

PHELPS DODGE CORP
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July 05, 2006

SCHEDULE 14A INFORMATION
Proxy Statement Pursuant to Section 14(a) of the
Securities Exchange Act of 1934

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

- Preliminary Proxy Statement
- Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))
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Phelps Dodge Corporation

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

No fee required.

Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

- (1) Title of each class of securities to which transaction applies:
Common Stock, par value \$6.25 per share
(including associated preferred share purchase rights)
- (2) Aggregate number of securities to which transaction applies: 302,736,109 shares of Phelps Dodge Corporation's common stock
- (3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined): \$76.125 (average of high and low prices of Phelps Dodge Corporation common stock reported on the New York Stock Exchange for such shares on June 27, 2006)
- (4) Proposed maximum aggregate value of transaction: \$30,078,572,055.88
- (5) Total fee paid: \$3,218,407.21 computed in accordance with Rule 0-11(c)(i) of the Securities Exchange Act of 1934, as amended, by multiplying the proposed aggregate value of the transaction by 0.0001070

Fee paid previously with preliminary materials.

Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

- (1) Amount Previously Paid:
- (2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

IMPORTANT SPECIAL MEETING OF PHELPS DODGE SHAREHOLDERS

1 , 2006

Dear Fellow Shareholder:

You are cordially invited to attend a special meeting of the shareholders of Phelps Dodge Corporation, to be held on 1 , 2006, at 1 a.m. (MST), at The Heard Museum, 2301 North Central Avenue, Phoenix, Arizona. At the special meeting you will be asked to approve two proposals presented for your consideration.

The proposals relate to Phelps Dodge's agreement to combine with both Inco Limited and Falconbridge Limited or with Inco only to create an industry-leading, diversified metals and mining company. The combined company would have one of the industry's most exciting portfolios of development projects and the scale and management expertise to pursue their development successfully. The creation of this new company would give us the size and diversification to better manage cyclicity, stabilize earnings and increase shareholder returns.

Phelps Dodge first announced this transaction on June 26, 2006. Under the terms of the agreement, Phelps Dodge will acquire all of the outstanding common shares of Inco for a combination of cash and common shares of Phelps Dodge having a value of Cdn.\$80.13 (U.S.\$71.32) per Inco share, based upon the closing price of Phelps Dodge stock and the closing U.S./Canadian dollar exchange rate on Friday, June 23, 2006. Each shareholder of Inco would receive 0.672 shares of Phelps Dodge common stock plus Cdn.\$17.50 per share in cash for each Inco common share.

The Phelps Dodge board of directors also announced, as part of the transaction, a share repurchase program, to be commenced after closing, of up to \$5.0 billion, less the amount of up to \$3.0 billion of convertible subordinated notes of Inco that may be purchased by Phelps Dodge to provide Inco additional liquidity at the time of its purchase of Falconbridge common shares and to satisfy related dissent rights, as needed.

Simultaneous with its entry into the combination agreement with Phelps Dodge, Inco amended its support agreement with Falconbridge and increased its previously recommended offer for Falconbridge. The board of Falconbridge has unanimously agreed to recommend this revised offer.

If Inco successfully acquires all of the outstanding common shares of Falconbridge prior to the consummation of our combination with Inco on the terms set forth in the combination agreement dated June 25, 2006, between Phelps Dodge and Inco, we intend to combine our company with both Inco and Falconbridge. If Inco does not complete its acquisition of Falconbridge and the support agreement, made as of October 10, 2005, between Inco and Falconbridge, as amended, is terminated prior to the consummation of our combination with Inco, we intend to combine our company with Inco only. In either case, the combination will be effected pursuant to a plan of arrangement under Section 192 of the Canada Business Corporations Act under which Phelps Dodge Canada Inc., our newly formed, wholly owned subsidiary, will acquire all of Inco's outstanding common stock and will amalgamate with Inco.

In order to complete the proposed transaction, we are asking you to approve the following two proposals:

1. a proposal to amend and restate Phelps Dodge's restated certificate of incorporation in the form attached as Annex B to the proxy statement to which this letter is attached, which we refer to as the charter amendment proposal, to (i) change the company's name to Phelps Dodge Inco Corporation from Phelps Dodge Corporation, (ii) increase the number of authorized shares of the common stock of Phelps Dodge from 300 million to 1.5 billion and (iii) increase the maximum number of members of Phelps Dodge's board of directors from 12 to 15; and

2. the proposed issuance of Phelps Dodge common stock to finance the combination of Phelps Dodge with both Inco and Falconbridge or with Inco only, which we refer to as the share issuance proposal.

Approval of the charter amendment proposal requires the affirmative vote of a majority of all outstanding shares of Phelps Dodge common stock entitled to vote on the matter. Approval of the share issuance proposal requires the affirmative vote of a majority of the votes cast on such matter, provided that the total vote cast on the proposal represents a majority of all outstanding shares of Phelps Dodge common stock entitled to vote on the matter.

Your board of directors has determined that the charter amendment proposal, the share issuance proposal and each potential combination is in the best interest of Phelps Dodge and its shareholders, has unanimously approved the charter amendment proposal and the share issuance proposal, and unanimously recommends that you vote FOR approval of the charter amendment proposal and FOR the share issuance proposal.

Detailed information regarding the two proposals is contained in the accompanying proxy statement. In view of the importance of the actions to be taken at the special meeting, we urge you to read the accompanying proxy statement carefully. Regardless of the number of shares you own, we request that you complete, sign, date and mail the enclosed proxy card promptly in the accompanying envelope, which requires no postage if mailed in the United States. You may also vote your shares by telephone or through the Internet by following the instructions on the enclosed proxy card or voting instruction form.

You may, of course, attend the special meeting and vote in person, even if you have previously returned your proxy card.

YOUR VOTE IS IMPORTANT. Regardless of the number of shares of Phelps Dodge common stock you own, we urge you to vote FOR approval of the charter amendment proposal and FOR the share issuance proposal. Finally, if you have any questions or need assistance in voting your shares of Phelps Dodge common stock, please call D.F. King & Co., Inc., which is assisting Phelps Dodge, toll-free at 1-800-659-5550 (U.S. and Canada).

On behalf of your board of directors, thank you for your continued support and cooperation.

Sincerely,

J. Steven Whisler
Chairman and Chief Executive Officer

This proxy statement is dated 1 , 2006 and is expected to be first mailed to our shareholders on or about 1 , 2006.

NOTICE OF SPECIAL MEETING OF SHAREHOLDERS

TO THE SHAREHOLDERS OF PHELPS DODGE CORPORATION:

A special meeting of shareholders of Phelps Dodge Corporation will be held at The Heard Museum, 2301 North Central Avenue, Phoenix, Arizona, on Wednesday, 1 , 2006, at 1 a.m. (MST), for the following purposes:

1. to consider and vote on a proposal to amend and restate Phelps Dodge's restated certificate of incorporation to (i) change the company's name to Phelps Dodge Inco Corporation from Phelps Dodge Corporation, (ii) increase the number of authorized shares of Phelps Dodge common stock from 300 million to 1.5 billion shares and (iii) increase the maximum number of members of Phelps Dodge's board of directors from 12 to 15;

2. to consider and vote on the proposed issuance of Phelps Dodge common stock, par value \$6.25 per share, to finance the combination of Phelps Dodge with both Inco and Falconbridge or with Inco only; and

3. to conduct any other business as may be properly brought before the special meeting including, in the event that there are not sufficient votes for approval of the charter amendment proposal at the special meeting, to consider and vote upon any proposal to postpone or adjourn the special meeting to a later date to solicit additional proxies with respect to such proposal.

Your board of directors has determined that the charter amendment proposal, the share issuance proposal and each potential combination is in the best interest of Phelps Dodge and its shareholders, has unanimously approved the charter amendment proposal and the share issuance proposal, and unanimously recommends that you vote FOR approval of the charter amendment proposal and FOR the share issuance proposal.

Only holders of record of the common stock of Phelps Dodge at the close of business on 1 , 2006 will be entitled to notice of and to vote at the special meeting or at any adjournments or postponement of the special meeting. On June 20, 2006, we had 203,921,787 common shares outstanding.

If you participate in the Mellon Investor Services, L.L.C. Investor Services Program for Phelps Dodge shareholders, all common shares held for your account under that service will be voted in accordance with your proxy.

Proxies are solicited by the board of directors. If you are a shareholder of record, you may revoke your proxy before it is voted at the special meeting by delivering a signed revocation letter or new proxy, dated later than your first proxy, to Catherine R. Hardwick, Assistant General Counsel and Secretary. Any shareholder of record may attend the special meeting and vote in person even if he/she previously has returned a proxy. If your shares of Phelps Dodge common stock are held in street name by a broker or bank, you should contact the person responsible for your account to revoke your proxy or to arrange to vote in person at the special meeting.

Shareholders are asked to access electronic voting via the Internet or telephone voting as described on the enclosed proxy card or voting instruction form, or complete, sign, date and mail the enclosed proxy card or voting instruction form promptly in the enclosed envelope, which requires no postage if mailed in the United States. Your vote is important, and you are requested to act at your first convenience.

This Proxy Statement and accompanying materials are first being sent to shareholders on 11/14/2006. Phelps Dodge's principal executive office is located at One North Central Avenue, Phoenix, Arizona 85004.

By Order of the Board of Directors,

Catherine R. Hardwick
Assistant General Counsel and Secretary

Phoenix, Arizona
11/14/2006

YOUR VOTE IS IMPORTANT

Whether or not you plan to attend the special meeting, please complete, sign, date and mail the enclosed proxy card, or voting instruction form, promptly in the enclosed envelope, which requires no postage if mailed in the United States. Should you prefer, you may vote by delivering your proxy via telephone or via the Internet by following the instructions on your enclosed proxy card or voting instruction form. Remember, if you do not return your proxy card or vote by telephone or via the Internet, or in person, or if you abstain from voting, it will have the same effect as a vote against adoption of the charter amendment proposal.

If you have any questions or need assistance in voting your shares of Phelps Dodge common stock, please call D.F. King & Co., Inc., which is assisting your company, toll-free at 1-800-659-5550 (U.S. & Canada). Non-U.S. or -Canadian investors may contact D.F. King at +44 20 7920 9700.

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REFERENCE TO ADDITIONAL INFORMATION

This proxy statement incorporates by reference important business and financial information about Phelps Dodge Corporation (Phelps Dodge, we or us), Inco Limited (Inco) and Falconbridge Limited (Falconbridge) from documents that are not included in or delivered with this proxy statement. For a listing of the documents incorporated by reference into this proxy statement, see Where You Can Find More Information and Incorporation by Reference beginning on page 120 of this proxy statement. This information is available to you without charge upon your written or oral request. You can obtain documents related to Phelps Dodge, Inco and Falconbridge that are incorporated by reference into this proxy statement, without charge, from the Securities and Exchange Commission's (the SEC) Web site (www.sec.gov) or by requesting them in writing or by telephone from Phelps Dodge:

Phelps Dodge Corporation
One North Central Avenue
Phoenix, Arizona 85004-4414
Attention: Assistant General Counsel and Secretary
(602) 366-8100

(All Web site addresses given in this proxy statement are for information only and are not intended to be an active link or to incorporate any Web site information into this proxy statement.)

Please note that copies of the documents provided to you by Phelps Dodge will not include exhibits, unless the exhibits are specifically incorporated by reference into the documents or this proxy statement.

In order to receive timely delivery of documents requested from Phelps Dodge in advance of the special meeting, you should make your request no later than 11:59 p.m., April 11, 2006.

INDUSTRY DATA

Industry statistics and data included in this proxy statement are based on currently available public information. In addition, statements in this proxy statement about our industry and our position in our industry or any sector of our industry or about our or the combined company's market shares, are statements of our belief. This belief is based on industry statistics and data and on estimates and assumptions that we have made based on our knowledge of the market for our products and our experience in those markets. We have not verified industry statistics or data. Accordingly, we cannot assure you that any of these estimates or assumptions are accurate or that our estimates, assumptions or statements correctly reflect our industry or our or the combined company's position in the industry.

REPORTING CURRENCIES AND ACCOUNTING PRINCIPLES

The financial information included in this proxy statement regarding Phelps Dodge, including Phelps Dodge's audited consolidated financial statements and Phelps Dodge's unaudited consolidated financial statements, are reported in U.S. dollars (\$), (U.S.\$) or (US\$) and have been prepared in accordance with U.S. generally accepted accounting principles (U.S. GAAP).

