

FALCONBRIDGE LTD  
Form 425  
May 10, 2006

Filed by Inco Limited  
Pursuant to Rule 425 under the Securities Act of 1933  
Subject Company: Falconbridge Limited  
Commission File No. 1-11284  
Inco Limited Commission File No. 1-1143

**John B. Jones**  
**Vice-President, Business Development Asia**  
**May 9, 2006, Scotia Capital China Tour and MacQuarie China Conference**  
**Shanghai, China**

Inco has focused profitably on nickel for more than a century with good reason. Driven by annual stainless steel demand growth of 6% per year, nickel demand growth has averaged 4% for the last 50 years better than nearly all industrial metals. Nickel and Inco have played vital roles in global industrial development and with China a key to bright prospects for the future will continue to do so for decades to come.

Before I go further, and since I will be making forward-looking statements, please turn your attention to the safe harbour statement on the screen. Unless otherwise stated, forward-looking information in my remarks excludes the impact of Inco's offer for Falconbridge. Bear in mind that all currency references are in U.S. dollars.

I will make two key points today. First, over the next few years there will not be enough nickel to meet underlying demand. Chinese nickel consumption remains strong and I don't believe we've seen the high for nickel. Nickel demand in the non-stainless market will likely be up 6-to-8%, given continuing strength in the aerospace build rate and robust increases in other uses. Stainless steel output and prices are strongly rebounding.

Nickel companies are producing all they can. But supply will continue to chase demand for some time.

Second, Inco is exceptionally well positioned to benefit from these trends.

Long ago Inco recognized Asia's growth potential. We were the first to set up local operations, and we still have the strongest position. Our initial major venture was Inco TNC Limited, founded in 1965, during the height of Japanese industrialization. We also entered the Taiwanese and Korean markets on the ground floor, setting up joint venture operations in the 1980s. Our foresight allowed us to grow with key markets and capture the tremendous advantages that accrue to the first mover.

While other companies are scrambling for a foothold in China, we've been here for more than a decade. We opened a Shanghai sales office in 1994, when China used only one-quarter as much nickel as Japan. But Inco foresaw China's pivotal role in nickel market growth and made the right investments to assume a leading market position.

Now Inco is well established and, last year, China succeeded Japan as the world's largest nickel consumer, representing about 16% of the global market. This year China is poised to become the largest producer of stainless steel and the stainless industry accounts for about two-thirds of world nickel demand.

So how and why will China move the nickel markets?

First we need to know how China uses nickel and currently, about 41% of Chinese nickel demand is based on domestic production of nickel-containing stainless steel. Another 35% goes

---

to plating as compared to 10% in the western world which goes into this application. The rest is in products like alloy steels or nickel powders for batteries. That's good for Inco, as we sell lots of nickel into the premium plating, alloys and specialty product markets. The percentages will change as China adds over three million tonnes of stainless capacity mostly in the second half of 2006.

Among applications driving Chinese nickel and stainless steel demand is the building of manufacturing and processing facilities and infrastructure. Some of the world's largest industrial plants are under construction in China. As well, the need for appliances and other items in hundreds of millions of households is propelling nickel and stainless demand. About two-thirds of China's nickel consumption goes to meeting domestic demand, leaving just one-third for exported products. Fortunately for my industry, China's growth is not a zero-sum game.

Unlike the situation with some metals, China lacks major nickel resources. Chinese nickel production meets only about half of domestic needs; and nearly 50% of that domestic production depends on imports of intermediate materials. There are limited opportunities to raise domestic production, and China will continue to rely heavily on imports of finished and intermediate nickel. However, Inco has grassroots nickel exploration underway with Chinese companies in the Jilin Province, and we are studying data on other sites, with an eye to exploration.

As an example of how China affects nickel market segments, consider batteries where China's low cost structure, and growing demand for devices like mobile phones, is spurring much relocation of capacity and an increasing share of world production. As well, there is a steep rise in domestic demand for low-cost, rechargeable nickel batteries.

China's nickel consumption has soared more than 15% in each of the past six years. In 2005, Chinese nickel demand was up 38% from 2004 levels. While nickel demand was down about 16% in Q1 2006, it should accelerate for the balance of the year as China brings on over 3 million tonnes of new stainless capacity this year, mostly in the second half. Chinese nickel consumption remains strong and should climb about 30% in 2006 or over 50,000 tonnes taking up most of the nickel supply growth.

This year, as China becomes the biggest stainless steel producer, Western World stainless output should rise by over 500,000 tonnes.

