

A light gray world map is positioned in the background on the left side of the slide. A small, dark gray square is located on the map, specifically over the continent of Africa.

Junior Mining Companies: Softer Metal Prices & Low Equity Valuations Limit Financing on TSX Venture Exchange

**Patricia M. Mohr
Vice-President, Economics
& Commodity Market Specialist, Scotiabank**

**Capital Ideas 2013, B.C.'s Venture Market:
Junior Mining at a Crossroads**

BC Securities Commission

**Four Seasons Hotel
Vancouver, British Columbia**

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Scotiabank Commodity Price Index*



Data to September 2013.

*A U.S. dollar-based commodity price Index, trade-weighted by Canada's net exports of Metals & Minerals (30.1% weight), Oil & Gas (39.9%), Forest Products (14.66%) and Agricultural products (15.35%).

Random Events: Fukushima-Daiichi nuclear accident takes toll on uranium prices; Uralkali exit from BPC marketing arrangement riles potash markets.

Metal & Mineral Prices have endured an unusual double-dip in recent years, linked to the global economy, causing unusual volatility in equity values.

Two price corrections caused by:
The 'Great Recession':

All Items Index July-Dec 2008 -46%
Metals & Minerals - 19.8%

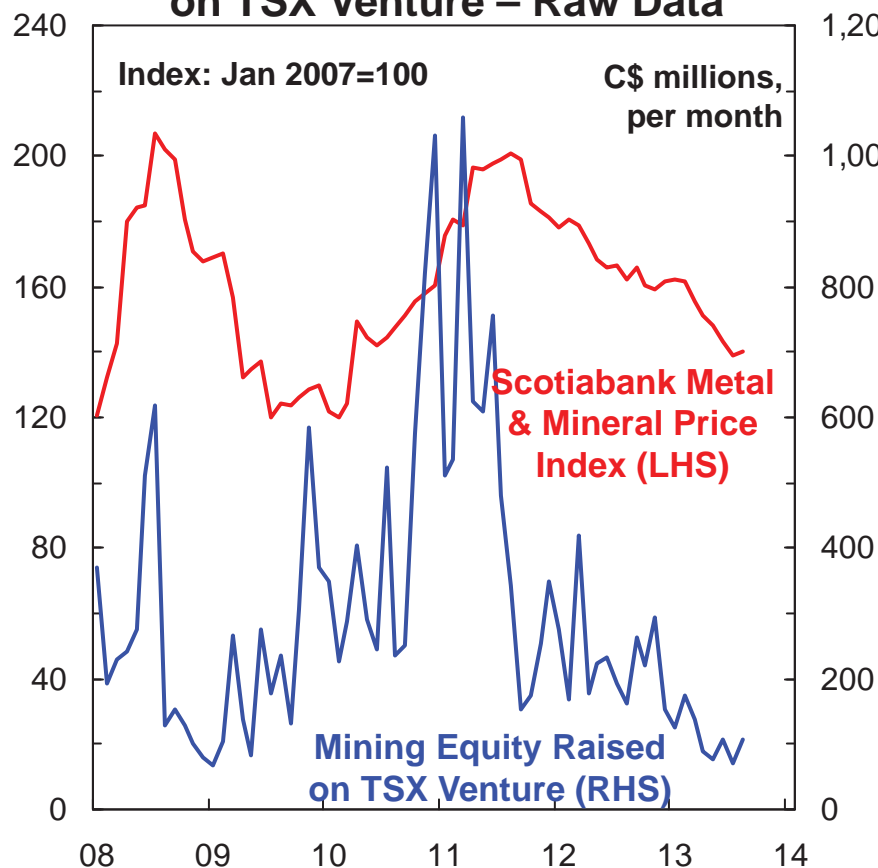
Excessive Eurozone Sovereign Debt:

All Items Index Apr'11- Dec'12 -19.8%
Metals & Minerals -17.8%

September 2013:
All Items -3.8%; Metals - 17.1% yr/yr

Investor unease over gradual slowdown in China's GDP growth to 7-7.5% & transition to a consumer-led economy; gold price correction due to expected Fed tapering of 'quantitative easing' and base metal mine supply coming on stream in a lacklustre global economy.

