

Metal Prices, Currencies & Global Growth – Outlook 2010-11

The Commodity Price ‘Super-Cycle’ Returns

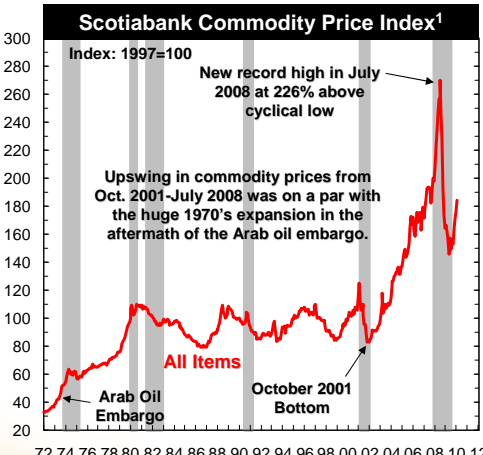
Patricia M. Mohr, Vice-President, Economics
& Commodity Market Specialist
Scotiabank Group, Toronto

Nunavut Mining Symposium 2010

Frobisher Inn, Iqaluit

April 13, 2010

Scotiabank's Commodity Price Index Climbs 25.7% from Cyclical Bottom Last Spring



Scotiabank Commodity Price Index¹

Index: 1997=100

New record high in July 2008 at 226% above cyclical low

Upswing in commodity prices from Oct. 2001-July 2008 was on a par with the huge 1970's expansion in the aftermath of the Arab oil embargo.

Arab Oil Embargo

October 2001 Bottom

All Items

72 74 76 78 80 82 84 86 88 90 92 94 96 98 00 02 04 06 08 10 12

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


Scotiabank Commodity Price Index, % change yr/yr

December 2005	24.4%
December 2006	5.4%
December 2007	10.4%
December 2008	-17.1%
December 2009	8.0%

(February 2010, % change from April 2009 low)

All Items	+25.7
Oil & Gas	+66.1
Metals & Minerals	+15.6
Forest Products	+24.6
Agriculture	-4.3

Commodity markets begin to anticipate a restocking-led recovery in U.S. demand.



Commodity Price Outlook – 2010-11

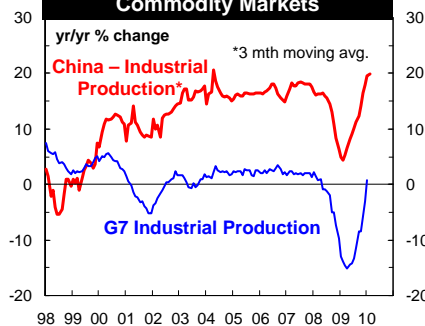
After rising a solid 25.7% from the cyclical low in April 2009, commodity prices are expected to move irregularly higher in 2010-11 alongside the following developments:

- 1) ongoing strength in China's economy, with GDP expected to climb by 9.5% in 2010, up from 8.7% in 2009 (higher than targeted by Beijing);
- 2) some re-stocking of basic materials across the G7 (especially in the United States) – a development which has not yet occurred to any great extent – as these economies recover;
- 3) continued interest by investors in commodities as an 'asset class', with interest shifting from passive, commodity-index investing to more active strategies, using hedge funds; the search for higher returns –given near-record low interest rates across the globe and exceptionally low U.S. Treasury yields – spurred a US\$75 bn inflow into commodity-related investments in 2009 – boosting global commodity assets under management to about US\$260 bn by late 2009 compared with a mere US\$6-10 bn in 2000. No where is this more evident than in base metals – where fund and speculative interest has been driven by the China and 'emerging Asia' story.

However, commodity prices are likely to be more volatile in 2010. China's shift to a tighter monetary policy in January and February temporarily pulled down base metal and oil prices, after an early-January surge. A likely shift to tighter monetary policy by the Fed in the second half of 2010 could have a similar impact, on the way to much tighter market conditions for many commodities in 2011.



China – Vital to Global Commodity Markets



China Industrial Production:

Jan-Feb 2009	3.8% yr/yr
	(a bottom)
Mar 2009	8.3%
July 2009	10.8%
Nov 2009	19.2%
Dec 2009	18.5%
Jan/Feb 2010	20.7%

China's Share of Global Consumption in 2009e Compared with United States (in brackets)

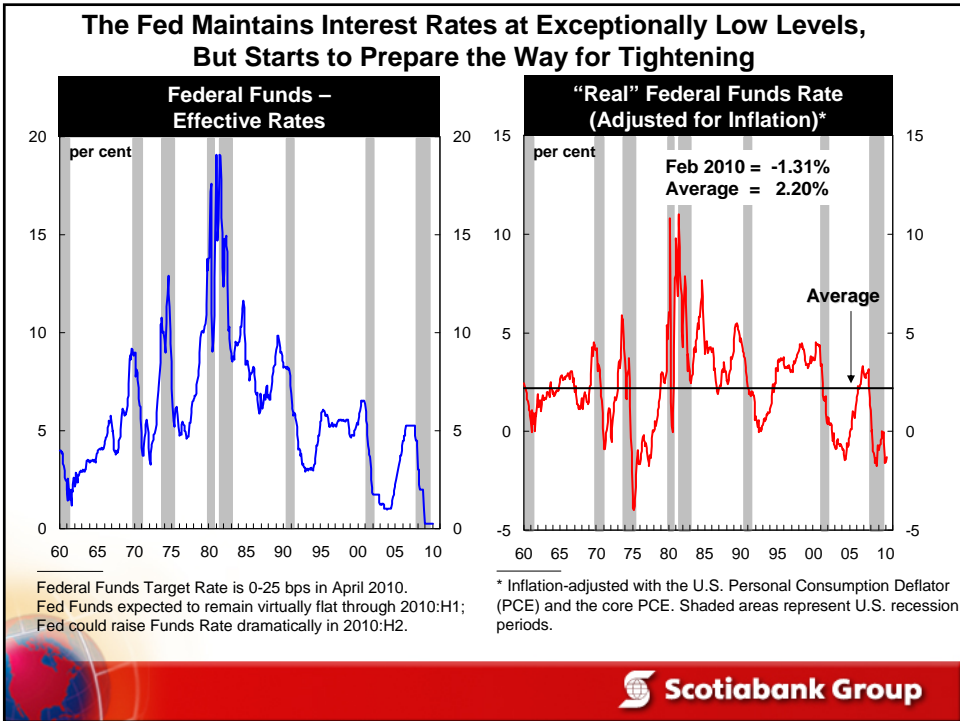
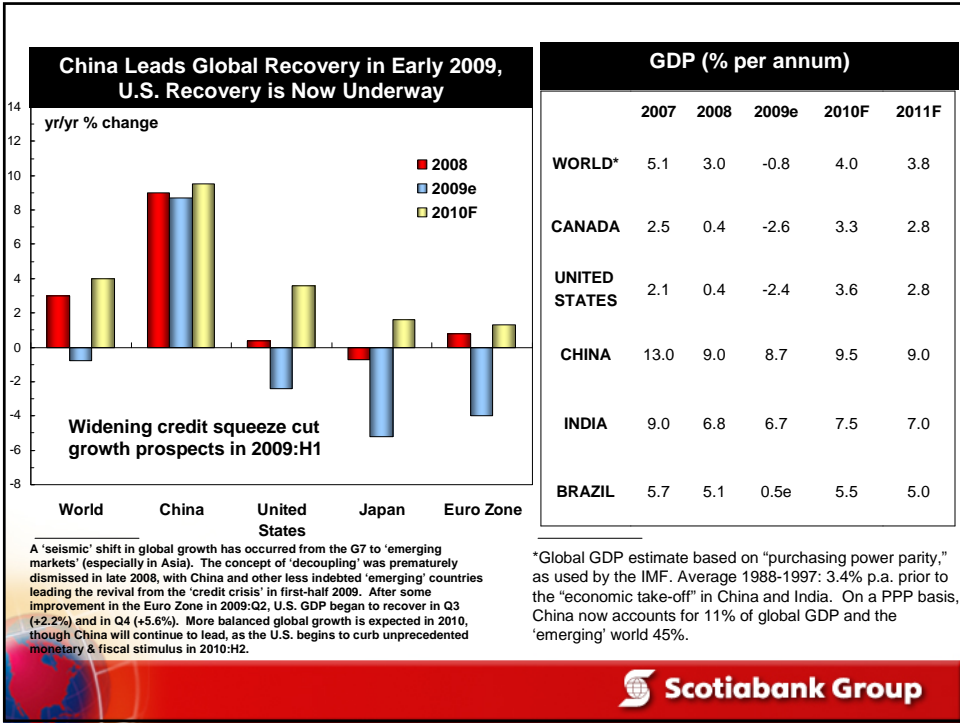
Copper	38.2%	Nickel*	29.9%
	(8.9%)		(10.1%)
Zinc	40.0%	Aluminium	40.3%
	(8.9%)		(10.9%)

