Canada's Mining Finance Ecosystem a Model for Late-Cycle Precious Metals Capacity Expansion

2nd Asia Pacific Precious Metals Conference
3-5 June 2018 | PARKROYAL on the Beach Road, Singapore

Bart Melek
Global Head of Commodity Strategy

TD Securities Commodity Strategy Forecasts

Commodity Forecasts													
Commodity (Avg of forward month contracts)			Spot Price	2018 Q1A	Q2F	Q3F	Q4F	2019 Q1F	Q2F	Q3F	Q4F	2018F	2019F
Precious Metals													
Gold	1	$/oz	1,304	1,329	1,312	1,290	1,300	1,325	1,335	1,350	1,375	1,308	1,346
Silver	1	$/oz	16.67	16.77	16.55	16.50	16.80	17.50	18.25	19.00	19.00	16.66	18.44
Platinum	1	$/oz	908	978	920	900	1,000	1,100	1,125	1,150	1,150	949	1,131
Palladium	1	$/oz	978	1,036	980	1,000	1,100	1,125	1,150	1,150	1,150	1,029	1,144
Base Metals													
Copper	2	$/lb	3.11	3.16	3.13	3.20	3.22	3.24	3.29	3.31	3.31	3.18	3.29
		$/tonne	6,846	6,958	6,900	7,050	7,100	7,150	7,250	7,300	7,300	7,002	7,250
Zinc	2	$/lb	1.40	1.55	1.42	1.54	1.66	1.70	1.70	1.75	1.75	1.54	1.72
		$/tonne	3,089	3,413	3,125	3,400	3,650	3,750	3,750	3,850	3,850	3,397	3,800
Lead	2	$/lb	1.10	1.14	1.11	1.14	1.14	1.18	1.15	1.20	1.20	1.13	1.18
		$/tonne	2,435	2,518	2,450	2,513	2,522	2,601	2,535	2,646	2,646	2,501	2,607
Nickel	2	$/lb	6.73	6.02	6.42	6.58	6.24	6.00	5.90	5.86	5.86	6.31	5.90
		$/tonne	14,844	13,273	14,150	14,500	13,750	13,225	13,007	12,919	12,919	13,918	13,018
Aluminium	2	$/lb	1.03	0.98	1.03	1.02	1.01	1.00	0.98	0.99	1.01	1.01	0.99
		$/tonne	2,266	2,154	2,275	2,250	2,225	2,205	2,150	2,175	2,225	2,226	2,189
Iron Ore	4	$/tonne	62	71	64	62	60	55	56	56	55	64	56
Energy													
WTI Crude Oil		$/bbl	67	63	69	72	72	70	70	68	68	69	69
Brent Crude Oil		$/bbl	75	67	76	80	80	78	78	76	76	76	77
Heating Oil (ULSD)		$/gal	2.18	1.98	2.19	2.20	2.21	2.13	2.13	2.05	2.05	2.15	2.09
Gasoline		$/gal	2.14	1.86	2.16	2.20	2.10	2.05	2.05	2.05	2.00	2.08	2.04
NYMEX Natural Gas		$/MMBtu	2.88	2.85	2.72	2.85	3.05	3.06	3.00	3.05	3.10	2.87	3.05
AECO Natural Gas		$/MMBtu	0.61	1.25	0.75	0.90	1.05	1.11	1.15	1.30	1.35	0.99	1.23
		CAD/GJ	0.76	1.49	0.91	1.08	1.25	1.32	1.36	1.54	1.60	1.18	1.45
Uranium		$/lb	23	22	21	22	24	25	25	30	30	22	28
Newcastle Thermal	5	$/tonne	107	103	100	102	105	100	98	96	96	102	98

