



A Division of TD Securities Inc.

Metals & Minerals  
October 7, 2009

## Demand Recovery to Overwhelm Supply Inventory Restocking, Stimulus Spending & Supply Lags Point to Higher Metal Prices

We have increased our metal price forecasts based on TD Economics' forecast for a more vigorous recovery in the global economy than previously expected. We expect that inventory restocking should accelerate as economic data continues to point to an improving outlook. We expect demand growth to rebound in 2010; when this is combined with supply challenges, we expect to see a sharper recovery in metal prices than we were previously projecting.

Exhibit 1. TD Newcrest revised metal price forecasts

US\$/lb	2008A	2009E	2010E	2011E	2012E	2013E	2014E	2015E	LT
Aluminum	1.17	0.74	0.91	0.93	0.90	0.90	0.90	0.90	0.90
Copper	3.16	2.27	3.00	3.40	3.25	2.50	2.00	2.00	2.00
Lead	0.95	0.74	0.75	0.75	0.65	0.50	0.45	0.45	0.45
Nickel	9.60	6.67	8.00	7.50	7.00	6.50	6.50	6.50	6.50
Zinc	0.85	0.71	0.85	0.95	1.20	1.00	0.75	0.75	0.75
Molybdenum	29.53	12.78	20.50	24.50	25.00	20.00	16.00	14.00	14.00
Coal*	308.00	129.00	165.00	150.00	125.00	125.00	125.00	125.00	125.00
Uranium	63.83	47.94	60.00	65.00	70.00	60.00	50.00	50.00	50.00
FX (US\$/C\$)	0.94	0.87	0.93	0.91	0.90	0.86	0.85	0.85	0.85

\*US\$/tonne, fob

Source: TD Newcrest.

**YOUR ATTENTION  
IS DIRECTED TO  
THE IMPORTANT  
DISCLOSURES IN  
APPENDIX A.**

All figures in C\$ unless otherwise specified

Except for uranium and molybdenum, we have increased our metal price forecasts. We have increased our long-term copper price to US\$2.00/lb (from US\$1.75/lb) and our long nickel price to US\$6.50/lb (from US\$6.00/lb).

Recent leading indicators are showing that a global recovery is firmly in place and that the worst of the contraction has passed. There is no question that the sustainability of the recovery, particularly in the developed world, is a concern. But we also believe that fears of a double-dip are likely unfounded. TD Economics is forecasting global GDP growth of +3.8% in 2010 and +4.0% in 2011. This strong

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(dare we say V-shaped) rebound from a global GDP contraction in 2009 (-1.1%) will largely be driven by a robust rebound in Asian and Chinese growth. TD Economics is forecasting Chinese and Asian 2010 GDP growth of +8.7% and +4.8%, respectively.

**With a stronger global economy as a backdrop, we believe that there are reasons to be positive about the outlook for base metals and base metal equities over the next 12-18 months.** These reasons include:

1. Metal inventories are low throughout the supply chain and inventory restocking outside China is at a very early stage.
2. The 2008/2009 credit crunch will continue to delay mine development thereby muting a supply response by mining companies once demand rebounds.
3. Stimulus spending in the developed world should start in earnest in 2010.
4. Asian infrastructure development is still at a relatively early stage – Anglo American CEO, Cynthia Carroll, recently noted that China will be spending an additional US\$250-300 billion on infrastructure spending by the end of 2010 and India will be spending US\$500 billion between now and 2012.
5. M&A is creeping back into focus – Xstrata, BHP Billiton and Vale have all recently indicated that they believe they are well positioned to capitalize on further consolidation in the mining industry. As well, Chinese interests (mining companies and sovereign wealth funds) are actively acquiring assets as China continues to secure long term supplies of metals and diversifies its massive US-dollar reserves.

**We are most bullish on copper given strong Asian demand and the challenges facing supply over the medium and longer term.** High quality hard coking coal supply is tight and should get tighter once pig iron production recovers outside China. We believe that zinc is heading in the same direction with the decline in Chinese zinc mine production (generally the swing production in the zinc mining industry) so far in 2009 signalling a broader weak supply response. We are less positive about the outlook for nickel given the sharp increase in nickel pig iron production at lower prices than most expected and because significant production capacity is set to enter the market. We are also neutral on uranium over the near term with potential DOE uranium sales overhanging the market; longer-term a stronger nuclear build-out program in China should support higher prices.

**Over the near term (i.e. next three months) we see a risk that base metals and base metal equities experience a pull-back.** Copper inventories have climbed sharply both on the LME (+22%) and SHFE (+50%) for the past two months, Chinese copper imports have slowed and are expected to remain weaker relative to H1/09 (there are reports that Chinese copper inventories now exceed 1.0 million tonnes) and the Fall months tend to be a time of underperformance for base metal prices and equities. We believe that a seasonal correction in base metal prices would be positive for the prices and potentially lead to a stronger recovery with lower prices boosting demand.

**We have raised our target prices to reflect our higher metal prices forecasts.** Equities with copper exposure have experienced the most significant increases due

to an increase in our long-term copper price. Our preferred companies include Teck Resources (Action List BUY, C\$40.00), Equinox Minerals (BUY, C\$4.00), Lundin Mining (BUY, C\$5.00), Quadra Mining (BUY, C\$21.00), Mercator Minerals (BUY, C\$4.25) and Capstone (BUY, C\$4.25). Amongst our development companies we prefer Northern Dynasty (SPEC BUY, C\$18.75), Augusta Resources (BUY, C\$3.75) and Nautilus Minerals (SPEC BUY, C\$2.00).

## Metal Prices Increased - Target Price and Recommendation Adjustments

Based on our higher metal price forecasts, we have adjusted our target prices and made the following changes to our recommendations:

**Exhibit 2. TD Newcrest revised recommendations and target prices**

Company	12-mo. Target		Price 07-Oct	Return to Target	Rec.		Analyst	
	Old	New			Old	New		
<b>Large Cap</b>								
Cameco Corp.	C\$36.00	<b>C\$35.00</b>	↓	C\$29.62	19.0%	BUY	<b>BUY</b>	GB
Teck Resources Ltd.	C\$35.00	<b>C\$40.00</b>	↑	C\$29.76	34.4%	BUY	<b>AL BUY</b>	↑ GB
<b>Intermediate-Small Cap</b>								
Breakwater Resources Ltd.	C\$0.50	<b>C\$0.50</b>		C\$0.29	72.4%	Spec BUY	<b>Spec BUY</b>	GB
Capstone Mining Corp.	C\$3.50	<b>C\$4.25</b>	↑	C\$2.91	46.0%	HOLD	<b>BUY</b>	↑ CM
Equinox Minerals Ltd.	C\$3.00	<b>C\$4.00</b>	↑	C\$3.16	26.6%	HOLD	<b>BUY</b>	↑ GB
Denison Mines Corp.	C\$2.00	<b>C\$2.00</b>		C\$1.77	13.0%	HOLD	<b>HOLD</b>	CM
First Quantum Minerals Ltd.	C\$80.00	<b>C\$80.00</b>		C\$68.37	17.8%	HOLD	<b>HOLD</b>	GB
FNX Mining Company Inc.	C\$10.00	<b>C\$10.50</b>	↑	C\$9.15	14.8%	HOLD	<b>HOLD</b>	GB
HudBay Minerals Inc.	C\$13.50	<b>C\$15.50</b>	↑	C\$13.31	16.5%	BUY	<b>BUY</b>	GB
Inmet Mining Corp.	C\$53.00	<b>C\$70.00</b>	↑	C\$60.40	16.2%	BUY	<b>BUY</b>	GB
Lundin Mining Corp.	C\$4.50	<b>C\$5.00</b>	↑	C\$3.70	35.1%	BUY	<b>BUY</b>	GB
Mercator Minerals	C\$3.75	<b>C\$4.25</b>	↑	C\$2.91	46.0%	BUY	<b>BUY</b>	CM
Quadra Mining Ltd.	C\$15.50	<b>C\$21.00</b>	↑	C\$13.96	50.4%	BUY	<b>BUY</b>	CM
Thompson Creek Metals	C\$14.50	<b>C\$14.50</b>		C\$12.78	13.5%	REDUCE	<b>HOLD</b>	↑ CM
<b>Developers</b>								
Augusta Resource Corp.	C\$2.50	<b>C\$3.75</b>	↑	C\$2.62	43.1%	BUY	<b>BUY</b>	CM
Ivanhoe Mines Ltd.	C\$15.00	<b>C\$15.00</b>		C\$13.51	11.0%	BUY	<b>HOLD</b>	↓ CM
Nautilus Minerals	C\$1.75	<b>C\$2.00</b>	↑	C\$1.30	53.8%	HOLD	<b>Spec BUY</b>	↑ CM
Northern Dynasty Minerals	C\$18.75	<b>C\$18.75</b>		C\$7.90	137.3%	Spec BUY	<b>Spec BUY</b>	CM

Source: TD Newcrest.

## Restocking, Pent-Up Demand and Supply Constraints Create Solid Backdrop for Metal Prices

We now base our metal price forecasts on a stronger global growth outlook and have consequently increased our metal price forecasts. Because of the significant inventory reductions across the entire supply chain, we expect that demand for the base metals will be greater than we originally expected. We expect a rebound in demand towards the end of this year and early 2010 once inventory restocking begins in earnest. Furthermore, production losses will

continue as we expect a lagged response in returning production to pre-recessionary levels after the many production cutbacks that took place over the past year. As well, there are several labour contracts that are expected to expire prior to YE/09 – particularly in Chile. As much as 17% of global copper supply could be impacted by labour action prior to YE09.

### Exhibit 3. TD Newcrest Revised metal price forecasts

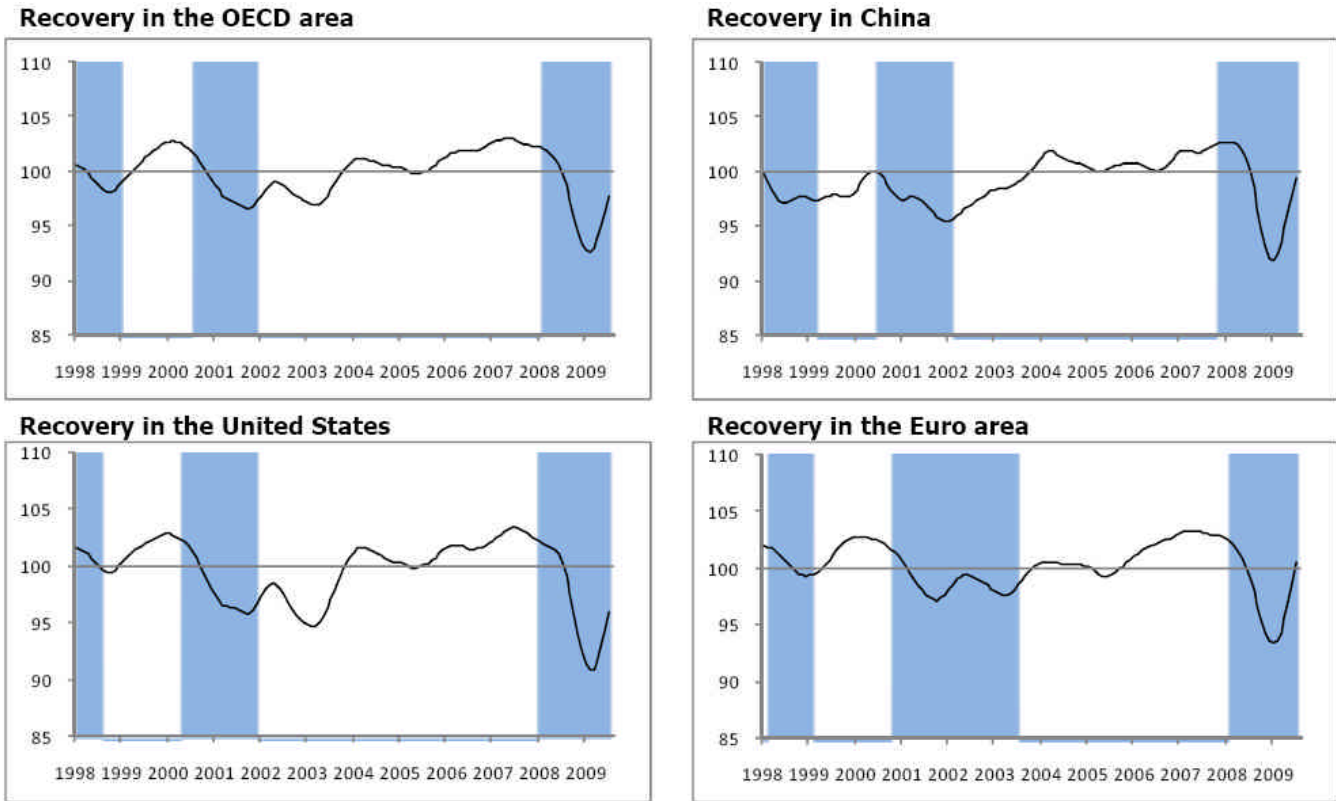
US\$/lb	2009E		2010E		2011E		2012E		2013E		2014E		2015E		LT	
	Old	New	Old	New	Old	New	Old	New	Old	New	Old	New	Old	New	Old	New
Aluminum	0.64	<b>0.74</b> ↑	0.70	<b>0.91</b> ↑	0.80	<b>0.93</b> ↑	0.90	<b>0.90</b>	0.90	<b>0.90</b>	0.90	<b>0.90</b>	0.90	<b>0.90</b>	0.90	<b>0.90</b>
Copper	1.96	<b>2.27</b> ↑	2.40	<b>3.00</b> ↑	3.00	<b>3.40</b> ↑	3.00	<b>3.25</b> ↑	2.50	<b>2.50</b>	2.00	<b>2.00</b>	1.75	<b>2.00</b> ↑	1.75	<b>2.00</b> ↑
Lead	0.60	<b>0.74</b> ↑	0.75	<b>0.75</b>	0.75	<b>0.75</b>	0.65	<b>0.65</b>	0.50	<b>0.50</b>	0.45	<b>0.45</b>	0.45	<b>0.45</b>	0.45	<b>0.45</b>
Nickel	5.62	<b>6.67</b> ↑	6.50	<b>8.00</b> ↑	7.00	<b>7.50</b> ↑	7.00	<b>7.00</b>	6.00	<b>6.50</b> ↑	6.00	<b>6.50</b> ↑	6.00	<b>6.50</b> ↑	6.00	<b>6.50</b> ↑
Zinc	0.65	<b>0.71</b> ↑	0.75	<b>0.85</b> ↑	0.85	<b>0.95</b> ↑	1.20	<b>1.20</b>	1.00	<b>1.00</b>	0.75	<b>0.75</b>	0.75	<b>0.75</b>	0.75	<b>0.75</b>
Molybdenum	10.25	<b>12.78</b> ↑	20.50	<b>20.50</b>	24.50	<b>24.50</b>	25.00	<b>25.00</b>	20.00	<b>20.00</b>	16.00	<b>16.00</b>	14.00	<b>14.00</b>	14.00	<b>14.00</b>
Coal*	125	<b>129</b> ↑	150	<b>165</b> ↑	150	<b>150</b>	125	<b>125</b>	125	<b>125</b>	125	<b>125</b>	125	<b>125</b>	125	<b>125</b>
Uranium	52	<b>48</b> ↓	65	<b>60</b> ↓	70	<b>65</b> ↓	70	<b>70</b>	60	<b>60</b>	50	<b>50</b>	50	<b>50</b>	50	<b>50</b>
FX (US\$/C\$)	0.85	<b>0.87</b> ↑	0.87	<b>0.93</b> ↑	0.89	<b>0.91</b> ↑	0.85	<b>0.90</b> ↑	0.85	<b>0.86</b> ↑	0.85	<b>0.85</b>	0.85	<b>0.85</b>	0.85	<b>0.85</b>

\*US\$/tonne, fob

Source: TD Newcrest.

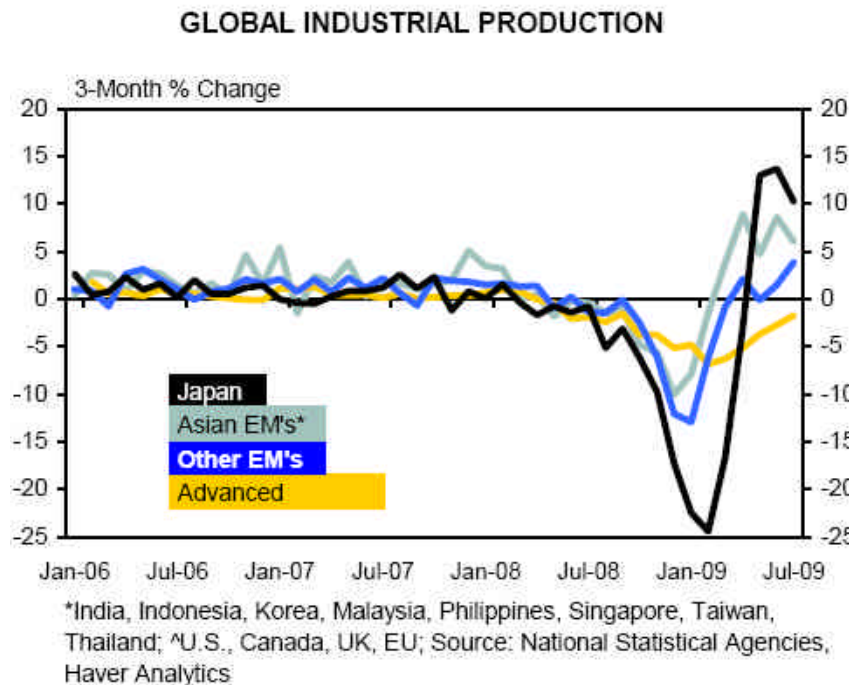
**With leading indicators showing that a global recovery is firmly in place, we expect that restocking by manufacturers in OECD economies should begin to take hold in Q4/2009.** It is not unusual for restocking to be delayed by several quarters following the turn in the leading indicators as manufacturing catches up to demand following sharp cuts in manufacturing output as demand slowed heading into the recession. By 2010, we expect that global growth will accelerate as the impact of stimulus spending takes hold and Asian growth recovers strongly from the 2009 recession. We expect that after cutting inventories and production dramatically over the past year, consumers and producers will rebuild inventories aggressively to levels that correspond more closely to recovering demand.

**Exhibit 4. OECD Leading Indicators**



Source: TD Newcrest.

