

2004 SOCIAL RESPONSIBILITY REPORT



**VOISEY'S BAY NICKEL
COMPANY LIMITED**

A subsidiary of Inco Limited

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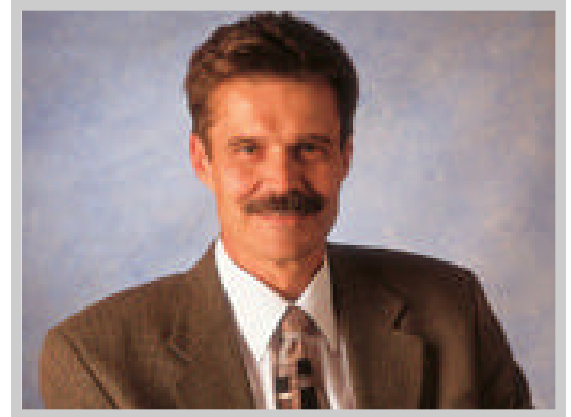
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A Message to Stakeholders

2004 was a year of achievement for Voisey's Bay Nickel Company Limited. We met all of our engineering and construction goals at the mine and concentrator and hydromet demonstration plant construction sites. But most importantly we worked safely and responsibly throughout the year. Our vision is to become the world's leading nickel producer, while caring for the environment and our people. Achieving this vision means developing the project in a way that minimizes its environmental impact and ensures the safety of all employees and contractors. It also means investing and partnering in the communities in which we operate by providing employment and business opportunities, philanthropic contributions and sponsorships.



This report, our second annual social responsibility report, is intended to keep you, our stakeholders, informed of the progress we are making in developing the Voisey's Bay project. It outlines the benefits the project is bringing to Newfoundland and Labrador as a result of the significant capital expenditures during the construction phase of the project, investments we are making in training programs to prepare our permanent workforce, employment and procurement expenditures, taxation and royalty payments to governments, and contributions to community-based initiatives in the province.

In all of our activities, we worked in partnership with many community groups, aboriginal groups and all levels government throughout the year to achieve our mutual goals. We believe that working together we can help with the development of communities that have the capacity and the capability to sustain themselves well beyond the life of this project. I invite you to read through this report and to learn more about our contribution to Newfoundland and Labrador in 2004.

Phil du Toit
Managing Director

** All figures as of December 31, 2004 - All figures are in CDN dollars unless otherwise stated*





Performance Highlights

In 2004 Voisey's Bay Nickel Company Limited (VBNC) made significant progress in developing the Voisey's Bay project. Over the course of the year, we advanced the construction phase of the project to such an extent that we were able to move the project's operational startup ahead by about six months. This is a major accomplishment that VBNC's Managing Director Phil du Toit says is largely due to the hard work and dedication of everyone involved in the project.

"We've had great productivity from our workforce in Labrador and on the Island. We made a major effort to get equipment and materials to site in late 2003 before winter moved in and as a result we were able to get our 2004 construction campaign going sooner in Labrador than originally planned," says du Toit. "We were also able to make great strides on our Hydrometallurgical Technology Research and Development (R&D) program."

The mini-pilot plant finished its ninth and final integrated campaign in October 2004. The completion of the mini-plant program marked a significant milestone for the R&D program, which began in October 2003. We were able to use the information gathered from the mini-pilot plant to finalize the process engineering, design, and major equipment procurement for the hydromet demonstration plant.

Our accomplishments in 2004 are a testament to the efforts and hard work of the more than 3,200 people who were working on all facets of the project during the year. Our achievement also reflects our successful partnerships with the aboriginal peoples of Labrador as well as the government and people of Newfoundland and Labrador in areas including research and development, employment and training and environmental stewardship. Contract and procurement awards on the project in 2004 total more than \$348 million, bringing our total contract and procurement awards on the project to date to more than \$800 million, of which 83% was awarded to Newfoundland and Labrador companies.



** All figures as of December 31, 2004 - All figures are in CDN dollars unless otherwise stated*





Performance Highlights

2004 Performance Highlights

Mine and Concentrator

- Completed construction of concentrator building
- Began construction of permanent accommodations and services complex
- Began pre-stripping the Ovoid
- Installed main power plant
- Commenced installation of mechanical, electrical, piping and control systems
- At year end construction was 74% complete

Hydromet Demonstration Plant

- Completed detailed engineering for hydromet demonstration plant at Argentia
- Negotiated collective agreement with the Resource Development Council that ensures residents of the local area have priority for employment at the construction site
- Built and enclosed the process building
- Upgraded water and sewer infrastructure
- Constructed sewage treatment plant
- Began installing mechanical, electrical, piping and instrumentation control systems
- Began construction of residue storage ponds and fire and process water pumphouse



Innovation Centre

- Completed demolition and installation of foundations and structural steel
- Awarded general contract for architectural, mechanical and electrical systems and interior fit-up to Marco Services Limited
- Completed 80% construction by year-end

Continuing Innovation

As part of its program to maximize opportunities for Newfoundlanders and Labradorians, Inco pledged a total of \$20 million to Memorial University to develop and operate an Innovation Centre located at the university. The Centre, expected to be completed in 2005, will allow Memorial's scientists, engineers and senior students to develop leading-edge technologies to support advanced exploration techniques for orebody discovery and delineation. It will also serve as a centre of excellence for the development of mineral processing technologies based upon hydrometallurgical techniques and for applied environmental studies.