G7 Industrial Production	+0.8% (Jan)
U.S.	1.7% (Feb)
Japan	31.4% (Feb)
Germany	5.4% (Feb)

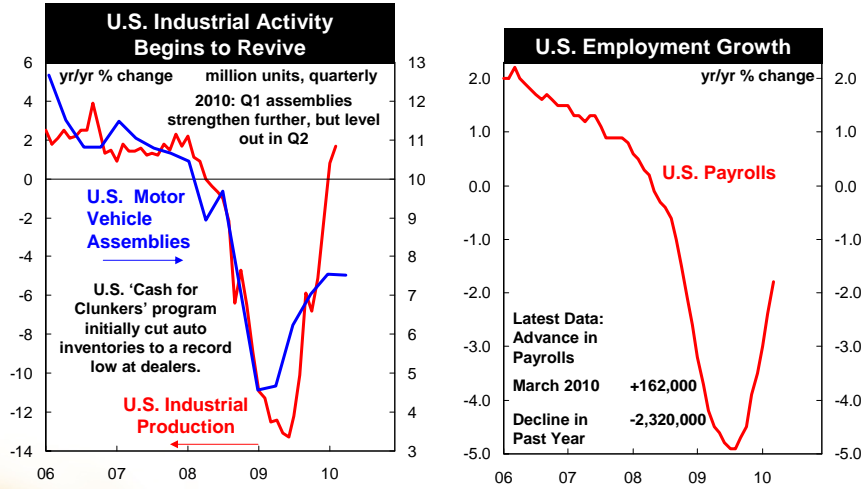
Source: Scotiabank Commodity Price Index.

Four Base Metals: China 39.4%, USA 10.0%.
*Japan 12.0%; excluding inventory accumulation in China

