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**Address as Chairman of the Session  
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Check against delivery.

Ladies and gentlemen, it is my pleasure to welcome you to this session of the Inaugural Asia Pacific Forum on Mining and Minerals. It is called the “Outlook for Commodities and Mining Investment in the Asia Pacific,” and my fellow panelists, Patricia Mohr and Jock Finlayson, and I will do our best to give you three distinct points of view that hopefully will foster lively debate on this topic.

In the 35 years I have spent in the investment business, I don't think I have ever experienced a time when the outlook for commodities has been better. A famous economics professor at Yale has said, “Stocks have reached what looks like a permanently high plateau.” We'll forget that Irving Fisher said this in 1929. But when people today speak of a super cycle for commodities, they are not joking. The prices are at levels rarely seen.

The reasons have been well articulated by many, including our panelists. Commonly heard is that today's high metal prices are courtesy of the remarkable economic growth in China and India. That's not to mention the many emerging nations that are also scrambling to achieve their share of the prosperity. But what a lot of people don't recognize is that what distinguishes the star performers in base metals from the also-rans is not demand; it's supply. Let me explain.

Over the past five years, the world's demand for copper, nickel and zinc has been growing between 3 and 4 percent yearly. That's not particularly remarkable. After all, they are the same as the rates we've been seeing since World War II. What is unusual about them is that most of that growth is now occurring in China, rather than in the US, Europe and Japan. As a case in

point, the rate of annual growth worldwide in the demand for copper is 3.1 percent. If you remove China from the equation, this number plummets by more than half to only 1.4 percent per year.

Furthermore, in the past five years, we have seen high rates of growth in demand for a few metals, notably aluminum, at 7 percent per annum, and cobalt at 7.4 percent per annum, thanks again to China.

But that's not the whole picture. The metals that have had unremarkable rates of growth in demand—copper, lead, nickel and zinc—have all enjoyed all-time record-high prices in the past year. But neither aluminum nor cobalt has breached their old highs. Actually, there is a negative correlation over the past five years between the rate of growth in demand for a commodity and its price appreciation. Copper markets took this to an extreme in 2005 when the world's consumption of copper—and that includes China's consumption—actually dropped by 1.2 percent. Yet during 2005, the price of copper soared 45 percent to an all-time record high.

Why has there been such a perverse relationship between the demand for metals and their prices? It's because the copper, lead, nickel and zinc businesses have been plagued by strikes, landslides, fires and explosions, and mine closures, with the exception of aluminum, which has quietly been churned out without interruption. Cobalt prices did rally strongly late last year when the market began to worry about the supply side. There were fears that Norilsk Nickel's new marketing arrangements could restrict the amount of cobalt available.

For some of these supply-side problems, the fault rests in the Asia Pacific region. For example, the technical difficulties at the Freeport-McMoRan copper mine in Indonesia heralded a series of interruptions across the copper business. And New Caledonia has contributed its share of worries to the nickel business as a result of two circumstances there last year. Number one, there was a low-level resumption of the civil war of 1988/89 between aboriginal New Caledonians and the government. And secondly, there was labour unrest when workers from the Philippines were brought in to work on CVRD Inco's Goro project. This move was viewed as hostile, as a so-called Anglosaxonization of the French territory and a threat to lenient working hours.

In short, as long as there is no absolute collapse in demand, the supply side should keep metal prices high.

Some would argue that high prices attract new entrants to the business. But this theory has two enormous hurdles. First: we're spending record amounts of money on exploring for new deposits, but we haven't found very much. Second: even if a company is lucky and discovers a big deposit, the approval process could take years and there are severe shortages of skilled labour and professionals.

In conclusion, we don't foresee any collapse in demand, and we think that the 3 to 4 percent per annum growth we've seen in the major base metals is likely to continue.

Aluminum producers have been very good at matching supply and demand, which is the main reason that aluminum prices have been underperformers. The most likely outlook for aluminum is that prices will probably stay where they are now: in other words, above average, but not at record levels. Having said that, we must also remember that inventories held by Western exchanges and producers are close to record lows. If there were to be any major disruption in supply, such as a big smelter going down—and smelters tend to go down for six months before the pots freeze—you'd see aluminum prices soar to record highs.

Now copper: copper worries us. Since mid-2005, supply has exceeded demand in the Western world, so inventories have risen. But prices have risen, too. That's the reverse of the usual situation.

How did that happen? Mostly because of the extensive publicity attached to copper's production difficulties, such as riots and strikes, and because of big investments by players outside the metals and mining business, such as pension funds, hedge funds and commodity funds. So we now have copper inventories held by Western exchanges and producers that are more than 50 percent above their levels in June 2005, and prices that are more than double their level at that time. So, if there were to be more panic about the global financial situation, or if speculators were to realize that by the end of August China's production of copper had grown by an astounding 14.7 compared to the previous year, copper prices could be vulnerable to a significant drop.

