss despite significant cost reductions. The company continued the development of new products, alloys and processes. By year end, there was some upturn in demand in the U.S., but European markets remained weak.

IAPC is one of the world's leading producers of high-nickel rolling mill alloys and forged and machined components made from nickel-based and other alloys. Operating facilities are located in the United States, the United Kingdom and Canada. In addition, the company holds a 50 per cent interest in a joint venture, Daido Inco Alloys Ltd., for marketing alloys in Japan.

1983 Operating Results

IAPC operating losses in 1983 were \$51 million, \$4 million more than in 1982.

Operating results have been restated to reflect the adoption of the average cost method of accounting for certain inventories at Huntington Alloys, Inc. (HAI); the last-in, first-out method had been used previously. This change increased HAI's costs and lowered its earnings in the three-year period 1981-83.

In the U.S., 1983 sales of HAI were \$207 million, down 8 per cent from 1982 due principally to lower prices. Demand

(\$ millions)	1983	1982*	1981*
Net sales to customers	\$370	\$437	\$600
Operating earnings (loss)	\$ (51)	\$ (47)	\$ 5
Total assets	\$516	\$593	\$733

*Restated.

increased in the latter part of the year.

In the U.K., sales of Inco Alloy Products Limited (IAPL), encompassing the Wiggin and Doncaster divisions, declined some 24 per cent to \$148 million due to the lower value of the pound sterling relative to the U.S. dollar and to extremely depressed conditions in European markets, especially the turbine engine market.

Actions Taken

In the face of very difficult market conditions, cost reduction and productivity improvements continued to be a major focus throughout the year.

Break-even points at all IAPC operating units have been significantly lowered since 1980 through a combination of employment reductions, other cost curtailments and productivity improvements. IAPC workforce levels were reduced further in 1983 and have now been decreased by about 30 per cent since 1980.

Primarily due to continued success in minimizing working capital needs, IAPC generated a positive operating cash flow for the fourth consecutive year.

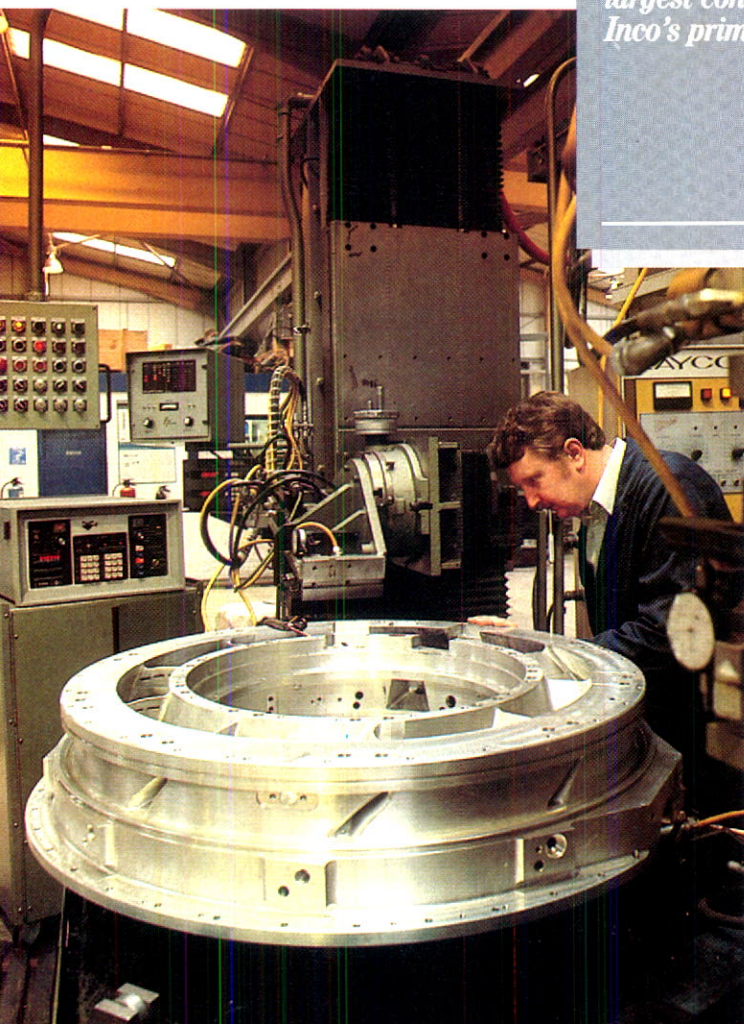
Nickel Alloys Business

A great deal of management attention was devoted during the year to restructuring the company's nickel alloys business for further operating efficiencies and cost savings. Effective January 1, 1984, IAPC's two nickel alloy producing companies—Wiggin and Huntington—were being placed under one operating management, Inco Alloys International. This change will enable Inco's alloys business to respond more effectively to worldwide competition for high-performance nickel alloys. Worldwide marketing and sales strategy will be centralized. This arrangement will also facilitate further cost reduction through production rationalization and the elimination of certain overhead and administrative expenses. The new combined alloys business will continue to be sup-

Technology is a major thrust in increasing competitiveness of Company's alloy products. Top left: At Huntington, William F. Bissett, President, Inco Alloys International (left) discusses with operator a newly introduced scrap metal analyser. Top right: Inspecting new nickel foil electroforming machine at Birmingham are (from left): John H. Page, President, IAPC; I. David Balchin, Group Managing Director, IAPL and Peter Jones, Divisional Manager. Bottom left: Argon powder atomization for nickel-based superalloy at Wiggin Alloys, Hereford. Bottom right: Computer measuring of turbine blades at Doncaster plant, Monkbridge, Leeds.



Inco Alloy Products Company serves customers worldwide with high-nickel alloys as well as forged and machined components made from these and other alloys. It is the largest consumer of Inco's primary nickel.



ported by ongoing research and development programs in both the U.S. and the U.K.

While long-term growth in worldwide demand for nickel-based alloys is expected to be modest, Inco's alloys business—with production facilities in the U.S., Canada and the U.K., a number of proprietary alloys and a sizable share in many markets—will be a formidable competitor.

At the Canadian alloy facility, production levels for coinage were down. Progress was made, however, in developing and marketing new product lines, including high-purity nickel strip.

Forging and Machining Business

The company's forging and machining business encompasses a number of units which are located primarily in the U.K. and operate mainly under the Daniel Doncaster name. This group of companies manufactures blades, rings and various forged engineered components for the worldwide market. There were major accomplishments in lowering costs and further improving product quality.

During the year, IAPL acquired Beaufort Engineering Limited, a specialty machining firm with a strong customer base, for about \$4 million. Together with Turbo Products International in the U.S., Beaufort gives the group machining capability on both sides of the Atlantic and provides the capability to add value to the products of other units.

Research and Development

Despite the adverse economic climate, IAPC operating companies continued to invest in strong research and devel-

opment programs. These programs resulted in new products as well as new processes to enhance product quality and lower costs.

During the year, the alloy group introduced INCOLOY* 925 for use in highly corrosive "sour" gas wells. It also continued the development and sale of mechanically alloyed materials, which provide unique strength and corrosion-resistance properties and are rapidly gaining acceptance in the aerospace and other industries.

The Doncaster group continued the application of computer aided design and manufacturing techniques which have significantly improved quality, reduced costs and shortened delivery times of its turbine blade products. At the Blaenavon facility in Wales, a new manufacturing process for producing ring products close to final shape is under development and will offer important advantages to customers.

In early 1984, it was decided to consolidate the company's nickel alloy research and development efforts at the two producing locations—Huntington, West Virginia, and Hereford, England. Consequently, some of the investigative and technical staff and most of the pilot plant and special equipment at IAPC's Sterling Forest, New York, laboratory will be moved to Huntington. Following an orderly transfer, the Sterling Forest laboratory will be closed and sold.

The Technology Centre at Birmingham, England continues focusing the bulk of its efforts in support of the forging and machining business.

Inco Alloy Products Company

John H. Page

President

Benjamin W. Durrant

Vice-President

William F. Bissett

President, Inco Alloys International

I. David Balchin

Group Managing Director

Inco Alloy Products Limited

Growing contender for both European and U.S. turbine business is IncoMAP* (mechanically alloyed products). Pictures at top show turbine vanes (left) produced at Doncasters, and (right) a large Huntington ball mill which produces the composite metal powders for IncoMAP products in the United States. Bottom left: Computer controlled machining of gas generator intake casing at Beaufort Engineering. Bottom right: Technician from the Birmingham research centre programs a digital analyser for a press at an IAPC plant.

*Trademark of the Inco family of companies

Other Business

Reprocessing Facilities

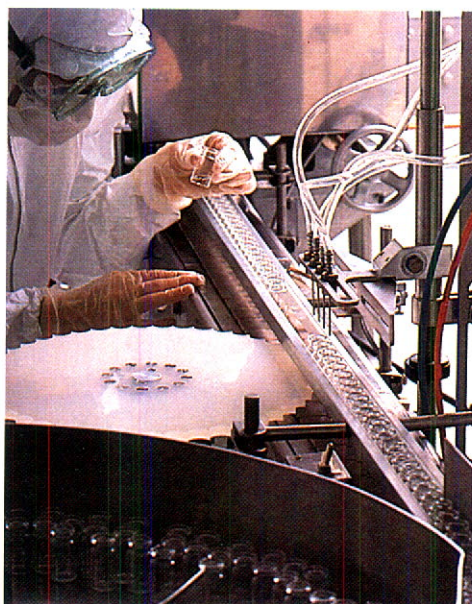
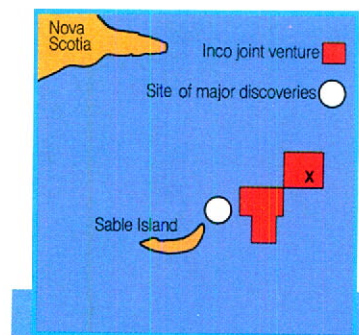
Inco participates in metals reprocessing through two subsidiaries, Inmetco and Pittsburgh Pacific Processing Company. These operations continued to lower their costs and increase their revenues, but were unprofitable primarily because of low nickel prices. During the year, an agreement was reached for the worldwide marketing of the Inmetco technology by Mannesmann Demag, a leading West German supplier of equipment and services to the steelmaking industry.

Oil and Gas

The Company's oil and gas subsidiary, Inco Energy Resources Ltd., was formed in 1979 and has since participated in about 100 wells in Canada and the United States, of which 62 were successful. Inco Energy held interests in 23 producing wells at the end of 1983. In November, Inco Energy and its partners began a two-well exploration drilling program northeast of Sable Island, off the coast of Nova Scotia. Inco Energy has a 19 per cent interest in this block.

During 1983, Inco Energy participated in the drilling of 11 wells and farmed out eight others. Of the total wells, 10 were successful.

Left: Drilling of the Louisbourg J-47 well (marked "X" on the map above the rig) began in late 1983. Right: Bottling of gamma interferon at Biogen facility at Cambridge, Massachusetts.



Venture Capital

Through this highly successful program, Inco seeks to provide equity funding and strategic direction to both new and early-stage companies with the potential for excellent growth and high investment returns. During 1983, venture capital investments with a total cost of \$0.1 million were sold for \$1.2 million. Including 1983 sales, investments with a combined cost of \$5 million have now been sold for \$22 million since the program was initiated eight years ago.

The book value of Inco's venture capital investments totalled \$25 million at the end of 1983. Based on valuation methods employed in the venture capital industry, these investments might be worth as much as \$70 million at year-end 1983. Comparable figures were \$22 million and \$90 million, respectively, at the end of 1982. The decline in the estimated value of the venture capital portfolio was due primarily to a reduction in the valuation of Inco's largest venture capital investment, a 17 per cent interest in Biogen N.V.

Inco's diversified portfolio contains investments in about 50 companies in Canada, the United States and Switzerland. Inco continued to participate in the management of venture capital investments for Canadian institutions through two Ontario limited partnerships formed by Inco and SB Capital Corporation Ltd. of Toronto.

Corrosion Research and Consulting

The LaQue Center for Corrosion Technology, Inc. offers corrosion research, testing, consulting and training to customers worldwide. In operation for half a century, the facility is widely recognized for its record of resolving research and engineering problems related to aqueous corrosion.

Principal Officers

David B. Craig, *President*
Inco Energy Resources, Calgary
Stuart F. Feiner, *President*
Inco Venture Capital Management, New York
R. Todd Grant, *President*
The International Metals Reclamation Company,
Ellwood City, Pennsylvania
Wilber W. Kirk, *President*
LaQue Center for Corrosion Technology
Wrightsville Beach, North Carolina

Financial Folio

Management's Statement on Financial Reporting

The information and representations in this Annual Report have been prepared by management. The consolidated financial statements have been prepared in conformity with generally accepted accounting principles in Canada and, where appropriate, reflect management's best estimates and judgments. The financial information presented throughout this Report is consistent with the data presented in the financial statements.

Systems of internal accounting control are maintained in order to assure on a reasonable basis the reliability of this financial information. These systems include formal policies and procedures, the careful selection and training of qualified personnel, and an organization providing for appropriate delegation of authority and segregation of responsibilities. These systems are monitored by our internal auditors who perform extensive tests and related procedures at major locations worldwide. Our independent auditors, whose report on their examination of the consolidated financial statements appears on page 33, also review our systems of internal accounting control in accordance with generally accepted auditing standards for the purpose of expressing their opinion on the consolidated financial statements.

