

Metal Prices, Currencies & Global Growth – Outlook for 2009-10



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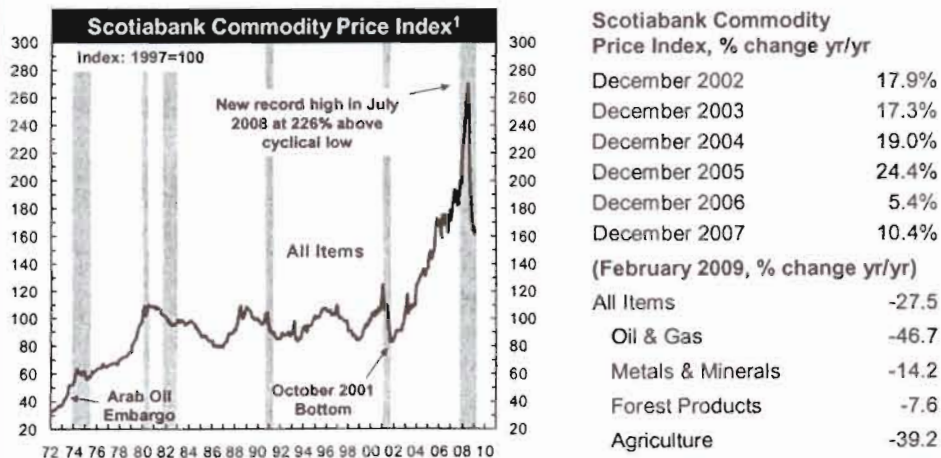
Frobisher Inn Conference Centre

Iqaluit, Nunavut

March 31, 2009


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Commodity Price Upswing Earlier This Decade On a Par With 1970's Expansion



A trade-weighted U.S. dollar-based index of principal Canadian exports
Shaded areas represent U.S. recession periods.

Scotiabank Commodity Price Index edged up in January, but retreated again in February.

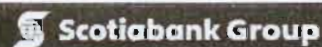
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Commodity Prices Retreat From Record High in July 2008

The 'Bull-Run' in commodities continued in 2008:H1 due to ongoing strength in China's GDP growth, under-investment in oil & gas and metals during the 1990s and delays in expanding capacity this decade.

Interest by investment funds in commodities as a 'hedge against a declining U.S. dollar' and a major rejuvenation in international grain & oilseed prices – linked to biofuel development and tight global supplies – also pushed up commodity prices. Crops grown for biofuels accounted for more than half the increase in global grain and oilseed consumption in 2005-07. Fertilizer prices (especially potash) rose to record levels.

However, after reaching a cyclical peak in July 2008, Scotiabank's Commodity Price Index plunged by a sharp 39% through December alongside a faltering global economy – ushered in by a U.S. and European banking crisis, deleveraging by financial institutions and much tighter global credit conditions. G7 economies are now contracting.

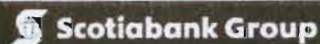


Hedge Funds Exit Oil & Metal Positions

While inter-bank lending has significantly improved since last fall – following government guarantees on inter-bank lending in Europe, government capital injections into financial institutions to shore up their balance sheets and massive central bank liquidity injections – tighter credit will contribute to a global contraction of about -1.0% in 2009, after 5.0% growth in 2006 and 2007. This will occur, even with relative strength in 'emerging markets' such as China, where GDP growth should still advance by 5.8% in 2009 – though well below the estimated 9.0% of 2008 and 13.0% of 2007.

The sudden and unusually sharp decline in commodity prices since the July peak reflects the exit of many hedge funds from long commodity 'futures' positions and 'commodity index-linked investments'—forced by fund redemptions and tighter credit – as well as a shift to record short positions by funds and trading companies.

On a more positive note, the Scotiabank Commodity Price Index rose by 1.7% in January 2009, as buying by China's State Reserve Bureau contributed to stronger grain and base metal prices and oil prices steadied. However, prices fell back again in February.



China -- Vital to Global Commodity Markets



Demand Growth in China (2007, % change)

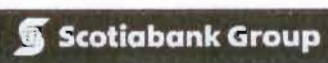
Crude Oil	4.6	Nickel	24.0
Copper	16.0	Aluminium	38.8
Slab Zinc	11.5	Iron Ore	10.3

China Industrial Production:

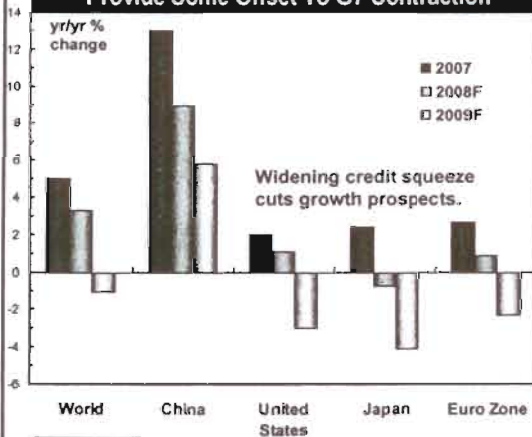
January/February 2009 3.8% yr/yr
(likely near a bottom)

G7 Industrial Production -9.2% (Dec)
 U.S. -11.2% (Feb)
 Japan -30.1% (Jan)
 Germany -19.2% (Jan)

China shifts policy in mid-September 2008 from preventing 'overheating' to supporting fast and steady growth; monetary policy has been eased decisively, while a massive fiscal stimulus package (infrastructure spending totaling 4.16 tr RMB from 2008:Q4 through 2010 – equivalent to 6% of nominal GDP in each of 2009 and 2010) was announced on Nov. 9, 2008. This spending has already been expanded. Measures to bolster 10 key industries (including nonferrous metals) were unveiled ahead of the National People's Congress on March 5, 2009.