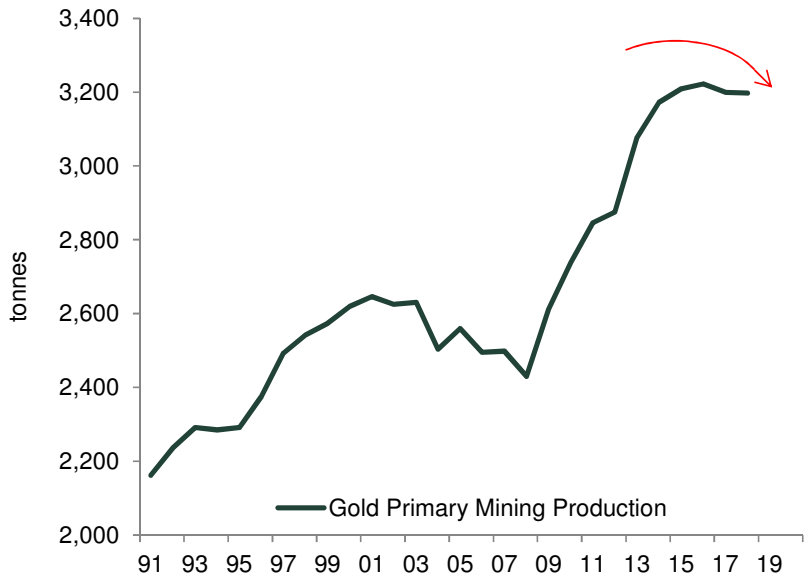
Notes: F = Forecast, E = Estimate, A = Actual; 1. London PM Fix; 2. LME; 3. Molybdenum equivalent to moly oxide, FOB USA; 4. CFR China, 62% Fe, dry; 5. Japan CIF steamcoal marker-Newcastle

Source: Bloomberg, TD Securities

Bart Melek
bart.melek@tdsecurities.com

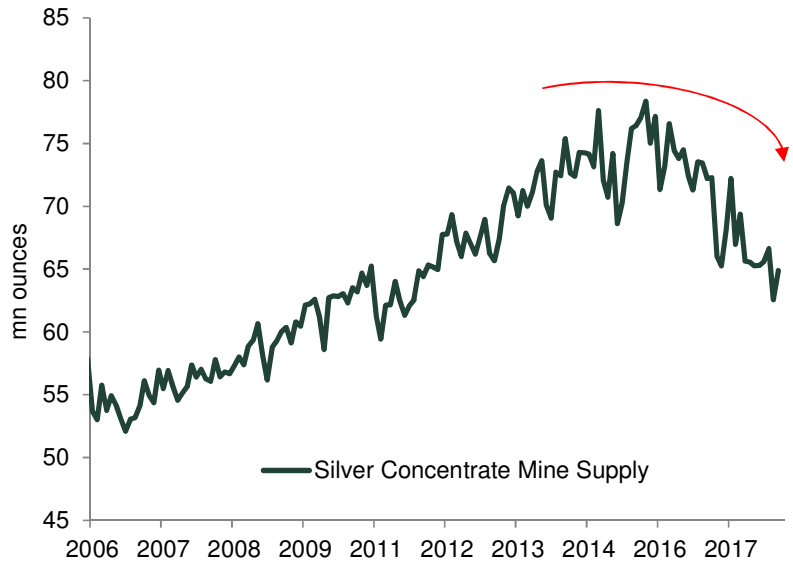
A Requiem For Gold & Friends Not Required

