Desjardins Securities

JULY 21, 2008

Research

Metals & Mining Weekly

Molybdenum on its way to US$40/lb!

John Redstone, MBA, MEng
Metals & Mining
(514) 281-7088

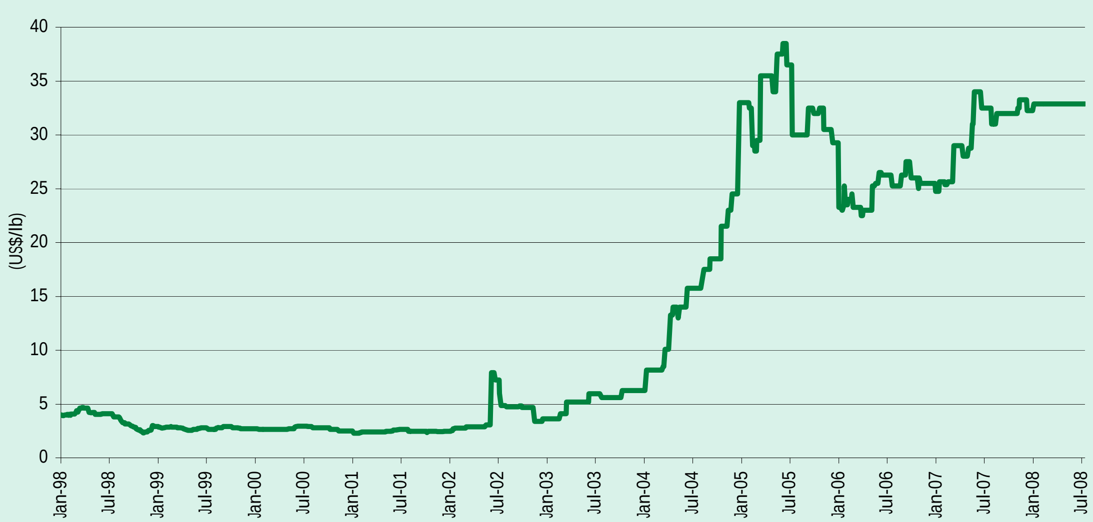
John Hughes
Metals & Mining, Steels
(416) 867-3778
Sophie Chung, Associate
(416) 867-3784

- *Molybdenum demand to outstrip supply through 2009*
- *Demand to benefit from new uses for molybdenum*
- *Preferred molybdenum 'plays'—Thompson Creek and Freeport-McMoRan*

Molybdenum market to remain 'tight'

We expect molybdenum demand to outstrip supply through 2009, reducing inventories and driving prices to the US$40/lb level. So far in 2008, molybdenum prices have held firm in the face of negative metal market sentiment—see Exhibit 1.

Exhibit 1: Molybdenum price



Source: Bloomberg, Metal Bulletin

Prices should move higher in 2H08 and remain firm in 2009 as demand continues to outstrip supply in the molybdenum market—see Exhibit 2.

Exhibit 2: Molybdenum supply-demand balance

Year-end Dec-31 (m lbs)	2004	2005	2006	2007	2008E	2009F
Demand						
Western Europe	130	124	139.4	138	140	146
Chg (yoy%)	5.69	-4.62	12.42	-1.00	1.45	4.29
US	80	72	82.7	80	83	87
Chg (yoy%)	14.29	-10.00	14.86	-3.26	3.75	4.82
Japan	60	65	67.8	71	75	79
Chg (yoy%)	1.69	8.33	4.31	4.72	5.63	5.33
China	50	55	62.7	84	105	115
Chg (yoy%)	21.95	10.00	14.00	33.97	25.00	9.52
Other	70	75	73.8	82	90	95
Chg (yoy%)	16.67	7.14	-1.60	11.11	9.76	5.56
Total	390	391	426.4	455	493	522
Chg (yoy%)	10.48	0.26	9.05	6.71	8.35	5.88
Supply						
Primary concentrates						
Western World	52	60	68	64	70	90
China & other FCC	120	80	117.5	150	160	170
	172	140	185.5	214	230	260
Byproduct						
Western World	190	225	229.6	232.4	230	235
China & other FCC	20	20	8	8	8	8
	210	245	237.6	240.4	238	243
Recovery from catalysts	10	10	10	10	10	10
Total	392	395	433.1	464.4	478	513
Market balance	2	4	7	9	-15	-9
Inventory levels		124	50	59.4	44.4	35.4
Weeks consumption		16.49	6.10	6.79	4.68	3.53
Price (US$/lb)	16.50	32.49	25.12	31.10	35.00	40.00

Source: Desjardins Securities

Molybdenum should maintain its upward momentum for two main reasons:

1. **Struggling supply.** Low prices and 'byproduct' status resulted in a lack of investment in molybdenum supply facilities for generations of the mining industry. For the last five years, efforts to meet persistent demand have led to a 'rundown' of molybdenum-rich areas of existing copper-molybdenum mines. Consequently, production at many byproduct operations has fallen sharply; for example, production from Codelco of Chile (the world's largest copper producer) has fallen from 90m lbs/yr to less than 60m lbs/yr. We do not expect this situation to be rectified anytime soon. New mines scheduled to come onstream are predominantly primary molybdenum mines (by 2009, we expect the majority of molybdenum production to come from primary operations). Our list of Western World new mine projects is set out in Exhibit 3. In almost every case, these projects have 'slipped' because of all the factors 'plaguing' new base metal mine projects—ie lack of qualified people, insufficient funding, lack of new mine equipment, permitting issues, etc. Note that even if these projects achieve production schedules, demand should continue to outstrip supply.

John Redstone

John Hughes
Sophie Chung, Associate

Exhibit 3: New molybdenum production

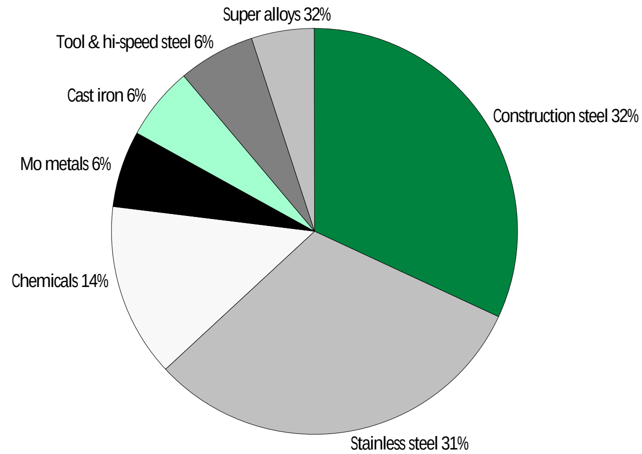
Company	Project	Country	2007E	2008E	2009F	2010F	2011F
			(m lbs)				
Freeport-McMoRan	Climax	US				10.0	10.0
Thompson Creek	Davidson	Canada			2.0	2.0	
Roca	Max	Canada	1.0	3.0	2.0		
Adanac	Ruby Creek	Canada					7.0
General Moly	Mt. Hope	US				10.0	8.0
Moly Mines	Spinifix Ridge	Australia			2.0	10.0	3.0
Mercator	Mineral Park	US			3.0	3.0	
Total			1.0	3.0	9.0	35.0	28.0

Source: Desjardins Securities, CRU, Teck Cominco Limited

Indeed, in order to keep the market from 'over-heating', the world is becoming increasingly dependent on an increase in Chinese production. We expect Chinese production to increase from 146m lbs in 2007 to 155m lbs in 2008 and 165m lbs in 2009. At the time of writing, there are various reports circulating that Chinese mine production will be restricted over the coming months by a lack of explosives. The Chinese government may ban the transportation of explosives in certain regions from late July until after the Olympic Games finish in late August.

