

1990 ANNUAL REPORT

INCO



ASSURED MARKETS WORLDWIDE

SECURE INCO'S POSITION

AS A PREMIER METALS COMPANY

INCO LIMITED IS ONE OF THE WORLD'S PREMIER MINING AND METALS COMPANIES. IT IS THE LEADING PRODUCER OF NICKEL, SUPPLYING ABOUT ONE-THIRD OF NON-COMMUNIST WORLD* DEMAND. IT IS ALSO A MAJOR PRODUCER OF HIGH-NICKEL AND OTHER ALLOYS, AND MANUFACTURES HIGH-PERFORMANCE ALLOY COMPONENTS FOR AEROSPACE AND OTHER DEMANDING INDUSTRIAL APPLICATIONS. IN ADDITION, INCO IS AN IMPORTANT PRODUCER OF COPPER, COBALT AND PRECIOUS METALS, AND IS MAJORITY OWNER OF A SIZE-ABLE, GROWING GOLD COMPANY.

INCO IS COMMITTED TO REALIZING THE FULL POTENTIAL OF ITS CORE BUSINESSES THROUGH A STRATEGIC PROGRAM AIMED AT MODERNIZING AND EXPANDING FACILITIES, DEVELOPING NEW VALUE-ADDED PRODUCTS, IMPROVING PRODUCTIVITY, REDUCING THE IMPACT OF CYCLICAL SWINGS IN THE NICKEL MARKET AND MANAGING ITS RESOURCES IN AN ENVIRONMENTALLY SOUND MANNER.

INCO'S 19,387 EMPLOYEES IN 19 COUNTRIES PARTICIPATE IN THE COMPANY'S PERFORMANCE THROUGH PROFIT-SHARING OR OTHER BONUS ARRANGEMENTS. MORE THAN 90 PER CENT OF INCO'S EMPLOYEES ARE ALSO SHAREHOLDERS.

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Annual Meeting

The Company's Annual Meeting will be held in Toronto on April 17, 1991.

Rapport Annuel

La version française du Rapport Annuel sera fournie sur demande.

10-K Report Available

A copy of the 1990 Annual Report on Form 10-K to be filed with the United States Securities and Exchange Commission may be obtained from the Company upon request. Requests should be addressed to: The Secretary, Inco Limited, Royal Trust Tower, Toronto-Dominion Centre, Toronto, Ontario M5K 1N4 or at One New York Plaza, New York, New York 10004.

Auditors

Price Waterhouse
Toronto and New York

Counsel

Osler, Hoskin & Harcourt
Toronto
Sullivan & Cromwell
New York

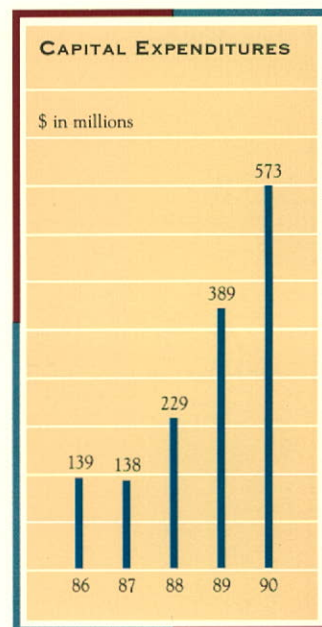
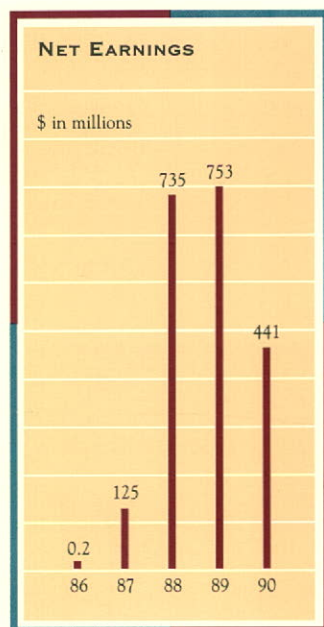
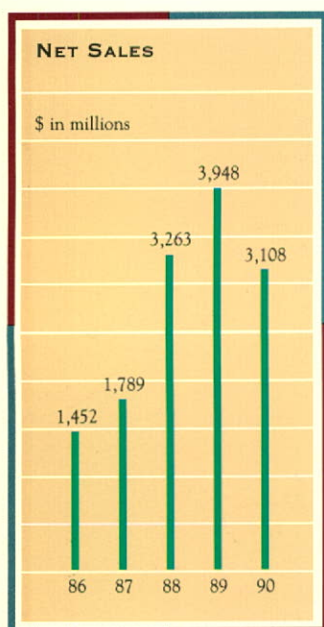
Transfer Agents and Registrars

The Royal Trust Company
Toronto, Calgary, Montreal
and London, England
The Bank of New York
New York, New York

*Excludes the USSR, China and the Comecon countries.

\$ in millions (except per share amount)	1990	1989	1988
Net sales	\$3,108	\$3,948	\$3,263
Net earnings	\$ 441	\$ 753	\$ 735
Earnings per share	\$4.18	\$7.11	\$6.92
Return on year-end common shareholders' equity	26.5%	58.0%	105.9%
Cash surplus before financing activities	\$ 113	\$ 389	\$ 887
Total debt	\$1,008	\$1,007	\$ 735
Capital expenditures	\$ 573	\$ 389	\$ 229
Employees	19,387	19,337	18,658

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



After two years of unprecedented prosperity for your Company, Inco's financial results in 1990 were at a lower but still very healthy level. Net earnings were \$441 million, or \$4.18 per share, down from a record \$753 million, or \$7.11 per share, in 1989. This decline was due primarily to lower nickel prices and increased unit production costs. Return on common shareholders' equity was 26 per cent in 1990, exceeding our goal of 15 per cent.

The year saw continued strength in nickel markets, as non-communist world demand established a new high for the fourth consecutive year. We continued to succeed in our goal of maintaining a one-third share of market demand.

World nickel prices receded from the extraordinary highs of \$8 and more per pound reached in 1988 and 1989. Inco's average nickel price realization was \$4.10 per pound in 1990, down from \$5.61 in 1989. However, this level still produced strong earnings and allowed the Company to continue with its major, long-term program of capital investments.

Operating earnings of our alloys and engineered products business declined 47 per cent in 1990, due primarily to lower volumes and narrower alloy products margins, but were still at the second highest level in the past decade.

PEAK YEAR FOR CAPITAL SPENDING

The major challenge faced by Inco is to continue its leadership as a low-cost producer in the highly competitive nickel industry. We cannot control nickel prices. However, we can and will control costs. To this end we have embarked on a far-reaching capital investment program to simultaneously improve productivity and safety, enhance environmental standards and further strengthen Inco's competitiveness in the worldwide nickel market.

We have stepped up our capital spending significantly. From 1980 through 1988, Inco's capital expenditures averaged \$129 million annually. In 1989 they rose to \$389 million and in 1990 to \$573 million. Expenditures for 1991 are budgeted at \$450 million. These expenditures represent a prudent investment in Inco's future for the benefit of shareholders, customers, employees and the

communities where Inco has facilities. Given a continuation of 1990 metals prices, available cash plus cash flow from operations should be sufficient to finance total capital expenditures and dividends, and Inco's debt:equity ratio should remain essentially unchanged.

Over the two-year period 1990-91, more than \$300 million is being invested in environmental programs, principally to reduce sulphur dioxide emissions at the Company's operations in Sudbury, Ontario. The balance of our capital investment program is directed toward sustaining and increasing nickel production, improving safety and productivity, controlling unit production costs and generating a consistently higher level of earnings from our alloys and engineered products business.

FOCUS ON UNIT PRODUCTION COSTS

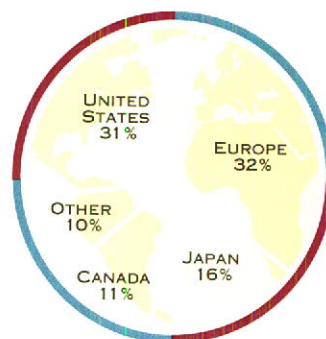
While Inco achieved dramatic productivity improvements in the early 1980s, with consequent reductions in unit production costs for nickel and copper, these costs have increased since 1987 at our Canadian operations. Higher unit costs in 1990 were principally due to lower ore grades and reduced production volumes.

It is essential that we turn this situation around. The start-up of new mines now under development will result in higher ore grades. In addition, we have entered a new phase of productivity improvement. Each of our new mines will incorporate Inco's safer, highly productive bulk mining methods and combined with the latest in automated mine equipment and other improvements will contribute importantly to assuring low unit costs of production.

P.T. INCO PUBLIC OFFERING

Financial results for 1990 include an after-tax gain of \$112 million, or \$1.08 per share, from the sale of a 20 per cent equity interest in our Indonesian nickel subsidiary, P.T. Inco, through a public offering of common stock. This sale satisfied a requirement of the Contract of Work with the Indonesian government. We continue to hold a 58 per cent equity interest in P.T. Inco, which remains a key production unit in our strategy to serve customers in all major nickel markets worldwide.

GEOGRAPHIC DISTRIBUTION
OF NET SALES
BY LOCATION OF CUSTOMER



FORMATION OF TVX GOLD

Inco took a major step in early 1991 toward realizing value from its growing gold operations. These developments were started in the mid-1980s and by year-end 1990 encompassed three operating mines as well as a number of promising gold properties.

In January 1991, Inco Gold merged with Consolidated TVX Mining Corporation to create a medium-sized international gold company. The new company, TVX Gold Inc., is 62 per cent owned by Inco and will be our main vehicle for Inco's participation in gold mining and processing. Shares of TVX Gold are publicly traded on the Montreal and Toronto stock exchanges, establishing a market value for Inco's investment.

INCO PEOPLE

I wish to express my personal thanks to all Inco employees worldwide for their dedication and support. Inco is committed to employee training at all levels to build its competitive advantage. In addition, to more closely align the interests of employees and shareholders, we are continuing the Company's Employee Share Award Plan. A total of 1.2 million Inco common shares have been issued to employees through this plan since early 1989. Employees now own more than one per cent of the Company's common stock, and we hope to increase that percentage over time.

OUTLOOK

The coming year will be a challenging period for the nickel industry and Inco, compared to recent years of extraordinarily high nickel prices and robust earnings. As always, the major factors that will influence Inco's financial results will be the prices we realize for our products and the degree to which we can control and, wherever possible, lower our costs.

At this writing, we are cautiously optimistic about the outlook for 1991. With strong sales and production facilities in most major global markets – North America, Europe, Japan and the Far East – Inco has not yet felt any signifi-

cant impact from the recession occurring in the United States and Canada. Furthermore, worldwide nickel demand remains strong and inventories are extremely low. The three-month price for nickel on the London Metal Exchange is holding relatively steady at just under \$4 a pound.

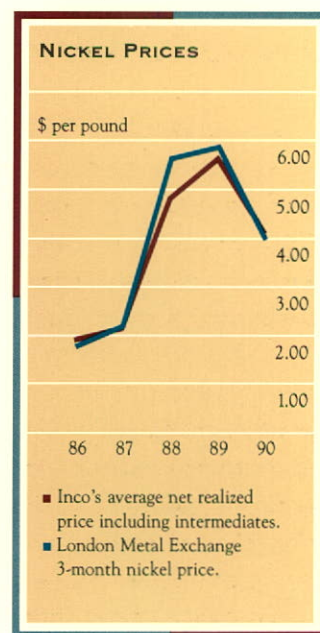
At the same time, Inco's production costs are well insulated against the current uncertainties in world oil markets. At P.T. Inco, each \$1 per barrel change in oil prices has an impact of less than two cents per pound on nickel in matte costs, because over 50 per cent of the operation's energy requirements are provided by its hydroelectric power facility. At Inco's Canadian operations, the direct impact of an oil price change is negligible, since the predominant energy sources are electricity and natural gas.

Longer term, the outlook remains very bright. The nickel industry is currently operating at capacity. Relatively little new capacity is scheduled to come on stream for the foreseeable future, with the result that the industry could be facing long periods of balanced supply and demand or even tight supply conditions. In our view, the decade of the 1990s holds great promise for Inco. We believe the nickel industry offers sound long-term growth prospects well into the 21st century.

We enter the new year with confidence about the Company and its prospects. By investing to remain a leading, low-cost producer of nickel, Inco will be well positioned to earn a healthy profit and produce a favourable return for its shareholders.

Donald J. Phillips

Donald J. Phillips
Chairman, President and
Chief Executive Officer
February 13, 1991

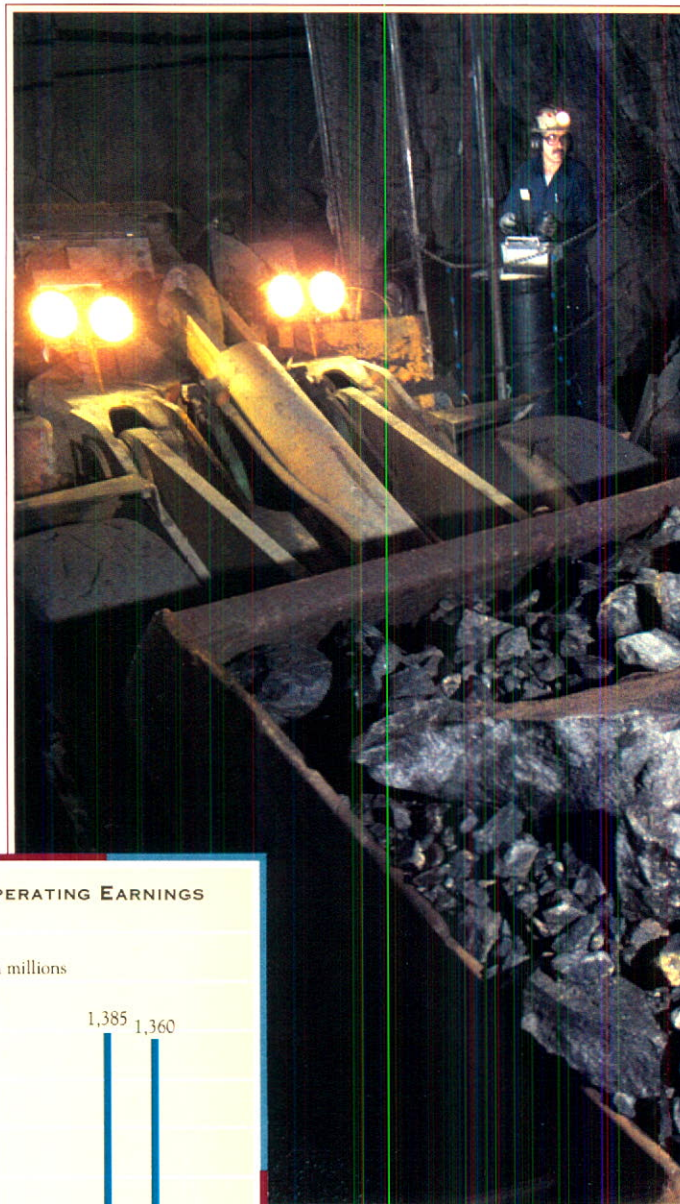


Inco's major goal in primary metals is to continue its strong position as a low-cost nickel producer and maintain about a one-third share of non-communist world nickel demand.

Achieving this goal requires substantial capital investments to sustain and increase nickel production capacity, improve productivity and safety, and satisfy environmental requirements. Primary metals capital expenditures were a record \$501 million in 1990, up from \$341 million in 1989. These investments are positive evidence of Inco's determination to strengthen its position in its core businesses and continue as a leading, low-cost, environmentally sensitive nickel producer.

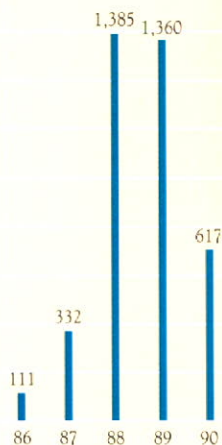
The financial performance of primary metals operations continued to be favourable in 1990. However, operating earnings of \$617 million were below the unprecedented levels achieved in 1988 and 1989, when nickel prices surged to new highs. Operating earnings in 1990 were down 55 per cent from 1989, due primarily to lower average nickel prices and increased unit production costs. Net sales to customers were \$2,369 million, down 26 per cent from 1989. Sales and cost of sales reflect deliveries of purchased nickel, chiefly from the London Metal Exchange (LME).

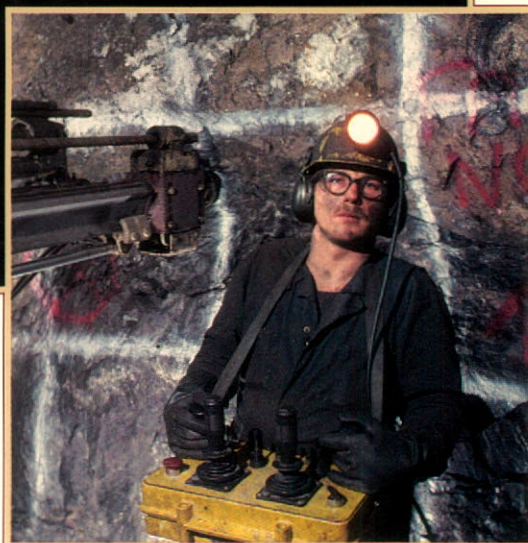
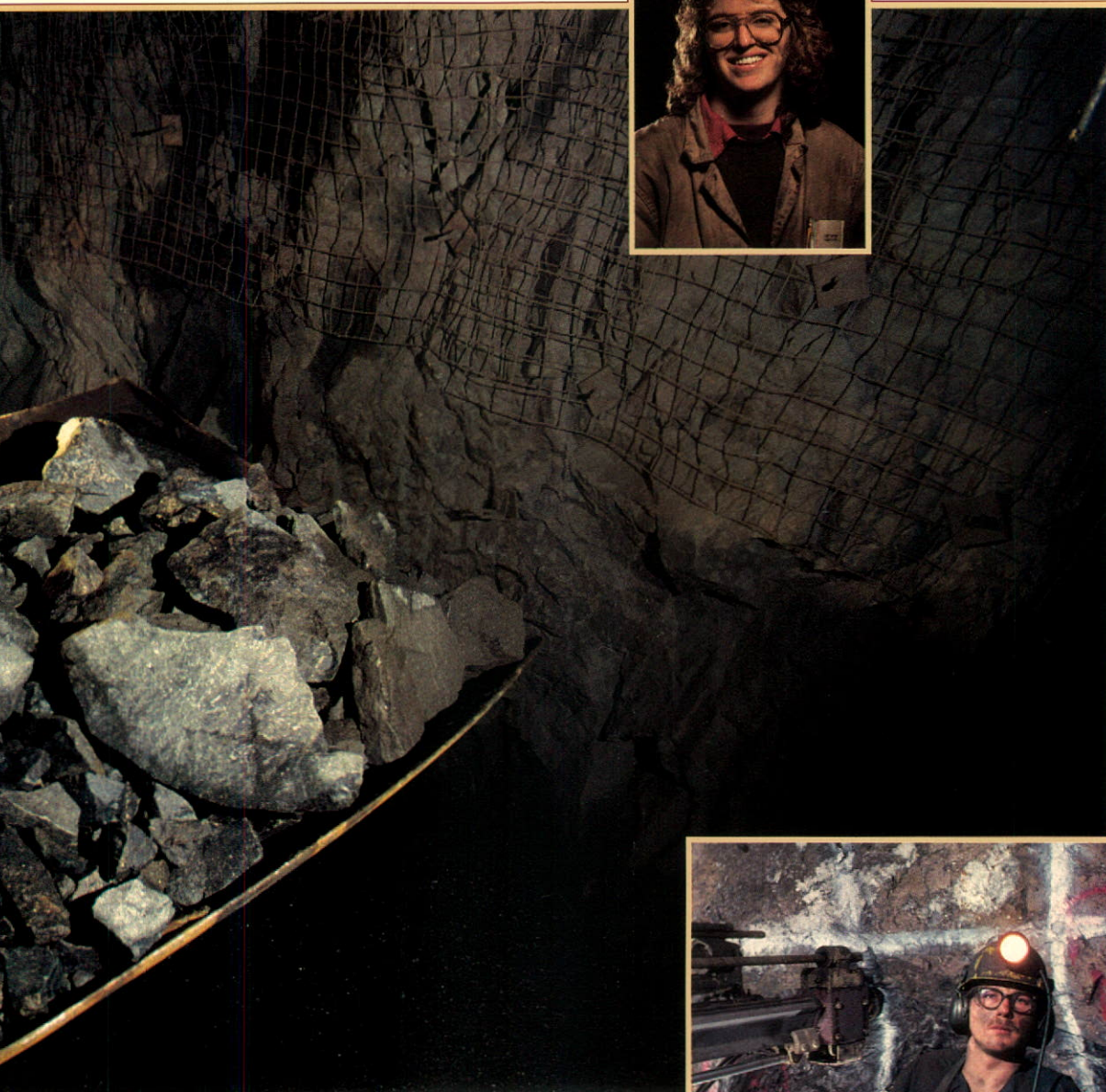
Non-communist world nickel demand increased about three per cent to an estimated 1,500 million pounds, a record for the fourth consecutive year. Demand continued to be driven by growth in stainless steel production, particularly in Western Europe, Japan and the Far East. Nickel supply, at some 1,450 million pounds, fell short of demand for the fourth time in five years.



OPERATING EARNINGS

\$ in millions





REYNOLD GIONEST OF LITTLE STOBIE MINE IN SUDBURY OPERATES THE REMOTE CONTROLS OF A JOHN CLARK INC. (JCI) LOAD-HAUL-DUMP VEHICLE. INCO ACQUIRED 80 PER CENT OF JCI DURING 1990.

PAT NEILSEN (TOP RIGHT) OPERATES SIMILAR VEHICLES AT FROOD-STOBIE. DANNY DOUGLAS (BELOW RIGHT) OPERATES THE REMOTE CONTROLS OF A FULLY MOBILE MINI-JUMBO DRILL AT THE THOMPSON MINE IN THE MANITOBA DIVISION.

Consequently, total producer and LME finished nickel inventories declined more than 20 per cent to an estimated 175 million pounds at the end of 1990, a minimal level. Inco's finished nickel inventories at year end were 56 million pounds, up slightly over year-end 1989.

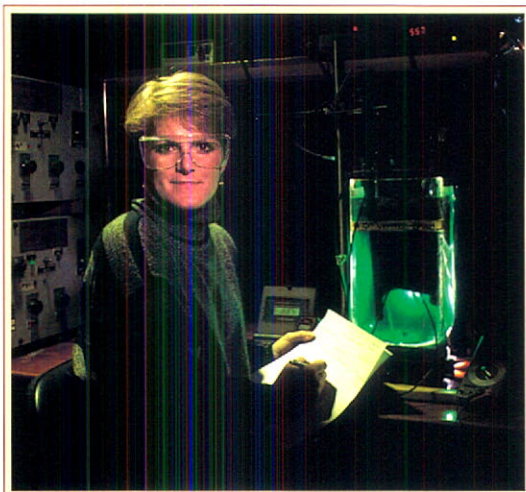
Despite these extremely tight market conditions, nickel prices receded from their 1989 peak, primarily because of a temporary softening of demand for nickel early in the year. The three-month nickel price on the LME bottomed

\$ millions	1990	1989	1988
SALES BY PRODUCT			
Primary nickel	\$1,867	\$2,674	\$2,202
Refined copper	287	338	283
Precious metals	160	148	146
Cobalt	24	23	24
Other products	31	35	31
Net sales to customers	\$2,369	\$3,218	\$2,686
OPERATING EARNINGS	\$ 617	\$1,360	\$1,385
DELIVERIES (in thousands)			
Primary nickel, including intermediates ⁽¹⁾	455,280	476,420	457,920
Nickel contained in alloys and engineered products	34,780	37,340	36,870
Total nickel (pounds)	490,060	513,760	494,790
Copper (pounds) ⁽²⁾	244,740	278,130	255,840
Platinum (troy ounces) ⁽³⁾	106	129	132
Palladium (troy ounces) ⁽³⁾	165	169	149
Rhodium (troy ounces) ⁽³⁾	13	12	18
Gold (troy ounces) ⁽³⁾	83	79	52
Silver (troy ounces) ⁽³⁾	1,430	1,470	1,570
Cobalt (pounds) ⁽²⁾	3,190	3,210	3,490
Sulphuric acid and liquid sulphur dioxide (tonnes)	495	508	523

(1) Includes purchased nickel of 99 million pounds in 1990, 87 million pounds in 1989 and 44 million pounds in 1988.

(2) Includes metals contained in alloys and engineered products.

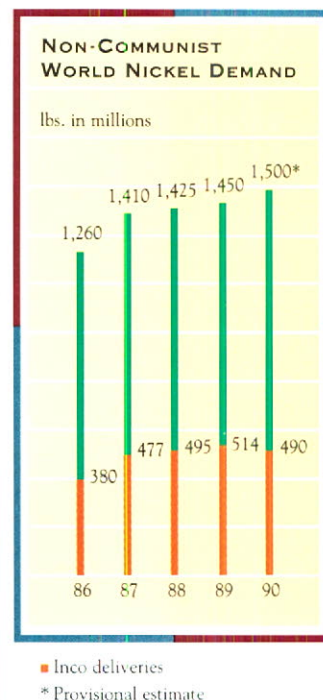
(3) Excludes toll refined materials.



at \$2.63 per pound in late January 1990, then recovered to \$5.15 in the third quarter before ending the year at \$3.72. Inco's average realized price for primary nickel, including intermediates, was \$4.10 per pound in 1990, down from a record \$5.61 in 1989.

MEETING CUSTOMERS' NEEDS

Inco continued as a reliable supplier to customers and delivered 490 million pounds of nickel, including 99 million pounds of



TOP: KATHY-LYNN HOLTER-FERGUSON WORKS IN THE PLATING APPLICATIONS LABORATORY IN THOMPSON. TOGETHER WITH THE MARKETING DEPARTMENT SHE HELPS ANSWER CUSTOMER QUESTIONS ABOUT THE PERFORMANCE AND USAGE OF PLATING NICKEL PRODUCTS. BELOW: INCO'S PROPRIETARY NICKEL POWDER PRODUCTS ARE MEETING SPECIALIZED MARKET NEEDS, INCLUDING ADVANCED BATTERY SYSTEMS FOR ELECTRIC VEHICLE AND AEROSPACE APPLICATIONS.

