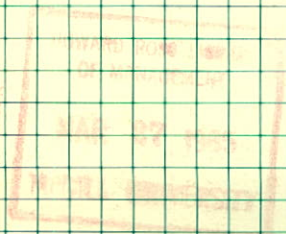


**Increasing
productivity gains
contributed to
Inco's operating
profit in 1984
and a net
profit in the
fourth quarter.**



Corporate Profile

Annual Meeting

The Company's Annual Meeting will be held in Toronto on April 24, 1985.

Rapport Annuel

La version française du Rapport Annuel sera fournie sur demande.

10-K Report Available

A copy of the 1984 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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Inco Limited is the non-communist world's leading producer of nickel and a substantial producer of copper, precious metals and cobalt. In addition, Inco is the world's largest supplier of wrought and mechanically alloyed nickel alloys as well as a leading manufacturer of blades, rings, discs and other forged and precision-machined components made from special alloy materials. The Company is also a major producer of sulphuric acid and liquid sulphur dioxide, and has other interests in metals, venture capital, mining equipment manufacturing, engineering and technology sales, and energy. At year end, Inco employed 22,239 in 20 countries. Inco Limited continues to support the essential principles of the Guidelines for multinational enterprises, as issued in 1976 and revised in 1984 by the Organization for Economic Cooperation and Development.

Three years ago, faced with a sharp drop in nickel demand and rapidly declining prices, we set out to restore the Company's profitability by achieving major gains in productivity to lower costs dramatically.

These actions are now having an increasing impact on Inco's financial performance. In 1984, the Company's net loss was reduced to \$77.3 million from \$234.9 million in 1983, and in the fourth quarter of 1984 Inco earned a small net profit of \$4.5 million – our first net profit since the second quarter of 1981.

The improved 1984 performance was achieved despite relatively flat nickel prices, lower copper prices, and one-time costs associated with further employment reductions and with the rationalization of operations.

Operating Results

Our primary metals business earned a \$100 million operating profit in 1984 – the first since 1981 – as costs were reduced substantially for the second consecutive year. Measured in terms of pounds of nickel and copper produced per manshift, productivity rose by more than 18 per cent in 1984. Further improvement is anticipated in 1985 and 1986, aided by the scheduled 1986 start of production at the Thompson Open Pit Mine in Manitoba and the Creighton deep orebody in Ontario.

Primary metals operating results were positive despite metals prices remaining depressed in U.S. dollars. The Company's average realized price for nickel of \$2.28 per pound was only five per cent above 1983 and still 27 per cent below 1980 despite continuing worldwide inflation in the intervening years. Copper realizations were down 12 per cent. Platinum, gold and silver prices also declined.

Operating losses of Inco Alloy Products Company were reduced sharply, as a result of worldwide rationalization, other cost reduction measures and a modest improvement in demand and prices.

Financial Position

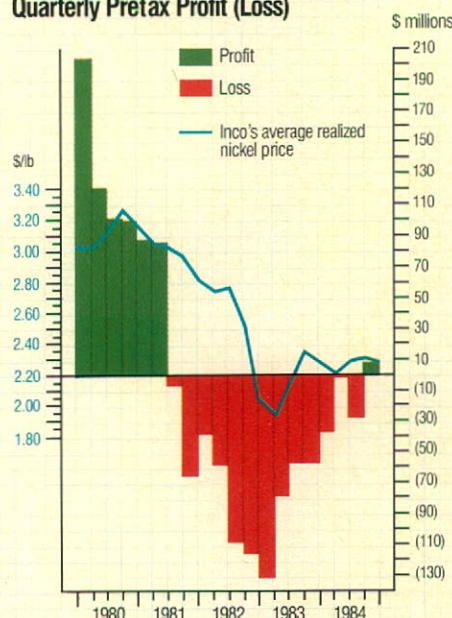
Despite the Company's net loss, cash flow generated from operations and working capital reductions was about equal to our cash expenditures reflecting the continuing benefits of tight financial controls. The Company's debt was reduced further and the debt equity ratio improved slightly. Contributing to this reduction was the successful sale of Series C commodity-indexed preferred shares which raised \$66 million. As we return to profitability, we expect to generate substantial positive cash flows and will be able

Results in Brief

(\$ millions)	1984	1983	1982
Net sales	\$1,468	\$1,173	\$1,236
Net loss	\$ (77)	\$ (235)	\$ (203)
Internal cash shortfall	\$ (4)	\$ (57)	\$ (55)
Total debt	\$1,114	\$1,174	\$1,203
Capital expenditures	\$ 104	\$ 71	\$ 95
Employees	22,239	24,866	25,798

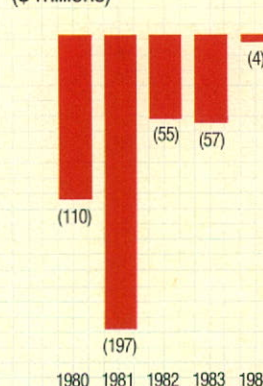
Dollar amounts in this Report are expressed in United States currency, unless otherwise stated.

Quarterly Pretax Profit (Loss)



Inco's pretax results have improved since early 1983 despite continuing low nickel prices.

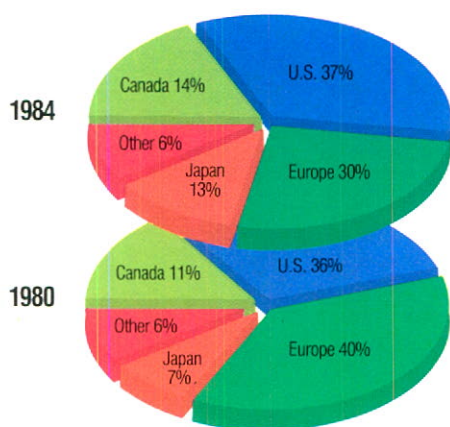
Internal Cash Flow (Shortfall)



1980 1981 1982 1983 1984

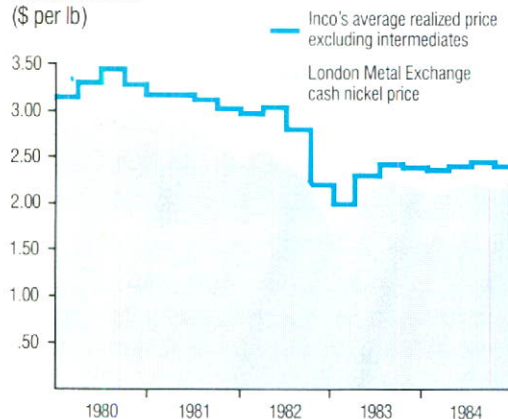
The Company's internal cash flow was the most favourable since 1979.

Geographic Distribution of Net Sales by Location of Customer



Inco is a major Canadian exporter, selling its products to customers worldwide, increasingly in Japan.

Nickel Prices (\$ per lb)



Inco's 1984 average price realizations increased modestly from 1983 but were well below the 1980 peak.



Chairman Charles F. Baird (right) and President Donald J. Phillips

to strengthen further our financial position.

Late in the year, we announced plans to obtain about \$100 million by restructuring Inco's United States pension plan. Upon approval by government authorities, this cash will be used for further debt reduction, and net earnings will benefit from the resulting interest savings. The level of pension benefits paid to our pensioners and to be paid to current employees on retirement will not be affected by this action.

Inco People

The Company's employees have responded admirably to the extremely difficult market environment of the past three years. Because of their willingness to accept the new realities, to work harder and smarter and to learn new skills, Inco has survived and is on the road to recovery. We thank each of them for their continuing effort and a job well done.

Outlook

Although difficulties still lie ahead until Inco's financial strength and full profit potential are restored, the most wrenching period - involving the downsizing of the Company and its workforce - appears to be behind us. Most

importantly, we have achieved the critical initial goal established three years ago to reduce costs below revenues in order to return to profitability.

We look toward a period of somewhat greater stability. Non-communist world nickel demand in 1985 is expected to remain at the reasonably high 1984 level. In addition, there is evidence that the fundamental supply position should permit nickel prices to increase somewhat since both producer and consumer nickel inventories are low.

Inco's future health will depend on being one of the lowest cost producers in the very challenging worldwide nickel market. Whether or not prices improve, we shall not let up on our programs to increase productivity, reduce costs and achieve a reasonable return for our shareholders.

Charles F. Powell

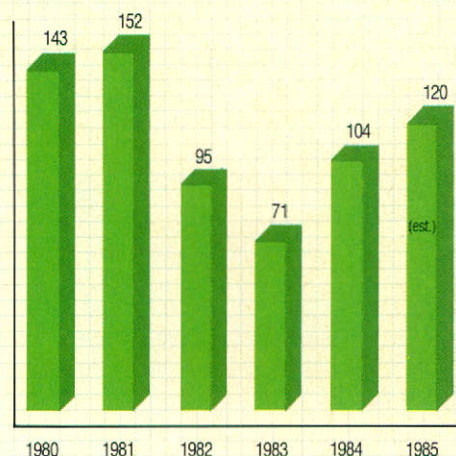
Chairman and Chief Executive Officer

Donald J. Phillips

President and Chief Operating Officer

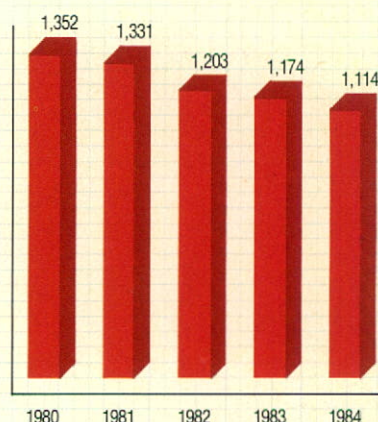
February 15, 1985

Capital Expenditures (\$ millions)



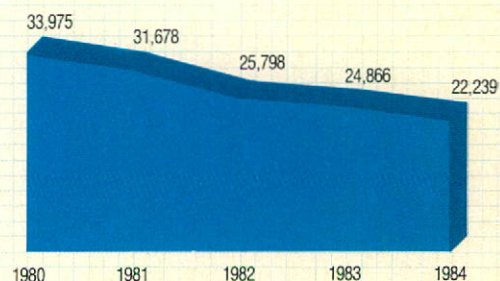
Capital spending, while higher in 1984, is being tightly controlled to conserve cash.

Total Debt (\$ millions)



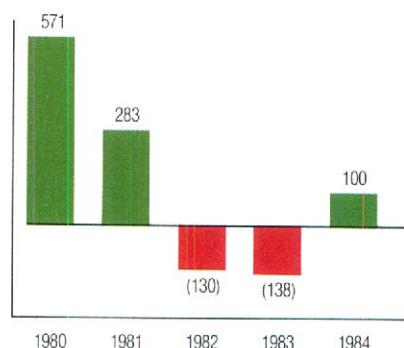
Total debt has been reduced by 18 per cent from the 1980 peak despite the Company's net losses in 1981-1984.

Total Employees



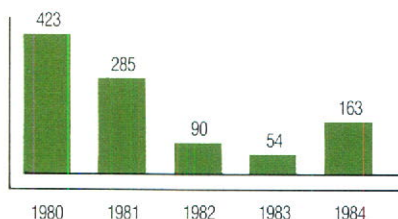
Inco's worldwide employment levels have been reduced by 35 per cent since 1980.

Operating Earnings (Loss) (\$ millions)



Continuing productivity programs contributed to the operating profit for primary metals in 1984, the first since 1981.

Operating Cash Flow (\$ millions)



Operating cash flow for primary metals was at its highest level in three years.

Deliveries (in thousands)	1984	1983	1982
Primary nickel and intermediates	315,650	278,050	216,400
Nickel contained in alloy products	40,570	36,030	34,430
Total nickel (pounds)	356,220	314,080	250,830
Copper* (pounds)	272,910	139,980	167,420
Platinum-group metals** and gold (troy ounces)	379	201	310
Silver (troy ounces)	1,340	620	1,050
Cobalt* (pounds)	2,410	1,790	2,530

*Includes metals contained in alloy products.

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

Primary Metals

1984 was a year in which non-communist world nickel demand increased and inventories were reduced but nickel prices remained weak. Inco continued to improve productivity and safety and lower its costs. In addition, the Company further improved its ability to balance production with demand and control inventory levels.

Results for primary metals included a 34 per cent increase in net sales to \$1.1 billion in 1984, and a \$100 million operating profit compared with a \$138 million operating loss in 1983.

Increased Nickel Demand

Nickel demand in the non-communist world was estimated at 1.26 billion pounds, up 10 per cent from 1983. Inco's nickel deliveries, including nickel in alloy products, were 356 million pounds, a 13 per cent increase from 1983.

To promote the use of nickel-containing products, the Nickel Development Institute was formed by major producers, including Inco, to conduct market research and develop new nickel applications.

Reduced Inventories

At the end of 1984, combined producer and London Metal Exchange (LME) nickel inventories were equivalent to about three months of demand. Producer and LME inventories ended 1984 at an estimated 325 million pounds, down nearly 24 per cent from year-end 1983, while LME inventories were approximately 16 million pounds, a 73 per cent decrease.

Inco's finished nickel inventory remained at a low level, ending 1984 at 88 million pounds compared with 83 million pounds at year-end 1983.

At year end, combined producer and LME nickel inventories were the tightest in nearly five years.

