



Base Metals

Q1 2014 Producer Preview & Sector Update

Industry Rating (Metals & Mining): Market Weight

(NBF Economics & Strategy Group)

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Q1 2014 Base Metal Preview

- **Metal prices up an average of 3% q/q with a precipitous drop in March tempering 2014 outlook for copper and coal.** The performance of molybdenum (up 6.6% q/q), nickel (up 5.3% q/q) and zinc (up 6.2% q/q) offset declines in both hard coking coal (HCC) (down 5.9% q/q) and copper (down 2.2% q/q) throughout Q1 2014. Quarter-to-date, coal and copper prices have continued to trend lower causing us to revise our 2014 estimates. Nickel is the exception, where strong performance driven by an Indonesian export ban has led to positive price momentum.
- **Base metal producers continue to look expensive given industry backdrop and our cautious near-term outlook.** The TSX Diversified Metals & Mining Index continues to trade near historical highs (currently at 8.5x EV/2014E EBITDA & 6.2x EV/2015E EBITDA). When combined with our cautious near-term outlook for commodity prices (largely based on slower Chinese GDP growth and increased global mine supply leading to increasing market surplus during H2/14 - in the case of copper), elevated multiples seem to suggest the base metals sector as a whole is presently overvalued.
- **We're comfortable holding LUN and TKO into the quarter as no surprises anticipated with Q1 results.** We anticipate another steady-as-she goes quarter for LUN with the potential for a positive surprise out of Tenke. Additionally, the development of Eagle is nearing completion in Q4 2014 with improving nickel prices offering further support. TKO's Q1/14 production results were pre-released in early April. While it should be a no-surprise quarter for TKO, we note that margins are expected to step higher in H2/14 with stabilization in cash costs and grade improvements back to reserve grade.
- **Expect weak coal outlook and Fort Hills capex to weigh on TCK/B's balance sheet.** With hard coking coal prices under pressure as Chinese imports lag and little to no support from supply cuts having materialized, we anticipate some negative near-term commentary on TCK/B's coal revenues. With all-in cash costs for coal production at ~US\$120/t (NBF Estimates) (a premium to spot prices at US\$114/t) and funding commitments at Fort Hills totaling US\$3.0 bln from 2014-2017, the company's balance sheet could be put under pressure without additional debt refinancing/improvement in coal fundamentals.
- **CS remains the cheapest name in our universe.** With large/intermediate base metal companies benefitting in recent months, the appetite for smaller producers has yet to fully materialize. CS is trading at 4.7x EV/2014E EBITDA, compared with NBF peers at ~8.0x. Our only hesitation with CS in Q1 would be potential headline risk with the upcoming Santo Domingo BFS and its associated ~US\$1.5 bln capex (NBF Estimate).

Figure 1 – Target & Rating Changes

Company	Ticker	Share Price	Rating		Target (\$)	
			New	Old	New	Old
Producers						
Capstone Mng	CS-T	\$2.84	OP	OP	\$3.85	\$3.90
Copper Mtn.	CUM-T	\$2.35	OP	OP	\$2.75	\$2.50
First Quantum	FM-T	\$21.05	SP	SP	\$24.75	\$23.00
HudBay Mnls	HBM-T	\$8.92	SP	SP	\$9.25	\$9.50
Lundin Mng	LUN-T	\$5.25	SP	SP	\$5.75	\$5.25
Sherritt Intl	S-T	\$4.84	OP	SP	\$5.80	\$4.40
Taseko Mines	TKO-T	\$2.32	OP	OP	\$3.50	\$3.50
Teck Resources	TCK'B-T	\$24.31	SP	SP	\$25.50	\$29.50

Source: Thomson, NBF Estimates

Metal Prices Up Modestly in Q1 – Recent Sell-Off Has Prompted Downward Revisions to Copper and HCC Prices, While Stronger Support for Nickel Has Led to Increased Price Assumptions

Figure 2 – Base Metal Price Assumptions

	Revised						% Change					
	Q1/14A	2014E	2015E	2016E	2017E	LT	Q1/14A	2014E	2015E	2016E	2017E	LT
Copper Price (US\$/lb)	3.18	3.15	3.10	3.25	3.50	2.90	-4%	-3%	0%	0%	0%	0%
Zinc Price (US\$/lb)	0.92	0.90	0.90	1.05	1.10	0.95	2%	0%	0%	0%	0%	0%
Lead Price (US\$/lb)	0.96	1.00	1.00	0.90	0.90	0.90	-4%	0%	0%	0%	0%	0%
Nickel (US\$/lb)	6.65	7.80	9.00	8.00	8.50	9.00	2%	20%	38%	14%	6%	13%
Cobalt (US\$/lb)	13.57	13.25	12.00	12.00	12.00	10.00	13%	10%	4%	4%	4%	0%
Moly (US\$/lb)	10.05	10.00	9.50	9.00	9.00	8.00	1%	0%	0%	0%	0%	0%
HCC (US\$/t)	143	135	140	150	155	165	0%	-10%	-13%	-9%	-6%	-6%
Gold (US\$/oz)	1,292	1,250	1,300	1,350	1,400	1,400	3%	0%	0%	0%	0%	0%
Silver (US\$/oz)	20.45	20.00	22.00	22.50	23.00	23.00	2%	0%	0%	0%	0%	0%
US\$/C\$ Exch Rate	0.91	0.91	0.93	0.95	0.95	0.95	-2%	-2%	0%	0%	0%	0%
Euro/US\$ Exch Rate	1.37	1.34	1.25	1.25	1.25	1.25	8%	6%	0%	0%	0%	0%
Cu TC's, US\$/DMT	-	90	90	70	70	70	-	0%	0%	0%	0%	0%
Cu RC's, US\$/lb	-	0.09	0.09	0.07	0.07	0.07	-	0%	0%	0%	0%	0%
	Previous											
	Q1/14E	2014E	2015E	2016E	2017E	LT						
Copper Price (US\$/lb)	3.30	3.25	3.10	3.25	3.50	2.90						
Zinc Price (US\$/lb)	0.90	0.90	0.90	1.05	1.10	0.95						
Lead Price (US\$/lb)	1.00	1.00	1.00	0.90	0.90	0.90						
Nickel (US\$/lb)	6.50	6.50	6.50	7.00	8.00	8.00						
Cobalt (US\$/lb)	12.00	12.00	11.50	11.50	11.50	10.00						
Moly (US\$/lb)	10.00	10.00	9.50	9.00	9.00	8.00						
HCC (US\$/t)	143	150	160	165	165	175						
Gold (US\$/oz)	1250	1250	1300	1350	1400	1400						
Silver (US\$/oz)	20.00	20.00	22.00	22.50	23.00	23.00						
US\$/C\$ Exch Rate	0.93	0.93	0.93	0.95	0.95	0.95						
Euro/US\$ Exch Rate	1.27	1.27	1.25	1.25	1.25	1.25						
Cu TC's, US\$/DMT	-	90	90	70	70	70						
Cu RC's, US\$/lb	-	0.09	0.09	0.07	0.07	0.07						

Source: NBF

Base Metal Producer Q1 Preview: Buyer of LUN and TKO into Q1 – TCK/B to be Impacted by Lower Coal Revenues

Figure 3 summarizes any changes to our earnings, cash flow and NAV estimates after fine-tuning our Q1 operating/financial assumptions – our estimates are also compared with consensus in Figure 4 below.

