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**CIRCULAR**  
June 29, 2006

**ANTICIPATED CONTRACT ADJUSTMENT**  
**Inco Limited (N) – Phelps Dodge Corporation**  
**Plan of arrangement**

**THE FOLLOWING INFORMATION IS PREPARED FOR THE CONVENIENCE OF CANADIAN DERIVATIVES CLEARING CORPORATION (CDCC) MEMBERS AND BOURSE DE MONTRÉAL INC. (THE BOURSE) APPROVED PARTICIPANTS. THIS DOCUMENT IS AN UNOFFICIAL SUMMARY OF CERTAIN TERMS OF THE AFOREMENTIONED ADJUSTMENT. CDCC AND THE BOURSE ACCEPT NO RESPONSIBILITY FOR THE ACCURACY OR COMPLETENESS OF THE SUMMARY.**

The Bourse and CDCC wish to inform you that Inco Limited (Inco) and Phelps Dodge Corporation (Phelps Dodge) announced on June 26, 2006 their intention to merge in a proposed 3-way combination including the merger of Falconbridge Limited (Falconbridge) and Inco.

Inco and Phelps Dodge would amalgamate pursuant to a proposed plan of arrangement to be voted by both companies' respective shareholders. Under the plan of arrangement, Inco shareholders would receive Cdn \$17.50 in cash and 0.6720 of a Phelps Dodge common share for each of their common share of Inco. The completion of the arrangement is subject to various conditions.

Upon completion of the Phelps-Inco combination, shareholders of Falconbridge who have received Inco common shares in the Inco-Falconbridge transaction will be entitled to receive for those common shares the same package of cash and Phelps Dodge common shares as will other Inco shareholders.

The transaction between Phelps Dodge and Inco is not conditional upon the completion of the Inco-Falconbridge transaction. Thus, in the event that the Inco-Falconbridge merger is not completed, Inco shareholders will receive the same Cdn \$17.50 in cash and 0.6720 of a Phelps Dodge common share for each Inco common share. The transaction which is subject to Phelps Dodge and Inco shareholders' approval and to regulatory approvals, is expected to close in September 2006.

**PLEASE ENSURE THAT ALL CLIENTS WHO HAVE EITHER LONG OR SHORT POSITIONS IN THESE OPTION CLASSES ARE ADVISED OF THIS NOTICE.**

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