Nickel Prices

Despite increased demand, Inco's average realized price for primary nickel, excluding intermediates, was \$2.37 per pound in 1984, five per cent above the average of \$2.25 per pound in 1983. The failure of nickel prices to advance further appears to reflect three main factors: the strength of the U.S. dollar, with the result that realized nickel prices remain relatively low in dollar terms even though they have risen considerably in terms of many other currencies; the influence of LME pricing; and

generally reduced inflationary expectations.

Copper and Other Metals

Inco's average realized price per pound of copper declined to 63 cents in 1984 from 72 cents in 1983. The average 1984 price was lower, in real terms, than at any time since the mid-1930s.

Inco's average realized prices of gold, silver and platinum weakened somewhat from 1983 levels. Inco increased its gold production with the opening of McBean Mine in Northern Ontario. Inco holds a 65 per cent interest in this mine.

Realized cobalt prices averaged \$10.13 per pound in 1984, a 68 per cent increase from 1983.

The Tiebaghi chromite mining facility in New Caledonia continued to operate profitably. Inco manages and holds a 55 per cent interest in the project.

Productivity Improvements

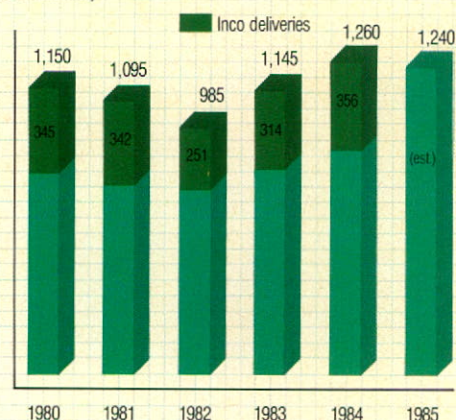
Dramatic productivity gains were achieved in 1984 at both mining and surface operations. Measured in terms of pounds of nickel and copper produced per manshift, productivity increased from 1983 levels by 24 per cent in the Ontario Division and by 14 per cent in the Manitoba Division. Productivity rose by 10 per cent at P.T. Inco Indonesia. Further improvements are planned for 1985.

Nearly half of Inco's Canadian production cost is in mining and about half of that is employment costs. A major emphasis, therefore, is on increased use of bulk mining, which is less labour-intensive, safer and less costly than traditional methods. In 1984, nearly two-thirds of the Company's Canadian ore mined was produced by these methods, including the Inco-developed vertical crater retreat mining method. The plan is to increase this to some 75 per cent in 1985 and 80 per cent in 1986.

New mining methods are being complemented by new equipment, including a specialized down-the-hole drill, a continuous loader and a portable underground crusher. Other recent productivity improvements in the Company's underground mines include improved blasting methods, increased use of conveyors and electrification, and the installation of computers with remote terminals to simplify the foremen's work and free them to concentrate on production, safety and efficiency.

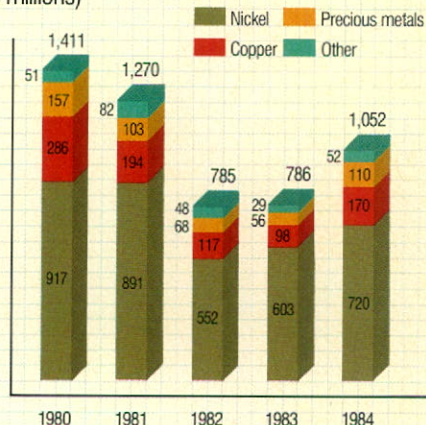
Inco's deliveries of copper and other metals rose sharply, as availability increased due to higher nickel production.

Non-Communist World Nickel Demand
(lbs millions)



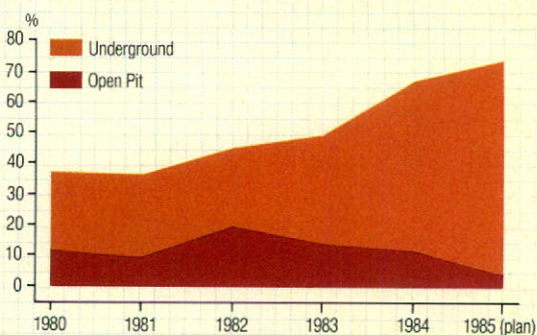
Increased 1984 demand was fueled by a high level of stainless steel production in Europe, the U.S. and Japan.

Sales by Product
(\$ millions)



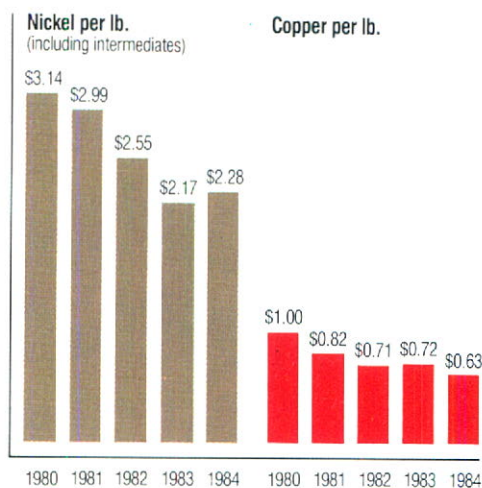
Primary metals sales rose 34 per cent in 1984, reflecting increases for all major products.

Percentage of Inco's Canadian Ore Mined by Bulk Methods

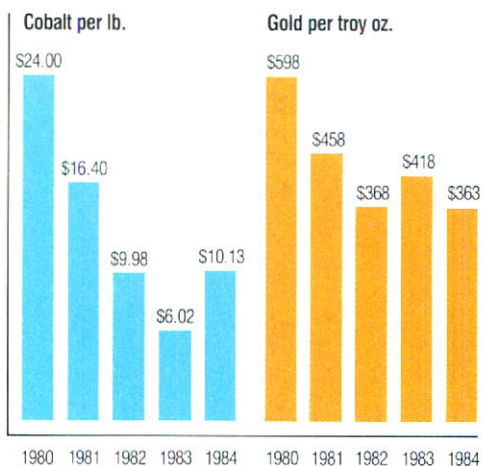


The Company continued to increase the use of safer, less costly bulk mining methods.

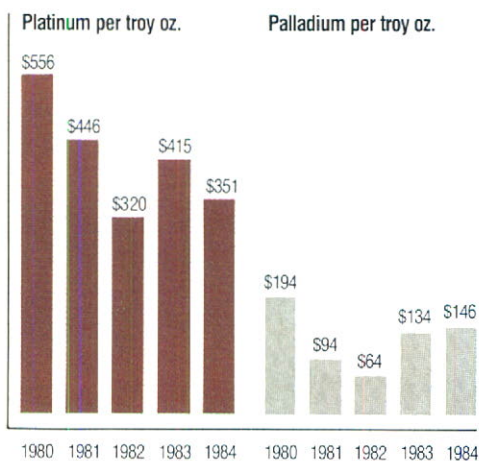
Average Realized Prices (\$US)



Inco's average realized nickel price rose five per cent in 1984. Copper prices declined, in real terms, to a 48-year low.



Average realized cobalt (salts and metals) prices recovered considerably in 1984. Average realized gold prices declined.



Platinum prices declined in 1984 and were far below the 1980 peak. Palladium prices continued to recover.

Mine Development

Development of the Thompson Open Pit Mine in Manitoba continued on schedule toward an early 1986 start-up. A \$73 million investment, this mine will enhance Inco's production flexibility and reduce costs.

In December, an \$11 million project was approved to develop the orebody extending below the 7,000 foot level in the Creighton Mine in Ontario. This orebody, which contains over 2.5 per cent nickel and 2.2 per cent copper, will be the deepest producing location in the Sudbury Basin. By using the latest mining techniques and most advanced equipment, it will also be the lowest unit cost nickel mining operation in the Basin.

The Thompson Open Pit and the Creighton deep orebody are expected to yield the lowest cost nickel in the world.

Canadian Surface Operations

Productivity improvements at surface operations included the increased use of oxygen fuel technology on the reverberatory furnaces at the Sudbury smelter in Ontario, permitting an increase of some 20 per cent in the smelting rate of the furnaces, and the substitution of natural gas for oil, reducing fuel costs by some 12 per cent.

Rationalization of the Company's nickel refining operations resulted in the shutdown of Inco's highest cost refinery, the electrolytic nickel refining section at Port Colborne, Ontario. Consolidation of Canadian refining of high-purity nickel at Thompson and Copper Cliff has increased refining productivity by more than 20 per cent.

P.T. Inco Indonesia

Operating costs at P.T. Inco were reduced and production was increased to meet growing Japanese demand. Production, however, was below planned levels because of mechanical difficulties with the top blown rotary converters which remove iron from nickel-iron-sulphur furnace matte in the production of nickel-sulphide matte. A major overhaul of these converters and the installation of a conventional Pierce-Smith converter will provide P.T. Inco with increased and more reliable converter capacity at lower operating costs.

United Kingdom Refining Units

The Clydach nickel refinery continued to operate at 50 per cent of capacity during 1984. Production was suspended

on January 1, 1985 and is expected to resume in April 1985. The precious metals refinery at Acton increased its throughput by taking on more toll refining.

Environmental Control

The Company continues to operate in compliance with government regulations and control orders relating to sulphur dioxide (SO_2) emissions at both its Canadian divisions. Some 70 per cent of the sulphur which occurs naturally in Sudbury ores and some 50 per cent of the sulphur in Thompson ores is now contained by rejecting the high-sulphur-bearing pyrrhotite to tailings areas and additionally, in the case of the Sudbury ores, by converting SO_2 gas produced during roasting and smelting operations to sulphuric acid or liquid SO_2 for sale.

Inco is committed to further reductions in SO_2 emissions and has developed technology for achieving a 50 per cent decrease from current levels at its Sudbury smelter. According to a 1983 engineering study, the capital cost of implementing the new reduction-smelting technology would be at least \$350 million in 1982 U.S. dollars, even when incorporating the existing roasting and acid plant facilities at the Company's Iron Ore Recovery Plant.

In view of its large financial losses over the past four years, the Company cannot afford to make such a substantial investment. Furthermore, since the new technology provides limited potential for improving metals recoveries and increasing productivity, it cannot be justified on economic grounds.

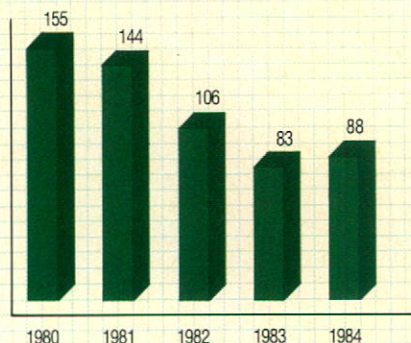
In 1984, Inco continued its engineering studies directed at reducing the estimated capital cost by incorporating additional existing facilities in implementing the new technology. Preliminary studies suggest that retention of the existing nickel converter aisle and associated processing and gas cleaning equipment would result in a substantial reduction in the estimated capital cost.

Occupational Safety and Health

Inco's safety record, as measured by the frequency of lost-time accidents, continued to improve. Tragically, three industrial fatalities occurred at Inco facilities in 1984 – one in the underground operations at Thompson, one in transportation at P.T. Inco and one in the process plant at P.T. Inco. Management is determined to do all it can to

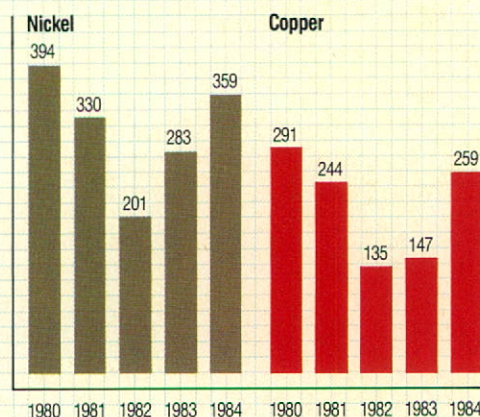
Since 1965, Inco's Sudbury operations have achieved the largest tonnage decrease in SO_2 emissions in North America.

Finished Nickel Inventory at Year End
(lbs millions)



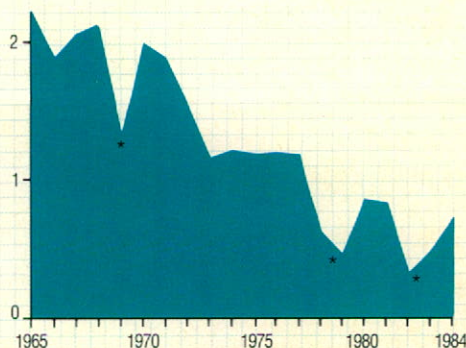
Since 1980, Inco's finished nickel inventory has been reduced by 43 per cent.

Nickel and Copper Production
(lbs millions)



Inco's production facilities operated throughout most of 1984 following lengthy shutdowns in 1982 and 1983.

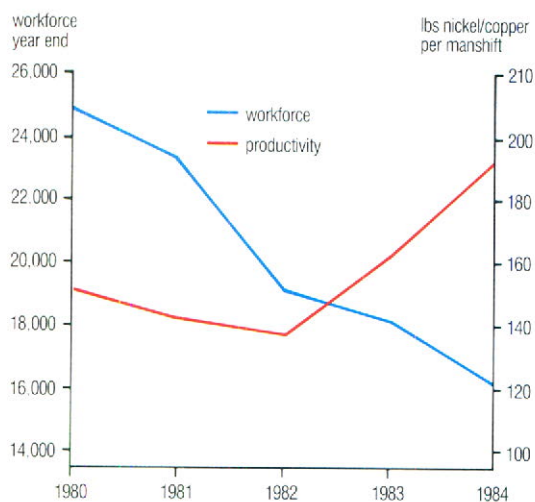
Inco's SO_2 Emissions at Sudbury
(million tonnes/year)



Inco has achieved a major reduction in SO_2 emissions at its Sudbury operations since 1965.