Gold Primary Production Trending Lower…



Source: TDS Commodity Strategy

… While Silver Mine Supply Slows— PGMs Also Have Weak Production Profiles



Source: Bloomberg, TDS Commodity Strategy

Bart Melek
bart.melek@tdsecurities.com

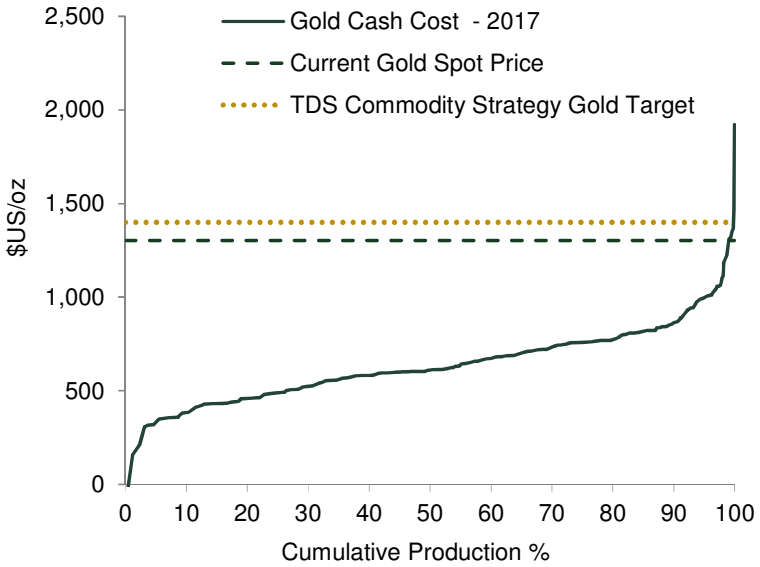
Weak Capex, Price Above Cost-Curve Points To New Capacity Investment

Need for Capital Expenditures To Maintain Growth — But its Not There Currently…

Source: Bloomberg, TDS Commodity Strategy

**CAPEX Based On Companies Listed on S&P500, Dow, TSX, FTSE*

Precious Metal Prices Above Curve Support Capacity Expansion

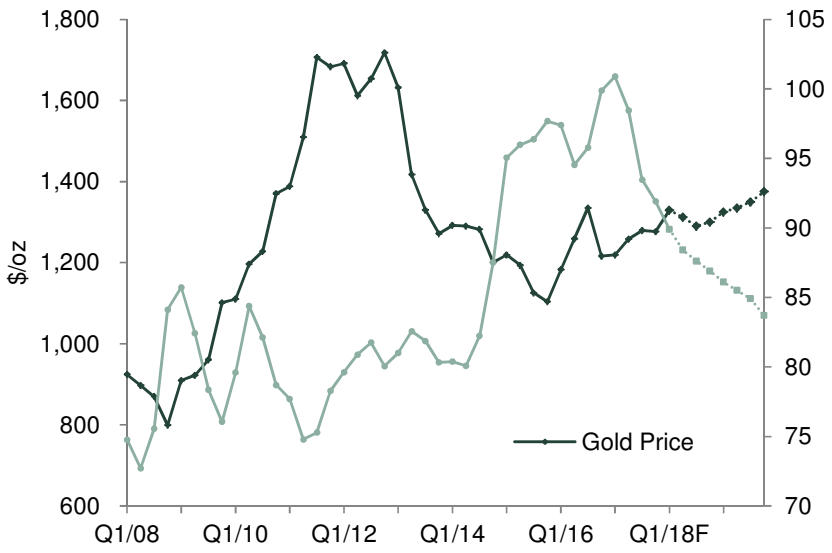


Source: Metals Focus, TDS Commodity Strategy

Bart Melek
bart.melek@tdsecurities.com

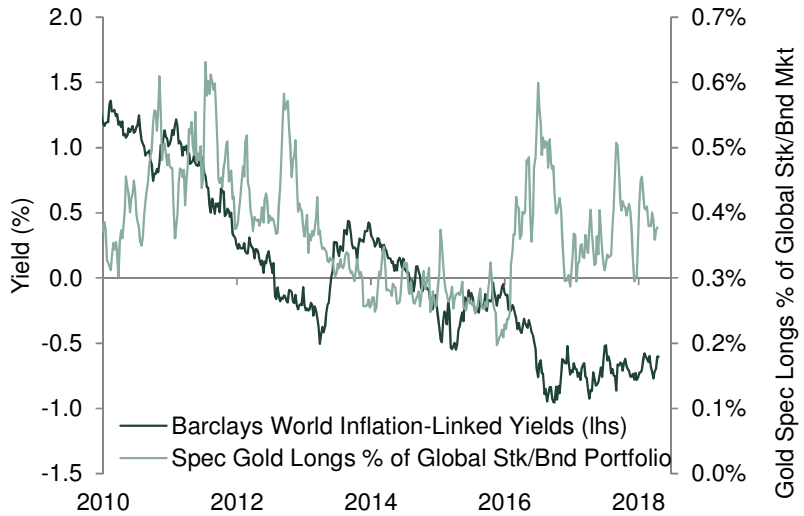
USD, Low Real Rates, Fed Nearing End of Tightening Cycle and Symmetric Inflation Targeting Catalyst for Gold Strength into 2019