The financial information included in this proxy statement regarding Inco, including Inco's audited consolidated financial statements and Inco's unaudited consolidated financial statements, are reported in U.S. dollars, unless otherwise indicated, and have been prepared in accordance with Canadian generally accepted accounting principles (Canadian GAAP), which differs from U.S. GAAP in certain significant respects. The differences, insofar as they affect Inco's consolidated financial statements, relate to accounting for post-retirement benefits, currency translation gains (losses), intangible assets, research and development, exploration, asset impairment, convertible debt, derivative instruments, investments, income and mining taxes, reporting of comprehensive income, net earnings and shareholders' equity. A discussion of these differences is presented in the notes to the financial statements incorporated by reference into this proxy statement and, in particular, Note 24 to Inco's audited consolidated financial statements and Note 15 to Inco's unaudited consolidated financial statements incorporated by reference into this proxy statement.

QUESTIONS AND ANSWERS

The following are some of the questions that you, as a shareholder of Phelps Dodge, may have and answers to those questions. These questions and answers, as well as the following summary, are not meant to be a substitute for the information contained in the remainder of this proxy statement, and this information is qualified in its entirety by the more detailed descriptions and explanations contained elsewhere in this proxy statement. We urge you to read this proxy statement in its entirety prior to making any decision.

Q1: Why am I receiving this proxy statement?

A1: You are receiving this proxy statement and enclosed proxy card because, as of 1 , 2006, the record date for the special meeting, you owned shares of Phelps Dodge common stock. Only holders of record of shares of Phelps Dodge common stock as of close of business on 1 , 2006, will be entitled to vote those shares at the special meeting. This proxy statement describes the issues on which we would like you, as a shareholder, to vote. It also provides you with important information about these issues to enable you to make an informed decision as to whether to vote your shares of Phelps Dodge common stock for the matters described herein.

As more fully described herein, we have agreed to combine Phelps Dodge with Inco pursuant to a combination agreement, made and entered into as of June 25, 2006, between Phelps Dodge and Inco. If Inco successfully acquires all of the outstanding common shares of Falconbridge prior to the consummation of our combination with Inco on the terms set forth in the combination agreement, we intend to combine Phelps Dodge with both Inco and Falconbridge. If Inco does not complete its acquisition of Falconbridge and the support agreement, made as of October 10, 2005, between Inco and Falconbridge, as amended, is terminated prior to the consummation of our combination with Inco, we intend to combine Phelps Dodge with Inco only. In either case, the combination will be effected pursuant to a plan of arrangement under Section 192 of the Canada Business Corporations Act under which Phelps Dodge Canada Inc., our newly formed, wholly owned subsidiary, will acquire all of Inco's outstanding common stock and will amalgamate with Inco.

We are holding a special meeting of shareholders in order to obtain the shareholder approval necessary to authorize and issue shares of our common stock to shareholders of Inco, change our company's name and increase the size of our board of directors in accordance with the combination agreement.

We will be unable to complete our combination with both Inco and Falconbridge or with Inco only, unless you approve the proposals described in this proxy statement at the special meeting.

We have included in this proxy statement important information about a combination of our company with both Inco and Falconbridge or with Inco only, the combination agreement and the special meeting. You should read this information carefully and in its entirety. We have attached a copy of the combination agreement to this proxy statement as Annex A. The enclosed voting materials allow you to vote your shares without attending the special meeting. **Your vote is very important and we encourage you to complete, sign, date and mail your proxy card, as soon as possible, whether or not you plan to attend the special meeting. Convenient telephone and Internet voting options also are available.**

Q2: When and where will the special meeting be held?

A2: The special meeting is scheduled to be held at 1 a.m. (MST), at The Heard Museum, 2301 North Central Avenue, Phoenix, Arizona, on 1 , 2006.

Q3: Who is entitled to vote at the special meeting?

A3: Phelps Dodge has fixed 1, 2006, as the record date for the special meeting. If you were a Phelps Dodge shareholder at the close of business on the record date, you are entitled to vote on

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matters that come before the special meeting. However, a Phelps Dodge shareholder may only vote his or her shares if he or she is present in person or is represented by proxy at the special meeting.

Q4: What will happen at the special meeting?

A4: At the special meeting, our shareholders will be asked to:

1. consider and vote on a proposal to amend and restate Phelps Dodge's restated certificate of incorporation in the form attached as Annex B to this proxy statement, which we refer to as the charter amendment proposal, to (i) change the company's name to Phelps Dodge Inco Corporation from Phelps Dodge Corporation, (ii) increase the number of authorized shares of the common stock of Phelps Dodge from 300 million shares to 1.5 billion shares and (iii) increase the maximum number of members of Phelps Dodge's board of directors from 12 to 15;
2. consider and vote on the proposed issuance of Phelps Dodge common stock, which we refer to as the share issuance proposal, to finance the combination of Phelps Dodge with both Inco and Falconbridge or with Inco only; and
3. conduct any other business as may be properly brought before the special meeting including, in the event that there are not sufficient votes for approval of the charter amendment proposal at the special meeting, to consider and vote upon any proposal to postpone or adjourn the special meeting to a later date to solicit additional proxies with respect to such proposal.

Your board of directors unanimously recommends that you vote FOR the adoption of the charter amendment proposal and FOR the share issuance proposal.

Q5: How does Phelps Dodge intend to finance the combination and related transactions?

A5: In the case of either a combination of our company with both Inco and Falconbridge, or with Inco only, we have agreed to pay 0.672 shares of Phelps Dodge common stock and Cdn.\$17.50 in cash for each Inco common share held immediately prior to the consummation of the combination. In addition, holders of Inco restricted common stock and Inco stock options will be entitled to receive shares of Phelps Dodge common stock or options to acquire Phelps Dodge common stock, respectively, in exchange for such securities. See "The Combination Agreement - Combination Consideration" beginning on page 76 of this proxy statement.

The issuance of the requisite shares of the common stock of Phelps Dodge to Inco's shareholders requires the approval of Phelps Dodge's shareholders, which is one of the purposes of the special meeting. Phelps Dodge will finance the cash component of the combination consideration, in part, from its available cash and with borrowings under new credit facilities to be entered into in connection with the combination. The new credit facilities will have aggregate borrowing capacity of \$20.6 billion, which, together with available cash, will be available for the following purposes:

to finance up to \$7.2 billion of the cash consideration to be paid by Phelps Dodge in connection with the combination;

to finance the purchase by Phelps Dodge of up to \$3 billion stated principal amount of 8% convertible subordinated notes of Inco due April 1, 2012;

to finance our post-combination share repurchase program, pursuant to which we intend to repurchase up to \$5 billion of the common stock of Phelps Dodge, less the stated principal amount of up to \$3 billion of

8% convertible subordinated notes of Inco due April 1, 2012, purchased by us, if any, from Inco;

to repurchase or refinance up to \$6.9 billion of Inco's indebtedness (including indebtedness incurred in connection with the Falconbridge acquisition) and, if Inco has completed the Falconbridge acquisition, \$250 million of Falconbridge's existing indebtedness;

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if Inco has completed the Falconbridge acquisition, to purchase or repurchase up to \$600 million in liquidation amount of existing preference shares of Falconbridge;

to refinance liabilities outstanding under our existing revolving credit agreement; and

to finance transaction expenses related to the combination.

Phelps Dodge has received executed commitments from Citigroup Global Markets Inc. and HSBC Securities (USA) Inc. for the entire \$20.6 billion principal amount of the new credit facilities. In addition, Citigroup and HSBC have agreed to increase the capacity of the credit facilities, subject to certain limitations, on the same terms and on a pro rata basis at Phelps Dodge's request. The combination consideration and financing, including the new credit facilities and the Inco convertible subordinated notes, are more fully described in this proxy statement. See The Combination Combination Consideration and Financing beginning on page 36 of this proxy statement.

Q6: What will the share ownership, board of directors and management of Phelps Dodge look like after the combination?

A6: If we combine with both Inco and Falconbridge, we estimate that, upon completion of the combination, former shareholders of Inco and Falconbridge will own approximately 31% and 29%, respectively, of the outstanding common stock of the combined company. If we combine with Inco only, we estimate that, upon completion of the combination, former shareholders of Inco will own approximately 44% of the outstanding common stock of the combined company.

We expect that, upon consummation of the combination of our company with both Inco and Falconbridge, J. Steven Whisler, the chairman and chief executive officer of Phelps Dodge, will be chairman and chief executive officer of the combined new company; Scott M. Hand, the chairman and chief executive officer of Inco, will become the vice chairman of the combined company; Timothy R. Snider, the president and chief operating officer of Phelps Dodge, will hold the same positions in the combined company; Derek Pannell, the chief executive officer of Falconbridge, will become the president of the combined company's nickel division and will head the combined company's nickel, zinc and aluminum operations; and Ramiro G. Peru, executive vice president and chief financial officer of Phelps Dodge, will hold the same positions in the combined company. We expect Messrs. Whisler, Snider and Peru to be based in Phoenix and Messrs. Hand and Pannell to be based in Toronto. In the event that Phelps Dodge combines with Inco only, Mr. Pannell will not be employed by the combined company, and Mr. Hand will become the president of the combined company's nickel division.

We expect the board of directors of the combined company to be composed of 15 members, 11 of which will be members of the current Phelps Dodge board of directors and four of which will be members of the current boards of Inco and, assuming the consummation of the Falconbridge acquisition, Falconbridge.

Q7: Will Phelps Dodge consummate a combination with Inco if Inco fails to acquire Falconbridge?

A7: If Inco fails to acquire Falconbridge and the support agreement has been terminated prior to the consummation of our combination with Inco, we will consummate the combination of our company with Inco only, subject to the conditions more fully discussed in this proxy statement. See The Combination Agreement Conditions to the Combination beginning on page 87 of this proxy statement.

Q8: Why does Phelps Dodge want to consummate a combination with both Inco and Falconbridge or with Inco only?

A8: The Phelps Dodge board of directors believes that a combination of Phelps Dodge with both Inco and Falconbridge or with Inco only will create a combined company with the scope, scale and financial strength to more efficiently develop existing opportunities and assets and to capitalize

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quickly on new growth and other opportunities within the mining industry. The Phelps Dodge board of directors believes that the combined company will be able to benefit from:

its position as an industry-leading, diversified metals and mining company with a portfolio of world-class assets with leading market positions in multiple commodities;

relatively lower cost positions in the combined company's primary commodities, which should allow the combined company to better weather any future downturns in commodity prices;

enhanced growth opportunities from a broad portfolio of brownfield and greenfield growth projects, primarily in nickel, copper, molybdenum and cobalt;

significant synergies and cost savings;

greater financial strength and flexibility as a result of the combined company's increased size, asset diversification and expected synergies and cost savings;

increased market liquidity and the potential for valuation enhancement as a result of the combined company's position as the largest mining company based in North America;

reduced risks associated with (i) price fluctuations for any particular commodity and (ii) production costs associated with any particular mining or production site;

reduced risks associated with political or economic instability or natural disasters in any particular geographical locale; and

a highly skilled and experienced management team.

The Phelps Dodge board of directors' reasons for the combination are discussed in more detail beginning on page 46 of this proxy statement under "The Combination - Phelps Dodge's Reasons for the Combination." Please review the disclosure under "Risk Factors" and "Forward-Looking Information" in this proxy statement for a more complete description of certain other considerations that you should consider in deciding how to vote at the special meeting.

Q9: When do you expect the combination to close?

A9: We expect the combination to close in September 2006, subject to the factors and conditions set forth elsewhere in this proxy statement. See "The Combination Agreement - Conditions to the Combination" and "The Combination - Regulatory Matters Related to the Combination" beginning on page 70 of this proxy statement.

Q10: Are there risks I should consider in deciding whether to vote for the charter amendment proposals and the share issuance proposals?

A10: Yes. The proposed combination of our company with both Inco and Falconbridge or with Inco only is subject to a number of risks and uncertainties. We may not realize the benefits we currently anticipate from the combination, including those described in the answer to Question 8 above, due to challenges associated with integrating the companies. We may fail to realize increased earnings and cost savings and enhanced growth opportunities described elsewhere in this proxy statement. Further, we may fail to successfully integrate the companies' technologies and personnel in an efficient and effective manner. In particular, if we combine with

both Inco and Falconbridge, any failure to integrate the operations, systems and personnel of Inco and Falconbridge (particularly those in Sudbury, Canada) could have a material adverse effect on our ability to realize the anticipated benefits of a combination with both Inco and Falconbridge. In addition, the combination is subject to the receipt of consents and approvals from government entities that could delay completion of the combination or impose conditions on the combined company. See The Combination Agreement Conditions to the Combination beginning on page 87 of this proxy statement.

Q11: What vote is required to approve each proposal?

A11: *Approval of the charter amendment proposal requires:* the affirmative vote of the holders of a majority of our outstanding common shares entitled to vote.

Approval of the share issuance proposal requires: the affirmative vote of the holders of a majority of our common shares voting on the proposal, so long as the total vote cast on the proposal represents a majority of our common shares outstanding.

Q12: How do I vote?