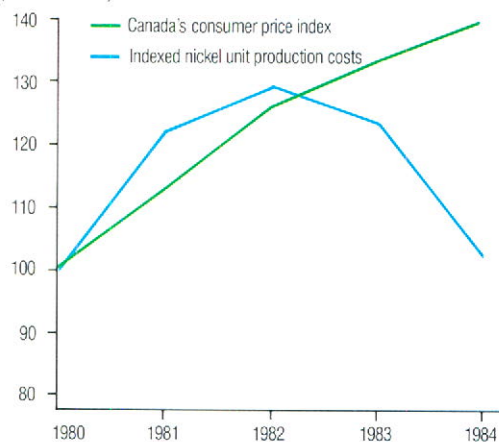
*low production periods

Productivity



Productivity improved by over 18 per cent in 1984. The primary metals workforce has been reduced significantly since 1980 while maintaining production capability.

Indexed Nickel Unit Production Costs/ Canada's Consumer Price Index (1980=100)



Inco has reduced its finished nickel unit production costs by 21 per cent over the past two years despite inflation.

prevent loss of life and improve safety in the workplace.

Exploration and New Mineral Ventures

Exploration expenditures were \$10 million in 1984, similar to 1983 levels. Of the 1984 total, \$7.5 million was spent on exploration for gold in Canada, the United States and Brazil.

Exploration results at the Casa Berardi gold prospect in northwestern Quebec continued to be promising. Further exploration is being pursued vigorously. Inco holds a 60 per cent interest in this property.

The joint exploration project with Kennecott Minerals Co. on the Crixas property in Brazil continued to add to the drill-indicated gold reserves. The feasibility of developing the property is being studied.

During 1984, Inco and three other companies formed a consortium to explore for gold and other minerals on lands licensed from the Province of Nova Scotia. Inco holds a 25 per cent interest and manages the venture.

Increasingly, exploration in the United States is directed toward known gold deposits that show potential for early development. This is reflected in two agreements reached in 1984: one with Nerco Minerals Company in Oregon and another with Homestake Mining Company in Montana. The initial objective in each case is to confirm indicated reserves and test identified deposits. Inco has the right to earn a 50 per cent interest in each venture.

The Company received \$11 million from the sale of a royalty interest in Echo Bay's Lupin gold mine.

Inco continued to pursue the development of new mining ventures with a primary focus on gold.

Ore Reserves

At year end, Inco had proven and probable ore reserves in Canada of 479 million short tons, containing 7.0 million tons of nickel and 4.3 million tons of copper. This compares with year-earlier proven and probable reserves of 483 million tons, containing 7.1 million tons of nickel and 4.4 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 P.T. Inco, detailed sampling increased proven and probable ore reserves to 76 million short tons containing 1.4

million tons of nickel from 72 million tons and 1.3 million tons, respectively, at year-end 1983.

Research and Development

Inco's research programs in primary metals are directed to raising productivity, improving both the workplace and external environments, and increasing metals recoveries.

In addition to its own research and development programs, Inco participates with three other Canadian metals producers in an Ontario-based company, HDRK Mining Research Limited, to share the costs of mining research and development projects of common interest.

A specific research goal is to improve Inco processes and facilities at minimum cost for maximum return.

Technical Services

Inco's 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. A second copper smelter employing Inco's oxygen flash smelting technology was successfully started up in the United States.

Labour Agreements

A three-year agreement, expiring September 15, 1987, was reached with hourly employees in the Manitoba Division.

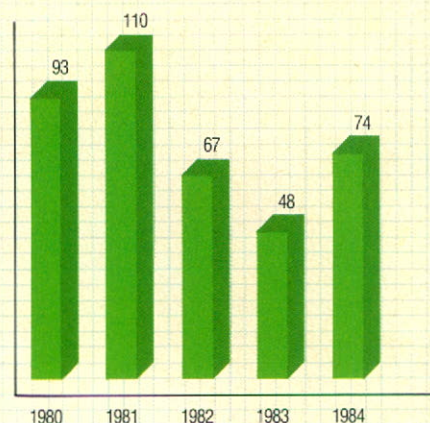
In Indonesia, a two-year collective labour agreement, expiring December 15, 1986, was successfully negotiated.

One-year collective agreements were successfully negotiated at both refineries in the United Kingdom.

Labour agreements with hourly employees in Port Colborne and in the Sudbury District remain in effect through May 1985, and in Shebandowan through July 1985.

*Trademark of the Inco family of companies.

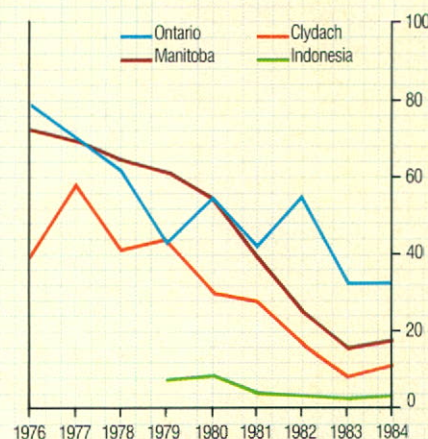
Capital Expenditures - Primary Metals (\$ millions)



Capital expenditures have been focused recently on the Thompson Open Pit Mine and other productivity improvements.

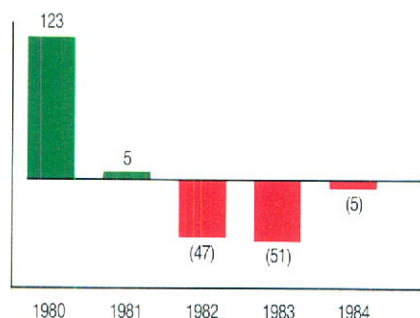
Safety

Lost-time accidents per million man hours



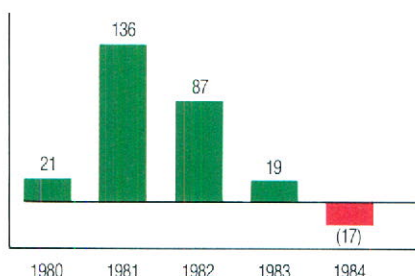
Management continued to emphasize safety in its production programs.

Operating Earnings (Loss) (\$ millions)



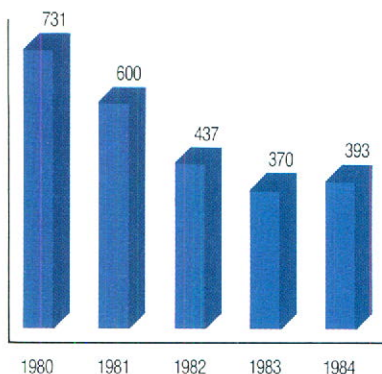
IAPC operating results improved in 1984 from the very depressed results of the prior two years.

Operating Cash Flow (\$ millions)



IAPC operating cash flow was negative in 1984 due to an increase in working capital requirements.

Sales to Customers (\$ millions)



Sales rose six per cent in 1984, reflecting increased demand for high-performance alloys.

Inco Alloy Products Company

1984 was a year of significant improvement for Inco Alloy Products Company (IAPC) following the extremely difficult market conditions of 1983. Net sales increased six per cent to \$393 million, and IAPC's operating loss narrowed to \$5 million from \$51 million in 1983. This improvement reflected cost reductions, benefits from the integration of IAPC's worldwide alloy-producing businesses and, to a modest degree, the strengthening of demand for IAPC's products.

Operating results for 1984 were adversely affected by property write-offs and severance costs totalling \$10 million and the negative impact of the declining value of the pound sterling relative to the U.S. dollar.

IAPC in Brief

IAPC is composed of two principal businesses:

- Inco Alloys International (IAI) was formed during 1984 through the integration of Huntington Alloys in the United States and Wiggin Alloys in the United Kingdom. IAI is the world's largest supplier of wrought and mechanically alloyed nickel alloys and serves the general engineering, chemical, petrochemical, energy, marine, heat treating, processing, pollution control, aerospace and military markets. Production facilities are located in Huntington, West Virginia; Burnaugh, Kentucky and Hereford, England. IAI markets its alloys through strategically located offices and distributors worldwide and in Japan through a joint venture, Daido Inco Alloys Limited.
- The second unit, Inco Alloy Products Limited (IAPL), comprises the Daniel Doncaster companies and Beaufort Engineering in the United Kingdom and Turbo Products International in the United States. IAPL manufactures blades, rings, discs, casings and various other forged and precision-machined components from a variety of special alloy materials, including nickel-based and titanium-based alloys. Products meet a range of technically demanding applications in aero and gas turbine engines as well as specialized needs for military, marine, advanced energy and engineering markets.

IAPC's basic strategy is to emphasize quality products with high added value, efficient production and the aggressive development of new proprietary alloys, products and

Although competition remained intense throughout 1984, IAPC ended the year with an improved order backlog.

processes. As the biggest customer for the primary metals operations, IAPC also serves as a major route to market for Inco nickel.

Improving Market Conditions

Demand and prices for IAPC's products reached a peak in 1980, then fell for three consecutive years due to weak economic conditions worldwide and reduced capital spending for process plants and other major industrial facilities. This decline ended in early 1984 as demand for many of IAPC's products began to turn somewhat higher.

Demand for nickel alloys and forged and machined products is expected to continue to increase at a modest rate in 1985.

Inco Alloys International

IAI's sales were \$305 million in 1984, up seven per cent from the prior year. Operating results were essentially break-even.

Increased orders were received for high-performance proprietary products - including new low-expansion alloys for the aero engine market; superalloys for the aerospace, energy and pollution control markets; and mechanically alloyed materials for jet engines.

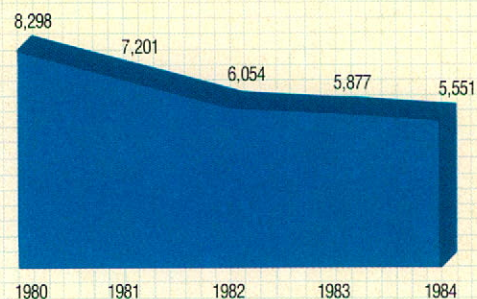
The formation of IAI on January 1, 1984, has facilitated employment reductions, the rationalization of production facilities and improved marketing programs.

During the year, IAI:

- Eliminated excess production capacity by closing two facilities in the U.K. without impairing its ability to meet customer needs.
- Installed a vacuum induction melting facility and began installation of an additional electroslag remelting furnace in the U.S. These two investments and related improvements are expected to total \$14 million.
- Prepared to move its U.S. welding products manufacturing operations from Huntington to a new technologically advanced facility in North Carolina. Scheduled to open in 1985, the facility will be more efficient and have an improved and expanded product line.
- Relocated its nickel alloy research and development activities to its producing locations and closed its laboratory in Sterling Forest, New York.

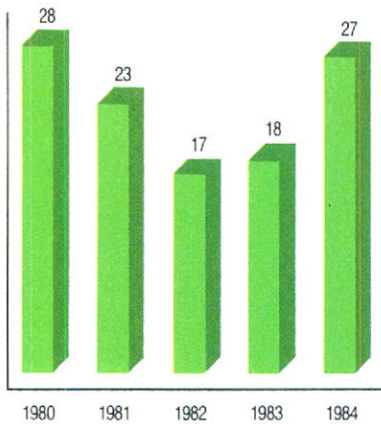
Recent capital investments enhance IAI's ability to serve the aerospace and energy markets.

Employees



As part of its cost reduction programs, IAPC has reduced its workforce by 33 per cent since 1980.

Capital Expenditures — IAPC (\$ millions)



Capital projects are focused on productivity improvements and continued upgrading of technology.

Inco Alloy Products Limited

Sales were \$88 million in 1984, up three per cent from 1983.

At IAPL's Doncaster operations, actions in 1984 included the upgrading of technology and processes at facilities in Leeds, Blaenavon and Nottingham to improve quality and reduce costs. In addition, Doncaster's general engineering business was further downsized to restore profitability at a time of continuing weak demand.

IAPL continued to concentrate on improving productivity and manufacturing higher added-value products.

Inco Selective Surfaces was formed during the year by combining business units in the U.S. and the U.K. which manufacture and market an extensive line of products with unique surface characteristics. These products include metallic flake, oxide particulates and electroformed nickel foils, serving specialized markets such as electronics and solar power.

Mechanically Alloyed Aluminum

Following several years of research and development, Inco is producing commercial quantities of a new mechanically alloyed aluminum-lithium forging alloy. This alloy has mechanical properties comparable to present aluminum aircraft alloys, is eight per cent lighter and meets the aerospace industry's growing demand for aluminum alloys that reduce the weight of aircraft.

Other advanced mechanically alloyed aluminum materials are under development.

Other Business

Venture Capital

Through Inco Venture Capital management, the Company continued its highly successful program of providing equity capital and strategic direction to start-up and early stage companies with the potential for excellent growth and significant investment returns. In spite of a difficult year faced by the venture capital industry, venture capital investments in Inco's portfolio costing \$0.2 million were sold in 1984 for \$2.5 million.