Gold & Friends Could Benefit from Projected Dollar Weakness…



Source: Bloomberg, TD Securities

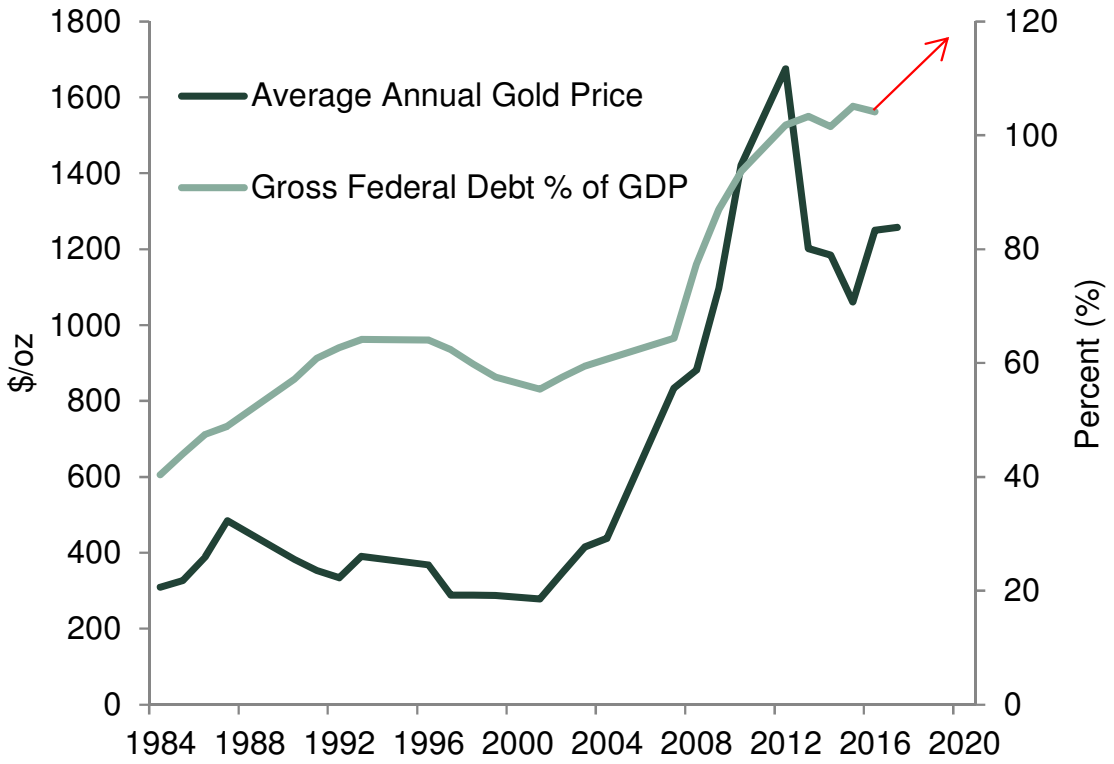
…Along With Negative Global Real Yields Which Support Demand for Precious Metals