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Expenditure Summary

The Voisey's Bay project is bringing considerable benefits to Newfoundland and Labrador. In 2004, we employed more than 3,200 people on all aspects of the project and paid \$192 million in wages, salaries and benefits. Additionally, we invested a significant sum in capital expenditures. Last year, our expenditures related to engineering, planning and procurement to support the mine and concentrator site in Labrador and construction of the demonstration facility at Argentia. Total expenditures in 2004 were \$566 million.

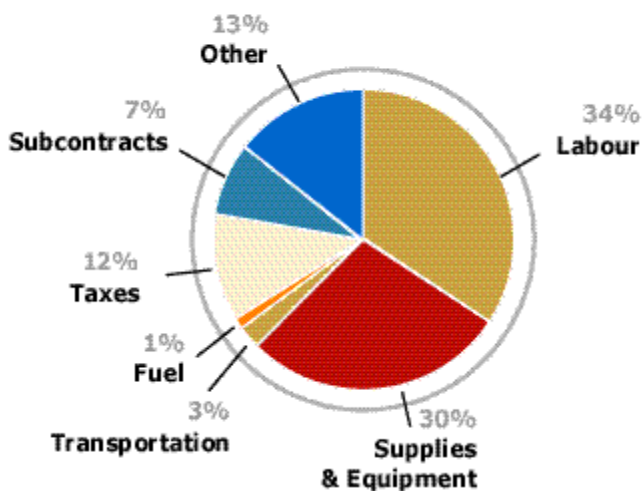
At the mine site, infrastructure spending was directed to completing construction of the concentrator building, the port facility and the accommodations and services complex. At Argentia, expenditures were in support of completing detailed engineering for the hydromet demonstration plant, upgrading water and sewer infrastructure and constructing the process building and other supporting infrastructure.

2004 Summary of Expenditures

Goods and Commercial Services (in CDN\$ millions)

Location	Labour	Supplies & Equipment	Transportation	Fuel	Taxes	Subcontracts	Other	Subtotal
Labrador	122	91	12	4	40	3	43	315
Newfoundland	30	40	2	1	15	9	19	116
Other	40	39	1	0	13	26	14	135
Total	192	170	15	5	68	38	76	566

2004 Expenditure Summary



About 79 per cent of the project's total labour expenditures were made in Newfoundland and Labrador. Expenditures on industrial supplies, consumables and equipment totaled approximately \$431 million during the year and accounted for 30 per cent of total VBNC expenditures. These purchases supported construction activities in Voisey's Bay and Argentia and administrative support for the project.

Tax payments totaled \$69 million during the year and accounted for 12 per cent of all project expenditures in 2004. Subcontracts for such things as leased equipment, cleaning services and minor construction contacts, which were awarded primarily to aboriginal businesses, accounted for about 7 per cent of expenditures. Miscellaneous costs accounted for approximately 13 per cent of total expenditures during the year, including overhead charges, insurance and telecommunications.

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Maximizing Participation Through Employment

We are committed to ensuring that Newfoundlanders and Labradorians are the primary beneficiaries of the Voisey's Bay project. Our efforts to maximize opportunities for residents of the province have been an integral part of the way we have been managing our activities since the earliest stages of the project's development. The various agreements that VBNC has with Labrador Inuit Association (LIA), Innu Nation and the Government of Newfoundland and Labrador outline our employment commitments. To help make those commitments a reality, we are proactive in maximizing employment opportunities.



During 2004, our Innu and Inuit Employment Coordinators continued to travel to communities in Labrador to raise awareness of employment opportunities at Voisey's Bay. "Through the year, we made regular visits to all of the communities on the North Coast," says Tom Paddon, Manager of Aboriginal Affairs and Labrador Human Resources at VBNC. "As well as telling people about what jobs were available, we counseled individuals about how to write a resumé and how to apply for a job. We also visited a number of schools to encourage young people to stay in school."

The collective agreement between VBNC and the Resource Development Council on construction activities at the mine and concentrator site in Labrador demonstrates the scope of our commitments to Innu Nation and LIA and to other Newfoundland and Labrador residents and ensures that these commitments are met. This collective agreement is producing good results for Aboriginal peoples, and for the residents of Labrador and Newfoundland.

The agreement allows for a set of hiring guidelines developed with the support of the Resource Development Council (RDC) and its member unions. The hiring guidelines are very straightforward. When a contractor is hiring personnel at the mine and concentrator site they will hire in the following order:

- First preference to qualified members of LIA and Innu Nation who are members of a union;
- Second preference to qualified members of LIA and Innu Nation who are not members of a union;
- Third preference to qualified residents of Labrador who are union members;
- Fourth preference to qualified residents of Labrador who are not members of a union; and
- Fifth preference to qualified union members from the Island part of the province.

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Maximizing Participation Through Employment

We are also committed to hiring as many aboriginal people and residents of Newfoundland and Labrador as possible as we move from the construction to operations phase of the project. With this goal in mind, the operations team for VBNC's mine and concentrator visited a number of communities in Labrador, including Happy Valley-Goose Bay, Labrador City, Sheshatshui, North West River, Nain and Wabush in 2004. Says Bob Cooper, General Manager of the Mine and Concentrator, "As well as familiarizing the operations team with the area, the purpose of the trip was to outline employment and business opportunities to interested community members."



At Argentia, VBNC started negotiations with the Resource Development Council (RDC) in March 2004 to determine whether a collective agreement could be negotiated with the Building Trades Council to provide skilled trades to construct the demonstration plant at Argentia. These negotiations were successfully concluded in May 2004 and a collective agreement was signed which allowed construction at the demonstration plant site to begin early in May. The agreement covering construction activity in Argentia, much like the agreement developed for our construction program in Labrador, gives priority for employment at the construction site to residents of the local area who are either members of a Building Trades union or who have the qualifications necessary to join a union.