**Exhibit 5. Global IP is recovering**



Source: TD Newcrest Economics

**TD Economics believes that the tide has turned for the global economy and has revised higher its growth forecasts for 2010 and 2011 (Exhibit 6).** TD Economics is forecasting global GDP growth of +3.8% in 2010 and +4.0% in 2011. This strong (dare we say V-shaped) rebound from a global GDP contraction in 2009 (-1.1%) will largely be driven we believe by robust rebound in Asian and Chinese growth. TD Economics is forecasting Chinese and Asian 2010 GDP growth of +8.7% and +4.8%, respectively. The shape of the economic recovery is now the focus for investors and with unemployment levels likely to remain high well into 2010 we expect that concerns will linger about the strength of the rebound. Below we quote from the TD Economics September 23 Quarterly Economic Forecast:

*“ .....we believe that the recovery is for real and that worries about a double-dip will likely prove unfounded. In much of the world, inventories were run down to remarkably low levels during the recession, implying that even modest improvements in demand will lead to significant gains in production..... The previously announced fiscal stimulus programs will continue to be a contributor to economic growth in the coming quarters, while the impact of record low interest rates should keep pushing on the economic accelerator. Unemployment rates are likely to continue to rise in the near term, but this is traditional for this lagging indicator and some of the rise will reflect workers reentering the labour market, which is actually a positive. Improved consumer and business confidence should also be reflected in a greater willingness to spend and invest. This is how economies have climbed out of recessions before, and it will play out again.”* Craig Alexander, SVP & Deputy Chief Economist, TDBFG, Sept. 23 2009

## Exhibit 6. TD Economics – Global Economic Outlook

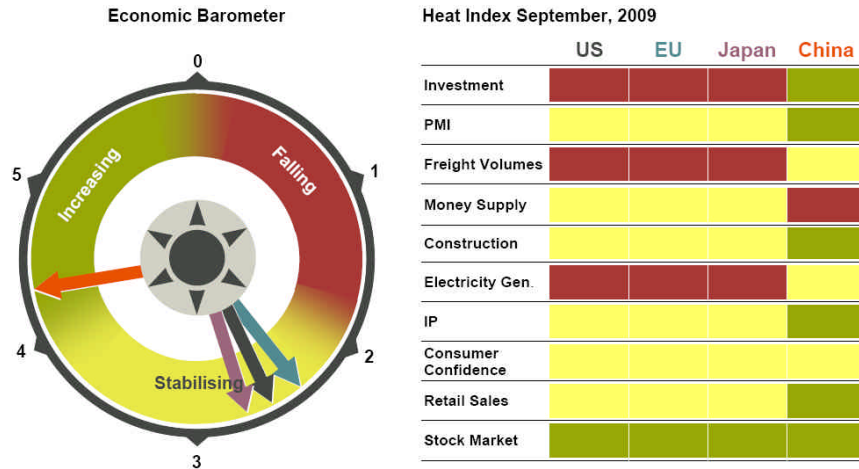
GLOBAL ECONOMIC OUTLOOK					
<i>Annual per cent change unless otherwise indicated</i>					
Real GDP	2007 Share* (%)	Forecast			
		2008	2009	2010	2011
<b>World</b>	99.1	2.8	-1.1	3.8	4.0
<b>North America</b>	25.5	0.5	-2.8	2.5	3.2
United States	21.4	0.4	-2.5	2.4	3.3
Canada	2.0	0.4	-2.3	2.5	3.1
Mexico	2.1	1.3	-6.7	3.6	2.5
<b>European Union (EU-27)</b>	23.7	0.8	-4.0	2.3	2.5
Euro-zone (EU-15)	16.1	0.6	-3.7	2.0	2.3
Germany	4.4	1.0	-4.8	2.5	2.1
France	3.2	0.3	-1.8	2.4	2.3
Italy	2.8	-1.0	-5.0	0.3	0.9
United Kingdom	3.3	0.7	-4.0	2.4	2.6
EU accession members	3.4	1.5	-5.4	3.3	3.4
<b>Asia</b>	35.5	4.8	1.2	5.6	5.7
Japan	6.6	-0.7	-5.4	2.6	2.1
Asian NIC's	3.7	1.5	-1.6	4.8	4.4
Hong Kong	0.5	2.4	-2.2	4.8	5.0
Korea	1.9	2.2	-0.6	4.1	4.3
Singapore	0.3	1.1	-1.0	6.9	5.1
Taiwan	1.1	0.1	-3.3	5.5	4.1
Russia	3.2	5.6	-9.2	4.2	4.7
Australia & New Zealand	1.4	2.1	0.3	2.0	3.9
Developing Asia	20.6	7.2	5.5	7.2	7.4
ASEAN-4	3.1	4.7	1.1	4.2	4.2
China	10.9	9.0	8.1	8.7	9.0
India	4.6	6.1	6.3	6.8	6.5
<b>Central/South America</b>	6.1	4.7	-0.1	4.5	4.4
Argentina	0.8	6.8	1.3	2.6	5.1
Brazil	2.8	5.1	0.3	5.2	4.4
<b>Other Developing</b>	8.4	5.5	2.0	4.2	4.1

\*Regional wts. do not sum to 100% because some countries omitted  
Forecast as at September 2009  
Source: International Monetary Fund, national statistical agencies

Source: TD Economics

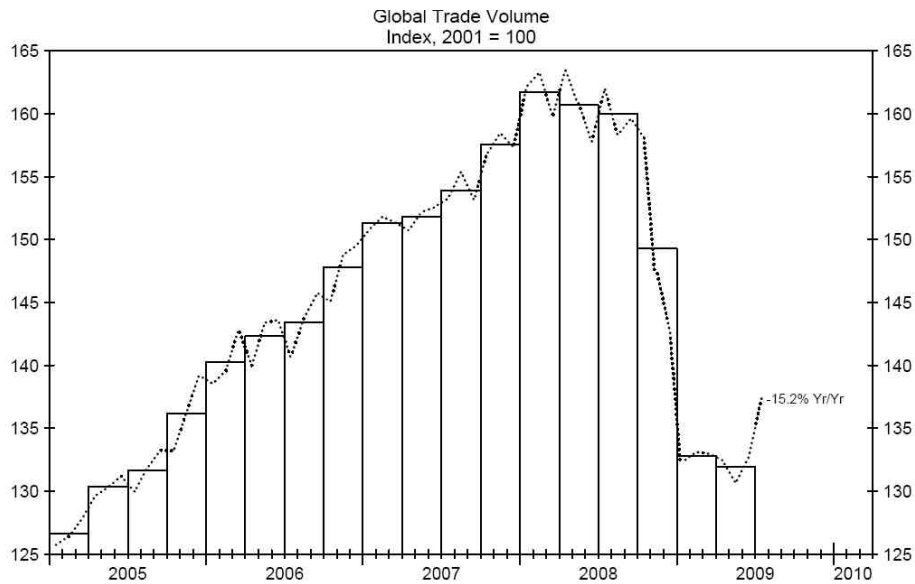
**BHP Billiton recently presented its macroeconomic barometer – the key message is that the global economy has stabilized.** There remain risks to the outlook, key of which are continued deleveraging by companies and consumers and the muting impact that high levels of unemployment could have on demand. As a result, BHP Billiton expects that the recovery in demand in the OECD economies could be slower than in past recoveries from severe recessions. That being said, there are solid signs of improvement including rising PMI indicators, and early signs of recovery in the construction sector, improvements in trade and some restocking beginning to occur in the U.S. and the Euro-zone.

## Exhibit 7. BHP Billiton Macroeconomic Indicator



Source: BHP Billiton

## Exhibit 8. Global Trade Improving

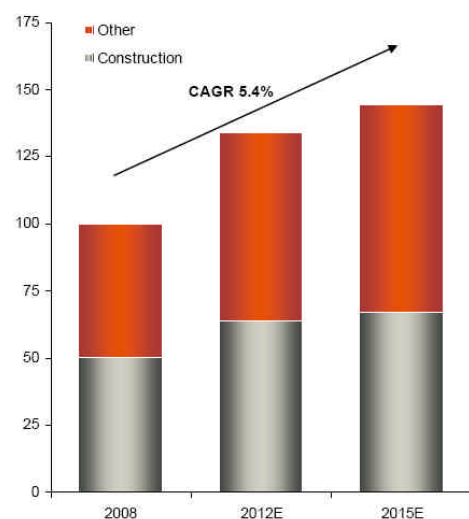


Source: Netherlands Bureau for Economic Policy Analysis

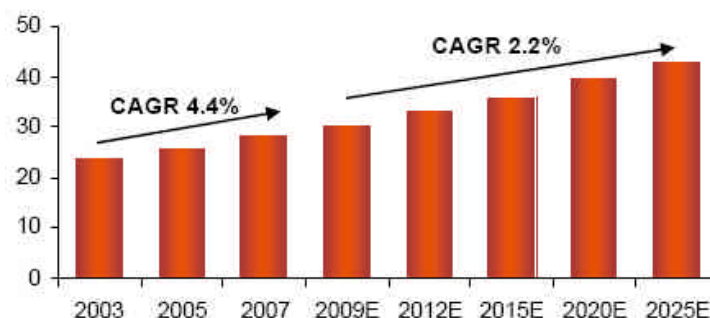
**BHP Billiton's view on China remains positive, albeit there is a risk that overstocking has occurred.** Growth this year has exceeded expectations and the outlook for 2010 is for solid growth. Infrastructure spending is expected to continue at a high rate – it is expected that China's urban footprint could double by 2020. Steel demand is expected to grow at a CAGR of +5.4% to 2015 while urban residential floor space should grow at a CAGR of +2.2% through 2025. Over the very short-term (i.e. through YE09), imports of copper, coking coal and iron ore are likely to cool significantly from the record high rates seen during H1/09 but we believe that this is now well understood by investors.

### Exhibit 9. Chinese Finished Steel Demand & China Urban Residential Floor Space Per Capita

**Chinese Finished Steel Demand**  
(Index, 2008 = 100)



**China Urban Residential Floor Space Per Capita**  
(Square metres/capita)

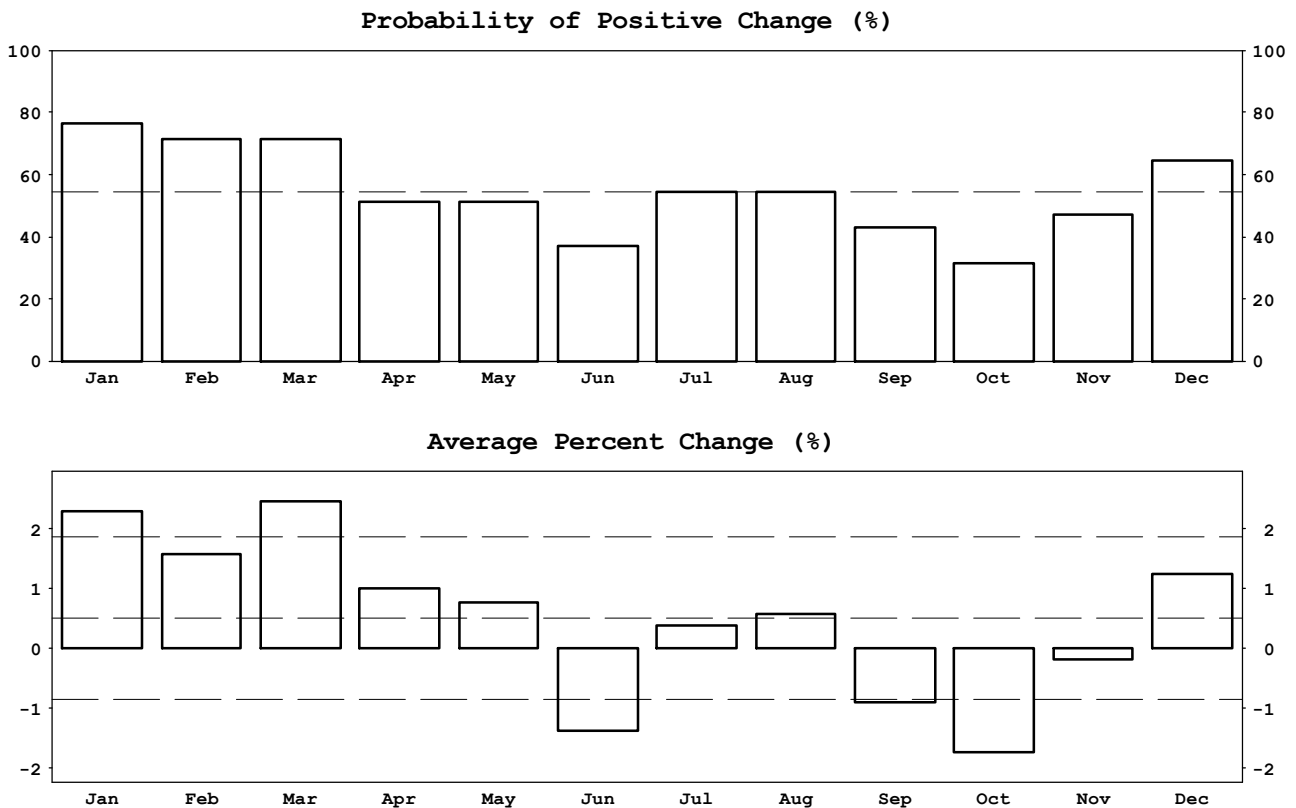


Source: BHP Billiton

**Over the near term (i.e. next three months) we see a risk that base metals and base metal equities experience a pull-back.** Copper inventories have climbed sharply both on the LME (+22%) and SHFE (+50%) for the past two months, Chinese copper imports have slowed and are expected to remain weaker relative to H1/09 (there are reports that Chinese copper inventories could exceed 1.0 million tonnes) and Q4 tends to be a time of underperformance for base metal prices and equities. We believe that a seasonal correction in base metal prices would be positive for the prices and potentially lead to a stronger recovery with lower prices boosting demand.

## Exhibit 10. Seasonal performance

### TDN Base Metal Commodity Index (EqWt Aluminum, Copper, Nickel, Zinc) Seasonal Performance Feb1975-Oct2009

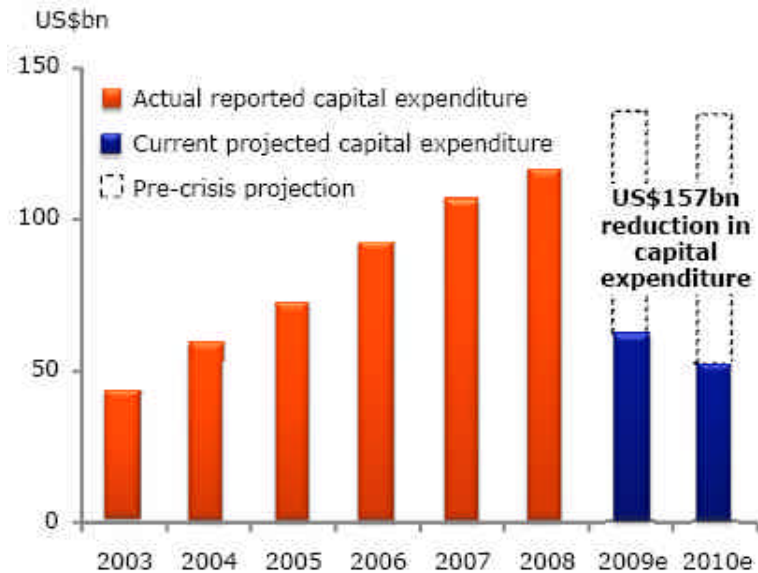


Source: TD Newcrest

**Over the next 12-18 months, we believe that there are reasons to be positive about the outlook for base metals and base metal equities:**

- **Economic recovery in China and other Asian economies (ex-Japan) is well advanced.**
- **Developed economies have turned the corner and have stabilized** – there are signs of early improvements in global trade and restocking in North America and the Euro-zone.
- **There is little supply slack in the system.** While exchange inventories have increased with the slowing global economy, aggressive supply cuts have dampened inventory accumulation. Copper and zinc exchange inventories in absolute and days of consumption terms are well below the peaks reached during the past two recessions.
- **Future mine supply will be negatively impacted by the credit crunch.** Global mining capital and exploration expenditures are expected to decline 47% in 2009 and a further 16% in 2010.

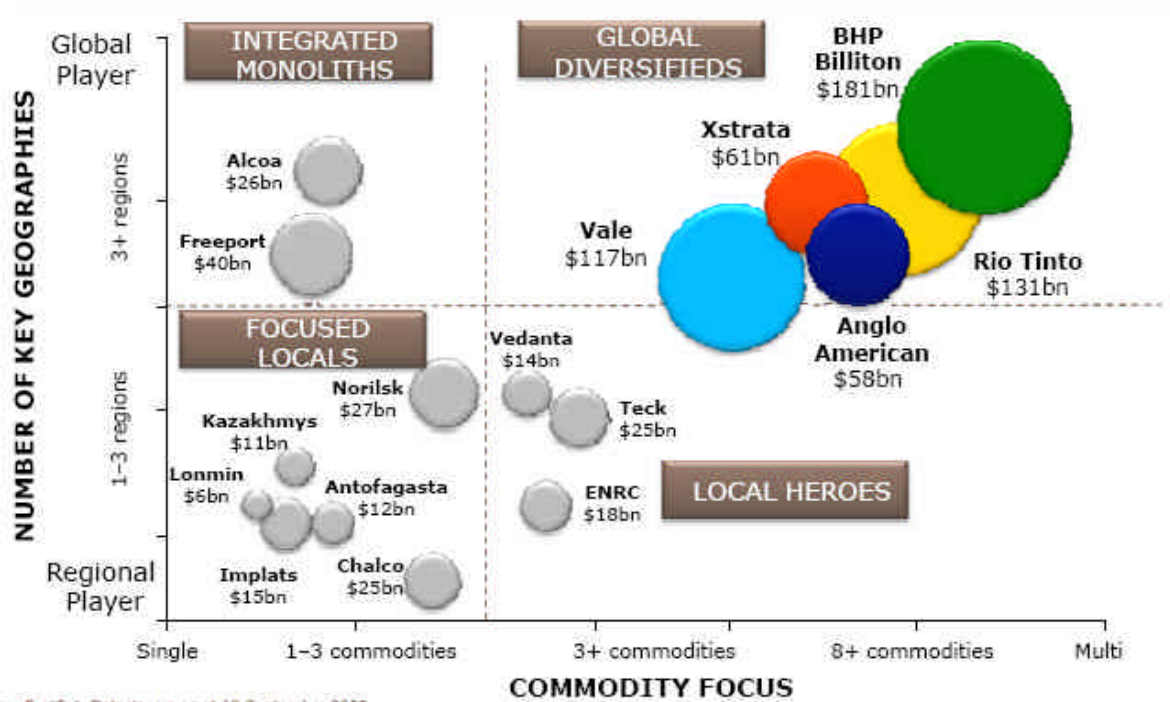
## Exhibit 11. 2009/10 Sharp Decline in Global Mining Capex



Source: McKinsey, Xstrata, TD Newcrest.

- Stimulus spending in the developed world should start in earnest in 2010
- **Asian infrastructure development is still at an early stage** – Anglo American CEO, Cynthia Carroll, recently noted that China will be spending an additional US\$250-300 billion on infrastructure spending by the end of 2010 and India will be spending US\$500 billion between now and 2012.
- **M&A is creeping back onto the agenda** – Xstrata, BHP Billiton and Vale have all recently indicated that they believe they are well positioned to capitalize on further consolidation in the mining industry. BHP Billiton and Vale have strong balance sheets, while Xstrata has gone public with its desire to merge with Anglo American. We believe that the super-majors are looking hard at the focused locals and local heroes (Exhibit 12) as possible targets, while the local heroes are looking further downstream at focused juniors and emerging producers. We believe that M&A activity should be focused with the copper producers as companies grab share in a potentially very undersupplied market.

