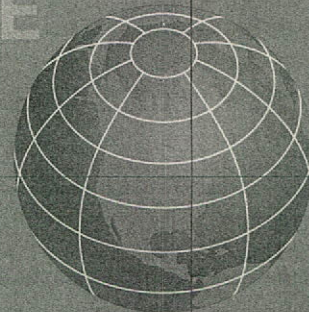
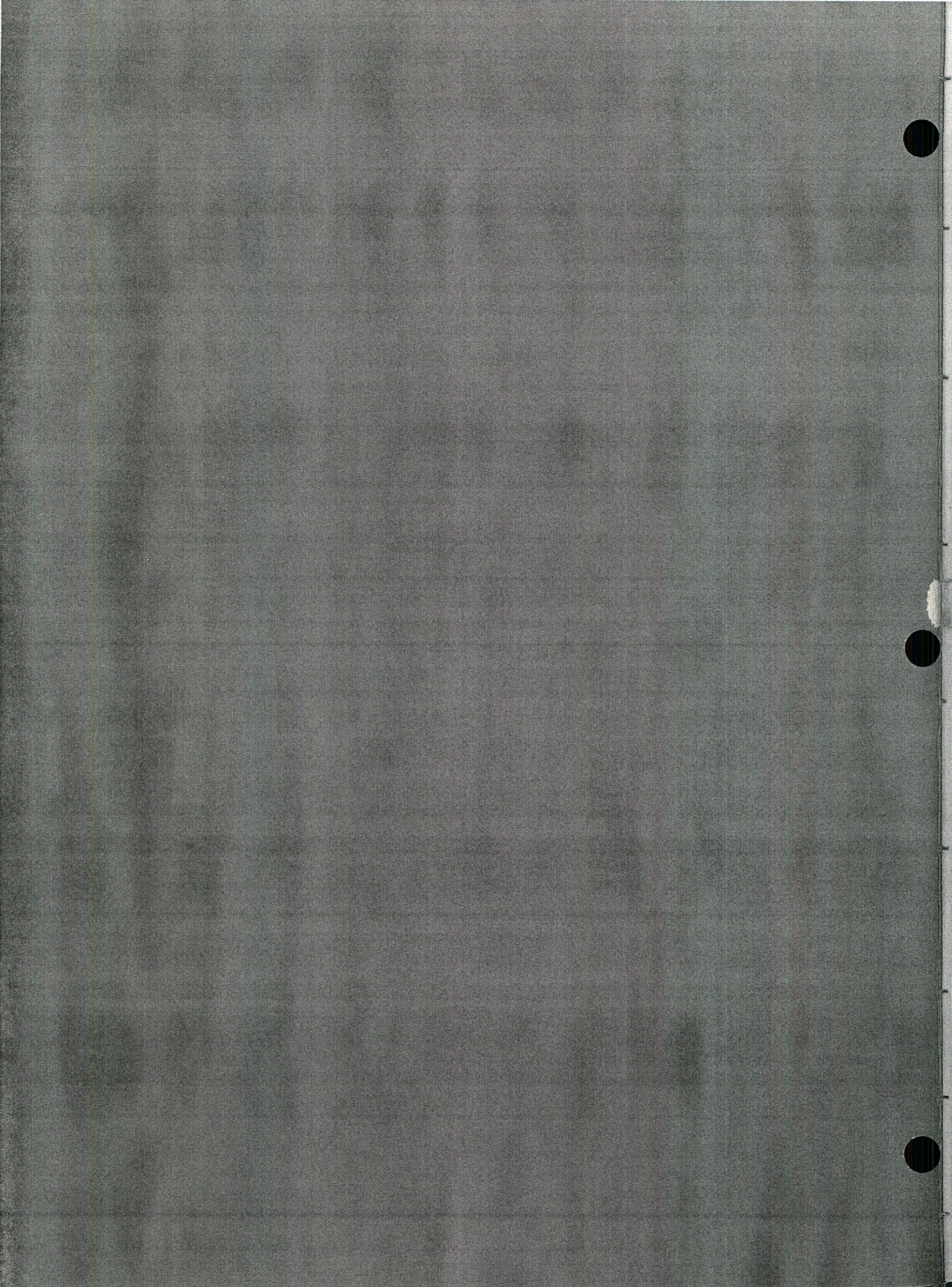
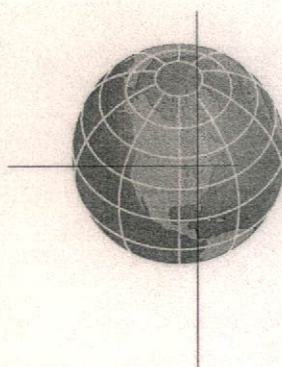


FALCONBRIDGE

ANNUAL REPORT 1995







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IBC Artist Profile

CORPORATE PROFILE

At Falconbridge, we explore for, develop, mine, process and market a variety of metals and minerals. We are an international, integrated, base metals company producing quality products for our customers – these products include nickel, ferronickel, copper, zinc, cobalt, precious and platinum group metals, cadmium, indium and sulphuric acid. Our custom feed business complements production from our own mines through the processing and recycling of third-party materials.

Our objective is to provide shareholder returns in the top quartile of our industry. Our mission is to pursue growth by expanding our production facilities, developing our advanced projects into new mines, continuing Falconbridge's extensive exploration and research programs, expanding our custom feed business and acquiring high quality assets.

We are committed to developing profitable, long-life, safe and environmentally responsible operations for the benefit of our shareholders, employees and the communities in which we operate.

Falconbridge was founded in 1928 and today employs over 6,000 people in 11 countries. We are the second largest producer of primary nickel products, the third largest producer of cobalt and the tenth largest producer of copper in the Western World.

Falconbridge is owned by Noranda Inc. of Toronto (46.3%) and by other investors (53.7%).

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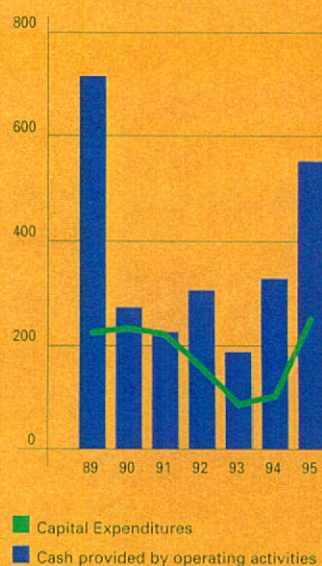
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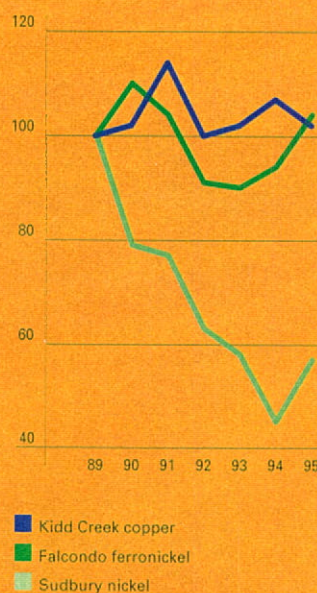
FINANCIAL HIGHLIGHTS

Millions except per share data	1995	1994
Revenues	\$ 2,324	\$ 1,960
Operating income	572	348
Earnings	333	131
– per share	1.89	0.94
Cash provided by operating activities	554	329
Capital expenditures	251	102
At December 31		
Cash and temporary investments	464	308
Working capital	929	641
Total assets	3,309	2,902
Long-term debt	620	581
– ratio of net debt to net debt plus equity	7%	14%
Shareholders' equity	2,002	1,733
– shares outstanding	176.8	176.5

Cash provided by operating activities and capital expenditures
(\$ millions)



Cash production costs indices
(1989 = 100)



Falconbridge announced it would bring the Raglan nickel property into production by late 1997, at a capital investment of \$486 million.

The 3.1 billion tonne Collahuasi copper project in northern Chile is also slated for development – a final production decision is expected in the first half of 1996. Falconbridge, and its project partners, plan to invest U.S.\$1.75 billion to bring the property into commercial production by January 1999.

Falconbridge's ownership in the Collahuasi project increased early in 1995 from 33 $\frac{1}{3}$ % to 50%, after Minorco and Falconbridge acquired The Shell Petroleum Company Limited's one-third interest in the project. By year-end, a Japanese consortium had signed a memorandum of understanding to acquire a 12% equity stake in the project (subject to due diligence),

securing future placement of one-third of the mine's concentrate production. As a result, Falconbridge and Minorco will each own 44% of the Collahuasi project.

Strong earnings reflect higher prices for all of Falconbridge's main metals. The nickel market experienced an increase in supply and an even greater increase in demand, resulting in a significant drop in stocks.

The Lockerby mine in Sudbury resumed production at the end of September. A \$47 million development program will bring the mine back into full production by 1998.

The Craig mine in Sudbury officially opened in September and will operate at a 1.2 million tonne annual production rate.

The Integrated Nickel Operations' (INO) nickel production fell below 54,000 tonnes in 1995 due to problems related to labour disputes over shift schedules, the adverse impact of having lost too many experienced employees as a result of an early retirement incentive offered in 1994, and a shortage of matte from custom feed suppliers.

Trelleborg AB of Sweden sold its 28.3% interest in Falconbridge in a successful secondary offering. This increased Falconbridge's public float to 53.7% (over 90 million shares) of the company's outstanding shares.

Falconbridge issued debentures in an aggregate principal amount of U.S.\$200 million due September 1, 2005.

The continued focus on core business areas resulted in the sale of Lakefield Research Division to its management.



FALCONBRIDGE PRESIDENT
AND CEO FRANK PICKARD

At Falconbridge, we are entering one of the most exciting periods in our company's 67-year history. Not only has our financial picture improved, along with the health of our metal markets, we are now growing to meet the strengthening worldwide demand for our products. The understanding that we are not at the peak of this metal cycle fuels our enthusiasm for what lies ahead for us in 1996.

In 1994, we substantially reduced our debt and advanced many of our major projects to the final decision or development stage. In 1995, our growth story took on new and exciting dimen-

sions as we moved forward with, not only these projects, but in planning for future growth. A number of employees have joined our long-term strategic planning process – a process which is building awareness, momentum and enthusiasm into our work as we develop and refine strategic plans and priorities for our company's future.

These plans take into account all that we have accomplished during the past year. In 1995, our Kidd Creek and Falconbridge Dominicana (Falcondo) divisions both experienced healthy production years. At Kidd Creek, work is continuing on the development of the No. 3 mine at depth, while at Falcondo, we began pilot plant work on a unique laterite upgrading process which, if successful, should allow us to increase our production rate and almost double our economic ore reserves.

At our Integrated Nickel Operations (INO), various production problems at our Sudbury Division and a shortage of custom feed supply reduced our 1995 nickel out-

put and subsequently affected our unit costs. We believe these production problems are behind us and with the expansion of Sudbury's mining capacity, through the reopening of the Lockerby mine and the commissioning of the Craig mine hoist, we expect to be operating at full capacity in 1996. Elsewhere at the INO, we are preparing to expand the capacity of our Nikkelverk refinery in Norway to 85,000 tonnes by 1998, in order to handle production from the Raglan mine. Our custom feed business continues to play a key role in the INO – in 1995, 30% of our nickel sales and 69% of our cobalt sales came from custom feed.

We owe much of Falconbridge's success to our strong exploration program and we are increasing our investment in this area from \$39 million in 1995 to \$50 million in 1996. Exploration programs in Côte D'Ivoire, Manitoba, northern Ontario and northern Quebec are producing some very encouraging results.

The big stories continue to be the Raglan and Collahuasi projects. Raglan was given development approval by the Board in 1995 – Collahuasi's Board gave its conditional development approval this year as well.

We spent \$76 million developing the Raglan nickel-copper property this past year, and this project is on budget and on schedule for production in late 1997. During 1995, crews prepared the site for the major construction and development work that begins in 1996. Raglan's potential continues to impress us – recent drilling results confirm that Raglan will be a low-cost and long-term producer for us. We are currently participating with our partners in finalizing marketing and financing agreements for the Collahuasi copper project in northern Chile. Once those are in place, likely in the first half of 1996, Collahuasi will move into its three-year mine development phase.

It is important to note that we have made all of these advances while maintaining a

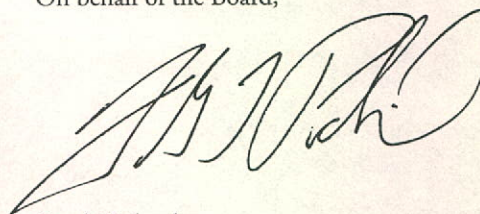
solid balance sheet and without diluting shareholders' ownership. Our share price has increased by over 55% since returning to the public markets in June 1994. We believe this reflects favourably on our diverse metals portfolio, which allows us to meet increased demand for a variety of metals – an important factor for 1996, when we are forecasting a breakout in prices for both nickel and zinc.

As we grow, our responsibilities and commitment to the environment, our employees and to the communities in which we operate grow with us. Symbolic of this commitment is our use of Bob Michelutti's artwork throughout this report. Bob is a long-time Falconbridge employee, whose work is well-known within the Canadian mining community. Through him, we pay tribute to our employees who help us responsibly plan and grow for the future.

I commend everyone's efforts in improving our group safety record in 1995, after a particularly difficult year in

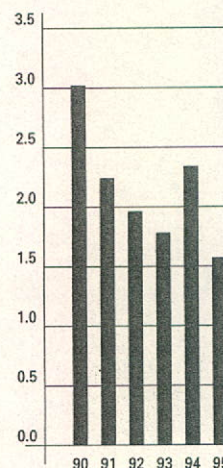
1994. I also want to acknowledge a few people who have contributed to our success over the years. My thanks and appreciation go to Alf Powis, and from the Trelleborg group Kjell Nilsson, Bo Jacobsson and Bengt Lofkvist – all former Falconbridge board members. My sincere thanks to Larry Seeley, Cliff Carson, Michael Knuckey, Chris Fleming, George Ballantyne, Harvey Keats and Bob Bevan for their dedicated years of service to our company. I also want to welcome new appointments within our senior management team – Øyvind Hushovd, Joe Laezza, Tony Hannaford, Paul Severin, Albert Cecutti, Tom Pugsley and Erling Stensholt.

On behalf of the Board,



Frank Pickard
President and
Chief Executive Officer
Toronto, Ontario
February 1, 1996

Falconbridge group average frequency rates of lost-time injuries 1990 – 1995



WE ARE POSITIONING AND EXPANDING OUR BUSINESS TO MEET THE STRENGTHENING

WORLDWIDE DEMAND FOR OUR PRODUCTS. THE UNDERSTANDING THAT WE ARE NOT AT

THE PEAK OF THIS METAL CYCLE FUELS OUR ENTHUSIASM FOR WHAT LIES AHEAD IN 1996.



Nickel

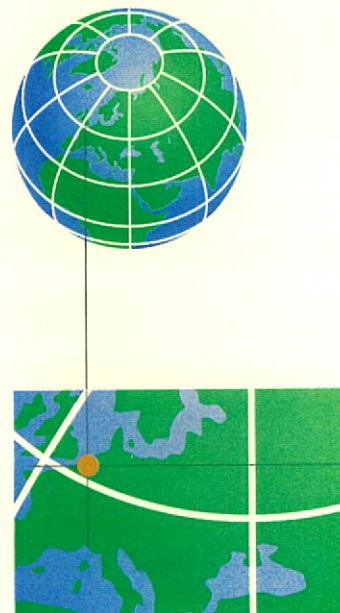
The market in 1995 was characterized by an increase in supply but an even greater increase in demand, resulting in a significant drop in stocks. Western World production rose to 657,000 tonnes. The 12% increase over 1994 was the result of a return to higher levels following earlier cut-backs by several producers, capacity expansions and a restart of mothballed facilities. Russian production of finished nickel in all forms is estimated to have been 190,000 tonnes with exports of 150,000 tonnes. Ongoing expansions helped push Chinese production up to 36,000 tonnes in

1995. In Cuba, access to hard currency for supplies contributed to a significant increase in output of finished product to over 20,000 tonnes. Sales of nickel from the National Defense Stockpile by the U.S. Defense Logistics Agency are estimated at 8,000 tonnes for 1995 compared with 5,500 tonnes in 1994.

Western World nickel consumption in 1995 is estimated at 906,000 tonnes, up 20% over 1994. While there was strong growth in most end-use sectors, the stainless steel industry was the driving force behind the higher nickel demand. On top of stainless steel's 14% production

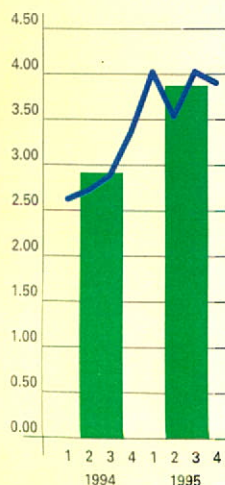
increase, additional amounts of primary nickel units were consumed by the industry as new melting capacity required the build up of work-in-process inventories and the surge in stainless steel output caused lags in the availability of scrap. Demand in Russia appears to have bottomed out in 1994 and rose to an estimated 40,000 tonnes in 1995, including increased stocks. China and Eastern Europe consumed an estimated 42,000 tonnes and 5,000 tonnes respectively.

London Metal Exchange (LME) stocks declined dramatically in 1995 from an opening level of 148,000

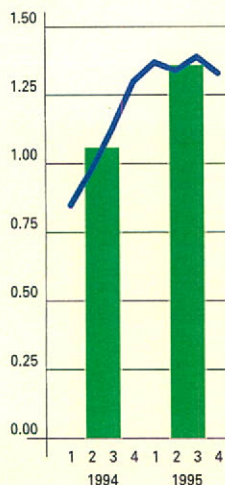


Average prices realized (U.S.\$ per pound) ■ Year ■ Quarter

Nickel



Copper



Zinc



DEMONSTRATING OUR
COMMITMENT TO CUS-
TOMER SERVICE, OUR
EUROPEAN SALES OFFICE
IN BRUSSELS ACHIEVED
ISO 9002 CERTIFICATION
IN 1995.

tonnes to less than 45,000 tonnes by year-end. Producer stocks remained very low throughout the year and ended at 77,000 tonnes. Together, LME and producer stocks fell from the equivalent of over 15 weeks of consumption to 7 weeks.