Contractors have sole discretion to determine the qualifications of personnel they need to meet their contractual obligations. However, when a contractor accepts a construction contract to work at Voisey's Bay or the hydromet demonstration plant site, they have agreed to follow the hiring guidelines.

As part of our commitment to transparency, we submit monthly and quarterly reports to the Government of Newfoundland and Labrador on employment generated by all aspects of the project to help facilitate the communication of information to community stakeholders. We also provide the provincial government with information on expenditures and procurement awards. As part of our agreement with LIA and Innu Nation, we provide information similar in nature to that provided to the province on a regular basis.

We established an Aboriginal Affairs and Labrador Human Resources Office in Goose Bay, Labrador, with a staff of six people including an Innu employment coordinator and an Inuit employment coordinator. These individuals facilitate hiring of Aboriginal peoples and provide access to information about the project to local residents. In Placentia, we opened an information office to keep local residents up to date on what is happening with the hydromet demonstration plant and provide a venue for local residents to ask questions about employment and procurement opportunities available. Both offices allow us to be proactive in our effort to maximize employment opportunities for local residents and ensure that the lines of communication between VBNC and local residents are always open.

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Maximizing Participation Through Employment

Employment by Work Location and Residence

In 2004, more than 3,200 people were employed on various components of the project. Our workforce included approximately 2,900 people working in Newfoundland and Labrador, of which over 2,500 were residents of Newfoundland and Labrador. Of those employed on the project in Labrador, 590 were either Innu or Inuit. Although there will be a considerable reduction in the number of available jobs as we move from construction to the operational phase of the project in 2005, our aim is to maximize employment opportunities for aboriginals and provincial residents as we move forward.



Direct Employment by Work Location

Employee Group	Labrador			Newfoundland			Total NL	Other			Grand Total
	M	F	Total	M	F	Total		M	F	Total	
Innu	129	80	209	0	0	0	209	0	0	0	209
Inuit	324	57	381	2	0	2	383	0	0	0	383
Other	1813	63	1876	286	87	373	2249	347	75	422	2671
Total	2266	200	2466	288	87	375	2841	347	75	422	3263

A detailed demographic breakdown, including job category, work location, residence and gender, is also provided below. Approximately 90 per cent of the workforce in Labrador and in Newfoundland were provincial residents

Direct Employment by Category and Work Location

Category	Labrador			Newfoundland			Other		
	M	F	Total	M	F	Total	M	F	Total
Administration	53	36	89	62	61	123	32	19	51
Construction Management	158	8	166	24	0	24	23	1	24
EHS	29	8	37	3	4	7	2	1	3
Engineering	67	1	68	84	20	104	282	53	335
Exploration	41	4	45	6	0	6	4	1	5
Misc	11	0	11	7	0	7	0	0	0
Trades	1907	143	2050	102	2	104	4	0	4
Total	2266	200	2466	288	87	375	347	75	422

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Maximizing Participation Through Employment

Direct Employment by Category and Residence

Category	Labrador			Newfoundland			Other		
	M	F	Total	M	F	Total	M	F	Total
Administration	19	31	50	69	55	124	59	30	89
Construction Management	14	1	15	65	3	68	126	5	131
EHS	8	4	12	17	6	23	9	3	12
Engineering	12	2	14	81	15	96	340	57	397
Exploration	12	1	13	25	3	28	14	1	15
Misc	12	0	12	6	0	6	0	0	0
Trades	740	122	862	1210	19	1229	63	4	67
Total	817	161	978	1473	101	1574	611	100	711

Advancing Gender Diversity

As part of our human resources planning efforts, we are implementing a variety of innovative initiatives aimed at increasing the participation of women on the Voisey's Bay project. Our Women's Employment Plan has established specific employment targets for women in both Labrador and Argentina.

In 2004, we partnered with a number of organizations to encourage the participation of women in non-traditional occupations. For example, we funded a program provided by the non-profit group, Techsploration, which encouraged Grade 9 students, particularly young women, to explore careers in science and technology. We are also building a women's mentoring network, ensuring that a number of the scholarships we provide go to women and that women have representation on our workplace committees.



"I'm a perfect example of Inco's commitment to women employees," says Lela Evans, an Inuit woman from Labrador who was hired as an Environmental Monitor and is now Environment, Health and Safety Coordinator at VBNC. "Inco isn't just saying it welcomes women, it's proving it." As well, we continue to insist upon a workplace that is respectful of both genders and all cultures. As part of that initiative, every employee participates in gender sensitivity training. We additionally have developed a zero tolerance program regarding the harassment of women, which applies to both VBNC and contractor employees. Last year, two employees working for contractors had their site privileges revoked for violating this policy.

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Maximizing Participation Through Employment

Preparing for Operations

Production at the mine and concentrator is expected to begin in August 2005 and first concentrate shipment from Voisey's Bay is expected in November 2005. This means a main focus of 2005 will be recruiting individuals to fill the 400 positions at the mine and concentrator site and 150 positions at the demonstration plant site. In preparation for hiring, a detailed process was put in place to identify potential candidates for both the mine and concentrator and the hydromet demonstration plant at Argentia in 2004.

For the mine and concentrator, our human resources team worked with VBNC's Aboriginal Employment Coordinators and Labrador and Aboriginal Affairs team as well as representatives of LIA and Innu Nation to begin the process of identifying potential employees. We also made use of the Labrador Skills Inventory, a database of resumés of residents of Labrador, as well as VBNC's master database that includes every resumé VBNC has ever received. The master database contains over 12,000 resumés.