Figure 3 - Base Metal Producers – NAV, EPS and CFPS Revisions

Company	Ticker	Share Price \$		Target	NAV \$/share	EPS		CFPS		Analyst (1)
						2014	2015	2014	2015	
Capstone Mng	CS-T	\$2.84	new	\$3.85	\$4.40	US\$0.16	US\$0.11	US\$0.46	US\$0.39	SN
			old	\$3.90	\$4.10	US\$0.18	US\$0.11	US\$0.49	US\$0.39	
			consensus			US\$0.30	US\$0.29	US\$0.55	US\$0.55	
Copper Mtn.	CUM-T	\$2.35	new	\$2.75	\$4.74	\$0.24	\$0.38	\$0.58	\$0.83	SP
			old	\$2.50	\$4.77	\$0.25	\$0.39	\$0.60	\$0.83	
			consensus			\$0.30	\$0.41	\$0.63	\$0.80	
First Quantum	FM-T	\$21.05	new	\$24.75	\$28.50	US\$0.95	US\$1.85	US\$1.95	US\$3.00	SN
			old	\$23.00	\$26.75	US\$1.00	US\$1.60	US\$1.85	US\$2.75	
			consensus			US\$1.05	US\$1.77	US\$2.18	US\$3.19	
HudBay Mnls	HBM-T	\$8.92	new	\$9.25	\$14.40	\$0.21	\$0.48	\$0.52	\$1.46	SN
			old	\$9.50	\$13.45	\$0.21	\$0.48	\$0.51	\$1.34	
			consensus			\$0.22	\$0.95	\$0.62	\$1.78	
Lundin Mng *	LUN-T	\$5.25	new	\$5.75	\$6.60	US\$0.16	US\$0.44	US\$0.55	US\$0.96	SN
			old	\$5.25	\$6.50	US\$0.17	US\$0.31	US\$0.56	US\$0.78	
			consensus			US\$0.26	US\$0.53	US\$0.45	US\$0.85	
Sherritt Intl.	S-T	\$4.84	new	\$5.80	\$6.96	-\$0.24	\$0.27	\$0.25	\$0.67	SP
			old	\$4.40	\$4.89	-\$0.59	-\$0.45	\$0.52	\$0.53	
			consensus			-\$0.24	\$0.19	\$0.47	\$1.00	
Taseko Mines	TKO-T	\$2.32	new	\$3.50	\$4.96	\$0.07	\$0.18	\$0.54	\$0.68	SP
			old	\$3.50	\$5.00	\$0.09	\$0.19	\$0.58	\$0.67	
			consensus			\$0.18	\$0.33	\$0.49	\$0.57	
Teck Resources	TCK'B-T	\$24.31	new	\$25.50	\$32.45	\$1.20	\$1.60	\$3.80	\$4.30	SN
			old	\$29.50	\$36.50	\$1.55	\$2.20	\$4.30	\$5.10	
			consensus			\$1.17	\$1.78	\$3.59	\$4.43	

(1) SN - Shane Nagle, SP - Steve Parsons

*LUN: NBF adjusted to approximate the effect of proportional accounting for Tenke (Lundin).

Source: Thomson/NBF Estimates

Figure 4 - Where Are We Different? Q1 2014 EPS and CFPS Estimates vs. Consensus

Company	Symbol	Q1/14 EPS			Q1/14 CFPS			Target		
		NBF	Cons.	% diff.	NBF	Cons.	% diff.	NBF	Cons.	% diff.
Capstone Mng	CS-T	\$0.04	\$0.08	-51%	\$0.12	\$0.14	-17%	\$3.85	\$3.55	8%
Copper Mtn.	CUM-T	\$0.05	\$0.04	14%	\$0.13	\$0.10	26%	\$2.75	\$2.84	-3%
First Quantum	FM-T	\$0.23	\$0.26	-12%	\$0.59	\$0.62	-5%	\$24.75	\$22.93	8%
HudBay Mnls	HBM-T	\$0.03	\$0.02	-36%	\$0.11	\$0.10	15%	\$9.25	\$10.29	-10%
Lundin Mng	LUN-T	\$0.05	\$0.06	-12%	\$0.16	\$0.10	67%	\$5.75	\$5.79	-1%
Sherritt Intl.	S-T	-\$0.13	-\$0.10	33%	\$0.04	\$0.04	0%	\$5.80	\$5.42	7%
Taseko Mines	TKO-T	\$0.01	\$0.03	-67%	\$0.12	\$0.09	30%	\$3.50	\$3.56	-2%
Teck Resources	TCK'B-T	\$0.26	\$0.25	2%	\$0.90	\$0.86	4%	\$25.50	\$29.63	-14%

Source: Thomson One, NBF Estimates

Note: all numbers are in reporting currency, US\$ for CS, CUM, FM & LUN and Cdn\$ for HBM, S, TKO & TCK/B

Our revised target prices and multiples are outlined in Figure 5 below. Significant changes include:

S, FM and LUN - an increase in target as higher nickel price assumptions have led to an increase in our NAV/CF estimates. The increase in valuation was somewhat muted for FM and LUN due to our lower 2014E copper prices. With its industry-leading leverage to nickel prices, further intensified from the recent sale of its coal and royalty assets, Sherritt's valuation benefitted the most from our revised nickel price assumptions
 CUM - an increase in both NAV/CF multiples to reflect back-to-back strong operating results, visibility for another step-change with start-up of the secondary crusher, and generally improved valuation backdrop in the producer universe
 HBM - a decrease in target as our revised 2014E copper price has negatively impacted near-term cash flow estimates
 CS - a modest decrease in our target as lower 2014E copper price assumptions were partially offset by the inclusion of Santo Domingo in our formal NAV estimates (ahead of the BFS to be released in May)
 TCK/B - a decrease in our target largely due to our lower coal price assumptions

Figure 5 - Base Metal Producers – Summary of Target Multiples

Company	Ticker	Share Price	Rating	Target	Methodology	Target Multiple		Comments		
						to NAV	to EBITDA & CF			
Capstone Mng	CS-T	\$2.84	new	OP	\$3.85	Unchanged	Unch.	5.5x EV/2014E CF, 5.5x EV/2015E CF	25% EV/2014E CF, 25% EV/2015E CF, 50% NAV	SN
			old	OP	\$3.90	Multiple to NAV & EV	0.90x	5.5x EV/2014E CF	25% NAV, 75% EV/CF	
Copper Mtn.	CUM-T	\$2.35	new	OP	\$2.75	Unchanged	0.85x	5.0x EV/2014E EBITDA	Equal Weight	SP
			old	OP	\$2.50	Multiple to NAV & EV	0.80x	4.5x EV/2014E EBITDA	Equal Weight	
First Quantum	FM-T	\$21.05	new	SP	\$24.75	Unchanged	1.00x	6.5x EV/2014E CF, 6.5x EV/2015E CF	25% EV/2014E CF, 25% EV/2015E CF, 50% NAV	SN
			old	SP	\$23.00	Multiple to NAV & EV	1.10x	6.5x EV/2014E CF	Equal Weight	
HudBay Mnls	HBM-T	\$8.92	new	SP	\$9.25	Unchanged	Unch.	6.5x EV/2014E CF, 6.0x EV/2015E CF	25% EV/2014E CF, 25% EV/2015E CF, 50% NAV	SN
			old	SP	\$9.50	Multiple to NAV & EV	0.90x	6.0x EV/2014E CF, 6.0x EV/2015E CF	15% EV/2014E CF, 25% EV/2015E CF, 60% NAV	
Lundin Mng	LUN-T	\$5.25	new	SP	\$5.75	Unchanged	1.00x	6.5x EV/2014E CF, 6.0x EV/2015E CF	25% EV/2014E CF, 25% EV/2015E CF, 50% NAV	SN
			old	SP	\$5.25	Multiple to NAV & EV	0.90x	6.0x EV/2014E CF, 6.0x EV/2015E CF	25% EV/2014E CF, 25% EV/2015E CF, 50% NAV	
Sherritt Intl	S-T	\$4.84	new	OP	\$5.80	Unchanged	Unch.	5.0x avg. 2014/2015 adj. CF	Equal Weight	SP
			old	SP	\$4.40	Multiple to NAV & CF	0.80x	4.0x 2014 adj. CF	Equal Weight	
Taseko Mines	TKO-T	\$2.32	new	OP	\$3.50	Unchanged	Unch.	Unchanged	Equal Weight	SP
			old	OP	\$3.50	Multiple to NAV & CF	0.80x	5.0x 2014 CF	Equal Weight	
Teck Resources	TCK'B-T	\$24.31	new	SP	\$25.50	Unchanged	Unch.	6.5x EV/2014E CF, 6.5x EV/2015E CF	25% EV/2014E CF, 25% EV/2015E CF, 50% NAV	SN
			old	SP	\$29.50	Multiple to NAV & EV	1.00x	7.0x EV/2014E CF	Equal Weight	