The book value of Inco's venture capital investments totalled \$26 million at the end of 1984. Based on valuation methods employed in the venture capital industry, these investments might be worth as much as \$55 million at year-end 1984. Comparable figures were \$25 million and

\$70 million, respectively, at the end of 1983. The decline in the estimated value of the venture capital portfolio was due primarily to a reduction in the public market's valuation of Inco's largest venture capital investment, a 17 per cent interest in Biogen N.V.

In addition to investment of corporate funds in venture capital, Inco Venture Capital Management participates in the management of over \$45 million in funds raised from a number of major Canadian institutional investors for investment in venture capital through two limited partnerships, North American Ventures Fund and North American Ventures Fund II.

Mining Equipment

Continuous Mining Systems Limited in Sudbury was incorporated with Inco as its initial shareholder. This company designs, manufactures and markets innovative lines of mining equipment. First product lines include a specialized down-the-hole drill, a continuous loader and a high-power, battery-operated locomotive.

Since 1974, venture capital investments costing \$5 million have been sold for \$25 million.

Reprocessing Facilities

The Company participates in metals reprocessing through two subsidiaries, International Metals Reclamation Company and Pittsburgh Pacific Processing Company. Operating results remained unsatisfactory, principally because of low prices and start-up problems with a new product line.

Oil and Gas

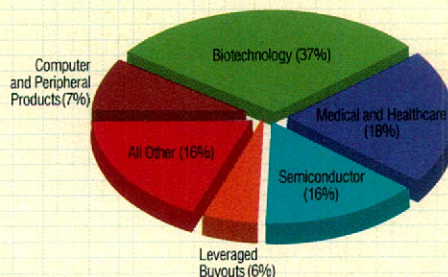
In 1984, Inco sold its producing and proven oil and gas reserves for \$11 million in cash and common stock of Morgan Hydrocarbons Inc., a successful junior oil company. Inco plans to sell its remaining leasehold interests in Western Canada.

The Company retains its 19 per cent interest in an offshore prospect northeast of Sable Island, off Nova Scotia. An initial exploration well found some evidence of high pressure gas and another well is being drilled on a separate structure.

Corrosion Research and Consulting

The LaQue Center for Corrosion Technology, Inc. increased its work for outside customers and was close to breakeven in its first full year as a separate profit centre.

Venture Capital
Distribution of Portfolio by Industry
Based on Portfolio Valuation at Dec. 31, 1984



While most closely associated with genetic engineering, Inco's venture capital portfolio remains highly diversified.

Principal Officers

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

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 examinations of the consolidated financial statements appears on page 30, 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 auditors meet with the Audit Committee of the Board of Directors at least three 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 page 35.

This Annual Report has been reviewed and approved by the Board of Directors.



Chairman and
Chief Executive Officer



Executive Vice-President
(Chief Financial Officer)

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Economic and Market Trends

Inco's financial results are significantly influenced by worldwide economic conditions and trends in major end-markets for the Company's products.

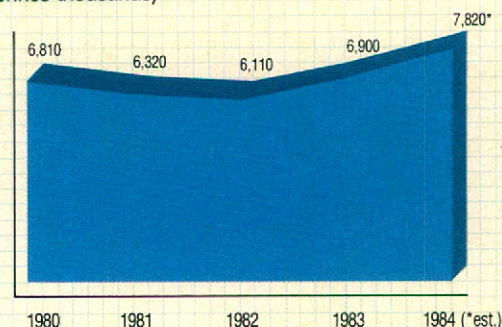
In 1984, economic conditions improved for the second consecutive year and were particularly strong in the United States, as U.S. gross national product (GNP) increased by 6.8 per cent over 1983 – the largest increase in more than 30 years. Economic expansion also occurred in virtually every industrialized Western European nation, although at a more restrained rate than in the U.S. Japan maintained its steady economic growth, with an estimated 5.5 per cent increase in GNP.

Unlike the volatile economic conditions that prevailed during the late 1970s and early 1980s, the current expansion has been accompanied by low inflation and some easing of interest rates. The Canadian inflation rate (consumer price index), which has significant impact on Inco's operating costs, was 4.4 per cent in 1984, the lowest in 13 years.

The largest single first use for nickel is stainless steel production, in which nickel is used as an alloying agent. Stainless steel production in the non-communist world increased to a record level in 1984, surpassing the previous high reached in 1979.

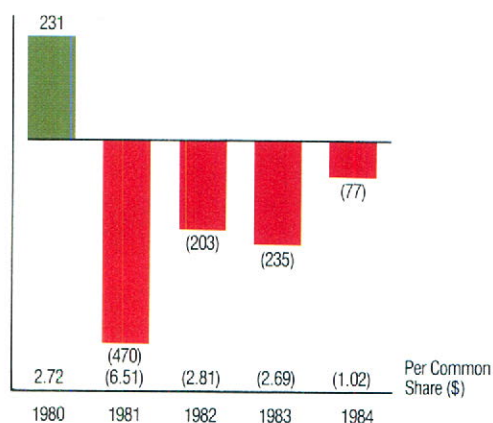
One major factor that has weighed heavily against improvement in U.S. dollar denominated nickel prices has been the exceptional strength of the U.S. dollar against other currencies. During the past three years, the dollar has increased in value by some 50 per cent against the average values of the currencies of 10 major U.S. trading partners. As a result, customers outside the United States have been paying more for nickel in local currencies even though Inco's dollar prices have remained depressed.

Non-Communist World Stainless Steel Production
(tonnes thousands)

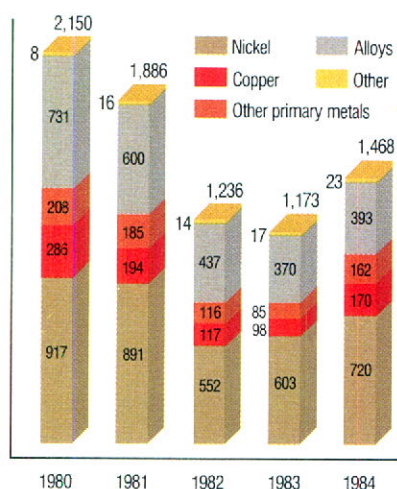


Stainless steel production rose an estimated 13 per cent in 1984, contributing significantly to increased world nickel demand.

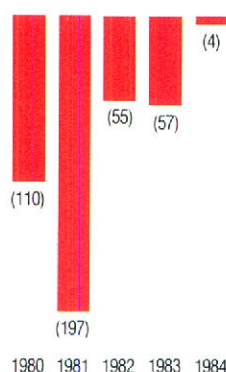
Net Earnings (Loss) (\$ millions)



Sales by Product (\$ millions)



Internal Cash Flow (Shortfall) (\$ millions)



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.

RESULTS OF OPERATIONS

Primary Metals The Company's nickel business is the principal determinant of its profitability. Sales revenue from its primary nickel increased in 1984 by 19 per cent over 1983. Nickel demand in the non-communist world increased in 1984, as it had in 1983, reflecting continuing improved worldwide economic conditions. Demand is estimated at 1.26 billion pounds for 1984, an increase of 10 per cent over 1983. In 1984, the Company's total nickel deliveries increased by 13 per cent over 1983 while its estimated market share remained at about 28 per cent. The Company's average net prices realized per pound of nickel, including intermediates, were: 1984 - \$2.28, 1983 - \$2.17 and 1982 - \$2.55, while prices excluding intermediates were: 1984 - \$2.37, 1983 - \$2.25 and 1982 - \$2.71. The average cash prices per pound for nickel contracts traded on the London Metal Exchange were: 1984 - \$2.16, 1983 - \$2.12 and 1982 - \$2.19.

Primary Metals (\$ millions)	1984	1983	1982
Sales by product			
Primary nickel	\$ 720	\$ 603	\$ 552
Refined copper	170	98	117
Precious metals	110	56	68
Cobalt	24	10	24
Other products	28	19	24
Net sales to customers	\$1,052	\$ 786	\$ 785
Operating earnings (loss)	\$ 100	\$(138)	\$(130)
Deliveries (pounds in millions)			
Primary nickel and intermediates	316	278	216
Nickel contained in alloy products	40	36	35
Total nickel	356	314	251
Copper	273	140	167

The availability of copper, precious metals and cobalt for delivery to customers was sharply increased in 1984 after reductions in 1983 and 1982 due to production shutdowns at the Ontario Division. Copper prices realized in 1984 dropped by 12 per cent from 1983. The Company's average realized price per pound of copper was 63 cents in 1984, 72 cents in 1983 and 71 cents in 1982; cobalt price realizations per pound were \$10.13 in 1984, \$6.02 in 1983 and \$9.98 in 1982.

Improvements in productivity continued in 1984 and were a major contributor to the restoration of profitability. Unit production costs for nickel and copper in 1984 and 1983 were, in each year, lower than in the previous year. The Company also improved its production flexibility, resulting in better matching of production with deliveries. Rationalization of the Company's nickel refining operations resulted in the shutdown of Inco's highest cost refinery, the electrolytic nickel refining section at Port Colborne, Ontario. The Clydach, Wales, nickel refinery continued to operate at 50 per cent of capacity in 1984; production was suspended at the begin-

ning of 1985, but is expected to resume at the beginning of the second quarter of 1985. Except for scheduled vacation shutdowns, the Company's other major production facilities operated throughout 1984. In response to depressed market conditions, lengthy production shutdowns were required in 1983 and 1982.

Many of the actions taken during the past three years conserved cash but penalized earnings. Costs associated with the shutdowns and other cutbacks at all primary metals locations and with a strike at the Ontario Division in June 1982, totalled \$47 million in 1984, \$85 million in 1983 and \$169 million in 1982.

Primary metals operating results include operating losses from the Indonesian nickel operations of \$33 million in 1984, \$69 million in 1983 and \$38 million in 1982. The improvement in 1984 results is primarily attributable to increased production and lower unit production costs. Although deliveries increased in 1983, the loss also increased mainly due to lower realized prices than in 1982.

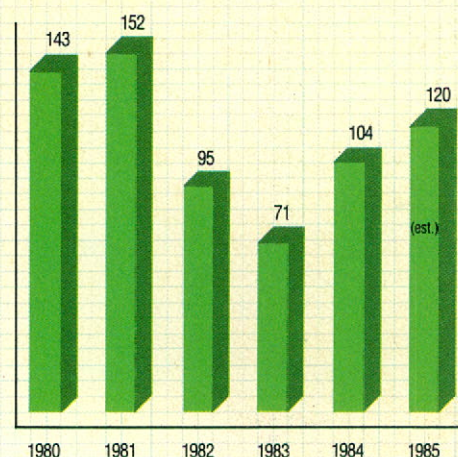
Alloy Products Sales of alloy products increased 6 per cent to \$393 million in 1984, and the operating loss narrowed to \$5 million from \$51 in 1983 and \$47 million in 1982. The improvement reflected cost reductions, benefits from the integration of the Company's worldwide alloy-producing businesses and a modest increase in demand. In 1983, sales dropped to \$370 million, 15 per cent below the already depressed levels of 1982. Operating results for 1984 were adversely affected by property write-offs and severance costs totalling \$10 million and the negative impact of the declining value of the pound sterling relative to the U.S. dollar, which was also experienced in 1983 and 1982.

Alloy Products (\$ millions)	1984	1983	1982
Net sales to customers	\$393	\$370	\$437
Operating loss	\$ (5)	\$(51)	\$(47)

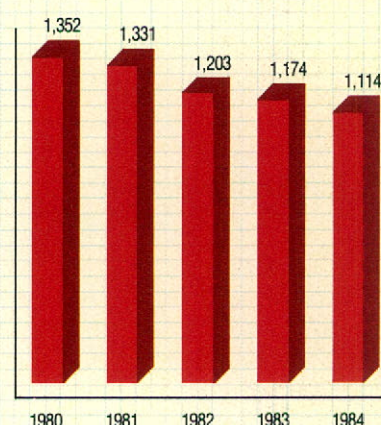
Other Business The principal units included in this segment are Inco Venture Capital Management; Inmetco, involved in metals reclamation and recycling; and Inco Energy Resources, with interests in oil and gas properties. Venture capital operating earnings, which consist of investment income and net gains from sales of securities less administrative expenses, totalled \$2 million in 1984, \$0.1 million in 1983 and \$5 million in 1982. In 1984, the producing and proven oil and gas reserves of Inco Energy Resources were sold for cash and common stock of Morgan Hydrocarbons Inc. resulting in a gain of \$4 million. After reflecting this gain, Inco Energy Resources had an operating loss of \$1 million in 1984, compared to losses of \$10 million and \$6 million in 1983 and 1982, respectively; the losses resulted from its exploration activities. Inmetco had an operating loss of \$7 million in 1984 compared to losses of \$9 million in 1983 and \$7 million in 1982. The unsatisfactory results were due primarily to low realized prices and, in 1984, also reflected start-up problems with a new product line.

Other Business (\$ millions)	1984	1983	1982
Net sales to customers	\$ 23	\$ 17	\$ 14
Operating loss	\$ (6)	\$(19)	\$(12)

Capital Expenditures
(\$ millions)



Total Debt
(\$ millions)



Interest and Taxes Interest expense in 1984 totalled \$122 million as compared to \$111 million and \$148 million in 1983 and 1982, respectively. The increase in 1984, compared to 1983, occurred as a result of higher interest rates, the effect of which was partially offset by a decline in the amount of debt outstanding. The reduction in 1983 reflected lower amounts of debt outstanding during the year as well as lower interest rates than in 1982.