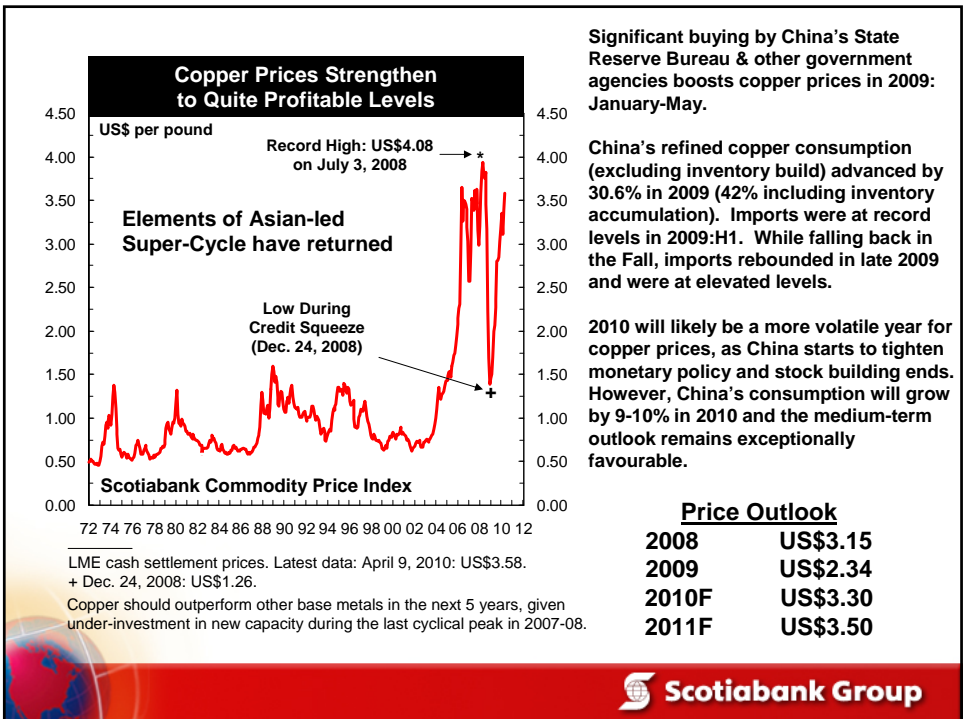


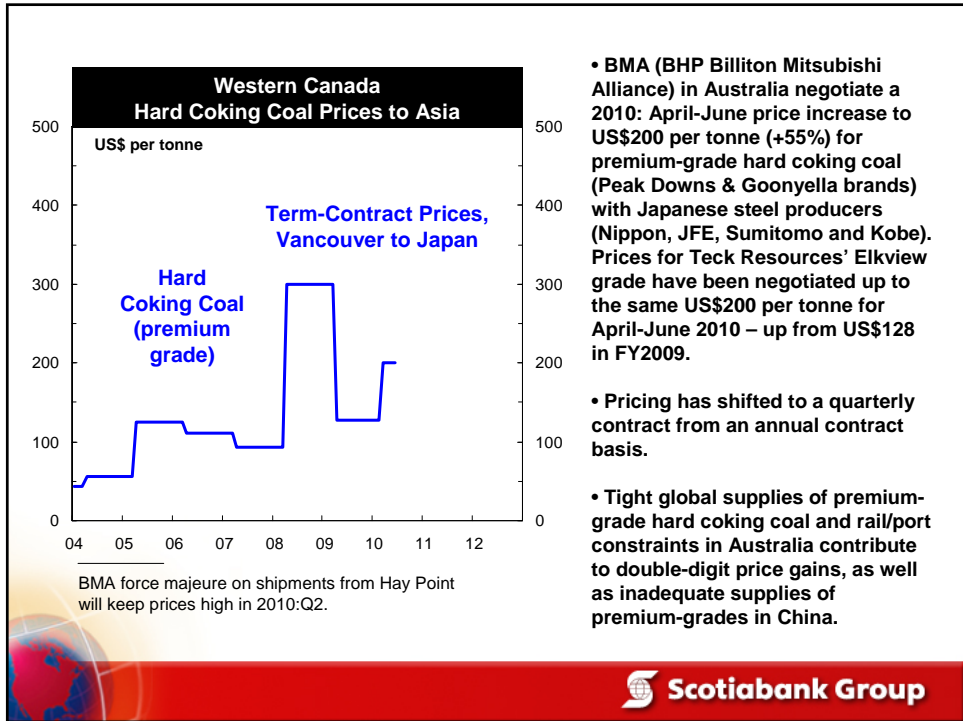
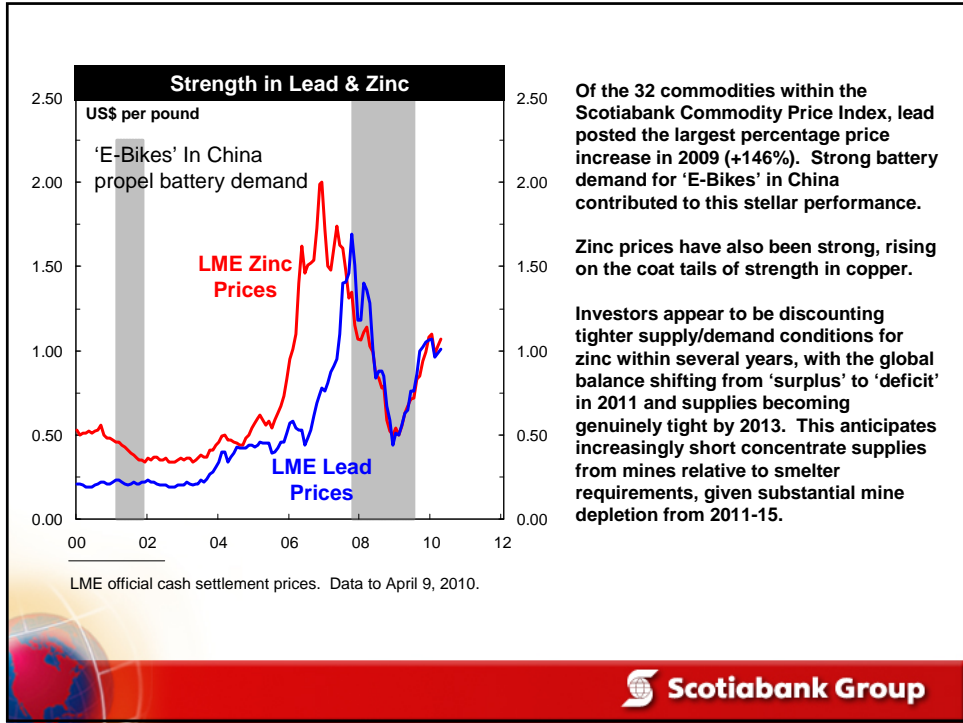


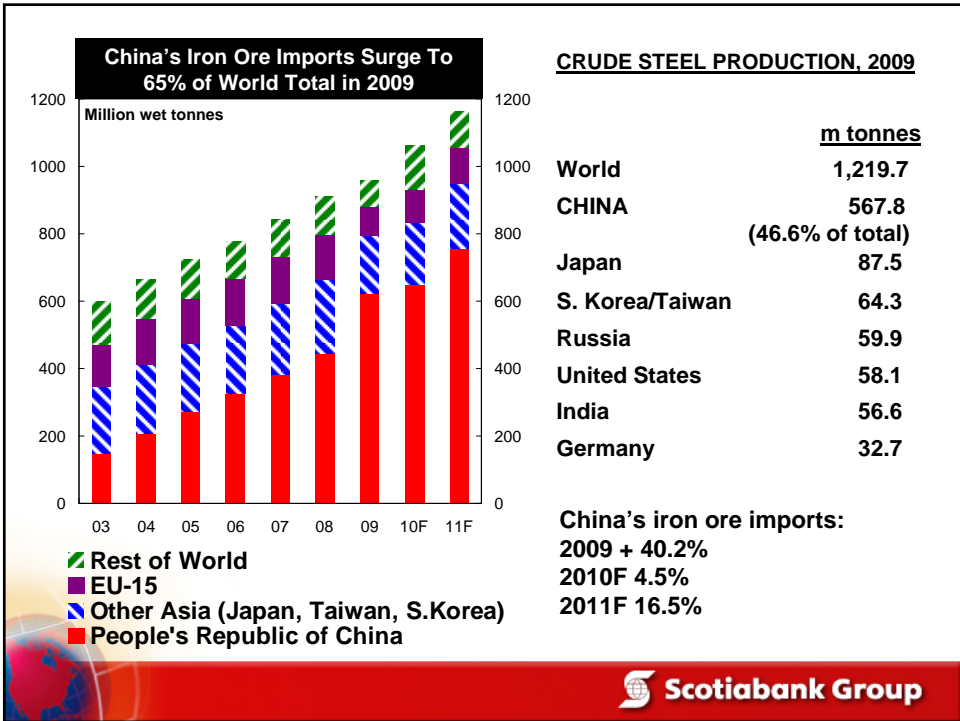
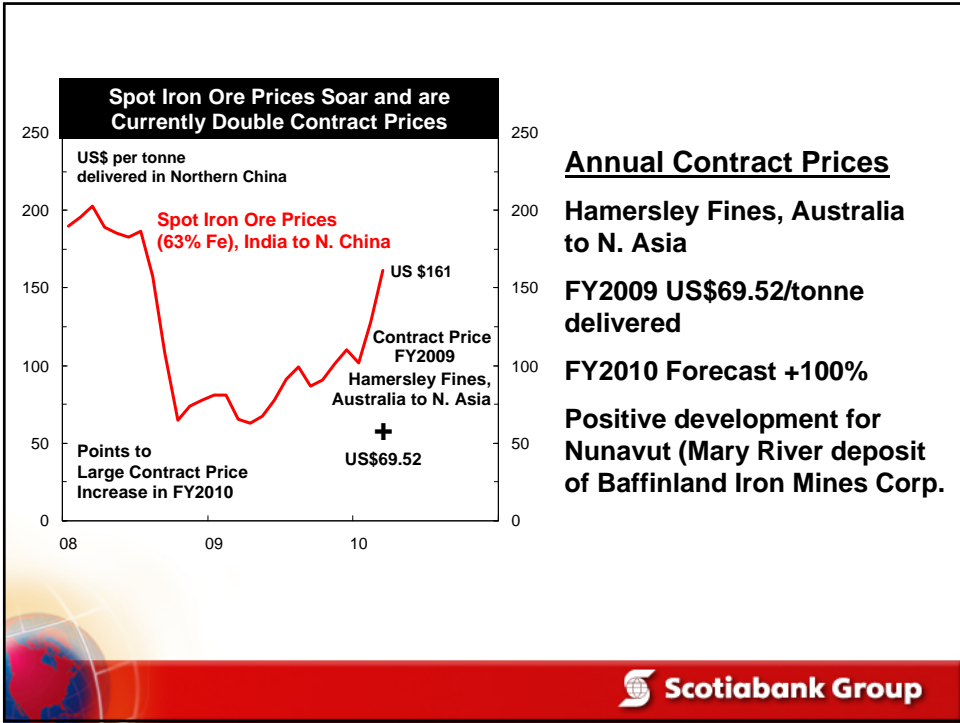
U.S. Economy Begins to Recover in 2009:Q3 Re-stocking Expected in 2010:H1