(1) SN - Shane Nagle, SP - Steve Parsons

Source: Bloomberg and NBF Estimates

Appendix A – Base Metal Universe Reporting Calendar

Company Name	Expected Report Date	Report Type	Conf Call Date	Conf Call Time	Phone #1	Phone #2
Augusta Resource Corp	14-May-14	Estimated	-	-	-	-
Capstone Mining Corp	7-May-14	Confirmed	8-May-14	11:30 AM	888-390-0546	416-764-8688
Copper Mountain Mining Corp	2-May-14	Confirmed	2-May-14	10:30 AM	888-390-0546	416-764-8688
Curis Resources Ltd/ON	19-Jun-14	Estimated	-	-	-	-
Duluth Metals Ltd	9-May-14	Estimated	-	-	-	-
First Quantum Minerals Ltd	1-May-14	Confirmed	2-May-14	-	-	-
HudBay Minerals Inc	30-Apr-14	Confirmed	1-May-14	10:00 AM	877-974-0445	416-644-3415
Intrepid Mines Ltd	24-Apr-14	Estimated	-	-	-	-
Lundin Mining Corp	24-Apr-14	Estimated	-	-	-	-
Polymet Mining Corp	22-Apr-14	Estimated	-	-	-	-
Sandstorm Metals & Energy Ltd	8-May-14	Estimated	-	-	-	-
Sherritt International Corp	30-Apr-14	Confirmed	-	2:00 PM	800-814-4859	416-644-3414
Taseko Mines Ltd	2-May-14	Estimated	-	-	-	-
Teck Resources Ltd	22-Apr-14	Confirmed	22-Apr-14	11:00 AM	800.769.8320	416.340.8527

Source: Bloomberg

Appendix B – Summary of Key Events, Q1 2014 Estimates and Outlook

CAPSTONE MINING CORP.					
STOCK RATING		Outperform	(Unchanged)	TICKER	CS-T
TARGET PRICE (Cdn\$)		\$3.85	(Was \$3.90)	CURRENT PRICE (Cdn\$)	\$2.84
RETURN TO TARGET		36%		52-WEEK HIGH (Cdn\$)	\$3.35
RISK RATING		Above Average	(Unchanged)	52-WEEK LOW (Cdn\$)	\$1.68
SECTOR RATING		Market Weight		SHARES OUTSTANDING (mln)	379.4
		New	Old	Consensus	
Production (Cu, lbs mln)	Q1 2014	60	60		
	2014	233	233		
	2015	210	210		
TCC (US\$/lb)	Q1 2014	\$1.81	\$1.82		
	2014	\$1.90	\$1.90		
	2015	\$1.97	\$1.97		
EBITDA (mln US\$)	Q1 2014	\$61	\$60	\$63	
	2014	\$230	\$244	\$262	
	2015	\$194	\$194	\$258	
EPS (US\$)	Q1 2014	\$0.04	\$0.04	\$0.08	
	2014	\$0.16	\$0.18	\$0.30	
	2015	\$0.11	\$0.11	\$0.29	
CFPS (US\$)	Q1 2014	\$0.12	\$0.12	\$0.15	
	2014	\$0.46	\$0.49	\$0.55	
	2015	\$0.39	\$0.39	\$0.55	
NAVPS (Cdn\$)	Base Case	\$4.40	\$4.09		
Target	Metric	Value	Multiple*	Weight	
	1.) NAVPS	\$4.40	0.9x	50%	\$2.03
	2.) EV/2014E CF	\$0.70	5.5x	25%	\$0.96
	3.) EV/2015E CF	\$0.62	5.5x	25%	\$0.85
			Target:		\$3.85

*NAV multiple applied to project NAV only

Source: NBF Estimates, Thomson, Company Reports

COPPER MOUNTAIN MINING CORP.					
STOCK RATING		Outperform	(Unchanged)	TICKER	CUM-T
TARGET PRICE (Cdn\$)		\$2.75	(was \$2.50)	CURRENT PRICE (Cdn\$)	\$2.35
RETURN TO TARGET		17%		52-WEEK HIGH (Cdn\$)	\$2.55
RISK RATING		Speculative	(Unchanged)	52-WEEK LOW (Cdn\$)	\$1.36
SECTOR RATING		Market Weight		SHARES OUTSTANDING (mln)	116.3
		New	Old	Consensus	
Copper Production (mln lbs)*	Q1 2014	19.7	19.7		
	2014	83.0	83.0		
	2015	98.1	98.1		
Cash Costs, US\$/lb (after Au & Ag by-prod.)	Q1 2014	2.01	2.02		
	2014	1.92	1.95		
	2015	1.69	1.69		
EBITDA (mln Cdn\$)**	Q1 2014	\$17.6	\$17.6	\$20.13	
	2014	\$76.8	\$79.0	\$91.54	
	2015	\$106.2	\$106.2	\$129.87	
EPS (Cdn\$)**	Q1 2014	\$0.05	\$0.05	\$0.05	
	2014	\$0.24	\$0.25	\$0.31	
	2015	\$0.38	\$0.39	\$0.41	
CFPS (Cdn\$)**	Q1 2014	\$0.13	\$0.13	\$0.10	
	2014	\$0.58	\$0.60	\$0.63	
	2015	\$0.83	\$0.83	\$0.79	
NAVPS (Cdn\$)	Base Case	\$4.74	\$4.77		
Target	Metric	Value	Multiple	Weight	
	1.) NAVPS	\$4.74	0.9x	50%	\$4.03
	2.) 2014 EV/EBITDA	\$1.55	5.0x	50%	\$1.55
			Target:		\$2.75

*100% basis; ** 75% basis

Source: NBF Estimates, Thomson, Company Reports

CS reported Q1 production results on April 10, 2014. Full financials are expected on May 7, 2014 after market close.

Q1/2014 Key Events

Announced extension of mine life at Pinto Valley (PV2) to 2026 and hosted a well-attended site tour to both Pinto Valley and Cozamin

Q1/2014 Outlook & General Comments

Capstone's 2014 production guidance remains 102,000 tonnes in concentrate (~225 mln lbs) +/- 5% at cash costs in the range of US\$1.90/lb to US\$2.00/lb. We model ~228 mln lbs of copper concentrate production (plus ~5 mln lbs of cathode) at a cash cost of US\$1.90/lb.

Santo Domingo BFS anticipated in Q2 2014. We have now included the operation in our formal valuation, modelling 135 mln lbs/yr of copper production and 4.0 mln tpa of iron ore production over a 18 yr mine life beginning in 2019 (initial capital cost of US\$1.5 bln). The project adds ~US\$200 mln (at a 12% discount rate) to our NAV.

Target impacted modestly to \$3.85 (was \$3.90) primarily due to a reduction in the 2014E copper price.

Catalysts:

- 1.) Santo Domingo BFS (Q2 2014)
- 2.) completion of PV2 expansion work (2015)

Reporting Info

Financial results are expected to be released on May 2, 2014. Production results were pre-released April 9.

Q1 2014 Key Events

Pre-released Cu sales of 19.7mln lbs in line (NBF est. 19.7mln lbs). Cu production of 19.1mln lbs, however, was just below NBF est. of 19.9mln lbs. Lower mill feed tonnage of 2.6mln tonnes (NBF est. was 2.9mln tonnes) explains most of the difference while higher grades of 0.39% Cu (NBF est. was 0.36%) provided a partial offset. Cash costs were not provided. We look for cash costs of US\$2.01/lb in Q1/14 and to trend lower into H2/14.

Q1 2014 Outlook & General Comments

CUM on track to hit or potentially beat our 2014 forecast of 83mln lbs Cu. Importantly, we have Q3/14 and Q4/14 production benefiting from the installation of the secondary crusher. With respect to the crusher project, the main crusher components have arrived on site and sit on the foundations. Cu Mtn expect the secondary crusher to be operational by mid summer.

FCF generation to pick up in 2014 as secondary crusher installation makes for back-end loaded production and commensurate drop in cash costs. We expect cash costs to continue to trend down to sub US\$2.00/lb in H2/14 with the addition of the secondary crusher - translating in substantive margin improvements and what should be the catalyst for the stock to re-rate towards our target.