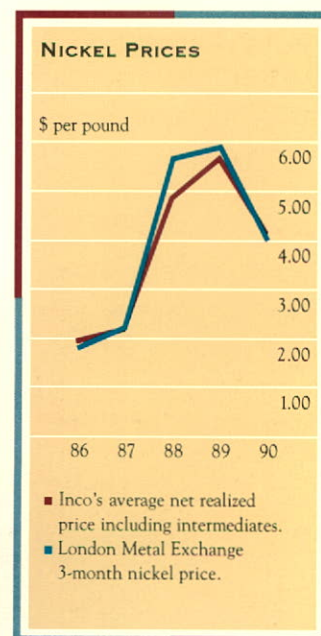
purchased nickel. The Company's share of non-communist world nickel demand was estimated at 33 per cent, down from 35 per cent in 1989.

With its operations in Canada, Europe and the Far East, Inco is well positioned to supply customers in major nickel markets worldwide. Of its 1990 total primary nickel deliveries, 29 per cent was to customers in Europe, 25 per cent to Japan, 24 per cent to the United States and 22 per cent to other countries.

Over half of Inco's nickel sales are made through fixed-volume supply contracts, which

customers' technologies, especially in the electronics and battery industries. An example is the development of special nickel powders for use in advanced battery systems for electric vehicle and aerospace applications.

The Novamet* unit, which makes nickel flakes and powders used in the manufacture of special paints and pigments for electronics applications, achieved higher sales and operating profits for the second consecutive year. Results were aided by a stronger international marketing effort.



PAT HURLEY OF THE ACTON, ENGLAND PRECIOUS METALS REFINERY MONITORS THE PRODUCTION OF RHODIUM. INCO'S AVERAGE REALIZED RHODIUM PRICE NEARLY TRIPLED IN 1990 TO \$3,620 PER TROY OUNCE.

provide customers with a guaranteed source of supply while providing Inco with assured markets. Additionally, the Company has firm markets for more than 100 million pounds of nickel annually through its alloys and engineered products operations, through sales to refineries in Japan, Taiwan and South Korea in which it holds equity interests, and through sales of proprietary, value-added products such as nickel powders.

NICKEL POWDERS

Inco Specialty Powder Products made further advances in developing new powders to meet specialized market needs. Research and production development programs are focused on opportunities created by rapid changes in

COPPER, PRECIOUS METALS AND COBALT

Inco produces 13 elements in addition to nickel. These accounted for 21 per cent of primary metals net sales in 1990.

Revenues from copper declined 15 per cent to \$287 million, as the average price realization dropped to \$1.18 per pound in 1990 from \$1.22 in 1989.

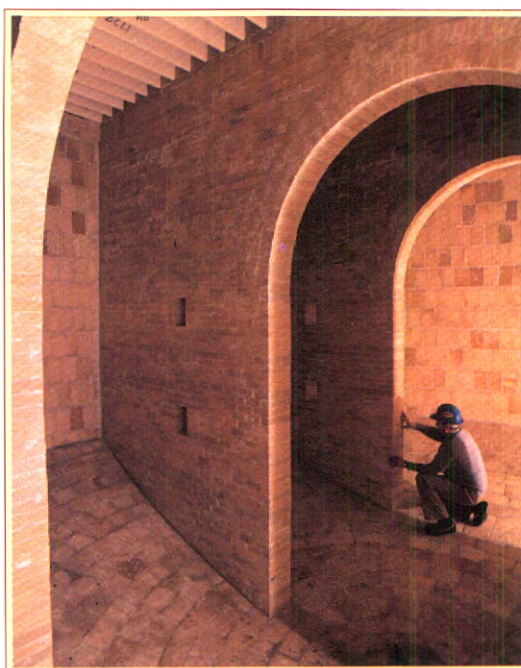
Revenues from platinum-group metals increased 10 per cent to \$120 million. Included were rhodium sales of \$48 million, up 220 per cent, as Inco's average realization for rhodium soared to \$3,620 per troy ounce in 1990 from

*Trademark of the Inco family of companies.

\$1,308 in 1989. This rare metal is used primarily in automobile exhaust catalysts, a growing worldwide application. Inco produces about five per cent of the world's rhodium supply. Average price realizations were \$476 per troy ounce for platinum, down from \$513 in 1989, and \$116 per troy ounce for palladium, down from \$146.

The Company's average realized price for gold increased slightly to \$400 per troy ounce in 1990 from \$394 in 1989. Inco produces gold as a by-product of its Canadian ores as well as from its separate gold mining operations. (See page 14 for a discussion of gold operations.) Silver realizations averaged \$4.93 per troy ounce, down from \$5.60 in 1989.

The Acton Precious Metals Refinery in England continued to increase its toll refining. Over half the material processed at Acton is



FINAL TOUCHES ARE APPLIED TO THE INTERIOR OF ONE OF THE TWO NEW OXYGEN FLASH FURNACES IN THE COPPER CLIFF SMELTER. THEY ARE A PART OF THE MAJOR CAPITAL EXPENDITURE IN THE ONTARIO DIVISION AIMED AT REDUCING EMISSIONS, AND IMPROVING PRODUCTIVITY AND THE WORKPLACE ENVIRONMENT.



(OPPOSITE RIGHT) THIS 70-TON TRUCK, PART OF THE COMPANY'S FIRST FULLY-AUTOMATED ELECTRIC ORE HAULAGE SYSTEM, IS IN OPERATION AT LITTLE STOBIE MINE IN SUDBURY.

LEN LECLAIR AND GARY WHITE (STANDING) DISCUSS THE OPERATION OF THE INCO-DEVELOPED ELECTRIC TROLLEY SYSTEM AT CREAN HILL MINE IN THE ONTARIO DIVISION.

from outside sources, providing profit as well as lowering the average processing cost for Inco-source material.

World cobalt prices rose on fears of reduced supplies from African producers. Inco's average realized cobalt price was \$8.22 per pound, up from \$7.93 in 1989.

NICKEL PRODUCTION DOWN NINE PER CENT

Following three years of high production to meet record demand, Inco reduced its nickel production in early 1990 because of market weakness at that time.

NICKEL AND COPPER PRODUCTION

(millions of pounds)	1990	1989	1988
Nickel	389	427	434
Copper	254	270	257

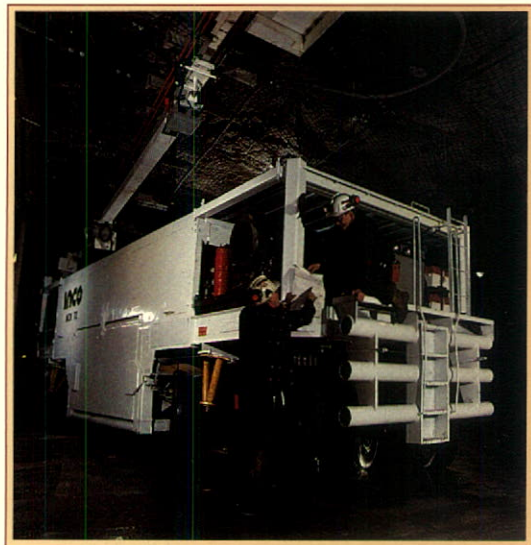
Production in 1990 was trimmed by eliminating overtime, suspending operations in March at the Company's highest-cost mine, Creighton No. 3 Mine in Ontario, and reducing production at the Birchtree Mine in Manitoba. Operations were resumed at Creighton No. 3 Mine late in the year. Lower production also reflected operational difficulties at P.T. International Nickel Indonesia.

EMPHASIS ON PRODUCTIVITY IMPROVEMENT

Improving productivity and reducing unit production costs have been priorities for the past decade. The Company believes low-cost operations are essential to its continued leadership and success in the nickel industry.

Unit costs were reduced by nearly one-third from 1982 through 1987, after which they turned upward at the Company's Canadian and Indonesian operations. The unit production cost of nickel and copper increased 14 per cent

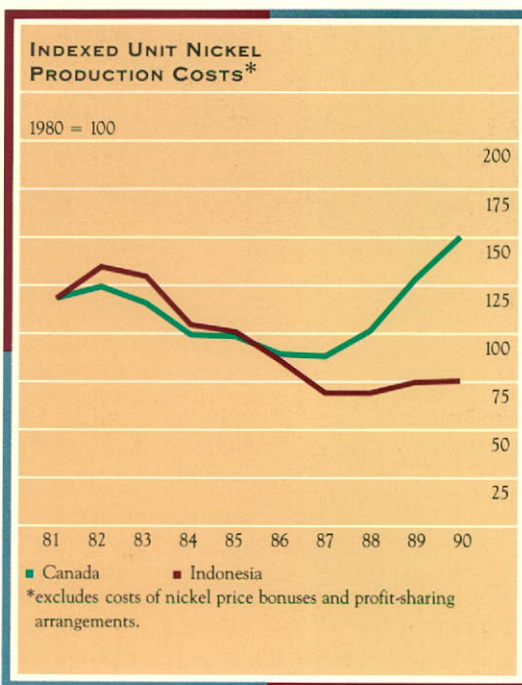
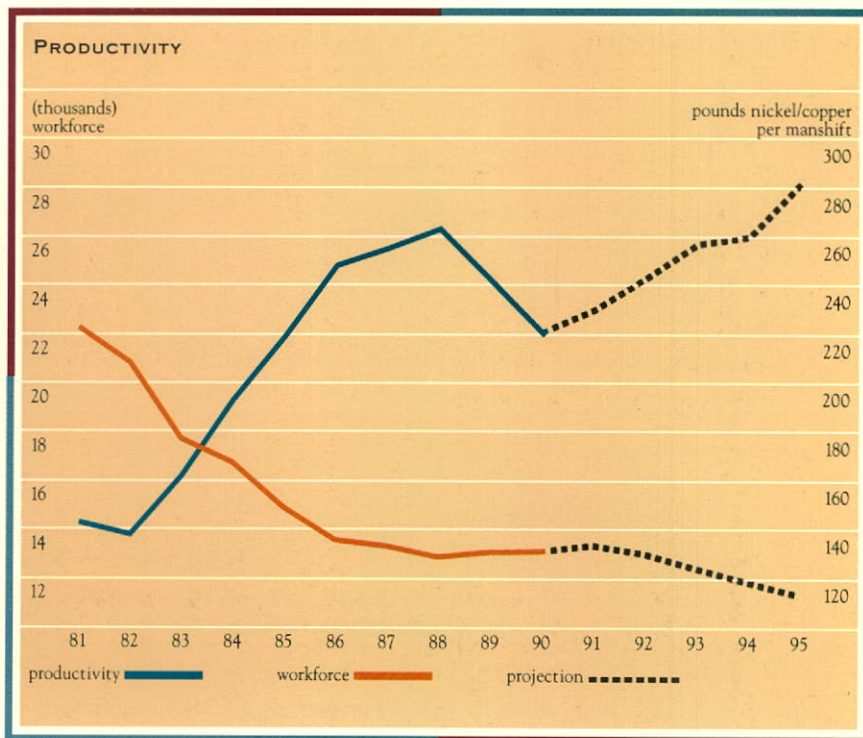
The Company is pursuing modernization programs at many of its mines and production facilities, together with the development of new mines in Ontario and Manitoba. These investments are aimed at maintaining Inco's position as a low-cost producer of quality nickel for many years into the future.

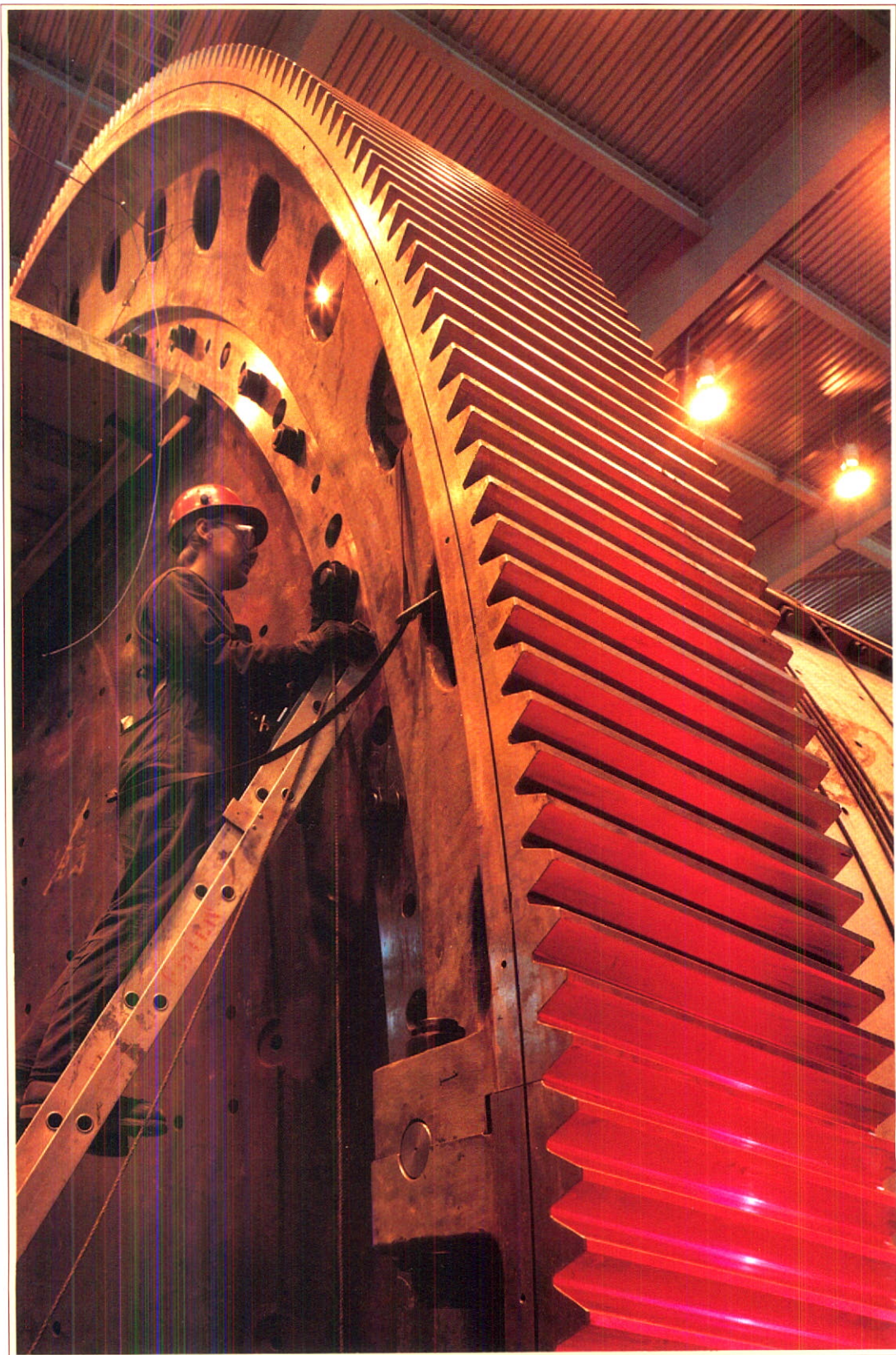


in 1990 because of lower ore grades, reduced production volumes, and higher employment and supply costs. They are likely to increase further in 1991.

However, beginning in 1992, Inco expects unit costs to benefit from new higher-grade mines scheduled to be brought into production and from the continued introduction of new mining technologies. In addition, the Company will begin to benefit in 1991 from the major modernization program under way at the Copper Cliff mills and smelter in Ontario. This program is directed at lowering sulphur dioxide emissions while simultaneously increasing productivity and reducing unit costs of production through modernized facilities.

Ore grades mined in the Ontario Division averaged 1.18 per cent nickel and 1.02 per cent copper in 1990. The division's ore grades are expected to reach their lowest levels ever in 1991, averaging about 1.13 per cent nickel and 0.99 per cent copper. As of 1992, however, new higher-grade mines under development should begin to improve the average, importantly enhancing productivity in terms of pounds of nickel plus copper produced per manshift.





DURING 1991, INCO WILL BEGIN TO SEE BENEFITS FROM ITS SULPHUR DIOXIDE ABATEMENT PROGRAM IN THE ONTARIO DIVISION. THIS SEMI-AUTOGENOUS GRINDING MILL CAME INTO OPERATION EARLY IN 1991, IMPROVING EFFICIENCY AT THE CLARABELLE MILL.

The Company is developing McCreedy East Mine, its largest known, undeveloped nickel-copper deposit in the Sudbury Basin. Because of its size, the high grade of its ore and the application of the latest mining technology, McCreedy East Mine is expected to be the most

productive mine in the basin when operations begin in 1993. Lower Coleman Mine, under development since 1988, is scheduled to come on stream in 1991. These two mines, together with other major mines such as Creighton, Stobie and Copper Cliff North and South,

will help sustain production capabilities in the Ontario Division for 25 years and beyond.

Late in 1990, Inco announced plans to invest \$248 million between 1991 and 1997 to develop the 1-D underground orebody and expand production at the Birchtree Mine at the Thompson, Manitoba nickel complex. This is in addition to the \$50 million announced in 1988 for the reactivation of the Birchtree Mine. These investments are aimed at sustaining production capacity at Thompson at about 120 million pounds of nickel a year while assuring operations well beyond the turn of the century. Production from the 1-D orebody is scheduled to begin in late 1992 and reach an average annual rate of 37 million pounds of nickel by 1997. Ore hoisting capacity at Birchtree is being increased 50 per cent to 4,500 tons per day. The 1-D orebody and the expanded

INDONESIAN OPERATIONS

Inco operates, and owns a 58 per cent interest in, P.T. International Nickel Indonesia (P.T. Inco). This unit has firmly established itself as one of the world's lowest-cost producers of nickel from lateritic ores. Operations will be further enhanced on completion of a major expansion program in 1991. P.T. Inco produces nickel in matte for the Japanese market.

The past year was a disappointing one for P.T. Inco following excellent results the prior two years. Production declined six per cent to 60 million pounds as a result of operational problems, including an explosion in August at one of the operation's three electric furnaces. We report with sadness that this tragic accident resulted in the deaths of nine employees of a contractor. Repairs to the damaged furnace were completed by the end of the year, but full

MINE DEVELOPMENT PROJECTS COMPLETED IN 1990 OR CURRENTLY UNDER WAY INCLUDE:

	Initial production	Anticipated peak annual production of recoverable metal	Estimated years of production	Projected capital cost
ONTARIO DIVISION				
Lower Coleman	1991	18 million pounds nickel 14 million pounds copper	10	\$ 55 million
McCreedy East	1993	42 million pounds nickel 22 million pounds copper	19	\$153 million
Garson reactivation	1995	27 million pounds nickel 23 million pounds copper	20	To be finalized
MANITOBA DIVISION				
Thompson Open Pit South	1990	30 million pounds nickel	5	\$ 37 million
Birchtree reactivation/expansion	1989/1991	34 million pounds nickel	23	\$117 million
Thompson 1-D orebody	1992	37 million pounds nickel	14	\$181 million

Birchtree Mine, both equipped with the newest technology, are expected to be twice as productive as existing underground mining operations at Thompson.

At many of its mines, Inco is introducing productive new technologies such as electric-hydraulic automated or semi-automated equipment and improved underground ore transportation and communications systems. In late 1990, the Company installed its first 70-ton, fully-automated electric-truck ore hauling system at Little Stobie Mine. At the Creighton Mine complex, consisting of mines in three separate locations, Inco is in the early stages of implementing a mine-wide computer system for monitoring and controlling major equipment from a central station.

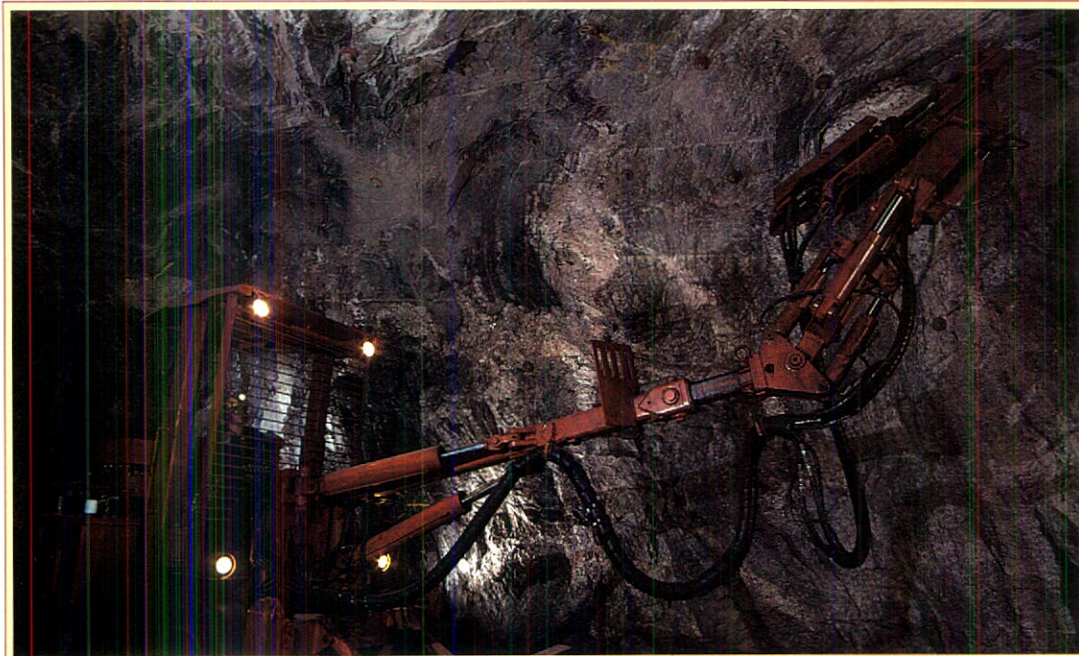
power was not restored until mid-February. The facilities are now operating at planned rates, and total production for 1991 should approximate 75 million pounds.

In May 1990, Inco completed a public offering of 20 per cent of P.T. Inco's shares, satisfying a requirement of the Contract of Work with the Indonesian government. Inco received \$249 million from the sale and realized a net gain after tax of \$112 million. In addition to public shareholders and Inco, P.T. Inco's other major shareholder is Sumitomo Metal Mining Co., Ltd., which holds an interest of slightly more than 20 per cent.

RESEARCH AND DEVELOPMENT

Primary metals research expenditures were \$40 million in 1990, a 25 per cent increase over 1989. The Company is expanding its research into new economical methods for extracting

Total Quality Improvement program. Total Quality Improvement provides a framework for employees at all levels to work together to study problems and opportunities, analyze facts and reach consensus on recommendations for



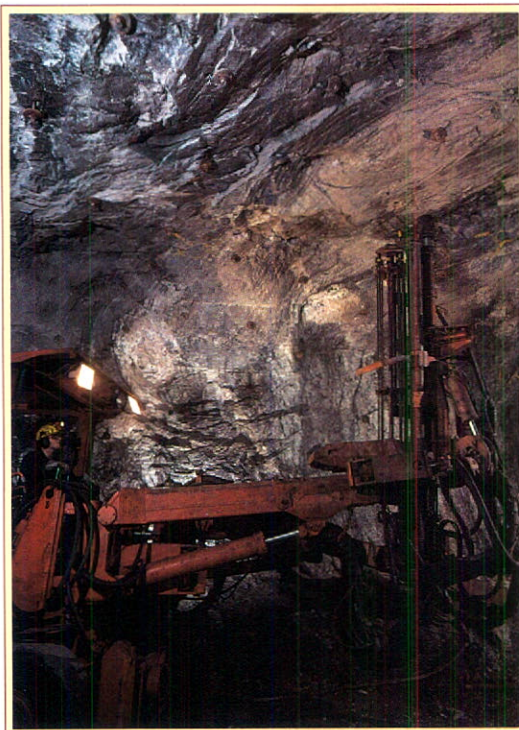
USING AN AUTOMATED SCALING MACHINE (ITOPI) AND AN AUTOMATED BOLTER MAKES MINING EASIER, SAFER AND MORE PRODUCTIVE AT THE THOMPSON MINE.

nickel from lateritic ores, since future new production will come in large measure from laterite deposits such as those in Indonesia. Inco is also increasing its research effort directed to the development of new value-added products, including new forms of nickel powders and advanced materials such as nickel-coated fibres and particles.

The J. Roy Gordon Research Laboratory, Inco's main research and development facility, is located in the Sheridan Park Research Community near Toronto. Both the laboratory and Sheridan Park celebrated their 25th anniversaries in 1990. Construction began in August on a \$10 million expansion of the laboratory. The first phase of this expansion, expected to be completed in mid-1991, involves the construction of additional mini-plant facilities to assist in the development of process improvements at Inco's Canadian and Indonesian nickel operations.

EMPLOYEES

At the heart of Inco are its people. To draw more fully on their talents, the Company, in recent years, has begun to implement a

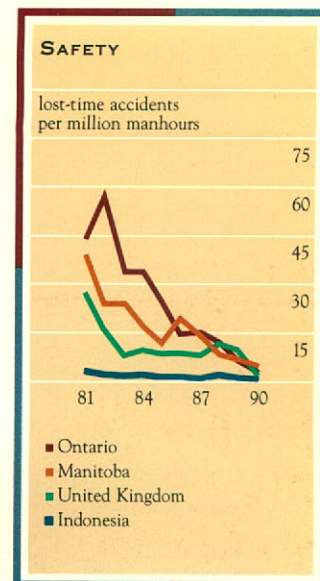


action. When exposed to such challenges and given appropriate training, employees can have tremendous influence on their jobs and Inco's success.

In 1990, the Company negotiated a new three-year collective agreement with unionized employees in the Manitoba Division, providing improved wages, pensions and other benefits. New one-year agreements were negotiated with hourly production employees at Clydach, Wales and weekly-paid employees at Acton, England. Existing agreements remain in effect with unionized employees in Sudbury and Port Colborne, Ontario through May 31, 1991 and with employees at P.T. Inco through December 31, 1991.

Fatalities are totally unacceptable. While almost all physical activities associated with mining and metals production involve some element of risk, we must design and operate our plants in such a fashion that if either a machine or a human being fails, that failure does not endanger human life. Inco is intensifying its efforts to eliminate fatalities in the workplace, including a major program to "failsafe" all aspects of the Company's operations.