Financial management personnel, our internal auditors and our independent



The Company's senior financial officers. From left: Ian G. Austin, Treasurer; Ian McDougall, Executive Vice-President, and Anthony J. Sabatino, Comptroller.

auditors meet with the Audit Committee of the Board of Directors at least four times a year to report on accounting, auditing, internal accounting control and financial reporting matters. The Audit Committee also has other duties which are described on the inside back cover.

The consolidated financial statements in this Annual Report have been reviewed and approved by the Board of Directors.

A handwritten signature in cursive script, reading "Charles F. Baird".

Chairman and
Chief Executive Officer

A handwritten signature in cursive script, reading "Ian McDougall".

Executive Vice-President
(Chief Financial Officer)

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Economic and Market Trends

World economic conditions and trends in major end-markets for Inco's products have a significant impact on the Company's financial results.

After three consecutive years of decreasing industrial activity, modest consumer spending and minimal capital investment, the industrialized nations of the world began to emerge in 1983 from their deep economic recession, led by a strong economic upturn in the United States. U.S. gross national product (GNP) increased 3.3 per cent for the year after falling 1.9 per cent in 1982. The U.S. recovery gained momentum throughout the year, with fourth quarter GNP exceeding the final 1982 quarter by 6.1 per cent. Economic improvement also occurred in some European nations, although the rate of increase was more restrained than in the U.S. Japan's economic growth accelerated during the year as exports strengthened.

Combined GNP of member nations of the Organization for Economic Cooperation and Development (OECD) grew 2.3 per cent in 1983 compared with a 0.3 per cent decline in 1982. OECD nations account for about two-thirds of the world's output of goods and services.

The economic recovery is being fueled largely by increased consumer spending. Capital investment, which has a significant influence on nickel demand, continues to lag but appears poised for growth in 1984, particularly in the United States.

A noteworthy development during 1983 was the continued worldwide easing of inflation. Measured by consumer prices in OECD countries, the inflation rate is estimated at 5.1 per cent in 1983, down from 7.8 per cent in 1982 and well below the peak of nearly 13 per cent reached in 1980. Lower inflation rates have a positive effect on Inco by reducing upward pressure on the Company's costs of doing business. On the other hand, lower inflationary expectations can lead to weaker prices for nickel, copper, gold and other primary metals on world commodity markets.

Management's Discussion and Analysis

Charts have been provided to assist the reader in reviewing the Company's results of operations and its financial position.

As a result of the Company's decision to withdraw from the battery and related products businesses of Inco ElectroEnergy in 1981, those businesses have been treated as discontinued business segments. Accordingly, the Company's Statement of Operations for 1981 - 1983 reflects revenues, costs, expenses and taxes for continuing operations only.

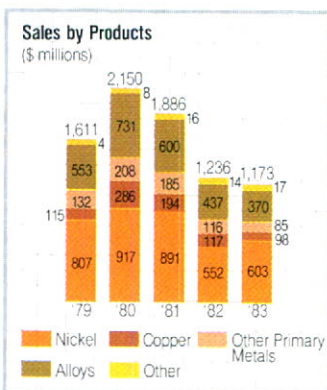
As explained in Note 2 of the Explanatory Financial Section, in 1983 the Company changed its method of accounting for certain inventories from the last-in, first-out (LIFO) basis to average cost. Prior years' results have been restated.

Results of Operations

Primary Metals The Company's nickel business is the primary determinant of its profitability. After three consecutive years of decline, nickel demand increased in 1983, reflecting improved worldwide economic conditions, and nickel prices recovered somewhat from the very depressed levels of late 1982. Nickel demand in the non-communist world is estimated at 1.1 billion pounds for 1983, an increase of 13 per cent over 1982. In 1983, the Company's total nickel deliveries increased by 25 per cent from 1982 as its estimated market share rose from 26 per cent to approximately 28 per cent. The Company's average net prices realized per pound of nickel, including intermediates, were: 1983 - first quarter - \$1.94, second quarter - \$2.14, third quarter - \$2.35, fourth quarter - \$2.29, year - \$2.17; years 1982 - \$2.55 and 1981 - \$2.99.

The availability of copper, cobalt and precious metals was reduced in 1983 and 1982 as a result of production shutdowns at the Ontario Division. Copper prices improved early in 1983 but fell sharply in the last quarter of the year. The Company's average realized price per pound of copper was 72 cents in 1983, 71 cents in 1982 and 82 cents in 1981; cobalt price realizations per pound were \$6.02 in 1983, \$9.98 in 1982 and \$16.40 in 1981.

The Company has made significant progress in productivity improvements. Unit production costs for



Primary Metals (\$ millions)	1983	1982	1981
Sales by product			
Primary nickel	\$ 603	\$ 552	\$ 891
Refined copper	98	117	194
Precious metals	56	68	103
Cobalt	10	24	58
Other products	19	24	24
Net sales to customers	\$ 786	\$ 785	\$1,270
Operating earnings (loss)	\$(138)	\$(130)	\$ 283
Deliveries (pounds in millions)			
Primary nickel and intermediates	278	216	298
Nickel contained in alloy products	36	35	44
Total nickel	314	251	342
Copper	140	167	240

nickel and copper in 1983 were lower than in 1982 and approximated 1981 levels. Such production costs for primary metals had previously been increasing sharply due to lower production levels and escalating costs of labour, supplies and energy. Since the beginning of 1981, employment levels at primary metals operations have been reduced by 25 per cent through attrition, special voluntary retirement incentive programs and layoffs.

Actions taken by the Company in response to depressed market conditions in 1982 extended into 1983. The Ontario Division operations, which had been closed by a one-month strike in June 1982, remained shut down until early 1983; the Port Colborne nickel refinery resumed partial operations in February and the Sudbury and Shebandowan operations re-opened in April. The Port Colborne refinery also had a five-week production shutdown beginning at the end of 1983. The Clydach and Manitoba operations, which had been shut down since May and November 1982, respectively, were re-opened in January 1983. Both the Ontario and Manitoba Divisions were closed for a four-week vacation shutdown in 1983.

Many of the actions taken during 1983 and 1982, such as production shutdowns, conserved cash but penalized earnings. Costs associated with the shutdowns and other cutbacks at all primary metals locations in both years, and with the strike in Ontario in 1982, totalled \$85 million in 1983 and \$169 million in 1982.

Operating results reflect operating losses from the

Indonesian nickel operations of \$69 million in 1983 and, including the Guatemalan operations, \$42 million in 1982 and \$37 million in 1981. Despite increased deliveries in 1983, the loss from the Indonesian operations increased due to lower selling prices. The increased loss in 1982, compared with 1981, reflected lower selling prices and higher unit costs; the 1981 loss included almost \$20 million of shutdown expenses for the Guatemalan operations.

Alloy Products In 1983, sales dropped 15 per cent and operating losses increased 9 per cent, reflecting further weakening of prices and demand from the already depressed levels of 1982. The decline in the value of the pound sterling relative to the U.S. dollar experienced in 1982 and 1981 continued in 1983 and adversely affected the U.S. dollar results of operations in the United Kingdom because sterling inventoried costs are translated into U.S. dollars at historic rates while sales are translated at current rates.

In 1983, the method of accounting for certain inventories was changed from the last-in, first-out method to average cost. Prior years have been restated for comparability. The change increased costs by \$17 million in 1983, \$30 million in 1982 and \$17 million in 1981.

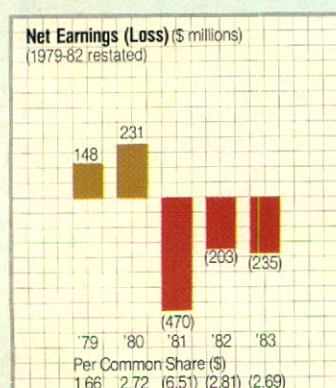
Alloy Products (\$ millions)	1983	1982	1981
Net sales to customers	\$370	\$437	\$600
Operating earnings (loss)	\$ (51)	\$ (47)	\$ 5

Other Business The principal units included in this segment are Inmetco, involved in metals reclamation and recycling, and Inco Energy Resources, which conducts oil and gas exploration and development. Inmetco had an operating loss of \$9 million in 1983 compared to losses of \$7 million and \$12 million in 1982 and 1981, respectively. Although costs decreased in 1983, as they had in 1982, unsatisfactory results were due primarily to low prices. Inco Energy Resources' operating losses, all relating to its exploration activities, were \$10 million in 1983, \$6 million in 1982 and \$8 million in 1981; capitalized exploration expenditures totalled \$11 million at December 31, 1983, compared with \$17 million at December 31, 1982. The balance of the other business losses in 1982 and 1981 was mainly attributable to ventures which have generally been discontinued.

Other Business (\$ millions)	1983	1982	1981
Net sales to customers	\$ 17	\$ 14	\$ 16
Operating loss	\$ (19)	\$ (17)	\$ (27)

Interest and Taxes Interest expense in 1983 totalled \$111 million as compared to \$148 million and \$147 million in 1982 and 1981, respectively. This reduction reflects lower amounts of debt outstanding during 1983 as well as lower interest rates. The Company sold a total of 19,500,000 common shares in 1982 and 1983 for proceeds of \$205 million.

The relationship of income and mining taxes to pretax losses is largely influenced by the level of losses of the nickel operations in Indonesia and Guatemala, on which no tax benefit is recognized. Adjustments related to prior years reduced tax relief in 1983, but increased tax relief in 1982. In addition, because of the loss from Canadian operations in 1983 and 1982, resource and



depletion allowances were not available and the investment tax credit of \$7 million recognized in 1981 was reversed in 1982.

Extraordinary Charges In 1981, the Company incurred two extraordinary charges totalling \$465 million. One charge of \$220 million represented a revaluation equivalent to the Company's total investment in Exmibal, its 80 per cent owned Guatemalan subsidiary, in connection with the decision to mothball Exmibal's nickel mining and processing facilities; the mothballing was completed in 1982. The other charge of \$245 million was a result of the Company's decision to withdraw from the battery and related products businesses of Inco ElectroEnergy Corporation. The Company completed the withdrawal from such businesses in 1983.

Financial Position

Cash Flow, Capital Resources and Liquidity The Company's capital structure is highly leveraged due to heavy reliance on external debt financing, undertaken particularly during the mid-1970s, and the reduction of shareholders' equity resulting from the write-down in 1981 of its investments in Inco ElectroEnergy and Exmibal and the substantial losses incurred by the Company since mid-1981. As of December 31, 1983, the Company's total debt and preferred shares constituted 46% and 13%, respectively, of the Company's total capitalization. At December 31, 1982, these percentages were 44% and 12%, respectively.

In addition to its accomplishments in reducing costs through improved productivity and reductions in worldwide employment, the Company has taken a number of steps to reduce the adverse impact of the continuing losses on its capital structure. These steps have included the sale of certain assets; inventory reductions and the imposition of tight controls on working capital; and reductions in capital expenditures. As a result, despite the net losses of \$235 million in 1983 and \$203 million in 1982, the Company experienced internal cash shortfalls of \$57 million and \$55 million in 1983 and 1982, respectively. In 1981, the Company incurred a shortfall of \$197 million, of which \$130 million related to discontinued business segments. The 1983 and 1982 internal cash shortfalls were more than offset by the proceeds from the sale of common shares totalling \$80 million in 1983 and \$125 million in 1982. Principally as a result of these proceeds, total debt was reduced by \$29 million in 1983 and by \$128 million in 1982. During the last

Ten-Year Review

1983

Summary of operations* (in thousands)

Net sales	\$1,173,400
Cost of sales and operating expenses	\$1,257,700
Selling, general and administrative expenses	\$ 102,500
Interest, net of amounts capitalized	\$ 111,400
Income and mining taxes	\$ (91,300)
Earnings (loss) from continuing operations before extraordinary charges	\$ (234,900)
Net earnings (loss)	\$ (234,900)
Net earnings (loss) applicable to common shares	\$ (256,800)
Per common share	\$ (2.69)
Common dividends	\$ 19,100
Per common share	\$ 0.20
Common shares outstanding (weighted average)	95,451

Other financial data* (in thousands)

Capital expenditures	\$ 71,100
Depreciation and depletion	\$ 126,100
Pension expense	\$ 45,400
Research and development expense	\$ 29,400
Exploration expense	\$ 20,300
Working capital	\$ 528,100
Net property, plant and equipment	\$2,035,500
Total assets	\$3,183,200
Total debt	\$1,174,300
Preferred shares	\$ 335,300
Common shareholders' equity	\$1,027,400
Return on total assets	—
Return on common shareholders' equity	—

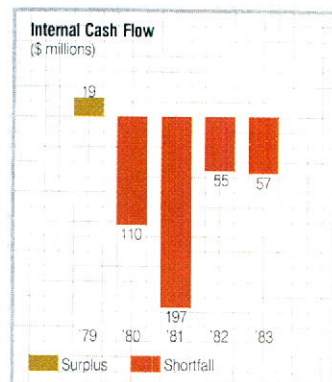
Operating data (in thousands)

Ore mined - short tons	10,400
Nickel production - pounds	282,500
Nickel deliveries - pounds	314,100
Copper deliveries - pounds	140,000
Platinum-group metals and gold deliveries - troy ounces	201

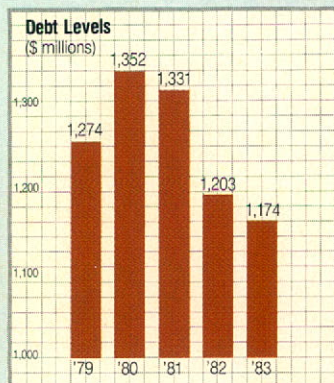
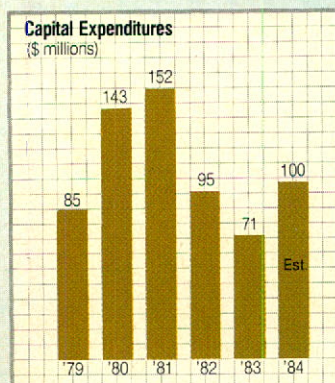
Other statistics

Employees at year end	24,866
Common shareholders at year end	49,653

*Years 1975-1982 restated to reflect a change in the method of accounting for inventories (see Note 2 of the Explanatory Financial Section).