2. **Strong demand.** Molybdenum demand should continue to grow 'over and above' the rate provided by growth in industrial production because of new uses for the metal. For molybdenum-based stainless steel (which accounts for 31% of molybdenum end use), growth in new uses can be found in oil rigs, nuclear power plants and desalination plants. For construction steels (which account for 32% of molybdenum end use), the main growth driver is pipeline steels, ie oil pipelines and natural gas pipelines. For chemicals (which account for 15% of molybdenum end use), the main growth area is for catalysts that reduce sulphur in diesel fuel. Hence, the future of molybdenum is strongly tied to oil and water—two critical commodities going forward. Exhibit 4 shows a full breakdown of molybdenum demand.

Exhibit 4: Molybdenum end use

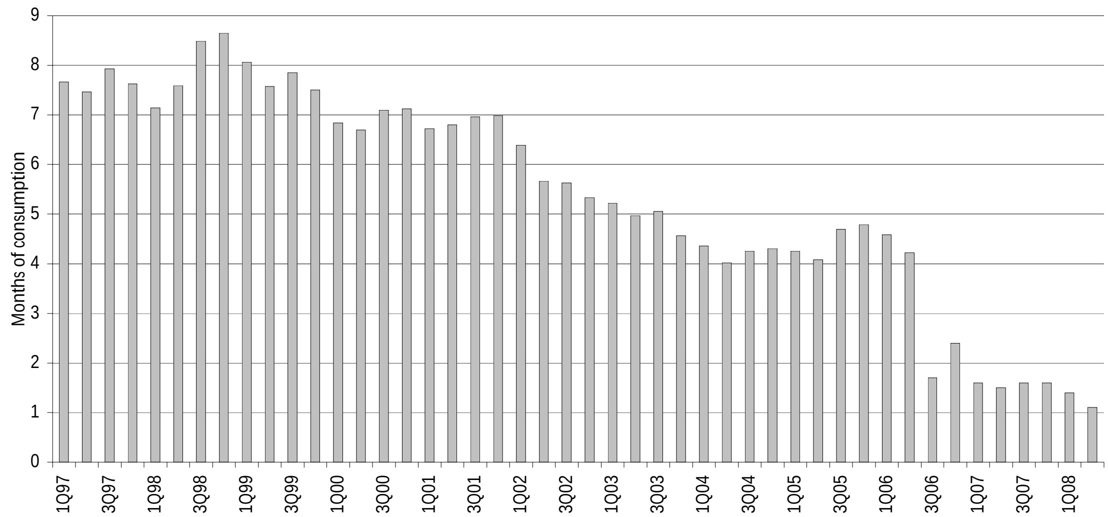


Source: Company reports

As shown in Exhibit 5, molybdenum inventories are at record lows. As inventories continue to fall, we should expect upward pressure on prices.

John Redstone
John Hughes
Sophie Chung, Associate

Exhibit 5: Molybdenum reported inventory



Source: Desjardins Securities, CRU

Our preferred molybdenum plays are Thompson Creek (Top Pick–Average Risk, one-year target C$30.10) and Freeport-McMoran (Buy–Average Risk, one-year target US$129.60). The leverage of these companies to a change in the molybdenum price is shown in Exhibit 6.

Exhibit 6: Molybdenum leverage

Company	Commodity	Sensitivity
Freeport-McMoRan	Molybdenum	A US$2/lb change in the molybdenum price impacts income by US$0.22/share
Thompson Creek	Molybdenum	A US$1/lb change in the molybdenum price impacts earnings by US$0.10/share

Source: Desjardins Securities, company reports

Companies reporting

Exhibit 7: Metals & Mining EPS estimates

EPS (C$)	2Q08E	2Q07	1Q08	I/B/E/S 2Q08E mean 18-Jul-08	Share price 18-Jul-08 (US$)	2Q08 reporting date
Teck Cominco	1.02	1.02	0.77	1.05	40.13	23-Jul-08
Fording Coal Income Trust[1]	2.50	0.65	0.50	NM	75.25	23-Jul-08

[1] Previously reported quarterly cash distributions per unit
Source: Desjardins Securities, Bloomberg

John Redstone

John Hughes
Sophie Chung, Associate

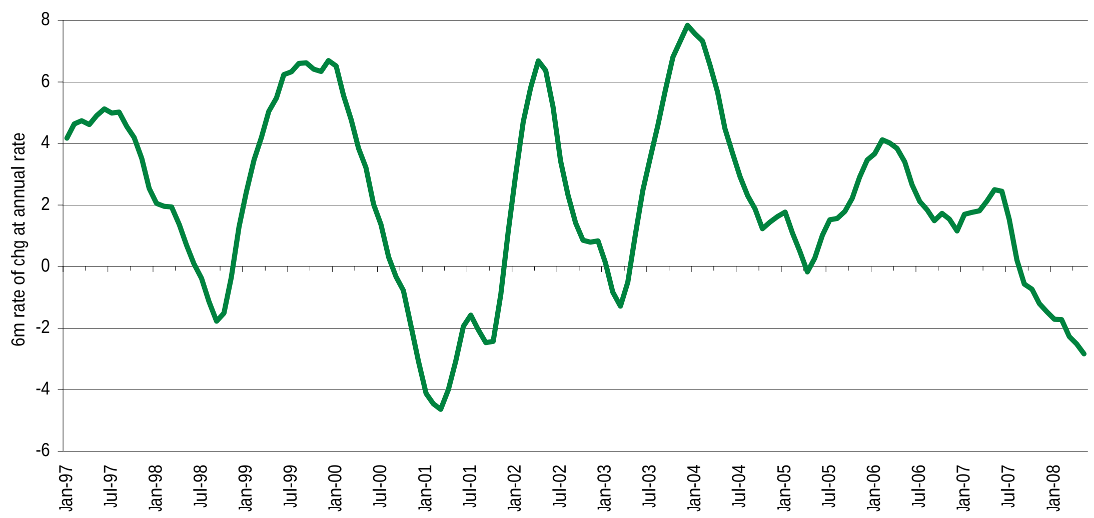
Economics

OECD leading indicator

According to the Organisation for Economic Co-operation & Development (OECD), the annualized 6-month rate of change in the composite leading indicator for 29 OECD member countries declined to -2.8 in May from -2.5 in April (see Exhibit 8). Since China is not a member, its numbers are reported separately by the OECD. China's rate of change in the composite leading indicator rose to 18.6 in May from 14.4 in April (see Exhibit 9).

