

RBC Dominion Securities Inc.

H. Fraser Phillips (Analyst)
(416) 842-7859
fraser.phillips@rbccm.com

Adam Schatzker (Analyst)
(416) 842-7850
adam.schatzker@rbccm.com

Robin Kozar (Associate Analyst)
(416) 842-7861
robin.kozar@rbccm.com

Peter Adamek (Associate)
(416) 842-7893
david.ing@rbccm.com

David Donovan (Associate)
(416) 842-5339
david.donovan@rbccm.com

March 16, 2009

This report is priced as of market close March 9, 2009, EDT.

All values in U.S. dollars unless otherwise noted.

For Required Disclosures, please see page 21.

Copper Price Forecast (US\$/lb)

	New	Old	% Chg.
2009E	\$1.65	\$1.65	0%
2010E	\$1.75	\$1.75	0%
2011E	\$2.00	\$2.25	-11%
2012E	\$2.00	\$2.25	-11%
2013E	\$2.25	N/A	
Long-term (2009\$)	\$1.50	\$1.50	0%

Note: Price changes were originally published in our March 5, 2009, research comment "Q2/2009 Commodity Price Revisions & Outlook."

Metal Prospects

Copper Market Outlook – Second Quarter 2009

Demand

- Global demand has been very strong over the past five years, driven by China. However, after a reasonably strong first half, global demand growth collapsed in the second half of 2008. A sharp slowing in Chinese growth has contributed to the collapse. Following growth of 2.3% in 2007, global growth slowed to 0.0% in 2008. We expect the current economic crisis to cause global demand to contract by 1.8% in 2009 and then rebound by 11.0% in 2010. We forecast growth of 5.3% in 2011 followed by trend growth of 3.8% in 2012 and 2013.

Supply

- Our analysis suggests that in 2009 and 2010, capacity utilization rates could fall to levels not seen since the early 1980s. Cancellation or delays of new projects or expansions could ease the situation somewhat. However, we expect the industry to suffer from excess capacity over the next three years. Following growth of 4.2% in 2007, global supply declined by 0.6% in 2008 as production disruptions continued throughout the industry. In 2009, we currently forecast an increase in supply of 2.3%, though this figure should decline as production curtailments mount. We forecast growth of 6.7% in 2010, 3.0% in 2011, 5.1% in 2012 and 1.8% in 2013.

Market Balance and Inventories

- The copper market recorded a surplus of 83,000 tonnes in 2008. In the face of plunging demand growth, the production cuts announced to date have not been sufficient to balance the market and we expect the market to record a substantial surplus of 827,000 tonnes in 2009. A rebound in demand in 2010 should result in deficits starting in that year, though inventories are expected to remain above critical levels throughout our forecast period. However, higher capacity utilization rates than we are currently assuming in 2010 and 2011 could limit both the size of the deficits and any resulting price increases.

Price Forecasts

- The copper price remains well above the bottom of its historical range in real terms versus inventories as weeks of consumption. At the trough of the cycle, downside price support is determined by the cash cost of production. Given that the current spot price lies at the upper end of the cost curve, and that there have been few mine closures announced to date, further downside price risk exists, particularly following the recent rally in prices. We forecast an average price of \$1.65/lb in 2009, \$1.75/lb in 2010, \$2.00/lb in 2011, \$2.00/lb in 2012 and \$2.25/lb in 2013. Our long-term price forecast is \$1.50/lb in 2009 US\$.

Risks to Forecast

- Economic Growth** – Cyclical risks are key. Our demand forecast is consistent with performance in previous recessions and assumes a recovery in 2010. If the downturn is deeper and longer than we are currently assuming, then any significant recovery could be delayed until 2011.
- China** – A sharper slowdown in Chinese demand in 2009 and/or more muted recovery than we are currently assuming could delay any recovery until 2011. Lower demand growth in China could result in an increase in Chinese copper exports. In fact, efforts to stimulate the Chinese domestic economy could support production, and the Chinese government has reduced taxes on concentrate imports and copper exports.
- Supply** – Further project deferrals and production curtailments could limit the market surplus and support a recovery in the copper market sooner than we are currently forecasting.

Table of Contents

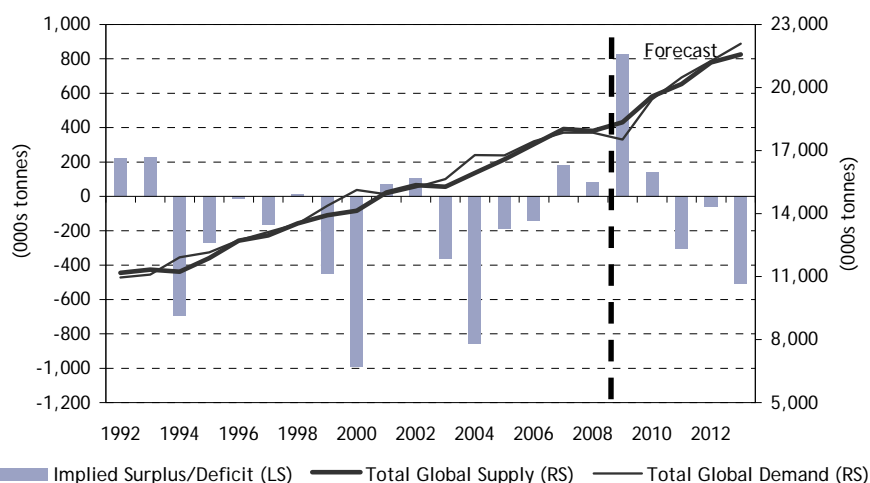
Supply/Demand	Exhibit 1: Refined Copper Supply/Demand Balance	3
	Exhibit 2: Global Refined Copper Supply/Demand	3
	Exhibit 3: Global Refined Copper Supply/Demand and Prices	3
Production Changes	Exhibit 4: Summary of Production Changes	4
	Exhibit 5: Production Increases at Existing Operations/Approved Projects	4
	Exhibit 6: Production Increases from Potential New Projects	5
	Exhibit 7: Production Reductions at Existing Operations	5
Current Trends	Exhibit 8: Refined Copper Production (Monthly & 12-month moving average)	6
	Exhibit 9: Refined Copper Production (Monthly)	6
	Exhibit 10: Refined Copper Consumption (Monthly & 12-month moving average)	6
	Exhibit 11: Refined Copper Consumption (Monthly)	6
	Exhibit 12: World Copper Consumption and Economic Growth	7
	Exhibit 13: World Copper Consumption ex-China and Economic Growth	7
Inventories and Price	Exhibit 14: Total Refined Copper Inventories Versus Real Prices	8
	Exhibit 15: Total Refined Copper Inventory, Prices and Critical Level	8
	Exhibit 16: Forecast Total Refined Copper Inventories and Prices	8
	Exhibit 17: Copper Exchange Inventories and Prices	9
	Exhibit 18: Total Copper Inventory and LME Prices	9
	Exhibit 19: Total Copper Inventory in Weeks of Consumption and Prices	9
Consumption	Exhibit 20: Primary Copper Consumption	10
	Exhibit 21: Copper Consumption Patterns	10
	Exhibit 22: Global Refined Copper Consumption by Region	11
	Exhibit 23: Global Refined Copper Consumption	11
	Exhibit 24: Refined Copper Consumption	11
Refined Capacity and Production	Exhibit 25: Refined Copper Capacity	12
	Exhibit 26: Global Refined Copper Capacity and Production	12
	Exhibit 27: Global Refined Copper Capacity Utilization	12
	Exhibit 28: Refined Copper Production	13
	Exhibit 29: Total Global Refined Copper Production by Region	13
	Exhibit 30: 2007 Global Refined Copper Production by Region	14
	Exhibit 31: Copper SX-EW Production	14
	Exhibit 32: Copper SX-EW/Electro Refinery Production	14
Copper Costs	Exhibit 33: 2009E Copper Cash Curve (C1)	15
	Exhibit 34: 2009E Copper Total Cost Curve (C3)	15
	Exhibit 35: 2009E Copper Cost Components	15
	Exhibit 36: Copper Cost Increases (2005 – 2008)	16
	Exhibit 37: 2013E Copper Total Cost Curve (C3)	16
	Exhibit 38: 2013E Copper Cost Components	16
Mine Supply/ Demand Balance	Exhibit 39: Copper Mine Output Supply/Demand Balance	17
	Exhibit 40: Copper Concentrate Balance and TCs	17
	Exhibit 41: Copper Mine Production	18
	Exhibit 42: Copper Mine Supply by Region	18
Smelter Supply/ Demand Balance	Exhibit 43: Blister Copper Supply/Demand Balance	19
	Exhibit 44: Blister Balance and RCs	19
	Exhibit 45: Combined TC/RC (29% grade concentrate)	19
	Exhibit 46: LME Copper Price versus TC/RC (30% grade concentrate)	19
	Appendix I: Projections for Copper Consumption	20
	Exhibit 47: Consumption Regressed with IP	20
	Exhibit 48: Consumption Regressed Against Time	20
	Exhibit 49: Long-Term Growth Rates for Consumption ('000 tonnes)	20
	Required Disclosures	21
	Additional Disclosures	24

Exhibit 1: Refined Copper Supply/Demand Balance

		2003	2004	2005	2006	2007	2008	2009E	2010E	2011E	2012E	2013E
Supply	'000 tonnes	15,273	15,928	16,573	17,297	18,027	17,926	18,345	19,579	20,166	21,197	21,571
Inventory Movements	'000 tonnes	-	-	-	-	-	-	-	-	-	-	-
Base Case Supply	'000 tonnes	15,273	15,928	16,573	17,297	18,027	17,926	18,345	19,579	20,166	21,197	21,571
% change		-0.5%	4.3%	4.0%	4.4%	4.2%	-0.6%	2.3%	6.7%	3.0%	5.1%	1.8%
Total Global Demand	'000 tonnes	15,637	16,783	16,764	17,442	17,848	17,843	17,519	19,439	20,474	21,257	22,080
% change		2.6%	7.3%	-0.1%	4.0%	2.3%	0.0%	-1.8%	11.0%	5.3%	3.8%	3.9%
Implied Surplus / (Deficit)	'000 tonnes	(364)	(855)	(191)	(145)	179	83	827	141	(308)	(61)	(508)
Total Reported Stocks	'000 tonnes	1,738	894	853	1,157	1,422	1,482	2,308	2,449	2,141	2,080	1,572
Weeks of Consumption (Western World)		7.8	3.8	3.7	4.9	6.1	6.6	10.7	10.5	8.9	8.4	6.2
Nominal LME Cash Price	US\$/lb	\$0.81	\$1.30	\$1.67	\$3.05	\$3.23	\$3.15	\$1.65	\$1.75	\$2.00	\$2.00	\$2.25
Long Term Price (2014 and beyond) 2009 US\$	US\$/lb							\$1.50				

Source: RBC Capital Markets estimates, Brook Hunt, ICSG

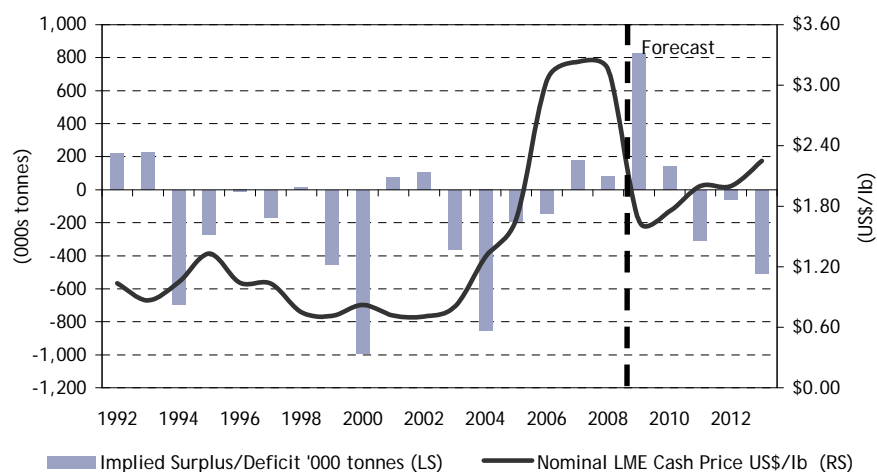
Exhibit 2: Global Refined Copper Supply/Demand ('000 tonnes)



Source: RBC Capital Markets estimates, Bloomberg, Brook Hunt, ICSG

After a reasonably strong first half, global copper demand growth dropped sharply in the second half of 2008. Demand growth slowed from 4.0% in 2006 to 2.3% in 2007 and to 0.0% in 2008. We forecast a decline in global consumption of 1.8% in 2009, followed by a rebound of 11.0% in 2010. China has been the main driver of global copper demand growth over the past five years and remains a key to the outlook. A sharp slowing in Chinese growth has contributed to the collapse in global copper demand growth.

Exhibit 3: Global Refined Copper Supply/Demand and Prices ('000 tonnes)



Source: RBC Capital Markets estimates, Bloomberg, Brook Hunt, ICSG

Our analysis suggests that in 2009 and 2010 capacity utilization rates could fall to levels not seen since the early 1980s. Falling prices have resulted in some production cuts. However, the cuts announced to date have not been sufficient to balance the market, and we expect the market to record a substantial surplus in 2009. A forecast rebound in demand in 2010 should result in deficits and falling inventories, though inventories are expected to remain above critical levels throughout our forecast period. However, higher capacity utilization rates than we are currently assuming could limit both the size of the deficits and any price increase in 2011 and 2012.