Even so, our long-term outlook for copper prices of US\$1.425 per pound is higher than most other forecasts, and it represents a very profitable price for almost all of today's producers.

Lead. Lead prices have enjoyed record high prices, mostly because of an unfortunate situation in the port of Esperance, Western Australia, where a lead-containing product from a Western Australian mine seems to have killed birds, prompting the shut-down of that mine. We will see a reopening of that mine next year, resulting in a gradual decline in lead prices.

In nickel, supply is so tight that producers must periodically ration their customers. This will likely continue to be the case until significant new supply comes on stream around 2010. In the meantime, the biggest driver of prices has been—and will likely continue to be—the activities of China's growing stainless steel industry. Stainless steel accounts for about two-thirds of the demand for nickel, and China's yoyo-ing stocking, de-stocking, then restocking of nickel inventories is what forced nickel prices up to almost US\$30 per pound this year then down to nearly US\$10. We'll just say that we expect prices in the high teens by year-end.

Lastly, zinc, the great protector. Zinc protects your skin from the sun and germs, and it protects all those red, corrugated iron roofs you see in the Asia Pacific from rust. Over the next few months, we foresee a rebound in consumption of zinc in the Western world. This should lead to declines in zinc inventories. However, by early next year, growing exports from China should push the market back into surplus. And this surplus is expected to balloon as the Western world opens and reopens mines. We concede,

though, that most of this renewed mine capacity will be short-lived, and beyond 2010 there could be a long-term shortage of zinc.

Now how does all this add up? Against this backdrop of high commodity prices in a positive pricing environment, who benefits? Well, the Asia Pacific. The Asia Pacific region has seen huge mining investment recently, spurred on by not only high commodity prices, but by huge new discoveries and increased production.

For example, Indonesia experienced its largest-ever increase in gold production in the first quarter of 2007, up by 43 tons, and China ranked second in growth in the first quarter at 20 tons. Moreover, China became the second-largest producer of gold in the world in the second half of 2007 and is poised to surpass South Africa, which is facing declining production. Only last Friday, the China Gold Association announced a new discovery of 10 million ounces bordering the provinces of Sichuan and Shaanxi.

Not only are there huge production increases in China, but consumption has been increasing since the government began allowing its citizens to buy gold. In addition, there is pressure on the government to diversify its foreign reserves to include more gold, which currently represents only 1.2 percent of its total foreign currency reserves. In short, we're bullish on gold—and we haven't even talked about further declines in the US dollar.

While we're on the subject of precious metals, we're also positive on silver and expect the price of silver to return to its historic relationship with gold. Silver prices will be primarily driven by investment demand as investors

continue to diversify out of financial assets. As you know, silver rallied in 2006 because of the launch of Barclays' Silver ETF.

Now, I have saved the best for last—coal. The China coal market is, pardon the pun, on fire. I have never seen anything like it. A small China coal issue last week called Hidili was 670 times oversubscribed, climbed 77 percent in the first day of trading, and raised \$529 million for a company with coking coal production of only 2.2 million tons and a resource of 62 million tons. By the way, the market cap for this company is now US\$3.3 billion, or Canadian, for that matter. This is not the only case of coal companies that have dramatically increased from their issue price; there have been many who have experienced similar returns.

What is driving this frenzy are exceptional demand, higher prices and better margins. One CEO of a major metallurgical coal company told me that margins are likely to get even better. Salman Partners is currently in the process of financing two China coal companies.

In summary, the positive commodity outlook will benefit the Asia Pacific region significantly as it is an under-explored and under-developed area. Canada, which has the largest mining capital market in the world, stands to benefit greatly in financing companies in the Asia Pacific region. Already there are a growing number of companies listed in Canada that have activities in the Asia Pacific region. They include companies like Ivanhoe, Silvercorp Metals, Centerra, Eldorado, Jinshan Gold and Inter-Citic Minerals, and a host of other exploration companies. This is only the tip of the iceberg.

In the past five years, Salman Partners has been in 187 deals that raised \$8.5 billion. Until very recently, very few of them were in the Asia Pacific region. Today there are over 50 mining companies listed on the TSX with assets in China. But remember, less than ten years ago there were almost none.

In summary, the prospect of higher commodity prices than we have known historically will help to fuel development in the Asia Pacific region. The social and environmental impact, however, has yet to be fully known. To quote a Chinese Zen master, Hsi-Tang Chih Tsang, from the seventh century, “Although gold dust is precious, when it gets in your eyes it obstructs your vision.”