FORM 51-102F3
MATERIAL CHANGE REPORT

1. Name and Address of Company

Inco Limited
145 King Street West
Suite 1500
Toronto, Ontario
M5H 4B7

2. Date of Material Change

September 5, 2006

3. News Release

A press release with respect to the material change referred to in this report was issued by Inco Limited ("Inco") on September 5, 2006 through the facilities of Canada Newswire and filed on the System for Electronic Document Analysis and Retrieval ("SEDAR").

4. Summary of Material Change

On September 5, 2006, Inco and Phelps Dodge Corporation ("Phelps Dodge") entered into an agreement (the "Termination Agreement") in which they agreed to terminate the combination agreement between Inco and Phelps Dodge dated as of June 25, 2006, as subsequently amended by a waiver and amendment to the combination agreement dated as of July 16, 2006 (as amended, the "Combination Agreement"). As a result of the termination of the Combination Agreement, the special meeting of Inco shareholders called for September 7, 2006 to consider the proposed arrangement with Phelps Dodge has been cancelled. Pursuant to the Termination Agreement and consistent with the terms of the Combination Agreement, Inco today is paying Phelps Dodge US$125 million as a termination fee and has agreed that if an "Italy Competing Proposal" (as such term is defined in the Combination Agreement) is consummated on or prior to September 7, 2007, Inco will pay Phelps Dodge, within one business day after demand by Phelps Dodge, a further US$350 million.

5. Full Description of Material Change

On September 5, 2006, Inco and Phelps Dodge entered into the Termination Agreement in which they agreed to terminate the Combination Agreement. As a result of the termination of the Combination Agreement, the special meeting of Inco shareholders called for September 7, 2006 to consider the proposed arrangement with Phelps Dodge has been cancelled. Pursuant to the Termination Agreement and consistent with the terms of the Combination Agreement, Inco today is paying Phelps Dodge US$125 million as a termination fee and has agreed that if an "Italy Competing Proposal" (as such term is defined in the Combination Agreement) is consummated on or prior to September 7, 2007, Inco will pay Phelps Dodge, within one business day after demand by Phelps Dodge, a further US$350 million.

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The foregoing descriptions of the Termination Agreement and the Combination Agreement, respectively, do not purport to be complete and are qualified in their entirety by reference to the Termination Agreement and the Combination Agreement, respectively, each of which has been filed separately as a material document on SEDAR.

6. Reliance on Subsection 7.1(2) or (3) of National Instrument 51-102

Not applicable.

7. Omitted Information

Not applicable.

8. Executive Officer

For further information, Simon A. Fish, Executive Vice President, General Counsel and Secretary of Inco may be contacted at (416) 361-7511.

9. Date of Report

September 5, 2006