CONFERENCE REPORT
Metals, Materials, Mining & the Global Supply Chain
November 18, 2010

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Sector Coverage

Dahlman Rose & Co. Metals, Mining & Materials Conference 2010

Dahlman Rose & Co. hosted its inaugural Global Metals, Mining & Materials Conference. Presenters discussed the centrality and growing importance of commodities in the natural resources supply chain as the global economic environment gradually continues to improve.

Metals & Mining companies expect continued, but gradual recovery

Virtually every management team indicated that a slow economic recovery continues to take hold, with emerging markets performing better than the developed world. In the steel sector, inventories remain very lean, and any increase in demand will quickly push prices significantly higher. There also was a significant acquisition that occurred, with Allegheny Technologies (Not Covered) announcing that it would acquire Ladish Company (LDSH, Not Covered) in a deal valued at $778 million. Several other companies at the conference indicated that they are actively seeking small- to medium-sized acquisitions to bolster their growth prospects, and we would expect M&A activity to remain robust given the historically low interest rate environment.

Gold producers set to utilize cash for M&A and resource definition

In the Precious Metals & Emerging Miners sector, companies continue to spend CAPEX on existing properties in order to further define resources to capture the increasing underlying commodity prices. M&A activity as a potential use of excess cash was mentioned as well as returning capital to shareholders.

Coal Industry potentially poised for increased M&A activity

One relevant, but expected, takeaway from the four domestic coal miners presenting was that M&A activity is certainly on their radar, though no transactions appear imminent. First and foremost, Massey CEO Don Blankenship assured investors that the company's annual strategic review would include a full and thorough evaluation of all options ahead of a Board meeting November 21-23. Both Massey and Peabody indicated potential JVs remain options at this time. In addition, CAPP miner James River Coal stated its intention of making several small acquisitions next year.

Please read Important Disclosures & Required Analyst Certification at the end of this report.

Metals & Mining

Rio Tinto plc (NYSE: RIO) – Buy – $115

Tom Albanese, Chief Executive Officer

- In the short-term, the global economy is still experiencing jittery market conditions, and that there are serious macroeconomic issues that need to be addressed. Despite these conditions, markets have been relatively benign for Rio Tinto, mostly for bulk commodities. The company expects continued volatility in 2011 in commodity prices.
- China is moving toward a more consumer-focused market. This is a healthy transition that should lead to more even growth patterns.
- Many have questioned whether big transactions can still take place given the regulatory and other hurdles faced, for example, with the Pilbara JV and not completed BHP/Potash Corp. deal. Mr. Albanese cautioned that two data points do not a trend make, that each transaction should be viewed on its merits, and that, despite the nascent and volatile recovery, the long-term trend still leans toward globalization.

AK Steel Holding Corp (NYSE: AKS) – Hold –NA

Albert E. Ferrara, Jr., SVP, Finance & Chief Financial Officer

- Among AK Steel's major markets, the company sees improving trends in the auto and appliance markets for 2011. Further, since service center inventories are very low, small upticks in demand should push prices higher.
- The company believes that ThyssenKrupp will have a difficult time satisfying the auto market from its new Mobile, AL facility since it will be sourcing slabs from Brazil (will have to keep significant inventories to mitigate slower turnaround time). In the short-term, the new plant will affect pricing, but AK Steel believes that it is better-positioned than its competitors to deal with the new ThyssenKrupp plant.
- Mr. Ferrara acknowledged that it is the least integrated among major steel producers, and high iron ore pellet costs have been an issue. However, the company has encountered high raw material costs in the past (i.e. natural gas, slab, coke and nickel) but was still able to increase profitability. The company is looking into investments that would increase backward integration, but it wants to make sure that it does not overpay (mentioned in 2008 how there was a lot of pressure on the company to acquire mills (e.g. Sparrow's Point), which would have ended up being a bad investment).

Metals & Mining, cont'd.

Panel Discussion: "An Analysis of the Commodity Cycle: Where Do Prices Go From Here?"

- **Marco Georgiou, Principal Consultant, CRU Analysis; Lisa Morrison, Principal Economic Risk Advisor, CRU Price Risk Management; Ted O'Brien, Vice President, Doyle Trading Consultants; Karr McCurdy, President Behre Dolbear Capital:**
- Near-term trends: Expecting aluminum capacity restarts in 2011 of production curtailed in China due to energy conservation efforts and aluminum demand growth to slow in 2011 vs 2010. For copper, mine supply, currency, China and investments (e.g. ETFs) will drive copper prices, which are expected to be volatile over the next 18 months. Commodity supplies, with the exception of aluminum, will continue to struggle to keep up with demand.
- Long-term trends: China still has a substantial amount of upside (urbanization rate is less than 50% compared to 80% in the US). Although economic and material usage growth will not be as fast as it was over the past decade, material usage growth should continue through 2020. On a global basis, we should expect volatility caused by intervention into commodity markets (e.g. export limits) to increase. In terms of copper, along with the large operational costs associated with underground mines (as mentioned by Tom Albanese), supplies will be constrained by huge upfront capital costs and the lack of talent in the industry.