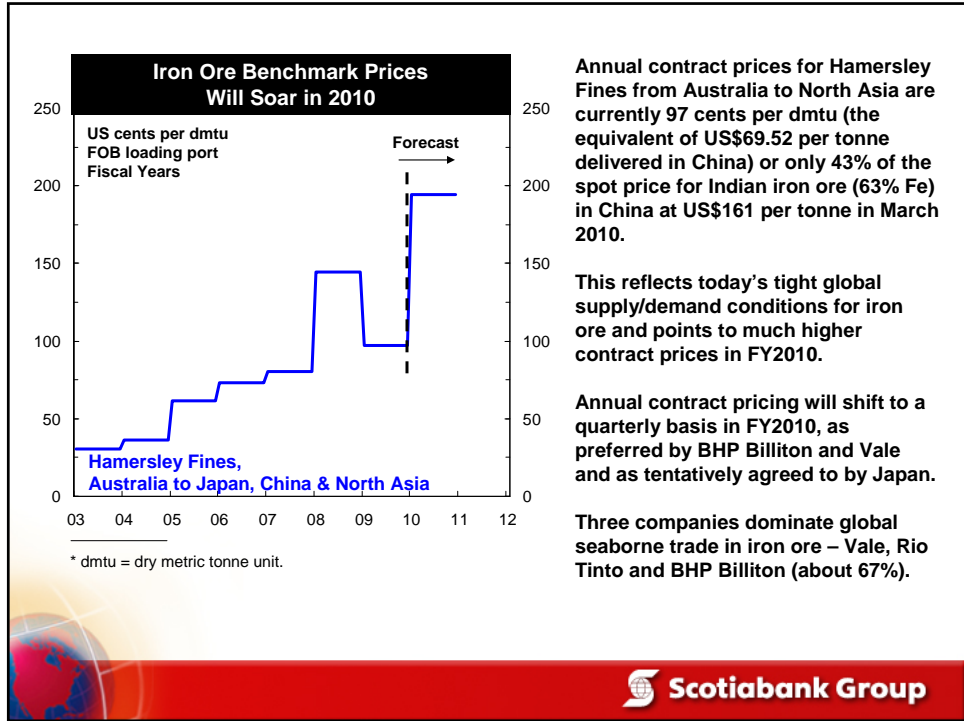


North American motor vehicle assemblies are expected to edge up from 11.1 million units in 2010:Q1 to 11.5 million in Q2, with most of the gains in light trucks in Mexico (GM & Chrysler).









Canadian Mining Companies Will Benefit From Strong Iron Ore Prices In FY2010

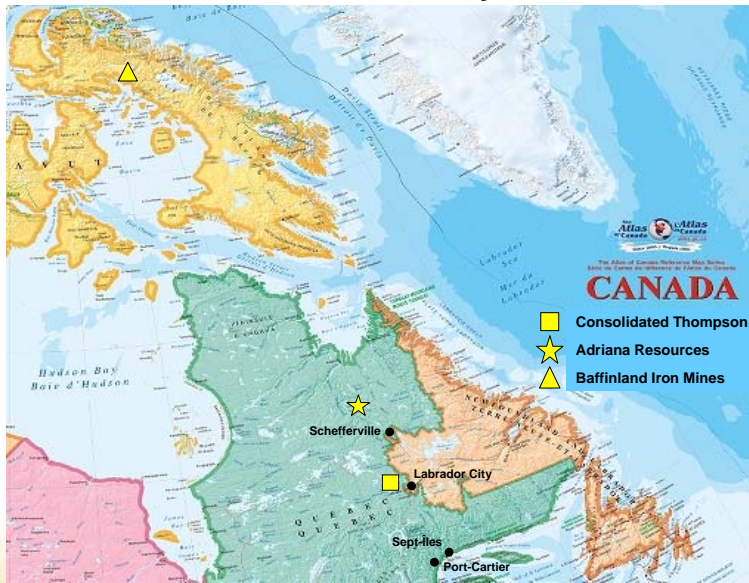
The price of pellets sold by Labrador and Quebec iron ore producers in Canada to European markets is influenced by the price of Vale's Tubarao pellets sold from Brazil to Europe (plus a slight premium). After dropping by -48% in FY2009 due to a sharp decline in steel production and destocking in Europe in early 2009, Tubarao pellets will increase significantly from today's 113.84 cents per dmtu (FOB loading port), as Vale shifts to a pricing system linked to much higher spot prices.