**Exhibit 12. Global Mining & Metals Industry – More Consolidation Potential**



Source: FactSet, Datastream as at 18 September 2009  
 Note: Size of bubble represents Enterprise Value at the close of business on 18 September 2009; Enterprise Value = market value of equity + net debt and other balance sheet items

Source: Xstrata

## Exhibit 13. Base metals market summary

Metal	Inventory level	China Impact	Supply Changes	Near Term Price Direction	Longer Term View
<b>Copper</b>					
2009E US\$2.27	LME inventory rising, albeit slowly;	Chinese imports expected to slow	Further copper production cuts	Near term flat to lower as Chinese	Copper has among the best LT
2010E US\$3.00	SHFE inventories close to two year	with LME/SHFE arbitrage closed	unlikely at current price. Scrap	imports slow and inventories	fundamental outlooks among the
2011E US\$3.40	high. Total exchange stocks are	and internal inventories climbing	markets still tight and TC/RCS	stabilize or climb higher	base metals - supply growth
2012E US\$3.25	now rising		falling suggesting tight concentrate		remains constrained and
LT US\$2.00			market		inventories remain low on a
					historical basis
<b>Nickel</b>					
2009E US\$6.67	Nickel inventories have stopped	Chinese nickel imports and	Nickel pig iron production is picking	The nickel price looks over-	Supply growth remains a concern -
2010E US\$8.00	climbing and show some signs of	production have been strong YTD.	up - imports of low grade nickel ore	extended but supported by strike in	several large nickel projects are
2011E US\$7.50	dropping - inventory decline could	Indications suggest that	have climbed. This could put a	Sudbury & Voisey's Bay. Labour	waiting to start production (Goro,
2012E US\$7.00	be rapid once stainless steel	overstocking has occurred to the	potential cap on the nickel price in	negotiations at impasse - strike	Onca Puma) and nickel pig iron
LT US\$6.50	production growth resumes	tune of +100,000 tonnes	the US\$8.00-10.00/lb range.	could last until YE 2009	production is already ramping
					higher
<b>Zinc</b>					
2009E US\$0.71	LME inventories have been	Chinese imports slowed in April but	Several zinc miners have indicated	Price direction dictated by copper -	Zinc mine supply outside China
2010E US\$0.85	climbing but signs of a demand	still at a high level. Infrastructure	that they would need a zinc price	peaking Chinese mine production	remains challenged - few new
2011E US\$0.95	pick-up seen in North America -	spending has increased demand -	above US\$1/lb to resume	could be an early sign of broader	mines in the development pipeline.
2012E US\$1.20	Teck restarting refining capacity at	but there is concern that inventory	production. However, smaller	supply challenges.	Zinc is expected to be one of the
LT US\$0.75	Trail	has accumulated.	miners in China have started to up		first base metals to move into
			production at current zinc price		deficit once demand growth
			above US\$0.80/lb		resumes
<b>Molybdenum</b>					
2009E US\$12.78	Inventories are low at the producer	China remained a net importer in	As copper prices rebound, by-	Prices have pulled backed from	Increased use of molybdenum for
2010E US\$20.50	and consumer level. Producers	Q2/09, as small scale, high cost	product molybdenum production	their recent highs above \$18.00/lb	specialty steels and as a catalyst in
2011E US\$24.50	have matched output with	Chinese producers remained on	will increase, if the moly price	set in August and have settled into	low sulphur diesel fuels should
2012E US\$25.00	consumer demand	the sidelines, dampening domestic	increases stay above US\$13/lb,	the \$13/lb range. Gradual price	support higher prices in the longer
LT US\$14.00		supply. The trend is expected to	more domestic Chinese mines are	increases are expected to persist	term
		reverse itself in 2010, at our metal	likely to restart	into 2010 and 2011 as North	
		price forecasts.		American and European demand	
				strengthens	
<b>Hard Coking Coal</b>					
2009E US\$129	Coking coal supply tight - spot	Chinese imports of coking coal	Coking coal producers cut	Spot prices appear to be headed	China is expected to become a
2010E US\$165	prices increasing towards	surged through H1/09 - mine	production aggressively in the face	higher - Australian infrastructure	larger importer of seaborne coking
2011E US\$150	US\$170/t	closure and increased steel	of dramatic steel production	constraints still apparent; Larger	coal; India will become a growing
2012E US\$125		production were the drivers	decline. Production restarts are	coal producers sold out for current	influence - supply of high quality
LT US\$125			underway - Teck and Xstrata.	JFY	hard coking coal expected to be
					tight
<b>Uranium</b>					
2009E US\$48.00	Surplus material available to the	Asian utilities were very active in	Mine supply expected to increase	Spot price overhung by lack of	Mine supply remains problematic -
2010E US\$60.00	market - DOE potentially	the spot market in H1/09 -	in 2009 to 125-130 million pounds	clarity on DOE possible surplus	sovereign risk issues emerging in
2011E US\$65.00	selling/bartering uranium for	Japanese/Korean & Chinese	from 115 million pounds in 2008	uranium sales; utility demand	Kazakhstan; Cigar Lake timing
2012E US\$70.00	environmental clean-up funding	utilities signing LT off-take		highly discretionary; expect only	uncertain; Olympic Dam expansion
LT US\$50.00		agreements. Chinese largest		mild bounce in price through YE09	post 2015 - LT price direction
		buyers in spot market - 8 Mlbs		expected to be higher. BHP Billiton	expected to be higher. BHP Billiton
		YTD.		suggests LT US\$70/lb uranium	suggests LT US\$70/lb uranium
				required for new mine	development

Source: TD Newcrest.

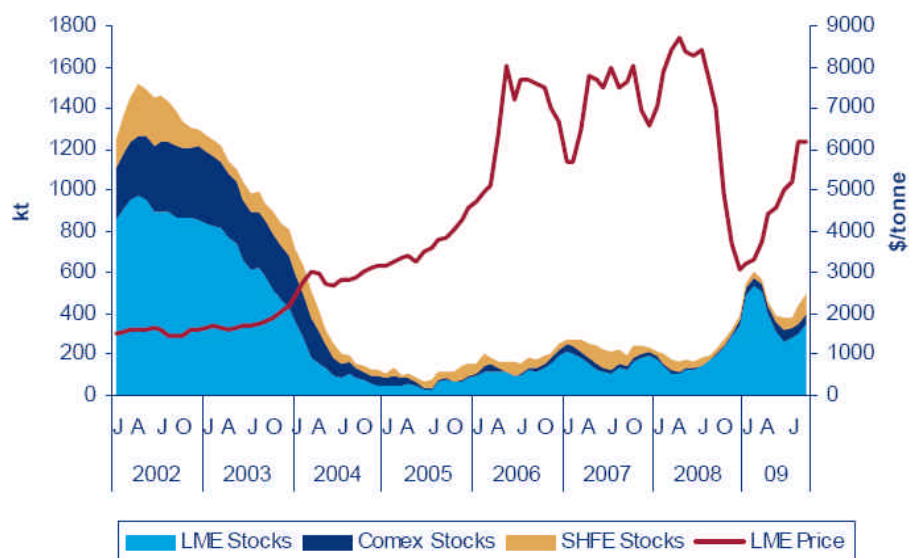
## Copper – Medium and LT Supply Constraints Cause for Higher Price

**Exhibit 14. Copper supply/demand forecast**

Global supply and demand balance	2007A	2008A	2009E	2010E	2011E
000 tonnes					
<b>World refined primary production</b>	<b>15,523</b>	<b>15,589</b>	<b>15,505</b>	<b>16,105</b>	<b>16,532</b>
% change year-over-year	2.6%	0.4%	(0.5)%	3.9%	2.6%
<b>World refined primary demand</b>	<b>17,919</b>	<b>17,962</b>	<b>17,331</b>	<b>18,387</b>	<b>19,246</b>
% change year-over-year	2.7%	0.2%	(3.5)%	6.1%	4.7%
<b>Implied supply and demand balance</b>	<b>85</b>	<b>413</b>	<b>394</b>	<b>(32)</b>	<b>(476)</b>
LME cash price (US\$/lb)	3.23	3.21	2.27	3.00	3.40

Source: Brook Hunt, TD Newcrest.

**Exhibit 15. Copper Stocks & Price**



Source: Brook Hunt, TD Newcrest.

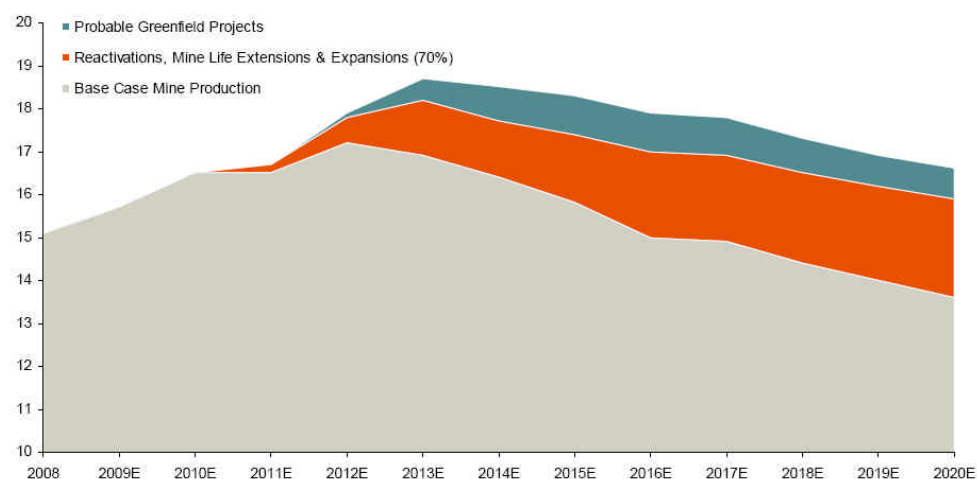
- Copper inventories have risen steadily over the past two months, with LME inventories surpassing the 340,000 tonne level and SHFE inventories close to two year highs. The rising inventory levels combined with reports of lower copper imports into China in H2/09 have increased concerns that the price is poised for a correction.
- We don't disagree that this is a possibility over the next few months, particularly if rising inventories are combined with a reversal in the weakening trend in the US dollar.
- Despite the recent increase in copper exchange inventories, on an absolute and days-of-consumption basis, exchange inventories remain low when compared to previous economic slowdowns. Currently, exchange inventories (LME+SHFE+Comex) total approximately 500,000 tonnes, or 10 days of

consumption, versus the recession of the early 1990s and 2001/02 - consumptions levels stood at 22 days in 1993 and 32 days in 2002.

- With leading indicators around the world pointing to a global recovery, we believe that there is a risk that an inventory re-stocking cycle is on the verge of occurring in the developed economies, increasing the potential that inventories decline to extremely tight levels (below 5-days of consumption) within the next 12 months, leading to higher prices in 2010.
- There is also increasing concern that supply is likely to be constrained over the medium term, as a lack of projects in the development pipeline, has been exacerbated by the credit crunch over the past 12 months. Medium term supply constraints coupled with our expectation of increased demand from China in 2010 and 2011 should drive copper prices to \$3.40/lb in 2011.
- Over the long term, what we view as a lack of high quality large scale projects could drive up the marginal cost of production leading to higher long term copper prices to meet demand. At historic annual consumption growth of 3% year, approximately 550,000 tonnes of new production is required each year. Some of this supply growth will come from scrap but we believe that over the medium to longer term, the world is short of copper units. BHP Billiton's supply/demand model indicates a supply gap of 10 million tonnes by 2020.
- According to Brook Hunt's database of highly probable and possible greenfield copper projects, only 12 are projected to achieve production rates in excess of 200,000 tonnes/year and only 4-5 have a realistic chance of producing in excess of 250,000 tonnes. Given what we see as a limited supply response by the mining industry combined with higher costs, we expect LT copper prices to increase to \$2.00/lb (previously \$1.75/lb). Our models indicate that many of the larger, more remote projects in the development pipeline require a US\$2.00 LT copper price to generate acceptable rates of return.

### Exhibit 16. Global copper supply potentially peaks in 2013

**Global Copper Mine Supply Breakdown, 2008-2020**  
(Mt, Copper Contained)



Source: Brook Hunt, BHP Billiton, TD Newcrest

- We expect that a recovery in global demand is beginning to take hold, which should see global demand growth of +6.1% in 2010 versus a decline in global demand of -3.5% in 2009.
- **We have increased our 2009-2012 and LT copper price forecasts to reflect our view that a return to global growth, tight inventory levels relative to previous downturns, and a lack of projects both medium term and long term in the development pipeline will drive prices higher.** We are forecasting that the copper price will average US\$2.27/lb in 2009, increasing to US\$3.00/lb in 2010 and peaking at \$3.40/lb in 2011 before settling to our LT price forecast of \$2.00/lb in 2015.

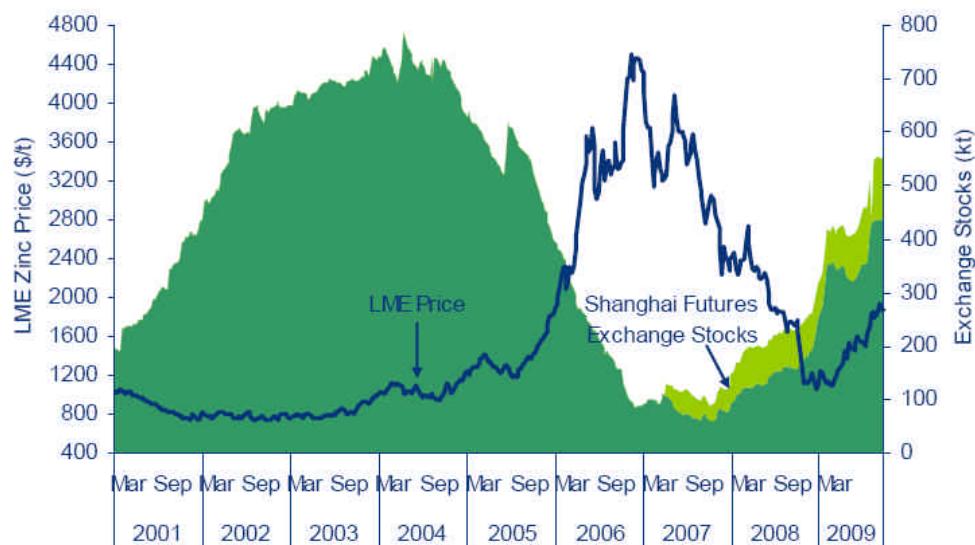
## Zinc – Chinese mine production lagging

### Exhibit 17. Zinc supply/demand forecast

Global supply and demand balance	2007A	2008A	2009E	2010E	2011E
000 tonnes					
<b>World mine production</b>	<b>10,905</b>	<b>11,511</b>	<b>10,427</b>	<b>10,860</b>	<b>11,621</b>
% change year-over-year	5.7%	5.6%	-9.4%	4.1%	7.0%
<b>World refined primary production</b>	<b>11,182</b>	<b>11,509</b>	<b>10,595</b>	<b>10,942</b>	<b>11,387</b>
% change year-over-year	6.5%	2.9%	-7.9%	3.3%	4.1%
<b>World refined primary demand</b>	<b>11,433</b>	<b>11,205</b>	<b>10,412</b>	<b>10,851</b>	<b>11,701</b>
% change year-over-year	2.5%	(2.0)%	(7.1)%	4.2%	7.8%
<b>Implied supply and demand balance</b>	<b>(251)</b>	<b>304</b>	<b>182</b>	<b>90</b>	<b>(315)</b>
LME cash price (US\$/lb)	1.47	0.86	0.71	0.85	0.95

Source: Brook Hunt, TD Newcrest.

### Exhibit 18. Zinc Stocks and Price



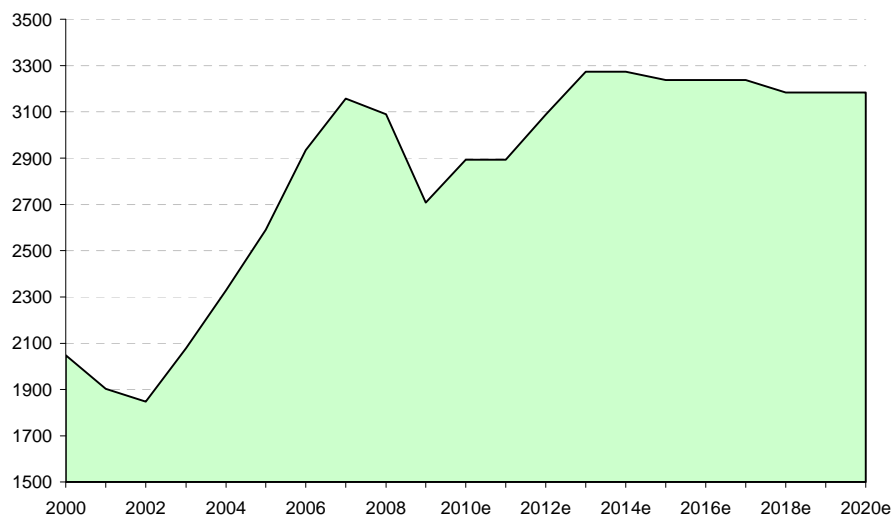
Source: Brook Hunt, TD Newcrest.

- **Current zinc cycle quite similar to previous two cycles.** The current zinc cycle has seen mine supply reduced by ~10%, 1.2 million tonnes in mine

closures, 1.0 million tonnes in smelter closures, a 70% peak to trough price fall, a retreat in the zinc price to the 50-70% percentile of the cost curve. The zinc market reacted similarly in each of the past two recessions, although for the first time producer discipline from smelters has also been evident. Profits from treatment charges historically led to undisciplined actions. This time, miners and smelters acted aggressively to reduce production, preventing an overbuilding of zinc stocks. Thirty smelters closed or cut production resulting in 1 million tonnes lower smelter production in 2009 versus original plan.

- **China mines, smelts and consumes 1/3 of global zinc.** The SRB has purchased 159,000 tonnes of zinc year-to-date (5 days of global consumption or <1.5%). Chinese zinc mine production is expected to decline in 2009 (through July concentrate production was down 15% YoY). At the same time, refined metal production was up 1% YoY. As a result, Chinese imports of zinc concentrate are up sharply (+67%).