Meanwhile, the average nickel grade of stainless will increase. We saw 200 series imports to China fall from 70,000 tonnes monthly a year ago to below 30,000 tonnes in December. This alone could represent 20,000 tonnes of new nickel demand this year if it continues. Substitution with lower nickel content stainless 200 series was problematic and output is now being cut.

China's government is a positive factor in terms of nickel's prospects. Regulators support massive capacity expansions in electricity generation, oil extraction and water and transportation infrastructure. Forty gigawatt nuclear plants will be built over the next 20 years, consuming 40 million pounds of high-value nickel. Fixed asset growth should stay strong, driven by investment from private and state-owned sectors. With the Beijing Olympics in 2008, massive development is here for years. And all of this requires plenty of nickel.

Chinese stainless steel consumption has climbed at a 25% annual rate since 1990 and should grow for years. The Chinese people want to improve their quality of life and the world has never had so many people at this stage of development. The 300 million people living near

---

China's coast are, all by themselves, a market the size of the United States. And about 20 million people are moving from rural to urban areas each year.

This scenario reflects a great market need: rising income levels plus rapid urbanization; a growing population that loves stainless steel; and people with the increasing means to buy items made with stainless.

If you look at where China is today, the great economic leap forward in Japan from 1960-to-1974 comes to mind. It yielded a world nickel demand growth average of 7% over a 14-year period, based on a market of 100 million people.

China is industrializing like Japan did but with 13 times the population. So the potential is obvious as the Chinese people demand their seat at the table of economic growth.

China is following the stainless steel growth path taken in decades past by Japan, Taiwan and Korea. Once they attained the 3.5-kilogram per capita level that China reached, they took 8-to-10 years to arrive at the nine-kilogram per capita demand level.

While GDP per capita is low, many of China's 1.3 billion people have exceeded the \$2,000 GDP per capita level that historically propels stainless steel demand. If history repeats itself, China could use 6 million tonnes of stainless steel per year by 2009.

Last year was a time of massive restructuring of the stainless industry, which is recognizing the new global powerhouse of China and its quest for self-sufficiency. This year the restructuring continues, and total nickel demand will increase.

About 40% of current Chinese stainless steel requirements is imported. This should decline somewhat as Baosteel, Taiyuan and other companies bring on more stainless production in the next few years. China's domestic stainless capacity should increase by more than six million tonnes and account for 80% of the world's stainless steel growth by 2009. This will satisfy a great deal of domestic growth in consumption. Stainless producers worldwide are funding major new projects and capacity in order to benefit from great global demand growth.

Some stainless steel producers cut output in the second half of 2005 raising concern that underlying fundamentals have changed forever. There was stock building at consumers and the production cuts temporarily reduced nickel demand in this market.

Our 2006 nickel outlook is based on rebounding world stainless steel output following this period of inventory correction.

Improving economies and industrial production growth estimates of 6.4% support our stainless production growth forecast of over 8% for 2006. Stainless output growth will not only be strong in China. World stainless consumption has stayed healthy, driven by Chinese industrial production growth of over 16%. With consumption rebounding around the world, inventories are down, and new facilities will ramp up.

Last year, even the record nickel price could not bring more scrap to the market and scrap supply fell by 1%. This year, with over 8% stainless production growth, lower 200 series demand and a increasing austenitic ratio, it's clear how tight scrap markets will be and how much primary nickel demand for stainless steel will rise.

---

Stainless output cuts last year are reducing nickel in scrap supply this year by thousands of tonnes. Growing stainless production always means there's less scrap to make new stainless steel. Thus high stainless output growth typically brings a sharp fall in the scrap ratio.

High nickel prices in the past two years led to the collection and sale of large quantities of old scrap that will not be available this year.

Another key to 2006 is demand in the non-stainless market, likely up 6-to-8%, given the aerospace build rate and strong growth in other uses. We expect rapid growth in the Chinese plating market, which has become more accepting of high nickel prices. As plating shops open in China, we're seeing a massive relocation and expansion of capacity. The pattern of demand growth in China applies to nickel, iron ore, copper, and all other metals where there is a shortfall between domestic production and consumption. What distinguishes nickel from other metals is an excellent demand trend going forward, coupled with limited supply. Nickel offers perhaps the best prospects, or at least among the best, in the metals industry today and into the next decade as well.

Nickel supply is short not only based on robust demand but also because of five years of under-investment in new supply. The lull was due to a surge in nickel and stainless steel scrap supply from the East Bloc in the early 1990s, as the Soviet economy failed. The surge in East/West trade accounted for half of the rise in nickel supply to the West from 1992-to-2002. Also, the Australian acid leach projects of the late 1990s failed to produce lots of nickel.

