

FALCONBRIDGE LTD

Form 425

July 20, 2006

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## INCO RESPONDS TO XSTRATA OFFER

### **Inco's Cash and Stock Offer Continues to Offer a Premium to Xstrata Offer**

Toronto, July 19, 2006 Inco Limited ( Inco ) (TSX, NYSE:N) today responded to the announcement by Xstrata plc that it had increased the consideration under its unsolicited offer for Falconbridge Limited (TSX, NYSE: FAL).

The Inco Offer for Falconbridge now consists of Cdn.\$18.50 in cash and 0.55676 of an Inco common share, assuming full proration of the consideration under the Offer. Assuming the completion of both the Inco Offer and the combination between Inco and Phelps Dodge, and together with the Falconbridge special dividend, Falconbridge shareholders would receive an implied total consideration on a look-through basis of Cdn.\$64.92 per Falconbridge common share, consisting of approximately: (a) Cdn.\$29.77 in cash; and (b) 0.3741 of a Phelps Dodge Inco Corporation common share, valued the closing price of the Phelps Dodge common shares on the New York Stock Exchange and applicable U.S.-Canadian dollar exchange rates on July 19, 2006. This is \$1.67 more than the value of the Xstrata offer of \$63.25 per share, including the Falconbridge special dividend.

This is our best and final offer for Falconbridge, said Mr. Hand. It provides greater value than the competing offer from Xstrata, and it is available for acceptance only until midnight (Vancouver time) on Thursday, July 27. Xstrata's competing offer remains subject to a variety of conditions, including Investment Canada approval and shareholder approval, and will not be available for acceptance until at least August 14.

Only Inco's Offer gives both current Inco and Falconbridge shareholders the opportunity to participate in the earnings, cash flow and growth potential of Phelps Dodge Inco. For these reasons and others, we strongly encourage Falconbridge shareholders to tender their shares to Inco's increased Offer, he said.

#### *Cautionary Statement Regarding Forward-Looking Statements*

***This news release contains forward-looking statements regarding Inco's offer to purchase all of the common shares of Falconbridge Limited and regarding Inco's proposed plan of arrangement with Phelps Dodge, including statements regarding the anticipated timing of achievement of milestones and statements regarding the consideration payable pursuant to Inco's increased offer for Falconbridge and the proposed plan of arrangement involving Inco and Phelps Dodge. Actual results and***

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*developments may differ materially from those contemplated by these statements depending on, among others, the risks that Inco will not be able to obtain the required approvals or clearances from regulatory agencies and bodies on a timely basis, or divestitures or other remedies required by regulatory agencies may not be acceptable or may not be completed in a timely manner, the risk that Inco's Offer will be unsuccessful for any reason, the risk that the Inco-Phelps Dodge arrangement transaction will be unsuccessful for any reason and the other risk factors listed from time to time in Inco's and Falconbridge's reports filed with the U.S. Securities and Exchange Commission. The forward-looking statements included in this release represent Inco's views as of the date of this release. While Inco anticipates that subsequent events and developments may cause its views to change, it specifically disclaims any obligation to update these forward-looking statements. These forward-looking statements should not be relied upon as representing its views as of any date subsequent to the date of this release.*

Important Legal Information

This communication may be deemed to be solicitation material in respect of Inco's proposed combination with Falconbridge. Inco filed with the U.S. Securities and Exchange Commission (the "SEC"), on October 24, 2005 and July 14, 2006, registration statements on Form F-8, which include Inco's offer and take-over bid circular, and has filed amendments thereto, which include notices of extension and variation, and will file further amendments thereto as required, in connection with the proposed combination with Falconbridge. The offer and take-over bid circular and the notices of variation and extension have been sent to shareholders of Falconbridge Limited. 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), amendments thereto and other documents regarding the proposed combination, in each case with the SEC.

INVESTORS AND SECURITY HOLDERS ARE URGED TO READ THE REGISTRATION STATEMENTS 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 SECURITYHOLDERS ARE URGED TO READ INCO'S SOLICITATION/RECOMMENDATION STATEMENT ON SCHEDULE 14D-9 THAT INCO FILED WITH THE SEC ON MAY 31, 2006, AND ANY AMENDMENTS INCO MAY FILE THERETO, AS IT CONTAINS, AND SUCH AMENDMENTS, IF ANY, WILL CONTAIN, IMPORTANT INFORMATION REGARDING TECK COMINCO'S PROPOSED COMBINATION WITH INCO.

This communication is not a solicitation of a proxy from any security holder of Inco or Phelps Dodge in respect of Inco's proposed combination with Phelps Dodge. Inco intends to file a Management Information Circular regarding the proposed combination with the securities commissions or equivalent regulatory authorities in Canada and to provide the Management Information Circular to Inco shareholders and Phelps Dodge

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has filed a preliminary Proxy Statement on Schedule 14A regarding the proposed combination with the SEC. WE URGE INVESTORS TO CAREFULLY READ THE MANAGEMENT INFORMATION CIRCULAR, AND ANY AMENDMENTS INCO MAY FILE THERETO, WHEN IT BECOMES AVAILABLE BECAUSE IT, AND ANY SUCH AMENDMENTS, IF ANY, WILL CONTAIN IMPORTANT INFORMATION ABOUT INCO, PHELPS DODGE AND THE PROPOSED COMBINATION. WE URGE INVESTORS TO CAREFULLY READ THE PROXY STATEMENT, AND ANY AMENDMENTS PHELPS DODGE MAY FILE THERETO, BECAUSE IT AND SUCH AMENDMENTS, IF ANY, WILL CONTAIN IMPORTANT INFORMATION ABOUT INCO, PHELPS DODGE AND INCO S PROPOSED COMBINATION WITH PHELPS DODGE.

Inco, Phelps Dodge and their executive officers and directors may be deemed to be participants in the solicitation of proxies from Inco and Phelps Dodge security holders in favor of Inco s proposed combination with Phelps Dodge. Information regarding the security ownership and other interests of Inco s and Phelps Dodge s executive officers and directors will be included in the Management Information Circular and Proxy Statement, respectively.

Investors and security holders may obtain copies of the offer and take-over bid circular, the notices of variation and extension, the registration statement, the Solicitation/Recommendation Statement and Inco s, Falconbridge s and Phelps Dodge s other public filings made from time to time by Inco, Falconbridge and Phelps Dodge with the Canadian Securities Regulators, at [www.sedar.com](http://www.sedar.com), and with the SEC at the SEC s web site, [www.sec.gov](http://www.sec.gov), free of charge. The Management Information Circular (when it becomes available) may also be obtained free of charge at [www.sedar.com](http://www.sedar.com). In addition, the offer and take-over circular and the other disclosure documents may be obtained free of charge by contacting Inco s media or investor relations departments.

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