

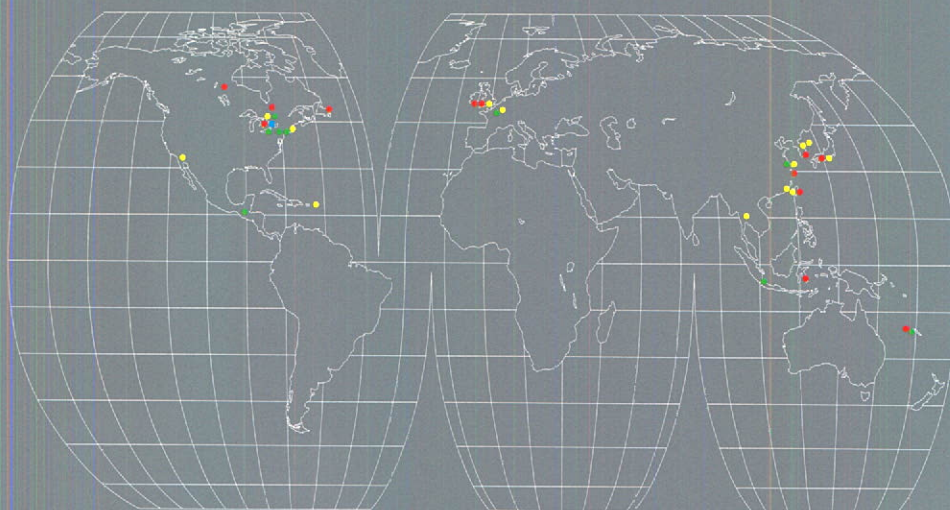
PERSONNEL MANAGEMENT

APR 03 2001

McGill University

Inco Worldwide

- Executive Office
- Core Assets
- Principal Sales Offices
- Other Divisions, Subsidiaries and Units



Inco's global marketing network is a distinct competitive advantage. With operations and sales offices in over 40 countries, Inco has a leading and well-established presence in the fastest growing nickel markets, notably in China and elsewhere in Asia.



Inco Special Products
Toronto, Ontario
100 per cent owned
business unit

Nickel powders, foams, oxides, flakes, coated particles and fibres.

Consumer electronics, rechargeable batteries, fuel cells, powder metallurgy, automotive parts, EMI shielding for computers and cellular telephones, special catalysts and salts and metal injection moulding.



Inco Technology Centre, J. Roy Gordon Research Laboratory
Sheridan Park
Mississauga, Ontario

Engineering, process research and metallurgical and nickel product research, carrying out 90 per cent of the technological work for Inco's operations worldwide.



Inco TNC Limited
Tokyo, Japan
67 per cent owned

Finished nickel products from PT Inco nickel in matte.

Stainless steel.



Jinco Nonferrous Metals Co., Ltd.
Kunshun, People's Republic of China
65 per cent owned

Nickel salts for plating.

Plating applications for consumer products.



Taiwan Nickel Refining Corporation
Kaohsiung, Taiwan
49.9 per cent owned

Finished nickel products for the Taiwanese stainless steel industry.

Stainless steel.



Korea Nickel Corporation
Onsan, South Korea
25 per cent owned

Finished nickel products for the South Korean stainless steel industry.

Stainless steel.

Inco at a Glance

Corporate Profile

Inco Limited is one of the world's premier mining and metals companies and the world's second largest producer of nickel. We are an important producer of copper, precious metals and cobalt and also a producer of value-added specialty nickel products. Inco has one of the largest reserve and resource positions in the global nickel industry. In 2000, Inco employed 10,143 people and sales revenue totalled \$2.9 billion.

Strategic Overview

Goal:

To become the lowest cost, most profitable nickel producer in the world.

Strategy:

1. To be a low-cost producer at all of our operations.
2. To pursue profitable and low-cost growth at our development properties.
3. To continue to grow our specialty nickel products business.

Financial Highlights

- Inco's net sales increased to \$2.9 billion in 2000, up from \$2.1 billion in 1999.
- Net earnings were \$400 million or \$2.06 per common share for 2000, up from \$12 million or a loss of \$.08 per common share in 1999.
- Operating earnings rose significantly in 2000 to \$743 million, up from \$120 million in 1999.

All figures in this report are in U.S. dollars unless otherwise noted.

Core Assets

					
Division/Unit/Subsidiary	<p>Ontario Division Copper Cliff, Ontario Port Colborne, Ontario</p> <p>Clydach Refinery Swansea, Wales</p> <p>Acton Refinery, London, England All 100 per cent owned</p>	<p>Manitoba Division Thompson, Manitoba 100 per cent owned</p>	<p>PT International Nickel Indonesia Tbk (PT Inco) Sorowako, Indonesia 59 per cent owned</p>	<p>Goro Nickel S.A. Noumea, New Caledonia 85 per cent owned</p>	<p>Volsley's Bay Nickel Company Limited St. John's, Newfoundland and Labrador 100 per cent owned</p>
Products/Minerals	<p>Finished nickel, copper, cobalt and precious metals, sulphuric acid and liquid sulphur dioxide.</p> <p>Finished nickel and value-added nickel products from Canadian feed.</p> <p>Platinum-group metals from Canadian feed and from toll-refined and purchased materials.</p>	<p>Finished nickel.</p>	<p>Nickel in matte.</p>	<p>Nickel-cobalt laterite ore. Pilot plant is in operation. A bankable feasibility study for a commercial-scale plant to be completed in the first quarter of 2001.</p>	<p>Nickel-copper-cobalt sulphide ore. Decision on commercial production subject to reaching agreement with the Province of Newfoundland and Labrador and aboriginal groups.</p>
Primary Applications	<p>Stainless steel, melting applications, high-nickel alloys, plating and specialty products.</p>	<p>Plating and melting applications.</p>	<p>Nickel in matte to Inco TNC Limited and to Sumitomo Metal Mining Co., Ltd.</p>		

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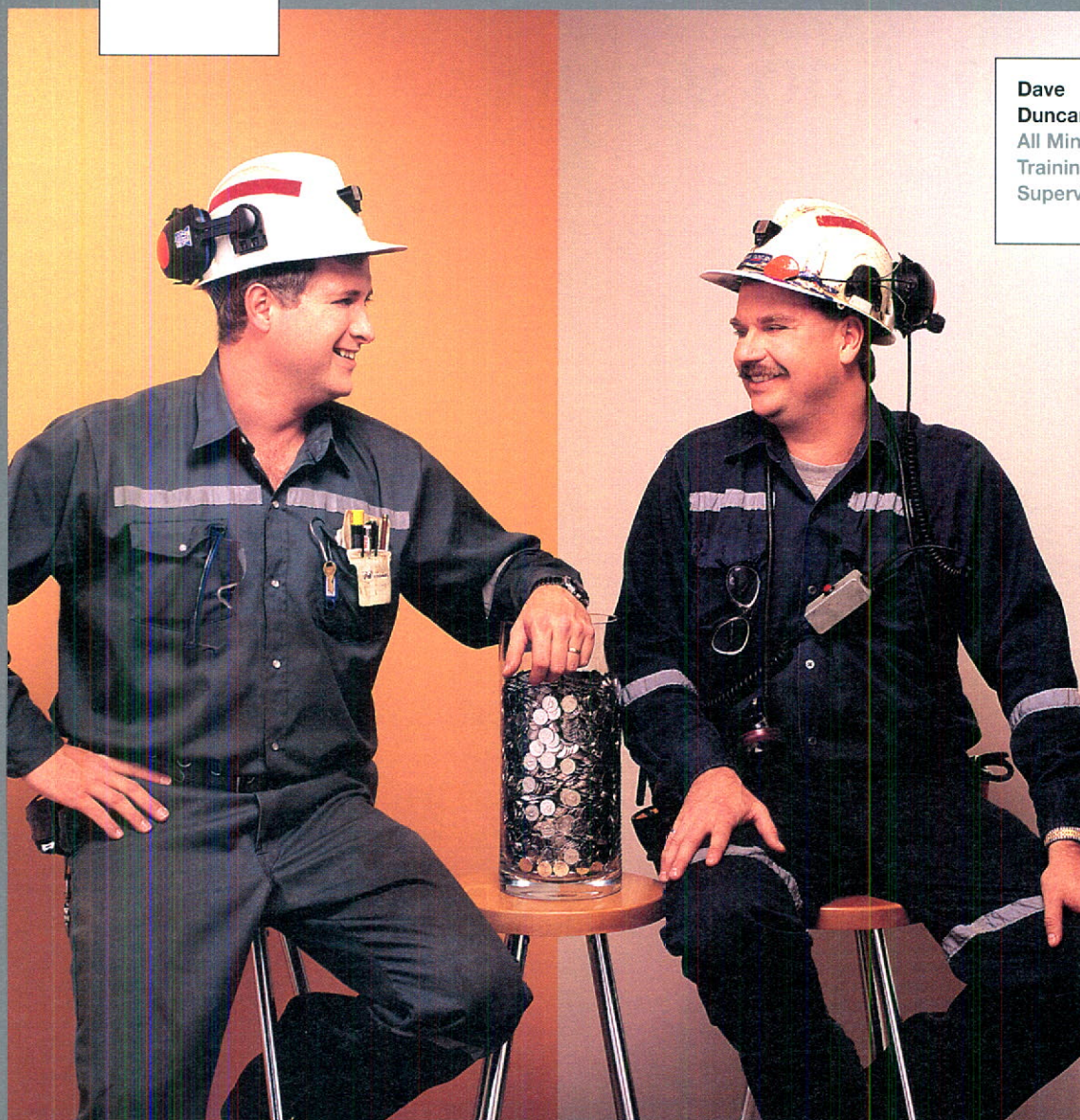
Success in any business is about creating value.

In the mining and metals business, where market conditions are seldom predictable, there are six basic qualities for success. You need world class resources. You must have a firm base of low-cost operations that will carry you through the commodity cycle and provide cash flow for growth. You must leverage your existing investment by producing more with what you already own. You need the best available product and process technologies to be competitive on a global scale. You need great people. And you must have a global market presence – a customer base as broad as your ambitions.

Inco possesses all these qualities. In 2000, a year when both the price and demand for nickel were strong, we reinforced our position as one of the world's pre-eminent nickel suppliers and set the stage for profitable growth in the future.

**Ward
Warren**
Energy
Coordinator

**Dave
Duncan**
All Mines
Training
Supervisor



FACE TIME

Dave Duncan, All Mines Training Supervisor at Inco's Stobie Mine in Sudbury, and Ward Warren, its Energy Coordinator, are part of a team that recently reduced the mine's energy bill by over \$250,000 a year. They did it with fans. By linking their mine's manually controlled ventilation system to computers, the team automated the shutting down of unneeded fans after work shifts end, conserving electricity. The system also starts ventilation immediately after blasting, allowing workers to access work areas much sooner. "This is part of our total quality improvement approach," says Ward. "Everybody wins. Our energy costs are down, our production is up, we are breathing better air and getting more time at the ore face where we make our money."

Our financial performance is strong.

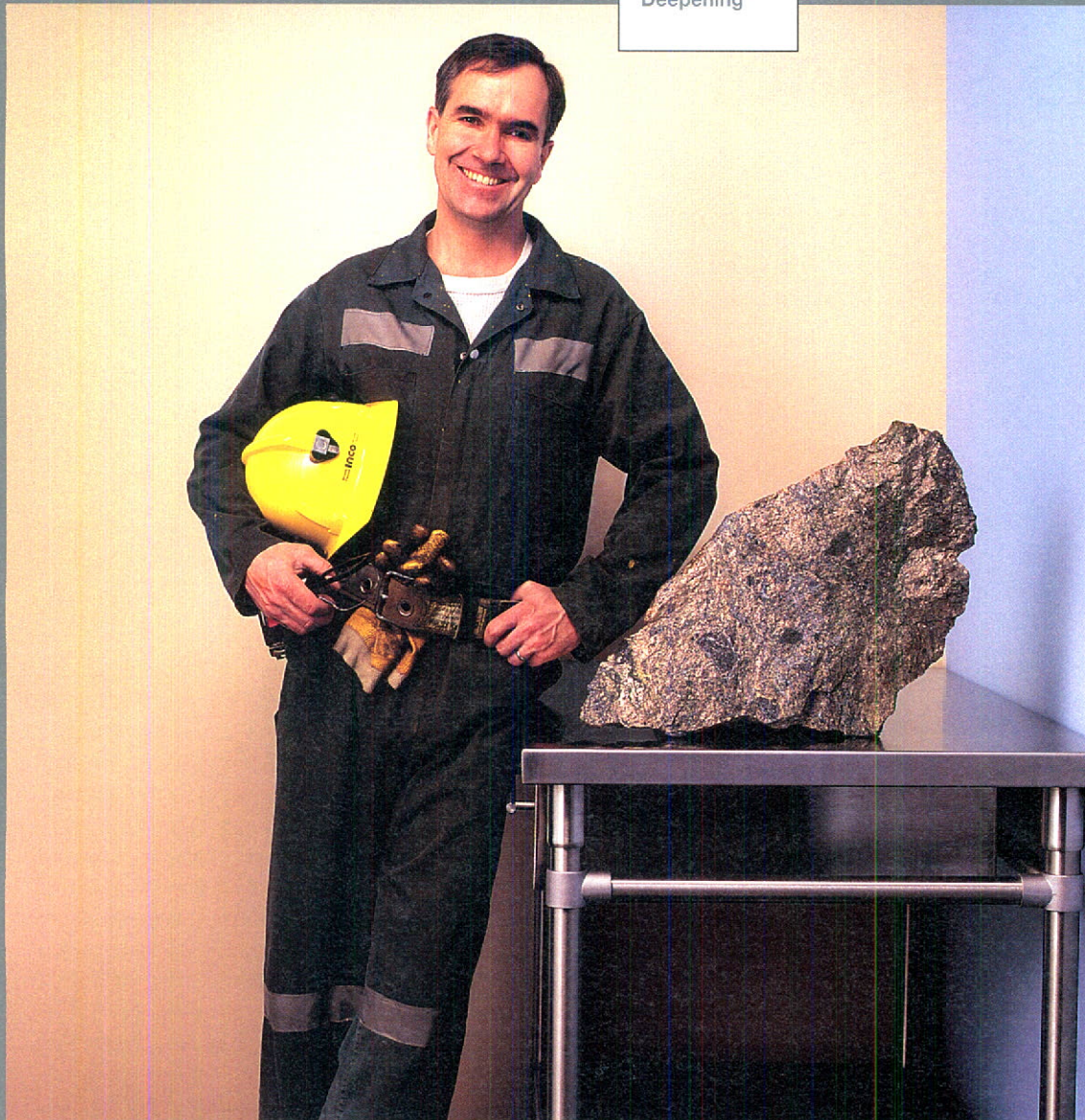
today

With excellent nickel prices in 2000, we averaged \$4.09 per pound of nickel, up from \$2.91 per pound in 1999. We earned substantially higher profits on sales of \$2,917 million. Strong cash flow from existing operations in Ontario, Manitoba and Indonesia enabled us to reduce our debt to \$1,030 million at the end of 2000 from \$1,344 million in 1999, a reduction of 23 per cent. During the second half of 2000, we realized our 1999 target of reducing costs by \$250 million pre-tax on an annualized basis. Throughout 2000, we continued our ongoing efforts to cut costs on a global basis, although like many other businesses, the higher energy prices that prevailed during the second half of the year put pressure on our operating costs. Lower debt and continued improvement in our cost structure contributed to the restoration of our investment-grade credit rating by two leading U.S. credit rating agencies.

tomorrow

Our strong financial performance enables us to further develop and grow our business, while continuing to focus on realizing higher profits and cash flow from existing operations. While economic uncertainty exists as we enter 2001, Inco is well positioned through our development projects, competitive cost structure, product mix and global sales organization to weather economic slowdowns and achieve strong returns in coming years. With less than 50 per cent of our sales devoted to stainless steel, compared with the industry average of approximately two-thirds, we are earning higher margins, particularly in our growing specialty nickel products business.

Pat Babulic
Project
Manager,
Birchtree
Deepening



LIFELINE

Profitability determines the lifespan of a mine. The Birchtree Mine in Manitoba is a case in point. In 1998, a team of six employees from operations, trades, union and management spearheaded a mine-wide effort to find new ways of doing business and cut mine costs by 25 per cent. Their success made Birchtree a prime candidate for fresh Inco capital, leading to a \$48 million investment to deepen the mine from 2,740 feet to 4,200 feet and to increase production to 3,175 tonnes a day from 1,635 tonnes. The new investment will extend the mine's life by 15 years. "Because everybody put their heads together," says Pat Babulic, the project's manager, "we've given this community greater stability." Production from the deepening project begins in 2001.

We are achieving profitable, low-cost production at our existing operations.

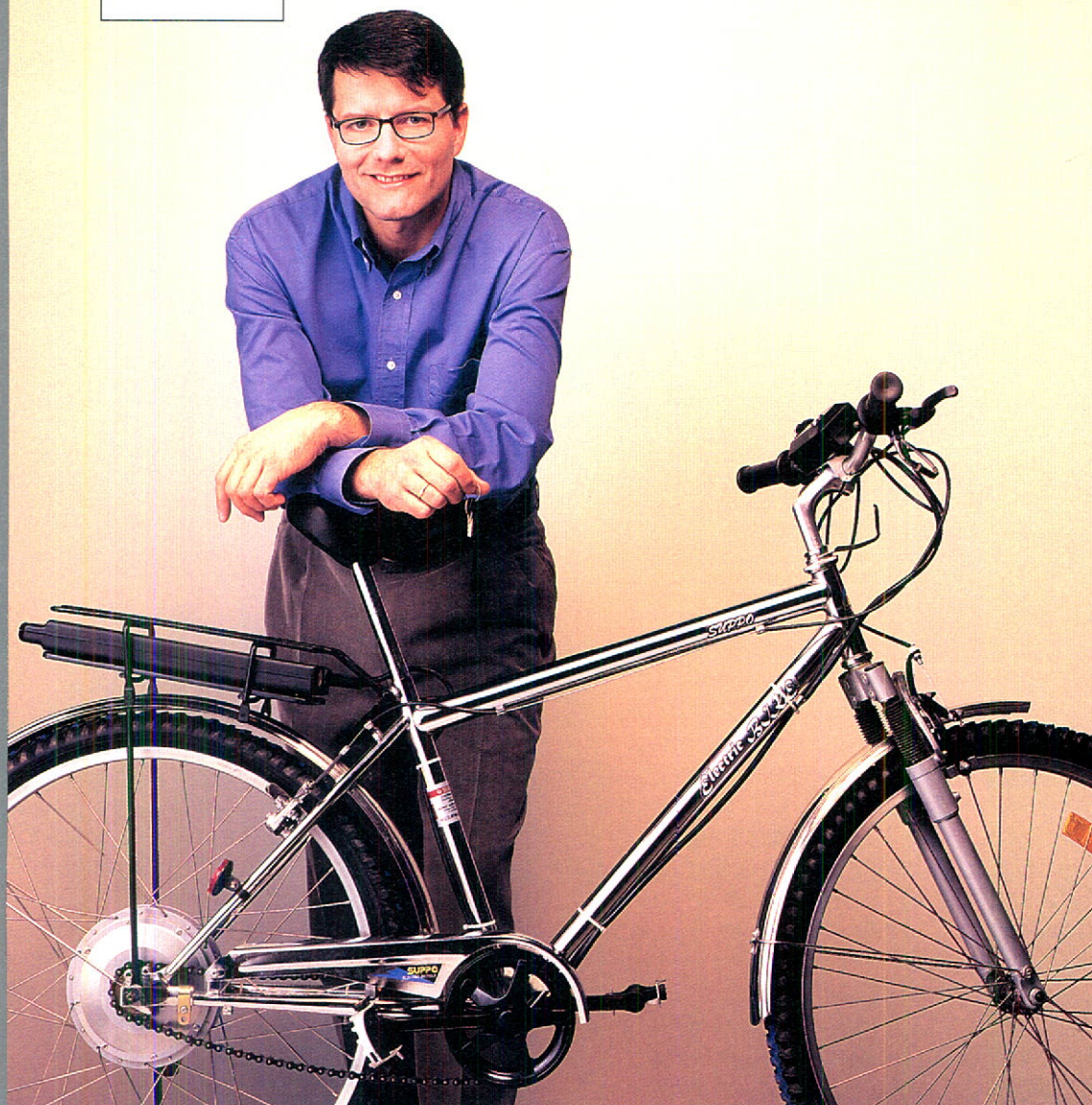
today

Low-cost production is essential to our competitiveness. At existing operations, our strategy is to discover and develop new high-grade nickel deposits with excellent platinum-group metals and to access them at low cost through existing mine infrastructure. At Birchtree Mine in Manitoba, for example, our \$48 million deepening project will extend the life of the mine by 15 years. In Ontario, the \$125 million deepening project at the Creighton Mine gives us access to a new high-grade ore deposit for at least two decades. In Indonesia, we continue to ramp up the 50 per cent expansion of our already low-cost operation. Approximately 95 per cent of the energy requirements at PT Inco are derived from its own low-cost hydroelectric power, a distinct competitive advantage.

tomorrow

Future production will depend on reliable supplies of high-grade ore and a strong focus on reducing costs. In Canada, we continue to discover major new sulphide deposits. In 1999, Inco geologists found a new high-grade zone of nickel, copper and platinum-group metals at the Totten deposit in Sudbury. At Kelly Lake, Ontario, we confirmed a major new deposit in early 2000 that contains nickel and platinum-group metals richer, on average, than those currently mined in Sudbury. Our 2000 expansion into high-grade nickel at the McCreedy East and Copper Cliff North mines, also in Ontario, will generate additional annual nickel production as well as copper and platinum-group metals when completed in 2004. These four deposits can be accessed from existing mine infrastructure and developed at low cost. We expect to benefit from their precious metals content with platinum and palladium currently at record high prices.

Vladimir
Paserin
Group Leader,
Carbonyl
Technology



LEADING
THE WORLD

Inco is a world leader in producing nickel powders and foams for rechargeable batteries. These nickel batteries are in demand for cellular phones, power tools and electric bicycles, such as this one made in China. Avid cyclist and nickel carbonyl technology specialist Vladimir Paserin is the Group Leader for this technology, working for Inco Special Products at our Sheridan Park corporate research laboratory. "With our proprietary process and advanced technology at Clydach and Sudbury, we are making excellent products designed to the individual requirements of our customers," says Vladimir.

Our sales of specialty nickel products continue to grow.

today

Specialty nickel products are critical to our growth. We are the world leader in nickel powders, foams, flakes, oxides and nickel-coated graphite particles and fibres used increasingly in electronic products, batteries, special chemicals and catalysts, powder metallurgy automotive parts and even sporting goods. We have at least two distinct production advantages. The first is the economies of scale resulting from our proprietary nickel carbonyl gas process used at Inco refineries in Sudbury, Canada, and Clydach, Wales. The second is the strong partnership between our research, production and marketing groups and our worldwide customers that leads to the development of innovative new business solutions. During 2000, we increased revenues from specialty nickel products by 18 per cent to \$259 million.

tomorrow

Based on the rising demand for our products, our plan is to increase annual sales of specialty nickel products to more than \$400 million by 2004. Demand for nickel in rechargeable batteries continues to show strong growth, especially in Asia, as sales increase for cellular phones, power tools, standby power for industrial batteries and digital cameras. This proliferation of electronic devices is creating a corresponding need for electromagnetic interference shielding – a growing market for our specialty nickel products. Our extra-fine nickel powders are being developed to replace palladium in electronic equipment like capacitors. The automotive market is also a promising source of growth for Inco. Commercial hybrid vehicles combine internal combustion engines with a rechargeable nickel-containing battery. They improve fuel efficiency while reducing harmful emissions and are being introduced to a worldwide market.

Wayne Fraser
Executive,
United
Steelworkers
of America

**Scott
McDonald**
Manager,
Human
Resources,
Ontario Division



TEAMWORK

Under the progressive new collective bargaining agreement signed last year, hourly employees in Inco's Ontario Division are rewarded for their contributions to the competitiveness and profitability of the Division. The United Steelworkers of America's Wayne Fraser, Assistant to the union's Director for Ontario and Atlantic Canada, and the Ontario Division's Scott McDonald believe that this innovative earnings-based compensation plan lets employees see that their actions to increase revenues and lower costs can have a direct impact on the Division's competitive strength and on their own paycheques.

We have a mutually advantageous partnership with our employees.

today

There is a renewed sense of partnership between Inco and its employees. It is based on greater accountability and new performance breakthroughs. In May 2000, we reached an historic earnings-based collective agreement with the United Steelworkers of America representing our hourly employees in Ontario. A progressive step forward, the three-year agreement, along with the agreement reached in Manitoba in 1999, aligns the interests of our employees with those of our shareholders by offering bonuses for improving revenues, lowering costs and increasing productivity. Through education programs such as Understanding Our Business, employees are learning more about what makes Inco an attractive investment and how we can work together to improve the Company's long-term profitability.

tomorrow

For our shareholders and our customers, these new agreements offer worthwhile incentives to continuously seek ways to strengthen Inco's competitiveness. We will benefit enormously by having our employees focused on improving our results. Beyond labour relations, a critical challenge for Inco will be the smooth transition between an older workforce about to retire and a generation of new employees. In 2000, we appointed a talent development team to attract and retain good people, identify rising talent and more clearly describe promising career paths to employees at all levels of the Company.

Heida Mani
e-Business
Project
Manager,
Marketing

INCO DIGITAL STOREFRONT



IMPROVING VISIBILITY

Customers today want a high degree of visibility in the supply chain. Inco is working on an e-Business strategy to provide key linkages throughout our supply chain, from production to customers. Through a seamless real-time digital storefront, customers will have instant access to their allocated inventories online. "The beauty of this enterprise portal is that it strengthens customer relationships and enhances customer service while lowering the cost of delivery," says Marketing's Heida Mani, who is in charge of Inco's e-Business project.