1982	1981	1980	1979	1978	1977	1976	1975	1974
1,236,000	1,885,900	2,150,000	1,611,300	1,298,000	1,247,800	1,442,600	1,198,000	1,450,600
1,277,000	1,454,600	1,329,900	1,105,600	1,001,500	899,100	926,000	741,100	768,300
123,200	144,400	144,500	109,400	102,500	97,200	91,000	79,500	78,900
148,300	147,100	124,800	109,900	59,000	52,600	56,500	38,500	38,900
(119,900)	81,100	260,700	126,200	68,500	74,400	140,100	132,800	244,000
(203,300)	20,400	261,700	141,600	57,200	97,400	189,200	187,800	296,700
(203,300)	(469,600)	231,500	147,500	73,300	109,600	207,500	194,900	298,600
(231,400)	(497,600)	205,300	124,300	52,800	102,000	207,500	194,900	298,600
(2.81)	(6.51)	2.72	1.66	0.71	1.37	2.78	2.61	4.01
16,100	45,000	52,100	37,400	52,200	93,200	119,300	119,300	119,300
0.20	0.59	0.69	0.50	0.70	1.25	1.60	1.60	1.60
82,247	76,395	75,464	74,762	74,595	74,593	74,576	74,552	74,541
95,300	152,200	143,300	85,400	193,400	402,500	434,900	315,800	141,400
110,300	139,900	142,500	111,000	89,700	96,900	98,100	96,600	92,100
34,300	59,800	61,600	54,700	47,900	46,500	47,400	33,700	32,000
35,800	37,000	34,100	26,600	31,400	39,400	34,200	32,200	31,200
19,200	32,700	26,900	13,900	14,200	22,400	34,100	26,500	18,200
789,400	1,023,200	1,081,300	972,900	985,900	854,600	614,000	597,400	648,000
2,109,000	2,136,100	2,542,400	2,523,400	2,540,500	2,436,700	2,119,400	1,785,000	1,560,200
3,472,500	3,856,400	4,720,900	4,392,200	4,191,600	4,130,400	3,664,300	3,041,000	2,799,700
1,203,400	1,331,400	1,351,700	1,274,100	1,307,000	1,315,600	1,251,600	803,300	621,900
338,600	341,800	345,000	348,300	351,600	353,300	—	—	—
1,215,600	1,332,900	1,859,100	1,687,700	1,590,700	1,590,000	1,581,100	1,492,300	1,416,400
—	—	4.9%	3.4%	1.7%	2.7%	5.7%	6.4%	10.7%
—	—	11.0%	7.4%	3.3%	6.4%	13.1%	13.1%	21.1%
7,500	13,400	16,400	9,600	10,900	19,600	19,800	21,200	22,000
201,300	330,100	393,800	255,000	267,300	416,700	461,600	458,900	509,600
250,800	341,800	345,400	393,600	377,400	312,300	409,800	351,100	549,100
167,400	239,800	288,300	129,100	224,600	341,200	356,000	334,600	367,200
310	317	349	326	468	438	554	301	317
25,798	31,678	33,975	33,864	33,326	38,216	38,696	37,755	32,459
55,759	62,054	67,609	74,541	75,067	77,875	78,014	84,369	86,795



quarter of 1983, the Company experienced an internal cash shortfall of \$25 million. Cash flow will remain negative until metal market conditions improve. The Company intends to finance these shortfalls by drawing on its committed long-term bank credit facilities. However, it may also use other forms of financing, including the issuance of equity capital.

The Company's ability to raise debt in the public markets has been and will continue to be adversely affected by reductions in the Company's credit ratings, the most recent of which was the reduction in the Standard and Poor's bond rating from BBB- to BB+. However, during 1983 the Company increased its committed long-term bank credit facilities by \$69 million. At the end of 1983, the Company had available unutilized credit facilities of \$425 million. Substantially all of these facilities include a covenant which requires that the Company's ratio of consolidated debt to consolidated net worth not exceed 55:45 through 1984, and thereafter not exceed 50:50. At December 31, 1983, this ratio was 47:53. The Company anticipates that, in the absence of a sustained period of further weakness in the nickel markets, it will be able to meet the requirements of this covenant. Accordingly, the Company believes that these unutilized credit facilities should provide adequate liquidity for the near term even if market conditions for the Company's products do not improve in 1984. In the longer term, the adequacy of the Company's liquidity will be dependent upon a return to profitability.

Other Information Reference is made to pages 34 and 37 of this Report for certain information on the effects of inflation and governmental and other policies and factors affecting the Company's operations and investments by non-Canadians in the Company's securities.

Consolidated Statement of Operations

Year ended December 31	1983	1982*	1981*
	<i>(in thousands)</i>		
Revenues			
Net sales	\$1,173,421	\$1,235,983	\$1,885,923
Other income	21,428	41,010	25,677
	1,194,849	1,276,993	1,911,600
Costs and expenses			
Cost of sales and operating expenses	1,257,689	1,276,992	1,454,629
Selling, general and administrative expenses	102,460	123,180	144,378
Research and development	29,405	35,788	36,996
Exploration	20,294	19,165	32,653
Interest expense	111,441	148,298	147,130
Currency translation adjustments	(254)	(3,161)	(5,616)
	1,521,035	1,600,262	1,810,170
Earnings (loss) from continuing operations before income and mining taxes	(326,186)	(323,269)	101,430
Income and mining taxes	(91,292)	(119,927)	81,070
Earnings (loss) from continuing operations before extraordinary charges	(234,894)	(203,342)	20,360
Loss from operations of discontinued business segments, net of applicable income taxes (Note 4)	—	—	(25,347)
Loss before extraordinary charges	(234,894)	(203,342)	(4,987)
Extraordinary charges			
Provision for loss on disposition of discontinued business segments, net of applicable income taxes (Note 4)	—	—	(245,000)
Loss on revaluation of investment in Exmibal (Note 5)	—	—	(219,638)
Net loss	\$ (234,894)	\$ (203,342)	\$ (469,625)
Net loss per common share			
Continuing operations	\$ (2.69)	\$ (2.81)	\$ (.10)
Discontinued business segments	—	—	(.33)
Extraordinary charges	—	—	(6.08)
Net loss per common share	\$ (2.69)	\$ (2.81)	\$ (6.51)

Consolidated Statement of Retained Earnings

Year ended December 31	1983	1982*	1981*
	<i>(in thousands)</i>		
Retained earnings at beginning of year as previously reported	\$ 839,952	\$1,088,317	\$1,630,852
Adjustment to reflect accounting change relating to inventories (Note 2)	42,581	41,710	41,817
Retained earnings at beginning of year as restated	882,533	1,130,027	1,672,669
Net loss	(234,894)	(203,342)	(469,625)
Preferred dividends	(21,882)	(28,053)	(28,017)
Common dividends - \$.20 per share (1982 - \$.20, 1981 - \$.59)	(19,099)	(16,099)	(45,000)
Retained earnings at end of year	\$ 606,658	\$ 882,533	\$1,130,027

The Explanatory Financial Section on pages 26 through 32 is an integral part of these statements.

*Restated—see Note 2.

Consolidated Balance Sheet

December 31	1983	1982*	1981*
	<i>(in thousands)</i>		
Current assets			
Cash	\$ 6,756	\$ 10,396	\$ 6,795
Marketable securities, at cost; (market 1983 - \$9,700,000, 1982 - \$8,700,000, 1981 - \$33,000,000)	8,996	8,255	27,874
Accounts receivable	249,925	190,269	296,001
Income tax refunds receivable	19,009	51,234	18,386
Inventories	692,733	851,231	1,084,455
Prepaid expenses	7,165	8,254	11,561
Investment in discontinued business segments (Note 4)	—	70,000	205,000
Total current assets	984,584	1,189,639	1,650,072
Property, plant and equipment	3,601,588	3,571,856	3,523,833
Less - Accumulated depreciation and depletion	1,566,074	1,462,872	1,387,691
	2,035,514	2,108,984	2,136,142
Other assets			
Investments in and advances to affiliates, on an equity basis	14,255	14,143	14,776
Miscellaneous securities	133,201	73,545	39,248
Investment in discontinued business segments (Note 4)	—	70,000	—
Charges to future operations	15,635	16,234	16,115
	163,091	173,922	70,139
Total assets	\$3,183,189	\$3,472,545	\$3,856,353
Current liabilities			
Notes payable	\$ 19,446	\$ 6,175	\$ 153,227
Long-term debt due within one year	99,162	67,971	76,153
Trade accounts payable	48,574	37,826	42,544
Accrued payrolls and vacations	65,936	56,919	84,130
Other payables and accrued liabilities	204,230	203,754	211,635
Income and mining taxes payable	19,151	27,625	59,138
Total current liabilities	456,499	400,270	626,827
Other liabilities			
Long-term debt	1,055,705	1,129,293	1,101,981
Deferred income and mining taxes	241,400	346,800	412,100
Pension benefits	61,290	36,299	34,357
Minority interest	5,570	5,667	6,433
	1,363,965	1,518,059	1,554,871
Preferred shares issued, \$25 (Cdn.) issue price:			
Series A floating rate	239,250	239,250	239,250
Series B 7.85%	96,086	99,344	102,548
	335,336	338,594	341,798
Common shareholders' equity			
Common shares issued, without nominal or par value	359,695	272,053	141,794
Capital surplus	61,036	61,036	61,036
Retained earnings	606,658	882,533	1,130,027
Total common shareholders' equity	1,027,389	1,215,622	1,332,857
Total liabilities and shareholders' equity	\$3,183,189	\$3,472,545	\$3,856,353

The Explanatory Financial Section on pages 26 through 32 is an integral part of these statements.

*Restated

Approved by the Board of Directors: **Charles F. Baird**
Ian McDougall

Consolidated Statement of Changes in Financial Position

Year ended December 31	1983	1982*	1981*
	<i>(in thousands)</i>		
Financial resources were provided (used) by			
Continuing operations			
Earnings (loss) before extraordinary charges	\$(234,894)	\$(203,342)	\$ 20,360
Charges (credits) not affecting working capital			
Depreciation	112,904	101,356	123,716
Depletion	13,161	8,991	16,190
Deferred income and mining taxes	(105,400)	(65,300)	17,300
Pension benefits	25,687	—	—
Loss on disposals of property, plant and equipment	10,175	3,715	16,707
Currency translation adjustments not affecting working capital	(283)	(12,191)	(7,042)
Other – net	(641)	(1,662)	2,558
	(179,291)	(168,433)	189,789
Discontinued operations – loss from operations and credits not affecting working capital	—	—	(28,359)
Working capital provided (used) by operations before extraordinary charges	(179,291)	(168,433)	161,430
Extraordinary charges			
Changes in working capital resulting from:			
Discontinuance of business segments	—	—	(93,898)
Revaluation of investment in Exmibal	—	—	(20,728)
Working capital provided (used) by operations	(179,291)	(168,433)	46,804
Long-term borrowings	153,760	69,825	346,031
Net proceeds from sales of common shares and warrants	80,435	124,514	—
Shares issued in lieu of cash dividends	6,143	5,360	15,215
Other – net	11,581	3,248	11,070
Total	72,628	34,514	419,120
Financial resources were used for			
Preferred dividends	21,882	28,053	28,017
Common dividends	19,099	16,099	45,000
Capital expenditures for continuing operations	71,079	95,290	152,247
Capital expenditures for discontinued business segments	—	—	33,392
Reclassification of investment in discontinued business segments	—	100,300	—
Reduction of long-term debt	221,852	28,648	218,494
Total	333,912	268,390	477,150
Decrease in working capital	\$(261,284)	\$(233,876)	\$ (58,030)
Analysis of changes in working capital			
Increase (decrease) in current assets			
Cash and marketable securities	\$ (2,899)	\$ (16,018)	\$ (18,614)
Accounts and tax refunds receivable	27,431	(72,884)	(270,632)
Inventories	(158,498)	(233,224)	(300,302)
Prepaid expenses	(1,089)	(3,307)	(6,416)
Investment in discontinued business segments	(70,000)	(135,000)	205,000
Total	(205,055)	(460,433)	(390,964)
Increase (decrease) in current liabilities			
Notes payable and other debt	44,462	(155,234)	(77,526)
Payables and accrued liabilities	20,241	(39,810)	(115,761)
Income and mining taxes payable	(8,474)	(31,513)	(139,647)
Total	56,229	(226,557)	(332,934)
Decrease in working capital	\$(261,284)	\$(233,876)	\$ (58,030)

The Explanatory Financial Section on pages 26 through 32 is an integral part of these statements.