Exhibit 4: Summary of Production Changes (Compared to 2008A; '000 tonnes)

Change	Type	2009E	2010E	2011E	2012E	2013E
Increases	Concentrate	845	1,462	1,832	2,380	2,189
	SX/EW	540	766	917	957	1,230
	Sub-Total	1,384	2,228	2,749	3,337	3,418
New Projects	Concentrate - total	223	527	1,412	2,667	3,361
	SX/EW - total	22	247	430	855	1,105
	Sub-Total	244	773	1,841	3,521	4,466
	25% of Projects	61	193	460	880	1,116
Reductions	Concentrate	(497)	(595)	(888)	(873)	(955)
	SX/EW	(126)	(199)	(258)	(295)	(341)
	Sub-Total	(623)	(795)	(1,146)	(1,168)	(1,296)
Net Change	Concentrate	403	998	1,297	2,173	2,074
	SX/EW	419	628	767	876	1,165
	TOTAL	822	1,626	2,064	3,049	3,239

Source: RBC Capital Markets estimates, Brook Hunt, ICSG

Exhibit 5: Production Increases at Existing Operations/Approved Projects (Compared to 2008A; '000 tonnes)**Production Increases at Existing Operations / Approved Projects**

Country	Mine	2009E	2010E	2011E	2012E	2013E
Australia	Prominent Hill	87	103	89	83	76
Australia	Olympic Dam	81	81	81	81	81
Chile	Cerro Casale	33	65	98	120	120
Chile	Los Pelambres	3	89	89	89	89
Chile	Esperanza	-	-	202	202	202
Chile	Los Bronces	-	-	-	170	170
Chile	Andacollo	-	92	99	80	75
Congo	Kamoto Restart	15	55	90	120	120
Kazakhstan	Eastern Kazakstan	25	75	140	170	160
Zambia	Lumwana	140	189	174	149	136
Zambia	Chambishi (NFC)	40	50	50	50	50
Other	< 50ktpa	421	662	720	1,067	910
Concentrate Sub-Total		845	1,462	1,832	2,380	2,189
Chile	Gaby Sur	75	75	95	95	95
Chile	Regalito	70	140	150	150	150
Congo DR	Tenke Fungurume	39	57	76	92	135
Congo DR	Kolwezi Tailings	-	18	35	35	70
Congo DR	Kinsevere-Nambulwa	-	-	-	-	60
Congo DR	KOV Restart	-	-	-	34	157
Myanmar	Monywa	25	50	80	80	80
Spain	Las Cruces	74	72	72	73	72
Zambia	Baluba	-	30	60	60	60
Other	< 75ktpa	256	324	349	339	351
SX Sub-Total		540	766	917	957	1,230

Source: RBC Capital Markets estimates, Brook Hunt, ICSG

We forecast a net increase in supply – after taking account of cutbacks and closures at existing operations – of 3.2 million tonnes by 2013.

The majority of new supply is expected to come from existing operations and projects that have already been approved.

Our analysis points to continued increases in capacity throughout our forecast period. However, the current global economic and credit crisis is resulting in delays to planned expansions and new projects, and further deferrals could reduce growth rates going forward.

By 2013, we expect that production increases at existing operations and previously approved new projects should contribute 3.4 million tonnes of new supply relative to 2008.

While the number of very large projects is limited, there are a large number of smaller projects.

Exhibit 6: Production Increases from Potential New Projects (Compared to 2008A; '000 tonnes)
Production Increases from Potential New Projects

Country	Mine	2009E	2010E	2011E	2012E	2013E
Argentina	Agua Rica	-	-	-	120	195
Argentina	El Pachon	-	-	-	100	250
Australia	Ernest Henry UG Extension	-	-	40	70	75
Australia	Cadia East Extension	-	-	38	48	58
Australia	Olympic Dam Exp to 350kt/a	-	-	-	-	60
Brazil	Salobo I	-	-	50	100	100
Brazil	Cristalino	-	-	-	60	115
Chile	Collahuasi 130-170kt/d Exp	-	-	195	195	195
China	Yunnan Cu Misc	30	80	130	130	130
China	Ashele Expansion	30	50	50	50	50
Iran	Sungun 19-65kt/d Expansion	-	-	-	100	100
Iran	Sarcheshmeh Expansion	-	-	40	60	60
Kazakhstan	Boschekul	-	-	-	80	100
Mexico	Bahuerachi	-	-	-	89	83
Papua New Guinea	Solwara (offshore)	-	-	-	100	120
Peru	Toromocho	-	-	-	300	300
Peru	Rio Blanco	-	-	157	205	191
Peru	Tintaya Expansion (Antapaccay)	-	20	90	100	100
Peru	Antamina Expansion	-	-	50	100	100
Peru	Conga	-	-	35	70	70
Peru	Cuajone 87-105kt/d Exp	-	-	-	40	52
Peru	Las Bambas	-	-	-	-	50
Philippines	Atlas Restart	40	45	55	45	50
Philippines	Tampakan	-	-	-	-	195
Russian Federation	Miheevskoye	15	75	90	90	90
USA	Rosemont	-	-	78	78	78
Other	< 50ktpa	108	257	314	337	395
Concentrate Sub-Total		223	527	1,412	2,667	3,361
Chile	El Abra Leach Extension	-	100	127	141	154
Chile	Codelco Norte HN Bioleach	-	25	25	25	60
Chile	Caserones (ex Regalito)	-	-	-	80	120
Congo DR	KOV Restart and Expansion	-	-	50	220	250
Mexico	Boleo	-	-	10	45	50
Peru	Tia Maria (Exp to 120kt/a)	-	30	70	77	77
USA	Safford 100-200kt/a Expansion	-	-	-	-	100
Other	< 50ktpa	32	102	158	277	304
SX-EW Sub-Total		32	257	440	865	1,115
Total Potential Projects		255	784	1,852	3,532	4,477
Base Case Supply - Demand = 25% of Potential		64	196	463	883	1,119

Source: RBC Capital Markets estimates, Brook Hunt, ICSG

Exhibit 7: Production Reductions at Existing Operations (Compared to 2008A; '000 tonnes)

Country	Mine	2009E	2010E	2011E	2012E	2013E
Australia	Ernest Henry	(3)	(3)	(51)	(108)	(108)
Chile	Escondida	(17)	(66)	(100)	(100)	(100)
Kazakhstan	Balkhash	(55)	(55)	(55)	(60)	(65)
Peru	Tintaya	(61)	(61)	(61)	(61)	(61)
USA	Sierrita	-	-	-	(64)	(64)
Other	< 50 ktpa	(361)	(410)	(621)	(480)	(557)
Concentrate Sub-Total		(497)	(595)	(888)	(873)	(955)
Peru	Tintaya	(64)	(64)	(64)	(64)	(64)
Other	< 50 ktpa	(62)	(135)	(194)	(231)	(277)
SX-EW Sub-Total		(126)	(199)	(258)	(295)	(341)

Source: RBC Capital Markets estimates, Brook Hunt, ICSG

The global economic crisis and collapse in copper prices bring into question any new projects in the initial planning stages.

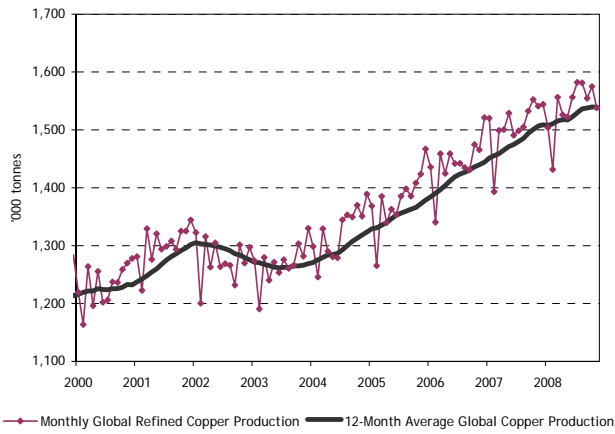
While we have removed some potential capacity from our list, our forecast continues to make provision for new supply from some projects that have yet to be approved. In aggregate, these projects could contribute 4.5 million tonnes of new supply by 2013.

Our base case supply/demand balance assumes that only 25% of this potential – or 1,119,000 tonnes – should ultimately come on stream within this timeframe.

Production reductions mainly reflect the impact of declining grades on mature operations with very few closures. Our list of production decreases includes only permanent closures of capacity.

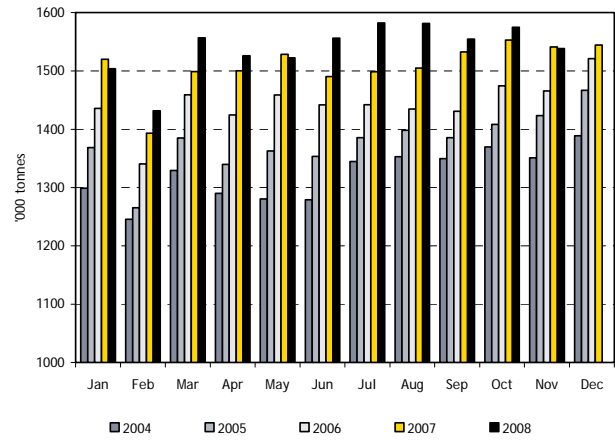
With the drop in copper prices, temporary production curtailments are being announced. However, thus far, the numbers have not been material. We have tallied less than 200,000 tonnes of announced cutbacks thus far, though we expect this number to increase significantly over the next 12 months.

Exhibit 8: Refined Copper Production (Monthly & 12-Month Moving Average)



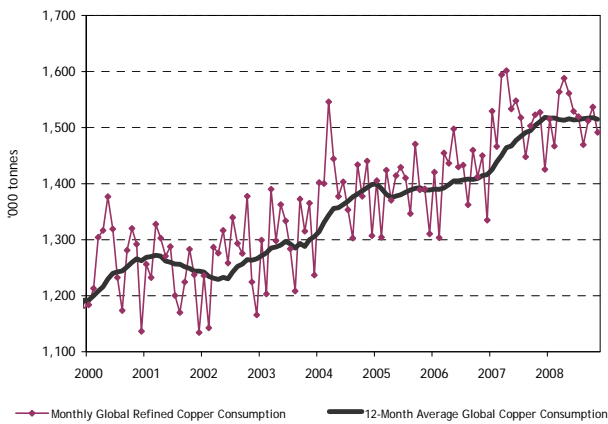
Source: RBC Capital Markets, ICSG

Exhibit 9: Refined Copper Production (Monthly)



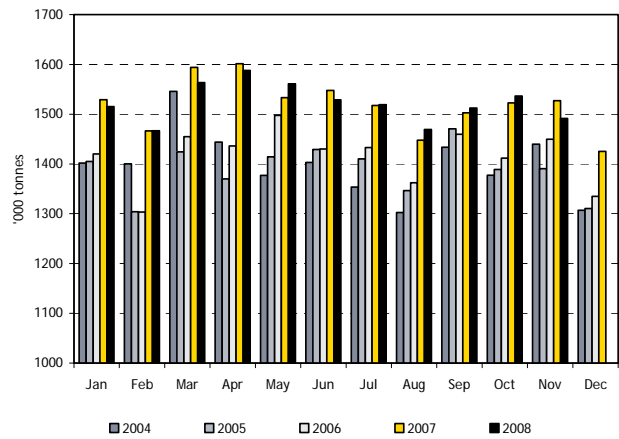
Source: RBC Capital Markets, ICSG

Exhibit 10: Refined Copper Consumption (Monthly & 12-Month Moving Average)



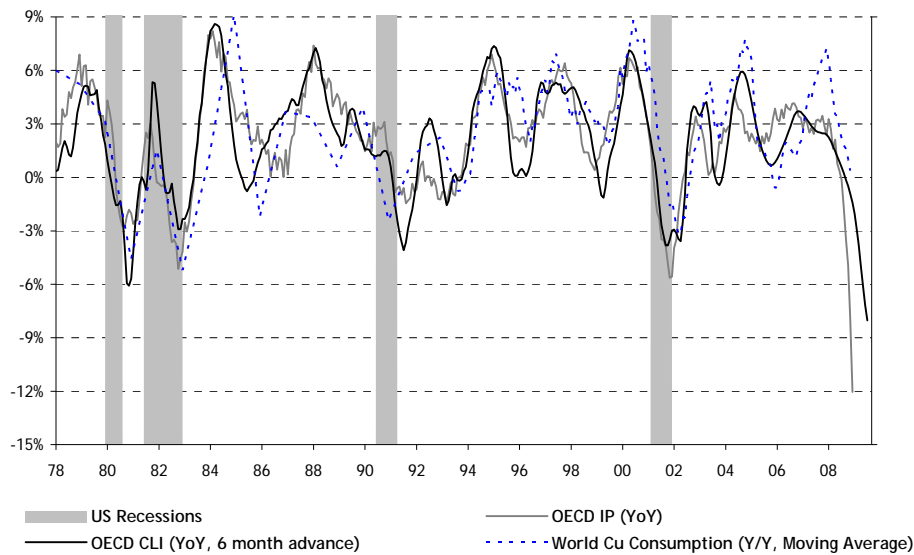
Source: RBC Capital Markets, ICSG

Exhibit 11: Refined Copper Consumption (Monthly)



Source: RBC Capital Markets, ICSG

Exhibit 12: World Copper Consumption and Economic Growth

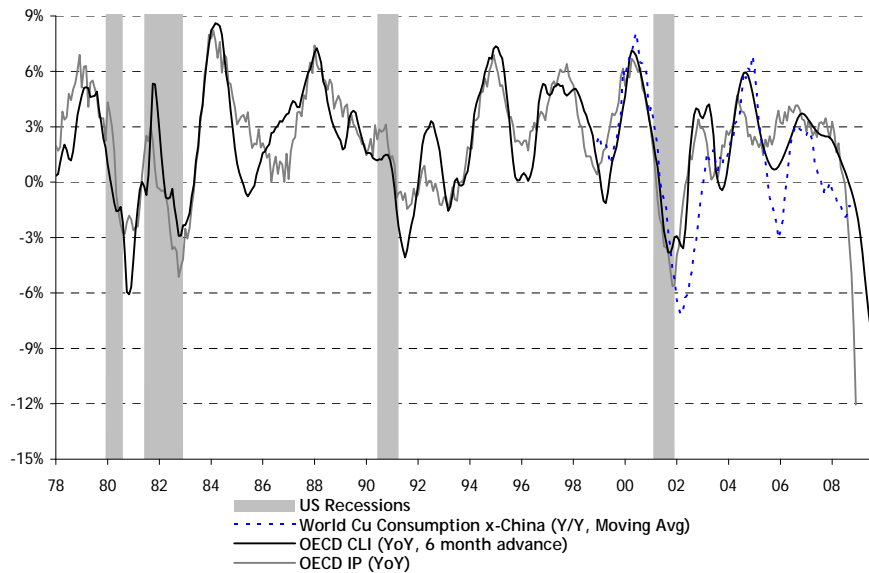


Source: RBC Capital Markets estimates, OECD, Brook Hunt

Growth in global copper consumption including China is collapsing in line with the OECD CLI and industrial production.