A12: If you are entitled to vote at the special meeting, you can vote by proxy before the special meeting or you can vote in person by completing a ballot at the special meeting. Even if you plan to attend the special meeting, we encourage you to vote your shares by proxy as soon as possible. After carefully reading and considering the information contained in this proxy statement, please submit your proxy by telephone or Internet in accordance with the instructions set forth on the enclosed proxy card or voting instruction form, or complete, sign, date and mail the proxy card or voting instruction form, in the enclosed postage-paid envelope as soon as possible so that your shares may be voted at the special meeting. For detailed information, please see *Information About the Special Meeting How to Vote* beginning on page 73 of this proxy statement.

Q13: I hold my shares in street name. How are my shares voted?

A13: If your shares are held in a stock brokerage account or by a bank or other nominee, you are considered the beneficial holder of the shares held for you in what is known as street name. If this is the case, this proxy statement has been forwarded to you by your brokerage firm, bank or other nominee, or their agent. As the beneficial holder, you have the right to direct your broker, bank or other nominee as to how to vote your shares. **If you hold your shares in street name and do not provide your broker, bank or other nominee with instructions on how to vote your shares, your broker, bank or other nominee will not be permitted to vote them on the charter amendment proposal or the share issuance proposal. Shares not voted in favor of the charter amendment proposal will have the effect of a vote against that proposal. You should, therefore, be sure to provide your broker, bank or other nominee with instructions on how to vote your shares. Your broker or bank may also provide telephone or Internet voting options, and you should refer to the instructions that accompanied this proxy statement.**

Q14: How many votes do I have?

A14: You are entitled to one vote for each share of Phelps Dodge common stock that you own as of the record date. As of the close of business on June 20, 2006, there were approximately 203,921,787 outstanding shares of Phelps Dodge common stock. As of that date, less than 1% of the outstanding shares of Phelps Dodge common stock were held by the directors and executive officers of Phelps Dodge.

Q15: What constitutes a quorum?

A15: Holders of at least a majority of our outstanding common stock as of the close of business on the record date who are entitled to vote must be present or represented by proxy in order to constitute a quorum to conduct business at the special meeting under our corporate by-laws.

Q16: If I participate in the Mellon Investor Services, L.L.C. Investor Services Program, how will my shares be voted?

A16: If you participate in the Mellon Investor Services, L.L.C. Investor Services Program for Phelps Dodge shareholders, all common shares held for your account under that plan will be voted in accordance with your proxy.

Q17: What if I return my proxy card but do not mark it to show how I am voting?

A17: If your proxy card is signed and returned without specifying your choices, your shares will be voted in favor of all proposals in accordance with the unanimous recommendations of the Phelps Dodge board of directors.

Q18: Can I change my vote *after* I have submitted a proxy by telephone or Internet or mailed my signed proxy card?

A18: Yes. You can change your vote by revoking your proxy at any time before it is exercised at the special meeting.

You may revoke your proxy before it is voted at the special meeting by delivering a signed revocation letter or a new proxy, dated later than your first proxy, to Catherine R. Hardwick, Assistant General Counsel and Secretary. If your shares are held in street name you must contact your broker or banker for instructions if you wish to revoke your voting instructions.

Q19: What do I need to do now?

A19: Read and consider the information contained in this proxy statement carefully, and then please vote your shares as soon as possible so that your shares may be represented at the special meeting. Your vote is important, so please act today.

Q20: Who should I call if I have questions about the proxy materials or voting procedures?

A20: If you have questions or need assistance in voting your shares or you need additional copies of the proxy statement, you should contact D.F. King & Co., Inc., which is assisting us, at 1-800-659-5550 (toll free in the U.S. and Canada). Non-U.S. or -Canadian investors may contact D.F. King at +44 20 7920 9700. You may also contact your banker, broker or financial advisor for assistance.

SUMMARY

*This summary highlights selected information about both potential combinations, the combination agreement and the special meeting in this proxy statement and does not contain all of the information that may be important to you. You should carefully read this entire proxy statement and the other documents to which this proxy statement refers for a more complete understanding of the matters being considered at the special meeting. See *Where You Can Find More Information and Incorporation by Reference* beginning on page 120 of this proxy statement. Unless we have stated otherwise, all references in this proxy statement to: (i) the *Falconbridge acquisition* are to the acquisition by Inco of at least two-thirds of the outstanding common shares of Falconbridge on the terms set forth in the support agreement and Inco's take-over bid circular without the waiver or change of any term or condition thereof without our written consent and the subsequent acquisition by Inco of all remaining outstanding Falconbridge common shares, (ii) the *combination* are to (a) the combination of Phelps Dodge with both Inco and Falconbridge if Inco successfully completes the Falconbridge acquisition prior to the consummation of our combination with Inco or (b) the combination of Phelps Dodge with Inco only, if Inco does not successfully complete the Falconbridge acquisition prior to the consummation of our combination with Inco, as the context requires, (iii) the *combination agreement* are to the Combination Agreement, made and entered into as of June 25, 2006, between Phelps Dodge and Inco, a copy of which is attached as Annex A to this proxy statement, (iv) the *support agreement* are to the Support Agreement, dated October 10, 2005, between Inco and Falconbridge, as amended, and (v) the *arrangement* are to the Plan of Arrangement under Section 192 of the Canada Business Corporations Act, which we refer to as the CBCA, pursuant to which Phelps Dodge Canada, Phelps Dodge's newly formed, wholly owned subsidiary, will acquire all of Inco's outstanding common shares and will amalgamate with Inco, including any modification to the Plan of Arrangement to effect the arrangement under the Business Corporations Act (Ontario) and provide that the arrangement include Inco's acquisition of the common shares of Falconbridge held by shareholders of Falconbridge who did not accept Inco's offer to acquire their common shares.*

The Companies (page 36)

Phelps Dodge Corporation. Phelps Dodge is one of the world's leading producers of copper and molybdenum, and is the world's largest producer of molybdenum-based chemicals and continuous-cast copper rod. PDMC, our mining division, includes our worldwide, vertically integrated copper operations from mining through rod production, marketing and sales; molybdenum operations from mining through conversion to chemical and metallurgical products, marketing and sales; other mining operations and investments; and worldwide mineral exploration, technology and project development programs. PDI, our manufacturing division, produces engineered wire and cable products principally for the global energy sector.

Phelps Dodge was incorporated as a business corporation under the laws of the state of New York in 1885. Phelps Dodge's executive offices are located at One North Central Avenue, Phoenix, AZ 85004-4414.

Inco Limited. Inco is one of the world's premier mining and metals companies and a leading producer of nickel. Inco is also an important producer of copper, precious metals and cobalt and a major producer of value-added specialty nickel products. Inco also produces sulphuric acid and liquid sulphur dioxide as by-products from its processing operations in Sudbury, Ontario.

Inco's business operations consist of two segments, the finished products segment and the intermediates segment. The finished products segment includes (i) mining and processing operations in Ontario, Manitoba, Newfoundland and Labrador, (ii) refining operations in the United Kingdom and (iii) interests in refining operations in Japan and several other Asian countries. The intermediates segment includes PT Inco's mining and processing operations in Indonesia where nickel-in-matte, an intermediate product, is produced and sold primarily into the Japanese market.

Inco was incorporated in 1916 under the laws of Canada, succeeding a business established in 1902. In 1979, Inco was continued by articles of continuance under the Canada Business Corporations Act and

is governed by that Act. Inco's executive offices are located at 145 King Street West, Suite 1500, Toronto, Ontario, Canada, M5H 4B7.

Falconbridge Limited. Falconbridge is a leading international copper and nickel company with investments in fully integrated zinc and aluminum assets. Falconbridge's primary focus is on the identification and development of world-class copper and nickel mining deposits. Falconbridge is one of the world's largest producers of nickel and zinc and a significant producer of copper, primary and fabricated aluminum, cobalt, lead, molybdenum, silver, gold and sulphuric acid, and also one of the world's largest processors and recyclers of metal-bearing materials. The principal markets for Falconbridge's products include the steel, refinery and foundry, construction, telecommunications, automotive, agricultural and chemical industries. Falconbridge has operations and offices in 18 countries.

Falconbridge's executive offices are located at BCE Place, 181 Bay St., Suite 200, Toronto, Ontario M5J 2T3.

The Combination (page 36)

On June 25, 2006, we agreed to combine our company with Inco pursuant to the combination agreement. If Inco successfully completes the Falconbridge acquisition prior to the consummation of our combination with Inco, we intend to combine our company with both Inco and Falconbridge. If Inco does not complete the Falconbridge acquisition and the support agreement is terminated prior to the consummation of our combination with Inco, we intend to combine with Inco only. In either case, the combination will be effected pursuant to the arrangement.

Combination Consideration and Financing (page 36)

In the case of either a combination of our company with both Inco and Falconbridge or with Inco only, we have agreed to pay 0.672 shares of Phelps Dodge common stock and Cdn.\$17.50 in cash for each Inco common share held immediately prior to the consummation of the combination. In addition, holders of Inco restricted common stock and Inco stock options will be entitled to receive shares of Phelps Dodge common stock or options to acquire Phelps Dodge common stock, respectively, in exchange for such securities. See "The Combination Agreement - Combination Consideration" beginning on page 76 of this proxy statement.

The issuance of the requisite shares of the common stock of Phelps Dodge to Inco's shareholders requires the approval of Phelps Dodge's shareholders, which is one of the purposes of the special meeting. Phelps Dodge will finance the cash component of the combination consideration, in part, from its available cash and with borrowings under new credit facilities to be entered into in connection with the combination. The new credit facilities will have aggregate borrowing capacity of \$20.6 billion, which, together with available cash, will be available for the following purposes:

to finance up to \$7.2 billion of the cash consideration to be paid by Phelps Dodge in connection with the combination;

to finance the purchase by Phelps Dodge of up to \$3 billion stated principal amount of 8% convertible subordinated notes of Inco due April 1, 2012;

to finance our post-combination share repurchase program, pursuant to which we intend to repurchase up to \$5 billion of the common stock of Phelps Dodge, less the stated principal amount of up to \$3 billion of 8% convertible subordinated notes of Inco due April 1, 2012, purchased by us, if any, from Inco;

to repurchase or refinance up to \$6.9 billion of Inco's indebtedness (including indebtedness incurred in connection with the Falconbridge acquisition) and, if Inco has completed the Falconbridge acquisition, \$250 million of Falconbridge's existing indebtedness;

if Inco has completed the Falconbridge acquisition, to purchase or repurchase up to \$600 million in liquidation amount of existing preference shares of Falconbridge;

to refinance liabilities outstanding under our existing revolving credit agreement; and

to finance transaction expenses related to the combination.

Phelps Dodge has received executed commitments from Citigroup and HSBC for the entire \$20.6 billion principal amount of the new credit facilities. In addition, Citigroup and HSBC have agreed to increase the capacity of the credit facilities, subject to certain limitations, on the same terms and on a pro rata basis at Phelps Dodge's request. We currently intend to refinance indebtedness incurred under the 12-month term loan facility and, possibly, the three-year term loan facility in amounts then outstanding by accessing the capital markets in one or more public offerings of debt securities of Phelps Dodge Canada or Phelps Dodge Inco at appropriate times following the completion of the combination. The executed commitments provide for a reduction of the size and a change in the structure of the credit facilities if Inco does not complete the Falconbridge acquisition and the support agreement is terminated prior to the completion of the combination of Phelps Dodge with Inco. The combination consideration and financing, including the new credit facilities and the Inco convertible subordinated notes, are more fully described in this proxy statement. See *The Combination – Combination Consideration and Financing* beginning on page 36 of this proxy statement.

Post-Combination Shareholding, Board of Directors and Management (page 40)

Assuming that we combine with both Inco and Falconbridge, we estimate that, upon completion of the combination, former shareholders of Inco and Falconbridge are expected to own approximately 31% and 29%, respectively, of the outstanding common shares of the combined company. Assuming that we combine with Inco only, we estimate that, upon completion of the combination, former shareholders of Inco are expected to own approximately 44% of the outstanding common shares of the combined company.

We expect that, upon consummation of the combination of our company with both Inco and Falconbridge, J. Steven Whisler, the chairman and chief executive officer of Phelps Dodge, will be chairman and chief executive officer of the combined new company; Scott M. Hand, the chairman and chief executive officer of Inco, will become the vice chairman of the combined company; Timothy R. Snider, the president and chief operating officer of Phelps Dodge, will hold the same positions in the combined company; Derek Pannell, the chief executive officer of Falconbridge, will become the president of the combined company's nickel division and will head the combined company's nickel, zinc and aluminum operations; and Ramiro G. Peru, executive vice president and chief financial officer of Phelps Dodge, will hold the same positions in the combined company. We expect Messrs. Whisler, Snider and Peru to be based in Phoenix and Messrs. Hand and Pannell to be based in Toronto. In the event that Phelps Dodge combines with Inco only, Mr. Pannell will not be employed by the combined company and Mr. Hand will become the president of the combined company's nickel division.