Prices will be driven up by continued growth in Chinese imports (at a record high in 2009) in the face of recovering demand in the G7 and OECD. After some slowdown in early 2010, iron ore imports into China are expected to climb another 4.5% in 2010, given steel expansion plans in China. Iron ore exports from India (the third biggest supplier after Australia and Brazil) edged down in 2009 and will likely fall back further in 2010 alongside increased export taxes and rising domestic requirements in India's growing steel industry.

China's reliance on imported iron ore is likely to grow, as the quality of its reserves decline. While China has some world-class deposits with grades comparable to those of Australia and Brazil, the supply of this higher-grade ore will be insufficient to meet China's growing demand. Most of the new mine development in China will be of lower-grade magnetite ores with 20% Fe (requiring more processing) – compared with hematite ores averaging 58-59% Fe in Australia and 60-62% Fe in Brazil.

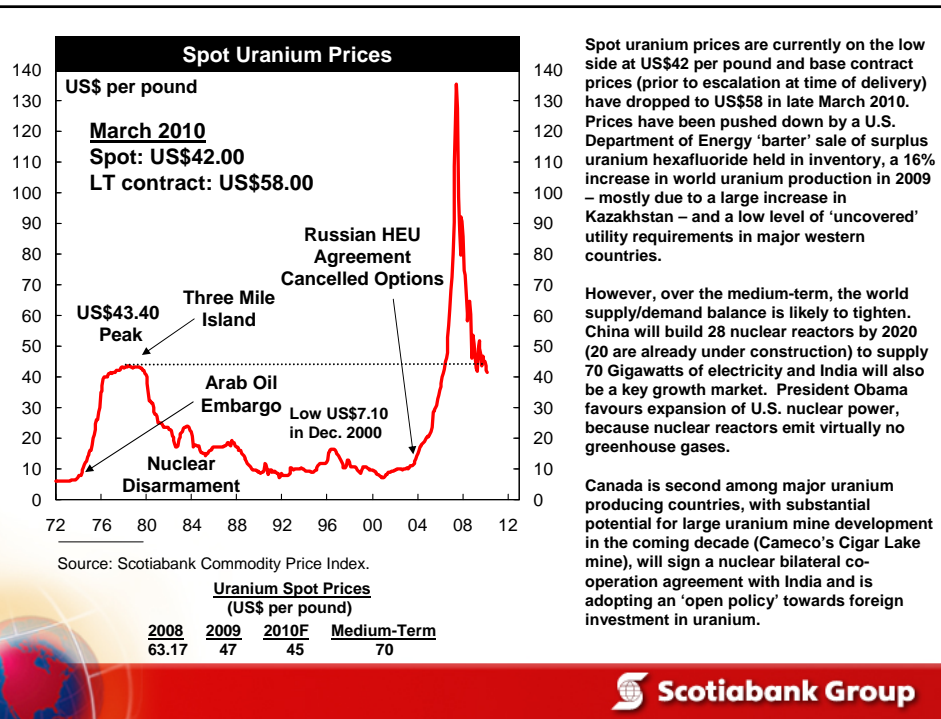
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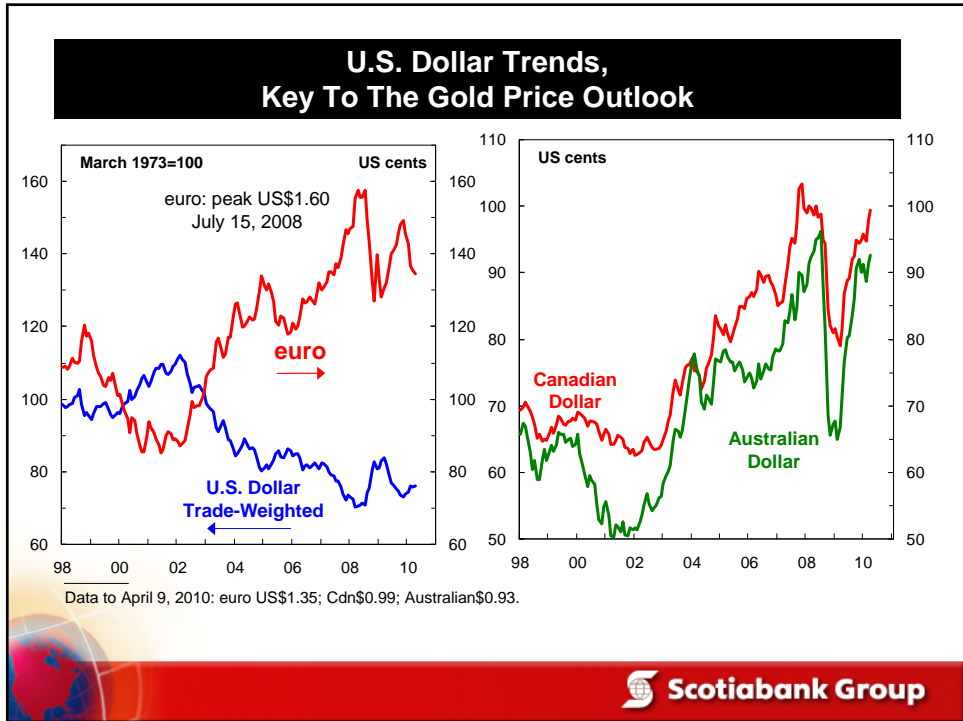
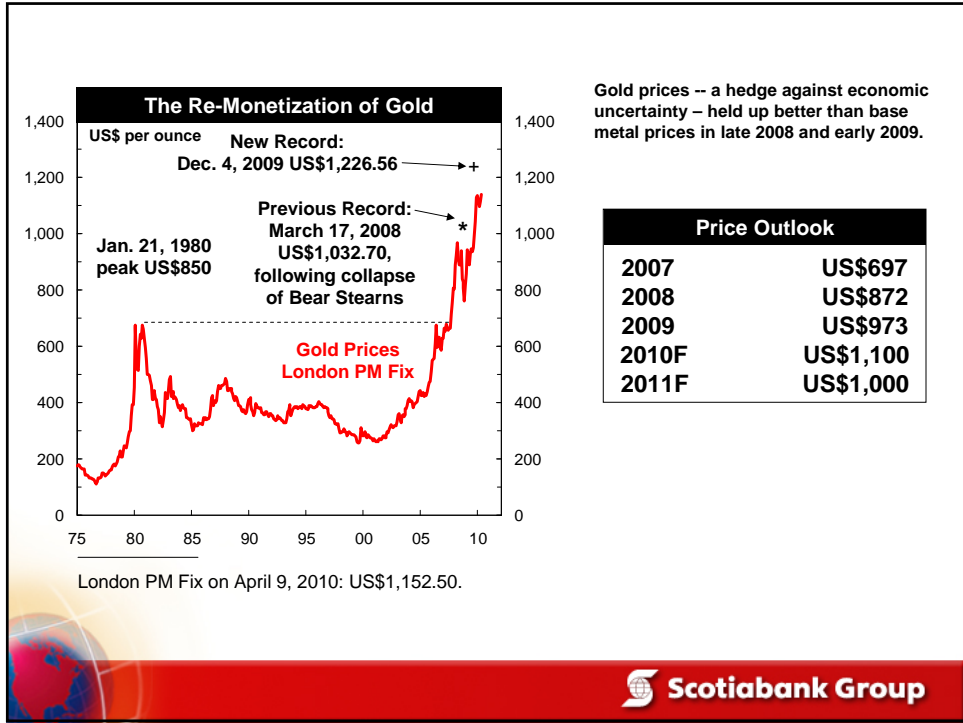
New Iron Ore Resource 'Plays' in Canada