In 1996, following a de-stocking phase in the first quarter, stainless steel production is forecast to increase as the year progresses and register modest growth for the year as a whole. This is anticipated to translate into a 1% increase in nickel consumption to 915,000 tonnes. On the supply side, Western World production is expected to rise to 703,000 tonnes as some producers recover from production losses and others have a full year of output from expansions and re-starts

completed in 1995. Factoring in a small increase in net imports from the former East Bloc, the market is still expected to show a supply/demand deficit. Although it will be a less spectacular deficit than that of 1995, the market is expected to be substantially tighter as stocks are drawn down toward critical levels in 1996.

Due to the production shortfall in nickel, Falconbridge purchased metal from the market for delivery to customers. Nickel sales, including 7,800 tonnes of purchased material, totalled 60,800 tonnes at an average price of U.S.\$3.87 per pound compared with the LME average of U.S.\$3.73 per pound. Ferronickel sales were 30,400 tonnes at average U.S.\$3.75 per pound.

Copper

The growth rate of refined copper consumption dropped sharply to 1% in 1995 compared with the 8.5% rate in 1994. This reduction was largely attributable to the negative consumption growth in the U.S. and Canadian markets in 1995.

Refined copper stocks fell sharply from January through July, resulting in peak prices at mid-year. Metal stocks subsequently increased each month through year-end, with prices declining over the period. Nevertheless, the 1995 average LME copper price of U.S.\$1.33 per pound was the highest annual copper price ever achieved. Falconbridge's copper sales were 159,500 tonnes at an average price of U.S.\$1.36 per pound for the year. Western World refined metal stocks at year-end were equivalent to 5.5 weeks of consumption, which is considered a normal industry stock level.

Zinc

Western World zinc consumption in 1995 was 6% higher than in 1994, reflecting strong demand in all market sectors.

Falconbridge's sales volumes by product
(including purchased material – tonnes)

Metal	1995	1994
Nickel	60,800	67,600
Ferronickel	30,400	32,100
Copper	159,500	174,400
Zinc – metal	137,800	144,000
– metal in concentrate	2,500	1,900
Cobalt	2,600	2,800

FALCONBRIDGE MARKETS AND SELLS ITS NICKEL, COBALT AND PRECIOUS METAL PRODUCTS DIRECTLY THROUGH MARKETING AND SALES OFFICES IN CANADA, THE UNITED STATES, BELGIUM AND JAPAN AND INDIRECTLY THROUGH A WORLDWIDE NETWORK OF AGENTS, REPRESENTATIVES AND DISTRIBUTORS. COPPER AND ZINC SALES ARE HANDLED BY NORANDA INC. UNDER SALES AGENCY AGREEMENTS. IN 1995, APPROXIMATELY 47% OF FALCONBRIDGE'S REVENUES WERE FROM SALES OF NICKEL AND FERRONICKEL, 28% FROM COPPER, 9% FROM ZINC, 9% FROM COBALT AND 7% FROM THE SALE OF OTHER PRODUCTS.

As a result, consumption exceeded supply by an estimated 446,000 tonnes, reducing year-end metal stocks to 1.1 million tonnes, equivalent to approximately 10 weeks of consumption. This compares with a normal industry stock level of 5 weeks. Zinc consumption is again expected to exceed production in 1996. Falconbridge's zinc metal sales for 1995 totalled 137,800 tonnes at U.S.\$0.52 per

pound compared with the LME average of U.S.\$0.47.

Marketing and Sales Activities

During 1995, our sales offices were reorganized to bring them geographically closer to their customers. Transportation logistics were also streamlined and improved. Consistent with the marketing and sales group's ongoing commitment to quality, improving work processes and attending to customers

needs, Falconbridge's European sales office received ISO 9002 certification.

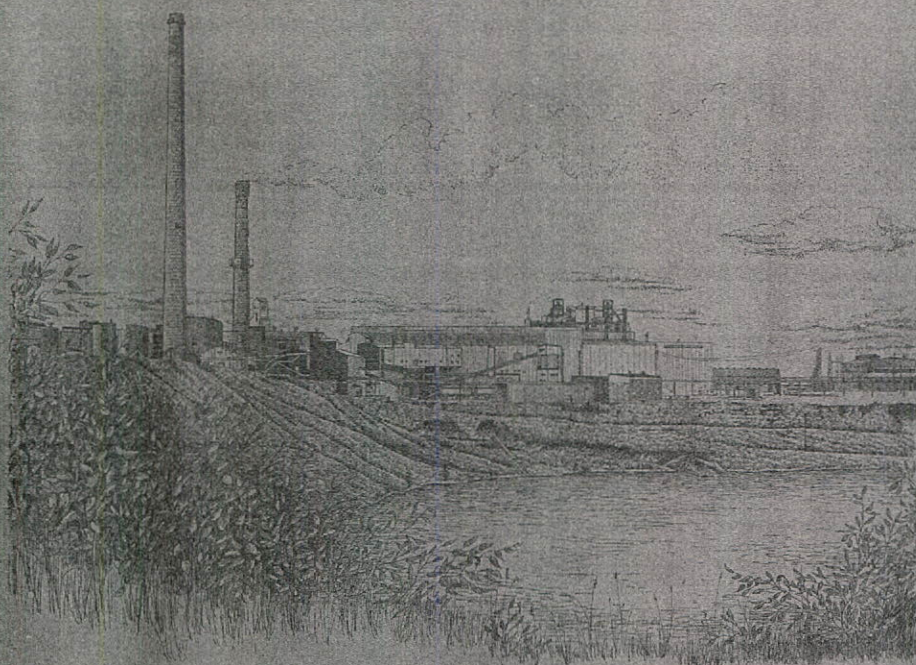
In the upcoming year Falconbridge will solidify its long-term competitive advantage in the metals market by continuing to strengthen its relationships with its customers. These mutually beneficial relationships will increase Falconbridge's ability to cost effectively deliver both higher quality products and value-added services.

Average U.S. prices and Canadian/U.S. dollar exchange rates

	Pricing unit	Realized by Falconbridge		London Metal Exchange	
		1995	1994	1995	1994
Nickel	pound	\$3.87	\$2.91	\$3.73	\$2.88
Ferronickel	pound	3.75	2.78	—	—
Copper	pound	1.36	1.06	1.33	1.05
Zinc	pound	0.52	0.48	0.47	0.45
Cobalt	pound	28.43	22.20	28.94*	24.12*
Average exchange rate realized U.S.\$1.00 = Cdn.\$		\$1.37	\$1.37		

* As per Metal Bulletin

SUDBURY REACHED A DEVELOPMENT MILESTONE IN 1995 WITH THE OPENING OF THE CRAIG MINE, FALCONBRIDGE'S NEWEST AND SUDBURY DIVISION'S LARGEST MINE. OTHER MINING AND METALLURGICAL DEVELOPMENTS ARE HELPING TO TRANSFORM THE DIVISION.



Figures in tonnes unless otherwise noted	1995	1994
Mine production		
Ore milled	2,386,000	2,450,000
Nickel	34,000	36,800
Copper	42,700	47,400
Cobalt	540	620
From custom feed:		
Nickel	4,000	3,000
Copper	1,200	800
Cobalt	1,000	740
Sulphuric acid	212,800	236,000
* Total Reserves	38,400,000	40,200,000
Capital expenditures (\$ thousands)	70,100	40,100

* For further details on ore reserves/mineral resources please see page 25

The business units of the Integrated Nickel Operations (INO) are interdependent and include the Sudbury Division, the Norwegian Refinery and Falconbridge International Limited's Custom Feed Business.

INO revenues and operating income were as follows:

thousands of dollars

	1995	1994
Revenues	\$1,298,300	\$1,082,800
Operating income	344,100	250,600

Sudbury Division

Development programs at both the mine and metallurgical operations are virtually transforming Sudbury Division.

During 1995, the Craig mine was officially opened, the Lockerby mine resumed production and a \$28.5 million underground exploration program began following up on encouraging surface diamond drill hole intersections down-dip of the Craig and Onaping mines.

At the metallurgical operations, a two-year \$35.4 million construction program is underway to build a new technology centre and consolidate

smelter and administration services. In addition to housing the Sudbury exploration group, the Technology Centre will continue to conduct research and development programs for all Falconbridge operations. In the smelter, preparations are also underway to treat Raglan concentrates in 1998.

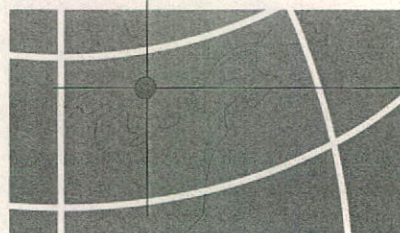
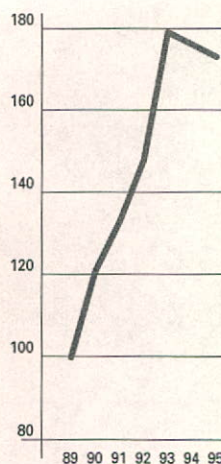
During 1995, the Division experienced several production problems stemming from employee dissatisfaction with shift schedules, the continuing emphasis on mine development at the Craig, Lockerby and Lindsley mines and the impact of a strong response to a 1994 early retirement offer. Having addressed these issues, and with the expansion of Sudbury's mining capacity, the Division was gradually able to increase its production rate during the second half of the year, especially during the fourth quarter when 10,000 tonnes of nickel in matte were produced compared with 7,200 in the third quarter. The Division expects to increase it further in 1996.

Also in 1996, exploration drifting on the deep ore programs at Onaping and Craig

will continue – the first diamond drill station at Craig was completed at the end of 1995. Production from the Lockerby mine in 1996 is targeted at 3,000 tonnes of nickel and 2,000 tonnes of copper. The year will also see an increase in hiring and training activities at Sudbury, in order to cope with the probable retirement of over 600 employees by the year 2000.

Members of the Office, Clerical & Technical Unit of the United Steelworkers of America, Local 6855 signed a new three-year collective agreement with the company in February of 1995.

Productivity index
Sudbury Division
(1989 = 100)



OVER 5,000 PEOPLE
HELPED US CELEBRATE
THE OFFICIAL OPENING
OF THE CRAIG MINE.

INTEGRATED NICKEL OPERATIONS

FALCONBRIDGE NIKKELVERK

AS NIKKELVERK CONTINUES TO EXPAND BOTH ITS NICKEL AND COBALT REFINING CAPACITIES, IT REMAINS FOCUSED ON CONTINUOUSLY IMPROVING PRODUCT QUALITY AND CUSTOMER SERVICE.



Figures in tonnes unless otherwise noted	1995	1994
Refinery production:		
Nickel	53,200	68,000
Copper	34,300	39,400
Cobalt	2,800	2,800
Sulphuric acid	76,900	92,000
Capital expenditures (\$ thousands)	14,600	16,600

Falconbridge Nikkelverk

In Norway, the refinery is preparing for a busy year as it plans to expand both its nickel and cobalt refining capacities.

Work is currently under-way to increase Nikkelverk's nickel refining capacity to 85,000 tonnes by 1998. This timing coincides with Raglan's production schedule.

The refinery is also increasing its cobalt refining capacity from 2,900 to 3,300 tonnes per year. This expansion project is scheduled to be completed by mid-1996.

Productivity index
Nikkelverk
(1989 = 100)

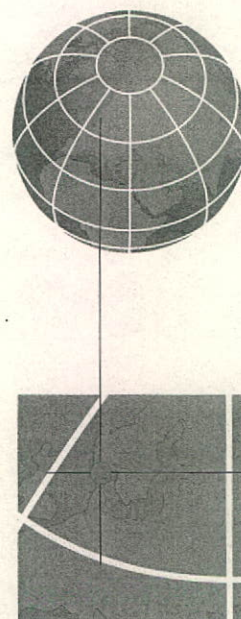


As Nikkelverk continues to introduce new processes and equipment, it ensures that its employees are properly prepared with the necessary skills to manage these developments. Over the past three years, the refinery has developed an extensive employee training program – the goal is to have as many employees as possible attain national accreditation in their field and to further their education.

The shortfall of feed from Sudbury Division, combined with lower shipments of matte from BCL in Botswana and no matte shipments from Russia, reduced production by about 15,000 tonnes of refined nickel and also affected copper output. The availability of feed improved during the latter part of the year and production during the fourth quarter increased significantly.

Higher cobalt prices made it possible to increase the amount of cobalt-bearing feed to replace the shortfall from Sudbury and other suppliers. Record levels were set for platinum group and precious metals production, due to an expansion of the refinery's capacity in 1994 and the processing of inventories.

While metal output was lower in 1995, product quality was excellent. As Nikkelverk continues to expand, it remains focused on continuously improving product quality and customer service.



OUR REFINERY IN
NORWAY IS ONE OF
THE LOWEST COST
NICKEL REFINERIES
IN THE WORLD.

FERRONICKEL IS THE PRODUCT OF CHOICE IN THE GROWING STAINLESS STEEL

INDUSTRY. AS DEMAND FOR FERRONICKEL INCREASES, WE ARE WORKING ON WAYS

TO ECONOMICALLY MINE LOWER GRADES AND IMPROVE OUR METAL RECOVERIES.



Figures in tonnes unless otherwise noted	1995	1994
Nickel in ferronickel produced	30,900	30,800
* Total Reserves	52,300,000	53,700,000
Revenues (U.S.\$ thousands)	259,300	202,700
Earnings for the year (U.S.\$ thousands)	55,600	34,100
Capital expenditures (U.S.\$ thousands)	8,000	5,000

* For further details on ore reserves/mineral resources please see page 25

Falconbridge Dominicana (Falcondo)

Falcondo maintained healthy production levels during the year, even with lower nickel grade feed to the reduction plant and a six-week maintenance overhaul of one of its power plant unit turbines.

During 1995, Falcondo switched from producing ferro-nickel in both ferrocon and ingot form exclusively to ferrocon production. Ferrocones

are preferred by customers over other shapes due to their ease of handling and positive melting characteristics.

In other developments, Falcondo planted over 28,500 trees as part of its ongoing reforestation program in the Bonao area. These trees were grown from seedlings at Falcondo's on site tree nursery. The Division plants more than 10 trees for every one cut down during surface mining operations.

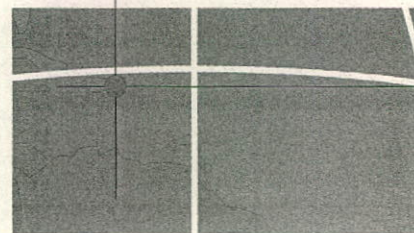
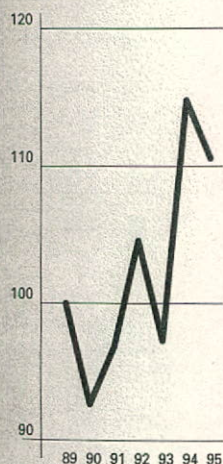
Recognizing the need to continuously improve employee skills, a number of ongoing training and apprenticeship programs have been set up in conjunction with various local institutions. Falcondo is also sponsoring the enrollment of over 65 professional staff in bachelor level and post-graduate university studies.

During 1996, Falcondo will continue its pilot plant work on a unique laterite upgrading process which, if successful, should allow Falcondo to economically

lower its mining cut-off grades to below 1.40% nickel. At the same time, it may increase the Division's production capacity and significantly increase its economic ore reserves. The pilot plant will aid in determining the design and operating parameters of an improved commercial laterite upgrading circuit. Preliminary equipment trials were carried out in December of 1995 and testing will last at least six months. The commercial circuit could be in operation during the latter part of 1997, boosting Falcondo's production by 5,000 tonnes of nickel per year.

Productivity index

Falcondo
(1989 = 100)

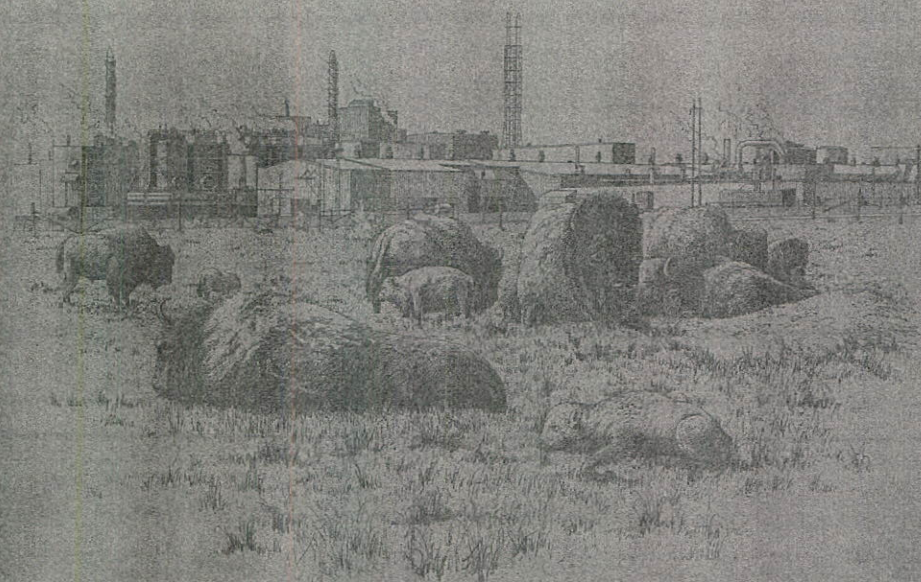


TROPICAL CLIMATES
LIKE THE DOMINICAN
REPUBLIC'S HOST
NICKEL LATERITE
DEPOSITS. WE PROCESS
THESE LATERITES INTO
FERRONICKEL.

AT FALCONBRIDGE, SAFETY IS EVERYONE'S RESPONSIBILITY - KIDD CREEK'S SAFETY

RECORD IS EVIDENCE OF THIS COMMITMENT. FOR THE SECOND YEAR IN A ROW, THE

DIVISION HAS BEEN HONoured WITH A SAFETY PERFORMANCE AWARD OF EXCELLENCE.



