Metal Prices, Currencies & Global Growth – Outlook 2014-15

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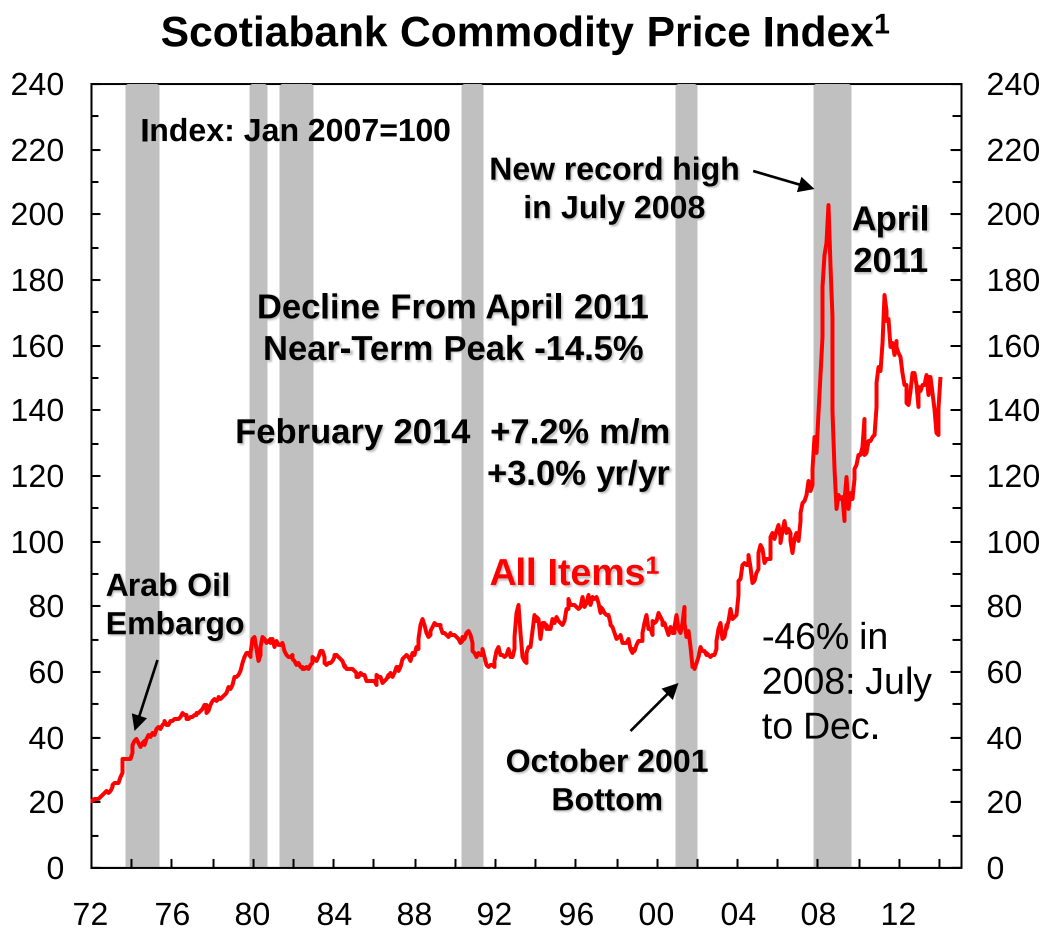
Scotiabank's Commodity Price Index Lost Momentum in 2013, But Is Bottoming Now



1. A trade-weighted U.S. dollar-based Index of principal Canadian commodity exports, including Oil & Gas (39.9% weight), Metals & Minerals (30.1% weight), Forest Products (14.66% weight) and Agricultural commodities (15.35% weight).– Shaded areas represent U.S. recession periods. Data to February 2014.

Scotiabank's Commodity Price Index rose to a near-term peak in April 2011 – just prior to financial market concern over excessive Eurozone sovereign debt and the negative impact on global economic growth.

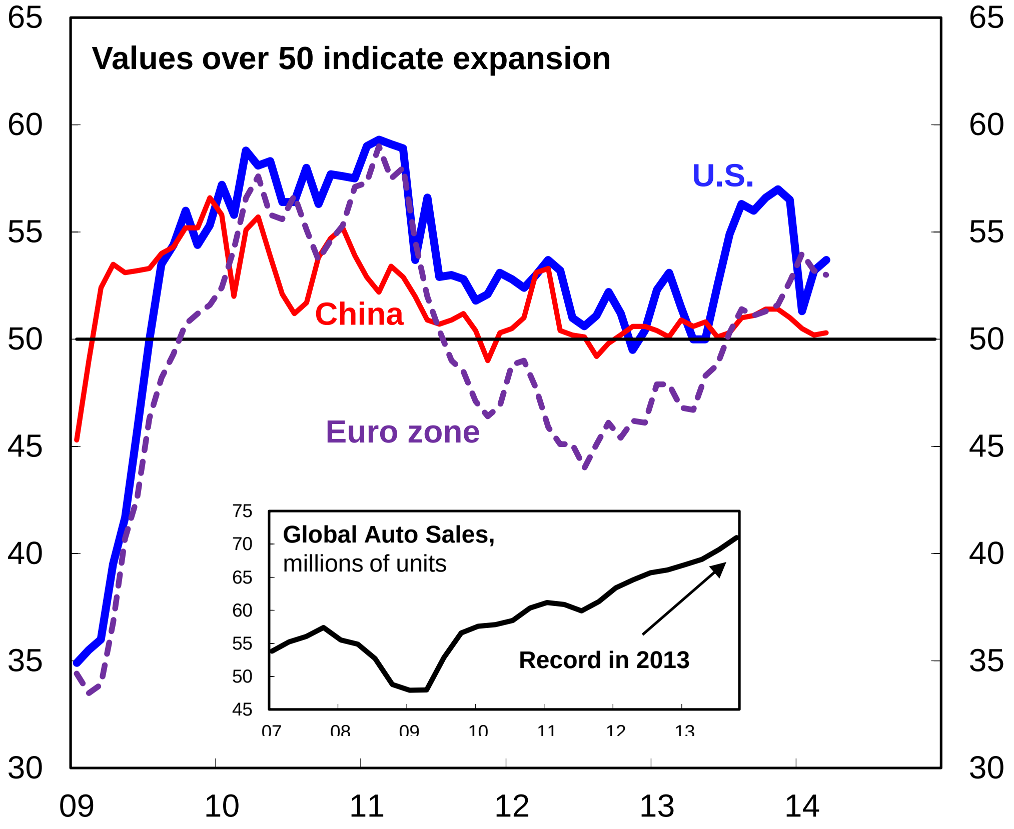
The subsequent decline in commodity prices from April 2011 to Dec 2012 at - 19.8% was less than half the slide during the 2008 recession.

In 2013, the All Items Index edged up through May, but then lost steam through late year. The correction since April 2011 – linked to austerity-led recession in the southern Eurozone, a sub-par U.S. economic recovery, new mine supply started in a slowly growing world economy and unusually wide discounts on Western Canadian Select Heavy oil -- should be largely over in first-half 2014.

Strong rally in oil & gas in early 2014 on severe winter weather & the TSX has started to discount a recovery (especially in golds & materials – potash & uranium).

Global PMIs For Manufacturing

Drives Sentiment On Prospects For Commodity Markets



Source: Markit, ISM, Scotiabank Economics;
Data to Mar 2014. Commodity imports into China in Jan 2014 soared to new records: crude oil +11.9% yr/yr, iron ore +33%, copper +53% yr/yr; imports of lumber & logs +70% yr/yr.

Growth in the global manufacturing sector in late 2013 posted its best performance since 2011:Q2 – led by an improvement in the G7 (excepting France and Canada). The gain in the United States was particularly notable.

However, a slowdown in China's Official PMI for Manufacturing in early 2014 (50.2 in Feb, 50.3 in March), recently lacklustre economic indicators in the United States – largely due to severe weather – and pressure on some 'emerging-market' currencies – once more called into question the outlook for global growth in early 2014.

Nevertheless, we are of the opinion that China's growth will remain over 7% in 2014, only slightly slower than the 7.7% of both 2013 and 2012.

U.S. growth should also pick up again, as 2014 unfolds. Global industrial activity will be lifted by a new record high in metal and gasoline-intensive global auto sales & production and the beginning of a recovery in G7 construction activity.

International Car Sales -- Records in 2013 & 2014

(millions of units)

	1990-99	2000-10	2011	2012	2013f	2014f
TOTAL SALES	**39.20**	**50.71**	**60.80**	**64.98**	**68.69**	**72.23**
North America*	**16.36**	**17.97**	**15.22**	**17.11**	**18.33**	**18.89**
Canada	1.27	1.59	1.59	1.68	1.74	1.76
United States	14.55	15.40	12.73	14.44	15.53	16.00
Mexico	0.54	0.98	0.90	0.99	1.06	1.13
Western Europe	**13.11**	**14.26**	**12.80**	**11.76**	**11.55**	**11.90**
Germany	3.57	3.30	3.17	3.08	2.95	3.10
Eastern Europe	**1.18**	**2.75**	**3.90**	**4.14**	**4.08**	**4.12**
Russia	0.78	1.56	2.65	2.93	2.78	2.69
Asia	**6.91**	**13.05**	**24.41**	**27.25**	**29.98**	**32.38**
China**	0.43	4.51	12.16	13.18	16.30	18.36
India	0.31	0.98	1.95	2.02	1.87	1.78
South America	**1.64**	**2.68**	**4.47**	**4.72**	**4.75**	**4.94**
Brazil	0.94	1.67	2.64	2.84	2.76	2.81

*Includes light trucks. **Includes crossover utility vehicles from 2005.

Source: Global Auto Report, Scotiabank Economics.

China's passenger vehicle market surpassed the United States in 2013.

Aluminium price premia move to record highs in U.S. Midwest & Japan in early 2014, with strong order pick-up in auto & aerospace sectors and limited 'physical' supplies (outside of China, where smelter expansion has kept the global supply & demand balance in 'surplus').

China -- Vital to Global Commodity Markets

China's Share of Global Consumption in 2013 Compared with the United States (in brackets)

Copper	**44.3% (9.0%)**	**Nickel***	**48.1% (7.6%)**
Zinc	**45.4% (8.2%)**	**Aluminium**	**48.0% (11.4%)**

Four Base Metals: China 46.7%, USA 10.2%.
*Japan 9.3%; excluding inventory accumulation in China.
World oil consumption: China 11.1%; USA 20.8%.

Source: Scotiabank Commodity Price Index.

China Industrial Production:

Jan-Feb 2009 — **3.8% yr/yr (the bottom)**
Mar 2009 — **8.3%**
July 2009 — **10.8%**
Dec 2009 — **18.5%**

2010 — **14.4%**
China tightens monetary policy.

2011 — **13.7%**

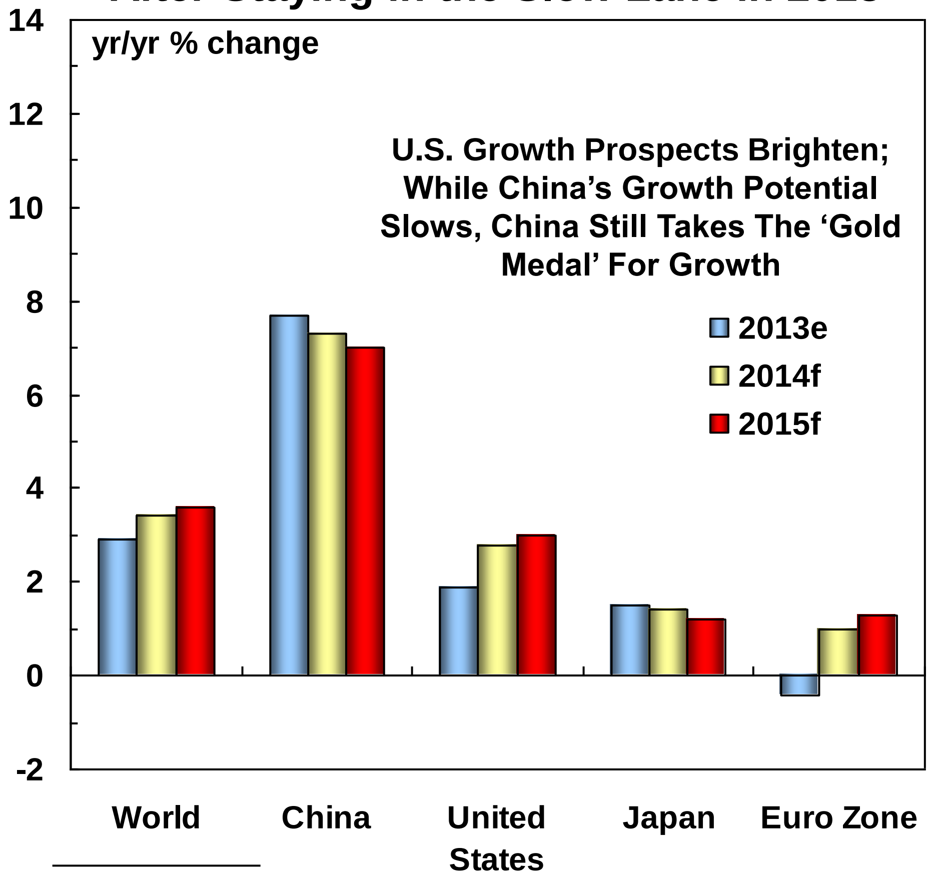
2012 — **10.0%**

Q1 2013 — **9.6%**
Q2 2013 — **9.1%**
Q3 2013 — **10.1%**
Q4 2013 — **10.0%**
Jan/Feb 2014 — **8.6%**

G7 Industrial Production

U.S. — **+3.0% (Feb)**
Japan — **+7.0% (Feb)**
Germany — **+5.0% (Jan)**

Global Growth Should Strengthen in 2014, After Staying in the Slow Lane in 2013



More 'synchronized' economic growth is expected in 2014-15 -- moderately supportive of stronger commodity prices. India's growth should pick up slightly in 2014-15 , with stronger investment linked to government efforts to speed up large project approvals & facilitate land acquisition.

