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April 1, 2020

Q2/20 Global Mining Best Ideas Portfolio

Upgrading Precious Metals and Fertilizers in uncertain market conditions

For Q2/20 we are moving to overweight **Precious Metals** and **Fertilizers** (previously Market Weight in Q1/20), while moving **Base Metals** and **Uranium** to Market Weight (previously Overweight and Underweight in Q1/20, respectively) and decreasing **Diversified / Bulk Commodities** to Underweight (previously Overweight in Q1/20).

- **Two additions to the Best Ideas Portfolio: BHP Group** and **SSR Mining.** For potential catalysts and investment rationale, please see Exhibit 4.
- **Five deletions from the Best Ideas Portfolio: Anglo American, Glencore, Northern Star Resources, Pan American Silver,** and **Wheaton Precious Metals.**

We are positive on **Precious Metals,** as in our view, the reintroduction of highly accommodative monetary policy has strengthened the long-term investment outlook for gold, although we caution that the range of short-term outcomes is wide due to current highly uncertain economic conditions.

We recommend Overweight **Fertilizers** as we believe agriculture and fertilizer market fundamentals should be relatively resilient and view fertilizer equities as relatively defensive in uncertain market conditions. Crop prices have traded lower, but remain within the narrow band established since 2013 and US farm activity is expected to remain high.

Base Metals could remain under pressure due to the economic impact from COVID-19 although the base metals have already corrected towards cost support and any signs that the virus spread is slowing could result in a relief rally so we recommend a Market Weight position (was Overweight).

We believe **Uranium** prices should be supported in the near-term by relatively tighter S&D, as demand should remain steady due to ongoing utility requirements while supply has been curtailed due to production shut-downs related to COVID-19 restrictions.

We have decreased out **Diversified / Bulk Commodities** to Underweight as tight supply may not be enough to offset weak demand. Bulk commodity prices have remained firm, however with the spread of COVID-19 we expect global demand ex-China to weigh on prices.

Q1/20 portfolio was down 31% (USD) versus the MSCI Benchmark down 30%[1]

Since its inception at the beginning of Q4/08, our portfolio is up 15% (USD), ahead of our MSCI World Metals and Mining Index benchmark at -45% (Exhibit 3). This translates to an 11.5-year CAGR of 1.2% (USD) for the Best Ideas Portfolio, versus the MSCI at -5.1%.

Precious Metals
Overweight, was Market Weight in Q1/20
AngloGold Ashanti
Barrick Gold
Endeavour Mining
Gold Road Resources
Kirkland Lake Gold
Saracen Mineral Holdings
SSR Mining[2]
Fertilizers
Overweight, was Market Weight in Q1/20
Mosaic
Nutrien
Base Metals
Market Weight, was Overweight in Q1/20
Central Asia Metals
First Quantum
Independence Group
Ivanhoe Mines
Lundin Mining
Uranium
Market Weight, was Underweight in Q1/20
Cameco
Diversified / Bulk
Underweight, was Overweight in Q1/20
BHP Group[2]
Teck Resources

Source: Company reports, RBC Capital Markets estimates

[1] Best Ideas Portfolio performance (USD) based on equal weighted portfolio construction and initial $10,000 investment made on September 30, 2008.

NOTE: Past results are not necessarily an indicator of future performance. These results exclude transaction costs.

[2] Represent new additions to the Best Ideas portfolio in Q2/20.

For Required Non-U.S. Analyst and Conflicts Disclosures, see page 18.

RBC CM Global Mining Q2/20 Best Ideas Portfolio Change Summary

- **Two additions to the Best Ideas Portfolio:** BHP Group and SSR Mining. For potential catalysts and investment rationale, please see Exhibit 4.
- **Five deletions from the Best Ideas Portfolio:** Anglo American, Glencore, Northern Star Resources, Pan American Silver, and Wheaton Precious Metals.

We increase our Precious Metals weighting to Overweight

We increase our **Precious Metals** sector weighting to **Overweight,** from Market Weight relative to the other mining sectors. As discussed in our recent report [Precious Metals: Navigating uncertain times], in our view, the reintroduction of highly accommodative monetary policy has strengthened the long-term investment outlook for gold, although we caution that the range of short-term outcomes is wide due to current highly uncertain economic conditions. Recent gold equity performance has been negatively affected by market illiquidity, however we note that improved valuation and financial liquidity has positioned the sector more capable of mitigating downside risk. We add **SSR Mining** to the portfolio and remove **Northern Star Resources, Pan American Silver**, and **Wheaton Precious Metals**.

We increase our Fertilizers weighting to Overweight

We raise our **Fertilizer** sector weighting to **Overweight**, from Market Weight. We believe agriculture and fertilizer market fundamentals should be relatively resilient and view fertilizer equities as relatively defensive in uncertain market conditions. Crop prices have traded lower, but remain within the narrow band established since 2013 and US farm activity is expected to remain high. Nitrogen applications are non-discretionary and prices have actually performed better than expected, phosphate prices have held steady, and potash prices have been weaker, but should remain supportive due to solid agriculture demand and industry discipline. We retain **Nutrien** and **Mosaic** in our portfolio.