Catalysts:

- 1.) Milling throughput rate reaching and maintaining the design capacity (35,000 tpd) with a commensurate drop in cash costs.

FIRST QUANTUM MINERALS LTD.

STOCK RATING	Sector Perform	(Unchanged)	TICKER	FM-T
TARGET PRICE (Cdn\$)	\$24.75	(Was \$23.00)	CURRENT PRICE (Cdn\$)	\$21.05
RETURN TO TARGET	18%		52-WEEK HIGH (Cdn\$)	\$21.85
RISK RATING	Above Average	(Unchanged)	52-WEEK LOW (Cdn\$)	\$14.22
SECTOR RATING	Market Weight		SHARES OUTSTANDING (mln)	590.8
	New	Old	Reporting Info	
Production (Cu, t 000's)	Q1 2014	109	Financial and operating results are expected to be released on May 1, 2014 after market close.	
	2014	450	Q1/2014 Key Events	
	2015	655	FM provided an update on its Cobre-Panama project in Q1 as well as provided an update on its financing arrangements. Declared interim dividend of \$0.0930/sh - February 20, 2014	
Production (Au, koz)	Q1 2014	58	Q1/2014 Outlook & General Comments	
	2014	231	Expect H2 2014 financial results to vary. With completion of Sentinel and the copper smelter in H2 2014, Cu production is set to increase to ~650,000 tonnes in 2015 from 450,000 tonnes in 2014 (NBF Estimates). Ramp-up of the copper smelter will have the added benefit of providing acid at zero cost for processing higher grade oxide ores at Kansanshi (fully utilizing the recent circuit expansion to 14 mln tpa).	
	2015	233	FM provided updated operating parameters for its Cobre-Panama project in January ahead of Q4/13 results. The company expects to spend US\$1.0 bln on the project in 2014, in addition to the US\$1.4 bln incurred up to the end of November, 2013. FM's remaining capital cost of US\$3.2 bln in 2014-2017) after excluding US\$1.0 bln from Franco-Nevada and the project's 20% owner KORES. FM's interest will largely be funded by the US\$2.5 bln term and revolving credit facility which expires in Q1 2019.	
EBITDA (mln US\$)	Q1 2014	\$327	\$361	\$419
	2014	\$1,385	\$1,424	\$1,697
	2015	\$2,532	\$2,296	\$2,590
EPS (US\$)	Q1 2014	\$0.23	\$0.26	\$0.26
	2014	\$0.95	\$0.98	\$1.05
	2015	\$1.85	\$1.56	\$1.77
CFPS (US\$)	Q1 2014	\$0.59	\$0.46	\$0.62
	2014	\$1.95	\$1.82	\$2.18
	2015	\$3.00	\$2.71	\$3.19
NAVPS (Cdn\$)	Base Case	\$28.50	\$26.75	
Target	Metric	Value	Multiple*	Weight
	1.) NAVPS	\$28.50	1.0x	50%
	2.) EV/2014E CF	\$2.65	6.5x	25%
	3.) EV/2015E CF	\$3.81	6.5x	25%
			Target:	\$24.75

*NAV multiple applied to project NAV only

Source: NBF Estimates, Thomson, Company Reports

HUBBAY MINERALS INC.

STOCK RATING	Sector Perform	(Unchanged)	TICKER	HBM-T
TARGET PRICE (Cdn\$)	\$9.25	(Was \$9.50)	CURRENT PRICE (Cdn\$)	\$8.92
RETURN TO TARGET	4%		52-WEEK HIGH (Cdn\$)	\$11.89
RISK RATING	Above Average	(Unchanged)	52-WEEK LOW (Cdn\$)	\$6.02
SECTOR RATING	Market Weight		SHARES OUTSTANDING (mln)	193.0
	New	Old	Reporting Info	
Production (Zn, t 000's)	Q1 2014	22	Financial results are expected after market close on April 30, 2014.	
	2014	99	Q1/2014 Key Events	
	2015	143	1.) Made an all-share offer for Augusta Resources (Feb 9). 2.) Released updated Reserve and Resource estimates, reporting a 7.4% increase in CuEq Reserves (Mar 26).	
Production (Cu, t 000's)	Q1 2014	9	Q1/2014 Outlook & General Commentary	
	2014	39	Near-term focus on outcome of AZC offer. Shares of AZC are currently pricing in a ratio of 0.373, representing an 18% premium to the original terms. We continue to assume that HBM will avoid increasing its bid beyond the 25% dilution threshold that would trigger a shareholder vote. suggesting HBM can increase its offer to ~0.398 shares (implying a price of \$3.44 for AZC). The current deal is set to expire on May 5.	
	2015	105	Commissioning activities at Constancia remain on track for late 2014 start-up. As of Dec 31, 2013, capital spending was over 67% complete. Completion of the power transmission line was over 70% complete and pre-stripping activities commenced last month. Once in operation, we estimate that Constancia will generate nearly \$135 mln in EBITDA in its first year of operation (we model commercial production starting in Q2/15).	
EBITDA (Cdn\$ mln)	Q1 2014	\$28	\$27	\$36
	2014	\$136	\$132	\$182
	2015	\$396	\$372	\$483
EPS (Cdn\$)	Q1 2014	\$0.03	\$0.03	\$0.03
	2014	\$0.21	\$0.21	\$0.22
	2015	\$0.48	\$0.48	\$0.96
CFPS (Cdn\$)	Q1 2014	\$0.11	\$0.10	\$0.10
	2014	\$0.52	\$0.51	\$0.62
	2015	\$1.46	\$1.34	\$1.78
NAVPS (Cdn\$)	Base Case	\$14.40	\$13.45	
Target	Metric	Value	Multiple*	Weight
	1.) NAVPS	\$14.56	0.9x	50%
	2.) EV/2014E CF	\$0.43	6.5x	25%
	3.) EV/2015E CF	\$1.35	6.0x	25%
			Target:	\$9.25

*NAV multiple applied to project NAV only

Source: NBF Estimates, Thomson, Company Reports

LUNDIN MINING CORP.

STOCK RATING	Sector Perform	(Unchanged)	TICKER	LUN-T
TARGET PRICE (Cdn\$)	\$5.75	(Was \$5.50)	CURRENT PRICE (Cdn\$)	\$5.25
RETURN TO TARGET	10%		52-WEEK HIGH (Cdn\$)	\$5.49
RISK RATING	Speculative	(Unchanged)	52-WEEK LOW (Cdn\$)	\$3.68
SECTOR RATING	Market Weight		SHARES OUTSTANDING (mln)	584.6

		New	Old	Consensus
Cu Production tonnes, 000's	Q1 2014	28	28	
	2014	113	113	
<i>(Incl. attributable from Tenke)</i>	2015	136	136	
Zn Production tonnes, 000's	Q1 2014	36	36	
	2014	142	142	
	2015	158	158	
EBITDA (US\$ mln)	Q1 2014	\$82	\$93	\$83
	2014	\$417	\$437	\$331
<i>(Incl. attributable from Tenke)</i>	2015	\$673	\$566	\$612
EPS (US\$)	Q1 2014	\$0.05	\$0.04	\$0.06
	2014	\$0.16	\$0.17	\$0.27
	2015	\$0.44	\$0.31	\$0.53
CFPS (US\$)	Q1 2014	\$0.16	\$0.16	\$0.09
	2014	\$0.55	\$0.56	\$0.44
<i>(Incl. attributable from Tenke)</i>	2015	\$0.96	\$0.78	\$0.83
NAVPS (Cdn\$)	Base Case	\$6.60	\$6.50	

Target	Metric	Value	Multiple*	Weight	
	1.) NAVPS	\$6.60	1.0x	50%	\$3.30
	2.) EV/2014E CF	\$0.60	6.5x	25%	\$0.98
	3.) EV/2015E CF	\$1.02	6.0x	25%	\$1.53
			Target:		\$5.75

*NAV multiple applied to project NAV only

Source: NBF Estimates, Thomson, Company Reports

Reporting Info
Financial and operating results are expected after market close in late April.