Global economic leading indicators point to a deep recession and further downside risk in metal demand. This is the key risk to our supply/demand and price forecasts.

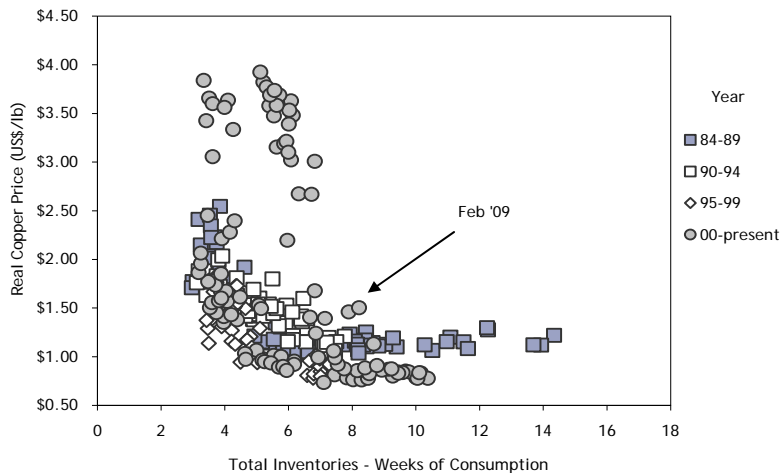
Exhibit 13: World Copper Consumption ex-China and Economic Growth



Source: RBC Capital Markets estimates, OECD, Brook Hunt

Copper consumption growth in the world excluding China has been slowing since 2006, and began contracting in the second half of 2007.

Exhibit 14: Total Refined Copper Inventories versus Real Prices

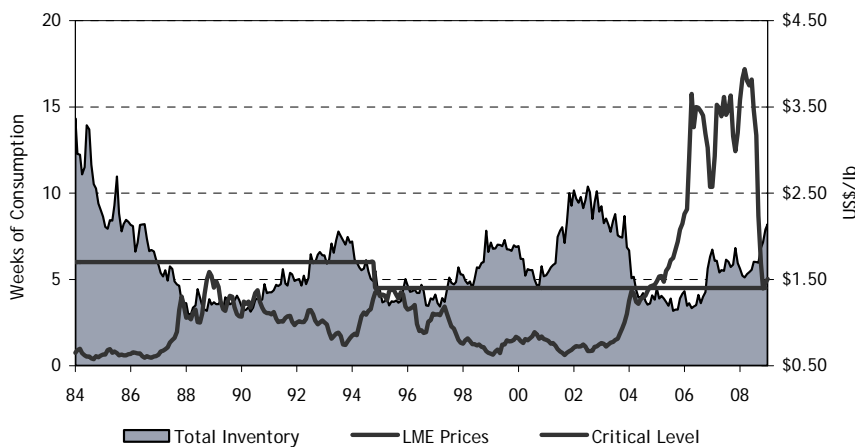


Source: RBC Capital Markets estimates, Brook Hunt, ICSG

The copper price remains well above the bottom of its historical range in real terms versus inventories as weeks of consumption. At the trough of the cycle, downside price support is determined by the cash cost of production. Given that the current spot price lies at the upper end of the cost curve, and that there have been few mine closures announced to date, further downside price risk exists, particularly as costs decline.

Historically, copper prices have responded sharply when inventories have passed the critical level, both on the way up and on the way down, as was the case in the second half of 2008.

Exhibit 15: Total Refined Copper Inventory, Prices and Critical Level

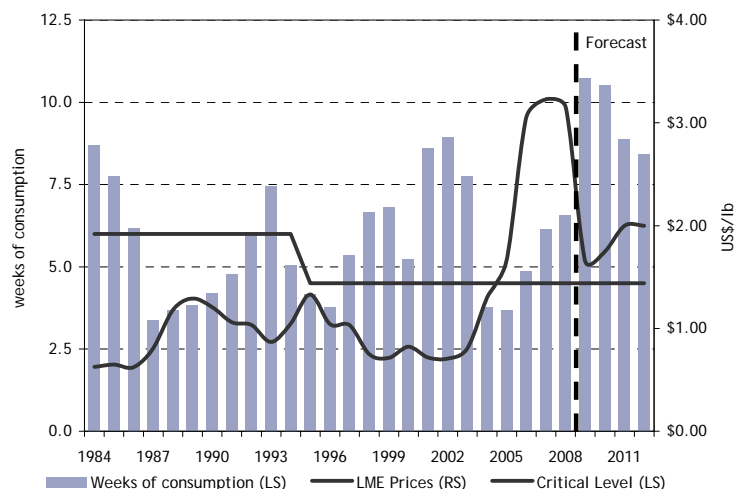


Source: RBC Capital Markets estimates, Brook Hunt, ICSG

Total inventories are currently estimated to be 8.2 weeks of consumption, up from 6.8 weeks at the beginning of 2008 and 7.2 weeks at the beginning of 2009, and well above the critical level of 4.5 weeks.

The critical level has declined from 6 weeks of consumption in the early 1980s to the current level of 4.5 weeks.

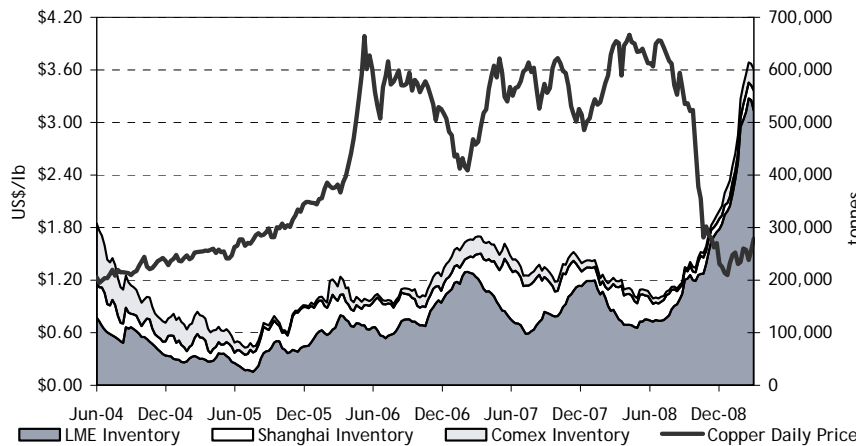
Exhibit 16: Forecast Total Refined Copper Inventories and Prices



Source: RBC Capital Markets estimates, Bloomberg, Brook Hunt, ICSG

We expect inventories to rise significantly in 2009 and then begin to decline. However, our analysis suggests that they will remain above the critical level throughout our forecast period. Our forecast surplus in 2009 will push inventories up to 10.7 weeks of consumption, putting significant downward pressure on prices. A forecast rebound in demand in 2010 should result in deficits, drawing down inventories. However, higher capacity utilization rates than we are currently assuming could limit both the size of the deficits and any price increase in 2011 and 2012.

Exhibit 17: Copper Exchange Inventories and Prices

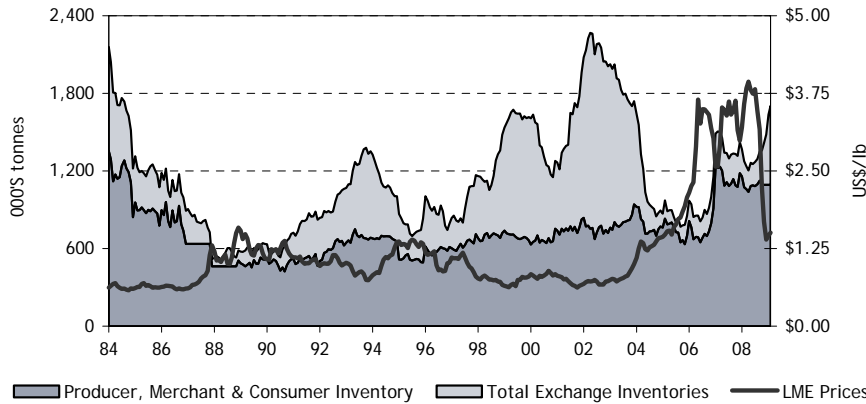


Source: RBC Capital Markets estimates, Brook Hunt, ICSG

Total exchange inventories began to increase in the second half of 2008, exploding upwards in Q4/08 and early 2009 as demand collapsed. Total exchange inventories increased to 611,000 tonnes at the end of February, up from 390,000 tonnes at the beginning of 2009.

LME inventories peaked on February 25 at 548,400 tonnes, and subsequently declined by 46,525 tonnes, as tightness in the Chinese copper market due in part to a shortage of scrap resulted in Chinese copper prices trading at a premium to the LME. With underlying demand remaining weak, we believe there is a risk that the recent decline in inventories could be reversed once the arbitrage opportunity has been eliminated.

Exhibit 18: Total Copper Inventory and LME Prices

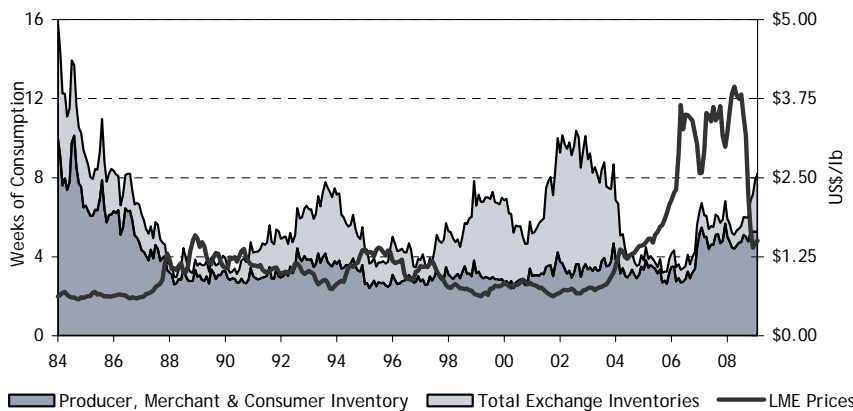


Source: RBC Capital Markets estimates, Brook Hunt, ICSG

Total reported inventories increased to 1,482,000 tonnes in 2008, up from 1,422,000 tonnes at the beginning of the year, and currently stand at 1,703,000 tonnes. While copper inventories have increased significantly from the lows of 2005/2006, they remain below the highs of 2002.

In addition to the increase in commercial inventory, China's State Reserves Bureau (SRB) is rumoured to have purchased as much as 400,000 tonnes of copper over the past three months, according to industry reports.

Exhibit 19: Total Copper Inventory in Weeks of Consumption and Prices



Source: RBC Capital Markets estimates, Bloomberg, Brook Hunt, ICSG

Total copper inventories are currently well below the peaks of 2002 and the early 1980s in terms of weeks of consumption.

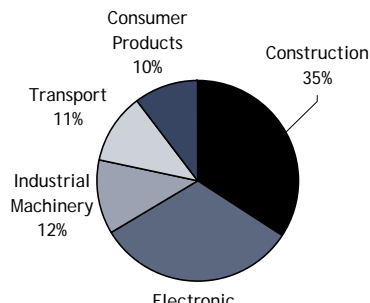
Exhibit 20: Primary Copper Consumption

Western World Consumption			2003	2004	2005	2006	2007	2008	2009E	2010E	2011E	2012E	2013E
		Trend Growth 1994-2007											
Africa	'000 tonnes	7.6%	172	206	234	243	273	271	275	300	309	317	325
Canada	'000 tonnes	2.3%	257	297	290	301	206	204	207	226	233	239	245
USA	'000 tonnes	-2.0%	2,295	2,415	2,274	2,130	2,137	2,089	1,953	2,005	2,041	2,092	2,145
North America Total	'000 tonnes	-1.6%	2,553	2,712	2,564	2,432	2,343	2,294	2,160	2,231	2,274	2,331	2,390
Latin America Total	'000 tonnes	3.7%	862	954	979	914	855	850	862	938	968	993	1,018
Japan	'000 tonnes	-1.2%	1,202	1,279	1,223	1,282	1,252	1,191	936	955	968	992	1,017
South Korea	'000 tonnes	4.6%	906	937	864	812	820	804	842	1,046	1,125	1,153	1,182
Taiwan	'000 tonnes	1.2%	620	690	638	639	603	594	617	742	780	800	820
India	'000 tonnes	9.2%	311	350	415	440	475	469	482	558	589	604	620
Other Asia	'000 tonnes	6.1%	1,211	1,321	1,393	1,510	1,546	1,536	1,559	1,696	1,750	1,794	1,840
Asia Total	'000 tonnes	2.8%	4,250	4,576	4,533	4,683	4,696	4,594	4,436	4,998	5,213	5,344	5,478
Germany	'000 tonnes	1.9%	1,012	1,121	1,180	1,398	1,392	1,392	1,200	1,249	1,276	1,308	1,341
France	'000 tonnes	-0.6%	540	550	505	540	440	408	372	379	387	396	406
Spain	'000 tonnes	5.6%	311	331	321	319	330	230	157	158	168	172	176
Italy	'000 tonnes	3.8%	665	719	681	801	764	759	770	838	865	887	909
United Kingdom	'000 tonnes	-9.6%	240	242	200	180	55	55	55	60	62	64	65
Other Western Europe	'000 tonnes	-0.9%	867	781	678	729	735	731	741	807	833	854	875
Western Europe Total	'000 tonnes	0.7%	3,634	3,745	3,565	3,967	3,716	3,575	3,297	3,491	3,590	3,681	3,773
Oceania Total	'000 tonnes	-1.9%	183	167	155	143	148	147	149	162	167	171	176
Western World Total	'000 tonnes	1.1%	11,653	12,360	12,030	12,382	12,031	11,730	11,179	12,119	12,522	12,837	13,160
Western World YoY Change													
USA	%		-2.9%	5.2%	-5.8%	-6.3%	0.3%	-2.2%	-6.5%	2.7%	1.8%	2.5%	2.5%
Japan	%		3.0%	6.3%	-4.3%	4.8%	-2.4%	-4.9%	-21.4%	2.0%	1.3%	2.5%	2.5%
South Korea	%		-0.6%	3.4%	-7.8%	-6.0%	1.0%	-1.9%	4.7%	24.3%	7.5%	2.5%	2.5%
Taiwan	%		-5.3%	11.4%	-7.5%	0.1%	-5.6%	-1.5%	3.9%	20.3%	5.1%	2.5%	2.5%
India	%		4.8%	12.5%	18.6%	6.0%	8.0%	-1.2%	2.7%	15.7%	5.7%	2.5%	2.5%
Germany	%		-5.9%	10.8%	5.3%	18.5%	-0.4%	0.0%	-13.8%	4.0%	2.2%	2.5%	2.5%
France	%		-0.9%	1.9%	-8.2%	7.0%	-18.5%	-7.2%	-8.9%	1.8%	2.0%	2.5%	2.5%
Spain	%		1.3%	6.4%	-3.0%	-0.6%	3.4%	-30.2%	-31.9%	0.8%	6.1%	2.5%	2.5%
Other WW	%		2.5%	5.2%	-1.7%	4.6%	-5.0%	-0.7%	1.5%	8.8%	3.2%	2.5%	2.5%
Western World Total	%		-0.1%	6.1%	-2.7%	2.9%	-2.8%	-2.5%	-4.7%	8.4%	3.3%	2.5%	2.5%
Former Eastern Bloc Copper Consumption													
China	'000 tonnes	12.9%	3,097	3,381	3,652	3,854	4,557	4,876	5,052	5,722	6,218	6,653	7,119
Other Former Eastern Bloc	'000 tonnes	7.7%	888	1,043	1,081	1,206	1,260	1,236	1,287	1,597	1,734	1,767	1,800
Total Eastern Bloc	'000 tonnes	11.4%	3,985	4,424	4,734	5,060	5,817	6,112	6,339	7,319	7,952	8,420	8,919
Former Eastern Bloc YoY Change													
China	%		11.6%	9.2%	8.0%	5.5%	18.2%	7.0%	3.6%	13.3%	8.7%	7.0%	7.0%
Other EB	%		10.1%	17.5%	3.7%	11.5%	4.5%	-1.9%	4.1%	24.1%	8.6%	1.9%	1.9%
Former Eastern Bloc Total	%		11.3%	11.0%	7.0%	6.9%	15.0%	5.1%	3.7%	15.5%	8.7%	5.9%	5.9%
Global Total Copper Consumption													
Total Consumption	'000 tonnes	3.2%	15,637	16,783	16,764	17,442	17,848	17,843	17,519	19,439	20,474	21,257	22,080
Total YoY Change	%		2.6%	7.3%	-0.1%	4.0%	2.3%	0.0%	-1.8%	11.0%	5.3%	3.8%	3.9%