*Restated

Explanatory Financial Section

Note 1. Summary of Significant Accounting Policies

This summary of the major accounting policies of Inco Limited and subsidiaries is presented to assist the reader in evaluating the financial statements contained in this Report. These policies apply to the continuing operations of the Company and have been followed consistently in all material respects for the periods covered in the financial statements, except as described in Note 2.

Principles of consolidation The consolidated financial statements include the accounts of the Company and its subsidiaries and are prepared in conformity with generally accepted accounting principles as established in Canada which, in the Company's case, generally conform with those established in the United States, except as explained in Note 3.

Translation of financial statements into United States dollars

The financial statements are expressed in United States currency. As explained in Note 2, the Company adopted, effective from January 1, 1983, translation standards issued by the Canadian Institute of Chartered Accountants in June 1983. Cash, accounts receivable, current liabilities, the liability for pension benefits and long-term debt are translated at year-end rates of exchange. The translation of all other assets and liabilities generally recognizes the rates historically applicable. Revenues, expenses and certain costs are translated at monthly average rates during each year; inventoried costs, depreciation and depletion, and deferred tax draw-downs are translated at historical rates. Realized exchange gains and losses and currency translation adjustments are included in earnings currently except that, effective in 1983, currency translation adjustments relative to long-term monetary items with a fixed and ascertainable life are deferred and amortized over the life of the item.

Inventories Inventories are stated at the lower of cost or net realizable value. Cost for metals is mainly average production or purchase cost, and for supplies is average purchase cost.

Property, plant and equipment Property, plant and equipment is stated at cost. Such cost in the case of the Company's mines represents related acquisition and development expenditures.

Depreciation and depletion Depreciation is calculated using the straight-line method and, for the nickel operations in Indonesia (and Guatemala, while in operation), the unit-of-production method based on the estimated economic lives of property, plant and equipment. Such lives are generally limited to a maximum of 20 years and are subject to annual review. Depletion is calculated by a method which allocates the related recorded costs ratably to the tons of ore mined. Depletion is the systematic amortization of the recorded cost of the Company's mines and does not represent the decrease, if any, in the value of ore reserves as a result of ore mined.

Exploration Expenditures for mineral exploration are expensed as incurred. Expenditures for oil and gas prospects are accounted for by the successful efforts method, under which expenditures are expensed if a prospect is determined to be unsuccessful.

Income and mining taxes Deferred taxes are provided in recognition of timing differences that arise in reporting depreciation and other expense and revenue items for financial statement and income and mining tax purposes. Investment tax credits are accounted for by the "flow-through" method. Income taxes have not been provided on undistributed earnings of subsidiaries because only a minor portion of such earnings has not been or will not be permanently reinvested.

Pension plans The Company has pension plans covering essentially all employees. Pension costs are calculated based on actuarial estimates. Prior service costs, which will be charged to operations within the next 14 years, approximated \$120 million at December 31, 1983.

Net loss per common share Net losses per common share are calculated by dividing net losses plus preferred dividends by the weighted average number of common shares outstanding. The common stock equivalents of outstanding stock options and warrants do not dilute losses per common share.

Note 2. Accounting Changes

In 1983, the Company changed its method of accounting for certain metals inventories from the last-in, first-out (LIFO) method to average cost. The inventories previously accounted for by the LIFO method relate principally to the Company's alloy products operations. Studies recently completed concluded that, in the Company's circumstances, the average cost method will provide a more appropriate valuation of inventories and a better matching of costs and revenues. The adoption of the average cost method, which requires retroactive application and restatement of prior periods, reduced the net losses for 1983 by \$7,655,000 (8 cents per common share) and 1982 by \$871,000 (1 cent per common share), but increased the 1981 loss by \$107,000; inventories were increased by \$60.2 million at December 31, 1983 as a result of the change.

As required under currency translation standards issued in June 1983 by the Canadian Institute of Chartered Accountants, the Company changed its method of recording currency translation adjustments related to long-term monetary items with a fixed and ascertainable life. Effective January 1, 1983, such adjustments are deferred and amortized over the remaining life of the item; previously such adjustments were included in earnings currently. This change increased the Company's net loss for 1983 by \$2,418,000 (3 cents per common share).

Note 3. Differences Between Canadian and United States Generally Accepted Accounting Principles

United States accounting practices relating to foreign currency translation have been established by Financial Accounting Standards Board Statement No. 52, issued in December 1981 and which would be effective for the Company from January 1, 1983. These practices are not entirely compatible with Canadian accounting practices which the Company follows and which are described in Note 1. Under United States practices, all currency translation adjustments are included in earnings currently whereas Canadian practices require that currency translation adjustments related to long-term monetary items with a fixed and ascertainable life be deferred and amortized over the life of the item. In addition, deferred income and mining taxes and the Series A Preferred Shares are translated at year-end rates of exchange under United States practices rather than historical rates of exchange which are required by Canadian practices.

The following table compares the 1983 net loss as determined and reported under Canadian practices with the net loss that would have been reported under United States practices.

	Accounting Practices	
	Canadian	United States
	(in thousands)	
Net Loss		
First Quarter* (unaudited)	\$ 81,870	\$ 73,867
Second Quarter* (unaudited)	37,080	54,470
Third Quarter* (unaudited)	61,365	62,960
Fourth Quarter (unaudited)	54,579	53,495
Year 1983	\$234,894	\$244,792
Loss per common share	\$ 2.69	\$ 2.79

*Restated

The difference in the net loss for the year of \$9,898,000 would have been reflected in the Consolidated Statement of Operations as reduced income and mining tax relief of \$17,771,000, partially offset by increased gains from currency translation adjustments of \$7,873,000.

A comparison of the major balance sheet accounts as reported under Canadian practices with such accounts if reported under United States practices is shown below.

	Accounting Practices	
	Canadian	United States
	(in thousands)	
Deferred Income and Mining Taxes		
- December 31, 1983	\$ 241,400	\$ 194,000
Series A Preferred Shares		
- December 31, 1983	239,250	201,000
- December 31, 1982	239,250	203,250
- December 31, 1981	239,250	210,750
Retained Earnings		
- December 31, 1983	606,658	692,767
- December 31, 1982	882,533	918,533
- December 31, 1981	1,130,027	1,158,527

At January 1, 1983, Deferred Income and Mining Taxes would be reduced, and Retained Earnings increased, by \$59,700,000 under United States practices.

The Company's net loss for 1982 and 1981 is identical under both Canadian and United States accounting practices. However, with respect to 1981, under the United States practices the loss from continuing operations

would have been \$199.2 million (\$2.97 a common share) including the loss on revaluation of the Company's investment in Exmibal referred to in Note 5 and the loss from discontinued business segments would have been \$270.3 million (\$3.54 a common share).

Note 4. Discontinued Business Segments

As a result of its decision to withdraw from the battery and related products businesses of Inco ElectroEnergy, in 1981 the Company recorded a provision for the loss on disposition of these businesses of \$245 million, after tax relief of \$47 million. These businesses have been treated as discontinued business segments. Accordingly, the Consolidated Statement of Operations excludes the revenues, costs, expenses and income taxes of the discontinued business segments, but reports the losses from these operations separately for 1981; no such loss is reported for 1982 and 1983 because anticipated operating losses were included in the provision recorded in 1981. The Consolidated Balance Sheet reflects the investment in these businesses at estimated net realizable values of \$140 million for 1982 and \$205 million for 1981. The Company completed the withdrawal from these businesses in 1983.

Under agreements with the purchasers of these businesses, the Company made certain representations concerning the condition of the businesses and assumed, or agreed to assume, certain liabilities. The Company may therefore be required in future years to provide indemnification to the purchasers under these agreements or make payments in connection with assumed liabilities. Any indemnification would be made primarily through the reduction of notes received by the Company in connection with such sales and, to a lesser degree, in cash. The Company cannot presently estimate the amount of possible note reductions or payments which might be required, but believes that the total amount of such indemnification or payments would not be material in relation to the Company's financial position.

Note 5. Loss on Revaluation of Investment in Exmibal

In late 1981, the Company decided to mothball the nickel mining and processing facilities of its 80 per cent owned Guatemalan subsidiary, Exploraciones y Explotaciones Mineras Izabal, S.A. (Exmibal) and wrote down its investment in Exmibal by \$219.6 million. In accordance with applicable accounting rules, no tax relief was recognized relative to this write-down. The \$219.6 million charge was equivalent to the Company's total investment in Exmibal, including loans and advances, and reflects a provision for repayment of Exmibal's external debt for which the Company has certain obligations. The facilities were mothballed in early 1982.

Note 6. Other Income

Other income includes net gains on sales of assets, gains on retirement of long-term debt, interest, dividends, results of equity interests in affiliates and joint ventures, and realized exchange gains and losses which were not material. Also included in other income are gains on sales of securities, principally marketable equity securities, of \$1,100,000 (1982 - \$6,150,000; 1981 - \$1,720,000).

Note 7. Inventories

Inventories consist of the following:

December 31	1983	1982*	1981*
	(in thousands)		
Metals, finished and in-process	\$590,750	\$741,400	\$ 963,542
Supplies	101,983	109,831	120,913
	\$692,733	\$851,231	\$1,084,455

*Restated — see Note 2.

Note 8. Property, Plant and Equipment

Property, plant and equipment consists of the following:

December 31	1983	1982	1981
	(in thousands)		
Mines and mining plants	\$1,214,772	\$1,167,400	\$1,132,069
Processing facilities	1,517,098	1,500,634	1,508,311
Other	329,106	373,594	365,478
Primary metals facilities	3,060,976	3,041,628	3,005,858
Alloy products facilities	436,337	439,112	394,833
Other	104,275	91,116	123,142
Total property, plant and equipment	3,601,588	3,571,856	3,523,833
Accumulated depreciation	1,245,258	1,150,660	1,084,470
Accumulated depletion	320,816	312,212	303,221
	1,566,074	1,462,872	1,387,691
Net property, plant and equipment	\$2,035,514	\$2,108,984	\$2,136,142

Net property, plant and equipment at December 31, 1983 includes \$729 million relative to the Indonesian nickel operations and \$105 million applicable to mines in Canada which were on standby throughout 1983.

Note 9. Income and Mining Taxes

The provisions for income and mining taxes (tax relief) for the years 1981-1983 were as follows:

	1983	1982*	1981*
	(in thousands)		
Current taxes	\$ 10,608	\$ (48,627)	\$75,470
Current deferred	3,500	(6,000)	(11,700)
Future deferred	(105,400)	(65,300)	17,300
Total deferred taxes	(101,900)	(71,300)	5,600
Total income and mining taxes	\$ (91,292)	\$ (119,927)	\$81,070
Canada	\$ (74,401)	\$ (101,048)	\$77,283
Other (principally United States and United Kingdom)	(16,891)	(18,879)	3,787
	\$ (91,292)	\$ (119,927)	\$81,070

*Restated

Earnings (losses) before income and mining taxes, by source, were as follows:

	1983	1982*	1981*
	(in thousands)		
Canada	\$ (263,494)	\$ (241,415)	\$163,684
Other**	(62,692)	(81,854)	(62,254)
Total	\$ (326,186)	\$ (323,269)	\$101,430

**Includes the losses of the Indonesian and Guatemalan nickel operations.

*Restated

Deferred taxes result from timing differences arising from transactions which enter into the determination of book income and taxable income in different reporting

periods. The sources of material timing differences, and the tax effect of each, for the three years were as follows:

	1983	1982*	1981*
	(in thousands)		
Tax (over) under book inventory valuation	\$ (1,100)	\$ (4,300)	\$10,800
Tax over (under) book depreciation	(105,500)	(64,400)	7,300
Effect of U.S. foreign tax credit	—	—	5,300
Effect of U.K. tax change relating to prior years	—	—	(9,700)
Tax (under) book employee benefits	(1,300)	(600)	(8,200)
Other	6,000	(2,000)	100
Total	\$ (101,900)	\$ (71,300)	\$ 5,600

*Restated

The deferred tax benefits recognized in 1983 and 1982 relative to the excess of book over tax depreciation reflect the reversal of deferred tax liabilities established in prior years and give effect to similar excesses, having a tax effect totalling \$85 million, becoming available in future years.

The reconciliation between the combined federal-provincial statutory income tax rate in Canada and the effective income and mining tax rate follows:

Year ended December 31	1983	1982*	1981*
	Percentage of pretax earnings (loss)		
Combined Canadian federal-provincial statutory income tax rate	(48.9)%	(48.4)%	49.0%
Resource and depletion allowances	—	—	(39.3)
Adjusted income tax rate	(48.9)	(48.4)	9.7
Mining taxes	(2.1)	(1.9)	30.5
	(51.0)	(50.3)	40.2
Effects of losses of nickel operations in Indonesia and Guatemala	14.7	13.1	52.0
Currency translations	1.2	4.6	20.9
U.K. stock relief	(1.1)	(1.8)	(18.0)
Prior year tax adjustments	2.6	(3.3)	(0.3)
Investment tax credits	(0.1)	2.2	(6.8)
Inventory allowance — Canada	(1.4)	(2.2)	(5.6)
Tax rate differential	6.8	2.2	(2.4)
Other	0.3	(1.6)	(0.1)
Effective income and mining tax rate	(28.0)%	(37.1)%	79.9%

*Restated

In the three-year period 1981 through 1983, the changes in the effective income and mining tax rate were largely influenced by the level of losses of the nickel operations in Indonesia and Guatemala, on which no tax benefit is recognized. Since the Company operated at a loss in Canada in 1983 and 1982, resource and depletion allowances were not available and the 1981 investment tax credit of \$7 million was reversed in 1982. Prior year adjustments reduced income and mining tax relief in 1983, but increased such relief in 1982. The percentages for 1981 reconciling items were accentuated significantly by the low level of pretax earnings in 1981. The effective tax rate for 1981 was reduced by changes in tax legislation in the United Kingdom related to stock relief. Legislation enacted in 1981, which relates stock relief to the effect of inflation on inventories, reduced income and mining taxes by \$3.6 million in 1983, \$5.8 million in 1982, and \$18.3 million in 1981 including the reversal of \$9.7 million of deferred tax liabilities established in 1980.