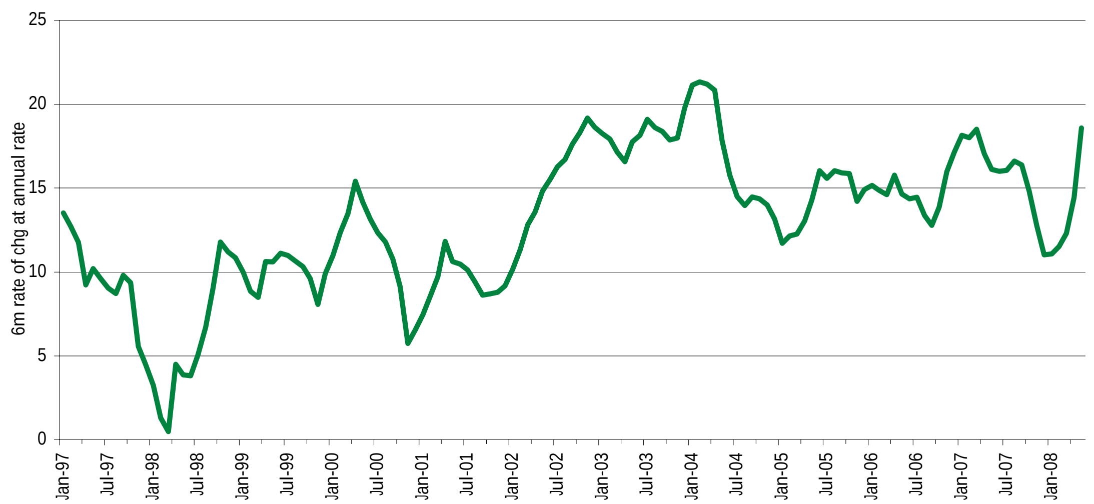
We note that the decline in the composite leading indicator for 29 OECD members points to sluggish economies in the Western World, and expect the trend to be reflected in weak demand for most of the metals through 2008. For example, we are expecting the US to record 0% growth in consumption of zinc metal in 2008 compared with a 10% decline in 2007. Despite indications of little future economic growth in the Western World, we maintain our positive outlook for the base metals group based on the assumption that growth in demand will be driven primarily by China.

Exhibit 8: OECD leading indicator (total—29 OECD members)



Source: OECD

Exhibit 9: OECD leading indicator (China)



Source: OECD

John Redstone

John Hughes
Sophie Chung, Associate

US

June PPI. The US Producer Price Index (PPI) increased 1.8% mom and 9.2% yoy in June 2008. This represents the largest 12-month gain since 10.4% reported in June 1982. Core PPI, excluding food and energy, increased by 0.2% mom and 3.0% yoy. Energy prices increased 6.0% mom and 27% yoy, representing the largest monthly growth rate since November 2007.

June CPI. The US Consumer Price Index (CPI) increased 1.1% mom and 5.0% yoy in June, which compares with growths of 0.6% mom and 4.2% yoy reported in May. The market had expected the CPI to grow by 0.7% mom and 4.5% yoy in June. The core CPI, which excludes energy and food, increased by 0.3% mom or 2.4% yoy in June vs 0.2% mom and 2.3% yoy in May.

June retail sales. US June retail sales rose by a minimal 0.1% from May, compared with market consensus of a 0.4% increase. The discrepancy was largely driven by lower-than-anticipated sales of auto vehicles and related parts, which declined 3.3% mom and 9.5% yoy. Retail sales excluding auto sales increased 0.8% mom, compared with market consensus of 1.0% growth.

Canada

Bank of Canada interest rate. The Bank of Canada has decided to maintain the overnight interest rate target at 3%. The next scheduled announcement for the overnight rate should be made on September 3, 2008.

May new vehicle sales. Statistics Canada reported that new vehicle sales (seasonally adjusted) in Canada increased to 145,224 units in May from 143,574 units in April, representing a monthly growth of 1.1%. The market had expected to see a decline of 0.1%.

Europe

May industrial production. According to Eurostat, industrial production in May 2008 from 15 countries that use the euro declined by 1.9% from April and 0.6% from May 2007. This represents the largest drop in industrial production since December 1992. The decline was spread across all sectors, with the largest drop of 3.3% recorded for consumer durables such as household goods. Germany, France and Spain each recorded the highest monthly declines of 2.6%.

Germany June CPI. Germany's Consumer Price Index (CPI) increased by 0.3% mom in June. EU-harmonized growth reached 0.4% mom and 3.4% yoy.

Asia

China June CPI. China's National Bureau of Statistics reported growth in the Consumer Price Index (CPI) of 7.1% yoy for June 2008, lower than market consensus of 7.3%. This compares with annual growth of 7.7% in May and a 12-year high of 8.7% in February 2008. Inflation in food prices, which represented roughly one-third of the gross CPI, increased 17.3% yoy.

China 1H08 retail sales. China's retail sales in 1H08 increased 21.4% from 1H07. This included growth in food consumption of 25.0% as well as in increase in oil and related products of 44.4%.

China 2Q08 GDP. According to the National Bureau of Statistics, China's GDP grew by 10.1% in 2Q08. This compares with growth of 10.6% in 1Q08, generating a 10.4% growth rate for 1H08.

John Redstone

John Hughes
Sophie Chung, Associate

Copper

Exhibit 10: Copper market review and forecast

				LME	Comex	Shanghai
Market review						
Closing price	18-Jul-08	(US$/lb)		3.67	3.67	4.14
Change on the week		(US$/lb)		-0.08	-0.07	-0.02
Ytd average		(US$/lb)		3.64	3.67	4.24
Inventory as of	18-Jul-08	(tonnes)		128,725	6,985	42,935
Change on the week		(tonnes)		1,000	-1,213	4,785
Ytd change		(tonnes)		-70,200	-8,245	17,338
Weeks of consumption						
Current				1.3		
Estimated for end of 2008				0.8		
Forecast						
(000 tonnes, year-end December 31)			2006	2007E	2008E	2009F
Consumption			17,610	18,150	18,950	19,850
% increase			3.6	3.1	4.4	4.7
Supply			17,551	18,126	18,900	19,800
% increase			5.6	3.3	4.3	4.8
Market balance: Surplus (deficit)			-59	-24	-50	-50
Average price (US$/lb)			3.02	3.23	3.50	4.00

Note: Surplus = demand < supply, Deficit = demand > supply
Source: LME, Comex, Shanghai Exchange

1H08 results. Rio Tinto's production of refined copper totalled 161 KMT in 1H08, representing a 20% decline from 202 KMT in 1H07. Lower ore grades at the Kenneth Utah operation continued to impact production, while insufficient availability of haul trucks and maintenance activities limited output at Escondida. **We estimate world refined copper production of 18,900 KMT in 2008 and 19,800 KMT in 2009.**

Production update. Konkola Copper Mines anticipates its refined copper production will reach 250 KMT in FY09 (ending March 31, 2009) from 150 KMT in FY08 as it advances with the construction of the Nchanga smelter in Zambia. The company indicated that oxygen and acid plants have already been commissioned, with the entire smelting complex scheduled for completion by the end of 3Q08. Nchanga has a design capacity to produce 300 KMT of copper cathode per annum, and is an integral part of the company's plan to achieve an annual production rate of 500 KMT by 2010.

Company news. The Zambian government issued a mining licence for the Nkushi copper project, which is jointly owned by African Eagle Resources and CGA Mining. Nkushi contains resources of 18.5m tonnes grading 0.83% copper, which could provide a six-year minelife with production starting in mid-2010 at an initial rate of 36,500 tpa copper in concentrate, potentially increasing to 59,000 tpa in the third year of operation.