We decrease our Base Metals to Market Weight

We decrease our **Base Metals** weighting to **Market Weight** from Overweight as commodity markets feel the effects of weak sentiment due to concerns over the economic impact from COVID-19 and from weaker physical demand as industries suspend activities to contain the spread of the virus. Base metals prices have already corrected to cost support and any positive signs around the outbreak could lead to a relief rally.

We increase our Uranium weighting to Market Weight

We raise our **Uranium** sector weighting to **Market Weight**, from Underweight. We believe uranium prices should be supported in the near-term by relatively tighter S&D, as demand should remain steady due to ongoing utility requirements while supply has been curtailed due to production shut-downs related to COVID-19 restrictions. However, we continue to expect a more pronounced recovery in uranium prices to be gradual. We retain **Cameco** in our portfolio.

We decrease our Diversified / Bulk Commodities to Underweight

We decrease our **Diversified / Bulk Commodities** to **Underweight** from Overweight as tight supply is not enough to offset weak demand in our view. Bulk commodity prices have remained firm throughout the outbreak and markets remain tight due to weakened domestic production in China and other supply related issues for iron ore and coal, however with the spread of COVID-19 we expect global demand ex-China to weigh on prices.

A summary table of our Q2/20 Best Ideas portfolio, which includes the changes noted above, is shown in Exhibit 1.

Exhibit 1: RBC CM Global Mining Best Ideas Portfolio – Q2/20

Q2 2020 Best Ideas	Exchange Symbol	Price 31-Mar-20
Precious Metals (Overweight, was Market Weight in Q1/20)		
AngloGold Ashanti	JSE: ANG; NYSE: AU	R319.11
Barrick Gold	NYSE: GOLD; TSX: ABX	$18.32
Endeavour Mining	TSX: EDV	C$20.01
Gold Road Resources	ASX: GOR	A$1.38
Kirkland Lake Gold	TSX: KL; NYSE: KL; ASX: KLA	C$41.45
Saracen Mineral Holdings	ASX: SAR	A$3.67
SSR Mining	NYSE: SSRM; TSX: SSRM	$11.38
Fertilizers (Overweight, was Market Weight in Q1/20)		
Mosaic	NYSE: MOS	$10.82
Nutrien	NYSE: NTR; TSX: NTR	$33.94
Base Metals (Market Weight, was Overweight in Q1/20)		
Central Asia Metals	LSE: CAML	£1.56
First Quantum	TSX: FM	C$7.19
Independence Group	ASX: IGO	A$4.23
Ivanhoe Mines	TSX: IVN	C$2.34
Lundin Mining	TSX: LUN	C$5.29
Uranium (Market Weight, was Underweight in Q1/20)		
Cameco	TSX: CCO; NYSE: CCI	C$10.73
Diversified / Bulk (Underweight, was Overweight in Q1/20)		
BHP Group	LSE: BHP	£12.52
Teck Resources	TSX: TECK.B; NYSE: TECK	C$10.67

All prices are in USD unless otherwise noted. Additions to the Q2/20 portfolio are shaded.
Source: RBC Capital Markets, Bloomberg

RBC CM Global Mining Best Ideas Portfolio – Q1/20 Performance

Q1/20 Performance – Negative returns across all sectors from COVID-19 impact

The Q1/20 RBC CM Global Mining Best Ideas equal-weighted portfolio was down 31% (USD) in the quarter, slightly weaker than the MSCI World Metals and Mining Index benchmark performance of -30%. Negative returns were realized as a result of COVID-19 impacts, including mine suspensions, reduced workforces, supply chain disruptions, and general uncertainties. Diversified/Bulk Names, Base Metals, and Fertilizers showed the largest losses, while Precious Metals and Uranium names were impacted to a lesser extent.

The performance of our Best Ideas portfolio is shown in Exhibit 2 and Appendix I.