Only three nickel projects as large as Goro have been built in the last 14 years: Voisey's Bay which started producing in late 2005, WMC's Mt. Keith; and Murrin Murrin, owned by Minara Resources. Murrin Murrin was a greenfield, integrated nickel plant, and it has not reached nameplate capacity. But the world needs the equivalent of one Goro each year going forward just to meet historical nickel growth rates—not to mention the discoveries required to offset the depletion of reserves that occurs each day.

We expect the nickel market to be tight for several years. While greenfield nickel supply will come, and several brownfield expansions will occur, committed world supply will not be enough to keep pace with strong demand growth for the time being. The impact of China and later, India, makes a strong case for above average demand growth projections.

For several years, nickel demand will be capped by limited supply and increasing supply will take time. More projects will be needed to close the supply/demand gap. Our industry will be hard pressed to meet customers' needs and Inco will do what it can with Voisey's Bay, Goro and further expansion of PT Inco.

Overall world output growth in 2006 will be about 3.9%, or 50,000 tonnes. With most producers at or above capacity and historic maximums and virtually no shut-in capacity, there is a very high risk of disruptions, which can't be offset by later production. In 2005, 45,000 tonnes of output was lost to strikes, feed shortages, maintenance issues and weather conditions. Underlying demand was strong enough to push the LME nickel price to a record annual average of \$6.68 a pound forcing the market to balance. We expect global demand growth of 5.5% this year.

LME and reported producer stocks represent just 5.2 weeks of demand. That's less than we saw in 1988 and 1989. With little inventory available, actual nickel deficits will be small; deficits

---

can't be large without the supply to feed them. As to what happens when stocks get low, just look at the pinch point graph for a historical perspective.

There's talk of a bow wave of new nickel production in the pipeline. The only committed supply for a few years will be from Voisey's Bay, Goro, BHP Billiton's Ravensthorpe, and CVRD's Vermehlo. Goro and Ravensthorpe will start producing in late 2007 and ramp up from 2008 to 2010 and this will simply not be enough supply.

Furthermore, the good times should not end for nickel in 2006. A number of nickel projects are in the feasibility stage but several are delayed, due to capital cost increases, financing issues, political risk, technology hurdles or other reasons. So project challenges are large. New supply may be available later than many people think.

The bottom line is that the nickel market is facing ongoing shortages, strong demand and limited prospects for supply growth. That's my first key point for today.

As for the second: I believe there is no better way to capitalize on nickel's tremendous future than by investing in Inco a great company that continually searches for new ways to excel and grow. And, of course, our friendly acquisition of Falconbridge will create the world's leading nickel company and a great copper company: globally diversified; with great growth prospects, given our expanded project portfolio; robust cash flow; and financial strength. We'll be efficient, too. We've so far identified \$350 million in annual synergies to be realized by mid-2008, with an estimated net present value of more than \$2.5 billion after tax, using a 7% discount rate. And we're organized to get the synergies. The acquisition will be immediately accretive to earnings, cash flow and net asset value. The New Inco will be an excellent investment prospect, given its enhanced size and liquidity.

But my purpose today is to tell you why Inco on a standalone basis is a great way to capitalize on nickel's future. There are three key reasons.

First, we have strong existing operations that will benefit from nickel's attractive future. We'll build shareholder value by maximizing and delivering consistent and reliable production; containing controllable costs; improving margins; and enhancing the efficiency and productivity of our business.

Inco, on its own, is the world's largest nickel producer outside of Russia a formidable competitor with a great strategy. Nickel represents about 83% of our sales. About 68% of nickel is used to make stainless steel and 41% of our sales go to this use.

Our 2005 nickel production from all sources was 487 million pounds. Given strong prices, we expect to boost profitable 2006 output to 535 million pounds, plus we'll get another 30 million pounds of finished nickel through toll smelting and refining concentrates in Finland, under contracts with OMG and Boliden.

As you all know, we also produce copper, platinum group metals and cobalt by-products.

Our 2006 nickel unit cash cost of sales after by-product credits, should be about \$2.35-to-\$2.40 a pound below \$2.65 in 2005. Costs for our own mine production will be about \$2.15-to-\$2.20 a pound. In the second half, with the Voisey's Bay pipeline full, our overall nickel unit cash cost of sales, after by-product credits, should be \$2.20-to-\$2.25 a pound. Thus with cash costs after by-product credits in the low \$2 a pound range, we are very well positioned on the nickel cost curve. We are very proud that at a time when the mining industry is facing substantial cost

---

increases for energy, supplies and other inputs, our costs are going down. We are delivering on our strategy to bring on new low-cost capacity and to strengthen our operating position.