The relationship of income and mining taxes to pretax losses (the effective tax rate) is largely influenced by the level of losses of the nickel operations in Indonesia, on which no tax benefit is recognized. Adjustments related to prior years were unfavorable in 1984 and 1983 after having been favorable in 1982. The effective tax rate has also been adversely affected, particularly in 1984, by the declines in value of the Canadian dollar and pound sterling relative to the U.S. dollar.

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 substantial losses incurred by the Company since mid-1981. As of December 31, 1984, the Company's total debt, preferred shares and common shareholders' equity constituted 46 per cent, 17 per cent and 37 per cent, respectively, of the Company's total capitalization. At December 31, 1983, these percentages were 46 per cent, 13 per cent and 41 per cent, respectively.

In addition to the efforts it has made to return to profitability through productivity improvements and reductions in production costs and other expenses, the Company has taken a number of steps to reduce the adverse impact of its past losses on its capital structure. These steps have included the sale of assets, working capital reductions and reductions in capital expenditures. As a result, despite net losses of \$77 million in 1984, \$235 million in 1983, and \$203 million in 1982, the Company experienced internal cash shortfalls of only \$4 million in 1984, \$57 million in 1983 and \$55 million in 1982. The internal cash shortfall in each of these years was more than offset by the proceeds from the sale of preferred shares in 1984 and common shares and warrants in 1983 and 1982, which totalled \$66 million, \$80 million and \$125 million, respectively. Principally as a result of these proceeds, total debt was reduced by \$60 million in 1984, \$29 million in 1983 and \$128 million in 1982.

At the end of 1984, the Company had available unutilized committed long-term bank credit facilities of about \$335 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 50:50. Because of this covenant, at December 31, 1984, the maximum that the Company could have borrowed under these unutilized facilities was \$180 million.

In the near term, the Company expects that these unutilized credit facilities should provide sufficient liquidity. Additional liquidity will also be provided by a restructuring

Ten-Year Review

	1984
Summary of operations (in thousands)	
Net sales	\$1,468,000
Cost of sales and operating expenses	\$1,317,100
Selling, general and administrative expenses	\$ 100,800
Interest, net of amounts capitalized	\$ 122,100
Income and mining taxes	\$ 22,200
Earnings (loss) from continuing operations	
before extraordinary charges	\$ (77,300)
Net earnings (loss)	\$ (77,300)
Net earnings (loss) applicable to	
common shares	\$ (100,100)
Per common share	\$ (1.02)
Common dividends	\$ 19,500
Per common share	\$ 0.20
Common shares outstanding	
(weighted average)	97,710
Other financial data (in thousands)	
Capital expenditures	\$ 103,600
Depreciation and depletion	\$ 140,000
Pension expense	\$ 34,500
Research and development expense	\$ 22,400
Exploration expense	\$ 15,800
Working capital	\$ 494,400
Net property, plant and equipment	\$1,972,900
Total assets	\$3,110,400
Total debt	\$1,113,900
Preferred shares	\$ 401,300
Common shareholders' equity	\$ 914,300
Return on total assets	—
Return on common shareholders' equity	—
Operating data (in thousands)	
Ore mined - short tons	16,100
Nickel production - pounds	358,500
Nickel deliveries - pounds	356,200
Copper deliveries - pounds	272,900
Platinum-group metals and gold	
deliveries - troy ounces	379
Other statistics	
Employees at year end	22,239
Common shareholders at year end	45,789

of the Company's pension plan in the United States which, upon receipt of the required governmental approvals, is expected to generate about \$100 million, and possibly by exercises of warrants, which expire on August 20, 1985, to purchase 3,449,070 Common Shares at a price of Cdn. \$16.00 per share. The Company may also improve its liquidity through the issuance of debt and possibly equity securities.

In the longer term, the adequacy of the Company's liquidity to meet its cash requirements, including particularly the retraction of its Series A Preferred Shares in 1987, is dependent upon continued profitability.

1983	1982	1981	1980	1979	1978	1977	1976	1975
1,173,400	1,236,000	1,885,900	2,150,000	1,611,300	1,298,000	1,247,800	1,442,600	1,198,000
1,257,700	1,277,000	1,454,600	1,329,900	1,105,600	1,001,500	899,100	926,000	741,100
102,500	123,200	144,400	144,500	109,400	102,500	97,200	91,000	79,500
111,400	148,300	147,100	124,800	109,900	59,000	52,600	56,500	38,500
(91,300)	(119,900)	81,100	260,700	126,200	68,500	74,400	140,100	132,800
(234,900)	(203,300)	20,400	261,700	141,600	57,200	97,400	189,200	187,800
(234,900)	(203,300)	(469,600)	231,500	147,500	73,300	109,600	207,500	194,900
(256,800)	(231,400)	(497,600)	205,300	124,300	52,800	102,000	207,500	194,900
(2.69)	(2.81)	(6.51)	2.72	1.66	0.71	1.37	2.78	2.61
19,100	16,100	45,000	52,100	37,400	52,200	93,200	119,300	119,300
0.20	0.20	0.59	0.69	0.50	0.70	1.25	1.60	1.60
95,451	82,247	76,395	75,464	74,762	74,595	74,593	74,576	74,552
71,100	95,300	152,200	143,300	85,400	193,400	402,500	434,900	315,800
126,100	110,300	139,900	142,500	111,000	89,700	96,900	98,100	96,600
45,400	34,300	59,800	61,600	54,700	47,900	46,500	47,400	33,700
29,400	35,800	37,000	34,100	26,600	31,400	39,400	34,200	32,200
20,300	19,200	32,700	26,900	13,900	14,200	22,400	34,100	26,500
528,100	789,400	1,023,200	1,081,300	972,900	985,900	854,600	614,000	597,400
2,035,500	2,109,000	2,136,100	2,542,400	2,523,400	2,540,500	2,436,700	2,119,400	1,785,000
3,183,200	3,472,500	3,856,400	4,720,900	4,392,200	4,191,600	4,130,400	3,664,300	3,041,000
1,174,300	1,203,400	1,331,400	1,351,700	1,274,100	1,307,000	1,315,600	1,251,600	803,300
335,300	338,600	341,800	345,000	348,300	351,600	353,300	—	—
1,027,400	1,215,600	1,332,900	1,859,100	1,687,700	1,590,700	1,590,000	1,581,100	1,492,300
—	—	—	4.9%	3.4%	1.7%	2.7%	5.7%	6.4%
—	—	—	11.0%	7.4%	3.3%	6.4%	13.1%	13.1%
10,400	7,500	13,400	16,400	9,600	10,900	19,600	19,800	21,200
282,500	201,300	330,100	393,800	255,000	267,300	416,700	461,600	458,900
314,100	250,800	341,800	345,400	393,600	377,400	312,300	409,800	351,100
140,000	167,400	239,800	288,300	129,100	224,600	341,200	356,000	334,600
201	310	317	349	326	468	438	554	301
24,866	25,798	31,678	33,975	33,864	33,326	38,216	38,696	37,755
49,653	55,759	62,054	67,609	74,541	75,067	77,875	78,014	84,369

Other Information Reference is made to pages 31 and 34 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	1984	1983	1982
	<i>(in thousands)</i>		
Revenues			
Net sales	\$1,467,984	\$1,173,421	\$1,235,983
Other income	48,276	21,428	41,010
	1,516,260	1,194,849	1,276,993
Costs and expenses			
Cost of sales and operating expenses	1,317,110	1,257,689	1,276,992
Selling, general and administrative expenses	100,814	102,460	123,180
Research and development	22,395	29,405	35,788
Exploration	15,772	20,294	19,165
Interest expense	122,145	111,441	148,298
Currency translation adjustments	(6,803)	(254)	(3,161)
	1,571,433	1,521,035	1,600,262
Loss before income and mining taxes	(55,173)	(326,186)	(323,269)
Income and mining taxes	22,170	(91,292)	(119,927)
Net loss	(77,343)	(234,894)	(203,342)
Dividends on preferred shares	(22,807)	(21,882)	(28,053)
Net loss applicable to common shares	\$ (100,150)	\$ (256,776)	\$ (231,395)
Net loss per common share	\$ (1.02)	\$ (2.69)	\$ (2.81)

Consolidated Statement of Retained Earnings

Year ended December 31	1984	1983	1982
	<i>(in thousands)</i>		
Retained earnings at beginning of year	\$ 606,658	\$ 882,533	\$1,130,027
Net loss	(77,343)	(234,894)	(203,342)
Preferred dividends	(22,807)	(21,882)	(28,053)
Common dividends - \$.20 per share	(19,533)	(19,099)	(16,099)
Retained earnings at end of year	\$ 486,975	\$ 606,658	\$ 882,533

The Explanatory Financial Section on pages 23 through 29 is an integral part of these statements.

Consolidated Balance Sheet

December 31	1984	1983	1982
	<i>(in thousands)</i>		
Current assets			
Cash	\$ 6,005	\$ 6,756	\$ 10,396
Marketable securities, at cost (market 1984 - \$13,200,000, 1983 - \$9,700,000, 1982 - \$8,700,000)	9,287	8,996	8,255
Accounts receivable	248,826	249,925	190,269
Income tax refunds receivable	18,838	19,009	51,234
Inventories	672,576	692,733	851,231
Prepaid expenses	9,661	7,165	8,254
Investment in discontinued business segments	—	—	70,000
Total current assets	965,193	984,584	1,189,639
Property, plant and equipment	3,652,143	3,601,588	3,571,856
Less - Accumulated depreciation and depletion	1,679,198	1,566,074	1,462,872
	1,972,945	2,035,514	2,108,984
Other assets			
Investments in and advances to affiliates, on an equity basis	24,519	14,255	14,143
Miscellaneous securities	130,617	133,201	73,545
Investment in discontinued business segments	—	—	70,000
Deferred charges	17,145	15,635	16,234
	172,281	163,091	173,922
Total assets	\$3,110,419	\$3,183,189	\$3,472,545
Current liabilities			
Notes payable	\$ 23,291	\$ 19,446	\$ 6,175
Long-term debt due within one year	40,295	99,162	67,971
Accounts payable	108,450	128,330	77,294
Accrued payrolls and benefits	135,541	101,945	110,045
Other accrued liabilities	93,138	88,465	111,160
Income and mining taxes payable	70,117	19,151	27,625
Total current liabilities	470,832	456,499	400,270
Other liabilities			
Long-term debt	1,050,350	1,055,705	1,129,293
Deferred income and mining taxes	201,100	241,400	346,800
Pension benefits	67,552	61,290	36,299
Minority interest	4,962	5,570	5,667
	1,323,964	1,363,965	1,518,059
Preferred shares issued, \$25 (Cdn.) issue price:			
Series A floating rate	239,250	239,250	239,250
Series B 7.85%	92,770	96,086	99,344
Series C 10%	69,300	—	—
	401,320	335,336	338,594
Common shareholders' equity			
Common shares issued, without nominal or par value	366,292	359,695	272,053
Capital surplus	61,036	61,036	61,036
Retained earnings	486,975	606,658	882,533
Total common shareholders' equity	914,303	1,027,389	1,215,622
Total liabilities and shareholders' equity	\$3,110,419	\$3,183,189	\$3,472,545

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

Consolidated Statement of Changes in Financial Position

Year ended December 31	1984	1983	1982
<i>(in thousands)</i>			
Financial resources were provided (used) by			
Net loss	\$(77,343)	\$(234,894)	\$(203,342)
Charges (credits) not affecting working capital			
Depreciation	116,676	112,904	101,356
Depletion	23,324	13,161	8,991
Deferred income and mining taxes	(40,300)	(105,400)	(65,300)
Pension benefits	9,387	25,687	—
Loss on disposals of property, plant and equipment	15,781	10,175	3,715
Currency translation adjustments not affecting working capital	(8,082)	(283)	(12,191)
Other - net	(874)	(641)	(1,662)
Working capital provided (used) by operations	38,569	(179,291)	(168,433)
Long-term borrowings	204,754	153,760	69,825
Net proceeds from sale of preferred shares	66,220	—	—
Net proceeds from sales of common shares and warrants	—	80,435	124,514
Shares issued in lieu of cash dividends	6,189	6,143	5,360
Other - net	(4,323)	11,581	3,248
Total	311,409	72,628	34,514
Financial resources were used for			
Preferred dividends	22,807	21,882	28,053
Common dividends	19,533	19,099	16,099
Capital expenditures	103,578	71,079	95,290
Reclassification of investment in discontinued business segments	—	—	100,300
Reduction of long-term debt	199,215	221,852	28,648
Total	345,133	333,912	268,390
Decrease in working capital	\$(33,724)	\$(261,284)	\$(233,876)
Analysis of changes in working capital			
Increase (decrease) in current assets			
Cash and marketable securities	\$ (460)	\$ (2,899)	\$ (16,018)
Accounts and tax refunds receivable	(1,270)	27,431	(72,884)
Inventories	(20,157)	(158,498)	(233,224)
Prepaid expenses	2,496	(1,089)	(3,307)
Investment in discontinued business segments	—	(70,000)	(135,000)
Total	(19,391)	(205,055)	(460,433)
Increase (decrease) in current liabilities			
Notes payable and other debt	(55,022)	44,462	(155,234)
Payables and accrued liabilities	18,389	20,241	(39,810)
Income and mining taxes payable	50,966	(8,474)	(31,513)
Total	14,333	56,229	(226,557)
Decrease in working capital	\$(33,724)	\$(261,284)	\$(233,876)

The Explanatory Financial Section on pages 23 through 29 is an integral part of these statements.

