

METALS MORNING NOTE

JULY 14, 2015

COMMODITY NEWS:

Copper

Down

Agricultural Commodities

Corn quality deteriorates, price improves

Gold

Chinese demand continues to grow

Iron Ore

Vale favours increasing quality over restricting quantity; Vedanta to restart in Goa, India

INDUSTRY NEWS:

Diamond Exploration and Prices

Good exploration news. Price news: slightly sobering, but still pretty good!

Economic Outlook

IMF is modestly less bullish

Potash Development

Sirius is moving along the permitting process

Zinc TC/RCs

Good news for miners

COMPANY NEWS:

First Quantum Minerals Ltd. (FM - TSX - \$16.43; Target \$25.80; TOP PICK) - 708.6M Shares

Outstanding

In the worst case in Zambia, First Quantum's EPS would be reduced by US\$0.10 this year. But it ain't going to be the worst case

Silver Standard Resources Inc. (SSO - TSX - \$8.07; Target \$9.75; BUY) - 80.8M Shares

Outstanding

Announces retirement of CEO John Smith. Appoints Paul Benson as President and CEO

EARNINGS CALENDAR

Senior Mining Analyst

Raymond Goldie - 416-214-2749
rgoldie@salmanpartners.com

Investment Analysts

Mike Plaster - 604-622-5295
mplaster@salmanpartners.com

Ash Guglani - 604-622-5293
aguglani@salmanpartners.com

Kam Mangat - 416-360-4384
kmangat@salmanpartners.com

Nik Rasskazovskiy - 416-861-8786
nrasskazovskiy@salmanpartners.com

Kevin MacKenzie - 604-622-5583
kmackenzie@salmanpartners.com

Research Associates

Dennis Lo

All the above share prices and target prices are in Canadian dollars, unless otherwise specified

Disclaimer Note: In accordance with NASD Rule 2711 and IROC Rule 3400, Salman Partners Inc. refers the reader to the end of our research report and to our website (www.salmanpartners.com) for our firm's specific disclosures, 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. This report is distributed in the U.S. by Salman Partners (USA) Inc. and was prepared by its Canadian Broker Dealer affiliate, Salman Partners Inc. Please refer to the end of this report for the disclosure statements, including the Analyst's Certification. Analysts employed by non-U.S. affiliates are not registered pursuant to NASD rules.

INDUSTRY NEWS

Diamond Exploration and Prices

Good exploration news. Price news: slightly sobering, but still pretty good!

Kennady Diamonds Inc. (KDI - TSXv)

Kennady has announced that the latest drill results from the 100 percent-controlled Kennady North diamond project, in Canada's Northwest Territories have, at the Kelvin kimberlite, "returned significant intercepts beyond the current model. We have now arranged for a larger fourth drill rig to be brought to site to facilitate further exploration/delineation drilling to extend the strike of the Kelvin pipe." Furthermore, "the exploration/delineation drilling at the Faraday 2 kimberlite... has now extended the strike of the Faraday 2 pipe to approximately 240 meters". However, the holes that targeted the lower areas of the Faraday 2 pipe returned "shorter intersections than previously reported." (*We understand this to mean that, although the Faraday 2 pipe continues to flare in all directions along strike to the northwest, flares in the deeper areas of the pipe are narrower than those higher up.*)

Kennady Diamonds also reported that "processing of the Kelvin 436 tonne bulk sample by dense-media separation is progressing well and the results are expected in the third quarter".

Margaret Lake Diamonds Inc. (DIA - TSXv)

Margaret Lake reminded us that "on December 2, 2014... it had earned an undivided 60% interest in the Margaret Lake Diamond Property ...19,716.37 hectares contiguous to the north and west of Kennady Diamonds Inc.'s Kennady North Project... Margaret Lake Diamonds Inc. is pleased to announce that it has entered into a Mineral Property Transfer Agreement with **Margaret Lake Diamonds Ltd** under which it has acquired... the remaining 40% interest in the Margaret Lake Property ... As a result the Company will now own 100 % of the Margaret Lake Property the Company will issue 6 million common shares to MLDL." Conditions apply.

"MLD is also pleased to announce that it has obtained a Type 'A' Land Use Permit from the Mackenzie Valley Land and Water Board.... the Company will be moving forward with planning for a drill program in the winter months."

The market's response

Although Kennady's news was positive, as was Margaret Lake's news (other than the potential dilution of the stock), after the press releases were made yesterday morning, the shares of these two companies dropped by 2.0% and 7.1%, respectively.

Noting that Canada's "go-to" diamond equity, **Dominion Diamond Corp.** (DDC - TSX) also suffered a decline in its share price of 1.2% yesterday, we suspect that these price declines were related more to news about the diamond sector than to company news.

In particular, we observe that *Mining.com* said that, as illustrated below, "according to the recently launched **Zimmisky Global Rough Diamond Price Index**, prices for the precious rocks have fallen 9.4% in the past year".



Of his Index, Mr. Zimmisky says that it "was created to consolidate reliable rough diamond price information and publish current respective price changes of rough diamonds on a weekly basis ...

INDUSTRY NEWS

The proprietary index methodology incorporates rough diamond transactions via long-term contract, tender, and auction sold through commercial miners. . Both polished diamonds and diamond miner equities have a symbiotic relationship to the price of rough and add implied rough diamond price information to the Index....

The Index strives to represent as accurately as possible current price changes reflected in the average rough diamond transaction valued on a per carat basis in U.S. dollars. The Index value *does not* directly represent the price of a 1-carat rough diamond..

The Index is based on an initial value of 100 using data starting on April 4, 2004. The Index will be updated on a weekly basis, typically on Friday.”

(We add that our own compilations of rough diamond prices show that prices at the end of 2014 were higher than rough diamond prices ever were before 2010. Mr. Zimmisky’s chart confirms that this situation has continued to exist.)

Analyst Coverage: Raymond Goldie

Salman Partners

Suite 1700
1095 West Pender Street
Vancouver, BC V6E 2M6
Tel: (604) 685-2450 • Fax: (604) 685-2471

Suite 1800
100 Yonge Street
Toronto, Ontario M5C 2W1
Tel: (416) 861-1270 • Fax: (416) 861-1935

Suite 420
505 8th Avenue South West
Calgary, AB T2P 1G2
Tel: (403) 770-2464 • Fax: (866) 547-0622

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.

Upon approval by the research department and once published in final form, Salman Partners Inc. disseminates its research to all institutional clients simultaneously in electronic form. The firm subsequently disseminates this research in hard copy to those clients who have requested to be on the firm's distribution list. In addition, Salman Partners Inc. posts its research on the Salman Partners Inc. website and on certain paid research services with which a contract of dissemination has been arranged. Access to these websites is provided using a password provided by the administrator and is limited to Salman Partners Inc.'s institutional clients. Reproduction of this report in part or in whole without permission is prohibited. All rights reserved. Salman Partners Inc.

TO U.S. RESIDENTS:

Salman Partners (USA) Inc., an affiliate of Salman Partners Inc., is furnishing this report to U.S. residents and accepts responsibility for the contents herein. Any U.S. person wishing to effect transactions in any security discussed herein should do so through Salman Partners (USA) Inc.