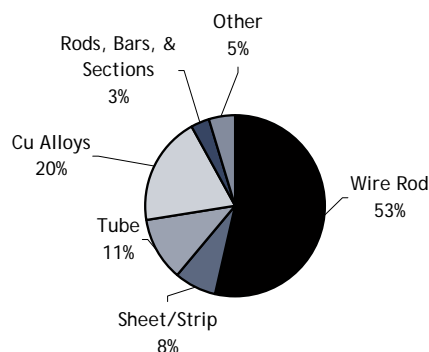
Source: RBC Capital Markets estimates, Brook Hunt, ICSG

Exhibit 21: Copper Consumption Patterns

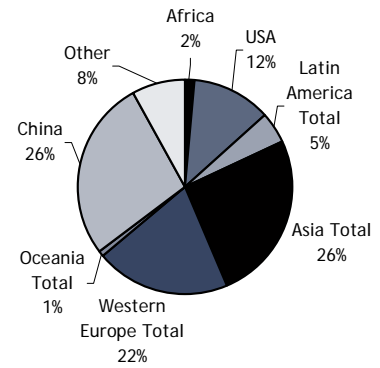
2008 Global Copper Consumption by End Use



2008 Global Copper Consumption by First Use

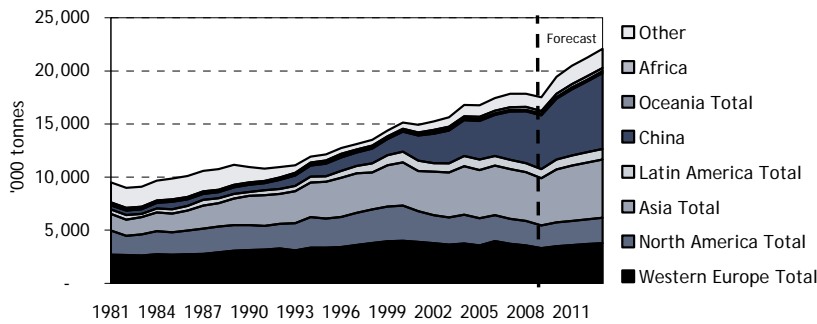


2008 Global Refined Copper Consumption by Region



Source: RBC Capital Markets estimates, Brook Hunt, ICSG

Exhibit 22: Global Refined Copper Consumption by Region

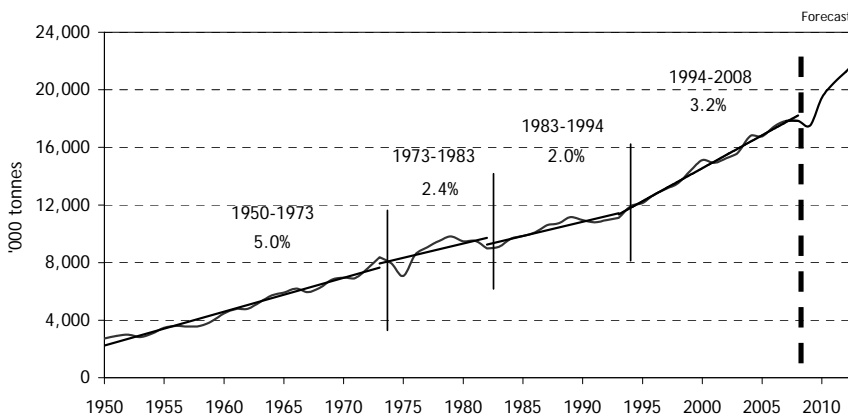


Source: RBC Capital Markets estimates, Brook Hunt, ICSG

We forecast a decline in global copper demand of 1.8% in 2009.

After growth of 2.3% in 2007, there was no growth in global copper demand in 2008, with a decline of 2.5% in the western world offset by 7.0% growth in China. Our forecast of western world demand for 2009 and 2010 is consistent with performance in previous recessions: a 4.7% contraction in 2009 followed by a rebound of 8.4% in 2010.

Exhibit 23: Global Refined Copper Consumption

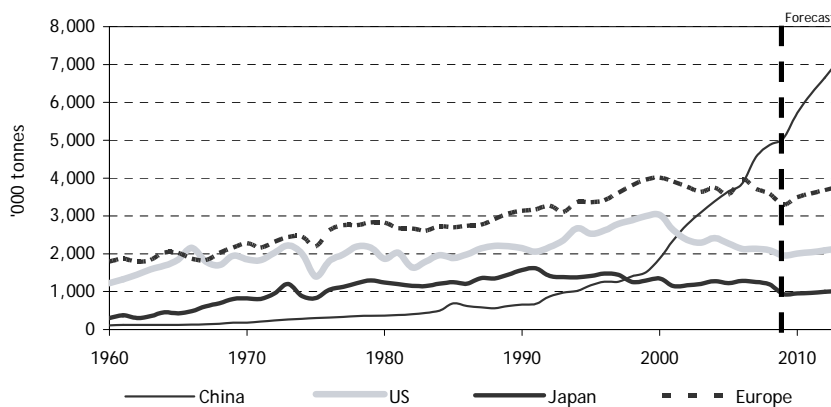


Source: RBC Capital Markets estimates, Brook Hunt, ICSG

After a strong first half, global copper demand growth slowed dramatically in the second half of 2008. We forecast a decline in global consumption of 1.8% in 2009, followed by a rebound of 11.0% in 2010, 5.3% in 2011, 3.8% in 2012 and 3.9% in 2013.

The key risk to our forecast is that the decline in demand could be deeper and longer lasting than we currently forecast.

Exhibit 24: Refined Copper Consumption



Source: RBC Capital Markets estimates, Bloomberg, Brook Hunt, ICSG

China has been the main driver of global copper demand growth over the past five years and remains a key to the outlook. A sharp slowing in Chinese growth has contributed to the collapse in global copper demand growth.

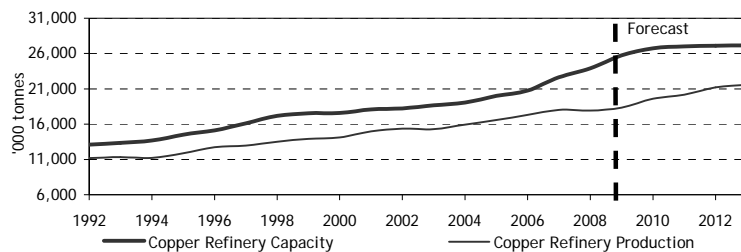
After growth of 18.2% in 2007, Chinese consumption grew by only 7.0% in 2008. We expect growth to slow further to 3.6% in 2009, before reaccelerating to 13.3% in 2010, 8.7% in 2011 and 7.0% in 2012 and 2013.

Exhibit 25: Refined Copper Capacity

Electro-Refined Concentrates Capacity		2003	2004	2005	2006	2007	2008	2009E	2010E	2011E	2012E	2013E
Africa	'000 tonnes	849	850	850	855	923	969	1,100	1,045	1,045	1,045	1,045
North America	'000 tonnes	2,112	2,117	2,117	1,942	1,967	2,012	2,012	2,012	2,012	2,012	2,012
Latin America	'000 tonnes	2,454	2,454	2,480	2,495	2,642	2,641	2,686	2,736	2,736	2,736	2,736
Asia	'000 tonnes	3,163	3,370	3,911	4,147	4,377	4,350	4,418	4,418	4,418	4,418	4,418
Western Europe	'000 tonnes	2,221	2,140	2,126	2,138	2,174	2,242	2,272	2,302	2,302	2,302	2,302
Oceania	'000 tonnes	585	505	505	508	528	538	538	538	538	538	538
Western World Total Capacity	'000 tonnes	11,383	11,435	11,988	12,084	12,610	12,751	13,025	13,050	13,050	13,050	13,050
China	'000 tonnes	2,218	2,501	2,911	3,387	4,102	4,671	5,436	5,651	5,761	5,781	5,781
Russia	'000 tonnes	915	975	992	1,028	1,060	1,120	1,120	1,120	1,120	1,120	1,120
Other Eastern Bloc	'000 tonnes	1,415	1,421	1,433	1,443	1,446	1,501	1,647	1,882	1,882	1,882	1,882
Eastern Bloc Total	'000 tonnes	4,548	4,897	5,336	5,858	6,608	7,292	8,203	8,653	8,763	8,783	8,783
Probable Projects	'000 tonnes	-	-	-	-	-	47	225	332	391	490	490
Global Total Refinery Capacity	'000 tonnes	15,931	16,332	17,324	17,942	19,218	20,090	21,453	22,035	22,205	22,323	22,323
YoY Change - Global		2.3%	2.5%	6.1%	3.6%	7.1%	4.5%	6.8%	2.7%	0.8%	0.5%	0.0%
SX-EW Capacity		2003	2004	2005	2006	2006	2008	2009E	2010E	2011E	2011E	2012E
Africa	'000 tonnes	96	115	157	196	235	229	318	515	634	655	750
North America	'000 tonnes	580	574	549	542	535	656	710	743	720	730	715
Latin America	'000 tonnes	1,904	1,895	1,805	1,885	2,400	2,600	2,809	2,846	2,822	2,751	2,677
Asia	'000 tonnes	44	48	93	96	146	170	224	317	362	362	362
Western Europe	'000 tonnes	3	1	-	-	-	46	74	72	72	73	72
Oceania	'000 tonnes	75	42	29	41	36	34	26	18	4	4	4
Western World Total Capacity	'000 tonnes	2,701	2,675	2,633	2,760	3,352	3,736	4,160	4,513	4,614	4,576	4,580
YoY Change - WW		2.7%	-0.9%	-1.6%	4.8%	21.4%	11.4%	11.4%	8.5%	2.2%	-0.8%	0.1%
Eastern Bloc Total	'000 tonnes	26	27	31	52	73	77	77	102	105	107	107
YoY Change - Former EB		-2.1%	4.7%	14.1%	67.1%	41.7%	5.5%	0.0%	32.5%	2.9%	1.9%	0.0%
Probable Projects	'000 tonnes	-	-	-	-	-	2	34	74	96	117	146
Global Total SxEW Capacity	'000 tonnes	2,727	2,702	2,664	2,812	3,425	3,813	4,237	4,615	4,719	4,683	4,687
YoY Change - Global		2.7%	-0.9%	-1.4%	5.6%	21.8%	11.3%	11.1%	8.9%	2.3%	-0.8%	0.1%
Total Capacity		2003	2004	2005	2006	2006	2008	2009E	2010E	2011E	2011E	2012E
WW Concentrates	'000 tonnes	11,383	11,435	11,988	12,084	12,610	12,751	13,025	13,050	13,050	13,050	13,050
WW SX-EW	'000 tonnes	2,701	2,675	2,633	2,760	3,352	3,736	4,160	4,513	4,614	4,576	4,580
WW Total	'000 tonnes	14,084	14,111	14,621	14,844	15,962	16,487	17,185	17,563	17,664	17,626	17,630
YoY Change - WW		1.0%	0.2%	3.6%	1.5%	7.5%	3.3%	4.2%	2.2%	0.6%	-0.2%	0.0%
Former Eastern Bloc Concentrates	'000 tonnes	4,548	4,897	5,336	5,858	6,608	7,292	8,203	8,653	8,763	8,783	8,783
Former Eastern Bloc SX-EW	'000 tonnes	26	27	31	52	73	77	77	102	105	107	107
Former Eastern Bloc total	'000 tonnes	4,573	4,924	5,367	5,910	6,681	7,369	8,280	8,755	8,868	8,890	8,890
YoY Change - Former EB		6.9%	7.7%	9.0%	10.1%	13.1%	10.3%	12.4%	5.7%	1.3%	0.2%	0.0%
New Projects - Concentrates	'000 tonnes	-	-	-	-	-	47	225	332	391	490	490
New Projects - SX-EW	'000 tonnes	-	-	-	-	-	2	34	74	96	117	146
New Projects Total	'000 tonnes	-	-	-	-	-	48	259	406	487	607	636
Global Total	'000 tonnes	18,658	19,035	19,988	20,753	22,643	23,904	25,725	26,724	27,019	27,123	27,156
YoY Change - Global		2.4%	2.0%	5.0%	3.8%	9.1%	5.6%	7.6%	3.9%	1.1%	0.4%	0.1%

Source: RBC Capital Markets estimates, Brook Hunt, ICSG

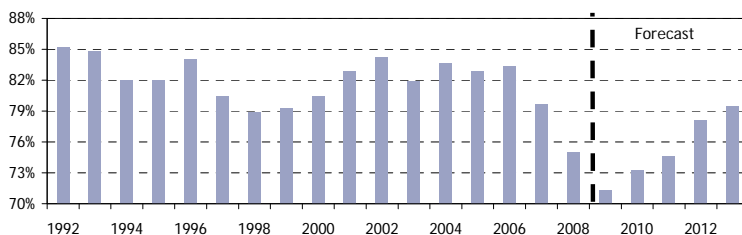
Exhibit 26: Global Refined Copper Capacity and Production



Source: RBC Capital Markets estimates, Brook Hunt, ICSG

We forecast a 7.6% increase in global refining capacity in 2009, 3.9% in 2010, 1.1% in 2011, 0.4% in 2012 and 0.1% in 2013. However, the current global economic and credit crisis could result in projects being deferred or cancelled, reducing growth rates going forward. Most of the increase is made up of increased smelting and refining capacity in China and increased SX-EW capacity in Africa and Latin America.