Source: Bloomberg, TD Securities

Bart Melek
bart.melek@tdsecurities.com

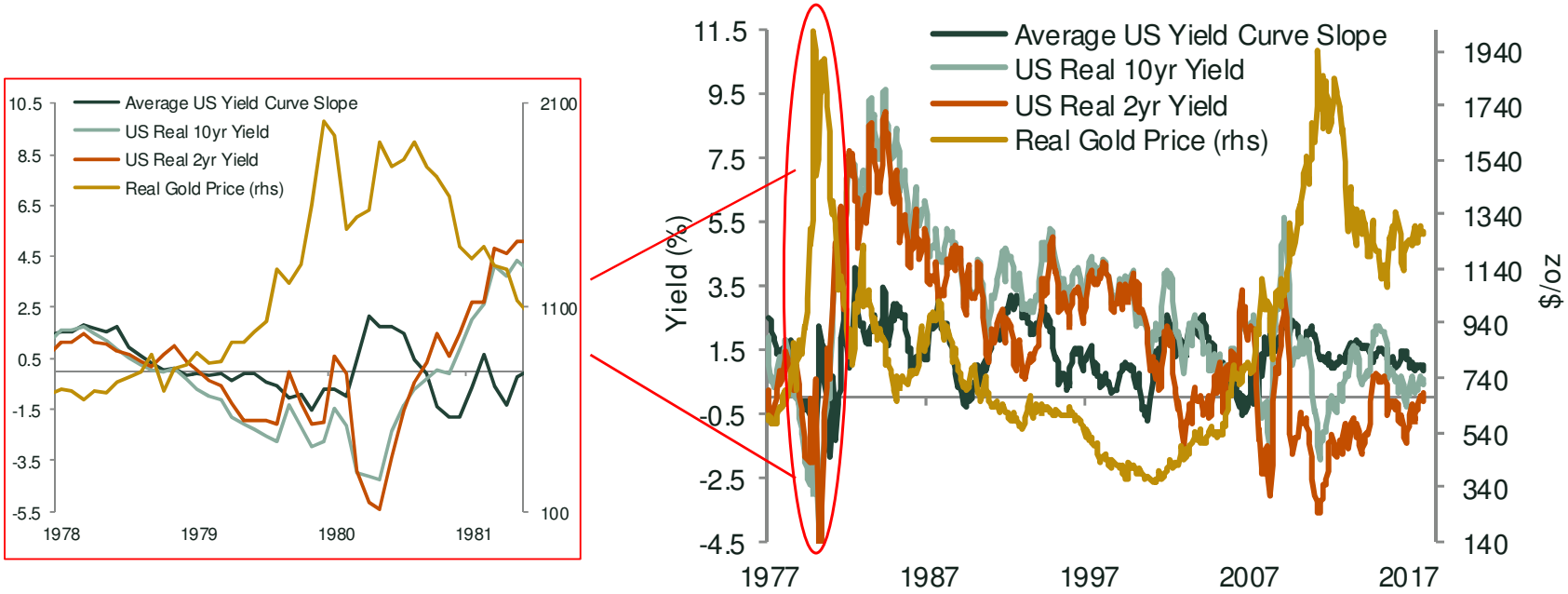
Sky-High Debt Increases Monetization Risk



Source: Federal Reserve Bank of St. Louis, Bloomberg, TD Securities

Bart Melek
bart.melek@tdsecurities.com

Gold Can Rally Even as Fed Tightens — Low Real Rates and "Behind-the-Inflation-Curve" Chatter the Reasons