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 have been followed consistently in all material respects for the periods covered in the financial statements, except as described below.

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 2.

TRANSLATION OF FINANCIAL STATEMENTS INTO UNITED STATES DOLLARS The financial statements are expressed in United States currency. 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 drawdowns are translated at historical rates. Realized exchange gains and losses and currency translation adjustments are included in earnings currently except that, effective January 1, 1983, currency translation adjustments relative to long-term monetary items with a fixed and ascertainable life are deferred and amortized on a straight-line basis. Gains and losses on forward exchange contracts entered into to hedge future local currency transactions are deferred. The Company has entered into contracts to purchase \$500 million (Cdn.) at an average rate of \$1.00 (Cdn.) to \$.755 (U.S.) to hedge a major portion of its 1985 Canadian production costs.

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. Expenditures for mineral exploration are expensed as incurred.

DEPRECIATION AND DEPLETION Depreciation is calculated using the straight-line method and, for the nickel operations in Indonesia, 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 mine development costs ratably to the tons of ore mined.

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 and funded based on actuarial estimates, except that funding is subject to limitations under applicable tax regulations. Prior service costs, which will be charged to operations within the next 13 years, approximated \$100 million at December 31, 1984.

NET LOSS PER COMMON SHARE Net loss per common share is calculated by dividing net loss 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. 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 which would have been 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 to be 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 and Series C 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 net loss for 1984 and 1983 as determined and reported under Canadian practices with the net loss that would have been reported under United States practices.

	Year 1984 Accounting Practices		Year 1983 Accounting Practices	
	Canadian	United States	Canadian	United States
Net Profit (Loss)	<i>(in thousands)</i>			
First Quarter*	\$(35,145)	\$(31,164)	\$(81,870)	\$(73,867)
Second Quarter*	(15,054)	(7,395)	(37,080)	(54,470)
Third Quarter*	(31,598)	(26,510)	(61,365)	(62,960)
Fourth Quarter*	4,454	(2,928)	(54,579)	(53,495)
Year	\$(77,343)	\$(67,997)	\$(234,894)	\$(244,792)
Loss per common share	\$ (1.02)	\$ (0.92)	\$ (2.69)	\$ (2.79)

*Unaudited

The difference in the net loss for the year 1984 of \$9,346,000 (1983 - \$9,898,000) would have been reflected in the Consolidated Statement of Operations as increased gains from currency translation adjustments of \$18,716,000 (1983 - \$7,873,000) and additional provision for income and mining taxes of \$9,370,000 (1983 - reduced tax relief of \$17,771,000). The Company's net loss for 1982 is identical under both Canadian and United States accounting practices. The net loss for 1984 includes after-tax gains of \$8,770,000 from the retirement of long-term debt; such gains would be classified as extraordinary items under United States practices.

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.

	Balance at December 31,	Accounting Practices	
		Canadian	United States
		<i>(in thousands)</i>	
Deferred Income and Mining Taxes	1984	\$201,100	\$146,600
Deferred Income and Mining Taxes	1983	241,400	194,000
Series A Preferred Shares	1984	239,250	189,250
Series A Preferred Shares	1983	239,250	201,000
Series A Preferred Shares	1982	239,250	203,250
Series C Preferred Shares	1984	69,300	68,130
Retained Earnings	1984	486,975	583,752
Retained Earnings	1983	606,658	692,767
Retained Earnings	1982	882,533	918,533

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

Note 3. Discontinued Business Segments

The Consolidated Balance Sheet reflects the investment in discontinued business segments at an estimated net realizable value of \$140 million at December 31, 1982. 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 4. 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 losses of \$7,240,000 in 1984 and \$87,000 in 1982 and a gain of \$295,000 in 1983. Also included in other income are gains on sales of securities, principally marketable equity securities, of \$2,300,000 in 1984 (1983 - \$1,100,000; 1982 - \$6,150,000).

Note 5. Inventories

Inventories consist of the following:

December 31	1984	1983	1982
	<i>(in thousands)</i>		
Metals, finished and in-process	\$576,773	\$590,750	\$741,400
Supplies	95,803	101,983	109,831
	\$672,576	\$692,733	\$851,231

Note 6. Property, Plant and Equipment

Property, plant and equipment consists of the following:

December 31	1984	1983	1982
	<i>(in thousands)</i>		
Mines and mining plants	\$1,257,182	\$1,214,772	\$1,167,400
Processing facilities	1,517,438	1,517,098	1,500,634
Other	326,459	329,106	373,594
Primary metals facilities	3,101,079	3,060,976	3,041,628
Alloy products facilities	457,823	436,337	439,112
Other	93,241	104,275	91,116
Total property, plant and equipment	3,652,143	3,601,588	3,571,856
Accumulated depreciation	1,331,927	1,245,258	1,150,660
Accumulated depletion	347,271	320,816	312,212
	1,679,198	1,566,074	1,462,872
Net property, plant and equipment	\$1,972,945	\$2,035,514	\$2,108,984

Net property, plant and equipment at December 31, 1984 includes \$700 million relative to the Indonesian nickel operations, and \$100 million applicable to mines in Canada which were on standby throughout 1984.

Note 7. Income and Mining Taxes

The provisions for income and mining taxes (tax relief) for the years 1982-1984 were as follows:

	1984	1983	1982
	<i>(in thousands)</i>		
Current taxes	\$66,670	\$ 10,608	\$ (48,627)
Current deferred	(4,200)	3,500	(6,000)
Future deferred	(40,300)	(105,400)	(65,300)
Total deferred taxes	(44,500)	(101,900)	(71,300)
Total income and mining taxes	\$22,170	\$(91,292)	\$(119,927)
Canada	\$15,885	\$(74,401)	\$(101,048)
Other (principally United States and United Kingdom)	6,285	(16,891)	(18,879)
	\$22,170	\$(91,292)	\$(119,927)

Losses before income and mining taxes, by source, were as follows:

	1984	1983	1982
	<i>(in thousands)</i>		
Canada	\$(26,705)	\$(263,494)	\$(241,415)
Other*	(28,468)	(62,692)	(81,854)
Total	\$(55,173)	\$(326,186)	\$(323,269)

*Includes the losses of the Indonesian nickel operations.

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:

	1984	1983	1982
	<i>(in thousands)</i>		
Tax effects of timing differences for:			
Depreciation	\$(28,000)	\$(105,500)	\$(64,400)
Employee benefits	(14,600)	(1,300)	(600)
Inventories	(3,500)	(1,100)	(4,300)
Other	1,600	6,000	(2,000)
Total	\$(44,500)	\$(101,900)	\$(71,300)

The deferred tax benefits 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, totalling \$88 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	1984	1983	1982
	Provision (Relief)		
Combined Canadian federal-provincial statutory income tax rate	(49.1)%	(48.9)%	(48.4)%
Resource and depletion allowance	(25.4)	—	—
Adjusted income tax rate	(74.5)	(48.9)	(48.4)
Mining taxes	21.6	(2.1)	(1.9)
	(52.9)	(51.0)	(50.3)
Effects of losses of nickel operations in Indonesia	44.5	14.7	13.1
Currency translations	22.9	1.2	4.6
Prior year tax adjustments	54.6	2.6	(3.3)
Investment tax credits	(8.5)	(0.1)	2.2
Tax rate differential	(5.8)	6.8	2.2
Inventory allowance - Canada	(4.6)	(1.4)	(2.2)
U.K. stock relief	(1.3)	(1.1)	(1.8)
Other	(8.7)	0.3	(1.6)
Effective income and mining tax rate	40.2%	(28.0)%	(37.1)%

In the three-year period 1982 through 1984, the effective income and mining tax rate was adversely affected by the losses of the Indonesian nickel operations, on which no tax benefit is recognized, and by the effect of currency translations arising mainly from the declines in value of the Canadian dollar and pound sterling relative to the U.S. dollar. Since interest expense is statutorily excluded from the determinations, resource and depletion allowances were earned and mining taxes were incurred in 1984. Adjustments related to prior years were unfavorable in 1984 and 1983 after having been favorable in 1982. The percentages for 1984 reconciling items were accentuated significantly by the relatively low level of pretax loss. The Company has yet to receive assessments relative to certain tax returns, but believes that the settlement of any such assessments would not have a material adverse effect on its financial position. Investment tax credits reduced income and mining taxes by \$5 million in 1984 and \$0.2 million in 1983, whereas in 1982, because of the level of losses incurred, the reversal of investment tax credits recognized in 1981 resulted in a charge of \$7 million.

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 \$201,100,000 in the Consolidated Balance Sheet at December 31, 1984. The cumulative tax effect of timing differences relating to items of a current nature of \$12,300,000 at December 31, 1984 is reflected as a reduction in the current liability for income and mining taxes payable.

Losses and unutilized investment tax credits relative to the Company's nickel operations in Indonesia totalling \$314 million and \$56 million, respectively, can be carried forward indefinitely to reduce future taxes. The Company has approximately \$74 million of capital losses available to offset capital gains in the United States through 1989. The Company also has investment tax credits of \$7 million, the major portion of which can be carried forward to reduce income tax liabilities in the United States through 1998, as well as investment tax credits of \$10 million in Canada, of which \$3 million can be carried forward through 1986, \$5 million through 1987 and \$2 million thereafter.

Note 8. 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, 1984 are shown in parentheses):

December 31	1984	1983	1982
	<i>(in thousands)</i>		
Inco Limited			
6.85% U.S.\$ Debentures (1988-1993)	\$ 87,765	\$ 97,293	\$ 103,850
8.625% Cdn.\$ Debentures (1987-1991)	40,278	47,660	49,986
9.25% Cdn.\$ Debentures (1988-1990)	38,599	46,019	48,076
9.0% Eurodollar Debentures (1988-1992)	69,672	80,936	89,316
8.25% Eurodollar Notes (1991-2010)	—	48,334	50,000
12.375% U.S.\$ Debentures (1986-1991)	100,000	100,000	100,000
15.75% Sterling Unsecured Loan Stock (2006)	49,500	49,500	49,500
U.S.\$ Term loans (10.1%) (1985-1989)*	85,100	100,000	50,000
U.S.\$ Revolving loans (9.8%) (1986-1993)*	393,500	287,000	216,300
Cdn.\$ Revolving loans (11.3%) (1986-1991)**	3,785	34,796	40,401
P.T. International Nickel Indonesia			
Eurodollar bank loans (11.4%) (1985-1989)*	75,000	75,000	103,848
Export & supplier credits (9.0%) (1985-1989)	94,516	100,010	146,340
8.0625% U.S.\$ Production sharing loan (1985-1986)	5,400	6,750	12,600
Exmibal			
Export & supplier credits (8.3%) (1985-1988)	19,403	26,246	32,794
9.5% U.S.\$ International agency loans (1985-1988)	3,600	5,700	7,800
Other Indebtedness (8.5%) (1985-2002)	24,527	49,623	96,453
	1,090,645	1,154,867	1,197,264
Long-term debt due within one year	40,295	99,162	67,971
Long-term debt	\$1,050,350	\$1,055,705	\$1,129,293

*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, 1984 was 9.8%. Approximately 52% of such debt carries interest rates that are subject to periodic adjustments based on market interest rates. Interest expense on long-term debt for the years 1984, 1983 and 1982 was \$119,302,000, \$108,508,000 and \$129,091,000, respectively. After reflecting forward exchange hedging contracts, 99% of the long-term debt is payable in U.S. dollars.

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 existing senior funded debt of P.T. Inco, \$174,916,000 at December 31, 1984, has been repaid.

At the end of 1984, the Company had unutilized committed credit facilities of \$335 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 50:50; at December 31, 1984, this ratio was 46:54. 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. Under this covenant, the maximum that the Company could have borrowed under its unutilized credit facilities was \$180 million at December 31, 1984. In the near term, the Company expects that these unutilized credit facilities should provide sufficient liquidity. Additional liquidity will also be provided by a restructuring of the Company's pension plan in the United States which, upon receipt of the required governmental approvals, is expected to generate about \$100 million, and possibly by exercises of warrants to purchase Common Shares (see Note 9). During 1984 the Company incurred fees of \$1,120,000 to compensate banks for undrawn credit facilities.

Long-term debt maturities and sinking fund requirements for each of the five years through 1989 are: 1985 - \$40,295,000; 1986 - \$86,546,000; 1987 - \$114,710,000; 1988 - \$122,240,000; 1989 - \$175,175,000.

Note 9. Preferred and Common Shares

At December 31, 1984, the authorized share capital of the Company consisted of 30,000,000 preferred shares and an unlimited number of common shares.

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 1 1/4 per cent. The shares are redeemable at the option of the Company and are retractable at the option of the holders in 1987 at \$25 (Cdn.) per share. The purchase price 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 \$13,576,000 paid in 1984 on these preferred shares reflected an average annual dividend rate of approximately 7.0% (1983 - 7.4%; 1982 - 10.3%).