Exhibit 27: Global Refined Copper Capacity Utilization



Source: RBC Capital Markets estimates, Brook Hunt, ICSG

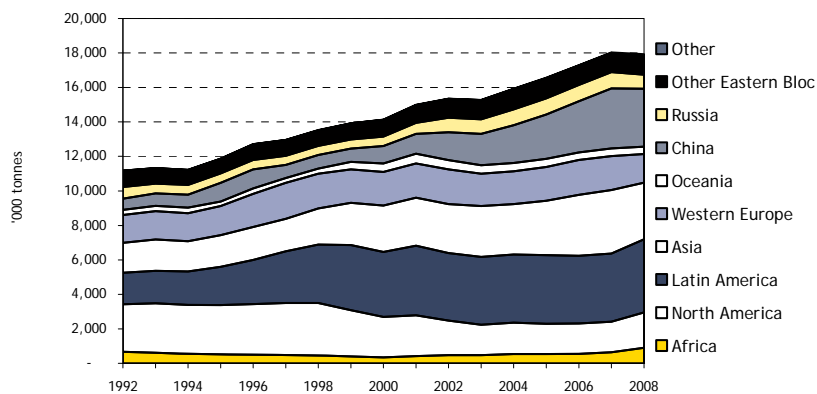
Our analysis suggests that in 2009, capacity utilization rates could fall to levels not seen since the early 1980s. Operating rates have fallen due to a shortage of feed, collapsing demand and now a grossly oversupplied sulphuric acid market. We expect the decline in utilization rates in 2009 to give way to a gradual recovery beginning in 2010.

Exhibit 28: Refined Copper Production

Production of Electro-Refined Concentrates		2003	2004	2005	2006	2007	2008	2009E	2010E	2011E	2012E	2013E
Africa	'000 tonnes	365	404	377	376	374	698	751	739	753	790	793
North America	'000 tonnes	1,170	1,249	1,217	1,221	1,268	1,450	1,374	1,422	1,449	1,521	1,527
Latin America	'000 tonnes	2,037	2,068	2,132	1,982	1,841	1,904	1,834	1,934	1,971	2,069	2,076
Asia	'000 tonnes	2,912	2,885	3,080	3,453	3,592	3,136	3,017	3,123	3,183	3,341	3,353
Western Europe	'000 tonnes	1,872	1,895	1,957	2,015	1,972	1,616	1,551	1,627	1,658	1,741	1,747
Oceania	'000 tonnes	417	432	418	377	400	387	367	380	387	406	408
Western World Total Production	'000 tonnes	8,773	8,933	9,181	9,422	9,445	9,191	8,893	9,226	9,401	9,868	9,904
YoY Change - WW		-4.2%	1.8%	2.8%	2.6%	0.2%	-2.7%	-3.2%	3.7%	1.9%	5.0%	0.4%
China	'000 tonnes	1,826	2,187	2,585	2,987	3,481	3,367	3,712	3,995	4,150	4,371	4,387
Russia	'000 tonnes	842	919	933	947	939	807	765	792	807	847	850
Other Eastern Bloc	'000 tonnes	1,110	1,184	1,180	1,119	1,113	1,082	1,125	1,331	1,356	1,423	1,428
Eastern Bloc	'000 tonnes	3,778	4,290	4,698	5,052	5,533	5,256	5,601	6,117	6,312	6,641	6,665
YoY Change - Former EB		6.4%	13.6%	9.5%	7.5%	9.5%	-5.0%	6.6%	9.2%	3.2%	5.2%	0.4%
Probable Projects	'000 tonnes	-	-	-	-	-	35	161	243	292	383	389
Total Global Electro-Refinery Production	'000 tonnes	12,551	13,222	13,879	14,474	14,978	14,483	14,655	15,587	16,005	16,892	16,958
Global YoY Change		-1.2%	5.4%	5.0%	4.3%	3.5%	-3.3%	1.2%	6.4%	2.7%	5.5%	0.4%
Production from SX-EW												
Africa	'000 tonnes	109	124	152	178	263	207	275	440	549	589	721
North America	'000 tonnes	591	584	554	530	505	593	614	634	624	657	687
Latin America	'000 tonnes	1,901	1,881	1,843	1,949	2,122	2,347	2,430	2,429	2,445	2,475	2,572
Asia	'000 tonnes	40	43	75	89	84	153	194	271	314	326	348
Western Europe	'000 tonnes	3	1	-	1	3	42	64	62	62	65	69
Oceania	'000 tonnes	67	58	51	52	42	31	23	15	4	4	4
Western World Total Production	'000 tonnes	2,711	2,692	2,674	2,799	3,019	3,372	3,599	3,851	3,998	4,116	4,401
YoY Change - WW		2.9%	-0.7%	-0.6%	4.7%	7.8%	11.7%	6.7%	7.0%	3.8%	3.0%	6.9%
Eastern Bloc	'000 tonnes	12	14	19	23	31	70	67	87	91	96	96
YoY Change - Former EB		0.9%	23.3%	35.7%	20.1%	31.3%	127.2%	-4.2%	30.7%	4.5%	5.8%	0.0%
Probable Projects	'000 tonnes	-	-	-	-	-	1	24	54	71	92	116
Total Global SX-EW Production	'000 tonnes	2,723	2,706	2,694	2,823	3,050	3,443	3,690	3,992	4,160	4,304	4,613
Global YoY Change		2.9%	-0.6%	-0.4%	4.8%	8.0%	12.9%	7.2%	8.2%	4.2%	3.5%	7.2%
Total Production												
WW Concentrates	'000 tonnes	8,773	8,933	9,181	9,422	9,445	9,191	8,893	9,226	9,401	9,868	9,904
WW SX-EW	'000 tonnes	2,711	2,692	2,674	2,799	3,019	3,372	3,599	3,851	3,998	4,116	4,401
WW Total	'000 tonnes	11,484	11,624	11,855	12,221	12,464	12,564	12,493	13,077	13,399	13,984	14,305
YoY Change - WW		-2.6%	1.2%	2.0%	3.1%	2.0%	0.8%	-0.6%	4.7%	2.5%	4.4%	2.3%
Former Eastern Bloc Concentrates	'000 tonnes	3,778	4,290	4,698	5,052	5,533	5,256	5,601	6,117	6,312	6,641	6,665
Former Eastern Bloc SX-EW	'000 tonnes	12	14	19	23	31	70	67	87	91	96	96
Former Eastern Bloc Total	'000 tonnes	3,789	4,304	4,717	5,076	5,563	5,326	5,668	6,205	6,403	6,738	6,762
YoY Change - Former Eastern Bloc		6.4%	13.6%	9.6%	7.6%	9.6%	-4.3%	6.4%	9.5%	3.2%	5.2%	0.4%
Probable Projects	'000 tonnes	-	-	-	-	-	36	185	297	363	475	505
Total Global Production	'000 tonnes	15,273	15,928	16,573	17,297	18,027	17,926	18,345	19,579	20,166	21,197	21,571
YoY Change - Global		-0.5%	4.3%	4.0%	4.4%	4.2%	-0.6%	2.3%	6.7%	3.0%	5.1%	1.8%
Capacity Utilization		2003	2004	2005	2006	2006	2008	2009E	2010E	2011E	2011E	2012E
WW Concentrates		77.1%	78.1%	76.6%	78.0%	74.9%	72.1%	68.3%	70.7%	72.0%	75.6%	75.9%
WW SX-EW		100.4%	100.6%	101.6%	101.4%	90.1%	90.3%	86.5%	85.3%	86.7%	90.0%	96.1%
WW Total		81.5%	82.4%	81.1%	82.3%	78.1%	76.2%	72.7%	74.5%	75.9%	79.3%	81.1%
Former Eastern Bloc Concentrates		83.1%	87.6%	88.0%	86.2%	83.7%	72.1%	68.3%	70.7%	72.0%	75.6%	75.9%
Former Eastern Bloc SX-EW		45.0%	53.0%	63.0%	45.2%	41.9%	90.3%	86.5%	85.3%	86.7%	90.0%	90.0%
Former Eastern Bloc total		82.9%	87.4%	87.9%	85.9%	83.3%	72.3%	68.4%	70.9%	72.2%	75.8%	76.1%
Global Total Capacity Utilization		81.9%	83.7%	82.9%	83.3%	79.6%	75.0%	71.3%	73.3%	74.6%	78.1%	79.4%

Source: RBC Capital Markets estimates, Brook Hunt, ICSG

Exhibit 29: Total Global Refined Copper Production by Region

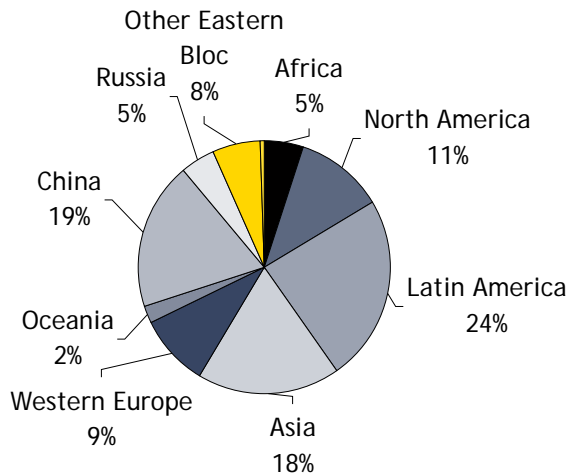


Source: RBC Capital Markets estimates, Brook Hunt, ICSG

Despite the sharp drop in utilization rates, we currently forecast an increase in production in 2009 of 2.3%, down from 3.3% last quarter. Global refined production declined 0.6% in 2008, as temporary disruptions continued to plague the industry. We forecast global growth of 2.3% in 2009, 6.7% in 2010, 3.0% in 2011, 5.1% in 2012 and 1.8% in 2012.

As part of its efforts to stimulate the domestic economy, China is reducing export taxes to encourage exports of copper and copper semi-fabricated products and eliminating taxes on concentrate imports. These measures could lead to an increase in copper supply.

Exhibit 30: 2008 Global Refined Copper Production by Region

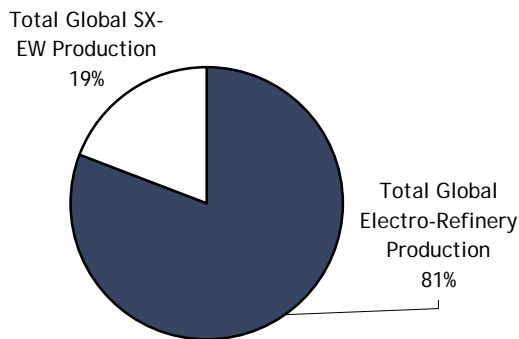


Source: RBC Capital Markets estimates, Brook Hunt, ICSG

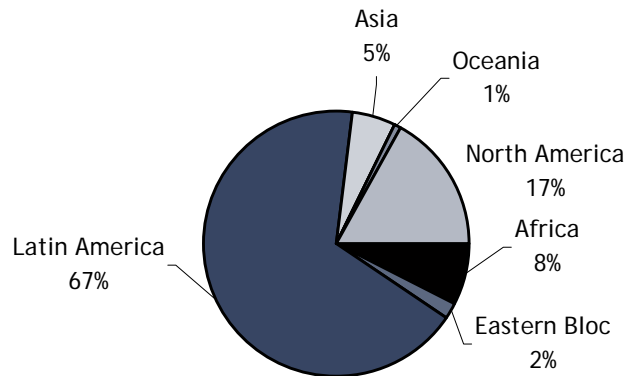
Africa, and in particular Zambia and the DRC, has very strong supply growth potential. In 1969, Zambia and Zaire (now the Democratic Republic of the Congo) alone combined to produce approximately 20% of the global total production. The subsequent decline was primarily a function of political factors and not the depletion of resources. Investment in the Copper Belt by Western mining companies, as well as the Chinese, is accelerating. However, recent tax increases in Zambia and the licence review in the DRC may limit investment by Western mining companies, at least in the near term.