GDP (% per annum)

	2008	2009	2012	2013e	2014f	2015f
WORLD*	2.8	-0.6	3.2	2.9	3.4	3.6
CANADA	0.5	-2.5	1.7	2.0	2.2	2.5
UNITED STATES	0.0	-2.6	2.8	1.9	2.8	3.0
BRICs						
CHINA	9.6	9.2	7.7	7.7	7.3	7.0
INDIA	8.1	6.5	5.1	4.6	5.2	5.7
BRAZIL	5.2	-0.3	1.0	2.3	2.0	2.5
RUSSIA	5.2	-7.8	3.4	1.3	1.5	2.3
JAPAN	-1.1	-5.5	2.0	1.5	1.4	1.2
EURO ZONE	0.5	-4.1	-0.6	-0.4	1.0	1.3
SOUTH KOREA	2.8	0.7	2.3	3.0	3.1	2.9
PERU	9.8	0.9	5.6	5.1	5.4	5.6

*Scotiabank estimates. Average 1988-1997: 3.4% p.a. prior to the "economic take-off" in China. GDP 2000-07: China 9.4% p.a.; Brazil 3.6%; India 7.1%, Russia 7.2%.

ONCE IN A DECADE CHANGE IN LEADERSHIP IN CHINA – As Important To The Global Growth Outlook As The U.S. Presidential Election

November 8-15, 2012 – date of the 18th National Congress of the Communist Party of China, where a new leadership was established for only the fifth time since Mao Zedong – followed by the National People's Congress (parliament) in March 2013. A large number of officials have changed.

New Fifth Generation Leadership:

President (Head of State and Secretary-General of the Communist Party of China):

Mr. Xi Jinping; previously Mr. Hu Jintao

Prime Minister (Head of Government):

Mr. Li Keqiang, previously Mr. Wen Jiabao.

China – Policy Continuity Expected Under New Leadership

China continues to pursue the economic initiatives in the 12th Five-Year Plan, unveiled in March 2011, though the new leadership is seeking more market-related solutions (less central planning & government involvement -- including in the banking sector) – and will be more 'populist', emphasizing government over party interests. Mr. Jinping is pursuing the national "dream".

The 12th Five Year Plan (2011-15) seeks more 'balanced' economic growth – with less emphasis on export expansion & investment and greater focus on domestic consumer spending, development of the 'service' industries including the financial sector and 'New Economy' growth; other key objectives -- productivity gains through 'economic restructuring' – e.g. closure of smaller, less efficient plant & rationalization into larger, lower-cost entities (the steel & iron ore industries); reducing industrial energy intensity; a focus on developing the Western & Central parts of China, away from the heavily industrialized Eastern & Coastal areas, as initiated by President Hu Jintao; raising household incomes & living standards and building an environment-friendly society.

While progress on 'rebalancing' China's economy has only been slight, the size of the service industries surpassed the primary sector & secondary manufacturing for the first time in 2013:Q4. Domestic retail sales slowed to 11.8% yr/yr in early 2014.

What is evident is that China is no longer pursuing 'economic growth at any cost'. A subtle shift is underway, with China comfortable with a slower, more 'market-determined' advance (official target was 7.5% for 2012-13 and remains at 7.5% for 2014).

Dual Policy Agenda in 2013:H2 – De-Leverage Financial Sector, While Maintaining Growth Over 7%

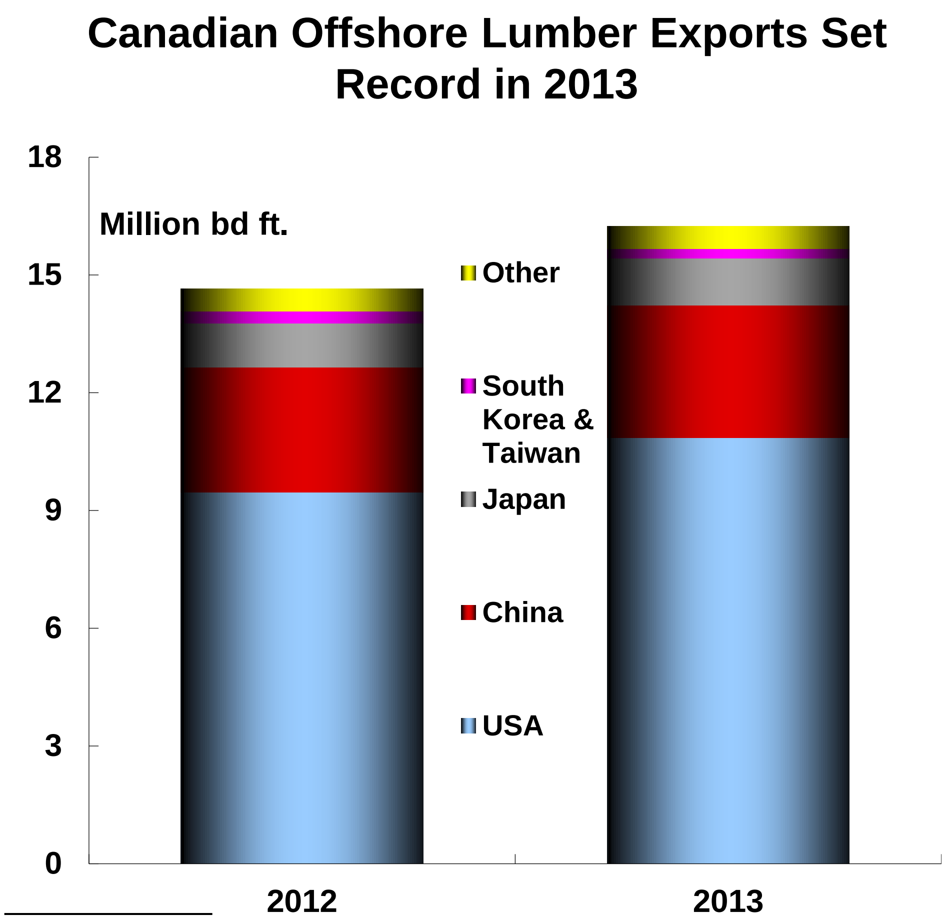
Nevertheless, China continues to apply fiscal stimulus when growth slows; notably, a RMB1 trillion (US$160 bn) infrastructure spending program in August 2012 – approved by the National Development and Reform Commission (NDRC) -- about ¼ of the massive RMB4 trillion announced in November 2008 in the face of the 'Great Recession"; and

Another 'mini-stimulus package' in July 2013, with new financing vehicles for private-sector railway investment, given a lacklustre economic performance in 2013:H1.

In 2013:H2, Chinese policy makers had a dual agenda: meaningful deleveraging/de-risking of China's 'shadow banking' sector & municipal finances, while still ensuring 7.5% GDP growth. Banking sector liquidity stayed relatively tight – with another liquidity crunch late year -- but fiscal stimulus (investment in 'affordable housing', urban infrastructure and railways) supported the economy.

THE NEW LEADERSHIP ANNOUNCED A NEW PRO-GROWTH REFORM AGENDA, AFTER THE NOVEMBER 9, 2013 PLENUM OF THE COMMUNIST PARTY's Central Committee. Outlined the 'decisive' role that 'markets' should play in allocating resources (e.g. decontrol of energy prices), fiscal reform to deleverage municipal finances (better aligning spending obligations with revenue by shifting some spending to the central gov't and allowing municipalities to issue debt), the beginning of 'rural' land & Hukou reform to enable farmers to move to smaller towns & cities, facilitating urbanization, and reform of SOEs (more private investment in state-controlled sectors will be permitted and dividends paid by state assets will be raised to 30% by 2020). If effectively implemented, these reforms should enable China's economy to achieve 7% p.a. GDP growth over the balance of decade.

China Unveils Stepped-Up Urbanization Policy



Canadian softwood lumber exports to China in 2013: +6%; to all markets including USA +11%. China is 2nd biggest export destination. Canada Wood reports some increase in wood frame housing construction in China; growing use of Canadian lumber for 'infill walls' in concrete commercial buildings in China. Rail car shortage currently in B.C.

In a drive to shift to domestically- driven economic growth, China unveiled a new 2014-2020 urbanization plan in March 2014. The plan aims to increase the proportion of urban residents in China from 53.7% to 60% by 2020, accompanied by a massive construction program of transportation networks (every city with over 500,000 people will be accessible by high-speed rail), urban infrastructure (subways) and residential real estate.

The target for socially-assisted housing starts is 7.4 million units in 2014 (an increase over 2013). The government will allow 100 million people from rural areas to transfer their household registrations (hukou) to cities.

Re-development of 4.75 million housing units in 'shantytowns' will be undertaken in 2014 (costing RMB 1 trillion).

To bolster growth in 2014, another fiscal stimulus plan already appears to be underway; the PBOC may cut the required reserve ratio by 50bp in 2014:Q2.

Medium-Term, The 'Emerging' Markets Will Remain Supportive for Commodity Prices, With the 'Bull Run' Returning

Huge Potential for Oil & Metal-Intensive Motor Vehicle Sales in China
China's population: 1.354 billion

Vehicle Penetration – 2012
(Vehicles per 1,000 people)

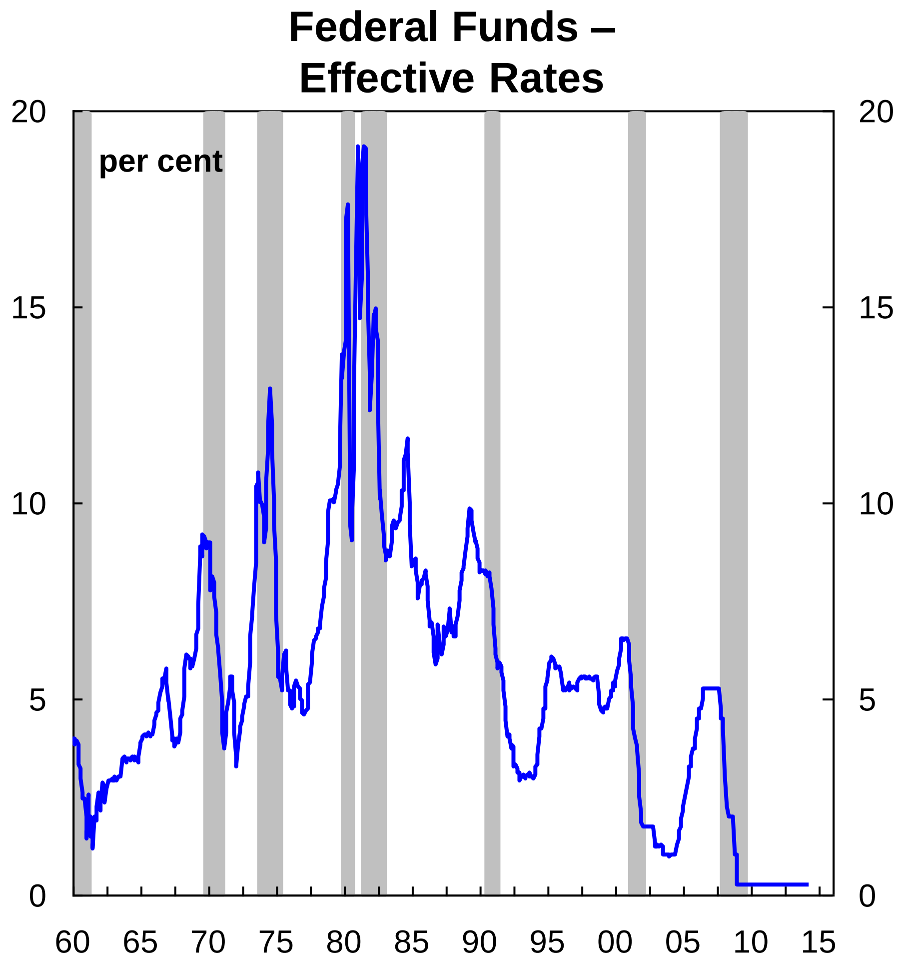
China	**81**
United States	**794**
Western Europe	**588**
Japan	**585**
India	**24**

China's interest in direct investment overseas to secure mineral supplies continues, despite the lacklustre performance of some past investments.