While meeting strong demand for nickel today, we are preparing for major growth in the future.

today

Worldwide demand for nickel was strong in 2000, thanks to the performance of the economies in the western world and the recovering economies in Asia. In addition to an eight per cent growth rate for stainless steel production, there was increased demand for nickel in alloys for the plating, aerospace, oil and gas and automotive industries. Demand across all sectors of the nickel market increased by over six per cent per year worldwide in 2000. Our marketing strategy is to offer a premium product at every opportunity. Inco is renowned as a company that backs its products with excellent service, customer support and integrity of supply. Over the past 50 years, we have developed an unrivalled network of sales and marketing offices throughout the world, staffed predominantly with local people to develop strong customer relationships. In China, Japan, Taiwan and South Korea, we have entered into metallurgical processing and marketing joint ventures. We are distributing Inco products in diversified markets throughout North America, Asia and Europe.

tomorrow

We are preparing today to meet continued growth in nickel demand. Asia is the fastest growing market and is a natural market for our production in Indonesia and in the future from Goro. Our position in this market is strong with joint venture refineries in Japan, Taiwan and South Korea serving the stainless markets in those countries. In China, where demand is exceeding our expectations, we expanded our nickel sulphate production in 2000 at our joint venture company near Shanghai. Backed by our valuable portfolio of assets and global sales network, we are pursuing markets that will provide the greatest advantage to Inco over the long term.

Performance Scorecard

In last year's Annual Report, we introduced a Performance Scorecard to track our progress against major objectives and establish our key priorities for the year ahead. We met our objectives in almost every area in 2000. Moving into 2001, we have established new objectives for the year, including new performance goals in safety and the environment.

2000 MAJOR OBJECTIVES	2000 PERFORMANCE	2001 OBJECTIVES
Profitability Continue to improve profitability and increase cash flow from operating activities while maintaining our lowest quartile cost position among nickel producers.	<ul style="list-style-type: none"> • Net earnings increased to \$400 million while cash flow improved to \$842 million. 	<ul style="list-style-type: none"> • Continue to improve profitability through margin improvement. • Solidify gains to enable profitable operation even in a commodity down cycle.
Cost Reduction Achieve further cost reductions toward our goal of at least \$250 million.	<ul style="list-style-type: none"> • Met our target of \$250 million in permanent cost savings. 	<ul style="list-style-type: none"> • Continue cost reduction, targeting the area of procurement as well as specific cost reduction at Thompson Mine and the Sudbury smelter and nickel refinery. • Achieve \$33 million in cost reductions, including \$14 million in energy savings from other initiatives.
PT Inco Ramp up to maximum production capacity at the PT Inco expansion.	<ul style="list-style-type: none"> • Increased annual production by 30 per cent to 130 million pounds of nickel in matte, reaching 94 per cent of total capacity by the third quarter of 2000. 	<ul style="list-style-type: none"> • Plan is for an average 145 million pounds production rate in 2001, producing at a rate of over 150 million pounds in the latter part of the year before starting a furnace rebuild.
Goro Confirm proprietary hydrometallurgical technology and determine the feasibility of proceeding with a commercial operation.	<ul style="list-style-type: none"> • Confirmed the hydrometallurgical technology and moved to the next phase in the development of a commercial-scale operation. 	<ul style="list-style-type: none"> • Continue to operate pilot plant. • Test a variety of ores. • Complete a bankable feasibility study and engineering to enable the making of a decision on a commercial project. • Finalize fiscal regime.
Voisey's Bay Continue exploration in Labrador. Pursue research into hydrometallurgical process. Continue to actively pursue development concepts for the project.	<ul style="list-style-type: none"> • Redeemed the Class VBN Shares that were issued as part of the 1996 acquisition of Diamond Fields Resources Inc. • Continued with exploration and with research into the hydrometallurgical process for Voisey's Bay. 	<ul style="list-style-type: none"> • Continue exploration on the deposit and research effort on a mini-pilot plant for the hydrometallurgical process. • Seek necessary agreements to move forward with the project.
Specialty Products Increase specialty product revenues toward our goal of doubling revenues to \$400 million by 2004.	<ul style="list-style-type: none"> • Achieved an 18 per cent increase in revenues for specialty nickel products. • Improved production at the new foam line in Clydach, Wales. 	<ul style="list-style-type: none"> • Continue to pursue revenue goal of more than \$400 million by 2004.
Environment and Health Practise responsible stewardship and integrate environment and health into a partnership with all operating units.	<ul style="list-style-type: none"> • Achieved ISO 14001 certification at two facilities. • Participated in several environmental and health risk assessments. 	<ul style="list-style-type: none"> • Expand and improve Environment, Health and Safety audit program. • Continue improvements in compliance worldwide.
Safety Establish a sound foundation for reducing our injury rates to very low levels through a company-wide Safety Charter.	<ul style="list-style-type: none"> • Safety Charter concepts were tested at a mine and a processing plant in our Ontario Division. Both sites realized substantial reductions in injury rates by the second half of 2000. 	<ul style="list-style-type: none"> • Fully implement the Safety Charter across the Company. • Reduce our disabling injury rate worldwide to below 1.9 in 2001.

Financial Highlights

in millions of United States dollars (except per share data and other information)	2000	1999	1998
FINANCIAL RESULTS			
Net sales	\$ 2,917	\$ 2,113	\$ 1,766
Operating earnings (loss)	743	120	(94)
Net earnings (loss)	400	12	(103)
Cash provided by operating activities	842	128	174
Capital expenditures	227	260	437
Return on year-end common shareholders' equity (%)	8.7	-	-
FINANCIAL POSITION			
Total assets	\$ 9,676	\$ 9,560	\$ 9,397
Common shareholders' equity	4,290	3,291	3,024
Total debt	1,030	1,344	1,523
Net debt as % of net debt plus equity	15	22	25
DATA PER COMMON SHARE			
Net earnings (loss)	\$ 2.06	\$ (0.08)	\$ (0.79)
Dividends	-	-	0.10
OTHER INFORMATION			
Employees at year-end	10,143	10,198	11,007
Common shareholders at year-end	21,607	22,481	23,401

NET EARNINGS (LOSS) (U.S.\$ in millions)	179	75	(103)	12	400
	1996	1997	1998	1999	2000

CAPITAL EXPENDITURES (U.S.\$ in millions)	425	535	437	260	227
	1996	1997	1998	1999	2000



Peter C. Jones
Executive
Vice-President,
Operations

**Michael D.
Sopko**
Chairman and
Chief Executive
Officer

Scott M. Hand
President

Today we are a stronger company.

During 2000, we succeeded in almost every measure we set for ourselves. Profitability was significantly improved as we delivered on our three-part strategy: continuing our efforts to reduce costs; moving forward aggressively to develop low-cost, profitable and large orebodies; and expanding our value-added specialty nickel products business.

The highlights of our financial performance include:

- Net earnings were \$400 million or \$2.06 per common share after preferred dividends, a substantial increase from the \$12 million we earned in 1999 and the loss per common share of \$0.08 for 1999.
- Net sales were \$2.9 billion, a 38 per cent increase over 1999.
- The average realized price per pound of nickel increased approximately 40 per cent to \$4.09 per pound.
- Inco-source production was up 14 per cent.
- With stronger cash flows generated from our operations, we significantly improved our balance sheet by lowering our debt by \$314 million.
- Our common shareholders' equity increased by nearly \$1 billion.

As gratifying as our performance has been, we are keenly aware that recent returns in the mining and metals industry have been disappointing for investors. Our strategy for creating shareholder value has been to lower costs, increase profitable production and improve margins to strengthen our assets for the future. Historically, capital markets have recognized such value. Over the past year, they have not. We are confident that the mining and metals industry will return to favour in the stock markets, while we sustain and build on the success we have achieved.

Investment-Grade Status

Two leading U.S. credit rating agencies restored our debt rating to investment-grade status in the fall of 2000, citing our healthy balance sheet, unit cost performance and other business improvements. Also noted in their decisions were the positive outlook for global nickel demand and Inco's competitive advantages in growing world markets. An investment-grade rating will be important as we negotiate financing arrangements for our new projects that are our platform for growth.

The 2000 Market: World Demand Grows

World demand for primary nickel grew by 6.3 per cent over 1999. During the first nine months of the year, demand exceeded supply, pushing London Metal Exchange (LME) and producer inventory levels to historic lows. In Asia, demand was particularly strong, especially in China and Japan.

Although global production of stainless steel, which accounts for approximately two-thirds of nickel demand, grew nearly eight per cent last year, increased scrap supplies limited the growth of primary nickel used in the production of stainless steel. As an alternative source of nickel for some uses, stainless steel scrap use historically tends to increase in the market when nickel prices and capital spending are both high, as they were in 2000.

It is estimated that an additional 80,000 tonnes of nickel in the form of stainless steel scrap entered the world market during 2000, an increase of 16 per cent over 1999. Despite this, the demand for primary nickel remained strong due, in large part, to buoyant growth in non-stainless steel applications, especially nickel alloys for electronic components and power generating facilities. We anticipate that in 2001 the availability of scrap should dissipate considerably.

Cost Reduction: A Continuing Priority

Three years ago, we set a number of major performance improvement targets. Chief among them was cost reduction. In 1998, our goal was to achieve \$165 million in sustainable annualized savings. We surpassed that figure and in mid-1999 set the bar even higher to \$250 million. In the second half of 2000, we achieved \$250 million in annualized savings. Our cost reduction efforts have put Inco into the lowest quartile of primary nickel producers in terms of industry cash costs per pound after by-product credits.

Like most industrial companies, we experienced significant cost increases for energy during 2000 that adversely affected our earnings. However, we offset some of these cost increases with cost reductions elsewhere.

We have also taken the important step of broadening our cost-reduction measures to include procurement of goods and services. A procurement program to leverage our buying power across Inco's global operations was started in 1998 and pursued more aggressively last year. We expect to realize savings through our participation in a recently formed international B2B e-marketplace for global mining and metals companies. As with all our cost-reduction initiatives, savings like this latest initiative go straight to the bottom line.

Expanding Capacity Worldwide: Goro and PT Inco

We made progress on two other fronts during 2000.

In December, we announced that we are moving forward with the next stage in the development of our 85 per cent-owned Goro laterite nickel-cobalt project, located in the French Overseas Territory of New Caledonia. During 2000, the results we achieved with our pilot plant program at Goro gave us confidence that our proprietary hydrometallurgical technology can be applied commercially. Based on this success, we are committing a further \$100 million in 2001 to operate the pilot plant for another year, test a variety of ores, complete a bankable feasibility study and conduct the basic engineering for a commercial-scale plant. The government of New Caledonia recently agreed in principle to implement a favourable fiscal regime with significant tax relief that recognizes Inco's economic objectives for Goro while providing long-term benefits for New Caledonia. We are planning a project for Goro capable of producing 54,000 tonnes of nickel and 5,400 tonnes of cobalt annually.

In keeping with our intent to employ as many local people as possible, a \$5 million training centre program will be developed in 2001 near the Goro pilot plant. New Caledonians will be given every opportunity to participate in both the construction and the operation of the commercial plant.

At PT Inco in Sorowako, Indonesia, we completed a \$633 million expansion in late 1999, adding 50 per cent more capacity and increasing self-sufficiency in hydroelectric power generation. Production at PT Inco in 2000 increased 30 per cent to 130 million pounds of nickel in matte as the ramp up to full production continued. PT Inco's unit cash cost of production, even with crude oil at recent high levels, is expected to decline, positioning PT Inco to meet growing demand for stainless steel as Asian economies continue to grow.

Our long-term commitment to community development in Indonesia has enabled us to maintain good relationships with local community leaders as well as our 3,000 employees and their families. We will continue to assist and encourage the people of the region as they make the transition to democracy and local autonomy.

Voisey's Bay

We remain confident in the future of Voisey's Bay. With total reserves and resources currently estimated at 141 million tonnes, the property is an excellent deposit. During 2000, we pushed ahead with exploration, delineating and sampling the deposit in advance of establishing a commercial mine and we continued research at our Sheridan Park research centre on a hydro-metallurgical process for treating Voisey's Bay sulphide concentrate. We will continue our research efforts in 2001 with a mini-hydrometallurgical pilot plant program.

Late in 2000, we redeemed the Class VBN Shares that were issued as part of the consideration for our acquisition of Diamond Fields Resources Inc. in 1996. This action gives us greater strategic flexibility in the way we configure, finance and sequence our major development projects.

Improving Margins with Technology

Inco is a technology leader. Our research and development in the mining and processing of nickel continue to be a distinct competitive advantage. On the mining side, we are one of the leading mining companies in employing remote-controlled, automated mining, also called Telemining. This technology holds the promise of increasing productivity by 25 per cent or more in selected mines in Ontario and Manitoba. Already, we have production drills and scooptrams operating remotely in Sudbury.

One of our ongoing objectives is to increase the value we add to commodity nickel through applied technology. Key to this strategy is the expansion of our growing business in nickel foams, powders and coatings derived from our proprietary nickel carbonyl process. In 1999, we commissioned the first line of a four-phase expansion at our facility in Clydach, Wales to produce high-quality nickel foam products for a wide range of high-tech applications, including the growing electric and hybrid vehicle market. A second line was completed in May 2000. Sales of our specialty nickel products reached a new high of \$259 million in 2000. With world demand for these products continuing to increase, especially in the high-tech and long-life battery sectors, we expect revenues for specialty nickel products will top \$400 million by 2004.

Labour: Sharing the Future

For the last few years we have sought ways to better engage our employees and expand their participation in the business. Through change initiatives such as workplace co-design teams and our successful education program called "Understanding Our Business," we have made great progress.

In 2000, we successfully negotiated a new three-year collective agreement with our Ontario Division hourly employees that is a breakthrough for our Company and our industry. The centrepiece of the agreement is an earnings-based compensation plan that rewards employees for lowering costs and improving productivity and profits, thus more closely aligning the interests of our employees with those of our shareholders.

Safety: A New Charter with Our Employees

Safety is an ongoing priority, as important to us as profitability and innovation. Every employee deserves to work in a safe environment. Our Safety Charter, developed in early 2000 by a high-level, company-wide team, is a formal framework for meeting that goal. The Charter requires all employees, including managers at every level of the Company, to be accountable for safety. It emphasizes the highest degree of prevention through the rigorous evaluation of all work situations. It also reinforces continuous improvement.

Unique Advantages

Nickel plays a major role in the traditional economy and an expanding role in the new economy. Our strategy is to position Inco to take full advantage of both and we are succeeding.

World nickel inventories are low and demand is expected to continue to grow. Inco is poised to take advantage of a variety of market conditions. We have some of the world's finest orebodies. As a low-cost producer with higher than average realizations for the industry, we can weather the fluctuations in the nickel price cycle. With an established network of worldwide sales offices and joint ventures, we are well prepared to market our products anywhere they are needed. And with a growing range of specialty nickel products, we are increasing our margins and expanding our markets. No other company in the nickel industry has our advantages.

Our People

Our competitiveness, of course, relies to a great extent on our employees. They have consistently demonstrated a willingness to innovate and find the solutions we need to sustain Inco as a world leader. This past year was no exception. There is a very tangible sense within our Company that we all have a stake in a common future, and the future, thanks to our people, is very promising.



Michael D. Sopko
Chairman and
Chief Executive Officer



Scott M. Hand
President

Dr. Michael Sopko: "A Great Company in Good Hands"

Next year, we will celebrate a milestone in our Company history that few companies experience – our 100th year in business. As I prepare to retire as Chief Executive Officer, I often reflect on why Inco is about to enter its second century in the global mining industry when so many others have not.

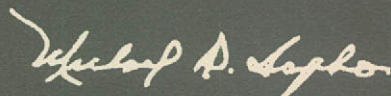
Certainly, we have had our share of good fortune in our first 100 years.

We have been blessed with great mining deposits – in Sudbury where we got our start, as well as in Thompson and in Indonesia. Undoubtedly, the next chapter of our rich history will be highlighted by the successful development of our excellent properties at Goro in New Caledonia and at Voisey's Bay in Newfoundland and Labrador.

I also believe that our willingness to pursue technological advances in mining and mineral processing and to find new ways of doing our work have contributed meaningfully to our evolution and competitive strength for almost a century, and will continue well into the future.

Over and above all that, our success rests with our people who have worked hard to make Inco the company it is today. Their tremendous efforts have led to our prosperity in the good times and given us the fortitude and resources to weather the lean times. I thank them for their contributions and, in many instances in my 37 years with Inco, for their friendship. I have also greatly appreciated the support of our shareholders and the wisdom and counsel of our Board of Directors these past nine years as CEO.

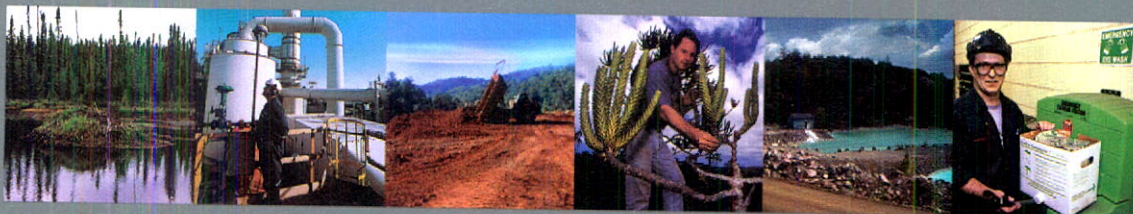
Our Company is in very good hands. While I will stay on as non-executive Chairman for one year, it is planned that Scott Hand will succeed me as CEO on April 25, 2001 and will become Deputy Chairman of the Board and Peter Jones will become our new President and Chief Operating Officer. They have a comprehensive knowledge of our worldwide operations and our strategy to make Inco the leading global nickel company. They will make a great team to take Inco forward into a new era of growth.



Michael D. Sopko

Environment, Health and Safety Performance

We made progress during 2000 in four priority areas: air; water; reclamation; and the environmental assessment work at our new mine development sites.



Beaver Dam
in Tailings Pond
Thompson, Manitoba

Sulphuric Acid Plant,
Copper Cliff Smelter
Sudbury, Ontario

PT Inco Land
Reclamation
Sorowako, Indonesia

Botanical Study
Goro, New Caledonia

Whistle Mine
Water Treatment
Plant near
Sudbury, Ontario

Copper Cliff
Nickel Refinery
Eye Washing Station
Sudbury, Ontario

ENVIRONMENT

Air Emissions

Inco has made major strides during the past decade in reducing its air emissions into the environment.

The voluntary federal program, Accelerated Reduction of Emissions of Toxics (ARET), was completed in 2000. During the program, we exceeded our goal of reducing emissions covered by the program by at least 50 per cent from the base year of 1988.

In early 2001, Inco was named by VCR Inc., the federal agency in charge of the voluntary challenge registry, as the Canadian mining industry leader in reducing carbon dioxide or greenhouse gas emissions. Inco reduced absolute emissions of greenhouse gases by seven per cent between 1990 and 1999 even with significant production increases. We have also committed to reduce emissions by another one per cent annually to 2005.

Over the past decade, local air quality in the Sudbury area has steadily improved because of reductions in sulphur dioxide (SO_2), process changes in our smelter and refineries and refinements to the Emission Reduction Program (ERP) in our Ontario Division. Sulphur dioxide emissions in 2000 were 223 kilotonnes, 16 per cent below the Ontario government's annual limit of 265 kilotonnes.

We reduced smoke and gaseous emissions by closing the Copper Refinery's anode furnace and installing new anode production facilities at the smelter complex. The \$19 million process improvement eliminates the smoke and captures the gases in the smelter air scrubbing system while reducing metal emissions. The project is also expected to reduce operating costs by approximately \$4 million annually.

The Manitoba Division released approximately 215 kilotonnes of SO_2 in 2000, under the Manitoba government's regulatory limit of 220 kilotonnes.

At PT Inco, the main sources of particulate emissions are from the dryers, rotary kilns, electric furnaces and converters. In 2000, PT Inco launched the first phase of a five-year program to reduce dust emissions with the installation of an electrostatic precipitator (ESP) at one of PT Inco's four furnaces. The ESP will begin operating in early 2001. A second ESP is expected to be installed on one of PT Inco's dryers during 2001. Since the dryers account for greater than 50 per cent of total stack emissions, this work will significantly improve local air quality.

Water

At the Ontario Division, operating our six water treatment facilities in full compliance remains a key priority.

During 2000, we completed a \$2 million water construction project in the Division to reduce the risks of possible spills from tailings area seepage stations by increasing the surge capacity of water retention areas.

We also conducted aquatic environmental assessments downstream of existing or potential effluent discharges in the Division. We completed this work in anticipation of future environmental effects monitoring requirements under the federal government's proposed amendments to the *Metal Mining Effluent Regulations*. To explore effective ways to meet these monitoring requirements, Inco has joined with Environment Canada and provincial government scientists and researchers from Laurentian University to develop and test unique monitoring methods designed to deal with multiple effluent sources entering a single watershed.

In the Manitoba Division, we improved our water treatment system by upgrading the tailings pipelines and tailings water mixing by redirecting the flow stream. These two measures allow us to mix the tailings slurry water and discharge from the refinery and other wastewater sources causing the precipitation of soluble nickel.

PT Inco is currently spending \$2 million on three water improvement projects that will eliminate soluble nickel and solid sources into waste streams and improve containment within the retention ponds.



Inco is a leader in returning mine sites to a more natural state. At PT Inco, we are working hard to minimize the 'footprint' of the active mine site through a vigorous reclamation program that involves tree planting and revegetation. Eight years following reclamation the mine site (right) is almost fully restored.

Land Reclamation

Inco is committed to decommissioning our facilities, at both existing and inactive mine sites in an environmentally sound manner known as "progressive decommissioning". In Ontario, progressive decommissioning is ongoing at the Copper Cliff tailings area where exposed tailings are being covered. We spent \$2 million in 2000 to redirect runoff from a dormant airfield and improve containment structures at the Sudbury operation.

Shebandowan and Whistle mines are being decommissioned. Approximately \$5 million was spent in 2000 on reclamation of these two mines. At Shebandowan, we stabilized the tailings area. At Whistle, we are filling in the open pit with approximately eight million tonnes of acid-generating waste rock. The pit will be covered with an engineered cap designed to prevent rainwater from entering.

During the fall of 2000, we submitted reclamation plans for the SOAB Mines to the Manitoba government. Reclamation work will begin in the summer of 2001.

At PT Inco, reclamation efforts involve returning the waste rock and soil to mined-out areas. Trees are later planted on the site. We aim to maintain the size of the mine footprint at 350 hectares and aggressively restore mined out areas to their natural state.

PORT COLBORNE STUDIES

We are working with the Ontario Ministry of the Environment and the Port Colborne City Council to develop and implement a community-based risk assessment process. This process will determine whether the levels of metals in soils found in the Port Colborne, Ontario area pose serious human and environmental risks. The process, being funded by Inco at a cost of \$2 million, includes detailed scientific and medical studies to determine what, if any, remedial actions would be recommended. Completion of the process is expected in 2002.

DEVELOPMENT PROJECTS

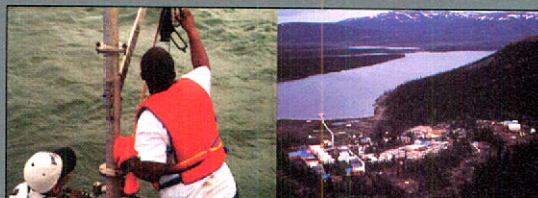
Voisey's Bay

During 2000, we continued work with the Labrador Inuit Association to study meadows and vegetation surrounding the proposed mine site. We want to establish baseline metal concentrations in sensitive areas near the site to ensure that those concentrations do not rise with a commercial mining operation.

Goro

As part of the Goro bankable feasibility study, we are preparing an environmental impact statement. Since 1994, our scientists have been actively collecting data in New Caledonia. In 2000, we focussed on data required to extrapolate from baseline conditions for the terrestrial, freshwater, marine and socio-economic environment in the project area.

Biophysical surveys included sampling local rivers and lakes for freshwater quality, sediment and biological species. We did more terrestrial and marine surveys to define ecologically sensitive zones within the project area. Our public consultation effort includes an extensive opinion survey to account for public concerns and socio-economic needs.



Environmental assessment is critical to Inco's development projects. At Voisey's Bay, Newfoundland and Labrador (right), we submitted the most comprehensive Environmental Impact Statement in Canadian mining history in 1999. As we move forward with our development project in Goro, New Caledonia, we are preparing an environmental impact statement which includes (left) detailed data collection on freshwater and marine baseline conditions.

HEALTH

Inco is committed to protecting the health and safety of all our workers, to assist our customers in protecting their workforces while working with our products and to provide sound stewardship of nickel-containing products used by society.

During 2000, we made progress on a variety of health initiatives.

Diesel Emissions Evaluation Program

Since 1997, in collaboration with other major mining companies, the federal and provincial governments and our labour unions, Inco has been involved in the Diesel Emissions Evaluation Program (DEEP). We are evaluating reliable and cost-effective technologies for reducing diesel particulate emissions, a potential health risk for miners. During 2000, DEEP began two major projects involving the testing of filters capable of greater than 95 per cent efficiency on diesel engines underground. The focus is on matching available filter systems with our engines and proving their effectiveness and durability while operating underground.

Epidemiological Studies

In Ontario and Manitoba, local unions are working together with Inco and the Northeastern Ontario Regional Cancer Centre to study illnesses in the workplace. Our goal is to determine whether there are risks associated with exposure to specific nickel-containing substances. Inco is investing more than \$500,000 for these studies and the results will be available within four years.

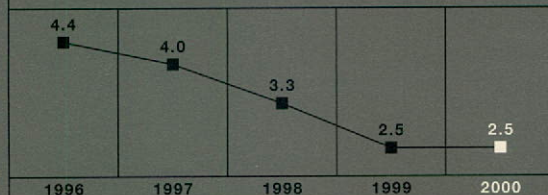
SAFETY PERFORMANCE

Inco is one of the safest companies in the mining industry. We reduced our disabling injury rate per 100 employees from 3.3 in 1998 to 2.5 in 1999 and maintained the rate of 2.5 in 2000. Performance improvements at the Ontario Division throughout the year were offset by weaker performance at the Manitoba Division in the first half of the year. Also during the year, PT Inco recorded its two millionth hour without an accident, a major achievement.