Exhibit 31: Copper SX-EW Production

2008 Copper Production by SX-EW/Electro Refined

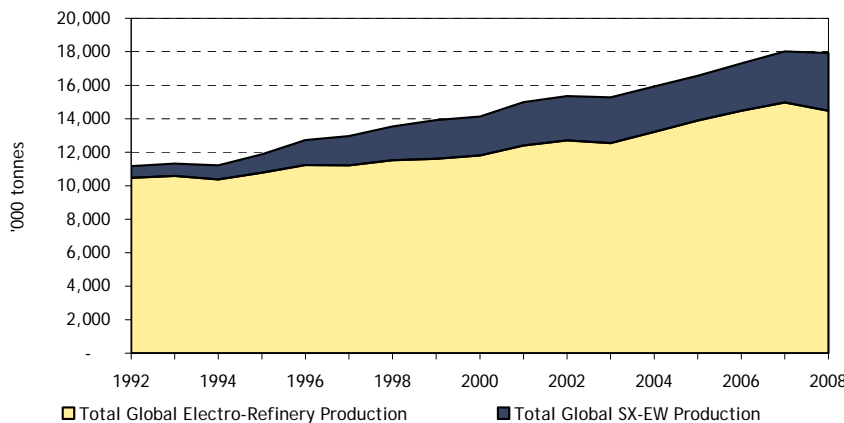


2008 Total Global SX-EW Copper Production



Source: RBC Capital Markets estimates, Brook Hunt, ICSG

Exhibit 32: Copper SX-EW/Electro Refinery Production

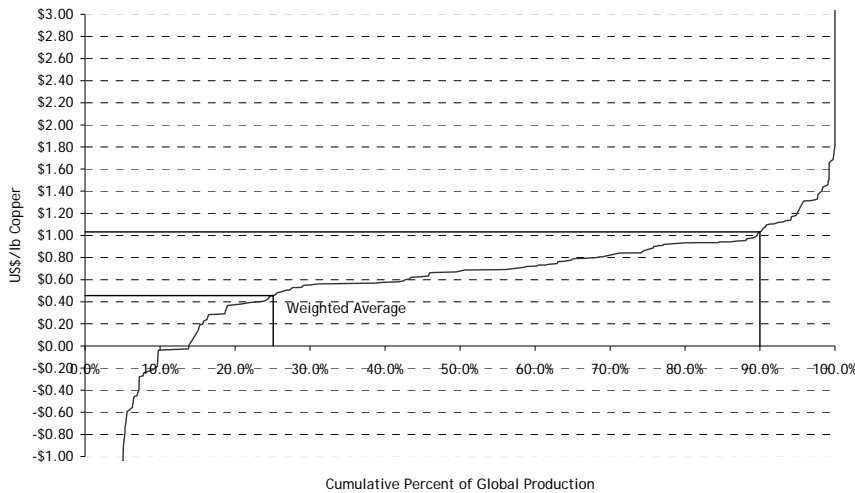


Source: RBC Capital Markets estimates, Brook Hunt, ICSG

After rapid growth in the 1980s and early 1990s, output from SX-EW has leveled off at approximately 19% of the total. We expect this percentage to remain constant as technological advancement (leaching of secondary and primary sulphides) offsets the depletion of conventional oxide deposits.

It should be noted that, by nature, oxide deposits are close to the surface and relatively easy to discover (and, therefore, generally already known). We consequently do not expect significant new discoveries to replace depleted deposits.

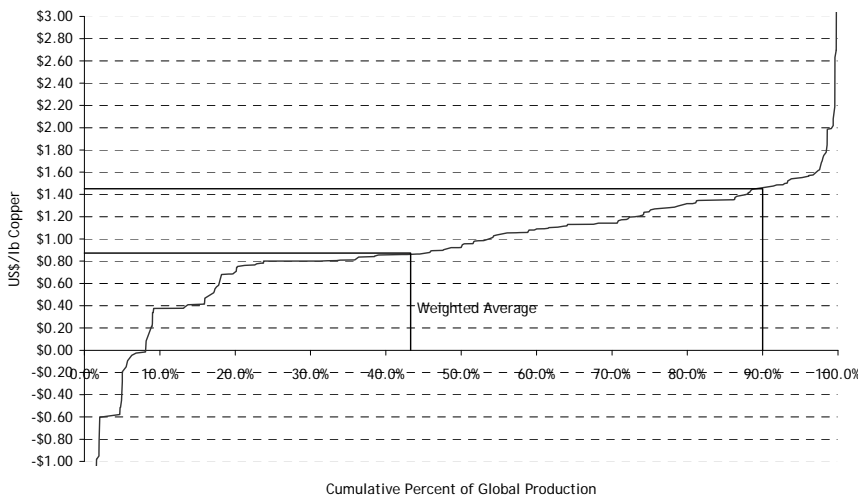
Exhibit 33: 2009E Copper Cash Cost Curve (C1) *



Source: RBC Capital Markets estimates, Brook Hunt

We estimate that weighted average cash costs have decreased from \$0.48 in 2005 to \$0.14/lb in 2008 with the decrease in TC/RC's and increase in by-product credits. In 2009, we estimate that weighted average cash costs will increase to \$0.46/lb given the decline in by-product credits. In the current deflationary environment for input costs, operating costs are likely to decline, offset in part by rising TC/RC's. Current spot prices are at the upper end of the curve.

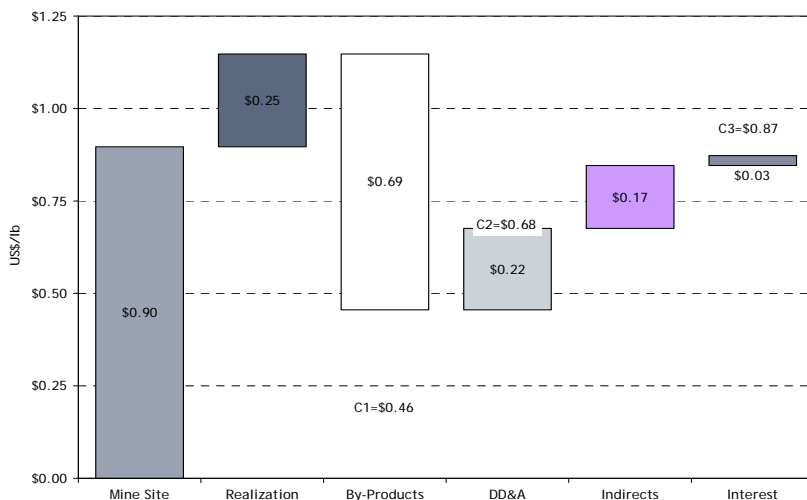
Exhibit 34: 2009E Copper Total Cost Curve (C3) **



Source: RBC Capital Markets estimates, Brook Hunt

We estimate that weighted average total costs (C3) decreased from \$0.77/lb in 2005 to \$0.55/lb in 2008. In 2009, we estimate that weighted average total costs will increase to \$0.87/lb. At current prices, producers above the 95th percentile of the total cost curve are losing money on a full-cost basis.

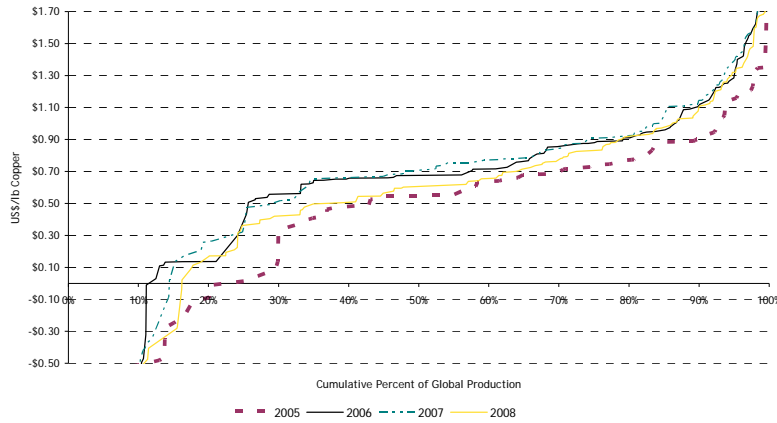
Exhibit 35: 2009E Copper Cost Components



Source: RBC Capital Markets estimates, Brook Hunt

Rising input costs and a falling U.S. dollar, offset in part by falling TC/RC's, put upward pressure on operating costs over the past four years. However, a stronger U.S. dollar and falling energy and other input costs are now having the opposite affect.

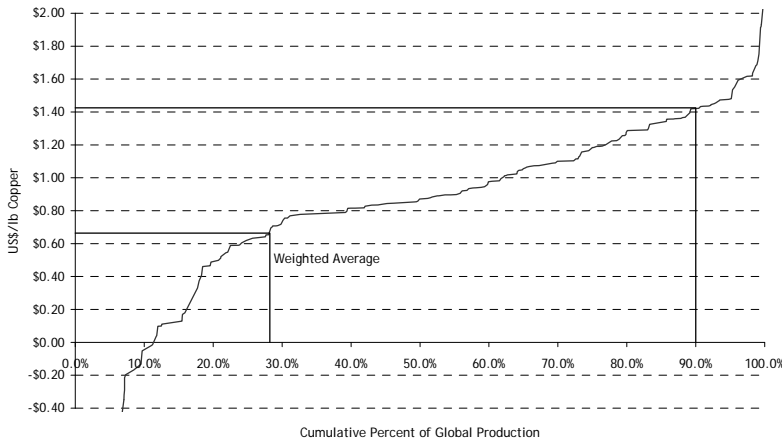
Exhibit 36: Copper Cash Cost Increases (2005 - 2008)



Source: RBC Capital Markets estimates, Brook Hunt

Operating costs increased sharply in 2006 over 2005 levels. However, in 2007 and 2008, further increases in input costs were offset by falling TC/RC's and rising by-product credits, limiting the overall increase in operating costs.

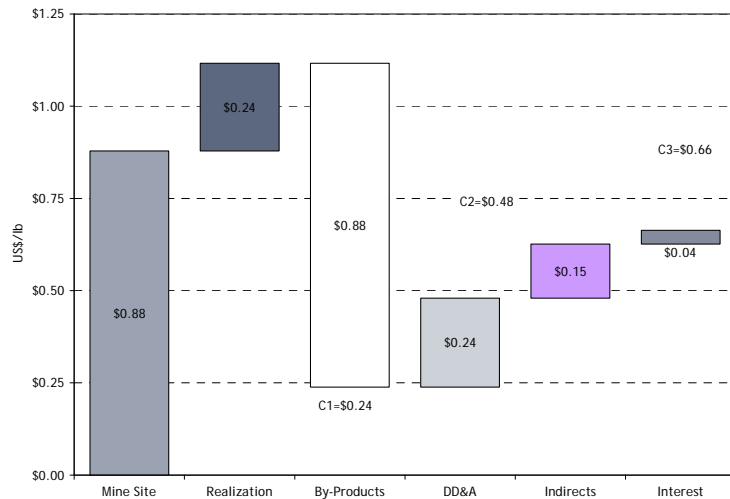
Exhibit 37: 2013E Copper Total Cost Curve (C3) **



Source: RBC Capital Markets estimates, Brook Hunt

In the longer term, we now forecast that 90% of production should have total costs (C3) of \$1.42/lb or less. However, for the time being we have left our long-term price estimate unchanged at \$1.50/lb in 2009 US\$ terms.

Exhibit 38: 2013E Copper Cost Components



Source: RBC Capital Markets estimates, Brook Hunt

We expect the weighted average cash cost (C1) to decrease from current levels of \$0.46/lb to \$0.24/lb in the long term.

* Cash costs (C1) include all direct operating expenditures incurred at site, including mining processing as well as selling, general and administration expenses (SG&A). Cash costs also include realization costs, including treatment and refining charges and transportation of saleable products to customers. Total cash expenditures are divided by the saleable pounds of copper to arrive at gross unit cash costs. Revenues generated by by-products are subtracted from gross costs to yield net cash costs.

** Total costs (C3) include all direct cash costs (C1), indirect cash costs (such as corporate SG&A and interest charges) and non-cash charges for depreciation.

Exhibit 39: Copper Mine Output Supply/Demand Balance

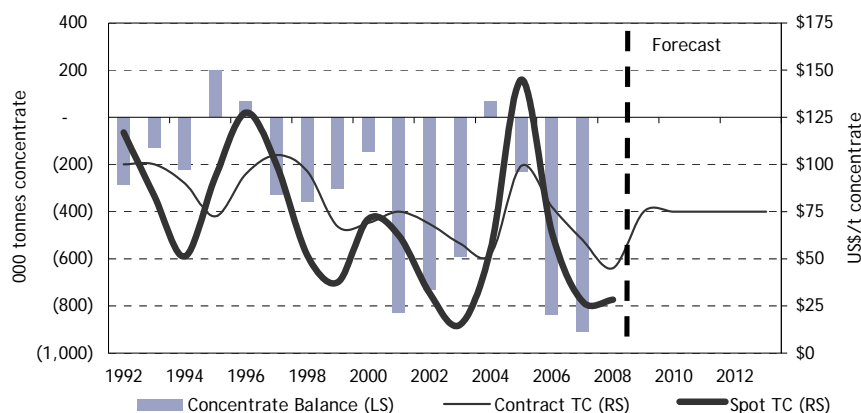
Supply / Demand Balance - Concentrates		2003	2004	2005	2006	2007	2008	2009E	2010E	2011E	2012E	2013E
Mine Supply	'000s tonnes	11,035	11,888	12,228	12,161	12,392	12,039	12,008	12,917	13,328	14,259	14,330
less smelting losses	'000s tonnes	451	475	500	562	563	551	550	591	610	653	656
less direct use	'000s tonnes	8	10	16	8	8	8	8	8	9	9	9
plus inventory changes	'000s tonnes	113	(557)	(137)	-	-	-	-	-	-	-	-
Copper Concentrate to Smelters	'000s tonnes	10,690	10,846	11,575	11,591	11,821	11,480	11,450	12,317	12,709	13,598	13,665
Base Case Smelter Production	'000s tonnes	12,452	12,882	13,506	13,953	14,301	13,104	13,152	14,079	14,490	15,379	15,446
less secondary feed	'000s tonnes	1,284	1,547	1,562	1,523	1,572	1,624	1,702	1,762	1,781	1,781	1,781
Total Demand for Copper Concentrates	'000s tonnes	11,168	11,335	11,944	12,430	12,729	11,480	11,450	12,317	12,709	13,598	13,665
Mine Supply Surplus / (Shortfall)	'000s tonnes	(591)	68	(232)	(838)	(908)	0	-	(0)	-	0	0

Supply / Demand Balance - SXEW		2003	2004	2005	2006	2007	2008	2009E	2010E	2011E	2012E	2013E
Mine Supply	'000s tonnes	2,722	2,706	2,694	2,822	3,049	3,441	3,690	3,992	4,160	4,304	4,613
Total Demand for SXEW ore	'000s tonnes	2,723	2,706	2,694	2,823	3,050	3,443	3,690	3,992	4,160	4,304	4,613
Mine Supply Surplus / (Shortfall)	'000s tonnes	(1)	0	(0)	(0)	(0)	(2)	-	-	(0)	-	-

Concentrate Treatment Charges		2003	2004	2005	2006	2007	2008	2009E	2010E	2011E	2012E	2013E
Contract TCs	US\$/tonne	\$58	\$53	\$99	\$78	\$60	\$45	\$75	\$75	\$75	\$75	\$75
Spot TCs	US\$/tonne	\$15	\$56	\$145	\$64	\$28	\$28					
Long Term Contract TCs (2014 and beyond) 2009 US\$	US\$/tonne											\$80

Source: RBC Capital Markets estimates, Brook Hunt

Exhibit 40: Copper Concentrate Balance and TCs



Source: RBC Capital Markets estimates, CRU, Brook Hunt

The copper concentrate market was in deficit for the fourth year in a row in 2008 and we expect the market to remain in deficit through most of our forecast period. Growth in mine production has not been able to keep up with the growth of smelting and refining capacity or the growth in refined copper demand, both led by China. With supply constrained by a lack of mine production, and concentrate inventories depleted, TC/RC terms settled in favour of the miners in 2006, 2007 and 2008.