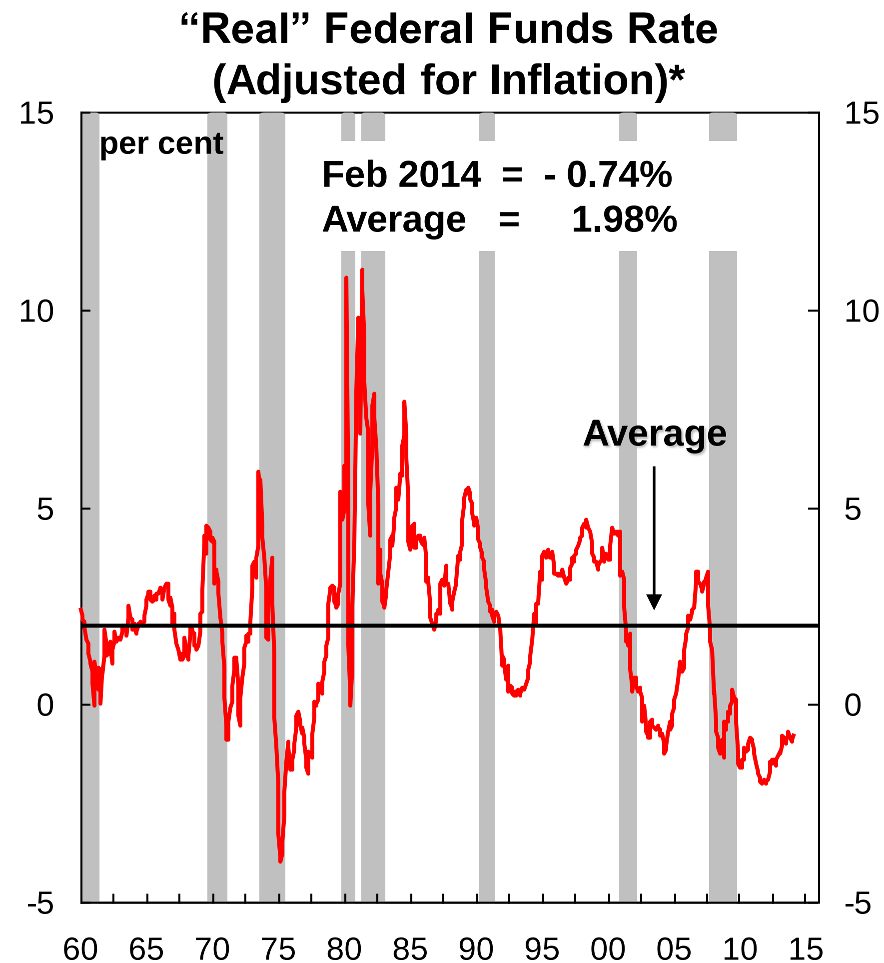
China will continue to be the main driver of global auto sales (accounting for more than 60% of the world total in 2013). Passenger vehicle sales soared over 16 million units in 2013 and will climb to 18 m in 2014. Automakers will introduce 200 new or upgraded models in China in 2014 compared with less than 70 in United States.

China's potential GDP growth is slowing -- in 2012: 8.5%, 2015-20: 7.0%p.a., 2025-30: 5% p.a. with less under-utilized labour & much slower capital formation (less build-out of manufacturing, in view of emerging excess capacity in some sectors in China).

The Fed Is Determined to Strengthen U.S. Employment Recovery, But A Gradual Unwinding of Accommodative Monetary Policy Is Coming

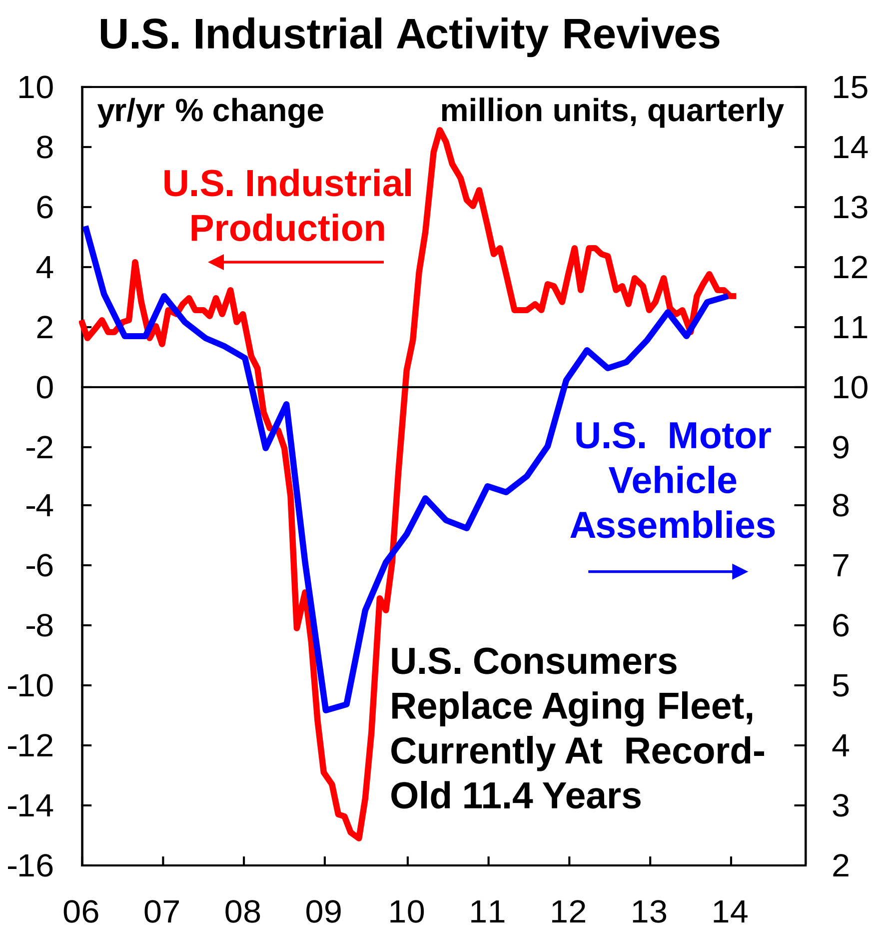


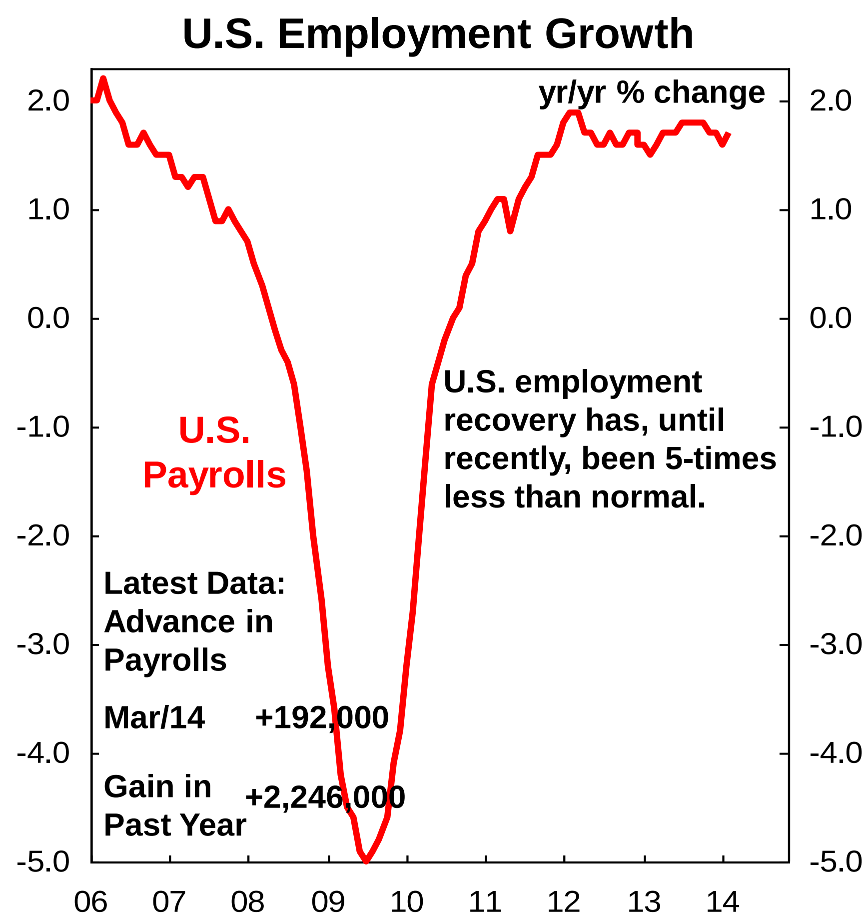
Fed Funds Target Rate is 0-25 bps. Scotia Economics expects 'asset purchase program' or QE3 to end by Oct 2014 (purchases of longer-dated MBS & Treasury bonds have been cut to US$55 bn/m in April); Fed Chair Yellen indicated on Mar 19 that Fed funds rate could be lifted within 6 months of an end to QE3 (say 2015:Q2), provided labour market & inflation objectives are met.



* Inflation-adjusted with the U.S. Personal Consumption Deflator (PCE) and the core PCE. Shaded areas represent U.S. recession periods. Inflation is currently running below the Fed's 2% objective.

Strong Auto Assemblies Buoy U.S. Industrial Activity & Employment Picks Up Moderately





North American motor vehicle assemblies advanced by about 4.4% in 2013 to 16.5 million units (the highest level since 2005) and will climb to 17.2 million in 2014, likely approaching the previous 17.7 million peak of 2000 by mid-decade. U.S. household balance sheets are the healthiest in a decade. Last year was the 'Year of the Truck & Cross-Over Utility' in both Canada and the United States. Source: Scotiabank Economics, Global Auto Report.

Improving Fundamentals for U.S. Growth

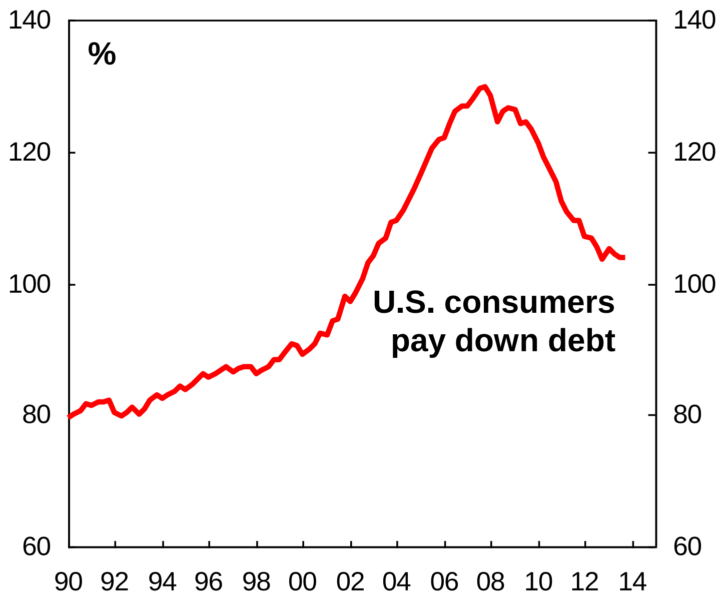
U.S. consumers *are* in better shape to spend, with household debt (including mortgages) to disposable income falling to 136.6% in 2013:Q3 -- the lowest level since early 2004.

U.S housing is in the midst of a multiple-year recovery, after five years of underbuilding relative to demographic demand.

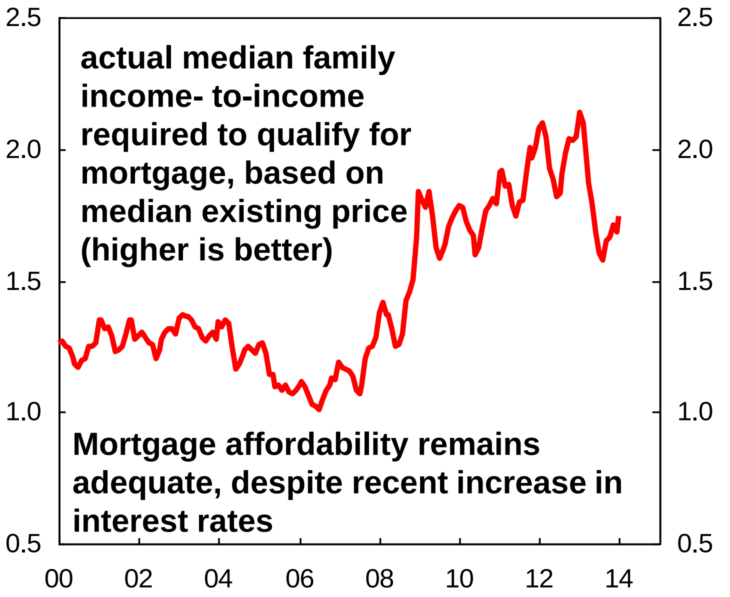
Less fiscal drag from the Federal government and slight stimulus from State & Local governments; the U.S. Federal deficit peaked at 9.8% of GDP in FY2009 and fell to 4.1% in FY2013 – expected to drop to 3.1% by FY 2015 – moderating the increase in bond yields.