To reinforce the importance of safety in our work culture and to help ensure that every employee works as safely as possible in a safe environment, a company-wide team has developed an updated Inco Safety Charter. The Charter requires all employees, including managers at every level of the Company, to be accountable for safety, emphasizing prevention through the rigorous evaluation of all work situations. The Safety Charter is expected to be rolled out in 2001 and will include the development of a framework for safety management. Our ultimate goal is an injury-free workplace.

DISABLING INJURY FREQUENCY

Disabling injuries per 100 employees company-wide declined from 4.4 per cent in 1996 to 2.5 per cent in 2000. The rate was 2.1 over the second half of the year, a 16 per cent improvement from the 1999 rate.



PUBLIC SAFETY AND NICKEL

In many countries, misperceptions exist about adverse human health risks associated with nickel-containing materials. This situation is causing some governments to consider proposals that would restrict or ban nickel for certain uses. Inco maintains a strong advocacy of product stewardship and chemical safety and we continue to aggressively pursue information on health issues of nickel. Current information exists to show that virtually every use of nickel can be carried out without jeopardizing the health of humans or the environment.

Accordingly, we are working with governments and researchers to apply the best scientific knowledge for effective risk reduction and risk control of potential health concerns. We believe that the many beneficial properties of nickel can continue to be available to society in a completely safe manner.

ENVIRONMENTAL AND HEALTH MANAGEMENT SYSTEM

Inco's operations in the United Kingdom, the precious metals refinery in Acton, England and the Clydach Refinery in Wales, were certified under ISO 14001 in 2000. The Clydach Refinery received the Wales Environmental Award during 2000. We also took steps to reposition our environment department at the divisional and corporate level to help us meet the challenges we expect to face over the next decade. These changes include a new partnership between Inco's business units and the corporate office to strengthen coordination and collaboration. We intend to put a company-wide Environmental Management System in place in 2001.

Facility Audits

Auditing is a key part of Inco's environmental management. It is the way we ensure that our facilities have the correct processes and procedures in place for a high standard of environmental, health and safety performance and that we are meeting all regulatory obligations. During 2000, seven audits were conducted at operations and exploration sites in Canada, China, the United Kingdom and Indonesia.

Mineral Reserves and Mineral Resources

On a global basis our strategy continues to be to increase our low-cost, high-quality and high-volume mineral reserves and resources. Inco's mineral reserves and mineral resources at the end of 2000 were as follows:

	Sulphides				Laterites		
	Ontario Division	Manitoba Division	Voisey's Bay ³	Total Sulphides	Indonesia ²	New Caledonia ^{2, 3}	Total Laterites
Percentage ownership	100%	100%	100%	100%	59%	85%	
Mine type ⁴	UG	UG	OP	OP/UG	OP	OP	OP
MINERAL RESERVES¹ (tonnes in millions)							
Proven	139	22	32	193	91	35	126
Probable	86	20	–	106	10	12	22
Total reserves	225	42	32	299	101	47	148
Average Grades (%) (principal metals only)							
Proven							
Nickel	1.32	2.37	2.83	1.69	1.82	1.46	1.72
Copper	1.29	0.15	1.68	1.23	–	–	–
Cobalt	–	–	–	–	–	0.18	–
Probable							
Nickel	1.27	2.14	–	1.44	1.79	1.95	1.88
Copper	1.13	0.13	–	0.94	–	–	–
Cobalt	–	–	–	–	–	0.12	–
Average Grades Proven and Probable							
Nickel	1.30	2.26	2.83	1.60	1.82	1.59	1.74
Copper	1.23	0.14	1.68	1.12	–	–	–
Cobalt	–	–	–	–	–	0.17	–
MINERAL RESOURCES¹ (tonnes in millions)							
Mine type ⁴	UG	OP/UG	OP/UG	OP/UG	OP	OP	OP
Measured	10	3	–	13	–	29	29
Indicated	28	57	95	180	130	28	158
Inferred	22	5	14	41	171	162	333
Total resources	60	65	109	234	301	219	520
Average Grades (%)							
Measured							
Nickel	1.45	1.53	–	1.47	–	1.49	1.49
Copper	0.89	0.12	–	0.72	–	–	–
Cobalt	–	–	–	–	–	0.19	–
Indicated							
Nickel	1.41	0.72	1.28	1.12	1.80	1.80	1.80
Copper	1.01	0.06	0.60	0.49	–	–	–
Cobalt	–	–	–	–	–	0.16	–
Inferred							
Nickel	1.86	1.65	0.98	1.54	1.82	1.55	1.69
Copper	2.90	0.12	0.66	1.81	–	–	–
Cobalt	–	–	–	–	–	0.18	–
Average Grades Measured, Indicated and Inferred							
Nickel	1.58	0.83	1.24	1.22	1.81	1.57	1.71
Copper	1.69	0.07	0.61	0.74	–	–	–
Cobalt	–	–	–	–	–	0.18	–

Mineral Reserves and Mineral Resources

Definitions and Notes

- 1 Represents 100 per cent of mineral reserves and mineral resources as of December 31, 2000. Mineral resources are in addition to mineral reserves.

The reserves and resources have been estimated and reported in accordance with the definitions set forth below and contained in the "Canadian Institute of Mining, Metallurgy and Petroleum CIM standards on Mineral Resources and Reserves Definitions and Guidelines" which became effective in August 2000. The Company adopted these standards in 2000 since they represent its preferred reporting basis for this information and have been accepted by regulatory bodies in Canada.

Mineral Resource

A "Mineral Resource" is a concentration or occurrence of natural, solid, inorganic or fossilized organic material in or on the Earth's crust in such form and quantity and of such a grade or quality that it has reasonable prospects for economic extraction. The location, quantity, grade, geological characteristics and continuity of a Mineral Resource are known, estimated or interpreted from specific geological evidence and knowledge. Mineral Resources are sub-divided, in order of increasing geological confidence, into Inferred, Indicated and Measured categories.

Inferred Mineral Resource

An "Inferred Mineral Resource" is that part of a Mineral Resource for which quantity and grade or quality can be estimated on the basis of geological evidence and limited sampling and reasonably assumed, but not verified, geological and grade continuity. The estimate is based on limited information and sampling through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes.

Indicated Mineral Resource

An "Indicated Mineral Resource" is that part of a Mineral Resource for which quantity, grade or quality, densities, shape and physical characteristics can be estimated with a level of confidence sufficient to allow the appropriate application of technical and economic parameters and to support mine planning and evaluation of the economic viability of the deposit. The estimate is based on detailed and reliable exploration and testing information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes that are spaced closely enough for geological and grade continuity to be reasonably assumed.

Measured Mineral Resource

A "Measured Mineral Resource" is that part of a Mineral Resource for which quantity, grade or quality, densities, shape and physical characteristics are so well established that they can be estimated with confidence sufficient to allow the appropriate application of technical and economic parameters to support production planning and evaluation of the economic viability of the deposit. The estimate is based on detailed and reliable exploration, sampling and testing information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes that are spaced closely enough to confirm both geological and grade continuity.

Mineral Reserve

A "Mineral Reserve" is the economically mineable part of a Measured or Indicated Mineral Resource demonstrated by at least a Preliminary Feasibility Study. This Study must include adequate information on mining, processing, metallurgical, economic and other relevant factors that demonstrate, at the time of reporting, that economic extraction can be justified. A Mineral Reserve includes diluting materials and allowances for losses that may occur when the material is mined. Mineral Reserves are sub-divided in order of increasing confidence into Probable Mineral Reserves and Proven Mineral Reserves. A Probable Mineral Reserve has a lower level of confidence than a Proven Mineral Reserve.

Probable Mineral Reserve

A "Probable Mineral Reserve" is the economically mineable part of an Indicated or, in some circumstances, a Measured Mineral Resource demonstrated by at least a Preliminary Feasibility Study. This Study must include adequate information on mining, processing, metallurgical, economic and other relevant factors that can demonstrate, at the time of reporting, that economic extraction can be justified.

Proven Mineral Reserve

A "Proven Mineral Reserve" is the economically mineable part of a Measured Mineral Resource demonstrated by at least a Preliminary Feasibility Study. This Study must include adequate information on mining, processing, metallurgical, economic and other relevant factors that demonstrate, at the time of reporting, that economic extraction is justified.

- 2 The Company has additional resources in Indonesia, New Caledonia and other locations which have not yet been fully explored.
- 3 Completion of feasibility studies, permitting and significant capital expenditures would be required before operations could commence at these locations.
- 4 Mine type: OP = Open Pit, UG = Underground. The proportion of the Mineral Resources that are OP and UG at the Manitoba Division and Voisey's Bay are as follows: at the Manitoba Division, the UG Mineral Resource is 15 million tonnes grading 1.66 per cent nickel and 0.13 per cent copper and the OP Mineral Resource is 50 million tonnes grading 0.58 per cent nickel and 0.05 per cent copper. At Voisey's Bay, the UG Mineral Resource is 99 million tonnes grading 1.27 per cent nickel and 0.59 per cent copper (Inferred and Indicated) and the OP Mineral Resource is 10 million tonnes grading 0.92 per cent nickel and 0.72 per cent copper (Indicated).

financial review

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Management's Discussion and Analysis of Financial Condition and Results of Operations

INCO HIGHLIGHTS FOR 2000

- Net earnings increased to \$400 million and cash flow increased to \$842 million
- PT Inco production of nickel in matte increased by 30 per cent to 59,200 tonnes as the expansion was brought online
- Inco debt rating was restored to investment grade by both Standard & Poor's Rating Services and Moody's Investors Service
- Negotiation of a new three-year labour agreement at Ontario Division
- Continued investment in new mine development:
 - \$48 million investment in Birchtree will extend mine life by at least 15 years
 - \$33 million investment in McCreedy East will increase mine production by over 65 per cent
 - \$125 million deepening of Creighton Mine will increase mine life by at least 20 years
- Commitment to next stage of Goro development at a cost of \$100 million in 2001
- Redemption of Class VBN Shares, facilitating future project development

NICKEL MARKET OVERVIEW IN 2000

After building momentum over the course of 1999, the nickel price continued to increase into 2000. From a close of \$8,450 per tonne (\$3.83 per pound) at the end of 1999, the London Metal Exchange ("LME") cash nickel price moved further upwards to a peak of \$10,660 per tonne (\$4.84 per pound) in March 2000 and, subject to some variability, over the balance of 2000 declined to \$7,190 per tonne (\$3.26 per pound) by the end of 2000. The LME cash nickel price averaged \$8,642 per tonne (\$3.92 per pound) in 2000, up from \$6,015 per tonne (\$2.73 per pound) in 1999. On February 6, 2001, the nickel price was \$6,805 per tonne (\$3.09 per pound).

Solid market conditions contributed to the average price increase in 2000, as did the anticipation of possible labour disruptions. The world economic recovery that commenced in 1999 continued in 2000, with OECD industrial production growth accelerating to 5.0 per cent in 2000 from 3.3 per cent in 1999. In contrast to the previous year, strong economic growth was registered in all major geographic regions. As a result, demand for nickel-containing products strengthened, especially stainless steel, which in 2000 accounted for 64 per cent of primary nickel use in the western world.¹ Stainless steel production in the western world increased in 2000 by eight per cent to a record level of 18.6 million tonnes. Part of the increase in stainless steel production reflected inventory accumulation by consumers, who, it is believed, were hedging against anticipated price increases. As a result, stainless steel production growth declined in the second half of the year as consumers sought to reduce their inventories.

Despite the strong performance of stainless steel production, the use of primary nickel in this segment registered no growth in 2000. This was due to the increased supply of stainless steel scrap, which competes directly with primary nickel, as a result of scrap merchants reducing their inventories in an environment of favourable demand and prices. The scrap ratio, or that portion of nickel units consumed as scrap by stainless steel mills, rose to 48 per cent in 2000 from 44 per cent in 1999.

Total world demand for primary nickel grew by 6.3 per cent in 2000 to a record level of 1,115,000 tonnes. This increase in demand reflected both stock building by consumers, who were replenishing their inventories from the relatively low levels at the end of 1999, and an estimated 12 per cent growth in consumption for primary nickel in non-stainless steel applications. Demand from the non-ferrous alloys sector was particularly strong, reflecting the growing use of nickel alloys in electronics and land-based turbines in North America.



Inco is renowned for having some of the best nickel properties in the mining industry. On the South Pacific island of New Caledonia, Goro heralds the future as one of the leading laterite nickel deposits in the world. In Canada, projects like the Birchtree Mine deepening in Manitoba (right) will extend the life of that mine by at least 15 years.

As well, demand for specialty nickel products remained high, given the strength in certain high technology sectors.

In 2000, the supply of nickel to the western world increased by an estimated 36,000 tonnes to 989,000 tonnes. Supply is defined as the production of nickel in the western world, plus net trade in nickel with the former East Bloc countries (Russia, Cuba, Eastern Europe and China). The main reason for this increase was a rise in primary nickel production in the western world of approximately 53,000 tonnes. This increase reflected the return to more normal levels of production by several producers who either had experienced unexpected disruptions or reduced output in 1999. It also reflected production from new nickel capacity and the continued commissioning of the three new laterite projects in Australia. Those projects are generally still producing at levels well below stated design capacity.

Partially offsetting the rise in western world production was a decline in net trade with the former East Bloc countries of approximately 17,000 tonnes. Also contributing to the reduction in net trade was an increase in nickel exports from the west to China. As a consequence, demand for nickel exceeded supply by approximately 32,000 tonnes, thereby reducing apparent stocks to critically low levels, as reflected in nickel inventories held in LME warehouses which fell over 37,000 tonnes.

In 1999, western world nickel demand increased five per cent to 977,000 tonnes. This rise in demand in 1999 was driven primarily by a 10 per cent increase in the use of primary nickel in stainless steel production. While production of stainless steel increased by almost seven per cent to 17.3 million tonnes, primary nickel consumption increased at a faster rate as scrap supplies tightened, due to relatively low prices and weak investment activity that limited the supply of scrap.

	2000	1999	1998
LME average cash nickel price			
\$ per tonne	\$ 8,642	\$ 6,015	\$ 4,633
\$ per pound	\$ 3.92	\$ 2.73	\$ 2.10

¹ The world excluding the Russian Federation and other members of the former Commonwealth of Independent States, the People's Republic of China ("China"), Cuba and Eastern Europe.

Total supply to the western world in 1999 declined by 5,000 tonnes to 954,000 tonnes. Production of nickel in the western world was virtually unchanged in 1999 from 1998 at 713,000 tonnes. While production cut-backs and disruptions experienced that year led to reduced supply, these were offset by increases at other producers, including the additional output from the

commissioning of the three new laterite projects in Australia.

In 1999, as a result of demand exceeding supply that year, the LME annual average cash nickel price increased from \$4,633 per tonne (\$2.10 per pound) to \$6,015 per tonne (\$2.73 per pound).

RESULTS OF OPERATIONS

2000 Compared with 1999

Earnings Summary

The Company's financial results improved significantly in 2000. Net earnings were \$400 million in 2000, compared with \$12 million in 1999, primarily reflecting higher sales due to significantly higher metals prices and higher deliveries of Inco-source nickel. The 2000 results also included a \$38 million, or 21 cents per share, non-cash deferred income tax benefit resulting from a reduction in future tax rates by the Province of Ontario.

Net Sales

Net sales to customers increased by 38 per cent in 2000 relative to 1999, due primarily to the substantially higher realized prices for nickel (up 40 per cent from 1999), copper (up 17 per cent), platinum (up 43 per cent) and palladium (up 86 per cent).

Deliveries of all metals in 2000 were comparable to those in 1999, with nickel slightly higher and copper, cobalt and precious metals slightly lower. Deliveries of Inco-source nickel were up 10 per cent from the 181,050 tonnes delivered in 1999. This increase was due to increased production at PT International Nickel Indonesia Tbk ("PT Inco") and the Manitoba Division.

PT Inco production increased 30 per cent from the expanded facilities which were completed at the end of 1999. The year 2000 also represented a return to more normal production levels at the Manitoba Division after the reductions experienced in 1999 due primarily to a three-month work stoppage.

Deliveries of finished nickel purchased from external sources, used by the Company to supplement Inco-source production as required, declined in 2000 relative to 1999, as a result of higher production in 2000.

The Company's nickel deliveries in 2000 represented an estimated 23 per cent of world market share, compared with 24 per cent in 1999 and 26 per cent in 1998.

The Company's price realizations tend to lag LME price movements, due primarily to the terms of the Company's contractual sales agreements with certain of its customers. The LME is the principal terminal market for nickel in the world. The Company realizes a premium over the LME cash price for its nickel powders and other high-value products. The Company's average realized price for its primary nickel products, including intermediates, was \$9,007 per tonne (\$4.09 per pound) in 2000.

Realized Prices

(U.S.\$ per tonne/per pound)	2000	1999	1998
Primary nickel, including intermediates	\$ 9,007 4.09	\$ 6,415 2.91	\$ 5,291 2.40
Copper	1,908 0.87	1,631 0.74	1,852 0.84
Cobalt	29,475 13.37	30,556 13.86	44,577 20.22
(\$ per troy ounce)			
Platinum	\$ 541.55	\$ 377.59	\$ 373.77
Palladium	670.04	359.80	290.25
Rhodium	1,930.63	888.33	600.24
Gold	278.91	280.69	294.89
Silver	4.99	5.29	5.54

Deliveries and Net Sales by Product

	Deliveries (tonnes)	Sales (U.S.\$ millions)	Deliveries (tonnes)	Sales (U.S.\$ millions)	Deliveries (tonnes)	Sales (U.S.\$ millions)
	2000	2000	1999	1999	1998	1998
Primary nickel including intermediates ¹						
– Inco-source	199,097		181,050		185,907	
– Purchased	60,277		77,038		67,018	
	259,374	\$ 2,336	258,088	\$ 1,658	252,925	\$ 1,262
Copper ¹						
– Inco-source	115,340		116,494		122,022	
– Purchased	2,685		3,260		11,054	
	118,025	225	119,754	196	133,076	245
Cobalt ¹	1,422	42	1,568	48	2,004	73
Precious metals (thousands of troy ounces) ²	1,767	249	1,909	152	1,769	131
Other		65		59		55
Net sales to customers		\$ 2,917		\$ 2,113		\$ 1,766

1 Includes metals contained in alloys for 1998.

2 Excludes toll-refined materials.

Cost of Sales and Operating Expenses

Cost of sales and operating expenses increased by \$157 million, or 10 per cent, in 2000 from 1999. This increase was primarily due to higher deliveries of Inco-source nickel, higher prices paid for purchased nickel and higher production costs resulting from higher fuel oil and natural gas costs, partially offset by the impact of higher production.

In November 1997, the Company announced a comprehensive operational restructuring plan under which \$165 million of sustainable annual cost savings were to be achieved by the end of 2000 through a series of cost reduction initiatives. In mid-1999, a new target of \$250 million in such cost savings was set and achieved in the second half of 2000.

Depreciation and Depletion

Depreciation and depletion expenses increased by \$17 million in 2000 relative to 1999. This increase was primarily due to higher depreciation at PT Inco as a result of the commencement of production from its expanded facilities in late 1999.

Selling, General and Administrative

Selling, general and administrative expenses increased by \$6 million in 2000 relative to 1999. This increase was primarily due to higher expenses related to new projects and higher direct marketing expenses in 2000.

Research and Development

Research and development expense increased by \$1 million in 2000 relative to 1999, primarily due to increased spending on development of value-added nickel products.

Interest Expense

Interest expense was \$83 million in 2000, compared with \$73 million in 1999. This expense excludes capitalized interest of \$15 million in 2000 and \$37 million in 1999 on debt incurred to finance the acquisition and development of the Voisey's Bay and Goro projects and the expansion at PT Inco. The increase in interest expense in 2000, relative to 1999, was primarily due to interest expense of \$24 million relating to the PT Inco expansion project. As this project was completed by the end of 1999, the related interest costs have been expensed beginning in 2000. In prior years, as the expansion was not complete, such interest was capitalized. The increase in PT Inco interest expense was partially offset by a reduction in interest expense on the Company's other debt due to the lower average balances in 2000 relative to 1999.

At December 31, 2000, approximately 39 per cent of the Company's total debt bore interest at rates that were subject to periodic adjustments based on market interest rates. The Company's long-term debt and average effective interest rates at December 31, 2000 are summarized in Note 8 to the Consolidated Financial Statements.

Other Expenses (Income)

Other income increased \$5 million in 2000, relative to 1999, primarily due to increased interest income as a result of higher levels of cash and marketable securities in 2000 than in 1999.

Income and Mining Taxes

In 2000, the effective income and mining tax rate was 33.7 per cent, compared with a tax rate of 50.0 per cent in 1999. The decrease was primarily due to the impact of lower non-deductible currency translation adjustments and mining taxes, partially offset by reduced resource and depletion allowances and lower foreign tax rate differences. In addition, the effective income and mining tax rate in 2000 benefitted from the effect of a reduction in future tax rates in the Province of Ontario.

Minority Interest

Minority interest of \$44 million primarily represents the respective minority shareholders' interests in the earnings of PT Inco, Inco TNC Limited and Jinco Nonferrous Metals Co., Ltd. The increase in minority interest in 2000, relative to 1999, was primarily due to the higher earnings of PT Inco.



Inco is improving the return on capital at its existing operations by finding new ore deposits and expanding low-cost production. At our Manitoba Division, geologists Hadi Mahony (left) and Scott Mooney inspect core samples from recent exploration in the Thompson area. At PT Inco's new hydroelectric facilities, considered a key to boosting its annual low-cost production by 50 per cent to 150 million pounds of nickel annually, operators Irwan Yusri (right) and Nukuhaly Yunus study water flows from the control room.

(U.S.\$ millions)	2000	1999	1998
Cost of sales and operating expenses	\$ 1,759	\$ 1,602	\$ 1,473
Depreciation and depletion	265	248	244
Selling, general and administrative	105	99	96
Research and development	22	21	18
Exploration	23	23	29
Interest expense	83	73	86
Other expenses (income)	(10)	(5)	18

Nickel Unit Production Costs

Nickel unit production costs represent the total of all cash costs (such as wages and benefits, energy and supplies) and non-cash costs (such as depreciation and depletion) incurred by the Company to produce a unit of nickel. These costs increased by six per cent in 2000 relative to 1999, primarily due to higher fuel oil and natural gas costs, partially offset by the impact of higher production.

Unit production costs for nickel are also affected by productivity levels. Productivity, as measured in pounds of nickel and copper produced per shift, increased by three per cent in 2000 relative to 1999. This improvement reflected a 30 per cent increase in production at PT Inco combined with further employment reductions at the Canadian operations.

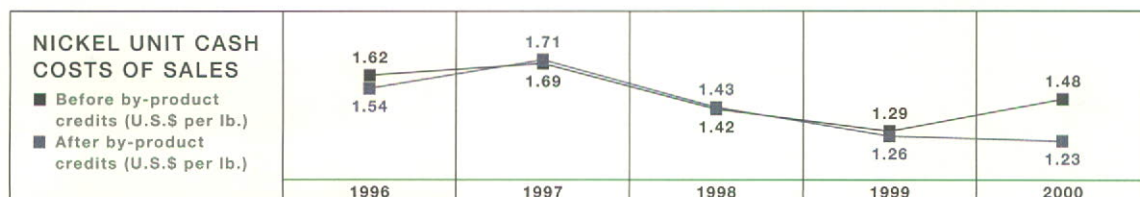
The Company's nickel unit cash cost of sales before by-product credits increased by 15 per cent in 2000, compared with 1999. This increase was due to higher energy costs and higher costs for purchased intermediate nickel feeds, partially offset by productivity improvements. While the costs associated with these purchased

intermediates were higher, the price realizations were also higher, resulting in margins on these purchases remaining unchanged. The nickel unit cash cost of sales after by-product credits decreased by two per cent over the same period, primarily due to an increase in realized prices for platinum-group metals.

In 1998, the Company initiated a program for all mines to maximize cash flow, ensure efficient mining operations and reduce mining costs. During 1998, the Company closed two high-cost Ontario Division mines, Shebandowan and Whistle, and increased production at low-cost mines as part of this program. In 1999, Little Stobie and Levack/McCreedy West mines were closed, and Froid, Crean Hill and Coleman mines at the Ontario Division will close in 2001.

Energy Cost Advantages

Energy costs are a significant component of production costs in the nickel industry since nickel production is highly energy-intensive, especially in respect of lateritic ores. The Company enjoys relatively low energy costs because of substantial production from its Canadian sulphide ores, which consume only about one-fifth of



the energy required to process lateritic ores. In addition, low-cost energy is available from the Company's hydroelectric facilities in Ontario and at PT Inco's lateritic mining operation in Indonesia, and from purchased hydroelectric power in the Company's Manitoba Division.

Approximately 95 per cent of PT Inco's power requirements are met from its 165-megawatt hydroelectric generating facility at Larona and the new 93-megawatt facility at Balambano. The availability of captive hydroelectric power decreased cash energy costs of PT Inco in 2000 by about 52 per cent, compared with about 53 per cent in 1999 and 52 per cent in 1998, relative to the energy costs that would have been incurred had PT Inco been totally energy dependent on oil.

Labour Contracts

A new three-year contract between the Company and the unionized hourly production and maintenance workers at the Ontario Division was negotiated in May 2000. The new contract, which remains in effect until May 31, 2003, provides wage and pension improvements and a new earnings-based incentive plan designed to maximize employee commitment to improving divisional profitability. The terms of the agreement represent an estimated increase of less than three per cent of total labour costs at the Division on an annual basis.

In December 1999, the Company and unionized production and maintenance workers at the Manitoba Division agreed on a new contract. This agreement came after a three-month work stoppage that began in mid-September. The new contract, which remains in effect until September 15, 2002, provided wage and pension improvements and opportunities for the employees to share in the Division's improvements in operating efficiency. The Company has benefitted from productivity improvements through increased operating flexibility as a result of the new contract. The Division recommenced production in mid-December. Pre-tax expenses of \$27 million were charged to 1999 cost of sales and operating expenses in respect of this work stoppage.

A new two-year contract was signed with employees of PT Inco in November 2000.