We expect the board of directors of the combined company to be composed of 15 members, 11 of which will be members of the current Phelps Dodge board of directors and four of which will be members of the current boards of Inco and, assuming the consummation of the Falconbridge acquisition, Falconbridge.

Phelps Dodge's Reasons for the Combination (page 46)

The Phelps Dodge board of directors believes that a combination of Phelps Dodge with both Inco and Falconbridge or with Inco only will create a combined company with the scope, scale and financial strength to more efficiently develop existing opportunities and assets and to capitalize quickly on new growth and other opportunities within the mining industry. The Phelps Dodge board of directors believes that the combined company will be able to benefit from:

its position as an industry-leading, diversified metals and mining company with a portfolio of world-class assets with leading market positions in multiple commodities;

relatively lower cost positions in the combined company's primary commodities, which should allow the combined company to better weather any future downturns in commodity prices;

enhanced growth opportunities from a broad portfolio of brownfield and greenfield growth projects, primarily in nickel, copper, molybdenum and cobalt;

significant synergies and cost savings;

greater financial strength and flexibility as a result of the combined company's increased size, asset diversification and expected synergies and cost savings;

increased market liquidity and the potential for valuation enhancement as a result of the combined company's position as the largest mining company based in North America;

reduced risks associated with (i) price fluctuations for any particular commodity and (ii) production costs associated with any particular mining or production site;

reduced risks associated with political or economic instability or natural disasters in any particular geographical locale; and

a highly skilled and experienced management team.

The Phelps Dodge board of directors' reasons for the combination are discussed in more detail beginning on page 46 of this proxy statement under "The Combination - Phelps Dodge's Reasons for the Combination." Please review the disclosure under "Risk Factors" and "Forward-Looking Information" in this proxy statement for a more complete description of certain other considerations that you should consider in deciding how to vote at the special meeting.

Unanimous Recommendation of the Phelps Dodge Board of Directors (page 51)

After careful consideration, the Phelps Dodge board of directors determined that each of:
the charter amendment proposal;

the share issuance proposal; and

the combination,

is in the best interests of Phelps Dodge's shareholders and unanimously approved each such action.

The Phelps Dodge board of directors unanimously recommends that holders of Phelps Dodge common stock vote FOR the charter amendment proposal and FOR the share issuance proposal.

In approving the charter amendment proposal, the share issuance proposal and each potential combination and making its unanimous recommendation, the Phelps Dodge board of directors consulted with Phelps Dodge's senior management and Phelps Dodge's financial and legal advisors and considered a number of strategic, financial and other considerations referred to under "The Combination - Phelps Dodge's Reasons for the Combination" beginning on page 46 of this proxy statement.

Opinions of Phelps Dodge's Financial Advisors (page 52)

Citigroup Global Markets Inc., which, along with its affiliates, is referred to as Citigroup, has rendered its opinion to the Phelps Dodge board of directors that, as of June 25, 2006, and based upon and subject to the factors, assumptions, procedures, limitations and qualifications set forth therein and other factors Citigroup deemed relevant, the per share consideration to be paid by Phelps Dodge pursuant to the combination agreement (the "Combination Consideration") was fair, from a financial point of view to Phelps Dodge. HSBC Securities (USA) Inc., which, along with its affiliates, is referred to as HSBC, has rendered its opinion to the Phelps Dodge board of directors that, as of June 25, 2006, and based upon and subject to the factors, assumptions, procedures, limitations and qualifications set forth therein and other factors HSBC deemed relevant, the Combination Consideration was fair, from a financial point of view, to Phelps Dodge.

The full text of the written opinions of Citigroup and HSBC, each dated June 25, 2006, are attached as Annexes C and D to this document and set forth assumptions made, general procedures followed,

factors considered and limitations and qualifications on the review undertaken by each of Citigroup and HSBC in connection with their respective opinions. Citigroup and HSBC provided their respective opinions for the information and assistance of the Phelps Dodge board of directors in connection with its consideration of the arrangement. The Citigroup and HSBC opinions are not recommendations to any shareholder as to how such shareholder should vote or act on any matters relating to the proposed Arrangement. Pursuant to separate engagement letters between Phelps Dodge and each of Citigroup and HSBC, Phelps Dodge has agreed to pay each of Citigroup and HSBC a customary transaction fee, payable upon the completion of the arrangement, as well as a more limited fee payable in connection with the delivery of its respective opinion.

Interests of Phelps Dodge Directors and Employees in the Combination (page 67)

You should be aware that Phelps Dodge's directors and certain employees, including senior management, have interests in the combination that are different from, or are in addition to, the interests of Phelps Dodge shareholders generally. These interests relate to the vesting of certain benefits under various compensation plans and programs resulting from the combination.

Accounting Treatment of the Combination (page 70)

Upon completion of the combination with Inco and Falconbridge, the pre-combination shareholders of Phelps Dodge will own approximately 40% of the combined company, the pre-combination shareholders of Inco will own approximately 31% of the combined company, and the pre-combination shareholders of Falconbridge will own approximately 29% of the combined company. In addition to considering these relative shareholdings, the company also considered the proposed composition and terms of the board of directors, the proposed structure and members of the executive management team of Phelps Dodge Inco, and the premium paid by Phelps Dodge to acquire Inco and Falconbridge, in determining the accounting acquirer.

Based on the weight of these factors, the company concluded that Phelps Dodge was the accounting acquirer. In accordance with U.S. GAAP, Phelps Dodge will account for the combination using the purchase method of accounting. Accordingly, the assets and liabilities of Inco and Falconbridge, if applicable, will be recorded by Phelps Dodge at their respective fair values at the time of the combination. The excess of Phelps Dodge's purchase price over the net fair value of assets acquired, including identifiable intangible assets, and liabilities assumed will be recorded as goodwill. Phelps Dodge will incur amortization expense over the useful lives of amortizable intangible assets acquired in connection with the combination.

Goodwill will be periodically assessed for impairment but not less frequently than on an annual basis. To the extent that goodwill becomes impaired, Phelps Dodge may be required to incur material charges relating to the impairment of that asset. Any such charges could have a material impact on the value of the combined company's assets and the combined company's results of operations. Long-term assets recorded at fair value during purchase accounting will be evaluated when events or changes in economic circumstances indicate the carrying amount of such assets may not be recoverable. Metal inventories recorded at fair value during purchase accounting will be subject to periodic assessments for lower-of-cost-or-market adjustments. To the extent that market values fall below purchase accounting values in future reporting periods, the combined company may be required to incur material charges relating to such adjustments.

Regulatory Matters Related to the Combination (page 70)

HSR Act. The combination of Phelps Dodge with Inco is subject to the requirements of the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended, which we refer to as the HSR Act, which prevents us from completing the combination until we furnish required information and materials to the Antitrust Division of the Department of Justice, which we refer to as the DOJ, and the Federal Trade Commission, which we refer to as the FTC, and the applicable waiting period is terminated or expires. We filed the requisite Notification and Report Forms under the HSR Act with the DOJ and the FTC on July 3, 2006.

Competition Act (Canada). The combination is subject to the requirements of the Competition Act (Canada), as amended, which we refer to as the Competition Act, which prevents us from completing the combination until we have provided the required notice under the Competition Act and the waiting period under the Competition Act has expired or been waived by the Commissioner of Competition under the Competition Act, whom we refer to as the Commissioner of Competition. Under the combination agreement, the completion of the combination is conditional upon receipt of an advance ruling certificate under the Competition Act or the expiration of the waiting period and receipt of notification from the Commissioner of Competition that she has determined not to make an application for an order under section 92 of the Competition Act in respect of the combination, which we refer to as the Competition Act Approval. We will file a Short Form Notification with the Commissioner of Competition as soon as reasonably practicable.

Investment Canada Act (Canada). The combination is subject to the requirements of the Investment Canada Act (Canada), as amended, which we refer to as the Investment Canada Act, which prevents us from completing the combination until we receive the requisite approval, actual or deemed, from the Minister of Industry, which we refer to as the Investment Canada Act Approval. We will file an Application for Review with the Investment Review Division of Industry Canada as soon as reasonably practicable.

EC Merger Regulation Filing. The combination is subject to the requirements of Council Regulation (EC) 139/2004 of 20 January 2004, which we refer to as the Council Regulation, which prevents us from completing the combination until we furnish required information and materials to the European Commission, and the European Commission issues a clearance decision or the applicable waiting period expires. We will file the Form CO Merger Notification pursuant to the Council Regulation with the European Commission as soon as reasonably practicable.

New York Stock Exchange Listing; Delisting and Deregistration of Inco Common Shares (page 71)

It is a condition to the combination that the shares of our common stock issuable in the combination be approved for listing on the New York Stock Exchange and the Toronto Stock Exchange, subject to official notice of issuance and the satisfaction of certain other customary conditions. If the combination is completed, Inco common shares will cease to be listed on the New York Stock Exchange and the Toronto Stock Exchange. In addition, after the completion of the combination, Inco may cease to be subject to the public reporting and proxy solicitation requirements of the CBCA and the securities laws and various securities regulations of Canada and the United States or may request to cease to be a reporting issuer under the securities laws of one or more of such jurisdictions.

Completion of the Combination (page 87)

We expect to complete the combination of our company with both Inco and Falconbridge or with Inco only, as applicable, upon satisfaction and/or waiver of all conditions precedent set forth in the combination agreement. See

The Combination Agreement Conditions to the Combination beginning on page 87 of this proxy statement. We currently expect to complete the combination in September 2006. However, it is possible that factors outside our control could require us to complete the combination at a later time or not to complete it at all. See The Combination Regulatory Matters Related to the Combination beginning on page 70 of this proxy statement.

No Dissenters Rights (page 71)

Under the New York Business Corporation Law, shareholders who dissent with respect to any matters to be acted upon pursuant to this proxy statement will not have any rights of appraisal or similar rights.

The Combination Agreement (page 75)

The combination agreement is described beginning on page 75 of this proxy statement. The combination agreement also is attached as Annex A to this proxy statement. We urge you to read the

combination agreement in its entirety because it contains important provisions governing the terms and conditions of the combination.

Court Approval Will be Required to Complete the Combination (page 79)

Under the Canada Business Corporations Act, a Canadian court must approve the arrangement set forth in the Plan of Arrangement pursuant to which the combination will be effected. Under the arrangement, Phelps Dodge Canada will acquire all of Inco's outstanding common shares and will amalgamate with Inco. As long as the arrangement has received the approval required by Inco's shareholders, Inco will submit the proposed arrangement for review before the Superior Court of Justice (Ontario). The court will consider, among other things, the fairness and reasonableness of the arrangement. The court may approve the arrangement in any manner the court may direct, subject to compliance with such terms and conditions, if any, as the court deems fit. In addition, Phelps Dodge and Inco may, if they consider it appropriate under the circumstances, effect the arrangement under the Business Corporations Act (Ontario) and may modify the plan of Arrangement accordingly to provide that the arrangement include Inco's acquisition of the common shares of Falconbridge held by shareholders of Falconbridge who did not accept Inco's offer to acquire their common shares.

Conditions to the Combination (page 87)

Our and Inco's obligations to complete the combination are subject to conditions that must be satisfied or waived, including:

approval of the charter amendment proposal and the share issuance proposal by Phelps Dodge's shareholders;

approval of the Plan of Arrangement by Inco's shareholders;

receipt of an interim order and a final order approving the Plan of Arrangement from the Superior Court of Justice (Ontario) in form and terms reasonably satisfactory to Phelps Dodge and Inco, and those orders having not been set aside or modified in a manner unacceptable to Phelps Dodge and Inco;

receipt of the Competition Act Approval and the Investment Canada Act Approval;

expiration or termination of the waiting period under the HSR Act;

expiration or termination of the waiting period under the Council Regulation;

receipt of approval from the New York Stock Exchange and the Toronto Stock Exchange for the listing, subject to notice of issuance, of the shares of Phelps Dodge common stock to be issued to Inco shareholders;

amendment and restatement of Phelps Dodge's restated certificate of incorporation and by-laws in accordance with the applicable charter amendment proposal;

either (i) Inco has completed the Falconbridge acquisition prior to the consummation of our combination with Inco or (ii) the support agreement has been terminated; and

absence of any injunction, orders or laws restraining or enjoining or making illegal the combination.

Neither party is required to complete the acquisition unless a number of other conditions are satisfied or waived.

These conditions, any or all of which can be waived, include:

accuracy of the representations and warranties of the other party, except as would not reasonably be expected to have, individually or in the aggregate, a material adverse effect on such party;

performance in all material respects by the other party of its pre-closing obligations under the combination agreement; and

absence of any events or changes which, individually or in the aggregate, has had or would reasonably be expected to have a material adverse effect on the other party.