The cumulative tax effect of timing differences

relating to items of a non-current nature is shown separately as deferred income and mining taxes of \$241,400,000 in the Consolidated Balance Sheet at December 31, 1983. The cumulative tax effect of timing differences relating to items of a current nature of \$3,000,000 at December 31, 1983 is reflected as a reduction in the current liability for income and mining taxes payable. Investment tax credits reduced income and mining taxes by \$7 million in 1981, whereas in 1982, the reversal of the 1981 Canadian investment tax credit resulted in a charge of \$7 million.

The losses and unutilized investment tax credits relative to the Company's nickel operations in Indonesia, which totalled \$314 million and \$55 million, respectively, through December 31, 1983, can be carried forward indefinitely to reduce future taxes. As a result of the disposition of Inco ElectroEnergy, the Company has approximately \$34 million of capital losses in the United States which can be carried forward until 1988. The Company also has investment tax credits of \$8 million in the United States, the major portion of which can be carried forward until 1997, and investment tax credits of \$16 million in Canada, \$7 million of which can be carried forward until 1986, \$5 million until 1987, \$1 million until 1988 and \$3 million until 1990.

Note 10. Long-Term Debt

The Company's long-term debt consists of the following (the applicable weighted average interest rates and repayment periods as at December 31, 1983 are shown in parentheses):

December 31	1983	1982	1981
	(in thousands)		
Inco Limited			
6.85% U.S.\$ Debentures (1986-1993)	\$ 97,293	\$ 103,850	\$ 103,875
8.625% Cdn.\$ Debentures (1984-1991)	47,660	49,986	51,830
9.25% Cdn.\$ Debentures (1984-1990)	46,019	48,076	49,976
9.0% Eurodollar Debentures (1985-1992)	80,936	89,316	89,994
8.25% Eurodollar Notes (1984)	48,334	50,000	50,000
12.375% U.S.\$ Debentures (1991-2010)	100,000	100,000	100,000
15.75% Sterling Unsecured Loan Stock (2006)	49,500	49,500	49,500
U.S.\$ Term loans (10.6%) (1984-1989)*	100,000	50,000	—
U.S.\$ Revolving loans (10.7%) (1984-1993)*	287,000	216,300	232,000
Cdn.\$ Revolving loans (10.1%) (1985-1991)**	34,796	40,401	38,778
P.T. International Nickel Indonesia			
Eurodollar bank loans (11.2%) (1985-1989)*	75,000	103,848	107,692
Export & supplier credits (8.7%) (1984-1989)	100,010	146,340	167,459
Export & supplier credits	—	4,878	8,430
8.0625% U.S.\$ Production sharing loan (1985-1986)	6,750	12,600	16,200
Exmibal			
Export & supplier credits (8.2%) (1984-1988)	26,246	32,794	37,357
9.5% U.S.\$ International agency loans (1984-1988)	5,700	7,800	9,600
Eurodollar bank loans	—	2,000	6,000
Inco Europe Limited and subsidiaries			
U.S.\$ Revolving loans	—	18,000	10,000
Other (10.1%) (1984-2001)	8,328	9,469	10,776
Other Indebtedness			
(7.1%) (1984-2002)	41,295	62,106	38,667
	1,154,867	1,197,264	1,178,134
Long-term debt due within one year	99,162	67,971	76,153
Long-term debt	\$1,055,705	\$1,129,293	\$1,101,981

*Interest is based on Eurocurrency rates.

**Interest is based on Canadian money market and banks' prime commercial lending rates.

The average interest rate on long-term debt at December 31, 1983 was 9.8%. Approximately 43% of such debt carries interest rates that are subject to periodic adjustments based on market interest rates. Long-term debt is payable in the following currencies, after reflecting forward exchange contracts hedging the debt: 94%-U.S. dollars, 4%-Canadian dollars, and 2%-other currencies.

Interest expense on long-term debt for the years 1983, 1982 and 1981 was \$108,508,000, \$129,091,000 and \$119,830,000, respectively. Total interest expense is net of interest income earned from formal intercompany

loans to discontinued business segments, at market interest rates, which totalled \$881,000 in 1983, \$3,645,000 in 1982 and \$19,438,000 in 1981.

In late 1983, the debt of P.T. International Nickel Indonesia ("P.T. Inco") was restructured; 25% of P.T. Inco's senior debt was repaid in order of maturity and security provisions were revised. The Company has not extended a financial guarantee of the debt of P.T. Inco. However, under the terms of an amended Completion Guarantee Agreement, the Company has agreed, subject to force majeure, to provide sufficient funds in the form of equity and/or loans to enable P.T. Inco to meet its financial obligations as they become due, including scheduled debt service payments, until all senior funded debt of P.T. Inco which was outstanding as of December 22, 1983 has been repaid.

At the end of 1983, the Company had unutilized committed credit facilities of \$425 million. Substantially all of these facilities contain a covenant which requires that the ratio of the Company's consolidated debt to its net worth not exceed 55:45 through 1984 and thereafter not exceed 50:50; at December 31, 1983, this ratio was 47:53. Under these facilities, net worth is essentially defined as the sum of preferred shares and common shareholders' equity, and consolidated debt is defined to include borrowings, guarantees and certain other minimal obligations. During 1983 the Company incurred fees of \$1,290,000 to compensate banks for credit facilities.

Long-term debt maturities and sinking fund requirements for each of the five years through 1988 are: 1984 - \$99,162,000; 1985 - \$46,292,000; 1986 - \$85,924,000; 1987 - \$155,580,000; 1988 - \$101,401,000.

Note 11. Preferred and Common Shares

At December 31, 1983, the authorized share capital of the Company consisted of 30,000,000 preferred shares and an unlimited number of common shares. In 1982, the Company received \$72,423,000 from the sale in May of 6,900,000 Common Shares with warrants to purchase an additional 3,449,995 Common Shares, and \$52,091,000 from the sale in November of 6,000,000 Common Shares. In April 1983, the Company sold 6,600,000 Common Shares for proceeds of \$80,435,000. If the 6,600,000 Common Shares had been sold at the beginning of 1983 and the net proceeds used to reduce debt, and therefore interest expense, the loss per common share would have been \$2.63 for the year 1983 instead of \$2.69.

The Series A Preferred Shares, which do not have general voting rights, have a cumulative floating rate dividend equal to half of the Canadian bank prime rate plus 1½ per cent. The shares are redeemable at the option of the Company at \$25.1875 (Cdn.) currently; such price will decrease to \$25.00 (Cdn.) on March 1, 1984. The shares are retractable at par, at the option of the holders, in 1987. The purchase price of the major portion of the Canadian dollars required to redeem these shares is hedged by forward exchange contracts at an effective average rate of \$1.00 (Cdn.) to \$.81 (U.S.). The dividends of \$15,015,000 paid in 1983 on these preferred shares reflected an average annual dividend rate of approximately 7.4%; this dividend rate averaged 10.3% in 1982 and 9.9% in 1981.

The 7.85% cumulative Series B Preferred Shares have general voting rights and were redeemable at \$25.80 (Cdn.) commencing December 1, 1983, such price decreasing annually to \$25.00 (Cdn.) by December 1, 1987. The Company is required to repurchase 150,000 Series B Preferred Shares annually if such shares are available at a price not greater than \$25.00 (Cdn.) per share.

Series B Preferred shareholders have the right to elect to receive Series B Preferred Shares or Common Shares in lieu of cash dividends. Under the Inco Optional Stock Dividend Program, common shareholders may elect to receive Common Shares, valued at a five per cent discount from the market price of the shares, in lieu of cash dividends.

Changes in the Series B Preferred Shares and Common Shares for the years 1981-1983 are shown below. There were no changes in the 10,000,000 Series A Preferred Shares issued in 1977.

	Series B Preferred Shares		Common Shares	
	Number of shares	\$ in thousands	Number of shares	\$ in thousands
December 31, 1980	4,640,752	\$105,790	75,966,887	\$125,413
Shares purchased	(150,000)	(3,420)	—	—
Stock options exercised	—	—	19,568	315
Shares issued in lieu of dividends	8,504	178	809,019	15,037
Shares sold under Share Purchase Plan	—	—	55,019	1,029
December 31, 1981	4,499,256	102,548	76,850,493	141,794
Shares purchased	(150,000)	(3,420)	—	—
Shares issued in lieu of dividends	10,585	216	532,742	5,144
Shares sold under Share Purchase Plan	—	—	59,412	601
Shares sold under public offerings	—	—	12,900,000	124,514
December 31, 1982	4,359,841	99,344	90,342,647	272,053
Shares purchased	(149,000)	(3,397)	—	—
Stock options exercised	—	—	43,877	442
Shares issued in lieu of dividends	6,867	139	424,907	6,004
Shares sold under Share Purchase Plan	—	—	50,435	749
Shares sold under public offering	—	—	6,600,000	80,435
Warrants exercised	—	—	925	12
December 31, 1983	4,217,708	\$ 96,086	97,462,791	\$359,695

Note 12. Stock Option Plans

The Key Employees Incentive Plan ("1968 Plan") and the 1979 Key Employees Incentive Plan ("1979 Plan") each authorized the granting of options to purchase up to 1,000,000 Common Shares at prices not less than 100% of their market value on the day the option is granted. The Plans provide that no shares subject to option shall be purchasable after ten years from the date of grant. With respect to stock options, the 1968 Plan was terminated in 1978 except as to options then outstanding, and no further options may be granted thereunder. At December 31, 1983, outstanding options for 547,475 shares under these Plans also carry share appreciation rights.

Changes during the year 1983 in options outstanding are summarized as follows:

	Number of Shares	
	1979 Plan	1968 Plan
Outstanding at December 31, 1982	792,360	435,399
Options granted at \$16.50 a share	259,000	—
Exercised at average option price of \$9.31 a share	(37,250)	(1,000)
Expired or cancelled	(130,375)	(37,287)
Outstanding at December 31, 1983	883,735	397,112
Shares available for grant at December 31, 1983	38,300	—
Shares exercisable as at December 31, 1983	454,365	397,112

At December 31, 1983, the average option price per share of options outstanding was \$16.89 (range \$9.13 – \$23.94) under the 1979 Plan and \$19.87 (range \$15.57 – \$27.19) under the 1968 Plan. The expiration dates of options outstanding at December 31, 1983 ranged from July 4, 1984 to September 2, 1991. At December 31, 1983, there were 710 employees participating in the Plans.

Note 13. Pension Plans

Pension expense totalled \$45,382,000 in 1983, \$34,335,000 in 1982 and \$59,795,000 in 1981. A comparison of accumulated plan benefits and plan net assets for the Company's Canadian, United States and United Kingdom pension plans is shown below. The actuarial present value of accumulated plan benefits and the net assets available for benefits have not been calculated for other pension plans; such benefits and related net assets are not material. At December 31, 1983, vested and nonvested benefits exceeded the related net assets of one of the Company's major Canadian pension trust funds by approximately \$95 million.