Norsk Hydro ASA (OSLO: NHY.NO) – Hold – NA
Jorgen C. Arentz Rostrup, EVP & Chief Financial Officer:

- Mr. Arentz thinks curtailment in Chinese capacity could occur by year-end (temporary) and attributed this to a geographical shift of capacity.
- Management anticipates a more normalized market in the next few quarters – will see more seasonal patterns, which did not occur in 2009.
- LME inventory remains tied up in long-term financing deals. Management does not anticipate that this will change over the near-term.
- Still targeting closure of Vale deal by the end of the year and full production at Qatalum in 1Q11.

Freeport-McMoRan Copper & Gold (NYSE: FCX)– Buy – $125

- **James R. Moffett, Chairman:** Mr. Moffett focused on the technical/geological expertise aspects of Freeport McMoRan's business and how it has led to success for the company. He highlighted how brownfield expansions at Cerro Verde/Santa Rosa, Morenci and El Abra (acquired from Phelps Dodge) led to greenfield opportunities at those mines as the company taps into sulfide deposits that are on top of the existing oxide ore bodies. Freeport's expertise will allow it to excel while the industry transitions to underground mines.

- With regard to future M&A activity – Freeport-McMoRan's focus is on capturing unrealized value from existing properties as opposed to acquiring undeveloped / greenfield assets or existing operations which do not require use of its technical expertise.
- Mr. Moffett indicated that Freeport will step-up its capital spending at Tenke as it recently reached a deal with the government of the Democratic Republic of Congo. Mr. Moffett indicated that there are at least two more significant expansion plans at the site, and that Tenke can add up to 20% to Freeport's overall production.

Kaiser Aluminum Corp. (NASDAQ: KALU) – Hold – NT

Jack Hockema, Chairman, President & Chief Executive Officer

- Delays with Airbus A380 and the Boeing 787 will not have a significant impact on production (i.e. not expecting further dislocation in supply chain). Further, Boeing and Airbus are looking to ramp-up single aisle build rates further.
- Kaiser had been looking into its recently made acquisitions (Alexco and Nichols Wire) for some time. The potential increase in the capital gains tax was a factor in the seller's decisions to sell before the end of the year.
- The company expects prices to be stable for most of its products as they are at normalized levels. The exception is heat-treat plate, in which prices were significantly higher in 2007 and 2008.

U.S. Steel Corp (NYSE: X) – Buy – $55

Gretchen Haggerty, Executive Vice President & Chief Financial Officer

- The company believes that the pricing environment is improving, as evidenced by lead times stretching out and higher scrap prices, as well as recent price hike announcements by other steel producers. Overall, there is a better tone in the market right now.
- Most major end markets for steel are showing gradual improvement, with the exception of construction. The company believes that the steel industry will not return to normalized levels of capacity utilization (85% vs. 70% today) until the construction market recovers.
- Right now, most of the company's investment efforts are targeted toward raw materials, particularly coke. The company is also investing in environmental and infrastructure projects and automotive and tubular products.
- The tubular market continues to benefit from strong drilling activity, but imports are

an issue. 4Q10 tubular shipments are expected to be lower than shipments in 3Q10 because of higher inventories.

Brush Engineered Materials (NYSE: BW) – Not Covered

Richard J. Hipple, Chairman & Chief Executive Officer

- Brush is unique compared to most of the other participants at the conference as it is more of a technology company as opposed to a materials company.
- The company's outlook is highly tied to secular trends in smart mobile devices, 3G/4G, commercial aerospace, oil & gas, alternative energy, optics and LED/LCD – markets with favorable secular trends in which growth will outpace GDP growth.
- The company has steadily improved its operating performance in the past 8 years and has favorable competitive positions for many of its product applications.

Universal Stainless & Alloy Products, Inc. (NASDAQ: USAP) – Not Covered

Dennis M. Oates, Chairman, President & Chief Executive Officer

- The company's products are primarily used in the aerospace, power generation, petrochemical, and heavy equipment manufacturing end-markets. The company is smaller than most of the other companies in its space.
- Mr. Oates indicated that the company is more willing to take on risk than it was last year and is looking for ways to deploy cash on its balance sheet and would consider taking on debt should an attractive investment opportunity arise. In terms of acquisitions, the company will not leap into different products or markets – it looks horizontally into products that compliment existing operations.

Precious Metals & Mining

Agnico-Eagle Mines Limited (NYSE: AEM) – Hold – NA

Sean Boyd, Chief Executive Officer

- 2010 production on track for forecasted 1MM to 1.1MM ounces of gold; 2012 production is expected to be 1.2MM. Cost is expected to remain below industry average. LaRonde, expects to draw additional higher grade tonnage by late 2011.The board has approved $129MM program to build out the Meiladine high grade project. A feasibility study is expected in 3Q14 with start up in 2015, both an open pit and underground mine are expected.