'Emerging Markets' Should Provide Some Offset To G7 Contraction

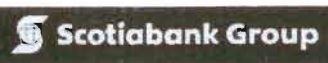


GDP (% per annum)

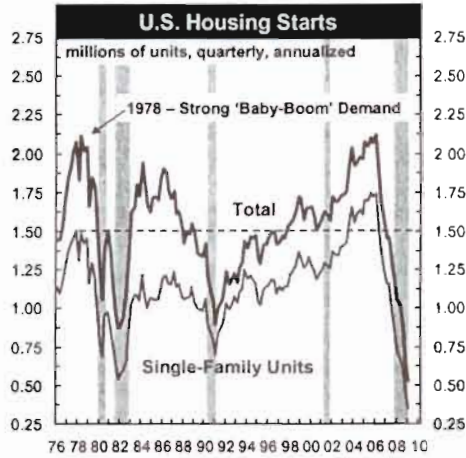
	2006	2007	2008e	2009F	2010F
WORLD*	5.1	5.0	3.3	-1.0	2.5
CANADA	3.1	2.7	0.7	-2.4	1.6
UNITED STATES	2.8	2.0	1.1	-3.0	1.8
CHINA	11.6	13.0	9.0	5.8	8.5
INDIA	9.6	9.0	6.5	5.0	6.5
SOUTH KOREA	5.0	5.0	2.5	-3.5	2.5

A 'seismic' shift in global growth has occurred from the G7 to 'emerging markets' this decade.

*Global GDP estimate based on "purchasing power parity," as used by the IMF. Average 1988-1997: 3.4% p.a. prior to the "economic take-off" in China and India.



U.S. Housing Downturn at Epicenter of U.S. Correction & Financial Market Crisis

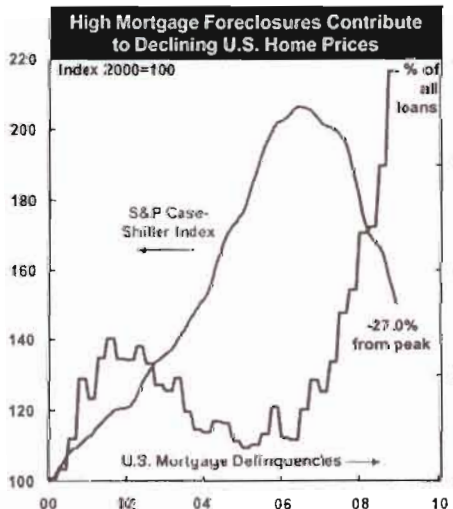


U.S. housing starts edge up to 583,000 units in February 2009, after falling in January to 477,000 – the lowest level since 1959. Shaded areas represent U.S. recession periods.

U.S. Housing Start Outlook (million units)	
2006	1.81
2007	1.34
2008F	0.90
2009F	0.55
2010F	0.80

Tighter U.S. lending standards, an end to private-label mortgage securitization, high existing home inventories (exacerbated by near-record foreclosures) and severe employment losses point to prolonged U.S. slowdown.

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Anatomy of the U.S. Sub-Prime Mortgage Meltdown

As house prices boomed in the middle part of this decade, mortgage originators relaxed underwriting standards and extended mortgages with low or no down payments to households with weak credit histories or that did not fully document their income. Many of these loans had low initial interest rates which were subsequently reset to market rates after several years, resulting in significantly higher monthly payments.

Had house prices continued to rise, many borrowers would have been able to refinance to avoid higher payments. However, the downturn in house prices meant that many did not have sufficient equity to refinance. Payment problems began to rise, triggering tighter credit terms and rising delinquencies.

A large part of U.S. mortgage debt in the middle of the decade was ultimately financed through securitization, with investors often heavily leveraged – resulting in a disconnect between lenders and the credit risk of particular borrowers.

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Stabilizing the U.S. Housing Market

As a key part of the economic recovery package, President Obama has unveiled measures to bolster the U.S. mortgage and housing markets.


Measures focus on two issues:

- 1) the 'availability' of U.S. mortgage credit, given the virtual shutdown of private mortgage securitization markets for non-GSE mortgage lending;

(Purchasers with strong credit histories and sufficient down payments can obtain a 'conforming' mortgage – one that can be sold to housing 'government-sponsored enterprises' – e.g. Fannie Mae, Freddie Mac and the FHLB system. Loans insured by the Federal Housing Administration (FHA) – securitized by Ginnie Mae – are also available to eligible borrowers. However, households without access to government-supported programs are having more difficulty obtaining a mortgage than in the past.)

- 2) measures to forestall further mortgage foreclosures, given the negative impact on individual households and the broader, destabilizing impact on overall home prices and mortgage credit conditions. Steadier home prices would encourage stepped-up buying by investors, reducing the inventory overhang of homes for sale.

(Recent data suggest that lenders initiated more than 2 ¼ million foreclosures in 2008 – more than double the number in 2006. 25% of subprime loans and 13% of near-prime loans are delinquent. The serious delinquency rate for prime mortgages – now at 3-4 per cent – reflects rising unemployment and the sharp downturn in the economy.)

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U.S. Initiatives Aimed at Preventing Foreclosures

Prior to President Obama's package, a number of steps had already been taken to facilitate mortgage refinancing. A group of private servicers, lenders and investors had agreed to adopt a streamlined approach to refinance mortgages that they service for GSEs.