December 31	1983	1982
	(in thousands)	
Actuarial present value of accumulated plan benefits, using an assumed discount rate of 7.3%:		
Vested benefits	\$674,800	\$607,400
Nonvested benefits	132,400	149,400
	\$807,200	\$756,800
Net assets, at market value, available for benefits	\$989,200	\$876,200

Note 14. Financial Data by Business Segment

Financial data by business segment and geographic area, for the years 1983, 1982 and 1981 follow (in millions of dollars):

Data by Business Segment	Year 1983					Year 1982 (Restated)					Year 1981 (Restated)				
	Primary metals	Alloy products	Other	Eliminations	Total	Primary metals	Alloy products	Other	Eliminations	Total	Primary metals	Alloy products	Other	Eliminations	Total
Net sales to customers	\$ 786	\$370	\$ 17	\$ —	\$1,173	\$ 785	\$437	\$ 14	\$ —	\$1,236	\$1,270	\$600	\$ 16	\$ —	\$1,886
Intersegment sales	60	5	—	(65)	—	57	5	—	(62)	—	133	5	—	(138)	—
Total net sales	\$ 846	\$375	\$ 17	\$ (65)	\$1,173	\$ 842	\$442	\$ 14	\$ (62)	\$1,236	\$1,403	\$605	\$ 16	\$ (138)	\$1,886
Operating earnings (loss)	\$ (138)	\$ (51)	\$ (19)	\$ 20	\$ (188)	\$ (130)	\$ (47)	\$ (17)	\$ 36	\$ (158)	\$ 283	\$ 5	\$ (27)	\$ 17	\$ 278
Non-operating expenses*					(138)					(165)					(177)
Earnings (loss) before income and mining taxes					\$ (326)					\$ (323)					\$ 101
Capital expenditures	\$ 48	\$ 18	\$ 5	\$ —	\$ 71	\$ 67	\$ 17	\$ 11	\$ —	\$ 95	\$ 110	\$ 23	\$ 19	\$ —	\$ 152
Depreciation and depletion	\$ 93	\$ 23	\$ 10	\$ —	\$ 126	\$ 84	\$ 20	\$ 6	\$ —	\$ 110	\$ 114	\$ 18	\$ 8	\$ —	\$ 140
Identifiable assets at December 31	\$2,388**	\$516	\$ 73	\$ (20)	\$2,957	\$2,535	\$593	\$ 85	\$ (39)	\$3,174	\$2,804	\$733	\$ 81	\$ (87)	\$3,531
Other assets					226					299					325
Total assets at December 31					\$3,183					\$3,473					\$3,856

Data by Geographic Area	United States				Total after eliminations	United States				Total after eliminations	United States				Total after eliminations
	Canada	States	Europe	Other		Canada	States	Europe	Other		Canada	States	Europe	Other	
Net sales to customers	\$ 178	\$457	\$375	\$ 163	\$1,173	\$ 175	\$465	\$458	\$ 138	\$1,236	\$ 279	\$705	\$728	\$ 174	\$1,886
Sales between geographic areas	479	5	5	1	—	540	10	7	—	—	977	15	12	27	—
Total net sales	\$ 657	\$462	\$380	\$ 164	\$1,173	\$ 715	\$475	\$465	\$ 138	\$1,236	\$1,256	\$720	\$740	\$ 201	\$1,886
Operating earnings (loss)	\$ (107)	\$ (26)	\$ (21)	\$ (54)	\$ (188)	\$ (94)	\$ (14)	\$ (37)	\$ (30)	\$ (158)	\$ 274	\$ 6	\$ 9	\$ (12)	\$ 278
Non-operating expenses*					(138)					(165)					(177)
Earnings (loss) before income and mining taxes					\$ (326)					\$ (323)					\$ 101
Identifiable assets at December 31	\$1,407	\$423	\$281	\$ 910**	\$2,957	\$1,500	\$466	\$346	\$ 988	\$3,174	\$1,800	\$537	\$460	\$1,015	\$3,531
Other assets					226					299					325
Total assets at December 31					\$3,183					\$3,473					\$3,856

*Includes interest expense, general corporate income and expenses, equity in earnings of affiliates and currency translation adjustments.

**Includes assets of \$797 million relating to the Company's nickel operations in Indonesia.

The Company's business is organized around two principal product groups: primary metals and alloy products. The Company's principal primary metals are nickel and copper. Wrought nickel, high-nickel alloys in rolling mill forms, and forgings are the Company's major alloy products.

Other assets include investments in discontinued business segments of \$140 in 1982 and \$205 in 1981 and corporate assets, principally cash, securities, and certain receivables and fixed assets of \$226 (1982 - \$159; 1981 - \$120).

The Company's intersegment sales are generally made at approximate prices used for sales to unaffiliated customers. Sales between geographic areas are generally made at prevailing market prices, except that sales of primary metals from Canada to other primary metals affiliates are net of discounts. In 1983, sales to customers include \$49 (1982 - \$35; 1981 - \$44) exported from Canada and \$11 (1982 - \$29; 1981 - \$61) exported from the United States. In 1983, total sales by Canadian companies include \$231 (1982 - \$257; 1981 - \$464) exported to the United States and \$232 (1982 - \$243; 1981 - \$489) exported to Europe.

Auditors' Report

To the Shareholders of Inco Limited:

We have examined the consolidated financial statements and explanatory financial section appearing on pages 23 through 32 of this report. Our examinations were made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of Inco Limited at December 31, 1983, 1982 and 1981 and the results of its operations and the changes in its financial position for the years then ended in accordance with generally accepted accounting principles as established in Canada applied on a consistent basis, except for the change, with which we concur, in the method of currency translation and, after giving retroactive effect to the change, with which we also concur, in the method of accounting for certain metals inventories, which changes are described in Note 2 of the explanatory financial section.

Toronto, Ontario
New York, New York
February 16, 1984

Pricewaterhouse

Supplementary Financial Information

Quarterly Financial Information

Quarterly financial information follows (in thousands, except per share amounts):

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Year
1983*					
Net sales	\$ 276,103	\$283,887	\$ 265,452	\$ 347,979	\$1,173,421
Cost of sales and operating expenses	\$ 350,642	\$303,228	\$ 261,636	\$ 342,183	\$1,257,689
Loss before income and mining taxes	\$(130,684)	\$(79,392)	\$(57,602)	\$(58,508)	\$(326,186)
Net loss	\$ (81,870)	\$(37,080)	\$(61,365)	\$(54,579)	\$(234,894)
Net loss per common share	\$ (.97)	\$ (.42)	\$ (.69)	\$ (.61)	\$ (2.69)
Dividends per common share	\$.05	\$.05	\$.05	\$.05	\$.20
1982*					
Net sales	\$ 390,797	\$356,901	\$ 233,192	\$ 255,093	\$1,235,983
Cost of sales and operating expenses	\$ 346,073	\$343,919	\$ 263,047	\$ 323,953	\$1,276,992
Loss before income and mining taxes	\$(38,788)	\$(59,669)	\$(108,825)	\$(115,987)	\$(323,269)
Net loss	\$ (34,211)	\$(43,242)	\$(67,626)	\$(58,263)	\$(203,342)
Net loss per common share	\$ (.55)	\$ (.62)	\$ (.90)	\$ (.74)	\$ (2.81)
Dividends per common share	\$.05	\$.05	\$.05	\$.05	\$.20

*The first three quarters of 1983 have been restated to reflect a change in currency translation procedures effective January 1, 1983 and data for both 1982 and 1983 have been restated to reflect a change in the method of accounting for inventories — See Note 2 of the Explanatory Financial Section.

Note: Year 1983 results reflect shutdown costs of \$61 million in the first quarter and \$17 million in the second quarter. Year 1982 results reflect \$182 million of unusual charges relating to production shutdowns, severance costs and a one-month Ontario Division strike, as follows: first quarter — \$21 million, second quarter — \$27 million, third quarter — \$64 million and fourth quarter — \$70 million.

Effect of Inflation on Selected Financial Data The following supplementary information is supplied in accordance with the requirements of the Canadian Institute of Chartered Accountants (CICA) and the Financial Accounting Standards Board (FASB). The purpose is to measure the effects of inflation on the Company's operations and to provide financial information which has been adjusted for the effects of inflation. Two different methods are prescribed for calculating this supplemental information: one based on the effects of general inflation (constant dollar) and the other based on the effects of changes in the specific prices (current cost) of resources used by an enterprise. The technique used to prepare these data results in the restatement of amounts reported in prior years to current year dollars.

In the accompanying statement of income from continuing operations adjusted for changing prices, the Company's results as reported in the primary financial statements are compared with inflation-adjusted data. The terminology used in that presentation and elsewhere in this discussion is defined as follows:

Historical cost/nominal dollar accounting – The generally accepted method of accounting, used in the primary financial statements, based on measures of historical prices.

Constant dollar accounting – A method of reporting financial statement elements in dollars each of which has the same (i.e., constant) general purchasing power.

Current cost accounting – A method of measuring and reporting assets and expenses associated with the use or sale of assets at their current cost or lower recoverable amount at the balance sheet date or at the date of use or sale.

In 1983, the Company changed its method of accounting for certain inventories from the last-in, first-out (LIFO) basis to average cost (see Note 2 of the Explanatory Financial Section). Prior years' results have been restated.

As a result of the Company's decision to withdraw from the battery and related products businesses of Inco ElectroEnergy in 1981, those businesses have been treated as discontinued business segments (see Note 4 of the Explanatory Financial Section). The withdrawal was completed in 1983. The inflation accounting data relate only to continuing operations and, except for shareholders' equity, exclude the Company's investment in discontinued businesses. Common shareholders' equity, for purposes of

computing inflation-adjusted net assets, includes the discontinued businesses at net realizable value for 1981 and 1982 and at historical book value for 1979 and 1980.

The historical cost/nominal dollar values for property, plant and equipment associated with Exmibal have been used in the inflation-adjusted data provided for 1979 and 1980. As discussed in Note 5 of the Explanatory Financial Section, in late 1981 the Company's investment in Exmibal was written down by \$220 million, a charge equivalent to its total investment in Exmibal; accordingly, no value has been assigned to Exmibal's property, plant and equipment for years subsequent to 1980.

The historical cost/nominal dollar values of property, plant and equipment, inventories, and cost of sales and operating expenses expressed in U.S. dollars have been restated into average 1983 constant dollars by applying the U.S. Consumer Price Index for All Urban Consumers (CPI-U). The current cost of property, plant and equipment has been determined principally by the application of specific indices to the historical/nominal dollar value of the assets. The current cost of inventories and cost of sales and operating expenses is based on recent production or manufacturing costs appropriately adjusted. Current cost values for depreciation and depletion are used in these calculations. The current cost information has been estimated initially in local currency and translated into U.S. dollars using year-end exchange rates for property, plant and equipment and inventories and average exchange rates for cost of sales and operating expenses and depreciation and depletion. Depreciation and depletion have been calculated by applying the methods used in historical cost/nominal dollar accounting to the values of property, plant and equipment expressed in constant dollars and at current cost.

Both the CICA and FASB approaches incorporate the concept that the value of monetary assets and liabilities decreases with inflation. Monetary assets and liabilities are those items which are or will be converted into a fixed number of dollars regardless of changes in prices (for example: cash, accounts receivable and debt). Several methods are provided to quantify the effect of gains or losses in the value of monetary assets and liabilities.

Under the CICA's operating capability concept of capital (the capacity to provide goods and services), a financing adjustment is required. The financing adjustment represents a benefit accruing to common shareholders when assets whose current costs have increased have been financed by net monetary liabilities. The use of net monetary liabilities to finance these assets reduces the amount of the increase in their current cost which must be charged against revenues in determining income attributable to common shareholders. The financing adjustment is calculated by first determining the ratio of the average amount of net monetary liabilities for the period to the total of the average current cost of shareholders' equity and such net monetary liabilities. That ratio is then applied either to the amount of changes during the period in the current cost of inventories and property, plant and equipment or to the current cost adjustments made in determining income on a current cost basis to provide alternative financing adjustments. The financing

Statement of Income from Continuing Operations Adjusted for Changing Prices

For the Year Ended December 31, 1983 (in millions)

	As reported in the primary statements (Historical/ nominal dollars)	Adjusted for general inflation (Average 1983 constant dollars; 1967 = 100)	Adjusted for specific price changes (Current cost)
Net sales and other income	\$1,195	\$1,195	\$1,195
Cost of sales and operating expenses**	1,258*	1,489*	1,330*
Selling, general and administrative expenses	102*	107*	106*
Research and development	29*	35*	34*
Exploration	20*	20*	20*
Interest	112	112	112
Total costs and expenses	1,521	1,763	1,602
Loss before income and mining taxes	(326)	(568)	(407)
Income and mining taxes	(91)	(91)	(91)
Loss from continuing operations	\$ (235)	\$ (477)	\$ (316)
*Includes depreciation and depletion, which for the year 1983 totalled**	\$ 126	\$ 282	\$ 259
		1983	1982
Financing adjustments (average 1983 dollars) based on:			
Changes in current cost of inventories and property, plant and equipment		\$ 23	\$ (16)
Current cost adjustments to income		\$ 25	\$ 36
Gain from decline in purchasing power of net amounts owed (average 1983 dollars)		\$ 57	\$ 65
Increase (decrease) in specific prices (current cost/average 1983 dollars) of inventories and property, plant and equipment held during the year**		\$ 66	\$ (46)
Effect of increase in general price level		173	199
Excess of increase in general price level over specific prices		\$ 107	\$ 245

**At December 31, 1983 current cost of inventories was \$773 million (1982 - \$977 million in average 1983 dollars) and property, plant and equipment, net of accumulated depreciation, was \$3,723 million (1982 - \$3,855 million in average 1983 dollars). Cost of sales and operating expenses and depreciation and depletion for the year ended December 31, 1982, as restated into average 1983 dollars, amounted to \$1,426 million and \$243 million, respectively.

adjustment (either alternative) is credited to income or loss on a current cost basis to determine the income or loss attributable to common shareholders. Such determination must also take into account dividends on preferred shares which totalled \$22 million in 1983.

In addition, a direct calculation of the gain or loss applicable to net monetary assets or liabilities is required. In the Company's case, the gain from decline in the purchasing power of net amounts owed is determined by calculating the net monetary assets or liabilities at the beginning and end of the period, stating these amounts in average constant dollars for that period, and deriving the change therefrom. Under the CICA's financial concept of capital (the capacity to maintain the general purchasing power of shareholders' equity), current cost income or loss

must be adjusted by such gain, the excess of the general price level increase over the increase in specific prices, and preferred dividends.