Safety will continue to receive the highest possible priority.



HOISTMAN NORM BRAZEAU INSPECTS THE INSTALLATION OF THE NEW COMPUTERIZED HOIST AT THE MCCREEDY EAST MINE IN SUDBURY. INITIAL PRODUCTION FROM THE HIGH-GRADE MINE IS EXPECTED IN 1993.

Inco has forged a unique partnership with Cambrian College in Sudbury to address the growing shortage of skilled miners, tradesmen and mineral processing workers in Northern Ontario. In the program's first year of operation, 60 students graduated from the 48-week course that combines academic studies at the college with on-the-job training at Inco.

SAFETY

We regret to report the tragic deaths of two Inco employees, Cecil Taylor, in an accident at the T-1 Mine in Thompson, and Abdul Latief Nur at P.T. Inco.

EXPLORATION AND MINE DEVELOPMENT

Inco's worldwide exploration expenditures were \$46 million in 1990, compared with \$56 million in 1989. Included are expenditures of primary metals operations, Inco Exploration and Technical Services Inc. (IETS) and Inco Gold Inc.

The Company continued to expand its exploration programs for nickel in the Sudbury Basin in Ontario and the Thompson Nickel Belt in Manitoba, with an ongoing objective of delineating and developing sufficient nickel reserves to satisfy production plans for up to 40 years. Areas of mineralization in both regions are vast, offering potential for new discoveries. Having identified additional targets, the Company is now engaged in accelerated drilling programs, utilizing advanced technologies.

IETS was active at year end in more than 100 nickel, precious metals, chrome and base metals ventures and prospects in Canada, the United States, Brazil, Indonesia, New Caledonia, Botswana and Papua New Guinea. IETS also manages the sale of proprietary technology related to processing and refining, including Inco's environmentally superior process for destroying cyanide in gold mining and plating effluents.

NICKEL/COPPER ORE RESERVES

Inco's proven and probable nickel/copper ore reserves in Canada at year end were 407 million short tons, containing 5.8 million tons of nickel and 3.4 million tons of copper. This compares with year-earlier proven and probable reserves of 421 million short tons, containing 6.1 million tons of nickel and 3.7 million tons of copper. Only material that is economically viable and has been sampled in sufficient detail to permit a reliable calculation is included in reserves. Significant quantities of platinum-group metals, silver and gold are also contained in the Canadian ore reserves.

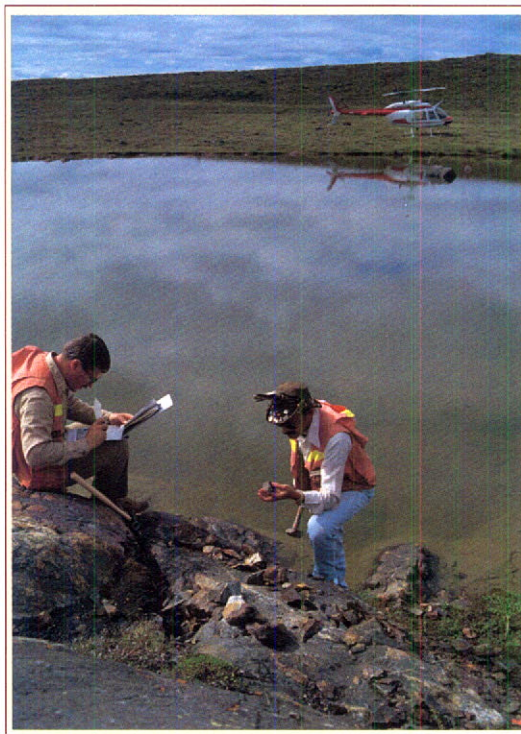
Proven and probable ore reserves at P.T. International Nickel Indonesia, at 85 million short tons containing 1.6 million tons of nickel, are similar to those reported last year.

GOLD

Inco Gold Inc. continued its rapid growth in 1990. Its share of production from three operating mines totalled 121,000 ounces of gold, up from 41,000 ounces in 1989. This increase

reflected initial production from Ouest Mine at Les Mines Casa Berardi in Quebec, as well as the first full year of operations at mines in Brazil and Montana, U.S.

Inco began to develop a separate gold mining operation in the mid-1980s. On a number of occasions, the Company has said it intended to build a profitable gold company of substance and position itself to realize value on such an investment when appropriate. The Company



DWAYNE CAR AND DAVID BEILHARTZ OF INCO EXPLORATION AND TECHNICAL SERVICES EXAMINE AN OUTCROP IN THE NORTHWEST TERRITORIES. IETS IS ACTIVE IN MORE THAN 100 METALS VENTURES AND PROSPECTS AROUND THE WORLD.

took an important step in this direction in January 1991, merging Inco Gold with Consolidated TVX Mining Corporation, to create a medium-sized international gold company. The new company, TVX Gold Inc., is 62 per cent owned by Inco. TVX shares are listed on the Montreal and Toronto stock exchanges.

TVX Gold offers excellent growth potential. The new company holds interests in six operating properties in North and South America and has reserves of more than seven million ounces of gold and silver expressed as gold equivalents. (Silver reserves and production are converted into gold equivalents at a ratio of 80 to one.)

Three of its operating properties were contributed by Inco Gold:

- a 60 per cent joint venture interest in Les Mines Casa Berardi in northwestern Quebec, encompassing the Est and Ouest Mines;
- a 50 per cent joint venture interest in Mineral Hill Mine in Montana, U.S.; and
- a 50 per cent equity interest in a mine at Crixas in the state of Goias, Brazil.

in Ontario; and a 35 per cent equity interest in High River Gold Mines together with an option to acquire a 50 per cent interest in, and operating rights to, High River's Nor-Acme property in Manitoba.

In 1991, TVX Gold's share of production is expected to be about 320,000 ounces of gold and silver expressed as gold equivalents, rising to more than 400,000 ounces in 1992. TVX



TVX GOLD PRINCIPAL PROPERTIES

INCO GOLD

- 1 CASA BERARDI, CANADA (60%)
- 2 MINERAL HILL, USA (50%)
- 3 CRIXAS, BRAZIL (50%)

CONSOLIDATED TVX

- 1 LA COIPA, CHILE (50%)
- 2 BRASILIA, BRAZIL (23%)
- 3 NOVO ASTRO, BRAZIL (49%)

Three others were contributed by Consolidated TVX:

- a 50 per cent interest in the La Coipa gold and silver mine in northern Chile;
- a 23 per cent interest in the Brasilia mine; and
- a 49 per cent interest in the Novo Astro mine in Brazil.

Inco Gold also contributed interests in three promising Canadian gold deposits which have been extensively explored from surface and underground: a 50 per cent interest in the Wilanour gold venture in Ontario; a 32 per cent equity interest in the Musselwhite deposit

Gold is a low-cost producer with an expected 1991 average cash production cost of about \$200 per ounce of gold and gold equivalents. In addition, it has access to the expertise of Inco Exploration and Technical Services Inc. in exploration, property development, and mine and processing plant operations.

Inco envisions TVX Gold as the main vehicle through which it will continue its participation in gold mining and processing.

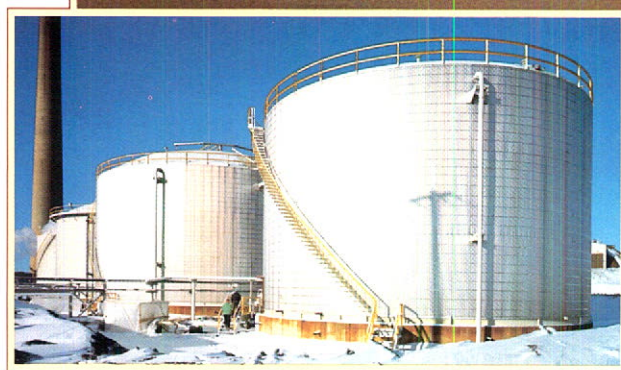
Inco's Environmental Impact Policy affirms the Company's commitment to stewardship in protecting human health and the natural environment. The Company is committed to the concept of sustainable development, which balances the need for economic growth with environmental protection.

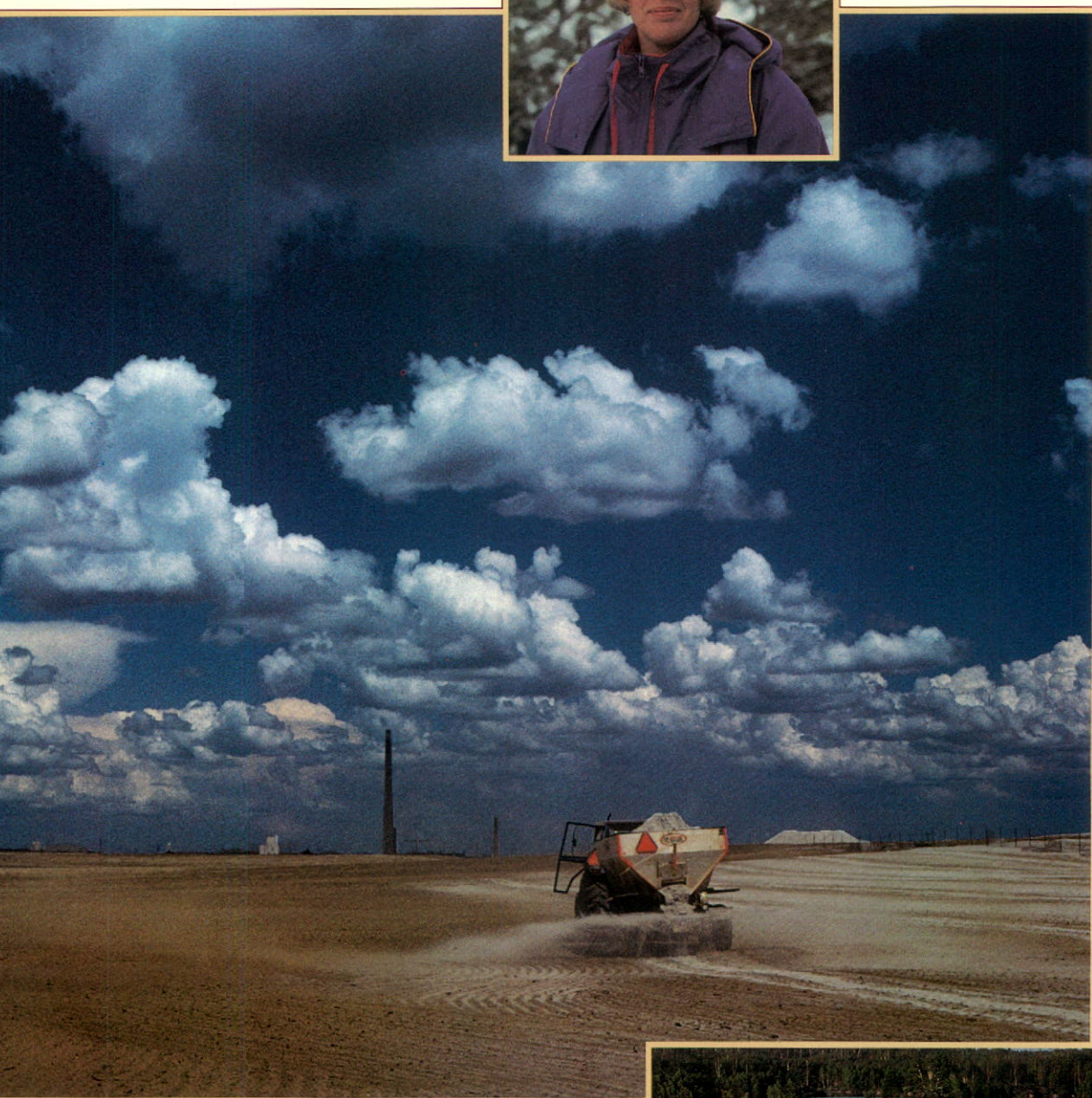
Inco is involved in a wide range of specific programs to improve its environmental performance and meet the needs of an increasingly industrialized world. Currently, the Company's largest single environmental project involves the implementation of new technology to reduce sulphur dioxide (SO_2) emissions from the Sudbury, Ontario smelter. This project continued on schedule in 1990. It is directed toward reducing SO_2 emissions from the smelter to a level of 265 kilotonnes annually by the end of 1994, as required by the Government of Ontario's Countdown Acid Rain Program. Significant emissions reductions from this project are anticipated in late 1991, when the first of two new flash smelting furnaces and a new acid plant will come on stream.

Currently, Inco contains about 70 per cent of the sulphur in the ore mined and processed at Sudbury. When fully implemented in 1994, the new technology will result in the containment of 90 per cent of the sulphur, a 60 per cent reduction in SO_2 emissions from current levels. Additionally, the operating environment will be improved and productivity will be increased.

Inco continued in 1990 with a major program of environmental audits at its mines and production facilities concentrating initially in its primary metals business. These audits are conducted by a team of specially trained Inco engineers and scientists, supplemented by specialists from an independent consulting firm. The objective of the program is to assure environmental compliance at all locations. In addition, the audits provide a benchmark for measuring future environmental performance.

The Company is involved in an innovative program to "re-green" environmentally stressed lands in the Sudbury District using aerial seeding techniques. The pilot program on land near the Clarabelle Mill was conducted at a cost of more than \$200,000. If successful, Inco intends to use the process to advance its revegetation programs in the Sudbury area.





INCO'S RECLAMATION PROGRAM IN THE SUDBURY DISTRICT, SPEARHEADED BY EMPLOYEES SUCH AS ELLEN HEALE (TOP RIGHT) HAS RESULTED IN THE RE-VEGETATION AND RE-FORESTATION OF MORE THAN 1,000 HECTARES OF LAND, MAKING THEM HABITABLE FOR MANY

SPECIES OF WILDLIFE. IN ADDITION, THE COMPANY'S LARGEST SINGLE ENVIRONMENTAL PROJECT IS AIMED AT INSTALLING NEW TECHNOLOGY TO REDUCE SULPHUR DIOXIDE EMISSIONS. PART OF THAT PROJECT IS THE CONSTRUCTION OF A NEW SULPHURIC ACID PLANT (BELOW LEFT).

Operating earnings of Inco's alloys and engineered products businesses declined 47 per cent to \$50 million in 1990. Sales were \$688 million, essentially unchanged from 1989.

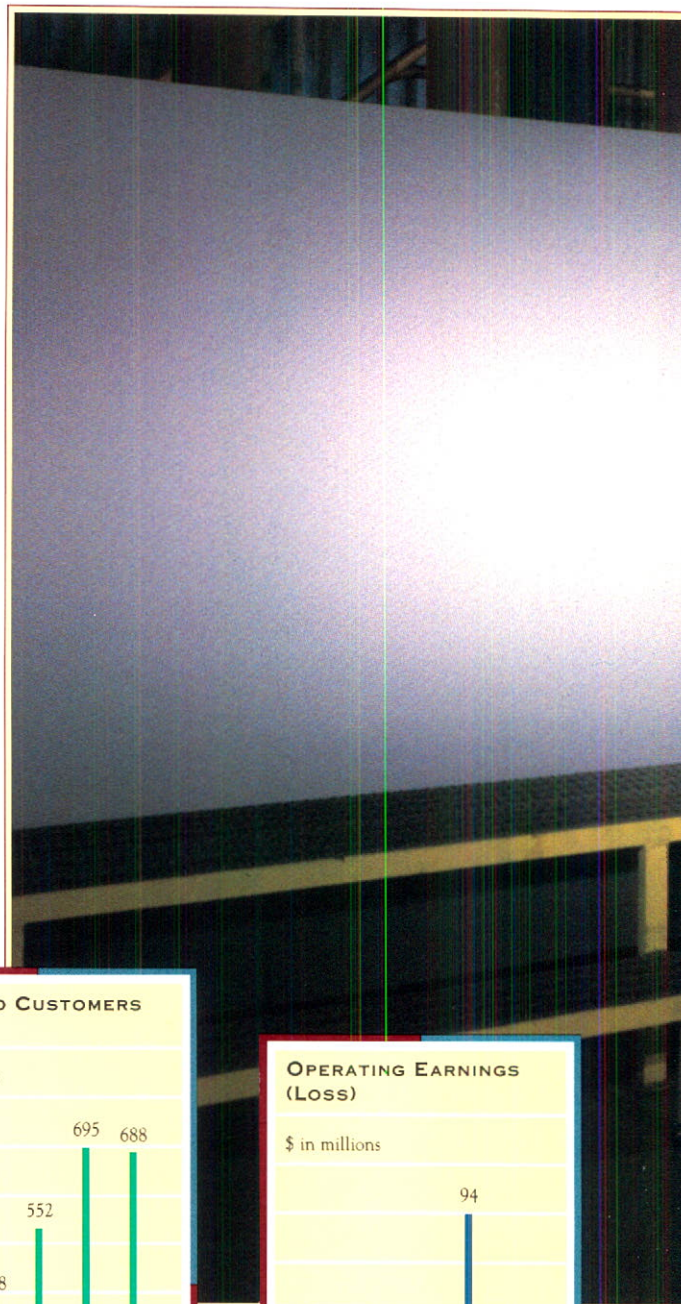
Results reflected the strong performance of engineered products operations and the favourable impact of pound sterling-U.S. dollar exchange rates. These developments were more than offset by reduced deliveries of alloy products, narrower alloy products margins and unscheduled outages at plants in Hereford, England and Huntington, West Virginia.

Although down from 1989, operating earnings were at the second highest level in the past decade, representing a continuing payback from major programs to modernize systems and facilities, improve productivity, enhance product quality and reduce costs.

During the year, these businesses invested \$55 million in capital programs, chiefly involving plant modernization and the installation of new equipment to improve quality and productivity and meet customers' needs for high-performance alloys and components. Capital expenditures in the prior year were \$41 million. Product research and development expenditures were increased to \$8 million from \$7 million in 1989.

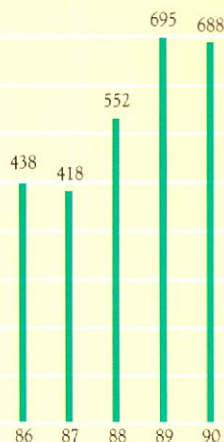
INCO ALLOYS INTERNATIONAL

Inco Alloys International (IAI) is one of the world's leading producers of high-nickel alloys, including superalloys for the most demanding applications and a full range of welding products. IAI serves customers worldwide in the aerospace, marine, energy, chemical, petrochemical, thermal processing, pollution control, general engineering, electronics and



SALES TO CUSTOMERS

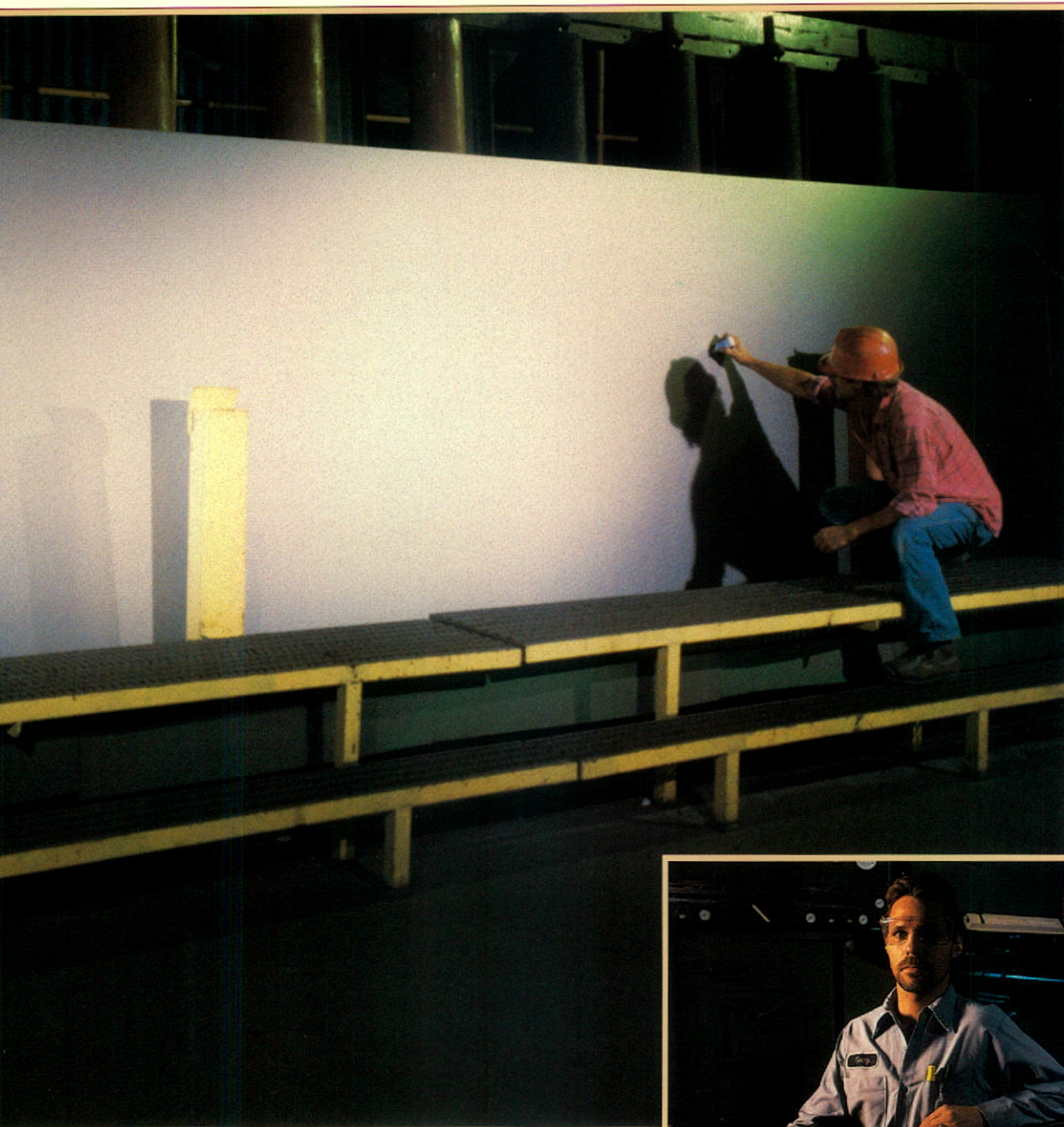
\$ in millions



OPERATING EARNINGS (Loss)

\$ in millions





HAROLD EDWARDS OF IAI'S HUNTINGTON PLANT MARKS UP ALLOY DESTINED FOR INCO'S SO₂ PROJECT IN SUDBURY. THIS IS PART OF INCO ALLOYS' LARGEST EVER ORDER FOR AN

ENVIRONMENTAL CONTROL APPLICATION. GARY DEAN (RIGHT) STANDS AT THE CONTROLS OF THE "Z" MILL AT IAI'S COLD ROLLING MILL IN ELKHART, INDIANA.



consumer goods industries. Sales in 1990 were \$480 million, down 12 per cent from 1989.

Demand for high-performance alloys was generally strong during the first half of 1990, although prices declined, reflecting lower nickel prices. Demand weakened in some markets during the second half of the year, and the downward pressure on prices intensified. Average alloy prices for the year declined nine per cent from 1989. IAI's efforts to improve customer service and product quality, and to reduce costs and operate with lower in-process inventories, are directed at achieving positive results even in periods of downturn.

Over the past five years, IAI has invested almost \$150 million to modernize and upgrade facilities and selectively expand capacity, and about \$27 million on product improvement and development.

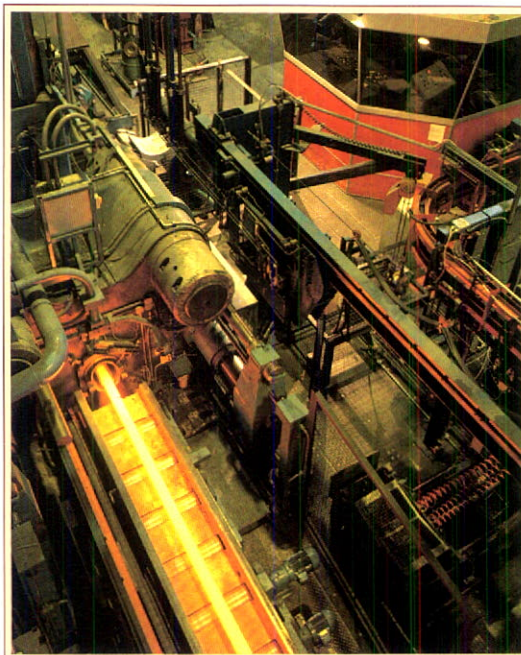
IAI moved ahead during 1990 in modernizing its major hotworking plants at Huntington and Hereford and upgrading and selectively expanding its welding products facility at Newton, North Carolina. Additional vacuum arc remelting facilities are being installed at Huntington and Hereford, with start-up scheduled in 1991. The Huntington furnace will be one of the first production-scale furnaces in the world to be equipped with visual display of all processing stages, permitting better statistical analysis and quality control.

Work continued at Hereford on the modernization of the 5,650-tonne horizontal extrusion press, an integral part of the hotworking operation for most of the mill's nickel alloy products. This work is scheduled to be completed in 1991 with the installation of six new preheating furnaces and an automated billet handling system.

A 5,000-ton forging press was installed during 1990 at Huntington. Capital projects currently under way at Huntington include the installation of new furnaces to meet stricter material processing specifications, and new materials handling equipment. A new strip slitting line, featuring the latest finishing technology, is being installed at IAI's cold rolling mill in Elkhart, Indiana.

The new equipment will enhance quality, improve IAI's ability to satisfy demands for heat- and corrosion-resistant alloys and reduce throughput times.