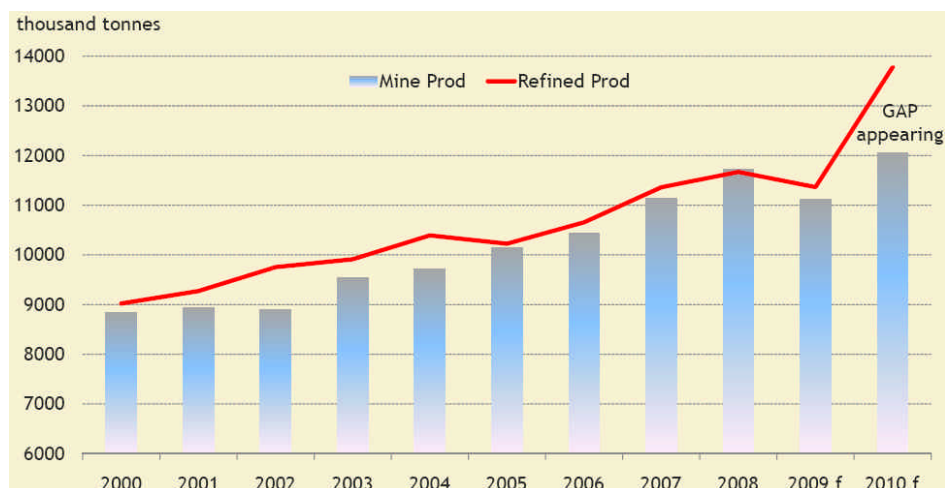
### Exhibit 19. Chinese zinc mine capacity peaking



Source: Brook Hunt, TD Newcrest

- **Teck sees zinc mine production below refinery capacity.** In a recent presentation, Teck Resources indicated that it believes that zinc mine production is running well below refined capacity – by about 150 kt in 2010. This should lead to lower zinc treatment charges and a higher zinc price.

## Exhibit 20. Global refined zinc production exceeding mine supply by 2010



Source: Teck Resources, ILZSG, TD Newcrest

- **Global inventories stand at approximately 37 days of consumption – well below the >100 days seen in each of the past two recessions.** As a general rule of thumb: 40 days represents a tight market, 50 adequate, 70 chronically oversupplied, 100-plus is way too much.

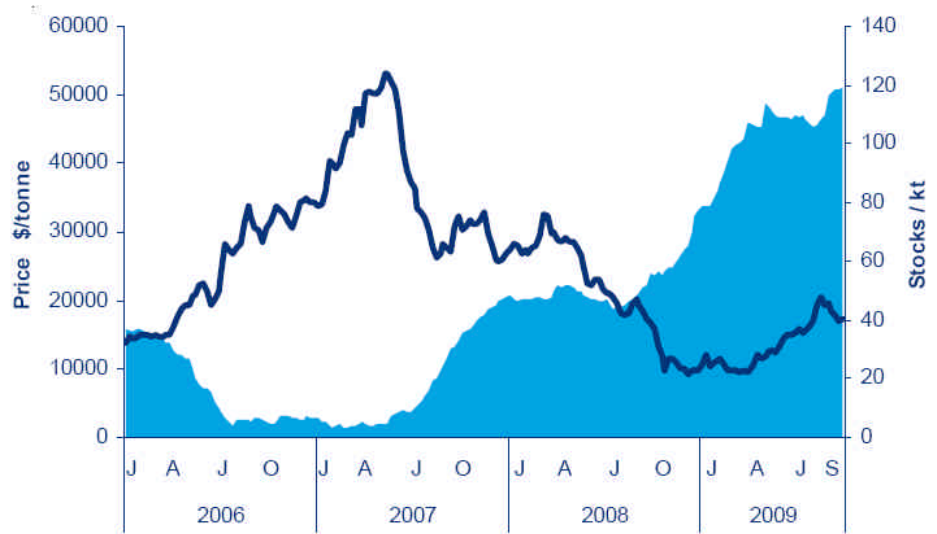
## Nickel – Nickel pig iron back on the scene

### Exhibit 21. Nickel supply/demand forecast

Global supply and demand balance	2007A	2008A	2009E	2010E	2011E
000 tonnes					
<b>World refined primary production</b>	<b>1,425</b>	<b>1,397</b>	<b>1,241</b>	<b>1,309</b>	<b>1,418</b>
% change year-over-year	5.0%	(1.9)%	(11.2)%	5.5%	8.3%
Destocking/other	-	-	-	-	-
<b>Total refined supply</b>	<b>1,425</b>	<b>1,397</b>	<b>1,241</b>	<b>1,309</b>	<b>1,418</b>
% change year-over-year	4.9%	(1.9)%	(11.2)%	5.5%	8.3%
<b>World refined primary demand</b>	<b>1,372</b>	<b>1,308</b>	<b>1,234</b>	<b>1,311</b>	<b>1,408</b>
% change year-over-year	(1.7)%	(4.7)%	(5.6)%	6.2%	7.4%
<b>Implied supply and demand balance</b>	<b>53</b>	<b>89</b>	<b>7</b>	<b>(2)</b>	<b>10</b>
LME cash price (US\$/lb)	16.87	9.67	6.67	8.00	7.50

Source: Brook Hunt, TD Newcrest.

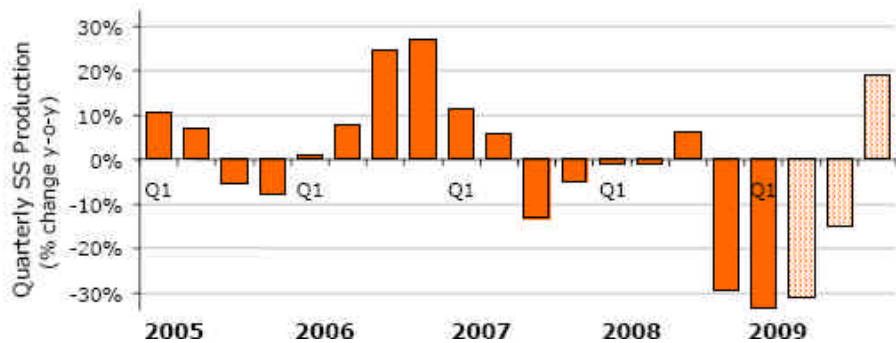
## Exhibit 22. Nickel stocks and price



Source: Brook Hunt, TD Newcrest.

- Nickel producers reacted quickly and aggressively to the Q4/08 price decline; the aggressive production cuts prevented the nickel price from collapsing to the US\$2.00-3.00/lb level as it has in past cycles.** Year to date, the nickel price has averaged US\$6.25/lb – helped by production cuts and by a strike-related extended shut down at Vale Inco’s Sudbury and Voisey’s Bay operations. Demand remains weak but stainless steel production is expected to rebound in Q4/09. Several Euro-zone stainless producers reportedly recalled workers at the end of September.

## Exhibit 23. Global stainless steel production expected to rebound in Q4/09



Source: Xstrata, CRU, TD Newcrest.

- The strike at Vale Inco’s Sudbury and Voisey’s Bay operations (combined output equivalent to approximately 8% of global nickel supply) shows no signs of being resolved.** We believe that this has supported the nickel price during the summer months and a protracted strike through the end of the year

could result in higher short term nickel prices if stainless steel production starts to recover. Recent moves by Vale Inco (a partial restart of production with non-union employees) suggests that a quick resolution to the strike is not in the offing. In any case, even if a quick ending to the strike were to happen, it normally takes at least two months for the operations to return to full production levels – it now appears that this could occur only by December at the earliest.

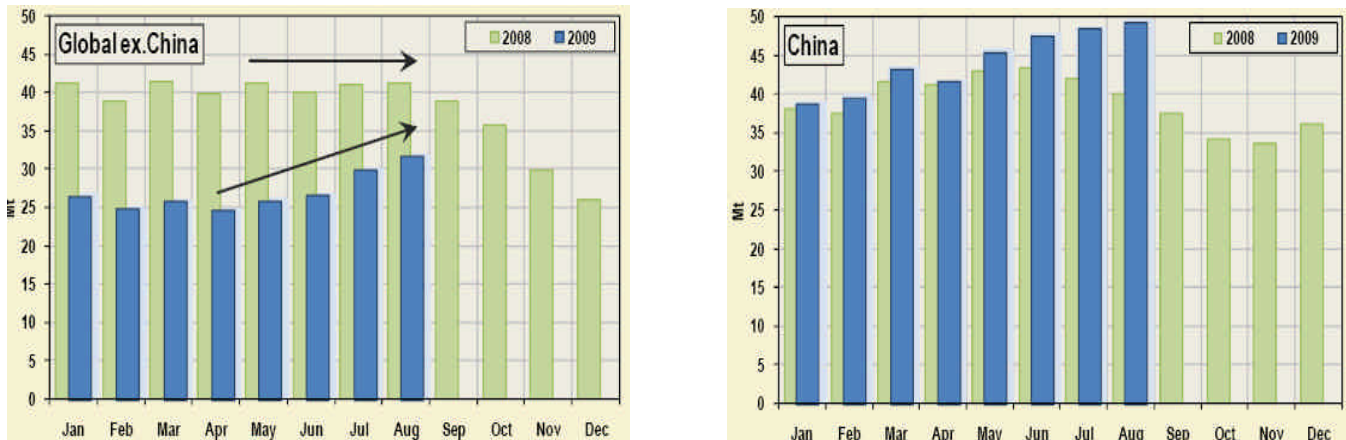
- **China's appetite for nickel has strengthened over the past 3-4 months and it appears that higher production rates at Chinese steel mills are being sustained.** Brook Hunt has increased its forecast for Chinese stainless steel production to 7.7 million tonnes for 2009, resulting in a 16kt increase in forecast nickel consumption. Chinese nickel consumption is now forecast at 342 kt for 2009, up 12% vs. 2008. However, despite the increase in fundamental nickel demand, refined nickel imports have been running at a very high level. Brook Hunt estimates that a surplus of 100,000 tonnes of nickel has likely developed in the country.
- **Nickel pig iron (NPI) production restarting.** A possible structural cap on the nickel price is a resurgence of nickel pig iron production. At prices in the US\$6.00-7.00/lb range, NPI production has resumed and in recent months, imports of low grade nickel ore into China have started to build again following a collapse in mid-2008. BHP Billiton indicated recently that upwards of 80,000 tonnes of nickel in pig iron has entered the Chinese market in 2009. BHP Billiton is less positive on the outlook for nickel given that the market has found a way to react to very high price levels.
- **A number of large projects are poised to enter production during 2010-2012.** Vale has suggested that it would start production at both its Goro (55 kt/y) and Onca Puma (45 kt/y) nickel projects during 2010. Sherritt International and its partners expect to start production at the Ambatovy HPAL nickel project (60 kt/y) in Madagascar in late 2010 and Xstrata is expecting to start production at its 60 kt/a Koniambo project in H1/12.
- **We have increased our LT nickel price to US\$6.50/lb from US\$6.00/lb.** Despite what we see as a well supplied market, we believe that higher energy prices have forced production costs higher and this in turn has driven the marginal cost of production higher. Our new long term price closely matches the average price YTD for 2009, which arguably is the bottom of the economic cycle.

## **Metallurgical Coal Outlook – Chinese demand for seaborne HCC sustainable**

- **Chinese imports of HCC are expected to be sustained at 20-30 million tonnes per year.** Teck believes that the 2009 jump in coking coal imports into China is the start of a trend and that over time imports of hard coking coal (HCC) should stabilize in a range of 20-30 million tonnes per annum. This is being driven by (1) the consolidation and modification of Chinese steel mills, (2) consolidation of Shanxi coking coal production, and (3) lower domestic reserves of low volatile HCC.

- **Global steel production and pricing is recovering.** Chinese pig iron production (which is predominantly produced using coking coal) has recovered to pre-crisis levels; outside China, pig iron production is showing signs of recovery. Hot rolled coil (HRC) prices have also recovered to approximately US\$600/tonne from the lows close to US\$400/tonne.

**Exhibit 24. Pig Iron Production China and ex-China 2008/09**



Source: World Steel Association, Teck Cominco, TD Newcrest

- **Australia and Canada are the largest HCC suppliers – but face constraints.** Australian infrastructure constraints are expected to be a major factor again over the next 3 years – port and rail expansions were delayed due to the credit crunch. Australian met coal exports totaled 135 million tonnes from 150 million tonnes/year production capacity in 2008. Teck has indicated that it expects its production of HCC to be constrained to 23-24 million tonnes per annum for 2010/11 due to equipment and labour availability.
- **Longer-term HCC supply exports to be constrained:** For Canadian producers, strong prices are required for NE British Columbia to be a regular supplier to Asia. Western Canada is one of the most expensive producers in the seaborne market - producers will be stressed at sub-US\$100/tonne HCC price. US HCC is the swing production in the seaborne market. Mongolian HCC production faces challenges from lack of infrastructure and licensing issues – we expect that Mongolia is likely to service interior Chinese steel mills. Mozambique HCC is now under development by Vale – but initial production will be mostly thermal coal. Moatize is a large resource with higher ash content (lower quality); first exports to India by 2011 are possible. Russian HCC production is expected to be largely inward focused with strong domestic demand growth limiting export growth in the medium term;

## Exhibit 25. Global Coking Coal Suppliers

Global Metallurgical Coal Producers				Hard Coking Coal		Semi-Soft & PCI Coal	
	Mt	Share	Cum %		Mt		Mt
BHP Billiton	30.5	12.70%	12.70%	BHP Billiton	23.3	Mechel Steel Group OAO	7.4
Mitsubishi Development	24.5	10.20%	22.90%	Mitsubishi Development	19.7	BHP Billiton	7.2
Teck Cominco Limited	19.9	8.30%	31.20%	Teck Cominco Limited	16.4	Anglo American plc	6.3
Anglo American plc	17.7	7.40%	38.60%	Anglo American plc	11.4	Xstrata Coal	5.2
Xstrata Coal	11.9	5.00%	43.60%	Rio Tinto	7.4	Mitsubishi Development	4.8
Mechel Steel Group	10.9	4.50%	48.10%	Peabody Energy	7.2	Teck Cominco Limited	3.5
Rio Tinto	10.5	4.40%	52.50%	Xstrata Coal	6.7	Rio Tinto	3
Peabody Energy	8.5	3.60%	56.00%	Walter Industries Inc	5.8	Macarthur Coal	2.5
Mitsui & Co	7.5	3.10%	59.20%	Mitsui & Co Ltd	5.7	SBU-Coal	2.4
Wesfarmers Limited	7.3	3.00%	62.20%	Wesfarmers Limited	4.9	Wesfarmers Limited	2.4
Walter Industries Inc	5.8	2.40%	64.60%	Massey Energy Company	4.3	Felix Resources	2.3
Massey Energy Company	4.3	1.80%	66.40%	Mechel Steel Group OAO	3.5	Vale	2.2
Macarthur Coal	3.5	1.50%	67.90%	Consol Energy Inc.	2.9	PT Bumi Resources	2.2

Source: AME

- **Higher quality coking coals to fare best in the medium term.** Trend towards larger blast furnaces is expected to drive increased consumption of HCC. Benchmark pricing in met coal has partially broken down (there is less market share concentration versus iron ore).
- **We have increased our 2010 benchmark coking coal price forecast to US\$165/t (from US\$150/t) and we are maintaining our 2011 price forecast at US\$150/t; long term we use a US\$125/tonne HCC price. Our 2010 price forecast is in-line with our expectation for spot HCC prices at YE 2009.**

## Uranium – Asian Demand Growth Fuels Outlook for Tight Supply LT; DOE Sales Overhang ST

- **Nuclear energy is on a clear growth path;** the largest area of growth over the next 20 years will be Asia; The United States could see its first new nuclear reactor in operation by 2016.

### Exhibit 26. Nuclear Plants Under Construction, Planned and Proposed

Country	REACTORS UNDER CONSTRUCTION		REACTORS PLANNED		REACTORS PROPOSED		REACTORS OPERABLE		NUCLEAR ELECTRICITY GENERATION 2008	
	No.	MWe	No.	MWe	No.	MWe	No.	MWe	billion kWh	% e
	01-Aug-09		Aug-09		Aug-09		01-Aug-09			
China	15	15,360	34	36,380	80	72,000	11	8,587	65.3	2.2
Russia	9	7,130	7	8,000	28	25,880	31	21,743	152.1	16.9
India	6	2,976	23	21,500	15	20,000	17	3,779	13.2	2
Korea	5	5,350	7	9,450	0	0	20	17,716	144.3	35.6
Canada	2	1,500	4	4,400	3	3,800	18	12,652	88.6	14.8
Japan	2	2,285	13	17,915	1	1,300	53	46,236	240.5	24.9
Slovakia	2	840	0	0	1	1,200	4	1,688	15.5	56.4
Argentina	1	692	1	740	1	740	2	935	6.8	6.2
Finland	1	1,600	0	0	1	1,000	4	2,696	22	29.7
France	1	1,630	1	1,630	1	1,630	59	63,473	418.3	76.2
Iran	1	915	2	1,900	1	300	0	0	0	0
Pakistan	1	300	2	600	2	2,000	2	400	1.7	1.9
USA	1	1,180	11	13,800	20	26,000	104	101,119	809	19.7

Source: WNA

- **Fuel supply/demand picture remains tight;** major new sources of mine supply remain delayed/uncertain – Cigar Lake timing remains unclear until at least early-2010; Olympic Dam timing is a little clearer as the project moves into environmental permitting but first production from the expanded operation is not expected until post-2015.
- **Recent sovereign risk issues in Kazakhstan and Niger are cause for concern** – Asian utilities are clearly worried about supply and are signing long-term off-take agreements with Canadian junior uranium miners. Within the next five years, Kazakhstan could over-take Canada as the world's largest miner of uranium; concerns about long-term supply have increased following the arrest of the chief executive of the Kazakh state uranium company, Kazatomprom.
- **HEU Agreement expires in 2013.** The recent credit crunch and lower oil prices could drive Russian authorities to seek additional sales of HEU-sourced nuclear material into the global market post-2013 following the expiry of the current HEU Agreement between Russia and the United States.
- **India is a major new player in the global uranium marketplace.** Indian nuclear plants have been running at 50% capacity due to lack of fuel; Ux consulting expects India to purchase 3-5 million pounds of U3O8 annually, largely through the term market.
- **Near-term spot price uncertainties.** Investor/hedge fund buying volume is unclear following the credit crunch – buying by long-only funds (i.e. Uranium Participation Corp.) has occurred recently suggesting that investment demand remains a factor in the market. Utility spot demand may weaken after heavy

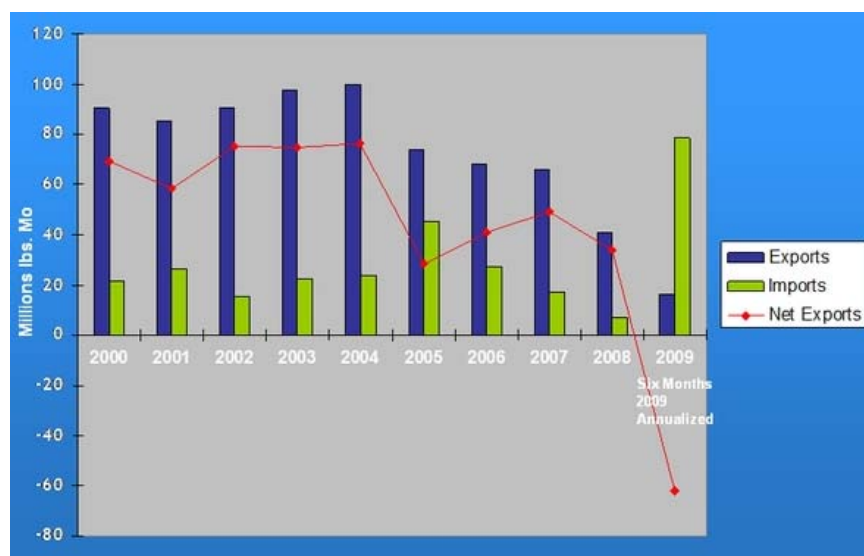
buying at lower prices over past six months, offsetting this is increased demand by Asian utilities in the spot market. According to Cameco, Chinese utilities have been the largest buying group in the market – to mid-year they had purchased approximately 8 million pounds U3O8e, or approximately 25% of total spot volume.