Big improvement in U.S. merchandise trade performance due to the remarkable development of 'light, tight' oil in the North Dakota Bakken as well as the Permian and Eagle Ford Basins; renewed industrial competitiveness in petrochemicals, refining & natural gas-based fertilizers due to low-cost natural gas & NGLs from horizontal, multi-fracture drilling technology.

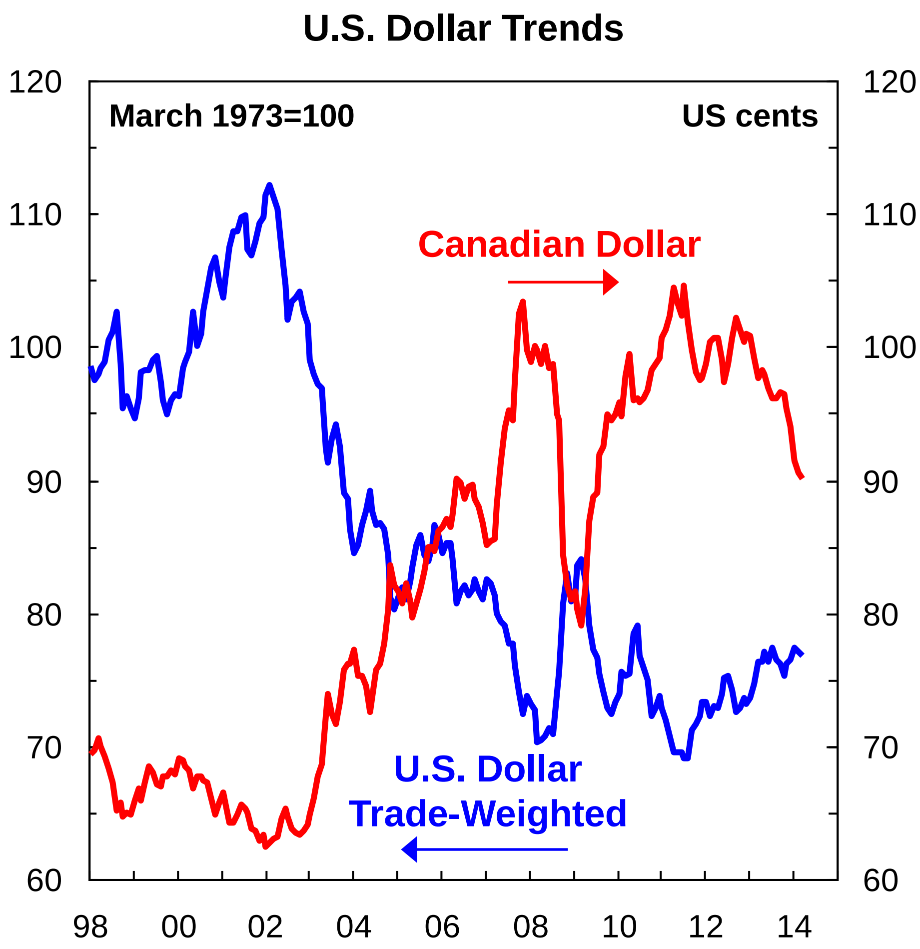
U.S. Household Debt-To-Disposable Income

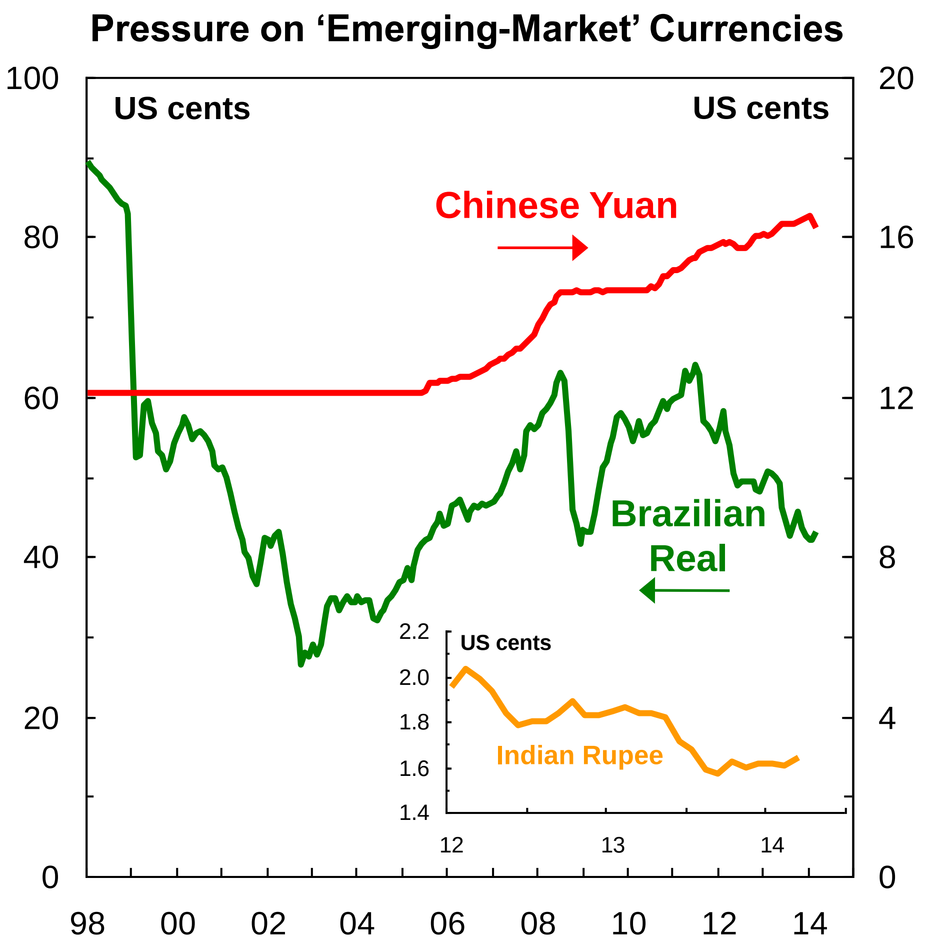


U.S. Mortgage Affordability



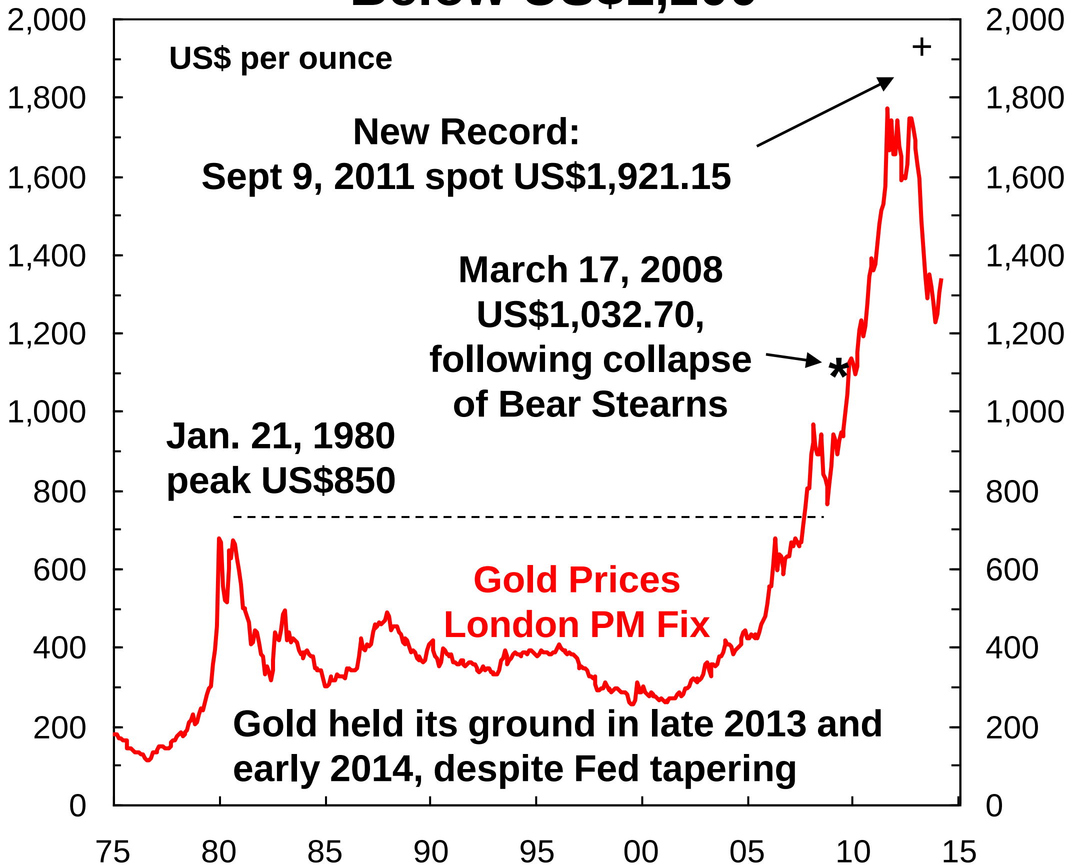
A Stronger U.S. Dollar Against Major Currencies Expected In 2014-15
Supported by Widening & Increasingly Attractive Growth & Interest Rate Differentials





Data to April 4, 2014: euro US$1.3696; Cdn$ = US$0.9106; US$ = 6.2123 Rmb. A stronger U.S. dollar creates 'headwinds' for dollar-denominated commodity prices (e.g. a weak rupee triggered resistance to high oil-linked LNG import prices and weaker overseas potash prices for Canpotex in 2013). However, a softer Canadian dollar has hugely increased the competitiveness of Cdn resource producers & manufacturers in U.S. & overseas markets. CAD was weakened by large price discounts on Western Canadian heavy crude in late 2013; the Bank of Canada is expected to lag tightening Fed monetary policy in 2015, keeping CAD competitive.

Gold Prices Likely Bottomed Just Below US$1,200



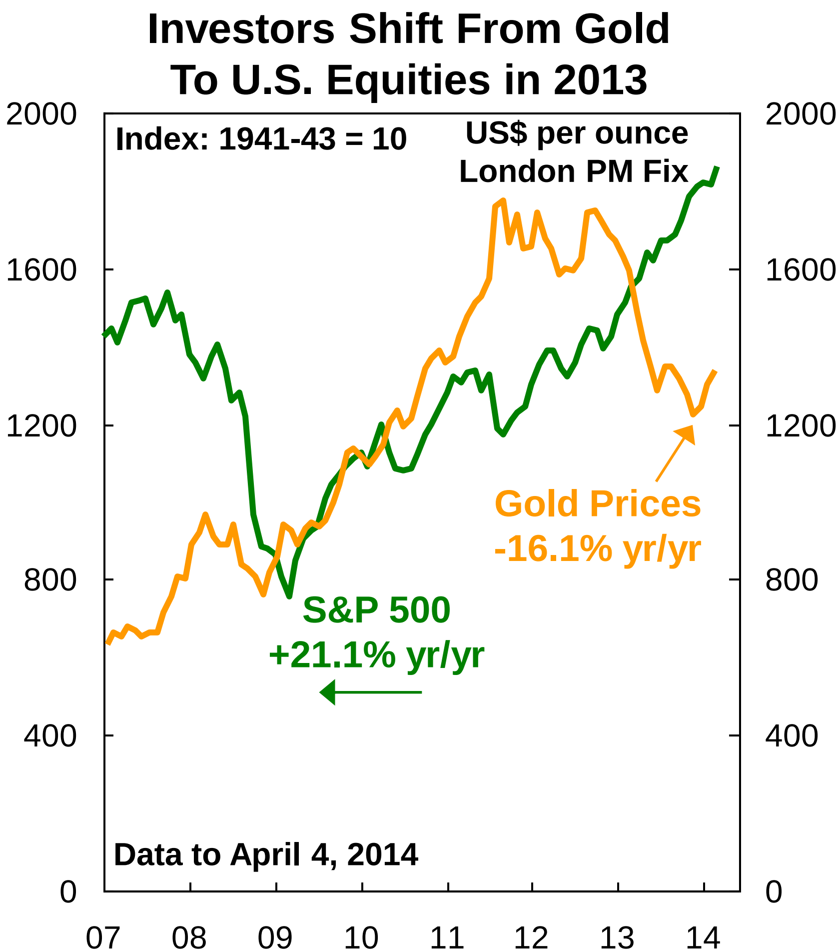
London PM Fix on April 4, 2014:US$1,297.25