Figures in tonnes unless otherwise noted	1995	1994
Ore hoisted	3,047,000	3,323,000
Mine production:		
Copper	83,400	80,700
Zinc	103,000	106,100
Silver (ounces)	4,373,000	3,363,000
Metal production:		
Copper	102,000	104,900
Blister copper	119,200	115,300
Zinc	140,800	135,000
Sulphuric acid	552,100	568,900
* Total Reserves	32,200,000	33,200,000
Revenues (\$ thousands)	674,100	601,000
Operating income (\$ thousands)	160,200	78,200
Capital expenditures (\$ thousands)	40,200	19,500

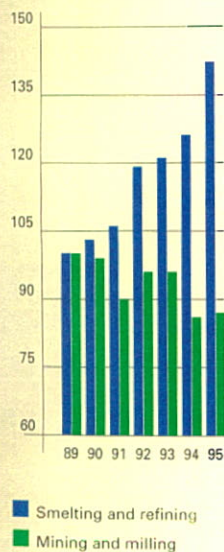
* For further details on ore reserves/mineral resources please see page 25

Kidd Creek Division

Kidd Creek's development of the No. 3 mine remains on target as it enters its second phase.

This work will extend Kidd Creek's mine life and increase the amount of ore coming from No. 3. During Phase 2, the ramp system is being extended from the 6000 level to the 6800 level. Currently at the 6100 level, the ramp extension should be completed in late 1996.

Productivity indices –
Kidd Creek Division
(1989 = 100)



Kidd Creek's massive sulphide deposit has been traced to a depth of 3,000 metres. During 1995, an exploration cross-cut was almost completed at the 6800 level (2100 metres) and exploration diamond drilling resumed at year-end from exploration headings established on that level. The results of this program will form the basis of a feasibility study which will determine the viability of the mineralization between the 2250 metre level and the 2980 metre level. Five diamond drills will be employed throughout 1996 for this work.

In September, the copper refinery began operating a new nickel recovery unit, which recovers nickel from copper concentrate. The unit is allowing the smelter to process increased volumes of secondary materials and Sudbury Division concentrates.

For the second year in a row, Kidd Creek received an award of excellence from the Ontario Natural Resources Safety Association for best safety performance in 1994 among Ontario mines employing more than 1,000 people.

Kidd Creek's mined tonnages were down during the year, but the increase in copper and silver metal output was due to higher than planned ore grades and improved metallurgy. This was accomplished in spite of a five week planned maintenance shutdown in the copper smelter and two weeks of down time for maintenance at the zinc plant. A new record for zinc and cadmium production was also set during the year. Ongoing employee and supervisory training has contributed to these achievements.

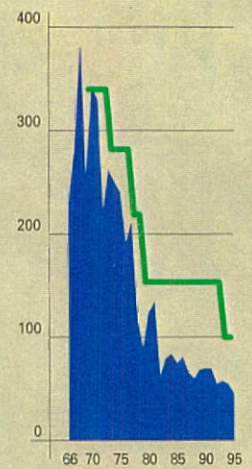


ONE OF THE LARGEST
BISON HERDS IN NORTH
AMERICA CAN BE FOUND
GRAZING BESIDE OUR
KIDD CREEK METALLUR-
GICAL SITE IN TIMMINS.
THIS HERD HAS MORE
THAN DOUBLED IN SIZE
SINCE THE PROGRAM
BEGAN 20 YEARS AGO.

AS FALCONBRIDGE GROWS, OUR RESPONSIBILITIES AND COMMITMENT TO
THE ENVIRONMENT, OUR EMPLOYEES AND TO THE COMMUNITIES IN WHICH WE
OPERATE GROW WITH US.



Sudbury Division
Annual SO₂ Emissions
Kilotonnes SO₂ per year



■ Annual SO₂ Emission
■ Government Control Order

Environment

As Falconbridge's operations grow around the world, so does our commitment and attention to the environment.

In 1995, both our Sudbury and Kidd Creek operations met their voluntary targets for emission reductions. These targets commit us to meeting the 50% reduction requested by the year 2000, under a public-private sector initiative known as the Accelerated Reduction/Elimination of Toxics Program. Our metal emissions in air continue to be below permissible levels and we are working to reduce our stack emissions further.

At Sudbury and Kidd Creek, we are also reducing ground level concentrations of sulphur dioxide emissions – both Division's reduced their exceedances by half in 1995.

Falconbridge's four operations continue to focus on being below set regulations for metal emissions in effluents. The Sudbury Division currently meets the Municipal Industrial Strategy for Abatement regulations and Kidd Creek Division is expected to meet the 1997 standards in 1996. Our

Nikkelverk refinery is maintaining compliance with new Norwegian regulations for chlorinated and brominated hydrocarbons in effluents. At Falcondo, we are well within compliance of newly developed government effluent regulations.

At Raglan and Collahuasi, environmental baseline and impact studies were completed and approved in 1995. We continue to establish partnerships and work closely with local communities to ensure environmental issues and concerns are addressed throughout the development of these projects.

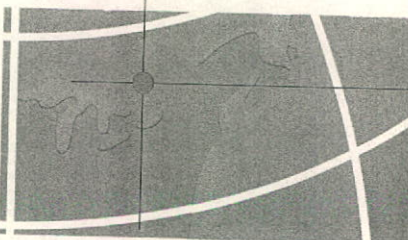
Since 1990, Falconbridge has reduced its overall energy consumption at Canadian operations by 6.5% and increased its overall energy efficiency by 15.5%. In 1995, Falconbridge's energy reduction efforts were recognized with an Industrial Energy Innovator Award from the federal government. Through its Canadian Industry Program for Energy Conservation (CIPEC) – Falconbridge is contributing to Canada's efforts to stabilize greenhouse gas emissions.

Falconbridge's environmental program is evolving as the company grows. In 1995, an independent assessment of the program led to the development of a new mandate for the environmental department. The mandate establishes strategic priorities for Falconbridge's environmental group in promoting and leading major improvements in environment, health, hygiene and safety, and in identifying and influencing future trends in legislation and market access.

Looking ahead to 1996, our activities will focus on strengthening our emergency prevention, preparedness and response procedures and working on initial implementation of ISO 14000 at our operations. In addition, we are continuously improving the working conditions at all our sites and monitoring the health status of our employees.

Falconbridge's environmental initiatives are discussed in more detail in the Report on the Environment.

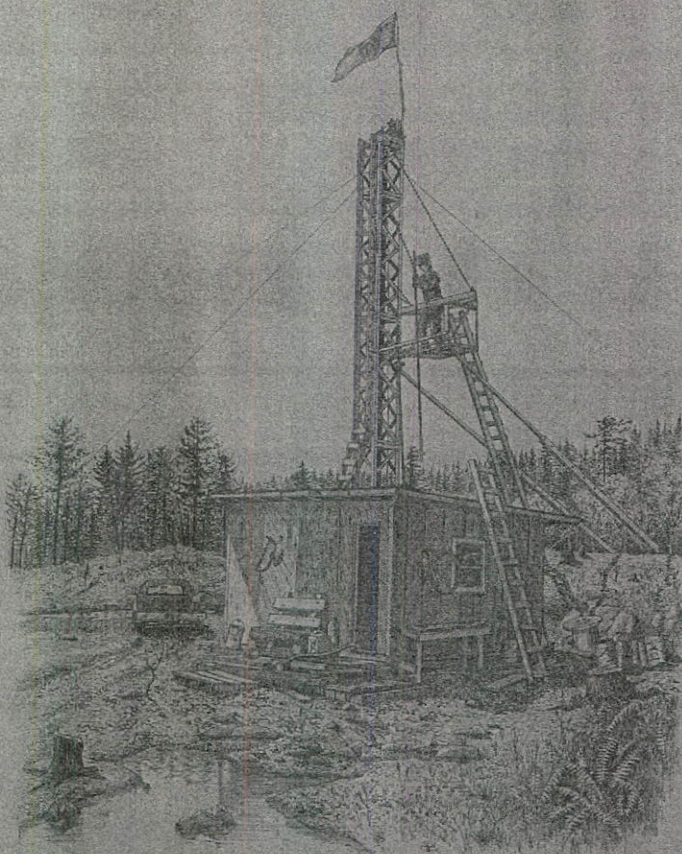
For a copy please call
(416) 956-5832 or E-mail us at
CorpComm@Falconbridge.COM.



THE GOVERNMENT OF
CANADA RECENTLY
HONOURED
FALCONBRIDGE'S
ENERGY REDUCTION
EFFORTS WITH
AN INDUSTRIAL
INNOVATOR AWARD.

WE OWE MUCH OF FALCONBRIDGE'S SUCCESS TO OUR STRONG EXPLORATION PROGRAM.

INVESTING IN EXPLORATION IS AN INVESTMENT IN OUR COMPANY'S FUTURE.



Exploration Projects – Mineral Resources

Project	Location	Millions of Tonnes	Nickel Grade	Copper Grade	Zinc Grade	Silver Grade	FL Ownership
Nickel Rim (1)	Sudbury	0.5 or 1.5	4.13% 1.64%	25.53% 10.26%	—	—	100%
Errington	Sudbury	6.3	—	1.22%	4.21%	61 g/T	63%
Vermillion	Sudbury	2.4	—	1.49%	5.11%	66 g/T	63%
Bucko	Manitoba	2.5 or 18.8	2.23% 1.00%	0.17% —	— —	—	95%
Cerro de Maimon	Dominican Republic	3.5	—	3.77%	2.10%	—	85%
Côte d'Ivoire	Ivory Coast						
	-Foungouesso/ Moyango	39.5	2.00	—	—	—	60%(2)
	-Viala/ Yamatoulo/Touba	18.7	1.77	—	—	—	60%(2)
	-Sipilou North	54.0 or 111.6	1.80 1.69	— —	— —	—	60%(2)

Notes:

1. Also included in Sudbury Resources in Ore Reserves/Mineral Resources table on page 25.
2. Option to earn.

Exploration

The search for new nickel deposits and polymetallic base metal deposits worldwide is a strategic priority for the exploration group. During 1995, Falconbridge spent \$39 million on surface and underground exploration projects and is increasing its exploration budget by 28% to \$50 million in 1996.

At Sudbury, an underground exploration program is following up encouraging surface diamond drill hole intersections down-dip of the Craig mine (1.23% nickel

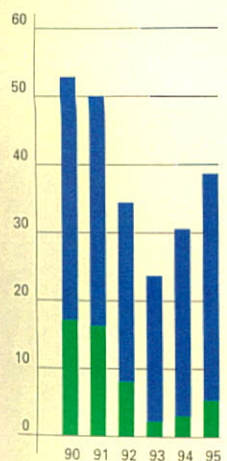
over 100 metres) and down-dip of the Onaping mine (2.51% nickel and 1.97% copper over 16 metres). Exploration drifts are being driven and underground diamond drilling will begin in 1996. In the Strathcona mine area, a surface hole intersected 22 metres of 1.37% nickel and 0.68% copper, including 1.89% nickel and 0.37% copper over 5 metres, at a depth of 1500 metres. This potential new structure is open up-dip and along strike to the east.

At Raglan, follow up drilling on a number of isolated intersections discovered during 1994 produced encouraging results. At Katinniq, a new lens containing 400,000 tonnes of 2.94% nickel and 0.89% copper was discovered at a depth of 100 metres. Four kilometres east of Katinniq, an additional new lens containing 814,000 tonnes of 3.36% nickel and 0.83% copper was discovered at a depth of 150 metres. At East Lake, 15 kilometres west of Katinniq, drilling to investigate 2.6% nickel obtained from an outcrop sample intersected 2.35% nickel and 0.77% copper over 37 metres just below surface.

In Manitoba, exploration activity continues to focus on the Thompson Nickel Belt. At Halfway Lake, 90 kilometres southwest of Thompson, a hole drilled 200 metres down-dip of a hole drilled in 1994 (1.19% nickel over 7.97 metres) intersected 1.39% nickel over 17 metres at a vertical depth of 330 metres. In the William Lake area, 240 kilometres southwest of Thompson, widely spaced drilling continues to provide encouragement, with one intersection showing 6.16% nickel over 1.1 metres and 1.06% nickel over 6.35 metres.

Exploration outside of Canada focused on the Côte d'Ivoire in West Africa, Zimbabwe, Botswana, South Africa and in the Dominican Republic. In the Côte d'Ivoire, the second phase of drilling on the Biankouma nickel laterite joint venture was initiated and will continue during the first half of 1996. This will be followed by a mineral inventory calculation and an economic valuation during the second half of the year.

Exploration & Development
Expenditures 1990 - 1995
(\$ million)



■ Grassroots
■ Underground exploration

These figures do not include exploration/development dollars spent on the Raglan & Collahuasi projects



OUR SEARCH FOR NEW
MINERAL DEPOSITS
EXTENDS INTO THE
AFRICAN CONTINENT.

OUR GROWTH STORY TOOK ON NEW AND EXCITING DIMENSIONS IN 1995 WHEN BOTH
OUR RAGLAN AND COLLAHUASI PROJECTS WERE GIVEN DEVELOPMENT APPROVAL.



Shown above is the artist's
rendering of the Katinniq
site at Raglan.

Projects in Development

The cornerstones of our growth strategy in nickel and copper, both the Raglan and Collahuasi projects were given development approval in 1995.

Raglan

Located in the Nunavik territory of northern Quebec, the Raglan nickel-copper property stretches for 55 kilometres with a series of high grade ore deposits scattered along its length. Falconbridge expects to spend \$486 million to develop Raglan, which is on budget and scheduled to be operating by late 1997. Capital expenditures in 1995 reached \$76 million and \$211 million is planned for 1996.

During 1995, 35 kilometres of new road were built linking Katinniq and Purtuniq and the existing road onto Deception Bay was also upgraded. Site work focused on preparation for future milling, accommodation and power generation facilities at Katinniq, and the upgrading

of facilities at Deception Bay for fuel storage and marine operations.

Construction of a frozen core freshwater dam at Katinniq is underway and will continue during the early months of 1996.

Accommodation and mill modules will be built this spring in Quebec City and later transported to the site, marking the start of 1996's heavy construction program. Mine development will also begin in 1996.

Future operations will involve open pit and underground mining, a 2,400 tonne per day milling operation and transporting 130,000 tonnes per year of nickel-copper concentrate to the smelter in Sudbury. Matte from Raglan will be refined in Norway producing 20,800 tonnes of nickel, 5,200 tonnes of copper and 330 tonnes of cobalt each year. Employees will work on a fly-in/fly-out rotation basis from Rouyn-Noranda, Quebec.

Falconbridge and the Makivik Corporation – which oversees the political, social and economic development of the Nunavik territory –

signed an agreement in 1995 which includes profit sharing and guaranteed contributions to the Inuit of Nunavik. Falconbridge also reached agreement with the provincial government on infrastructure funding, environmental permitting, taxation and training issues.

A workforce strategy to maximize Inuit involvement is being developed in cooperation with the communities, local authorities, Inuit employees and our local Inuit advisor. The Raglan Committee, which has been set up as a formal forum between Raglan and the Inuit on environmental and other matters, met for the first time in 1995.

Collahuasi

Thousands of kilometres south, Falconbridge is a partner in the huge Collahuasi copper project in northern Chile, probably the largest new mining project to be developed in this decade.

The Collahuasi project consists of two major porphyry copper deposits, Rosario and Ujina, located at altitudes



FALCONBRIDGE AND MAKIVIK CORPORATION, WHICH REPRESENTS THE INUIT OF NUNAVIK, SIGNED A LANDMARK AGREEMENT EARLY IN 1995.

of 4,000 to 4,800 metres above sea level in the high Andes, close to the Bolivian border in the First Region of Chile. Current confirmed geological resources from these deposits now total 3.108 billion tonnes averaging 0.82% copper at a cutoff grade of 0.4% copper.

The initial mine plan indicates proposed annual production of 330,000 tonnes of copper in concentrate and 50,000 tonnes of copper cathode. Falconbridge's share of this project will almost double its current annual mined copper production. Operating costs are expected to position Collahuasi in the lower tercile of world copper producers.

With the feasibility study completed and approved during 1995, a final production decision is expected in the first half of 1996, once Collahuasi obtains regulatory approvals and completes its marketing and financing agreements.

Based on the feasibility study, a total investment of U.S.\$1.75 billion, including working capital, escalation and financing costs, is required to bring the property into commercial production, which is expected by January of 1999.

Collahuasi's mining operations will be conducted in accordance with Chilean and international environmental protection standards. During 1995, public meetings were held in the communities of Pica, Pozo Almonte and Iquique and the environmental impact analysis was submitted and approved by the regional authorities. Collahuasi's environmental challenges include water management activities, construction and operation at high altitude, flora and fauna considerations at the mine and port sites, and exploration for and development of water resources.

Detailed engineering, pre-stripping and construction activities will begin early in 1996, and work will start on building a new port at Punta

Patache. The management team will also begin the recruitment and training of over 1,000 workers and 500 to 700 permanent contractors.

Falconbridge's ownership in the Collahuasi project increased early in 1995 from 33 $\frac{1}{3}$ % to 50%, after Minorco and Falconbridge acquired The Shell Petroleum Company Limited's one-third interest in the project. By year-end, a Japanese consortium had signed a memorandum of understanding to acquire a 12% equity stake in the project, securing future placement of one-third of the mine's concentrate production. The transaction is expected to close by mid-1996, once due diligence requirements are met and regulatory and corporate approvals are obtained, and will result in Falconbridge and Minorco each owning 44% of the Collahuasi project.

ORE RESERVES/MINERAL RESOURCES

Falconbridge Limited

December 31, 1995

This new classification system is compatible with the recommendations made by the Ad Hoc Committee on Mineral Resource/Reserve Classification of the Canadian Institute of Mining, Metallurgy and Petroleum.