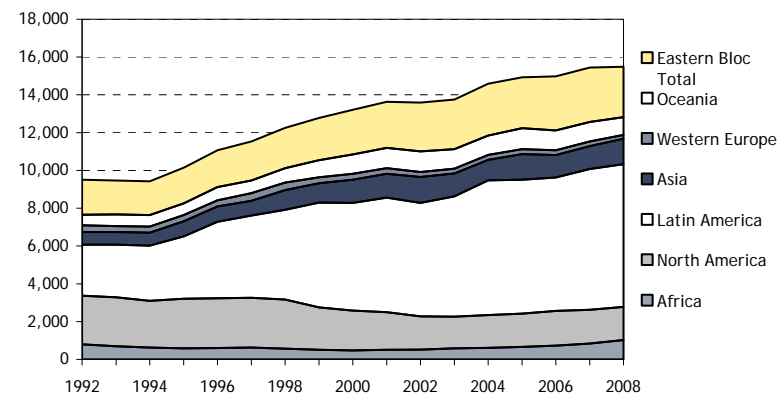
However, in Q4/08 spot TCs increased significantly, reflecting an easing of concentrate supply due to production cuts and disruptions at smelters, and falling demand for refined copper. As a result, 2009 settlements have moved in favour of the smelters, settling at \$75/tonne.

Exhibit 41: Copper Mine Production

Concentrate Producers		2003	2004	2005	2006	2007	2008	2009E	2010E	2011E	2012E	2013E
Africa	'000 tonnes	473	487	518	561	579	845	1,044	1,222	1,247	1,271	1,266
North America	'000 tonnes	1,097	1,153	1,199	1,295	1,272	1,198	1,158	1,179	1,196	1,170	1,172
Latin America	'000 tonnes	4,451	5,249	5,237	5,119	5,343	5,072	4,928	5,258	5,477	5,620	5,665
Asia	'000 tonnes	1,173	1,042	1,281	1,096	1,124	1,203	1,031	1,142	1,040	1,548	1,419
Western Europe	'000 tonnes	260	256	266	243	238	210	214	219	250	257	261
Oceania	'000 tonnes	968	969	1,058	1,001	998	921	1,048	1,107	1,052	994	967
Western World Total Production	'000 tonnes	8,423	9,157	9,559	9,315	9,554	9,449	9,422	10,126	10,263	10,860	10,750
YoY Change - WW		0.7%	8.7%	4.4%	-2.6%	2.6%	-1.1%	-0.3%	7.5%	1.4%	5.8%	-1.0%
China	'000 tonnes	604	742	762	873	928	739	720	728	732	739	748
Russia	'000 tonnes	650	630	638	670	680	605	582	610	617	624	631
Other Eastern Bloc	'000 tonnes	1,358	1,359	1,269	1,303	1,230	1,245	1,236	1,337	1,405	1,443	1,445
Eastern Bloc Total	'000 tonnes	2,613	2,731	2,669	2,846	2,838	2,589	2,539	2,675	2,754	2,806	2,824
YoY Change - Former Eastern Bloc		1.6%	4.5%	-2.3%	6.6%	-0.3%	-8.8%	-2.0%	5.4%	2.9%	1.9%	0.6%
Probable Projects	'000 tonnes	-	-	-	-	-	-	47	115	311	593	756
Total Global Concentrate Production	'000 tonnes	11,035	11,888	12,228	12,161	12,392	12,039	12,008	12,917	13,328	14,259	14,330
YoY Change - Global		0.9%	7.7%	2.9%	-0.5%	1.9%	-2.9%	-0.3%	7.6%	3.2%	7.0%	0.5%
SX EW		2003	2004	2005	2006	2007	2008	2009E	2010E	2011E	2012E	2013E
Africa	'000 tonnes	109	124	152	177	263	173	185	252	313	361	589
North America	'000 tonnes	591	584	554	530	505	561	600	624	643	641	659
Latin America	'000 tonnes	1,901	1,881	1,843	1,949	2,122	2,480	2,594	2,712	2,725	2,723	2,724
Asia	'000 tonnes	40	43	75	89	84	140	162	212	245	247	250
Western Europe	'000 tonnes	3	1	-	1	3	-	62	63	63	65	65
Oceania	'000 tonnes	67	58	51	52	42	20	16	6	6	6	6
Western World Total Production	'000 tonnes	2,711	2,692	2,674	2,799	3,019	3,374	3,619	3,869	3,995	4,043	4,293
YoY Change - WW		2.7%	-0.7%	-0.6%	4.7%	7.8%	11.8%	7.3%	6.9%	3.3%	1.2%	6.2%
China	'000 tonnes	10	12	15	16	18	37	36	37	38	38	39
Russia	'000 tonnes	-	-	2	5	10	7	7	7	7	7	7
Other Eastern Bloc	'000 tonnes	2	2	2	2	2	23	22	23	23	23	23
Eastern Bloc Total	'000 tonnes	12	14	19	23	31	67	65	67	68	69	69
YoY Change - Former Eastern Bloc		0.9%	23.3%	35.7%	20.1%	31.3%	118.7%	-3.1%	3.3%	1.1%	1.1%	1.1%
Probable Projects	'000 tonnes	-	-	-	-	-	2	7	56	97	193	251
Total Global SXEW Production	'000 tonnes	2,722	2,706	2,694	2,822	3,049	3,443	3,690	3,992	4,160	4,304	4,613
YoY Change - Global		2.7%	-0.6%	-0.5%	4.8%	8.0%	12.9%	7.2%	8.2%	4.2%	3.5%	7.2%
Total Mine Production		2003	2004	2005	2006	2007	2008	2009E	2010E	2011E	2012E	2013E
Africa	'000 tonnes	581	612	671	739	842	1,019	1,229	1,474	1,561	1,632	1,854
North America	'000 tonnes	1,688	1,737	1,752	1,825	1,777	1,759	1,757	1,803	1,839	1,811	1,831
Latin America	'000 tonnes	6,352	7,131	7,079	7,068	7,465	7,552	7,522	7,970	8,203	8,343	8,389
Asia	'000 tonnes	1,214	1,085	1,356	1,185	1,208	1,342	1,193	1,355	1,285	1,796	1,669
Western Europe	'000 tonnes	263	258	266	244	241	210	276	282	313	321	326
Oceania	'000 tonnes	1,036	1,028	1,109	1,053	1,040	941	1,063	1,112	1,058	1,000	973
Western World Total Production	'000 tonnes	11,133	11,849	12,234	12,114	12,573	12,823	13,041	13,996	14,259	14,904	15,042
YoY Change - WW		1.2%	6.4%	3.2%	-1.0%	3.8%	2.0%	1.7%	7.3%	1.9%	4.5%	0.9%
China	'000 tonnes	614	754	777	889	946	776	756	766	770	778	786
Russia	'000 tonnes	650	630	640	675	690	612	589	617	624	631	638
Other Eastern Bloc	'000 tonnes	1,360	1,361	1,271	1,305	1,233	1,268	1,258	1,360	1,428	1,466	1,469
Eastern Bloc Total	'000 tonnes	2,624	2,745	2,688	2,869	2,869	2,656	2,603	2,742	2,822	2,874	2,893
YoY Change - Former Eastern Bloc		1.6%	4.6%	-2.1%	6.7%	0.0%	-7.4%	-2.0%	5.3%	2.9%	1.9%	0.7%
Probable Projects	'000 tonnes	-	-	-	-	-	2	54	171	407	786	1,007
Total Global Production	'000 tonnes	13,758	14,594	14,921	14,983	15,441	15,482	15,698	16,909	17,488	18,564	18,943
YoY Change - Global		1.2%	6.1%	2.2%	0.4%	3.1%	0.3%	1.4%	7.7%	3.4%	6.2%	2.0%

Source: RBC Capital Markets estimates, Brook Hunt, ICSG

Exhibit 42: Copper Mine Supply by Region ('000 tonnes)



Source: RBC Capital Markets estimates, Brook Hunt, ICSG

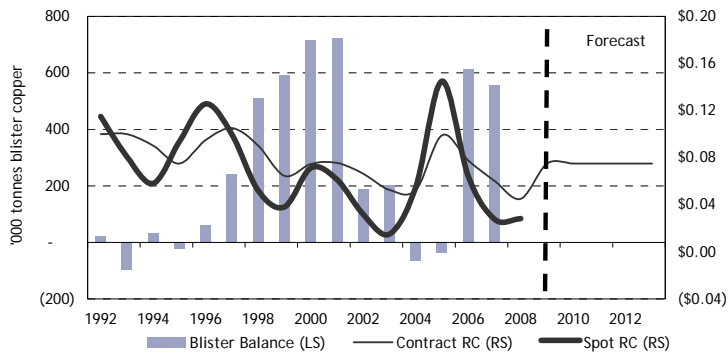
Thus far there have been relatively few copper mine production curtailments announced because the spot price has not dropped below the 95th percentile of the cash cost curve, and currently sits at the very top end of the curve. There was essentially no growth in global mine production in 2008 as temporary disruptions continued to plague the industry. We forecast global growth of 1.4% in 2009, 7.7% in 2010, 3.4% in 2011, 6.2% in 2012 and 2.0% in 2013. Most of the increase comes from Latin America and Africa. We expect that Latin America should remain the largest source of mine production, though we expect a resurgence of African production over the longer term.

Exhibit 43: Blister Copper Supply/Demand Balance

		2003	2004	2005	2006	2007	2008	2009E	2010E	2011E	2012E	2013E
Supply	'000 tonnes	12,452	12,882	13,506	13,953	14,301	13,104	13,152	14,079	14,490	15,379	15,446
less re-smelted blister	'000 tonnes	201	248	243	244	244	223	223	239	246	261	262
plus refinery scrap feed	'000 tonnes	502	523	578	1,377	1,475	1,601	1,726	1,747	1,761	1,775	1,775
Total Supply to Refineries	'000 tonnes	12,753	13,156	13,842	15,087	15,533	14,482	14,655	15,587	16,005	16,892	16,958
Total Electro-Refinery Demand	'000 tonnes	12,551	13,222	13,879	14,474	14,978	14,483	14,655	15,587	16,005	16,892	16,958
Implied Surplus / Deficit	'000 tonnes	203	(66)	(37)	612	555	(0)	(0)	0	-	0	0
Implied Stocks		3,173	3,107	3,070	3,682	4,238	4,238	4,238	4,238	4,238	4,238	4,238
Contract Refining Charges	US\$/lb	\$0.053	\$0.053	\$0.099	\$0.078	\$0.060	\$0.045	\$0.075	\$0.075	\$0.075	\$0.075	\$0.075
Spot Refining Charges	US\$/lb	\$0.015	\$0.056	\$0.145	\$0.064	\$0.028	\$0.028					
Longterm Contract RCs (2014 & beyond) 2009 US\$	US\$/lb											\$0.082

Source: RBC Capital Markets estimates, Brook Hunt, ICSG

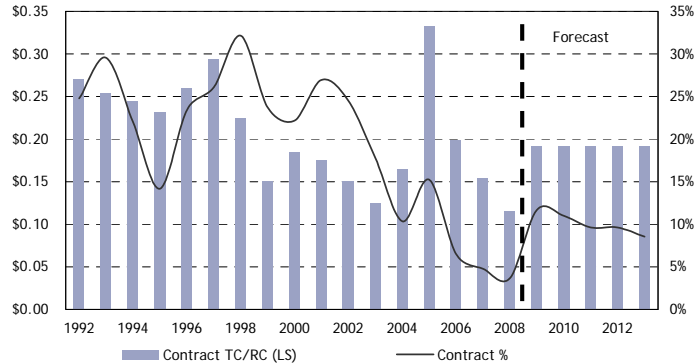
Exhibit 44: Blister Balance and RCs



Source: RBC Capital Markets estimates, Brook Hunt, ICSG

The shortage of mine production over the past four years resulted in a shortage of blister feed for refineries. 2008 RC settlements declined to \$0.045/lb as a result. As with TCs, spot RCs also increased significantly in Q4/08, setting the stage for 2009 settlements to move in favour of the refiners. 2009 terms have settled at \$0.075/lb.