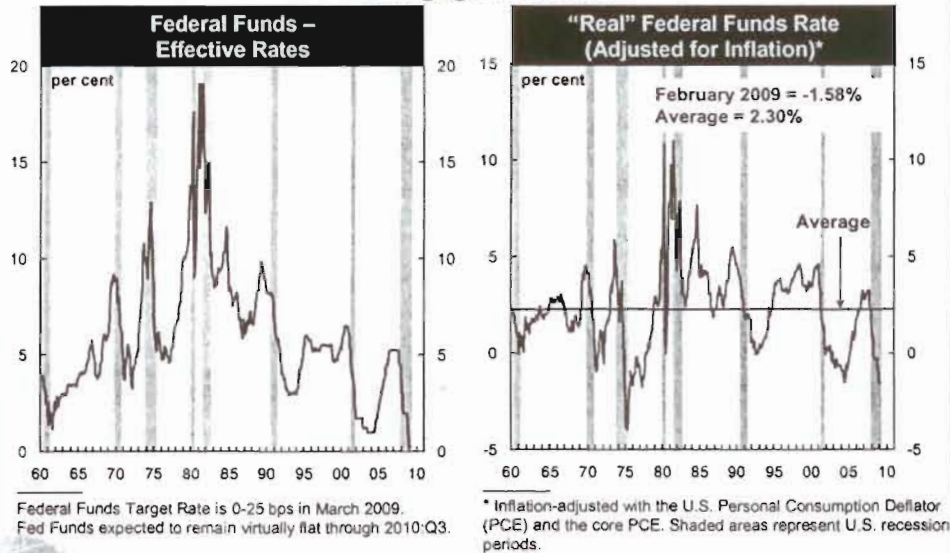
Under President Bush's "Housing and Economic Recovery Act of 2008" – enacted in July 2008 – the 'HOPE for Homeowners' (H4H) program provided a US\$300 bn mortgage guarantee program for 'at-risk' borrowers to refinance to more affordable loans with an FHA guarantee, after the mortgage provider agrees to a principle write-down of at least 13%; borrowers are required to pay back a portion to the U.S. government of any equity appreciation upon refinancing or sale. Use of this program has to date been limited. A tax credit of US\$7,500 for first-time homebuyers was also provided for any home purchased between April 9, 2008 and July 1, 2009 (repayable).

The Obama Administration unveiled a modest "Homeowner Affordability and Stability Plan" on February 18, 2009. Key initiatives under the plan include: 1) US\$75 bn in funding to curb further foreclosures by subsidizing mortgage interest rates for 'at-risk' borrowers (compensating banks and investors for half the cost of bringing down the borrower's monthly mortgage payment from 38% to a low of 31% of income); 2) allowing homeowners who took out 'conforming loans' with Fannie Mae and Freddie Mac to refinance their mortgages at today's lower interest rates, in cases where home equity has fallen below the previously required 20%; 3) all financial institutions receiving Financial Stability Plan assistance will be required to implement loan modification plans consistent with Treasury Guidance (outlined on March 4); 4) judicial modifications of home mortgages during bankruptcy proceedings will be permitted and 5) increasing the funding for Fannie Mae and Freddie Mac.

President Obama's economic stimulus package will provide an US\$8,000 tax credit for first-time homebuyers in 2009 (not requiring repayment, if retained for 3 years).

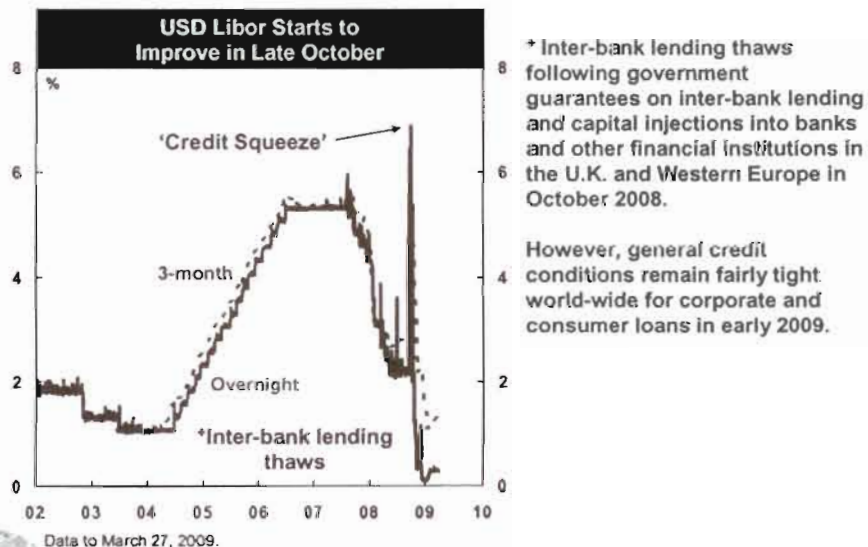
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The Fed Takes Action to Stem Fallout from Sub-prime Mortgage Meltdown



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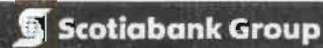
Credit Conditions Tighten Globally In September & October 2008