Reserves/Resources (1)

	Sudbury Division	Kidd Creek Division	Falcondo (2)	Collahuasi Project (2)(3)	Raglan Project
Percentage Ownership	100%	100%	85.26%	50%	100%
Reserves (thousand tonnes)					
Proven Reserves	14,777	24,551	29,199	—	4,488
Probable Reserves	10,762	2,488	1,070	1,983,942	8,834
Total Proven/Probable	25,539	27,039	30,269	1,983,942	13,322
Possible Reserves	12,847	5,133	22,057	—	5,960
Total Reserves	38,386	32,172	52,326	1,983,942	19,282
Average Grades (principal metals only)					
Proven and Probable Reserves					
Nickel (%)	1.67	—	1.73	—	3.18
Copper (%)	1.55	2.79	—	0.83	0.87
Zinc (%)	—	5.53	—	—	—
Silver (grams per tonne)	—	69	—	—	—
Possible Reserves					
Nickel (%)	1.25	—	1.72	—	3.04
Copper (%)	1.18	0.83	—	—	0.90
Zinc (%)	—	10.59	—	—	—
Silver (grams per tonne)	—	80	—	—	—
Resources (thousand tonnes) (in addition to Reserves)					
Measured Resources	66	—	—	—	—
Indicated Resources	134	—	1,625	1,123,931	414
Inferred Resources	3,361	17,169	—	—	967
Total Resources	3,561	17,169	1,625	1,123,931	1,381
Average Grades (principal metals only)					
Measured, Indicated and Inferred Resources					
Nickel (%)	1.59	—	1.32	—	2.62
Copper (%)	4.84	1.85	—	0.82	0.75
Zinc (%)	—	8.43	—	—	—
Silver (grams per tonne)	—	207	—	—	—

Notes:

1. All ore reserves are at December 31, 1995. The ore reserves at the Sudbury Division, Kidd Creek Division, and Collahuasi are mineable ore reserves. The ore reserves at Falcondo and the Raglan project are geological ore reserves. The mineral resources are geological resources.
2. The ore reserves at Falcondo and the Collahuasi project are shown on a 100% basis.
3. Falconbridge and Minorco have each agreed to sell a 6% interest to a Japanese consortium. This transaction is expected to close by mid-1996.

Mineral resource - a deposit or concentration of minerals for which there is sufficient sampling information and geologic understanding to outline a deposit of current or potential economic merit.

Reserve - that part of a resource which can be mined at a profit under current or reasonably anticipated economic conditions which are specified. In addition to the information required for a resource estimate, technical, operating, legal and financial factors must be considered in a reserve estimate.

Proven reserve - that portion of a measured resource for which technical and economic factors have been established at a high confidence level and is generally restricted to that part of a reserve which is being developed or mined or for which there is a detailed mining plan.

Probable reserve - part of an indicated resource for which economic viability has been demonstrated at a confidence level which would justify a commitment to major expenditures.

Possible reserve - determined from limited sampling information and reasonable extrapolation. It does not stand alone but is an extension of or addition to proven or probable reserves.

Measured resource - is very well established and the person responsible for the estimate has no reasonable doubt that any variance from the stated grade and tonnage would not materially affect an economic appraisal which is based on it.

Indicated resource - the part of a resource for which grade, tonnage and other characteristics such as geology and continuity are so well established that it can serve as a base for decisions on major expenditures.

Inferred resource - when sampling data and geologic understanding are only sufficient to outline a deposit of potential economic merit.

Amalgamation and sale of common shares

On June 22, 1994, Falconbridge Limited, its parent company, Falconbridge Inc., and Trelleborg Mining Limited, which owned Falconbridge Inc. equally with Noranda Inc. (Noranda), and was wholly owned (directly and indirectly) by Trelleborg AB (Trelleborg) amalgamated to form the Corporation. The consolidated financial statements have been prepared on the assumption that these companies were combined in all prior periods.

After, (i) the amalgamation and the sale by the Corporation of its common shares to Noranda and the underwriters in 1994, (ii) the sale by Trelleborg of all its common shares of the Corporation to the public in a secondary offering that closed August 16, 1995 and (iii) the issue of common shares pursuant to the employee stock option plan in 1995, Noranda owns 46.3% and other shareholders own 53.7% of the Corporation as at December 31, 1995.

General

Falconbridge's earnings and cash flow are highly sensitive to the impact of a number of external factors. Changes in world economic conditions, demand for Falconbridge's products, prices set in international markets which do not necessarily reflect production costs or the effects of inflation, and currency exchange and interest rate fluctuations, make Falconbridge's earnings and cash flow cyclical.

In addition to being affected by worldwide market conditions, Falconbridge's earnings and cash flow are impacted by changes in productivity and the level of costs and expenses.

The cash cost of producing a pound of nickel at the Sudbury Division (expressed in U.S. dollars) increased 26% in 1995 after decreasing 22% in 1994. The higher 1995 cost largely reflects higher operating costs and lower production levels which were only partially offset by higher by-product credits. Cash costs for 1995 were at the same level as in 1993 and are 43% lower than in 1989. The cash cost of producing a pound of copper equivalent at the Kidd Creek Division (expressed in U.S. dollars)

decreased by 6% in 1995, while in 1994 it increased by 6%. In 1995 higher ore grades and higher by-product credits accounted for the lower cost per pound. Cash costs for 1995 were virtually the same as in 1989 in spite of a 34% decline in equivalent metal production from the mine. Falconbridge's U.S. dollar cash cost per pound of ferronickel increased by 10% and 4% in 1995 and 1994, respectively, mainly because of the treatment of lower grade ore, increased maintenance costs and higher oil prices.

Falconbridge's workforce totalled 6,337 at the end of 1995, an increase of 35 in 1995 after a decrease of 217 in 1994. In 1994, \$30.5 million, before taxes, was charged to earnings for early retirement programs which reduced the Sudbury Division's workforce by 8% and the Kidd Creek Division's workforce by 3%. The number of employees is expected to increase in 1996 with the addition of employees at Sudbury to meet expected retirements and staffing of the Lockerby mine, contractor replacements and the development of the Raglan and Collahuasi projects.

Production at the Nikkelverk refinery was lower in 1995 due to lower mine production at Sudbury and a shortage of custom feed materials. Custom feeds in 1995 provided approximately 37%, 45% and 79% of the refinery's nickel, copper and cobalt production compared with 40%, 55% and 70%, respectively, in 1994. To meet customer demand, Falconbridge purchased and resold 7,787 tonnes of nickel (1994 - 48 tonnes). In 1994, the Nikkelverk refinery operated at capacity.

Although the Kidd Creek Division's mine production tonnage was below the planned level for 1995, contained metal was higher than in 1994 because of better ore grades. Smelting and refining production increased and the zinc plant recorded its highest ever production of 140,760 tonnes. The increases were achieved by supplementing the lower feed from Kidd Creek mines with copper concentrate from the Sudbury Division, through swap and purchase arrangements with a Noranda group company, and the acquisition of other copper and zinc custom feed materials.

Environmental legislation and other requirements can have a significant impact on the results of the business conducted by Falconbridge. Falconbridge's policy is to meet and, if possible, surpass standards set by relevant legislation, through the application of innovative and technically proven economical measures in advance of prescribed deadlines. Falconbridge incurs substantial removal and site restoration costs on an ongoing basis which it believes will minimize future removal and site restoration costs following the closure of its sites. Estimated site restoration costs are accrued and expensed over the lives of the operations. Based on information currently available, including preliminary closure plans and alternatives, applicable regulations, planned spending on site restoration and the remaining life of Falconbridge's ore reserves, Falconbridge believes that its site restoration costs will be manageable and will not have a material adverse impact on its earnings or competitive position.

Foreign Exchange and Metal Price Fluctuations

The company is exposed to foreign exchange risks resulting from the effect of fluctuating exchange rates between the Canadian dollar and foreign currencies, (mainly the U.S. dollar) on its sales revenue stream and its net foreign currency denominated assets. The volatility in rates is managed by a combination of U.S. dollar denominated debt and forward contracts for the sale of U.S. dollars and other currencies as described below.

Falconbridge's metal sales are invoiced predominately in U.S. dollars with lesser amounts invoiced in Japanese yen, pounds sterling and other foreign currencies. The volatility in exchange rate fluctuations is managed by entering into forward contracts for the sale of U.S. dollars with maturity dates to coincide approximately with anticipated dates of sales. Gains and losses are recognized at the maturity of these contracts and are shown as a component of sales revenue. At December 31, 1995 Falconbridge had outstanding forward contracts for the sale of U.S. dollars totalling U.S.\$530 million (1994 - U.S.\$280 million) at exchange rates averaging Canadian \$1.39 (1994 - \$1.42). These

contracts have maturity dates extending until November 1997 and coincide approximately with anticipated dates of sales.

The Corporation's foreign investments and foreign currency working capital are mostly denominated in U.S. dollars. The U.S. dollar denominated net assets are exposed to risks resulting from fluctuations in the Canadian/U.S. dollar exchange rate. The impact of fluctuations in exchange rates are mitigated by the Corporation's long-term debt denominated in U.S. dollars or forward exchange contracts. Since the reduction of long-term debt in 1994, the U.S. dollar debt has been less than the aggregate of U.S. dollar-denominated investments and working capital. The balance of assets not hedged by the remaining long-term debt was, and currently is, hedged by forward exchange contracts (1995 - U.S.\$416.4 million, 1994 - U.S.\$125.0 million). The Corporation's intention is to continue to hold U.S. dollar debt and/or enter into forward exchange contracts in sufficient amounts to secure the desired hedging result.

The \$17.1 million (1994 - \$40.0 million) deferred exchange loss recorded in the balance sheet is the result of valuing the Corporation's U.S. dollar long-term debt net of its U.S. dollar denominated long-term investments and net current assets (which are being hedged by this debt) at current exchange rates.

The company is exposed to fluctuations in the prices it realizes on the sale of its own production.

Generally, the Corporation accepts realizations based on market prices prevailing around the time of delivery of metals to customers, so the exposure to changes in prices is normally not hedged. At December 31, 1995 there were no contracts outstanding or other instruments entered into to reduce the Corporation's exposure to price changes on the metal markets.

Liquidity and Capital Resources

Liquidity and Cash Flow

Consolidated cash and temporary investments increased by \$156.7 million to \$464.3 million during the year; and working capital increased to \$928.8 million from \$640.9 million at the end of 1994. Cash and temporary investments are largely

comprised of money market instruments, including commercial paper, bankers' acceptances and fixed term deposits, all due within one year, plus some small cash balances. All temporary investments are liquid and of investment grade.

The ratio of current assets to current liabilities improved to 4.4:1 at December 31, 1995 from 2.8:1 at December 31, 1994 primarily due to the renegotiation of long-term debt maturing in one year.

In 1995, cash provided by operations, before net changes in receivables, inventories and payables, was \$586.8 million, compared with the \$466.6 million provided in 1994. Cash proceeds of \$271.1 million (1994 - nil), net of issue costs of \$2.9 million, were received from the issuance of debentures, \$6.7 million (1994 - nil) from the issuance of the Corporation's shares under the employee stock option plan and \$6.2 million (1994 - \$1.0 million) was received from the sale of assets. In 1994, net cash proceeds of \$1,341.0 million were received from the sale of the Corporation's common shares. These cash inflows were reduced by capital expenditures of \$251.0 million (1994 - \$102.4 million), debt repayments of \$215.2 million (1994 - \$1,287.7 million), an increase of \$131.3 million in Falconbridge's ownership of the Collahuasi project from a one-third to one-half interest, dividends of \$70.6 million (1994 - nil) to common shareholders, a \$32.6 million (1994 - \$137.6 million) net increase in receivables, inventories and payables, largely because of the renegotiation of the long-term debt maturing within one year and dividends of \$8.9 million (1994 - \$5.3 million) paid to minority shareholders of Falcondo. The impact of higher selling prices increased working capital.

In 1994, cash provided by operations, before net changes in receivables, inventories and payables, was \$466.6 million, more than four times the \$104.2 million provided in 1993, and net cash proceeds of \$1,341.0 million were received from the sale of the Corporation's common shares. These cash inflows were reduced by the application of \$1,287.7 million (1993 - \$182.2 million) to repay debt, capital expenditures of \$102.4 million

(1993 - \$85.6 million), a \$137.6 million net increase (1993 - \$83.9 million net decrease) in receivables, inventories and payables and dividends of \$5.3 million (1993 - \$6.5 million) paid to minority shareholders of Falcondo. The impact of higher prices, sales and custom feed volumes increased working capital.

In early 1995, Falconbridge announced that it would proceed immediately with the development of the Raglan property in northern Quebec, subject to certain conditions that have now been met. After having spent \$76 million in 1995, an additional \$410 million will be required to bring the property into production by the end of 1997.

Early in 1995, Falconbridge increased its ownership in the Collahuasi copper project in Chile from 33 $\frac{1}{3}$ % to 50% at a cost of \$131.3 million.

In 1995, the Corporation announced that the Collahuasi feasibility study had been approved and a decision made to bring the project into commercial production by January 1999 contingent upon Collahuasi obtaining environmental and other regulatory approvals, and completing marketing and financing agreements. Based on the feasibility study, a total investment of U.S.\$1.75 billion will be required to bring the property into commercial production. Terms of the financing arrangements have not been completed but it is anticipated that the project sponsors will provide approximately U.S.\$700 million (Falconbridge share U.S.\$350 million) in equity and subordinated debt and that project financing on a 10 to 14 year term, will provide the balance of U.S.\$1.05 billion.

In December 1995, Falconbridge announced that an agreement in principle had been reached regarding the purchase by a Japanese consortium led by Mitsui & Co., of a 12% equity interest in the Collahuasi project. In addition, the purchase will secure the placement of approximately one third of the mine's copper concentrate production and the provision by Mitsui & Co. of up to U.S.\$200 million as a customer finance facility.

The purchase price of the equity interest will be based on the price paid in 1995 for Falconbridge's increased interest in Collahuasi (now at 50%) and will include adjustments for

subsequently incurred project expenses, interest on these amounts and a premium of U.S.\$6.8 million paid in consideration of Collahuasi entering into the terms of a copper concentrate sales contract. The transactions are subject to due diligence, the entering into of definitive agreements and required regulatory and corporate approvals. Closing is expected to take place in mid 1996 at which time Falconbridge will have a 44% interest in Collahuasi.

On February 1, 1996, the Corporation declared a cash dividend of 10¢ per share, for the first quarter of 1996, on its outstanding common shares, payable on February 27, 1996 to shareholders of record at the close of business on February 13, 1996.

Based on planned production levels, estimated LME prices and the Canadian/U.S. dollar exchange rate as at the end of January 1996, it is anticipated that funds provided from operations and the successful completion of the Collahuasi project financing will be sufficient to finance planned 1996 capital expenditures and the February 27, 1996 dividend payment.

Outstanding Indebtedness

In July 1995, the Corporation revised its borrowing arrangements with a syndicate of Canadian banks and financial institutions that provided the Syndicated Facility to the Corporation. The new arrangements consist of separate revolving / non-revolving term evergreen unsecured credit facilities in the aggregate principal amount of U.S.\$525.0 million on which U.S.\$254.0 million was drawn at December 31, 1995. The revolving period of the Credit Facilities may be extended by the relevant lenders entirely at their discretion. Failing such extension, borrowings convert into a term loan maturing on the second anniversary of the termination of the revolving period.

In August 1995, the Corporation issued U.S.\$200 million 7³/₈% debentures repayable on September 1, 2005. At the same time an interest rate swap agreement was entered into effectively changing the interest payable on the debentures to a LIBOR

based floating rate for the term of the loan. Subsequently the Corporation entered into a further swap agreement swapping the interest back to a fixed rate of 6.52% for the remaining term of the debentures. The debentures, which are direct unsecured obligations of the Corporation and are not redeemable prior to maturity, were issued under a shelf prospectus which provides for the issuance, from time-to-time over a two-year period, of debt securities of up to U.S.\$500.0 million. The proceeds from the issuance of debentures were used to reduce the loans drawn under the Credit Facilities and to increase working capital. The unused portion of the shelf prospectus could be used to support the funding of committed capital expenditure programs and the Corporation's growth plan.

Long-term debt of \$619.8 million at December 31, 1995 compared with \$581.4 million at the end of 1994. During 1995 long-term debt was increased by gross proceeds of \$274.0 million (1994 - \$nil) from the debenture issue and decreased by loan repayments of \$215.2 million (1994 - \$1,287.7 million) and \$20.4 million (1994 - \$59.2 million increase) because of changes in the Canadian/U.S. dollar exchange rate.

As a result of debt repayments the deferred exchange loss, net of accumulated amortization, associated with the long-term debt, was reduced by charging \$5.7 million to earnings in 1995 (1994 - \$43.0 million).

The ratio of debt to debt plus equity decreased from 25% to 24% at the end of 1995. The ratio of net debt (debt minus cash and temporary investments) to net debt plus equity decreased from 14% at the end of 1994 to 7% at the end of 1995.

At December 31, 1995, pension plan assets were \$83.3 million (1994 - \$146.8 million) less than projected benefit obligations for those Falconbridge pension plans in which accumulated benefits exceed assets.

Capital Expenditures

The following table summarizes property, plant and equipment and preproduction and development expenditures incurred or planned for the periods indicated:

millions of dollars	Planned in	Year ended December 31,	
	1996	1995	1994
Sudbury Division	\$ 110.0	\$ 70.1	\$ 40.1
Nikkelverk refinery	32.0	14.6	16.6
Kidd Creek Division	60.0	40.2	19.5
Falcondo	15.0	11.0	6.8
Collahuasi project	260.0	33.6	15.4
Raglan project	211.0	76.2	2.5
Other	35.0	5.3	1.5
Total	\$ 723.0	\$ 251.0	\$ 102.4

Capital expenditures in 1995 included expenditures to complete the Craig project and to continue development at Lockerby mine at Sudbury, to continue development of the No. 3 mine at depth at Kidd Creek, the development of the Raglan and Collahuasi projects and maintain productive capacity at all locations. The planned 1996 expenditures, include further development work on the Raglan and Collahuasi projects, further development of the Lockerby mine at Sudbury and Kidd Creek Division's No. 3 mine at depth, to increase the smelting and refining capacity to handle the Raglan feed and other expenditures to maintain productive capacity. These expenditures will be financed from internal sources. Collahuasi will be financed by both internal sources and project debt.

Substantial expenditures will also be required in 1997 and 1998 to bring the Collahuasi and Raglan projects to production.

Results of Operations

Consolidated Results

For the year ended December 31, 1995, Falconbridge recorded consolidated earnings of \$333.2 million (\$1.89 per share) compared with \$131.3 million (94¢ per share) in 1994. The 1995

earnings include an \$11.9 million (7¢ per share) recovery of prior years taxes, partially offset by expensing \$5.7 million or 3¢ per share, (1994 - \$43.0 million or 31¢ per share), after taxes, for deferred exchange losses associated with long-term debt repayments, and in 1994, \$26.0 million (19¢ per share), after taxes, for workforce reductions and the scheduled two week shutdown over Christmas and additional start-up costs at the Sudbury Division.

