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BY STAN SUDOL

After last week's spectacular news announcements – almost one per day – I thought Inco's public relations department would have taken a much needed breather. Management had other plans, like negotiating the largest corporate takeover in Canadian history and creating the world's fourth largest mining company.

Monday's announcement of American copper miner Phelps Dodge's friendly takeover of Inco and Falconbridge may finally be the end of one of Canada's longest running corporate soap operas.

It is definitely the end of an era of Canadian control over some of the world's richest nickel deposits.

The three-way merger will see the creation of a \$56 billion North American mining giant with head offices in Phoenix, Arizona. The new company's nickel division will be in Toronto, while Phoenix is the home base for the copper division.

I can't help feel a little sad that a total Canadian solution could not have happened as Inco and Falconbridge/Noranda have long corporate histories with this country.

Obviously, being Sudbury born and having worked at Inco for a year in 1976 and again as an underground summer student in 1980, I have a personal link.

Considering Canada's mining expertise – one of the few sectors in which we excel over the Americans – it's a little ironic the only world-class U.S. mining company, aside from Newmont Mining, ends up swallowing two of our mining heavyweights.

However, in today's global, rapidly-changing mining sector, Canadian companies are able to operate around the globe and we could not put up barriers in our own country.

To be quite honest a North American solution is not a bad second choice.

We should not forget it was American entrepreneurs and capital that originally developed the immensely rich deposits of the Sudbury Basin, discovered in the 1880s.

The American military/industrial complex has always depended on the Basin's secure, stable and abundant supply of nickel.

During the nickel shortages of the 1950s, the U.S. government gave Falconbridge a \$40 million subsidy to help develop their nickel mines and ensure diversity of supply.

Please don't confuse my sadness with "anti-Americanism."

Canada's prosperity and high standard of living are directly linked to the largest and richest market in the history of mankind. Notwithstanding the rapid growth of China and India, the U.S. will continue to be a military and industrial powerhouse well into this century and the next.

Until the late 1970s most of the main corporate decisions at Inco were made out of their New York head office.

There are many pluses to being among the world's largest mining companies – one of the most significant is having easier access to capital for expansion.

In the news release, J. Steven Whisler, chair and CEO of Phelps Dodge Corporation, said: "This transaction represents a unique opportunity in a rapidly consolidating industry to create a global leader based in North America—home of the world's deepest and most liquid capital markets.

“The combined company has one of the industry’s most exciting portfolios of development projects, and the scale and management expertise to pursue their development successfully.”

One of the key points is this deal combines some high-quality, long-life assets in regions of no geopolitical risk, such as the Sudbury Basin, and the rich copper producing areas of southeastern Arizona and southwestern New Mexico.

Both regions are among the top 10 most important mineral districts in the world.

Nationalist sentiment or new mining taxes in Equator, Peru, Bolivia, Mongolia and Venezuela have unnerved mining executives around the globe.

Stable North American mining districts with great growth potential will attract significant new investment.

The combined financial clout of Phelps Dodge Inco, the largest North American mining company, will accelerate this process and assure a promising future for Sudbury in this mineral-starved world. Phelps Dodge began in 1834 as a New York City-based mercantile company taking its name from founding partners Anson Phelps and William Dodge. They entered the mining business in 1881 by investing in a copper operation in Morenci, Arizona. The company was an integral part of the American “wild west” and developed copper deposits in New Mexico, Arizona and Mexico.

Phelps Dodge has major copper deposits in Chile and Peru and is the largest publicly traded copper producer in the world. Head office is in Phoenix, Arizona, and the company employs 13,500 people worldwide.

The company is a major producer of refined copper products including wire and cable and molybdenum, primarily used for hardening steel and making other specialty industrial alloys.

The new Phelps Dodge Inco will be the globe’s largest producer of nickel, the largest publicly traded producer of copper, the second largest producer of molybdenum and third largest producer of cobalt.

Scott M. Hand, chairman and chief executive officer of Inco, said “this combination allows Inco’s shareholders, in addition to receiving a substantial premium for their stock, to share in the significant synergies.”

The combination of Phelps Dodge, Inco and Falconbridge is expected to result in total annual synergies of approximately \$900 million (US) by 2008.

This includes \$550 million (US) in total expected annual synergies from the combination of Inco and Falconbridge.

Phelps Dodge enhances these synergies with its technological expertise that can be applied to improve process recoveries and throughput in Sudbury and elsewhere.

The company’s larger size will also enhance savings in purchasing and supply-chain management. This takeover deal is not conditional upon the completion of the Inco and Falconbridge merger.

The Phelps Dodge offer for the combined Inco/Falconbridge is valued at C\$80.13 per share, 19 percent more than Teck-Cominco’s offer for Inco. The agreement also enables Inco to enhance its offer for Falconbridge to C\$62.11 per share, an 18 percent premium to Xstrata’s unsolicited offer for Falconbridge. At these numbers, any other potential bidder must have very deep pockets and think long and hard about topping these premium prices. Mining is still a cyclical business!

There can be no doubt the fat lady may have sung her final verse and the Canadian mining industry has fundamentally changed forever.

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