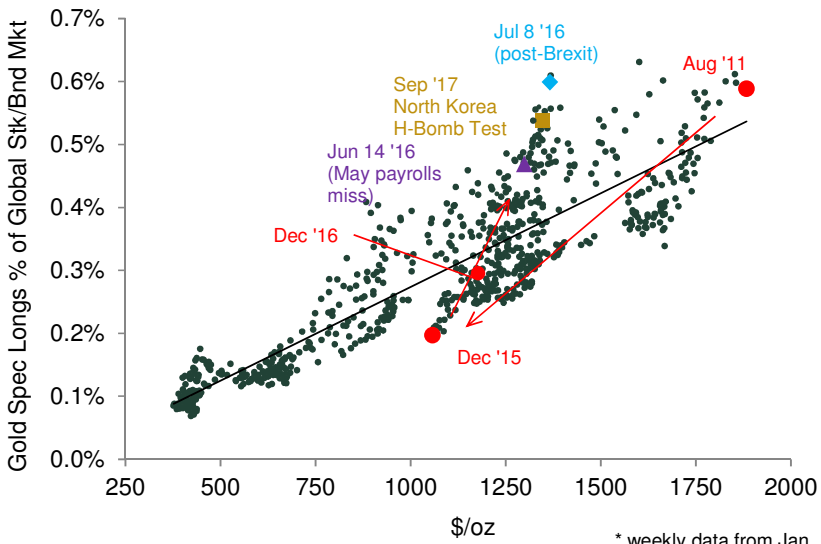


Source: Bloomberg, TD Securities

Bart Melek
bart.melek@tdsecurities.com

Geopolitical Risks Favor Diversification Towards Precious Metals

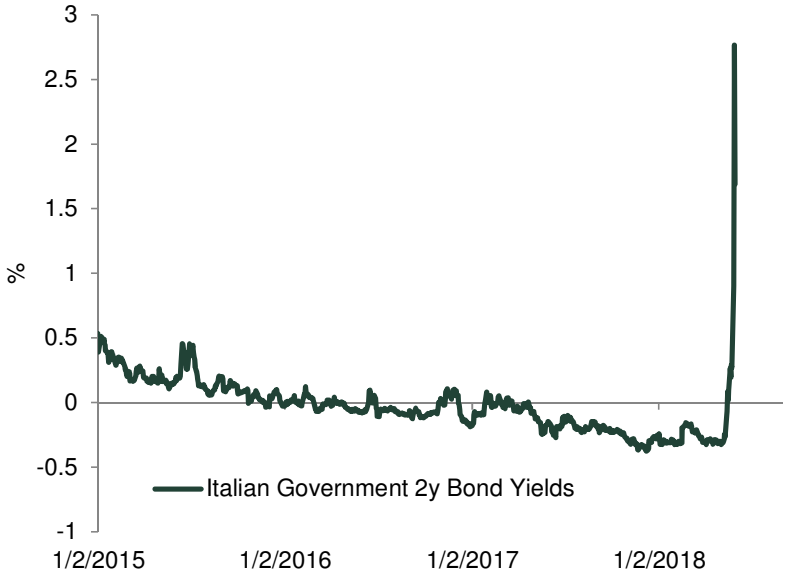
Global Risks Should Keep Investors Well Positioned in Gold…