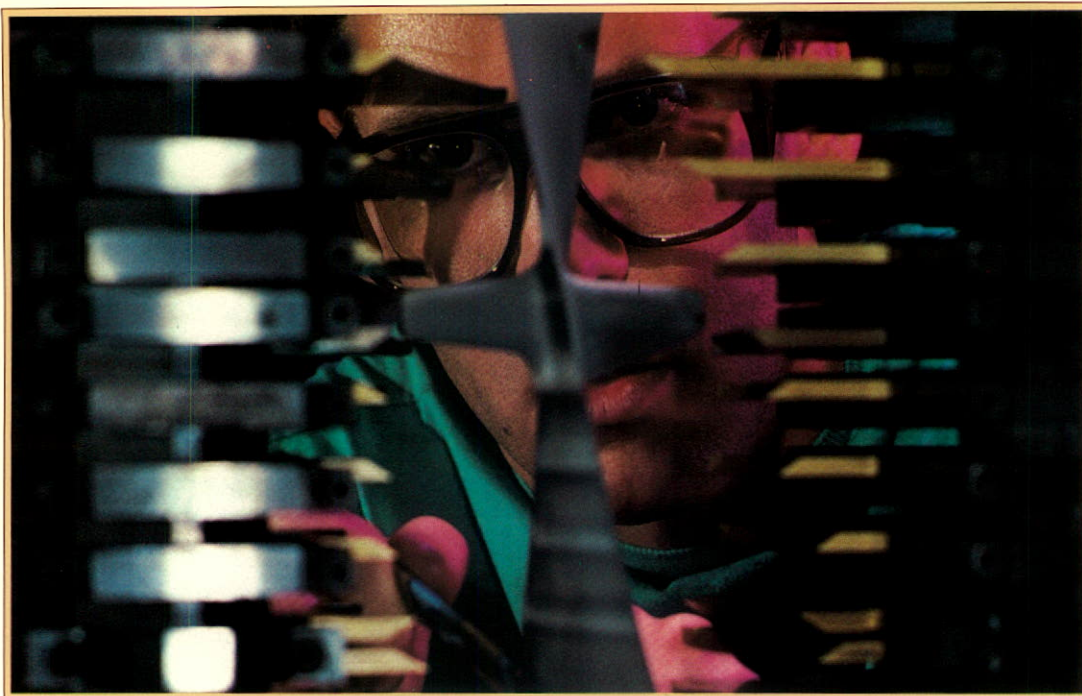
IAI continued to place major emphasis on research and development programs. The materials performance requirements of customers in the aerospace, chemical, energy and other industries are becoming increasingly demanding. Many customers are seeking alloys with higher levels of strength, often combined with reduced weight, to perform at high operating temperatures and in corrosive environments.



MODERNIZATION OF THE 5,650-TONNE HORIZONTAL EXTRUSION PRESS AT IAI'S HEREFORD, ENGLAND FACILITY IS SCHEDULED TO BE COMPLETED IN 1991.

IAI has accelerated its work on certain development programs, particularly for alloys with low coefficient of thermal expansion for high-temperature applications.

The company made important progress during the year in development and sales of: mechanically alloyed nickel- and iron-based alloys for heat treatment furnace skid rails and fabricated spinners used in the glass fibre manufacturing industry; high-quality superalloy tubular products for the oil and gas production industries; corrosion-resistant superalloy plate



LOU VALTORTA OF NEW ENGLAND AIRCRAFT PRODUCTS (NEAP) CHECKS THE TOLERANCES OF A FIRST STAGE TURBINE BLADE USING A GUILLOTINE GAUGE. INCO ENGINEERED PRODUCTS ACQUIRED NEAP IN 1990.

and sheet for pollution control systems; premium quality superalloys for aero engine turbine discs; and high temperature, low coefficient of thermal expansion alloys for aero engine structural parts. Additions to IAI's product portfolio generated \$11 million in new value added revenue, the same increase as in 1989.

Eight collaborative research projects are under way with universities, government agencies and industrial groups around the world. In addition, IAI's work with American Superconductor Corporation in developing prototype superconducting materials – capable of conducting electricity with no resistance – continues to advance.

Late in 1990, IAI joined in a new venture to stock and sell its high-performance alloys in Italy and other southern European countries. Strengthened distribution for northern Europe will be in place by 1992.

INCO ENGINEERED PRODUCTS

Inco Engineered Products (IEP) works closely with customers in the aerospace, defense, energy and other industries to manufacture sophisticated components for demanding applications. IEP forges, casts, machines and fabricates a variety of components, such as blades,

vanes, rings, casings, discs and fabricated structures from nickel-based and titanium-based alloys and other advanced materials. Sales increased 42 per cent to \$208 million in 1990.

The increase resulted from generally better market conditions, particularly for products for industrial gas turbines and civil aerospace projects, as well as from the favourable impact of currency exchange rates. IEP participates in most major civil aircraft projects around the world. Revenues also benefitted from higher output rates resulting from improved manufacturing efficiencies at Turbo Products in the U.S. and Incoform Bramah in the U.K. In addition, results benefitted from the September 1990 acquisition of New England Aircraft Products, Farmington, Connecticut.

IEP introduced cellular manufacturing systems at several locations. In the coming year, these systems are expected to yield inventory reductions and further gains in cycle times, enhancing customer service.

Product and process development activities resulted in quality and efficiency gains from improved die manufacturing and enhanced machining operations. Storms Forge qualified

to supply superalloy components to a leading aircraft engine manufacturer in the United States. Incoform Bramah obtained rights to use Super Plastic Forming and Diffusion Bonding technology, broadening its ability to serve customers in the aircraft industry.

While IEP's largest facilities are primarily in the U.K., recent acquisitions have been principally in North America to achieve greater geographic diversity of sales. Following the pur-

EMPLOYEES

Excellence begins with skilled, motivated people. Inco is making a major investment in training and communication throughout its alloys and engineered products businesses. At IAI's Huntington facility, for instance, expenditures for training in safety and in financial understanding and operating skills have been nearly tripled during the past two years to an annual rate of about \$5 million. Employees at all alloys



THIS TEAM OF INCO ALLOYS EMPLOYEES IN HUNTINGTON IS USING QUALITY TECHNIQUES TO DEVELOP A PREVENTATIVE MAINTENANCE PROGRAM AND TO IMPROVE THE OPERATION OF THE MCKAY TUBE REDUCER. THEY ARE (FROM LEFT TO RIGHT) BILL MEADOWS, BILL FRALEY, BERNARD ANGLE, CHET WATTS AND RONALD MORRISON (SEATED).

chase of Storms Forge in 1989, NEAP was acquired in 1990 as a further step in building an integrated group of businesses to supply finished airfoils for aero engines and industrial gas turbines. The IEP Airfoils Group, offering an integrated manufacturing capability to its customers based on quality forgings produced by Monk Bridge in the U.K. and Storms Forge in the U.S., is now the second largest independent producer of compressor airfoils in the world.

and engineered products operations are committed to quality and service in meeting the needs of customers around the world.

A new three-year collective agreement was negotiated in April with hourly employees at Burnaugh, Kentucky. Annual negotiations were successfully completed with unionized employees at all operating units in the United Kingdom. The collective agreement with hourly employees at Huntington remains in effect until December 1992.

MINING EQUIPMENT

Established just six years ago in 1984, Continuous Mining Systems (CMS) has evolved rapidly into a sizeable, profitable, growing business serving customers worldwide. CMS designs and manufactures innovative mobile mining equipment for underground mines. Early in the year, CMS acquired 80 per cent of John Clark Inc., Denver, Colorado, which manufactures underground load-haul-dump vehicles and trucks. Total sales increased 52 per cent to \$35 million in 1990, with approximately 80 per cent of those sales made to customers other than Inco. Distribution facilities were established during the year in Australia.

RECLAMATION FACILITIES

As global concern about the environment continues to grow, the role of The International Nickel Metals Reclamation Company (Inmetco) in assisting companies around the world in recycling industrial wastes becomes even more

important. The year 1990 was a record one for Inmetco, with operating earnings of \$6 million, up from \$5 million in 1989.

Inmetco employs proprietary Inco technology in operating the only smelter in North America dedicated to reclaiming metallic wastes from stainless steel mills. Inmetco converts the wastes, containing recoverable nickel and chromium, into a reuseable feed material for the mills. Demand for Inmetco's products and services continued to increase in 1990. Customers include 11 of the 12 largest stainless steel producers in the United States. Opportunities are being actively explored to meet the recycling needs of stainless steel mills in Eastern Europe.

PRINCIPAL OFFICERS

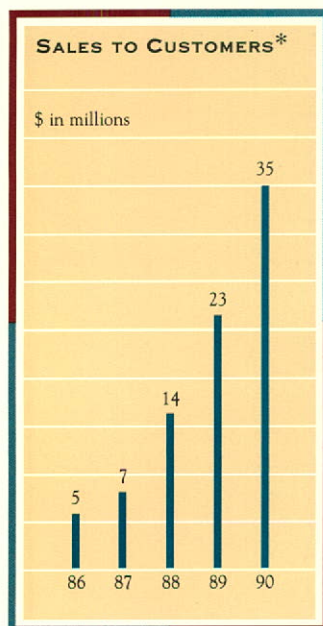
Stuart F. Feiner
President
Inco Venture Capital
Management
New York, New York

Richard H. Hanewald
President
The International Metals
Reclamation Company, Inc.
Ellwood City, Pennsylvania

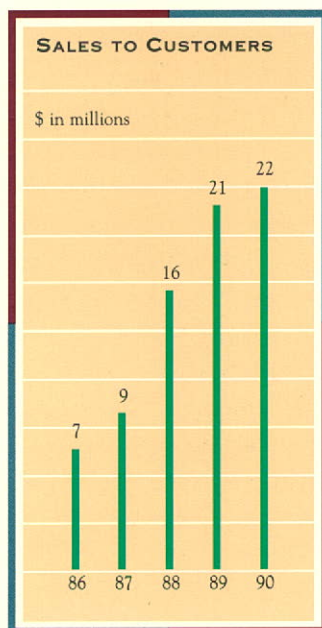
Dale D. Letts
President
Continuous Mining Systems
Limited
Copper Cliff, Ontario

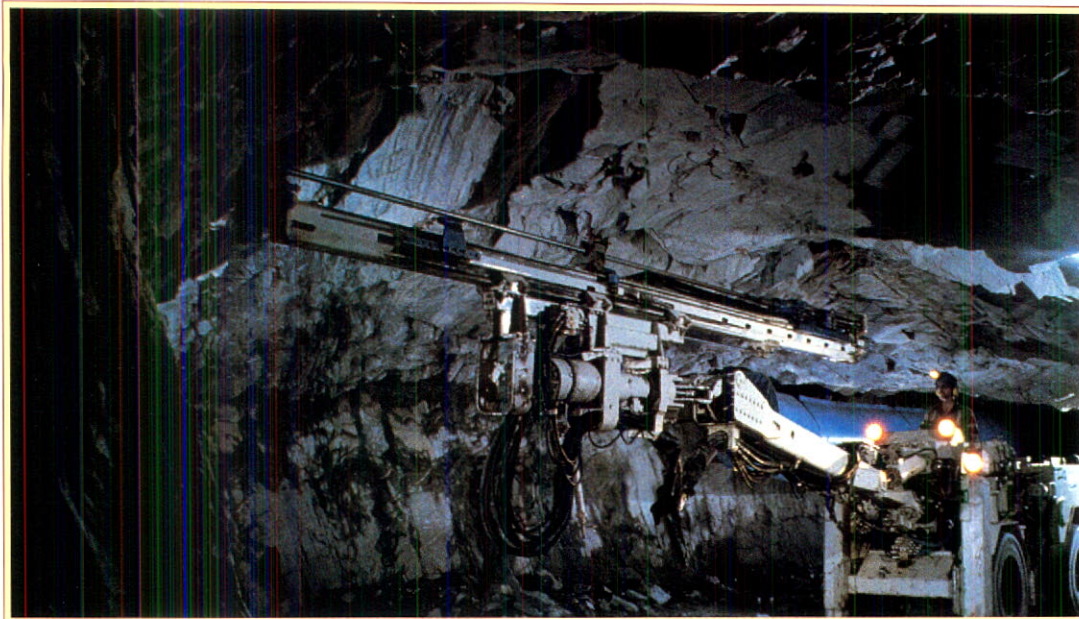
Harold T. Michels
President
LaQue Center for Corrosion
Technology, Inc.
Wrightsville Beach
North Carolina

Michael T. Nelligan
President
Western Aggregates, Inc.
Boulder, Colorado

CONTINUOUS MINING SYSTEMS

*Includes sales to Inco.

INMETCO



CONTINUOUS MINING SYSTEMS HAS SOLD MORE THAN 40 JUMBO DRILLS TO MINES IN CANADA AND THE UNITED STATES.

LIGHTWEIGHT AGGREGATES

Western Aggregates, Inc. began operations in late 1990 at its open pit mine and production facility for "lightweight aggregate" near Boulder, Colorado. Lightweight aggregate is used in the construction materials industry as a sand and gravel substitute in applications where reduced weight and structural strength are critical. Production from the mine and plant is expected to total approximately 300,000 cubic yards in 1991, with plans for additional production as markets in the Denver area are developed.

VENTURE CAPITAL

Operating earnings of Inco Venture Capital Management (IVCM) reached a record \$19 million in 1990, largely as a result of the sale of IVCM's remaining holdings in a publicly traded biotechnology company that IVCM had helped found in 1978. While the first six months of 1990 reflected improved conditions for such key parameters of venture capital industry performance as investor interest in early-stage technologies and initial public offerings of technology-based companies, these conditions were largely reversed during the second half of 1990, adversely affecting IVCM's ability to realize additional gains. At year end, IVCM's portfolio had a book value

of \$19 million which, based on valuation methods utilized by the venture capital industry, could be valued at \$32 million.

Through IVCM, an unincorporated business unit, Inco has for over 16 years been a source of private equity capital and strategic direction to start-up and early-stage companies having the potential for significant growth and investment returns. IVCM's portfolio encompasses investments in over 40 companies spread among a wide range of technologies and at various stages of development, as well as participation in management buyouts.

IVCM maintained its ten-year role as an independent venture capital fund manager through its participation in the management of \$47 million raised from institutional investors through two Ontario limited partnerships, North American Ventures Fund and North American Ventures Fund II.

CORROSION TESTING AND CONSULTING

The LaQue Center for Corrosion Technology, Inc. offers independent corrosion testing, consulting and training to customers worldwide.

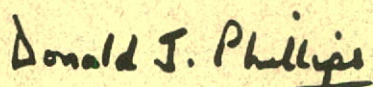
MANAGEMENT'S STATEMENT ON FINANCIAL REPORTING

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

Systems of internal accounting control are maintained in order to assure on a reasonable basis the reliability of this financial information. These systems include formal policies and procedures, the careful selection and training of qualified personnel, and an organization providing for appropriate delegation of authority and segregation of responsibilities. These systems are monitored by our internal auditors who perform extensive tests and related procedures at major locations worldwide. Our independent auditors, whose report on their examinations of the consolidated financial statements appears on page 48, also review our systems of internal accounting control in accordance with generally accepted auditing standards for the purpose of expressing their opinion on the consolidated financial statements.

Financial management personnel, our internal auditors and our independent auditors meet with the Audit Committee of the Board of Directors at least three times a year to report on accounting, auditing, internal accounting control and financial reporting matters. The Audit Committee also has other duties which are described on page 52.

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



Chairman, President and
Chief Executive Officer



Executive Vice-President
(Chief Financial Officer)

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	1990	1989	1988	1987	1986	1985	1984	1983	1982	1981
SUMMARY OF OPERATIONS										
<i>(U.S. \$ in millions, except per share data)</i>										
Net sales	\$3,108.2	3,948.0	3,263.1	1,789.5	1,451.6	1,490.5	1,468.0	1,173.4	1,236.0	1,885.9
Cost of sales and operating expenses	\$2,264.9	2,343.5	1,726.6	1,356.8	1,231.7	1,205.8	1,316.5	1,257.8	1,277.8	1,456.9
Selling, general and administrative expenses	\$ 161.0	158.6	158.6	111.8	97.9	90.6	100.8	102.5	123.2	144.4
Interest expense	\$ 112.1	138.3	91.6	101.0	94.0	101.6	122.1	111.4	148.3	147.1
Income and mining taxes	\$ 225.8	515.5	532.8	73.5	26.5	49.4	22.2	(91.3)	(119.9)	81.1
Net earnings (loss)	\$ 441.2	753.4	735.4	125.2	0.2	52.2	(77.3)	(234.9)	(203.3)	(469.6)
Net earnings (loss)										
applicable to common shares	\$ 436.0	747.9	729.6	113.8	(16.6)	27.8	(100.1)	(256.8)	(231.4)	(497.6)
Per common share	\$ 4.18	7.11	6.92	1.09	(0.16)	0.28	(1.02)	(2.69)	(2.81)	(6.51)
Common dividends declared	\$ 104.2	89.5	1,132.3*	20.9	20.4	19.9	19.5	19.1	16.1	45.0
Per common share	\$ 1.00	0.85	10.70*	0.20	0.20	0.20	0.20	0.20	0.20	0.59
Common shares outstanding (weighted average, in millions)	104.3	105.2	105.4	104.5	102.2	99.6	97.7	95.5	82.2	76.4
OTHER FINANCIAL DATA										
<i>(U.S. \$ in millions)</i>										
Capital expenditures	\$ 572.7	389.3	228.9	137.9	138.5	93.2	103.6	71.1	95.3	152.2
Depreciation and depletion	\$ 209.3	193.8	177.0	152.5	143.8	143.3	140.0	126.1	110.3	139.9
Research and development expense	\$ 48.0	38.4	33.1	27.0	21.8	21.9	22.4	29.4	35.8	37.0
Exploration expense	\$ 45.9	55.5	43.0	21.9	16.7	17.1	15.8	20.3	19.2	32.7
Working capital	\$ 634.8	591.4	(130.9)*	472.6	434.6	505.3	494.4	528.1	789.4	1,023.2
Net property, plant and equipment	\$2,450.1	2,078.4	1,899.5	1,850.7	1,886.0	1,910.6	1,972.9	2,035.5	2,109.0	2,136.1
Total assets	\$4,058.5	3,665.5	4,078.8	2,994.4	2,975.9	3,082.6	3,110.4	3,183.2	3,472.5	3,856.4
Total debt	\$1,008.0	1,006.5	735.2	884.0	995.2	929.4	1,113.9	1,174.3	1,203.4	1,331.4
Preferred shares	\$ 69.2	72.6	78.1	111.1	153.5	278.4	401.3	335.3	338.6	341.8
Common shareholders' equity	\$1,647.7	1,289.3	689.2*	1,083.5	996.1	987.1	914.3	1,027.4	1,215.6	1,332.9
Return on year-end common shareholders' equity	26.5%	58.0%	105.9%	10.5%	—	2.8%	—	—	—	—
Total debt:equity ratio	37:63	42:58	49:51	43:57	46:54	42:58	46:54	46:54	44:56	44:56
OPERATING DATA										
Ore mined – short tons in millions	16	18	17	16	14	15	16	10	7	13
Nickel production – pounds in millions	389	427	434	430	357	334	359	283	201	330
Nickel deliveries – pounds in millions	490	514	495	477	380	358	356	314	251	342
Copper deliveries – pounds in millions	245	278	256	275	254	251	273	140	167	240
Cobalt deliveries – pounds in thousands	3,190	3,210	3,490	3,450	2,790	2,670	2,410	1,790	2,530	3,620
Platinum-group metals deliveries – troy ounces in thousands	300	331	322	322	339	326	327	177	279	273
Gold deliveries – troy ounces in thousands	83	79	52	49	58	58	52	24	31	44
REALIZED PRICES PER POUND (U.S. \$)										
Primary nickel, including intermediates	\$ 4.10	5.61	4.81	2.18	1.94	2.31	2.28	2.17	2.55	2.99
Refined copper	\$ 1.18	1.22	1.12	.73	.64	.64	.63	.72	.71	.82
OTHER STATISTICS										
Employees at year end	19,387	19,337	18,658	18,706	20,171	20,828	22,239	24,866	25,798	31,678
Common shareholders at year end	37,565	39,217	26,036	30,030	34,690	39,829	45,789	49,653	55,759	62,054

* Reflects special cash dividend of \$1,058.5 (\$10.00 per common share) payable January 9, 1989.

RESULTS OF OPERATIONS

SUMMARY Net earnings in 1990 of \$441 million were the third highest in the Company's history, surpassed only by the record \$753 million earnings in 1989 and the \$735 million earned in 1988. These results reflected lower prices for nickel, the principal determinant of the Company's profitability, compared to the record high prices realized in 1989 and 1988. Lower alloys earnings due to reduced deliveries and profit margins were partially offset by improved results in engineered products. The 1990 results also included a \$133 million pretax gain from the sale of a 20 per cent common equity interest in the Company's Indonesian subsidiary, P.T. International Nickel Indonesia, in a public offering through the Indonesian stock exchanges. The 1989 results included \$64 million in pretax gains on sales of equity interests in certain affiliates, while 1988 results included a \$44 million gain from the sale of a 20 per cent equity interest in P.T. International Nickel Indonesia to a Japanese company.

PRIMARY METALS Operating earnings in 1990 of \$617 million were less than half the 1989 operating earnings of \$1,360 million, which were 2 per cent lower than the record \$1,385 million in 1988. Relative to 1989 and 1988, 1990 operating earnings were affected primarily by lower realized nickel prices, lower deliveries and increased costs and expenses.

Non-communist world* nickel demand is estimated to have reached 1,500 million pounds in 1990, a new record for the fourth consecutive year, compared to 1,450 million pounds in 1989 and 1,425 million pounds in 1988. This strong demand continued to be fueled by the stainless steel industry, which accounted for over 60 per cent of all nickel consumed in the non-communist world and over 40 per cent of the Company's deliveries. The Company's nickel deliveries decreased 5 per cent in 1990, following 4 per cent increases in both 1989 and 1988, while the Company's share of non-communist world demand declined to an estimated 33 per cent in 1990, compared to about 35 per cent in 1989 and 1988.

Nickel demand over the past several years, aided by record stainless steel production, exceeded the available supply and resulted in significant upward pressure on nickel prices in 1988 and 1989. This pressure eased in early 1990, when prices reached their low point for the year and several producers announced voluntary production cutbacks. Demand subsequently strengthened which, combined with various supply interruptions, contributed to generally stronger nickel prices over the rest of the year. New supply of nickel to the non-communist world in 1990 is estimated by the Company to have fallen short of demand for the fourth time in the past five years.

*Excludes the USSR, China and the Comecon countries.

PRIMARY METALS (\$ in millions)	1990	1989	1988
SALES BY PRODUCT			
Primary nickel	\$1,867	\$2,674	\$2,202
Refined copper	287	338	283
Precious metals	160	148	146
Cobalt	24	23	24
Other products	31	35	31
Net sales to customers	\$2,369	\$3,218	\$2,686
OPERATING EARNINGS	\$ 617	\$1,360	\$1,385
DELIVERIES (thousands)			
Primary nickel, including intermediates ⁽¹⁾	455,280	476,420	457,920
Nickel contained in alloys and engineered products	34,780	37,340	36,870
Total nickel (pounds)	490,060	513,760	494,790
Copper (pounds) ⁽²⁾	244,740	278,130	255,840
Cobalt (pounds) ⁽²⁾	3,190	3,210	3,490
Platinum-group metals (troy ounces) ⁽³⁾	300	331	322
Gold (troy ounces) ⁽³⁾	83	79	52
REALIZED PRICES (\$ per pound)			
Primary nickel, including intermediates	\$4.10	\$5.61	\$4.81
Refined copper	1.18	1.22	1.12

(1) Includes purchased nickel of 99 million pounds in 1990, 87 million pounds in 1989 and 44 million pounds in 1988.

(2) Includes metals contained in alloys and engineered products.

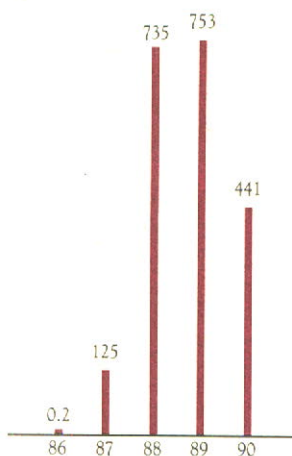
(3) Excludes toll refined materials.

The London Metal Exchange (LME) three-month nickel price, after averaging a record \$5.82 per pound in 1989 and \$5.59 per pound in 1988, ended 1989 at \$3.63 per pound. After reaching a low of \$2.63 per pound in January 1990, the price recovered to a 1990 high of \$5.15 per pound in September before easing to a year-end level of \$3.72 per pound. The 1990 average three-month price was \$3.95 per pound. As of February 13, 1991, the LME three-month price was \$3.95 per pound.

Changes in the Company's nickel price realizations tend to lag LME price movements due primarily to contractual sales arrangements. The Company's average realized nickel price for the year 1990 was \$4.10 per pound, as compared to the average LME three-month price of \$3.95 per pound, and was 27 per cent lower than the record \$5.61 per pound realized in 1989. The 1989 average realized price was 17 per cent above the previous record of \$4.81 per pound realized in 1988.