To prepare for operation of the hydromet demonstration plant we reinforced our relationship with College of the North Atlantic (CNA), which has campuses throughout Newfoundland and Labrador, by committing \$50,000 to create scholarships for technology students. Over the next two years, 25 third-year students enrolled in nine different technology programs will have a chance to receive these awards. As part of the package, recipients will be exposed to employment opportunities at the Argentia hydromet demonstration plant upon graduation. CNA President Pamela Walsh, for one, is extremely pleased with our decision to provide these awards. "We are delighted to be able to offer a significant number of students \$2,000 scholarships," she says. "To add employment opportunities on top of that extends the benefit to our students. It's a fantastic model."

VBNC has also been holding job information workshops, attending career fairs and developing supporting material to increase awareness of the types of positions that will be needed when the project moves into operations. To ensure that the public is aware of all opportunities that are available, we additionally supported the recruitment effort by advertising all positions on our web site and in local newspapers. (See Developing our Workforce section for additional information on preparing for operations).



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Providing Opportunities for Local Businesses

From the outset of this project, we have recognized the need to establish a procurement and contracting philosophy that balances our need to receive the best-value on the goods and services we purchase with our goal of maximizing opportunities for companies in Newfoundland and Labrador. We also knew there were long term benefits associated with having a strong base of local suppliers that could support the Company once operations begin.

At Argentia, for example, we identified a need for a considerable number of fiberglass reinforced plastic (FRP) tanks for use in the hydromet demonstration plant. FRP tanks are necessary because of the corrosive nature of the chemicals used in the hydromet process, but none of the companies who made fiberglass products in the province were familiar with the kind of tanks we required. We expressed our interest in expanding the capacity of local suppliers to make the FRP tanks to the Government of Newfoundland and Labrador. In response, Government engaged a consultant to provide technical support to local fiberglass manufacturers. As a result, VBNC used the three provincial suppliers to manufacture most of the FRP tanks for the hydromet demonstration plant.

In Labrador, we recognize the importance of working closely with Innu Nation and Labrador Inuit Association to see that Aboriginal businesses develop the business skills and technical expertise necessary to capitalize on opportunities presented by the construction and operations phases of the mine and concentrator project. We believe that having such a capability developed within Aboriginal businesses is a key ingredient in improving long-term sustainability of the communities in which those businesses operate.

To that end, we developed a process governing how suppliers are selected to provide goods and services that is aimed at maximizing the participation of businesses in Newfoundland and Labrador. By the end of 2004, VBNC had committed \$810 million in procurement for the Voisey's Bay project. Of this amount, \$672 million went to Newfoundland and Labrador companies, including \$496 million to aboriginal businesses. Specifically, contracts were awarded to companies supplying services such as surveying, quality assurance and laboratory testing, catering and housekeeping, site security, fixed wing and helicopter transport, marine transportation, exploration drilling and civil construction.

Distribution of Contract and Procurement Awards
Project to Date

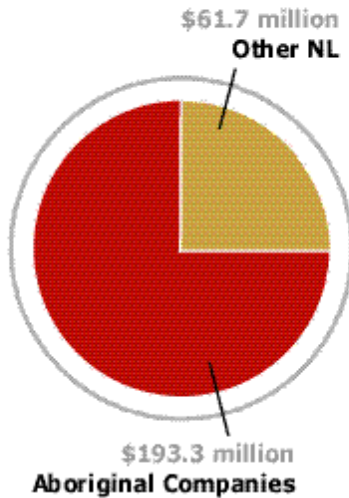


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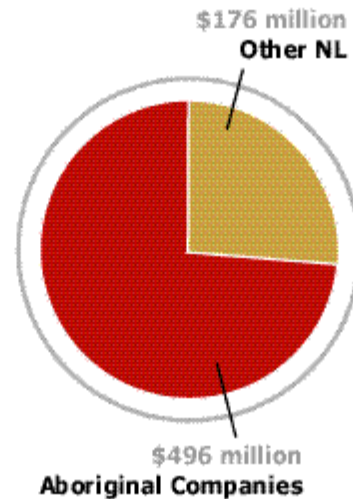


Providing Opportunities for Local Businesses

Distribution of Contract and Procurement Awards to Newfoundland and Labrador Companies - 2004



Distribution of Contract and Procurement Awards to Newfoundland and Labrador Companies Project to Date



Supplier Profile: Aivek Holdings

"It's a big opportunity for us – an opportunity to grow," says Wayne Jenkins, Chief Operating Officer at Aivek Holdings Inc. Jenkins, who along with his wife Elsie, a member of the Labrador Inuit Association, owns the Nain-based Aivek, is referring to a recent contract VBNC awarded to his company. Under the terms of the contract, Aivek, in partnership with Boart Longyear, an international supplier of products, systems and services to the natural resource industry, will conduct diamond drilling exploration for VBNC. Aivek has been providing transport and labour services to VBNC since 1995, a partnership that has enabled the family business to expand from a seasonal to a year-round operation and to increase its employee roster. "This year, we employed 24 people – a significant number in a town with a population of 1,300," says Jenkins. As a result of the new drilling contract, Aivek will add an additional four to six workers to its payroll over the coming year. "Providing individuals not only with jobs but also with training and skills is very good for our community," says Jenkins. "We are stronger as a result."