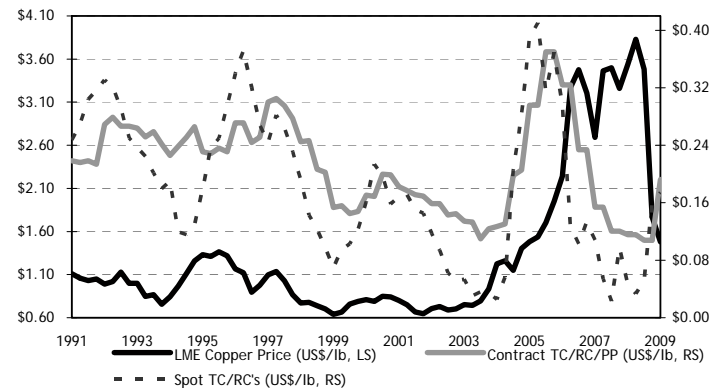
Exhibit 45: Combined TC/RC (29% grade concentrate)



Source: RBC Capital Markets estimates, Brook Hunt, ICSG

Our long-term forecast for combined TC/RC's for a 29% concentrate is \$0.21/lb in 2009 US\$ terms. This represents 14% of our forecast long-term copper price of \$1.50/lb (2009 US\$), below the average of 20% for the period from 1991 to the present.

Exhibit 46: LME Copper Prices versus TC/RC (30% grade concentrate)



Source: RBC Capital Markets estimates, Brook Hunt, ICSG

Appendix I: Projections for Copper Consumption

We have generated bottom-up forecasts for copper consumption using the following three methods:

Correlation with IP: This method of prediction was used to generate medium-term forecasts for the large, mature western world economies. In Exhibit 47, we show that the eight nations for which we have used this method for predicting demand represent 40% of current global consumption. Data from 1970 to 2008 were used to develop the regression equations, and the average coefficient of correlation for these countries is 73%. Forecasts for changes in IP were taken from consensus forecasts developed by Consensus Economics Inc. We have adjusted our base case 2009 and 2010 forecasts to reflect demand performance in previous recessions assuming a recovery in 2010.

Exhibit 47: Consumption Regressed with IP

	R ²	Demand ('000 tonnes)	Change in IP			Base Forecast			Adjusted Forecast		
		2008A	2009E	2010E	2011E	2009E	2010E	2011E	2009E	2010E	2011E
USA	51%	2,089	-7.2%	1.7%	3.1%	-4.3%	1.0%	1.8%	-6.5%	2.7%	1.8%
Japan	63%	1,191	-20.8%	1.2%	2.1%	-13.9%	0.7%	1.3%	-21.4%	2.0%	1.3%
South Korea	83%	804	9.2%	8.1%	6.9%	10.1%	8.8%	7.5%	4.7%	24.3%	7.5%
Taiwan	68%	594	7.4%	6.6%	4.6%	8.4%	7.4%	5.1%	3.9%	20.3%	5.1%
India	98%	469	5.0%	5.0%	5.0%	5.8%	5.7%	5.7%	2.7%	15.7%	5.7%
Germany	94%	1,392	-8.6%	1.4%	2.1%	-8.9%	1.5%	2.2%	-13.8%	4.0%	2.2%
France	33%	408	-6.0%	0.7%	2.1%	-5.8%	0.7%	2.0%	-8.9%	1.8%	2.0%
Spain	95%	230	-9.1%	-0.4%	2.3%	-20.8%	-1.0%	6.1%	-31.9%	0.8%	6.1%
Total / Average	73%	7,178									
Global Total		17,843									
% of total		40%									

Source: RBC Capital Markets estimates, Consensus Economics Inc.

Correlation with Time: For the remaining 60% of global consumption, our forecast is some combination of historical year-over-year change and/or the prediction generated by a regression of consumption over time. For example, since 1985, Chinese consumption has accelerated smoothly (see the graph in Exhibit 24). If this trend continues, we could expect growth in demand of 9.4% in 2009, 9.0% in 2010 and 8.7% in 2011. During the same period, the CAGR for Chinese consumption has been 8.7%. The equal weighting of these two methods of prediction yields a forecast of 9.0% for 2009, 8.8% for 2010 and 8.7% for 2011. We have adjusted our base case 2009 and 2010 forecasts as noted above.

Exhibit 48: Consumption Regressed Against Time

	Demand Change	Trend Change in Consumption				Average YoY	Base Forecast			Adjusted Forecast		
	2008A	R ²	2009E	2010E	2011E		2009E	2010E	2011E	2009E	2010E	2011E
Rest of WW	-0.7%	97%	1.5%	1.5%	1.5%	3.2%	3.2%	3.2%	3.2%	1.5%	8.8%	3.2%
China	7.0%	99%	9.4%	9.0%	8.7%	8.7%	9.0%	8.8%	8.7%	3.6%	13.3%	8.7%
Rest of Eastern Bloc	-1.9%	97%	11.5%	11.1%	10.8%	6.4%	9.0%	8.8%	8.6%	4.1%	24.1%	8.6%

Source: Brook Hunt, ICSG, RBC Capital Markets estimates

Average Year-over-Year Growth: For the longer term (post-2011), we have based our forecasts of demand on the historical CAGR for demand. Exhibit 49 illustrates our assumptions for key regions, representing 68% of global demand in 2008.

Exhibit 49: Long-Term Growth Rates for Consumption ('000 tonnes)

	2008 Demand	Start Date	CAGR
USA	2,089	1985	0.9%
Japan	1,191	1985	-0.1%
South Korea	804	1999	1.5%
Taiwan	594	1999	-0.4%
India	469	1985	8.4%
Germany	1,392	1985	2.3%
France	408	1985	1.5%
Spain	230	1985	5.2%
China	4,876	1985	8.7%
Total	12,054		
Global Total	17,843		
% of total	68%		

Source: Brook Hunt, ICSG, RBC Capital Markets estimates

Required Disclosures

Distribution of Ratings

For purposes of disclosing ratings distributions, regulatory rules require member firms to assign all rated stocks to one of three rating categories—Buy, Hold/Neutral, or Sell—regardless of a firm's own rating categories. Although RBC Capital Markets' stock ratings of Top Pick/Outperform, Sector Perform and Underperform most closely correspond to Buy, Hold/Neutral and Sell, respectively, the meanings are not the same because our ratings are determined on a relative basis (as described above).

Rating	RBC Capital Markets		Investment Banking Serv./Past 12 Mos.	
	Count	Percent	Count	Percent
BUY [TP/O]	480	44.04	106	22.08
HOLD [SP]	503	46.15	80	15.90
SELL [U]	107	9.82	12	11.21

Analyst Certification

All of the views expressed in this report accurately reflect the personal views of the responsible analyst(s) about any and all of the subject securities or issuers. No part of the compensation of the responsible analyst(s) named herein is, or will be, directly or indirectly, related to the specific recommendations or views expressed by the responsible analyst(s) in this report.

Dissemination of Research and Short-Term Trading Calls

RBC Capital Markets endeavors to make all reasonable efforts to provide research simultaneously to all eligible clients, having regard to local time zones in overseas jurisdictions. RBC Capital Markets' equity research is posted to our proprietary websites to ensure eligible clients receive coverage initiations and changes in ratings, targets and opinions in a timely manner. Additional distribution may be done by the sales personnel via email, fax or regular mail. Clients may also receive our research via third party vendors. Please contact your investment advisor or institutional salesperson for more information regarding RBC Capital Markets' research.

RBC Capital Markets also provides eligible clients with access to a database which may contain Short-Term trading calls on certain of the subject companies for which it currently provides equity research coverage. The database may be accessed via the following hyperlink <https://www2.rbccm.com/cmonline/index.html>. The information regarding Short-Term trading calls accessible through the database does not constitute a research report. These Short-Term trading calls are not formal ratings and reflect the research analyst's views with respect to market and trading events in the coming days or weeks and, as such, may differ from the price targets and recommendations in our published research reports reflecting the research analyst's views of the longer-term (one year) prospects of the subject company. Thus, it is possible that a subject company's common equity that is considered a long-term 'sector perform' or even an 'underperform' might be a Short-Term buying opportunity as a result of temporary selling pressure in the market; conversely, a subject company's common equity rated a long-term 'outperform' could be considered susceptible to a Short-Term downward price correction.

Conflicts Disclosures

RBC Capital Markets Policy for Managing Conflicts of Interest in Relation to Investment Research is available from us on request. To access our current policy, clients should refer to <http://www.rbccm.com/cm/file/0%2C%2C63022%2C00.pdf> or send a request to RBC CM Research Publishing, P.O. Box 50, 200 Bay Street, Royal Bank Plaza, 29th Floor, South Tower, Toronto, Ontario M5J 2W7. We reserve the right to amend or supplement this policy at any time.

Important Disclosures

The analyst(s) responsible for preparing this research report received compensation that is based upon various factors, including total revenues of the member companies of RBC Capital Markets and its affiliates, a portion of which are or have been generated by investment banking activities of the member companies of RBC Capital Markets and its affiliates.

Additional Disclosures

RBC Capital Markets is the business name used by certain subsidiaries of Royal Bank of Canada, including RBC Dominion Securities Inc., RBC Capital Markets Corporation, Royal Bank of Canada Europe Limited and Royal Bank of Canada - Sydney Branch. The information contained in this report has been compiled by RBC Capital Markets from sources believed to be reliable, but no representation or warranty, express or implied, is made by Royal Bank of Canada, RBC Capital Markets, its affiliates or any other person as to its accuracy, completeness or correctness. All opinions and estimates contained in this report constitute RBC Capital Markets' judgement as of the date of this report, are subject to change without notice and are provided in good faith but without legal responsibility. Nothing in this report constitutes legal, accounting or tax advice or individually tailored investment advice. This material is prepared for general circulation to clients and has been prepared without regard to the individual financial circumstances and objectives of persons who receive it. The investments or services contained in this report may not be suitable for you and it is recommended that you consult an independent investment advisor if you are in doubt about the suitability of such investments or services. This report is not an offer to sell or a solicitation of an offer to buy any securities. Past performance is not a guide to future performance, future returns are not guaranteed, and a loss of original capital may occur. RBC Capital Markets research analyst compensation is based in part on the overall profitability of RBC Capital Markets, which includes profits attributable to investment banking revenues. Every province in Canada, state in the U.S., and most countries throughout the world have their own laws regulating the types of securities and other investment products which may be offered to their residents, as well as the process for doing so. As a result, the securities discussed in this report may not be eligible for sale in some jurisdictions. This report is not, and under no circumstances should be construed as, a solicitation to act as securities broker or dealer in any jurisdiction by any person or company that is not legally permitted to carry on the business of a securities broker or dealer in that jurisdiction. To the full extent permitted by law neither RBC Capital Markets nor any of its affiliates, nor any other person, accepts any liability whatsoever for any direct or consequential loss arising from any use of this report or the information contained herein. No matter contained in this document may be reproduced or copied by any means without the prior consent of RBC Capital Markets.

Additional information is available on request.

To U.S. Residents:

This publication has been approved by RBC Capital Markets Corporation, which is a U.S. registered broker-dealer and which accepts responsibility for this report and its dissemination in the United States. Any U.S. recipient of this report that is not a registered broker-dealer or a bank acting in a broker or dealer capacity and that wishes further information regarding, or to effect any transaction in, any of the securities discussed in this report, should contact and place orders with RBC Capital Markets Corporation.

To Canadian Residents:

This publication has been approved by RBC Dominion Securities Inc. Any Canadian recipient of this report that is not a Designated Institution in Ontario, an Accredited Investor in British Columbia or Alberta or a Sophisticated Purchaser in Quebec (or similar permitted purchaser in any other province) and that wishes further information regarding, or to effect any transaction in, any of the securities discussed in this report should contact and place orders with RBC Dominion Securities Inc., which, without in any way limiting the foregoing, accepts responsibility for this report and its dissemination in Canada.

To U.K. Residents:

This publication has been approved by Royal Bank of Canada Europe Limited ('RBCEL') which is authorized and regulated by Financial Services Authority ('FSA'), in connection with its distribution in the United Kingdom. This material is not for general distribution in the United Kingdom to retail clients, as defined under the rules of the FSA. However, targeted distribution may be made to selected retail clients of RBC and its affiliates. RBCEL accepts responsibility for this report and its dissemination in the United Kingdom.

To Persons Receiving This Advice in Australia:

This material has been distributed in Australia by Royal Bank of Canada - Sydney Branch (ABN 86 076 940 880, AFSL No. 246521). This material has been prepared for general circulation and does not take into account the objectives, financial situation or needs of any recipient. Accordingly, any recipient should, before acting on this material, consider the appropriateness of this material having regard to their objectives, financial situation and needs. If this material relates to the acquisition or possible acquisition of a particular financial product, a recipient in Australia should obtain any relevant disclosure document prepared in respect of that product and consider that document before making any decision about whether to acquire the product.

To Hong Kong Residents:

This publication is distributed in Hong Kong by RBC Investment Services (Asia) Limited, a licensed corporation under the Securities and Futures Ordinance or, by Royal Bank of Canada, Hong Kong Branch, a registered institution under the Securities and Futures Ordinance. This material has been prepared for general circulation and does not take into account the objectives, financial situation, or needs of any recipient. Hong Kong persons wishing to obtain further information on any of the securities mentioned in this publication should contact RBC Investment Services (Asia) Limited or Royal Bank of Canada, Hong Kong Branch at 17/Floor, Cheung Kong Center, 2 Queen's Road Central, Hong Kong (telephone number is 2848-1388).

To Singapore Residents:

This publication is distributed in Singapore by RBC (Singapore Branch), a registered entity granted offshore bank status by the Monetary Authority of Singapore. This material has been prepared for general circulation and does not take into account the objectives, financial situation, or needs of any recipient. You are advised to seek independent advice from a financial adviser before purchasing any product. If you do not obtain independent advice, you should consider whether the product is suitable for you. Past performance is not indicative of future performance.

© Registered trademark of Royal Bank of Canada. RBC Capital Markets is a trademark of Royal Bank of Canada. Used under license.

Copyright © RBC Capital Markets Corporation 2009 - Member SIPC

Copyright © RBC Dominion Securities Inc. 2009 - Member CIPF

Copyright © Royal Bank of Canada Europe Limited 2009

Copyright © Royal Bank of Canada 2009

All rights reserved.