Exhibit 2: RBC CM Global Mining Best Ideas Portfolio – Q1/20 Performance

Q1 2020 Best Ideas	Closing Price 31-Dec-19	Closing Price 31-Mar-20	Local Price Return
Base Metals (Overweight, was Market Weight in Q4/19)			
Central Asia Metals	£2.20	£1.56	(29.0%)
First Quantum	C$13.17	C$7.19	(45.4%)
Independence Group	A$6.24	A$4.23	(32.2%)
Ivanhoe Mines	C$4.25	C$2.34	(44.9%)
Lundin Mining	C$7.76	C$5.29	(31.8%)
	Average Local Return:		*(36.7%)*
Diversified / Bulk (Overweight, was Underweight in Q4/19)			
Anglo American	£21.73	£14.16	(34.8%)
Glencore	£2.35	£1.24	(47.4%)
Teck Resources	C$22.52	C$10.67	(52.6%)
	Average Local Return:		*(44.9%)*
Precious Metals (Market Weight, was Overweight in Q4/19)			
AngloGold Ashanti	R316.50	R319.11	0.8%
Barrick Gold	$18.59	$18.32	(1.5%)
Endeavour Mining	C$24.53	C$20.01	(18.4%)
Gold Road Resources	A$1.34	A$1.38	2.6%
Kirkland Lake Gold	C$57.24	C$41.45	(27.6%)
Northern Star Resources	A$11.31	A$10.53	(6.9%)
Pan American Silver	$23.69	$14.33	(39.5%)
Saracen Mineral Holdings	A$3.31	A$3.67	10.9%
Wheaton Precious Metals	$29.75	$27.53	(7.5%)
	Average Local Return:		*(9.7%)*
Fertilizers (Market Weight, unchanged from Q4/19)			
Mosaic	$21.64	$10.82	(50.0%)
Nutrien	$47.91	$33.94	(29.2%)
	Average Local Return:		*(39.6%)*
Uranium (Underweight, was Market Weight in Q4/19)			
Cameco	C$11.54	C$10.73	(7.0%)
	Average Local Return:		*(7.0%)*

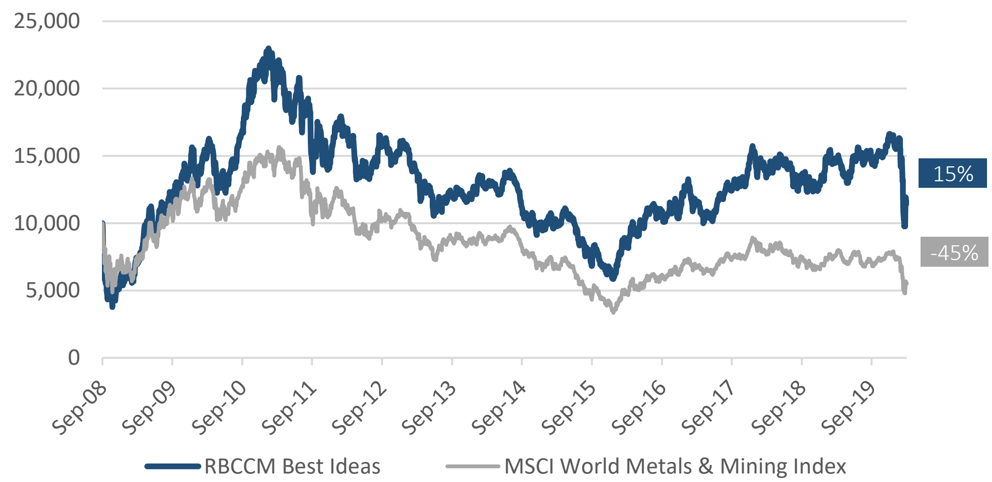
Benchmark Price Returns	30-Sep-08	2019	YTD	QTD
MSCI World Metals & Mining Inde:	*-5.1%*	*16%*	*-30%*	*-30%*
Best Ideas Portfolio (Local)		*25%*	*-25%*	*-25%*
Best Ideas Portfolio (USD)	*1.2%*	*28%*	*-31%*	*-31%*

All prices are in USD unless otherwise noted; Best Ideas Portfolio performance based on equal weighted portfolio construction.
*Names removed this quarter
Source: RBC Capital Markets, Bloomberg

Performance versus MSCI Benchmark since inception

Since its inception at the beginning of Q4/08, our portfolio is up 15% (USD), ahead of our MSCI World Metals and Mining Index benchmark at -45% (Exhibit 3). This translates to an 11.50-year CAGR of 1.2% (USD) for the Best Ideas Portfolio, versus the MSCI at -5.1%.

Exhibit 3: RBCCM Global Mining Best Ideas Portfolio Performance – Since Inception (09/30/08 = $10,000 investment)



Best Ideas Portfolio performance based on equal weighted portfolio construction (USD). Portfolio and benchmark exclude dividend payments. Priced as of market close on March 31, 2020.
NOTE: Past results are not necessarily an indicator of future performance. These results exclude transaction costs.
Source: RBC Capital Markets, Bloomberg

Exhibit 4: RBC CM Global Mining Best Ideas Portfolio – Q2/20 Investment Rationale