In addition, we will not be obligated to complete the combination if holders of more than 10% of all Inco common shares (15% if any person who held, directly or indirectly, on the date of the combination agreement more than 10% of the common shares of Falconbridge exercises dissent rights in respect of the arrangement in respect of more than 5% of Inco common shares) have exercised dissent rights in respect of the arrangement.

Further, Inco will not be obligated to complete the combination unless Phelps Dodge has taken all actions necessary to cause the board of directors of Phelps Dodge to be constituted as described in this proxy statement under Other Agreements and Documents Phelps Dodge's Post-Closing Board of Directors and Officers beginning on page 91 of this proxy statement.

Phelps Dodge will need the consent of its lenders to waive any of its closing conditions under the combination agreement.

**Termination of the Combination Agreement
(page 88)**

The combination agreement may be terminated at any time prior to the combination:

by mutual written consent duly authorized by the boards of directors of Phelps Dodge and Inco; or

by either Inco or Phelps Dodge, if:

the arrangement shall not have been consummated by March 31, 2007, subject to specified exceptions;

any law is passed that makes the combination illegal or otherwise prohibited or a governmental authority in the United States or Canada issues a final, non-appealable order restraining, enjoining or otherwise prohibiting consummation of the combination;

Inco shareholders fail to approve the arrangement or the Phelps Dodge shareholders fail to approve the charter amendment proposal and the share issuance proposal;

the other party cannot satisfy the conditions related to its representations, warranties, covenants and agreements in the combination agreement on or before March 31, 2007; or

the board of directors of the other party withdraws, modifies or qualifies its recommendation in favor of the transactions contemplated by the combination agreement.

In addition, Inco may terminate the combination agreement under specified circumstances to accept a superior proposal (as defined on page 82 of this proxy statement), upon satisfaction of various other conditions.

**Effect of Termination; Termination Fees and Expenses
(page 89)**

Termination of the combination agreement under certain circumstances gives rise to an obligation to pay certain fees or expenses of the other party.

If the combination agreement is terminated by either party in specified circumstances, either Phelps Dodge or Inco may be required to pay to the other party expenses incurred by the other party in connection with the combination transaction up to \$40 million provided that, if a third-party acquisition proposal had been made in relation to the party obligated to pay expenses prior to termination and, within 12 months after termination, that party consummates any merger, combination or similar transaction pursuant to which a person or group acting in concert acquires a majority of such party's shares (aggregated with such person's or group's other holdings), such party, if Phelps Dodge, will owe a termination fee of \$500 million to Inco or, if Inco, will owe a termination fee of \$475 million to Phelps Dodge and, from and after the date that Inco has

acquired at least two-thirds of the common shares of Falconbridge, an additional \$450 million (for a total of \$925 million), in all cases less any amounts previously paid.

Inco will owe to Phelps Dodge a termination fee of \$475 million if Inco or Phelps Dodge terminates the agreement due to a withdrawal, modification or qualification by Inco's board of directors of its recommendation in favor of the transactions contemplated by the combination agreement (other than as a result of the occurrence of a material adverse effect with respect to Phelps Dodge); provided that Inco will owe to Phelps Dodge an additional \$450 million (for a total of \$925 million) from and after the date that Inco acquires at least two-thirds of the outstanding common shares of Falconbridge;

Inco will owe to Phelps Dodge a termination fee of \$475 million if Inco terminates the combination agreement to accept a superior proposal; provided that Inco will owe to Phelps Dodge an additional \$450 million (for a total of \$925 million) from and after the date that Inco acquires at least two-thirds of the outstanding common shares of Falconbridge;

Inco will owe to Phelps Dodge a termination fee of \$125 million if the combination agreement is terminated by either Phelps Dodge or Inco if (i) the arrangement has not been consummated by March 31, 2007, and between the date of the combination agreement and the termination of the combination agreement, an alternate business combination involving Inco and not involving Phelps Dodge has been publicly announced or otherwise communicated to the shareholders of Inco or (ii) Inco's shareholders fail to approve the arrangement upon a vote taken thereon at the duly convened meeting of Inco shareholders or at any adjournment or postponement thereof; provided that, in each case, if within 12 months after termination, Inco consummates any merger, combination or similar transaction pursuant to which a person or group acting in concert acquires a majority of Inco shares (aggregated with such person's or group's other holdings), Inco will owe to Phelps Dodge \$475 million and, from and after the date that Inco has acquired at least two-thirds of the common shares of Falconbridge, an additional \$450 million (for a total of \$925 million), less any amounts previously paid;

Phelps Dodge will owe to Inco a termination fee of \$500 million if Inco terminates the combination agreement due to a withdrawal, modification or qualification by Phelps Dodge's board of directors of its recommendation in favor of the transactions contemplated by the combination agreement (other than as a result of the occurrence of a material adverse effect with respect to Inco);

Phelps Dodge will owe to Inco a termination fee of \$125 million if the combination agreement is terminated by either Phelps Dodge or Inco if (i) the arrangement has not been consummated by March 31, 2007, and between the date of the combination agreement and the termination of the combination agreement, an alternate business combination involving Phelps Dodge and not involving Inco has been publicly announced or otherwise communicated to the shareholders of Phelps Dodge or (ii) Phelps Dodge's shareholders fail to approve the charter amendment proposal and share issuance proposal upon a vote taken thereon at the duly convened meeting of Phelps Dodge's shareholders or at any adjournment or postponement thereof; provided that, in each case, if within 12 months after termination, Phelps Dodge consummates any merger, combination or similar transaction pursuant to which a person or group acting in concert acquires a majority of Phelps Dodge common stock (aggregated with such person's or group's other holdings), Phelps Dodge will owe to Inco \$500 million, less any amounts previously paid.

SELECTED HISTORICAL FINANCIAL DATA OF PHELPS DODGE

The following statement of operations data for each of the three years in the period ended December 31, 2005, and the balance sheet data as of December 31, 2005 and 2004, have been derived from Phelps Dodge's audited consolidated financial statements contained in its Annual Report on Form 10-K for the fiscal year ended December 31, 2005, which are incorporated into this document by reference. The statements of operations data for the years ended December 31, 2002 and 2001, and the balance sheet data as of December 31, 2003, 2002 and 2001, have been derived from Phelps Dodge's audited consolidated financial statements for such years, which have not been incorporated into this document by reference.

The statement of operations data for the three months ended March 31, 2006 and 2005, and the balance sheet data as of March 31, 2006 and 2005, have been derived from Phelps Dodge's unaudited consolidated financial statements, which are incorporated into this document by reference.

You should read this selected historical financial data together with the financial statements that are incorporated by reference into this document and their accompanying notes.

	At or for the Three Months Ended March 31,*		Year Ended December 31,*				
	2006(a)	2005(b)	2005(c)	2004(d)	2003(e)	2002(f)	2001(g)
(\$ in millions, except per share amounts)							
Statement of Operations Data							
Sales and other operating revenues	\$ 2,224.6	1,886.5	8,287.1	6,415.2	3,498.5	3,173.2	3,420.4
Operating income (loss)	\$ 574.2	535.8	1,764.9	1,474.9	142.8	(257.4)	(90.6)
Income (loss) from continuing operations before extraordinary item and cumulative effect of accounting changes	\$ 350.7	377.4	1,583.9	1,023.6	(21.1)	(356.5)	(377.7)
Income (loss) from discontinued operations, net of taxes**	\$ (16.9)	9.3	(17.4)	22.7	39.2	41.3	48.2
Income (loss) before extraordinary item and cumulative effect of accounting changes	\$ 333.8	386.7	1,566.5	1,046.3	18.1	(315.2)	(329.5)
Net income (loss)	\$ 333.8	386.7	1,556.4	1,046.3	94.8	(338.1)	(331.5)
Basic earnings (loss) per common share from continuing operations***	\$ 1.73	1.95	8.06	5.41	(0.19)	(2.17)	(2.41)
Diluted earnings (loss) per common share from continuing operations***	\$ 1.72	1.87	7.82	5.18	(0.19)	(2.17)	(2.41)
Basic earnings (loss) per common share from discontinued operations, extraordinary item and cumulative effect of accounting	\$ (0.08)	0.05	(0.14)	0.12	0.65	0.11	0.30

changes***

Diluted earnings (loss) per common share from discontinued operations, extraordinary item and cumulative effect of accounting changes***	\$ (0.08)	0.05	(0.13)	0.11	0.65	0.11	0.30
Basic earnings (loss) per common share***	\$ 1.65	2.00	7.92	5.53	0.46	(2.06)	(2.11)
Diluted earnings (loss) per common share***	\$ 1.64	1.92	7.69	5.29	0.46	(2.06)	(2.11)

	At or for the Three Months Ended March 31,*			Year Ended December 31,*			
	2006(a)	2005(b)	2005(c)	2004(d)	2003(e)	2002(f)	2001(g)
(\$ in millions, except per share amounts)							
Balance Sheet Data (at period end)							
Cash (including restricted cash)	\$ 2,163.0	1,398.0	1,937.5	1,200.1	683.8	349.8	386.9
Current assets (including cash)	\$ 4,192.7	3,118.9	4,070.7	2,661.7	1,790.0	1,428.2	1,531.2
Total assets	\$ 10,555.3	9,023.2	10,358.0	8,594.1	7,272.9	7,029.0	7,584.3
Total debt	\$ 704.4	1,046.8	694.5	1,096.9	1,959.0	2,110.6	2,871.6
Long-term debt	\$ 674.8	970.7	677.7	972.2	1,703.9	1,948.4	2,538.3
Shareholders equity	\$ 5,584.4	4,752.5	5,601.6	4,343.1	3,063.8	2,813.6	2,730.1
Cash dividends declared per common share****	\$ 2.1875	0.125	3.125	0.25			0.375
Other Data							
Net cash provided by operating activities	\$ 533.3	316.1	1,769.7	1,700.1	461.6	359.1	310.7
Capital expenditures and investments in subsidiaries, net of cash received and acquired	\$ 291.7	68.3	698.2	317.3	102.4	133.2	311.0
Net cash provided by (used in) investing activities	\$ 117.8	(71.1)	(368.0)	(291.0)	(87.7)	(140.3)	(266.8)
Net cash provided by (used in) financing activities	\$ (424.6)	(45.1)	(685.8)	(947.2)	(48.8)	(244.8)	101.0
Division Results							
Phelps Dodge Mining Company operating income (loss)	\$ 606.6	550.4	1,929.9	1,606.7	265.2	(65.0)	(83.6)
Phelps Dodge Industries operating income (loss)	5.3	12.0	14.6	18.8	13.7	(17.5)	12.2
Corporate and other operating loss	(37.7)	(26.6)	(179.6)	(150.6)	(136.1)	(174.9)	(19.2)
	\$ 574.2	535.8	1,764.9	1,474.9	142.8	(257.4)	(90.6)
Copper							
Copper production (consolidated basis thousand tons)	304.2	311.2	1,228.0	1,260.6	1,242.3	1,213.7	1,352.1
Copper production (pro rata basis thousand tons)	251.2	267.7	1,042.3	1,081.7	1,042.5	1,012.1	1,145.2
	304.5	311.2	1,238.4	1,268.9	1,254.1	1,239.0	1,367.4

Copper sales from own
mines (consolidated basis
thousand tons)

Copper sales from own mines (pro rata basis thousand tons)		254.0	267.4	1,051.6	1,089.1	1,052.6	1,034.5	1,156.0
COMEX copper price (per pound)(h)	\$	2.25	1.47	1.68	1.29	0.81	0.72	0.73
LME copper price (per pound)(i)	\$	2.24	1.48	1.67	1.30	0.81	0.71	0.72
Commercially recoverable copper (pro rata basis million tons):								
Ore reserves(j)		N/A	N/A	17.7	23.2	19.5	19.6	22.1
Stockpiles and in-process inventories		1.5	1.6	1.5	1.6	1.6	1.4	0.9
				19.2	24.8	21.1	21.0	23.0

* 2005 and 2004 reflected full consolidation of El Abra and Candelaria; prior to 2004, El Abra and Candelaria are reflected on a pro rata basis (51 percent and 80 percent, respectively).

** As a result of the Company's agreement to sell Columbian Chemicals Company (Columbian), previously disclosed as our Specialty Chemicals segment, the operating results for Columbian have been reported separately from continuing operations and shown as discontinued operations for all periods presented in the statement of operations data.

*** Basic and diluted earnings per common share have been adjusted to reflect the March 10, 2006, two-for-one stock split for all periods presented.

**** All periods presented reflect post-split cash dividends per common share.

All references to per share earnings or loss are based on diluted earnings (loss) per share.