China update. According to China's National Bureau of Statistics, refined copper production during 1H08 increased by 19% yoy to 1,815 KMT. Jiangxi Copper, the country's largest smelter of the metal, produced 365 KMT in 1H08, representing a year-over-year increase of 50.1%. Recall the company increased its annual capacity by 300 KMT to 700 KMT with the completion of a new smelter in May 2007, which achieved full operating capacity in late 2007. Tongling Nonferrous produced 318 KMT, up 15.5% yoy while Yunnan Copper generated 192 KMT, representing a marginal increase of 4.3% yoy. **We expect China will produce 3,800 KMT and 4,350 KMT of refined copper in 2008 and 2009, respectively.**

WBMS. According to the World Bureau of Metal Statistics, the copper market was in deficit by 159 KMT during January–May 2008, with roughly 117 KMT accounted for in May alone. World consumption increased marginally to 7,640 KMT despite a 10% decline in demand from the EU27 countries to 1,594 KMT. Although mine production declined by 3.5% yoy to 6,190 KMT, refined production increased by 0.7% to 7,477 KMT. Incremental production was largely driven by China (+122 KMT), while output from Chile and Japan showed declines of 88 KMT and 24 KMT, respectively. **We forecast the copper market will record a deficit of 50 KMT in both 2008 and 2009.**

John Redstone

John Hughes
Sophie Chung, Associate

Aluminium

Exhibit 11: Aluminium market review and forecast

				LME	Comex	Shanghai
Market review						
Closing price	18-Jul-08	(US$/lb)		1.38	1.39	1.26
Change on the week		(US$/lb)		-0.12	-0.13	-0.01
Ytd average		(US$/lb)		1.32	1.31	1.26
Inventory as of	18-Jul-08	(tonnes)		1,123,450	33,796	189,094
Change on the week		(tonnes)		33,125	-2,252	3,144
Ytd change		(tonnes)		194,000	-1,613	99,979
Weeks of consumption						
Current				4.1		
Estimated for end of 2008				3.1		
Forecast						
(000 tonnes, year-end December 31)			2006	2007E	2008E	2009F
Consumption			34,255	38,150	41,250	44,700
% increase			7.2	11.4	8.1	8.4
Supply			34,162	38,325	41,050	43,650
% increase			7.1	12.2	7.1	6.3
Market balance: Surplus (deficit)			-93	175	-200	-1,050
Average price (US$/lb)			1.17	1.21	1.30	1.50

Note: Surplus = demand < supply, Deficit = demand > supply
Source: LME, Comex, Shanghai Exchange

1H08 results. Rusal reported a 14% yoy increase (or US$8.0b) in consolidated revenue during 1H08, driven by higher aluminium prices and incremental production. Of the US$8b increase, US$6.2b was generated by growth in international sales. The company produced 2.2m tonnes of aluminium, representing an 8% yoy increase, driven by ramp-up to full capacity at the 300 KMT/yr Khakas smelter, commissioning of the Alscon smelter in Nigeria as well as the start-up of the fifth potline at the Irkutsk smelter and upgrades at the Bratsk smelter. **We forecast world refined aluminium production of 41,050 KMT in 2008 and 43,650 KMT in 2009.**

Production update. Vedanta Resources has initiated trial production at its 250 KMT/yr aluminium smelter in Orissa state, India. The commissioning of this facility brings Vedanta's consolidated aluminium production capacity to 700 KMT/yr, replacing Hindalco (480 KMT/yr) as the largest producer of the metal in India.

Company news. Alcoa has secured a 17-year hydropower contract with Chelan PUD for the Wenatchee aluminium smelter in Washington State, which will take effect in 2011 when the current contract expires. The renewed contract should allow Alcoa to restart the third potline at the smelter in 2012 to expand annual capacity by an incremental 42 KMT from the current 100 KMT (this compares with design capacity of 184 KMT). Roughly 75% of Alcoa's power supply to its smelters is secured under long-term contracts, while the remaining 25% is generated internally.

Brazil update. According to the Brazilian aluminium association ABAL, the country produced 821,700 tonnes of primary aluminium in 1H08 representing an increase of 0.9% yoy. Votorantim and Albras (51%-owned by Vale) were the top two contributors, with production during 1H08 of 231,100 tonnes and 227,100 tonnes, respectively.

Power. Yunnan Aluminium expects production costs to increase by US$14.7m in 2H08 as a result of higher electricity costs effective as of July 1, 2008. This translates into an incremental RMB500/tonne (US$73/tonne) of aluminium. Yunnan Aluminium generated 404 KMT of primary aluminium in 2007, and is constructing an 800 KMT/yr refinery as well as 80 KMT/yr aluminium sheet and 40 KMT/yr alloy rod plants.

WBMS. According to the World Bureau of Metal Statistics, the aluminium market recorded a surplus of 784 KMT during January–May 2008, compared with a surplus of 179 KMT during the first five months of 2007. World demand rose by 4% yoy to 15,690 KMT, while production increased by 1,211 KMT to 16,480 KMT. China generated an incremental 594 KMT of aluminium,

John Redstone
John Hughes
Sophie Chung, Associate

and is estimated to account for roughly 33% of total world production. **We expect the aluminium market to be in deficit by 200 KMT in 2008 and 1,050 KMT in 2009.**

Alumina update. Marubeni has been contracted to manage a division of Chalco in constructing an additional US$460m alumina refinery for Vinacomin's bauxite and alumina complex in Lam Dong province of Vietnam, 300 km north of Ho Chi Minh City. The plant should be completed in 2010, with a capacity to produce 600 KMT of alumina per annum. **We expect world refined alumina production will reach 86,400 KMT in 2008 and 91,400 KMT in 2009.**

Zinc

Exhibit 12: Zinc market review and forecast

					LME	Shanghai
Market review						
Closing price	18-Jul-08	(US$/lb)			0.83	1.02
Change on the week		(US$/lb)			-0.09	0.00
Ytd average		(US$/lb)			1.03	1.23
Inventory as of	18-Jul-08	(tonnes)			153,550	70,944
Change on the week		(tonnes)			1,375	2,705
Ytd change		(tonnes)			65,075	16,540
Weeks of consumption						
Current					3.0	
Estimated for end of 2008					3.1	
Forecast						
(000 tonnes, year-end December 31)			2006	2007E	2008E	2009F
Consumption			11,340	11,590	12,140	13,000
% increase			3.8	2.2	4.7	7.1
Supply			10,675	11,364	12,340	13,000
% increase			5.9	6.5	8.6	5.3
Market balance: Surplus (deficit)			-665	-226	200	0
Average price (US$/lb)			1.47	1.47	1.05	1.25

Note: Surplus = demand < supply, Deficit = demand > supply
Source: LME, Comex, Shanghai Exchange

Production update. Teck Cominco and Xstrata announced the jointly owned Lennard Shelf operation in Australia will close by August 2008. Original indications were for a 4Q09 shutdown, but mine performance has been suffering as a result of the year-to-date weakness in zinc and lead prices. Lennard Shelf generated 42,100 tonnes of zinc in 2007, representing 3% of Teck's consolidated zinc mine production. **We forecast world refined zinc production of 12,340 KMT in 2008 and 13,000 KMT in 2009.**

Company news. Faced with financing challenges, AIM Resources has shelved development plans for its Perkoa zinc project in Burkina Faso, Africa. The company held US$57m in cash as of June 1, 2008, short of a further US$57m required to complete the project. Perkoa is estimated to contain 6.3m tonnes of ore at 14.5% zinc, which would have provided a 12.5-year minelife, assuming a 525,000 tpa operation. The mine was expected to generate 70,000 tonnes/yr of zinc concentrate grading 53% zinc, of which 45,000 tonnes had been locked into a sales agreement with Votorantim.