Q2/20 Best Ideas		
Company	**Closing Price Mar 31, 2020**	**Investment Rationale**
Precious Metals (Overweight, was Market Weight in Q1/20)		
AngloGold Ashanti JSE: ANG; NYSE: AU Outperform	R319.11	Our Outperform rating is based on AngloGold's potential growth from brownfield projects and emphasis on portfolio rationalization. • **More near-term catalysts than closest peer Gold Fields.** In the last three months the stock has run ahead of global peers (GDX Index) and its closest peer Gold Fields. This trend is partially explained by future increases in FCF arising from the sale of South African assets in H2 2020 as well as the delivery of first gold at Oubasi. • **The sale of the South African portfolio** unlocks the possibility to move ANG's primary listing to London (post 2020?), something that could widen the Group's investor base. • **The Group** has the highest level of geographic diversification in our EMEA coverage which offers some degree of protection against the potential impact of COVID-19. • **Gold price momentum offers leveraging potential** given AngloGold's structurally high cost base.
Barrick Gold NYSE: GOLD; TSX: ABX Outperform	$18.32	Our Outperform rating is predicated upon our view that GOLD's valuation provides greater upside potential relative to peers given the company's positive upcoming catalysts. • We view progress toward stated M&A synergy/optimization goals as a key driver for Barrick's shares. The company has targeted annual synergies of $450-500m from the Nevada Gold Mines JV. • Barrick is targeting $1.5b+ of non-core asset sales post the company's Randgold merger. In line with this objective, in 4Q19 the company announced the $750m sale of its 50% share of KCGM and $400m sale of its pro-rata interest in Massawa. • Barrick has outlined a focus on generating growing free cash flow per share. In line with these targets, we expect capital allocation priorities to include the advancement of higher-return growth projects, exploration that will extend mine life duration, and the pursuit of value-add M&A. With achievement of this target, return of capital through dividend increases is anticipated.

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Q2/20 Best Ideas (cont'd.)		
Company	**Closing Price Mar 31, 2020**	**Investment Rationale**
Precious Metals (Overweight, was Market Weight in Q1/20)		
Endeavour Mining TSX: EDV Outperform	C$20.01	**Delivering on its core strategy:** Endeavour continues to deliver on its core strategy of upgrading its portfolio through lower-cost and longer-life assets. The development of Hounde and Ity CIL over the past few years and divestment of higher cost assets such as Nzema and Tabakoto have positioned Endeavour to deliver robust, low-cost production. The recent acquisition of SEMAFO will turn the Group into a top 15 global gold producer with 10.5Moz of reserves and over 1Moz of gold produced per year at AISC levels within the bottom third of the industry curve. The transaction also provides instant deleveraging and creates potential cost synergies at its Burkina Faso operations. **Improving fundamentals:** A strong production profile is expected to enhance cash flow generation in the near term. This, together with a Net Debt to LTM adjusted EBITDA falling from 1.48x to a pro-forma 0.68x after the SEMAFO acquisition, creates potential for future dividend distributions. **Exploration expected to remain a key focus:** We expect the renewed focus on exploration to remain a key value driver for the company as it seeks to extend and enhance the production profile at its core operations and surface new projects organically.
Gold Road Resources ASX: GOR Outperform	A$1.38	Gold Road is an Australian gold producer and exploration company that partnered (50:50 JV) with Gold Fields to develop the Gruyere project in the underexplored Yamarna Greenstone Belt in Western Australia. The project is likely to provide production of c.280koz Au pa (based on our c.7.5mtpa nameplate plant assumptions) for at least 11 years. Compared to our emerging gold coverage universe, we believe Gruyere to be one of the better undeveloped gold deposits globally given project economics, output, scale, and location. We remain constructive on GOR as the company provides investors with not only valuation upside, but also the potential to benefit from momentum we consistently observe as companies transition into positive cash flow, as well as retaining the potential for exploration upside across a large district.

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Q2/20 Best Ideas (cont'd.)		
Company	**Closing Price Mar 31, 2020**	**Investment Rationale**
Precious Metals (Overweight, was Market Weight in Q1/20)		
Kirkland Lake Gold TSX: KL; NYSE: KL; ASX: KLA Outperform	C$41.45	Kirkland Lake Gold is a large cap gold producer with operating mines in Australia and Canada (Ontario). In early 2020, the company acquired Detour Gold Corp. and its flagship Detour Lake mine in Ontario. Company guidance outlines pro-forma production of +1.5 moz. Kirkland has outlined a strategy of delivering production growth from low-risk mining jurisdictions, with an ongoing focus on organic reserve growth through exploration. • We forecast KL will maintain first-quartile operating costs, strong production growth, and no financial leverage while generating superior FCF relative to peers. • Exploration is a key value driver for KL. Historically, Fosterville and Maccassa have generated meaningful upside, although forecast grade declines at Fosterville after 2023 represent an interim challenge and risk for KL. • At Detour Lake, higher throughput/resources are under evaluation, while a larger expansion has been discussed. • Our Outperform rating is predicated upon KL's favourable combination of growth, margins, and exploration expected at a competitive relative valuation to the peer senior producer group average.
Saracen Mineral Holdings ASX: SAR Outperform	A$3.67	Saracen is a gold producer with three assets located in Western Australia. Its open-pit operation, Thunderbox, has ramped up, taking group production to c.355koz Au in FY19, while underground operations at Carosue Dam continue to underpin the business and the recently acquired Super Pit (50%) should see production improve towards 800koz in FY24. We remain constructive on SAR on the basis of: • **Improving fundamentals:** We continue to favour companies that we believe can improve their business (production/costs) over the next 12 months. SAR clearly demonstrates this with improving production and declining costs (C1 and AISC) over the near to medium term. Furthermore, LOM details released at the end of July should increase investor confidence in the production profile given the next 7 years of production is purely based on reserves. • **Organic upside potential:** The company has earmarked +A$50m for exploration during FY20 and has a track record of resource-reserve conversions. This strong budget is likely (again) to yield a meaningful improvement in the resource reserve position, which in turn underpins a potential uplift in the longer-term production (and therefore earnings) outlook for the business.