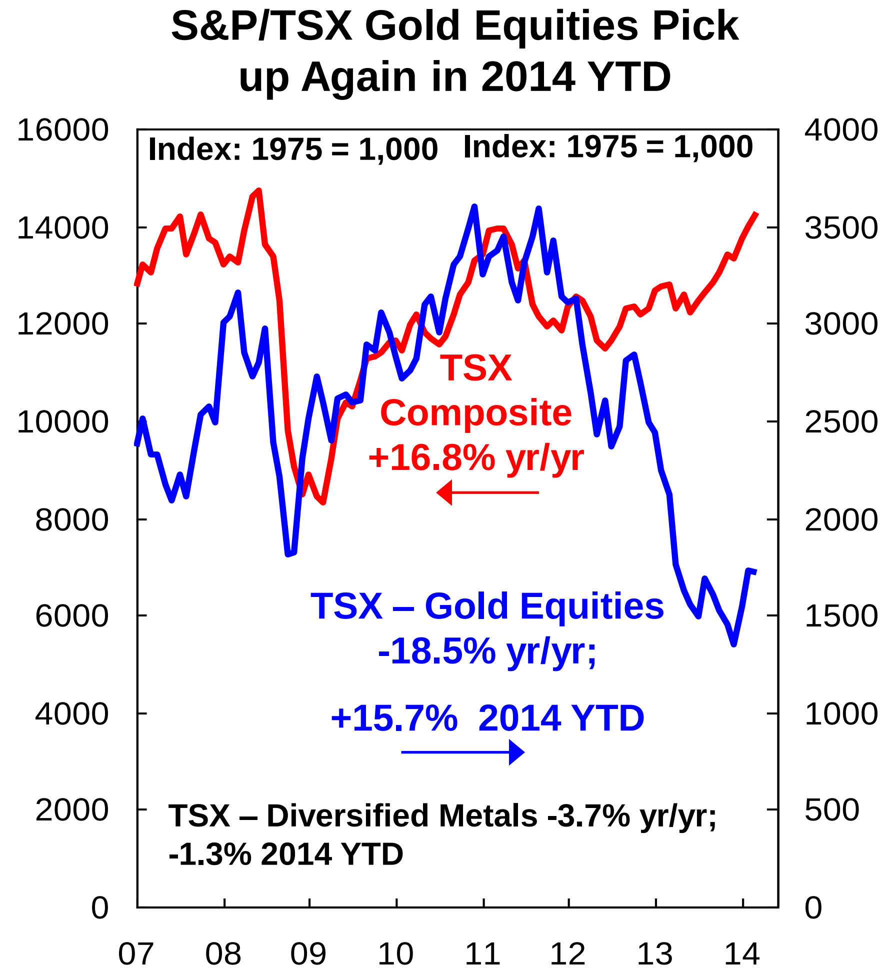
Price Outlook (US$)

2007	697
2008	872
2010	1,225
2012	1,672
2013	1,410
2014F	1,320
2015F	1,375

Gold prices had been on a 'Bull Run' since 2001 – with high government debt and deficits triggering a loss of investor confidence in paper currencies (the two reserve currencies – the U.S. dollar and euro). Prices were also propelled by rising 'liquidity' from 'quantitative easing' by the U.S. Federal Reserve Board and Bank of Japan, with gold traders expecting an eventual increase in inflation. While drifting lower through most of 2012, a third round of 'quantitative easing' by the Fed, combined with the ECB's proposed bond purchase program, propelled gold back to a high of US$1,791.75 on Oct 4, 2012.

Gold languished again in early 2013 due to 1) a shift of investor interest from gold to equities in anticipation of a moderate pick-up in the U.S. economy in 2013:H2; 2) the unlikelihood that the Fed would need to apply even more 'quantitative easing' to kick-start the U.S. economy; 3) a tax by India on gold imports (raised to a record 10% in August); and 4) the failure of Basel III to include gold in the LCR for banks. The sharp mid-April gold price correction was triggered by a possible Cyprus sale of 10t as part of its bailout package, raising the possibility that other distressed Eurozone countries might follow suit (neither development occurred). Gold again corrected sharply in late June, when the Fed announced that it might begin tapering its 'bond purchase program' (US$85 bn per month) and likely end it in 2014, falling as low as US$1,180. Gold rallied back through Sept. with strong physical demand in China & Hong Kong. Gold corrected again, as Fed announced on Dec 18 that it would start to taper its 'asset purchase' program, but held its ground at US$1,188.68, just above previous low.

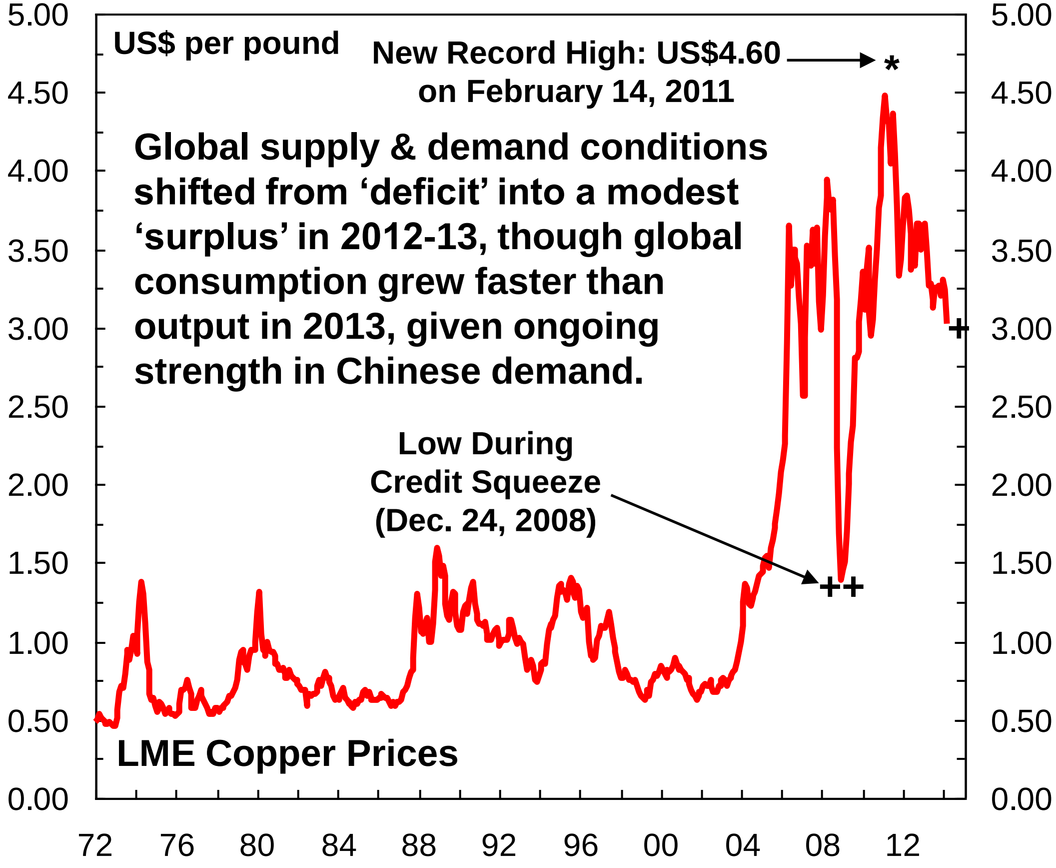




In view of a weak performance by gold equities -- as measured by the 'Toronto Stock Exchange – Gold Index' -- and shareholders' demand for higher earnings, gold producers adopted tighter cost control and more disciplined capital spending programs in Fall 2013, deferring higher-cost new mine development. This likely sets the stage for tighter mine supply in the second half of the decade.

20% of the world's existing gold mines had "all-in sustaining cash costs" over US$1,175 per ounce in 2013 (US$1,090F in 2014). The US$1,180 mark for gold prices in late June 2013 was likely the 'bottom', because lower prices of US$1,050-1,100 – if sustained – would trigger substantial mine production shutdowns. Gold has caught a bid as a 'safe-haven' in early 2014, in view of pressure on some emerging-market currencies & Crimean developments.

Copper Prices Ease Alongside Mine Expansion



LME cash settlement prices. + Latest data: April 4, 2014: US$3.03, still yielding a 20% profit margin over average world breakeven costs including depreciation, interest & indirect costs (10% margin in Canada); prices in March over-reacted to perceived slowdown in China and have edged up again. ++ Dec. 24, 2008: US$1.26.

COPPER DEMAND IN CHINA ACCELERATED IN 2013

Price Outlook

2009	US$2.34
2011	US$4.00
2012	US$3.61
2013F	US$3.32
2014F	US$3.08
2015F	US$3.00

Extraordinary recovery in copper prices in early 2009 reflected buying by China's State Reserve Bureau, massive credit expansion and a rapid rebound in China's industrial activity.

The recent strength of copper prices reflected only limited global mine development -- up 1.7% per annum from 2008-2012 -- in the face of strong demand growth from China and the rest of the 'emerging' world.

China's refined copper consumption:

2009	2010	2011	2012	2013e	2014f
+25%	+10.8%	+8.5%	+5.0%	+11.7%	+9.0%

Despite concern over potentially slower GDP growth, strong underlying demand and tight scrap supplies boosted refined copper consumption by almost 12% in 2013. Expansion of the electricity grid, high-speed railway development & socially-assisted housing construction lifted demand for copper cable, building wire and household goods.

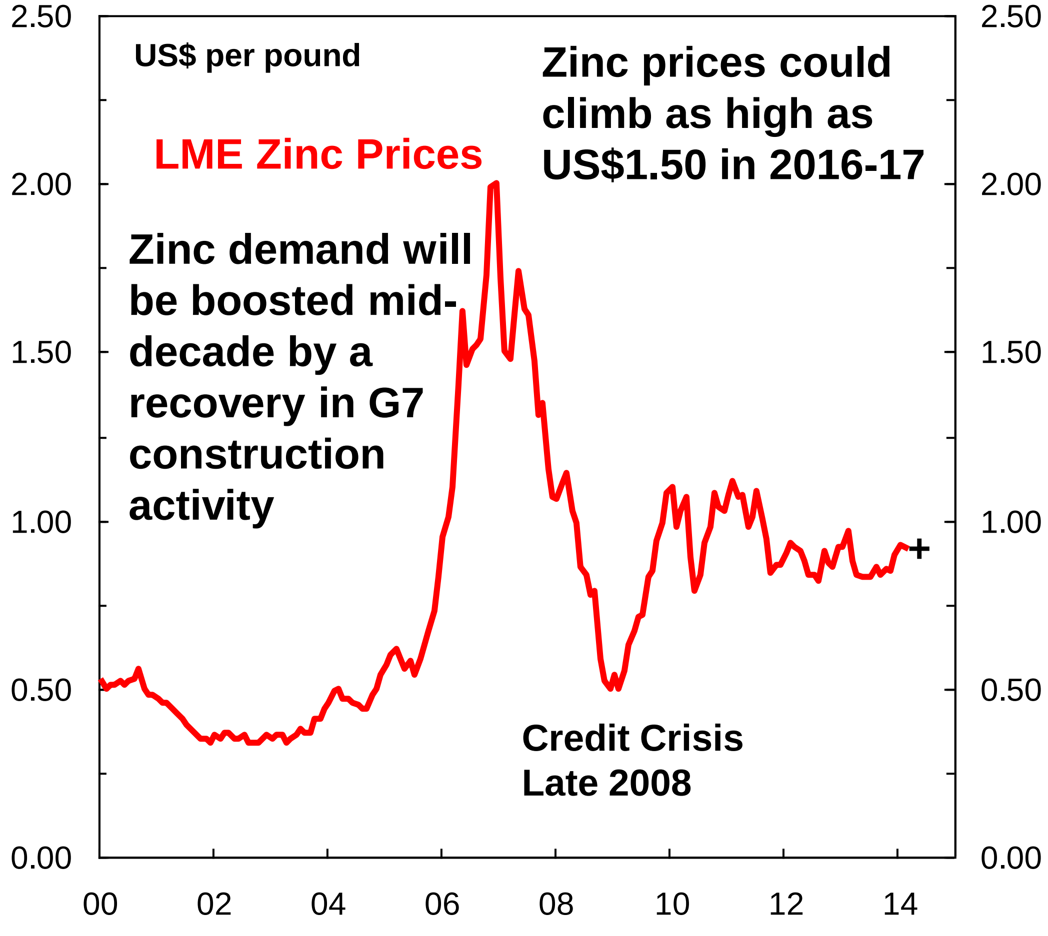
China's SRB May Buy Copper in 2014, Underpinning Prices

LME copper prices started 2014 on a positive note, boosted by a rumour that China's SRB (expecting 2014 to be the cyclical bottom) may increase its copper stocks by 300,000 tonnes (a move which would wipe out this year's projected world 'surplus') and a modest increase in copper's weighting in two commodity indices used as investment benchmarks. Indonesia will apparently allow the continued export of copper, lead & zinc concentrates until 2017; but possibly with stepped-up export taxes. The export ban on unprocessed nickel-containing ore & bauxite has gone ahead.