Source: World Bank, BIS, Bloomberg, TD Securities

* weekly data from Jan '04 to May '18

…As Global Political Risks Can Bite

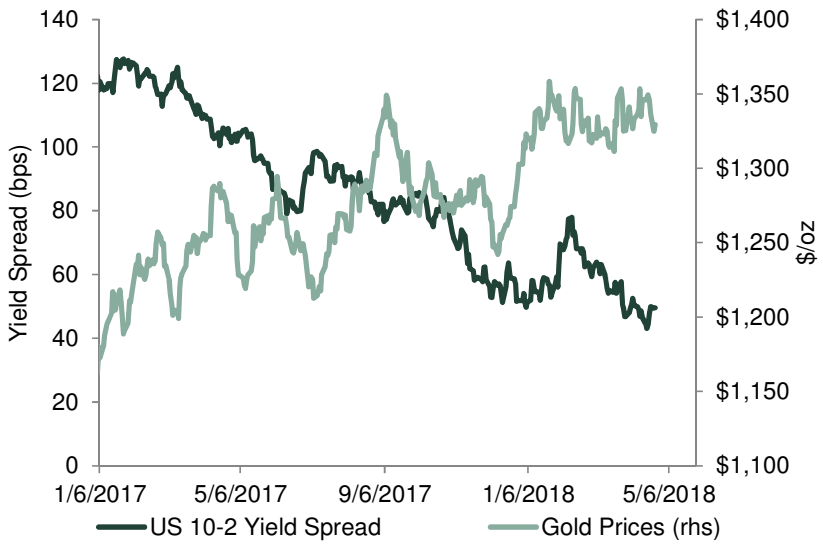


Source: Bloomberg, TDS Commodity Strategy

Bart Melek
bart.melek@tdsecurities.com

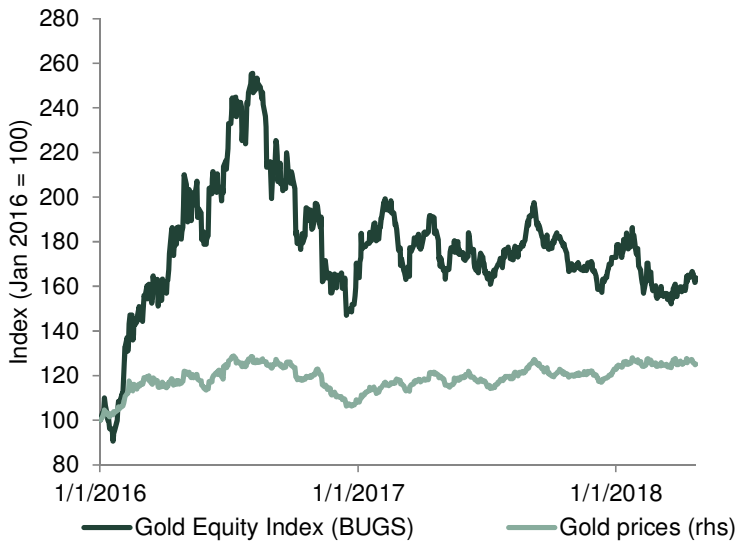
Stabilizing Global Economy Positive for the Commodity Complex in Times of Limited Supply Growth Longer Term

Flat Yield Curve Supports Gold



Source: Bloomberg, TDS Commodity Strategy

Valuations Begin To Signal Interest in Gold

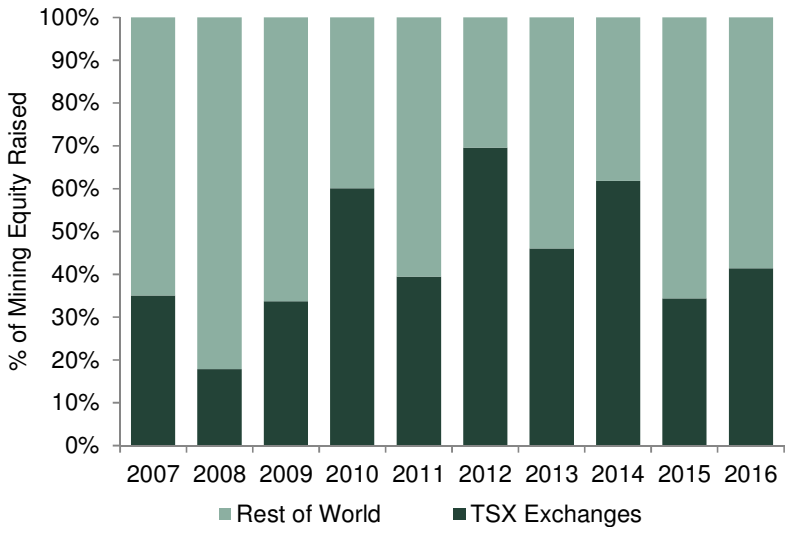


Source: Bloomberg, TDS Commodity Strategy

Bart Melek
bart.melek@tdsecurities.com

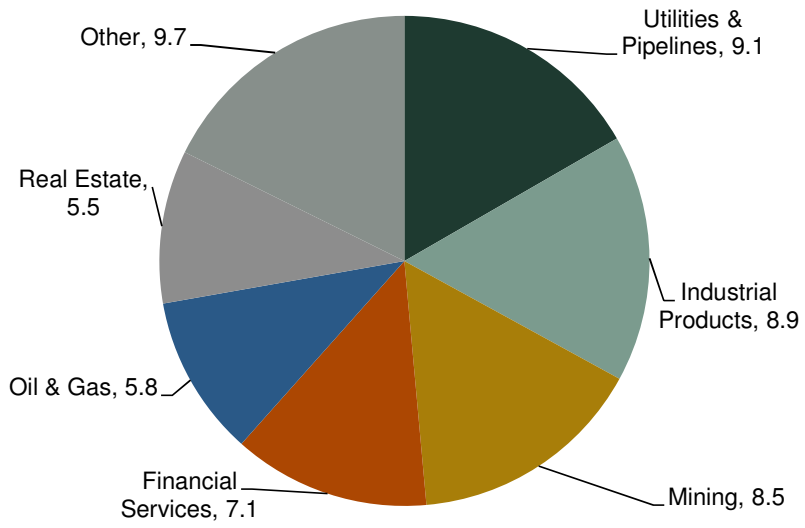
New Projects Will Need to Come Starting in the Late in the Business: Canadian Ways Can Help