Q1/2014 Key Events
Q1/2014 Outlook & General Commentary

Expecting another steady-as-she-goes quarter from LUN's operations. We model an 7.0% reduction in reported revenue QoQ, primarily as a result of lower metal prices in the quarter.

Could see a positive surprise from production out of Tenke. In addition to the potential outperformance of Tenke in Q1.

Construction of Eagle continues to progress on schedule. We model a maximum debt level of US\$370 mln by 2015, coinciding with initial production from Eagle in the same year. We model repayment of the \$350 mln term facility from 2016-2018 and full repayment of the US\$100 mln revolver in Q4 2017 (although both facilities can be repaid earlier).

Our increased nickel price assumptions have resulted in an increased target of \$5.75 (was \$5.50).

Catalysts:

1.) Ongoing Eagle development progress and initial production. We model commercial production in Q1 2015

TASEKO MINES LIMITED

STOCK RATING		Outperform		(Unchanged)	TICKER	TKO-T
TARGET PRICE (Cdn\$)		\$3.50		(Unchanged)	CURRENT PRICE (Cdn\$)	\$2.32
RETURN TO TARGET		51%			52-WEEK HIGH (Cdn\$)	\$2.76
RISK RATING		Above Average		(Unchanged)	52-WEEK LOW (Cdn\$)	\$1.88
SECTOR RATING		Market Weight			SHARES OUTSTANDING (mln)	193.4
		New	Old	Consensus	Reporting Info	
Copper Production (mln lbs) - Attributable	Q1 2014	30.0	30.0		Financial results are expected to be released May 2, 2014 (tentative). Production results were pre-released April 4th.	
	2014	118.0	118.0		Q1 2014 Key Events	
	2015	124.9	124.9		Q1/14 Cu prod'n (100% basis) totaled 34.5mln lbs (NBF est. was 32.9mln lbs), up 3% q/q. Pre-released Cu sales of 40mln lbs were higher than NBF est. of 32.6mln lbs (old), benefiting from inventory carried over from Q4/13. Cash costs were not provided, though are expected to be flat q/q at US\$2.15/lb. We see costs dropping sub US\$2.05/lb in H2/14 on the move back to normalized (i.e reserve) grades.	
Cash Costs, US\$/lb (after Mo & Ag by-prod.)	Q1 2014	2.15	2.13		Updated plan for New Prosperity fails to clear federal hurdle for permits. Despite TKO's efforts to preserve an adjacent lake, Minister of the Environment has concluded that the New Prosperity project is likely to cause significant adverse environmental effects that cannot be mitigated. Cabinet has determined that those effects are not justified in the circumstances; therefore, the project may not proceed.	
	2014	2.07	2.10		Q1 2014 Outlook & General Comments	
	2015	1.96	1.96		Positive production momentum continues into Q1/14. With a planned move to higher grades we expect FCF growth in H2/14. The medium term mine plan calls for progressive grade increases through 2016. We expect Cu production to peak near 186mln lbs (100% basis) and TKO's annual FCF to top \$100mln. We view as favourable TKO's production positioning, particularly with respect to scale and its long-life reserve profile in Canada. Trading at 4.1x 2014 CFPS (peers 7x) and 5.9x EV/2014 EBITDA (in-line with peers), valuations point to upside towards our target of \$3.50. Quarterly production results should help deliver the impetus to re-rate TKO shares.	
EBITDA (mln Cdn\$)	Q1 2014	\$24.1	\$25.3	\$22.50		
	2014	\$103.6	\$109.8	\$112.35		
	2015	\$128.3	\$128.8	\$141.03		
EPS (Cdn\$)	Q1 2014	\$0.01	\$0.02	\$0.05		
	2014	\$0.07	\$0.09	\$0.19		
	2015	\$0.18	\$0.19	\$0.34		
CFPS (Cdn\$)	Q1 2014	\$0.12	\$0.13	\$0.11		
	2014	\$0.54	\$0.58	\$0.49		
	2015	\$0.68	\$0.67	\$0.57		
NAVPS (Cdn\$)	Base Case	\$4.96	\$5.00			
Target	Metric	Value	Multiple	Weight	Target	Catalysts:
1.)	NAVPS	\$4.96	0.80x	50%	\$1.98	1.) Q1/14 financials to be reflective of prod'n improvements and from inventory carried over from Q4/13.
2.)	2014 CFPS	\$0.54	5.0x	50%	\$1.35	2.) Downtrend for cash costs throughout 2014 on the move back to normalized grades.
					Target:	\$3.50

Source: NBF Estimates, Thomson, Company Reports

TECK RESOURCES LTD.

STOCK RATING		Sector Perform		(Unchanged)	TICKER	TCK'B-T
TARGET PRICE (Cdn\$)		\$25.50		(Was \$29.50)	CURRENT PRICE (Cdn\$)	\$24.31
RETURN TO TARGET		9%			52-WEEK HIGH (Cdn\$)	\$31.25
RISK RATING		Above Average		(Unchanged)	52-WEEK LOW (Cdn\$)	\$21.11
SECTOR RATING		Market Weight			SHARES OUTSTANDING (mln)	580.1
		NBF	Old	Consensus	Reporting Info	
Production (Coal, t mln)	Q1 2014	6.30	6.30		Q1 financial and operating results are anticipated before market open on April 22, 2014.	
	2014	26.0	26.0		Q1/14 Key Events	
	2015	26.0	26.0		Named to Global 100 Most Sustainable Corporations List - January 21, 2014	
Production (Cu, t 000's)	Q1 2014	80	80		Q1/14 Outlook & General Comments	
	2014	340	340		HCC prices remain weak and could put further downside pressure on TCK/B. Lack of supply disruptions, a weak AUD and slowing physical demand out of the Chinese economy have weighed on HCC prices in recent months with spot prices near US\$110/t and reported Q1/14 contracts in the range of US\$120/t (down 16% QoQ). For now, long-term growth prospects and HCC price support is keeping TCK/B shares afloat. We have reduced our HCC estimates accordingly and lowered our long-term price to US\$165/t from US\$175/t.	
	2015	345	345		Further reductions to capital programs required? Our modeled capex from 2014-2017 totals ~\$6.25 bln from 2014-2017. We would anticipate further pressure to cut Teck's capital budget given current HCC prices and weak near-term fundamentals for coal prices.	
EBITDA (Cdn\$ mln)	Q1 2014	\$567	\$545	\$634	The reduction in our target is a result of lower HCC and copper price assumptions.	
	2014	\$2,422	\$2,727	\$2,762		
	2015	\$2,714	\$3,223	\$3,344		
EPS (Cdn\$)	Q1 2014	\$0.26	\$0.23	\$0.27	Catalysts:	
	2014	\$1.20	\$1.55	\$1.24	1.) Ongoing development of Fort Hills	
	2015	\$1.60	\$2.20	\$1.84	2.) increased met coal imports from China and/or global production disruptions to offer HCC price support	
CFPS (Cdn\$)	Q1 2014	\$0.90	\$0.87	\$0.91		
	2014	\$3.80	\$4.30	\$3.63		
	2015	\$4.30	\$5.10	\$4.44		
NAVPS (Cdn\$)	Base Case	\$32.45	\$36.50			
Target	Metric	Value	Multiple*	Weight	Target	
1.)	NAVPS	\$32.45	1.0x	50%	\$16.23	
2.)	EV/2014E CF	\$2.59	6.5x	25%	\$4.21	
3.)	EV/2015E CF	\$3.09	6.5x	25%	\$5.02	
					Target:	\$25.50