The 7.85% cumulative Series B Preferred Shares have general voting rights and were redeemable at \$25.60 (Cdn.) commencing December 1, 1984, 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.

In August 1984, the Company sold 3,600,000 10% Cumulative Redeemable Commodity-Indexed Series C Preferred Shares at \$25 (Cdn.) per share. These shares, which have general voting rights, are retractable at \$25 (Cdn.) per share at the option of the holders in 1991. The commodity-indexed exchange feature gives each holder the right to receive the cash equivalent of specified amounts of either nickel or copper, provided that, if exchanges are made prior to August 1, 1987, the Company may make payments in cash or common shares, at its option. The exchange privilege may not be exercised prior to August 1, 1987, unless the average London Metal Exchange cash price exceeds U.S. \$2.90 per pound for nickel or U.S. \$.80 per pound for copper.

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.

At December 31, 1984, 3,449,070 warrants were outstanding, each of which entitles the holder to purchase one Common Share at \$16 (Cdn.). The warrants expire August 20, 1985.

Changes in the Series B Preferred Shares and Common Shares for the years 1982-1984 are shown below. There were no changes in the 10,000,000 Series A Preferred Shares issued in 1977 or the 3,600,000 Series C Preferred Shares issued in 1984.

	Series B Preferred Shares		Common Shares	
	Number of shares	\$ in thousands	Number of shares	\$ in thousands
December 31, 1981	4,499,256	\$102,548	76,850,493	\$141,794
Shares purchased	(150,000)	(3,420)	—	—
Shares issued in lieu of cash 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)	—	—
Options exercised	—	—	43,877	442
Shares issued in lieu of cash 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
Shares purchased	(151,600)	(3,457)	—	—
Options exercised	—	—	7,170	65
Shares issued in lieu of cash dividends	7,297	141	550,833	6,048
Shares sold under Share Purchase Plan	—	—	41,480	484
December 31, 1984	4,073,405	\$ 92,770	98,062,274	\$366,292

Note 10. Stock Option Plans

The Company's 1968, 1979 and 1984 stock option plans each authorized the granting of options to key employees 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. The 1968 plan was terminated in 1978 and the 1979 plan was terminated in 1984 except as to options and share appreciation rights then outstanding. At December 31, 1984, outstanding options for 634,675 shares under these plans also carry share appreciation rights.

Changes during the year 1984 in options outstanding are summarized as follows:

	Number of Shares		
	1984 Plan	1979 Plan	1968 Plan
Outstanding at December 31, 1983	—	883,735	397,112
Options granted at average option price of \$11.20 a share	341,750	33,000	—
Options exercised at option price of \$9.13 a share	—	(7,170)	—
Options terminated	—	(113,875)	(144,484)
Outstanding at December 31, 1984	341,750	795,690	252,628
Available for grant at December 31, 1984	658,250	—	—
Exercisable as at December 31, 1984	—	635,440	252,628

At December 31, 1984, the average option price per share of options outstanding was \$16.22 (range \$15.57 - \$25.69) under the 1968 plan, \$16.39 (range \$9.13 - \$23.94) under the 1979 plan and was \$11.00 under the 1984 plan. The expiration dates of options outstanding at December 31, 1984 ranged from October 5, 1985 to September 11, 1992. At December 31, 1984, there were 656 employees participating in the plans.

Note 11. Financial Data by Business Segment

Financial data by business segment and geographic area, for the years 1984, 1983 and 1982 follow (in millions of dollars):

Data by Business Segment	Year 1984					Year 1983					Year 1982				
	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	\$1,052	\$ 393	\$ 23	\$ —	\$1,468	\$ 786	\$ 370	\$ 17	\$ —	\$1,173	\$ 785	\$ 437	\$ 14	\$ —	\$1,236
Intersegment sales	89	4	—	(93)	—	60	5	—	(65)	—	57	5	—	(62)	—
Total net sales	\$1,141	\$ 397	\$ 23	\$ (93)	\$1,468	\$ 846	\$ 375	\$ 17	\$ (65)	\$1,173	\$ 842	\$ 442	\$ 14	\$ (62)	\$1,236
Operating earnings (loss)	\$ 100	\$ (5)	\$ (6)	\$ (14)	\$ 75	\$ (138)	\$ (51)	\$ (19)	\$ 20	\$ (188)	\$ (130)	\$ (47)	\$ (12)	\$ 36	\$ (153)
Non-operating expenses*					(130)					(138)					(170)
Loss before income and mining taxes					\$ (55)					\$ (326)					\$ (323)
Capital expenditures	\$ 74	\$ 27	\$ 3	\$ —	\$ 104	\$ 48	\$ 18	\$ 5	\$ —	\$ 71	\$ 67	\$ 17	\$ 11	\$ —	\$ 95
Depreciation and depletion	\$ 109	\$ 22	\$ 9	\$ —	\$ 140	\$ 93	\$ 23	\$ 10	\$ —	\$ 126	\$ 84	\$ 20	\$ 6	\$ —	\$ 110
Identifiable assets at December 31	\$2,346**	\$ 542	\$ 100	\$ (39)	\$2,949	\$2,388	\$ 516	\$ 99	\$ (20)	\$2,983	\$2,535	\$ 593	\$ 107	\$ (39)	\$3,196
Other assets					161					200					277
Total assets at December 31					\$3,110					\$3,183					\$3,473

Data by Geographic Area	Canada	United States	Europe	Other	Total after eliminations	Canada	United States	Europe	Other	Total after eliminations	Canada	United States	Europe	Other	Total after eliminations
Net sales to customers	\$ 265	\$ 526	\$ 460	\$ 217	\$1,468	\$ 178	\$ 457	\$ 375	\$ 163	\$1,173	\$ 175	\$ 465	\$ 458	\$ 138	\$1,236
Sales between geographic areas	711	21	9	9	—	479	5	5	1	—	540	10	7	—	—
Total net sales	\$ 976	\$ 547	\$ 469	\$ 226	\$1,468	\$ 657	\$ 462	\$ 380	\$ 164	\$1,173	\$ 715	\$ 475	\$ 465	\$ 138	\$1,236
Operating earnings (loss)	\$ 101	\$ 7	\$ (10)	\$ (1)	\$ 75	\$ (108)	\$ (25)	\$ (21)	\$ (54)	\$ (188)	\$ (94)	\$ (9)	\$ (37)	\$ (30)	\$ (153)
Identifiable assets at December 31	\$1,463	\$ 462	\$ 277	\$ 878**	\$2,949	\$1,418	\$ 438	\$ 281	\$ 910	\$2,983	\$1,511	\$ 477	\$ 346	\$ 988	\$3,196

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

**Includes assets of \$768 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 business includes the Company's venture capital program, metals reprocessing operations, and oil and gas interests.

Other assets include investments in discontinued business segments of \$140 in 1982; and corporate assets, principally cash, securities, and certain receivables and fixed assets of \$161 in 1984 (1983 - \$200; 1982 - \$137).

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 1984, sales to customers include \$57 (1983 - \$49; 1982 - \$35) exported from Canada and \$12 (1983 - \$11; 1982 - \$29) exported from the United States. In 1984, total sales by Canadian companies include \$322 (1983 - \$231; 1982 - \$257) exported to the United States and \$330 (1983 - \$232; 1982 - \$243) exported to Europe. Geographic Area - Other includes sales to affiliated companies in Japan as follows: Shimura Kako Company, Ltd. - \$103 in 1984 (1983 - \$118; 1982 - \$88) and Tokyo Nickel Company, Ltd. - \$54 in 1984 (1983 - \$1).

Note 12. Retirement Benefits

Pension expense totalled \$34,503,000 in 1984, \$45,382,000 in 1983 and \$34,335,000 in 1982. 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, 1984, vested and nonvested benefits exceeded the related net assets of one of the Company's major Canadian pension trust funds by approximately \$60 million.

December 31	1984	1983	1982
	<i>(in thousands)</i>		
Actuarial present value of accumulated plan benefits, using an assumed discount rate of 7.4% (1983 and 1982 - 7.3%):			
Vested benefits	\$670,400	\$674,800	\$607,400
Nonvested benefits	127,400	132,400	149,400
	\$797,800	\$807,200	\$756,800
Net assets, at market value, available for benefits	\$962,500	\$989,200	\$876,200

On January 21, 1985, the Company filed applications with certain U.S. governmental agencies for approval to implement a plan to restructure its U.S. Retirement System. Under the plan, the Company purchases annuities for participants and, having discharged those responsibilities, would be entitled to any surplus in the pension fund. The surplus is expected to approximate \$100 million. Approval is expected in 1985. Proceeds would be used to reduce debt.

The Company provides certain health care and life insurance benefits for retired employees. Substantially all employees in Canada, the United States and the United Kingdom may become eligible for these benefits upon retirement from the Company. The cost of these benefits, which are generally provided through insurance companies, approximated \$9 million for 1984.

Auditors' Report



To the Shareholders of Inco Limited:

We have examined the consolidated financial statements and explanatory financial section appearing on pages 20 through 29 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, 1984, 1983 and 1982 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 in 1983, with which we concur, in the method of currency translation described in Note 1 of the explanatory financial section.

Toronto, Ontario
New York, New York
February 15, 1985

Price Waterhouse

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
1984					
Net sales	\$ 371,005	\$ 385,288	\$ 322,910	\$ 388,781	\$1,467,984
Cost of sales and operating expenses	\$ 356,451	\$ 331,093	\$ 297,586	\$ 331,980	\$1,317,110
Earnings (loss) before income and mining taxes	\$ (36,454)	\$ (239)	\$ (27,840)	\$ 9,360	\$ (55,173)
Net earnings (loss)	\$ (35,145)	\$ (15,054)	\$ (31,598)	\$ 4,454	\$ (77,343)
Net loss per common share	\$ (.41)	\$ (.21)	\$ (.38)	\$ (.02)	\$ (1.02)
Dividends per common share	\$.05	\$.05	\$.05	\$.05	\$.20
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

Note: Year 1984 results reflect \$61 million of unusual charges relating to severance costs, production shutdowns and property write-offs due to rationalization of certain operations, as follows: first quarter - \$23 million, second quarter - \$11 million, third quarter - \$20 million and fourth quarter - \$7 million. Year 1984 results also reflect gains of \$11 million in the third quarter from the sale of a royalty interest in a gold property and \$10 million in the fourth quarter from the retirement of long-term debt and the sale of oil and gas properties.

Year 1983 results reflect shutdown costs of \$61 million in the first quarter and \$17 million in the second quarter.

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). 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 based on the effects of changes in the specific prices (current cost) of resources used by an enterprise. This technique results in the restatement of amounts reported in prior years to current year dollars. Certain additional supplementary information which would be supplied in strict compliance with the requirements of the U.S. Financial Accounting Standards Board has not been disclosed since, in the Company's view, it would not materially enhance the disclosures which follow.

In the accompanying statement of 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.

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.

The current cost of property, plant and equipment has been determined principally by the application of specific indices to the historical cost/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 at

current cost. Net assets at year end on a current cost basis is a restatement of common shareholders' equity at year end, as reported in the primary financial statements, adjusted to reflect the excess of the current cost values for inventories and property, plant and equipment over the respective historical cost/nominal dollar amounts. Prior year comparative amounts have been restated, where indicated, into average 1984 dollars or, for balance sheet items, December 1984 dollars, by applying the U.S. Consumer Price Index for All Urban Consumers (CPI-U).

The CICA requirements 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 on 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 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 \$23 million in 1984.

Statement of Operations Adjusted for Changing Prices

Year ended December 31 (in millions)

As reported in the primary statements (Historical/ nominal dollars)		Adjusted for specific price changes (Current cost - average 1984 dollars)	
1984	1983	1984	1983
\$1,516	\$1,195	\$1,516	\$1,246
1,317	1,258	1,387	1,387
101	102	103	111
22	29	24	35
16	20	18	21
122	112	122	116
(7)	—	(7)	—
1,571	1,521	1,647	1,670
(55)	(326)	(131)	(424)
22	(91)	22	(91)
\$ (77)	\$ (235)	\$ (153)	\$ (333)
*Includes depreciation and depletion which totalled			
\$ 140	\$ 126	\$ 272	\$ 270

Financing adjustments based on:

Changes in current cost of inventories and property, plant and equipment	\$ (50)	\$ 24
Current cost adjustments to income	\$ 22	\$ 26

Gain from decline in purchasing power of net amounts owed	\$ 59	\$ 59
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Increase (decrease) in specific prices (current cost) of inventories and property, plant and equipment held during the year**	\$ (137)	\$ 69
Effect of change in general price level	172	180

Excess of change in general price level over specific prices	\$ 309	\$ 111
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**At December 31, 1984, current cost of inventories was \$733 million (1983 - \$804 million in December 1984 dollars) and property, plant and equipment, net of accumulated depreciation, was \$3,498 million (1983 - \$3,870 million in December 1984 dollars). Net assets (common shareholders' equity) on a current cost basis was \$2,500 million at year-end 1984 (1983 - \$2,906 million in December 1984 dollars).

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 year, stating these amounts in average 1984 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.