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Providing Opportunities for Local Businesses

Supplier Profile: Metal World

It's been 15 years since Metal World opened its first fabrication shop – a modest 8,000 square foot shop located in the West End of St. John's. Today, Metal World's two fabrication shops, in Argentia and St. John's, occupy more than 85,000 square feet and provide services to the pulp and paper, offshore oil, and mining industries. Metal World has grown significantly and 2004 was its best year ever. With more than 260 employees at peak Metal World reached its highest level of sales in the company's history. Ivan Butler, President of Metal World, says this is largely due to the work the company is doing for the Voisey's Bay project. Metal World fabricated more than 5,000 tonnes of steel in a period of 7-8 months last year for VBNC, an accomplishment Butler says the company is very proud of. "It was a project where volume and schedule tested capacity both administratively and physically. It allowed us, as a company, to demonstrate what we can do and what we are capable of producing." Metal World has been involved in several projects for VBNC including the fabrication and partial assembly of panels for the concentrate storage building and structural steel for the concentrator and grinding area. In 2005, Metal World will be involved in the fabrication of ten of the processing modules for the hydromet demonstration plant.



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Environmental Performance

Since the earliest stages in the development of the Voisey's Bay project, we have been working with government, aboriginal communities and other stakeholders to ensure that environmental considerations are integrated and accounted for in all aspects of the project. The environmental management and monitoring of the Labrador site involves a high level of aboriginal participation and extends to virtually all aspects of the environmental management process. We incorporate the traditional knowledge of aboriginal people in the ongoing management and monitoring of our daily environmental performance.



In 2004, VBNC's environmental protection and planning efforts focused primarily on the site in Labrador, where the construction program is nearing completion. The primary focus of the monitoring program was to ensure that all construction work was conducted in compliance with provincial and federal legislation, permit conditions and VBNC's Environmental Protection Plan (EPP). The EPP and the Job Environmental Analysis are important tools used by environmental personnel to maintain compliance and maximize the effectiveness of mitigation and pollution prevention measures.

As we make the transition into the operational phase of our project, environmental protection will continue to be a top priority. To help realize this goal, we have consolidated all relevant provincial, federal and Inco corporate environmental guidelines in an integrated Health, Safety and Environmental Management System based on internationally accepted standards - ISO 14001 and OHSAS 18001 principles. Hazards have been assessed for environmental aspects and mitigative controls developed where required. The EPP for the operations phase has been prepared to provide a common reference document for conducting environmental monitoring by all environmental personnel.

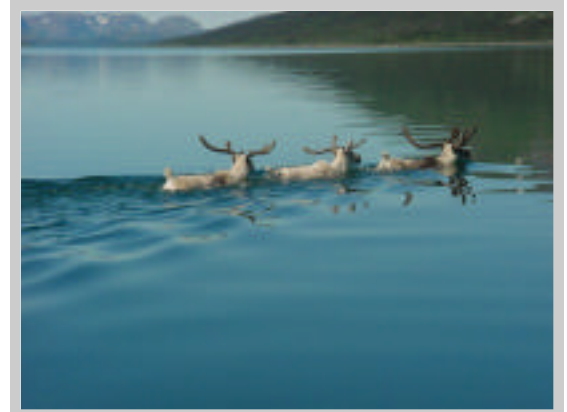
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Environmental Performance

At Argentia, operation of the hydromet demonstration plant, which will begin in late October 2005, will be used to gather important environmental information for the planned commercial processing facility that VBNC will begin constructing in 2009. Researchers will be looking specifically at residue produced from the hydromet process, which will be stored and monitored on site. The demonstration plant team will monitor and implement tests to determine how best to handle residue in an environmentally safe way. An EPP for the operations phase of the hydromet demonstration plant will be developed to provide a common reference document for environmental monitoring and protection.



If the R&D program results in the successful development of a technically and economically feasible hydromet process technology, we will proceed with the design, engineering, construction and operation of a commercial hydrometallurgical processing plant. If it is determined that a hydromet plant is not technically or economically feasible, VBNC will construct a commercial hydrometallurgical nickel-matte processing facility or other similar facility incorporating a proven state of the art technology to produce finished nickel product.

Both process options for the commercial facility will be registered for environmental assessment in the fall of 2005. Construction is scheduled to begin in 2009 and be complete by the end of 2011. Studies of residue produced at the mini-pilot plant are underway and environmental management options for residue are being investigated, including an environmental and engineering risk assessment. Inco is also conducting environmental and engineering due diligence studies of the Argentia site, which was previously occupied by the U.S. Military as a naval air station.

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Ensuring a Safe and Healthy Workplace

Developing Safe Worksites

Argentina

The contractors and employees working on construction of the hydromet demonstration plant achieved an excellent safety record in 2004. Construction got underway in May and by December 31 the crew had worked 60,880 hours with zero lost time injuries and only one injury requiring medical aid. "Our excellent safety record was achieved through a cooperative effort by all contractors and site management to ensure that safety is a key component of daily activities. We have an effective safety management system that encourages every member of the construction team to have a heightened sense of awareness about their own personal safety and the safety of everyone around them," says Bob Kelly, Construction Manager for the hydromet demonstration plant.

During the year 360 people, including employees and visitors, participated in the Argentina site orientation training, which included a significant focus on safety. We also trained more than 100 employees working in support of the project in areas such as Confined Space Entry, WHMIS, Fall Protection, First Aid, Fire Extinguishers and the safe operation of Man Lifts.

Voisey's Bay

A major challenge for any remote site during construction is to develop a healthy and safe workplace. At Voisey's Bay, we are meeting that challenge. "We have a very good safety record overall," says Earl Dwyer, Manager, Environment, Health and Safety at Voisey's Bay Nickel Company Limited.

