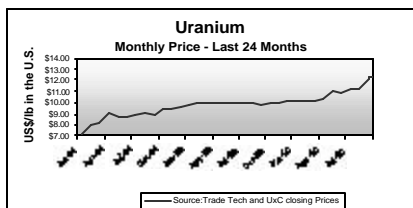
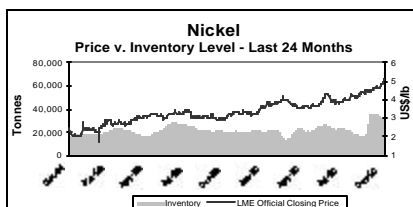
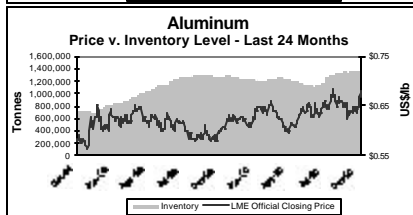
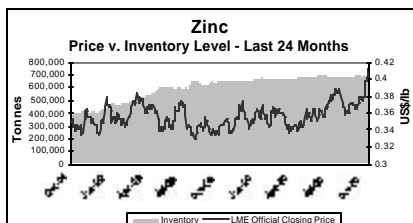
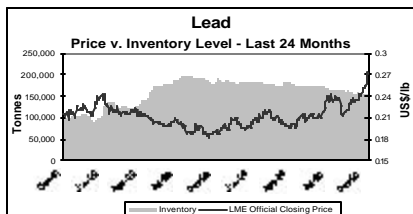
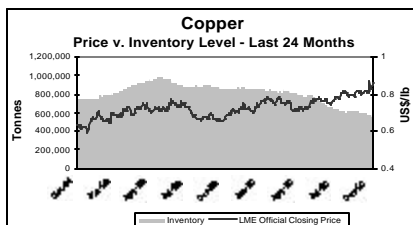


METALS MORNING NOTE

OCTOBER 16, 2003

Salman
Partners

COMMODITY UPDATES



| | GOLD | SILVER | PLATINUM | PALLADIUM |
|----------------------|------------|-----------|------------|------------|
| Spot (US\$/Oz) | \$372.13 ↓ | \$4.94 ↑ | \$724.50 ↓ | \$182.50 ↓ |
| Futures (US\$/Oz) | \$373.10 ↓ | \$4.95 ↑ | \$721.20 ↓ | \$191.65 ↓ |
| 12-Month Lease Rates | 0.4660% ↑ | 1.1250% ↑ | 7.6750% ↑ | 1.4250% ↑ |

| (US\$/lb) | COPPER | LEAD | ZINC | H.G. ALUMINUM | NICKEL |
|-------------------|-----------|-----------|-----------|---------------|-----------|
| LME Cash | \$0.880 ↓ | \$0.264 ↓ | \$0.412 ↑ | \$0.670 ↑ | \$5.010 ↑ |
| LME 3 Month | \$0.887 ↓ | \$0.262 ↓ | \$0.417 ↑ | \$0.673 ↓ | \$4.958 ↓ |
| LME Inventory (T) | 547,725 ↓ | 154,275 ↓ | 700,075 ↑ | 1,372,575 ↓ | 32,142 ↓ |
| Inv. CHANGE (T) | -2,525 | -300 | 740 | -2,250 | -36 |

| (US\$/ton) | THERMAL COAL (15/10/03) | ELECTRICITY PRICES (\$ / MW-hr) (15/210/03) | |
|-------------------------|----------------------------|--|------------------|
| NYMEX Thermal Coal | \$35.25 ↓\$0.15 | On-Peak Mid-Columbia Power (US\$) | \$38.24 ↓\$1.28 |
| Eastern US-BSB | \$35.25 - | Ontario Energy Price 4:30 PM EST (Cdn\$) | \$55.32 ↓\$32.16 |
| Western US-Powder River | \$7.15 - | URANIUM (US\$/lb) | \$12.30 - |