Comments on Inflation-Adjusted Data For the years 1984 and 1983, the Company's losses in historical cost/nominal dollar terms are accentuated when restated at current cost. With respect to pretax losses, the inflation-adjusted results are influenced by the same factors that affected results expressed in historical cost/nominal dollars. The losses in 1984 and 1983 are primarily the result of weak metals prices and shutdown and rationalization costs. The improvement in 1984 reflects not only improved demand and increased sales, but productivity improvements and cost reductions implemented in the past three years. In fact, on a current cost basis, cost of sales and operating expenses in 1984 and 1983, excluding depreciation and depletion, were lower than the comparative historical cost/nominal dollar amounts. In both 1984 and 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 remained in excess of its monetary assets at each year end, resulting in purchasing power gains in net amounts owed.

Supplementary Operating Statistics The accompanying 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 479 million short tons of proven and probable ore reserves in Canada at December 31, 1984, a total of 351 million tons were in mines which were producing in 1984 and 128 million tons were in mines under development and in non-producing mines. Only material that is economically viable and has been sampled in sufficient detail to permit a reliable calculation is included in 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 1984, 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 76 million short tons containing 1.4 million tons of nickel from 72 million tons containing 1.3 million tons of nickel at the end of 1983.

Supplementary Operating Statistics

Year ended December 31	1984	1983
Canadian Operations:	(tons in millions)	
Proven and probable ore reserves at year end	479	483
Nickel content	7.0	7.1
Copper content	4.3	4.4
Ore mined	14.6	9.3
Average grade of ore mined – Nickel	1.42%	1.42%
– Copper	1.03%	1.00%
Indonesian Operations:	(tons in millions)	
Proven and probable ore reserves at year end	76	72
Nickel content	1.4	1.3
Ore mined	1.5	1.1
Average grade of nickel in ore mined	2.09%	2.09%
Combined Canadian and Indonesian Operations:	(pounds in millions)	
Production – Nickel	359	283
– Copper	259	147
Average prices realized	(per pound)	
Nickel – Historical/nominal dollars	\$2.28	\$2.17
– Average 1984 dollars	\$2.28	\$2.26
Copper – Historical/nominal dollars	\$0.63	\$0.72
– Average 1984 dollars	\$0.63	\$0.75

Investor Information

Shareholders

At year-end 1984, of the shareholders having general voting rights (the Common and the Series B and Series C 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 44 per cent, United States residents of record 44 per cent, and residents of record in other countries 12 per cent.

Warrants

The Company had 3,449,070 share purchase warrants outstanding at December 31, 1984. 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 4, 1985, the Board of Directors declared a regular quarterly dividend of 5 cents a common share, payable March 15 to shareholders of record on February 14. The Company paid total dividends per common share of 20 cents both in 1984 and in 1983. The Board of Directors on February 4 also declared a quarterly dividend at an annual rate of 7.68 per cent on the Company's floating rate Series A Preferred Shares, payable March 1 to shareholders of record on February 19 and declared quarterly dividends on the Company's 7.85% Series B Preferred Shares, payable March 1 to shareholders of record on February 14, and 10% Series C Preferred Shares, payable May 1 to shareholders of record on April 1.

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 33 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 Divi-

dend 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 present legislation in the United States, the Company is exempt from withholding at a 20 per cent rate on dividends and interest paid to certain United States persons for whom the Company does not have a taxpayer identification number.

The Company has three classes or series of securities which have general voting rights, its Common Shares, its 7.85% Series B Preferred Shares and its 10% Series C Preferred Shares. 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, 1984, the number of Series A Preferred shareholders totalled 27, all Canadian residents, the number of Series B Preferred shareholders totalled 1,427, principally Canadian residents and the number of Series C Preferred shareholders totalled 1,428, 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 and Series C Preferred Shares were issued and sold in underwritten public offerings 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 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 Preferred Shares

Year ended December 31	1984	1983
- Common Shares -		
New York Stock Exchange (Composite transactions)		
First quarter	\$15 ¹ / ₄ - 12 ¹ / ₄	\$14 - 10 ³ / ₄
Second quarter	14 ⁵ / ₈ - 9 ¹ / ₂	16 ³ / ₈ - 12 ¹ / ₄
Third quarter	12 ¹ / ₂ - 8 ⁵ / ₈	18 ³ / ₄ - 14 ¹ / ₈
Fourth quarter	12 ⁵ / ₈ - 9 ³ / ₄	16 ³ / ₄ - 12 ¹ / ₂
Toronto Stock Exchange (Canadian dollars)		
First quarter	\$19 - 15 ¹ / ₄	\$17 ¹ / ₈ - 13 ³ / ₈
Second quarter	18 ¹ / ₂ - 12 ³ / ₈	20 ¹ / ₈ - 15
Third quarter	16 ¹ / ₈ - 11 ³ / ₈	23 ¹ / ₈ - 17 ¹ / ₂
Fourth quarter	16 ³ / ₈ - 13	20 ³ / ₈ - 15 ¹ / ₂
- Series B Preferred Shares -		
First quarter	\$19 ¹ / ₂ - 18 ¹ / ₄	\$18 ¹ / ₄ - 15
Second quarter	19 - 17 ¹ / ₂	20 - 18
Third quarter	18 ⁷ / ₈ - 16 ³ / ₄	20 - 17 ¹ / ₂
Fourth quarter	19 - 18	20 - 18 ¹ / ₄
- Series C Preferred Shares - (issued in August 1984)		
Third quarter	\$25 ⁷ / ₈ - 25 ¹ / ₄	
Fourth quarter	27 ¹ / ₈ - 25 ¹ / ₄	

Corporate Directory

Directors

(Term expires 1985)

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

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

J. Peter Gordon, O.C.
Chairman, Stelco Inc.
(producer of iron, primary steel
and finished steel products)
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

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

Directors

(Term expires 1986)

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

Walter F. Light
Chairman, 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
Chairman 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

Board of Directors

The Board of Directors presently consists of 16 members of whom three are officers of the Company. In 1984, the Board held 11 meetings. The activities of the Board are supported by its various committees.

Executive Committee

The Executive Committee, which held seven meetings during 1984, consists of Mr. Baird, Chairman, and Messrs. Bridges, Gordon, Phillips, Richardson, Rolland 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 1984, consists of Mr. Light, Chairman, and Dr. Gerstein, Messrs. Gordon, Kane and Keating. This committee meets with the Company's financial management personnel, its

internal auditors and its independent auditors at least three 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 three meetings during 1984, 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

This committee, which held five meetings during 1984, consists of Mr. Willmot, Chairman, and Messrs. Bridges, Gordon, Richardson and Rolland. 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 five meetings during 1984, consists of Mr. Hamilton, Chairman, and 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

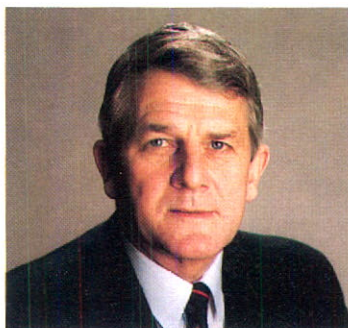
On September 10, 1984, J. Peter Gordon, O.C., Chairman, Stelco Inc. was elected to the Board. G. Arnold Hart, M.B.E., C.M., who had served as a Director since 1961, retired from the Board on February 4, 1985 in accordance with the retirement policy adopted by the Board.

Also on February 4, 1985, Robert W. Bonner, Q.C. resigned from the Board.

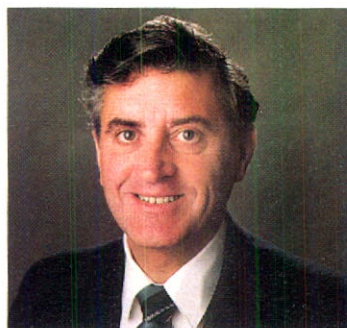
Corporate Reorganization

Since early 1982, Inco has taken major steps to streamline management in order to shorten lines of communication, improve effectiveness and reduce costs. This effort continued during the past year, with a further reduction in the number of corporate officers worldwide to 18 in January 1985 from 21 a year earlier and 33 in January 1982.

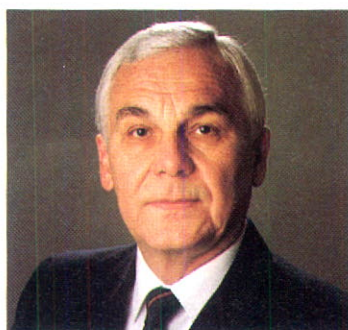
As part of this continued streamlining, a number of reporting relationships were changed during 1984. Under the new corporate organization, reporting directly to the Chairman and Chief Executive Officer are the President and Chief Operating Officer and senior officers responsible for: finance; public affairs, planning, human resources, industrial relations and environmental affairs; legal; and occupational health.



W.R.O. Aitken
Executive Vice-President
(corporate public affairs, planning, human resources, industrial relations and environmental affairs)



Ian McDougall
Executive Vice-President
(chief financial officer)



Walter Curlook
Executive Vice-President
(primary metals production, exploration and technology)



John H. Page
President, Inco Alloy Products Company

Reporting directly to the President and Chief Operating Officer are senior officers responsible for: primary metals production, technology and exploration; alloy products; nickel marketing; copper, cobalt and precious metals marketing.

During the year, W.R.O. Aitken was elected Executive Vice-President with responsibility for corporate public affairs, planning, human resources, industrial relations and environmental affairs. He was formerly Senior Vice-President responsible for primary metals production operations.

In 1984, Peter B. Salathiel was elected Vice-President responsible for nickel marketing worldwide, and Scott M. Hand was elected Vice-President, General Counsel & Secretary responsible for worldwide legal, Office of the Secretary and patents functions.

Charles F. Baird
Chairman and Chief Executive Officer

Donald J. Phillips
President and Chief Operating Officer

Executive Vice-Presidents

W.R.O. Aitken

Walter Curlook

Ian McDougall

President, Inco Alloy
Products Company

John H. Page

Senior
Vice-President

Charles E. O'Neill
Technology

Vice-Presidents

Scott M. Hand
General Counsel
& Secretary

John J. Moran
Planning

Terrence Podolsky
Exploration and Mineral
Development

Dean D. Ramstad*
Japan

Peter B. Salathiel
Nickel Marketing

Donald G. Walker
Human Resources

J. Stuart Warner
Occupational Health

Comptroller

Anthony J. Sabatino

Treasurer

Ian G. Austin

Principal Production Operations

I. David Balchin
Group Managing Director
Inco Alloy Products Limited

William F. Bissett
President
Inco Alloys International

William P. Clement
President
Manitoba Division

James D. Guiry
President and
Managing Director
P.T. Inco Indonesia

Michael D. Sopko
President
Ontario Division

Principal Regional Officers

Kevin H. Belcher
President
Inco Australasia
Melbourne

Richard R. DeWitt
President
International Nickel Inc.
Saddle Brook, N.J.

* Also President, Inco Japan

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) 612-5500

Principal Subsidiaries and Operating Units

Primary Metals

Ontario Division
Copper Cliff, Ontario
P0M 1N0

Manitoba Division
Thompson, Manitoba
R8N 1P3

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

International Nickel Inc.
Park 80 West-Plaza Two,
Saddle Brook, New Jersey 07662
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Inco Europe Limited
Thames House, Millbank,
London, SW1P 4QF
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Inco Alloy Products Company

One New York Plaza, New
York, New York 10004
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Inco Alloys International, Inc.
Huntington, West Virginia
25720, U.S.A.

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

Inco Alloy Products Limited
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Regional Subsidiaries and Operating Units

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

Inco Europe Limited
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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 and Units Include

Canada

Canadian Nickel Company
Limited, Sudbury, Ontario
P0M 1N0

Inco Alloys Canada Limited
1 First Canadian Place
P.O. Box 44
Toronto, Ontario M5X 1C4

Continuous Mining Systems
Limited, P.O. Box 2845
Sudbury, Ontario P3A 5J3

Canadian Alloys Division
P.O. Box 460
Lively, Ontario P0M 2E0

United States

Turbo Products
International, Inc.
Pond Meadow Road
Ivoryton, Connecticut 06442

The International Metals
Reclamation Company, Inc.
P.O. Box 720
Ellwood City, Pennsylvania 16117

Pittsburgh Pacific Processing
Co., 3000 Grand Avenue
Pittsburgh, Pennsylvania 15225

American Copper & Nickel
Company, Inc.
1725 Cole Boulevard, Suite 110
Denver West Office Park
Golden, Colorado 80401

Inco Venture Capital
Management, One New York
Plaza, New York, New York 10004

LaQue Center for Corrosion
Technology, Inc., P.O. Box 656
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29480

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International Nickel France
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Friedland
75008 - Paris, France

International Nickel Océanie
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Hereford, England HR4 9SL

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Wiggin Alloys S.r.l.
Via Turati 6
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Wiggin Alloys S.A.R.L.
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Central and South America

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Guatemala City
Guatemala, Central America

Mineração Serras do Sul
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Offices 1001, 1007, 1008
Rio de Janeiro, Brazil

Asia

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

Daido Inco Alloys Ltd.
(50% owned)
7-13, Nishi-Shinbashi
1-Chome, Minato-Ku
Tokyo, Japan

Inco Gulf, E.C.
P.O. Box 562
Manama, State of Bahrain

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Services (U.K.) Limited
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Toronto
Sullivan & Cromwell,
New York

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Price Waterhouse,
Toronto and New York

Transfer Agents and Registrars

The Royal Trust Company,
Toronto, Calgary, Montreal
and London, England

Morgan Guaranty Trust
Company of New York,
New York