- (a) Reported amounts for the first three months of 2006 included after-tax, net special charges of \$28.8 million, or 14 cents per common share, for additional charges associated with discontinued operations in connection with the sale of Columbian Chemicals Company, which included transaction and employee-related costs of \$14.7 million, or 7 cents per common share, and a loss on the disposal of \$14.1 million, or 7 cents per common share; \$6.7 million, or 3 cents per common share, for environmental provisions; \$4.9 million, or 3 cents per common share, from the sale of Phelps Dodge's High Performance Conductors of SC & GA, Inc., which included transaction and employee-related costs of \$2.7 million, or 2 cents per common share, and a loss on the disposal of \$2.2 million, or 1 cent per common share; \$4.7 million, or 2 cents per common share, for additional charges associated with the completion of the sale of substantially all of Phelps Dodge's North American magnet wire assets, which included transaction and employee-related costs of \$3.6 million, or 2 cents per common share, and a loss on the disposal of \$1.1 million; and \$0.2 million for historical legal matters; partially offset by \$0.4 million for the sale of non-core real estate.
- (b) Reported amounts for the first three months of 2005 included after-tax, net special gains of \$4.5 million, or 2 cents per common share, for legal matters; and \$0.8 million for Phelps Dodge's magnet wire restructuring activities; partially offset by net special charges of \$3.3 million, or 1 cent per common share, for environmental provisions; and \$1.9 million, or 1 cent per common share, for foreign dividend taxes.
- (c) Reported amounts for 2005 included after-tax, net special charges of \$331.8 million, or \$3.28 per common share, for asset impairment charges; tax expense of \$88.1 million, or 87 cents per common share, for foreign dividend taxes; \$86.4 million, or 85 cents per common share, for environmental provisions; \$42.6 million, or 42 cents per common share, for charges associated with discontinued operations in connection with the pending sale of Columbian; \$41.3 million, or 41 cents per common share, for early debt extinguishment costs; \$34.5 million (net of minority interest), or 35 cents per common share, for tax on unremitted foreign earnings; \$23.6 million, or 23 cents per common share, for a tax charge associated with minimum pension liability reversal; \$10.1 million, or 10 cents per common share, for cumulative effect of accounting change; \$5.9 million, or 6 cents per common share, for transaction and employee-related costs associated with the sale of North American magnet wire assets; partially offset by special gains of \$388.0 million, or \$3.83 per common share, for sale of a cost-basis investment; \$181.7 million, or \$1.80 per common share, for change-of-interest gains at Cerro Verde and Ojos del Salado; \$15.6 million, or 16 cents per common share, for legal matters; \$11.9 million, or 12 cents per common share, for the reversal of PD Brazil deferred tax asset valuation allowance; \$8.5 million, or 8 cents per common share, for the sale of non-core real estate; \$4.0 million, or 4 cents per common share, for the reversal of U.S. deferred tax asset valuation allowance; \$0.4 million, or 1 cent per common share, for environmental insurance recoveries; and \$0.1 million for Magnet Wire restructuring activities. The after-tax, net special charges of \$42.6 million associated with discontinued operations consisted of \$67.0 million (net of minority interests), or 66 cents per common share, for a goodwill impairment charge; taxes of \$7.6 million, or 8 cents per common share, associated with the sale and dividends paid in 2005; and \$5.0 million, or 5 cents per common share, for a loss on disposal of Columbian associated with transaction and employee-related costs; partially offset by a deferred income tax benefit of \$37.0 million, or 37 cents per common share.
- (d) Reported amounts for 2004 included after-tax, net special charges of \$44.7 million, or 45 cents per common share, for environmental provisions; \$30.9 million (net of minority interests), or 31 cents per common share, for early debt extinguishment costs; \$9.9 million, or 10 cents per common share, for the write-down of two cost-basis investments; \$9.6 million, or 10 cents per common share, for taxes on anticipated foreign dividends; \$9.0 million, or 9 cents per common share, for a deferred tax asset valuation allowance at our Brazilian wire and cable operation; \$7.6 million, or 8 cents per common share, for Magnet Wire restructuring activities; \$5.9 million, or 6 cents per common share, for asset impairments (included \$4.5 million, or 4 cents per common share, for discontinued

- operations); and \$0.7 million, or 1 cent per common share, for interest on a Texas franchise tax matter; partially offset by special gains of \$30.0 million, or 31 cents per common share, for the reversal of a U.S. deferred tax asset valuation allowance; \$15.7 million (net of minority interest), or 16 cents per common share, for the reversal of an El Abra deferred tax asset valuation allowance; \$10.1 million, or 10 cents per common share, for the gain on the sale of uranium royalty rights; \$7.4 million, or 7 cents per common share, for environmental insurance recoveries; and \$4.7 million, or 5 cents per common share, for the settlement of historical legal matters.
- (e) Reported amounts for 2003 included after-tax, net special gains of \$2.4 million, or 3 cents per common share, for the termination of a foreign postretirement benefit plan associated with discontinued operations; \$0.5 million, or 1 cent per common share, for environmental insurance recoveries; \$0.2 million for the reassessment of prior restructuring programs; \$6.4 million, or 7 cents per common share, on the sale of a cost-basis investment; \$8.4 million, or 9 cents per common share, for cumulative effect of an accounting change; \$1.0 million, or 1 cent per common share, for the tax benefit relating to additional 2001 net operating loss carryback; and an extraordinary gain of \$68.3 million, or 76 cents per common share, on the acquisition of our partner's one-third interest in Chino Mines Company; partially offset by charges of \$27.0 million, or 30 cents per common share, for environmental provisions (included a gain of \$0.5 million, or 1 cent per common share, for discontinued operations); \$8.0 million, or 9 cents per common share, for a probable Texas franchise tax matter; \$2.9 million, or 3 cents per common share, for the settlement of historical legal matters; and \$2.6 million, or 3 cents per common share, for asset and goodwill impairments.
- (f) Reported amounts for 2002 included after-tax, net special charges of \$153.5 million, or \$1.82 per common share, for Phelps Dodge Mining Company asset impairment charges and closure provisions; \$53.0 million, or 63 cents per common share, for historical lawsuit settlements; \$45.0 million, or 54 cents per common share, for a historical arbitration award; \$26.6 million, or 32 cents per common share, for early debt extinguishment costs; \$23.0 million, or 27 cents per common share, for Phelps Dodge Industries restructuring activities; \$22.9 million, or 27 cents per common share, for cumulative effect of an accounting change; \$14.0 million, or 17 cents per common share, for environmental provisions (included a gain of \$0.6 million, or 1 cent per common share, for discontinued operations); \$1.2 million, or 1 cent per common share, for the write-off of two cost-basis investments; \$1.0 million, or 1 cent per common share, for the settlement of legal matters; and \$0.5 million, or 1 cent per common share, for the reassessment and additional retirement benefits in connection with prior restructuring programs; partially offset by special gains of \$29.1 million, or 35 cents per common share, for environmental insurance recoveries; \$22.6 million, or 27 cents per common share, for the gain on the sale of a non-core parcel of real estate; \$13.0 million, or 15 cents per common share, for the release of deferred taxes previously provided with regard to Plateau Mining Corporation; and \$66.6 million, or 79 cents per common share, for the tax benefit relating to the net operating loss carryback prior to 2002 resulting from a change in U.S. tax legislation; and \$0.5 million, or 1 cent per common share, associated with discontinued operations for the reassessment of a prior restructuring program.
- (g) Reported amounts for 2001 included after-tax, net special gains of \$61.8 million, or 79 cents per common share, for environmental insurance recoveries; \$39.9 million, or 51 cents per common share, for the gain on the sale of Sossego; \$9.0 million, or 11 cents per common share, for an insurance settlement for potential future legal matters; offset by special charges of \$57.9 million, or 74 cents per common share, to provide a deferred tax valuation allowance; \$31.1 million, or 40 cents per common share, for environmental provisions (included \$1.4 million, or 2 cents per common share, for discontinued operations); \$29.8 million, or 38 cents per common share, for restructuring activities; \$12.9 million, or 16 cents per common share, for investment impairments; \$2.0 million, or 3 cents per common share, for cumulative effect of an accounting change; and \$3.4 million, or 4 cents per common share, for other items, net.
- (h) New York Commodity Exchange annual average spot price per pound cathodes.
- (i) London Metal Exchange annual average spot price per pound cathodes.
- (j) Ore reserves are calculated on an annual basis.

SELECTED HISTORICAL FINANCIAL DATA OF INCO

The following statements of operations data for each of the three years in the period ended December 31, 2005, and the balance sheet data as of December 31, 2005 and 2004, have been derived from Inco's audited consolidated financial statements contained in its Annual Report on Form 10-K for the fiscal year ended December 31, 2005, which are incorporated into this proxy statement by reference. The statements of operations data for the years ended December 31, 2002 and 2001, and the balance sheet data as of December 31, 2003, 2002 and 2001, have been derived from Inco's audited consolidated financial statements for such years, which have not been incorporated into this document by reference.

The statements of operations data for the three months ended March 31, 2006 and 2005, and the balance sheet data as of March 31, 2006 and 2005, have been derived from Inco's unaudited consolidated financial statements, which are incorporated into this proxy statement by reference.

Inco prepares its financial statements in accordance with Canadian GAAP. There are a number of differences between Canadian and U.S. GAAP. The differences, insofar as they affect Inco's consolidated financial statements, relate to accounting for post-retirement benefits, currency translation gains (losses), intangible assets, research and development, exploration, asset impairment, convertible debt, derivative instruments, investments, income and mining taxes, reporting of comprehensive income, net earnings and shareholders' equity. A discussion of these differences is presented in the notes to the financial statements of Inco incorporated by reference into this proxy statement and, in particular, Note 24 to the audited consolidated financial statements and Note 15 to the unaudited consolidated financial statements of Inco incorporated by reference into this proxy statement.

You should read this selected historical financial data together with the financial statements that are incorporated by reference into this document and their accompanying notes.

	At or for the Three Months Ended March 31,		Year Ended December 31,				
	2006	2005(a)	2005	2004(a)	2003(a)	2002(a)	2001(a)
		(Restated)		(Restated)	(Restated)	(Restated)	(Restated)
	(\$ in millions, except per share amounts)						
Statement of Operations Data(b)							
Net sales	\$ 1,211	1,121	4,518	4,278	2,474	2,161	2,066
Cost of sales and operating expenses, excluding depreciation and depletion	\$ 733	603	2,633	2,348	1,735	1,378	1,416
Depreciation and depletion	\$ 68	61	256	248	227	242	263
Selling, general and administrative	\$ 47	43	207	192	169	136	111
Asset impairment charges	\$		25	201		2,415	
Interest expense	\$ 18	7	26	36	56	58	62
Income and mining taxes	\$ 113	83	408	432	(27)	(641)	(88)
Net earnings (loss)	\$ 202	317	836	619	146	(1,475)	302
Dividends per common share	\$ 0.125		0.30				
Preferred dividends	\$				(6)	(26)	(26)
Premium on redemption of preferred shares	\$				(15)		
Net earnings (loss) applicable to common shares	\$ 202	317	836	619	125	(1,501)	276

Net earnings (loss) per common share basic	\$ 1.05	1.68	4.41	3.30	0.68	(8.21)	1.52
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	At or for the Three Months Ended March 31,			Year Ended December 31,			
	2006	2005(a)	2005	2004(a)	2003(a)	2002(a)	2001(a)
	(Restated)			(Restated)	(Restated)	(Restated)	(Restated)
	(\$ in millions, except per share amounts)						
Balance Sheet Data (at period end)(b)							
Common shares outstanding (weighted average, in millions)	193	188	189	188	185	183	182
Total assets	\$ 12,251	11,014	12,010	10,716	9,058	8,596	9,630
Long-term debt	\$ 1,840	1,721	1,852	1,761	1,603	1,636	842
Convertible debt	\$ 351	418	362	418	418	148	148
Preferred shares	\$					472	472

(a) Financial information for the 2005 first quarter and years ended December 31, 2001 through 2004, reflect restatements that are discussed in Note 2 to the consolidated financial statements in Inco's Annual Report on Form 10-K for the year ended December 31, 2005, that are incorporated into this proxy statement by reference.

(b) Inco financial data is prepared in accordance with Canadian GAAP and presented in U.S. dollars.