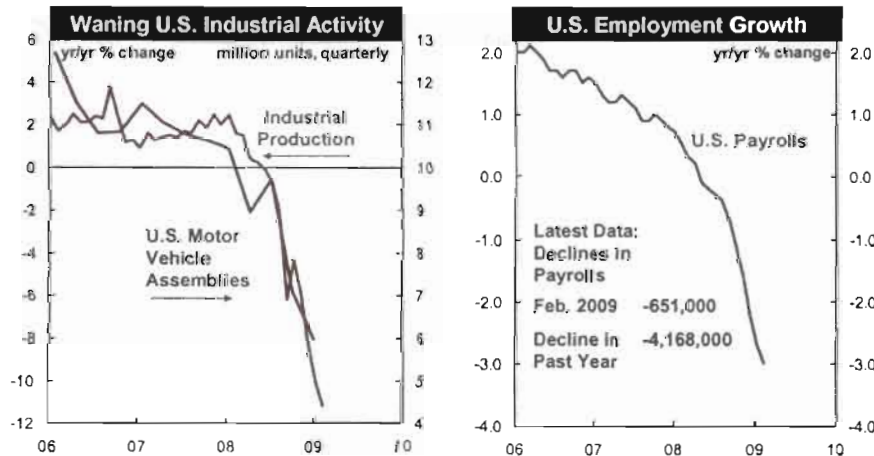
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Selected U.S. Treasury/Federal Reserve Board Measures To Restore Credit Flows and Bolster the Financial System (under the Obama Administration)

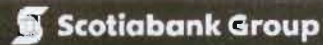
- 1) Term Asset-Backed Security Lending Facility (TALF) – to revitalize asset-backed securitization of consumer loans (auto, credit card) and certain small business loans; the Fed will lend to an investor, with the loan collateralized by newly-issued or recently-issued ABS (asset-backed securities); up to US\$1 trillion.
- 2) The Homeowner Affordability and Stability Plan and Guidelines on mortgage modification.
- 3) March 18, 2009 announcement by the Fed that it would expand its balance sheet by buying up to US\$300 bn of longer-term Treasury securities over the next six months ('quantitative easing' – for the first time involving Treasury bonds) – to lower long-term bond yields and mortgage rates – as well as increase its purchase of up to an additional US\$750 bn of agency mortgage-backed securities (e.g. from Fannie Mae and Freddie Mac).
- 4) March 23, 2009 Treasury unveiling of the 'Public-Private Partnership Investment Program' – targetted at making a market in the 'toxic real estate assets' of banks and other financial institutions that are at the centre of the recent crisis (up to US\$1 trillion).

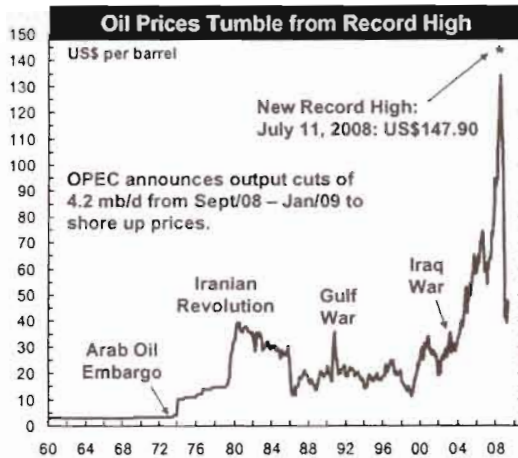


U.S. Economy Contracts



U.S. motor vehicle assemblies (including General Motors, Mitsubishi, Nissan...) totalled 8.7 million units in 2008, and are expected to drop to 6.6 million in 2009, before edging up to 7.1 million in 2010. Assemblies averaged about 12 million from 1993-2007.





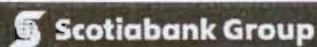
After a Weak 2009, Oil Prices Will Likely Rebound Medium-Term

1990-99	US\$19.69/bbl
2006	US\$66.22
2007	US\$72.32
2008	US\$99.62
2009F	US\$54
2010F	US\$65
2011	US\$75+

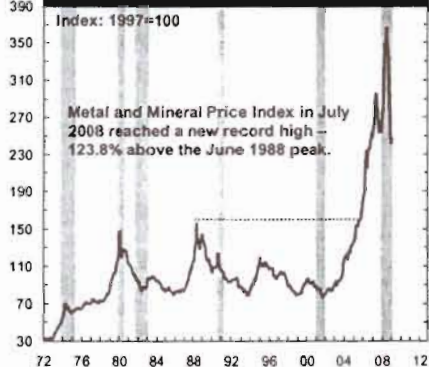
A global capital spending slowdown on oil field development in 2009, due to tighter credit and the slide in oil prices, sets the stage for a strong rebound in oil prices in 2011-13.

U.S. demand for gasoline shows signs of stabilizing (rising 1.1% yr/yr in latest 4 weeks); U.S. oil imports are also declining now, partly due to OPEC cutbacks.

Source: Scotiabank Commodity Price Index.
WTI on March 26, 2009: US\$54.10. Prices bottomed at US\$32.40 on December 19, 2008.