In 2013, global copper demand held up better than expected (+5.5%), as China's consumption performed well (up almost 12%) and a shortage of scrap lifted cathode demand. Visible exchange inventories on the LME, COMEX & SHFE fell 39% in 2013:H2. China likely holds the bulk of overall global stocks (away from bonded warehouses at semis plants). This has contributed to tight 'physical' markets outside of China and lucrative premia. While new mine supply ramped up by 8% in 2013 -- with expansion or improved output at Escondida, Grasberg & Collahuasi as well as new mine start-ups at Oyu Tolgoi, Antapaccay & Salobo -- the global 'surplus' actually narrowed.

In 2014-15, the world 'surplus' will likely widen again; this development has already been discounted in recent weeks, with further declines expected to be modest, as copper approaches a cyclical bottom. Later in the decade, copper prices should rebound to a lucrative US$3.50, given substantial capital costs for new mine development (requiring high 'incentive prices') and solid demand growth in 'emerging markets'.

Zinc – The Next Big Base Metal Play



+ LME official cash settlement price April 4, 2014: US$0.91; Zinc prices held up better than other base metals in 2013, with strong global auto sales, a U.S. housing recovery and declining world exchange stocks.

Zinc Price Outlook

2009	US$0.75
2012	US$0.88
2013	US$0.87
2014F	US$0.95
2015F	US$1.25

Zinc prices are expected to strengthen mid-decade alongside the following:

1) **Gains in world mine production over the next 4-5 years will likely fall behind global demand growth (4.7% p. a.), given unusually high depletion at major mines in the face of tighter capital availability for new mine development; lack of equity capital for junior miners will take a toll on development, despite some pick-up in private equity interest; Century in Australia will close one year early in mid-2005 (515,000 t) and Lisheen will shut in 2016 (172,000 t), following closures in 2013 at Brunswick (190,000t) and Perseverance (125,000 t) in Canada; and**

2) **The major end uses of primary zinc in galvanized steel are picking up – particularly in motor vehicle production and construction. World vehicle sales reached a record high in 2013 of more than 81 million units and an even bigger record is forecast for 2014 at almost 86 million (+5%). China's passenger car & cross-over utility sales jumped by 23.6% in 2013, surpassing U.S. sales last year, and should advance by 12.5% in 2014. U.S. non-residential construction, a sector which has struggled since 2008, also appears to be turning around (office buildings). Construction has edged up in Europe.**

Top Ten Zinc Producers

By Mine

		Zinc Production, kt	% of World
1.	GlencoreXstrata	885	6.6
2.	Hindustan Zinc	848	6.3
3.	Teck	615	4.6
4.	MMG Limited	582	4.3
5.	Xstrata AG	300	2.2
6.	Votorantim	299	2.2
7.	Nyrstar	289	2.2
8.	Boliden	277	2.1
9.	Minera Volcan	248	1.8
10.	Sumitomo	204	1.5
	World Total	13,428	100
20.	Lundin/First Quantum	126	0.9
24.	Milpo	107	0.8
27.	Hudbay Minerals	97	0.7

By Smelter

		Zinc Production, kt	% of World
1.	Korea Zinc Group	1,091	8.3
2.	Nyrstar	1,083	8.3
3.	Hindustan Zinc	754	5.8
4.	GlencoreXstrata	635	4.9
5.	Votorantim	581	4.4
6.	Boliden	456	3.5
7.	Shaanxi Nonferrous Metals	404	3.1
8.	Teck	296	2.3
9.	China Minmetals Corp	284	2.2
10.	Yuguang Gold and Lead	265	2.0
	World Total	13,084	100
12.	Noranda Income Fund	264	2.0
17.	Xstrata AG	200	1.5
27.	Glencore International	117	0.9

Nickel Prices

April 4, 2014: US$7.49 – prices are modestly profitable for Sudbury mines & smelters and have recently rebounded just over average ‘world’ breakeven costs including depreciation & interest expense.

Nickel Price Outlook

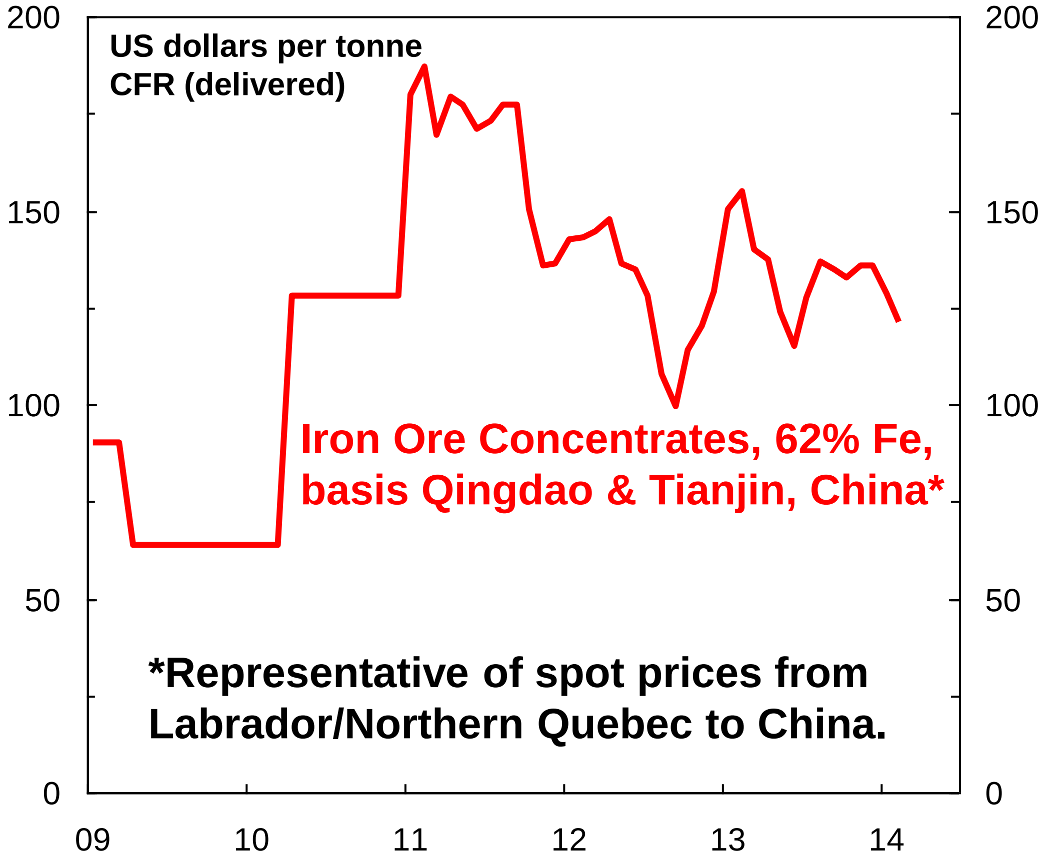
2011	**US$10.38**
2012	**US$7.95**
2013	**US$6.80**
2014F	**US$7.65**
2015F	**US$9.00**

LME nickel prices have surged following the January 12, 2014 Indonesian ban on the export of all unprocessed nickel-containing ore. World refined nickel output may drop by 7% in 2015, alongside a 50% decline in NPI output in China.

China had unnerved the nickel market last year by maximizing its imports of Indonesian ore for Nickel Pig Iron (NPI), ahead of the potential ban. Prospects for the gradual ramp-up of 7 greenfield nickel projects also pushed down prices in 2013 (Ambatovy, Taguang, Onça-Puma, Barro Alto, Goro/VNC, Ramu & Koniambo).

Supply & demand conditions should tighten further by late 2014-15, once China uses up ore inventory on hand for NPI (7 months’ supply). Indonesia accounts for 28.2% of world nickel mine supplies.

Spot Iron Ore Prices Delivered To China, Important for Nunavut & Labrador Trough



Spot price, April 3, 2014: US$115.50 per tonne, up from a low of US$105 in early March.

Forecast: MORE COMPETITIVE MARKET CONDITIONS AHEAD

2013A: US$135 per tonne; 2014F US$122; 2015F US$115 – moving towards US$100 by 2016-17.

Robust Chinese Iron Ore Demand in 2013

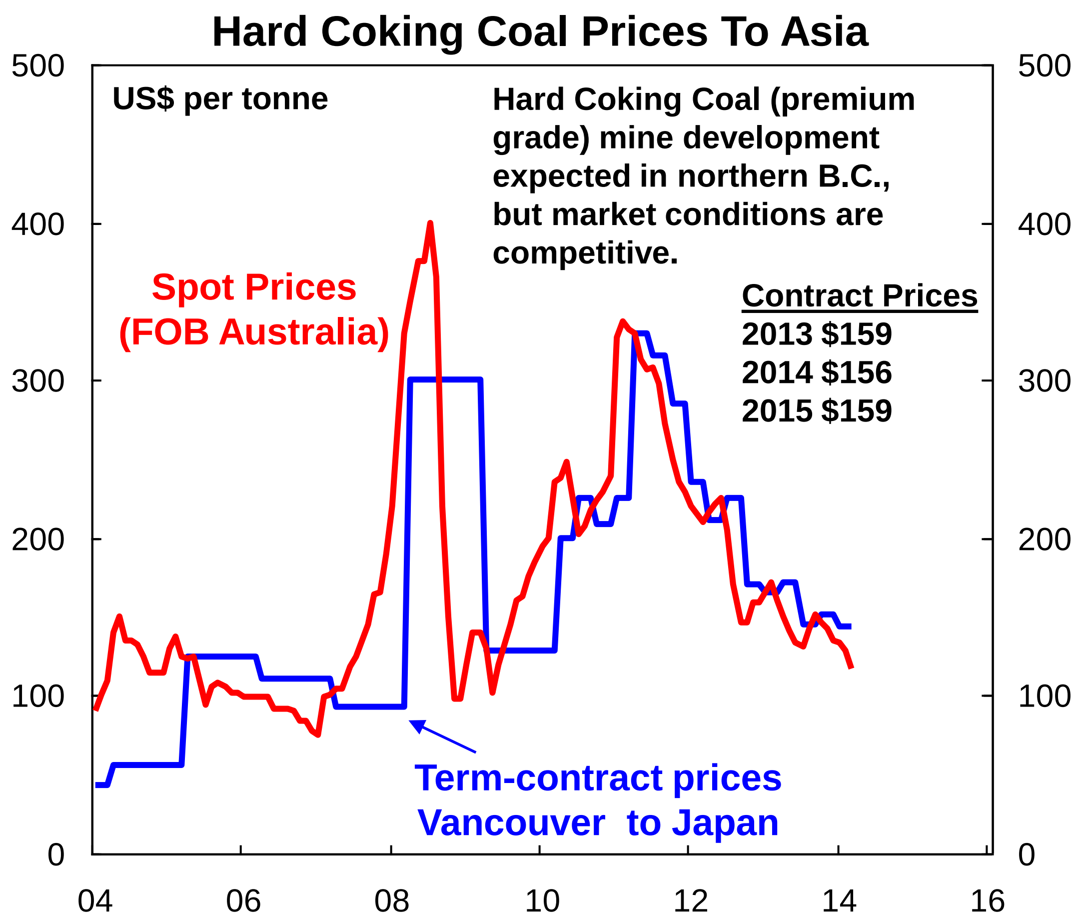
China's imports of iron ore rose to a record 819.4 mt in 2013 – up 10.2% over 2012. This partly reflects import displacement of higher-cost domestic production as well as strong steel output.

China's steel production rose 7.5% yr/yr in 2013 and accounted for an extraordinary 48.5% of the world total.

Steel output in Germany & Japan was strong in December and edged up in the United States, but ROW production was subdued in 2013 as a whole.

Turning to iron ore, huge mine expansion in Western Australia and Brazil (+10% in 2014), amid slower steel mill capacity expansion in China in the next several years, points to lower iron ore prices through 2016-17; cost control is vital for new mine development.

The Mary River project in northern Baffin Island – with lump & fines destined for European markets -- derives its competitiveness from the high quality of the ore.



Canadian Coking Coal Exports (mt)

	2013	2014
HCC	22.4	23.6
LVPCI	4.1	3.9
SSCC/HVPCI	2.7	2.5
Total	29.2	30.0

Quarterly term-contract prices for premium-grade hard coking coal to Japan & Asia (FOB Vancouver) declined to roughly US$144 per tonne in calendar 2014:Q1 from US$152 in 2013:Q4 – the lowest since 2010:Q1.