As a technology leader in the nickel industry, Inco is making great progress in mining, processing and product technologies. In the fall of 2000, Ontario Minister of Northern Development and Mines, Tim Hudak, tried his hand at a remote-controlled scooptram as part of a major Telemining event at the Ontario Division at Sudbury, Canada. At the Clydach Refinery in Wales, a new nickel powder decomposer to produce a variety of Inco powders is vital to the Company's strategy to expand the specialty nickel products business.

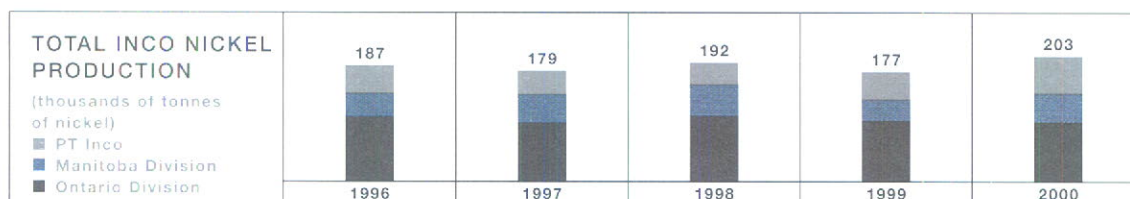
Nickel Production

Nickel production in 2000 of 202,806 tonnes represented an increase of 14 per cent over 1999. This increase was due to higher production at PT Inco, as a result of the completed expansion, and higher production at the Manitoba Division as compared to 1999 where the three-month work stoppage adversely affected production levels. The Company's finished nickel inventories were 26,582 tonnes at December 31, 2000, compared with 24,333 tonnes at the end of 1999 and 27,347 tonnes at the end of 1998.

Production of nickel in matte at PT Inco increased by 30 per cent to 59,200 tonnes in 2000. Nickel in matte, an intermediate product, is sold by PT Inco primarily into the Japanese market. The higher production in 2000, relative to 1999, was primarily due to the commencement of operation of the expanded facilities. This expansion has increased PT Inco's annual production capacity to 68,000 tonnes.

Copper Production

The Company's copper production in 2000 was down 1,863 tonnes, or two per cent, from 1999. This was primarily due to difficulties experienced with the Ontario Division copper circuit. It is not expected that these difficulties will affect copper production in 2001.



1999 Compared with 1998

Earnings Summary

Net earnings of \$12 million in 1999 included an after-tax expense of \$12 million associated with the three-month work stoppage at the Manitoba Division. Results for 1999 also included an after-tax loss of \$5 million from discontinued operations resulting from a post-closing adjustment relating to the October 1998 sale of Inco Alloys International ("IAI"), the Company's former alloys business segment. The improvement relative to the 1998 loss of \$103 million was primarily due to higher realized prices for nickel and platinum-group metals and lower nickel unit production costs, partially offset by lower realized prices for copper and cobalt and lower deliveries of Inco-source nickel. The 1998 results included an after-tax charge of \$32 million associated with the Company's restructuring actions and an after-tax gain of \$20 million from the sale of IAI.

Net Sales

In 1999, net sales to customers increased by 20 per cent relative to 1998. This increase was primarily due to a 21 per cent increase in the Company's average realized price for nickel and a two per cent increase in nickel deliveries, partially offset by lower average realized prices for copper and cobalt. Nickel deliveries increased by 5,163 tonnes in 1999, relative to 1998, reflecting higher demand, especially from Taiwan and South Korea. However, deliveries of Inco-source nickel decreased by three per cent in 1999 relative to 1998, due primarily to lower production resulting from extended annual vacation shutdowns in the Ontario and Manitoba divisions and the three-month work stoppage in the fourth quarter of 1999 at the Manitoba Division. This decline was partially offset by a drawdown of finished nickel inventories in 1999. Copper and cobalt deliveries were also lower in 1999 as a result of these extended shutdowns and a one-time drawdown of in-process cobalt inventories which occurred in 1998.

Cost of Sales and Operating Expenses

Cost of sales and operating expenses increased by \$129 million, or nine per cent, in 1999 relative to 1998. This increase was primarily due to higher purchased nickel quantities and prices and the impact of the extended vacation shutdowns at the Ontario and Manitoba divisions, partially offset by lower production costs resulting from the Company's cost reduction initiatives. Cost of sales and operating expenses in 1999 also included \$27 million of pre-tax expenses related to the work stoppage at the Manitoba Division.

Depreciation and Depletion

Depreciation and depletion were \$248 million in 1999, comparable with \$244 million in 1998.

Selling, General and Administrative

Selling, general and administrative expenses increased \$3 million in 1999 relative to 1998. The increase was due to higher compensation expenses, partially offset by reductions resulting from the cost reduction initiatives.

Research and Development

Research and development expense increased \$3 million in 1999 compared with 1998. The increase was primarily due to increased spending on value-added nickel products, metallurgical process improvements, and development work for the Voisey's Bay and Goro hydrometallurgical processes.

Exploration

Exploration expense decreased \$6 million in 1999, relative to 1998, primarily due to the Company's cost reduction initiatives.

Interest Expense

Interest expense of \$73 million in 1999 was 15 per cent lower than 1998 due to lower average balances of debt not associated with Voisey's Bay and Goro in 1999.

Other Expenses (Income)

Other income was \$5 million in 1999, an increase of \$23 million compared with other expenses of \$18 million in 1998. The increase was due to gains on the sale of certain non-core assets and investments and to increased interest income.

Income and Mining Taxes

The 1999 tax rate of 50.0 per cent was higher than the tax rate of relief of 33.8 per cent in 1998, primarily due to the impact of higher non-deductible currency translation adjustments and mining taxes, partially offset by higher foreign tax rate differences and resource and depletion allowances.

Minority Interest

The increase in minority interest in 1999, relative to 1998, was primarily due to the higher earnings of PT Inco, partially offset by an increase in the Company's ownership percentage of Inco TNC Limited from 51 per cent to 67 per cent.

Discontinued Operations

In October 1998, the Company completed the sale of its 100 per cent interest in IAI for gross proceeds of \$365 million. An after-tax gain of \$20 million from this sale was recorded in the fourth quarter of 1998. The sale price was subject to a post-closing adjustment based on certain changes in IAI's net worth up to closing. The process for determining this adjustment was completed in October 1999, resulting in a \$5 million after-tax effective reduction in the sale price for IAI. This amount was recorded as a loss from discontinued operations in the third quarter of 1999.

Net sales from discontinued operations were \$454 million in 1998. Operating earnings from discontinued operations were \$25 million in 1998.

The operating results and cash flows of IAI up to its disposition date, including the gain and net proceeds from the sale of IAI in 1998, have been recorded separately in the Consolidated Statement of Earnings as earnings from discontinued operations and in the Consolidated Statement of Cash Flows as discontinued operations. For further information, see Note 5 to the Consolidated Financial Statements.

Nickel Unit Production Costs

Nickel unit production costs decreased by four per cent in 1999, compared with 1998, due primarily to reductions in certain employment and other costs associated with cost reduction initiatives and improved ore grades. Productivity in 1999 increased by nine per cent relative to 1998, reflecting further employment reductions at the Company's Canadian operations and a 29 per cent increase in production at PT Inco. These improvements in costs and productivity also explained the decrease in the nickel unit cash cost of sales after by-product credits in 1999 from 1998.

Nickel Production

The three-month work stoppage at the Manitoba Division and the extended vacation shutdowns at the Manitoba and Ontario divisions, partially offset by higher production of nickel in matte at PT Inco, led to reduced nickel production in 1999 of 177,253 tonnes, down seven per cent from 1998 levels. Production of nickel in matte at PT Inco increased by 29 per cent to 45,400 tonnes in 1999 relative to 1998, primarily as a result of the increased availability of hydroelectric power. Severe drought conditions in 1997 and early 1998 resulted in reduced water levels which severely limited the availability of hydroelectric power in those years.

Copper Production

Copper production decreased four per cent in 1999, relative to 1998, from 121,107 tonnes to 116,260 tonnes primarily due to the extended vacation shutdowns in the Ontario and Manitoba divisions.

CASH FLOWS, LIQUIDITY AND CAPITAL RESOURCES

2000 Compared with 1999

Operating Activities

Cash provided by operating activities increased to \$842 million in 2000, compared with \$128 million in 1999. This increase was primarily due to higher operating

results and a decrease in working capital due to higher accounts payable, accrued liabilities and income and mining taxes payable. Tax payments were \$38 million in 2000 and \$42 million in 1999.

(U.S.\$ millions)	2000	1999	1998
Cash provided by operating activities	\$ 842	\$ 128	\$ 174

Investing Activities

Cash used for investing activities decreased to \$217 million in 2000, compared with \$238 million in 1999. The lower cash used for investing activities was primarily due to a reduction in capital expenditures in 2000. This reduction was due to the completion of the construction of the

PT Inco expansion at the end of 1999, partially offset by increased spending in Canada and in the French Overseas Territory of New Caledonia in respect of the Company's Goro project bankable feasibility study.

(U.S.\$ millions)	2000	1999	1998
Capital expenditures			
Ontario Division	\$ 98	\$ 69	\$ 83
Manitoba Division	35	10	10
PT Inco	32	130	248
Goro	39	25	25
Voisey's Bay	11	17	54
Other	12	9	17
Total	\$ 227	\$ 260	\$ 437

Financing Activities

Cash used for financing activities in 2000 was \$470 million, compared with cash provided by financing activities of \$66 million in 1999.

In 2000, the Company redeemed the 25.9 million outstanding Class VBN Shares for an aggregate cost consisting of \$133 million in cash plus 11.6 million Common Share purchase warrants. Each warrant entitles the holder to purchase one Common Share at a price of Cdn.\$30 (or the equivalent in U.S. dollars) at any time on or before August 21, 2006. The cash component of the redemption was funded from cash flow generated from operations.

Preferred dividends totalling \$26 million were paid in each of the years 2000 and 1999 on the Company's Series E Preferred Shares in accordance with the terms of those shares. Dividends paid to minority interest shareholders were \$1 million in 2000 and \$10 million in 1999.

To provide liquidity for its operations, the Company maintains committed bank credit facilities. The facilities are provided by a syndicate of banks under separate agreements, the terms of which are substantially the same. The total available under these facilities was \$700 million as of December 31, 2000. This represents a decrease of \$140 million from the facilities which were available as of December 31, 1999. The Company chose to decrease the available facilities because of reduced short-term debt requirements given the strong 2000 operating earnings and cash flow.

The facilities are divided equally between a five-year revolving commitment and a 364-day revolving commitment. The revolving period of each of the facilities



Inco's strong presence in the electroplating world depends on its Thompson, Manitoba mill, smelter and refinery. Thompson's ore goes into electrolytic nickel with about 70 per cent of its production earmarked for electroplating products including cathodes and S and R rounds. Shawnee Spittal (right) checks out R rounds while refinery superintendent Lovro Paulic examines a shipment of electrolytic nickel prior to shipping.

ties may be extended for an additional 364-day period at the discretion of the respective bank and any amounts outstanding at the maturity of the revolving period are repayable at that time. At December 31, 2000, there was no outstanding balance under these facilities.

Each facility provides that, so long as advances are outstanding, the Company will be required to maintain a Tangible Net Worth, as defined, of at least \$1,500 million and a ratio of Consolidated Indebtedness to Tangible Net Worth, as defined, not to exceed 50:50. At December 31, 2000, the Company's Tangible Net Worth was \$4,261 million and the ratio of Consolidated Indebtedness to Tangible Net Worth was 18:82.

At December 31, 2000, there were outstanding five-year term loans in the amount of \$34 million resulting from the conversion in 1998 of drawdowns under a previous bank credit facility.

December 31	2000	1999	1998
Net debt as % of net debt plus equity	15%	22%	25%

The Company's total debt at December 31, 2000 was \$1,030 million, down \$314 million from \$1,344 million at the end of 1999. The decrease in debt in 2000 was due to repayments from higher cash flow from operating activities.

The Company believes that its cash provided by operations, together with cash available from its unused lines of credit and its access to international capital markets, will be more than sufficient to meet its normal cash requirements in 2001. These requirements would include the Company's ongoing cash needs as well as the cash required to finance the Company's currently planned expenditures on capital projects.

1999 Compared with 1998

Operating Activities

Cash flow from operating activities of \$128 million in 1999 was \$46 million lower than the \$174 million generated in 1998, primarily as a result of increased working capital requirements, partially offset by higher operating earnings. The working capital increase resulted primarily

from higher accounts receivable due to higher sales and lower accounts payable and accrued liabilities due to reduced spending activity. Tax payments were \$49 million in 1998.

Investing Activities

Cash used for investing activities decreased to \$238 million in 1999 from \$417 million in 1998. The lower capital spending in 1999, relative to 1998, was primarily a result of the lower level of spending on the PT Inco expansion project.

Financing Activities

Cash provided by financing activities was \$66 million in 1999, compared with cash used for financing activities of \$63 million in 1998. In May 1999, the Company sold 15 million Common Shares in an underwritten public offering on a "bought deal" basis. The shares were sold at prices of \$19.00 per share in the United States and in certain other jurisdictions, and at Cdn.\$27.50 per share in Canada. The net cash proceeds of this sale of \$273 million were used to repay existing floating rate bank

indebtedness which, in part, had been incurred to finance certain capital expenditures relating to the Company's Goro project, the expansion of facilities at PT Inco and new mine development at the Ontario Division.

On February 10, 1999, the Company's Board of Directors eliminated the payment of dividends on the Company's Common Shares. As a result of this action, no minimum dividend was paid on the Class VBN Shares in accordance with their terms. Regular quarterly cash dividends totalling \$16 million (\$0.10 per share) were paid to common shareholders in 1998.

Preferred dividends of \$26 million were paid in 1999 and 1998. Dividends paid to minority interest shareholders were \$10 million in 1999 and \$1 million in 1998. The increase in dividends paid in 1999, relative to 1998, was primarily due to a special dividend paid to the shareholders of Tokyo Nickel Company, Ltd. ("TNC") in March 1999 in connection with the increase of the Company's interest in Inco TNC Limited (formerly TNC) from 51 per cent to 67 per cent.



From the South Pacific island of New Caledonia to Ontario, Canada, the "regreening" of sites that are already mined is a focus of the Company's agriculturists. At PT Inco in Indonesia, Jupri Sikki (left) tends a newly planted tree while at the new lateritic deposit at Goro in New Caledonia, Chief Geologist Christian Tessarolo has already started a greenhouse nursery as part of a long-term revegetation program there.

The Company's total debt at December 31, 1999 was down \$179 million from \$1,523 million at the end of 1998. The decrease was primarily due to the application of the net proceeds from the sale of Common Shares in May 1999.

Cash provided by discontinued operations was \$332 million in 1998.

RISKS AND UNCERTAINTIES

Market Risk

Market risk is the risk of potential economic loss arising from adverse changes in market rates and prices. Given the nature of the Company's business and operations, the areas of highest exposure are nickel prices and, to a lesser extent, other metals and commodity prices (metals and commodities risk), foreign currency exchange rates (foreign exchange risk), and interest rates (interest rate risk).

The Company has engaged in transactions to reduce the impact of these market risks on earnings and cash flows. The Company has established policies and procedures governing the use of derivative instruments to address certain market risks. These policies and procedures are intended to reduce certain of the uncertainties associated with the market risks specific to the Company's business and operations. The Company does not use these instruments for trading or speculative purposes. The Company only uses derivative instruments based on an economic analysis of the underlying exposures, anticipating that adverse effects on future earnings and cash flow due to fluctuations in metals and commodities prices, foreign currency exchange rates and interest rates will be offset by proceeds from, and changes in the fair value of, the derivative instruments. The Company does not, however, hedge its exposure to any market risk in a manner that completely eliminates the effects of changing market conditions on its earnings or cash flow.

Metals and Commodities Risk

The Company is subject to metals and commodities risk because the Company sells its products and purchases its fuel oil and other supplies at prices effectively

determined through trading on major commodity exchanges, notably the LME and the New York Mercantile Exchange. The prices offered on these exchanges generally reflect the global balance of supply and demand for a particular commodity but are also influenced by such factors as investment funds flow, speculative activity and currency exchange rates.

The price of nickel, the Company's principal product, was the major factor influencing operating earnings and cash flows for the years ended December 31, 2000, 1999 and 1998. Inco's selling price for primary nickel is generally based on the LME cash price. However, certain of the Company's products are customarily sold at a premium over the LME cash price, particularly Inco specialty products such as nickel powders and foams. The markets for these products have been, and are expected to be, cyclical and prices are volatile. However, because the Company is one of the largest producers and is the largest marketer of primary nickel in the world, it has chosen, subject to certain exceptions, not to hedge or otherwise attempt to mitigate the risk of fluctuations in the price of nickel. The Company reviews this policy from time to time and may extend its now limited use of spot, forward and derivative instruments to reduce such risks in the future. In the case of other metals produced by the Company, the Company has from time to time entered into derivative instruments to establish minimum prices. The Company does enter into LME forward sales and/or purchase contracts to hedge its exposure to changes in the prices of purchased nickel and of Inco-source nickel to be delivered to customers at fixed prices in the future.

The following table shows the Company's principal derivative instrument positions as of February 6, 2001. Reference is made to Note 16 to the Consolidated

Financial Statements for information concerning the Company's derivative instruments at December 31, 2000.

Principal Derivative Instrument Positions

(At February 6, 2001)	2001	2002	2003	Total
Palladium Fixed Price Swaps				
Troy ounces	89,555	33,480	15,330	138,365
Average Price (\$ per troy ounce)	849	905	830	861
Platinum Fixed Price Swaps				
Troy ounces	33,496	28,740	12,450	74,686
Average Price (\$ per troy ounce)	589	550	500	559
Fuel Oil Fixed Price Swaps				
Barrels	665,772	261,600	—	927,372
Average Price (\$ per barrel)	20.63	18.25	—	19.96
Canadian Dollar				
Range Forward Options				
Cdn.\$ (millions)	95	5	—	100
Average (minimum–maximum) Price (U.S.\$)	0.669–0.687	0.670–0.688	—	0.669–0.687
Forward Contracts to buy Cdn.\$				
Cdn.\$ (millions)	60	—	—	60
Average Price (U.S.\$)	0.664	—	—	0.664

The Company uses oil swap contracts to hedge the effect of energy price changes in respect of a portion of its energy requirements in Indonesia. Under these contracts, the Company receives or makes payments based on the difference between a fixed and floating price for fuel oil.

Foreign Exchange Risk

By virtue of its international operations, the Company conducts business in a number of foreign currencies other than the U.S. dollar. The Company reduces from time to time the impact of this risk by entering into forward currency contracts and foreign currency options. At the end of 2000, these contracts took the form of "range forward options," which effectively establish a minimum and maximum exchange rate for the Canadian dollar. The purpose of the Company's Canadian dollar hedging activities is to reduce the risk that the eventual U.S. dollar cash flows relating to a portion of its future Canadian production costs will be adversely affected by an appreciation of the Canadian dollar.

The Company is, to a substantially lesser extent, subject to fluctuations in the value of the Indonesian Rupiah relative to the U.S. dollar from its operations in Indonesia. This reduced impact is due to a significant portion of PT Inco's costs and revenues being effectively denominated in U.S. dollars. Because of the limited nature of this exposure, the Company does not customarily hedge the value of the Rupiah against the U.S. dollar and no such financial instruments were in effect at December 31, 2000.

Interest Rate Risk

At December 31, 2000, approximately 39 per cent of the Company's total debt, or \$399 million, was subject to variable interest rates. The impact of a 10 per cent change in interest rates, or 65 basis points, would change interest expense by \$3 million over a full year. The Company did not enter into any financial instruments to hedge interest rate movements in 2000, and no such instruments were in place at December 31, 2000.

Sensitivities

The Company's financial results are sensitive to, among other things, changes in prices for nickel and other metals, the Canadian/U.S. dollar exchange rate, and interest rates. The financial results are also affected by changes in the Indonesian Rupiah/U.S. dollar exchange rate, but to a lesser extent as PT Inco's revenues and many of its expenses are denominated in U.S. dollars. The following table indicates the approximate full-year impact of the Company's principal market risk exposures on net earnings per Common Share, based on planned 2001 deliveries of Inco-source metals and after taking into consideration the principal derivative instrument positions as of February 6, 2001:



The Copper Cliff Smelter at Sudbury, Canada and the Clydach Refinery in Wales have a long, shared history. All of the feed material for the Clydach Refinery's specialty nickel products (left) comes from the smelter. The state-of-the-art sulphuric acid plant (right) is key to the smelter's success, not only capturing sulphur dioxide emissions but turning them into marketable products such as sulphuric acid and liquid sulphur dioxide.

Sensitivities	Change in Amount	Impact on Basic Net Earnings per Common Share
Realized prices for:		
Nickel	\$220 per tonne	\$ 0.15
Copper	220 per tonne	0.09
Cobalt	2,205 per tonne	0.01
Platinum	50 per troy ounce	0.03
Palladium	50 per troy ounce	0.02
Fuel oil	1.00 per barrel	0.006
Natural gas	0.10 per MM BTU	0.003
U.S.\$1.00 per Cdn.\$	1 cent	0.07
U.S.\$1.00 per Rupiah (per thousand)	1 cent	0.006

The changes in realized prices noted above reflect approximately three per cent of the value of nickel, 12 per cent of the value of copper, seven per cent of the value of cobalt, eight per cent of the value of platinum, five per cent of the value of palladium, five per cent of the value of fuel oil, and one per cent of the value of natural gas at the end of 2000. In respect of foreign currency dollar sensitivities, the changes reflect approximately one per cent of the value of the U.S. dollar relative to the Canadian dollar and 10 per cent of the value of the U.S. dollar relative to the Rupiah at the end of 2000.

Environmental Risk

The operations of the Company have been, and may in the future be, affected from time to time in varying degrees by changes in environmental laws and regulations, including those for future removal and site restoration costs. The Company's policy is to meet or surpass environmental standards set by relevant legislation, through the application of technically proven and economically feasible measures. Operating and capital expenditures during 1998 to 2000 relating to the Company's ongoing environmental and reclamation programs and removal and site restoration costs and related details are summarized in Note 10 to the Consolidated Financial Statements.

Although the ultimate amount to be incurred is uncertain, the total liability for future removal and site restoration costs in respect of the Company's worldwide operations, to be incurred primarily after cessation of operations, is estimated to be approximately \$300 million at December 31, 2000. In recognition of this future liability, the Company, starting in 1995, has annually provided \$10 million for future removal and site restoration costs. This amount is based upon the estimated remaining lives of the Company's applicable ore reserves and facilities and is in addition to ongoing operating and capital expenditures. The estimate of the total liability for future removal and site restoration costs has been developed from independent environmental studies, which include an evaluation of, among other factors, currently available information with respect to closure plans and closure alternatives, the anticipated method and extent of site restoration using current costs and existing technology, and compliance required by presently enacted laws, regulations and existing industry standards. The total liability for future removal and site restoration costs represents estimated expenditures associated with closure, progressive rehabilitation and post-closure care and maintenance. Potential recoveries of funds from the future sale of assets upon the ultimate closure of operations have not been reflected in the estimate of the total liability or related annual provision.

Future changes, if any, to the estimated total liability, as a result of amended requirements, laws, regulations and operating assumptions may be significant and would be recognized prospectively as a change in estimate, when applicable. Environmental laws and regulations are continually evolving in all areas in which the Company operates.

It is expected that, given the recently renewed focus by environmental and other regulatory agencies in Canada on airborne and other emissions, the Company's operations in Canada could be subject to reduced sulphur dioxide (SO₂) and other emission limits. Depending on the timeframe when any new limits might become effective, any substantially reduced limits for SO₂ and other emissions beyond those that the Company is currently committed to achieving could require solutions that would mandate the development and commercialization of technologies that are not currently or expected to be available on a cost-effective basis. The Company has had preliminary discussions with certain agencies on the issues that would have to be addressed if any substantial reductions in certain current regulatory emission limits applicable to the Company's Canadian operations were to become effective. The Company remains committed to further reductions in SO₂ and other emissions on a cost-effective basis and will continue to evaluate and pursue the development, taking into account cost-benefit considerations, of technologies to meet these challenges. While the Company is not able to determine the impact, if any, of significant changes in regulatory emission limits and other environmental laws and regulations that may be enacted in the future on its financial position or operations due to the uncertainty surrounding the timing and ultimate form that such changes may take, any such changes could materially adversely impact the Company's results of operations and financial condition.

Other Risks

The Company reviews and evaluates its capital assets for impairment when events or changes in economic and other circumstances indicate that the carrying value of such assets may not be fully recoverable. The net recoverable value of a capital asset is calculated by estimating undiscounted future net cash flows from the asset together with the asset's residual value. Future net cash flows are developed using assumptions that reflect the Company's planned course of action for a capital asset given the Company's best estimate of the most probable set of economic conditions.

Evaluation of the future cash flows from major development projects such as the Voisey's Bay and Goro projects entails a number of assumptions regarding project scope, timing and receipt of regulatory approvals, estimates of future metals prices, estimates of the ultimate size of the deposit, ore grades and recoverability, timing of commercial production, commercial viability of new



Discovering new high-grade nickel deposits that can be developed with existing mine infrastructure is the focus of Inco's exploration program in Canada. Geologist Kathy Hattie (left) studies a 3-D model of the rich Totten deposit near Sudbury. At the 7,350-foot level of the Ontario Division's Creighton Mine (right), drilling proceeds on a new drift as part of the mine's \$125 million deepening.

technological processes, production volumes, operating and capital costs, and foreign currency exchange rates. Inherent in these assumptions are significant risks and uncertainties. In the Company's view, based on assumptions which it believes to be reasonable, a reduction in the carrying value of its major development projects is not required at this time. It is possible that changes in future economic conditions or the project framework and the resulting impact on some or all of these assumptions may require such a reduction.

The uncertain political situation in Indonesia, primarily as a result of the economic problems facing that country, could adversely affect PT Inco's ability to operate and, accordingly, the Company's results of operations, financial condition and prospects.