NET EARNINGS

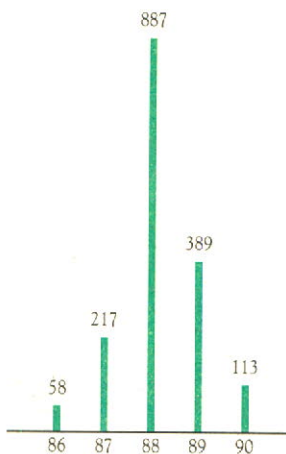
\$ in millions



\$ per common share (0.16) 1.09 6.92 7.11 4.18

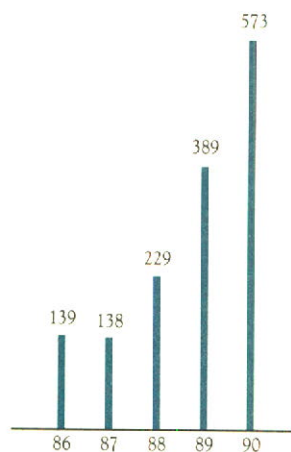
CASH SURPLUS BEFORE FINANCING ACTIVITIES

\$ in millions



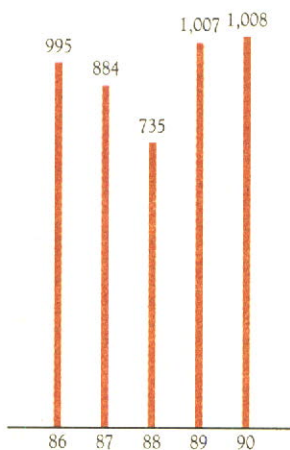
CAPITAL EXPENDITURES

\$ in millions



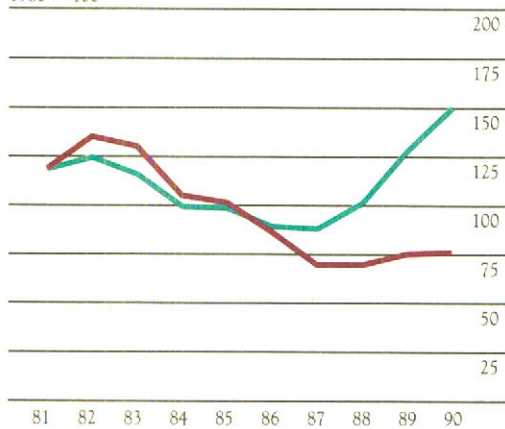
TOTAL DEBT

\$ in millions



INDEXED UNIT NICKEL PRODUCTION COSTS*

1980 = 100



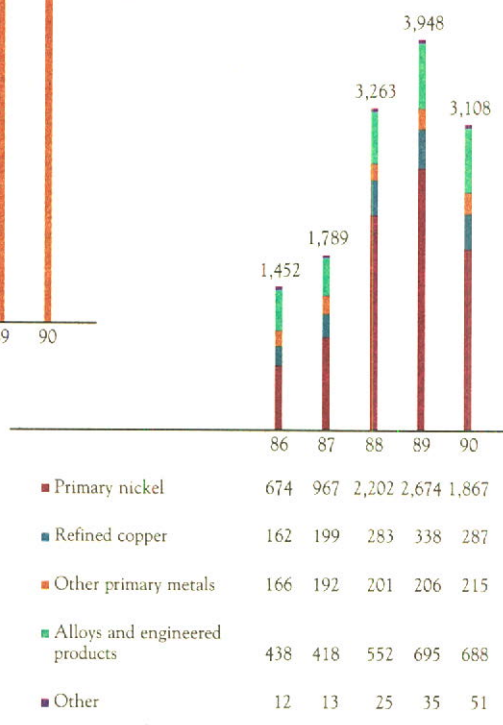
■ Canada

■ Indonesia

* excludes costs of nickel price bonuses and profit-sharing arrangements.

SALES BY PRODUCT

\$ in millions



In 1990, the Company continued to implement marketing strategies aimed at assuring more consistent long-term demand for its products and a degree of price certainty. At year end, the Company had fixed volume contracts with customers in the stainless steel industry, containing floor and ceiling prices, for the sale of about 150 million pounds of nickel annually, and contracts with other customers for about 100 million pounds of nickel annually. These contracts, combined with the requirements of the Company's affiliated refineries in the Pacific Rim and its alloys and engineered products operations, plus sales of proprietary nickel powders, provide an outlet for over 80 per cent of the Company's current production.

Primary metals operating earnings, in addition to being affected by changes in production costs and expenses, are highly dependent upon the worldwide markets for the Company's products, particularly nickel; these markets have tended to be cyclical and subject to significant volatility in price. The Company's average realized nickel price varied substantially over the 1988-1990 period. The effect of price movements on operating earnings can largely be determined by applying the amount of the price change to the quantity of nickel delivered, excluding quantities of purchased nickel on which little or no profit is realized. The following table shows the approximate impact on operating earnings of changes in realized prices for the Company's more significant metals, assuming the change were to remain in effect for a full year:

	Change in Realized Price	Impact on Operating Earnings*
Nickel	\$.10 per pound	\$39.1 million
Copper	.10 per pound	24.5 million
Cobalt	1.00 per pound	3.2 million
Platinum	10.00 per troy ounce	1.1 million
Gold	10.00 per troy ounce	0.8 million

* Based on 1990 deliveries excluding purchased nickel.

Copper prices remained relatively strong in 1990, although slightly lower than the historically high levels realized in 1989. The Company's copper price realizations averaged \$1.18 per pound for 1990, a 3 per cent decrease from the \$1.22 per pound realized in 1989, which was a 9 per cent increase over the 1988 realization of \$1.12 per pound. Combined with a 12 per cent decrease in copper deliveries, the lower 1990 prices resulted in a 15 per cent decrease in sales of refined copper to \$287 million. Higher prices and deliveries in 1989 had produced a record \$338 million of sales, a 19 per cent increase over 1988.

The Company's price realizations for platinum, palladium and silver were lower in 1990 compared to 1989; realized gold prices rose slightly while rhodium price realizations almost tri-

pled to an average of \$3,620 per troy ounce, aided by strong demand. Revenue from rhodium sales reached \$48 million, compared to \$15 million in 1989 and \$22 million in 1988. Price realizations in 1989 for all platinum-group metals and gold were generally lower than in 1988. The average price realized for cobalt in 1990 increased 4 per cent to \$8.22 per pound from \$7.93 per pound in 1989 which, in turn, had increased 8 per cent from the 1988 price of \$7.36 per pound.

Unit production costs for nickel and copper are affected principally by productivity and by the level of costs and expenses. Productivity, as measured in pounds of nickel plus copper produced per manshift, declined 9 per cent in 1990 and 8 per cent in 1989, after improving 4 per cent in 1988. These declines were generally due to a lower grade of nickel in ore mined in 1990 and 1989 at the Canadian operations. Despite the recent declines, the 1990 level of productivity is 60 per cent higher than in 1982. The unit production cost of both nickel and copper increased in each of the years 1988-1990, after five consecutive years of reductions. These increases, attributable primarily to the Canadian operations, were due principally to the lower ore grades and lower production volumes in 1990 and 1989, the cost of new collective agreements with unionized employees in Canada, including significant pension improvements, and the strengthening of the Canadian dollar against the U.S. dollar throughout the three-year period. The increased unit production costs in 1990, compared to 1989, reflected a part year effect of the three-year collective agreement negotiated at the Manitoba Division in September 1990. The 1989 unit costs, as compared to 1988, included a full year's effect of the three-year collective agreement negotiated at the Ontario Division in May 1988. The Canadian dollar, the currency in which most of the Company's Canadian operating costs are incurred, strengthened against the U.S. dollar by 2 per cent, 4 per cent and 8 per cent during 1990, 1989 and 1988, respectively. Unit production costs are expected to increase again in 1991 as a result of lower ore grades and increased depreciation charges; however, beginning in 1992, the Company expects unit costs to benefit from new higher-grade mines scheduled to be brought into production and from the continued introduction of new mining technologies. All employees of the Company's primary metals operations participate in profit-sharing or bonus arrangements which provide additional compensation above regular pay based upon the financial performance of these operations or the Company's realized price of nickel. Primary metals costs and expenses included \$35 million in 1990, \$63 million in 1989 and \$49 million in 1988 relative to these arrangements.

Nickel production, especially from lateritic ores, is energy intensive and energy costs can be an important factor. The Company enjoys relatively low energy costs due to substantial production from its Canadian sulphide ores, which consume only about one-fifth the energy required to process lateritic ores, and to low-cost electricity produced by its own hydro-electric facilities in Ontario and at its lateritic mining operations in Indonesia. The availability of captive hydroelectric power decreased the cash energy costs of the Indonesian operations in 1990 by about 50 per cent compared to those which would have been incurred had the operations been totally energy dependent on oil.

The Company's nickel production decreased 9 per cent in 1990 to 389 million pounds, after having declined slightly in 1989 to 427 million pounds from 434 million pounds in 1988. Production was reduced early in the year in Canada in response to market conditions; planned increases in production at P.T. International Nickel Indonesia (P.T. Inco) in 1990 were not achieved due to operational problems, including an explosion in August at one of the three electric furnaces. The Company's total planned production for 1991 is expected to be slightly higher than the 1990 level. The Company has announced a number of mine development projects at the Ontario and Manitoba Divisions in Canada, which are expected to be completed over the next few years, and is expanding capacity at P.T. Inco. Upon completion of these projects, the Company will have the flexibility to produce, if demand requires, up to 450 million pounds annually.

Production at P.T. Inco, substantially all of which is sold into the Japanese market, was 60 million pounds of nickel in matte in 1990, down from the record 64 million pounds produced in 1989 for the reasons cited above. Unit production costs increased slightly in 1990 due mainly to the lower production level. In July 1988, in conjunction with the Company's sale of a 20 per cent equity interest in P.T. Inco to Sumitomo Metal Mining Co., Ltd. of Japan, the Company agreed to expand the operations to a nominal annual capacity of 105 million pounds of nickel in matte from 80 million pounds. This expansion, estimated to cost \$83 million, will be completed in early 1991 and, beginning in 1991, Sumitomo's matte purchases will increase to approximately 20 per cent of production from the expanded facility.

The Company's exploration expense decreased in 1990 to \$46 million from \$56 million in 1989, reflecting decreased gold exploration as existing projects moved toward completion. The 1989 expense had increased \$13 million compared to 1988 due primarily to increased expenditures relating to gold and other precious metals. Primary metals research and development

expense increased to \$40 million in 1990 from \$32 million in 1989 due to expanded research into new economical methods for extracting nickel from lateritic ores, and to the development of new value-added products.

The Company incurs, on an ongoing basis, substantial removal and site restoration costs to rehabilitate land impacted by the Company's operations to acceptable environmental standards. Such rehabilitation should significantly reduce future removal and site restoration costs that may otherwise be incurred upon cessation of operations. The Company is currently in substantial compliance with the new Canadian Institute of Chartered Accountants accounting standard which requires the accrual of future removal and site restoration costs when such costs are reasonably determinable. The Company continues to review potential obligations for these costs which could result from new environmental legislation.

ALLOYS AND ENGINEERED PRODUCTS

(\$ in millions)	1990	1989	1988
Net sales to customers	\$688	\$695	\$552
Operating earnings	\$ 50	\$ 94	\$ 48

Decreased sales and operating earnings for this business segment in 1990 were due to lower alloys results, partially offset by an improved engineered products performance.

Alloys sales and earnings were adversely affected in 1990 by reduced deliveries and lower selling prices compared to 1989. Unscheduled outages occurred at both the Hereford, England and Huntington, West Virginia plants. Alloys sales to customers of \$480 million in 1990 were 12 per cent lower compared to 1989. Sales of engineered products increased 42 per cent in 1990 to \$208 million; sales and earnings benefitted from the favourable impact of pound sterling-U.S. dollar exchange rates and from improved market conditions, particularly for products for industrial gas turbines and civil aerospace projects.

Operating earnings improved significantly in 1989, compared to 1988, due to higher average selling prices, largely reflecting increased raw material prices, increased deliveries of higher margin alloy products and reduced operating costs. Results in 1989 also included gains aggregating \$7 million from the sale of surplus properties, while 1988 results included a \$9 million inventory writedown.

OTHER BUSINESS

(\$ in millions)	1990	1989	1988
Net sales to customers	\$ 51	\$ 35	\$ 25
Operating earnings	\$ 27	\$ 19	\$ 1

The principal units included as other business are The International Metals Reclamation Company, Inc. (Inmetco), Continuous Mining Systems Limited (CMS), and Inco Venture Capital Management (IVCM).

Inmetco achieved record operating earnings of \$6 million in 1990, compared to \$5 million in 1989 and \$4 million in 1988, reflecting continued increased demand for its products and services. CMS, a manufacturer and marketer of mobile mining equipment for underground mines, continued to grow; the acquisition of a North American manufacturer of trucks and loaders increased total mining equipment sales by over 50 per cent in 1990 compared to 1989. Operating earnings of IVCM totalled a record \$19 million in 1990, compared to \$8 million in 1989 and a \$3 million operating loss in 1988. The improved operating earnings in both 1990 and 1989 resulted mainly from sales of the shares of one publicly traded biotechnology company.

INTEREST EXPENSE Total interest expense decreased in 1990 to \$112 million from \$138 million in 1989. The 1989 expense had increased from \$92 million in 1988. The decrease in 1990, compared to 1989, resulted mainly from lower average debt balances and also from generally lower interest rates. The higher interest expense in 1989 reflected higher average debt balances outstanding during most of the year resulting from the \$500 million borrowing in January 1989 to finance, in part, the special cash dividend of \$1,059 million paid in that month.

INCOME AND MINING TAXES The effective tax rate (the relationship of income and mining taxes to pretax earnings) has been reduced by the recognition of tax benefits relating to prior years' tax losses aggregating \$25 million in 1990, \$56 million in 1989 and \$45 million in 1988. The effective tax rate has also been reduced because certain earnings derived outside of Canada, primarily in Indonesia, the United Kingdom and the United States, are taxed at lower rates than those which prevail in Canada.

CASH FLOW, CAPITAL RESOURCES AND LIQUIDITY

During 1990 the Company generated a cash surplus, before financing activities, of \$113 million, as compared with surpluses of \$389 million in 1989 and \$887 million in 1988. The 1990 surplus, as compared to 1989 and 1988, reflected lower earnings and a significant increase in capital expenditures, par-

tially offset by the receipt in May 1990 of \$249 million proceeds from the public sale of a 20 per cent equity interest in P.T. Inco. This sale reduced the Company's interest in P.T. Inco to about 58 per cent. The 1989 surplus included \$83 million aggregate proceeds from the sales of a 30 per cent equity interest in Shimura Kako Company, Ltd. and a 26 per cent equity interest in Morgan Hydrocarbons Inc. The 1988 surplus included \$100 million from the sale of a 20 per cent equity interest in P.T. Inco to Sumitomo Metal Mining Co., Ltd.

Capital expenditures totalled a record \$573 million in 1990 as compared to \$389 million in 1989 and \$229 million in 1988. The 1990 expenditures included \$197 million for the Company's five-year program, announced in 1988, to reduce sulphur dioxide emissions in Sudbury, compared to \$65 million in 1989; expenditures for this program are planned at about \$115 million for 1991. Total capital expenditures are expected to be about \$450 million in 1991 as the Company continues its programs to sustain and increase nickel production capacity, improve productivity, modernize its alloys and engineered products facilities and meet environmental regulations.

The Company paid \$262 million of income and mining taxes during 1990, of which \$82 million paid in the first quarter were for final 1989 installments. No significant tax installments relative to 1990 remain to be paid in 1991. Income and mining tax payments totalling \$804 million were made in 1989, including \$430 million for final 1988 installments. A total of \$28 million was paid in 1988.

On January 9, 1989, the Company paid a special cash dividend of \$10 per common share, totalling \$1,059 million, which was financed by utilizing cash and marketable securities and through borrowings in the amount of \$500 million under the Company's committed credit facilities. As of December 31, 1989, \$140 million of these borrowings remained outstanding and were fully repaid during 1990.

During 1990, the Company repurchased for cancellation 500,000 Common Shares at a cost of \$12 million. An additional 300,000 shares were also repurchased, at a cost of \$8 million, and held in trust at year end for issuance to employees in February 1991 under the Company's continuing share award program. The Common Shares repurchased during 1990 were purchased under a 5,000,000 share Normal Course Issuer Bid, announced in October 1989, which superseded a previous 2,000,000 share Normal Course Issuer Bid announced in April 1989. Regulatory approval was received in February 1991 for a new Normal Course Issuer Bid to purchase up to 2,000,000 Common Shares at market prices over the following twelve months.

During 1989, the Company repurchased for cancellation 1,698,800 Common Shares at an aggregate cost of \$49 million. An additional 450,000 shares were repurchased, at an aggregate cost of \$13 million, and held in trust for issuance to employees in February 1990 under the Company's Employee Share Award Plan. These shares were purchased under the Normal Course Issuer Bids announced in April 1989 and October 1989.

Regular dividends totalling \$104 million (\$1.00 per share) were paid to common shareholders in 1990 as compared to \$89 million (\$.85 per share) in 1989 and \$74 million (\$.70 per share) in 1988. In addition to the special dividend of \$1,059 million (\$10 per share) paid in January 1989, the Company increased its quarterly common dividend to \$0.25 per share, from \$0.20, in the fourth quarter of 1989. Preferred dividends totalled \$5 million in 1990 and \$6 million in each of 1989 and 1988. Dividends were also paid during 1990, for the first time, by P.T. Inco; dividend payments to the minority interest, which comprises about 42 per cent of P.T. Inco's outstanding shares, totalled \$36 million.

Under the Inco Optional Stock Dividend Program, common shareholders may elect to receive Common Shares in lieu of cash dividends. Effective January 7, 1991, the Company reinstated a 5 per cent discount from market price for purposes of valuing the Common Shares issued under the Program. This discount had been discontinued in September 1988. Prior to discontinuance of the discount, participation in the Program had averaged 20 per cent of shares outstanding; since then, participation has averaged 7 per cent. By reinstating the discount, it is expected that participation will return to the 20 per cent level.

In June 1990, P.T. Inco entered into a \$200 million credit facility with a syndicate of banks; such facility was completely drawn down by year-end 1990. Borrowings bear interest at rates ranging from $\frac{7}{8}$ to $1\frac{3}{8}$ per cent over the London Interbank Offered Rate (LIBOR) and are repayable in thirty-two equal quarterly installments beginning in 1991. On June 29, 1989, the Company received the proceeds from the issuance in the U.S. domestic market of \$150 million of 9.875 per cent Sinking Fund Debentures due 2019.

In order to provide liquidity for its operations, the Company maintains two related committed bank credit facilities aggregating \$1,000 million. One facility designates up to \$250 million as Tranche A and a further \$250 million as Tranche B. The other facility designates up to \$150 million as Tranche A and a further \$350 million as Tranche B. There were no borrowings outstanding under these facilities at December 31, 1990. Drawdowns, when made, bear interest at rates ranging from $\frac{3}{8}$ to $\frac{1}{2}$ per cent over LIBOR. Each facility provides that so long as

advances under only Tranche A are outstanding, the Company will be required to maintain a Consolidated Debt to Net Worth Ratio (as defined therein) not to exceed 55:45. At December 31, 1990, the Consolidated Debt to Net Worth ratio was 36:64. Should borrowings be made under Tranche B, each facility provides that the Company will instead be required to maintain a minimum Tangible Net Worth of \$200 million, to limit Aggregate Indebtedness to \$2,000 million, and to maintain an Interest Coverage Ratio (all terms as defined therein) of not less than 1.75:1. At December 31, 1990, Tangible Net Worth was \$1,793 million and Aggregate Indebtedness was \$1,008 million; for the year 1990 the Interest Coverage Ratio was 8.8:1.

The Company believes that its operating cash flow, along with its access to international credit markets, its unutilized committed bank credit facilities, and excess cash and marketable securities at December 31, 1990, will be sufficient to meet its cash requirements in 1991. Additionally, these resources should provide the Company with sufficient flexibility to meet its cash needs in the event of a cyclical downturn.

OTHER INFORMATION

The financial information presented in Management's Discussion and Analysis is derived from the Company's consolidated financial statements which are prepared in conformity with generally accepted accounting principles as established in Canada which, in the Company's case, generally conform with those established in the United States, except as explained in Note 15 of the Explanatory Financial Section.

Reference is made to page 49 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.

CONSOLIDATED STATEMENT OF OPERATIONS

<i>Year ended December 31 (U.S. \$ in thousands)</i>	1990	1989	1988
REVENUES			
Net sales	\$3,108,226	\$3,947,979	\$3,263,054
Gain from sales of equity interests in affiliates and subsidiary (Note 2)	132,904	64,272	44,188
Other income (Note 3)	93,956	52,208	40,926
	3,335,086	4,064,459	3,348,168
COSTS AND EXPENSES			
Cost of sales and operating expenses	2,264,945	2,343,530	1,726,610
Selling, general and administrative expenses	161,019	158,624	158,637
Research and development	47,952	38,392	33,083
Exploration	45,919	55,536	42,981
Interest expense	112,070	138,267	91,637
Minority interest	26,196	44,961	6,133
Currency translation adjustments	9,931	16,274	20,824
	2,668,032	2,795,584	2,079,905
Earnings before income and mining taxes	667,054	1,268,875	1,268,263
Income and mining taxes (Note 6)	225,837	515,471	532,836
NET EARNINGS	441,217	753,404	735,427
Dividends on preferred shares	(5,212)	(5,524)	(5,846)
Net earnings applicable to common shares	\$ 436,005	\$ 747,880	\$ 729,581
Net earnings per common share	\$ 4.18	\$ 7.11	\$ 6.92

CONSOLIDATED STATEMENT OF RETAINED EARNINGS

<i>Year ended December 31 (U.S. \$ in thousands)</i>	1990	1989	1988
Retained earnings at beginning of year	\$ 799,941	\$ 144,224	\$ 573,025
Net earnings	441,217	753,404	735,427
Gain (loss) on redemption of preferred shares	654	(2,675)	(26,049)
Preferred dividends	(5,212)	(5,524)	(5,846)
Common dividends - Special (\$10.00 per share)	—	—	(1,058,508)
- Regular (1990 - \$1.00; 1989 - \$.85 and 1988 - \$.70 per share)	(104,247)	(89,488)	(73,825)
Retained earnings at end of year	\$1,132,353	\$ 799,941	\$ 144,224

The Explanatory Financial Section on pages 36 through 47 is an integral part of these statements.

CONSOLIDATED BALANCE SHEET

December 31 (U.S. \$ in thousands)	1990	1989	1988
CURRENT ASSETS			
Cash	\$ 12,890	\$ 10,290	\$ 15,362
Marketable securities, at cost (market 1990 – \$60,600; 1989 – \$112,600; 1988 – \$645,000)	57,582	104,747	641,788
Accounts receivable	450,380	543,788	638,677
Inventories (Note 4)	812,835	676,463	611,376
Prepaid expenses	20,578	14,867	13,731
Total current assets	1,354,265	1,350,155	1,920,934
PROPERTY, PLANT AND EQUIPMENT, NET (Note 5)	2,450,100	2,078,361	1,899,474
OTHER ASSETS AND DEFERRED CHARGES			
Investments in and advances to affiliates, on an equity basis	66,502	41,684	47,989
Miscellaneous investments	82,158	88,842	100,887
Deferred pension charges (Note 13)	66,370	70,479	76,391
Other	39,098	35,995	33,173
	254,128	237,000	258,440
	\$4,058,493	\$3,665,516	\$4,078,848
CURRENT LIABILITIES			
Notes payable	\$ 40,468	\$ 64,841	\$ 47,354
Long-term debt due within one year (Note 7)	75,039	16,710	14,025
Special common dividend payable (Note 9)	—	—	1,058,508
Accounts payable	163,177	199,802	135,147
Accrued payrolls and benefits	158,429	174,475	158,740
Accrued interest	43,238	42,030	44,005
Other accrued liabilities	195,251	135,654	156,655
Income and mining taxes payable (Note 6)	43,899	125,291	437,388
Total current liabilities	719,501	758,803	2,051,822
OTHER LIABILITIES AND DEFERRED CREDITS			
Long-term debt (Note 7)	892,516	924,982	673,790
Deferred income and mining taxes (Note 6)	339,100	303,100	288,500
Pension benefits (Note 13)	153,630	181,954	203,152
Minority interest	218,393	111,319	66,342
Other	18,448	23,440	27,945
	1,622,087	1,544,795	1,259,729
REDEEMABLE PREFERRED SHARES SERIES C 10% (Note 8)	—	—	2,357
NON-REDEEMABLE PREFERRED SHARES SERIES B 7.85% (Note 8)	69,183	72,603	75,777
COMMON SHAREHOLDERS' EQUITY			
Common shares issued and outstanding 104,438,075 shares (1989 – 104,573,532; 1988 – 105,850,823) (Notes 9 and 10)	480,420	473,690	470,400
Capital surplus (Note 11)	9,430	19,231	61,036
Retained earnings	1,132,353	799,941	144,224
Cumulative currency translation adjustments (Note 1)	25,519	(3,547)	13,503
	1,647,722	1,289,315	689,163
	\$4,058,493	\$3,665,516	\$4,078,848

Approved by the Board of Directors: **Donald J. Phillips**
Ian McDougall

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended December 31 (U.S. \$ in thousands)	1990	1989	1988
OPERATING ACTIVITIES			
Net earnings	\$ 441,217	\$ 753,404	\$ 735,427
Charges (credits) not affecting cash			
Depreciation	161,533	146,405	134,772
Depletion	47,741	47,393	42,184
Deferred income and mining taxes	32,200	17,000	94,100
Minority interest	26,196	44,961	6,133
Other – net	(29,123)	(14,457)	(1,821)
Decrease (increase) in non-cash working capital related to operations			
Accounts receivable	93,408	94,889	(251,182)
Inventories	(136,372)	(65,087)	(49,684)
Prepaid expenses	(5,711)	(1,136)	(839)
Accounts payable and accrued liabilities	8,134	57,414	97,533
Income and mining taxes payable	(81,392)	(312,097)	383,701
Gain from sales of equity interests in affiliates and subsidiary	(132,904)	(64,272)	(44,188)
Contributions to pension plans less than (in excess of) accruals	(8,417)	2,199	(108,319)
Cash provided by operating activities	416,510	706,616	1,037,817
INVESTMENT ACTIVITIES			
Capital expenditures	(572,687)	(389,269)	(228,936)
Proceeds from sales of equity interests in affiliates and subsidiary	249,065	83,179	100,000
Proceeds from disposals of property, plant and equipment	8,574	12,666	5,121
Other – net	11,312	(23,927)	(26,822)
Cash used for investment activities	(303,736)	(317,351)	(150,637)
CASH SURPLUS BEFORE FINANCING ACTIVITIES	112,774	389,265	887,180
FINANCING ACTIVITIES			
Dividends paid			
Special common	—	(1,058,508)	—
Regular common	(104,247)	(89,488)	(73,825)
Preferred	(5,212)	(5,588)	(6,577)
Dividends paid to minority interest	(36,355)	—	—
Long-term borrowings	239,788	676,987	11,789
Repayments of long-term debt	(221,103)	(428,232)	(146,000)
Net addition (reduction) to notes payable	(24,373)	20,172	(11,708)
Common shares retired	(12,066)	(49,413)	—
Preferred shares redeemed	(2,766)	(8,206)	(58,985)
Net proceeds from common shares issued	8,995	10,898	20,961
Cash used for financing activities	(157,339)	(931,378)	(264,345)
INCREASE (DECREASE) IN CASH AND MARKETABLE SECURITIES	\$ (44,565)	\$ (542,113)	\$ 622,835

The Explanatory Financial Section on pages 36 through 47 is an integral part of these statements.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of the major accounting policies of Inco Limited and subsidiaries is presented to assist the reader in evaluating the financial statements contained in this Report. These policies have been followed consistently in all material respects for the periods covered in the financial statements.