*NAV multiple applied to project NAV only

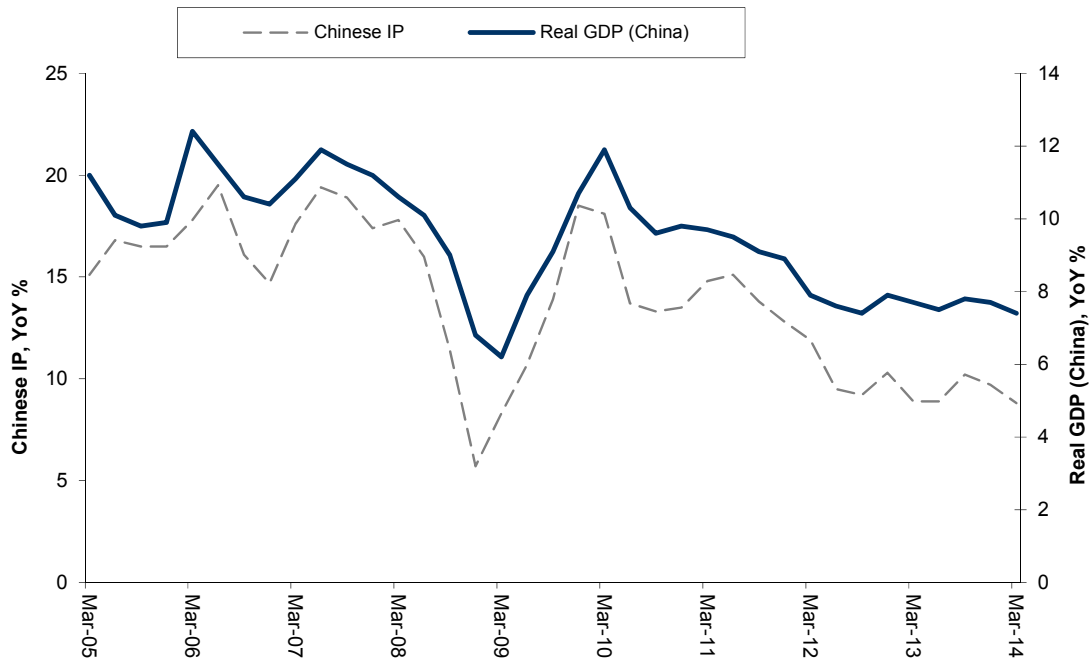
Source: NBF Estimates, Thomson, Company Reports

Appendix C – Metal Price Revisions

Copper – Bringing Our 2014 Estimates in Line, Longer-Term View Unchanged

We previously expected weaker copper prices in H2 2014, largely on the back of more normalized growth rates out of China and the onset of additional copper supply. With copper down 12% YTD we revised our estimates lower for H1 2014 and now model US\$3.15/lb for the year (was US\$3.25/lb) – our estimates for 2015 onward remain unchanged.

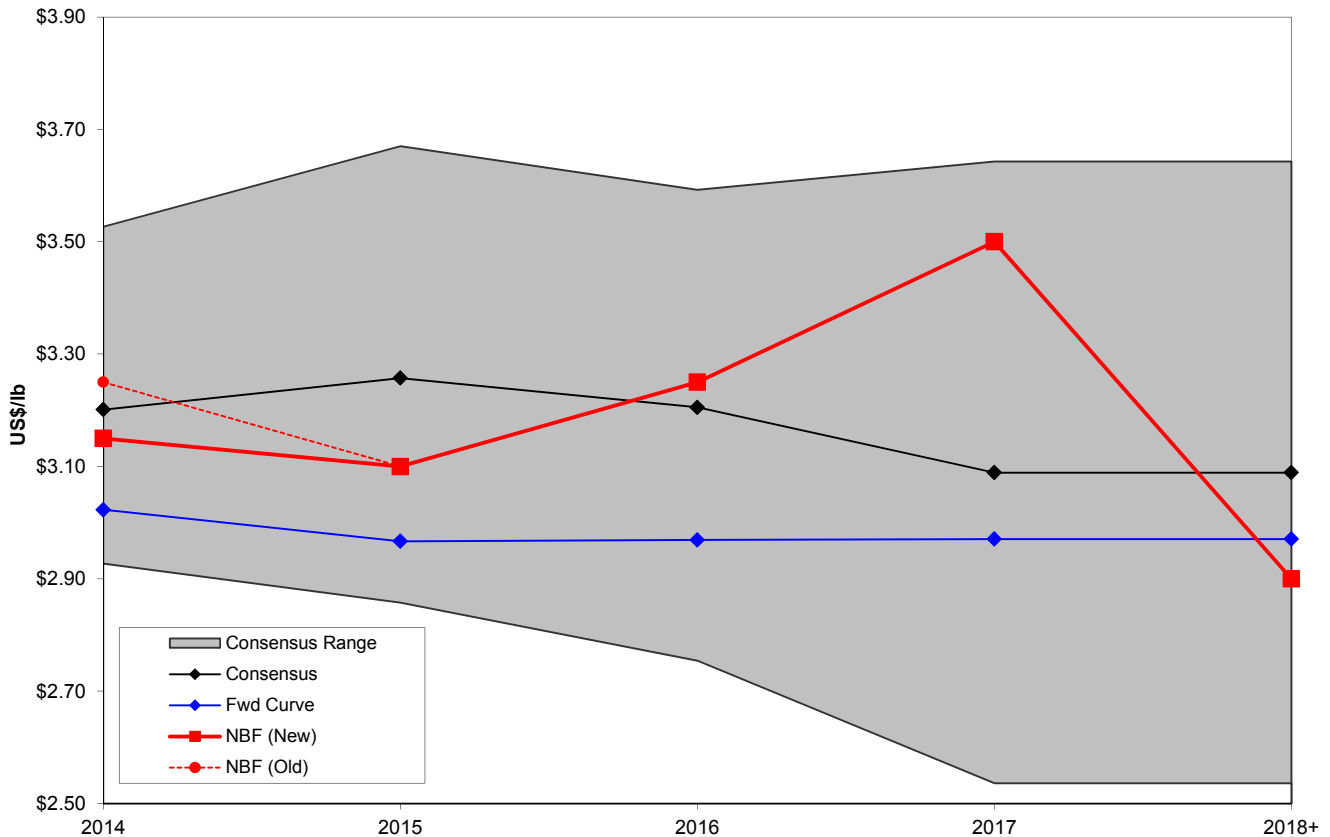
Figure 6 - Chinese IP and GDP Growth Continue to Weigh on Base Metal Prices



Source: Bloomberg/NBF

Looking towards H2 2014, we continue to see copper markets moving into a surplus. According to MEG, there are ~25 projects that were under development and/or undergoing expansion throughout late 2013/2014 that will be ramping up production. Together, these projects are expected to add more than ~3.5 mln tpa of copper production capacity by 2018 (approximately 15% of current global copper consumption).

Longer term, supply/demand fundamentals are looking to improve, as ongoing capital discipline initiatives throughout the industry and/or permitting/financing constraints have resulted in a number of projects being delayed (Antapaccay, Los Pelambres, Oyu Tolgoi U/G expansion, Pebble, QB2, Relincho, etc...). Low copper prices could prompt even more delays, resulting in a flatter supply pipeline over the long term; the 90th percentile of all-in copper costs is trending towards US\$2.75/lb – US\$2.90/lb – which continues to support our long-term copper price of US\$2.90/lb.

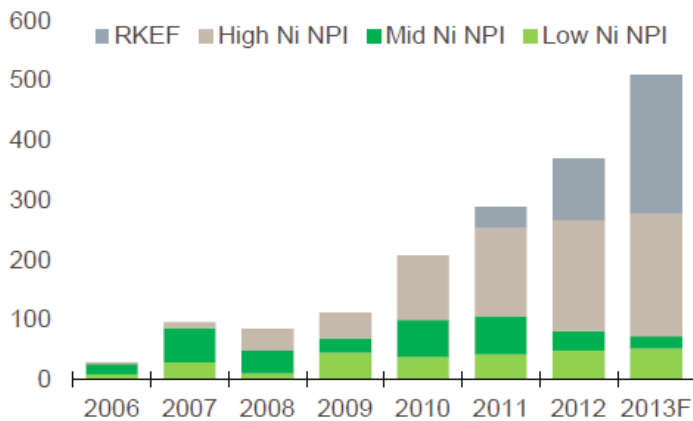
Figure 7 - New and Old NBF Copper Price Forecasts vs. Consensus and Forward Curve


Source: Bloomberg, NBF Estimates

Nickel – Indonesia and Warehouse Games to Continue to Set the Tone for Nickel

Nickel gets an expected lift on the Indonesia ore ban, but much sooner than expected – moving prices higher. In January, we took the view that the combination of all-time high LME nickel inventories and ore stockpiles in China equivalent to approximately eight months of nickel pig iron (NPI) production would dampen the effect of the Indonesian ore ban and defer any step change in nickel prices to later in 2014. This was accurate for a time. The prospect of export sanctions against Russia and any further tightening in mine supply, should it occur, served to bring this supply-demand dynamic into focus on an expedited basis, pushing nickel prices up 25% in two months. The net effect was a re-emphasis on the Indonesian ore ban and the implications. Indeed, high-grade nickel laterite deposits in Indonesia enabled and supported the NPI production growth, particularly with respect to the lower production cost RKEF production. In the absence of Indonesian feed to NPI furnaces, both the supply is squeezed and the cost curve is pushed higher. The cost of RKEF production is estimated at between US\$12k and US\$13k/tonne (US\$5.50/lb to US\$5.90/lb) versus US\$6.60 to US\$9.50/lb for conventional blast furnaces.