Consolidated revenues of \$2,323.6 million in 1995 were \$363.3 million higher than in 1994, and the operating income of \$571.8 million was \$223.7 million higher. Both increases reflected higher average prices and higher precious metal revenues. These increases were partially offset by lower sales of mine production and custom feeds, lower margins on purchased products acquired due to the mine production shortfall, and higher operating costs. Exploration and research and process development expenditures of \$49.5 million were \$8.5 million higher than in 1994, while depreciation and amortization costs of \$158.4 million were \$2.6 million lower than 1994. Interest expense decreased to \$43.6 million in 1995 from \$64.5 million in 1994 due to lower debt levels in 1995 and the impact of lower interest rates. Gains were recorded in 1994 on long LME nickel futures positions, which had been entered into in 1993 to meet 1994 deliveries to customers in case of shutdowns resulting from the then prevailing adverse market conditions.

For the year ended December 31, 1994, Falconbridge recorded consolidated earnings of \$131.3 million (94¢ per share). These earnings are after expensing \$43.0 million (31¢ per share) after taxes for deferred exchange losses, and \$26.0 million (19¢ per share) after taxes for an early retirement program and start-up costs at the Sudbury Division. These results compare with a loss of \$44.5 million (44¢ per share) in 1993. The 1993 loss was after expensing \$20.6 million for production shutdowns at the Sudbury Division, Nikkelverk refinery and Falcondo and workforce reductions at the Kidd Creek Division.

Consolidated revenues of \$1,960.3 million in 1994 were \$527.4 million higher than in 1993, and the operating income

of \$348.1 million was \$280.8 million higher. Both increases reflected higher average prices, increased nickel and ferronickel sales volumes, the impact of a more favourable U.S. dollar exchange rate on sales revenues and higher precious metal revenues from Sudbury Division ores. These increases were partially offset by lower Sudbury Division and Kidd Creek Division mine production. Exploration and research and process development expenditures of \$41.1 million were \$8.7 million higher than in 1993. Debt repayments reduced interest expense from \$89.8 million in 1993 to \$64.5 million in 1994, despite higher interest rates. Losses were recorded in 1993 on long LME nickel futures.

The earnings (loss) for the years ended December 31, 1995, 1994 and 1993 included the following:

millions of dollars	Year ended December 31,		
	1995	1994	1993
Earnings before the following			
gains (losses), net of taxes	\$ 355.5	\$ 212.6	\$ 9.4
Sale of Falconbridge Gold Corporation investments	—	—	6.1
Shutdowns, curtailments and workforce reductions	—	(26.0)	(20.6)
Nickel futures and options	(0.8)	18.3	(12.1)
Amortization of deferred exchange loss on United States dollar denominated debt (a)	(21.5)	(73.6)	(27.3)
Earnings (loss)	\$ 333.2	\$ 131.3	\$ (44.5)

(a) 1995 includes the expensing of \$5.7 million (1994 – \$43.0 million) deferred exchange losses associated with debt repayments.

Corporate Costs

Total net corporate interest costs of \$13.3 million for 1995 have declined from \$53.0 million in 1994 and \$85.0 million in 1993. These decreases relate to the paydown of debt in 1994 and interest earned on higher cash balances.

Other corporate costs (which include general and administrative and exploration expenditures, foreign exchange gains or losses on U.S. dollar debt and other sundry expenses) were \$99.8 million for 1995, compared with \$76.7 million for 1994. The higher costs mainly reflect higher exploration and research and process development expenditures, higher general and administrative costs and significantly lower gains from long LME nickel positions. These amounts exclude the \$5.7 and \$43.0 million, in 1995 and 1994 respectively, expensed for deferred exchange losses associated with long-term debt repayments.

Other corporate costs were \$76.7 million for 1994, excluding \$43.0 million for deferred exchange losses associated with long-term debt repayments, compared with \$91.8 million for 1993. The lower costs mainly reflect gains on long LME nickel positions which were closed in 1994. Losses were recorded on these positions in 1993. Exploration and research and process development expenditures were higher in 1994.

Integrated Nickel Operations Results

The INO's 1995 income contribution was \$344.1 million, compared with \$250.6 million for 1994 after expensing \$33.9 million for an early retirement program and start-up costs at the Sudbury Division. The \$93.5 million increase, (\$59.6 million without the effect of the retirement program and start-up costs at Sudbury), was due to higher prices, higher contributions from custom feeds and purchased products, and higher precious metal revenues. These favourable factors were partially offset by lower sales volumes from the Sudbury mines and custom feeds and higher unit production costs.

The INO's 1994 income contribution was \$250.6 million, after expensing \$33.9 million for an early retirement program and start-up costs at the Sudbury Division, compared with \$69.9 million for 1993. The \$180.7 million increase was due to higher prices, higher sales volumes, including precious metals, and a more favourable U.S. dollar exchange rate. These favourable factors were partially offset by lower production from the Sudbury

mines. Operating costs, depreciation and amortization of deferred development and preproduction expenditures were higher because there was a one-month shutdown in 1993. At the Sudbury Division, production was lower due to placing the Lockerby mine on a care-and-maintenance basis in June 1994. Difficulties arising from employee dissatisfaction with shift schedules, which provide for continuous seven day-a-week mining operations, also resulted in some loss of mine production towards the end of the year. Modified shift schedules were implemented in February 1995.

Kidd Creek Division Results

The Kidd Creek Division's 1995 income contribution was \$160.2 million compared with \$78.2 million in 1994 after expensing \$5.0 million for early retirement costs. The \$82.0 million increase largely results from higher prices and increased sales volumes and prices for indium and cadmium. This increase was partially offset by lower copper and zinc sales volumes.

The Kidd Creek Division's 1994 income contribution was \$78.2 million after expensing \$5.0 million for early retirement costs, compared with \$9.7 million for 1993. The \$68.5 million increase largely resulted from higher prices and a favourable U.S. dollar exchange rate. This increase was partially offset by lower Kidd Creek mines metal sales volumes. Production volumes, grades and costs were adversely affected by ground control problems in the No. 1 mine and changes to mine plans to increase copper production in previous years.

Falconido Results

The Corporation's share of Falconido's 1995 earnings was \$66.6 million, compared with \$36.8 million in 1994. The ferronickel selling price was higher than in 1994. This was partially offset by higher unit production costs in 1995, because of the treatment of lower grade ore, increased maintenance costs and higher oil prices.

The Corporation's share of Falconido's 1994 earnings was \$36.8 million, compared with \$19.6 million in 1993. The ferronickel selling price and sales volume were both higher in 1994. Excluding the 1993 costs associated with a production

shutdown, unit production costs were higher in 1994, mainly because of the treatment of lower grade ore and increased power plant maintenance costs.

Outlook

Markets

Following a de-stocking phase in the first quarter, stainless steel production is forecast to increase as the year progresses and register modest growth for the year as a whole. This is anticipated to translate into a moderate increase in nickel consumption. On the supply side, Western World production is expected to rise as some producers recover from production losses and others have a full year of output from expansions and re-starts completed in 1995. The market is still expected to show a supply/demand deficit.

Although it will be a smaller deficit than that of 1995, the market is expected to be even tighter since the level of opening stocks is substantially lower in 1996. Overall, nickel markets are expected to be buoyant in 1996.

Copper inventories increased during the latter part of 1995. Although copper production is anticipated to increase in 1996, consumption growth is far less certain and will be closely tied to the performance of the global economies. Copper prices are expected to weaken compared to the averages realized in 1995.

Zinc consumption is again expected to exceed production in 1996, further reducing excess stocks which should result in a strengthening price.

Operations

Having addressed the production difficulties arising in the early part of 1995, and with the focus on mine development at Craig and Lockerby, the Sudbury Division increased its production rate in the second half of the year, especially during the fourth quarter when 10,000 tonnes of nickel were produced. Production is expected to increase further in 1996. Initiatives taken in 1995 should improve productivity in 1996.

With the planned increases in 1996 production from Sudbury and expected levels of custom feed, Nikkelverk will operate closer to capacity in 1996. Work is underway to increase

Nikkelverk's nickel refining capacity from 69,000 to 85,000 tonnes by 1998 in order to meet Raglan's production requirements. Cobalt refining capacities are being expanded to take advantage of the availability of cobalt-bearing custom feed.

Kidd Creek's 1996 mine production is expected to exceed the 1995 levels due to slightly higher ore tonnage and higher zinc grades. Work continues on the development of the No. 3 mine which will increase the amount of ore coming from this area. During 1995, Kidd Creek completed the construction of a nickel recovery unit which will allow the smelter to process increased volumes of secondary materials and Sudbury Division concentrates.

Falconbridge will continue to treat lower grade ores and the planned production rate is slightly higher than in 1995.

Exploration and Development Projects

During 1995, Falconbridge spent \$39 million on surface and underground exploration projects and is increasing its exploration budget by 28% to \$50 million in 1996.

In Sudbury, the underground exploration program at Onaping/Craig continues. In addition, a surface hole in the Strathcona mine area requires further follow-up.

At Kidd Creek, exploration diamond drilling continues at the No. 3 mine to determine the viability of the mineralization between the 2250 meter level and 2980 meter level.

Falconbridge is proceeding with the development of its Raglan nickel property located in the Nunavik territory of northern Quebec. This \$486 million project is on budget and scheduled to be in production in late 1997. Raglan would increase Falconbridge's annual refined nickel production from Falconbridge mines, at 1995 levels, by 59%. Exploration activities continue in this area and results to date have been most encouraging.

Falconbridge has exploration activities in the Thompson Nickel Belt area in Manitoba where encouraging results have been found and work continues.

At Collahuasi, current confirmed geological resources now total 3.108 billion tonnes averaging 0.82% copper at a cutoff

grade of 0.4% copper. With the feasibility study completed and approved during 1995, a final production decision is expected in the first half of 1996, once Collahuasi obtains regulatory approvals and completes its marketing and financing agreements.

Measures implemented by Falconbridge at all its operations will continue to focus on sustaining cost reduction initiatives and productivity improvements. As a low cost producer, Falconbridge is well positioned to continue to take advantage of increases in demand and prices for the metals it produces.

Sensitivities

Falconbridge's earnings and cash flows are sensitive to changes in prices and the Canadian/U.S. dollar exchange rate. The following table shows the approximate impact on operating income, earnings and cash flow due to variations in the factors noted below, based on Falconbridge's anticipated 1996 sales volumes, if the change were to remain in effect for the full year:

millions of dollars	Change in U.S.\$ realized price	Impact on		
		Operating Income	Earnings	Cash Flow
Product				
Nickel	\$0.10 per pound	\$ 14.3	\$ 7.9	\$ 7.9
Ferronickel	0.10 per pound	7.9	4.0	4.0
Copper	0.10 per pound	41.9	21.2	21.2
Zinc	0.05 per pound	16.1	8.1	8.1
Silver	1.00 per ounce	4.8	2.4	2.4
Exchange rate (on revenues)				
U.S.\$1.00 = Cdn.\$ +/- 1¢		12.9	7.1	7.1

Falconbridge periodically uses foreign exchange and options contracts to hedge the effect of exchange rate changes on identifiable foreign currency exposures and futures and option contracts to hedge the effect of price changes on a portion of the metals it sells from its mine production. The above sensitivities could accordingly be affected if such hedges were to be put in place.

ACCOUNTING RESPONSIBILITIES, PROCEDURES AND POLICIES

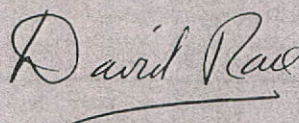
The Board of Directors which, among other things, is responsible for the consolidated financial statements of the Corporation, delegates to management the responsibility for the preparation of the statements. Responsibility for their review is that of the Audit Committee. Each year the shareholders appoint independent auditors to audit and report directly to them on the financial statements.

In preparing the consolidated financial statements great care is taken to use the appropriate generally accepted accounting principles and estimates considered necessary by management to present fairly and consistently the consolidated financial position and the results of operations. The principal accounting policies followed by Falconbridge are summarized on pages 40 to 42.

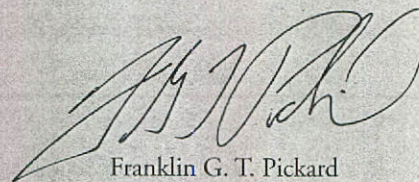
The accounting systems employed by Falconbridge include appropriate controls, checks and balances to provide reasonable assurance that Falconbridge's assets are safeguarded from loss or unauthorized use as well as facilitating the preparation of comprehensive, timely and accurate financial information. There

are limits inherent in all systems based on the recognition that the cost of such systems should not exceed the benefits to be derived. Falconbridge believes its systems provide the appropriate balance in this respect.

The Corporation's Audit Committee is appointed by the Board of Directors annually and is currently comprised of three non-management directors. The Committee meets with management and with the independent auditors (who have free access to the Audit Committee) to satisfy itself that each group is properly discharging its responsibilities and to review the financial statements and the independent auditors' report. The Audit Committee reports its findings to the Board of Directors for consideration in approving the financial statements for issuance to the shareholders.



David H. Race
Chairman of
Audit Committee



Franklin G. T. Pickard
President and
Chief Executive Officer



Lars-Eric Johansson
Senior Vice-President and
Chief Financial Officer



■ Chartered Accountants
Ernst & Young Tower
Toronto-Dominion Centre
P.O. Box 251
Toronto, Canada M5K 1J7

■ Phone: (416) 864-1234
Fax: (416) 864-1174

To the shareholders of **Falconbridge Limited**:

We have audited the consolidated statements of financial position of **Falconbridge Limited** as at December 31, 1995 and 1994 and the consolidated statements of operations, shareholders' equity and changes in financial position for the years then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Corporation as at December 31, 1995 and 1994 and the results of its operations and the changes in its financial position for the years then ended in accordance with generally accepted accounting principles.

A handwritten signature in cursive script that reads 'Ernst & Young'.

Chartered Accountants

Toronto, Canada

February 1, 1996

[except for note 13 (b) which is as of February 9, 1996]

CONSOLIDATED STATEMENTS OF OPERATIONS

In thousands of Canadian dollars	Year ended December 31,	
	1995	1994
Revenues	\$ 2,323,608	\$ 1,960,335
Operating expenses		
Costs of metal and other product sales	1,450,262	1,325,733
Selling, general and administrative	93,615	84,458
Development and preproduction	37,991	41,797
Depreciation and depletion	120,360	119,170
Exploration	38,686	30,529
Research and process development	10,860	10,533
	1,751,774	1,612,220
Operating income	571,834	348,115
Interest on long-term debt and debt expenses	43,641	64,510
Interest (income) and other (income)/expenses, net (note 9)	(11,360)	41,457
	32,281	105,967
Earnings before taxes, minority shareholders' interest	539,553	242,148
Income and mining taxes (note 6)	195,074	104,789
Minority shareholders' interest in earnings of subsidiaries	11,257	6,107
Earnings for the year	\$ 333,222	\$ 131,252
Earnings per share (note 8(b))	\$ 1.89	\$ 0.94
See accompanying notes to consolidated financial statements		

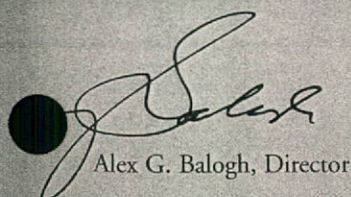
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

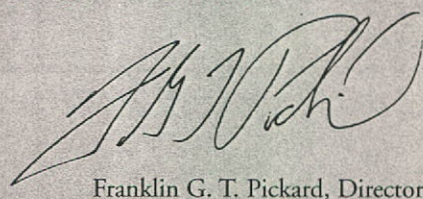
Falconbridge Limited

In thousands of Canadian dollars	December 31, 1995	December 31, 1994
Assets		
Current		
Cash and temporary investments, at cost		
which approximates market value	\$ 464,266	\$ 307,548
Accounts and metals settlements receivable (note 11)	350,967	334,994
Inventories (note 3)	388,619	363,092
Total current assets	1,203,852	1,005,634
Property, plant and equipment (note 4)	2,068,060	1,850,222
Deferred exchange loss, net of accumulated amortization	17,090	40,003
Deferred expenses and other assets (note 10)	20,128	6,044
	\$ 3,309,130	\$ 2,901,903
Liabilities and shareholders' equity		
Current		
Accounts payable and accrued charges	\$ 242,940	\$ 195,108
Income and other taxes payable	32,107	61,623
Long-term debt maturing within one year	—	108,000
Total current liabilities	275,047	364,731
Long-term debt (note 5)	619,801	473,389
Deferred income and mining taxes	349,530	251,442
Other long-term liabilities (note 10)	37,604	56,789
Minority interest	25,299	22,950
Total liabilities	1,307,281	1,169,301
Commitments and contingencies (note 7)		
Shareholders' equity	2,001,849	1,732,602
	\$ 3,309,130	\$ 2,901,903

See accompanying notes to consolidated financial statements

On behalf of the Board:


Alex G. Balogh, Director


Franklin G. T. Pickard, Director

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

In thousands of Canadian dollars	Year ended December 31, 1995		Year ended December 31, 1994	
	Shares	Amount	Shares	Amount
Share capital				
Authorized				
Unlimited preferred shares				
Unlimited common shares				
Issued				
Common shares (note 8(a))				
Balance, beginning of year	176,487,000	\$ 2,167,525	10,000,000	\$ 782,016
Issued pursuant to employee stock option plan	360,600	6,671	—	—
On amalgamation (note 1 (b)) —				
Outstanding shares cancelled	—	—	(10,000,000)	—
Issued to Noranda Inc. for shares of Falconbridge Inc.	—	—	50,000,000	—
Issued to Trelleborg AB and its wholly owned subsidiary Trelleborg International BV for shares of Trelleborg Mining Limited	—	—	50,000,000	—
Sale to Noranda Inc. for cash (note 8(a)(i))	—	—	31,892,000	560,502
Sales to Underwriters for cash (note 8(a)(i))	—	—	44,595,000	825,007
Balance, end of year	176,847,600	2,174,196	176,487,000	2,167,525
Deficit				
Balance, beginning of year		(441,589)		(547,890)
Earnings for the year		333,222		131,252
Dividends		(70,646)		—
Common share issue expenses, net of taxes (note 8(a)(i))		—		(24,951)
Balance, end of year		(179,013)		(441,589)
Cumulative translation adjustment				
Balance, beginning and end of year		6,666		6,666
Total shareholders' equity		\$ 2,001,849		\$ 1,732,602

See accompanying notes to consolidated financial statements

CONSOLIDATED STATEMENTS OF CHANGES IN FINANCIAL POSITION

Falconbridge Limited

In thousands of Canadian dollars	Year ended December 31, 1995	Year ended December 31, 1994
Operating activities		
Earnings for the year	\$ 333,222	\$ 131,252
Add items not affecting cash		
Depreciation and depletion	120,360	119,170
Deferred income and mining taxes	94,384	38,034
Development and preproduction	37,991	41,797
Currency translation adjustments	5,580	85,726
Minority shareholders' interest in earnings of subsidiaries	11,257	6,107
Other items	(15,987)	44,548
Cash provided by operating activities before working capital changes	586,807	466,634
Net change in receivables, inventories and payables	(32,577)	(137,590)
Cash provided by operating activities	554,230	329,044
Investing activities		
Property, plant and equipment expenditures	(136,295)	(75,374)
Development and preproduction expenditures	(114,722)	(27,067)
Increase in investment in the Collahuasi joint venture (note 2)	(131,341)	—
Proceeds on disposal of assets	6,152	953
Change in other assets	(4,326)	156
Cash used in investing activities	(380,532)	(101,332)
Financing activities		
Issue of common shares (note 8(a)(i))	6,671	1,340,953
Issue of debentures, net of expenses (note 5(b))	271,077	—
Debt repayments (note 5(a))	(215,174)	(1,287,696)
Dividends paid to common shareholders	(70,646)	—
Dividends paid to minority shareholders of Falconbridge Dominicana, C. por A.	(8,908)	(5,250)
Cash provided by (used in) financing activities	(16,980)	48,007
Cash provided during the year	156,718	275,719
Cash and temporary investments, beginning of year	307,548	31,829
Cash and temporary investments, end of year	\$ 464,266	\$ 307,548

See accompanying notes to consolidated financial statements

1. Accounting policies and amalgamation

(a) Accounting policies

The consolidated financial statements of Falconbridge Limited have been prepared in accordance with accounting principles generally accepted in Canada, consistently applied. In these consolidated financial statements, references to the Corporation mean only Falconbridge Limited, the parent company, and references to Falconbridge include the Corporation and its consolidated subsidiaries. The principal accounting policies followed by Falconbridge are summarized hereunder.