Accounting Changes in 2000

The Company adopted two new accounting standards of the Canadian Institute of Chartered Accountants (CICA) on income taxes and employee future benefits for Canadian reporting purposes commencing in the first quarter of 2000. These standards substantially conform to generally accepted accounting principles in the United States. The effects of these changes are described in Note 2 to the Consolidated Financial Statements.

Accounting Changes in 2001

The Company will be adopting a new accounting standard of the CICA in respect of the calculation of earnings per share in the first quarter of 2001. The effect of this change is described in Note 4 to the Consolidated Financial Statements. The Company will also be adopting, for United States reporting purposes, certain U.S. standards relating to accounting for derivative instruments and hedging activities in the first quarter of 2001. The effect of adopting these standards is described in Note 20 to the Consolidated Financial Statements.

The financial information presented in Management's Discussion and Analysis of Financial Condition and Results of Operations is consistent with the Company's Consolidated Financial Statements which are prepared

in accordance with accounting principles generally accepted in Canada which, in the Company's case, generally conform with those established in the United States, except as explained in Note 20 to the Consolidated Financial Statements.

OUTLOOK

The Company will continue to pursue its three-part strategy of maintaining low-cost and profitable existing operations, developing new profitable low-cost nickel production capacity and growing its specialty nickel products business. The Company's goal is to become the world's lowest cost and most profitable nickel producer.

The Company's initiatives to reduce costs and improve margins are expected to improve profitability and cash flow in 2001 and future years. In 2000, the Company met its target of sustainable annualized savings of \$250 million compared with annual expenses in 1997. These savings, which the Company is committed to sustaining, have helped to lower costs and improve operating margins.

Production, revenues and profits are expected to be enhanced in future years by the expanded facilities at PT Inco. The expansion has increased PT Inco's production capacity by 50 per cent to an annual rate of 68,000 tonnes of nickel in matte. The increase in PT Inco's production to 59,200 tonnes of nickel in matte in 2000 represents the first step in bringing this additional capacity into production.

The Company has several major development projects under review which are currently expected to have a significant effect on operating results in future years.

At the Ontario Division, work continued on development of the new area of mineralization near the existing Totten Mine which was discovered in 1999. The environmental permitting process for this deposit is expected to begin in 2001 and initial production is currently estimated for 2005. In addition, development continued on the Creighton Deep project, with \$14 million of capital expenditures in 2000. Initial production from the first phase of this project is expected in 2001. When Creighton Deep is fully operational in 2002, annual production is expected to be 10,900 tonnes of nickel, 9,500 tonnes of copper and 28,000 troy ounces of platinum-group metals. The Company decided in 2000 to proceed with development of a low-grade component of the Stobie Mine. This development, along with the related extension of the main portion of the Stobie Mine, is expected to result in aggregate Stobie production of over 20,000 tonnes of contained nickel per year over a period of 15 years starting in 2001. Finally, the Company announced in 2000 plans for a \$33 million development of a high-grade nickel deposit at the McCreedy East Mine. This project will allow the McCreedy East Mine to increase its production by 65 per cent from current levels when it is expected to be in full production by late 2004.

Reference is made to "Investor Information" on page 73 of this Report for certain information on governmental and other policies and factors affecting the Company's operations and investments by non-Canadians in the Company's securities.

The Company discovered a new platinum-group metals deposit at its Copper Cliff North Mine and brought this deposit into production in the last quarter of 2000. Exploration continues as the deposit is still open at depth. In addition, the Company has discovered narrow veins of high grade platinum-group mineralization at the McCreedy East Mine and a new resource with high precious metals content at Pump Lake near the Copper Cliff North Mine.

In the Manitoba Division, work commenced on the recently announced \$48 million project to deepen Birchtree Mine. Deepening Birchtree will allow the mine to increase production by over 90 per cent from current levels, developing proven reserves of 13.6 million tonnes of ore, and will extend the life of the mine by 15 years.

The Company owns 85 per cent of the Goro project in the French Overseas Territory of New Caledonia. This project has an extensive laterite resource base, comprising over 200 million tonnes, including an initial mining zone with proven and probable ore reserves of 47 million tonnes which has been outlined as an initial source of feed for a potential commercial plant. This ore reserve base can be mined using low-cost open pit methods, which, when combined with the Company's proprietary pressure-acid leaching and solvent extraction ("PAL-SX") technology, gives the project the potential to have one of the lowest cash costs of nickel production in the world. In 1999, the Company completed the construction of an integrated pilot plant in New Caledonia capable of processing 12 tonnes of ore per day to continue with the development of the PAL-SX technology required for commercialization. Significant progress was made in 2000 with the advancement of this project. The pilot plant operated successfully throughout the year, both in further proving the PAL-SX technology and in training the core workforce for a future commercial plant. Work on a bankable feasibility study was advanced, with the final study currently expected at the end of the first quarter of 2001. Discussions with the Government of New Caledonia on the fiscal regime resulted in an agreement in principle, which is expected to result in final legislation in 2001. On the basis of this progress, it was decided in December 2000 to proceed to the next stage of development of this project, which would include basic engineering and environmental permitting, as well as to continue to operate the pilot plant through 2001.

The total cost of the 2001 program is estimated at \$100 million. The Company expects to make a decision on whether to proceed with a commercial operation in 2001. A commercial plant is expected to have an annual capacity of 54,000 tonnes of nickel and 5,400 tonnes of cobalt.

In January 2000, the Company announced that it had not been able to reach an agreement with the Province of Newfoundland and Labrador for the development of the Voisey's Bay deposit. The Province's requirement that the Company provide a guarantee that commercial processing facilities would be built in the Province, even if they were not economic, was the key factor in not being able to reach an agreement with the Province. The Company's position in this respect remains that any such commitment must be subject to economic and technical feasibility. The Company continues to be open to future discussions with the Province to arrive at a mutually acceptable development plan for Voisey's Bay. To be prepared for such future discussions, the Company continued its internal research and development work on hydrometallurgical processing technology which would be applicable to the Voisey's Bay sulphide concentrates. The Company has also continued its exploration program to further define the Voisey's Bay deposit, as well as to explore new targets in the claim blocks held in Labrador.

The Company has certain potential new mine development projects at its existing operations in Canada, as well as additional orebodies that could be developed in Indonesia, in addition to the Goro and Voisey's projects discussed above. If sufficient new low-cost sources of nickel are not developed on a timely basis, the Company's overall nickel production could decline at some point in the current decade, and its unit cost of production could increase significantly with any

material decline in mine production from its Canadian operations if such operations are not restructured. These developments could materially adversely impact the Company's results of operations, financial condition and liquidity.

A number of risks and uncertainties are associated with the commercial development of the Goro and Voisey's Bay projects, including political, regulatory, design, construction, operating and financing risks and, in the case of the Voisey's Bay project, completion of land claims negotiations by the federal and provincial governments with aboriginal groups and completion of negotiations between the Company and aboriginal groups on impact and benefits agreements.

The Company's 2001 capital expenditures are currently expected to total \$300 million.

The Company's 2001 nickel production is currently expected to be approximately 209,000 tonnes (460 million pounds). Beyond 2001, as higher-cost mines are phased out, nickel production at both the Ontario and Manitoba divisions is expected to decline. This decline will be offset by increased low-cost production from PT Inco. The Company continues to explore its options to fully utilize these facilities and pursue opportunities to maximize profitability, including the purchase of external feedstock and additional mine development. To that end, the Company has entered into major feedstock purchase programs with two Australian producers which are expected to provide an aggregate 80,000 tonnes of nickel in concentrate between 2000 and 2005 to the Ontario and Manitoba divisions. Total production of platinum-group metals is planned to be 416,000 troy ounces in 2001, a 21 per cent increase from 2000 levels of 344,000 troy ounces.

Auditors' Reports

To the Shareholders of Inco Limited:

We have audited the consolidated balance sheet of Inco Limited as at December 31, 2000, 1999 and 1998 and the consolidated statements of earnings, retained earnings and cash flows for the years then ended appearing on pages 45 through 71 of this Report. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards in Canada and the United States. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the

financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2000, 1999 and 1998 and the results of its operations and its cash flows for the years then ended in accordance with generally accepted accounting principles in Canada.



Chartered Accountants
Toronto, Ontario

February 6, 2001

Comments by Auditors for United States Readers on Canada – United States Reporting Differences

In the United States, reporting standards for auditors require the addition of an explanatory paragraph (following the opinion paragraph) when there is a change in accounting principles that has a material effect on the comparability of the Company's consolidated financial statements, such as the change described in Note 2 to the consolidated financial statements. Our report to the Shareholders dated February 6, 2001 is expressed in accordance with Canadian reporting standards which do

not require a reference to such a change in accounting principles in the auditors' report when the change is properly accounted for and adequately disclosed in the consolidated financial statements.



Chartered Accountants
Toronto, Ontario

February 6, 2001


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 accordance with generally accepted accounting principles in Canada and, where appropriate, reflect management's best estimates and judgements. The financial information presented throughout this Report is consistent with the data presented in the consolidated 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 reports on their audit examinations of the consolidated financial statements appear above, also review our systems of internal accounting control in accordance with generally accepted auditing standards in Canada and the United States 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 four times a year to report on accounting, auditing, internal accounting control and financial reporting matters. The Audit Committee also has other duties which are summarized on page 74. This Annual Report has been reviewed and approved by the Board of Directors.



Chairman and Chief Executive Officer



Executive Vice-President and Chief Financial Officer

February 6, 2001

Consolidated Statement of Earnings

Year ended December 31 (in millions of United States dollars except per share amounts)	2000	1999 (Restated)	1998 (Restated)
Net sales (Note 15)	\$ 2,917	\$ 2,113	\$ 1,766
Costs and operating expenses			
Cost of sales and operating expenses	1,759	1,602	1,473
Depreciation and depletion	265	248	244
Selling, general and administrative	105	99	96
Research and development	22	21	18
Exploration	23	23	29
	2,174	1,993	1,860
Operating earnings (loss)	743	120	(94)
Interest expense	83	73	86
Other expenses (income)	(10)	(5)	18
Earnings (loss) before income and mining taxes and minority interest	670	52	(198)
Income and mining taxes (Note 3)	226	26	(67)
Earnings (loss) before minority interest	444	26	(131)
Minority interest	44	9	8
Earnings (loss) from continuing operations	400	17	(139)
Earnings (loss) from discontinued operations (Note 5)	—	(5)	36
Net earnings (loss)	400	12	(103)
Dividends on preferred and class VBN shares (Notes 11 and 12)	(26)	(26)	(28)
Net earnings (loss) applicable to common shares	\$ 374	\$ (14)	\$ (131)
Net earnings (loss) per common share (Notes 1 and 4)			
Basic			
Continuing operations	\$ 2.06	\$ (0.05)	\$ (1.01)
Discontinued operations	—	(0.03)	0.22
	\$ 2.06	\$ (0.08)	\$ (0.79)
Fully diluted			
Continuing operations	\$ 1.97	\$ (0.05)	\$ (1.01)
Discontinued operations	—	(0.03)	0.22
	\$ 1.97	\$ (0.08)	\$ (0.79)

Consolidated Statement of Retained Earnings

Year ended December 31 (in millions of United States dollars)	2000	1999 (Restated)	1998 (Restated)
Retained earnings at beginning of year, as previously reported	\$ 544	\$ 646	\$ 766
Change in accounting policies (Note 2)	—	(88)	(61)
Retained earnings at beginning of year, as restated	544	558	705
Net earnings (loss)	400	12	(103)
Preferred dividends	(26)	(26)	(26)
Class VBN dividends	—	—	(2)
Common dividends — \$nil per share (1999 — \$nil; 1998 — \$0.10)	—	—	(16)
Retained earnings at end of year	\$ 918	\$ 544	\$ 558

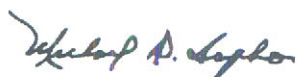
The Notes to Consolidated Financial Statements on pages 48 through 71 are an integral part of these statements.

Consolidated Balance Sheet

December 31 (in millions of United States dollars)	2000	1999 (Restated)	1998 (Restated)
ASSETS			
Current assets			
Cash and marketable securities (Note 16)	\$ 193	\$ 38	\$ 82
Accounts receivable	310	318	256
Inventories (Note 6)	520	472	473
Other (Note 3)	33	44	32
Total current assets	1,056	872	843
Capital assets (Note 7)	8,352	8,472	8,327
Other assets and deferred charges	268	216	227
Total assets	\$ 9,676	\$ 9,560	\$ 9,397
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Long-term debt due within one year (Notes 8 and 16)	\$ 78	\$ 190	\$ 66
Accounts payable	163	120	140
Accrued payrolls and benefits	106	118	136
Other accrued liabilities	159	152	195
Income and mining taxes payable	185	—	23
Total current liabilities	691	580	560
Other liabilities and deferred credits			
Long-term debt (Notes 8 and 16)	952	1,154	1,457
Deferred income and mining taxes (Note 3)	2,401	2,475	2,329
Post-retirement benefits (Note 9)	469	479	455
Future removal and site restoration costs (Note 10)	47	46	38
Minority interest	334	289	288
Total liabilities	4,894	5,023	5,127
Contingencies (Note 17)			
Shareholders' equity			
Preferred shares (Note 11)	472	471	471
Class VBN shares (Note 12)	—	753	753
Common shareholders' equity			
Common shares issued and outstanding 181,807,214 (1999 – 181,569,141; 1998 – 166,059,082) (Notes 13 and 14)	2,751	2,747	2,466
Warrants (Note 12)	62	—	—
Contributed surplus (Note 12)	559	—	—
Retained earnings	918	544	558
	4,290	3,291	3,024
Contingently issuable equity (Notes 11, 12 and 13)	20	22	22
Total shareholders' equity	4,782	4,537	4,270
Total liabilities and shareholders' equity	\$ 9,676	\$ 9,560	\$ 9,397

The Notes to Consolidated Financial Statements on pages 48 through 71 are an integral part of these statements.

Approved by the Board of Directors:



Michael D. Sopko



Scott M. Hand

Consolidated Statement of Cash Flows

Year ended December 31 (in millions of United States dollars)	2000	1999 (Restated)	1998 (Restated)
Operating activities			
Earnings (loss) before minority interest	\$ 444	\$ 26	\$ (131)
Charges (credits) not affecting cash			
Depreciation and depletion	265	248	244
Deferred income and mining taxes	23	(28)	(108)
Restructuring charges	—	—	64
Other	(81)	35	9
Decrease (increase) in non-cash working capital related to operations			
Accounts receivable	8	(67)	52
Inventories	(48)	1	81
Accounts payable and accrued liabilities	38	(54)	(27)
Income and mining taxes payable	185	(23)	(9)
Other	8	(10)	(1)
	842	128	174
Investing activities			
Capital expenditures	(227)	(260)	(437)
Acquisition of interest in subsidiary	—	(8)	—
Other	10	30	20
	(217)	(238)	(417)
Financing activities			
Long-term borrowings	82	206	419
Repayments of long-term debt	(396)	(385)	(437)
Common shares issued	4	281	—
Class VBN shares redeemed	(133)	—	—
Preferred, class VBN and common dividends paid	(26)	(26)	(44)
Dividends paid to minority interest	(1)	(10)	(1)
	(470)	66	(63)
Discontinued operations (Note 5)	—	—	332
Increase (decrease) in cash and marketable securities	155	(44)	26
Cash and marketable securities at beginning of year	38	82	56
Cash and marketable securities at end of year (Note 19)	\$ 193	\$ 38	\$ 82

The Notes to Consolidated Financial Statements on pages 48 through 71 are an integral part of these statements.

Notes to Consolidated Financial Statements

(Tabular amounts in millions of United States dollars except number of shares and per share amounts)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements of Inco Limited ("Inco") and its subsidiaries (the "Company") are prepared in accordance with accounting principles generally accepted in Canada, consistently applied, which, in the Company's case, conform in all material respects with accounting principles generally accepted in the United States except as explained in Note 20.

Principles of consolidation

The financial statements of entities which are directly or indirectly controlled by Inco, referred to as subsidiaries, are consolidated. Entities which are not controlled and over which Inco has the ability to exercise significant influence, referred to as affiliates, are accounted for using the equity method. Investments in other entities are accounted for using the cost method.

Estimates

Financial statements prepared in accordance with generally accepted accounting principles in Canada and the United States require management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Translation of financial statements into United States dollars

These consolidated financial statements are expressed in United States dollars. Monetary assets and liabilities are translated into United States dollars using year-end rates of exchange. All other assets and liabilities are translated at applicable historical rates of exchange or at rates established by related forward currency contracts. Revenues, expenses and certain costs are translated at monthly average exchange rates except for inventoried costs, depreciation and depletion which are translated at historical rates. Realized exchange gains and losses and currency translation adjustments are included in earnings except for currency translation adjustments related to long-term monetary items with a fixed and ascertainable life which are deferred and amortized on a straight-line basis over the life of the item.

Cash and marketable securities

Cash and marketable securities comprise cash, time deposits and other interest-bearing instruments with original maturity dates less than three months.

Inventories

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

Capital assets

Capital assets are stated at cost. Such cost, in the case of the Company's mines and undeveloped properties, represents related acquisition and development expenditures. Financing costs, including interest, are capitalized when they arise from indebtedness incurred to finance the development, construction or expansion of significant mineral properties and facilities. When the net carrying value of a capital asset, less its related provision for future removal and site restoration costs and deferred income taxes, exceeds the estimated undiscounted future net cash flows together with its residual value, the excess is charged to earnings. The Company's estimates of future cash flows are subject to risks and uncertainties.

Revenue recognition

Revenue is recorded when title passes to the customer. The passing of title is based on terms of the contract which is generally upon shipment. Nickel revenue is generally recognized based on the monthly average of prevailing commodity prices according to the terms of the contracts. Prices used for provisionally priced shipments are based on London Metal Exchange ("LME") prices prevailing at the time of shipment and are adjusted to actual prices at the time of final settlement.

Exploration

Exploration expenditures are expensed as incurred except in areas currently under development, where production is probable, or in areas under feasibility study, where there is production potential, in which case they are capitalized and amortized using the unit-of-production method.

Depreciation and depletion

Depreciation is calculated using the straight-line method and, for the nickel operations in Indonesia, the unit-of-production method, and is based on the estimated economic lives of capital assets. Such lives are generally limited to a maximum of 20 years. Depletion is calculated by a method which allocates mineral property acquisition and mine development costs rateably to the tonnes of ore mined.

Environmental expenditures

The operations of the Company have been, and may in the future be, affected from time to time in varying degree by changes in environmental regulations, including those for future removal and site restoration costs. Both the likelihood of future regulations and their overall effect upon the Company vary greatly from country to country and are not predictable. The Company's policy is to meet or, if possible, surpass standards set by relevant legislation, by the application of technically proven and economically feasible measures.

Environmental expenditures that relate to ongoing environmental and reclamation programs are charged to earnings as incurred or capitalized and depreciated depending on their future economic benefits. Estimated future removal and site restoration costs are charged to earnings on a straight-line basis over the estimated remaining life of the related business operation. Actual removal and site restoration expenditures are charged to the related liability.

Income and mining taxes

Income and mining taxes comprise the provision (relief) for taxes actually paid or payable (received or receivable) and deferred taxes. Deferred income and mining taxes are computed using the asset and liability method whereby deferred income and mining tax assets and liabilities are recognized for the expected future tax consequences attributable to temporary differences between the tax bases of assets and liabilities and their reported amounts in the financial statements. Deferred income and mining tax assets and liabilities are computed using current foreign currency exchange rates and using

income tax rates in effect when the temporary differences are expected to reverse. The effect on deferred income and mining tax assets and liabilities of a change in tax rates is recognized in earnings in the period of enactment. The provision or relief for deferred income and mining taxes is based on the changes in deferred income and mining tax assets and liabilities during the period.

Investment tax credits are accounted for by the cost reduction method whereby investment tax credits related to the acquisition of assets are deferred and recognized in earnings as the related assets are depreciated, while those related to research and development expenses are included in earnings.

Financial instruments and commodities contracts

The Company periodically uses forward, option and swap contracts to hedge the effect of exchange rate changes on future local currency requirements. In addition, the Company uses forward, option and swap contracts to hedge the effect of price changes on a portion of the metals it sells. The Company also uses oil swap contracts to hedge the effect of price changes in respect of a portion of its energy requirements in Indonesia. Gains and losses on these contracts are deferred and recognized as a component of the related transaction. The Company also purchases and sells foreign currencies and metals by using forward contracts which have not been specifically identified as hedges. The values of these contracts are marked to market with resulting gains and losses included in earnings.

Post-retirement benefits

The cost of providing benefits through defined benefit pensions and post-retirement benefits other than pensions is actuarially determined and recognized in earnings using the projected benefit method prorated on service. Differences arising from plan amendments, changes in assumptions and experience gains and losses are recognized in earnings over the expected average remaining service life of employees. The cost of providing benefits through defined contribution pension plans is charged to earnings in the period in respect of which contributions become payable.

Stock compensation plans

Cash received from employees upon exercise of options to purchase Common Shares and Class VBN Shares is credited to Common Shares issued and outstanding and Class VBN Shares, respectively. In respect of Common Share and Class VBN Share appreciation rights, compensation expense is determined and accrued over the vesting period of the options based on the excess of the quoted market value of the respective shares over the exercise price.

Net earnings (loss) per Common Share

Basic earnings (loss) per Common Share is computed by dividing net earnings (loss) applicable to Common Shares by the weighted-average number of Common Shares outstanding. Fully diluted earnings (loss) per Common Share reflects the maximum possible dilution from potential conversions of outstanding convertible debt, preferred shares, stock options, warrants and contingently issuable equity.

2. CHANGE IN ACCOUNTING POLICIES**(a) Income and mining taxes**

Effective January 1, 2000, the Company adopted a new accounting standard of the Canadian Institute of Chartered Accountants ("CICA") in respect of income taxes. This standard significantly changed the method of accounting for deferred income taxes from the deferral method to the asset and liability method. Among other differences, the asset and liability method requires periodic adjustment of deferred tax assets and liabilities to reflect current tax and foreign currency exchange rates and changes the accounting for acquisitions in prior years.

This change in accounting policy has been applied retroactively and, accordingly, the consolidated financial statements for 1999 and 1998 have been restated. As a result of this change, retained earnings have been reduced by \$88 million at January 1, 1999 (January 1, 1998 – \$61 million), capital assets have been increased by \$2,222 million at December 31, 1999 (December 31, 1998 – \$2,086 million), deferred income and mining taxes have been increased by \$2,284 million at December 31, 1999 (December 31, 1998 – \$2,143 million), other current assets have been reduced by \$31 million at December 31, 1999 (December 31, 1998 – \$31 million), and net earnings have been reduced by \$5 million, or three cents per Common Share, in 1999 (loss increased by \$27 million, or 16 cents per Common Share, in 1998).

(b) Post-retirement benefits

Also effective January 1, 2000, the Company adopted a new accounting standard of the CICA in respect of employee future benefits. The Company adopted the requirement for accrual accounting in respect of post-retirement benefits other than pensions under the new standard in 1995 and the other requirements of the new standard have been adopted prospectively. The effect of this change in accounting on the Company's results of operations and financial position was not significant.

3. INCOME AND MINING TAXES

The provision (relief) for income and mining taxes was as follows:

Year ended December 31	2000	1999 (Restated)	1998 (Restated)
Current taxes			
Canadian	\$ 188	\$ 28	\$ 26
Foreign	21	34	21
	209	62	47
Deferred taxes			
Canadian	(31)	(44)	(115)
Foreign	48	8	1
	17	(36)	(114)
Income and mining taxes	\$ 226	\$ 26	\$ (67)

Earnings (loss) before income and mining taxes and minority interest, by geographic source, were as follows:

Year ended December 31	2000	1999	1998
Canada	\$ 392	\$ (106)	\$ (278)
Foreign	278	158	80
	\$ 670	\$ 52	\$ (198)

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

Year ended December 31	2000	1999 (Restated)	1998 (Restated)
Provision (relief)			
Combined Canadian federal-provincial statutory income tax rate	41.5%	41.7%	(41.7)%
Resource and depletion allowances	(8.7)	(26.5)	0.3
Adjusted income tax rate	32.8	15.2	(41.4)
Mining taxes	8.9	19.7	(1.4)
	41.7	34.9	(42.8)
Currency translation adjustments	1.6	45.3	13.3
Foreign tax rate differences	(5.1)	(32.1)	(1.4)
Effect of tax rate changes on deferred taxes	(10.0)	—	—
Other	5.5	1.9	(2.9)
Effective income and mining tax rate	33.7%	50.0%	(33.8)%

Deferred income and mining tax liabilities and assets consisted of the following:

December 31	2000	1999	1998
Liabilities:			
Capital assets	\$ 2,562	\$ 2,683	\$ 2,522
Post-retirement benefits	24	27	31
Other	2	10	15
	2,588	2,720	2,568
Assets:			
Accounting provisions not currently deductible for tax	182	178	168
Tax loss carryforwards	17	81	74
Other	5	3	9
	204	262	251
Valuation allowance	(17)	(17)	(12)
	187	245	239
Net deferred income and mining tax liability	\$ 2,401	\$ 2,475	\$ 2,329

At December 31, 2000, other current assets included current deferred income and mining taxes of \$29 million (1999 – \$33 million; 1998 – \$22 million).

Deferred income and mining taxes have not been provided on the undistributed earnings of foreign subsidiaries, which are considered to be reinvested indefinitely outside of Canada.