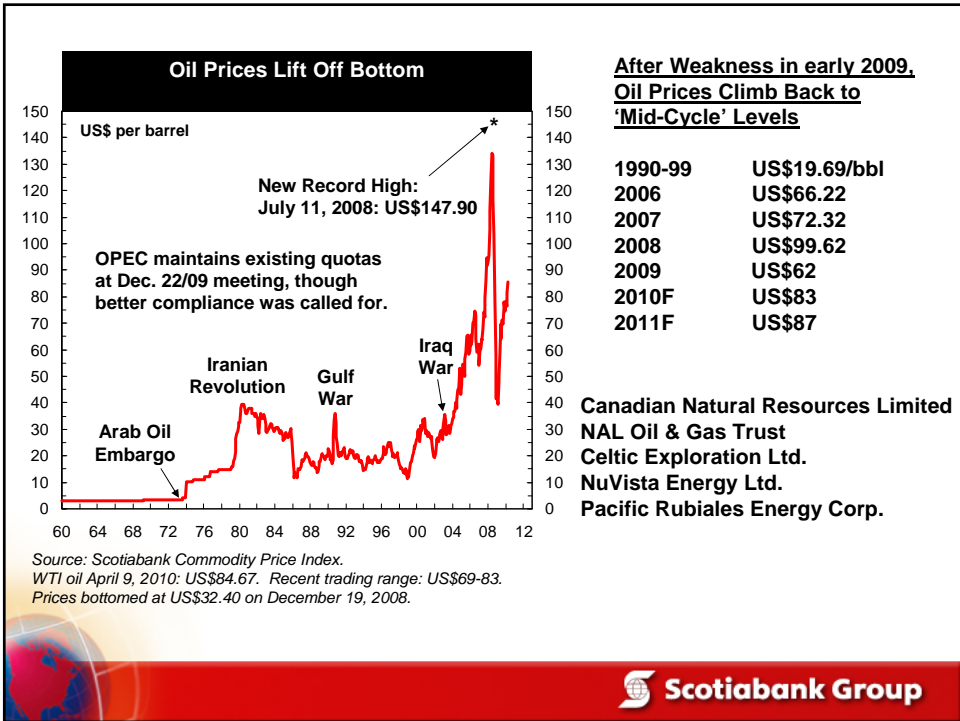
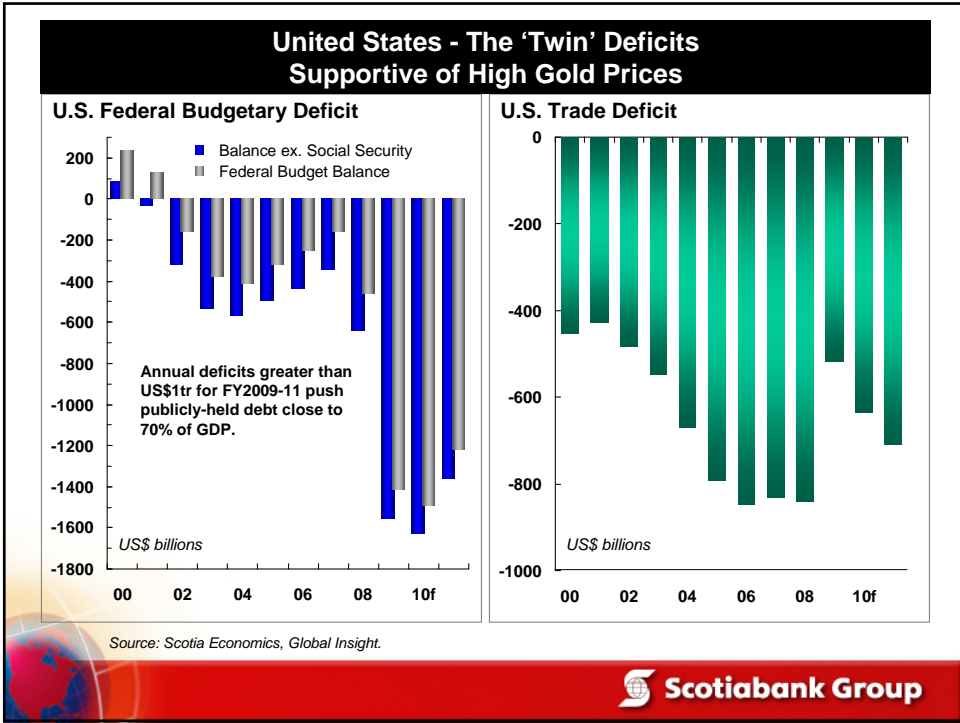