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Q2/20 Best Ideas (cont'd.)		
Company	**Closing Price Mar 31, 2020**	**Investment Rationale**
Precious Metals (Overweight, was Market Weight in Q1/20)		
SSR Mining NYSE: SSRM; TSX: SSRM Outperform *New Addition*	$11.38	Our Outperform rating is predicated on SSR Mining's underlying fundamentals, operational consistency, solid balance sheet, strong management team and history of value creation. SSR Mining is a mid-tier producer with gold mines in Canada (Seabee) and the US (Marigold) as well as a silver mine in Argentina (Puna). • **Impressive guidance track-record:** SSR has demonstrated operational consistency, having achieved production guidance eight years in a row. • **History of reserve/resource growth:** SSR Mining has been able to buck the industry trend of declining reserves with exploration success, bolstering reserves at Marigold in 2019 with conversion of resources at Red Dot and the Mackay pit. We anticipate further reserve additions at Seabee as additional drilling is completed on the Gap Hanging Wall. • **Solid balance sheet:** SSR has one of the strongest balance sheets in its peer group, having exited 2019 with over $504M in cash ($115M of this was used to redeem 2013 convertible notes in Q1/20), $66M in marketable securities, and a $100M undrawn credit facility. This should allow the company to weather operational disruptions as well as continuing to fund exploration efforts and growth opportunities.

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Q2/20 Best Ideas (cont'd.)		
Company	**Closing Price Mar 31, 2020**	**Investment Rationale**
Fertilizers (Overweight, was Market Weight in Q1/20)		
Mosaic NYSE: MOS; TSX: POT Outperform	$10.82	We expect Mosaic to benefit from an eventual recovery in phosphate markets that are likely near the bottom, while potash market fundamentals should improve through 2020 and steady Brazilian ag market supports earnings from the Fertilizantes business. • Mosaic acquired Vale's Brazil-based phosphate and potash assets in 2018 and realized run-rate synergies of $275M by end-2019. The company is targeting an additional $200M EBITDA benefit from ongoing business transformation efforts by end-2022. • Mosaic is currently working on constructing the Esterhazy K3 potash expansion. The project is expected to increase capacity by 900Kt and alleviate production risk around brine inflow issues at K1 and K2. We expect the project to ramp through 2019–20.
Nutrien NYSE: NTR; TSX: NTR Outperform	$33.94	We believe the company has built the most diverse, vertically integrated agricultural input business with an attractive earnings profile, growing free cash flows, and solid balance sheet. • We expect Nutrien to continue generating strong free cash flows even in challenging environments, which should be deployed through a combination of share buybacks, dividend increases, and accretive Retail M&A. • Nutrien expects to grow the Retail distribution segment through acquisitions in North America and Brazil. We believe the company will continue the roll-up strategy in North America, spending ~$300-500M annually on accretive acquisitions. • Nutrien's Retail segment should benefit from an expected increase in US planted acreage and improved farmer profitability as yields are expected to improve and input costs decline.

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<tr><th colspan="3">Q2/20 Best Ideas (cont'd.)</th></tr>
<tr><th>Company</th><th>Closing Price
Mar 31, 2020</th><th>Investment Rationale</th></tr>
<tr><td colspan="3">Base Metals (Market Weight, was Overweight in Q1/20)</td></tr>
<tr><td>Central Asia Metals

LSE: CAML

Outperform</td><td>£1.56</td><td>We rate CAML Outperform based on its ability to deliver high returns on both an ROCE and dividend basis since first cash flow in 2012.

• A mining company for investors who dislike miners: The group has two stable, high margin base metal assets which generate consistent FCF even at below spot prices. Unlike many peers this has fed through to a consistently high dividend payout since 2012.

• Consistent returns: Looking to ROCE, CAML averaged 15.2% in 2015-2018 as management's sensible approach to capital allocation paid off. This is well above WACC and metal peers' ROCE.