4. NET EARNINGS (LOSS) PER COMMON SHARE

The computation of basic and fully diluted earnings (loss) from continuing operations per share was as follows:

Year ended December 31	2000	1999 (Restated)	1998 (Restated)
Basic earnings (loss) per share computation			
Numerator:			
Earnings (loss) from continuing operations	\$ 400	\$ 17	\$ (139)
Dividends on preferred and class VBN shares	(26)	(26)	(28)
Earnings (loss) from continuing operations applicable to common shares	\$ 374	\$ (9)	\$ (167)
Denominator:			
Weighted-average common shares outstanding (millions)	182	176	166
Basic earnings (loss) per common share	\$ 2.06	\$ (0.05)	\$ (1.01)
Diluted earnings (loss) per share computation			
Numerator:			
Earnings (loss) from continuing operations applicable to common shares	\$ 374	\$ (9)	\$ (167)
Dilutive effect of:			
Convertible debentures	13	–	–
Stock options	6	–	–
Warrants	–	–	–
Earnings (loss) from continuing operations applicable to common shares, assuming dilution	\$ 393	\$ (9)	\$ (167)
Denominator:			
Weighted-average common shares outstanding (millions)	182	176	166
Dilutive effect of:			
Convertible debentures	10	–	–
Stock options	7	–	–
Warrants	1	–	–
Weighted-average common shares outstanding, assuming dilution	200	176	166
Fully diluted earnings (loss) per common share	\$ 1.97	\$ (0.05)	\$ (1.01)

In 2000, debentures convertible into nil Common Shares (1999 – 9,930,601; 1998 – 10,119,307), options on nil Common Shares (1999 – 6,320,418; 1998 – 5,129,418) and Preferred Shares convertible into 11,278,017 Common Shares (1999 – 11,267,148; 1998 – 11,263,126) were excluded from the computation of fully diluted earnings (loss) per Common Share because their effects were not dilutive.

In the first quarter of 2001, the Company will adopt, retroactively as a change in accounting policy, a new accounting standard of the CICA in respect of earnings per share. This new standard will change the method in which earnings per share are calculated. The effect of adopting this new standard will be to decrease fully diluted earnings per share by eight cents in 2000.

5. DISCONTINUED OPERATIONS

On October 28, 1998, the Company completed the sale of its 100 per cent interest in Inco Alloys International ("IAI"), its former alloys business segment, for gross proceeds of \$365 million. An after-tax gain of \$20 million from the sale of IAI was recorded in the fourth quarter of 1998. In accordance with the terms of the definitive agreement covering the sale, the sale price was subject to a post-closing adjustment based upon certain changes in IAI's net worth up to closing. The process for determining this adjustment was completed in October 1999, resulting in a \$5 million effective reduction in the sale price

and a corresponding \$5 million loss from discontinued operations recorded in the third quarter of 1999.

The operating results of IAI, including the gain on sale of IAI in 1998 which was subsequently reduced in 1999, have been included in earnings from discontinued operations.

Earnings (loss) from discontinued operations were as follows:

Year ended December 31	1999	1998
Net sales	\$ –	\$ 454
Operating earnings	\$ –	\$ 25
Earnings before income taxes	\$ –	\$ 24
Income taxes	–	8
	–	16
Gain (loss) on sale of discontinued operations, net of taxes of \$nil (1998 – \$23)	(5)	20
Earnings (loss) from discontinued operations	\$ (5)	\$ 36

Cash provided by (used for) discontinued operations was as follows:

Year ended December 31	1999	1998
Operating activities	\$ –	\$ 39
Investing activities:		
Net proceeds from sale of discontinued operations, net of subsidiary cash	–	310
Capital expenditures	–	(19)
Other	–	2
	–	293
Financing activities	–	–
Discontinued operations	\$ –	\$ 332

6. INVENTORIES

Inventories consisted of the following:

December 31	2000	1999	1998
Finished and in process metals	\$ 450	\$ 396	\$ 393
Supplies	70	76	80
	\$ 520	\$ 472	\$ 473

7. CAPITAL ASSETS

Capital assets consisted of the following:

December 31	2000	1999 (Restated)	1998 (Restated)
Mines and mining plants	\$ 2,646	\$ 2,556	\$ 2,548
Processing facilities	3,176	3,205	3,061
Voisey's Bay project	5,647	5,712	5,560
Goro project	96	57	31
Other	575	535	553
Total capital assets, at cost	12,140	12,065	11,753
Accumulated depreciation	2,780	2,654	2,554
Accumulated depletion	1,008	939	872
Total accumulated depreciation and depletion	3,788	3,593	3,426
	\$ 8,352	\$ 8,472	\$ 8,327

The Company reviews and evaluates its capital assets for impairment when events or changes in economic and other circumstances indicate that the carrying value of such assets may not be recoverable. The net recoverable value of a capital asset is calculated by estimating its undiscounted future net cash flows together with its residual value. Future net cash flows are developed using assumptions that reflect the Company's planned course of action for a capital asset given the Company's best estimate of the most probable set of economic conditions. Key assumptions involved in estimating future net cash flows of the Voisey's Bay and Goro projects include the project scope, timing and receipt of regulatory approvals, estimates of future metal prices, estimates of the ultimate size of the deposits, ore grades and

recoverability, commercial feasibility of new technology, timing of commercial production, production volumes, operating and capital costs, and foreign currency exchange rates. Inherent in these assumptions are significant risks and uncertainties. It is possible that changes in future economic conditions and the resulting impact on some or all of these assumptions may require a significant reduction in the carrying value of these projects.

At December 31, 2000, the net carrying value of capital assets under construction or development not subject to depreciation or depletion was \$5,929 million (1999 – \$6,623 million; 1998 – \$6,353 million). Capitalized interest costs included in capital assets were \$15 million in 2000 (1999 – \$37 million; 1998 – \$40 million).

8. LONG-TERM DEBT

The Company's long-term debt consisted of the following (weighted-average interest rates, where applicable,

and repayment periods at December 31, 2000 are shown in parentheses):

December 31	2000	1999	1998
Inco Limited			
U.S.\$ bank credit facilities (7.8%) (a)	\$ 34	\$ 109	\$ 305
9.875% U.S.\$ Debentures (2001–2019) (b)	91	143	150
5.75% Convertible U.S.\$ Debentures (2004) (c)	173	173	173
15.75% Sterling Unsecured Loan Stock (2006) (d)	45	45	45
7.75% Convertible U.S.\$ Debentures (2002–2016) (e)	160	160	167
9.6% U.S.\$ Debentures (2022) (f)	159	181	187
Other (5.3%)	–	104	55
PT International Nickel Indonesia Tbk			
U.S.\$ Loan facility (7.6%) (2001–2006) (g)	356	421	421
Other			
Other (6.7%) (2001–2010)	12	8	20
	1,030	1,344	1,523
Long-term debt due within one year	78	190	66
	\$ 952	\$ 1,154	\$ 1,457

(a) The Company maintains committed bank credit facilities aggregating \$700 million at December 31, 2000. The facilities are provided by a group of banks under separate credit agreements, the terms of which are substantially the same. The facilities are divided equally between a five-year revolving commitment and a 364-day revolving commitment. The revolving period of each of the facilities may be extended for an additional 364-day period at the discretion of the respective bank and any amounts outstanding at the maturity of the revolving period are repayable at that time. The facilities bear interest, when drawn, at one per cent over the London Interbank Offered Rate (LIBOR). While advances are outstanding, the Company will be required to maintain a ratio of Consolidated Indebtedness to Tangible Net Worth, as defined, not to exceed 50:50 and ensure that its Tangible Net Worth, as defined, is not less than \$1,500 million. At December 31, 2000, the ratio of Consolidated Indebtedness to Tangible Net Worth was 18:82 and Tangible Net Worth was \$4,261 million.

At December 31, 2000, \$34 million was outstanding under former bank credit facilities that were converted in 1998 into five-year term loans.

(b) The 9.875 per cent U.S.\$ Debentures are redeemable, at the Company's option, commencing in 1999 at an initial premium of 3.638 per cent, declining annually to 0.364 per cent in 2008 and at par thereafter.

(c) The 5.75 per cent Convertible U.S.\$ Debentures, which are listed on the New York Stock Exchange, are convertible, at the option of the holders, into Common Shares of the Company, at a conversion price of U.S.\$30 per share. The Debentures are redeemable, at the Company's option, commencing in 1999 at an initial premium of 2.875 per cent, declining annually to redemption at par in 2004.

(d) The 15.75 per cent Sterling Unsecured Loan Stock is redeemable in 2006 in sterling or, at the option of the holders, in U.S. dollars at a fixed exchange rate of one pound sterling to \$1.98.

(e) The 7.75 per cent Convertible U.S.\$ Debentures, which are listed on the New York Stock Exchange, are convertible, at the option of the holders, into Common Shares of the Company at a conversion price of U.S.\$38.25 per share. The Debentures are redeemable, at the Company's option, in 1999 at a premium of 1.55 per cent, declining annually to redemption at par in 2001 and thereafter.

(f) The 9.6 per cent U.S.\$ Debentures are redeemable, at the Company's option, commencing in 2002 at an initial premium of 4.8 per cent, declining annually to redemption at par in 2012 and thereafter.

(g) The Company's 59 per cent-owned subsidiary, PT International Nickel Indonesia Tbk ("PT Inco"), had outstanding at December 31, 2000 a loan facility aggregating \$356 million consisting of a \$288 million expansion loan (1999 – \$340 million; 1998 – \$340 million) and a \$68 million loan (1999 – \$81 million; 1998 – \$81 million). All loans under the loan facility are repayable in 13 equal semi-annual installments commencing March 31, 2000 and bear interest, when drawn, at 7/8 per cent over LIBOR in the first five years and one per cent over LIBOR in the last five years. As security for these loans, PT Inco has assigned and pledged certain of its cash and marketable securities, sales agreements, service agreements and insurance policies.

Interest expense on long-term debt for the years 2000, 1999 and 1998 was \$76 million, \$67 million and \$81 million, respectively. The average effective interest rate on long-term debt at December 31, 2000 was eight per cent. Approximately 39 per cent of long-term debt bears interest at rates that are subject to periodic adjustments based on market interest rates. Approximately 99 per cent of long-term debt is effectively payable in U.S. dollars.

At December 31, 2000, long-term debt maturities and sinking fund requirements for each of the five years through 2005 were: 2001 – \$78 million; 2002 – \$83 million; 2003 – \$115 million; 2004 – \$254 million; 2005 – \$81 million.

9. POST-RETIREMENT BENEFITS

The Company has pension plans covering essentially all employees and provides certain health care and life insurance benefits for retired employees.

The change in the funded status of the Company's post-retirement benefit plans was as follows:

Year ended December 31	Pension Benefits			Post-Retirement Benefits Other than Pensions		
	2000	1999	1998	2000	1999	1998
Change in post-retirement benefits obligation						
Obligation at beginning of year	\$ 2,001	\$ 1,785	\$ 1,823	\$ 561	\$ 526	\$ 645
Service cost	29	27	28	6	6	8
Interest cost	138	128	140	38	37	48
Plan amendments	52	7	—	—	—	—
Changes in assumptions	—	65	204	—	—	48
Actuarial losses (gains)	104	4	65	1	(9)	—
Curtailment loss	—	22	—	—	—	—
Benefits paid	(154)	(124)	(126)	(29)	(26)	(27)
Sale of discontinued operations	—	—	(254)	—	—	(164)
Currency translation adjustments	(69)	87	(95)	(16)	27	(32)
Obligation at end of year	\$ 2,101	\$ 2,001	\$ 1,785	\$ 561	\$ 561	\$ 526
Change in pension plan assets						
Fair value of plan assets at beginning of year	\$ 1,833	\$ 1,569	\$ 1,877			
Actual return on plan assets	55	231	126			
Employer contributions	57	76	70			
Benefits paid	(155)	(118)	(123)			
Sale of discontinued operations	—	—	(287)			
Currency translation adjustments	(59)	75	(94)			
Fair value of plan assets at end of year	\$ 1,731	\$ 1,833	\$ 1,569			
Unfunded status of plans at end of year	\$ (370)	\$ (168)	\$ (216)	\$ (561)	\$ (561)	\$ (526)
Unrecognized actuarial and investment losses	362	174	205	73	63	52
Unrecognized prior service costs	93	61	81	—	—	—
Net post-retirement benefits asset (liability) at end of year	\$ 85	\$ 67	\$ 70	\$ (488)	\$ (498)	\$ (474)

The net post-retirement benefits asset (liability) is reflected in the Consolidated Balance Sheet as follows:

December 31	Pension Benefits			Post-Retirement Benefits Other than Pensions		
	2000	1999	1998	2000	1999	1998
Other assets and deferred charges	\$ 97	\$ 79	\$ 82	\$ —	\$ —	\$ —
Accrued payrolls and benefits	(12)	(12)	(12)	(19)	(19)	(19)
Post-retirement benefits	—	—	—	(469)	(479)	(455)
Net post-retirement benefits asset (liability)	\$ 85	\$ 67	\$ 70	\$ (488)	\$ (498)	\$ (474)

Post-retirement benefits expense included the following components:

Year ended December 31	Pension Benefits			Post-Retirement Benefits Other than Pensions		
	2000	1999	1998	2000	1999	1998
Service cost	\$ 29	\$ 27	\$ 28	\$ 6	\$ 6	\$ 8
Interest cost	138	128	140	38	37	48
Expected return on plan assets	(146)	(132)	(137)	-	-	-
Amortization of net asset at January 1, 1986	-	-	(11)	-	-	-
Amortization of actuarial and investment losses (gains)	9	24	(14)	3	7	1
Amortization of unrecognized prior service costs	24	20	24	-	-	-
Curtailment loss	-	25	-	-	-	-
Settlement cost	-	-	6	-	-	-
Defined benefit pension and post-retirement benefits other than pensions expense	54	92	36	47	50	57
Defined contribution pension expense	4	4	5	-	-	-
Post-retirement benefits expense	\$ 58	\$ 96	\$ 41	\$ 47	\$ 50	\$ 57

In 1999, the Company offered incentives to certain employees eligible for retirement benefits resulting in a curtailment loss of \$25 million.

Post-retirement benefits expense includes pension income of \$3 million in 1998 and post-retirement benefits

other than pension expense of \$8 million in 1998 in respect of the Company's discontinued operations.

The weighted-average assumptions used in the determination of the post-retirement benefits obligation at year-end were as follows:

December 31	Pension Benefits			Post-Retirement Benefits Other than Pensions		
	2000	1999	1998	2000	1999	1998
Discount rate	7.0%	7.0%	7.0%	7.0%	7.0%	7.0%
Expected return on plan assets	9.0%	9.0%	9.0%			
Rate of compensation increase	3.0%	3.0%	4.0%			

The composite health care cost trend rate used in measuring post-retirement benefits other than pensions was assumed to begin at eight per cent, gradually declining to five per cent by 2005 and remaining at those levels thereafter.

The projected pension benefits obligation and fair value of plan assets for pension plans with accumulated benefits obligations in excess of plan assets were as follows:

December 31	Pension Benefits		
	2000	1999	1998
Projected benefits obligation	\$ 1,947	\$ 1,295	\$ 1,637
Fair value of plan assets	1,562	1,046	1,394
Unfunded status	\$ (385)	\$ (249)	\$ (243)

A one per cent increase (decrease) in the assumed composite health care cost trend rate for each year would increase (decrease) the accumulated post-retirement benefits other than pensions obligation at December 31,

2000 and net periodic post-retirement benefits other than pensions expense by approximately \$83 million (\$67 million) and \$7 million (\$6 million), respectively.

10. FUTURE REMOVAL AND SITE RESTORATION COSTS

The estimation of future removal and site restoration costs depends on the development of environmentally acceptable closure and post-closure plans, which, in some cases, may require significant research and development to identify preferred methods which are economically sound and which, in many cases, may not be implemented for several decades. The Company has continued to utilize appropriate technical resources, including outside consultants, to develop specific site closure and post-closure plans in accordance with the requirements of the various jurisdictions within which it operates. Typical closure and progressive rehabilitation activities include, where applicable, demolition of buildings, removal of underground equipment, sealing of mine openings, treatment to reduce or prevent acid generation from stockpiled waste materials such as tailings, general clean-up activities aimed at returning the area to an environmentally acceptable condition, and post-closure care and maintenance.

In accordance with environmental regulations adopted by the Province of Ontario in 1991, the Company has developed rehabilitation and site restoration plans associated with the eventual closure of its operations in that province. The Company filed three closure plans by the end of 1997, having previously received approval from the Province of Ontario for the consolidation of its operating mines and properties in that province into 15 sites for purposes of closure plans, and filed the remaining 12 closure plans by the end of 1998. As a result of provincial regulatory changes which became effective in 2000, the Company will be refiling these plans to meet these changes by mid-2001. The Company has continued to develop its future tailings disposal and water management alternatives to accommodate up to approximately 40 years of future production. The Company believes that cost-effective tailings disposal alternatives exist within the ongoing operating activities of the Sudbury operations which would limit site restoration at closure to a care and maintenance activity, thus significantly reducing the costs of such site restoration.

In accordance with environmental regulations adopted by the Province of Manitoba in 1999, the Company is in the process of developing reclamation plans associated with the eventual closure of operations in that province. The Company submitted two reclamation plans for its mines and processing facilities in 2000 and will submit an additional four plans by 2002, even though it is highly unlikely that the Company would have any intentions of closing its operations at that time. The Company continued to develop its future tailings disposal and water management alternatives. The ongoing operating procedures associated with these alternatives limit site restoration to a care and maintenance activity after the operations are closed.

Closure plans for the proposed mine and mill facilities were prepared and submitted in 1998 in connection with the environmental review process of the Company's Voisey's Bay property in the Province of Newfoundland and Labrador.

The Company follows a policy of progressive rehabilitation at its Indonesian operations whereby land disturbed by mining activities is revegetated on an ongoing basis. Based on an independent feasibility study, the expansion of facilities in Sorowako meets or surpasses current standards in Indonesia and Canada for containment of contaminant discharges to air, water and land.

Site characterization studies for closure plans are in the process of being prepared for the Company's surface facilities in the United States and the United Kingdom. However, based on currently available information, there are no required significant site restoration activities associated with these facilities.

The Company incurs substantial removal and site restoration costs on an ongoing basis which will significantly reduce future removal and site restoration costs that may otherwise be incurred following the closure of any of the Company's sites. This progressive rehabilitation includes tailings management, land reclamation and revegetation programs, decommissioning and demolition of plants and buildings, and waste management activities. Operating costs associated with ongoing environmental and reclamation programs, including progressive rehabilitation, aggregated \$7 million in 2000, \$7 million in 1999 and \$12 million in 1998 and are included in cost of sales and operating expenses. Capital expenditures on environmental projects were \$10 million in 2000, \$3 million in 1999 and \$89 million in 1998.

Although the ultimate amount to be incurred is uncertain, the total liability for future removal and site restoration costs in respect of the Company's worldwide operations, to be incurred primarily after cessation of operations, is estimated to be approximately \$300 million at December 31, 2000. In recognition of this future liability, the Company, starting in 1995, annually provides a financial reserve of \$10 million for future removal and site restoration costs, which is included in cost of sales and operating expenses. This amount is based upon the estimated remaining lives of the Company's applicable ore reserves and facilities and is in addition to ongoing operating and capital expenditures. The estimate of the total liability for future removal and site restoration costs has been developed from independent environmental studies including an evaluation of, among other factors, currently available information with respect to closure plans and closure alternatives, the anticipated method and extent of site restoration using current costs and existing technology, and compliance with presently enacted laws, regulations and existing industry standards. The total liability for future removal and site restoration costs represents estimated expenditures associated with closure, progressive rehabilitation and post-closure care and maintenance. Potential recoveries of funds from the future sale of assets upon the ultimate closure of operations have not been reflected in the estimate of the total liability or related annual provision.

In view of the uncertainties concerning environmental remediation, the ultimate cost of future removal and site restoration to the Company could differ from the estimated amounts provided. The estimate of the total liability for future removal and site restoration costs is subject to change based on amendments to laws and regulations and as new information concerning the Company's operations becomes available. Future changes, if any, to the estimated total liability as a result of amended requirements, laws, regulations and

operating assumptions may be significant and would be recognized prospectively as a change in estimate, when applicable. Environmental laws and regulations are continually evolving in all regions in which the Company operates. The Company is not able to determine the impact, if any, of environmental laws and regulations that may be enacted in the future on its financial position due to the uncertainty surrounding the ultimate form that such future laws and regulations may take.

11. PREFERRED SHARES

The Company is authorized to issue 30,000,000 Preferred Shares with no par value, which are issuable in series for a maximum consideration of Cdn.\$750 million or its equivalent in other currencies.

Preferred Shares Series E

On August 21, 1996, the Company issued 9,424,657 5.5 per cent Convertible Redeemable Preferred Shares Series E ("Preferred Shares Series E"), with an issue price of U.S.\$50 per share, for an aggregate face value of \$471 million as partial consideration for the acquisition of Diamond Fields Resources Inc. ("Diamond Fields"). The Preferred Shares Series E have an annual cumulative dividend of 5.5 per cent payable in U.S. dollars or the equivalent in Canadian dollars. The Preferred Shares Series E are convertible at any time into Common Shares of the Company at a conversion rate, subject to certain adjustments in the event of stock splits, stock dividends, certain exchange or tender offers and certain fundamental corporate changes, of 1.19474 Common Shares for each Preferred Share Series E and will be redeemable at the option of the Company after five years at an initial premium of 2.75 per cent, declining annually to 0.55 per cent in 2005, and are subject to mandatory redemption at the \$50 issue price (or the equivalent in Canadian

dollars at the option of the holder), together with all then accrued and unpaid dividends, on August 21, 2006. The Company has the right, subject to certain exceptions, to satisfy the optional or mandatory redemption price payable by issuing Common Shares of the Company based upon a formula equivalent to 95 per cent of a weighted-average trading price for the Common Shares over a 20-day period ending five days prior to the particular redemption date. The Preferred Shares Series E have general voting rights on the basis, subject to certain adjustments in the event of certain fundamental corporate changes, of one vote per share and have a separate series vote in the event of certain fundamental changes which require a series vote under applicable corporate laws. The Preferred Shares Series E also have a right to elect two Directors in the event that, and so long as, cumulative quarterly dividends on the series are in arrears for six or more quarters.

Contingently issuable equity includes Preferred Shares Series E contingently issuable upon exercise of stock options held by former employees of Diamond Fields.

Changes in the Preferred Shares Series E were as follows:

	Number of Shares	Amount
December 31, 1997 and 1998	9,427,261	\$ 471
Shares issued upon exercise of former Diamond Fields' stock options	3,367	—
December 31, 1999	9,430,628	471
Shares converted to Common Shares	(3)	—
Shares issued upon exercise of former Diamond Fields' stock options	9,100	1
December 31, 2000	9,439,725	\$ 472

12. CLASS VBN SHARES

The Company is authorized to issue 52,500,000 Class VBN Shares with no par value.

On August 21, 1996, the Company issued 25,892,469 Class VBN Shares valued at \$753 million as partial consideration for the acquisition of Diamond Fields. The Class VBN Shares issued represented a separate class of equity shares which were intended to reflect an interest, aggregating approximately 25 per cent, in the financial performance of the Voisey's Bay project and all future discoveries in Labrador with respect to which Voisey's Bay Nickel Company Limited ("VBNC"), formerly a 75 per cent-owned subsidiary of Diamond Fields and now a wholly-owned subsidiary of the Company, has the right to explore and develop. Accordingly, the Class VBN Shares were intended to provide holders with a financial return based on the performance of VBNC and not any other subsidiaries, divisions or operations of the Company.

Effective December 14, 2000, pursuant to amendments to the terms of the Class VBN Shares approved at the special shareholders' meeting held on November 28, 2000, the Company redeemed each of its Class VBN Shares for Cdn.\$7.50 cash (or the equivalent in U.S. dollars) and a fraction, 0.45, of an Inco Common Share purchase warrant (the "Warrant") having an exercise price,

for each whole Warrant, of Cdn.\$30.00 (or the equivalent in U.S. dollars) for the purchase of one Common Share at any time on or before August 21, 2006. The exercise price and/or the number and kind of securities issuable on the exercise of the Warrants are subject to adjustment in certain events, as set forth in the Warrant Agreement dated as of December 1, 2000 among the Company, CIBC Mellon Trust Company and ChaseMellon Shareholder Services LLC, as Canadian and U.S. Warrant Agents, respectively, covering the issuance of the Warrants. These adjustments include, among others, certain changes in the capital structure of the Company such as any subdivision or consolidation of Common Shares, stock dividends or other distributions, the consolidation, amalgamation or merger of the Company with another company, or the transfer of all or substantially all of the Company's assets. At December 31, 2000, 10,997,903 Warrants were issued and outstanding as part of the total redemption price.

The excess of the carrying value of the Class VBN Shares over the cash redemption price and associated expenses, net of taxes, totalled \$621 million, of which \$62 million was allocated to the Warrants and \$559 million was allocated to contributed surplus.

Changes in the Class VBN Shares were as follows:

	Number of Shares	Amount
December 31, 1997 and 1998	25,902,468	\$ 753
Shares issued upon exercise of former Diamond Fields' stock options	9,250	—
December 31, 1999	25,911,718	753
Shares issued upon exercise of former Diamond Fields' stock options	25,000	1
Shares redeemed	(25,936,718)	(754)
December 31, 2000	—	\$ —

13. COMMON SHARES

The Company is authorized to issue an unlimited number of Common Shares without nominal or par value.

Changes in the Common Shares were as follows:

	Number of Shares	Amount
December 31, 1997	166,018,649	\$ 2,466
Shares issued under incentive plan	40,433	—
December 31, 1998	166,059,082	2,466
Shares sold under public offering	15,000,000	273
Options exercised	489,450	7
Shares issued upon exercise of former Diamond Fields' stock options	20,609	1
December 31, 1999	181,569,141	2,747
Options exercised	182,370	2
Shares issued on conversion of Preferred Shares Series E	3	—
Shares issued upon exercise of former Diamond Fields' stock options	55,700	2
December 31, 2000	181,807,214	\$ 2,751

In May 1999, the Company sold 15,000,000 Common Shares through an underwritten public offering on a "bought deal" basis principally in Canada and the United States for net cash proceeds of \$273 million.

Contingently issuable equity includes Common Shares contingently issuable upon exercise of stock options held by former employees of Diamond Fields.

In September 1998, the Board of Directors of the Company, given the expiration of a shareholder rights plan which had been implemented in October 1988, adopted a new shareholder rights plan that took effect on October 3, 1998. This new plan, set forth in a Rights Plan Agreement entered into between the Company and CIBC Mellon Trust Company, as Rights Agent, is designed to (i) encourage the fair and equal treatment of shareholders in connection with any bid for control of the Company by providing them with more time than the minimum statutory period during which such bid must remain open in order to fully consider their options, and (ii) provide the Company's Board of Directors with additional time, if appropriate, to pursue other alternatives to maximize shareholder value.