COMPANY NEWS

Inco Ltd. (N - TSX - Cdn\$41.25) – 183.92 M Shares Outstanding

Expected shortfalls in earnings are “one-off” events. However, the market is likely to want to punish Inco, providing a buying opportunity

Event: After the market closed yesterday, Inco warned that, in part because of unexpected technical problems in restarting its operations in Sudbury, Ontario following last summer’s strike:

- (a) the company’s earnings in Q3 2003 (to be reported October 21) would be reduced by US\$0.10 to US\$0.15 per share;
- (b) Inco’s overall cash costs of producing a pound of nickel in 2003 would be US\$2.20 to \$2.25 per pound, up from previous guidance of US\$2.05 per pound.

Earnings surprise: Inco has not previously given guidance for Q3 earnings. Consensus expectations are for a loss of about US\$0.04 per share, so Inco’s announcement implies a loss of US\$0.14 to US\$0.19 in the quarter.

Cost surprise: The company seems reasonably confident that the technical difficulties are now behind them. However, in Q4, the company forecasts that costs at Sudbury will remain higher than had been previously expected, because:

- (a) the Canadian dollar has been stronger than expected;
- (b) the cost of purchased smelter feed has been higher than expected because the price of nickel has been higher than expected;

DISCLAIMER NOTE: IN ACCORDANCE WITH NASD RULE 2711 AND THE PROPOSED IMPLEMENTATION OF IDA POLICY No. 11, SALMAN PARTNERS INC. REFERS THE READER TO OUR WEBSITE (WWW.SALMANPARTNERS.COM) FOR OUR FIRM’S SPECIFIC POLICIES AND PROCEDURES IN RESPECT OF RESEARCH ANALYSTS AND RESEARCH REPORTS. WITH RESPECT TO THE INDIVIDUAL COMPANY DISCLOSURE REQUIREMENTS, PLEASE REFER TO THE SPECIFIC INDIVIDUAL COMPANY REPORT LOCATED ON OUR WEBSITE.

Haytham Hodaly, B.A.Sc., M.Eng.
Senior Mining Analyst
hhodaly@salmanpartners.com
(604) 622-5279

Raymond Goldie, Ph.D. Geology
Senior Mining Analyst
rgoldie@salmanpartners.com
(416) 214-2749

Rodney Stevens, B.Com.
Research Associate
rstevens@salmanpartners.com
(604) 622-5274

COMPANY NEWS (CONTINUED)

Inco Ltd. (cont...)

- (c) the cost of purchased smelter feed has been higher than expected because the price of nickel has been higher than expected;
- (d) because the “pipeline” from mining to production is a long one for by-product precious metals, by-product credits will be lower than usual in Q4.

Investment implications: The market is likely to assume the worst for Q3, a US\$0.15 reduction in EPS. And, in the absence of guidance from the company, the market is likely to assume a similar reduction in Q4 EPS. The following points suggest that the market should put a multiple of only 1.0 on these reductions in earnings expectations:

- (a) The start-up problems were a one-off event. Further problems should be few.
- (b) The strength in the Canadian dollar and in the price of nickel should not come as a surprise to the market.
- (c) By-product credits should return to normal levels some time in Q1 2004 as the “pipeline” fills.

However, the market is likely to want to punish Inco for not having anticipated and prepared for its start-up problems. A likely “punishment” would be a further reduction of 50% to 75% of the earnings surprise.

We therefore guess that the market could reduce Inco’s share price today by US\$0.15 plus US\$0.15 times one, plus 50% to 75%, or US\$0.45 to US\$0.53 (Cdn\$0.60 to Cdn\$0.70).

Recommendation: Aside from reacting to corporate developments (such as yesterday’s announcements), Inco’s shares tend to trade as if there were options on nickel. We see further upside to nickel prices and, hence, to Inco’s share price. Inco’s shares remain on our BUY list.