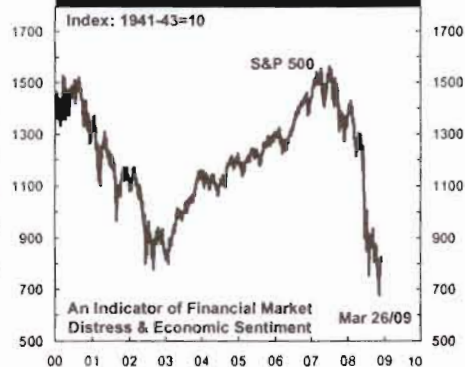


Scotiabank Metal and Mineral Price Index Retreats from Record

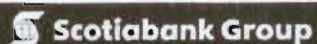


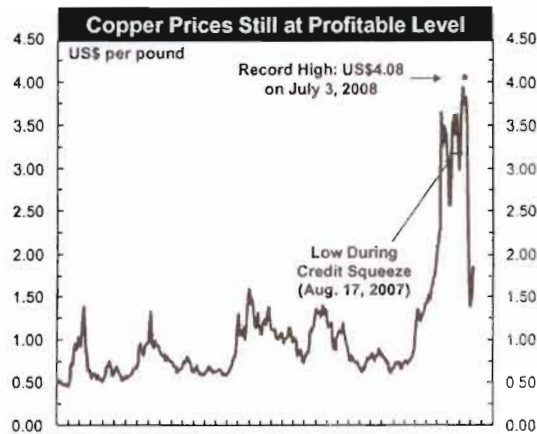
Shaded areas represent U.S. recession periods.
Latest data: February 2009.

U.S. Equity Markets Starting to Show Tentative Turnaround



Commodity prices recently fluctuate with equity markets.





LME cash settlement prices. * Latest data: March 26, 2009.

Buying by China's State Reserve Bureau boosts copper prices in January/February 2009.

Price Outlook

2007	US\$3.23
2008	US\$3.15
2009F	US\$1.65
2010F	US\$1.65

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Copper Prices Will Likely Outperform Other Base Metals

LME copper prices at almost US\$1.85 per pound on March 26, 2009 are at genuinely profitable levels – yielding a 26.5% margin over average world break-even costs including depreciation, interest expense & royalties. Prices have strengthened in early 2009, after falling as low as US\$1.26 on December 24 (well below the 90th percentile of direct cash costs) – triggering substantial production cuts and mine expansion deferrals. Roughly 750,000 tonnes of capacity has been curtailed.

Significant buying of copper by China's State Reserve Bureau – SRB (recently as much as 300,000 tonnes via intermediaries from Latin American and European copper suppliers) contributed to the rally in prices in 2009:Q1.

Base metal prices (especially copper) have also been lifted in March by anticipation that the worst of the U.S. 'banking and credit crisis' might be over – following initiatives by the U.S. Federal Reserve Board and the Treasury to lower long-term interest rates (partly through 'quantitative easing'), breathe life back into the U.S. mortgage market and remove 'toxic real estate assets' from the balance sheet of U.S. banks and other financial institutions. Sentiment has improved for an end to the U.S. recession by late 2009.


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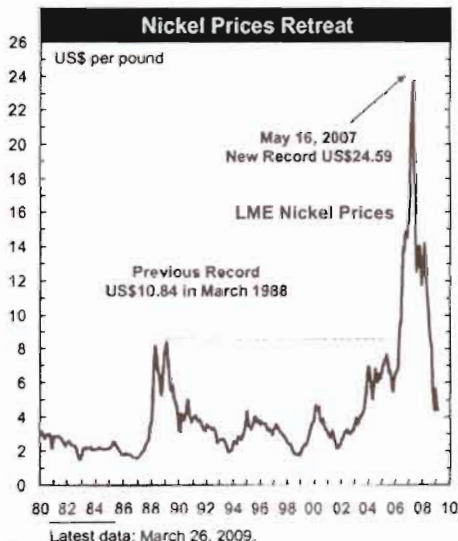
China's Copper Consumption Likely to Rise by 6% in 2009 and in 2010

China's copper consumption will decelerate from last year's 9% growth (16% in 2007) to only 6%, given lower exports to the G7 and substantial inventory liquidation in parts of its manufacturing sector (e.g. air conditioners) linked to a domestic housing correction and industry rationalization. However, this inventory correction should come to an end by mid-year and China's massive infrastructure spending program (particularly on power transmission in urban areas – as well as aluminium-intensive cross-country transmission) will provide some support for copper.

Japan's auto sector is dominated by export demand and, with declining car sales in the United States and Europe, Japan's auto makers have been forced to cut output (-41% in December). Copper consumption is also very weak in Western Europe (-9.6% expected in 2009).

LME copper inventories surged by 61% from 342,000 tonnes in early January to 550,000 tonnes in mid-February, but have receded to 503,900 tonnes in late March with stepped-up SRB buying and increased Chinese imports linked to tight scrap supplies and favourable price arbitrage (higher prices on the Shanghai Futures Exchange than on the LME). The build-up in global copper inventories this downturn is expected to be more modest than for nickel and aluminium (in terms of days of global consumption).


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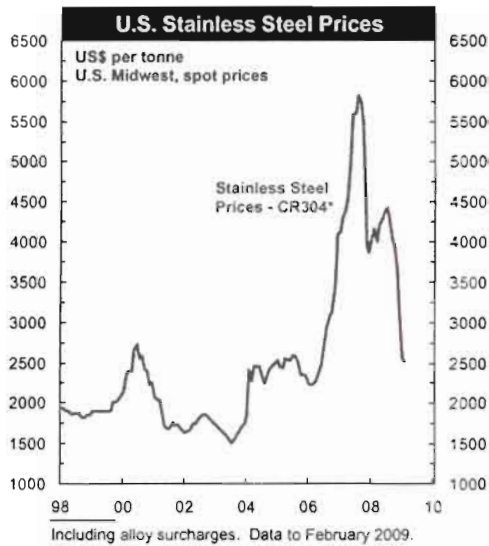


Stainless steel production slowdown in Asia and Europe pushes down prices in 2008/09.

Mine & refinery closures (at Ravensthorpe in Australia and Loma de Niquel in Venezuela) and delays in ramping up new projects (possibly at Goro and Onça-Puma) together with stronger consumption point to a modest rebound in prices by 2010.