This plan was amended in certain respects by the Company's Board of Directors in February 1999 to ensure that the plan is consistent with plans which had been recently adopted by other Canadian companies. The new plan, approved by shareholders at the Company's 1999 Annual and Special Meeting of Shareholders on April 28, 1999, will remain in effect until October 2008 subject to reconfirmation by holders of the Company's voting securities at the Company's annual meetings in the years 2002 and 2005. The following represents a summary of some of the key terms of the plan.

The rights issued under the plan will initially attach to and trade with the Company's Common Shares and no separate certificates will be issued unless an event triggering these rights occurs. Certificates evidencing Common Shares will be legended to reflect that they evidence the rights until the Separation Time (as defined below). Holders of the Company's 7.75 per cent Convertible U.S.\$ Debentures, 5.75 per cent Convertible U.S.\$ Debentures and Preferred Shares Series E and the certificates of entitlement attached thereto (which entitle their holders to receive rights in the event that the related security is converted into Common Shares) will generally be entitled to receive, upon conversion of the relevant security and presentation of the certificate of entitlement, respectively, rights in an amount equal to the number of Common Shares issued upon conversion of such securities.

The rights will separate from the Common Shares ("Separation Time") and be transferable, trade separately from the Common Shares and become exercisable only when a person acquires, or announces its intention to acquire, beneficial ownership of 20 per cent or more of (i) the Company's then outstanding Voting Securities (defined to include the Company's Common Shares and Preferred Shares Series E), or (ii) its then outstanding Common Shares alone, in either case without complying with the "permitted bid" provisions of the plan (as summarized below), or without the approval of the Company's Board of Directors. Should such an acquisition occur, each right would entitle its holder, other than the acquiring person or persons related to or acting jointly or in concert with such person, to purchase additional Common Shares of the Company at a 50 per cent discount to the then current market price. The acquisition by any person (an "Acquiring Person") of 20 per cent or more of the Company's Common Shares or Voting Securities, other than by way of a permitted bid, is referred to as a "Flip-in-Event". Any rights held by an Acquiring Person will become void upon the occurrence of a Flip-in-Event.

A "permitted bid" is a bid made to all holders of the Company's outstanding Voting Securities that is open for at least 60 days. If, at the end of such 60-day period, more than 50 per cent of the Company's then outstanding Common Shares, other than those securities owned by the party making the bid and certain related persons, have been tendered, such party may take up and pay for the Common Shares but must extend the bid for a further 10 business days to allow other shareholders to tender, thus providing shareholders who had not tendered to the bid with enough time to tender to the bid once it is clear that a majority of Common Shares have been tendered.

Under this plan the Company can (i) waive its application to enable a particular takeover bid to proceed, in which case the plan will be deemed to have been waived with respect to any other takeover bid made prior to the expiry of any bid subject to such waiver or (ii) with the prior approval of the holders of Voting Securities or rights, redeem the rights for nominal consideration at any time prior to a Flip-in-Event.

14. STOCK COMPENSATION PLANS

The Company's stock option plans authorize the granting of options to key employees to purchase Common Shares and Class VBN Shares at prices not less than 100 per cent of their market value on the day the option is granted. The 1997 plan, which replaced the 1993 plan and has a term of five years, authorized the granting of options to purchase up to 6,000,000 Common Shares and 1,000,000 Class VBN Shares. The Company's stock option plans provide that no shares subject to option shall be purchasable after 10 years from the date of grant and also include an anti-dilution provision to protect the option-holder in the event of stock splits or other significant capital changes.

At December 31, 2000, outstanding options for 2,778,700 Common Shares and nil Class VBN Shares, as amended for the anti-dilution adjustment, also carry share appreciation rights ("SARs"). These SARs entitle an optionee, in lieu of exercising an option to purchase Common Shares, to surrender all or a portion of the related option in exchange for an amount equal to the difference between the then-market price per share and the exercise price per share specified in the stock option, multiplied by the number of shares covered by the stock option, or portion

thereof so surrendered. The Company may elect to deliver Common Shares, cash, or a combination of Common Shares and cash, equal in value to such difference. Compensation expense in respect of SARs for the years 2000, 1999 and 1998 was \$nil, \$8 million and \$nil, respectively.

One-half of stock options granted are exercisable on or after six months from the grant date, with the remaining options exercisable on or after 18 months from the grant date.

Pursuant to the Company's long-term incentive plans ("LTIPs"), awards in the form of Common Shares are made to certain key employees of the Company subject to transfer, sale and encumbrance restrictions for a three-year period from the date of the award. In the year ended December 31, 2000, the Company did not award any Common Shares (1999 – nil Common Shares; 1998 – 40,433 Common Shares) in respect of LTIPs.

Changes in Common Share options outstanding are summarized as follows:

Year ended December 31	Number of Common Shares		
	2000	1999	1998
Outstanding at beginning of year	6,320,418	5,129,418	3,431,668
Options granted	1,123,700	1,818,000	1,795,000
Options exercised	(267,500)	(508,750)	–
Options terminated	(198,634)	(118,250)	(97,250)
Outstanding at end of year	6,977,984	6,320,418	5,129,418
Available for grant at December 31	1,305,300	2,424,000	4,231,000
Exercisable at December 31	6,464,734	5,412,918	4,246,918

Changes in the weighted-average exercise price of Common Share options are summarized as follows:

Year ended December 31	Weighted-Average Exercise Price		
	2000	1999	1998
Outstanding at beginning of year	\$ 22.37	\$ 25.50	\$ 30.97
Options granted	17.94	11.56	15.03
Options exercised	(12.51)	(13.58)	–
Options terminated	(29.62)	(29.95)	(25.22)
Outstanding at end of year	\$ 21.83	\$ 22.37	\$ 25.50

The following table summarizes information about Common Share options outstanding at December 31, 2000.

Common Share Options Outstanding				Common Share Options Exercisable	
Range of Exercise Prices	Number Outstanding at December 31, 2000	Weighted-Average Remaining Contractual Life (years)	Weighted-Average Exercise Price	Number Exercisable at December 31, 2000	Weighted-Average Exercise Price
\$ 11-16	2,895,450	7.5	\$ 13.37	2,893,700	\$ 13.37
17-24	1,152,500	8.3	18.72	641,000	19.16
25-37	2,930,034	5.2	31.41	2,930,034	31.41
\$ 11-37	6,977,984	6.7	\$ 21.83	6,464,734	\$ 22.12

The expiration dates of Common Share options outstanding at December 31, 2000 ranged from April 21, 2003 to February 9, 2010. At December 31, 2000, there were 307 employees participating in the Common Share option plans.

Changes in Class VBN Share options outstanding are summarized as follows:

Year ended December 31	Number of Class VBN Shares		
	2000	1999	1998
Outstanding at beginning of year	238,000	152,000	—
Options granted	3,500	86,000	152,000
Options terminated	(241,500)	—	—
Outstanding at end of year	—	238,000	152,000
Available for grant at December 31	—	762,000	848,000
Exercisable at December 31	—	195,000	76,000

In December 2000, pursuant to the terms of the 1997 plan, all outstanding Class VBN Share options totalling 171,500 were terminated in connection with the

redemption of the Class VBN Shares and exchanged for 100,700 Common Share options.

15. NATURE OF OPERATIONS AND SEGMENT INFORMATION

The Company is a leading producer of nickel and an important producer of copper, precious metals and cobalt. The Company's operations consist of the finished products segment, which comprises the Company's mining and processing operations of the Ontario and Manitoba Divisions in Canada, the Company's refining operations in the United Kingdom and interests in refining operations in Japan and other Asian countries, and the intermediates segment, which comprises the Company's mining and processing

operations in Indonesia, where nickel in matte, an intermediate product, is produced and sold primarily into the Japanese market. In addition, the Company holds mineral claims and licenses covering the undeveloped Voisey's Bay nickel-copper-cobalt deposit in the Province of Newfoundland and Labrador. The Company sold its alloys business segment in October 1998 as described in Note 5.

Net sales to customers by product were as follows:

Year ended December 31	2000	1999	1998
Primary nickel	\$ 2,336	\$ 1,658	\$ 1,262
Copper	225	196	245
Precious metals	249	152	131
Cobalt	42	48	73
Other	65	59	55
	\$ 2,917	\$ 2,113	\$ 1,766

Net sales to customers include sales at market prices to affiliates in Japan, Taiwan and South Korea aggregating \$556 million in 2000, \$456 million in 1999 and \$220 million in 1998. No single non-affiliated customer accounted for more than 10 per cent of the Company's total sales

in 2000, 1999 or 1998. At December 31, 2000, accounts receivable included amounts due from affiliates of \$57 million (1999 – \$76 million; 1998 – \$33 million).

DATA BY OPERATING SEGMENTS

	Finished Products			Intermediates			Voisey's Bay Project			Eliminations			Total		
Year ended December 31	2000	1999	1998	2000	1999	1998	2000	1999	1998	2000	1999	1998	2000	1999	1998
	(Restated)						(Restated)						(Restated)		
Net sales to customers	\$2,836	2,069	1,738	\$ 81	44	28	\$ -	-	-	\$ -	-	-	\$ 2,917	2,113	1,766
Intersegment sales	-	-	-	321	165	117	-	-	-	(321)	(165)	(117)	-	-	-
Net sales	\$2,836	2,069	1,738	\$ 402	209	145	\$ -	-	-	\$ (321)	(165)	(117)	\$ 2,917	2,113	1,766
Segment operating earnings (loss)	\$ 636	178	(44)	\$ 151	36	9	\$ (7)	(8)	(7)	\$ 5	(26)	7	\$ 785	180	(35)
Corporate selling, general and administrative expenses													42	60	59
Operating earnings (loss)													743	120	(94)
Interest expense													83	73	86
Other expenses (income)													(10)	(5)	18
Earnings (loss) before income and mining taxes and minority interest													\$ 670	52	(198)
Depreciation and depletion	\$ 196	196	204	\$ 68	52	40	\$ 1	-	-	\$ -	-	-	\$ 265	248	244
Capital expenditures	\$ 183	114	135	\$ 33	130	248	\$ 11	16	54	\$ -	-	-	\$ 227	260	437
Identifiable assets at December 31	\$2,445	2,343	2,312	\$1,301	1,310	1,246	\$5,647	5,712	5,561	\$ (20)	(25)	-	\$ 9,373	9,340	9,119
Other assets													303	220	278
Total assets at December 31													\$9,676	9,560	9,397

Other assets which are not allocated to operating segments consist of corporate assets, principally cash and

marketable securities, investments, deferred charges, pension assets, certain receivables and capital assets.

DATA BY GEOGRAPHIC LOCATION

	Net Sales to Customers Year ended December 31			Capital Assets at December 31		
	2000	1999	1998	2000	1999	1998
Canada (restated)	\$ 55	\$ 65	\$ 152	\$ 7,034	\$ 7,146	\$ 7,124
United States	938	678	537	24	24	24
United Kingdom	624	429	452	36	36	38
Indonesia	81	44	28	1,147	1,158	1,081
Japan	450	309	261	21	24	21
Other	769	588	336	90	84	39
Total foreign	2,862	2,048	1,614	1,318	1,326	1,203
Total (restated)	\$ 2,917	\$ 2,113	\$ 1,766	\$ 8,352	\$ 8,472	\$ 8,327

Net sales to customers by geographic location are based on the location in which the sale originated.

16. FINANCIAL INSTRUMENTS AND COMMODITIES CONTRACTS

The carrying values for all financial instruments and commodities contracts approximated fair values with the following exceptions:

December 31	2000		1999		1998	
	Carrying Value	Fair Value	Carrying Value	Fair Value	Carrying Value	Fair Value
Financial assets						
Cash and marketable securities	\$ 193	\$ 195	\$ 38	\$ 38	\$ 82	\$ 82
Other assets and deferred charges	268	249	216	204	227	221
Financial liabilities						
Long-term debt including amount due within one year	1,030	1,016	1,344	1,312	1,523	1,508
Derivatives						
LME forward nickel contracts	-	(3)	-	(7)	-	(5)
Nickel put options	-	5	-	-	-	-
Palladium swaps	-	(10)	-	-	-	-
Oil swaps	-	-	-	2	-	(3)
Forward currency contracts	-	1	-	2	-	(16)
Currency call option contracts	-	-	-	1	-	-

The fair value of the Company's financial instruments at December 31 is based on relevant market information and the contractual terms of the applicable instrument or contract. The fair value of cash and marketable securities and investments, including debt securities (both available-for-sale and held-to-maturity investments) and equity investments, is based on quoted market prices at the reporting date for those or similar investments. The fair value of the Company's long-term debt, nickel options and palladium swap contracts is estimated based on quoted market prices. The fair value of LME forward nickel, forward currency, currency options and oil swap contracts generally reflects the estimated amounts that the Company would receive (pay) to terminate such contracts at the reporting date, thereby taking into account the current unrealized gains or losses in respect of open contracts.

In general, the Company does not use derivative instruments to hedge its exposure to fluctuating nickel prices. The Company does, however, enter into forward sales and/or purchase contracts with the LME to hedge its exposure to changes in prices of purchased nickel and of Inco-source nickel to be delivered to customers three or more months in the future. At December 31, 2000, the Company had outstanding LME forward contracts to purchase 11,820 tonnes of nickel during 2001, 2002 and 2003 at prices ranging from \$4,435 to \$9,390 per tonne (\$2.01 to \$4.26 per pound).

At December 31, 2000, the Company also had outstanding put option contracts, giving it the right but not obligation, to sell 4,500 tonnes of nickel at an average price of \$7,500 per tonne (\$3.40 per pound) during 2001, and call option contracts, giving the buyer the right but not obligation, to purchase nickel at an average price of \$9,500 per tonne (\$4.31 per pound) during 2001.

Depending on market conditions, the Company enters into precious metals contracts with various financial counterparties. These contracts are intended to provide certain minimum price realizations in respect of a portion of the Company's future production. At December 31, 2000, the Company had outstanding swap contracts to exchange payments on 80,167 troy ounces of palladium during 2001. Under the swap contracts, the Company receives fixed prices ranging from \$701 to \$910 per troy ounce and pays a floating price.

The Company uses oil swap contracts to hedge the effect of price changes in respect of a portion of its energy requirements in Indonesia. Under such contracts, the Company receives or makes payments based on the difference between a fixed and a floating price for fuel oil. At December 31, 2000, the Company had swap contracts with a financial institution to exchange payments on 141,800 tonnes of fuel oil in 2001 and 2002. Under the swap contracts, the Company pays fixed prices averaging \$130.51 per tonne and receives a floating price.

At December 31, 2000, the Company had outstanding currency call option contracts, giving it the right but not obligation, to purchase Cdn.\$50 million at an average rate to U.S. dollars of \$0.685 in the first nine months of 2001, and outstanding currency put option contracts, giving the buyer the right but not obligation, to sell to the Company Cdn.\$50 million at an average rate to U.S. dollars of \$0.667 in the first nine months of 2001. The purpose of the Company's Canadian dollar hedging activities is to reduce the risk that the eventual U.S. dollar cash flows relating to a portion of its future Canadian production costs will be adversely affected by an appreciation of the Canadian dollar. At December 31, 2000, the Company also had outstanding forward currency contracts to purchase Cdn.\$50 million at an average rate to U.S. dollars of \$0.665 in February 2001 to hedge future Canadian dollar tax payments.

The Company is exposed to credit risk in the event of non-performance by counterparties in connection with its derivative contracts. The Company does not obtain collateral or other security to support financial instruments subject to credit risk but mitigates this risk by dealing only with financially sound counterparties and, accordingly, does not anticipate loss for non-performance. There is no substantial concentration of credit risk resulting from these contracts.

The Company had a limited recourse liability in respect of the sale of undivided interests in certain accounts receivable in the amount of \$66 million at December 31, 2000.

17. CONTINGENCIES

In the course of its operations, the Company is subject to environmental and other claims and legal proceedings. The Company does not believe that any such

pending claims or proceedings will significantly impair its operations or have a material adverse effect on its financial position.

18. RESTRUCTURING CHARGES

The 1998 financial results of the Company included a pre-tax charge of \$64 million associated with restructuring actions announced in February 1998, comprising \$50 million for severance and pension costs relating to employment reductions and a writedown of \$14 million

relating to assets which were affected by the restructuring actions. At December 31, 2000, the remaining liability for restructuring charges, included in accrued payrolls and benefits, was \$1 million (1999 - \$12 million; 1998 - \$34 million).

19. CASH FLOWS

Supplemental disclosures in connection with the Consolidated Statement of Cash Flows follow:

Year ended December 31	2000	1999	1998
Interest paid, net of capitalized interest	\$ 87	\$ 73	\$ 80
Income and mining taxes paid, net	\$ 38	\$ 42	\$ 49
Cash	\$ 11	\$ 11	\$ 38
Marketable securities	182	27	44
Cash and marketable securities	\$ 193	\$ 38	\$ 82

20. SIGNIFICANT DIFFERENCES BETWEEN CANADIAN AND UNITED STATES GENERALLY ACCEPTED ACCOUNTING PRINCIPLES

The Company's consolidated financial statements are prepared in accordance with generally accepted accounting principles ("GAAP") in Canada. The most significant differences between Canadian and United States GAAP, insofar as they affect the Company's consolidated financial statements, relate to accounting for post-retirement benefits, earnings per share,

investments, stock-based compensation and reporting of comprehensive income.

The following table reconciles results as reported under Canadian GAAP with those that would have been reported under United States GAAP:

Year ended December 31	2000	1999	1998
Earnings (loss) from continuing operations – Canadian GAAP	\$ 400	\$ 17	\$ (139)
Increased post-retirement benefits expense (a)	(13)	–	(8)
Earnings (loss) from continuing operations – United States GAAP	387	17	(147)
Discontinued operations (a)	–	(5)	31
Net earnings (loss) – United States GAAP	\$ 387	\$ 12	\$ (116)
Other comprehensive income (loss) (g):			
Foreign currency translation adjustments	–	–	7
Unrealized gains (losses) on long-term investments (d)	(7)	(12)	6
Unrealized gains on marketable securities (d)	2	–	–
Long-term investments reclassifications (d)	–	6	(4)
Minimum additional pension liability adjustment (a)	(155)	(17)	(140)
Taxes on other comprehensive income (loss)	65	8	59
Other comprehensive loss – United States GAAP (g)	(95)	(15)	(72)
Comprehensive income (loss) – United States GAAP (g)	\$ 292	\$ (3)	\$ (188)
Earnings (loss) from continuing operations per share – United States GAAP (c)			
Basic – Common	\$ 1.99	\$ (0.05)	\$ (1.05)
– Class VBN	\$ –	\$ –	\$ 0.08
Diluted – Common	\$ 1.82	\$ (0.05)	\$ (1.05)
– Class VBN	\$ –	\$ –	\$ 0.08
Net earnings (loss) per share – United States GAAP (c)			
Basic – Common	\$ 1.99	\$ (0.08)	\$ (0.87)
– Class VBN	\$ –	\$ –	\$ 0.08
Diluted – Common	\$ 1.82	\$ (0.08)	\$ (0.87)
– Class VBN	\$ –	\$ –	\$ 0.08

(a) Post-retirement benefits

United States accounting standards for post-retirement benefits are set forth in Statement of Financial Accounting Standards ("SFAS") No. 87, No. 88 and No. 132. Coincident with the adoption of the United States standards for United States reporting purposes, with effect from January 1, 1986, unamortized reversions of surplus pension funds were included in earnings to the extent that they exceeded the unrecognized net obligation at the date of adoption; whereas, under Canadian GAAP, also with effect from January 1, 1986, the Company amortized such reversions over the expected average remaining service life of existing employees. Earnings from discontinued operations under United States GAAP have been reduced by \$5 million in 1998 in respect of pension reversions.

Effective January 1, 2000, the Company adopted a new accounting standard of the CICA in respect of employee future benefits for Canadian reporting purposes. This new standard is substantially identical to United States accounting standards for post-retirement benefits. For Canadian reporting purposes, the excess of the net actuarial gains and losses over 10 per cent of the greater of the post-retirement benefits obligation and the fair value of plan assets is amortized over the expected average remaining service life of employees. For United States reporting purposes, the Company continues to amortize all actuarial gains and losses systematically over the expected average remaining service life of employees.

United States GAAP also require the recognition of a minimum additional pension liability in the amount of the excess of the Company's unfunded accumulated benefits obligation over the recorded pension benefits liability; an offsetting intangible pension asset is recorded equal to the unrecognized prior service costs, with any difference recorded as a reduction in accumulated other comprehensive income. At December 31, 2000, the minimum additional pension liability would have been \$423 million (1999 – \$232 million; 1998 – \$230 million), the intangible pension asset would have been \$88 million (1999 – \$52 million; 1998 – \$67 million), resulting in a \$194 million reduction, after taxes (1999 – \$105 million; 1998 – \$96 million) in accumulated other comprehensive income.

(b) Income and mining taxes

Effective January 1, 2000, the Company adopted a new accounting standard of the CICA in respect of income taxes. This new standard is substantially identical to United States accounting standards for income taxes.

(c) Earnings (loss) per share

United States accounting standards for earnings (loss) per share are set forth in SFAS No. 128. Under United States GAAP, companies are required to present diluted earnings per share using the treasury stock method, which differs from the method of computing fully diluted earnings per common share under Canadian GAAP. The computation of basic and diluted earnings (loss) from continuing operations per share under United States GAAP was as follows:

Year ended December 31	2000	1999	1998
Basic earnings (loss) per share computation			
Numerator:			
Earnings (loss) from continuing operations	\$ 387	\$ 17	\$ (147)
Dividends on preferred and class VBN shares	(26)	(26)	(28)
Earnings (loss) from continuing operations applicable to common shares	\$ 361	\$ (9)	\$ (175)
Denominator:			
Weighted-average common shares outstanding (millions)	182	176	166
Basic earnings (loss) per common share	\$ 1.99	\$ (0.05)	\$ (1.05)
Diluted earnings (loss) per share computation			
Numerator:			
Earnings (loss) from continuing operations applicable to common shares	\$ 361	\$ (9)	\$ (175)
Dilutive effect of:			
Convertible debentures	13	–	–
Earnings (loss) from continuing operations applicable to common shares, assuming dilution	\$ 374	\$ (9)	\$ (175)
Denominator:			
Weighted-average common shares outstanding (millions)	182	176	166
Dilutive effect of:			
Convertible debentures	10	–	–
Stock options	1	–	–
Class VBN shares	12	–	–
Weighted-average common shares outstanding, assuming dilution	205	176	166
Diluted earnings (loss) per common share	\$ 1.82	\$ (0.05)	\$ (1.05)

In 2000, debentures convertible into nil Common Shares (1999 – 9,930,601; 1998 – 10,119,307), options on 4,082,534 Common Shares (1999 – 6,320,418; 1998 – 5,129,418), Preferred Shares convertible into 11,278,017 Common Shares (1999 – 11,267,148; 1998 – 11,263,126) and Warrants convertible into 10,997,903 Common Shares (1999 – nil; 1998 – nil) were excluded from the computation of diluted earnings (loss) per Common Share because their effects were not dilutive.

(d) Investments

United States accounting standards for equity investments, which are set forth in SFAS No. 115, require that certain equity investments not held for trading be recorded at fair value with unrealized holding gains and losses excluded from the determination of earnings and reported as a separate component of other comprehensive income. At December 31, 2000, other assets and deferred charges would have decreased by \$19 million (1999 – \$12 million; 1998 – \$6 million), cash and

marketable securities would have increased by \$2 million (1999 – \$nil; 1998 – \$nil) and accumulated other comprehensive loss would have increased by \$17 million (1999 – \$12 million; 1998 – \$6 million).

(e) Stock-based compensation

United States accounting standards for stock-based compensation are set forth in SFAS No. 123. United States GAAP require either the recognition of a compensation expense for grants of stock, stock options and other equity instruments to employees, based on the estimated fair value of the instrument at the grant date, or, alternatively, the disclosure of pro forma net earnings and earnings per share data as if stock-based compensation had been recognized in earnings. Under SFAS No. 123, had the Company elected to recognize the cost of its stock-based compensation based on the estimated fair value of stock options granted, the Company's results under United States GAAP would have been as follows:

Year ended December 31	2000	1999	1998
Pro forma earnings (loss) from continuing operations	\$ 383	\$ 13	\$ (152)
Pro forma net earnings (loss)	\$ 383	\$ 8	\$ (121)
Pro forma basic earnings (loss) per common share			
Earnings (loss) from continuing operations	\$ 1.96	\$ (0.07)	\$ (1.08)
Net earnings (loss)	\$ 1.96	\$ (0.10)	\$ (0.90)

The fair value of each stock option granted is estimated on the date of grant using the Black-Scholes option pricing model with the following assumptions:

Year ended December 31	2000	1999	1998
Stock price at grant date	\$ 18.16	\$ 11.56	\$ 15.03
Exercise price	\$ 18.16	\$ 11.56	\$ 15.03
Weighted-average fair value of options granted during the year	\$ 6.66	\$ 3.49	\$ 3.93
Expected life of options (years)	3	3	3
Expected stock price volatility	43.5%	35.9%	28.3%
Expected dividend yield	–%	–%	0.7%
Risk-free interest rate	6.8%	4.9%	5.3%

(f) Preferred shares

For United States reporting purposes, the Company's Preferred Shares Series E would be excluded from shareholders' equity in the Consolidated Balance Sheet.

(g) Comprehensive income

United States accounting standards for reporting comprehensive income are set forth in SFAS No. 130. Comprehensive income represents the change in equity during a reporting period from transactions and other events and circumstances from non-owner sources. Components of comprehensive income include items such as net earnings (loss), changes in the fair value of investments not held for trading, minimum pension liability adjustments and certain foreign currency translation gains and losses.