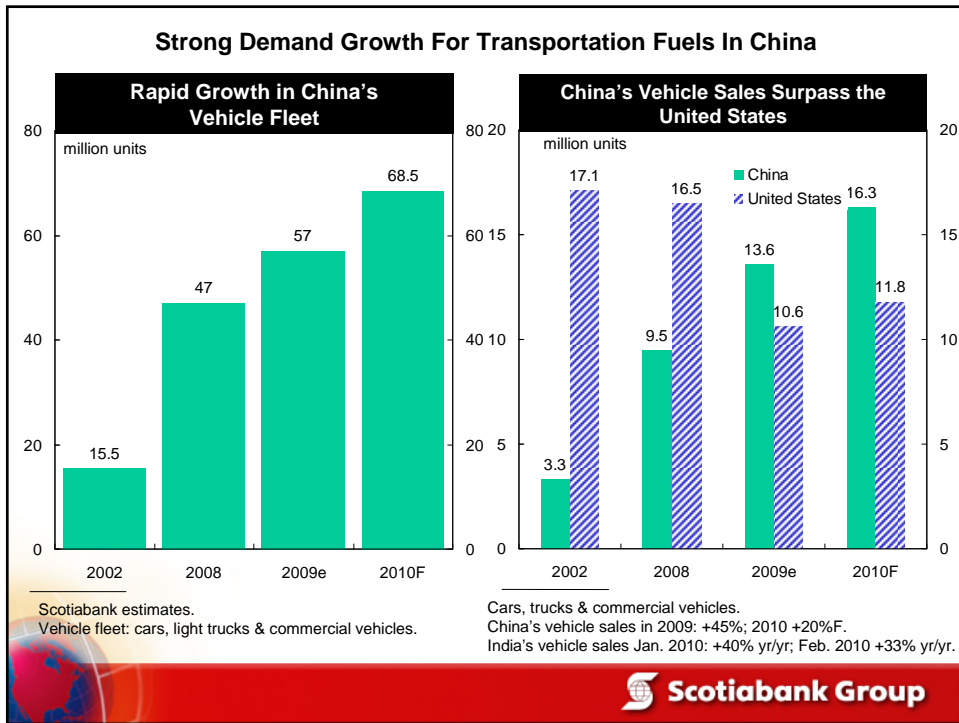
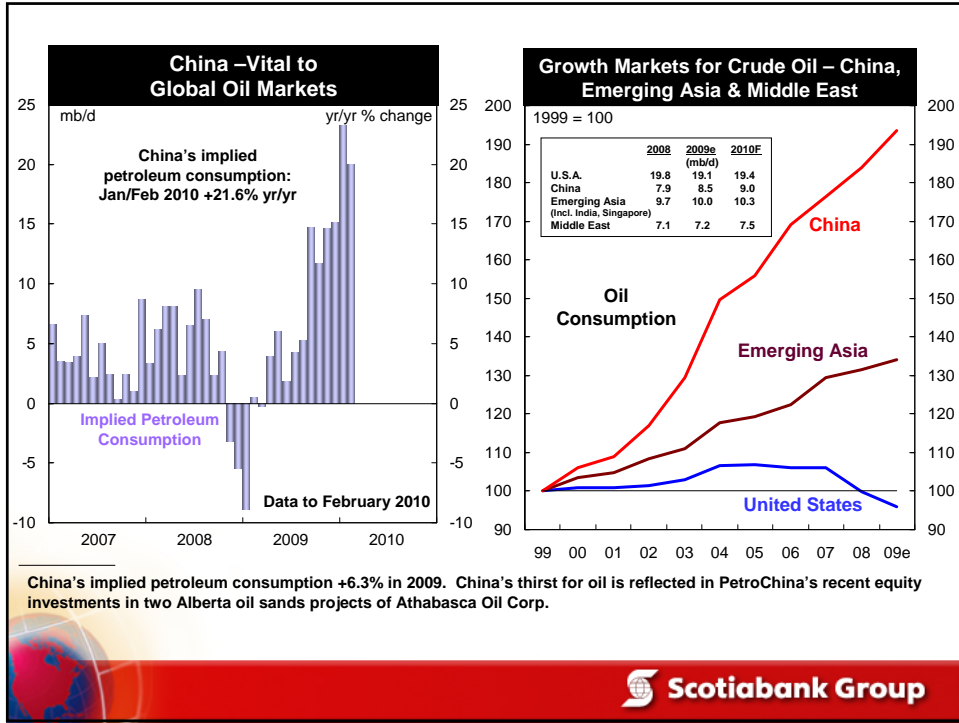
Selected projects.

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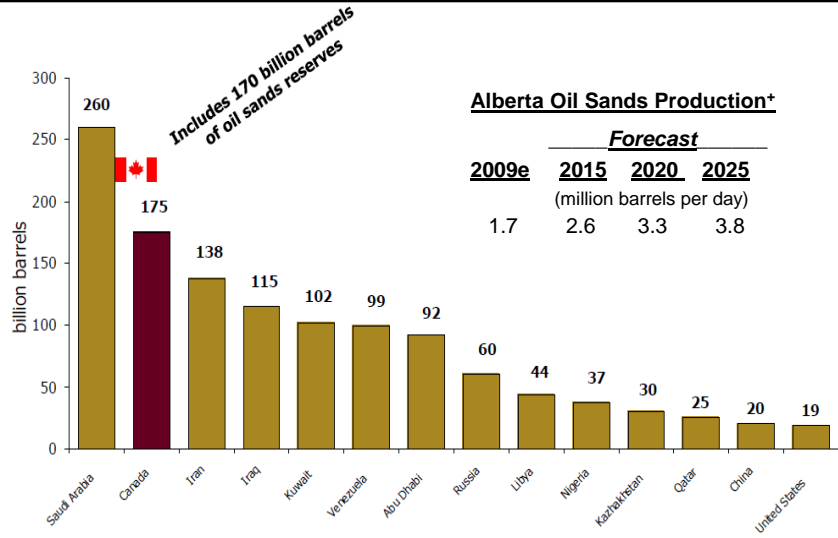








Global Crude Oil Reserves by Country



Source: Oil & Gas Journal & Scotia Capital. *Includes upgraded light synthetic oil and bitumen.

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The Alberta Oil Sands

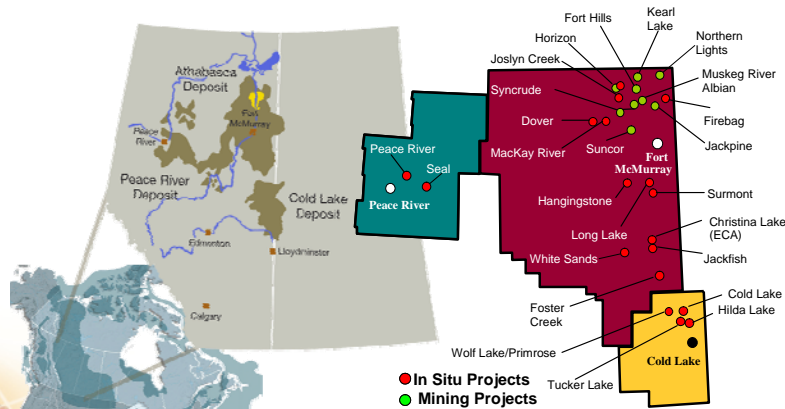
Alberta Oil Sands projects are being ramped up in 2010, alongside recovering global petroleum demand, stronger oil prices and lower development costs.