The following table reconciles results as reported under Canadian GAAP with those that would have been reported under U.S. GAAP:

	Three Months Ended March 31,			Year Ended December 31,			
	2006	2005(a)	2005	2004(a)	2003(a)	2002(a)	2001(a)
	(Restated)			(Restated)	(Restated)	(Restated)	(Restated)
	(\$ in millions, except per share amounts)						
Net earnings (loss) Canadian GAAP	\$ 202	317	836	619	146	(1,475)	302
Increased post-retirement benefits expense	(19)	(16)	(64)	(53)	(45)	(24)	(24)
Currency translation gains (losses)		6	(62)	(89)	(219)	(49)	123
Increased intangible assets amortization expense					(2)	(2)	
Increased research and development expense	(7)	(6)	(47)	(17)	(5)	(6)	(8)
Decreased (increased) exploration expense	(1)		(8)	1	(4)	(3)	(7)
Decreased (increased) asset impairment charges				11		(961)	

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Increased interest expense	(3)	(5)	(23)	(14)	(13)	(1)	(5)
Cash settlement of LYON Notes tendered for conversion			(26)				
Unrealized net gain (loss) on derivative instruments	16	(9)	(17)	5	(1)	5	(4)
Increased depreciation and depletion expense	(3)						
Increased income and mining tax expense					(15)		
Decreased (increased) minority interest		7	9	(8)	1	2	2

	Three Months Ended March 31,		Year Ended December 31,				
	2006	2005(a) (Restated)	2005	2004(a) (Restated)	2003(a) (Restated)	2002(a) (Restated)	2001(a) (Restated)
	(\$ in millions, except per share amounts)						
Change in accounting policy						1	1
Taxes on U.S. GAAP differences	5	2	30	22	28	139	15
Net earnings (loss) before cumulative effect of a change in accounting principle							
U.S. GAAP	190	296	628	477	(129)	(2,374)	395
Cumulative effect of a change in accounting principle					(17)	(2)	
Net earnings (loss) U.S. GAAP	\$ 190	296	628	477	(146)	(2,376)	395
Net earnings (loss) per share basic							
Net earnings (loss) per share before cumulative effect of a change in accounting principle	\$ 0.99	1.57	3.32	2.54	(0.82)	(13.13)	2.03
Cumulative effect of a change in accounting principle					(0.09)	(0.01)	
Net earnings (loss) per share basic	\$ 0.99	1.57	3.32	2.54	(0.91)	(13.14)	2.03
Net earnings (loss) per share diluted							
Net earnings (loss) per share before cumulative effect of a change in accounting principle	\$ 0.86	1.34	2.87	2.30	(0.82)	(13.13)	1.99
Cumulative effect of a change in accounting principle					(0.09)	(0.01)	
Net earnings (loss) per share diluted	\$ 0.86	1.34	2.87	2.30	(0.91)	(13.14)	1.99

- (a) Financial information for the 2005 first quarter and years ended December 31, 2001 through 2004, reflect restatements that are discussed in Note 2 to the consolidated financial statements in Inco's Annual Report on Form 10-K for the year ended December 31, 2005, incorporated by reference into this proxy statement.

The selected financial data item Preferred shares in the table above would be reported in the same amounts under Canadian and U.S. GAAP. Under U.S. GAAP, Total assets would be reported as \$10,249 million at December 31, 2005 (2004 \$9,352 million; 2003 \$7,959 million; 2002 \$7,727 million; 2001 \$9,755 million).

SELECTED HISTORICAL FINANCIAL DATA OF FALCONBRIDGE

The following statements of operations data for the years ended December 31, 2005 and 2004, and the balance sheet data as of December 31, 2005 and 2004, have been derived from Falconbridge's audited consolidated financial statements contained in its Annual Report on Form 40-F for the fiscal year ended December 31, 2005, which are incorporated into this document by reference. The statements of operations data for the years ended December 31, 2003, 2002 and 2001, and the balance sheet data as of December 31, 2003, 2002 and 2001, have been derived from Falconbridge's unaudited Five-Year Financial Review contained in its 2005 Annual Report, which has not been incorporated into this document by reference.

The statements of operations data for the three months ended March 31, 2006 and 2005, and the balance sheet data as of March 31, 2006, have been derived from Falconbridge's unaudited consolidated financial statements, which are incorporated into this document by reference.

Falconbridge prepares its financial statements in accordance with Canadian GAAP. There are a number of differences between Canadian and U.S. GAAP. The differences, insofar as they affect Falconbridge's consolidated financial statements, relate to derivative instruments, capital stock redeemable at the option of the holder, start-up costs and exploration, pensions and post-employment benefits, stock options, convertible debt, business combinations, currency translation gain (losses), income and mining taxes, investments, reporting of comprehensive income, net earnings and shareholders' equity. A full discussion of these differences is presented in the notes to Falconbridge's audited consolidated financial statements incorporated by reference into this proxy statement and, in particular, Note 22 to the audited consolidated financial statements included in Falconbridge's Form 40-F for the fiscal year ended December 31, 2005.

Falconbridge is not required to file its unaudited interim financial data for each of the three-month periods ended March 31, 2006 and 2005 and as of March 31, 2005 with the SEC. As such, Falconbridge has not made a reconciliation of its Canadian GAAP interim financial data to U.S. GAAP publicly available. Falconbridge management provided to Phelps Dodge the non-public information required to produce a U.S. GAAP reconciliation of Falconbridge's March 31, 2006 and 2005 financial data for inclusion in the selected financial data table below.

You should read this selected historical financial data together with the financial statements that are incorporated by reference into this proxy statement and their accompanying notes.

	At or for the Three Months Ended March 31,		Year Ended December 31,				
	2006	2005(a)	2005	2004(a)	2003(a)	2002(a)	2001(a)
				(Restated)	(Restated)	(Restated)	(Restated)
	(\$ in millions, except per share amounts)						
Statement of Operations Data(b)							
Revenues	\$ 2,858	1,894	8,148	6,764	4,456	3,618	3,697
Operating expenses	\$ 2,119	1,435	6,328	5,373	4,047	3,448	3,592
Corporate and general administration	\$ 24	17	80	66	58	58	56
Interest expense	\$ 32	28	152	120	129	91	77
Income and production tax expense (recovery)	\$ 222	124	511	351	36	(141)	(99)
Income (loss) from continuing operations	\$ 462	184	880	594	33	(394)	(24)
	\$	(8)	(8)	(73)	(31)	(25)	(49)

Income (loss) from discontinued operations

Net income (loss)	\$ 462	176	872	521	2	(419)	(73)
Dividends per common share	\$ 0.10	0.10	0.40	0.37	0.46	0.51	0.52

	At or for the Three Months Ended March 31,			Year Ended December 31,			
	2006	2005(a)	2005	2004(a)	2003(a)	2002(a)	2001(a)
				(Restated)	(Restated)	(Restated)	(Restated)
	(\$ in millions, except per share amounts)						
Basic earnings (loss) per common share	\$ 1.23	0.58	2.52	1.71	(0.05)	(1.80)	(0.36)
Diluted earnings (loss) per common share	\$ 1.21	0.57	2.50	1.70	(0.05)	(1.80)	(0.36)

	At or for the Three Months Ended March 31,			Year Ended December 31,			
	2006	2005(a)	2005	2004(a)	2003(a)	2002(a)	2001(a)
	(\$ in millions, except per share amounts)						
Balance Sheet Data (at period end)(b)							
Working capital	\$ 1,536	1,595	1,557	1,433	1,051	610	552
Capital and other assets	\$ 8,819	6,354	8,817	6,360	5,943	5,507	6,070
Long-term debt	\$ 2,910	2,695	3,474	2,858	3,089	3,075	2,818
Common shares outstanding(c)	372	297	371	297	295	241	239

- (a) Effective January 1, 2005, Falconbridge retroactively adopted the amended standard CICA 3860 Financial Instruments Presentation and Disclosure. Comparative figures for the statement of operations data and the balance sheet data at and for the years ended December 31 for all periods presented have been adjusted to reflect this change in accounting policy under Canadian GAAP.
- (b) Falconbridge financial data is prepared in accordance with Canadian GAAP and presented in U.S. dollars.
- (c) The March 31, 2005, and December 31, 2004, through December 31, 2001, common shares outstanding have not been adjusted to reflect additional common shares issued in connection with the Noranda, Inc. merger.

The following table reconciles results as reported under Canadian GAAP with those that would have been reported under U.S. GAAP:

	Canadian GAAP	Three Months Ended March 31,		Year Ended December 31,				
		2006(b)	2005(b)	2005	2004(a)	2003(b)	2002(b)	2001(b)
(\$ in millions, except per share amounts)								
Net earnings (loss)	\$ 462	176	872	521	2	(419)	(73)	
Adjustment of certain financial instruments to market	(4)	1	6	(11)	(14)	12	36	
Start-up costs and exploration	(29)	(14)	(91)	(94)	(40)	(81)	(123)	
Amortization of start-up costs and exploration	2	1	6	7	14	(5)	1	
Recognition of asset impairment						232		
Pensions and post-employment benefits	1		2	(2)		(64)	(45)	
Stock options			(2)	(1)	(1)	(18)		
Asset retirement obligation						(48)	11	
Interest expense	3	3	13	11	9	2	2	
Purchase accounting	1		9					
Foreign exchange difference		(1)	(10)	11	2			
Tax effecting of adjustments	8	5	28	26	18	4	29	
Net earnings U.S. GAAP before cumulative effect of accounting change	\$ 444	171	833	468	(10)	(385)	(162)	
Net earnings U.S. GAAP	\$ 444	171	833	468	(37)	(385)	(162)	
Basic earnings per common share	\$ 1.18	0.57	2.34	1.50	(0.23)	(1.67)	(0.73)	
Diluted earnings per common share	\$ 1.17	0.56	2.32	1.48	(0.23)	(1.67)	(0.73)	

- (a) Effective January 1, 2005, Falconbridge retroactively adopted the amended standard CICA 3860 Financial Instruments Presentation and Disclosure. The reconciliation of net earnings from Canadian GAAP to U.S. GAAP for the year ended December 31, 2004, has been adjusted to reflect this change.
- (b) This information is not publicly available. Falconbridge management provided to Phelps Dodge the non-public information required to produce the data presented in the table for such periods.

SELECTED UNAUDITED PRO FORMA FINANCIAL DATA

The selected pro forma financial information presented below combines the historical balance sheets of Phelps Dodge with both Inco and Falconbridge and with Inco only for the periods presented, as if the combination had been consummated March 31, 2006, and combines the statements of income of Phelps Dodge with both Inco and Falconbridge and with Inco only for the year ended December 31, 2005, and the three months ended March 31, 2006, as if the combination had been consummated on January 1, 2005, in each case after giving effect to the combination and related transactions under the purchase method of accounting in accordance with accounting principles generally accepted in the United States (U.S. GAAP). The pro forma adjustments are described in the Notes to Unaudited Pro Forma Combined Financial Statements beginning on page 98 of this proxy statement. Shareholders are urged to read such Notes carefully. The selected pro forma combined financial information is not necessarily indicative of the operating results or financial position that would have occurred had the combination been consummated on the dates for which the consummation of the combination are being given effect, nor is it necessarily indicative of future operating results or financial position. See Unaudited Pro Forma Combined Financial Statements beginning on page 92 of this proxy statement.

Phelps Dodge Combines with Both Inco and Falconbridge

	Three Months Ended March 31, 2006	Year Ended December 31, 2005
	(\$ in millions, except per share data)	
Income Statement Information:		
Revenue	\$5,964	19,796
Earnings before extraordinary item and cumulative effect of accounting changes	\$ 770	2,367
Earnings per common share before extraordinary item and cumulative effect of accounting changes basic	\$ 1.53	4.75
Dividends declared per common share	\$ 2.19	3.13

March 31, 2006

	(\$ in millions, except per share data)	
Balance Sheet Information:		
Total assets		\$64,151
Long-term obligations		\$28,384
Shareholders' equity		\$28,905
Book value (per share)		\$ 59.63

Phelps Dodge Combines with Inco Only

	Three Months Ended March 31, 2006	Year Ended December 31, 2005
	(\$ in millions, except per share data)	

Income Statement Information:

Revenue	\$3,436	12,750
Earnings before extraordinary item and cumulative effect of accounting changes	\$ 501	2,035
Earnings per common share before extraordinary item and cumulative effect of accounting changes basic	\$ 1.39	5.74
Dividends declared per common share	\$ 2.19	3.13

March 31, 2006

**(\$ in millions,
except
per share data)**

Balance Sheet Information:

Total assets	\$34,384
Long-term obligations	\$11,791
Shareholders equity	\$17,810
Book value (per share)	\$ 51.92

UNAUDITED COMPARATIVE PER SHARE DATA

The following table presents historical per common share information for Phelps Dodge, Inco and Falconbridge, and the pro forma per common share data giving effect to the combination of Phelps Dodge, Inco and Falconbridge and of Phelps Dodge and Inco, for the three months ended March 31, 2006, and the year ended December 31, 2005. The pro forma combined per share information does not purport to represent what the combined financial position or results of operations would actually have been if the combinations had occurred at January 1, 2005, nor are they necessarily indicative of Phelps Dodge's future consolidated results of operations or financial position. The information tabled below should be read in conjunction with the historical financial statements of the combining corporations and the Selected Historical Financial Data of Phelps Dodge, Inco and Falconbridge beginning on page 16 of this proxy statement, and the Unaudited Pro Forma Combined Financial Statements beginning on page 92 of this proxy statement.