Basis of consolidation

Falconbridge consolidates the financial statements of subsidiary companies and proportionately consolidates the financial statements of Compañía Minera Doña Inés de Colahuasi S.A. Differences between the interest in the book value of the net assets of consolidated subsidiaries and the carrying value of the investments are allocated to the subsidiary's assets and liabilities based on their fair values at the dates of acquisition. The differences are depreciated, depleted or amortized in accordance with Falconbridge's accounting policy for the related asset.

Translation of foreign currencies

Foreign currency transactions and balances, and the financial statements of integrated foreign operations, are translated into Canadian dollars using the temporal method. Under this method, monetary items are translated at the rate of exchange in effect at the year end. Non-monetary items are translated at historical exchange rates. Revenue and expense items are translated at the weighted average exchange rates prevailing during the year, except for depreciation, depletion and amortization which are translated at the same exchange rates as the assets to which they relate. Exchange gains and losses are included in income in the current year, except when hedged or when the gains or losses relate to a monetary item with a fixed or ascertainable original life extending

beyond the end of the following fiscal year. In this case, the gain or loss is deferred and amortized to income on a straight-line basis over the period the related monetary item is outstanding. Certain net current assets are hedged by foreign currency long-term debt.

Financial statements of self-sustaining foreign operations are translated into Canadian dollars using the current rate method. Under this method, assets and liabilities are translated at the rate of exchange in effect at the year end while revenue and expense items (including depreciation, depletion and amortization) are translated at the weighted average of exchange rates prevailing during the year. Exchange gains and losses from the translation of such financial statements are deferred and disclosed as a separate component of shareholders' equity. Gains or losses on foreign currency long-term debt that are designated as hedges of net investments in self-sustaining foreign operations are reported in the same manner as translation adjustments.

Revenue recognition

Revenues from the sale of refined metals, concentrates and ferronickel are recorded in the accounts when the rights and obligations of ownership pass to the buyer.

Valuation of inventories

Metals inventories are valued at the lower of cost, determined on a "first-in, first-out" basis, or net realizable value except for inventories of the Kidd Creek Division which are valued at the lower of average cost or net realizable value. Cost includes direct labour and material costs as well as administrative expenses at the operating properties, but excludes development and preproduction expenditures, depreciation and depletion. Supplies inventories are valued at the lower of average cost of acquisition or replacement cost.

Forward, futures and option contracts

Falconbridge periodically uses forward foreign exchange and option contracts to hedge the effect of exchange rate changes on identifiable foreign currency exposures, and futures and option contracts to hedge the effect of price changes on a portion of the commodities it sells. Gains and losses on these contracts are reported as a component of the related transactions. From time to time, Falconbridge enters into futures and forward contracts for the purchase or sale of commodities and currencies not designated as hedges. These contracts are carried at estimated fair values and gains or losses arising from the changes in the market values of these contracts are recognized in the earnings of the period in which the changes occur.

Property, plant and equipment

Property, plant and equipment and related capitalized development and preproduction expenditures are recorded at cost. Repairs and maintenance expenditures are charged to operations; major betterments and replacements are capitalized.

The Corporation generally depreciates plant and equipment on a straight-line basis over the lesser of their useful service lives or the lives of the producing mines to which they relate, limited to a maximum of 25 years. At the Kidd Creek Division, mine facilities are depreciated over the estimated lives of the mines based on the unit of production basis; reduction and refining facilities are depreciated over 25 years on the straight-line basis. Generally the subsidiary companies calculate depreciation on a straight-line basis at rates varying from 5% to 25%.

Depletion of resource properties is provided over the lesser of the estimated lives of the resources recoverable from the properties, on the unit of production basis, or 25 years.

Development and preproduction expenditures are capitalized until the commencement of commercial production.

These, together with certain subsequent development expenditures, which are also capitalized, are amortized over periods not exceeding the lives of the producing mines and properties, limited to a maximum of 25 years.

Exploration

Exploration costs incurred to the date of establishing that a property has reserves which have the potential of being economically recoverable are charged against earnings. Further costs are generally capitalized and then amortized as appropriate under the policy for property, plant and equipment as described above.

Post retirement benefits

Pension expense recorded for Falconbridge's defined benefit plans is the net of management's best estimate of the cost of benefits provided, the interest cost of projected benefits, return on pension plan assets and amortization of experience gains or losses and other pension plan surpluses or deficits. Pension fund assets are valued at current market values. Pension plan surpluses or deficits, experience gains or losses and the cost of pension plan improvements are amortized, on a straight-line basis, over the term of the employment contract to which the adjustments relate or the expected average remaining service life of the employee group, depending on the nature of the adjustments. Funding is subject to applicable government regulations.

Under its defined contribution retirement savings program, the Corporation makes payments based on employee earnings and partially matches employee contributions, to a defined maximum. Employees may receive profit sharing credits based on earnings.

Falconbridge also provides certain health care and life insurance benefits for retired employees and their dependents. The cost of these benefits is expensed when paid.

Income and mining taxes

Falconbridge follows the deferral method of applying the tax allocation basis of accounting for income and mining taxes. Under this method, timing differences between the period when income or expenses are reported for tax purposes and the period when they are recorded in the accounts result in deferred income and mining taxes.

Where appropriate, income and withholding taxes are provided on the portion of any interest in consolidated foreign subsidiaries' undistributed net income which it is reasonable to assume will be transferred in a taxable distribution.

Environmental and reclamation costs

Ongoing reclamation and other environmental costs are expensed as incurred. Since 1991, estimated reclamation costs to be incurred when certain of Falconbridge's operations are closed are accrued and expensed over the lives of the operations.

(b) Amalgamation

On June 22, 1994, Falconbridge Limited, its parent company, Falconbridge Inc., and Trelleborg Mining Limited (TML), which owned Falconbridge Inc. equally with Noranda Inc. (Noranda), and was wholly owned (directly and indirectly) by Trelleborg AB (Trelleborg) amalgamated to form the Corporation. As a result of the amalgamation, all outstanding common shares of Falconbridge Limited were cancelled and Noranda and Trelleborg received common shares of the Corporation for the shares of Falconbridge Inc. and TML held by them (in August 1995 Trelleborg sold all its common shares of the Corporation to the public) (note 8(a)(i)). The consolidated financial statements of the Corporation comprise the combined accounts of Falconbridge Limited, Falconbridge Inc. and TML, prepared on the assumption that these companies had been combined in all previous periods. The amalgamation consti-

tuted a combination of businesses under common control such that the assets and liabilities of Falconbridge Limited are carried at historical book values.

2. Collahuasi joint venture

In May 1995, Falconbridge and a subsidiary of Minorco Société Anonyme (Minorco) acquired the one-third interest in the Collahuasi project owned by the Royal Dutch / Shell Group of Companies for \$131.3 million cash paid by each partner. As a result, Falconbridge and Minorco each owns 50% of the outstanding shares of Compañía Minera Doña Inés de Collahuasi S.A. (Collahuasi), a corporation which owns the mining and water rights and other assets relating to the Collahuasi project and which will secure financing, conduct the operations and market the products of the property.

In September 1995, the Corporation announced that the Collahuasi feasibility study had been approved and a decision made to bring the project into commercial production by January 1999 contingent upon Collahuasi obtaining environmental and other regulatory approvals, and completing marketing and financing agreements. Based on the feasibility study, a total investment of U.S.\$1.75 billion, inclusive of escalation, working capital, preoperating expenditures, interest during construction and other financing fees and expenses will be required to bring the property into commercial production. Terms of the financing arrangements have not been completed but it is anticipated that the project sponsors will provide U.S.\$700 million (Falconbridge share U.S.\$350 million) and that project financing on a 10 to 14 year term, will provide the balance of U.S.\$1.05 billion.

In December 1995, Falconbridge announced that an agreement in principle had been reached regarding the purchase by a Japanese consortium of a 12% equity interest in the Collahuasi project, its entering into a long-term copper concentrate sales contract, and the provision by a member of the consortium, of up to U.S.\$200 million as a customer finance facility. The purchase price of the equity interest will be based on the price paid in 1995 for Falconbridge's increased interest in Collahuasi and

will include subsequently incurred project expenses, interest on these amounts and a premium of U.S.\$6.8 million paid in consideration of entering into a copper concentrate sales contract. The transactions are subject to due diligence, the entering into of definitive agreements and receiving required regulatory and corporate approvals. Closing is expected to take place in mid 1996 at which time Falconbridge will have a 44% interest in Collahuasi.

As this joint venture project is still in the early stages of development, all of Falconbridge's and Collahuasi's expenditures associated with this project have been capitalized (note 4). Falconbridge's expenditures and its 50% interest in Collahuasi's expenditures, totalling \$211.9 million to December 31, 1995 (1994 - \$47.7 million), are included with property, plant and equipment - properties being developed, on the consolidated

statements of financial position. These deferred costs will be amortized by charges against income from future mining operations. Falconbridge's interest in Collahuasi as at December 31, 1995, includes current assets of \$0.9 million (1994 - \$0.1 million); property, plant and equipment of \$46.9 million (1994 - \$10.3 million); current liabilities of \$31.7 million (1994 - \$7.4 million); and shareholders' equity of \$16.1 million (1994 - \$3.0 million).

3. Inventories

Inventories of \$388.6 million (1994 - \$363.1 million) includes, in-process - \$126.8 million (1994 - \$126.5 million); finished metals - \$180.5 million (1994 - \$161.0 million); and supplies - \$81.3 million (1994 - \$75.6 million).

4. Property, plant and equipment

Property, plant and equipment consist of the following:

			December 31, 1995	December 31, 1994
	Cost	Accumulated depreciation and depletion	Net book value	Net book value
Plant and equipment:				
Mines, mining plants and ancillary mining assets	\$ 1,123,613	\$ 688,593	\$ 435,020	\$ 419,637
Smelters	540,880	234,444	306,436	311,935
Refineries	684,375	306,877	377,498	381,916
Other	96,616	80,547	16,069	17,700
	2,445,484	1,310,461	1,135,023	1,131,188
Land and properties	242,318	139,148	103,170	113,932
	<u>\$ 2,687,802</u>	<u>\$ 1,449,609</u>		
Development and preproduction expenditures, net			428,694	447,662
Properties being developed (a)			401,173	157,440
			<u>\$ 2,068,060</u>	<u>\$ 1,850,222</u>

(a) Includes exploration, development and other expenditures relating to (i) the Corporation's wholly owned subsidiary company, New Quebec Raglan Mines Limited and its wholly owned subsidiary company, Société Minière Raglan du Québec Ltée, incurred in the development of the latter company's properties of \$189.2 million (1994 – \$109.7 million); and (ii) \$211.9 million (1994 – \$47.7 million) Collahuasi joint venture costs (note 2). These costs have been capitalized with the intention that they will be amortized by charges against income from future mining operations.

In February 1995, Falconbridge announced that it would proceed immediately with the development of the Raglan property in northern Quebec subject to certain conditions that have now been met. After having spent \$76 million in 1995, an additional \$410 million will be required to bring the property into production by the end of 1997.

5. Long-term debt

Long-term debt consists of the following:

	December 31, 1995	December 31, 1994
Credit Facilities (formerly known as Syndicated Facility) (1995 – U.S.\$254.0 million; 1994 – U.S.\$414.4 million) (a)	\$ 346,761	\$ 581,389
7 ³ / ₈ % Debentures, due September 1, 2005 (b)	273,040	–
Less long-term debt maturing within one year	–	108,000
Total	\$ 619,801	\$ 473,389

(a) In July 1995, the Corporation revised its borrowing arrangements with the lenders that provided the Syndicated Facility to the Corporation and extended the term to July 17, 1998. The new arrangements with the same lenders consist of separate revolving/non-revolving term evergreen unsecured Credit Facilities in the aggregate principal amount of U.S.\$525.0 million. Outstanding borrowings under the Syndicated Facility continued as borrowings under the Credit Facilities.

The Corporation may repay and reborrow amounts under the Credit Facilities during the revolving period which ends on July 17, 1996. The revolving period of a Credit Facility may be extended by the relevant lenders. Failing such extension, borrowings will convert into a term loan maturing on July 17, 1998.

Borrowings may be made under the Credit Facilities in Canadian dollars in the form of prime rate loans or bankers' acceptances or in U.S. dollars in the form of U.S. base rate loans or LIBOR loans. As at December 31, 1995, all borrowings were in U.S. dollars in the form of LIBOR advances on which interest was payable at 6.41%. During the revolving period of a Credit Facility, the Corporation pays a standby fee on the unused portion of the Credit Facilities.

(b) In August 1995, the Corporation issued U.S.\$200.0 million, 7³/₈% debentures, repayable on September 1, 2005. At the same time, it entered into an agreement swapping the interest payable on the debentures to a floating rate. In December 1995, it entered into a further agreement swapping the floating interest rate to a fixed rate of 6.52% for the remaining term of the debentures. The debentures, which are unsecured and are not redeemable prior to maturity, were issued under a shelf prospectus which provides for the issuance, from time-to-time during a two-year period, of debt securities of up to U.S.\$500.0 million.

(c) As a result of debt repayments in the year, the deferred exchange loss, net of accumulated amortization, associated with the long-term debt was reduced by \$5.7 million (1994 – \$43.0 million). This reduction was charged to earnings (note 9). The balance of the deferred exchange loss, net of accumulated amortization, will continue to be amortized over the life of the long-term debt.

6. Income and mining taxes

(a) Consolidated income and mining taxes consist of the following:

	Year ended December 31,	
	1995	1994
Current		
Federal and provincial income taxes	\$ (355)	\$ 3,787
Provincial mining taxes	21,944	16,249
Foreign taxes	79,101	46,719
	100,690	66,755
Deferred		
Federal and provincial income taxes	93,528	44,084
Provincial mining taxes	1,115	(6,184)
Foreign taxes	(259)	134
	94,384	38,034
Total taxes	\$ 195,074	\$ 104,789

(b) The difference between the amount of the reported consolidated income and mining taxes and the amount computed by multiplying the earnings before taxes by the Corporation's applicable rates is reconciled as follows:

	Year ended December 31,	
	1995	1994
Taxes computed using the Corporation's tax rates*	\$ 229,743	\$ 102,525
Adjust for –		
Resource and depletion allowances	(39,501)	(27,720)
Mining taxes	22,477	10,065
Foreign tax rates, net (i)	(35,342)	(36,332)
Non-claimable expenses	28,561	51,160
Income taxes recoverable	(11,900)	–
Other	1,036	5,091
Income and mining taxes	\$ 195,074	\$ 104,789
*Federal and provincial income tax rates	42.58%	42.34%

(i) The Corporation has one non-resident subsidiary that has undistributed earnings on which no taxes have been provided. These earnings, which amount to approximately U.S.\$240 million, are considered to be permanently reinvested offshore and are used to finance non-Canadian investments, and exploration and development projects.

7. Commitments and contingencies

(a) The Corporation has received an exemption by the Ontario government, until December 31, 1999, from a requirement to refine in Canada ores mined from certain properties of the Corporation in Ontario, such exemption being limited to the quantity of nickel-copper matte capable of yielding not more than 100,000,000 pounds of refined nickel per year.

(b) The Corporation has foreign currency forward exchange contracts outstanding at December 31, 1995, with maturity dates extending until November 1997, to sell U.S.\$530.0 million (1994 - U.S.\$280.0 million) at exchange rates averaging approximately Cdn.\$1.389 (1994 - \$1.417) to hedge its revenue stream from the effects of fluctuating exchange rates between the Canadian and U.S. dollar.

(c) The Corporation has foreign currency forward exchange contracts outstanding at December 31, 1995, with maturity dates extending throughout 1996, to sell U.S.\$416.4 million (1994 - U.S.\$125.0 million) at exchange rates averaging approximately Cdn.\$1.374 to hedge its net U.S. dollar assets on the balance sheet from the effects of fluctuating exchange rates between the Canadian and U.S. dollar.

(d) There are commitments outstanding at December 31, 1995 aggregating approximately \$159 million in connection with capital expenditure programs.

(e) The Corporation has at December 31, 1995 outstanding letters of credit and other contingent obligations, totalling \$12.8 million (December 31, 1994 - \$18.1 million).