PRINCIPLES OF CONSOLIDATION The consolidated financial statements include the accounts of the Company and its subsidiaries and are prepared in conformity with generally accepted accounting principles as established in Canada which, in the Company's case, generally conform with those established in the United States, except as explained in Note 15.

TRANSLATION OF FINANCIAL STATEMENTS INTO UNITED STATES DOLLARS The financial statements are expressed in United States dollars using foreign currency translation procedures established by the Canadian Institute of Chartered Accountants. All of the Company's operations, except for certain businesses in the United Kingdom, are classified as integrated operations for purposes of applying the translation procedures, and the functional currency is United States dollars. The Company's alloys and engineered products businesses in the United Kingdom are classified as self-sustaining operations for purposes of applying the translation procedures, and the functional currency for these operations is pounds sterling.

For integrated operations, cash, accounts receivable, current liabilities, the liability for pension benefits and unhedged long-term debt 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 exchange 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 currently except for currency translation adjustments relative 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.

For self-sustaining operations, all assets and liabilities are translated into United States dollars at year-end rates of exchange and income and expense items are translated at monthly average rates. Currency translation adjustments are included in shareholders' equity as "Cumulative currency translation adjustments". Realized exchange gains and losses are included in earnings currently.

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

PROPERTY, PLANT AND EQUIPMENT Property, plant and equipment is stated at cost. Such cost in the case of the Company's mines represents related acquisition and development expenditures. Expenditures for mineral exploration are expensed as incurred.

DEPRECIATION AND DEPLETION Depreciation is calculated using the straight-line method and, for the nickel operations in Indonesia, the unit-of-production method, based on the estimated economic lives of property, plant and equipment. Such lives are generally limited to a maximum of 20 years and are subject to annual review. Depletion is calculated by a method which allocates mine development costs ratably to the tons of ore mined.

FUTURE REMOVAL AND SITE RESTORATION COSTS The Company incurs, on an ongoing basis, substantial removal and site restoration costs to rehabilitate land impacted by the Company's operations to acceptable environmental standards. Such rehabilitation should significantly reduce future removal and site restoration costs that may otherwise be incurred upon cessation of the Company's operations. The Company is currently in substantial compliance with the new Canadian Institute of Chartered Accountants standard which requires that, when reasonably determinable, provisions should be made for future removal and site restoration costs, net of expected recoveries, in a rational and systematic manner by charges to income. The Company continues to review obligations for future removal and site restoration costs which could result from new environmental legislation.

INCOME AND MINING TAXES Deferred taxes are provided in recognition of timing differences that arise in reporting depreciation and other expense and revenue items for financial statement and income and mining tax purposes. Investment tax credits are accounted for by the "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 currently. Income taxes have not been provided on undistributed earnings of subsidiaries because remittance of such earnings would not result in any significant tax liability.

FORWARD CONTRACTS The Company periodically uses forward exchange contracts and currency swap agreements to hedge the effect of exchange rate changes on future local currency requirements, and futures contracts to hedge the effect of price changes on a portion of the primary metals it sells. Gains and losses on these contracts are reported as a component of the related transaction. The Company also periodically purchases and sells foreign currencies by using forward exchange contracts which have not been specifically identified as hedges. Gains and losses on these contracts are included in earnings currently.

NET EARNINGS PER COMMON SHARE Net earnings per common share is calculated by dividing net earnings less preferred dividends by the weighted average number of common shares outstanding. The common stock equivalents of outstanding stock options do not dilute earnings per common share.

NOTE 2. GAIN FROM SALES OF EQUITY INTERESTS IN AFFILIATES AND SUBSIDIARY

During the second quarter of 1990, the Company realized a gain of \$132.9 million from the sale, in an initial public offering through the facilities of the Indonesian stock exchanges, of a 20 per cent equity interest in P. T. International Nickel Indonesia (P. T. Inco). The Company retains an equity interest of approximately 58 per cent in P. T. Inco.

During the fourth quarter of 1989, the Company sold a 30 per cent equity interest in Shimura Kako Company, Ltd. of Japan and a 26 per cent equity interest in Morgan Hydrocarbons Inc., realizing gains of \$60.7 million and \$3.6 million, respectively. The Company retains a 4.67 per cent equity interest in Shimura Kako Company, Ltd. but no longer has any financial interest in Morgan Hydrocarbons Inc.

During the third quarter of 1988, the Company realized a gain of \$44.2 million from the sale of a 20 per cent equity interest in P. T. Inco to Sumitomo Metal Mining Co., Ltd., of Japan.

NOTE 3. OTHER INCOME

Other income includes interest of \$14,800,000 in 1990, \$20,890,000 in 1989 and \$23,590,000 in 1988; realized exchange gains of \$10,790,000 in 1990, \$6,240,000 in 1989 and \$1,830,000 in 1988; and gains and losses on sales of securities, which were gains of \$23,020,000 in 1990 and \$9,250,000 in 1989, and losses of \$340,000 in 1988.

NOTE 4. INVENTORIES

Inventories consist of the following:

December 31 (\$ in thousands)	1990	1989	1988
Metals, finished and in-process	\$695,216	\$571,703	\$519,755
Supplies	117,619	104,760	91,621
	\$812,835	\$676,463	\$611,376

NOTE 5. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment, net consists of the following:

December 31 (\$ in thousands)	1990	1989	1988
Mines and mining plants	\$1,842,818	\$1,623,053	\$1,453,422
Processing facilities	1,969,710	1,720,493	1,606,670
Other	357,013	339,829	326,381
Primary metals facilities	4,169,541	3,683,375	3,386,473
Alloys and engineered products facilities	602,148	519,286	504,823
Other	82,995	67,024	59,962
Total property, plant and equipment	4,854,684	4,269,685	3,951,258
Accumulated depreciation	1,878,612	1,713,093	1,620,946
Accumulated depletion	525,972	478,231	430,838
	2,404,584	2,191,324	2,051,784
Property, plant and equipment, net	\$2,450,100	\$2,078,361	\$1,899,474

NOTE 6. INCOME AND MINING TAXES

The provisions for income and mining taxes (tax relief) for the years 1988-1990 were as follows:

(\$ in thousands)	1990	1989	1988
Current taxes	\$197,037	\$473,971	\$481,136
Current deferred	(3,400)	24,500	(42,400)
Future deferred	32,200	17,000	94,100
Total deferred taxes	28,800	41,500	51,700
Total income and mining taxes	\$225,837	\$515,471	\$532,836
Canada	\$202,606	\$472,389	\$511,559
United Kingdom	10,381	21,530	16,269
United States	11,576	19,344	2,608
Other	1,274	2,208	2,400
	\$225,837	\$515,471	\$532,836

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

(\$ in thousands)	1990	1989	1988
Canada	\$509,211	\$ 970,020	\$1,007,263
Indonesia	71,185	161,567	109,191
United Kingdom	46,721	64,852	46,981
United States	20,456	44,458	24,006
Other	19,481	27,978	80,822
Total	\$667,054	\$1,268,875	\$1,268,263

Deferred taxes result from timing differences that arise in reporting depreciation and other expense and revenue items for financial statement and income and mining tax purposes. The sources of major timing differences, and the tax effect of each, for the three years were as follows:

(\$ in thousands)	1990	1989	1988
Depreciation	\$34,000	\$13,100	\$ 14,700
Pensions	1,300	1,500	54,800
Employee benefits	200	(2,700)	(2,200)
Inventories	300	9,100	(24,600)
Restoration of deferred taxes resulting from the utilization of net operating loss carryforwards	—	30,000	—
Other	(7,000)	(9,500)	9,000
Total	\$28,800	\$41,500	\$ 51,700

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

Year ended December 31	1990	1989	1988
	Provision (Relief)		
Combined Canadian federal-provincial statutory income tax rate	42.9 %	42.9 %	46.4 %
Resource and depletion allowance	(7.0)	(10.0)	(11.6)
Adjusted income tax rate	35.9	32.9	34.8
Mining taxes	8.1	14.3	15.0
	44.0	47.2	49.8
Utilization of prior years' tax losses	(3.7)	(4.5)	(3.5)
Tax rate difference	(4.6)	(2.1)	(2.6)
Other	(1.8)	—	(1.7)
Effective income and mining tax rate	33.9 %	40.6 %	42.0 %

Income taxes relative to earnings of the Company's operations in Indonesia and the United States were offset by the recognition of tax benefits relating to prior years' tax losses of \$24.6 million in 1990 and \$56.5 million in 1989 for Indonesia, and aggregating \$44.6 million in 1988 for Indonesia and the United States. The effective tax rate has also been reduced by earnings derived outside of Canada, primarily in Indonesia, the United Kingdom and the United States, where the Company's operations are taxed at lower rates than those which prevail in Canada.

Under the "cost reduction" method, investment tax credits reduced costs and expenses by \$11.0 million in 1990 (\$9.2 million in 1989 and \$7.2 million in 1988). In 1990, the Company began amortizing investment tax credits relative to its nickel operations in Indonesia. At December 31, 1990, the Company had approximately \$52.9 million of investment tax credits in Canada, the United States and Indonesia which will be amortized over periods not exceeding 17 years. The cumulative tax effect of timing differences relating to items of a non-current

nature is shown separately as deferred income and mining taxes of \$339.1 million in the Consolidated Balance Sheet at December 31, 1990. The cumulative tax effect of timing differences relating to items of a current nature of \$17.1 million at December 31, 1990 is included as a reduction in the current liability for income and mining taxes payable.

NOTE 7. LONG-TERM DEBT

The Company's long-term debt consists of the following (weighted average interest rates, where applicable, and repayment periods as at December 31, 1990 are shown in parentheses):

December 31 (\$ in thousands)	1990	1989	1988
INCO LIMITED			
5.75% Swiss Franc Bonds (1996)	\$103,457	\$103,457	\$103,457
6.5% Deutsche Mark Bonds (1991)	50,100	44,393	42,293
6.85% U.S. \$ Debentures (1993)	15,733	20,985	29,390
8.625% Cdn. \$ Debentures (1991)	10,971	13,157	19,033
9.0% U.S. \$ Debentures (1992)	47,969	48,964	52,725
9.25% Cdn. \$ Debentures	—	15,763	21,426
9.5% ECU Notes (1994)	64,400	64,400	64,400
9.75% U.S. \$ Notes (1996)	94,000	99,000	99,000
9.875% U.S. \$ Debentures (2000-2019)	150,000	150,000	—
11.0% U.S. \$ Notes (1992)	60,600	74,335	75,000
12.375% U.S. \$ Debentures (2002-2010)	47,046	47,046	47,046
12.75% Sterling Notes (1993)	61,010	61,010	61,010
15.75% Sterling Unsecured Loan Stock (2006)	45,001	45,001	45,001
U.S. \$ Revolving loans	—	140,000	—
P.T. INTERNATIONAL NICKEL			
INDONESIA			
U.S. \$ Term loan (9.1%) (1991-1999)	200,000	—	—
Export & supplier credits	—	—	12,404
OTHER INDEBTEDNESS			
(7.8%) (1991-2001)	17,268	14,181	15,630
	967,555	941,692	687,815
Long-term debt due within one year	75,039	16,710	14,025
Long-term debt	\$892,516	\$924,982	\$673,790

The Company has currency swap agreements with financial institutions which effectively convert the 200 million Swiss Franc 5¾% Bonds and the 70 million ECU 9½% Notes into U.S. dollar obligations at annual interest costs of 10.2% and 10.5%, respectively. The Company has also entered into interest rate swap agreements, expiring in 1994, with financial institutions which require the Company to make floating rate interest payments, in exchange for a fixed rate of 7.9%, on a principal amount of \$85 million. The floating rate of interest, which averaged 8.7% in 1990, is based on the London Interbank Offered Rate (LIBOR). The difference to be paid or received is included in interest expense on a current basis. The

Company also has forward exchange contracts which hedge the effect of exchange rate changes on the 8.625% Canadian dollar debentures and the 12.75% Sterling Notes. The 15.75% Sterling Unsecured Loan Stock is redeemable in sterling or, at the option of the bondholders, in U.S. dollars at a fixed exchange rate of one pound sterling to \$1.98.

Interest expense on long-term debt for the years 1990, 1989 and 1988 was \$101,462,000, \$125,004,000, and \$80,793,000, respectively. The average effective interest rate on long-term debt at December 31, 1990 was 10.1%. Approximately 21% of such debt carries interest rates that are subject to periodic adjustments based on market interest rates. After reflecting forward exchange hedging and currency swap contracts, 90% of the long-term debt is effectively payable in U.S. dollars.

At December 31, 1990, P.T. International Nickel Indonesia had drawn down a \$200 million bank credit facility arranged in June 1990. Borrowings bear interest at rates ranging from $\frac{7}{8}\%$ to $1\frac{3}{8}\%$ over LIBOR and are repayable in equal quarterly installments beginning in 1991 and ending in 1999.

The Company has two related committed bank credit facilities, aggregating \$1,000 million, neither of which was drawn down at December 31, 1990. Each of these facilities is divided into two tranches and bears interest, when drawn, at rates ranging from $\frac{3}{8}\%$ to $\frac{1}{2}\%$ over LIBOR. One facility designates up to \$250 million as Tranche A and a further \$250 million as Tranche B. The other facility designates up to \$150 million as Tranche A and a further \$350 million as Tranche B. Each facility provides that so long as advances under only Tranche A are outstanding, the Company will be required to maintain a Consolidated Debt to Net Worth Ratio (as defined therein) not to exceed 55:45. Once Tranche B advances become outstanding, each facility provides that the Company will no longer be bound by the Consolidated Debt to Net Worth Ratio covenant and will instead be required to maintain a minimum Tangible Net Worth (as defined therein) of \$200 million, to limit Aggregate Indebtedness (as defined therein) to \$2,000 million, and to maintain an Interest Coverage Ratio (as defined therein) of not less than 1.75 to 1. At December 31, 1990, the Consolidated Debt to Net Worth Ratio was 36:64, Tangible Net Worth was \$1,793 million and Aggregate Indebtedness was \$1,008 million; for the year ended December 31, 1990, the Interest Coverage Ratio was 8.8 to 1. During 1990, the Company incurred fees of \$1,505,000 to compensate banks for undrawn credit facilities.

At December 31, 1990 long-term debt maturities and sinking fund requirements for each of the five years through 1995 are: 1991 - \$75,039,000; 1992 - \$138,255,000; 1993 - \$104,163,000; 1994 - \$91,760,000; 1995 - \$27,810,000.

NOTE 8. PREFERRED SHARES

At December 31, 1990, the authorized preferred shares of the Company, which are issuable in series, consisted of 30,000,000 shares with no par value.

The 7.85% cumulative Series B Preferred Shares are not redeemable at the option of the holders. These shares have general voting rights, were issued at \$25 (Cdn.) per share and are redeemable, at the option of the Company, at \$25 (Cdn.) per share. The Company is required to make all reasonable efforts to repurchase 150,000 Series B Preferred Shares annually if such shares are available at a price not greater than \$25 (Cdn.) per share. In April 1989, the Company announced plans to undertake a Normal Course Issuer Bid to purchase up to 230,000 of its Series B Preferred Shares over the following twelve months. During 1989, the Company retired 139,200 Series B Preferred shares, including 112,600 under the Normal Course Issuer Bid, at a cost of \$2,693,000. During 1990, the Company retired 150,000 Series B Preferred shares, including 46,100 under the Normal Course Issuer Bid, at a cost of \$2,766,000. The gains on retirement of \$481,000 in 1989 and \$654,000 in 1990 have been credited directly to Retained Earnings.

The 10% Cumulative Redeemable Commodity-Indexed Series C Preferred Shares, which had general voting rights, were issued at \$25 (Cdn.) per share, contained a commodity-indexed exchange feature which gave each holder the right to receive the cash equivalent of specified amounts of either nickel or copper and were redeemable after July 1, 1989 at the Company's option at the greater of the issue price or the amount determined under the commodity-indexed exchange feature. In June 1989, the Company advised holders of its intention to redeem the remaining outstanding shares, including accrued and unpaid dividends, on August 1, 1989. During the period from January 1, 1989 through July 31, 1989, the Company redeemed 63,231 shares as a result of holders exercising their rights under the commodity-indexed exchange feature, and on August 1, 1989, the Company redeemed the then remaining 59,224 shares or provided for the redemption thereof, at an aggregate cost of \$5,513,000 including a premium of \$3,156,000 which was charged to Retained Earnings. During 1988, as a result of holders exercising their rights under the commodity-indexed exchange feature, 1,531,381 shares were redeemed at a cost of \$56,285,000. These shares were carried at \$29,479,000, based on the Canadian dollar exchange rate prevailing when they were issued in 1984. The difference of \$26,806,000 arising on redemption, was charged directly to Retained Earnings in 1988.

Changes in the Series B Preferred Shares and the Series C Preferred Shares for the years 1988 – 1990 are shown below.

	Series B Preferred Shares		Series C Preferred Shares	
	Number of shares	\$ in thousands	Number of shares	\$ in thousands
December 31, 1987	3,481,387	\$79,234	1,653,836	\$ 31,836
Shares redeemed	—	—	(1,531,381)	(29,479)
Shares purchased	(151,600)	(3,457)	—	—
December 31, 1988	3,329,787	75,777	122,455	2,357
Shares redeemed	—	—	(122,455)	(2,357)
Shares purchased	(139,200)	(3,174)	—	—
December 31, 1989	3,190,587	72,603	—	\$ —
Shares purchased	(150,000)	(3,420)	—	—
December 31, 1990	3,040,587	\$69,183	—	—

NOTE 9. COMMON SHARES

At December 31, 1990, the authorized common shares of the Company consisted of an unlimited number of shares with no par value.

In April 1989, the Company announced plans to undertake a Normal Course Issuer Bid to purchase up to 2,000,000 of its Common Shares, representing about 1.9% of the shares then outstanding, with purchases to be made at market prices on the Toronto, Montreal and New York stock exchanges over the following twelve months. The Company acquired 1,848,800 Common Shares under this program, all in 1989.

In October 1989, the Company announced plans to undertake a new Normal Course Issuer Bid to supersede the 2,000,000 common share repurchase program. Under this program, the Company planned to purchase, subject to business considerations and market conditions, an additional 5,000,000 Common Shares, representing about 4.8% of the shares then outstanding, with purchases to be made at market prices on the Toronto, Montreal and New York stock exchanges over the following twelve months. Prior to its expiration in November 1990, the Company had acquired 1,100,000 Common Shares under this program, 300,000 in 1989 and 800,000 in 1990.

Regulatory approval was received in February 1991 for a new Normal Course Issuer Bid to purchase up to 2,000,000 Common Shares, representing about 1.9% of the shares outstanding, with purchases to be made at market prices on the Toronto, Montreal and New York stock exchanges over the following twelve months.

During 1989, 1,698,800 Common Shares acquired under the repurchase programs were purchased for cancellation at an aggregate cost of \$49,413,000, of which \$7,608,000 was charged to Common Shares, based on the average per-share amount in the Common Share account at the purchase date, and the balance of \$41,805,000 was charged to Capital Surplus. The remaining 450,000 Common Shares acquired during

1989, which were purchased at a cost of \$13,347,000, were held by a trustee to be issued to employees in February 1990 under the Company's Employee Share Award Plan. A total of 447,944 Common Shares were issued to employees in 1990, as explained in Note 10.

During 1990, 500,000 Common Shares acquired under the repurchase programs were purchased for cancellation at an aggregate cost of \$12,066,000, of which \$2,265,000 was charged to Common Shares, based on the average per-share amount in the Common Share account at the purchase date, and the balance of \$9,801,000 was charged to Capital Surplus. The remaining 300,000 Common Shares acquired during 1990, which were purchased at an aggregate cost of \$8,161,000, are being held by a trustee to be issued to employees in February 1991, under the Company's modified employee share award program, as explained in Note 10.

Under the Inco Optional Stock Dividend Program, common shareholders may elect to receive Common Shares in lieu of cash dividends. Effective January 7, 1991, the Company reinstated a 5 per cent discount from market price for purposes of valuing the Common Shares under this Program. This discount had not been available since September 1, 1988.

Changes in the Common Shares for the years 1988 – 1990 are shown below.

	Common Shares	
	Number of shares	\$ in thousands
December 31, 1987	104,866,647	\$449,439
Options exercised	450,024	8,167
Shares issued in lieu of cash dividends	420,891	11,252
Shares sold under:		
Exploration program	106,312	1,358
Share Purchase Plan	6,949	184
December 31, 1988	105,850,823	470,400
Options exercised	192,007	3,880
Shares issued under incentive plan	19,530	590
Shares issued in lieu of cash dividends	185,810	5,746
Shares retired under Repurchase Program	(1,698,800)	(7,608)
Shares sold under Share Purchase Plan	12,467	383
Recapitalization antidilution adjustments	11,695	299
December 31, 1989	104,573,532	473,690
Options exercised	54,536	890
Shares issued under incentive plan	47,269	1,096
Shares issued in lieu of cash dividends	247,540	6,604
Shares retired under Repurchase Program	(500,000)	(2,265)
Shares sold under Share Purchase Plan	14,700	392
Recapitalization antidilution adjustments	498	13
December 31, 1990	104,438,075	\$480,420

In 1988, shareholders approved a Recapitalization Plan, which consisted of the payment of a special cash dividend of \$10 per Common Share and a Shareholder Rights Plan. The special cash dividend was declared on December 9, 1988, and was paid on January 9, 1989 to shareholders of record on December 22, 1988. The liability for the special cash dividend, totalling \$1,058.5 million, is shown separately as "Special common dividend payable" in the Consolidated Balance Sheet at December 31, 1988.

Under the Shareholder Rights Plan, one Common Share Purchase Right was issued on October 3, 1988 in respect of each outstanding Common Share. The Rights expire on October 3, 1998 unless terminated earlier by the Company's Board of Directors. The effect of the Rights Plan is to require anyone who seeks to acquire 20 per cent or more of the Company's voting shares to negotiate with the Board of Directors to terminate the Rights issued under the Plan. Until the earlier of the date that a person or group acquires 20 per cent or more of the Company's outstanding Voting Shares or the tenth day (or such later date as the Board of Directors may fix by amendment of the Plan) following the announcement of a tender or exchange offer or takeover bid that will result in such person or group owning 20 per cent or more of the Voting Shares, the Rights will be evidenced by the Common Shares, will automatically trade with the Common Shares and will not be exercisable. If (i) any person or group acquires 20 per cent or more of the Voting Shares or (ii) the Company consolidates with, amalgamates with or into or enters into an arrangement with any person or group in which the Common Shares are changed or if the Company shall sell or transfer assets aggregating more than 50 per cent of assets or generating more than 50 per cent of operating income or cash flow, then separate Rights certificates will be distributed. Each Right (excluding in certain circumstances Rights beneficially owned by a 20 per cent shareholder or certain transferees thereof, which Rights become void) will entitle the holder, on payment of the exercise price of \$100 per share (subject to certain antidilution adjustments as specified in the Rights Plan), to purchase Common Shares of the Company, in the circumstances in (i) above, or equity securities of the acquiror, in the circumstances in (ii) above, at a 50 per cent discount. In certain circumstances, the Board of Directors may, at its option and upon payment of the exercise price, issue or deliver debt or equity securities or other assets (or any combination thereof) having a value equal to twice the exercise price or, without charge, issue or deliver debt or equity securities or other assets (or any combination thereof) having a value equal to the exercise price.

In December 1988, a shareholder instituted a lawsuit challenging the legality of the Shareholder Rights Plan. This action does not claim any damages against the Company.

NOTE 10. STOCK OPTION PLANS AND EMPLOYEE SHARE AWARD PLAN

The Company's 1989 stock option plan, which has a term of five years, authorizes the granting of options to purchase up to 2,000,000 Common Shares at prices not less than 100% of their market value on the day the option is granted. The Company's 1979 and 1984 stock option plans each authorized the granting of options to key employees to purchase up to 1,000,000 Common Shares, also at prices not less than 100% of their market value on the day the option was granted. The 1979 and 1984 plans were terminated in 1984 and 1989, respectively, except as to options and share appreciation rights then outstanding. The Company's stock option plans provide that no shares subject to option shall be purchasable after ten years from the date of grant and also include an "antidilution" provision to protect the optionholder for stock splits or other significant capital changes. This provision was applied to options outstanding on December 22, 1988 in order to reflect the special cash dividend of \$10 per common share payable to shareholders of record on that date. For certain optionholders, the antidilution adjustment increased the number of options outstanding and reduced the related option price. For the remaining optionholders, to avoid possible adverse tax treatment, the antidilution adjustment for options issued after February 15, 1984 is made in the form of cash and common shares on the earlier of January 8, 1992 or when the options are exercised. At December 31, 1990, outstanding options for 562,853 shares, as amended for the antidilution adjustment, also carry share appreciation rights. In 1990, the Company also issued 47,269 Common Shares under the Company's incentive plan which provides for the awarding of incentive compensation in the form of cash, shares or share units.

Changes during the year 1990 in options outstanding are summarized as follows:

	Number of Shares		
	1989 Plan	1984 Plan	1979 Plan
Outstanding at December 31, 1989	942,875	268,410	49,170
Options granted at \$23.19 a share	519,500	—	—
Options exercised at average option price of \$16.32 a share	(20,600)	(19,224)	(14,712)
Options terminated	(12,500)	(33,713)	(20,073)
Outstanding at December 31, 1990	1,429,275	215,473	14,385
Available for grant at December 31, 1990	513,000	—	—
Exercisable as at December 31, 1990	1,171,525	215,473	14,385

At December 31, 1990, the average option price per share of options outstanding was \$12.82 (range \$10.34 – \$16.50) under the 1979 plan and \$26.08 (range \$8.54 – \$30.00) under the 1984 plan, after giving effect to the antidilution adjustment, and was \$27.64 (range \$23.19 – \$30.00) under the 1989 plan. The expiration dates of options outstanding at December 31, 1990 ranged from September 2, 1991 to February 15, 1998. At December 31, 1990 there were 187 employees participating in the plans.