(h) Derivative instruments and hedging activities

The Company will adopt, for United States reporting purposes, SFAS No. 133, *Accounting for Derivative Instruments and Hedging Activities*, as amended by SFAS No. 137, *Accounting for Derivative Instruments and Hedging Activities – Deferral of the Effective Date of FASB Statement No. 133*, and SFAS No. 138, *Accounting for Certain Derivative Instruments and Certain Hedging Activities*, in the first quarter of 2001. SFAS No. 133 requires that all derivatives be recognized as either assets or liabilities and measured at fair value. The accounting for changes in the fair value of a derivative depends on the use of the derivative. Adoption of this new accounting standard will result in a cumulative effect of an accounting change of approximately \$nil and a reduction in other comprehensive income of approximately \$3 million after taxes at January 1, 2001. The adoption will also affect the carrying values of certain assets and liabilities recorded in the Consolidated Balance Sheet.

The following table compares the Company's results reported under Canadian GAAP with those that would have been reported under United States GAAP, together

with the cumulative effect on balance sheet accounts. Quarterly results are unaudited.

Year ended December 31	Canadian GAAP			United States GAAP		
	2000	1999 (Restated)	1998 (Restated)	2000	1999	1998
Net earnings (loss)						
First quarter	\$ 95	\$ (22)	\$ (57)	\$ 95	\$ (22)	\$ (60)
Second quarter	148	(23)	2	148	(23)	(2)
Third quarter	79	17	(26)	70	17	(29)
Fourth quarter	78	40	(22)	74	40	(25)
Year	\$ 400	\$ 12	\$ (103)	\$ 387	\$ 12	\$ (116)
Net earnings (loss) per common share						
Basic	\$ 2.06	\$ (0.08)	\$ (0.79)	\$ 1.99	\$ (0.08)	\$ (0.87)
Fully diluted	\$ 1.97	\$ (0.08)	\$ (0.79)	\$ 1.82	\$ (0.08)	\$ (0.87)

December 31	Canadian GAAP			United States GAAP		
	2000	1999 (Restated)	1998 (Restated)	2000	1999	1998
Assets:						
Cash and marketable securities	\$ 193	\$ 38	\$ 82	\$ 195	\$ 38	\$ 82
Other assets and deferred charges	268	216	227	230	189	218
Liabilities:						
Deferred income and mining taxes	2,401	2,475	2,329	2,251	2,416	2,286
Net post-retirement benefits liability	-	-	-	338	165	160
Shareholders' equity:						
Retained earnings	918	544	558	897	536	550
Accumulated other comprehensive loss	-	-	-	(211)	(116)	(101)

Changes in retained earnings and accumulated other comprehensive loss under United States GAAP was as follows:

Year ended December 31	2000	1999	1998
Retained earnings at beginning of year	\$ 536	\$ 550	\$ 710
Net earnings (loss)	387	12	(116)
Dividends	(26)	(26)	(44)
Retained earnings at end of year	\$ 897	\$ 536	\$ 550
Accumulated other comprehensive loss at beginning of year	\$ (116)	\$ (101)	\$ (29)
Other comprehensive loss	(95)	(15)	(72)
Accumulated other comprehensive loss at end of year	\$ (211)	\$ (116)	\$ (101)

Eleven-Year Review

	2000	1999	1998	1997	1996	1995	1994	1993	1992	1991	1990
		(Restated) ²						(Restated) ²			
SUMMARY OF OPERATIONS¹											
(in millions of United States dollars except per share data)											
Net sales	\$ 2,917	2,113	1,766	2,367	2,460	2,764	1,935	1,619	2,002	2,346	2,420
Cost of sales and operating expenses	\$ 1,759	1,602	1,473	1,816	1,693	1,866	1,541	1,288	1,464	1,715	1,435
Depreciation and depletion	\$ 265	248	244	226	240	227	224	216	224	206	181
Selling, general and administrative	\$ 105	99	96	109	111	116	104	109	116	120	115
Research and development	\$ 22	21	18	28	23	21	29	34	37	45	41
Exploration	\$ 23	23	29	38	40	32	25	32	33	40	46
Operating earnings (loss)	\$ 743	120	(94)	150	353	502	12	(60)	128	220	602
Interest expense	\$ 83	73	86	81	85	88	89	99	112	117	109
Income and mining taxes	\$ 226	26	(67)	30	107	177	(67)	(13)	28	12	209
Net earnings (loss)	\$ 400	12	(103)	75	179	227	7	13	(18)	83	441
Net earnings (loss) applicable to common shares	\$ 374	(14)	(131)	41	157	215	3	9	(22)	78	436
Per common share - basic	\$ 2.06	(0.08)	(0.79)	0.25	1.17	1.82	0.03	0.08	(0.21)	0.74	4.18
Common dividends declared	\$ -	-	16	67	51	47	47	44	92	105	104
Per common share	\$ -	-	0.10	0.40	0.40	0.40	0.40	0.40	0.85	1.00	1.00
Common shares outstanding (weighted-average, in millions)	182	176	166	167	134	118	116	110	108	105	104
OTHER FINANCIAL DATA¹											
(in millions of United States dollars)											
Cash provided by (used for)											
operating activities	\$ 842	128	174	243	378	631	230	(20)	402	265	361
Capital expenditures	\$ 227	260	437	535	425	304	126	168	216	404	518
Working capital	\$ 365	292	283	690	805	766	905	678	598	508	635
Capital assets	\$ 8,352	8,472	8,327	6,252	6,010	2,507	2,440	2,507	2,576	2,598	2,450
Total assets	\$ 9,676	9,560	9,397	7,772	7,642	4,693	4,028	3,902	4,161	4,495	4,076
Total debt	\$ 1,030	1,344	1,523	1,549	1,290	974	993	1,059	1,141	1,270	1,008
Preferred shares	\$ 472	471	471	471	471	387	56	60	63	66	69
Common shareholders' equity	\$ 4,290	3,291	3,024	3,225	3,268	1,601	1,450	1,304	1,608	1,668	1,648
Return on year-end common shareholders' equity	8.7%	-	-	1.3%	4.8%	13.4%	0.2%	0.7%	-	4.7%	26.5%
Net debt as % of net debt plus equity	15%	22%	25%	25%	21%	29%	36%	43%	40%	42%	35%
OPERATING DATA											
Ore mined (tonnes in millions)	13	13	14	14	16	16	13	14	14	15	15
Nickel production (tonnes in thousands)	203	177	192	179	187	183	156	167	182	174	176
Copper production (tonnes in thousands)	114	116	121	103	117	109	87	118	107	111	115
Nickel deliveries (tonnes in thousands)	259	258	253	266	253	270	235	212	215	230	222
Copper deliveries (tonnes in thousands)	118	120	133	138	142	117	105	112	111	115	111
Cobalt deliveries (tonnes)	1,422	1,568	2,004	2,295	1,846	1,712	1,304	1,297	1,402	1,393	1,447
Platinum-group metals deliveries (troy ounces in thousands)	342	347	334	263	294	298	249	289	314	332	300
REALIZED PRICES PER TONNE (U.S.\$)											
Primary nickel, including intermediates	\$ 9,007	6,415	5,291	7,407	7,959	8,510	6,614	5,997	7,452	8,466	9,039
Copper	\$ 1,908	1,631	1,852	2,359	2,469	2,844	2,381	1,940	2,271	2,359	2,601
Cobalt	\$ 29,475	30,556	44,577	48,457	56,945	63,801	51,433	31,592	49,317	25,904	18,122
OTHER STATISTICS											
Employees at year-end	10,143	10,198	11,007	14,278	16,308	15,818	15,709	16,337	17,724	18,369	19,387
Common shareholders at year-end	21,607	22,461	23,401	23,382	24,819	26,075	28,691	31,224	33,345	36,009	37,565

1 Certain information for the years 1990 through 1996 has been reclassified to reflect the results of the Company's former alloys and engineered products business segments as discontinued operations (see Note 5 of the Notes to Consolidated Financial Statements).

2 Certain information for 1998 and 1999 has been restated to reflect the retroactive application of the asset and liability method to calculate deferred income and mining taxes. Years prior to 1998 have not been restated because the impact of the change in accounting policy is not reasonably determinable (See Note 2 of the Notes to Consolidated Financial Statements).

3 Certain information for 1993 and 1994 has been restated to reflect the retroactive application of accrual accounting in respect of post-retirement benefits other than pensions. Years prior to 1993 have not been restated because the impact of the change in accounting policy is not reasonably determinable.

Quarterly Financial Information

(in millions of United States dollars except per share amounts)	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Year
2000					
Net sales	\$ 774	\$ 837	\$ 642	\$ 664	\$ 2,917
Operating earnings	\$ 189	\$ 249	\$ 164	\$ 141	\$ 743
Earnings from continuing operations	\$ 95	\$ 148	\$ 79	\$ 78	\$ 400
Net earnings	\$ 95	\$ 148	\$ 79	\$ 78	\$ 400
Net earnings per common share					
Basic	\$ 0.49	\$ 0.78	\$ 0.40	\$ 0.39	\$ 2.06
Fully diluted	\$ 0.44	\$ 0.70	\$ 0.37	\$ 0.38	\$ 1.97
1999 (Restated)					
Net sales	\$ 438	\$ 501	\$ 543	\$ 631	\$ 2,113
Operating earnings (loss)	\$ (10)	\$ 14	\$ 40	\$ 76	\$ 120
Earnings (loss) from continuing operations	\$ (22)	\$ (23)	\$ 22	\$ 40	\$ 17
Net earnings (loss)	\$ (22)	\$ (23)	\$ 17	\$ 40	\$ 12
Net earnings (loss) per common share					
Basic	\$ (0.17)	\$ (0.17)	\$ 0.06	\$ 0.18	\$ (0.08)
Fully diluted	\$ (0.17)	\$ (0.17)	\$ 0.06	\$ 0.18	\$ (0.08)

Investor Information

Canadian federal tax legislation, in conjunction with applicable tax treaties, generally requires a 15 per cent withholding from dividends paid to the Company's shareholders resident in the United States, the United Kingdom and most Western European countries. Similarly, depending upon applicable tax treaties, 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 and any applicable tax treaties.

The Company's Common Shares and Preferred Shares Series E have general voting rights. At shareholders' meetings, each holder of these securities is entitled, subject to certain adjustments in the case of Preferred Shares Series E, to one vote for each share held and there are no cumulative voting provisions.

Subject to the preferential rights of the holders of the Company's Preferred Shares and any other prior ranking 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 dividends or other distribution of 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 voting securities of the Company.

There are certain restrictions on the holding of Inco's voting equity securities. The Investment Canada Act (the "Act") limits the number of shares of a Canadian corporation, which may be acquired by a non-Canadian without approval under the Act. The effect of the Act is to prohibit the acquisition of control by a non-Canadian of certain Canadian businesses, such as the Company, unless such acquisition is found by the responsible Minister of the Government of Canada to be of net benefit to Canada.

Through subsidiaries and affiliates, the Company's operations are conducted in numerous countries and some \$1,800 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 many overseas locations.

At year-end 2000, of the shareholders having general voting rights, 63 per cent had addresses in Canada, 28 per cent in the United States and nine per cent elsewhere. Of these voting shares, Canadian residents of record held 45 per cent, United States residents of record 54 per cent and residents of record of other countries one per cent.

Corporate Governance

The Board of Directors consists of 12 members, two of whom are officers of the Company. In 2000, the Board held 16 meetings. The activities of the Board are supported by its various committees.

EXECUTIVE COMMITTEE

The Executive Committee consists of Dr. Sopko, Chairman, and Messrs. Crawford, Hand, Hantho and Thomson. During the intervals between meetings of the Board, the Executive Committee, with certain exceptions, has all the powers vested in the Board. There were three Executive Committee meetings held in 2000.

CORPORATE GOVERNANCE AND NOMINATING COMMITTEE

The Corporate Governance and Nominating Committee held two meetings in 2000. This committee has responsibility for reviewing and making recommendations with respect to developments in the area of corporate governance. As part of its responsibilities, it also makes recommendations to the Board with respect to candidates for nomination as new Board members, evaluates and recommends nominees for all Board committees, recommends incumbent Directors for nomination as continuing Board members and oversees Board tenure, compensation and resignation policies. It also annually evaluates the overall performance of the Board. This committee also evaluates nominations submitted by shareholders for election to the Board of Directors. This committee currently has the following members: Mr. Crawford, Chairman, and Messrs. Bruneau, Barton and O'Brien. The Chairman and Chief Executive Officer of the Company serves as an ex-officio and non-voting member of the committee.

PENSION COMMITTEE

The Pension Committee held three meetings during 2000. The committee consists of Mr. Hantho, Chairman, Mr. Bruneau, Mrs. Erola and Mr. Glavin. It 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 policy.

MANAGEMENT RESOURCES AND COMPENSATION COMMITTEE

The Management Resources and Compensation Committee held three meetings during 2000. Committee membership includes Mr. Thomson, Chairman, and Messrs. Crawford, O'Brien and Stanford. 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.

AUDIT COMMITTEE

The Audit Committee held four meetings during 2000. The members of this committee include Mr. Glavin, Chairman, Ms. Clitheroe, Mrs. Erola and Mr. Barton. The Committee meets with the Company's financial management personnel, its internal auditors and its independent auditors at least four times a year to review and assist, as part of its charter, the Board of Directors in its oversight responsibilities relating to, among other duties, (1) accounting and financial reporting principles and procedures of the Company, (2) the adequacy of the Company's systems of internal accounting control and (3) the quality and integrity of the Company's financial statements. Given that the function of the committee is one of oversight, the members are not accountants or auditors and rely on the integrity of management, the internal audit staff and the independent auditors from whom they receive information, the accuracy of the information provided to them by such persons and organizations and representations made by management. In connection with the discharge of its duties and responsibilities, the Committee reviews, among other areas, the Company's financial reporting practices and procedures, the Company's quarterly financial statements prior to their filing with regulatory agencies and the Company's annual financial statements, actual and prospective changes in significant accounting policies and their effect, the adequacy of the systems of internal accounting control, the planned scope of examinations by both auditing groups and their findings and recommendations and the scope of audit and non-audit services provided by the independent auditors.

Directors

Glen A. Barton
Chairman and
Chief Executive Officer
Caterpillar Inc.
(heavy equipment manufacturer)
Peoria, Illinois, U.S.A.

Angus A. Bruneau, O.C.
Chairman
Fortis Inc.
(energy, utilities and services)
St. John's, Newfoundland and
Labrador, Canada

Eleanor R. Clitheroe
President and
Chief Executive Officer
Hydro One Inc.
(transmission, distribution and
energy services)
Toronto, Ontario, Canada

Purdy Crawford, O.C., Q.C.
Former Chairman
Imasco Limited
(consumer products
and services)
Toronto, Ontario, Canada

The Honourable Judith A. Erola, P.C.
Retired President
Pharmaceutical Manufacturers
Association of Canada
Ottawa, Ontario, Canada

William F. Glavin
President Emeritus
Babson College
Wellesley, Massachusetts, U.S.A.

Scott M. Hand
President
Inco Limited
Toronto, Ontario, Canada

Charles H. Hantho, C.M.
Chairman
Dofasco Inc.
(producer of iron, primary
steel and finished steel products)
Hamilton, Ontario, Canada

David P. O'Brien
Chairman, President and
Chief Executive Officer
Canadian Pacific Limited
(transportation, energy,
real estate and hotels)
Calgary, Alberta, Canada

Michael D. Sopko
Chairman and
Chief Executive Officer
Inco Limited
Toronto, Ontario, Canada

James M. Stanford
Retired Chairman, President
and Chief Executive Officer
Petro-Canada
(integrated oil and
gas producer)
Calgary, Alberta, Canada

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

Officers of the Company and Subsidiary Units

Michael D. Sopko*
Chairman and
Chief Executive Officer

Scott M. Hand*
President

EXECUTIVE VICE-PRESIDENTS

Stuart F. Feiner*
General Counsel
and Secretary

Peter J. Goudie*
Marketing

George C. Halatsis*
Chief Financial Officer

Peter C. Jones*
Operations

VICE-PRESIDENTS

Wm. Gordon Bacon
Technology and Engineering

Bruce R. Conard
Environmental and
Health Sciences

Mark J. Daniel*
Human Resources

Robert A. Horn
Exploration

Donald T. Hurley
Treasurer

John B. Jones
Inco Special Products

Ronald A. Lehtovaara
Comptroller

William A. Napier
Environment and Health

Alan C. Stubbs*
Public and Government Affairs

OPERATIONS AND REGIONAL OFFICERS

Ronald C. Aelick
President
Ontario Division

Melvin V. Wyshynski
President
Manitoba Division

Rumengan Musu
President and
Chief Executive Officer
PT International Nickel
Indonesia Tbk

Edward W. Hodkin
Senior Vice-President and
Chief Operating Officer
PT International Nickel
Indonesia Tbk

R. Allan Bale
Production Director
Inco Europe Limited

Peter G. Garritsen
Président and Directeur Général
Goro Nickel S.A.

A. Stewart Gendron
President
Voisey's Bay Nickel
Company Limited

David J. Anderson
President
International Nickel, Inc.

C.M. (James) Shih
President
Inco Asia Limited and
Inco Pacific Sales Limited

Shozo Kawaguchi
President and
Representative Director
Inco TNC Limited

David C. Maynard
Marketing Director
Inco Europe Limited

Richard L. Guido
President
Inco United States, Inc.

Kenneth L. Money
President
The International Metals
Reclamation Company, Inc.

* Member of Management Committee



Left to Right:
Michael D. Sopko
Scott M. Hand
Peter C. Jones
Stuart F. Feiner



Left to Right:
Peter J. Goudie
George C. Halatsis
Alan C. Stubbs
Mark J. Daniel

Inco Worldwide

EXECUTIVE OFFICE

145 King Street West
Suite 1500
Toronto, Ontario
Canada M5H 4B7
(416) 361-7511
e-mail: inco@inco.com
Web site: www.inco.com

PRIMARY METALS PRINCIPAL OPERATING UNITS

Ontario Division
Copper Cliff, Ontario, Canada
Port Colborne, Ontario, Canada

Clydach Refinery
Clydach, Swansea, Wales

Acton Refinery
London, England

Manitoba Division
Thompson, Manitoba, Canada

PT International Nickel
Indonesia Tbk
Sorowako, Indonesia
59% owned

Inco TNC Limited
Matsuzaka, Japan
67% owned

PRINCIPAL SALES OFFICES

Inco Limited
Toronto, Ontario, Canada
(416) 361-7511

International Nickel, Inc.
Saddle Brook, New Jersey
U.S.A.
(201) 843-8600

Upland, California
U.S.A.
(909) 946-2111

Inco Europe Limited
London, England
(44) 207 931-7733

International Nickel GmbH
Düsseldorf, Germany
(49) 211 17396-0

Inco TNC Limited
Tokyo, Japan
(81) 33-245-0621

Inco Pacific Sales Limited
Hong Kong
(852) 2521-2333

Bangkok, Thailand Δ
(66) 2 285-4414

Shanghai,
People's Republic of China Δ
(86) 21 6249-2100

Kaohsiung, Taiwan •
(886) 7-787-0320

Inco Asia Limited
Bridgetown, Barbados
(246) 228-0468

OTHER SUBSIDIARIES AND UNITS

Inco Special Products
Toronto, Ontario, Canada
(416) 361-7858

Inco United States, Inc.
Saddle Brook, New Jersey
U.S.A.
(201) 843-8600

Novamet Specialty Products
Corporation
Wyckoff, New Jersey
U.S.A.
(201) 891-7976

The International Metals
Reclamation Company, Inc.
Ellwood City, Pennsylvania
U.S.A.
(724) 758-5515

Exploraciones Y Explotaciones
Mineras Izabel, S.A. (Exmibal)
Guatemala
70% owned

Compagnie des Mines
de Xere (CMX)
Paris, France
85% owned

Goro Nickel S.A.
Noumea, New Caledonia
100% owned by CMX

Jinco Nonferrous Metals Co., Ltd.
Kunshun,
People's Republic of China
65% owned

Ingold Holdings Indonesia, Inc.
Toronto, Ontario, Canada

Voisey's Bay Nickel
Company Limited
St. John's, Newfoundland and
Labrador, Canada
(709) 758-8888

Δ Representative Office

• Branch Office

Shareholder Information

2000 COMMON SHARE TRADING INFORMATION

	Quarter	Share Trading Volume (millions)	Share Price High	Share Price Low
Toronto Stock Exchange	First	60	Cdn.\$36.65	Cdn.\$21.50
	Second	36	28.10	21.50
	Third	36	28.35	20.55
	Fourth	39	25.34	21.20
		171		
New York Stock Exchange	First	52	U.S.\$25.13	U.S.\$14.81
	Second	30	18.88	14.63
	Third	32	19.13	14.13
	Fourth	25	16.97	13.94
		139		

COMMON SHARES TRADED ON SEVEN MAJOR INTERNATIONAL STOCK EXCHANGES

Ticker Symbol

Toronto	N
New York	N
London	N
Paris	INCL
Swiss	N
Brussels	NT
Frankfurt	INC

Toronto

Common Shares:	N
Series E Preferred Shares:	N. Pr. U
Common Share	
Purchase Warrants:	N. WT

New York

Common Shares:	N
Series E Preferred Shares:	N. Pr. E
Common Share	
Purchase Warrants:	NWG

INDEX LISTINGS

S&P 500
TSE 35 Official
TSE 100
TSE 300
S&P/TSE 60
TSE Metal & Mine
S&P Metals – Misc.

Number of Common Shareholders (December 31, 2000)

21,607

COMMON SHARES

(millions)

Outstanding at	
December 31, 2000	182
Weighted-average:	
basic	182
fully diluted	200

VOLUME OF COMMON SHARES TRADED

(millions)	2000	1999
TSE	171	220
NYSE	139	160

Closing Price of Common Shares (December 31, 2000)

TSE	Cdn.\$25.10
NYSE	U.S.\$16.76

TRANSFER AGENTS AND REGISTRAR

CIBC Mellon Trust Company is the registrar, transfer agent and disbursing agent for the Common and Series E Preferred Shares of Inco Limited. As such, it handles all dividend disbursing and shareholder recordkeeping functions for Inco shareholders, including activities related to the Company's Optional Stock Dividend Program and Share Purchase Plan.

TRANSFER AGENTS AND OFFICES

CIBC Mellon Trust Company
Toronto, Montreal and Vancouver,
and London, England
ChaseMellon Shareholder Services,
L.L.C., New York

REGISTRAR

CIBC Mellon Trust Company
Toronto

Corporate Information

CORPORATE ADDRESS

Inco Limited
145 King Street West
Suite 1500
Toronto, Ontario
Canada M5H 4B7

CONTACT INFORMATION GENERAL INQUIRIES

For general inquiries:
Phone: (416) 361-7511
Facsimile: (416) 361-7781
e-mail: inco@inco.com
Web site: www.inco.com

MEDIA INQUIRIES

For media inquiries contact:
Jerry Rogers
Director, Corporate Public Affairs
Phone: (416) 361-7754
Facsimile: (416) 361-7736
e-mail: jrogers@inco.com

INVESTOR INQUIRIES

For investor inquiries contact:
Sandra E. Scott
Director, Investor Relations
Phone: (416) 361-7758
Facsimile: (416) 361-7736
e-mail: sescott@inco.com

SHAREHOLDER INQUIRIES

For shareholder inquiries contact:
CIBC Mellon Trust Company
P.O. Box 7010
Adelaide Street Postal Station
Toronto, Ontario M5C 2W9
Phone: (416) 643-5500
1-800-387-0825
(North America)
Facsimile: (416) 643-5501
e-mail: inquiries@cibcmellon.com
Web site: www.cibcmellon.com

ANNUAL MEETING

The Company's Annual General Meeting of Shareholders will be held at 10:00 a.m. on April 25, 2001 at The Toronto Hilton Hotel in Toronto, Ontario, Canada.

PUBLICATIONS 10-K REPORT AVAILABLE

A copy of the 2000 Annual Report on Form 10-K, filed with the United States Securities and Exchange Commission, may be obtained on www.inco.com or by writing to:
The Secretary, Inco Limited
145 King Street West, Suite 1500
Toronto, Ontario
Canada M5H 4B7

ANNUAL REPORT

To receive additional copies of this report, please contact
Inco Public Affairs at:
Phone: (416) 361-7676
Facsimile: (416) 361-7736

This report is also available in downloadable format on our Web site at www.inco.com.

RAPPORT ANNUEL

La version française du Rapport annuel sera fournie en ligne à www.inco.com.

CAUTIONARY STATEMENT REGARDING FORWARD- LOOKING STATEMENTS

Certain statements are contained in this Annual Report under "Inco at a Glance," "Financial Performance," "Low-Cost Production," "Specialty Products," "Good Labour Relations," "The Market," "Performance Scorecard," "Letter to Shareholders," "Environment, Health and Safety Performance" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" with respect to projections for nickel supply and demand and stainless steel and stainless steel scrap, the Company's nickel, copper and precious metals production levels and costs, its position as a low-cost producer of nickel, its strategies and objectives, capital expenditures, interest expense, premiums realized on its metals prices, its sales organization, personnel requirements, sensitivity of financial results to changes in metals prices, exchange rates and other costs, environmental, health and safety initiatives, sales of specialty nickel products, cost reduction and other financial and operating objectives for 2001 and beyond, the timing of construction and production at the Voisey's Bay, Goro and other projects and unit cash costs at PT Inco, potential reserves and resources, research and development initiatives and other issues and aspects relating to its business and operations and other statements are "forward-looking statements" (as defined in the U.S. Securities Exchange Act of 1934 and related U.S. securities laws). Inherent in these statements are known and unknown risks, uncertainties and other factors well beyond the Company's ability to control or predict. Future results may differ materially from those contemplated by these statements depending on, among others, such key factors as business and economic conditions, the supply and demand for its products, deliveries, production levels, production and other anticipated and unanticipated costs and expenses, metals prices, premiums realized over London Metal Exchange cash and other benchmark prices, tax benefits, the Canadian-U.S. dollar and other exchange rates, the timing of the development of, and capital costs and financing arrangements associated with, the Goro and other projects, the timing of the receipt of governmental and other approvals, political unrest or instability in other countries such as Indonesia, risks involved in mining, processing, exploration and research and development activities, market competition and labour relations.

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