Both Inco’s difficulties, and Inco’s expression of belief that the current boom in nickel prices is underpinned by strong growth in end-user demand, are positive news for other nickel companies such as **Altius Minerals** (ALS – TSX-v, which has a royalty interest, of at least 0.225%, in the revenues from Inco’s Voisey’s Bay project), **Canico**, **Dynatec**, **Falconbridge Limited**, **FNX Mining**, **LionOre Mining International** and **Sherritt International**.

Salman Partners Inc., or a partner, director, officer, employee, or the research analyst referenced herein, have not provided services, including investment banking services to the company herein during the past 24 months, but may receive or may seek compensation for investment banking services from the company herein within the next 3 months.

Noranda Inc. (NRD – TSX - Cdn\$16.10) – 244.4 M Shares Outstanding

Event: Noranda has announced that it plans to reduce production at its Horne copper smelter in northwestern Quebec (see photo below) in the period between now and June 30 2004.

Comment: The cuts reflect the growing global shortage of smelter feed.

Investment implications:

- (a) We continue to speculate that when the Louvicourt mine of **Aur**, **Novicourt** and **Teck Cominco** closes (shut-down is scheduled for early 2005), further reducing Horne’s source of feedstock, Noranda is likely to shut either Horn or Falconbridge’s nearby Kidd Creek copper smelter (the latter being the more likely of the two to be closed).
- (b) Noranda’s announcement highlights the enviable position of suppliers of copper concentrate, such as **Inmet Mining** and **Amerigo Resources**.

COMPANY NEWS (CONTINUED)

Noranda Inc. (cont...)



Photo courtesy Noranda Inc.

Salman Partners Inc., or a partner, director, officer, employee, or the research analyst referenced herein, have not provided services, including investment banking services to the company herein during the past 24 months, but may receive or may seek compensation for investment banking services from the company herein within the next 3 months.

COMING UP

October 16: Bema Gold Corporation conference call to discuss Kupol drill results @ 10 am PST 1-888-458-1598

EARNINGS CALENDAR

October 17: Falconbridge Limited Q3 Results and Conference Call 3:00 p.m. EDT
First Call Estimates=Cdn\$0.24/share

October 21: Inco Limited Q3 Results and Conference Call 3:00 p.m. EDT. First Call Estimates = US\$(0.06)/share
Goldcorp Q3 Results. First Call Estimates = US\$0.10/share

October 22: Teck Cominco Ltd. Q3 Results. First Call Estimates = Cdn\$0.08/share
Fording Canadian Coal Trust Q3 Results. First Call Estimates = Cdn\$0.21/share
Meridian Gold Inc. Q3 Results. First Call Estimates = US\$0.09/share
Goldcorp Conference Call at 8:30 am EDT

EARNINGS CALENDAR

| | |
|-------------|--|
| October 23: | Teck Cominco Ltd. Q3 Conference Call 11:00 a.m. EDT Fording Canadian Coal Trust Q3 Conference Call 10:00 a.m. EDT Noranda Inc. Q3 Results and Conference Call 8:30 a.m. EDT. First Call Estimates=Cdn\$-0.04/share Meridian gold Inc. Q3 Conference Call 9:00 am EDT Inmet Mining Q3 Results and Conference Call 3:30 pm EDT. First Call Estimates=Cdn\$0.12/share |
| October 27: | Barrick Q3 Results and Conference Call 5 pm EDT. First Call Estimates = US\$0.06/share |
| October 28: | Cameco Corporation Q3 Results. First Call Estimates = Cdn\$0.51/share |
| October 29: | Cameco Corporation Q3 Conference Call 9:00 a.m. EDT Agnico-Eagle Q3 Results. First Call Estimates = US\$0.03/share Placer Dome Inc.Q3 Results. First Call Estimates = US\$0.09/share |
| October 30: | Agnico-Eagle Mines Ltd. Q3 Conference Call 11:00 a.m. EDT Placer Dome Inc.Q3 Conference Call 9:00 a.m. EDT |
| November 6: | Kinross Gold Corp. Q3 Results First Call Estimates = US\$0.02/share |