8. Share capital

(a) Common shares

(i) Sales of common shares and ownership

Consequent to the following set of transactions, Noranda and the public own 46.3% and 53.7% respectively of the Corporation at December 31, 1995.

On June 22, 1994, pursuant to an agreement to amalgamate (note 1(b)), the Corporation cancelled all of its then outstanding common shares and issued 100,000,000 common shares. At the same time, the Corporation sold

31,892,000 and 44,595,000 common shares of the Corporation, respectively, to Noranda and the public for gross proceeds of \$1,385.5 million. The \$22.8 million expenses, net of taxes, relating to these items, were charged to the deficit.

In August 1995, Trelleborg sold all of its 50,000,000 common shares of the Corporation to the public. Throughout 1995, the Corporation issued common shares pursuant to the employee stock option plan.

(ii) Employee stock option plan

In 1994 and 1995 the Corporation granted options to employees to acquire common shares for a term of five years from the date of the grant. Of the 766,000 options granted to executive officers in 1994, 20% vested on the date of the grant and 20% vest on each of the first four anniversaries of the date of the grant. Options granted to others vested on the date of the grant. Of the options granted in 1995, all vested on the day of the grant. The following table summarizes the activity in the stock option plan:

Options granted			
Year	1995	1994	Total
Number originally granted	102,500	1,081,500	
Price	\$22.75 to \$28.75	\$18.50	
Options outstanding			
at December 31, 1994	-	1,081,500	1,081,500
Activity during 1995 -			
Granted	102,500	-	102,500
Exercised	-	360,600	360,600
Terminated	-	71,000	71,000
Options outstanding at			
December 31, 1995	102,500	649,900	752,400

(b) Earnings per share

Earnings per common share are based on the weighted average number of 176,630,173 common shares outstanding during the year (1994 – 140,066,178 shares).

The inclusion in the computation of earnings per share of shares subject to issue under the employee stock option plan (note (a)(ii) above) does not have a material impact on earnings per share.

9. Interest (income) and other (income)/expenses, net

Interest (income) and other (income)/expenses, net, includes the following:

	Year ended December 31,	
	1995	1994
Interest (income)	\$ (32,429)	\$ (12,425)
Foreign exchange (a)	24,390	72,829
Trading of futures contracts		
and options	1,400	(24,312)
Sale/disposal of assets	172	2,430
Other	(4,893)	2,935
Total interest (income) and other		
(income)/expense, net	\$ (11,360)	\$ 41,457

(a) Includes expensing \$5.7 million (1994 – \$43.0 million) for deferred exchange losses associated with debt repayments.

10. Retirement plans

Falconbridge maintains defined benefit retirement plans providing retirement, death and termination benefits for certain salaried and hourly-rated employees. Pension benefits are calculated based upon either length of service and final average earnings or a specified amount per year of service. Funding and pension plan assets (which consist principally of cash, equity securities and fixed income securities) for the defined

benefit plans are primarily governed by the Ontario Pension Benefits Act. Pension benefits provided for certain employees through group annuity contracts are fully funded. The Kidd Creek Division makes monthly contributions on behalf of employees under a defined contribution retirement savings program.

The funded status of Falconbridge's defined benefit plans and differences between amounts expensed and amounts funded are as follows:

	December 31, 1995		December 31, 1994	
	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	\$ 95,633	\$ 385,946	\$ 84,417	\$ 313,031
Projected benefit obligations	67,044	469,249	61,995	459,862
Plan assets in excess of (less than) projected benefit obligations	\$ 28,589	\$ (83,303)	\$ 22,422	\$ (146,831)
Difference between amounts expensed and amounts funded included in the consolidated statements of financial position:				
Deferred expenses and other assets		\$ 6,254		
Other long-term liabilities				\$ 26,459

The projected benefit obligations were determined using an assumed discount rate of 8% and an assumed compensation increase of 6% per annum. The assumed long-term rate of return on plan assets is 8%. The amount by which pension plan assets are in excess of, or less than, projected benefit obligations will be credited, or charged, to pension expense over periods varying from 11 to 16 years.

Pension plan expense of \$38.5 million for 1995 (1994 – \$60.4 million) includes \$9.9 million (1994 – \$9.1 million) for defined contribution plans and \$28.6 million (1994 – \$51.3 million) for defined benefit plans.

11. Related party transactions

Effective April 1990, Falconbridge entered into an agreement with Noranda Sales Corporation Ltd. (Noranda Sales), a wholly owned subsidiary of Noranda, whereby Noranda Sales acts as the sales agent for sulphuric acid produced by Falconbridge's Sudbury Division and for all products, other than indium, produced at Falconbridge's Kidd Creek Division. Accounts receivable, in the consolidated statements of financial position, includes \$68.3 million (1994 – \$75.1 million) receivable from Noranda Sales under the sales agreement. Falconbridge also has agreements with various other Noranda group companies for the purchase of custom feeds; the processing of custom ores; the toll treatment of copper concentrates, blister copper and refinery slimes; and the sale of metals and sulphuric acid.

The agreements with Noranda Group Companies are negotiated in the best interest of Falconbridge, at arms length basis market terms.

The following table details related party production and marketing transactions with Noranda group companies:

	Year ended December 31,	
	1995	1994
Sales of materials* (a)	\$ 62,148	\$ 40,950
Smelting and refining fees paid for treating copper and precious metals bearing materials* (b)	12,774	16,556
Purchase of materials* (b)	51,453	61,509
Purchase of materials* (d)	9,489	—
Commissions and agency fees paid* (a)	186	203
Commissions and agency fees paid* (c)	1,404	2,004
Research and development fees paid* (b)	367	385

* Included in the Consolidated Financial Statements in (a) Revenues;
(b) Cost of metal and other product sales; (c) Selling, general and administrative; and, (d) Inventory.

12. Segmented data

Falconbridge operates in one industry segment – mining, processing and marketing of mineral products.

(a) Identifiable assets by geographic location are as follows:

	Year ended December 31,	
Millions of dollars	1995	1994
Canada	\$ 2,188	\$ 2,096
Barbados*	353	270
Chile	219	51
Dominican Republic	217	203
Norway	138	137
U.S.*	128	104
Japan*	66	41
	\$ 3,309	\$ 2,902

*Mainly marketing subsidiaries' accounts receivable and inventories.

(b) Consolidated sales revenues:

(i) By geographic location of customers:

Millions of dollars	Year ended December 31,			
	1995		1994	
	Amount	%	Amount	%
Europe	\$ 775	33	\$ 651	33
U.S.	892	39	790	41
Other	380	16	300	15
Total Foreign*	2,047	88	1,741	89
Canada	277	12	219	11
World total	\$ 2,324	100	\$ 1,960	100
*Includes sales by				
Canadian operations				
to foreign customers	\$ 1,353		\$ 1,267	

(ii) By product category:

Millions of dollars	Year ended December 31,			
	1995		1994	
	Amount	%	Amount	%
Nickel	\$ 712	31	\$ 593	30
Ferronickel	346	16	267	14
Copper	654	28	558	28
Zinc	218	9	212	11
Cobalt	221	9	189	10
Gold	29	1	33	2
Silver	32	1	30	1
Other	112	5	78	4
Total	\$ 2,324	100	\$ 1,960	100

(c) Other segmented information:

Millions of dollars	INO	Kidd Creek	Falcondo	Corporate and other	Consolidation adjustments	Total
Ownership	(100%)	(100%)	(85.26%)	(100%)		
	(i)		(ii)		(ii)	
Year ended December 31, 1995						
Revenues	\$ 1,298	\$ 674	\$ 358	\$ 7	\$ (13)	\$ 2,324
Operating income (loss)	344	160	163	(93)	(2)	572
Depreciation, depletion and amortization	72	79	8	—	(1)	158
Property, plant and equipment, net	675	931	55	387	20	2,068
Capital expenditures	86	40	11	114	—	251
Year ended December 31, 1994						
Revenues	\$ 1,083	\$ 601	\$ 277	\$ 11	\$ (12)	\$ 1,960
Operating income (loss)	251	78	100	(74)	(7)	348
Depreciation, depletion and amortization	72	82	8	—	(1)	161
Property, plant and equipment, net	662	970	53	147	18	1,850
Capital expenditures	58	20	7	17	—	102
Principal base of operations						
	Canada	Canada	Dominican Republic	Canada		

(i) Included under the caption INO (Integrated Nickel Operations) are the accounts of the Corporation and all of its wholly owned subsidiaries engaged in the integrated operations of mining, milling, smelting, refining and marketing of metals mainly derived from Sudbury Division ores and the custom feed business.

(ii) Adjustments are made on consolidation because the ferronickel produced by Falconbridge's subsidiary Falcondo is purchased and marketed by the Corporation. The operating income of Falcondo includes profits on all ferronickel sold to the Corporation whereas consolidated operating income excludes profits relating to inventories of ferronickel held by the Corporation for subsequent resale to customers. Adjustments are also made to amortize the difference between the Corporation's interest in the book value of net assets of Falcondo and the cost of its investment therein, and to eliminate other inter-company transactions.

13. Subsequent events

- (a) On February 1, 1996 the Corporation declared a cash dividend of 10¢ per share, for the first quarter of 1996, on its outstanding common shares, payable on February 27, 1996 to shareholders of record on the close of business on February 13, 1996.
- (b) On February 9, 1996 the Corporation announced that Diamond Fields Resources Inc. (Diamond Fields) had accepted its proposal to merge the two companies. Under the terms of the merger proposal, each Diamond Fields common share (approximately 113 million shares on a fully diluted basis) will be exchanged for (1) 1.0 subordinate voting shares of the Corporation or \$31.125 per share or a combination of both, (2) 1.0 participating equity share of the Corporation, and (3) a note of the Corporation exchangeable for one common

share of a company which will hold Diamond Fields existing diamond properties. The maximum amount of cash payable to Diamond Fields shareholders on the share exchange will be limited to 15% of the total consideration.

Each subordinate voting share of the Corporation will have one-tenth of the votes attached to a common share of the Corporation, except in certain circumstances where it will be fully voting. The subordinate voting shares will automatically be converted into common shares after five years. Each participating equity share of the Corporation will automatically be converted after five years into a fraction of a common share of the Corporation at an exchange rate of 0.05 common shares of the Corporation for every 10 million tonnes of massive sulphide ore grading 3.0% nickel or better found on the Voisey's Bay property outside a defined area of exclusion. The maximum share exchange ratio will be 0.30 common shares of the Corporation and the minimum share exchange ratio will be 0.15 common shares of the Corporation.

Diamond Fields has paid a fee of \$28 million to the Corporation in consideration of the merger proposal. This fee will be returned in certain events if the transaction is not completed. Diamond Fields has agreed to pay an additional fee of approximately \$73 million to the Corporation if a third party makes a competing offer within six months of the Corporation's merger proposal and thereafter acquires control of Diamond Fields.

A separate information circular is being prepared which will provide full details of the merger proposal and proforma financial statements. The information circular is expected to be mailed to shareholders by mid-March.

The transaction is subject to shareholder approval of both companies and regulatory approvals and is expected to be completed by mid-April.

	1995	1994	1993	1992	1991
Revenues and earnings (loss) (thousands, except per share data)					
Revenues	\$ 2,323,608	1,960,335	1,432,953	1,650,780	1,745,338
Operating income	\$ 571,834	348,115	67,281	263,962	242,418
Earnings (loss) for the year	\$ 333,222	131,252	(44,462)	74,694	71,069
– per common share (note 2)	\$ 1.89	0.94	(0.44)	0.75	0.71
Earnings (loss) contributions (thousands)					
Principal operations –					
Integrated Nickel Operations (INO)	\$ 344,123	250,603	69,930	132,385	204,056
Kidd Creek Division	\$ 160,201	78,209	9,713	125,963	78,905
Corporate costs, net –					
Interest, net	\$ (13,314)	(53,033)	(85,049)	(104,859)	(151,941)
Exchange loss written off on repayment of debt	\$ (5,694)	(42,979)	–	–	–
Other (note 3)	\$ (99,840)	(76,657)	(91,808)	(93,678)	(93,729)
Income and mining taxes (expense)/credit	\$ (118,693)	(61,555)	32,694	(10,751)	2,485
Principal operations contribution (loss)	\$ 266,783	94,588	(64,520)	49,060	39,776
Falconbridge Dominicana, C. por A.	\$ 66,572	36,806	19,631	26,052	30,027
Other (note 4)	\$ (133)	(142)	427	(418)	1,266
Earnings (loss)	\$ 333,222	131,252	(44,462)	74,694	71,069
Financial position and shareholders' data (thousands, except per share data)					
Total assets	\$ 3,309,130	2,901,903	2,536,939	2,764,733	2,768,679
Working capital	\$ 928,805	640,903	153,157	329,068	384,536
Property, plant and equipment, net	\$ 2,068,060	1,850,222	1,911,040	1,986,733	1,989,635
Long-term debt	\$ 619,801	473,389	1,627,466	1,765,360	1,839,147
Shareholders' equity	\$ 2,001,849	1,732,602	240,792	285,052	204,453
– per common share	\$ 11.32	9.82	–	–	–
Dividends per common share	\$ 0.40	–	–	–	–
Number of common shares issued at end of year (thousands) (note 1)	176,848	176,487	100,000	100,000	100,000
Toronto Stock Exchange quotes					
– per common share					
– High (TSE) (note 1)	\$ 32.00	24.63	–	–	–
– Low	\$ 20.00	17.00	–	–	–
– Close	\$ 29.00	24.50	–	–	–
Volume of shares traded on TSE (thousands)	63,791	47,920	–	–	–
Exploration, research and process development (thousands)					
Exploration	\$ 38,686	30,529	23,600	34,434	50,068
Research and process development	\$ 10,860	10,533	8,780	11,091	11,499
Cash flow and capital expenditures (thousands)					
Cash provided by (used in) – operating activities	\$ 554,230	329,044	188,149	306,891	226,267
– financing activities	\$ (16,980)	48,007	(188,698)	(165,479)	(35,550)
– investing activities	\$ (380,532)	(101,332)	(75,968)	(159,655)	(228,302)
Cash provided (used) during the year	\$ 156,718	275,719	(76,517)	(18,243)	(37,585)
Net cash position, end of year	\$ 464,266	307,548	31,829	108,346	126,589
Capital expenditures – Sudbury Division	\$ 70,095	40,113	25,046	80,366	109,016
– Nikkelyverk refinery	\$ 14,606	16,606	4,928	16,372	18,495
– Kidd Creek Division	\$ 40,185	19,534	32,064	36,745	52,960
– Collahuasi project	\$ 33,634	15,376	13,116	6,786	–
– Raglan project (note 5)	\$ 79,566	2,499	3,007	11,376	27,615
– Consolidated total	\$ 251,017	102,441	85,606	157,599	220,911
Metal sales (tonnes, except precious metal revenues and silver)					
INO (note 6) – Nickel	60,752	67,635	59,876	54,173	54,762
– Copper	67,247	74,374	58,794	52,968	58,046
– Cobalt	2,571	2,829	2,110	1,914	1,986
– Precious metal revenues (thousands)	\$ 82,758	74,418	49,929	42,673	68,085
Kidd Creek Division – Zinc (including metal in concentrate)	140,302	145,924	145,218	143,394	160,988
– Copper (including metal in concentrate)	92,267	99,983	117,301	131,024	132,309
– Silver (thousands of ounces)	3,743	3,414	3,962	4,308	5,546
Nickel in ferronickel	30,410	32,110	26,679	25,179	27,639
Total reserves (thousands of tonnes)					
Falconbridge Limited – Sudbury	38,400	40,200	40,500	43,200	43,100
– Kidd Creek Division	32,200	33,200	34,900	32,800	37,200
Falconbridge Dominicana, C. por A.	52,300	53,700	54,300	54,800	56,200
Number of employees	6,337	6,302	6,519	8,115	8,510

Notes:

1. See note 1(b) to the consolidated financial statements.

2. See note 8(b) to the consolidated financial statements.

3. Other corporate costs include general and administrative and exploration expenditures, foreign exchange gains or losses on U.S. dollar debt and other sundry expenses.

4. Non-core activities, includes Falconbridge Gold Corporation, which we sold in 1993.

5. After deducting refundable credits on Quebec mining duties of \$5,885,000 and \$6,959,000 and \$883,000 in 1995, 1994 and 1993, respectively.