As required, in the accompanying five-year comparison of selected supplementary financial data adjusted for the effects of changing prices, net sales and other income, dividends per common share and market price per common share at year end are restated into constant/average 1983 dollars for each of the five years shown. Net assets at year end is a restatement into constant/average 1983 dollars of common shareholders' equity at year end, as reported in the primary financial statements, adjusted to reflect the excess of the constant dollar and current cost values for inventories and property, plant and equipment over the respective historical cost/nominal dollar amounts.

Comments on Inflation-Adjusted Data With respect to the years 1982 and 1983, the Company's losses in historical cost/nominal dollar terms are accentuated when restated into constant dollars or at current cost. Net earnings as reported in 1979, 1980 and 1981 are generally restated as losses in terms of constant dollars or at current cost. The losses in 1979 and 1980 resulted principally from the requirement that income and mining taxes be reported at the same amount as in the primary financial statements based on historical cost/nominal dollar accounting. This treatment highlights the hidden tax being borne by companies because tax legislation does not give adequate recognition to the effects of inflation.

With respect to pretax earnings or losses, the inflation-adjusted results are influenced by the same factors that affected results expressed in historical cost/nominal dollars. The losses in 1982 and 1983 were primarily the result of weak metals markets, but also reflected shut-down costs and, in 1982, strike costs. 1981 results were adversely affected by significantly lower prices than in 1980 and sharply higher costs and expenses. In 1980, metals prices had improved from the depressed levels of 1979. Sudbury strike costs also had a detrimental effect on 1979 results. Cost of sales and operating expenses at current cost were generally higher than constant dollar equivalents from 1979 to 1981 because prices specific to certain key elements of the Company's production costs were increasing at a faster rate than the CPI-U. However, in 1982 and 1983, this trend was reversed, principally due to the effects of productivity improvements and cost reduction actions implemented during the two years. In fact, cost of sales and operating expenses, excluding depreciation and depletion, were lower at current cost/average 1983 dollars than at historical cost/nominal dollars. In each year, 1981-1983, current cost results reflect a benefit from the strengthening of the U.S. dollar relative to the pound sterling.

The Company's monetary liabilities were substantially in excess of its monetary assets at each year end, resulting in purchasing power gains in net amounts owed ranging from \$254 million in 1979 to \$57 million in 1983.

The decrease in the gain mainly reflects the decline in the rate of inflation over this period and, additionally in 1982 and 1983, the substantial decrease in net monetary liabilities.

Five-Year Comparison of Selected Supplementary Financial Data Adjusted for the Effects of Changing Prices

Year Ended December 31	1983	1982	1981	1980	1979
	<i>(dollars in millions, except per share amounts)</i>				
Net sales and other income					
As reported	\$ 1,195	\$1,277	\$1,912	\$2,187	\$1,643
Constant/average 1983 dollars	1,195	1,318	2,094	2,644	2,255
Earnings (loss) from continuing operations before income and mining taxes					
As reported	\$ (326)	\$ (323)	\$ 101	\$ 521	\$ 268
Constant/average 1983 dollars	(568)	(564)	(161)	337	133
Current cost/average 1983 dollars	(407)	(448)	(167)	291	95
Net earnings (loss) from continuing operations					
As reported	\$ (235)	\$ (203)	\$ 20	\$ 262	\$ 142
Constant/average 1983 dollars	(477)	(440)	(250)	22	(40)
Current cost/average 1983 dollars	(316)	(324)	(255)	(24)	(78)
Net earnings (loss) from continuing operations per common share					
As reported	\$ (2.69)	\$ (2.81)	\$ (0.10)	\$ 3.12	\$ 1.58
Constant/average 1983 dollars	(5.23)	(5.70)	(3.67)	(0.13)	(0.96)
Current cost/average 1983 dollars	(3.54)	(4.29)	(3.75)	(0.74)	(1.47)
Gain from decline in purchasing power of net amounts owed (constant/average 1983 dollars)	\$ 57	\$ 65	\$ 151	\$ 212	\$ 254
Net assets at year end (common shareholders' equity)					
As reported	\$ 1,027	\$1,216	\$1,333	\$1,859	\$1,688
Constant/average 1983 dollars	3,642	3,960	4,194	4,884	4,794
Current cost/average 1983 dollars	2,748	3,052	3,466	4,139	3,994
Excess of general inflation over increase in specific prices of inventories and net property, plant and equipment held during the year	\$ 107	\$ 245	\$ (35)	\$ 79	\$ 182
Dividends per common share					
As reported	\$ 0.20	\$ 0.20	\$ 0.59	\$ 0.69	\$ 0.50
Constant/average 1983 dollars	0.20	0.21	0.65	0.83	0.69
Market price per common share, New York Stock Exchange - Composite transactions, at year end					
Historical dollars	\$ 14.63	\$11.75	\$14.25	\$20.38	\$23.75
Constant/average 1983 dollars	14.38	12.13	15.61	24.64	32.60
Average consumer price index (1967 = 100)	298.4	289.1	272.4	246.8	217.4

Supplementary Operating Statistics The accompanying five-year summary of operating statistics is provided to assist users of mining company financial statements in assessing a company's ability to maintain operating capability.

Of the Company's 483 million short tons of proven and probable ore reserves in Canada at December 31, 1983, a total of 292 million tons were in mines which were producing in 1983 and 191 million tons were in mines under development and in non-producing mines. Only material that has been sampled in sufficient detail to enable a reliable calculation is classified as reserves. Ore grades are shown for both nickel and copper. The

Canadian ore reserves also contain significant quantities of platinum-group metals, gold, silver and cobalt.

At the end of 1983, at the Company's Indonesian nickel operations, detailed sampling of the large nickeliferous laterite resources had been extended to increase the proven and probable ore reserves to 72 million short tons containing 1.3 million tons of nickel from 66 million tons containing 1.2 million tons of nickel at the end of 1982.

The Company's Guatemalan nickel operations were mothballed early in 1982.

Five-Year Supplementary Operating Statistics

Year ended December 31	1983	1982	1981	1980	1979
Canadian Operations:					
Proven and probable ore reserves at year end (tons in millions)	483	491	502	543	514
Nickel content (tons in millions)	7.1	7.3	7.7	8.1	7.6
Copper content (tons in millions)	4.4	4.5	4.6	4.9	4.8
Ore mined (tons in millions)	9.3	6.8	12.2	14.5	8.4
Average grade of ore mined					
Nickel	1.42%	1.48%	1.42%	1.46%	1.53%
Copper	1.00%	.91%	1.09%	1.07%	1.02%
Indonesian Operations:					
Proven and probable ore reserves at year end (tons in millions)	72	66	42		
Nickel content (tons in millions)	1.3	1.2	0.8		
Ore mined (tons in millions)	1.1	0.7	1.2	1.5	0.7
Average grade of nickel in ore mined	2.09%	2.16%	2.09%	2.00%	2.03%
Combined Canadian, Indonesian and Guatemalan Operations:					
Production (pounds in millions)					
Nickel	283	201	330	394	255
Copper	147	135	244	291	146
Average prices realized					
Nickel per pound					
- Historical/nominal dollars	\$2.17	\$2.55	\$2.99	\$3.14	\$2.43
- Constant/average 1983 dollars	\$2.17	\$2.63	\$3.28	\$3.80	\$3.34
Copper per pound					
- Historical/nominal dollars	\$0.72	\$0.71	\$0.82	\$1.00	\$0.91
- Constant/average 1983 dollars	\$0.72	\$0.73	\$0.90	\$1.21	\$1.25

Note: Canadian ore mined, and nickel and copper production were affected by strikes in 1979, 1981 and 1982 and by shutdowns in 1982 and 1983.

* Includes 33 million pounds of finished nickel produced from ore mined at the Guatemalan facilities; such facilities did not operate in 1981 and were mothballed in 1982.

Investor Information

Shareholders

At year-end 1983, of the shareholders having general voting rights (the Common and the Series B Preferred shareholders), 68 per cent had addresses in Canada, 30 per cent in the United States and 2 per cent elsewhere. Of these voting shares, Canadian residents of record held 46 per cent, United States residents of record 43 per cent, and residents of record in other countries 11 per cent.

Warrants

The Company had 3,449,070 share purchase warrants outstanding at December 31, 1983. Each warrant entitles the holder to purchase one Common Share at \$16.00 (Cdn.), or the equivalent in U.S. dollars if the warrant is exercised outside Canada. The warrants expire on August 20, 1985.

Dividends

On February 6, 1984, the Board of Directors declared a regular quarterly dividend of 5 cents a common share, payable March 15 to shareholders of record on February 16. The Company paid total dividends per common share of 20 cents in 1983 and in 1982. The Board of Directors on February 6 also declared a quarterly dividend at an annual rate of 6.75 per cent on the Company's floating rate Series A Preferred Shares, payable March 1 to shareholders of record on February 20 and declared a quarterly dividend on the Company's 7.85% Series B Preferred Shares, payable March 1 to shareholders of record on February 16.

Optional Stock Dividend Program

Under the Company's Optional Stock Dividend Program, common shareholders have the right to elect to receive a stock dividend, valued at a 5 per cent discount from the market price of the Company's Common shares, in lieu of a cash dividend. Holders of 30 per cent of the Company's outstanding Common Shares are now participating in the Program. The Program permits many shareholders to receive certain tax benefits, including the deferral of income taxes and the elimination of Canadian withholding taxes, and also provides common shareholders with a simple and convenient method of obtaining additional Common Shares at a 5 per cent discount and without payment of brokerage commissions or service charges.

Share Purchase Plan

Under the Company's Share Purchase Plan, common shareholders are entitled to make cash payments to purchase Common Shares of the Company at prevailing market prices. There are no service charges or brokerage commissions for Common Shares purchased under the Plan. Common shareholders can contribute from \$30 to \$6,000 (Cdn.) or from \$30 to \$5,200 (U.S.) per calendar quarter to purchase Common Shares from the Company on scheduled quarterly dividend payment dates. Those shareholders who wish to participate in the Plan or the Optional Stock Dividend Program or who desire additional information should write to Shareholder Services, Inco Limited, at either the Company's Toronto or New York address.

Other Information

Canadian federal legislation generally requires a 15 per cent withholding from cash dividends paid to common shareholders resident in the United States, the United Kingdom and most western European countries. Similarly, depending upon applicable tax treaties, cash dividends paid to other non-residents of Canada are subject to a withholding tax at a maximum rate of 25 per cent. Interest payable on the Company's debt securities held by non-Canadian residents may also be subject to Canadian withholding tax, depending upon the terms and provisions of such securities. Stock dividends paid to non-Canadian residents are generally not subject to Canadian withholding tax. Under recent legislation enacted in the United States, the Company may be required to withhold at a 20 per cent rate on dividends and interest paid after June 30, 1984 to certain United States persons for whom the Company does not have a taxpayer identification number.

The Company has two classes or series of securities which have general voting rights, its Common Shares and its 7.85% Preferred Shares Series B. At shareholders' meetings, each holder of these securities is entitled to one vote for each share held and there are no cumulative voting provisions. In addition, the institutional holders of the Company's Series A Preferred Shares have certain limited rights to elect two directors if dividends thereon are in arrears. At December 31, 1983, the number of Series A Preferred shareholders totalled 27, all Canadian residents, and the number of Series B Preferred shareholders totalled 1,512, principally Canadian residents.

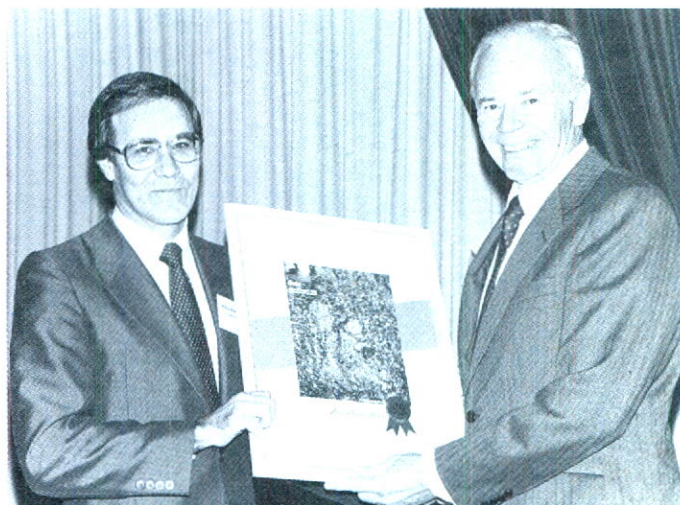
Subject to the preferential rights of the holders of the Company's Preferred Shares, the holders of Common Shares are entitled to such dividends as may be declared by the Board of Directors out of funds legally available therefor. No dividend or other distribution on the Common Shares shall be paid, and no Common Shares shall be acquired for value, unless dividends on all outstanding Preferred Shares have been paid for all past quarterly periods. There are no charter or contractual provisions expressly limiting either the amount of cash dividends which the Company may declare and pay on its Common Shares or the right of non-residents of Canada to hold or vote any of the Common Shares of the Company.

There are certain restraints on the holding of Inco's voting equity securities. The Company's Series B Preferred Shares were issued and sold in a 1977 underwritten public offering in Canada only and no market for such shares exists outside Canada. Under the Foreign Investment Review Act of Canada (FIRA) enacted in 1973, there are limitations on the number of shares of a Canadian company which may be acquired by non-Canadian persons (a "non-eligible person"). The effect of FIRA is to prohibit the acquisition of "control" (as defined under FIRA) of Canadian business enterprises such as the Company by a "non-eligible person" (as defined under FIRA) unless such acquisition is found by the Canadian Government to be of significant benefit to Canada.