LME Nickel Prices (US\$ per pound)	
2007	16.88
2008	9.57
2009F	4.20
2010F	4.80

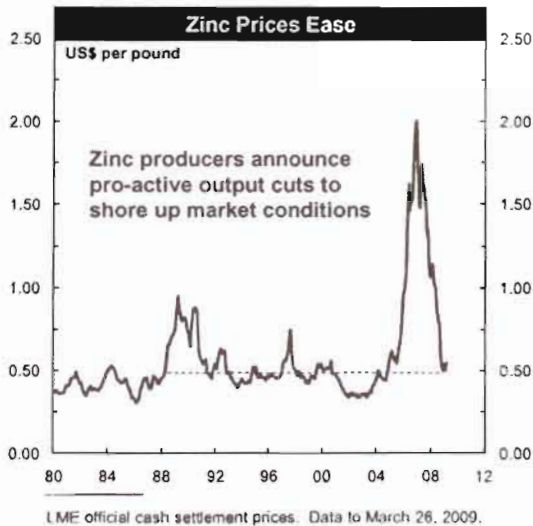
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Global capital spending slowdown in 2009 will pressure stainless steel prices. However, capital spending should reaccelerate early in the next decade.

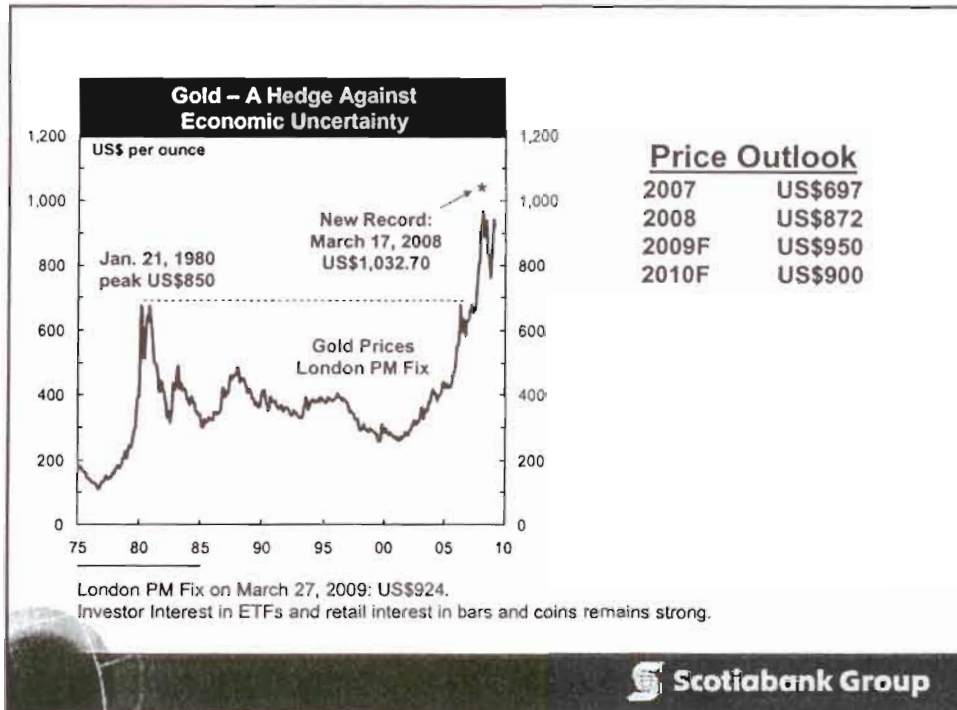
U.S. nickel surcharges on stainless steel prices dropped from US\$1.48 per pound in January 2008 to US\$0.54 in January 2009 and will likely fall further.

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LME Zinc Prices (US\$ per pound)	
2007	1.47
2008	0.85
2009F	0.55
2010F	0.65

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Gold Should Shine as 'Safe-Haven' in 2009

Gold prices (London PM Fix) – traditionally considered a store of value and a hedge against economic uncertainty – have held up better than base metal prices.

However, a stronger trade-weighted U.S. dollar (especially against the euro) from mid-July 2008 through November 20th -- linked to some improvement in the U.S. merchandise trade performance last summer, but more importantly to a counter-intuitive flight to the 'safe-haven' of U.S. Treasury securities during the height of the banking credit crisis last Fall, prevented gold from climbing back to its previous March 2008 record high of US\$1,032.70 and – in fact – pushed prices down.

A largely 'deflationary' economic environment, falling oil prices and the forced exit of many hedge funds from commodity market positions also contributed to a decline in gold prices to a low of US\$712.50 on October 24.


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Gold Prices Should Average Above US\$900 in 2009

Gold prices have subsequently rallied back, surging as high as US\$1,006 in intraday trading on February 20. Prices were pushed up by another global selloff in equity markets, triggered by concern over the stability of the U.S. banking industry.

While day-to-day prices remain volatile and have retreated to US\$924 on March 27, the big picture outlook for gold remains bullish in 2009. Prices will likely average above US\$900 in 2009 -- supported by two factors:

- 1) Asian and Middle East central banks and sovereign wealth funds could be less supportive of U.S. debt markets in the next 12-24 months, in view of large debt issuance to fund massive U.S. federal government budgetary deficits (US\$1.875 tr in FY2009 and at least US\$1.4 tr in FY2010). The U.S. dollar could come under pressure again as 2009 unfolds.
- 2) Concern over the eventual 'inflationary' consequences of the U.S. Federal Reserve Board's recent 'quantitative easing', essentially printing money, where cash is injected into U.S. financial markets without an offset.