• Patient approach to M&A has paid off: CAML bravely decided to expand its asset base in 2017 with the acquisition of the Sasa zinc-lead mine in Macedonia. The deal has improved operational, geographical, and commodity diversification whilst adding a long life, high margin asset to support an ongoing commitment to dividends.</td></tr>
<tr><td>First Quantum Minerals

TSX: FM

Outperform</td><td>C$7.19</td><td>We believe that First Quantum offers investors the potential for attractive returns based on its copper production growth over the next 4 years and management's project development and mining expertise. First Quantum has $1.2B in liquidity and has hedged ~37% of its 2020 copper production at a minimum average price per quarter of $2.61/lb. Over the 2019-23 period, we forecast copper production growth of 28% with significant growth in free cash flow to reduce debt, increase the dividend and invest in existing mines & greenfield opportunities like Taca Taca. The company reiterated its 2020 cost and production guidance on March 24, 2020 and the ramp-up continues to be going well at Cobre Panama.

Key near-term potential catalysts include:

• 2020: Cobre Panama ramp up

• Ongoing: Update on the constitutionality of Law 9 in Panama</td></tr>
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Q2/20 Best Ideas (cont'd.)		
Company	**Closing Price Mar 31, 2020**	**Investment Rationale**
Base Metals (Market Weight, was Overweight in Q1/20)		
Independence Group ASX: IGO Outperform	A$4.23	Independence Group offers diversity from a product mix perspective within the Australian base metals space. The company's flagship Nova operation provides exposure to nickel, whilst Tropicana provides investors with gold exposure. The divestment of Jaguar and care and maintenance at Long has simplified the portfolio (Tropicana is managed by AAG), shifting IGO's focus towards Nova and its exploration programs around the Fraser Range. Our constructive view is underpinned by Nova and Tropicana – two long life, steady state assets generating strong cash flows. IGO is well funded to continue its exploration programs in-and-around Nova and across the Fraser Range with a net cash position of ~A$396m (31 December 2019). Recently improved payabilities terms for its Nova concentrate offtake will start to flow through the financial statements from early 2020, whilst there is also potential underground upside at Tropicana. IGO also screens favorably versus domestic peers who are in the middle of (or about to commence) capital programs.
Ivanhoe Mines TSX: IVN Outperform, Speculative Risk	C$2.34	Ivanhoe Mines has the potential to realize significant value as it advances its three main projects through development and into production over the next five years. The company intends to become a global, diversified mining and exploration company by advancing Kamoa-Kakula (Cu) and Platreef (PGM) from discovery to production, reopening the Kipushi (Zn) mine, and maintaining active exploration and acquisition programs. Kamoa-Kakula is one of the largest undeveloped high-grade copper deposits in the world, and Platreef could emerge as a low-cost PGM producer. With the private placement in June 2018 and the additional investment in May 2019 by CITIC Metals, Ivanhoe is in a position to bring Kakula and Kipushi into production and continue to advance Platreef with a cash balance of ~$0.7B. The near-term potential catalysts for Ivanhoe Mines include: • Ongoing: Drill results • H1/20: Kipushi definitive feasibility study • Q3/20: Definitive feasibility study for Kakula • Q3/20: Updated PEA for Kamoa-Kakula

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Q2/20 Best Ideas (cont'd.)		
Company	**Closing Price Mar 31, 2020**	**Investment Rationale**
Base Metals (Market Weight, was Overweight in Q1/20)		
Lundin Mining TSX: LUN Outperform	C$5.29	Lundin provides exposure to copper, zinc, and nickel and we believe the shares can outperform peers as a defensive name in the current volatile market. Lundin ended 2019 with cash of $250M and net debt of $58M. We expect the company to start generating significant free cash flow as spending on its current projects rolls off and with growth from the company's Candelaria mine and Neves-Corvo operation once the ZEP is completed. We also believe there is upside at the recently acquired Chapada mine where Lundin will be able to leverage its strong balance sheet to invest in growth opportunities. Lundin is trading at a discount to peers which we do not believe is warranted given its production growth profile, strong financial position and management track-record. Lundin is trading at 0.55x P/NAV versus peers at 0.60x and at 2.8x 2020E EBITDA versus peers at 5.7x. The near-term potential catalysts for Lundin Mining include: • Ongoing: Production growth from Candelaria, Eagle and Neves Corvo • Ongoing: Chapada exploration and mine optimization • 2021: Commissioning and ramp-up of the expanded zinc plant at Neves Corvo

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Q2/20 Best Ideas (cont'd.)		
Company	**Closing Price Mar 31, 2020**	**Investment Rationale**
Uranium (Market Weight, was Underweight in Q1/20)		
Cameco TSX: CCO; NYSE:CCJ Sector Perform	C$10.73	We believe Cameco is well positioned to benefit from an eventual long-term recovery in uranium prices, while operational efficiencies support a strong financial position in the near-term. • Cameco suspended production at McArthur River mine and Key lake mill starting end-January 2018 and announced in July 2018 the suspension will be extended indefinitely until market conditions improve. In the meantime, the company expects to draw down inventories and make market purchases to meet sales commitments. We think production could be re-started in 2022, when we expect uranium prices to recover into the $40/lb range. • Cameco suspended operations at the Cigar Lake mine in March 2020 as a preventative measure against Covid-19. The company has planned an initial 4-week shut-down and will re-assess the situation in the interim before deciding on re-start plans. • Cameco currently has ~$300M in restricted cash set aside (along with lines of credit) for the CRA dispute to satisfy rules that require companies to remit or secure 50% of a tax reassessment. Given the positive ruling for Cameco, we think it is reasonably likely that the company would eventually be able to recover the restricted cash.