The second reason why investing in Inco is an outstanding way to capitalize on nickel's great future is that we will grow enormously and profitably. We're better positioned than any other producer, in terms of project quality and the strength of our financial resources. At current nickel prices, we should generate excellent cash flows in 2006.

Low-cost Voisey's Bay and Goro are cash machines; at First Call consensus nickel prices, we should generate \$1.47 billion of cash in 2006.

At Voisey's Bay our 50,000-tonne-a-year mine and concentrator is running well. It began commercial production last December, four months ahead of its original schedule. Our 2006 Voisey's Bay nickel in concentrate output is forecast to be 120 million pounds with about 83 million pounds through the smelters and refineries this year. At our demonstration plant to test our new processes, in Argentia, Newfoundland, we successfully completed a 15-day continuous and integrated operation campaign.

And last but not least, at Goro in New Caledonia, we have one of the world's highest grade and largest leachable laterite deposits. It will be a great new source of nickel to Asia with real potential for expansion.

Early in April, we temporarily stopped work at the Goro project site in response to extensive vandalism and blockades of access roads. The authorities have since taken the measures required for a safe and secure workplace and we began a gradual restart of the project on April 24. If you happen to follow the New Caledonian media, you will know that people from all walks of life are very disturbed by what happened at Goro; they have condemned the disruptive actions there and expressed strong support for the Goro project and its importance to New Caledonia.

Inco remains committed to demonstrating our respect for and sensitivity to the social, cultural and environmental concerns of the Melanesian people. We have worked hard to earn local trust and support and we will continue to do so to ensure a successful project for everyone.

Many aspects of the project proceeded normally despite what occurred at the site. We're progressing well in terms of engineering, and the building of 400 modules and preassembled units in the Philippines. Engineering work on Goro was about 72% complete at the end of Q1.

---

This year we should finish the port, the steam power plant and the process water pipeline; with the local utility firing up its first generator.

The latest capex estimate for the mine, process plant and infrastructure was indicated to be at the upper end of the \$1.878 billion plus 15% cost range. We are reviewing this in light of the disruption. The definitive estimate will be provided later in the year and we will also determine whether our schedule has been affected.

Voisey's Bay, Goro and our brownfield expansion at PT Inco will make the existing Inco 45% bigger in 2009 than in 2005 and a more profitable company. Inco is resource rich and our orebodies will provide growth well into the future. Our asset base remains a sustainable competitive advantage.

Inco's third primary strength is our number one marketing position. This is a competitive advantage that virtually cannot be duplicated and results from our long-term focus. We have a great presence across the world especially in Asia that enables us to move our products from areas of weaker demand to stronger ones. Our presence is greatest in the best markets. About 60% of our sales are in Asia, and they are growing.

In the metals industry it's important to pay attention to costs, and we do, but our portfolio allows us to focus on margins, too. We sell an above average market average share of products at premium prices into higher margin, non-stainless uses batteries, powder metallurgy, high nickel alloy and plating segments while also supplying the stainless market.

Last week we announced that we would proceed with the construction of a new plant in Dalian, with a 32,000 tonnes per annum nameplate capacity, for the production of UTILITY<sup>®</sup> nickel, a refined form of nickel product for the special needs of the stainless steel industry. Construction work on the \$63 million facility is expected to commence in the third quarter of 2006 and commissioning is expected to take place in the first half of 2008. Feed for the new plant will come from Goro and other sources.

In October 2004 we opened a joint venture plant in China to make nickel foam for the battery industry, and in March 2005, we acquired an 82% direct and indirect interest in a major Chinese producer of nickel foam making Inco the largest producer of this product worldwide.

It is in value-added applications that Inco best distinguishes itself from competitors. For example, foam is sold by the square metre, with value measured per gram of nickel. This application converts commodity nickel to a high margin, high return product.

With domestic plating sales rising, we have built a small shearing and packaging plant in Dalian. We're planning to open a utility nickel plant, in tandem with Goro's start-up, to serve China's stainless steel industry. As China's nickel market grows, we will grow too.

Nickel is a basic building block for growth, not only in China, but anywhere standards of living are improving and industrial production increasing. Inco is in the right places at the right time. For years we have focused on China, Japan, Taiwan and South Korea while remaining strong in traditional markets. Our emphasis on value-added products makes us strong in Asian growth markets like the plating and battery industries. And Goro will make us a key player in stainless steel growth in China and elsewhere in Asia.

---



Inco correctly judged the importance of China and Asia to the future of nickel. We built a solid foundation when few people shared our focus or our vision. As a result, Inco should benefit more from these red-hot markets than any nickel producer in the world.