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Canadian Dollar Slips Back as Commodity Prices Ease




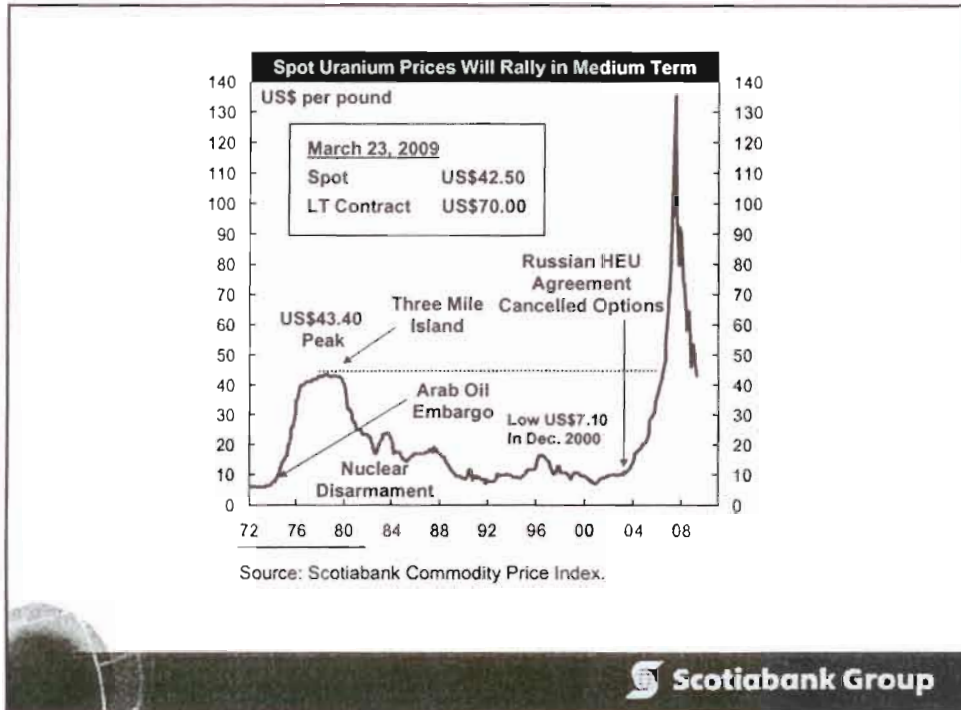
*Data to March 26, 2009.
Canadian dollar reached parity with the U.S. dollar on Sept. 20th, 2007

U.S. Dollar Strengthens Temporarily



U.S. dollar has rallied since mid-June, but is vulnerable to further correction against key currencies later in 2009 due to ballooning U.S. budgetary deficit (over US\$1.875tr in FY2009 and at least US\$1.4tr in FY2010).

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Spot Uranium Prices Will Rally in Medium-Term

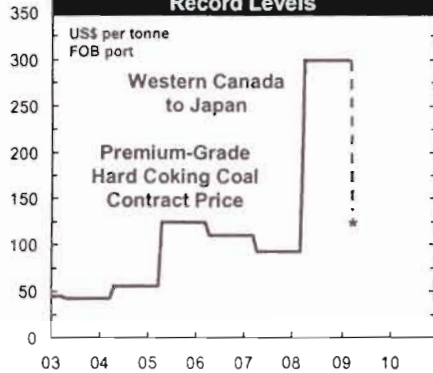
Spot uranium prices have lost ground since late last year, falling from US\$55 per pound in early December 2008 to US\$42.50 in late March. However, long-term contract prices (prior to escalation) remain lucrative at US\$70.

Market conditions have turned quiet due to a low level of 'uncovered utility requirements' in 2009, given the re-stocking and term contracting of recent years. At the same time, credit constraints and recessionary conditions have likely resulted in some sellers accepting low prices.

However, three developments point to firmer prices in the medium-term: 1) India will return as an importer of uranium concentrates in 2009 after more than a 30-year absence, given approval by the World Nuclear Suppliers Group, and has now signed bilateral nuclear cooperation agreements with the United States, France and Russia (from whom it may import concentrates and equipment). Canada requires a similar agreement. India has been operating its nuclear reactors at 50% of capability, given inadequate domestic uranium supplies, and has huge nuclear power expansion plans. 2) Delays in commissioning the Cigar Lake project and in Olympic Dam expansion will dramatically tighten world supplies around 2011-13; and 3) Higher capital and operating costs will lift the medium-term floor on prices.

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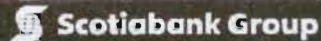
Western Canadian Coking Coal Prices Poised to Drop From Record Levels



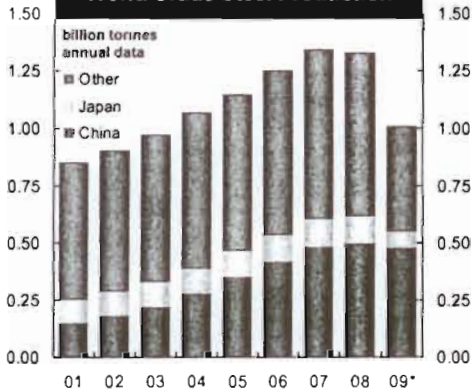
Prices leapt to record US\$300 in April 2008 from US\$93.
*Forecast JFY 2009: US\$126-127.