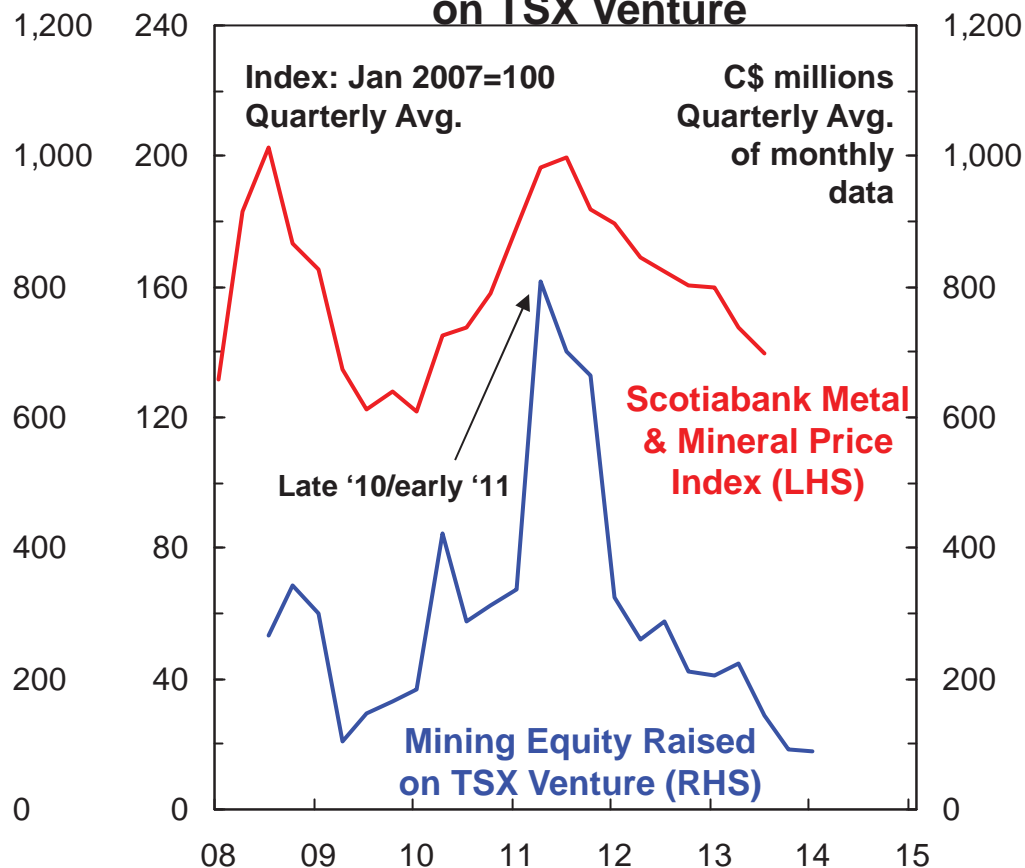
Metal Prices vs. Equity Raised on TSX Venture – Raw Data



Data 2008:January to 2013:August. Data: TMX Market Intelligence Group and Scotiabank.

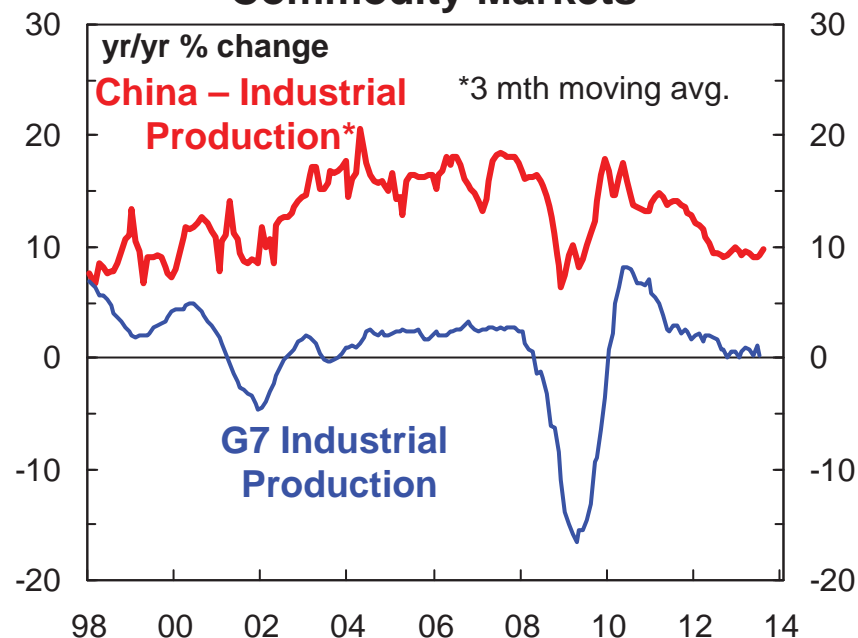
In addition to lower commodity prices, **low equity valuations have also discouraged equity issuance on the public exchanges in 2012-13; Senior mining companies (especially gold miners) are now more focused on boosting shareholder returns than on growing production; more disciplined capital spending has inhibited asset acquisitions from juniors.**

Metal Prices vs. Equity Raised on TSX Venture



Scotiabank Metal & Mineral Price Index (quarterly averages) versus equity raised for mining companies on TSX Venture Exchange (lagged 2 quarters). Correlation Coefficient: 0.7087. **Private equity funding will heat up in the next 6-12 months.** Other financing avenues: streaming arrangements, strategic equity investments in return for off-take arrangements to secure supply & price and mergers between junior mining companies.

China -- Vital to Global Commodity Markets



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

Copper	43.1% (9.1%)	Nickel*	46.6% (7.8%)
Zinc	45.2% (8.4%)	Aluminium	47.0% (10.8%)

Four Base Metals: China 45.8%, USA 9.9%.

*Japan 9.7%; excluding inventory accumulation in China

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%**

August **10.4%**

G7 Industrial Production

U.S. **+2.7% (Aug)**

Japan **+1.1% (Aug)**

Germany **+0.1% (Aug)**

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