Voisey’s Bay Project Update

Presentation to the Newfoundland and Labrador Branch of the CIM

November 5, 2004
“This presentation will include projections and other forward-looking statements. While these projections and other statements represent our best current judgment, they are subject to risks and uncertainties that could cause actual results to vary, including the risk factors identified in Inco Limited’s filings with the U.S. SEC”.
**Nickel - The Commodity**

- **Demand side strong**
  - Nickel demand has experienced annual growth rate of 4% in last decade
    - 65% of production goes into stainless steel
    - 35% other commodities such as plating, alloys, powders, batteries
  - Strongest base metal commodity
    - Stainless steel growth has been strong (4 - 6%)
  - Nickel provides an environmental advantage because it can be recycled

- **What is driving the growth?**
  - China
  - Demand there can absorb a Voisey’s Bay every two years
  - Economic turnaround in US, EU and Japan

- **Risks**
  - Demand/Supply imbalance has pushed so very high that low-cost substitutes making in-roads in the market
Inco

- Annual Ni production of 500 M lbs accounts for about 18% of world supply
  - 1950 – 85%
  - Norilsk produces about 20% of world supply
    - Fall of Berlin Wall saw Norilsk flood market
    - Nickel costs them nothing
- We are well positioned globally, particularly in the Far East
- The future
  - Competitive growth
    - $3US/lb base - $4.50US/lb dangerous
    - $2.00/lb possible
  - Prudent approach on growth and make sure all new projects clear normal ROI hurdles
Inco

- Challenges
  - Managing costs to stay in lowest cost quartile
  - High Ni price luring new entrants
  - Continued substitution likely
  - China’s entry into the business through Falconbridge purchase
Project Context

- **Resources**
  - 30 M tonnes proven reserves
  - 54 M tonnes indicated mineral resource
  - 16 M tonnes inferred mineral resource
- **6,000 tonne-per-day Mine and Concentrator**
- **Annual Production**
  - 110 M lbs nickel-in-concentrate, containing 5 M lbs cobalt and up to 15 million lbs copper
  - 70 M lbs copper-in-concentrate
- **$3 billion(Cdn) capital investment over life of project**
Voisey’s Bay Timeline – Phases

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<tr>
<th>Phase One, 2002-2006</th>
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<tbody>
<tr>
<td>2002</td>
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<td>Infrastructure 02-03</td>
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<td>R&amp;D, Concentrate Handling 02-05</td>
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<td>Concentrator mid-03 – late 05</td>
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Phase Two, End of 2008 – end of 2011

Commitment to and construction of commercial hydrometallurgical process plant beginning with 2007 feasibility study

Phase Three Subject to completion of underground exploration program

Underground mine development, expansion of mine and concentrator
Mine and Concentrator Project
Project Components

- Construction Camp
- Permanent Accommodations Complex
- Airstrip
- Port Facilities
- Concentrate Storage Building

- Fuel Storage
- Roads
- Concentrator Building
- Crusher
- Services Complex
- Powerhouse
- Open Pit
Work Program

2002
- Preliminary Infrastructure

2003
- Civil infrastructure:
  - Construction camp
  - Temporary dock
  - Temporary airstrip
  - Access Road to mill site

2004
- Concentrator building
- Permanent port site
- Accommodations and Services complex
- Prestrip open-pit mine
- Waste rock haul road
- Begin MEPIC

2005
- Complete MEPIC and permanent infrastructure
- Tailings Dams
- Begin mining
- Begin Commissioning
- First concentrate shipment
Project Status

- More than 65% complete at end October
  - Engineering complete
  - All required permits in place
  - All purchase orders/contracts placed
- Good environmental compliance
- Zero harm safety policy being implemented
- Construction activities at peak
  - 900+ people at site
  - Work proceeding in all areas at site
- Focus is on expediting/delivery equipment
  - Shipment of goods to site on schedule
- Good quality of work being maintained
90% of workforce at construction site were from Newfoundland and Labrador
27% of workforce were Innu and Inuit
Procurement Summary

- $724 (CDN) million committed of which:
  - $446 million to Aboriginal Companies
  - $155 million to other NL Companies

$601 million NL Companies

$123 million Other
Safety Performance

Lost Time Injury Frequency Rate
Overall Project

- Lost Time Injuries
- LTIFR
- LTIFR Target
Lost Time Injury Frequency Ranking Comparison

Voisey's Bay: 0.4
INCO: 0.9
Ontario Mining (2003): 1.2

LTFR (# injuries/200,000 hrs)
Loading panels at Argentia for concentrate storage building
Concentrator Building
Service and Accommodations Complex
Hydromet Demonstration Plant
## Hydromet R&D

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<th>Years</th>
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<td><strong>Demonstration Plant</strong>&lt;br&gt;Site Preparation &amp; Environmental Studies</td>
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- **Miniplant**: Nov. 2005
- **Commercial Plant**: Dec 2011
- **Demo Plant Operation**: Nov 2008
Project Status

- Plant design and detailed engineering ongoing
- Process building substantially complete
- Site Infrastructure 70% complete
- Sewage Treatment Plant 50% complete
- Construction of Residue Ponds underway
- Site Electrical and Interior Architectural work on Process Building started
Demonstration Plant Process Building-Interior

- Crushing & Grinding
- Nickel Recovery (Electrowinning)
- Metal Separation & Purification (Solvent Extraction)
- Chemical Reagent Preparation
- Iron Removal & Neutralization
- Solvent Extraction
- Pressure Leaching
- Solid/Liquid Separation (CCD)
- Nickel Concentrate Containers
- Crushing & Grinding
2005 Work Program

- Finish Process Building Interior Architectural
- Appoint MEPIC contractor early 2005
- Construct Change House and Laboratory
- Finish Residue Ponds
- Construct Stick Build Equipment and Install Equipment Skids through 2005
- On schedule for end November 2005 start-up
Safety

- Our goal is to have zero accidents and incidents and to meet or exceed safety regulations
  - YTD 34,527 hours
  - Zero lost times, medical aids, first aids
  - Two near misses
  - Zero environmental incidents
Argentia Peninsula North Side
Operational Preparedness

- Key Dates Established
- Organizational Structure Finalized
- Permanent Workforce Recruitment Started
- Training Program Launched
- Procurement Underway
Key Operations Dates

- **May 1**
  - Start mining operation
- **August 1**
  - Process first ore
- **November**
  - Ship first concentrate
    - Target 40,000 prior to December 7th
- **Q2 2006**
  - Full production
Challenges

- Stakeholder Expectations
- Winter Shipping Conditions
- Remote Site
- Inventory Management
- Operating Cost Control - fuel costs and $CAD
20 Year Outlook

- **Exciting**
  - Resource Development
  - Processing Options
  - Partner of Choice

- **Challenging**
  - Nickel Price
  - Energy Cost
  - Inventory Management
  - Environmental