In annual contract negotiations with Japanese steel mills, the BHP Billiton Mitsubishi Alliance (BMA) and Nippon Steel (the world's number two steelmaker) have reportedly settled the price of premium-grade hard coking coals at about US\$128-129 per tonne for JFY 2009 – 57% below the US\$300 of JFY2008. However, the outcome is better-than-expected, in view of a 22% yr/yr plunge in global carbon steel production.

This suggests a price of about US\$126-127 for Western Canada's premium-grade hard coking coal for JFY2009 – down from US\$300. Prices are lucrative compared with operating costs and remain above the previous peak in JFY2005.

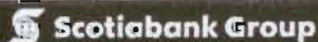
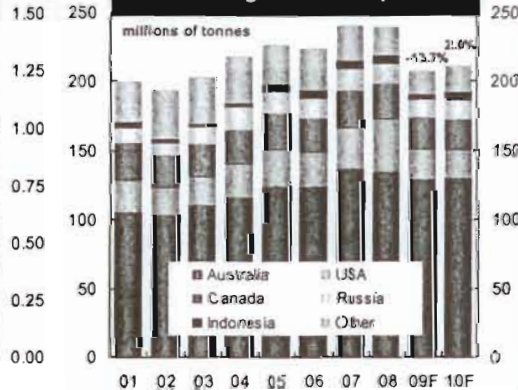


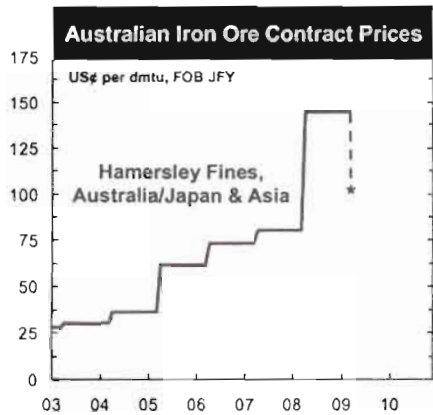
World Crude Steel Production



* February 2009 annualized.

Metallurgical Coal Exports



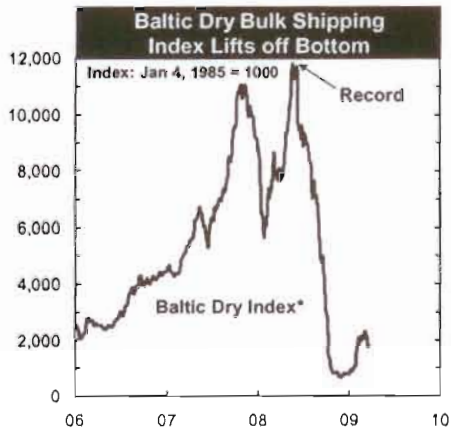


JFY 2009 forecast: 100 US\$/dmtu; 2010: 106 US\$.

Iron ore prices in European and Asian markets are expected to decline by 20-35% in JFY2009 (depending upon the grade). As an example, Tubarao (Brazil) pellets bound for Europe will likely decline by 35% in FY2009.

However, prices should rebound moderately in 2010. Market conditions are expected to be strong medium-term, given a likely decline in Indian exports to China, with India retaining more of its own production for domestic use.

China dominates world steel production and accounts for 49% of global iron ore imports.



*A composite of the Baltic Capesize, Panamax, Handymax and Supramax Bulkcarrier Indices.

China steps up its iron ore imports to record levels in February 2009, anticipating stronger steel demand from Beijing's infrastructure spending program, as 2009 unfolds.



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 - In-house technical expertise with a senior mining engineer and a geologist
 - Supported by Scotia Capital's 18-person M&A advisory group

Corporate Banking – Global Mining

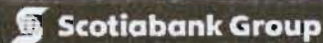
- Among top 3 lenders to the North American mining sector (#1 in Canada)
- International presence with coverage from Toronto of Canada, the United States, Mexico, South America and Europe.

Major International Banking Presence

- In Mexico via "Grupo Financiero Scotiabank Inverlat, S.A. de C.V.", in Chile via "Scotiabank Sudamericano" and in Peru via "Scotiabank Perú" – the third largest bank in Peru.

Precious Metals Trading

- ScotiaMocatta ranks second in global precious metals trading and first in physical trading and is a member of the Shanghai Gold Exchange.
- Scotia Capital offers tailor-made solutions for Base Metal risk management strategies in London and Toronto.



Scotia Capital Mining Investment Banking

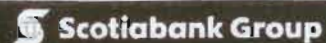
Recent Equity Leads

 US\$163,000,000 Common Shares Co-Bookrunner Scotia Capital September 2008	 C\$22,001,200 TSX IPO - Common Shares Sole Bookrunner Scotia Capital February 2008	 C\$34,256,035 Units Sole Bookrunner Scotia Capital January 2008	 C\$50,025,000 Common Shares Sole Bookrunner Scotia Capital November 2007	 C\$65,520,000 Common Shares Sole Bookrunner Scotia Capital November 2007
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Recent Advisory Transactions

 Evaluating an unsolicited tender offer and identifying potential alternatives to enhance shareholder value Financial Advisor Scotia Capital Pending	 In merger with to create a company with a combined market capitalization of C\$550,000,000 Financial Advisor Scotia Capital Pending	 Non-issuance US\$1,200,000,000 Financial Advisor Scotia Capital October 2008	 Non-completion to release of the Beak Creek Project by acquiring the remaining 50% interest from Rio Tinto US\$75,000,000 Financial Advisor Scotia Capital July 2008	 Has acquired 100% of the L&L of Free Silver Properties from the business unit of US\$350,000,000 Financial Advisor Scotia Capital May 2008
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Strong Commitment to the Sector



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