WBMS. According to the World Bureau of Metal Statistics, the zinc market was in surplus by 38 KMT during January–May 2008 compared with a surplus of 64 KMT during the same period in 2007. World refined zinc production increased to 4,746 KMT, driven largely by incremental output of 131 KMT from Asia. **We expect the zinc market to record a surplus of 200 KMT in 2008 and move into balance in 2009.**

ILZSG. According to the International Lead and Zinc Study Group (ILZSG), the zinc market was in surplus by 59 KMT during January–May 2008. This compares with a surplus of 18 KMT reported for January–May 2007. ILZSG estimates refined zinc production reached 4,826 KMT while consumption amounted to 4,767 KMT.

John Redstone

John Hughes
Sophie Chung, Associate

Nickel

Exhibit 13: Nickel market review and forecast

						LME
Market review						
Closing price	18-Jul-08	(US$/lb)				9.25
Change on the week		(US$/lb)				-0.55
Ytd average		(US$/lb)				12.16
Inventory as of	18-Jul-08	(tonnes)				43,728
Change on the week		(tonnes)				-2,226
Ytd change		(tonnes)				-4,212
Weeks of consumption						
Current						4.2
Estimated for end of 2008						3.7
Forecast						
(000 tonnes, year-end December 31)			2006	2007E	2008E	2009F
Consumption			1,416	1,401	1,518	1,633
% increase			7.6	-1.1	8.4	7.6
Supply			1,377	1,451	1,502	1,628
% increase			4.6	5.4	3.5	8.4
Market balance: surplus (deficit)			-39	50	-16	-5
Average price (US$/lb)			10.48	16.70	11.00	14.00

Note: Surplus = demand < supply, Deficit = demand > supply
Source: LME, Comex, Shanghai Exchange

Production update. Panoramic Resources, formerly Sally Malay Mining, reported record nickel production of 14,900 tonnes in FY08 (ending June 30, 2008) from its Savannah and Lanfranchi nickel mines, representing an increase of 13% yoy. Despite higher production, net profits declined 32% yoy to A$58.5m from A$88.1m in FY07, reflecting weaker nickel prices. The company anticipates nickel production will reach 20,500–21,500 tonnes in FY09. **We expect world refined nickel production will reach 1,502 KMT in 2008 and 1,628 KMT in 2009.**

WBMS. According to the World Bureau of Metal Statistics, the nickel market was in surplus by 7,100 tonnes during January–May 2008. Refined production declined by 3% yoy to 579 KMT, reflecting lower output from China and Japan. Demand also declined by 3% yoy to 572 KMT. Mine production amounted to 612 KMT, representing a 6.9% decline yoy. **We forecast a deficit in the nickel market of 16 KMT in 2008 and 5 KMT in 2009.**

John Redstone

John Hughes
Sophie Chung, Associate

Uranium

Exhibit 14: Uranium—world balance

(KMT)	2004	2005	2006	2007E	2008F	2009F	2010F
Average price (US$/lb)	18.00	27.98	47.91	98.55	66.00	60.00	60.00
Supply							
Primary uranium	40,251	41,609	39,429	44,481	47,000	50,000	55,000
HEU downblended	5,885	6,654	9,000	9,000	9,000	8,500	8,000
DOE sales	0	0	0	0	1,000	1,000	1,000
DOE tails material	0	0	0	0	1,000	1,500	2,000
Re-enriched tails	3,000	5,000	5,000	5,000	2,000	2,000	2,000
Recycling	2,871	3,320	3,286	1,850	1,955	2,130	2,140
Russian LEU export	5,000	4,500	4,000	3,500	3,000	2,500	2,000
Ex-military MOX	0	200	200	250	300	350	400
	57,007	61,283	60,915	64,081	65,255	67,980	72,540
Demand							
Requirements	66,347	64,616	64,181	64,375	64,615	66,056	67,447
Metal balance (supply—demand)	-9,340	-3,333	-3,266	-294	640	1,924	5,093
Total inventory (non-strategic)	27,000	23,667	21,000	20,706	21,346	23,270	28,363

Source: Desjardins Securities

1H08 results. Rio Tinto reported its share of uranium oxide (U308) production increased by 8% yoy to 2,946 tonnes in 1H08 from 2,724 tonnes in 1H07. The company's 68.6%-owned Rossing mine in Namibia generated 1,289 tonnes of U308 in 1H08, representing a 26% yoy increase from 1,026 tonnes in 1H07. Growth in output was driven predominantly by higher ore grades, and compensated for lower production from Rio Tinto's 68.4%-owned Ranger mine in Australia, which recorded a 2.4% yoy decline to 1,657 tonnes in 1H08 as a result of compromised access to higher grade ores following heavy rainfall in late 2007.

Company news. CERCA Romans, a subsidiary of Areva involved in the fabrication of uranium effluents for research reactors, discovered by 'accident' a leakage of uranium-containing effluents from a burst pipe during an inspection of a different, unrelated pipe. The leakage is estimated to have released 250–800 g of enriched uranium over at least two years but is not expected to be a threat to the surrounding environment; follow-up investigations found uranium concentrations of 2 mcg/litre in the soil immediately below the pipes, well below the 15 mcg/litre limit recommended by the WHO for drinking water. This follows another leakage of uranium-enriched effluent from Areva's Socatri waste treatment plant at the Tricastin division reported in the previous week.

British Energy indicated its repair program for the Hartlepool and Heysham 1 reactors was likely to cost significantly more than the previous estimate of GBP50m. The two facilities have been inactive since October 2007 after management identified wire corrosion issues within boiler units, and are not likely to resume operations until 3Q FY09 (three-month period ending December 31, 2008). Hartlepool and Heysham 1 have respective net electrical outputs of 1,190 MW and 1,160 MW.

CEZ, a supplier of electrical power based in the Czech Republic, announced preliminary plans to construct two additional units at its Temelin nuclear power plant. Construction is scheduled to begin in 2013 for completion of the first bloc in 2020. The two units combined should provide incremental capacity of up to 3,400 MW to the company's current capacity of 12,300 MW. CEZ has applied for an environmental assessment from the government, which could take up to 2½ years.

Midasco Capital Corp. has completed the acquisition of Silverbell uranium mine, located immediately south of its Calliham uranium mine concessions in San Juan County, Utah. Silverbell has a historical resource estimate of 360 KMT grading 0.2% U308.