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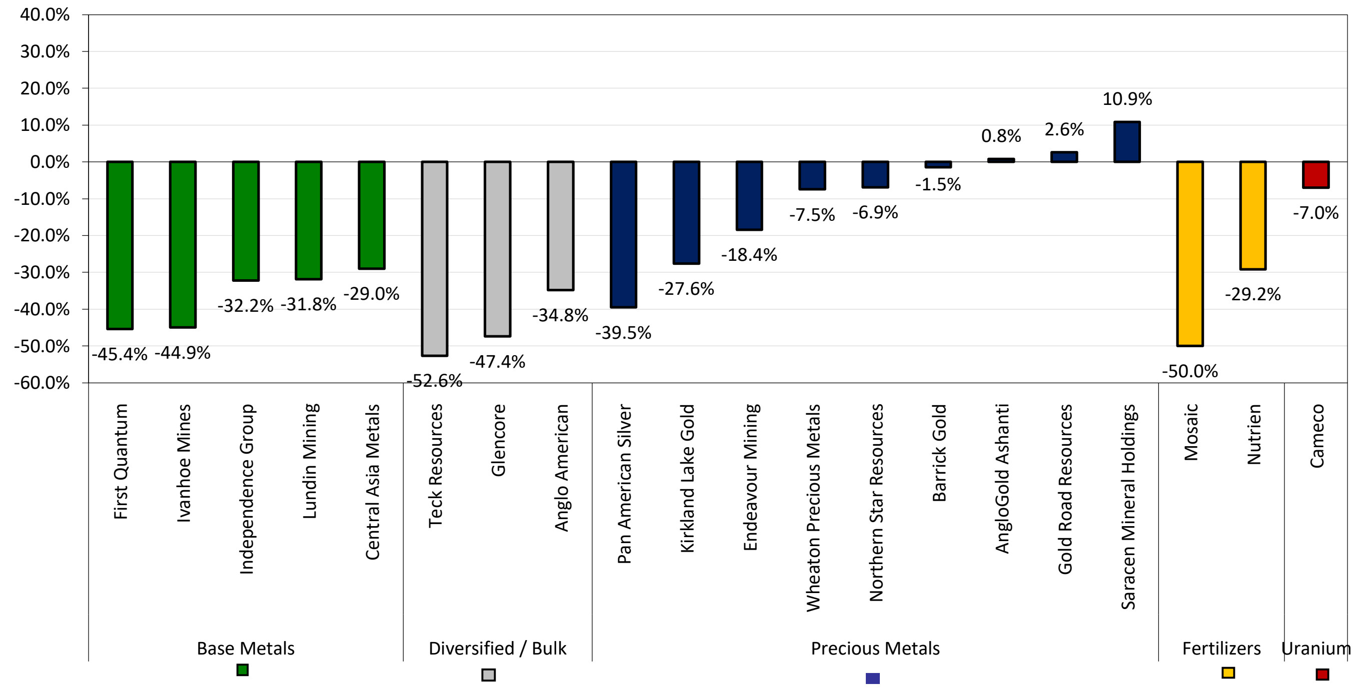
Q2/20 Best Ideas (cont'd.)		
Company	**Closing Price Mar 31, 2020**	**Investment Rationale**
Diversified / Bulk Commodities (Underweight, was Overweight in Q1/20)		
BHP Group LSE: BHP Outperform *New Addition*	£$12.52	We add BHP to our best ideas list with its diversified country and asset exposures, conservative balance sheet and compelling valuation. With low oil prices having driven underperformance, we now see upside optionality from this division on a 12 month view. BHP has significant potential cash flow savings from reducing its $800m, largely petroleum, exploration budget and will see Scarborough deferred and until markets stabilize, the Jansen Potash project. Its 1st and 2nd quarter cost positioning in iron ore, petroleum, coking coal and copper should allow it to generate trough cash flow ahead of peers. BHP is trading at 5.1x 2020E EV/EBITDA at spot and is trading at fair value of historic trough multiple at cost support price levels, suggesting long-term recession is priced into the shares.
Teck Resources TSX: TECK.B; NYSE: TECK Outperform	C$10.67	We believe Teck provides investors exposure to long-life, high-quality coking coal, copper, zinc, and bitumen production in a diversified Canadian mining company with a low geopolitical risk profile. Teck is in a strong financial position to weather a period of weaker commodity prices with C$1B in cash and net debt of C$3.2B (net debt to forecast 2020 EBITDA at spot commodity prices of 1.0x). With the announcement of the sale of a 30% stake in QB2 for $800M and a $400M initial capital contribution to the joint venture as well as the closing of project financing, Teck will not need to spend cash on the QB2 project until 2021. Teck also has a portfolio of five copper growth projects at pre-feasibility to feasibility stages in the Americas and is developing the Neptune coal terminal in order to add flexibility to its logistics chain and reduce costs. At spot commodity prices ($2.17/lb Cu, $0.83/lb Zn & $159/t coal), we forecast FCF of C$0.3B in 2020 (4% yield) and C$0.5B in 2021 (8% yield). Key near-term potential catalysts include: • April 2020: QB2 capital cost estimate & development timeline update • H2/20: Increased coal production and lower operating costs • 2020: Results from RACE21 initiative & Cost Reduction Program • 2020/2021: New contract with Westshore Terminals