6. Includes metals refined and sold as agent and metals purchased for resale.

CONSOLIDATED RESULTS - 1995 AND 1994 BY QUARTERS (UNAUDITED) (NOTE 1)

	1995				
	1st Qtr.	2nd Qtr.	3rd Qtr.	4th Qtr.	Year
Operations (thousands, except per share data)					
Revenues	\$ 614,663	\$ 573,998	\$ 565,468	\$ 569,479	\$ 2,323,608
Operating expenses					
Costs of metal and other product sales	356,582	372,643	355,370	365,667	1,450,262
Selling, general and administrative	23,186	23,255	22,533	24,641	93,615
Development and preproduction	11,001	10,625	8,971	7,394	37,991
Depreciation and depletion	29,919	31,116	29,658	29,667	120,360
Exploration	10,715	9,477	6,997	11,497	38,686
Research and process development	2,195	3,287	3,334	2,044	10,860
	433,598	450,403	426,863	440,910	1,751,774
Operating income	181,065	123,595	138,605	128,569	571,834
Interest on long-term debt and debt expense	10,551	10,306	11,398	11,386	43,641
Interest (income) and other (income)/expenses, net	(3,845)	(6,252)	(3,207)	1,944	(11,360)
	6,706	4,054	8,191	13,330	32,281
Earnings before taxes and minority shareholders' interest	174,359	119,541	130,414	115,239	539,553
Income and mining taxes	74,678	45,262	42,708	32,426	195,074
Minority shareholders' interest in earnings of subsidiaries, net	3,132	2,009	3,120	2,996	11,257
Earnings (loss) for the period	\$ 96,549	\$ 72,270	\$ 84,586	\$ 79,817	\$ 333,222
Earnings (loss) per share (note 2)	\$ 0.55	\$ 0.41	\$ 0.48	\$ 0.45	\$ 1.89
Weighted average number of shares outstanding (thousands)	176,487	176,489	176,711	176,829	176,630
Earnings (loss) contributions (thousands)					
Principal operations -					
Integrated Nickel Operations (INO)	\$ 115,936	\$ 70,913	\$ 78,001	\$ 79,273	\$ 344,123
Kidd Creek Division	43,362	46,990	38,811	31,038	160,201
Corporate costs, net -					
Interest, net	(4,332)	(2,590)	(3,256)	(3,136)	(13,314)
Exchange loss written off on repayment of debt	-	-	-	(5,694)	(5,694)
Other (note 3)	(23,836)	(23,806)	(25,643)	(26,555)	(99,840)
Income and mining taxes (expense)/credit	(53,427)	(31,629)	(21,540)	(12,097)	(118,693)
Principal operations contribution (loss)	77,703	59,878	66,373	62,829	266,783
Falconbridge Dominicana, C. por A.	18,483	11,987	18,410	17,692	66,572
Other	363	405	(197)	(704)	(133)
Earnings (loss) for the period	\$ 96,549	\$ 72,270	\$ 84,586	\$ 79,817	\$ 333,222
Metal sales (tonnes, except precious metal revenues and silver)					
INO					
- Nickel	16,553	15,958	13,887	14,354	60,752
- Copper	17,470	15,720	16,549	17,508	67,247
- Precious metal revenues (thousands)	\$ 26,826	\$ 24,465	\$ 15,586	\$ 15,881	\$ 82,758
Kidd Creek					
- Zinc (including metal in concentrate)	36,525	39,430	30,046	34,301	140,302
- Copper	20,474	24,639	22,489	24,665	92,267
- Silver (thousands of ounces)	770	882	971	1,120	3,743
Nickel in ferronickel	7,325	7,559	7,524	8,002	30,410
Average prices realized (U.S.\$ per pound, except silver)					
Nickel	\$ 4.03	\$ 3.54	\$ 4.03	\$ 3.91	\$ 3.87
Ferronickel	3.95	3.40	3.84	3.80	3.75
Copper	1.37	1.34	1.39	1.33	1.36
Zinc	0.54	0.52	0.51	0.51	0.52
Silver (per ounce)	4.71	5.45	5.30	5.23	5.17
Average exchange rate realized (U.S.\$1.00 = Cdn.\$)	\$ 1.40	\$ 1.38	\$ 1.37	\$ 1.35	\$ 1.37

Notes:

1. See note 1(b) to the consolidated financial statements.
2. See note 8(b) to the consolidated financial statements.
3. Other corporate costs include general and administrative and exploration expenditures, foreign exchange gains or losses on U.S. dollar debt and other sundry expenses.

1994				
1st Qtr.	2nd Qtr.	3rd Qtr.	4th Qtr.	Year
\$ 420,804	\$ 449,625	\$ 526,624	\$ 563,282	\$ 1,960,335
331,101	291,745	362,601	340,286	1,325,733
19,893	20,104	20,366	24,095	84,458
12,103	12,206	10,266	7,222	41,797
29,958	29,582	29,637	29,993	119,170
7,280	7,408	6,488	9,353	30,529
1,767	3,188	2,698	2,880	10,533
402,102	364,233	432,056	413,829	1,612,220
18,702	85,392	94,568	149,453	348,115
18,797	23,535	10,832	11,346	64,510
5,141	34,823	(1,624)	3,117	41,457
23,938	58,358	9,208	14,463	105,967
(5,236)	27,034	85,360	134,990	242,148
1,136	23,629	28,231	51,793	104,789
1,205	1,447	1,582	1,873	6,107
\$ (7,577)	\$ 1,958	\$ 55,547	\$ 81,324	\$ 131,252
\$ (0.08)	\$ 0.02	\$ 0.32	\$ 0.46	\$ 0.94
100,000	107,164	175,385	176,487	140,066
\$ 27,795	\$ 64,955	\$ 70,071	\$ 87,782	\$ 250,603
(9,262)	16,814	16,721	53,936	78,209
(18,483)	(21,213)	(6,663)	(6,674)	(53,033)
—	(33,316)	—	(9,663)	(42,979)
(21,825)	(20,208)	(16,526)	(18,098)	(76,657)
7,041	(13,810)	(17,501)	(37,285)	(61,555)
(14,734)	(6,778)	46,102	69,998	94,588
7,335	8,736	9,513	11,222	36,806
(178)	—	(68)	104	(142)
\$ (7,577)	\$ 1,958	\$ 55,547	\$ 81,324	\$ 131,252
16,782	16,191	17,321	17,341	67,635
20,162	17,098	20,731	16,383	74,374
\$ 23,237	\$ 18,659	\$ 15,321	\$ 17,201	\$ 74,418
36,238	34,272	39,580	35,834	145,924
25,104	24,462	24,875	25,542	99,983
877	659	920	958	3,414
7,700	7,741	9,068	7,601	32,110
\$ 2.63	\$ 2.73	\$ 2.89	\$ 3.37	\$ 2.91
2.50	2.62	2.80	3.20	2.78
0.85	0.98	1.13	1.30	1.06
0.47	0.46	0.47	0.53	0.48
5.23	5.42	5.32	5.08	5.25
\$ 1.34	\$ 1.38	\$ 1.37	\$ 1.37	\$ 1.37

PRODUCTION AND SALES INFORMATION

Integrated Nickel Operations

	1995			1994		
	Ore Tonnes (x 1000)	Ni %	Cu %	Ore Tonnes (x 1000)	Ni %	Cu %
Mine Production						
Onaping/Craig	1,063	2.20	0.84	1,037	2.20	0.81
Fraser	725	1.74	0.65	740	1.78	0.63
Lindsley	155	1.85	3.38	152	1.91	3.75
Lockerby	33	3.34	1.81	113	1.81	1.21
Strathcona - Deep Copper	390	0.71	7.28	397	0.83	7.54
Total	2,366	1.80	2.03	2,439	1.81	2.05

	1995			1994		
	Tonnes Ni	Tonnes Cu	Tonnes Co	Tonnes Ni	Tonnes Cu	Tonnes Co
Copper Concentrate	137	28,091		137	31,599	
Smelter Output						
Mines	33,885	14,605	539	36,700	15,788	621
Custom	4,042	1,241	1,035	2,988	752	736
Total	37,927	15,846	1,574	39,688	16,540	1,357
Refinery Output						
Mines	33,469	18,935	584	41,705	17,161	871
Custom	19,769	15,398	2,220	26,250	22,254	1,952
Total	53,238	34,333	2,804	67,955	39,415	2,823
Sales						
Mines	34,863	49,217	647	41,632	51,757	892
Custom	18,102	15,729	1,773	25,955	22,617	1,677
Purchased Product	7,787	2,301	151	48	—	260
Total	60,752	67,247	2,571	67,635	74,374	2,829

Kidd Creek

	1995				1994			
	Ore Tonnes (x 1000)	Cu %	Zn %	Ag g/t	Ore Tonnes (x 1000)	Cu %	Zn %	Ag g/t
Mine Production								
No. 1 Mine	1,765	3.24	5.00	58	1,963	3.19	3.93	42
No. 2 Mine	564	3.97	0.72	21	715	2.83	2.06	21
No. 3 Mine	718	2.24	6.43	56	645	1.52	9.76	57
Total	3,047	2.89	4.24	61	3,323	2.59	4.07	43

	1995				1994			
	Tonnes Cu Cathode	Tonnes Cu Blister	Tonnes Zn	Ozs Ag	Tonnes Cu Cathode	Tonnes Cu Blister	Tonnes Zn	Ozs Ag
Processing Plants								
Mines	63,783		110,770	3,678,711	69,426		95,538	2,969,132
Custom/Strathcona	20,388		—	160,220	16,502		—	140,755
Custom/Other	17,813		29,990	262,985	19,020		39,418	489,345
Total	101,984	119,162	140,760	4,101,916	104,948	115,252	134,956	3,599,232

	1995				1994			
(tonnes except ounces of Ag)	Copper	Zinc	Zinc Conc.	Ag	Copper	Zinc	Zinc Conc.	Ag
Sales								
Mines	74,351	106,730	5,535	3,464,176	80,848	100,916	—	2,907,364
Custom	17,884	29,990	—	279,126	19,062	39,418	—	506,888
Purchased Product	32	1,091	—	—	73	3,693	4,598	—
Total	92,267	137,811	5,535	3,743,302	99,983	144,027	4,598	3,414,252

Falconbridge's Board of Directors believes that effective corporate governance contributes to improved corporate performance and enhanced shareholder value. The governance of the Corporation is the responsibility of Falconbridge's Board of Directors and five committees of the Board: the Audit Committee; the Corporate Governance and Nominating Committee; the Environmental Committee; the Human Resources and Compensation Committee and the Pension Investment Committee.

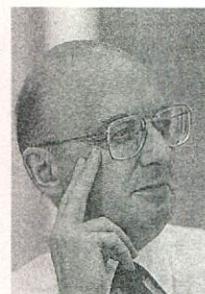
The Board is responsible for supervising the management of the business and affairs of Falconbridge and to act with a view to the best interests of the Corporation.

Under the Toronto Stock Exchange guidelines, the Board assumes the following stewardship responsibilities: the adoption of a strategic planning process; the identification of the principal risks of the Corporation's business and ensuring the implementation of appropriate systems to manage these risks; succession planning, including appointing, training and monitoring senior management; a communications policy for the Corporation; and, the integrity of the Corporation's internal control and management information systems. Falconbridge's Board endorses these guidelines, particularly because it reflects what the Board considers to be its policies and responsibilities.

The Board believes that management should speak for the Corporation in its communications with shareholders and others in the investment community through appropriate investor relations programs and procedures. Falconbridge has established an investor relations department and management meets regularly with shareholders and others in the investment community to receive and respond to shareholder feedback. The Board reviews Falconbridge's major communications with shareholders and the public including the quarterly press releases, the annual management information circular and the annual report.

It is the Board's view that Falconbridge's approach to corporate governance is comprehensive, progressive and consistent with the high standards subscribed to by the Toronto and Montreal stock exchanges. The Board of Directors will continue to critically assess its governance systems as part of its commitment to ensuring effective corporate governance at Falconbridge.

Falconbridge's full statement of corporate governance practices can be found in the 1995 management information circular. For a copy, contact our law department at 416-956-5735.

**ALEX BALOGH**

63, Chairman of the Board, Falconbridge Limited and Deputy Chairman, Noranda Inc. Chairman, Hemlo Gold Mines and Chairman, International Council on Metals and the Environment (ICME). Elected 1989. Directorships include: Federated Genco, Grupo Industrial Camesa S.A. de C.V., Kerr Addison Mines, The Mining Association of Canada (MAC), National Advisory Committee of the Minerals and Metals Industry (NACOMMI), as well as subsidiaries within the Noranda Group of Companies.

2, 4

DAVID BUMSTEAD

54, Executive Vice-President, Noranda Inc. Elected 1989. Mr. Bumstead joined Noranda Inc. in 1963. He is Chairman of Rudolf Wolff & Co. Ltd. and Kerr Addison Mines Ltd., President of Brenda Mines Ltd. and a director of Grupo Industrial Camesa S.A. de C.V.

1, 3, 5

JACK COCKWELL

55, President and Chief Executive Officer, Brascan Limited. Vice-Chairman and Co-Chief Executive Officer, The Edper Group Limited. Elected 1995. Directorships include: Continental Bank of Canada, The Financial Post Company Limited, Ryerson Polytechnic University, as well as subsidiaries within the Brascan and Edper Group of Companies.

GEORGE FIERHELLER

62, Vice-Chairman, Rogers Communications Inc. and past Chairman and Chief Executive Officer of Rogers Cantel Mobile Inc. Elected 1994. Directorships include: Alex Informatique inc., Canarie Inc., Extendicare Inc., Rogers Cantel Mobile Communications Inc., GBC North America Fund Inc., Tandem Computers Canada Ltd. and Teleglobe Inc.

1, 4

DAVID KERR

52, Chairman and Chief Executive Officer, Noranda Inc. Elected 1989. Mr. Kerr joined Noranda Inc. in 1986 and assumed his current position in 1995. Directorships include: Brascan Ltd., Ontario Hydro, Queen Elizabeth Hospital Foundation as well as subsidiaries within the Noranda Group of Companies.

2, 3

WELCOME

In April 1995, we welcomed Courtney Pratt, President, Noranda Inc. as a new member of Falconbridge's Board. In December 1995, we welcomed two new Board members: Jack Cockwell, President and Chief Executive Officer, Brascan Limited and Mary Mogford, Corporate Director and Partner with Mogford Campbell Associates Inc.



ED KING

62, Chairman of WIC Western International Communications and Past Chairman and Chief Executive Officer, Wood Gundy Inc. Elected 1994. Chairman of the Ontario Cancer Institute - The Princess Margaret Hospital. Directorships include: Ontario Cancer Treatment and Research Foundation and The Canadian Athletic Foundation. 2, 5

MARY MOGFORD

51, Corporate Director and Partner with Mogford Campbell Associates Inc. Elected 1995. Directorships include: Credit Suisse Canada, Hemlo Gold Mines, Teranet Land Information Systems and Greystone Prepaid Hospital Insurance. She is also a member of the Altamira Advisory Council and a Trustee of The Hospital for Sick Children, the Nature Conservancy of Canada, the Toronto Symphony Foundation and the Canadian Policy Research Network. Ms. Mogford was formerly Ontario's Deputy Minister of Treasury and Economics and Deputy Minister of Natural Resources.

FRANK PICKARD

62, President and Chief Executive Officer, Falconbridge Limited. Elected 1991. Mr. Pickard joined Falconbridge in 1957 and assumed his current position in 1991. Directorships include: Falconbridge Dominicana, C. por A., Falconbridge Nikkelverk A/S, International Council on Metals and the Environment (ICME), the Nickel Development Institute and The Mining Association of Canada. He is Chairman of the Centre for Resource Studies, Queen's University. 1, 2, 3, 4, 5

COURTNEY PRATT

48, President, Noranda Inc. Elected 1995. Mr. Pratt joined Noranda Inc. in 1989 and assumed his current position in 1995 after two years as Executive Vice-President. Directorships include: Noranda Inc., Noranda Forest, Norcen, The Consumers' Gas Company and The Empire Company Ltd. He is chairman of the "Tomorrow Fund" - the United Way of Greater Toronto's Endowment Fund and the Retention Committee of the Toronto Learning Partnership. 4, 5

DAVID RACE

66, Chairman of the Board and Chairman of the Executive Committee, CAE Inc. Past President and Chief Executive Officer of CAE Inc. Elected 1994. Directorships include: The Bank of Nova Scotia, The Fraser Institute and BICC Phillips Inc. 1, 3

- 1 Audit Committee
- 2 Corporate Governance and Nominating Committee
- 3 Environmental Committee
- 4 Human Resources and Compensation Committee
- 5 Pension Investment Committee

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President

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Chairman

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Manager

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President & General
Manager

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James H. Corrigan, President
& General Manager

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Dan Gignac
Manager, Raglan Operations
and Vice-President,
Operations, Société Minière
Raglan du Québec Ltée.

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and Atlantic Provinces

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Salvador Brouwer,
Exploration Superintendent

Falconbridge Exploration
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Fax: 263-967858
John L. Blaine, Managing
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Fax: 56-2-231-5237
Enrique Lithgow, General
Manager

Associated Company

Compañía Minera Doña Inés
de Collahuasi S.A. (CMDIC)
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Telephone: 56-2-203-9049
Fax: 56-2-203-9019
Steve Kesler, Chief Executive
Officer

Officers and Senior Management

Alex G. Balogh
Chairman of the Board

Franklin G.T. Pickard
President & Chief Executive
Officer

Øyvind Hushovd
Executive Vice-President

Lars-Eric Johansson
Senior Vice-President &
Chief Financial Officer

J. Eric Belford
President & General
Manager
Sudbury Division

Dr. Albert G. Cecutti
Vice-President, Environment

James H. Corrigan
President & General
Manager
Falconbridge Dominicana,
C. por A.

Anthony L. Hannaford
Vice-President
Metallurgical Technology

W. Warren Holmes
President & General
Manager
Kidd Creek Division

John F. Keenan
Vice-President
Human Resources

Joseph Laezza
Vice-President
Marketing & Sales

Enrique Lithgow
General Manager
Falconbridge Chile S.A.

Michael H.S. McSorley
Chairman
Falconbridge International
S.A.

Thomas F. Pugsley
Vice-President
Projects & Engineering

E. Anthony Seth
Vice-President, General
Counsel
& Secretary

Paul W.A. Severin
Vice-President
Exploration

Erling Stensholt
Managing Director
Falconbridge Nikkelverk A/S

Robert D. Burrow
Controller

Tony J. Desanti
Assistant Vice-President
Metal & Concentrate Sales

George D. Gordon
Assistant General Counsel

Patrice D. Lafrance
Assistant Secretary

SHAREHOLDER INFORMATION

Stock Exchange Listings

Toronto, Montreal

Trade Symbol:

FL (common shares) and

FL.IR (instalment receipts)

Transfer Agent

Montreal Trust Company

Corporate Services

151 Front Street West

Toronto, Ontario

M5J 2N1

Falconbridge Dividend Policy

Falconbridge views common share dividends as an important part of a shareholders' return on investment. As a result, Falconbridge tries to pay a common share dividend at all points of the economic cycle, so long as the payment does not impair the company's financial position. It is expected that the common share dividend will increase or decrease to reflect the company's operating results and financial position.

Auditors

Ernst & Young

Chartered Accountants

Ernst & Young Tower

Toronto-Dominion Centre

P.O. Box 251

Toronto, Ontario

M5K 1J7

Annual Meeting

The annual meeting of the shareholders will be held on April 12, 1996 at the Design Exchange, Trading Floor, 234 Bay Street, Toronto.

Shareholder Inquiries

For information regarding dividend cheques, share certificates, stock transfers, etc., please contact:

Montreal Trust Company

(416) 981-6933

Fax: (416) 981-6800

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Version française

La version française du rapport annuel sera fournie sur demande.

ABOUT THE ARTIST



Bob Michelutti was born in Italy in 1945 and emigrated to Canada at an early age.

He enjoys art in various forms from painting and ink sketching to metal and ceramic sculpturing.

Bob's art captures the beauty of his surroundings, while his work as Falconbridge's Superintendent of Environmental Services in Sudbury focuses on protecting and conserving those natural surroundings.

Bob's been working with the environment and Falconbridge since graduating from Queen's University in Biology in 1970. Bob lives in Capreol with his family.



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