Through subsidiaries and affiliates, the Company's operations are conducted in over 20 countries; some \$1,200 million of the Company's consolidated total assets are located outside Canada and the United States. Accordingly, operations are subject to various governmental policies or regulations and changes therein and the risks associated with doing business in numerous overseas locations.

Market Price Range for Common and Series B Preferred Shares

Year ended December 31	1983	1982
- Common Shares -		
New York Stock Exchange (Composite transactions)		
First quarter	\$14 -10 ³ / ₄	\$14 ³ / ₄ -11 ³ / ₈
Second quarter	16 ³ / ₈ -12 ¹ / ₄	11 ³ / ₄ - 8 ³ / ₈
Third quarter	18 ³ / ₄ -14 ¹ / ₈	11 - 7 ⁷ / ₈
Fourth quarter	16 ³ / ₄ -12 ¹ / ₂	12 ³ / ₈ - 8 ¹ / ₂
Toronto Stock Exchange (Canadian dollars)		
First quarter	\$17 ¹ / ₈ -13 ³ / ₈	\$17 ¹ / ₂ -13 ⁷ / ₈
Second quarter	20 ¹ / ₈ -15	14 ³ / ₈ -10 ³ / ₈
Third quarter	23 ¹ / ₈ -17 ¹ / ₂	13 ¹ / ₂ - 9 ³ / ₄
Fourth quarter	20 ³ / ₈ -15 ¹ / ₂	14 ⁷ / ₈ -10 ¹ / ₂
- Series B Preferred Shares -		
First quarter	\$18 ¹ / ₄ -15	\$14 ¹ / ₈ -11 ⁷ / ₈
Second quarter	20 -18	14 -12 ³ / ₈
Third quarter	20 -17 ¹ / ₂	15 -12 ⁵ / ₈
Fourth quarter	20 -18 ¹ / ₄	17 -13 ¹ / ₄



1982 Annual Report Award

Inco's 1982 Annual Report was named the best in Canada by a panel of chartered accountants, financial analysts and other independent judges. Here Neville J. Nankivell (left) Editor-in-Chief of the Financial Post, sponsors of the award program, presents the Gold Award to Charles F. Baird, Inco Chairman and Chief Executive Officer. The judges praised Inco's report for its frankness in discussing problems and management's actions for dealing with them, as well as its readability, financial reporting and effective use of charts and pictures.

Inco Worldwide

Principal Executive Offices

1 First Canadian Place,
Toronto, Ontario
M5X 1C4
(416) 361-7511

Other Executive Offices

One New York Plaza, New
York, New York 10004
U.S.A.
(212) 742-4000

Principal Subsidiaries and Operating Units

Primary Metals

Ontario Division
Copper Cliff, Ontario
POM 1N0

Manitoba Division
Thompson, Manitoba
R8N 1P3

P.T. International Nickel
Indonesia
"Wisma Antara", Jalan
Merdeka Selatan 17, Jakarta
Pusat, Indonesia

International Nickel Inc.
Inco-Sterling Forest Suffern,
New York 10901 U.S.A.

Inco Europe Limited
Thames House, Millbank,
London, SW1P 4QF
England

Inco Alloy Products Company

One New York Plaza, New
York, New York 10004
U.S.A.

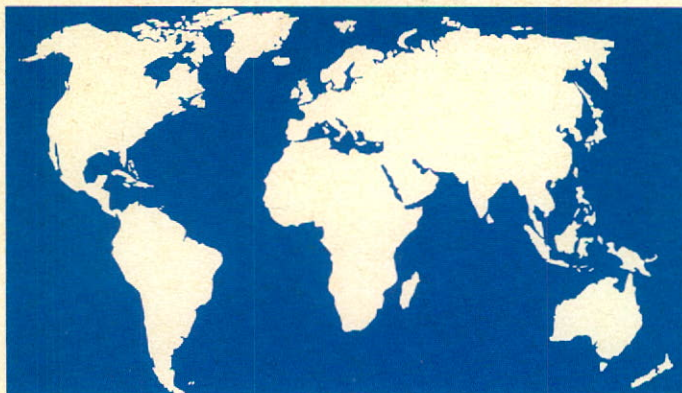
Huntington Alloys, Inc.
Huntington, West Virginia
25720, U.S.A.

Wiggin Alloys Limited
Holmer Road, Hereford
HR4 9SL, England

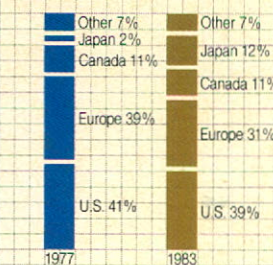
Inco Alloy Products Limited
(Doncaster) Wiggin Street,
Birmingham, B16 0AJ
England

Regional Subsidiaries and Operating Units

Inco United States, Inc.
One New York Plaza, New
York, New York 10004
U.S.A.



Geographic distribution of net sales by location of customer



Seven-year comparison indicates growing importance of markets in Japan for Company's products.

Inco Europe Limited
Thames House, Millbank,
London, SW1P 4QF
England

Inco Limited, Japan Branch
Shin Muromachi Building
2-4-7, Nihonbashi-
Muromachi, Chuo-ku, Tokyo
103, Japan

Inco Australasia Limited
14 Queen's Road, Melbourne,
Victoria, Australia 3004

Other Subsidiaries Include

Canada

Canadian Nickel Company
Limited, Sudbury
Inco Alloys Canada Limited,
Toronto
Canadian Alloys Division,
Lively, Ontario
Inco Energy Resources
Limited, Calgary
International Sales Limited,
Toronto

United States

Turbo Products
International, Inc.,
Ivoryton, Connecticut
The International Metals
Reclamation Company, Inc.,
Ellwood City, Pennsylvania
Pittsburgh Pacific
Processing Co., Pittsburgh
American Copper & Nickel
Company, Inc., Denver
Inco Venture Capital
Management, New York
LaQue Center for Corrosion
Technology, Inc.,
Wrightsville Beach, North
Carolina

Europe

International Nickel B.V.,
The Hague
International Nickel
G.m.b.H., Düsseldorf
International Nickel France
Centre d'Information du
Nickel S.A., Paris
International Nickel Iberica
Limited, Madrid
International Nickel Italia
Srl, Milan
International Nickel Océanie
S.A., Paris
Wiggin Alloys G.m.b.H.,
Düsseldorf
Wiggin Alloys S.A., Brussels
Wiggin Alloys S.r.l.
Milan
Wiggin Alloys S.A.R.L.
Versailles

Central and South America

Exmibal, Guatemala City
International Nickel do
Brasil Comercial Ltda., São
Paulo
Mineração Serras do Sul
Ltda., Rio de Janeiro

Asia

International Nickel Japan
Ltd., Tokyo
Daido Inco Alloys Ltd. (50%
owned), Tokyo
Inco Gulf, E.C., Bahrain
International Nickel
Services (U.K.) Limited,
New Delhi - Indian liaison
office

Counsel

Osler, Hoskin & Harcourt,
Toronto
Sullivan & Cromwell,
New York

Auditors

Price Waterhouse,
Toronto and New York

Transfer Agents and Registrars for the Common Shares

Canada Permanent Trust
Company, Toronto and
Calgary

The Royal Trust Company,
Montreal and London

Morgan Guaranty Trust
Company of New York,
New York

Transfer Agent and
Registrar for the 7.85%
Preferred Shares Series B
Canada Permanent Trust
Company, Toronto, Calgary
and Montreal

Corporate Directory

Directors

(Term expires 1984)

Harold Bridges
Former President and Chief Executive Officer, Shell Oil Company Lausanne, Switzerland

Walter F. Light
Chairman and Chief Executive Officer, Northern Telecom Limited (manufacturer of telecommunications equipment) Mississauga, Ontario

Robert P. Luciano
Chairman, President and Chief Executive Officer, Schering-Plough Corporation (ethical and proprietary drugs, health care products, cosmetics, toiletries and household products) Madison, New Jersey

Ian McDougall
Executive Vice-President New York, New York

The Rt. Hon. Lord Nelson of Stafford
Former Chairman of the Board, The General Electric Company, p.l.c. London, England

George T. Richardson
President, James Richardson & Sons, Limited (financial, grain and management holding company) Winnipeg, Manitoba

Lucien G. Rolland
President and Chief Executive Officer, Rolland inc. (manufacturer and distributor of fine papers) Montreal, Quebec

Richard M. Thomson
Chairman and Chief Executive Officer, The Toronto-Dominion Bank, Toronto, Ontario

Directors

(Term expires 1985)

Charles F. Baird
Chairman and Chief Executive Officer, Toronto, Ontario

Robert W. Bonner, Q.C.
Chairman of the British Columbia Hydro and Power Authority, Vancouver, British Columbia

Reva Gerstein, O.C.
Psychologist and educator Toronto, Ontario

Alexander D. Hamilton
Former Chairman of the Board and Chief Executive Officer, Domtar Inc. (manufacturer of pulp and paper, packaging materials, construction materials and chemicals) Montreal, Quebec

G. Arnold Hart, M.B.E., C.M.
Former Chairman of the Board and Chief Executive Officer, Bank of Montreal Mountain, Ontario

Edward R. Kane
Former President and Chief Operating Officer, E. I. du Pont de Nemours & Company (producer of chemicals and energy) Wilmington, Delaware

Stephen F. Keating
Former Chairman, and Chief Executive Officer, Honeywell Inc. (manufacturer of computers and control systems) Minneapolis, Minnesota

Donald J. Phillips
President and Chief Operating Officer Toronto, Ontario

Donald G. Willmot
Honorary Chairman of the Board, The Molson Companies Limited (brewing, retailing and distribution) Toronto, Ontario



Board of Directors visits Thompson

Directors obtained first-hand look at Thompson operations and open pit development, following their usual practice of meeting at least once a year at an operating site.



Board of Directors

The Board of Directors presently consists of 17 members of whom three are officers of the Company. In 1983, the Board held 12 meetings. The activities of the Board are supported by its various committees.

Executive Committee

The Executive Committee, which held seven meetings during 1983, consists of Mr. Baird, Chairman and Messrs. Bridges, Hart, Phillips, Rolland, Richardson and Willmot. During intervals between meetings of the Board, the Executive Committee, with certain exceptions, has all the powers vested in the Board.

Audit Committee

The Audit Committee, which held four meetings during 1983, consists of Mr. Bonner, Chairman, and Messrs. Hart, Kane, Keating and Light. This

committee meets with the Company's financial management personnel, its internal auditors and its independent auditors at least four times a year to review and appraise the Company's financial reporting practices and procedures, the adequacy of the system of internal accounting control, the planned scope of examinations by both auditing groups and their findings and recommendations. It also reviews the Company's financial statements and monitors various other internal control policies.

Nominating Committee

The Nominating Committee, which held two meetings during 1983, consists of the same Directors who comprise the Executive Committee and has the function of recommending to the Board nominees for election as Directors.

Management Resources and Compensation Committee

The Management Resources and Compensation Committee, which held four meetings during 1983, consists of Mr. Hart, Chairman, and Messrs. Bridges, Richardson, Rolland and Willmot. This committee advises and consults with the Chairman of the Board and makes recommendations to the Board on the remuneration of senior executives of the Company and on the Company's various incentive plans. The committee also reviews the management development programs and the succession plans relating to senior management.

Pension Committee

The Pension Committee, which held four meetings during 1983, consists of Mr. Hamilton, Chairman, Dr. Gerstein, Mr. Luciano,

Lord Nelson and Mr. Thomson. This committee advises the Board regarding the financial aspects of the pension programs of the Company and its subsidiaries, including actuarial assumptions, the adequacy of funding and the implementation of sound investment of pension funds.

Directors

Peter D. Curry, who had served as a Director since 1970, retired from the Board on February 6, 1984 in accordance with the retirement policy adopted by the Board.

On February 6, 1984, Richard M. Thomson, Chairman and Chief Executive Officer of The Toronto-Dominion Bank, was elected to the Board of Directors.

Charles F. Baird Chairman and Chief Executive Officer		Donald J. Phillips President and Chief Operating Officer		
Walter Curlook Executive Vice-President		Ian McDougall Executive Vice-President		John H. Page* President, Inco Alloy Products Company
Senior Vice-Presidents		Vice-Presidents		Principal Production Operations
Principal Regional Officers				
W. Roy Aitken Production	Malcolm C. Bell Process Research and Technology	John J. Moran Planning	William P. Clement President Manitoba Division	Kevin Belcher President Inco Australasia Melbourne
Charles E. O'Neill Technology	William A. Correll Industrial Relations and Employee Benefits	Terrence Podolsky Exploration and Mineral Development	James D. Guiry President and Managing Director Inco Indonesia	Richard R. DeWitt President International Nickel Sterling Forest, N.Y.
Johannes P. Schade Marketing	Charles F. Hews Public Affairs	Dean D. Ramstad** Japan	Winton K. Newman President Ontario Division	Anthony T. Shadforth Chairman and Managing Director Inco Europe, London
Comptroller Anthony J. Sabatino	Philip C. Jessup, Jr. General Counsel & Secretary	Donald G. Walker Human Resources		
Treasurer Ian G. Austin		J. Stuart Warner Occupational Health and Environment		

*Also President, Inco United States, N.Y.

**Also General Manager, Japan Branch, Tokyo