John Redstone

John Hughes
Sophie Chung, Associate

Metals & Mining and Steels: Earnings estimates and price targets

Exhibit 15: Earnings estimates and price targets

	Annual EPS ($)				Current	Book	Price/	1-year	
Year-end Dec-31	2006	2007	2008E	2009F	price ($)	value ($)	book (x)	target ($)	Rating
Alcoa (US$)	2.90	2.60	3.00	4.47	33.81	19.34	1.75	44.70	Buy
Asian Mineral Resources	NM	NM	NM	NM	1.35	NA	NA	2.04	Buy
Blue Note	-0.04	-0.04	0.05	0.16	0.08	0.28	0.28	0.48	Buy
Cameco	1.02	1.67	2.10	1.71	38.77	7.70	5.04	34.20	Hold
Freeport-McMoran (US$)	8.00	7.32	9.20	11.78	103.24	43.00	2.40	129.60	Buy
GobiMin[1]	0.10	0.28	0.18	0.43	1.70	0.97	1.75	4.50	Buy
Inmet Mining	8.71	8.23	7.74	12.78	64.41	32.62	1.97	102.00	Buy
Thompson Creek[1]	-0.36	1.24	2.17	3.76	16.67	3.76	4.44	30.10	Top Pick
Corriente[4]	0.02	-0.20	-0.10	-0.10	3.93	2.35	1.67	6.55	Buy
First Quantum[1]	6.23	7.56	10.15	10.80	66.55	24.07	2.77	113.40	Buy
HudBay Minerals	4.65	1.77	0.81	1.31	10.87	9.40	1.16	20.00	Top Pick
Polaris[1]	-0.12	-0.52	-0.08	0.17	4.65	3.41	1.36	16.35	Buy
Sherritt	1.46	1.79	1.25	1.30	12.30	13.68	0.90	17.65	Buy
Teck Cominco[2]	5.40	4.45	4.25	6.15	40.13	18.46	2.17	62.10	Buy
Gerdau AmeriSteel[1]	1.23	1.66	1.61	1.70	16.30	8.97	1.82	18.20	Buy
Harry Winston[1]	1.76	1.81	1.41	1.56	19.83	11.16	1.78	39.00	Buy
Fording Canadian Coal Trust[3]	4.30	2.43	8.50	12.50	75.25	1.70	44.37	85.00	Buy
Westshore Terminals[3]	1.21	1.16	1.25	2.00	17.93	6.95	2.58	22.20	Buy

[1] All data in US$ except share price and target in C$/share
[2] Class B subordinate voting shares
[3] Annual distribution
[4] 2006 EPS figure is an estimate
Source: Desjardins Securities, LME, Comex, company reports

John Redstone

John Hughes
Sophie Chung, Associate

Desjardins Securities

Desjardins invitation

Annual LME Week in England & visit to Nyrstar zinc refining and alloying operation in Budel, Netherlands

October 13–15, 2008

Desjardins Securities is organizing a trip to Europe for institutional clients to coincide with the London Metal Exchange meetings (LME Week), which take place on October 13–15, 2008. In addition to attending the formal proceedings of LME Week, we have tentatively scheduled a number of one-on-one meetings with major metal producers, traders and consumers, and a site visit.

We hope you can join us.

Scheduled events

- **London Metal Exchange (LME) events**
  - LME seminar, October 13
  - LME dinner, October 14

- **Provisional company meetings October 13 & 14**
  - Alumina Limited
  - Anglo American
  - BHP Billiton
  - Eramet
  - Glencore International
  - Man Financial
  - Mitsui Bussan Commodities
  - Norddeutsche Affinerie
  - Norilsk Nickel
  - Rio Tinto
  - Stratton Metal Resources
  - Sucden Limited
  - Wogen
  - World Nuclear Association
  - Xstrata

- **Site visit/meeting, October 15**
  - Visit to Nyrstar zinc refining & alloying operation/zinc smelter Budel, Netherlands
  - Meeting with Peter Kaumanns Director of Economics & Statistics International Stainless Steel Forum (ISSF)

For further information, please contact:

METALS & MINING
John Redstone, MBA, MEng
(514) 281-7088
john.redstone@vmd.desjardins.com

METALS & MINING/STEELS
John Hughes
(416) 867-3778
john.hughes@vmd.desjardins.com

Sophie Chung, Associate
(416) 867-3784
sophie.chung@vmd.desjardins.com

DESJARDINS OFFICES

Montreal
1170 Peel Street
Suite 300
Montreal, Quebec H2B 0A9
(514) 987-1749

Toronto
145 King Street West
Suite 2750
Toronto, Ontario M5H 1J8
(416) 867-6000

Vancouver
200 Burrard Street
Suite 1510, Waterfront Centre
Vancouver, British Columbia V6C 3L6
(604) 678-6141

DISCLOSURES

Distribution of ratings

Rating category	Desjardins rating	Desjardins coverage universe (# of stocks)	% distribution	Desjardins Investment Banking (# of stocks)	% distribution
Buy	Top Pick/Buy	92	71	35	80
Hold	Hold	36	28	9	20
Sell	Sell	1	1	0	0
Total		129	100	44	100

COMPANY SPECIFIC DISCLOSURES

Legend

1. Desjardins Securities makes a market in the securities of the issuer.
2. Desjardins Securities has performed investment banking services for the issuer in the past 12 months.
3. Desjardins Securities has received compensation for investment banking services from the issuer within the past 12 months.
4. Desjardins Securities has managed or co-managed a public offering of securities for the issuer in the past 12 months.
5. Desjardins Securities beneficially owned 1% or more of the common equity (including derivatives exercisable or convertible within 60 days) as of the month end preceding this report.

6a. The Desjardins Securities research analyst(s) and/or associate(s) who covers the issuer discussed has a long position in its common equity securities.
6b. A member of the household of the Desjardins Securities research analyst(s) and/or associate(s) who covers the issuer has a long position in its common equity securities.
7a. The Desjardins Securities research analyst(s) and/or associate(s) has viewed a material operation of the issuer, and the related travel expenses have not been paid for by the issuer.
7b. The Desjardins Securities research analyst(s) and/or associate(s) has viewed a material operation of the issuer, and the related travel expenses have been paid for partially by the issuer.
7c. The Desjardins Securities research analyst(s) and/or associate(s) has viewed a material operation of the issuer, and the related travel expenses have been paid for fully by the issuer.

8. Desjardins Securities has received compensation for non-investment banking, non-securities-related services from the company in the past 12 months.
9. The issuer is a client for which a Desjardins Securities company has performed non-investment banking, non-securities related services in the past 12 months.
10. The issuer is (or was) a client of Desjardins Securities or an affiliate within the Desjardins Group within the past 12 months and received non-securities related services.
11. A partner, director or officer of Desjardins Securities or any analyst(s) involved in the preparation of this publication has provided services (other than for investment advisory or trade execution purposes) to the issuer for remuneration within the past 12 months.
12. An officer or director of Desjardins Securities, outside of the Equity Research Department, or a member of his/her household is an officer or director of the issuer or acts in an advisory capacity to the issuer.
13. The Desjardins Securities research analyst(s) and/or associate(s) had communication with the issuer regarding the verification of factual material in this research publication.
14. The Desjardins Securities research analyst(s) and/or associate(s) had communication with Investment Banking regarding the verification of material in this research publication.
15. A director or officer of the issuer (or any of its affiliates) serves on the board of the Desjardins Group.
16. The issue date for this research publication is within the restricted period for any recent IPO, secondary offering or lock-up agreement between the issuer and Desjardins Securities.
17. The Desjardins Securities supervisory analyst serves as an officer, director or employee of the issuer or acts in an advisory capacity to the issuer.