"With a peak construction workforce, our lost-time injury frequency rate of 0.4 continues to trend well below the construction industry averages in Newfoundland and Labrador. We experienced no lost-time incidents at the construction site for our demonstration plant in Argentina, Newfoundland."

According to Dwyer, VBNC's superior safety record reflects the company's strong safety program. "All workers receive a site orientation that enforces health and safety," he says. "We also have a goal of zero harm and a philosophy of workers looking out for workers. We don't want anyone to take risks – not for cost savings, not for production gains, not for any reason. Our goal is that once the project becomes operational, we'll leave behind well-trained workers with a positive safety culture."



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Ensuring a Safe and Healthy Workplace

We have achieved this sound safety record by working collaboratively with the Resource Development Council, its member unions, and all contractors hired to support construction of the project. We share a common goal of eliminating injury and at-risk behavior from our workplace and partnering is key to achieving this goal. Joint Occupational Health and Safety Committees are in place with representatives from contractors working at the Voisey's Bay project site and at the demonstration plant.

As we prepare for operations at the mine and concentrator – set to begin in 2005 – our focus has been on providing around-the-clock paramedic/emergency first aid support to the camp's construction workers via our medical team. We have also started developing the Integrated Health, Safety and Environmental Management System based on internationally accepted standards - ISO 14001 and OHSAS 18001 principles. Hazard assessments are being completed for all job tasks and controls will be developed where required. A health and safety training program will be developed and training provided to all VBNC employees prior to the start of operations.



Note: On January 11, 2005 a fatality occurred at the Voisey's Bay construction site. This unfortunate accident occurred when a contractor superintendent was fatally struck by a front-end loader during snow clearing operations.

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Ensuring a Safe and Healthy Workplace

Voisey's Bay: A Partnership Approach to Health

Partnership is very much a focus of our health care agenda at Voisey's Bay Nickel Company. As we prepare for operations at the mine and concentrator in Labrador— set to begin in 2005 — our focus has been on providing around-the-clock paramedic/emergency first aid support to the camp's construction workers via our medical team, which consists of two registered nurses on duty at all times and a paramedic as well as on-call physicians.

"It's been a very busy construction period," says Jim Maher, nurse and Program Coordinator at Innu-Med Inc., a joint venture between Medcan Health Management Inc. and Innu Development Limited Partnership. "At an isolated location, having health care professionals on site has created a unique situation and has provided us with an opportunity to extend wellness and health promotion to a population that has health problems," says Maher. "As a result, we provided medical advice and assistance during some 6,000 patient visits in 2004."

Maier and his colleagues have also been involved in designing the health care strategy to serve the smaller permanent workforce at the mine and concentrator site once the construction phase is completed. "We have been helping in the development of a new on-site medical clinic," he says. "As well, we have been working with aboriginal leaders in Labrador in order to understand how we can improve overall health in the aboriginal communities."

"We are very aware that in order to provide adequate and appropriate health care to our employees, we must take into consideration the cultural uniqueness as well as health issues that affect our surrounding communities. This means acknowledging that most of these communities do not have adequate access to physicians or dentists and that they are significantly impacted by social ills such as substance abuse and suicide."

To address those needs, the Voisey's Bay medical team plans to offer preventative health programs on subjects including hygiene, nutrition and back injury prevention as well as individual psychological counselling. Meanwhile, employee assistance programs are being established by Voisey's Bay Nickel Company (VBNC) to address the cultural uniqueness of the Innu and Inuit people and to support efforts to address a wide range of medical and social issues. Says Tom Paddon, VBNC's Manager of Aboriginal Affairs and Labrador Human Resources, "Our hope is that by having good occupational health programs, including employee assistance programs and health education in the workplace, we are also responding to issues faced by the widespread community in an innovative and inclusive way. We are confident that we can make a positive difference with everyone's support and participation."

** All figures as of December 31, 2004 - All figures are in CDN dollars unless otherwise stated*





Developing Our Workforce

Throughout the year, we continued to work closely with aboriginal groups, government and other stakeholders to maximize the participation of Newfoundlanders and Labradorians on the Voisey's Bay project. During 2004 the focus of our training and development program shifted to preparing for operations at the mine and concentrator site in Labrador. In preparation for operating the hydromet demonstration plant at Argentia, VBNC continued using Inco's mini-pilot plant in Sheridan Park, Ontario as a training ground for potential employees of the demo plant.

VOISEY'S BAY

Throughout 2004, we worked diligently to ensure that our operation at Voisey's Bay is work-ready when operations commence next year. "Our goal was not only to begin building a team with the skills and commitment to make our operation successful but also to ensure that qualified residents of Newfoundland and Labrador, including aboriginal peoples, would have access to new employment opportunities," says Wayne Scott, VBNC's Manager of Human Resources. According to Scott, making sure that as many jobs as possible go to local residents is particularly important given that there will be far fewer jobs available during the operational phase of the project. While about 2,900 people worked on all facets of the project in Newfoundland and Labrador, we expect that our operational workforce at the mine and concentrator site will be approximately 400 employees.



Training was offered at the construction site and in communities throughout Labrador. Training was offered in areas such as heavy equipment operator training, accommodations and maintenance training, gender sensitivity, and Innu and Inuit cultural awareness. Meanwhile, along with specific trades programs such as the millwright apprentice-training program we introduced in Sheshatshiu, we offered pre-employment programs in a number of aboriginal communities. In these programs, we teach individuals employability and financial management skills, as well as job-specific training in areas such as Mill Operation. The first "Introduction to Mill Processing" course was delivered to 10 members of Labrador Inuit Association in Happy Valley-Goose Bay in 2004 with more sessions planned for members of Innu Nation and LIA in 2005.