COMPANY FORECASTS

| Company | Reporting Currency | Ticker | Price (Cdn\$) | 52-Week Range (Cdn\$)* | FPS | | P/FPS | | CFPS | | P/CFPS | | Recommendation | Target Price (Cdn\$) |
|------------------------------|--------------------|--------|---------------|------------------------|----------|----------|-------|------|----------|----------|--------|------|----------------|----------------------|
| | | | | | 2003f | 2004f | 2003 | 2004 | 2003f | 2004f | 2003 | 2004 | | |
| Precious Metals | | | | | | | | | | | | | | |
| Agnico-Eagle Mines Ltd. | US\$ | AGE | \$16.73 | \$14.14-\$24.94 | (\$0.03) | \$0.38 | nmf | nmf | \$0.25 | \$0.77 | 50.5 | 16.4 | BUY | \$20.00 |
| Barrick Gold Corp. | US\$ | ABX | \$24.60 | \$20.90-\$28.95 | \$0.36 | \$0.20 | 51.6 | nmf | \$1.29 | \$0.98 | 14.4 | 18.9 | HOLD | \$27.00 |
| Eldorado Gold Corporation | US\$ | ELD | \$3.69 | \$1.26-\$3.84 | \$0.03 | \$0.00 | nmf | nmf | \$0.04 | \$0.05 | nmf | nmf | BUY | \$4.50 |
| Gabriel Resources Ltd. | Cdn\$ | GRU | \$3.68 | \$1.65-\$5.10 | nmf | nmf | nmf | nmf | nmf | nmf | nmf | nmf | HOLD | \$7.25 |
| Goldcorp Inc. | US\$ | G | \$19.46 | \$13.86-\$21.40 | \$0.35 | \$0.34 | 42.0 | 43.2 | \$0.49 | \$0.50 | 30.0 | 29.4 | HOLD | \$18.00 |
| IAMGOLD Corp. | US\$ | IMG | \$8.40 | \$4.86-\$9.00 | \$0.16 | \$0.15 | 39.6 | 42.3 | \$0.32 | \$0.33 | 19.8 | 19.2 | HOLD | \$8.75 |
| Kinross Gold Corp. | US\$ | K | \$10.22 | \$2.41-\$12.08 | (\$0.07) | (\$0.03) | nmf | nmf | \$0.46 | \$0.49 | 16.8 | 15.7 | SELL | \$8.00 |
| Meridian Gold Inc. | US\$ | MNG | \$15.64 | \$12.71-\$28.53 | \$0.38 | \$0.37 | 31.1 | 31.9 | \$0.79 | \$0.61 | 14.9 | 19.3 | SELL | \$16.25 |
| Nevsun Resources Ltd. | US\$ | NSU | \$5.90 | \$0.91-\$5.40 | nmf | nmf | nmf | nmf | nmf | nmf | nmf | nmf | UNDER REVIEW | |
| Pan American Silver Corp. | US\$ | PAA | \$13.46 | \$7.16-\$15.40 | \$0.03 | \$0.18 | nmf | nmf | \$0.12 | \$0.33 | nmf | 30.8 | HOLD | \$15.00 |
| Placer Dome Inc. | US\$ | PDG | \$18.49 | \$12.66-\$19.85 | \$0.43 | \$0.29 | 37.4 | 48.1 | \$0.85 | \$0.95 | 16.4 | 14.7 | BUY | \$21.00 |
| Base Metals and Other | | | | | | | | | | | | | | |
| Aur Resources Inc. | US\$ | AUR | \$5.28 | \$2.20-\$5.14 | \$0.04 | \$0.23 | nmf | 17.3 | \$0.65 | \$0.85 | 6.1 | 4.7 | HOLD | \$4.25 |
| Cameco Corporation | Cdn\$ | CCO | \$53.35 | \$28.85-\$52.40 | \$2.91 | \$5.24 | 18.3 | 10.2 | \$0.70 | \$5.52 | nmf | 9.7 | BUY | \$71.75 |
| First Quantum Minerals Ltd. | US\$ | FM | \$9.85 | \$7.80-\$9.00 | \$0.13 | \$0.34 | nmf | 21.9 | \$0.32 | \$0.59 | 23.2 | 19.6 | BUY | \$8.75 |
| Hillsborough Resources Ltd. | Cdn\$ | HLB | \$0.40 | \$0.175-\$0.485 | \$0.03 | \$0.06 | 13.3 | 6.7 | \$0.06 | \$0.09 | 6.7 | 4.4 | UNDER REVIEW | |
| Inco Ltd. | US\$ | I | \$41.25 | \$24.59-\$39.75 | \$0.63 | \$2.07 | 49.4 | 15.0 | (\$0.63) | (\$0.28) | nmf | nmf | BUY | \$41.50 |
| Inmet Minina | Cdn\$ | IMN | \$11.00 | \$3.75-\$10.00 | \$1.86 | \$1.46 | 5.9 | 7.5 | \$2.65 | \$2.08 | 4.2 | 5.3 | BUY | \$11.50 |
| Ivanhoe Mines Ltd. | US\$ | IVN | \$11.25 | \$2.45-\$9.37 | (\$0.66) | n/a | nmf | n/a | (\$0.01) | n/a | nmf | n/a | BUY | \$7.35 |
| Sherritt International Corp. | Cdn\$ | S | \$5.17 | \$3.96-\$5.25 | \$1.00 | \$0.85 | 5.2 | 6.1 | \$2.06 | \$1.92 | 2.5 | 2.7 | BUY | \$6.50 |
| Teck Cominco Ltd. | Cdn\$ | TEK.B | \$16.58 | \$10.05-\$16.00 | \$0.40 | \$0.80 | 41.5 | 20.7 | \$1.78 | \$2.26 | 9.3 | 7.3 | UNDER REVIEW | \$13.25 |