- **DOE uranium sales overhang spot market.** The DOE is proposing that it will fund the clean-up of its Portsmouth Gaseous Diffusion Plant via the sale of a portion of its uranium stockpile. It is not clear at this point how much uranium could be sold under this plan. Since the DOE announced its plan to sell uranium, the spot price has declined from US\$47/lb to as low as US\$42/lb last week, a decline of 10.6%. The DOE is proposing that it will accelerate the clean-up of the Portsmouth facility at a funding level of US\$150-200 million per year for the next four years – at the current spot price this would translate into the sale of approximately 3.6-4.7 million pounds of uranium per year.
- **We have lowered our price forecasts given a weaker than expected price year-to-date.** We are projecting an average spot price of US\$48/lb for 2009 and US\$60/lb for 2010. Long term, we use a US\$50/lb uranium price, although we note that BHP Billiton suggested recently that a US\$70/lb long-term price is needed to justify new mine development.

## Molybdenum –Prices Retreat from Recent Highs; LT Bullish Outlook Intact

- Prices for molybdenum oxide and ferromolybdenum have recently retreated from their 8-month highs of approximately \$18.50/lb set in mid August to levels in range of \$13/lb. According to Metals Bulletin Ltd., prices have fallen as traders holding long positions sold aggressively into quiet markets, while others took profits in reaction to lackluster demand from both Asian and Western steel producers.
- The recent sell-off is not a major surprise, as we believe prices in August could have been partially inflated by traders covering their short positions and very low inventory levels. Prices for Q3/09 have averaged approximately \$15.18/lb (versus our estimate of \$15.00/lb), down 56% on a Y/Y basis, but well above H1/09 average prices of \$9.47/lb.
- China remains a net importer – China, the world’s largest molybdenum producer continues to be a net importer of the metal, as prices in the \$12-15/lb range have kept many of the high cost, small scale Chinese producers on the sidelines. Chinese imports of molybdenum concentrate and molybdic oxide between January and July totaled 40,161 tonnes, a 12-fold increase over the previous year, while exports for the first seven months of 2009 are down 70% Y/Y to 4,057 tonnes.
- China, which now accounts for almost 50% of the world’s crude steel production, is expected to continue to play a significant role in terms of setting the stage for molybdenum prices. We expect China to continue to be a net importer through the balance of 2009, until western demand picks up in 2010 reversing the trend.

### Exhibit 27. Chinese Net Molybdenum Exports



Source: Thompson Creek Metals Corp.

- We continue to expect that a sustainable price rally from these levels will require stronger participation by end users, most notably steel mills and

therefore expect prices to remain relatively flat for the remainder of 2009. **However, when demand does takes hold, low inventories of both specialty steels and a lack of new production capacity should set the scene for stronger molybdenum prices.**

- We have mark-to-market molybdenum prices in Q3/09 to \$15.18/lb and we are forecasting average molybdenum prices of \$12.84 for 2009. Our price forecasts for 2010 through 2014 and LT remain unchanged. We are forecasting prices of \$20.50/lb in 2010, increasing to \$24.50 in 2010 and peaking at \$25.00/lb in 2012 before settling to our LT metal price forecast of \$14.00/lb in 2015.

# Mining Companies – Changes to Estimates, Target Prices and Recommendations

## Updated Estimates & Target Prices

Our updated target prices, estimates, net asset values and valuation methodologies are summarized in the Exhibits below. Equities with copper exposure have experienced the most significant increases due to an increase in our long-term copper price.

### Exhibit 28. TD Newcrest Target price and recommendation changes

Company	12-mo. Target			Rec.		Analyst
	Old	New		Old	New	
<b>Large Cap</b>						
Cameco Corp.	C\$36.00	<b>C\$35.00</b>	↓	BUY	<b>BUY</b>	GB
Teck Resources Ltd.	C\$35.00	<b>C\$40.00</b>	↑	BUY	<b>AL BUY</b>	↑ GB
<b>Intermediate-Small Cap</b>						
Breakwater Resources Ltd.	C\$0.50	<b>C\$0.50</b>		Spec BUY	<b>Spec BUY</b>	GB
Capstone Mining Corp.	C\$3.50	<b>C\$4.25</b>	↑	HOLD	<b>BUY</b>	↑ CM
Equinox Minerals Ltd.	C\$3.00	<b>C\$4.00</b>	↑	HOLD	<b>BUY</b>	↑ GB
Denison Mines Corp.	C\$2.00	<b>C\$2.00</b>		HOLD	<b>HOLD</b>	CM
First Quantum Minerals Ltd.	C\$80.00	<b>C\$80.00</b>		HOLD	<b>HOLD</b>	GB
FNX Mining Company Inc.	C\$10.00	<b>C\$10.50</b>	↑	HOLD	<b>HOLD</b>	GB
HudBay Minerals Inc.	C\$13.50	<b>C\$15.50</b>	↑	BUY	<b>BUY</b>	GB
Inmet Mining Corp.	C\$53.00	<b>C\$70.00</b>	↑	BUY	<b>BUY</b>	GB
Lundin Mining Corp.	C\$4.50	<b>C\$5.00</b>	↑	BUY	<b>BUY</b>	GB
Mercator Minerals	C\$3.75	<b>C\$4.25</b>	↑	BUY	<b>BUY</b>	CM
Quadra Mining Ltd.	C\$15.50	<b>C\$21.00</b>	↑	BUY	<b>BUY</b>	CM
Thompson Creek Metals	C\$14.50	<b>C\$14.50</b>		REDUCE	<b>HOLD</b>	↑ CM
<b>Developers</b>						
Augusta Resource Corp.	C\$2.50	<b>C\$3.75</b>	↑	BUY	<b>BUY</b>	CM
Ivanhoe Mines Ltd.	C\$15.00	<b>C\$15.00</b>		BUY	<b>HOLD</b>	↓ CM
Nautilus Minerals	C\$1.75	<b>C\$2.00</b>	↑	HOLD	<b>Spec BUY</b>	↑ CM
Northern Dynasty Minerals	C\$18.75	<b>C\$18.75</b>		Spec BUY	<b>Spec BUY</b>	CM

Source: TD Newcrest

## Exhibit 29. TD Newcrest Valuation Methodology

	New Target	New Valuation				
		EV/EBITDA			NAV	
		Weight	Multiple	Year	Weight	Multiple
<b>Large Cap.</b>						
Teck Resources Ltd.	C\$35.00	100%	6.00	2011	0%	-
Cameco Corp.	C\$40.00	60%	14.00	2010	40%	1.55
<b>Intermediate-Small Cap</b>						
Breakwater Resources Ltd.	C\$0.50	40%	3.50	2010	60%	1.00
Capstone Mining Corp.	C\$4.25	6%	4.00	0	40%	1.00
Equinox Minerals Ltd.	C\$4.00	60%	3.75	2010	40%	1.00
Denison Mines Corp.	C\$2.00	5%	3.50	2009	60%	1.20
First Quantum Minerals Ltd.	C\$80.00	60%	3.75	2010	40%	1.00
FNX Mining Company Inc.	C\$10.50	0%	-	-	100%	0.85
HudBay Minerals Inc.	C\$15.50	60%	4.20	2010	40%	1.20
Inmet Mining Corp.	C\$70.00	60%	4.50	2010	40%	1.20
Lundin Mining Corp.	C\$5.00	60%	3.75	2010	40%	1.00
Mercator Minerals	C\$4.25	6%	4.00	2009	40%	1.00
Quadra Mining Ltd.	C\$21.00	6%	4.00	2009	40%	1.00
Thompson Creek Metals	C\$14.50	6%	4.00	-	40%	1.25
<b>Developers</b>						
Augusta Resource Corp.	C\$3.75	0%	3.50	2009	100%	1.00
Ivanhoe Mines Ltd.	C\$15.00	0%	3.50	-	100%	1.00
Nautilus Minerals	C\$2.00	0%	3.50	2009	100%	1.00
Northern Dynasty Minerals	C\$18.75	0%	3.50	2009	0%	-

\*CS, ML, QUA, TCM target price is based on EV/EBITDA, P/E, P/CF multiples (60% weighting) and P/NAV multiple (40% weighting)

\*\* NDM, target price based on the Anglo American valuation of \$1.425 billion (C\$18.75 per NDM share) for a 50% interest in Pebble project

Source: TD Newcrest

## Exhibit 30. TD Newcrest Earnings Summary

Company	12-mo. Target	Rec.	EPS						
			08A	09E		10E			
				Old	New	Old	New		
<b>Large Cap</b>									
Cameco Corp.	C\$35.00	BUY	1.59	1.25	1.31	↑	1.73	1.75	↑
Teck Resources Ltd.	C\$40.00	AL BUY	3.28	1.84	1.99	↑	1.79	2.34	↑
<b>Intermediate-Small Cap</b>									
Breakwater Resources Ltd.	C\$0.50	Spec BUY	(0.09)	(0.01)	0.01	↑	0.06	0.09	↑
Capstone Mining Corp.*	C\$4.25	BUY	1.29	0.50	0.60	↑	0.41	0.52	↑
Equinox Minerals Ltd.*	C\$4.00	BUY	0.28	0.07	0.13	↑	0.17	0.36	↑
Denison Mines Corp. *	C\$2.00	HOLD	(0.42)	(0.06)	(0.11)	↓	(0.05)	(0.07)	↓
First Quantum Minerals Ltd.*	C\$80.00	HOLD	5.24	5.60	6.83	↑	8.95	12.21	↑
FNX Mining Company Inc.	C\$10.50	HOLD	(0.25)	0.32	0.34	↑	0.41	0.53	↑
HudBay Minerals Inc.	C\$15.50	BUY	0.60	0.24	0.34	↑	0.64	0.88	↑
Inmet Mining Corp.	C\$70.00	BUY	5.73	4.39	4.78	↑	5.91	7.27	↑
Lundin Mining Corp.*	C\$5.00	BUY	(0.02)	0.11	0.19	↑	0.38	0.60	↑
Mercator Minerals*	C\$4.25	BUY	(0.34)	(0.08)	(0.05)	↑	0.35	0.48	↑
Quadra Mining Ltd.*	C\$21.00	BUY	1.57	1.27	1.70	↑	2.07	3.11	↑
Thompson Creek Metals*	C\$14.50	HOLD	1.91	0.34	0.28	↓	1.33	1.23	↓

\*US\$ estimates

Source: TD Newcrest

## Exhibit 31. TD Newcrest Cash Flow Summary

Company	12-mo. Target	Rec.	CFPS						
			08A	09E		10E			
				Old	New	Old	New		
<b>Large Cap</b>									
Cameco Corp.	C\$35.00	BUY	2.20	1.56	1.75	↑	2.18	2.03	↓
Teck Resources Ltd.	C\$40.00	AL BUY	8.13	4.01	4.23	↑	4.11	4.88	↑
<b>Intermediate-Small Cap</b>									
Breakwater Resources Ltd.	C\$0.50	Spec BUY	0.01	0.03	0.04	↑	0.09	0.13	↑
Capstone Mining Corp.*	C\$4.25	BUY	0.27	0.60	0.70	↑	0.56	0.67	↑
Equinox Minerals Ltd.*	C\$4.00	BUY	(0.07)	0.26	0.32	↑	0.47	0.63	↑
Denison Mines Corp. *	C\$2.00	HOLD	0.08	(0.02)	(0.01)	↑	(0.02)	(0.03)	↓
First Quantum Minerals Ltd.*	C\$80.00	HOLD	7.82	8.01	9.58	↑	12.07	15.79	↑
FNX Mining Company Inc.	C\$10.50	HOLD	0.77	0.17	0.19	↑	0.32	0.66	↑
HudBay Minerals Inc.	C\$15.50	BUY	1.60	0.71	0.82	↑	1.69	2.13	↑
Inmet Mining Corp.	C\$70.00	BUY	6.40	6.16	6.13	↓	7.84	9.24	↑
Lundin Mining Corp.*	C\$5.00	BUY	0.68	0.34	0.42	↑	0.62	0.85	↑
Mercator Minerals*	C\$4.25	BUY	(0.29)	0.00	0.03	↑	0.44	0.58	↑
Quadra Mining Ltd.*	C\$21.00	BUY	2.70	1.80	2.16	↑	2.37	3.42	↑
Thompson Creek Metals*	C\$14.50	HOLD	2.78	0.67	0.62	↓	1.69	1.59	↓

\*US\$ estimates

Source: TD Newcrest

## Exhibit 32. TD Newcrest EBITDA Summary

Company	12-mo. Target	Rec.	EBITDA (\$mm)						
			08A	09E		10E			
				Old	New	Old	New		
<b>Large Cap</b>									
Cameco Corp.	C\$35.00	BUY	1,142	803	878	↑	1,024	957	↓
Teck Resources Ltd.	C\$40.00	AL BUY	2,090	3,509	3,611	↑	3,385	3,871	↑
<b>Intermediate-Small Cap</b>									
Breakwater Resources Ltd.	C\$0.50	Spec BUY	(19)	21	34	↑	79	111	↑
Capstone Mining Corp.*	C\$4.25	BUY	168	89	71	↓	134	186	↑
Equinox Minerals Ltd.*	C\$4.00	BUY	(5)	150	186	↑	356	466	↑
Denison Mines Corp.*	C\$2.00	HOLD	(73)	(27)	(39)	↓	(20)	(33)	↓
First Quantum Minerals Ltd.*	C\$80.00	HOLD	536	891	1,026	↑	1,254	1,640	↑
FNX Mining Company Inc.	C\$10.50	HOLD	31	53	56	↑	89	107	↑
HudBay Minerals Inc.	C\$15.50	BUY	293	112	142	↑	248	324	↑
Inmet Mining Corp.	C\$70.00	BUY	363	384	389	↑	540	644	↑
Lundin Mining Corp.*	C\$5.00	BUY	317	249	303	↑	447	625	↑
Mercator Minerals*	C\$4.25	BUY	(15)	10	15	↑	125	162	↑
Quadra Mining Ltd.*	C\$21.00	BUY	75	136	176	↑	306	445	↑
Thompson Creek Metals*	C\$14.50	HOLD	384	99	90	↓	318	298	↓

\*US\$ estimates

Source: TD Newcrest

## Exhibit 33. TD Newcrest NAV Summary

Company	NAV-10% (\$/sh)		% Ch.	P/NAV
	Old	New		
<b>Large Cap.</b>				
Cameco Corp.	21.09	21.47	↑	1.4
Teck Resources Ltd.	23.98	27.45	↑	1.1
<b>Intermediate-Small Cap</b>				
Breakwater Resources Ltd.	0.40	0.50	↑	0.6
Capstone Mining Corp.	2.74	3.23	↑	0.9
Equinox Minerals Ltd.	3.03	3.81	↑	0.8
Denison Mines Corp.	1.56	1.46	↓	1.3
First Quantum Minerals Ltd.	74.54	80.15	↑	0.8
FNX Mining Company Inc.	10.97	13.07	↑	0.7
HudBay Minerals Inc.	13.48	14.55	↑	0.9
Inmet Mining Corp.	49.41	56.62	↑	1.0
Lundin Mining Corp.	4.77	5.36	↑	0.7
Mercator Minerals	4.17	4.85	↑	0.6
Quadra Mining Ltd.	13.67	17.17	↑	0.8
Thompson Creek Metals	14.26	13.72	↓	0.9
<b>Developers</b>				
Augusta Resource Corp.	2.57	3.77	↑	0.7
Ivanhoe Mines Ltd.	14.51	15.21	↑	0.9
Nautilus Minerals	2.83	3.10	↑	0.4
Northern Dynasty Minerals	8.60	14.56	↑	0.5

\*IVN NAV-12%, NDM, NUS NAV-15%

Source: TD Newcrest.

## Q3/09 Estimates

In Exhibit 34, we summarize our updated Q3/09 estimates and how they compare to current consensus. Our estimates are significantly above consensus for the most part as we have marked-to-market our metal prices for the quarterly averages. Our new estimates also incorporate forecasted provisional price adjustments, which are positive for the quarter due to increasing metal prices versus Q2/09.

### Exhibit 34. Q3/09 estimates

Company	Q3/08A	Q2/09A	TD Q3/09	Consensus Q3/09	09E
<b>Large Cap</b>					
Cameco Corp.	0.41	0.36	0.38	0.38	1.31
Teck Resources Ltd.	0.95	0.44	0.50	0.42	1.99
<b>Intermediate-Small Cap</b>					
Breakwater Resources Ltd.	(0.04)	(0.01)	0.01	0.02	0.01
Capstone Mining Corp.*	(0.01)	0.09	0.14	0.09	0.60
Equinox Minerals Ltd.*	(0.00)	0.02	0.04	0.04	0.13
Denison Mines Corp. *	0.00	(0.07)	(0.02)	(0.01)	(0.11)
First Quantum Minerals Ltd.*	2.22	1.46	2.02	1.74	6.83
FNX Mining Company Inc.	(0.16)	0.14	(0.04)	0.01	0.34
HudBay Minerals Inc.	0.21	0.07	0.12	0.14	0.34
Inmet Mining Corp.	1.74	1.09	1.35	1.18	4.78
Lundin Mining Corp.*	(0.01)	0.05	0.08	0.06	0.19
Mercator Minerals*	0.00	(0.02)	0.01	0.04	(0.05)
Quadra Mining Ltd.*	0.30	0.13	0.40	0.14	1.70
Thompson Creek Metals*	0.80	0.05	0.06	0.12	0.28

\*US\$ estimates

Source: Thomson One, TD Newcrest

## Significant Changes to Target Prices and Recommendations

### Large Cap.

#### Cameco Corp. (CCO-T, CCJ-N)

Recommendation:	BUY
Overall Risk Rating:	HIGH
12-Month Target:	C\$35.00 (previously C\$36.00)

**We are maintaining our BUY recommendation but lowering our target price for Cameco to C\$35.00 (previously C\$36.00).** We are lowering our target price based on our lower uranium price deck. We have lowered our uranium price forecast on weaker than expected performance year-to-date as the spot uranium price has experienced some weakness on concerns of excess supply in the market either from producers with extra production to sell or from transfers and/or sales of DOE material. Ux Consulting expects that this DOE material will be an overhang in the spot market. We continue to like the uranium market over the longer-term as we expect Asian utilities to lock-in supply. We believe that Cameco, as the largest uranium mining/marketing company in the world and the highest quality uranium investment available to equity investors, is likely to see increased investor interest.