We see the next decade as very rewarding for Inco, with China as the dominant nickel and stainless steel consumer. Nickel and stainless steel have grown faster than the world economy for decades, driven by industrializing countries that have greatly improved their standards of living.

The nickel market will remain robust, with supply chasing demand for much longer than many expect. China's need for nickel, strong stainless and non-stainless nickel demand, and limited nickel supply are key drivers in 2006.

In my view, it's no accident that Inco has a tremendous role to play in the global nickel market and the rewards are enormous. We have the right presence, the right skills and the right attitude to remain winners now and for the long term.

Thanks for listening.

#### Forward-Looking Statements

This presentation contains forward-looking information about Inco and the combined company after completion of the purchase by Inco of all outstanding shares of Falconbridge, that are intended to be covered by the safe harbor for forward-looking statements provided by the Private Securities Litigation Reform Act of 1995. Forward-looking statements are statements that are not historical facts. Words such as expect(s), feel(s), believe(s), will, may, anticipate(s) and similar expressions are intended to identify forward-looking statements. These statements include, but are not limited to, financial projections and estimates and their underlying assumptions; statements regarding plans, objectives and expectations with respect to future operations, products and services and projects; statements regarding business and financial prospects; financial multiples and accretion estimates; statements regarding anticipated financial or operating performance and cash flows; statements regarding expected synergies and cost savings, including the timing, from the proposed combination of the two companies; statements concerning possible divestitures; and statements regarding strategies, objectives, goals and targets. Such statements are subject to certain risks and uncertainties, many of which are difficult to predict and are generally beyond the control of Inco, that could cause actual results to differ materially from those expressed in, or implied or projected by, the forward-looking information and statements. These risks and uncertainties include those discussed and identified in public filings with the U.S. Securities and Exchange Commission (SEC) made by Inco and include, but are not limited to: the possibility that approvals or clearances required to be obtained by Inco and Falconbridge from regulatory and other agencies and bodies will not be obtained in a timely manner; the possibility that divestitures required by regulatory agencies may not be acceptable or may not be completed in a timely manner; the possibility that the anticipated benefits and synergies and cost savings from the acquisition or related divestitures cannot be fully realized; the possibility that the costs or difficulties related to the integration of Falconbridge's operations with Inco will be greater than expected; the level of cash payments to shareholders of Falconbridge who exercise their statutory dissenters' rights in connection with the expected eventual combination of the two companies; the possible delay in the completion of the steps required to be taken for the eventual combination of the two companies; business and economic conditions in the principal markets for the companies' products, the supply, demand, and prices for metals to be produced, purchased intermediates and substitutes and competing products for the primary metals and other products produced by the companies, production and other anticipated and unanticipated costs and expenses and other risk factors relating to the metals and mining industry as

---

detailed from time to time in Falconbridge's and Inco's reports filed with the SEC. The forward-looking statements included in this presentation represent Inco's views as of the date hereof. While Inco anticipates that subsequent events and developments may cause Inco's views to change, Inco specifically disclaims any obligation to update these forward-looking statements. These forward-looking statements should not be relied upon as representing Inco's views as of any date subsequent to the date hereof. Readers are also urged to carefully review and consider the various disclosures in Inco's various SEC filings, including, but not limited to, Inco's Annual Report on Form 10-K for the year ended December 31, 2005.

Important Legal Information

This presentation may be deemed to be solicitation material in respect of Inco's proposed combination with Falconbridge. Inco filed with the SEC, on October 24, 2005, a registration statement on Form F-8 (containing an offer to purchase and a share exchange take-over bid circular) and on each of December 15, 2005, January 20, 2006 and February 27, 2006, an amendment to such Form F-8, in connection with the proposed combination. Inco has also filed, and will file (if required), other documents with the SEC in connection with the proposed combination. Falconbridge has filed a Schedule 14D-9F in connection with Inco's offer and has filed, and will file (if required), other documents regarding the proposed combination, in each case with the SEC.

**INVESTORS AND SECURITYHOLDERS ARE URGED TO READ THE REGISTRATION STATEMENT AND ANY OTHER RELEVANT DOCUMENTS FILED OR THAT WILL BE FILED WITH THE SEC WHEN THEY BECOME AVAILABLE BECAUSE THEY WILL CONTAIN IMPORTANT INFORMATION.**

Investors and security holders may obtain copies of the registration statement and Inco's and Falconbridge's SEC filings free of charge at the SEC's website ([www.sec.gov](http://www.sec.gov)). In addition, documents filed with the SEC by Inco may be obtained free of charge by contacting Inco's media or investor relations departments.

---









































































































































