	At or for the Three Months Ended March 31, 2006	Year Ended December 31, 2005
Per common share:		
Historical:		
Phelps Dodge(1)		
Book value(2)	\$27.42	27.57
Income from continuing operations		
Basic	\$ 1.73	8.06
Diluted	\$ 1.72	7.82
Cash dividends(3)	\$ 2.19	3.13
Inco		
Book value(2)	\$15.60	15.08
Income from continuing operations		
Basic	\$ 0.99	3.32
Diluted	\$ 0.86	2.87
Cash dividends	\$0.125	0.30
Falconbridge		
Book value(4)		13.19
Income from continuing operations		
Basic(4)	\$ 1.18	2.34
Diluted(4)	\$ 1.17	2.32
Cash dividends(5)	\$ 0.10	0.40
Pro forma:		
Combined Phelps Dodge, Inco and Falconbridge		
Book value(2),(6)	\$59.63	N/A
Income from continuing operations		
Basic	\$ 1.53	4.75
Diluted	\$ 1.52	4.68
Cash dividends(7)	\$ 2.19	3.13
Combined Phelps Dodge and Inco		
Book value(2),(6)	\$51.92	N/A
Income from continuing operations		
Basic	\$ 1.39	5.74
Diluted	\$ 1.38	5.63

Cash dividends(7)	\$ 2.19	3.13
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	At or for the Three Months Ended March 31, 2006	Year Ended December 31, 2005
Equivalent Inco and Falconbridge(8)		
Book value	\$40.07	N/A
Income (loss) from continuing operations		
Basic	\$ 1.03	3.19
Diluted	\$ 1.02	3.14
Cash dividends	\$ 1.47	2.10
Equivalent Inco(9)		
Book value	\$34.89	N/A
Income (loss) from continuing operations		
Basic	\$ 0.93	3.86
Diluted	\$ 0.93	3.78
Cash dividends	\$ 1.47	2.10

- (1) Phelps Dodge per share information based on post-split number of shares. See Phelps Dodge's audited consolidated financial statements for year ended December 31, 2005, in particular, Note 24, incorporated by reference into this proxy statement.
- (2) Book value per share is determined at March 31, 2006, and December 31, 2005, under U.S. GAAP.
- (3) All periods presented reflect post-split cash dividends per common share.
- (4) This information is not publicly available after the merger of Falconbridge and Noranda Inc. Falconbridge management provided to Phelps Dodge the non-public information required to produce a U.S. GAAP reconciliation of Falconbridge's March 31, 2006 and 2005, net earnings and earnings per share data for inclusion in the comparative per share data above.
- (5) Cash dividends were declared in Canadian dollars and have been adjusted to U.S. dollars, rounded to the nearest whole cent, based on the Federal Reserve Bank of New York noon buying rate on the payable date or, if data was not available for that particular day, the last day for which data was available prior to the payable date.
- (6) Pro forma equity is not publicly available as of December 31, 2005.
- (7) Pro forma cash dividends are based solely on historical post-split dividends per share for Phelps Dodge.
- (8) The equivalent Inco and Falconbridge amounts are calculated by multiplying the combined Phelps Dodge, Inco and Falconbridge by an assumed exchange ratio of 0.672 which represents the exchange ratio that would have applied if the proposed transaction had been consummated June 23, 2006.
- (9) The equivalent Inco amounts are calculated by multiplying the combined Phelps Dodge and Inco by an assumed exchange ratio of 0.672 which represents the exchange ratio that would have applied if the proposed transaction had been consummated on June 23, 2006.

COMPARATIVE PER SHARE DIVIDEND INFORMATION

The table below sets forth, for the calendar quarters indicated, the dividends declared on Phelps Dodge, Inco and Falconbridge common shares.

	Phelps Dodge Common Shares Dividends(a)	Inco Common Shares Dividends	Falconbridge Common Shares Dividends(b)
2001			
First Quarter	\$0.2500	\$	\$0.128
Second Quarter	0.0625		0.131
Third Quarter	0.0625		0.128
Fourth Quarter			0.128
2002			
First Quarter	\$	\$	\$0.255
Second Quarter			
Third Quarter			0.126
Fourth Quarter			0.128
2003			
First Quarter	\$	\$	\$0.285
Second Quarter			
Third Quarter			0.088
Fourth Quarter			0.091
2004			
First Quarter	\$	\$	\$0.090
Second Quarter	0.1250		0.088
Third Quarter			0.092
Fourth Quarter	0.1250		0.098
2005			
First Quarter	\$0.1250	\$	\$0.100
Second Quarter	0.3125	0.100	0.094
Third Quarter		0.100	0.101
Fourth Quarter	2.6875	0.100	0.104
2006 (through July 4, 2006)			
First Quarter	\$2.1875	\$0.125	\$0.104
Second Quarter	2.2000		0.107

(a) All periods presented reflect post-split dividends per common share.

(b) Falconbridge dividends per quarter were based on record date and converted to U.S. dollars at payable date.

RISK FACTORS

You should carefully consider the following risk factors, as well as the other information contained in this proxy statement, in evaluating whether to approve the charter amendment proposal and the share issuance proposal. In particular, we direct your attention to the risk factors and cautionary statements incorporated by reference into this proxy statement from public filings made by Phelps Dodge, Inco and Falconbridge. See Where You Can Find More Information and Incorporation By Reference beginning on page 120 of this proxy statement.

We may not realize the operating and other synergies, cost savings and other benefits currently anticipated due to challenges associated with integrating the operations, technologies and personnel of Phelps Dodge and Inco and, if applicable, Falconbridge.

The success of the combination transaction will be dependent in large part on the success of the management of the combined company in integrating the operations, technologies and personnel of the combined company following the combination transaction. The failure of the combined company to successfully integrate the operations of Phelps Dodge with Inco and, if we combine with both Inco and Falconbridge, those of Inco with Falconbridge, or otherwise to realize any of the anticipated benefits of the combination transaction, could impair the results of operations, profitability and financial results of the combined company. In particular, a failure to realize increased earnings, cost savings and enhanced growth opportunities described elsewhere in this proxy statement could have a material adverse effect on the combined company's results of operations.

Realization of the anticipated benefits of the combination will depend in part on whether our, Inco's and, if applicable, Falconbridge's operations, systems and personnel can be integrated in an efficient and effective manner. In particular, if we combine with both Inco and Falconbridge, any failure to integrate the operations, systems and personnel of Inco and Falconbridge, particularly those in Sudbury, Canada, could have a material adverse effect on our ability to realize the anticipated benefits of a combination with both Inco and Falconbridge. In addition, realization of these anticipated benefits may depend, in part, on the timing and manner of completion of a subsequent acquisition transaction between Phelps Dodge and Inco's shareholders. Moreover, the overall integration of the companies may result in unanticipated operations problems, expenses and liabilities and diversion of management's attention.

As a result of these and other factors, it is possible that the synergies and cost reductions expected from the combination transaction will not be realized. In addition, such synergies assume certain realized long-term metals prices. If actual prices are below such assumed prices, that could adversely affect the synergies to be realized.

The value of your shares of Phelps Dodge common stock may be adversely affected by any inability of the combined company to achieve the benefits expected to result from the completion of the combination.

Achieving the benefits of the combination will depend in part upon meeting the challenges inherent in the successful combination of business enterprises of the size and scope of Phelps Dodge and Inco and Falconbridge, if applicable, and the possible resulting diversion of management attention for an extended period of time. There can be no assurance that we will meet these challenges and that such diversion will not negatively impact the operations of the combined company following the combination.

The closing of the combination is conditioned upon, among other things, the receipt of consents and approvals from governments that could delay completion of the combination or impose conditions on the companies that could result in an adverse effect on the business or financial condition of the combined company.

Completion of the combination is conditioned upon the expiration or termination of the applicable waiting period under the HSR Act, the expiration or termination of the applicable waiting period under the Council Regulation, receipt of the Competition Act Approval and receipt of the Investment Canada Act Approval. A substantial delay in obtaining satisfactory approvals or the imposition of unfavorable

terms or conditions in the approvals could have an adverse effect on the business, financial condition or results of operations of the combined company.

Certain jurisdictions throughout the world could claim jurisdiction under their competition or antitrust laws in respect of acquisitions or mergers that have the potential to affect their domestic marketplace. Although we do not currently anticipate that there will be any investigations or proceedings in any jurisdiction that would have a material impact on the completion of the combination or the operations of the combined company, there can be no assurance that such investigations or proceedings, whether by governmental authorities or private parties, will not be initiated and, if initiated, will not have a material adverse impact on the completion of the combination or the operations of the combined company.

We may not realize the benefits of the combined company's growth projects.

As part of its strategy, the combined company will continue existing efforts and initiate new efforts to develop new copper, nickel and other projects and will have a larger number of such projects as a result of the combination. A number of risks and uncertainties are associated with the development of these types of projects, including political, regulatory, design, construction, labor, operating, technical and technological risks, uncertainties relating to capital and other costs and financing risks. The failure to successfully develop any of these initiatives could have a material adverse effect on the combined company's financial position and results of operations.

The combined company may not meet key production and other cost estimates.

A decrease in the amount of, and a change in the timing of the production outlook for, the metals the combined company will be producing, in particular copper and nickel, will directly impact the amount and timing of the combined company's cash flow from operations. The actual impact of such a decrease on the combined company's cash flow from operations would depend on the timing of any changes in production and on actual prices and costs. Any change in the timing of these projected cash flows that would occur due to production shortfalls or labor disruptions would, in turn, result in delays in receipt of such cash flows and in using such cash to reduce debt levels and may require additional borrowings to fund capital expenditures, including capital for the combined company's development projects, in the future. Any such financing requirements could adversely affect the combined company's credit ratings and its ability to access the capital markets in the future to meet any external financing requirements or increase its debt financing costs. In addition, a number of these and other developments or events, including changes in credit terms, product mix, demand for the combined company's products and production disruptions, could make historic trends in Phelps Dodge's and Inco's and, if applicable, Falconbridge's cash flows lose their predictive value.

The level of production and capital and operating cost estimates relating to growth projects, which are used in establishing ore/mineral reserve estimates for determining and obtaining financing and other purposes, are based on certain assumptions and are inherently subject to significant uncertainties. It is very likely that actual results for the combined company's projects will differ from current estimates and assumptions, and these differences may be material. In addition, experience from actual mining or processing operations may identify new or unexpected conditions that could reduce production below, and/or increase capital and/or operating costs above, current estimates. If actual results are less favorable than currently estimated, the combined company's business, results of operations, financial condition and liquidity could be materially adversely affected.

The pro forma combined company's indebtedness following the completion of the combination will be higher than Phelps Dodge's and Inco's and, if applicable, Falconbridge's existing combined indebtedness. This increased level of indebtedness could adversely affect the combined company in many ways, including reducing funds available for other business purposes.

The total combined indebtedness of Phelps Dodge and Inco as of March 31, 2006, was \$3.0 billion, and the total combined indebtedness of Phelps Dodge, Inco and Falconbridge as of March 31, 2006 was \$6.6 billion. The combined company's approximate pro forma indebtedness as of March 31, 2006, after

giving effect to a combination of Phelps Dodge with Inco would have been approximately \$4.3 billion. The combined company's pro forma indebtedness as of March 31, 2006, after giving effect to a combination of Phelps Dodge with both Inco and Falconbridge, would have been approximately \$22 billion assuming, among other things, that Phelps Dodge draws down the entire \$5.0 billion under its three-year multiple draw facility in connection with its share repurchase program and/or the purchase of 8% convertible subordinated notes of Inco due April 1, 2012. Should any existing or future third-party bidder offer to purchase either or both of Inco and/or Falconbridge, we may incur additional indebtedness in order to increase the consideration we offer and pay to Inco shareholders. In addition, the cash consideration Phelps Dodge has offered to pay to Inco shareholders under the combination agreement is denominated in Canadian dollars while Phelps Dodge's financing for the combination under its new credit facilities will be denominated in U.S. dollars. To the extent that the Canadian dollar appreciates in value against the U.S. dollar prior to the close of the combination, Phelps Dodge may need to secure additional debt financing to cover the increased value of the cash consideration resulting from any such exchange rate movement if it is unable to implement effective exchange rate protection measures or cash-on-hand or other financing sources are insufficient. As a result of the increase in debt resulting from either combination transaction, demands on the combined company's resources would increase after such transaction. The increased levels of indebtedness could reduce funds available to the combined company for growth projects and maintenance of current production and mining operations or create competitive disadvantages for the combined company compared with other companies with lower debt levels. In addition, although we intend to refinance any debt incurred under the \$8.5 billion 12-month credit facility and the \$5.0 billion three-year credit facility in amounts then outstanding by accessing the capital markets in one or more public offerings of debt securities at appropriate times following completion of the combination, there can be no assurance that we will be able to refinance the debt on favorable terms or at all. Any such failure to refinance the debt could have a material adverse impact on the combined company's results of operations and liquidity.

Up to \$17.5 billion of the new debt expected to be incurred under Phelps Dodge's new