Disclosures for issuers discussed in this publication

Alcoa Inc.: 7a	Fording Canadian Coal Trust: 7a	Inmet Mining Corporation: 7a
Asian Mineral Resources Limited: 7a, 13	Freeport-McMoRan Copper & Gold Inc.: NA	Polaris Minerals Corporation: 7a, 13
Blue Note Mining Inc.: 2, 3, 4, 7a, 13	Gerdau AmeriSteel Corporation: 7a	Sherritt International Corporation: 7a
Cameco Corporation: 7a	GobiMin Inc.: 2, 3, 4, 7a, 13	Teck Cominco Limited: 1, 7a
Corriente Resources Inc.: 7a	Harry Winston Diamond Corporation: NA	Thompson Creek Metals Company Inc.: 2, 3, 7a, 13
First Quantum Minerals Ltd.: 7a	HudBay Minerals Inc.: 13	Westshore Terminals Income Fund: 7a

STOCK RATING SYSTEM

Top Pick	Buy	Hold	Sell	Not Rated
Desjardins' best investment ideas – stocks that offer the best risk/reward ratio and that are expected to significantly outperform their respective peer group* over a 12-month period	Stocks that are expected to outperform their respective peer group* over a 12-month period	Stocks that are expected to perform in line with their respective peer group* over a 12-month period	Stocks that are expected to underperform their respective peer group* over a 12-month period	Stock is being covered exclusively on an informational basis

RISK QUALIFIERS

Average Risk	Above-average Risk	Speculative
Risk represented by the stock is in line with its peer group* in terms of volatility, liquidity and earnings predictability	Risk represented by the stock is greater than that of its peer group* in terms of volatility, liquidity and earnings predictability	High degree of risk represented by the stock, marked by an exceptionally low level of predictability

* Peer group refers to all of the companies that an analyst has under coverage and does not necessarily correspond to what would typically be considered an industry group. Where an analyst's coverage universe is such that 'relative' performance against a 'peer group' is not meaningful, the analyst will benchmark the rating against the most appropriate market index

DESJARDINS SECURITIES INC. LEGAL DISCLAIMERS

Dissemination of Research

Desjardins Securities makes all reasonable effort to provide research simultaneously to all eligible clients. Research is available to our institutional clients via FirstCall Research Direct, Reuters and Bloomberg. In addition, sales personnel distribute research to institutional clients via email, fax and regular mail.

Analyst Certification

Each Desjardins Securities research analyst named on the front page of this research publication, or at the beginning of any subsection hereof, hereby certifies that (i) the recommendations and opinions expressed herein accurately reflect such research analyst's personal views about the company and securities that are the subject of this publication and all other companies and securities mentioned in this publication that are covered by such research analyst, and (ii) no part of the research analyst's compensation was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed by such research analyst in this publication.

Additional Disclosures

Desjardins Securities' equity research analysts are compensated from revenues generated by various Desjardins Securities businesses, including Desjardins Securities' Investment Banking Department. Desjardins Securities will, at any given time, have a long or short position or trade as principal in the securities discussed herein, related securities or options, futures, or other derivative instruments based thereon. The reader should not rely solely on this publication in evaluating whether or not to buy or sell the securities of the subject company. Desjardins Securities expects to receive or will seek compensation for investment banking services within the next three months from all issuers covered by Desjardins Securities Research.

Legal Matters

This publication is issued and approved for distribution by (i) in the US, Desjardins Securities International Inc., a member of the FINRA and SIPC, (ii) in Canada, Desjardins Securities Inc., a member of the IIROC and CIPF (collectively, "Desjardins Securities").

This publication is provided for informational purposes only, and does not constitute an offer or solicitation to buy or sell any securities discussed herein in any jurisdiction where such offer or solicitation would be prohibited. The securities mentioned in this publication may not be suitable for all types of investors; their prices, value and/or income they produce may fluctuate and/or be adversely affected by exchange rates. This publication does not take into account the investment objectives, financial situation or specific needs of any particular client of Desjardins Securities. Before making an investment decision on the basis of any recommendation made in this publication, the recipient should consider whether such recommendation is appropriate, given the recipient's particular investment needs, objectives and financial circumstances. Desjardins Securities suggests that, prior to acting on any of the recommendations herein, you contact one of our client advisors in your jurisdiction to discuss your particular circumstances. Since the levels and bases of taxation can change, any reference in this publication to the impact of taxation should not be construed as offering tax advice; as with any transaction having potential tax implications, clients should consult with their own tax advisors. Past performance is not a guarantee of future results.

This publication may contain statistical data cited from third party sources believed to be reliable, but Desjardins Securities does not represent that any such third party statistical information is accurate or complete, and it should not be relied upon as such. All estimates, opinions and recommendations expressed herein constitute judgments as of the date of this publication and are subject to change without notice.

Although each company issuing this publication is a wholly owned subsidiary of Desjardins Group, each is solely responsible for its contractual obligations and commitments, and any securities products offered or recommended to or purchased or sold in any client accounts (i) will not be insured by the Federal Deposit Insurance Corporation ("FDIC"), the Canada Deposit Insurance Corporation or other similar deposit insurance, (ii) will not be deposits or other obligations of Desjardins Group, (iii) will not be endorsed or guaranteed by Desjardins Group, and (iv) will be subject to investment risks, including possible loss of the principal invested.

The Desjardins trademark is used under licence.

OFFICES
Montreal
1170 Peel Street
Suite 300
Montreal, Quebec H3B 0A9
(514) 987-1749

Toronto
145 King Street West
Suite 2750
Toronto, Ontario M5H 1J8
(416) 867-6000

Vancouver
200 Burrard Street
Suite 1510, Waterfront Centre
Vancouver, British Columbia
V6C 3L6
(604) 678-6141

Desjardins Securities

Research
Patrick Bartlett, CFA (416) 867-3760
Co-Head of Research
patrick.bartlett@vmd.desjardins.com
Joseph MacKay, CA, CFA (416) 861-1317
Co-Head of Research
joseph.mackay@vmd.desjardins.com
Juliana Sponer, Associate
juliana.sponer@vmd.desjardins.com (416) 867-2053

Portfolio Strategy & Quantitative Research
Peter Gibson, Vice-Chairman (416) 867-3774
Head of Portfolio Strategy & Quantitative Research
peter.gibson@vmd.desjardins.com
Ed Sollbach, PEng, CFA (416) 867-6135
ed.sollbach@vmd.desjardins.com
Jeff Evans, CFA (416) 867-3776
jeff.evans@vmd.desjardins.com
Philippe Gear, Associate (416) 867-9039
philippe.gear@vmd.desjardins.com
Elizabeth Leung, Associate (416) 867-2050
elizabeth.leung@vmd.desjardins.com

Consumer Discretionary
Media
Joseph MacKay, CA, CFA (416) 861-1317
joseph.mackay@vmd.desjardins.com
Eric Bernofsky (416) 867-3439
eric.bernofsky@vmd.desjardins.com
Matthew Logan, Associate (416) 867-3573
matthew.logan@vmd.desjardins.com
Retailing/Consumer Staples/Food & Beverages/ Food & Drug Retailing
Keith Howlett (416) 861-0728
keith.howlett@vmd.desjardins.com
Chase Bethel, Associate (416) 867-3424
chase.bethel@vmd.desjardins.com

Financial
Banks & Diversified Financials/Insurance
Michael Goldberg, CFA (416) 867-3758
michael.goldberg@vmd.desjardins.com
Stefanie Lau, Associate (416) 867-3752
stefanie.lau@vmd.desjardins.com

Energy
Energy Services
Peter Yoon, CFA (416) 867-2044
peter.yoon@vmd.desjardins.com

Healthcare
Maher Yaghi, CFA (514) 281-8664
maher.yaghi@vmd.desjardins.com
Pooya Hemami, Associate (514) 985-7574
pooya.hemami@vmd.desjardins.com