The Company's Employee Share Award Plan authorized the awarding of up to 1,000,000 Common Shares of the Company, over a two-year period, to all eligible employees of Inco Limited and its wholly owned subsidiaries. The plan provided for an initial award in February 1989 to full-time employees on December 31, 1988 who had at least one year of service with the Company and an additional award in February 1990 to employees similarly eligible. The number of shares awarded to each eligible employee depended on the employee's length of service with the Company and, in the case of the shares awarded in February 1990, also depended, in part, on the number of shares the employee retained from those awarded in February 1989. A total of 443,121 shares were awarded to employees in 1989 as a result of the initial stage of this program and 447,944 additional shares were awarded in February 1990. The Company purchased these shares in the open market on behalf of the Employee Share Award Plan.

Under a subsequently authorized employee share award program which is currently in effect, Common Shares will be awarded in 1991 and 1992 to full-time employees who have at

least one year of service with the Company on December 31, 1990 and December 31, 1991, respectively, provided the Company achieves a return on year-end common shareholders' equity of at least 15 per cent for 1990 and 1991, respectively, and provided further that an eligible employee owns, at December 31, 1990 and December 31, 1991, respectively, shares equal to at least 80 per cent of the total shares previously awarded to that employee under the Company's share award programs. Approximately 300,000 shares are expected to be awarded in February 1991 and an additional 300,000 could be awarded in February 1992 under this modified program. At December 31, 1990, a liability of \$7.7 million has been recorded for the shares to be issued in 1991.

NOTE 11. CAPITAL SURPLUS

The balance in Capital Surplus at January 1, 1989 arose from transactions in the Company's Common Shares, primarily in 1930 and prior years. As explained in Note 9, the Company purchased for cancellation 1,698,800 Common Shares during 1989 and 500,000 Common Shares during 1990 and a portion of the purchase costs was charged to Capital Surplus as shown below.

(\$ in thousands)	1990	1989
Balance at beginning of year	\$19,231	\$61,036
Reduction from shares retired under repurchase program	9,801	41,805
Balance at end of year	\$ 9,430	\$19,231

NOTE 12. FINANCIAL DATA BY BUSINESS SEGMENT

Financial data by business segment and geographic area, for the years 1990, 1989 and 1988 follow (\$ in millions):

	Primary metals			Alloys and engineered products			Other business			Eliminations			Total		
	1990	1989	1988	1990	1989	1988	1990	1989	1988	1990	1989	1988	1990	1989	1988
Net sales to customers	\$2,369	3,218	2,686	\$ 688	695	552	\$ 51	35	25	\$ —	—	—	\$3,108	3,948	3,263
Intersegment sales	127	207	137	—	—	—	7	10	7	(134)	(217)	(144)	—	—	—
Total net sales	\$2,496	3,425	2,823	\$ 688	695	552	\$ 58	45	32	\$(134)	(217)	(144)	\$3,108	3,948	3,263
Operating earnings (loss)	\$ 617	1,360	1,385	\$ 50	94	48	\$ 27	19	1	\$ 20	(22)	(46)	\$ 714	1,451	1,388
Non-operating expenses*													(47)	(182)	(120)
Earnings before income and mining taxes													\$ 667	1,269	1,268
Capital expenditures	\$ 501	341	198	\$ 55	41	30	\$ 17	7	1	\$ —	—	—	\$ 573	389	229
Depreciation and depletion	\$ 177	163	147	\$ 28	27	25	\$ 4	4	5	\$ —	—	—	\$ 209	194	177
Identifiable assets at December 31	\$3,067**	2,697	2,613	\$ 703	681	610	\$ 120	97	104	\$ (49)	(74)	(73)	\$3,841	3,401	3,254
Other assets													217	265	825
Total assets at December 31													\$4,058	3,666	4,079

DATA BY GEOGRAPHIC AREA

	Canada			United States			Europe			Other			Total after eliminations		
	1990	1989	1988	1990	1989	1988	1990	1989	1988	1990	1989	1988	1990	1989	1988
Net sales to customers	\$ 407	634	562	\$ 961	1,148	954	\$1,015	1,241	956	\$ 725	925	791	\$3,108	3,948	3,263
Sales between geographic areas	1,754	2,343	1,842	45	49	42	77	55	33	21	19	3	—	—	—
Total net sales	\$2,161	2,977	2,404	\$1,006	1,197	996	\$1,092	1,296	989	\$ 746	944	794	\$3,108	3,948	3,263
Operating earnings	\$ 467	1,076	1,141	\$ 30	63	36	\$ 60	69	54	\$ 148	263	210	\$ 714	1,451	1,388
Identifiable assets at December 31	\$2,069	1,730	1,762	\$ 596	573	537	\$ 440	413	411	\$ 905**	865	863	\$3,841	3,401	3,254

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

** Includes assets of \$689 million relating to the Company's nickel operations in Indonesia.

The Company's business is organized around two principal product groups: primary metals and alloys and engineered products. The Company's principal primary metals are nickel and copper. Wrought nickel, high-nickel alloys in rolling mill forms, and forgings are the Company's major alloys and engineered products. Other business includes the Company's venture capital program, metals reclamation operations, and mining equipment operations.

Other assets consist of corporate assets, principally cash, securities, deferred pension charges and certain receivables and fixed assets.

The Company's intersegment sales are generally made at approximate prices used for sales to unaffiliated customers. Sales between geographic areas are generally made at prevailing market prices, except that sales of primary metals from Canada to other primary metals affiliates are net of discounts. Geographic area – Canada net sales to customers includes exports of \$86 in 1990 (1989 – \$151; 1988 – \$127). Geographic area –

Canada total net sales includes exports to the United States of \$631 in 1990 (1989 – \$870; 1988 – \$720) and exports to Europe of \$842 in 1990 (1989 – \$1,118; 1988 – \$827). Geographic area – United States net sales to customers includes exports of \$29 in 1990 (1989 – \$28; 1988 – \$20). Geographic area – Other net sales to customers includes sales to affiliated companies as follows: in Japan – Shimura Kako Company, Ltd. (1989 – \$233; 1988 – \$190) and Tokyo Nickel Company, Ltd. – \$257 in 1990 (1989 – \$350; 1988 – \$310); in Taiwan – Taiwan Nickel Refining Corporation – \$77 in 1990 (1989 – \$100; 1988 – \$119); in Korea – Korea Nickel Corporation \$61 in 1990 (1989 – \$54).

NOTE 13. RETIREMENT BENEFITS

The Company has defined benefit pension plans covering essentially all employees. Benefits for these plans are based primarily on either years of service and employees' final average pay or a stated amount for each year of service. Pension costs are calculated and funded based on annual actuarial estimates, except that funding is subject to limitations under applicable tax regulations. Plan assets consist principally of cash, equity securities and fixed income securities. The actual return on plan assets was a loss of \$54,450,000 in 1990, and gains of \$185,678,000 in 1989 and \$88,095,000 in 1988. Differences between these actual returns and the related assumed returns on plan assets are deferred and included in the determination of pension expense in future periods. Prior service costs associated with plan amendments are amortized to pension expense over the average remaining service life of existing employees.

Pension expense for defined benefit plans totalled \$42,748,000 in 1990, \$52,144,000 in 1989 and \$20,993,000 in 1988. The decrease in pension expense in 1990 compared with 1989 reflects the cumulative impact of prior years' investment gains offset partially by improvements in retirement benefits for the Company's hourly employees in Huntington and its staff employees located in the United States, both with effect from January 1, 1990, and for its hourly employees in the Manitoba Division with effect from September 16, 1990. The prior service costs associated with these 1990 improvements aggregated \$16 million. The increase in pension expense in 1989 compared with 1988 reflects the continuation and full year impact of the improvements in retirement benefits granted to a significant number of the Company's employees during 1988 and the cost-of-living adjustments provided, also during 1988, for most of the Company's pensioners. The prior service costs associated with these 1988 improvements aggregated \$185.6 million. Pension expense for 1990 and 1989 also reflects the inclusion in pensionable earnings of bonuses paid to staff employees under the Company's earnings bonus and management incentive plans. The prior service cost associated with this improvement was estimated at \$23.0 million in 1989.

During 1988, the Company initiated defined contribution plans (side fund arrangements) for employees and pensioners covered by the Ontario Pension Plan to provide for future indexing of pre-age 65 pensions for existing employees who retire prior to age 65 and to provide for five indexation adjustments to pensions. Similar indexing arrangements were instituted during 1990 for employees and pensioners covered by the Manitoba Pension Plan. Monthly contributions are made based on the number of hours worked by current employees. In addition, an initial contribution of \$8.4 million made in 1988 in respect of the defined contribution plan for employees and pen-

sioners covered by the Ontario Pension Plan is being amortized to expense over the average remaining service life of existing employees. The unamortized balance of the initial contribution at December 31, 1990, \$6.9 million, is included in deferred pension charges. Pension expense for defined contribution plans totalled \$7,824,000 in 1990, \$7,740,000 in 1989 and \$4,085,000 in 1988.

The pension liability, aggregating \$177 million at December 31, 1990, consists of a current liability of \$23 million representing amounts to be funded in 1991 and \$154 million recorded as a long-term liability for pension benefits. Included in the long-term liability is \$114 million of unamortized reversions of surplus pension funds which will be credited to pension expense over 8 years as part of the amortization of the unrecognized balance of the January 1, 1986 net asset. Deferred pension charges of \$59 million at December 31, 1990 resulted from contributions in excess of accruals, largely as a result of advance contributions in 1988, aggregating \$83 million, which were made to improve the funded position of the Ontario Pension Plan following implementation of plan improvements.

The projected benefit obligation was determined using an assumed discount rate of 8% and assumed long-term rates of compensation increase, where applicable, ranging from 3% to 5%. The assumed long-term rate of return on plan assets is 8%.

The Company provides certain health care and life insurance benefits for retired employees. Substantially all employees in Canada, the United States and the United Kingdom may become eligible for these benefits upon retirement from the Company. The cost of these benefits, which are generally provided through insurance companies, are expensed when incurred. Such costs approximated \$18 million in 1990, \$18 million in 1989 and \$16 million in 1988.

PENSION EXPENSE INCLUDED THE FOLLOWING COMPONENTS:

(\$ in thousands)	1990	1989	1988
Service cost – benefits earned during the year	\$ 33,427	\$ 29,053	\$ 22,084
Interest cost on projected benefit obligation	105,346	94,185	75,716
Assumed return on plan assets	(90,193)	(76,679)	(66,583)
Amortization of net asset at January 1, 1986	(17,627)	(17,627)	(17,627)
Amortization of deferred net (gains) losses	(5,988)	6,657	(1,052)
Amortization of unrecognized prior service costs	17,783	15,847	8,455
Settlement loss	—	708	—
Total defined benefit pension expense	42,748	52,144	20,993
Total defined contribution pension expense	7,824	7,740	4,085
Total pension expense	\$ 50,572	\$ 59,884	\$ 25,078

THE FUNDED STATUS OF THE COMPANY'S DEFINED BENEFIT PENSION PLANS WAS AS FOLLOWS:

December 31 (\$ in thousands)	1990		1989		1988	
	Plans Where Assets Exceed Accumulated Benefits	Plans Where Accumulated Benefits Exceed Assets	Plans Where Assets Exceed Accumulated Benefits	Plans Where Accumulated Benefits Exceed Assets	Plans Where Assets Exceed Accumulated Benefits	Plans Where Accumulated Benefits Exceed Assets
Plan assets at market value	\$462,881	\$ 671,910	\$482,981	\$ 680,962	\$376,713	\$ 600,631
Projected benefits based on employment service to date and present pay levels:						
Vested	317,186	759,679	294,191	724,896	219,605	639,285
Nonvested	65,473	128,464	66,484	114,555	48,748	112,112
Accumulated benefit obligation	382,659	888,143	360,675	839,451	268,353	751,397
Additional amounts related to compensation increases	107,942	26,923	91,924	22,580	79,810	27,384
Total projected benefit obligation	490,601	915,066	452,599	862,031	348,163	778,781
Plan assets in excess of (less than) projected benefit obligation	\$ (27,720)	\$(243,156)	\$ 30,382	\$(181,069)	\$ 28,550	\$(178,150)
Comprised of:						
Credits (charges) to future operations						
Balance of January 1, 1986 net asset	\$ 98,141	\$ 35,066	\$109,171	\$ 41,663	\$124,714	\$ 43,747
Investment and actuarial gains (losses)	(53,136)	(57,620)	20,755	(612)	788	16,270
Prior service costs	(51,538)	(138,625)	(55,824)	(133,450)	(49,526)	(143,186)
Currency translation adjustments	18,173	(3,751)	15,254	(5,090)	17,085	(3,836)
Pension liability at December 31	(39,360)	(137,686)	(58,974)	(146,470)	(64,511)	(159,532)
Deferred pension charges at December 31	—	59,460	—	62,890	—	68,387
	\$ (27,720)	\$(243,156)	\$ 30,382	\$(181,069)	\$ 28,550	\$(178,150)

NOTE 14. FOREIGN EXCHANGE CONTRACTS

At December 31, 1990 the Company had forward exchange contracts to purchase foreign currency as follows: 27 million Canadian dollars at an average rate to U.S. dollars of \$0.753, 75 million Deutsche marks at an average rate of \$0.661 and 46 million pounds sterling at an average rate of \$1.840 in 1991; and 10 million pounds sterling at an average rate of \$1.294 in 1992.

NOTE 15. DIFFERENCES BETWEEN CANADIAN AND UNITED STATES GENERALLY ACCEPTED ACCOUNTING PRINCIPLES

United States accounting practices relating to foreign currency translation, which are set forth in Statement of Financial Accounting Standards No. 52, are not entirely compatible with Canadian accounting practices which the Company follows and which are described in Note 1. Under United States practices, where the functional currency is United States dollars, all currency translation adjustments related to assets and liabilities are included in earnings currently whereas Canadian practices for integrated operations require that currency translation adjustments related to long-term monetary items with a fixed and ascertainable life be deferred and amortized over the life of the item. Deferred income and mining taxes and the Series C

Preferred Shares (while outstanding) are translated at year-end rates of exchange under United States practices rather than historical rates of exchange which are required by Canadian practices. Under United States practices, the Series C Preferred Shares were also adjusted to reflect the premium which would have been paid by the Company had the outstanding shares been redeemed as a result of the holders thereof exercising their right, under the commodity-indexed exchange feature, to receive the cash equivalent of specified amounts of either nickel or copper. This adjustment and any actual premiums paid on redemptions under the commodity-indexed exchange feature of the Series C Preferred Shares, together with the currency translation adjustments for the Series C Preferred Shares, were accounted for as preferred dividends in calculating earnings per share under United States practices.

United States accounting standards for pension costs, which are set forth in Statement of Financial Accounting Standards Nos. 87 and 88, are also not entirely compatible with the Canadian pension accounting standards adopted by the Company with effect from January 1, 1986. Coincident with the

adoption of the United States standards for United States reporting purposes, also 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 (\$163.3 million); under Canadian practices, the Company amortizes such reversions over the average remaining service life of existing employees. United States practices also require, effective for the Company in 1989, the recognition of a minimum additional pension liability in the amount of the excess of the Company's unfunded accumulated benefit obligation over the recorded pension liability; an offsetting intangible pension asset is recorded equal to unrecognized prior service costs, with any difference going to reduce common shareholders' equity. At December 31, 1990, the minimum additional pension liability would have been \$205.5 million (1989 - \$157.9 million), the intangible pension asset would have been \$150.6 million (1989 - \$151.2 million), with a reduction of \$54.9 million (1989 - \$6.7 million) in common shareholders' equity.

The Company's results, as reported under United States practices, include extraordinary credits of \$24.6 million in 1990, \$56.5 million in 1989 and \$38.2 million in 1988 from utilization of prior years' tax losses in Indonesia whereas Canadian practices require that credits from the utilization of prior years' tax losses be used to reduce income and mining taxes. The Company's 1988 income and mining taxes, as reported under Canadian practices, include a credit, aggregating \$44.6 million, from utilization of prior years' tax losses in Indonesia and the United States. Under United States practices, all prior years' tax losses of the Company's United States operations had been utilized with the inclusion in earnings of the pension fund reversions discussed in the preceding paragraph. Accordingly, the Company's 1988 results, as reported under United States practices, include an extraordinary credit of \$38.2 million from utilization of prior years' tax losses in Indonesia.

The following table compares the Company's results reported under Canadian practices with those that would be reported under United States practices, together with the cumulative effect on selected balance sheet accounts. Quarterly results are unaudited.

(\$ in millions)	Canada			United States		
	1990	1989	1988	1990	1989	1988
Net earnings						
First quarter	\$ 67.7	\$276.3	\$125.9	\$ 68.6	\$277.9	\$113.1
Second quarter	203.9	195.7	190.2	200.2	196.6	185.7
Third quarter	97.0	129.3	200.3	90.8	121.1	198.9
Fourth quarter	72.6	152.1	219.0	71.1	142.8	211.1
Year	\$ 441.2	\$753.4	\$735.4	\$ 430.7	\$738.4	\$708.8
Earnings per common share	\$ 4.18	\$ 7.11	\$ 6.92	\$ 4.08	\$ 6.97	\$ 6.56
December 31	1990	1989	1988	1990	1989	1988
Deferred income and mining taxes	\$ 339.1	\$303.1	\$288.5	\$ 371.7	\$339.0	\$323.0
Liability for pension benefits	153.6	182.0	203.2	49.5	64.9	73.1
Preferred Shares Series C	—	—	2.4	—	—	6.1
Retained earnings	1,132.4	799.9	144.2	1,200.2	878.4	233.8
Additional pension liability	\$ —	\$ —		\$ 205.5	\$157.9	
Intangible pension asset	—	—		150.6	151.2	
Excess pension liability over unrecognized prior service costs	\$ —	\$ —		\$ 54.9	\$ 6.7	

The following table reconciles results as reported under Canadian practices with those that would be reported under United States practices:

(\$ in millions)	1990	1989	1988
Net earnings - Canadian practices	\$441.2	\$753.4	\$735.4
Increased pension expense	(13.0)	(13.0)	(13.0)
Increased currency translation losses	(2.9)	(6.8)	(9.8)
(Increased) reduced income and mining taxes			
Reversal of utilization of prior years' tax losses	(24.6)	(56.5)	(44.6)
Other	5.4	4.8	2.6
Net earnings before extraordinary credit - United States practices	406.1	681.9	670.6
Utilization of prior years' tax losses	24.6	56.5	38.2
Net earnings - United States practices	430.7	738.4	708.8
Dividends on preferred shares - United States practices	(5.2)	(4.9)	(17.1)
Net earnings applicable to common shares - United States practices	\$425.5	\$733.5	\$691.7
Earnings per common share:			
Before extraordinary credit	\$3.84	\$6.43	\$6.20
Extraordinary credit	0.24	0.54	0.36
Earnings per common share - United States practices	\$4.08	\$6.97	\$6.56

In connection with the Consolidated Statement of Cash Flows, the following supplemental disclosures are required by Statement of Financial Accounting Standards No. 95:

(\$ in millions)	1990	1989	1988
Interest paid	\$110.9	\$140.2	\$95.2
Income and mining taxes paid	\$262.0	\$803.7	\$28.1

The Company does not intend to adopt the new United States accounting standard for income taxes, Statement of Financial Accounting Standards No. 96 (SFAS 96), before the latest effective date, which, for the Company, is now January 1, 1992. This new United States standard, which proposes the liability method for income taxes, is not compatible with existing United States and Canadian practices, which currently require the deferred method. Among other differences, the liability method would require annual adjustment of deferred tax balances to reflect current tax rates, while the deferred method requires such balances to be maintained at the tax rates of the years when they were first recorded. In November 1988, the Canadian Institute of Chartered Accountants (CICA) issued an exposure draft which, while not entirely compatible with SFAS 96, proposed adoption of the liability method. In July 1990, the CICA announced that it had abandoned the proposed new standard since no consensus could be reached. The new United States standard is subject to change by the Financial Accounting Standards Board (FASB). Accordingly, the Company has deferred its analysis of the potential impact until the new United States standard is issued. Under SFAS 96, utilization of prior years' tax losses would be reflected as a reduction of the provision for income and mining taxes rather than as an extraordinary credit.

In December 1990, a new United States accounting standard for postretirement benefits other than pensions, Statement of Financial Accounting Standards No. 106 (SFAS 106), was issued by the FASB. This new standard essentially proposes accrual accounting for health care and other postretirement costs other than pensions, and sets forth procedures to be followed in determining and recording the liability. It will be effective for the Company on January 1, 1993 although provision exists to defer implementation until 1995 for plans outside the United States. As explained in Note 13, the Company currently expenses postretirement costs as incurred. This practice is acceptable under Canadian standards and there is no indication that Canadian standards will be changed to mandate any specific accounting method as the only acceptable standard. Accordingly, on implementation of SFAS 106 for United States purposes, a new difference will arise between the Company's

financial results as reported under Canadian practices and those that would have been reported under United States practices. The Company has not yet fully quantified this difference but expects that costs and liabilities for postretirement costs other than pensions will initially be significantly greater under SFAS 106 than those recorded under Canadian standards.

NOTE 16. SUBSEQUENT EVENT

On January 7, 1991, the Company acquired a 62 per cent interest in Consolidated TVX Mining Corporation (Consolidated TVX). The acquisition involved the transfer of the Company's interests in six gold properties, having a net book value of about \$71 million, in exchange for approximately 83 million shares in Consolidated TVX. No gain or loss is recorded on this transaction. Subsequent to the acquisition, Consolidated TVX changed its name to TVX Gold Inc.; its shares are traded on the Montreal and Toronto stock exchanges.

Price Waterhouse



To the Shareholders of Inco Limited:

We have audited the consolidated financial statements and explanatory financial section appearing on pages 33 through 47 of this report. The consolidated financial statements are the responsibility of Inco Limited's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the 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 Inco Limited at December 31, 1990, 1989 and 1988 and the results of its operations and its cash flows for the years then ended in accordance with generally accepted accounting principles as established in Canada.

Toronto, Ontario

New York, New York

February 13, 1991

SUPPLEMENTARY FINANCIAL INFORMATION

QUARTERLY FINANCIAL INFORMATION

(\$ in thousands, except per share amounts)	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Year
1990					
Net sales	\$ 734,540	\$ 775,285	\$763,609	\$834,792	\$3,108,226
Cost of sales and operating expenses	\$ 554,180	\$ 545,074	\$529,229	\$636,462	\$2,264,945
Earnings before income and mining taxes	\$ 101,381	\$ 292,599	\$158,204	\$114,870	\$ 667,054
Net earnings	\$ 67,703	\$ 203,885	\$ 97,060	\$ 72,569	\$ 441,217
Net earnings per common share	\$.64	\$ 1.94	\$.92	\$.68	\$ 4.18
Dividends per common share	\$.25	\$.25	\$.25	\$.25	\$ 1.00
1989					
Net sales	\$1,117,482	\$1,066,222	\$848,658	\$915,617	\$3,947,979
Cost of sales and operating expenses	\$ 533,536	\$ 630,428	\$542,232	\$637,334	\$2,343,530
Earnings before income and mining taxes	\$ 480,860	\$ 338,389	\$217,043	\$232,583	\$1,268,875
Net earnings	\$ 276,261	\$ 195,782	\$129,240	\$152,121	\$ 753,404
Net earnings per common share	\$ 2.60	\$ 1.84	\$ 1.23	\$ 1.44	\$ 7.11
Dividends per common share	\$.20	\$.20	\$.20	\$.25	\$.85

Note: Year 1990 results reflect a gain of \$133 million, recorded in the second quarter, from the sale of a 20 per cent equity interest in P.T. International Nickel Indonesia and a gain of \$22 million from sales of one publicly traded biotechnology company: first quarter \$3 million; second quarter \$12 million; third quarter \$5 million; fourth quarter \$2 million. Year 1990 results also reflect a \$25 million reduction in income and mining taxes from utilization of prior years' tax losses as follows: first quarter \$8 million; second quarter \$7 million; third quarter \$5 million; fourth quarter \$5 million.

Year 1989 results reflect a gain of \$61 million from the sale of a 30 per cent equity interest in Shimura Kako Company, Ltd. of Japan, and a gain of \$3 million from the sale of a 26 per cent equity interest in Morgan Hydrocarbons Inc., both recorded in the fourth quarter. Year 1989 results also reflect a \$56 million reduction in income and mining taxes from utilization of prior years' tax losses as follows: first quarter \$17 million; second quarter \$16 million; third quarter \$12 million; fourth quarter \$11 million.

SHAREHOLDERS At year-end 1990, of the shareholders having general voting rights (the Common and the Series B Preferred shareholders), 63 per cent had addresses in Canada, 26 per cent in the United States and 11 per cent elsewhere. Of these voting shares, Canadian residents of record held 58 per cent, United States residents of record 39 per cent, and residents of record in other countries 3 per cent.

DIVIDENDS On February 13, 1991, the Board of Directors declared a regular quarterly dividend of 25 cents per common share, payable March 19 to shareholders of record on February 25. The Company paid total regular dividends per common share of \$1.00 in 1990 and 85 cents in 1989, in addition to the special cash dividend of \$10 per share paid on January 9, 1989. The Board of Directors on February 13 also declared a quarterly dividend on the Company's 7.85% Series B Preferred Shares, payable March 1 to shareholders of record on February 22.

Dividends are paid to Canadian residents in Canadian currency unless the shareholder, by written notification to Shareholder Services, requests payment in United States currency.

SHAREHOLDER INVESTMENT PLANS Under the Company's Optional Stock Dividend Program, common shareholders have the right to elect to receive a stock dividend in lieu of a cash dividend. Effective January 7, 1991, the Company reinstated a 5 per cent discount from the market price for purposes of valuing the Company's Common Shares under this Program. This discount had not been available since September 1, 1988. The Program provides common shareholders with a simple and convenient method of acquiring additional Common Shares, at a discount of 5 per cent from their market value, without payment of brokerage commissions or service charges.

Under the Company's Share Purchase Plan, common shareholders are entitled to make cash payments to purchase Common Shares of the Company at prevailing market prices. There are no service charges or brokerage commissions for Common Shares purchased under the Plan. Effective January 7, 1991, common shareholders can contribute from \$30 to \$12,000 (Cdn.) or from \$30 to \$10,000 (U.S.) per calendar quarter to purchase Common Shares from the Company on scheduled quarterly dividend payment dates. Prior to January 7, 1991, these limits were \$30 to \$7,000 (Cdn.) or \$30 to \$5,200 (U.S.) per calendar quarter. Those shareholders who wish to participate in the Share Purchase Plan or the Optional Stock Dividend Program or who desire additional information should write to Shareholder Services, Inco Limited, at either the Company's Toronto or New York address.