For Q3/09, we are expecting the company to report EPS of C\$0.38 compared to consensus estimates of C\$0.38. Our Q3/09 estimate is based on sales volumes of 10.5 million pounds at a realized uranium price of US\$38.33/lb. The quarter average spot uranium price was US\$47.72/lb. We are expecting uranium production to total 5.7 million pounds at a cash cost of C\$25.71/lb.

The target for dewatering the Cigar Lake mine is quickly approaching with the company projecting year-end 2009. While we do not expect much additional detail in the upcoming quarterly release, investors should be prepared for an update in coming months. We are currently forecasting first production from Cigar in 2013.

We continue to believe that Cameco could pursue acquisitions that would be additive to its production profile within the nearer term. Our model and company guidance suggests that the company's production profile is effectively flat through 2013 (excluding Cigar Lake) at 20-22 million pounds U3O8 per annum. At the end of Q2/09, the company reported that it had C\$1.725 billion in available borrowing capacity and we estimate the company will end this year with a cash balance of over C\$550 million.

Our target price is based upon an EV/2010 EBITDA multiple of 14.0x (60% weighting) and a 1.6x multiple to our 10% NAV (40% weighting, adjusted for the market valuation of Centerra). We are maintaining our BUY recommendation.

## **Teck Resources Ltd. (TCK.B-T, TCK-N)**

Recommendation: ACTION LIST BUY (was BUY)  
Overall Risk Rating: HIGH  
12-Month Target: C\$40.00 (previously C\$35.00)

We have increased our target price to C\$40.00 based upon our higher metal price deck and our positive views on both copper and hard coking coal (HCC). We have raised our recommendation to Action List BUY from Buy.

We are forecasting operating Q3/09 EPS of C\$0.50 which compares to consensus of C\$0.42. Management has indicated that it expects HCC sales for the period of approximately 6.0 million tonnes and for the full year HCC sales should slightly exceed the guidance range of 18-20 million tonnes. We are forecasting 2009 HCC sales of 21.2 million tonnes. Management also recently guided to transportation costs slightly higher than its current guidance range of C\$33-35/t. We are forecasting C\$36/t transport costs for 2009 and mine site costs of C\$54/t.

Teck expects that its own geographic distribution of HCC sales is likely to shift increasingly towards Asia – in 2008, 45% of sales went into the Asian market and 35% into Europe. We expect to see sales into Asia increase to more than 50% of the total volume – perhaps this year. Teck stressed that it will focus on selling high quality HCC and will chase price rather than volume. Approximately 90% of Teck's annual sales are high quality HCC and we understand that its pricing spread over its range of HCC blends is now only several dollars per tonne. For the 2009 coal year, Teck's highest quality coal was priced at US\$1/t discount to top quality Australian coals – the narrowest discount we have on record.

Andacollo Hypogene project continues to face some challenges to its water permits with local communities insisting that the aquifer Teck was planning to source water from should be used for agricultural purposes only – the company has a short term solution that will provide enough water (re-drilling some existing wells) that should enable the plant to start up within three months. Over the long term (within 18 months), a pipeline could be constructed to a nearby river to provide process water.

Red Dog is facing a tight time frame to permit the Aqqaluk open pit (next phase of pit development). The company hopes to start pre-stripping by January 2010 but requires a number of permits from state and federal authorities prior to YE/09.

We are valuing Teck based upon a 6.0x multiple to our 2011 EBITDA estimate and based upon our projected YE/10 balance sheet – we then discount this valuation back 12 months at a 10% discount rate to arrive at our 12-month target price. Our net asset value has increased to C\$27.45/sh from C\$23.98 based on our higher metal price deck and the increase in our LT copper price assumption to US\$2.00 from US\$1.75.

## Small-Intermediate Cap

### Breakwater Resources Ltd. (BWR-T)

Recommendation:	Spec BUY
Overall Risk Rating:	SPEC
12-Month Target:	C\$0.50

We are maintaining our Speculative BUY recommendation and C\$0.50 target price. We are forecasting Q3/09 EPS of C\$0.01, in-line with consensus estimates. Our forecast is based on production of 18,620 tonnes of zinc. For the year, we are forecasting total zinc production of 76,700 tonnes versus the company's guidance of 90,700 tonnes. The main difference between our forecast and company guidance is our conservative forecast for Myra Falls, which has had production problems since it restarted.

Breakwater offers strong leverage to the zinc price. In addition, the company may be in a better position to take advantage of a recovery in the zinc price with the potential to increase production via the restart of the Langlois zinc mine in Northern Quebec. Management has indicated that if economic and market conditions permit, it would take a minimum of six months to re-open the mine at a cost of approximately C\$20 million. Over the course of the second quarter, the company purchased zinc put options that will limit the downside risk to zinc prices for H2/09, while still allowing the company exposure to any increase in the zinc price.

Our C\$0.50 target price target price for Breakwater is based upon our 10%-discounted NAV. We maintain our Speculative BUY recommendation.

### Capstone Mining Corp. (CS-T)

Recommendation:	BUY (previously HOLD)
Overall Risk Rating:	HIGH
12-Month Target:	C\$4.25 (previously C\$3.50)

We are maintaining our BUY recommendation while increasing our target price 20% to C\$4.25 from C\$3.50. Our 10% NAVPS estimate increased 20% to US\$3.00 from US\$2.55. This well managed company has less leverage to changes in metal prices due to its copper hedge book and forward sales of its precious metals. Drilling in 2009 has been adding to its resource base, including higher grades from its Minto North discovery. With the recent resource expansion, the company is considering another mill expansion from 3,200 to at least 5,000 tonnes/day.

### Denison Mines Corp. (DML-T, DNN-A)

Recommendation:	HOLD
Overall Risk Rating:	SPEC
12-Month Target:	C\$2.00

Denison Mines has a very low reserve base at current prices that we forecast will be exhausted by the end of 2011 at the current processing rates. The company has contracts to deliver 11.0 million pounds of uranium oxide between 2009 and 2015, but has reserves in stockpiles containing only 1.5 million pounds. Resources, on the other hand, contain more than 70 million pounds of uranium oxide. The main challenge for the company in our view is to get uranium prices that will be high enough to allow the company to fund development of its considerable resource base.

### **Equinox Minerals Ltd. (EQN-T)**

Recommendation:	BUY (previously Hold)
Overall Risk Rating:	HIGH
12-Month Target:	C\$4.00 (previously C\$3.00)

**We are increasing our target price for Equinox to C\$4.00 (previously C\$3.00). We have raised our recommendation to BUY from Hold given the attractive return to our target price and what we perceive to be lower political risk vs. First Quantum and the potential that Equinox attracts increased attention as a take-over target given its copper-focus, long-lived asset and the improving performance at Lumwana.**

**For Q3/09, we are expecting Equinox to report EPS of US\$0.04, inline with consensus estimates.** Management recently provided production statistics for Q3/09 that show continued improvement at Lumwana, although production was slightly below our forecasts. Copper production for the period was 28,100 tonnes, or about 10% below our forecast of 31,000 tonnes. Equinox reported that total material moved increased 44% for Q3/09 vs. Q2/09 with productivity by the mine fleet and shovels continuing to improve. Ore mined increased 33% QoQ. Lower metallurgical recoveries continue to impact production due to the proportion of transitional ore being processed – transitional ore recoveries are in the 50-60% range; recoveries in the sulphide ore range from 92-94%. Transitional ore comprises only 5% of the orebody but will continue to impact production as new areas of the open pit are developed. Over the past several quarters, transitional ore has comprised 30% of the material fed to the mill, this is expected to decline to 10% going forward, which should improve recoveries. We are in our view conservatively modeling 88% copper recovery over the longer term.

Management recently noted that full production is not expected to be achieved until mid-2010. We have accordingly adjusted our 2010 production down slightly – we are projecting copper production of 150,000 tonnes in 2010, which compares to full production capacity of 170,000 tonnes. Management has not provided production guidance for 2010.

The increase in our LT copper price forecast to US\$2.00/lb from US\$1.75/lb has resulted in our net asset value for Equinox increasing to C\$3.81 from C\$3.03. We have increased our target price to C\$4.00 (previously C\$3.00). Our target price is based on a 3.75x EV/2010 EBITDA multiple (60% weighting) and 1.0x multiple to our NAV-10% of (40% weighting). Our higher target price for Equinox is in part

based on our higher copper price deck as well as an expansion in target multiples for the company. With Lumwana mine now in production, we use a 1.0x NAV multiple (previously 0.75x). To continue to take into account the start-up challenges, we continue to use a 3.75x EV/EBITDA multiple vs. a 4.0x target 2010 EBITDA multiple for well established producers in lower risk geographies

### **First Quantum Minerals Ltd. (FM-T)**

Recommendation:	HOLD
Overall Risk Rating:	HIGH
12-Month Target:	C\$80.00

**We are maintaining our C\$80.00 target price and our HOLD recommendation. Despite the sharp pullback in First Quantum's share price since the DRC government acted to seal the Kolwezi processing facility we continue to believe that political/headline risk is a serious impediment to the share price.** We continue to include a very conservative value for the Kolwezi project in our NAV but we assume no commercial production from the operation in our 2010 estimates. Given the increase in our LT copper price assumption to US\$2.00, our NAV has increased to C\$80.15/sh from C\$74.54/sh.

For Q3/09, we are forecasting EPS of US\$2.02, versus consensus estimates of US\$1.74. Our forecast is based on a forecast realized copper price of US\$2.71/lb. Our US\$2.71 realized copper price is based on the Q3/09 LME average copper price as well as US\$0.06/lb for provisional adjustments. We expect that with the appreciating copper price, the company may realize US\$13.2 million in positive provisional price adjustments. We are forecasting copper production of 96,840 tonnes at a cash cost of US\$0.91/lb, however we expect sales volumes to total 107,540 tonnes due to a build-up in stockpiles over the first half of the year that are expected to be sold in H2/09.

The bigger story in our view for the company is its operations in the DRC. While we ultimately expect that the Kolwezi project will remain in First Quantum's hands, we believe the license review negotiations could continue to drag on for some time and the lack of clarity as to the outcome leaves us cautious. Consequently, we have excluded Kolwezi from our target price calculation. Our target price is based upon an EV/2010 EBITDA multiple of 3.75x (60% weighting) and a 1.00x multiple to our NAV-10% (excluding Kolwezi, 40% weighting). While Frontier's license is not under review, we believe that the sovereign risk associated with the mine has increased and as a result we have applied a 15% discount rate to the project (previously we used a 10% discount rate).

### **FNX Mining Company Inc. (FNX-T)**

Recommendation:	HOLD
Overall Risk Rating:	HIGH
12-Month Target:	C\$10.50 (previously C\$10.00)

We are maintaining our HOLD recommendation on FNX Mining and have increased our target price slightly to C\$10.50 from C\$10.00. We are projecting

Q3/09 operating EPS of –C\$0.04. We expect limited revenue, other than from the miner services division due to the ongoing strike at Vale Inco's Sudbury operations.

**FNX completes temporary off-take agreement with Xstrata Nickel.** A total of approximately 157,000 tons of ore had been shipped to Xstrata Nickel's Sudbury processing facilities by the end of August and is scheduled to be processed in October. This is inline with our previous estimates, which assumed that Xstrata would process 150,000 tonnes (or 165,000 tons) stockpiled Cu-PM ore during Q4/09.

FNX was notified by Vale Inco in early September to begin delivery of stockpiled ore. FNX expects to resume ore deliveries to Vale's Sudbury operations shortly. This is earlier than we expected – due to the ongoing strike in Sudbury, we had not expected ore to begin shipping until Q1/2010. Delivery will initially come from stockpiled ore on surface (approximately 10,000 tons) and then from additional ore from the company's current operations. We understand that Vale Inco has not declared force majeure on the delivery of FNX ore (even though its operations have been effectively shut down since May) and that FNX is contractually obligated to ship its ore to the Inco operations.

We understand that Vale Inco has obtained a court injunction that prevents picketers from interfering with deliveries to its Sudbury operations. A court in Sudbury has ruled that the union must allow trucks to enter the Vale Inco operations, regardless of what they are carrying, with a maximum wait time of 12-15 minutes. FNX's employees belong to the Steelworkers union (although a different Local than Vale Inco's employees); FNX is now in a tricky situation with respect to its union employees and the Vale Inco unionized employees – there could be a risk that Vale Inco unionized employees picket the FNX operations or FNX unionized employees decide that they should support the Vale Inco unionized workers. As a result, we are not confident that shipments of ore to Vale Inco's operations will go smoothly until the strike is settled. We believe that the actions being taken by Vale Inco in Sudbury (i.e. restarting production with management employees) suggest that a quick resolution to the strike is becoming less likely.

FNX has maintained its 2009 production plan to ship 679,000 tons of ore (for production of 3.7 million pounds of payable nickel, 35.2 million pounds of payable copper) at an average production cost of C\$146 per ton of ore shipped. The company also confirmed that development work at the LFD Deposit and Podolsky Mine remains on schedule.

The bulk of our calculated net asset value for FNX is contingent upon the Levack Footwall Deposit (LFD), which we anticipate will be in production by mid-2010. We have used a 0.85x multiple to our NAV to calculate our target price because there remain risks to our production time-line and because we assume that LFD is a 7.0 million tonne deposit grading 8-9% copper and 1.2% nickel, despite resources reported to date that represent just 10% of that amount. As well, we believe that the

ongoing Vale Inco strike results in our financial forecasts for the next several quarters being highly uncertain.

### **HudBay Minerals Inc. (HBM-T)**

Recommendation:	BUY
Overall Risk Rating:	HIGH
12-Month Target:	C\$15.50 (previously C\$13.50)

We are maintaining our BUY recommendation and have increased our target price to C\$15.50 from C\$13.50. Our higher target price is based upon our increased metal price deck. Our NAV-10 has increased to C\$14.55/sh from C\$13.48 mostly due to the increase on our LT copper price forecast to US\$2.00 from US\$1.75.

The Lalor copper/gold discovery holes announced a few weeks ago are impressive and could potentially signal the beginning of the outlining of a new, high grade VMS deposit. The company has now identified three distinct mineralized zones at Lalor: a zinc-rich base metal zone – reported indicated and inferred resources totaling 16.6 million tonnes grading 8.3% zinc; Separate and Contact gold zones, and; the new Copper-Gold zone.

The new Copper-Gold zone is located approximately 100 metres below the Separate gold zone. Mineralization includes massive sulphides (disseminated to solid chalcopyrite plus minor pyrite, sphalerite and galena). The most impressive hole (DUB263W02) contains an intercept of 36.95 metres grading 5.33% copper, 13.35 g/t gold. Results from the second hole are also impressive at 3.69% copper and 12.54/gt gold over a vertical thickness of 9.58 metres. We understand that the mineralized zone is dipping at 20-30° – suggesting that true width of the mineralization would be approximately 80% of the reported width.

HudBay announced that it will be releasing a number of updates for the Lalor project in early-October, including:

- An updated NI 43-101 compliant resource estimate for the zinc rich base metal zone
- A new NI 43-101 compliant conceptual estimate of potential tonnage and grades as well as additional drill hole assay information for the Separate and Contact gold zones
- The access method to the Lalor deposit (i.e. dual shaft or single shaft and ramp)
- Conceptual design parameters, including construction and production schedules and capital costs

The extent and tenor of mineralization at Lalor appears to be significant – management believes that the new copper-gold zone could represent the source for the central mineralizing event for the Chisel Basin. The zone was discovered following drill testing of a geophysical target that is peripheral to what was thought to be the main mineralization at Lalor – we believe that management is now re-thinking its geological model for the area. Further drilling to the north-east is being conducted. HudBay has five drills working at Lalor – two drills focused on further

extension of the Separate, Contact and Copper-Gold zone, two are conducting closer spaced drilling within the Separate and Contact zones and one drill is collecting metallurgical samples.

Our target price is based on an EV/2010 EBITDA multiple of 4.20x (60% weighting) and a 1.1x multiple to our 10% NAV (40% weighting).

### **Inmet Mining Corp. (IMN-T)**

Recommendation:	BUY
Overall Risk Rating:	HIGH
12-Month Target:	C\$70.00 (previously \$53.00)

We have increased our target price to C\$70.00 from C\$53.00 based upon (1) our higher metal price deck and (2) higher target multiples. We believe that Inmet has and will continue to attract attention from investors looking for lower risk exposure to the strong copper price environment. We also believe that news on a potential partner for the Petaquilla project could be a positive catalyst for the stock.

We are forecasting Q3/09 operating EPS of C\$1.35, or slightly higher than current consensus of C\$1.18. We do not expect that Las Cruces will impact income this quarter. We are modeling contribution from the new mine starting in Q1/10.

Recent press articles suggested that Korea Resources Corp. was close to agreeing to participate with Inmet on the development of new mining projects – we took this to mean Petaquilla. However, it appears that the news was leaked prematurely – the discussions have since been halted. We continue to value Petaquilla based upon a value of US\$0.025/lb of copper in reserves – we expect to review our valuation once Inmet provides optimized capex and operating parameters for the project, which we expect with in the next few quarters. At our revised LT copper price of US\$2.00/lb, the project generates a positive net present value of C\$186 million (based on a 10% discount rate).

In mid-September, we attended Inmet's Las Cruces mine tour. We left the tour with greater comfort with the dewatering reinjection system (DRS) and the company's ability to apply atmospheric leach technology to high grade sulphide copper ore. Atmospheric leaching of high grade sulphide copper ore is a relatively new and innovative technology and was the main concern for the successful ramp-up of Las Cruces – Inmet is reporting success with this new technology, reporting that copper recoveries of 90-92% have been achieved. Inmet reported that remaining start-up concerns are minor and have been addressed.

The company is maintaining its 2009 production guidance of 28,800 tonnes (23,400 tonnes copper cathode and 5,400 tonnes copper ore). Based on the company's production guidance, it appears that Las Cruces should achieve commercial production (60 days of consecutive production at or above 70% capacity) by early Q1/2010.

The company continues to expect to directly ship its copper ore. With the copper market recovering and the concentrate market tight, Inmet stated that there are several interested parties from China. The direct shipping copper ore has copper grades of approximately 12-14% suitable for smelting. The company, however, cannot reassure on shipping times and contract terms.

Our target price is based upon an EV/2010 EBITDA multiple of 4.5x (60% weighting) and a 1.2x multiple to our 10% NAV (40% weighting). We have used relatively higher target multiples for Inmet vs. First Quantum because of what we see as the company's significantly lower political risk profile. Following the increase in our LT copper price forecast to US\$2.00, our NAV-10 has increased to C\$56.62/hs from C\$49.41/sh.