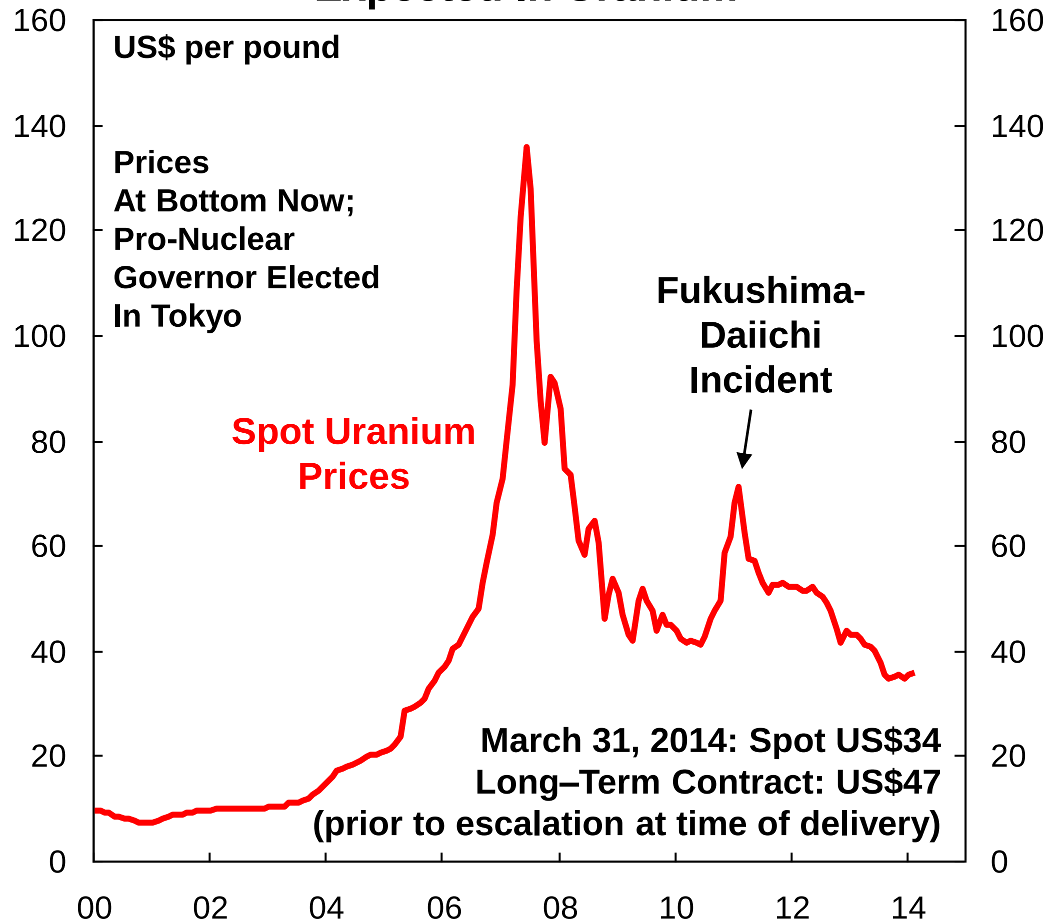
Lower prices reflect ample supply in international markets and subdued demand for coking coal. Premium HCC fares better than lower grades.

Mine production jumped by 23.7 mt in Australia or 16% due to capacity expansion in Queensland and more normal weather in 2013 and will expand another 10% in 2014 and 12% in 2015. Port constraints – which had inhibited shipments from Australia have been resolved.

BHP Mitsubishi Alliance is turning to spot prices – away from quarterly contract pricing.

Global mine output: 2013 +1.7%, 2014F +2.5% 2015F +9.0%.

Mid-Decade Price Recovery Expected In Uranium



Spot price: 2012 US$48.77 per pound; 2013 US$38.50; 2014 US$39F; 2015 US$40-45.

Cameco begins ore production at Cigar Lake mine.

Spot uranium prices remain at a low ebb in March 2014 – at US$34 per pound – well below the US$66 just prior to the Fukushima-Daiichi incident in Japan.

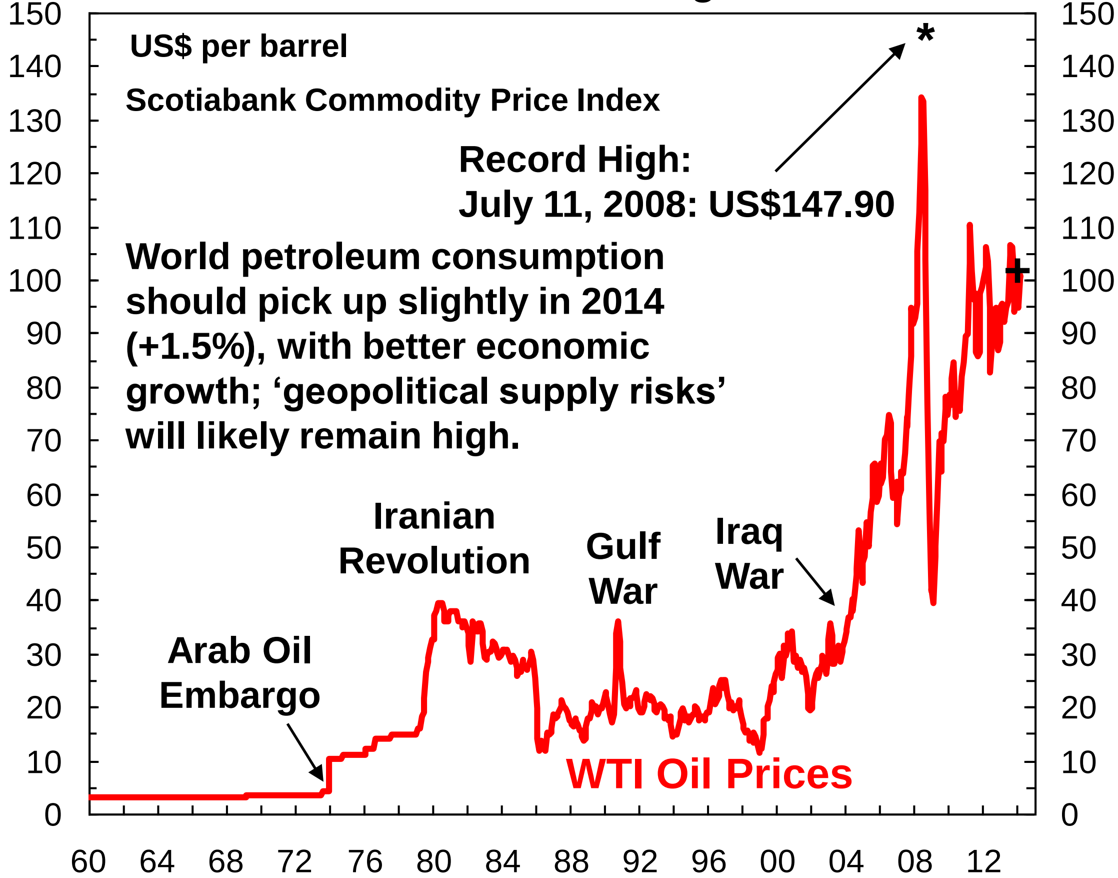
A further pullback in prices in 2013 reflected a delay in re-starting Japan's 48 nuclear reactors (the world's third-biggest fleet). Utilities are now seeking approval to restart 16 reactors from Japan's Nuclear Regulatory Authority (NRA); three could be re-commissioned in 2014:Q2 (Kyushu EPC's Sendai 1 & 2 and Shikoku EPC's Ikata 2), with the NRA fast-tracking some approvals. 10 could be restarted by late 2014 and 30-35 by 2017. Japanese utilities have deferred delivery of some U3O8.

The HEU Agreement between the USA & Russia ended in Dec. 2013, removing 24 m lbs of U3O8 from Western markets.

China remains the key growth market, with 30 reactors under construction of a total 70 worldwide (300 planned). Price recovery is likely to be slow in 2014-15, given limited, uncovered utility needs, but prices should move up over US$60 late decade.

APPENDIX: Oil & Gas

‘Geopolitical Supply Risks’ Should Keep International Oil Prices High in 2014-15



+ April 4, 2014: US$101.14

Price Outlook

	WTI Oil	Brent Oil
2008	US$99.62	US$97.95
2009	US$62	US$62
2012	US$94	US$112
2013e	US$98	US$109
2014F	US$97	US$108
2015F	US$92*	US$106

*Downside risk on U.S. light oil prices over the next 18-24 months.

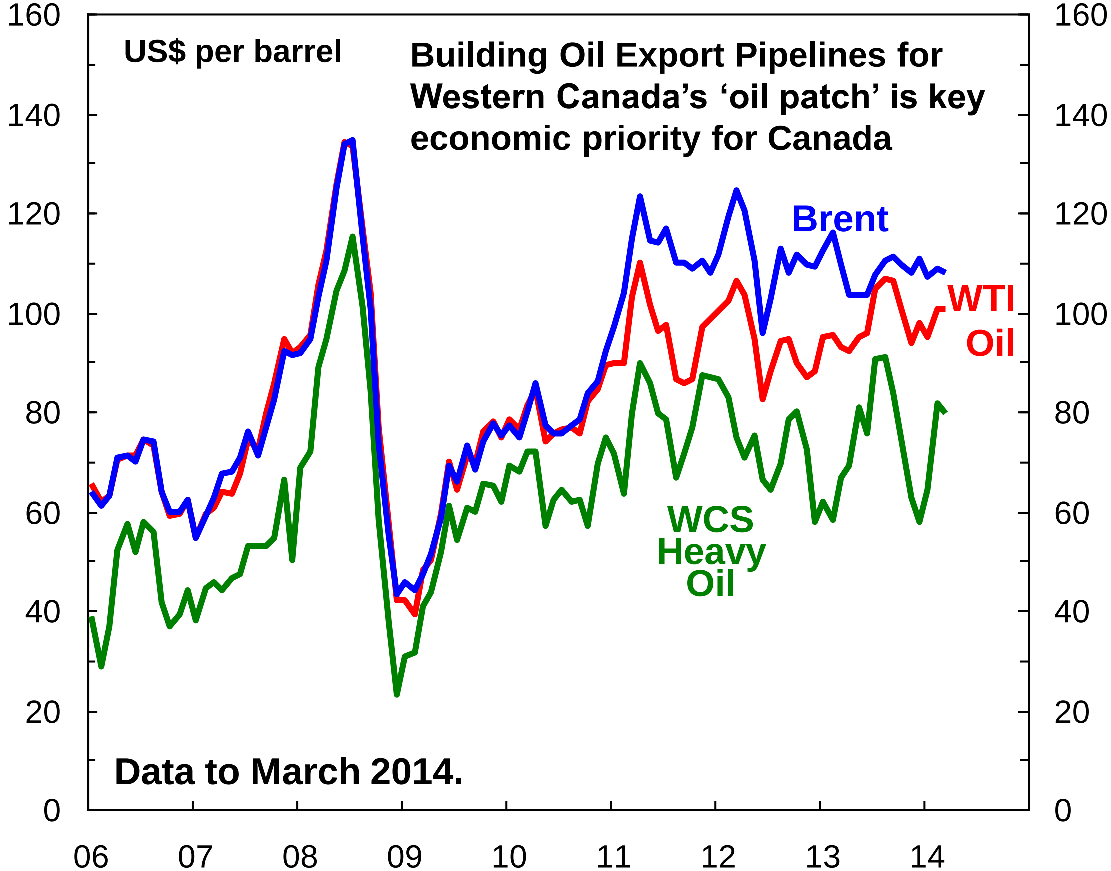
Brent oil prices jumped as high as US$116.61 in late August 2013 on ‘geopolitical supply risks’ surrounding Syria and civil unrest in Libya. Strong global refinery demand linked to new refinery capacity in ‘non-OECD’ countries also boosted crude prices.

While Brent lost ground in October and early November, given a high level of refinery maintenance worldwide and well-supplied global markets, prices regained ground seasonally to US$111.77 in late December (currently US$106). Saudi Arabia and Kuwait cut output by 420,000 b/d, given an end to summer ‘direct crude burn’ and significant outages have recurred in Libya.

International oil prices are expected to remain high in 2014-15, though North American ‘light’ oil prices (WTI, LLS, Edmonton Par crude) could ease back over the next 18-24 months due to the remarkable development of ‘light, tight’ oil in the North Dakota Bakken and Permian & Eagle Ford Basins in Texas. The U.S. crude oil export ban may persist (the only country to which shipments are effectively exempted is Canada).

Overall U.S. oil production is expected to climb by another 935,000 b/d in 2014 and 775,000 b/d in 2015. Saudi Arabia may have to reprise its role as ‘swing producer’, given the U.S. ‘shale revolution’, which has largely backed out U.S. light oil imports from West & North Africa and may start to back out Middle East supplies in 2015.