SHAREHOLDER RIGHTS PLAN At a Special Meeting of Shareholders held on December 9, 1988 shareholders approved the Company's Recapitalization Plan which included a Shareholder Rights Plan unanimously approved by the Board of Directors on October 3, 1988.

Under the Shareholder Rights Plan, one Common Share Purchase Right was issued on October 3, 1988 in respect of each outstanding Common Share. Each Right entitles the registered holder to purchase from the Company one Common Share at the exercise price of \$100 per share, subject to certain antidilution adjustments as specified in the Rights Plan. The Rights Plan was implemented to enable all holders of Common Shares to realize full and fair value for their investment in the Company in the event of a takeover, by in effect requiring anyone who seeks to acquire 20 per cent or more of the Company's voting shares to negotiate with the Board of Directors to terminate the rights issued under the Plan. The Plan does not prevent a takeover; rather, it is designed to encourage anyone seeking to acquire the Company to make an offer that would be considered by the Board of Directors to represent full and fair value for all holders of Common Shares.

Pursuant to the Rights Plan, until the earlier of the date a person or group acquiring 20 per cent or more of the Company's outstanding Voting Shares or the tenth day (or such later date as the Board of Directors may fix by amendment of the Plan) following the announcement of a tender or exchange offer or takeover bid that will result in such person or group owning 20 per cent or more of the Voting Shares, the Rights will be evidenced by the Common Shares, will automatically trade with the Common Shares and will not be exercisable. Thereafter, separate Rights certificates will be distributed. If (i) any person or group acquires 20 per cent or more of the Voting Shares or (ii) the Company consolidates with, amalgamates with or into or enters into an arrangement with any person or group in which the Common Shares are changed or if the Company shall sell or transfer assets aggregating more than 50 per cent of assets or generating more than 50 per cent of operating income or cash flow, then each Right (excluding in certain circumstances Rights beneficially owned by a 20 per cent shareholder or certain transferees thereof, which Rights become void) will entitle the holder, on payment of the exercise price, to purchase Common Shares of the Company, in the circumstances in (i) above, or equity securities of the acquiror, in the circumstances in (ii) above, at a 50 per cent discount. In

certain circumstances, the Board of Directors may, at its option and upon payment of the exercise price, issue or deliver debt or equity securities or other assets (or any combination thereof) having a value equal to twice the exercise price or, without charge, issue or deliver debt or equity securities or other assets (or any combination thereof) having a value equal to the exercise price.

NORMAL COURSE ISSUER BID A copy of the "Notice of Intention to Make a Normal Course Issuer Bid" referred to in the Management's Discussion and Analysis on page 31 may be obtained from the Company upon request.

OTHER INFORMATION

Canadian federal tax legislation generally requires a 15 per cent withholding from dividends paid to the Company's common 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. The amount of stock dividends paid to non-residents of Canada will be subject to withholding tax at the same rate as cash dividends. The amount of a stock dividend (for tax purposes) would generally be equal to the amount by which the stated capital of the Company has increased by reason of the payment of such dividend. The Company will furnish additional tax information to shareholders in the event of such a dividend. 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. Under present legislation in the United States, the Company is not subject to United States backup withholding rules, which would require withholding at a rate of 20 per cent on dividends and interest paid to certain United States persons who have not provided the Company with a taxpayer identification number.

The Company's Common Shares and its 7.85% Series B Preferred Shares have general voting rights. At shareholders' meetings, each holder of these securities is entitled to one vote for each share held and there are no cumulative voting provisions. At December 31, 1990, the number of Series B Preferred shareholders totalled 900, principally Canadian residents.

Subject to the preferential rights of the holders of the Company's Preferred Shares, the holders of Common Shares are entitled to such dividends as may be declared by the Board of Directors out of funds legally available therefor. No dividend or other distribution on the Common Shares shall be paid, and no Common Shares shall be acquired for value, unless dividends on all outstanding Preferred Shares have been paid for all past

quarterly periods. There are no charter or contractual provisions expressly limiting either the amount of cash dividends which the Company may declare and pay on its Common Shares or the right of non-residents of Canada to hold or vote any of the Common Shares of the Company.

There are certain restraints on the holding of Inco's voting equity securities. The Company's Series B Preferred Shares were issued and sold in underwritten public offerings in Canada only and no market for such shares exists outside Canada. 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; some \$1,400 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.

MARKET PRICE RANGE FOR COMMON AND PREFERRED SHARES

Year ended December 31	1990	1989
<i>Common Shares</i>		
New York Stock Exchange (Composite transactions)		
First quarter	\$28 - 22 ¹ / ₈	\$32 ⁵ / ₈ - 25 ⁵ / ₈
Second quarter	28 ³ / ₄ - 23 ⁵ / ₈	32 ¹ / ₂ - 26 ³ / ₄
Third quarter	31 ⁷ / ₈ - 26	37 ⁵ / ₈ - 27 ¹ / ₄
Fourth quarter	28 ¹ / ₄ - 22 ³ / ₄	35 ¹ / ₄ - 25 ³ / ₄
Toronto Stock Exchange (Canadian dollars)		
First quarter	\$32 ⁷ / ₈ - 26	\$39 ¹ / ₈ - 30 ⁵ / ₈
Second quarter	33 ⁵ / ₈ - 27 ¹ / ₂	38 ¹ / ₂ - 31 ³ / ₄
Third quarter	36 ⁷ / ₈ - 30 ¹ / ₄	44 ¹ / ₄ - 32 ⁵ / ₈
Fourth quarter	32 ¹ / ₂ - 26 ⁷ / ₈	41 ¹ / ₂ - 30
<i>Series B Preferred Shares</i>		
First quarter	\$23 - 21 ¹ / ₂	\$22 ¹ / ₂ - 21 ¹ / ₈
Second quarter	22 - 20 ¹ / ₈	22 ¹ / ₂ - 22
Third quarter	22 - 19 ¹ / ₂	23 ¹ / ₂ - 22 ¹ / ₄
Fourth quarter	21 ¹ / ₂ - 19 ¹ / ₄	23 ¹ / ₂ - 22 ⁵ / ₈
<i>Series C Preferred Shares*</i>		
First quarter		\$70 - 58 ¹ / ₂
Second quarter		56 ¹ / ₂ - 45
Third quarter		45 - 39
Fourth quarter		

* The Company redeemed the outstanding Series C Preferred shares on August 1, 1989.

Donald J. Phillips
Chairman, President and Chief Executive Officer

Executive Vice-Presidents

W.R.O. Aitken I. David Balchin Walter Curlook Ian McDougall

Vice-Presidents

Malcolm C. Bell
Technology

Scott M. Hand
General Counsel and Secretary
Strategic Planning and Business
Development

Anthony E. Munday
Comptroller

Anthony J. Sabatino
Treasurer

Peter B. Salathiel
Primary Metals Marketing

Michael D. Sopko
Human Resources

J. Stuart Warner
Occupational and
Environmental Health

Brian K. Davison
Production Director
Inco Europe Limited

David J. Anderson
President
International Nickel Inc.

Ivor Kirman
Marketing Director
Inco Europe Limited

Claudio Barsotti
President
Inco Exploration
and Technical Services Inc.

Martin H. Robinson*
President
Inco Gold Inc.

John O. Allen
Vice-President and
General Manager
Inco Alloys International, Inc.

Edward R. Burrell
Vice-President, Marketing and
Planning
Inco Alloys International, Inc.

Donald E. DeBord
Vice-President, Technology
Inco Alloys International, Inc.

John Smith
Director and General Manager
Inco Alloys Limited

Ian L. Dillamore
Managing Director
Inco Engineered Products
Limited

Principal Regional Officers

Kevin H. Belcher
Vice-President, Inco Limited
General Manager, Inco Limited
Japan Branch and President
Inco Pacific Limited

Samuel Goldberg
President
Inco United States, Inc.

Operations

William P. Clement
President
Ontario Division

Lorne M. Ames
President
Manitoba Division

James D. Guiry
President and Managing Director
P.T. International Nickel
Indonesia

*President of TVX Gold Inc.
effective January 7, 1991

SENIOR EXECUTIVE CHANGES

The following changes, which become effective April 1, 1991, are being made to strengthen the senior management group and provide for executive development.

Donald J. Phillips, 61, will relinquish the title of President and continue as Chairman and Chief Executive Officer.

Walter Curlook, 61, will become Vice-Chairman responsible for Environmental Affairs, Government and Public Affairs, Human Resources, Exploration, Technical Services, Inmetco and Continuous Mining Systems.

Ian McDougall, 60, will become Vice-Chairman and continue as Chief Financial Officer also having responsibility for venture capital and certain other administrative functions.

Michael D. Sopko, 52, will become President of the Company with responsibilities including Primary Metals production, marketing and technology.

Scott M. Hand, 48, will become Executive Vice-President reflecting a larger role in corporate strategic planning. Mr. Hand will continue as General Counsel and Secretary of the Company also having responsibility for new business programs.

Peter B. Salathiel, 50, will become Executive Vice-President and will continue to be responsible for Primary Metals Marketing.

W.R.O. Aitken, 58, will become President and Chief Executive Officer of P.T. International Nickel Indonesia, following his election at P.T. Inco's annual shareholders meeting in mid-March, and will be located in Jakarta. Mr. Aitken will also be appointed President of International Nickel Japan Ltd. and, in this role, will perform stewardship activities for the Inco group of companies in the Pacific Rim region.

James D. Guiry, 57, will become Vice-President, Human Resources and will relocate to Toronto.

The Company's Management Committee will consist of Messrs. Phillips, Curlook, McDougall, Sopko, I. David Balchin, Hand and Salathiel.

The following changes will also occur effective April 1, 1991.

Peter J. Goudie will become President and Managing Director, Inco Pacific Limited. Mr. Goudie is currently Managing Director of Inco Pacific Limited. He will continue to be based in Hong Kong.

Shozo Kawaguchi will become Managing Director, Inco Limited - Japan Branch. Mr. Kawaguchi is currently Marketing Director of Inco Limited - Japan Branch. He will continue to be based in Tokyo.

Kevin H. Belcher will retire as head of Inco Pacific Ltd. and Inco Limited - Japan Branch at the end of March having reached the mandatory retirement age.



LEFT TO RIGHT: W.R.O. AITKEN, S.M. HAND AND I.D. BALCHIN.

BOARD OF DIRECTORS

The Board of Directors consists of 16 members of whom four are officers of the Company. In 1990, the Board held 10 meetings. The activities of the Board are supported by its various committees.

EXECUTIVE COMMITTEE

The Executive Committee, which held three meetings during 1990, consists of Mr. Phillips, Chairman, and Messrs. Crawford, Light, McDougall, G.T. Richardson and Thomson. During intervals between meetings of the Board, the Executive Committee, with certain exceptions, has all the powers vested in the Board.

AUDIT COMMITTEE

The Audit Committee, which held three meetings during 1990, consists of Mr. Aird, Chairman, and Messrs. Telmer, Baird and R.J. Richardson. This committee meets with the Company's financial management personnel, its internal auditors and its independent auditors at least three times a year to review and

appraise the Company's financial reporting practices and procedures, the adequacy of the system of internal accounting control, the planned scope of examinations by both auditing groups and their findings and recommendations. It also reviews the Company's financial statements and monitors various other internal control policies.

NOMINATING COMMITTEE

The Nominating Committee, which held two meetings during 1990, consists of the same Directors who comprise the Executive Committee and has the function of recommending to the Board nominees for election as Directors.

MANAGEMENT RESOURCES AND COMPENSATION COMMITTEE

This committee, which held three meetings during 1990, consists of Mr. G.T. Richardson, Chairman, and Messrs. Crawford, Light and Thomson. This committee advises and consults with the Chairman of the Board and makes recommendations to the Board on the remuneration of senior executives of the Company and on the Company's various incentive plans. The committee also reviews the management development programs and the succession plans relating to senior management.

PENSION COMMITTEE

The Pension Committee, which held two meetings during 1990, consists of Mr. Bélanger, Chairman, Mrs. Erola, and Messrs. Glavin and Hantho. This committee advises the Board regarding the financial aspects of the pension programs of the Company and its subsidiaries, including actuarial assumptions, the adequacy of funding and the implementation of sound investment of pension funds.

DIRECTORS

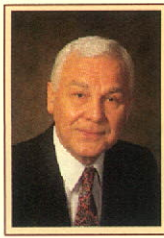
Frederick H. Telmer, Chairman and Chief Executive Officer, Stelco Inc., was elected to Inco's Board of Directors on January 7, 1991.

Michael D. Sopko, Vice-President, Human Resources, was elected to Inco's Board of Directors on February 13, 1991.

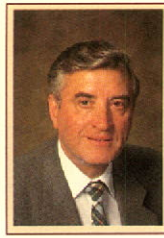
In accordance with the retirement policy adopted by the Board, J. Peter Gordon, who served as a Director for 12 years, retired on February 13, 1991.



Donald J. Phillips



Walter Curlook



Ian McDougall



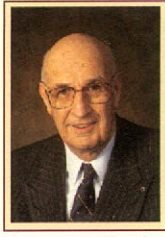
Michael D. Sopko

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

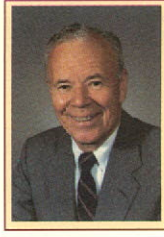
Richard M. Thomson
Chairman and
Chief Executive Officer
The Toronto-Dominion Bank
Toronto, Ontario

(Term expires 1993)

The Honourable John Black Aird, O.C., Q.C.
Senior Partner
Aird & Berlis
Toronto, Ontario



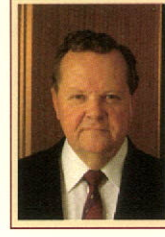
The Honourable John Black Aird, O.C., Q.C.



Charles F. Baird



Michel Bélanger



Purdy Crawford, Q.C.

(Term expires 1992)

Michel Bélanger
Director
National Bank of Canada
Montreal, Quebec

Purdy Crawford, Q.C.
Chairman
and Chief Executive Officer

Imasco Limited
(consumer products and services corporation)
Montreal, Quebec

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

William F. Glavin
President
Babson College
Wellesley, Massachusetts

Walter F. Light, O.C.
Retired Chairman
Northern Telecom Limited
(manufacturer of telecommunications equipment)
Mississauga, Ontario

Ian McDougall
Executive Vice-President
Inco Limited
New York, New York

Charles F. Baird
Former Chairman and
Chief Executive Officer
Inco Limited
Washington, D.C.

Walter Curlook
Executive Vice-President
Inco Limited
Toronto, Ontario

Charles H. Hantho
Chairman, President and
Chief Executive Officer
Dominion Textile Inc.
(textile manufacturing)
Montreal, Quebec

Donald J. Phillips
Chairman, President
and Chief Executive Officer
Inco Limited
Toronto, Ontario

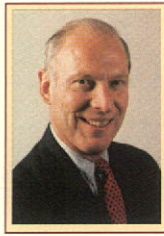
Robert J. Richardson
Robert J. Richardson –
Consultants
Montreal, Quebec

Michael D. Sopko
Vice-President
Inco Limited
Toronto, Ontario

Frederick H. Telmer
Chairman and Chief
Executive Officer
Stelco Inc.
(producer of iron, primary steel and finished steel products)
Toronto, Ontario



The Honourable Judith A. Erola



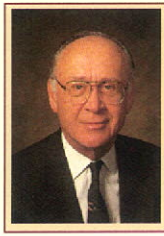
William F. Glavin



Charles H. Hantho



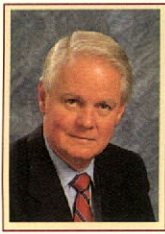
Walter F. Light, O.C.



George T. Richardson



Robert J. Richardson



Frederick H. Telmer



Richard M. Thomson



J. Peter Gordon, O.C.

PRINCIPAL EXECUTIVE OFFICE

Royal Trust Tower
Toronto-Dominion Centre
Toronto, Ontario
M5K 1N4
(416) 361-7511

OTHER EXECUTIVE OFFICE

One New York Plaza
New York, New York 10004
U.S.A.
(212) 612-5500

PRIMARY METALS
Principal Operating Units

Ontario Division
Copper Cliff, Ontario
Port Colborne, Ontario

Manitoba Division
Thompson, Manitoba

P.T. International Nickel Indonesia
Soroako, Indonesia
58% owned

Clydach Refinery
Clydach, Swansea, Wales

Acton Refinery
London, England

International Nickel Océanie S.A.
Noumea, New Caledonia

Principal Sales Offices

Inco Limited
Toronto, Ontario
(416) 361-7511

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

Wexford, Pennsylvania
U.S.A.
(412) 934-5680

Upland, California
U.S.A.
(714) 946-2111

Inco Europe Limited
London, England
(44) 71-235-2040

International Nickel France, S.A.
Paris, France
(33) 1 42 89 26 67

International Nickel G.m.b.H.
Düsseldorf, Germany
(49) 211-32 91 77

International Nickel
Services (U.K.) Limited
Indian Liaison Office
New Delhi, India
(91) 11 6862336

Inco Limited, Japan Branch
Tokyo, Japan
(81) 3 3245-0621

Inco Pacific Limited
Hong Kong
(852) 521-2333

Taipei, Taiwan
Republic of China
(886) 2 503-0022

International Nickel Océanie S.A.
Paris, France
(33) 1 42 89 26 69

ALLOYS AND ENGINEERED PRODUCTS
ALLOYS
Principal Operating Units

Inco Alloys International, Inc.
Huntington, West Virginia,
U.S.A.

Inco Alloys Limited
Hereford, England

Additional Operating Units

Burnaugh, Kentucky, U.S.A.

Inco Light Alloys
Pittsboro, North Carolina, U.S.A.

Elkhart, Indiana, U.S.A.

Welding Products Company
Newton, North Carolina, U.S.A.

Wiggin Steel & Alloys
Birmingham, England

Greengrove Welding Wires Ltd.
Stratford-upon-Avon, England

Sales Offices

United States
Inco Alloys International, Inc.
Marietta, Georgia
(404) 971-4570

Chicago, Illinois
(708) 255-0888

Cleveland, Ohio
(216) 464-8705

Houston, Texas
(713) 440-6600

Huntington, West Virginia
(304) 526-5100

Franklin, Massachusetts
(508) 520-3801

Upland, California
(714) 946-0803

Wilmington, Delaware
(302) 529-1818

Canada
Inco Alloys Canada Limited
Toronto, Ontario
(416) 361-7808

Europe
Inco Alloys International
Hereford
(44) 432-276461

Inco Alloys International
Paris, France
(33) 1 47 76 42 51

Düsseldorf, Germany
(49) 211 37 90 78

Incotherm Limited
Hereford, England
(44) 432-355880

Pacific
Inco Alloys Pte. Ltd.
Singapore
(65) 222-3988

Melbourne, Australia
(61) 3 867 3666

Inco Pacific Limited
Taipei, Taiwan
Republic of China
(886) 2 503-0022

Japan
Daido Inco Alloys Ltd.
50% owned

Tokyo
(81) 3 3504-0921

Osaka
(81) 6-202-4951

ENGINEERED PRODUCTS

Inco Engineered Products Limited
Melbourne, England
(44) 332 864900

IEP Airfoils
Melbourne, England
(44) 332-864900

Amtech Division
Axminster, England
(44) 297-34567

Monk Bridge Division
Leeds, England
(44) 532 446262

Disc Division
Leeds, England
(44) 532 446262

Moorside Division
Oldham, England
(44) 61 624 7417

Renston Engineering Division
Redditch, England
(44) 527 501310

Machined Products Division
Kirkby-in-Ashfield, England
(44) 623-751816

IEP Structures
Melbourne, England
(44) 332-864900

Blaenavon Division
Blaenavon, South Wales
(44) 495 790345

IVC Division
West Bromwich, England
(44) 21 611-1115

Bramah Division
Sheffield, England
(44) 742-483981

SETTAS S.A.
Jumet, Belgium
(01032) 7134 4488

IEP Doncasters
Sheffield, England
(44) 742 349444

Inco Engineered Products, Inc.
(203) 677-1376

Sales Office
Chicago, Illinois, U.S.A.
(708) 640-0600

Storms Forge Division
Springfield, Massachusetts, U.S.A.
(413) 785-1801

Turbo Products Division
Ivoryton, Connecticut, U.S.A.
(203) 767-0161

New England Aircraft Products
Division
Farmington, Connecticut, U.S.A.
(203) 677-1376

OTHER SUBSIDIARIES AND UNITS

Inco Exploration and Technical
Services Inc.
Toronto, Ontario
(416) 361-7874

Inco Specialty Powder Products
Toronto, Ontario
(416) 361-7858

Continuous Mining Systems Limited
Copper Cliff, Ontario
(705) 682-0623

American Copper & Nickel
Company, Inc.
Wheat Ridge, Colorado, U.S.A.
(303) 425-1230

Western Aggregates, Inc.
Boulder, Colorado, U.S.A.
(303) 499-1010

Inco United States, Inc.
New York, New York, U.S.A.

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

Inco Venture Capital Management
New York, New York, U.S.A.

The International Metals
Reclamation Company, Inc.
Ellwood City, Pennsylvania
U.S.A.
(412) 758-5515

LaQue Center for Corrosion
Technology, Inc.
Wrightsville Beach
North Carolina, U.S.A.
(919) 256-2271

Mineração Serras do Sul Limitada
Rio de Janeiro, Brazil

Exmibal
Guatemala, Central America

TVX Gold Inc.
Toronto, Ontario
62% owned

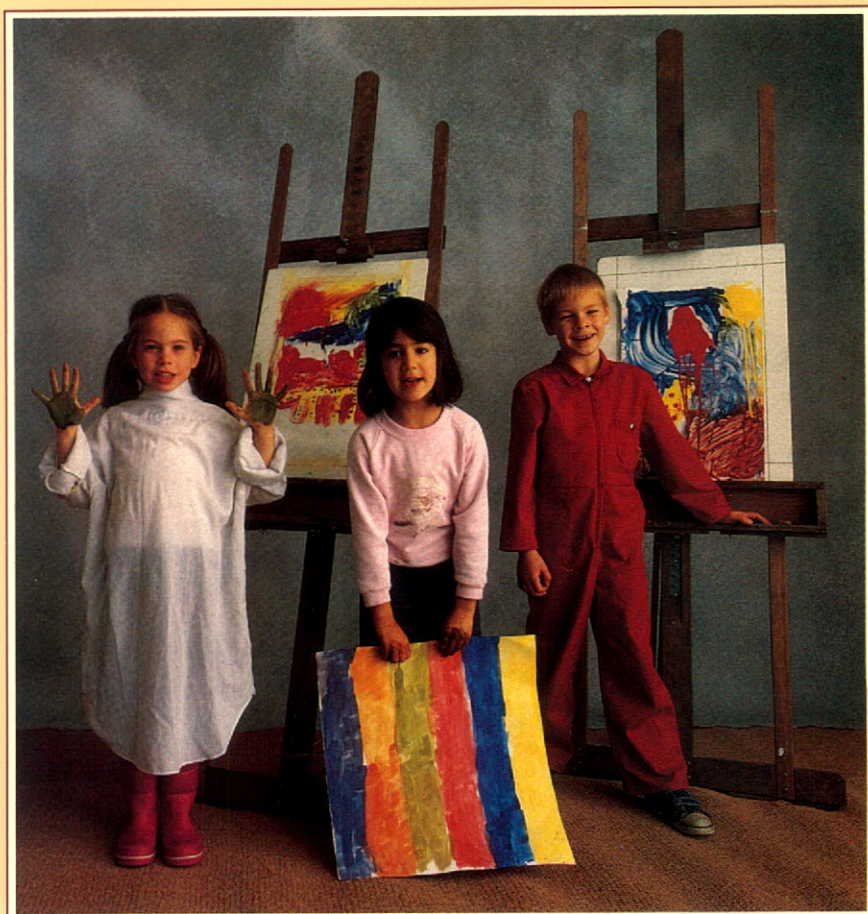
John Clark Inc.
Denver, Colorado, U.S.A.
(303) 892-5800
80% owned

Support for the communities where it operates, through a broad-based and consistent contributions program, has been an important part of Inco's culture for more than 40 years. The Company's contributions are regarded as long-term investments in the vitality and prosperity of local communities and are becoming increasingly important as governments, under fiscal pressure, reduce their funding of a variety of activities.

Inco's target is to contribute one per cent of pretax earnings on average over a ten-year period. These contributions benefit worthwhile causes not only in the good times, but particularly in periods of economic recession when community needs are greatest. Over the past decade, which included years of record profits and record losses for Inco, the Company has contributed more than \$16 million.

Contributions typically range in size from \$100 to \$1 million. They vary widely from support for university research chairs in Canada to a technical training centre in Soroako, Indonesia; from a mammography unit for the local hospital in Thompson, Manitoba to funding for the Huntington Museum of Art in West Virginia; from research support for the World Wildlife Canada Toxicology Fund to sponsorship of modern dance, music and theatre companies. These and other contributions are a way of telling the communities that Inco cares.

In 1990, contributions totalled nearly \$2.7 million worldwide and included the first installments of multi-year pledges to two Ontario post-secondary institutions. At Cambrian College in Sudbury, the Company pledged Cdn. \$1 million for a student residence. At Queen's University in Kingston, Inco is donating Cdn. \$1 million to re-equip the undergraduate engineering laboratories.



Inco is a strong supporter of The United Way and contributed more than \$200,000 to these campaigns in 1990.

We are pleased that Inco has been designated a "caring company" by the "Imagine" campaign of the Canadian Centre for Philanthropy. This campaign encourages a higher level of charitable giving by corporations and individuals.

FOLLOWING REQUESTS FROM VARIOUS ART GROUPS IN SUDBURY, ONTARIO, INCO DONATED CDN. \$7,000 TO HELP CREATE THE INCO ART ANNEX, WHERE ARTISTS OF ALL AGES CAN DEVELOP THEIR TALENTS IN STUDIO SESSIONS AND WORKSHOPS.



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