### **Lundin Mining Corp. (LUN-T, LMC-N)**

Recommendation:	BUY
Overall Risk Rating:	SPEC
12-Month Target:	C\$5.00 (previously C\$4.50)

We are maintaining our BUY recommendation and have increased our target price to C\$5.00 from C\$4.50. We have lowered our target multiples and increased the discount rate that we use in our net asset value (to 15% from 12%) to model the Tenke Fungurume operation to reflect increased political risk in the Democratic Republic of Congo (DRC).

During recent discussions with management, little insight was available into the ongoing license review process in the DRC. Management noted that it is not aware of an official deadline for completion of the negotiations. Press reports have suggested that a 60-day time frame has been proposed by government officials (which would expire on or about October 8). Management indicated that during the construction process, TFM has paid the DRC government approximately US\$100 million in import duties, licensing fees and other payments. The mine is also subject to a 30% corporate tax rate, 2% royalty and 1% export tax. Hilary Clinton, the U.S. Secretary of State, was in the DRC 2 months ago and the status of the TFM license was discussed with government officials.

Freeport is spending considerable time assessing potential expansion opportunities for the TFM project; we believe that it is unlikely that Freeport would provide much in the way of clarity on possible expansions until the license review process is complete. The challenge in assessing expansions for TFM is the large scale of the property and the very large mineralized inventory. There are multiple options open for expansion, including the early development of a sulphide mining operation (roasting or autoclave processing routes would be required). Drilling as deep as 2,000 metres below surface has intercepted sulphide mineralization – intercepts 10-15 metres thick grading 2.5-5.0% copper are not unusual. Freeport has targeted ultimate production of 450,000-500,000 tpy cathode copper production from TFM within a 5-7 year time frame. Lundin anticipates that the first expansion would include a doubling of the current production rate (to 230,000 tpy). Third and fourth stage expansions could take annual production to 345,000

tpy and 460,000 tpy. LUN management believes that there is sufficient power available under its long-term supply contract to support at least the Phase 2 expansion. Third and fourth stage expansions would likely require additional power and rail infrastructure. Given the heavy infrastructure spending attached to preproduction capex, LUN expects that Phase 2 expansion capex should be less than US\$6,000/t of production capacity, i.e. less than US\$700 million.

Our target price is based upon an EV/2010 EBITDA multiple of 3.75x (60% weighting) and a 1.0x multiple to our 10% NAV (40% weighting). We use similar target multiples for First Quantum, however given the much larger return to our target price relative to First Quantum, we are maintaining our BUY recommendation.

### **Mercator Minerals (ML-T)**

Recommendation:	BUY
Overall Risk Rating:	HIGH
12-Month Target:	C\$4.25 (previously C\$3.75)

We are maintaining our BUY recommendation while increasing our target price 13% to C\$4.25 from C\$3.75. Our 10% NAVPS estimate increased 16% to US\$4.50 from US\$3.87. Our higher target price reflects increases to our metal price forecasts for copper, but the leverage was tempered from not having made any changes to our molybdenum price estimates. Molybdenum contributes about 39% of the life of mine revenues for the company. The proposed merger with Stingray copper added considerable leverage to copper prices. Its leverage to copper and molybdenum prices combined with its attractiveness as a takeover candidate itself makes Mercator one of our favoured intermediate copper producers.

### **Quadra Mining Ltd. (QUA-T)**

Recommendation:	BUY
Overall Risk Rating:	HIGH
12-Month Target:	C\$21.00 (previously C\$15.50)

We are maintaining our BUY recommendation while significantly increasing our target price 35% to C\$21.00 from C\$15.50. Our higher target price reflects increases to our metal price forecasts for copper. Our molybdenum prices were not changed. Quadra's mines are relatively high cost operations and have significant leverage to changes in copper prices. Our 10% NAVPS estimate increased 25% to US\$15.94 from US\$12.79. Its leverage to copper and gold prices combined with a strong management and technical team, makes Quadra one of our favoured intermediate copper producers.

### **Thompson Creek Metals Company (TCM-T, TC-N)**

Recommendation: HOLD (previously Reduce)  
Overall Risk Rating: HIGH  
12-Month Target: C\$14.50

We did not change our molybdenum metal prices having done so in early August, but we are changing our rating to HOLD from Reduce. The company produces one metal, molybdenum. After cutting back production earlier in the year, production levels have been slowly increasing to meet the improving demand for its products. However, after a brief rally in molybdenum prices earlier in the year fueled by buying from China, prices have softened again. The company has resumed the expansion at its Endako operations.

### **Developers**

#### **Augusta Resource Corp. (AZC-T, A)**

Recommendation: BUY  
Overall Risk Rating: HIGH  
12-Month Target: C\$3.50 (previously C\$2.50)

We are maintaining our BUY recommendation while increasing our target price 50% to C\$3.75 from C\$2.50 per share. The low grade nature of its Rosement Cu-Mo project in Arizona gives it considerable leverage to changes in copper prices. The feasibility study has been completed on the project, and the Record of Decision on the mine permit is scheduled for July 2010. In the meantime, the company is optimizing the project, working on engineering, and exploring financing options. Our 10% NAVPS estimate increased 40% to US\$3.51 from US\$2.49.

#### **Ivanhoe Mines Ltd. (IVN-T, N)**

Recommendation: HOLD (previously Spec Buy)  
Overall Risk Rating: SPECULATIVE  
12-Month Target: C\$15.00

We are reducing our rating to HOLD from SPEC Buy due to gradual share price appreciation following the August announcement that the company and the government of Mongolia had reached consensus on the Oyu Tolgoi investment agreement, and that the government would be amending four laws to make it happen. The agreement was eventually signed on October 6. Our 12% NAVPS estimate for the company increased just 6.4% to US\$14.12 from US\$13.27, while our pre-tax NAVPS estimate for the Oyu Tolgoi project increased 22% to US\$9.89 from US\$8.08. We expect that the next important step for the company will be an update on the financing and development plans for the large project.

## **Nautilus Minerals Inc. (NUS-T, L)**

Recommendation:	Spec BUY (previously HOLD)
Overall Risk Rating:	SPECULATIVE
12-Month Target:	C\$2.00 (previously C\$1.75)

We are raising our rating on Nautilus to SPEC BUY (previously HOLD) and increasing our target price to C\$2.00 (previously C\$1.75). Our higher target and improved outlook for the company follows Nautilus' recent announcement that it has received its Environmental Permit approval in principle for Solwara 1 and our increased metal price forecasts. We arrive at our revised target price of C\$2.00 by using a 0.65x multiple to our 15% NAVPS estimate of US\$2.98. We now apply a lower discount rate of 15% (previously 20%) to our NAVPS estimates to reflect what in our view is lower permitting risk for the project.

On September 11, Nautilus announced that it has received its Environmental Permit Approval in principle for its Solwara 1 project from the Department of Environment and Conservation of Papua New Guinea (PNG). The next step for Nautilus is to negotiate the Development Agreement required for its Mining Lease and prepare a draft project Environmental Management Plan. In the interim, engineering work continues on both the Riser and Lifting System (RALS) and Seafloor Mining Tools (SMT). The company expects to have completed the optimization work on the RALS design in Q3/09 in order to finalize steel sizing and the associated costs.

Exploration continues to yield positive results. In August Nautilus began renewed exploration work in the Bismarck Sea in the territorial waters of PNG. Within the first two weeks, seven highly prospective areas were identified using enhanced target generation techniques and technology developed by Nautilus. The company expects to follow up later this year with a remotely operated vehicle to test for SMS systems and then to delineate and sample from these prospective locations.

On the financial front, Nautilus retains a very large cash position after significantly paring back expenditures following the credit crisis and down turn in metal prices through the later part of 2008 and early 2009. At the end of Q2/09 the company had \$223 million in cash and zero long term debt.

## **Northern Dynasty Minerals (NDM-T, NAK-A)**

Recommendation:	BUY
Overall Risk Rating:	SPECULATIVE
12-Month Target:	C\$18.75

The impact of our increased LT copper price forecast to \$2.00/lb from \$1.75/lb has resulted in a significant increase to our 15% NAVPS to \$13.52 (previously \$7.84). Although our 15% NAVPS estimate increased 73% to US\$13.52, we are maintaining our target price of C\$18.75 per share and BUY rating. Our target price is based on the per NDM share value of Anglo American's 50% earn-in amount on the large Pebble Cu-Au-Mo project of about \$1.42 billion. Of this amount \$300

million is earmarked for the pre-feasibility study, \$325 million for a feasibility study, and \$1.0 billion towards Northern Dynasty's equity component of the project capital costs. Anglo American recently increased the 2009 budget to US\$70 million. The Pebble Partnership expects to announce its development scenario late in 2009, and complete a pre-feasibility study on that scenario by mid 2010. Opposition to the project continues to make headlines.

## Canadian Metal Producers Comp Table — Coverage Universe

Company	Sym	Commodity	Price	Target Price	Return to Tgt.	Rec.	Overall Risk Rating	Mrkt. Cap. (\$mm)	Div. (\$/sh)	Analyst
<b>Large Cap</b>										
Cameco Corp.	CCO, CCJ	Uranium	29.62	35.00	19.0%	BUY	HIGH	11,927.7	0.24	GB
Teck Resources Ltd.	TCK.B, TCK	Coal	29.76	40.00	34.4%	AL BUY	HIGH	17,699.8	Nil	GB
<b>Intermediate-Small Cap.</b>										
Breakwater Resources Ltd.	BWR	Zinc	0.29	0.50	72.4%	Spec BUY	SPEC	232.2	Nil	GB
Capstone Mining Corp.*	CS,	Copper	2.91	4.25	46.0%	BUY	HIGH	570.0	Nil	CM
Denison Mines Corp. *	DML, DNN	Uranium	1.77	2.00	13.0%	HOLD	SPEC	610.3	Nil	CM
Equinox Minerals Ltd.*	EQN	Copper	3.16	4.00	26.6%	BUY	HIGH	2,197.5	Nil	GB
First Quantum Minerals Ltd.*	FM	Copper	68.37	80.00	17.8%	HOLD	HIGH	5,325.8	0.56	GB
FNX Mining Company Inc.	FNX	Copper	9.15	10.50	14.8%	HOLD	HIGH	947.2	Nil	GB
HudBay Minerals Inc.	HBM	Copper	13.31	15.50	16.5%	BUY	HIGH	2,047.3	Nil	GB
Inmet Mining Corp.	IMN	Copper	60.40	70.00	16.2%	BUY	HIGH	3,388.8	0.20	GB
Lundin Mining Corp.*	LUN, LMC	Copper	3.70	5.00	35.1%	BUY	HIGH	2,043.0	Nil	GB
Mercator Minerals*	ML,	Copper	2.91	4.25	46.0%	BUY	HIGH	516.5	Nil	CM
Quadra Mining Ltd.*	QUA	Copper	13.96	21.00	50.4%	BUY	HIGH	1,384.2	Nil	CM
Thompson Creek Metals*	TCM, TC	Molybdenum	12.78	14.50	13.5%	HOLD	HIGH	1,681.6	Nil	CM
<b>Developers</b>										
Augusta Resource Corp.*	AZC,	Copper	2.62	3.75	43.1%	BUY	HIGH	278.7	Nil	CM
Ivanhoe Mines Ltd.*	IVN	Copper	13.51	15.00	11.0%	HOLD	SPEC	5,108.0	Nil	CM
Nautilus Minerals*	NUS,	Copper	1.30	2.00	53.8%	Spec BUY	SPEC	202.2	Nil	CM
Northern Dynasty Minerals	NDM, NAK	Copper	7.90	18.75	137.3%	Spec BUY	SPEC	734.2	Nil	CM

\* Reports in US\$

Source: Bloomberg, TD Newcrest.

## Canadian Metal Producers Comp Table — Ratio Analysis

Company	Price	EV (\$mm)	EV/EBITDA (x)			NAV (\$/sh)	P/NAV (x)	BV (\$/sh)	P/BV Ratio (x)	Net debt/Equity (%)
			2008A	2009E	2010E					
<b>Large cap. average</b>										
Cameco Corp.	C\$29.62	12,389	10.8	14.1	12.9	21.47	1.4	10.51	2.8	10%
Teck Resources Ltd.	C\$29.76	27,421	13.1	7.6	7.1	27.45	1.1	19.74	1.5	45%
<i>Large cap. average</i>			12.0	10.9	10.0		1.2		2.2	28%
<b>Intermediate-Small Cap.</b>										
Breakwater Resources Ltd.	C\$0.29	214	n/a	6.4	1.9	0.50	0.6	0.39	0.7	n/a
Capstone Mining Corp.*	C\$2.91	467	2.8	6.5	2.5	3.23	0.9	1.41	1.9	n/a
Denison Mines Corp. *	C\$1.77	522	n/a	n/a	n/a	1.46	1.2	2.33	0.7	n/a
Equinox Minerals Ltd.*	C\$3.16	2,096	n/a	11.3	4.5	3.81	0.8	1.08	2.5	23%
First Quantum Minerals Ltd.*	C\$68.37	4,677	8.7	4.6	2.9	80.15	0.9	25.47	2.4	n/a
FNX Mining Company Inc.	C\$9.15	696	22.5	12.4	6.5	13.07	0.7	4.67	2.0	n/a
HudBay Minerals Inc.	C\$13.31	1,201	4.1	8.5	3.7	14.55	0.9	10.88	1.2	n/a
Inmet Mining Corp.	C\$60.40	2,762	7.6	7.1	4.3	56.62	1.1	40.04	1.5	n/a
Lundin Mining Corp.*	C\$3.70	1,822	5.7	6.0	2.9	5.36	0.7	5.15	0.6	2%
Mercator Minerals*	C\$2.91	580	n/a	38.4	3.6	4.85	0.6	0.48	n/a	56%
Quadra Mining Ltd.*	C\$13.96	1,167	15.6	6.6	2.6	17.17	0.8	9.26	1.4	n/a
Thompson Creek Metals*	C\$12.78	1,463	3.8	16.3	4.9	13.72	0.9	6.49	1.8	n/a
<i>Intermediate-small cap. average</i>			8.9	11.3	3.7		0.8		1.5	27%
<b>Developers</b>										
Augusta Resource Corp.*	C\$2.62	256	n/a	n/a	n/a	3.77	0.7	0.68	3.5	3%
Ivanhoe Mines Ltd.*	C\$13.51	4,680	n/a	n/a	n/a	15.21	0.9	0.65	n/a	11%
Nautilus Minerals*	C\$1.30	-39	n/a	n/a	n/a	3.10	0.4	1.62	0.7	n/a
Northern Dynasty Minerals	C\$7.90	689	n/a	n/a	n/a	14.56	0.5	1.74	4.5	n/a
<i>Developers average</i>			n/a	n/a	n/a		0.6		2.9	n/a
<b>Universe average</b>			<b>10.1</b>	<b>10.8</b>	<b>4.6</b>		<b>0.9</b>		<b>1.6</b>	<b>27%</b>

\* US\$ BV, EV and EBITDA estimates

Note: IVN based on 12% NAV, NUS, NDM based on NAV-15%

Source: Bloomberg, TD Newcrest.

## Canadian Metal Producers Comp Table — EPS Estimates

Company	Price	Target Price	Rec.	EPS (\$)			P/E (x)		
				2008A	2009E	2010E	2008A	2009E	2010E
<b>Large cap. average</b>									
Cameco Corp.	C\$29.62	C\$35.00	BUY	1.59	1.31	1.75	18.6	22.6	17.0
Teck Resources Ltd.	C\$29.76	C\$40.00	AL BUY	3.28	1.99	2.34	9.1	15.0	12.7
<i>Large cap. average</i>							13.8	18.8	14.9
<b>Intermediate-Small Cap.</b>									
Breakwater Resources Ltd.	C\$0.29	C\$0.50	Spec BUY	(0.09)	0.01	0.09	n/a	55.5	3.2
Capstone Mining Corp.*	C\$2.91	C\$4.25	BUY	1.29	0.60	0.52	2.1	4.4	5.1
Denison Mines Corp.*	C\$1.77	C\$2.00	HOLD	(0.42)	(0.11)	(0.07)	n/a	n/a	n/a
Equinox Minerals Ltd.*	C\$3.16	C\$4.00	BUY	0.28	0.13	0.36	9.5	n/a	7.5
First Quantum Minerals Ltd.*	C\$68.37	C\$80.00	HOLD	5.24	6.83	12.21	11.7	9.0	5.0
FNX Mining Company Inc.	C\$9.15	C\$10.50	HOLD	(0.25)	0.34	0.53	n/a	26.8	17.3
HudBay Minerals Inc.	C\$13.31	C\$15.50	BUY	0.60	0.34	0.88	22.3	39.4	15.2
Inmet Mining Corp.	C\$60.40	C\$70.00	BUY	5.73	4.78	7.27	10.5	12.6	8.3
Lundin Mining Corp.*	C\$3.70	C\$5.00	BUY	(0.02)	0.19	0.60	n/a	17.0	5.3
Mercator Minerals*	C\$2.91	C\$4.25	BUY	(0.34)	(0.05)	0.48	n/a	n/a	5.5
Quadra Mining Ltd.*	C\$13.96	C\$21.00	BUY	1.57	1.70	3.11	8.1	7.5	4.1
Thompson Creek Metals*	C\$12.78	C\$14.50	HOLD	1.91	0.28	1.23	6.1	40.9	9.4
<i>Intermediate-small cap. average</i>							10.1	23.7	7.8
<b>Universe average</b>							<b>10.9</b>	<b>22.8</b>	<b>8.9</b>

\*US\$ EPS and CFPS estimates

Source: Bloomberg, TD Newcrest.

## Canadian Metal Producers Comp Table — CFPS Estimates

Company	Price	Target Price	Rec.	CFPS (\$)			P/CFPS (x)		
				2008A	2009E	2010E	2008A	2009E	2010E
<b>Large cap. average</b>									
Cameco Corp.	C\$29.62	C\$35.00	BUY	2.20	1.75	2.03	13.5	16.9	14.6
Teck Resources Ltd.	C\$29.76	C\$40.00	AL BUY	8.13	4.23	4.88	3.7	7.0	6.1
<i>Large cap. average</i>							8.6	12.0	10.3
<b>Intermediate-Small Cap.</b>									
Breakwater Resources Ltd.	C\$0.29	C\$0.50	Spec BUY	0.01	0.04	0.13	21.8	6.8	2.3
Capstone Mining Corp.*	C\$2.91	C\$4.25	BUY	0.27	0.70	0.67	9.7	3.8	3.9
Denison Mines Corp.*	C\$1.77	C\$2.00	HOLD	0.08	(0.01)	(0.03)	19.3	n/a	n/a
Equinox Minerals Ltd.*	C\$3.16	C\$4.00	BUY	(0.07)	0.32	0.63	n/a	8.5	4.3
First Quantum Minerals Ltd.*	C\$68.37	C\$80.00	HOLD	7.82	9.58	15.79	7.9	6.4	3.9
FNX Mining Company Inc.	C\$9.15	C\$10.50	HOLD	0.77	0.19	0.66	11.9	47.0	13.9
HudBay Minerals Inc.	C\$13.31	C\$15.50	BUY	1.60	0.82	2.13	8.3	16.2	6.3
Inmet Mining Corp.	C\$60.40	C\$70.00	BUY	6.40	6.13	9.24	9.4	9.8	6.5
Lundin Mining Corp.*	C\$3.70	C\$5.00	BUY	0.68	0.42	0.85	4.7	7.6	3.7
Mercator Minerals*	C\$2.91	C\$4.25	BUY	(0.29)	0.03	0.58	n/a	89.4	4.6
Quadra Mining Ltd.*	C\$13.96	C\$21.00	BUY	2.70	2.16	3.42	4.7	5.9	3.7
Thompson Creek Metals*	C\$12.78	C\$14.50	HOLD	2.78	0.62	1.59	4.2	18.7	7.3
<i>Intermediate-small cap. average</i>							10.2	20.0	5.5
<b>Universe average</b>							<b>9.9</b>	<b>18.8</b>	<b>6.2</b>

\*US\$ EPS and CFPS estimates

Source: Bloomberg, TD Newcrest.