Projects Re-Activated:

Projects Under Construction:

Imperial Oil Kearl Lake
 Shell Jackpine and Shell upgrader
 (including Quest project)

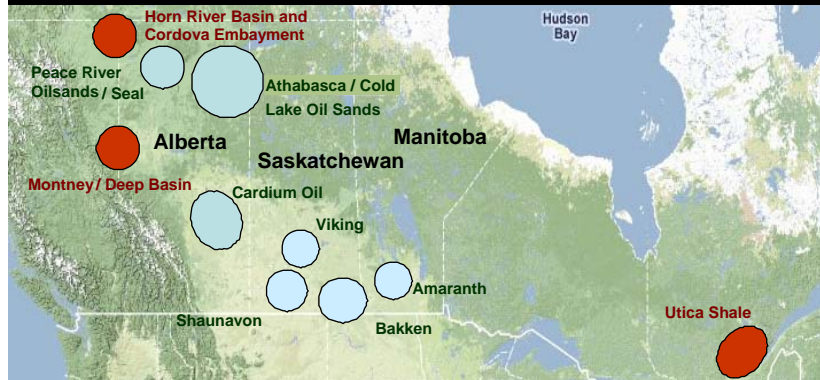
Suncor Firebag Phases 3 and 4
 Devon Jackfish Phase 3
 Cenovus Christina Lake (application for Phases E, F, G)
 ConocoPhillips/Total Surmont Phase 2
 Husky/BP Sunrise Phase 1



Source: Canadian Association of Petroleum Producers & Scotia Capital

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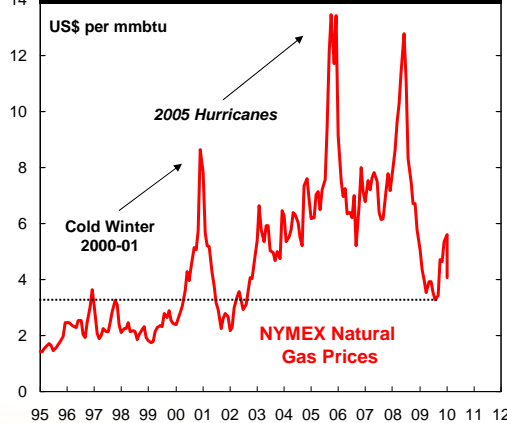
Oil & Gas New Resource 'Plays' in Canada



- **Gas** New horizontal multi-stage fracture stimulation drilling technology has made economic the development of natural gas 'shale' and 'tight' sands. Horn River/Cordova play: 50-100 tcf of recoverable gas (linked to a proposed 1 bcf/d pipeline to Kitimat LNG); Montney: more than 50 tcf of recoverable gas; these plays could more than triple current natural gas reserves in the Western Canadian Sedimentary Basin. EnCana, Apache, Devon, EOG.
- **Oil** Multi-stage fracture drilling technology is also opening up new 'tight oil' plays in Western Canada: the Bakken light oil play (a greenfield development producing 42 degree light crude, Crescent Point Energy) and stepped-up recovery from existing legacy oil fields (Cardium involving NAL Oil & Gas, PennWest and ARC Energy). Other 'tight oil' plays – Viking and the Lower Shaunavon.



Natural Gas Prices Move to a Lower Plane



Data to April 9, 2010: US\$4.09.

Nymex Natural Gas Prices

(US\$ per mmbtu)

2008	8.90
2009	4.15
2010F	4.75
2011F	4.75

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.

M&A activity is likely to rise as the major oil & gas companies acquire positions in low-cost natural gas 'shales'.



Scotia Capital's Global Presence In Resource Industries

Equity Sales & Research

Scotia Capital is a leading provider of Equity Research on Base Metal, Precious Metal, Oil & Gas, Fertilizers and Forest Products Companies. Key contact: Scott Clements, Managing Director, Institutional Equity Asia, Scotia Capital. (scott_clements@scotiacapital.com).

Investment Banking and M&A Advisory Services

#2 Canadian Equity Issuer and a leading mining underwriter in 2009, acting as Co-Bookrunner on Barrick's US\$4.0 billion equity offering – the largest equity offering in Canadian history and the largest equity financing ever made in the international gold sector.

Landmark Transaction -- Sole Financial Advisor to China Investment Corporation in their landmark private placement in Teck Resources (US\$1.5 billion); largest investment in a mining company by a Chinese investor in Canadian history.

ScotiaWaterous -- #1 world leader in upstream Oil & Gas M&A and Divestiture mandates from January 2008 through December 2009; with offices in Calgary, Houston, Denver, London, Beijing and Singapore; Co-Bookrunner of Crescent Point Energy common share offering (C\$575.3 million) – the largest Canadian oil & gas equity issue in 2009.

Corporate Banking – Global Mining

Among top 2 lenders to the North American mining sector (# 1 in deal count & # 1 in Canada); the most international of the Canadian banks, with representative offices in Shanghai, Beijing, Xian, Hong Kong and throughout Asia/Pacific; in Chile via "Scotiabank Sudamericano", in Peru via "Scotiabank Perú" – the third largest bank in Peru and in Mexico via "Grupo Financiero Scotiabank Inverlat.



Scotia Capital Mining Investment Banking

Recent Advisory Mandates

 has sold 25% of the Cerro Casale project to US\$475,000,000 Financial Advisor Pending	 has been acquired by C\$749,000,000 Financial Advisor February 2010	 has sold 25% of the LOM silver from Potosí/Lama as well as existing production from 3 operations to US\$625,000,000 Financial Advisor September 2009	 has completed a private placement investment in the Class B shares of US\$1,500,000,000 Financial Advisor July 2009	 has acquired C\$1,200,000,000 Financial Advisor October 2008	 has acquired 100% of the Lobo-Harte deposit from US\$250,000,000 Financial Advisor January 2009
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Equity Underwriting

 £540,790,396 Initial Public Offering Co-Manager Pending	 US\$1,750,000,000 Common Shares Joint-Bookrunner Pending	 US\$4,026,164,375 Common Shares Co-Bookrunner September 2009	 US\$247,000,000 Common Shares Co-Bookrunner April 2009	 C\$135,000,000 Common Shares Co-Lead Manager December 2008	 C\$345,718,750 Common Shares Co-Manager April 2009
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ScotiaMocatta – Precious Metals Trading

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.

More than 150 professionals around the world supply 24-hour coverage of the precious metals markets and provide risk management expertise.

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

“ScotiaMocatta Physical Copper Fund” – in May 2010 will offer direct exposure to the spot price performance of physical copper, units will be listed on the Toronto Stock Exchange and backed up by physical copper in secure and bonded warehouses.



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