Bob Marshall, Superintendent of Training and Development, says VBNC is working to provide the aboriginal workforce with the skills needed to fill positions at many levels of the operational workforce. "All of the training we're doing is aimed at increasing the skill level of aboriginal people in the north," he notes. "We want as many people from the aboriginal communities as possible to have the skills to operate the mine site."

According to Marshall, the training and development program is having a big effect on aboriginal communities. "People completing this training are role models for kids and other individuals in their communities," he says. "It tells them how important it is to complete their education and that there are jobs to be had. It tells them it can be done and gives them a sense of confidence and pride that there is a future to look forward to."

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Developing Our Workforce

ARGENTIA

At Argentia we have been proactive in our efforts to train potential employees for the hydromet demonstration plant. We continued to use the mini-pilot plant at Inco Technical Services Limited as a training ground by providing work term placements to College of the North Atlantic and Memorial University students and hiring graduates to support the mini-plant and to provide experience that is transferable to the demonstration plant at Argentia. We were consistent in achieving a 25% Newfoundland and Labrador workforce at the mini-pilot plant throughout the year.

Wayne Scott, Manager of Human Resources says "Hiring a core group from the mini-plant will ensure that we have experienced operators who have used this process before and experienced scientists and engineers who can pass on their knowledge to the demonstration plant operations team." It is expected that 20-25 people will transfer from the mini-plant and these individuals will then conduct in-house training with the rest of the staff in Argentia beginning in August 2005. Most of the hiring for the 150 positions at the hydromet demonstration plant will occur from May through September 2005.



Setting an Example

On April 27th, 2004, a ceremony was held to honour the first eight graduates of the Heavy Equipment Operator Training Program in Natuashish. The 21-week course, which followed a government-approved curriculum, was funded by the Joint Voisey's Bay Employment and Training Authority and the Mushua Innu Band Council in Natuashish. The second class graduated on November 5th in Natuashish. At the graduation ceremony, valedictorian Ivy Pijogge told the assembly, "Ever since I dropped out of high school, I never thought I would graduate from anything. I know now that anything is possible. I wanted to get my diploma and my license and keep my promise to myself. I have three children, ages two, three and six. I wanted my eldest daughter to see me graduate. I want my children to finish high school. I want to set an example."



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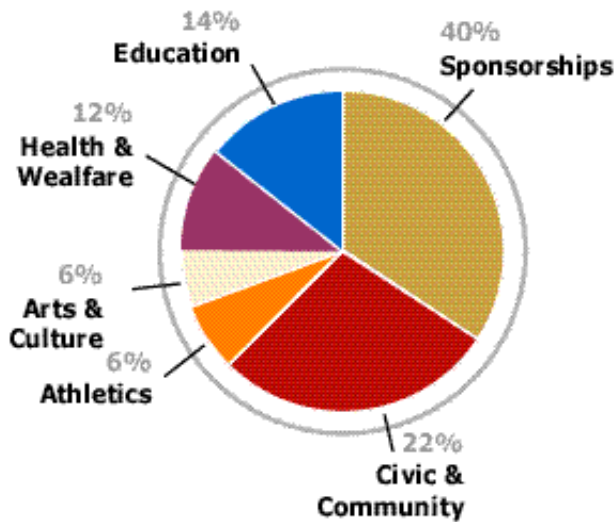




Investing in People and Communities

VBNC continues to strengthen communities in Newfoundland and Labrador through donations to and sponsorship of local programs. In total, we contributed \$50,000 to support civic, community, cultural, health and education initiatives in 2004.

Summary of Donations and Sponsorships



We also supported aboriginal scholarships and a \$500,000 bequest over the next five years toward the development of a new community centre in Nain, Labrador to promote aboriginal culture and develop new suicide-prevention programs.

The project is called Ulapitsaijet, which means "talking together" in Inuktitut. Envisioned as a place for members of LIA to meet and promote their culture, the centre's main focus will be the development of programs designed to combat the population group's high suicide rate. One of the most pressing problems confronting isolated aboriginal communities across Canada is suicide. "Studies have shown that lack of community spirit and the prevalence of alcohol are the two main causes of suicide in our communities," says Isabella Pain, VBNC's Inuit Affairs Officer. "The new centre will provide a place for our people to celebrate our culture, socialize and obtain help when they are in need."

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Investing in People and Communities

We rewarded academic achievement by awarding annual scholarships to both Innu and Inuit high school students. Commenting on the scholarship program, VBNC's Manager of Aboriginal Affairs and Labrador Human Resources, Tom Paddon noted that, "Each of the recipients is very deserving of these awards. They have shown outstanding leadership qualities, academic achievement and involvement in their communities."

The Inuit program consists of six scholarships. One scholarship, available to students across Labrador, is valued at \$4,000, payable at \$1,000 a year for four years, while five other scholarships, valued at \$1,000, may be awarded to one student in each of the communities of Nain, Hopedale, Makkovik, Postville and Rigolet. The annual Innu program consists of one \$4,000 scholarship, payable at \$1,000 a year for four years, and is available to any Innu Nation high school student in Labrador. In addition, two \$1,000 scholarships may be awarded to a student in each of the communities of Natuashish and Sheshatshiu.



We also provided the town of Placentia, the neighboring community to Argentia where we are building the hydromet demonstration plant, with a contribution of \$350,000 to support its efforts to upgrade key components of the municipal infrastructure. Mayor of Placentia, Fred Whelan, says the town is very pleased with the contribution and looks forward to working with the company as the project moves forward.