Canadian Exchange Dominates Mining Finance



Source: Gamah International, TSX, TDS Commodity Strategy

TSX Equity Capital By Sector Highlights Canadian Mining Expertise



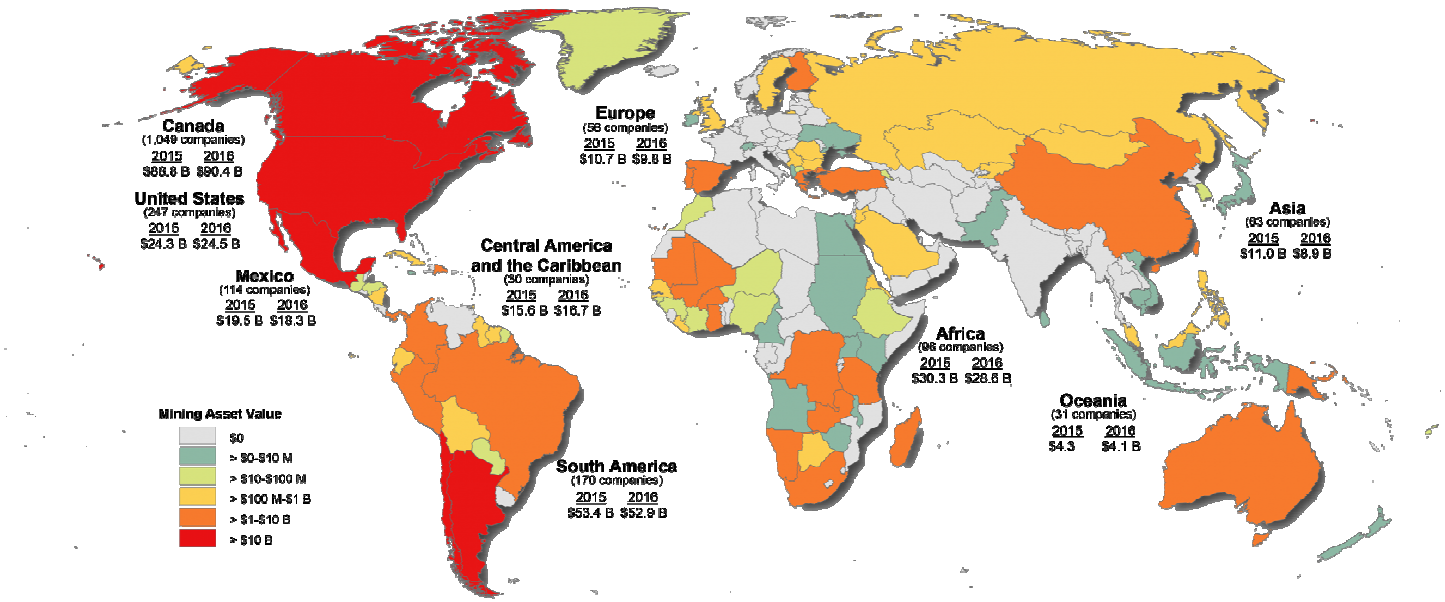
Source: TMX Group, TDS Commodity Strategy

*Figures in $bn

Bart Melek
bart.melek@tdsecurities.com

Canadian Expertise Spans Across Global Markets

Canadian Exchange Dominates Mining Finance



Bart Melek
bart.melek@tdsecurities.com

Questions & Answers

Thank You

Bart Melek
bart.melek@tdsecurities.com

Disclaimer

TD Securities is a trademark of TD Bank and represents TD Securities Inc., TD Securities (USA) LLC and TD Securities Limited and certain investment and corporate banking activities of TD Bank and its subsidiaries.

© Copyright 2016 The Toronto-Dominion Bank. All rights reserved.

Global Disclaimer https://goo.gl/Fa25VD

Bart Melek
bart.melek@tdsecurities.com