Wide Discounts on Western Canada's Oil



Oil Price Differentials (US$/bbl)

	Brent - WTI	WTI –WCS*
2006-10 Avg.	$0.06	$17.43
2013:Q1	$18.27	$32.00
2013:Q4	$11.89	$32.22
January '14	$12.25	$29.22
February	$8.15	$19.14

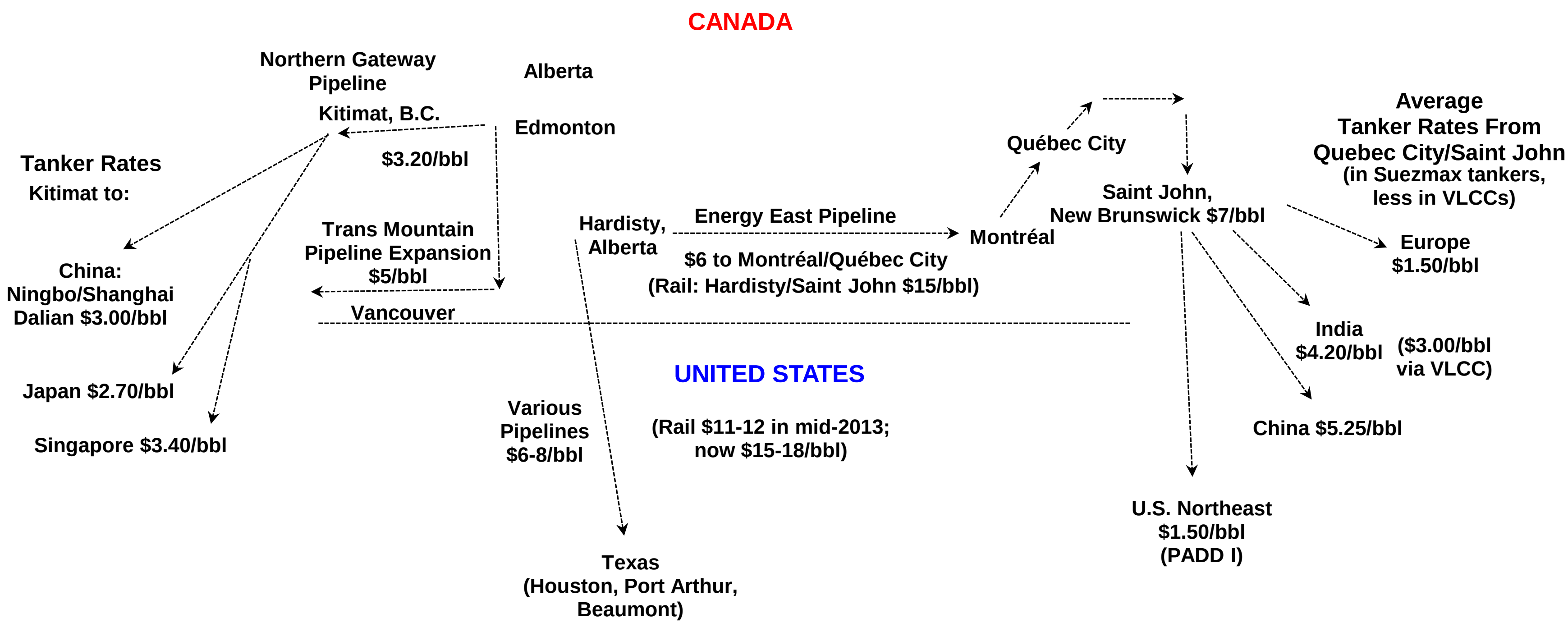
*Source for WCS differentials: TMX/Shorcan Energy Brokers

In 2013:Q3, WTI oil prices moved up closer to Brent, the international benchmark, as new pipeline capacity linked Cushing, Oklahoma (the pricing point for NYMEX) with refineries in the Houston area, where 'world' prices prevail.

Railways are now taking up the challenge of delivering Western Canada's oil production to markets across North America; shipments of W. Can. crude by rail = 150-200,000 b/d in Fall 2013; by end 2014 685-700,000 b/d planned; rail & barge will provide an offset should Keystone XL be further delayed; equity market appears to be partially discounting U.S. Presidential approval of Keystone XL this summer.

Irrespective of Keystone XL, export diversification to the faster growing markets of Asia/Pacific and more market optionality is required to guarantee 'world' prices for Western Canadian crude and to grow production – arguing for expanded transportation infrastructure to 'tidewater' on both the West and East Coasts of Canada.

Compelling Economics for Overseas Shipments of Western Canadian Crude Oil Transportation Costs – Alberta to Crude Oil Refining Markets Proposed Pipelines ($ per barrel)



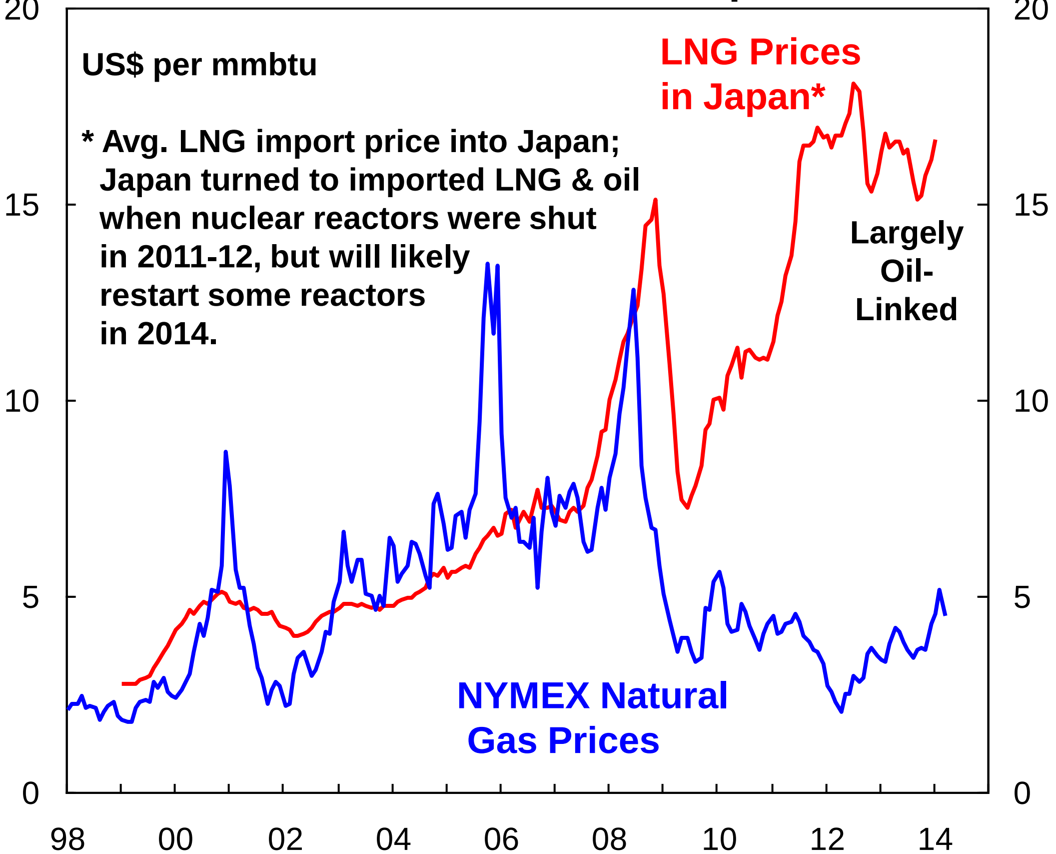
Costs are similar for light oil and blended bitumen. Approximate transportation costs only, without cost escalation.

Source: Scotiabank Commodity Price Index, July 30, 2013.

NEB RECOMMENDED APPROVAL OF NORTHERN GATEWAY PIPELINE IN DECEMBER 2013, WITH CONDITIONS; RULING BY OTTAWA WITHIN 180 DAYS; NORTHERN GATEWAY COSTS AT TIME OF NEB APPLICATION.

Expert Tanker Panel reports; Douglas R. Eyford Report on Aboriginal Canadians and Energy Development.

High LNG Prices in Japan & Asia Favour British Columbia & U.S. LNG Exports



*LNG prices delivered to Japan: peak at US$18.07 in July 2012, January 2014: US$16.62. Source: LNG Japan Corporation.

LNG exports should be the trigger for a large 'structural' increase in natural gas demand & stronger prices later in the decade. New transportation initiatives are also being developed: LNG use in trucking and possibly in railway locomotives.

Nymex Natural Gas Prices

(US$ per mmbtu)

2008	**8.90**
2009	**4.15**
2011	**4.03**
2012	**2.83**
2013	**3.73**
2014F	**5.20**
2015F	**4.75**

Natural gas is the fuel of choice for North American manufacturers, recently rejuvenating the U.S. petrochemical and fertilizer industries. Development of 20 new U.S. natural gas 'shale' basins – made economic by new multi-stage fracture drilling technology – has lowered the industry cost curve.

NYMEX prices fell to a decade low of US$1.91 per mmbtu on April 19, 2012. This price level was unsustainably low; the vast bulk of North American natural gas cannot be produced profitably at prices below US$2. Most 'dry' natural gas shale producers require at least US$3 to generate a reasonable rate of return.

Frigid winter weather across most of the United States and Canada triggered a spike in near-by futures as high as US$6.15 on February 19, 2014 (a 5-year high). U.S. gas-in-storage has been depleted, spelling much higher-than-expected prices during the storage refill season this spring and summer (US$4-5) and increased export volumes from Canada. Low U.S. inventories of steam coal are being retained for peak 'summer' electricity use.

Scotiabank GBM -- Landmark Mining & Metals Transactions

Streaming

VALE

has sold a portion of the gold from some of its Sudbury mines and the Salobo copper mine to

SILVER WHEATON

For

US$2,000,000,000

Financial Advisor

Scotiabank

February 2013

- Largest mineral royalty / streaming transaction ever
- Highest valuation achieved
- Largest international mining sell-side with a sole Canadian advisor

M&A

Red Back Mining Inc.

has merged with

KINROSS

For

C$8,000,000,000

Financial Advisor

Scotiabank

September 2010

- Fourth largest M&A transaction ever completed in the gold sector
- Cradle to the grave

C$165,000,000	C$60,025,000	C$110,003,520	C$375,000,003
Common Shares	Common Shares	Common Shares	Special Warrants & Sub. Receipts
Co-Bookrunner	Co-Bookrunner	Sole Bookrunner	Co-Manager
February 2009	December 2008	October 2007	May 2007

Equity Financing

BARRICK

US$4,026,164,375

Common Shares

Co-Bookrunner

Scotiabank

September 2009

- Largest Canadian equity offering in history
  - One of the largest common share offerings in the mining sector globally
  - Largest ever in gold sector

Private Placement

中国投资有限责任公司
CHINA INVESTMENT CORPORATION

has completed a private placement investment in the Class B shares of

Teck

For

US$1,500,000,000

Financial Advisor

Scotiabank

July 2009

- Largest common share private placement by a single investor in Canadian history
- Largest investment in a mining company by a Chinese investor in Canadian history

Scotiabank GBM -- #1 Mining & Metals Lender in Canada

- **Dedicated mining & metals team has been in the market for over 25 years**
- **Professionals located in Toronto, Vancouver & London with a broad range of experience**
- **Liaison with mining specialists / coverage in Lima, Mexico City, Santiago & São Paulo**
- **Corporate loans, project financing, acquisition financing, letters of credit**

Canadian Mining Loan Syndications
(2008 – 2013 Lead Arranger)

	Lender	Amount (US$M)	Deals
1.	**Scotiabank**	**$43,376**	**53**
2.	RBC Capital Markets	$42,971	17
3.	Citi	$34,030	8
4.	JP Morgan	$32,512	10
5.	CIBC	$25,021	29
6.	BMO Capital Markets	$24,488	15
7.	Morgan Stanley	$17,000	4
8.	BofA Merrill Lynch	$15,177	7
9.	Toronto-Dominion Bank	$9,156	10
10.	Royal Bank of Scotland	$2,930	4

Source: Loan Pricing Corporation

Significant Relationships

ScotiaMocatta – Precious & Base Metals Trading

ScotiaMocatta provides innovative hedging & base metal trading solutions with offices in London, New York, Toronto & Mumbai.

ScotiaMocatta is a global leader in precious metals trading and finance dating back to 1671; ranks #1 in physical trading worldwide.

Member of the Shanghai Gold Exchange, permanent Chair of the London Silver Fixing and an original member of the London Gold Fixing.

Offices in Shanghai, Hong Kong, Singapore, London, Toronto, New York, Bangalore, Coimbatore, Dubai, Mexico City, Mumbai and New Delhi.

Fully integrated and innovative solutions across a complete range of metal services:

- ***Spot, forward and options trading***
- ***Metal leases, consignments and loans***
- ***Global physical delivery***
- ***Forward rate agreements***
- ***Metals certificate programs***
- ***Hedging programs***
- ***Custodial services***
- ***Approved COMEX depository***
- ***Location swaps***
- ***Structured notes***

Scotiabank is Canada's most international bank

Global Operations

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