Note: Multiples are based on a Cdn\$ share price, converted using the current exchange rate. All earnings and cash flow estimates in US\$, except for GRU, CCO, HLB, IMN, S, and TEK.B.

*As of October 9, 2003.

Note: Inco, Inmet and Cameco's CFPS estimates are free cash flows.

Note: All target prices, excluding Eldorado Gold Corp. and IAMGOLD Corp., are currently based on a US\$325 long term gold price assumption - These will be revised to reflect a US\$350 per ounce gold price shortly.



Suite 2230
885 West Georgia Street
Vancouver, B.C. V6C 3E8
Tel: (604) 685-2450 • Fax (604) 685-2471

Suite 802
110 Yonge Street
Toronto, Ontario M5C 1T4
Tel: (416) 861-1270 • Fax: (416) 861-1935

Suite 4450
888 3rd Street S.W.
Calgary, Alberta T2P 5C5
Tel: (403) 261-6065 • Fax: (403) 261-6069

www.salmanpartners.com

The opinions, estimates and projections contained herein are those of Salman Partners Inc. as of the date hereof and are subject to change without notice. Salman Partners makes every effort to ensure that the contents herein have been compiled or derived from sources believed reliable and contain information and opinions which are accurate and complete. However, Salman Partners makes no representation or warranty, express or implied, in respect thereof, takes no responsibility for any errors and omissions which may be contained herein and accepts no liability whatsoever for any loss arising from any use of or reliance on this report or its contents. Information may be available to Salman Partners which is not reflected herein. This report is not to be construed as an offer to sell, or solicitation for or an offer to buy, any securities. Salman Partners, its affiliates and/or their respective officers, directors or employees may from time to time acquire, hold or sell securities mentioned herein as principal or agent. Salman Partners may act as financial advisor and/or underwriter for certain of the corporations mentioned herein and may receive remuneration for same.

TO U.S. RESIDENTS:

Salman Partners Inc. accepts responsibility for the contents herein, subject to the terms as set out above. Any U.S. person wishing to effect transactions in any security discussed herein should do so through a registered U.S. securities dealer.