Figure 8 – NPI Production (kt)



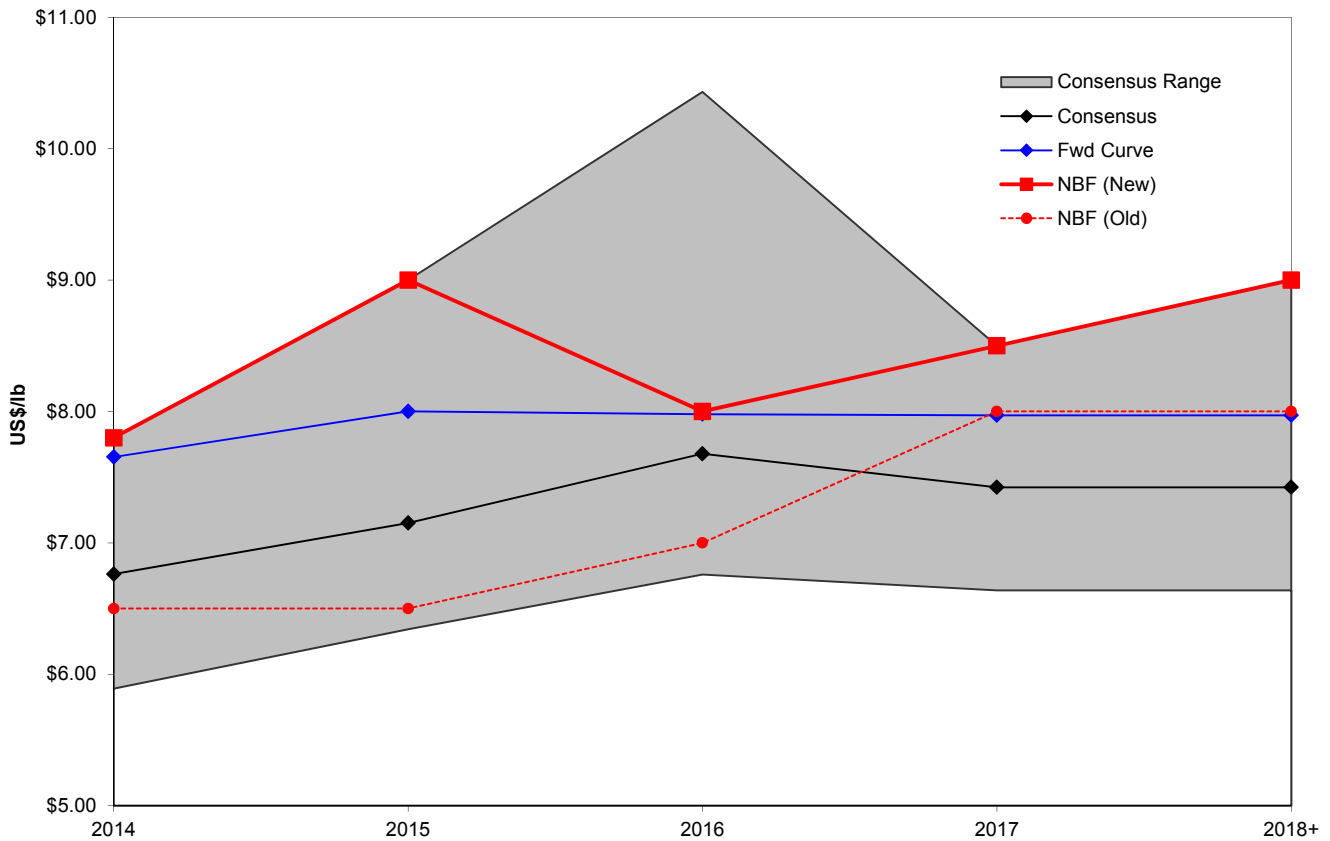
Source: Glencore, Bloomberg

Will the ban remain in effect? We believe so, based on a preliminary overview. A legislative election took place in Indonesia last week (April 9), but in our view, a new government as a driver for change in sentiment toward the mining export ban appears unlikely because the top 4 parties which led in the exit polls previously expressed support for the ban. Preliminary election results, to be confirmed by official results in May, suggest that 10 parties have won seats in parliament, up slightly from the nine parties which comprise the current government. The expected weak coalition government will be led by the PDI-P party. The New Democrat Party, which leads the current weak coalition government, dropped to fourth in the exit polls and has expressed support for PDI-P. The official election results in May will be followed by a Presidential election in July, in which the leader of the PDI-P party is favoured.

Unless the leading parties change their previously stated support for the mining ban, in our view, the change in government landscape and a new Indonesian president is expected to be immaterial with respect to the mining ban.

Economics of the mining ban may be a catalyst for compromise. A study conducted by the Support for Economic Analysis Development in Indonesia (SEADI), funded by USAID, expressed criticism of the ban in an April 2013 report, noting accumulated welfare losses on the mining industry on the order of \$33-\$34 billion by 2020. As an alternative to a wide spread export ban, the SEADI report advocates a selective policy, focused on specific minerals with the most value added by processing. SEADI notes that processing aluminum adds more value, but is expensive in terms of power; copper processing adds little value; and the value added by nickel processing is between aluminum and nickel. In light of the SEADI report, in our view if a compromise is made by the government, it will be made on copper before aluminum or nickel.

Figure 9 – New and Old NBF Nickel Price Forecasts vs. Consensus and Recent Forward Curve

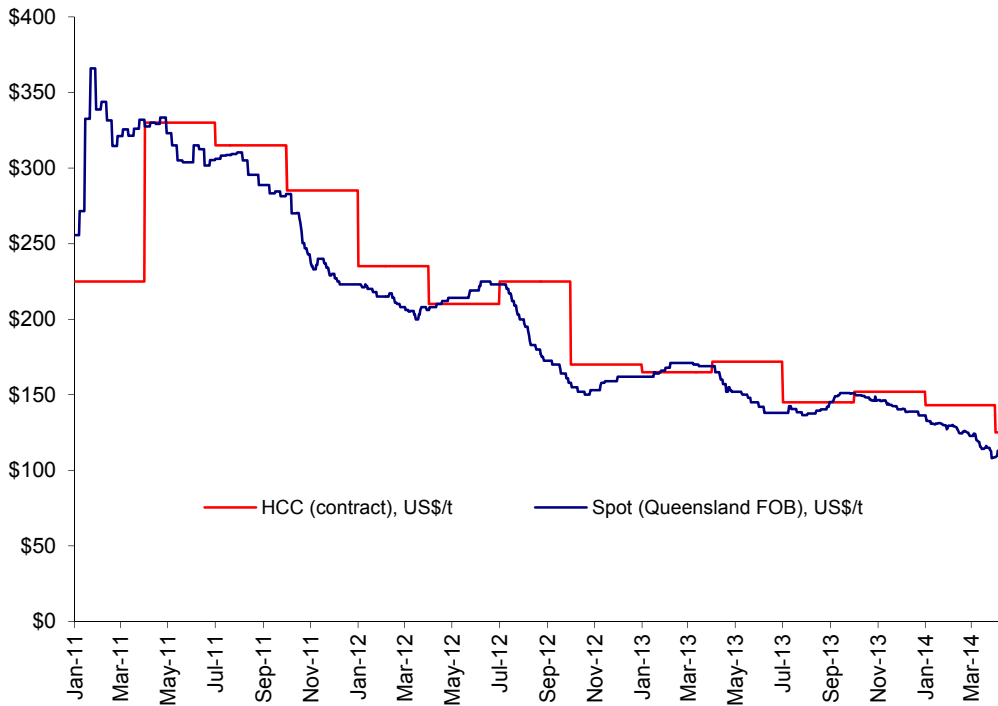


Source: Bloomberg, NBF Estimates

Metallurgical Coal – weak AUD, lack of supply disruptions and y/y decline in Chinese imports have created a perfect storm in recent month