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Investing in People and Communities

Building Hope

"The centre is a hub of activity all day long," says Greg Nuna, referring to the new community recreation centre that opened in the Labrador Innu community of Sheshatshiu last March. According to Nuna, former arena manager at the centre and now Innu Employment Coordinator at VBNC, the arena is used by school groups during the day and is open every night for family skates and recreational hockey and has hosted tournaments. The facility is also being used to host other recreational events. Providing recreation for local children and adults and serving as a catalyst for inter-community activity is exactly what the Innu Healing Foundation had in mind when it launched its Building Hope Campaign to raise funds to build recreational facilities in the communities of Sheshatshiu and Natuashish in 2002. Inco contributed \$1.2 million to the campaign. "We are particularly pleased to see so many of our young people using the centre," says Nuna. "In the past, our kids had nothing to do in their spare time and many of them ended up getting into trouble. Now, they have somewhere to go and have fun safely. The centre is making a big difference in people's lives."



Commemorating Open Hearts

On September 11th, 2001, 81 planes with over 13,000 passengers landed at four airports in Newfoundland and Labrador when airways were closed due to terrorist attacks in the United States. Newfoundlanders and Labradorians opened their hearts and their homes to tired, frightened passengers from all over the world. To commemorate that event, Inco sponsored the creation of a sculpture titled The Embrace by local artist Luben Boykov. During the unveiling of the artwork at the St. John's International Airport last August, Inco Chairman Scott Hand remarked, "I think you will all agree that the support and sense of community shown in this province in the weeks after September 11 is encapsulated in The Embrace. We are proud to be able to help recognize the selfless actions of Newfoundlanders and Labradorians following these events."



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Working Together

Building strong, mutually beneficial relationships with Labrador's aboriginal communities and other residents of Newfoundland and Labrador is crucial to the success of the Voisey's Bay project. We have developed innovative partnerships with Innu Nation, Labrador Inuit Association, all levels of government and with Memorial University. These partnerships cover everything from research to human resources training to development principles to local benefits. Our company is committed to working with all stakeholders to ensure that Newfoundlanders and Labradorians are the primary beneficiaries of the project.



The concept of partnering to achieve common goals is the foundation of the Impacts and Benefits Agreements (IBAs) between Voisey's Bay Nickel Company Limited (VBNC) and Innu Nation and Labrador Inuit Association (LIA) signed in 2002. Legally binding agreements, the IBAs establish targets for Innu and Inuit employment and training, promote aboriginal business, and involve aboriginal people in environmental monitoring. In 2004, we continued to fulfill our responsibilities to our aboriginal partners and to encourage the development of strong relationships based on trust and respect.

A key commitment in our Impacts and Benefits Agreement with the LIA required the development of a Shipping Agreement to address all aspects of marine transportation into and out of Anaktalak Bay. Working in cooperation with the LIA, VBNC began negotiations on a shipping agreement in 2004. The purpose of the agreement is to address concerns of the Inuit with respect to winter shipping and establish rules and procedures that consider the concerns of the LIA and respect VBNC's reasonable needs for shipping. In order to get supplies and materials into Voisey's Bay, VBNC will have to ship into and out of Anaktalak Bay, an area that has significant use by the Inuit of Nain for hunting, recreation, and traveling.

Tom Paddon, Manager of Aboriginal Affairs and Labrador Human Resources says the negotiations are an excellent example of partnership. "VBNC worked very hard to explain why shipping through Anaktalak Bay was absolutely essential to our operation and to understand the extent of the concerns of the Inuit, and they likewise worked hard to understand our needs. Over a period of time we each came to a conclusion. LIA accepted we have to have winter shipping and VBNC accepted that we have to put a plan in place to mitigate any impact our shipping activity in Anaktalak Bay may have on Inuit harvesting, recreation and travel." By the end of 2004 a draft shipping agreement was well advanced. "There were still some hard issues left to be resolved but plans were in place to deal with some of these issues," says Paddon. Negotiations will continue in 2005. VBNC will also work with the LIA to conduct a test probe of the ice in Anaktalak Bay in February 2005 to demonstrate to residents of Nain how VBNC proposes to minimize the impacts of shipping on their activities in Anaktalak Bay.

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Working Together

We also continued to work with other local stakeholders from the Argentia area as construction got underway at the hydromet demonstration plant site this year. We met with representatives from the municipalities and community organizations as well as various federal and provincial government departments through the Argentia Community Liaison Committee. This committee meets regularly and it has become a forum for the discussion of concerns and issues of interest such as the environmental impact of VBNC's hydromet demonstration plant, scheduled to begin operations in late 2005. 2004 also saw the opening of VBNC's Placentia Information Office, which was created to ensure residents of the Placentia area could access the latest information on the status of the project.

Opportunity Argentia

At Argentia, operation of the demonstration plant is expected to begin in November 2005 to coincide with the first shipment of concentrate from Voisey's Bay. Working with the Argentia Chamber of Commerce, our goal was to work collaboratively at improving local participation in this project in a manner that allows it to proceed economically. To address this challenge VBNC has played an active role in forging innovative partnerships, like Opportunity Argentia. VBNC has provided financial and in-kind support to the Argentia Chamber of Commerce to help develop a series of initiatives aimed at building capacity within its membership and in the broader community. We contributed \$40,000 to Opportunity Argentia in 2004, completing our two-year commitment of \$150,000. We also provided the Town of Placentia with a contribution of \$350,000 to support its efforts to upgrade key components of municipal infrastructure.

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