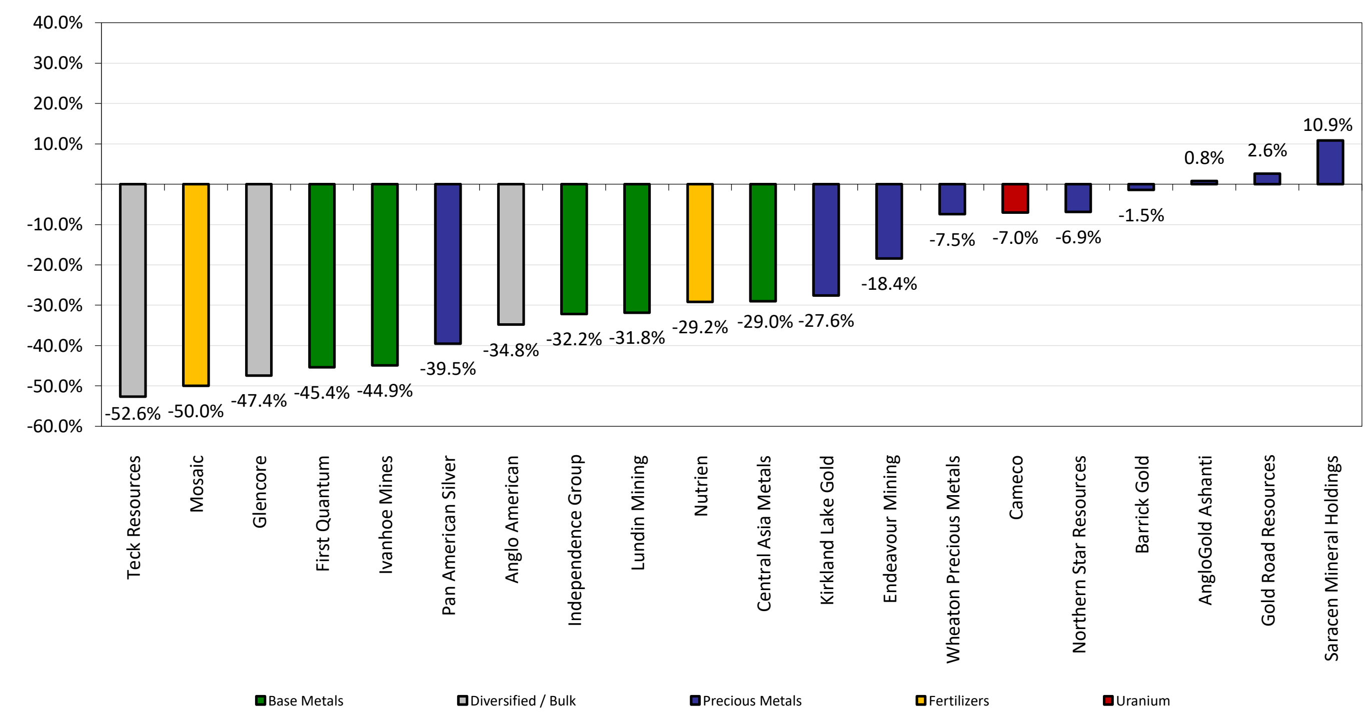
Appendix I

Best Ideas Q1/20 Performance Summary (Sorted by Sector and Performance, Local Currency)



Source: Bloomberg

Best Ideas Q1/20 Performance Summary (Sorted by Performance, Local Currency)



Source: Bloomberg

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Companies mentioned

Anglo American plc (LSE: AAL LN; GBp1,416.40; Outperform)
Glencore PLC (LSE: GLEN LN; GBp123.80; Sector Perform)
Northern Star Resources Limited (ASX: NST AU; AUD10.31; Sector Perform)
Pan American Silver Corp. (NASDAQ: PAAS US; $14.33; Outperform)
Wheaton Precious Metals Corp. (NYSE: WPM US; $27.53; Outperform)

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