Industrials
Steels
John Hughes (416) 867-3778
john.hughes@vmd.desjardins.com
Sophie Chung, Associate (416) 867-3784
sophie.chung@vmd.desjardins.com
Transportation & Aerospace
Benoit Poirier, CFA (514) 281-8653
benoit.poirier@vmd.desjardins.com
Etienne Durocher-Dumais, Associate (514) 985-3498
etienne.durocher-dumais@vmd.desjardins.com
Diversified Industries
Pierre Lacroix, CFA (514) 281-4231
pierre.lacroix@vmd.desjardins.com
Shannon Molenaar, CFA, Associate (416) 867-3541
shannon.molenaar@vmd.desjardins.com
Martin Landry, CA (514) 985-3538
martin.landry@vmd.desjardins.com

Materials
John Redstone (514) 281-7088
john.redstone@vmd.desjardins.com
John Hughes (416) 867-3778
John.hughes@vmd.desjardins.com
Sophie Chung, Associate (416) 867-3784
sophie.chung@vmd.desjardins.com
Paper & Forest Products
Pierre Lacroix, CFA (514) 281-4231
pierre.lacroix@vmd.desjardins.com
Shannon Molenaar, CFA, Associate (416) 867-3541
shannon.molenaar@vmd.desjardins.com

Real Estate
Jeff Roberts, CFA (416) 867-2048
jeffrey.roberts@vmd.desjardins.com
David Jubé, Associate (416) 867-8002
david.jube@vmd.desjardins.com

Technology
Eric Bernofsky (416) 867-3439
eric.bernofsky@vmd.desjardins.com
Ben Jekic, CFA (416) 867-3766
ben.jekic@vmd.desjardins.com

Telecommunication & Cable Services
Joseph MacKay, CA, CFA (416) 861-1317
joseph.mackay@vmd.desjardins.com
Matthew Logan, Associate (416) 867-3573
matthew.logan@vmd.desjardins.com

Utility & Power
Daniel Shteyn, CA (514) 281-8755
daniel.shteyn@vmd.desjardins.com
Jeremy Rosenfield, Associate (514) 985-1862
jeremy.rosenfield@vmd.desjardins.com

Production
Karen Voon, Head of Production (416) 867-3585
karen.voon@vmd.desjardins.com
Marigold de Mesa (416) 867-3446
marigold.demesa@vmd.desjardins.com
Simon Dukes (416) 867-3756
simon.dukes@vmd.desjardins.com
Teresa Lusney (416) 867-9029
teresa.lusney@vmd.desjardins.com
Dana Mills (416) 867-3578
dana.mills@vmd.desjardins.com
Daniel Sendecki (416) 867-8983
daniel.sendecki@vmd.desjardins.com

Translation
Johanne Chevalier, C. Tr. (514) 281-4389
johanne.chevalier@vmd.desjardins.com

Administration
Tonia Di Censo (416) 867-3584
tonia.dicenso@vmd.desjardins.com
Chantal Durocher (514) 281-7801
chantal.durocher@vmd.desjardins.com
Christine Wise (514) 281-2313
christine.wise@vmd.desjardins.com

www.desjardins-securities.ca
http://strategy.vmd.ca

Desjardins Economics
François Dupuis, Vice-President & Chief Economist
Yves St-Maurice, Director & Deputy Chief Economist
Mathieu d'Anjou, CFA
Benoit P Durocher
Francis Généreux
Martin Lefebvre

(514) 281-2336
desjardins.economics@vmd.desjardins.com

Equity Capital Markets

Sales
Kim Bettez (514) 281-2894
kim.bettez@vmd.desjardins.com
Robert Dennison (416) 867-3587
robert.dennison@vmd.desjardins.com
Jhad Friesen (514) 281-8632
jhad.friesen@vmd.desjardins.com
Brendan Kielty (416) 867-7590
brendan.kielty@vmd.desjardins.com
Chung Kim (416) 867-3581
chung.kim@vmd.desjardins.com
Stephen Lloyd, CFA (416) 867-3598
stephen.lloyd@vmd.desjardins.com
André Pagé (514) 281-2291
andre.page@vmd.desjardins.com
Rob Posthumus (416) 867-3580
robert.posthumus@vmd.desjardins.com
Paul Sun, PEng, CFA (416) 867-1404
paul.sun@vmd.desjardins.com

Trading
Paul Hardy, Head of Trading (416) 867-1789
paul.hardy@vmd.desjardins.com
Meiwen Gouadec (416) 867-3423
meiwen.gouadec@vmd.desjardins.com
Eric Kougioumoutzakis, CFA (514) 281-2844
eric.kougioumoutzakis@vmd.desjardins.com
David Lailey (416) 867-8612
david.lailey@vmd.desjardins.com
François Laplante, Head of Liability Trading (514) 281-7707
francois.laplante@vmd.desjardins.com
Reid McGregor (416) 867-1232
reid.mcgregor@vmd.desjardins.com
Mel Peralta (416) 867-1710
mel.peralta@vmd.desjardins.com
Pierre-Olivier Tardif (514) 281-8771
pierre-olivier.tardif@vmd.desjardins.com

Alternative Strategies
Ron Mayers, Sales (514) 281-4496
ron.mayers@vmd.desjardins.com
Joseph Clement, Trading (514) 281-7359
joseph.clement@vmd.desjardins.com
Elliott Soifer, CFA, Analyst (514) 281-4579
elliott.soifer@vmd.desjardins.com
Sean Sztern, Analyst (514) 985-1867
sean.sztern@vmd.desjardins.com

Equity Derivatives
Michael Bird, Head of Equity Derivatives (416) 867-2260
michael.bird@vmd.desjardins.com
Carmen Cotter (416) 867-3588
carmen.cotter@vmd.desjardins.com
Jose Estevez (416) 867-2266
jose.estevez@vmd.desjardins.com
Azeem Lakdawalla (416) 867-2049
azeem.lakdawalla@vmd.desjardins.com
John Lynn (416) 867-2264
john.lynn@vmd.desjardins.com
George Nassar (416) 867-2262
george.nassar@vmd.desjardins.com

Administration
Lindsay Booth (Sales) (416) 867-3586
lindsay.booth@vmd.desjardins.com
Felix Bélanger (Trading) (514) 985-5072
felix.belanger@vmd.desjardins.com
Sandra Choy (604) 678-6143
sandra.choy@vmd.desjardins.com
Jo-Ann Deguire (514) 281-7251
jo-ann.deguire@vmd.desjardins.com
Stefanie Lau (Sales) (416) 867-1396
stefanie.lau@vmd.desjardins.com
Michael Nicholishen (Trading) (416) 867-3436
michael.nicholishen@vmd.desjardins.com
Jay Peralta (Trading) (416) 867-1888
jay.peralta@vmd.desjardins.com
Angela Di Pede (Trading) (416) 867-1952
angela.dipede@vmd.desjardins.com
Elektra Simms (514) 985-1844
elektra.simms@vmd.desjardins.com

Preferred Shares
John Nagel, Vice-President (416) 867-3535
john.nagel@vmd.desjardins.com
David Paul (416) 867-3772
david.paul@vmd.desjardins.com

OFFICES
Montreal
1170 Peel Street
Suite 300
Montreal, Quebec H3B 0A9
(514) 987-1749

Toronto
145 King Street West
Suite 2750
Toronto, Ontario M5H 1J8
(416) 867-6000

Vancouver
200 Burrard Street
Suite 1510, Waterfront Centre
Vancouver, British Columbia
V6C 3L6
(604) 678-6141