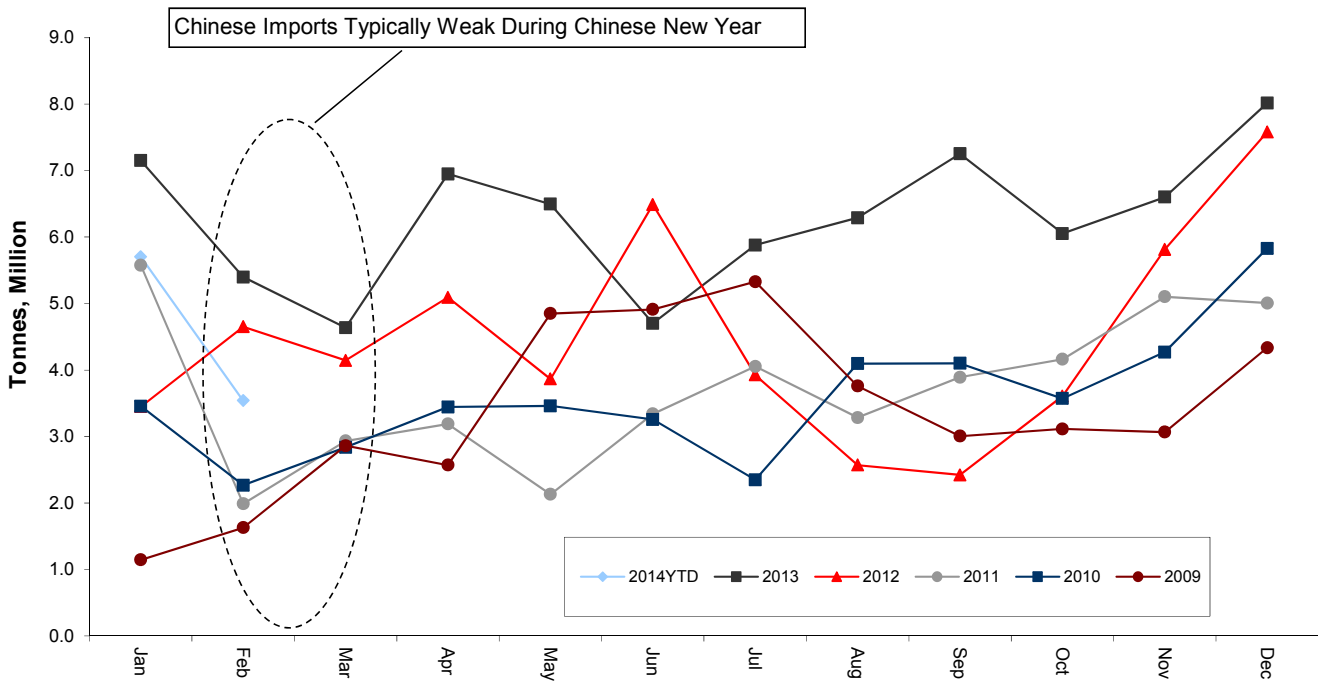
Spot metallurgical coal prices have fallen steadily since its peak in early 2011 with the recently announced Q2 2014 benchmark price of US\$120/t down from US\$143/t in Q1 2014. The market has remained well-supplied despite the wide spread expectation of production cuts - primarily out of higher cost operations in Australia. A weak Australian dollar and a slowdown in Chinese imports have continued to impact supply/demand fundamentals. We continue to price in some production cuts throughout H2 2014 and prices steadily returning towards all-in breakeven costs for the industry around US\$160/t by 2017.

Figure 10 – HCC contract prices down to US\$120/t in Q2 2014



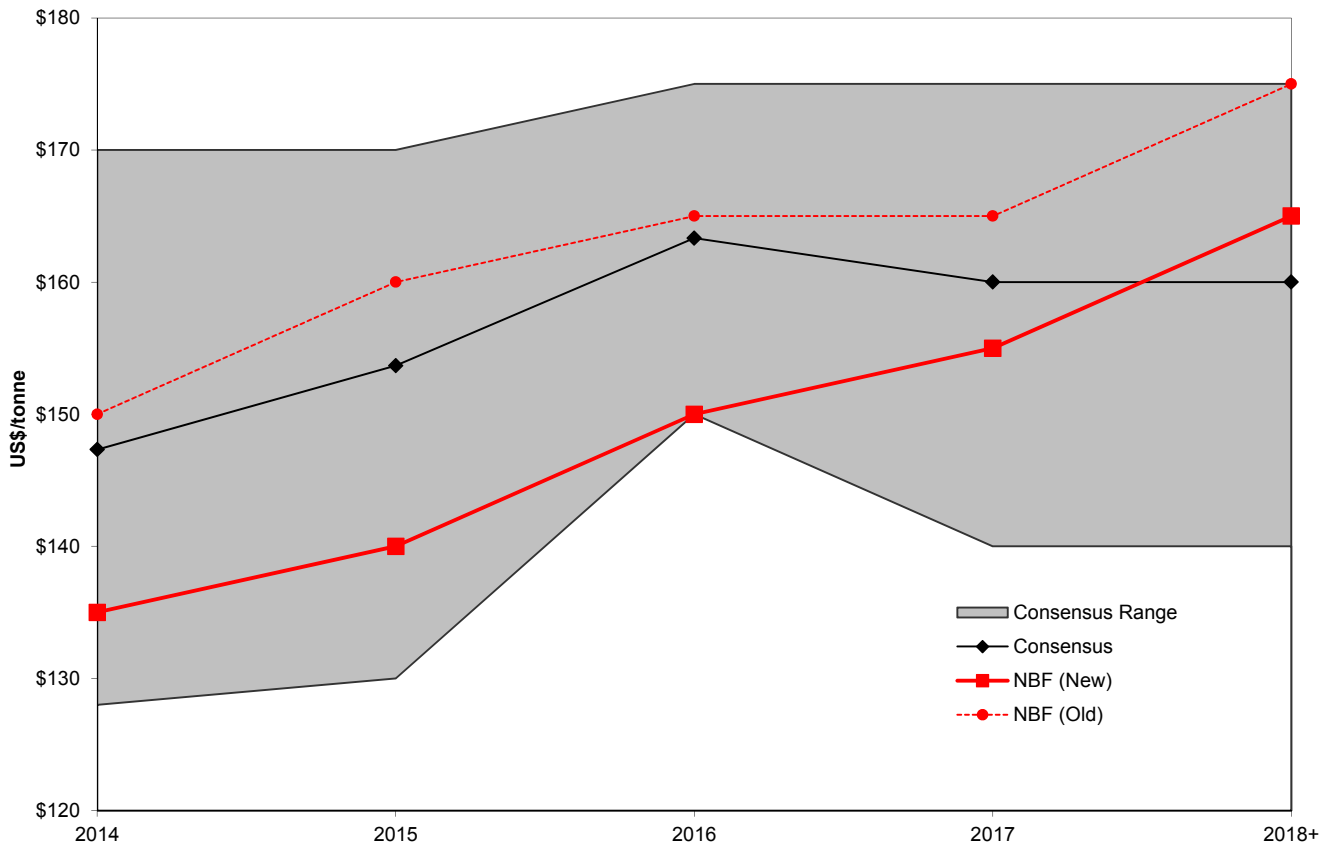
Source: Bloomberg/NBF

Figure 11 – Chinese Imports Down Y/Y



Source: Bloomberg/NBF

Figure 12 - New and Old NBF Hard Coking Coal Price Forecasts vs. Consensus



Source: Bloomberg/NBF