## Justification of Target Prices

Company	Share Price	Target Price	Justification of Target Price
<b>Large Cap.</b>			
Cameco Corp.	C\$29.62	C\$35.00	Our target price is based upon an EV/2010 EBITDA multiple of 14.0x (60% weighting) and a 1.6x multiple to our 10% NAV (40% weighting, adjusted for the market valuation of Centerra).
Teck Resources Ltd.	C\$29.76	C\$40.00	We are valuing Teck based upon a 6.0x multiple to our 2011 EBITDA estimate and based upon our projected YE/10 balance sheet – we then discount this valuation back 12 months at a 10% discount rate to arrive at our 12-month target price.
<b>Intermediate-Small Cap.</b>			
Breakwater Resources Ltd.	C\$0.29	C\$0.50	Our target price is based upon our 10%-discounted NAV
Capstone Mining Corp.	C\$2.91	C\$4.25	Our target price is based on a weighted blend of P/NAVPS (1.0x weighted 40%), EV/EBITDA (4x), P/E (8x in 2009, 10x in 2010 and 2011) and P/CF (6x in 2009, 8x in 2010 and 2011) multiples (weighted 60% combined).
Denison Mines Corp.	C\$1.77	C\$2.00	Our target price of C\$2.00 is based on a weighted blend of P/NAVPS (1.2x weighted 60%), EV/EBITDA (3.5x), EV/lb (5x), P/E (8x in 2009, 2010 and 2011) and P/CF (6x in 2009, 2010 and 2011) multiples (weighted 40% combined).
Equinox Minerals Ltd.	C\$3.16	C\$4.00	Our target price is based upon an EV/2010 EBITDA multiple of 3.75x (60% weighting) and a 1.00x multiple to our 10% NAV (40% weighting).
First Quantum Minerals Ltd.	C\$68.37	C\$80.00	Our target price is based upon an EV/2010 EBITDA multiple of 3.75x (60% weighting) and a 1.00x multiple to our NAV-10% (excluding Kolwezi) (40% weighting).
FNX Mining Company Inc.	C\$9.15	C\$10.50	Our target price is based upon an 0.85 times multiple to our 10% NAV (100% weighting).
HudBay Minerals Inc.	C\$13.31	C\$15.50	Our target price is based on a EV/2010 EBITDA multiple of 4.20x (60% weighting) and a 1.20x multiple to our 10% NAV (40% weighting).
Inmet Mining Corp.	C\$60.40	C\$70.00	Our target price is based upon an EV/2010 EBITDA multiple of 4.50x (60% weighting) and a 1.20x multiple to our 10% NAV (40% weighting).
Lundin Mining Corp.	C\$3.70	C\$5.00	Our target price is based upon an EV/2010 EBITDA multiple of 3.8x (60% weighting) and a 1.0x multiple to our NAV-10% (40% weighting)
Mercator Minerals	C\$2.91	C\$4.25	Our target price is based on a weighted blend of P/NAVPS (1.0x weighted 40%), EV/EBITDA (4x), P/E (8x in 2009, 2010 and 2011) and P/CF (6x in 2009, 2010 and 2011) multiples (weighted 60% combined).
Quadra Mining Ltd.	C\$13.96	C\$21.00	Our target price is based on a weighted blend of P/NAVPS (1.0x weighted 40%), EV/EBITDA (4x), P/E (8x in 2009, 2010 and 2011) and P/CF (6x in 2009, 2010 and 2011) multiples (weighted 60% combined).
Thompson Creek Metals	C\$12.78	C\$14.50	Our target price is based on a weighted blend of P/NAVPS (1.25x weighted 40%), EV/EBITDA (4x), P/E (10x in 2009, 2010 and 2011) and P/CF (8x in 2009, 2010 and 2011) multiples (weighted 60% combined).
<b>Developers</b>			
Augusta Resource Corp.	C\$2.62	C\$3.75	Our target price is based on 1.00x our NAVPS-10% estimate.
Ivanhoe Mines Ltd.	C\$13.51	C\$15.00	Our target price is based on 1.00x our NAVPS-12% estimate.
Nautilus Minerals	C\$1.30	C\$2.00	Our target price is based upon 0.65x our NAVPS-15% estimate
Northern Dynasty Minerals	C\$7.90	C\$18.75	Our target price is based on the Anglo American valuation of \$1.425 billion (C\$18.75 per NDM share) in expenditures required to earn in a 50% interest in the Pebble project

Source: Bloomberg, TD Newcrest.

## Key Risks to Target Prices

Company	Rec	Overall Risk Rating	Key Risks to Target Price
<b>Large Cap.</b>			
Cameco Corp.	BUY	HIGH	The main risks facing the company include forecast, financial, technical and political risks. Among other things, these include risks related to uranium prices, input costs, and fuel prices, the governing fiscal and legislative regimes, the timing of key developments, market conditions, capital and operating costs, foreign exchange rates, resources and reserves, operating parameters, permitting, environmental, and staffing and key personnel retention. Our forecast of Cameco's realized price could be substantially different than that actually realized by the company. Because Cameco is primarily a uranium mining and processing company, it faces heightened environmental risks relative to other mining companies. Cameco is developing two new mines, the Cigar Lake mine in Northern Saskatchewan and the Inkai operation in Kazakhstan that could face development cost overruns or delayed schedules that are inherent in new mine construction. With its available cash and credit facilities, we believe there exists heightened M&A risk, which could impact our estimates and valuation for the company.
Teck Resources Ltd.	AL BUY	HIGH	The main risks facing the company include forecast, financial, technical and political risks. Among other things, these include risks related to met coal, copper and zinc prices, input costs and fuel prices, market conditions, capital and operating costs, foreign exchange rates, resources and reserves, operating parameters and environmental risks. Like companies where voting control is not in the market (Teck A shares control 70% of the votes), the controlling shareholders and minority shareholders may not agree on issues that could affect the value of shares held by the minority. Our estimates could be negatively impacted if the sale of Waneta Dam fails to close.
<b>Intermediate-Small Cap</b>			
Breakwater Resources Ltd.	Spec BUY	SPEC	The main risks facing the company include forecast, financial, technical and political risks. Among other things, these include risks related to zinc prices, input costs and fuel prices, the governing fiscal and legislative regimes, the timing of key developments, market conditions, capital and operating costs, foreign exchange rates, resources and reserves, operating parameters, permitting, environmental, and staffing and key personnel retention. At our current zinc price forecasts and the recent cash infusion from a share issue, our models indicate that the company could remain a going concern, however, if zinc prices fall below US\$0.55/lb for an extended period, concerns of Breakwater and its ability to remain as a going concern could resurface.
Capstone Mining Corp.	BUY	HIGH	The main risks facing the company include financial, technical, political and forecasting risk relating to deposit size. Among other things, these include risks related to copper, gold, silver, zinc, lead, and fuel prices, the governing fiscal and legislative regimes, the timing of key developments, market conditions, capital and operating costs, foreign exchange rates, resource estimates, operating parameters, permitting, environmental issues, indigenous peoples, and staffing and key personnel retention.
Denison Mines Corp.	HOLD	SPEC	The main risks facing the company include financial, technical, political and forecasting risk relating to deposit size. Among other things, these include risks related to uranium and fuel prices, the governing fiscal and legislative regimes, the timing of key developments, market conditions, capital and operating costs, foreign exchange rates, resources, operating parameters, permitting, environmental, indigenous peoples, and staffing and key personnel retention. Specific risks to Denison include the fact that the company has more contracts for uranium than it has in reserves and no assurance can be given that Denison can meet the terms under its contracts.
Equinox Minerals Ltd.	BUY	HIGH	The main risks facing the company include forecast, financial, technical and political risks. Among other things, these include risks related to copper prices, input costs, and fuel prices, the governing fiscal and legislative regimes, the timing of key developments, market conditions, capital and operating costs, foreign exchange rates, resources and reserves, operating parameters, permitting, environmental, and staffing and key personnel retention. Equinox's operation is located in Africa and as such the company faces heightened political and social risks. Any differences in the Zambian royalty and tax rates from our interpretations could also impact our estimates.
First Quantum Minerals Ltd.	HOLD	HIGH	The main risks facing the company include forecast, financial, technical and political risks. Among other things, these include risks related to copper and nickel prices, input costs, and fuel prices, the governing fiscal and legislative regimes, the timing of key developments, market conditions, capital and operating costs, foreign exchange rates, resources and reserves, operating parameters, permitting, environmental, and staffing and key personnel retention. First Quantum operates and is developing mines in Southern and Western Africa and as such the company faces heightened political and social risks. First Quantum is developing the Kolwezi project in the DRC and faces cost overrun and development risks that are inherent with new projects. The company is also facing a review of the contract that covers Kolwezi and any changes to the contract may have an impact on our estimates.

Source: TD Newcrest.

## Key Risks to Target Prices

Company	Rec	Overall Risk Rating	Key Risks to Target Price
<b>Intermediate-Small Cap</b>			
FNX Mining Company Inc.	HOLD	HIGH	The main risks facing the company include forecast, financial, technical and political risks. Among other things, these include risks related to copper and nickel prices, input costs and fuel prices, the governing fiscal and legislative regimes, the timing of key developments, market conditions, capital and operating costs, foreign exchange rates, resources and reserves, operating parameters, permitting, environmental, and staffing and key personnel retention. Additional risks include the lack of visibility with respect to the company's accountabilities from Vale Inco. There is the risk that additional production cuts are likely in Sudbury both for FNX and Vale operations (due to depressed metal prices or strike action at the Vale operations); FNX faces sole customer risk given its long-term off-take agreement with Vale Inco.
HudBay Minerals Inc.	BUY	HIGH	The main risks facing the company include forecast, financial, technical and political risks. Among other things, these include risks related to copper, zinc and nickel prices, input costs and fuel prices, the governing fiscal and legislative regimes, the timing of key developments, market conditions, capital and operating costs, foreign exchange rates, resources and reserves, operating parameters, permitting, environmental, and staffing and key personnel retention. The company will be developing the Fenix nickel project and Lalor Lake zinc project – capital costs and timelines may not match our forecasts. The company is currently undergoing a strategic review following the election of a new board and new management team – the outcome of the review could materially change the company's strategic direction. There is forecasting risk related to the size of the Lalor deposit.
Inmet Mining Corp.	BUY	HIGH	The main risks facing the company include forecast, financial, technical and political risks. Among other things, these include risks related to copper prices and fuel prices, the governing fiscal and legislative regimes, the timing of key developments, market conditions, capital and operating costs, foreign exchange rates, resources and reserves, operating parameters, permitting, environmental, and staffing and key personnel retention. Inmet's Las Cruces copper mine in Spain and has faced water permitting problems in the past. As well, there is technical risk associated with the project. The agreement by Inmet to exchange its 18% interest Ok Tedi interest for a 5% NSR is subject to approval by the government of Papua New Guinea and BHP. If the agreement is not approved, this may impact our estimates for the company.
Lundin Mining Corp.	BUY	HIGH	The main risks facing the company include forecast, financial, technical and political risks. Among other things, these include risks related to copper, zinc and nickel prices, input costs and fuel prices, the governing fiscal and legislative regimes, the timing of key developments, market conditions, capital and operating costs, foreign exchange rates, resources and reserves, operating parameters, permitting, environmental, and staffing and key personnel retention. Lundin currently has a 24.75% interest in the Tenke Fungurume project in the Democratic Republic of Congo. Companies operating in the DRC face heightened political risk. The company is undergoing a mining license review that covers the Tenke project and any changes on its interest in the project may have an impact on our estimates. Lundin's valuation relies heavily on new projects and developments, which face cost overrun and development risks that are inherent in new mine construction.
Mercator Minerals	BUY	HIGH	Relative to other companies in our equity coverage universe, we believe that an investment in Mercator Minerals is subject to a HIGH level of risk. Our recommendation is subject to forecast, financial, technical, political, and deposit size risks. Among other things, these include risks related to copper price, molybdenum prices, steel demand, fuel prices, the governing fiscal and legislative regimes, the timing of key developments, market conditions, capital and operating costs, foreign exchange rates, resource estimates, operating parameters, permitting, environmental issues, indigenous peoples, and staffing and key personnel retention. Specific risks to our Target Price include competing offers for Stingray Copper and permitting /Ejido risks in developing the El Pilar project.
Quadra Mining Ltd.	BUY	HIGH	The main risks facing the company include financial, technical, political and forecasting risk relating to deposit size. Among other things, these include risks related to copper prices, input costs, and fuel prices, the governing fiscal and legislative regimes, the timing of key developments, market conditions, capital and operating costs, foreign exchange rates, resources and reserves, operating parameters, permitting, environmental, and staffing and key personnel retention. The company is currently ramping up production from both its Franke and Carlota heap leach operations, resulting in additional production forecast risk.
Thompson Creek Metals	HOLD	HIGH	The main risks facing the company include financial, technical, political and forecasting risk relating to deposit size. Among other things, these include risks related to molybdenum prices, fuel prices, the governing fiscal and legislative regimes, the timing of key developments, market conditions, capital and operating costs, foreign exchange rates, resource estimates, operating parameters, permitting, environmental issues, indigenous peoples, and staffing and key personnel retention. Specific risks to our target also include global demand for steel and speciality steel products which represent approximately 80% of the worldwide demand for molybdenum products.

Source: TD Newcrest.

## Key Risks to Target Prices

Company	Rec	Overall Risk Rating	Key Risks to Target Price
<b>Developers</b>			
Augusta Resource Corp.	BUY	HIGH	The main risks facing the company include financial, technical, political and forecasting risk relating to deposit size. Among other things, these include risks related to copper prices, molybdenum prices, fuel prices, the governing fiscal and legislative regimes, the timing of key developments, market conditions, capital and operating costs, foreign exchange rates, resource estimates, operating parameters, permitting, environmental issues, indigenous peoples, and staffing and key personnel retention.
Ivanhoe Mines Ltd.	HOLD	SPEC	The main risks facing the company include financial, technical, political and forecasting risk relating to deposit size. Among other things, these include risks related to copper prices, gold prices and fuel prices, the governing fiscal and legislative regimes, the timing of key developments, market conditions, capital and operating costs, foreign exchange rates, resources and reserves, operating parameters, permitting, environmental, and staffing and key personnel retention. Specific risks to Ivanhoe include financing risk, and forecasting risk with respect to the economics of the Oyu Tolgoi project.
Nautilus Minerals	Spec BUY	SPEC	The main risks facing the company include financial, technical, political and forecasting risk relating to deposit size. Among other things, these include risks related to copper, zinc, silver and gold prices and fuel prices. As well, risks include the governing fiscal and legislative regimes the timing of key developments, market conditions, capital and operating costs, foreign exchange rates, resources and reserves, operating parameters, permitting, environmental, and staffing and key personnel retention. The main risks to our valuation are: permitting the world's first deep water submarine base metal mine; forecast risks due to a lack of feasibility study; and technical risks associated with the first-of-its kind Mining System.
Northern Dynasty Minerals	Spec BUY	SPEC	The main risks facing the company include financial, technical, political and forecasting risk relating to deposit size. Among other things, these include risks related to copper, molybdenum and gold prices and fuel prices. As well, risks include the governing fiscal and legislative regimes, the timing of key developments, market conditions, capital and operating costs, foreign exchange rates, resources and reserves, operating parameters, permitting, environmental, and staffing and key personnel retention. Risks to our valuation also include permitting for one of world's largest undeveloped base metal deposits in Alaska; and forecast risks in the absence of an independent feasibility study on the Pebble project.

Source: TD Newcrest.

## APPENDIX A. IMPORTANT DISCLOSURES

Company	Ticker	Disclosures
Augusta Resource Corp.	AZC-T, AZC-A	1, 2, 4
Breakwater Resources Ltd.	BWR-T	1, 2, 4
Cameco Corp.	CCO-T, CCJ-N	1, 2, 4, 9, 10
Capstone Mining Corp.	CS-T	n/a
Denison Mines Corp.	DML-T, DNN-A	9
Equinox Minerals Ltd.	EQN-T	9
FNX Mining Company Inc.	FNX-T	9
First Quantum Minerals Ltd.	FM-T	9, 10
HudBay Minerals Inc.	HBM-T	2, 4, 9
Inmet Mining Corp.	IMN-T	1, 2, 4, 9
Ivanhoe Mines Ltd.	IVN-T, IVN-N	9
Lundin Mining Corp.	LUN-T, LMC-N	9, 10
Mercator Minerals Ltd.	ML-T	9
Nautilus Minerals Inc.	NUS-T, NUS-L	n/a
Northern Dynasty Minerals Ltd.	NDM-T, NAK-A	n/a
Quadra Mining Ltd.	QUA-T	9
Teck Resources Ltd.	TCK.B-T, TCK-N	2, 4, 9, 12
Thompson Creek Metals Company Inc.	TCM-T, TC-N	5, 9

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14. Non-voting shares.
15. Common/variable voting shares.
16. Limited voting shares.

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### Price Graphs

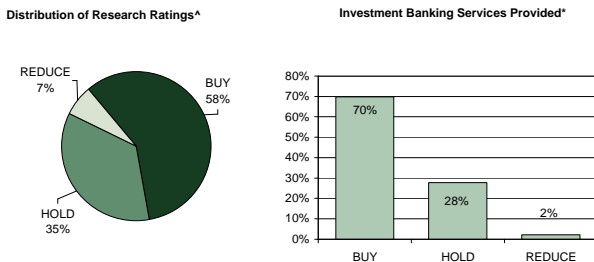
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- TENDER:** Investors are advised to tender their shares to a specific offer for the company's securities
- REDUCE:** The stock's total return is expected to be negative over the next 12 months.

**Overall Risk Rating in order of increasing risk:** Low (10.0% of coverage universe), Medium (28.9%), High (49.3%), Speculative (11.9%)

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Current as of October 1, 2009

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