Extorre Gold Mines Ltd. (TSX: XG) – Hold – NA

Eric Roth, President & Chief Executive Officer

- Extorre's AMEX listing is expected to be complete in 1Q11. The company is building out its exploration team for the flagship Cerro Moro project which has an estimated mine life of 8 years. 2012 start up is planned for the project at a net CAPEX cost of $109MM. The project has existing good road infrastructure and favorable proximity to power lines. Next resource report expected in 2H11. Management is projecting a 1.8 year payback on investment.

GFMS Limited

Philip Klapwijk, Executive Chairman

- GFMS is a firm employing 25 analysts and consultants providing annual gold, silver, platinum & palladium and copper surveys. Mr. Klapwijk provided his view on the fundamentals of gold and silver: Gold and silver prices have been driven by changes in underlying fundamentals and by investment and disinvestments in the commodities. Mr. Klapwijk estimates the gold market to be $170Bn in 2010 and the silver market to be $18Bn. He noted that gold mining over the last 10 years have been steady to slightly lower, contributing to the run in prices. Both gold and silver are in substantial surplus indicating there is a strong investment demand. This demand has grown the market within these two resources. Gold & silver prices will fall when or if the economic backdrop becomes less favorable for investment. Further, he believes China's demand for gold will possibly surpass India in 2011.

Newmont Mining Corp. (NYSE: NEM) – Buy – $78

John Seaberg, Vice President, Investor Relations

- Boddington is experiencing lower gold and copper grade and is expecting to have more news on that in 2011; however, it increased throughput in 3Q10 partially offsetting the lower grade. Mr. Seaberg noted that they can achieve previous levels but are not at that run rate at the moment. Newmont has $6.7Bn in liquidity including $3.8Bn in cash and cash equivalents. Potential use of cash mentioned: M&A; Internal pipeline/exploration; Return capital to shareholders.

NovaGold Resources (AMEX: NG) – Hold – NA

Rick Van Nieuwenhuyse, President & Chief Executive Officer

- Its main projects, Galore and Donlin Creek, are progressing according to plan. It completed a field study to build a gas line for Donlin, and an update on feasibility study is expected in 2Q10 and should include an indication of operating costs. An updated reserve and resources is expected around Feb 2011. Management plans to initiate a permit process at Donlin Creek in 2011, expecting 3-4 years for permitting and 3-4 years to bring production up to make it the largest goldmine. Management expects to earn interest on Galore in mid-2011. The company currently has $173MM in cash and is confident about financing its projects.

Paramount Gold & Silver Corp. (NYSE: PZG) – Buy – $13

Christopher Crupi, CA, Chief Executive Officer

- The company is in process of bringing in a VP of Operations. A resource study including bulk tonnage expected for its San Miguel project by the end of March with an economic assessment by the end of 2011. Exploration has commenced at the Sleeper project as the first drill has arrived. The company has $20MM in cash, no debt, which management translates into 3yrs worth of cash burn.

Seabridge Gold Inc. (AMEX: SA) – Buy – $168

Rudi P. Fronk, President & Chief Executive Officer

- The company expects to announce results of additional drilling at KSM within the next few weeks. Mr. Fronk noted that considering the size of the KSM project it diminishes the amount of potential acquirers as there are not many large cap companies that would be able to take it over. However, he noted that with the increasing commodity prices midcap companies are better positioned to undertake larger transactions. The KSM project will take about 4yrs to build at a $3.4 Bn cost. Expected throughput is 120,000 tons per year, with a 37 yrs mine life. Financing earlier this year gave the company the capital needed to start the Courageous Lake project again, which they choked in 2008 due to weak commodity prices at that time. The company has agreed to sell its royalty in Noche Buena, which eliminates its interest in the project. Mr. Fronk noted that he sees Chinas role in M&A activity increasing and noted British Columbia has opened up an office in Beijing.

Coal

Massey Energy (NYSE: MEE) – Buy – $48

Don Blankenship, Chairman & Chief Executive Officer

- During his prepared comments Blankenship made a point of mentioning natural gas was the primary source for the Upper Big Branch combustion, not coalbed methane gas. This would more than likely indicate the gas was released out of the mine floor and therefore was not a normal part of the gas release during coal mining. Blankenship noted this is an important discovery and said more information will be coming out over the next several weeks. Such evidence would lend support to the company's "unusual event" case that a gas surge was the overwhelming factor behind the accident not a lack of adequate ventilation.
- Comments regarding M&A activity were similar to those made on the 3Q10 earnings conference call. Massey does a strategic review every year at this time,

but the difference this year was a distinct focus on M&A. Blankenship mentioned investors can count on it being a full and thorough process. In addition, the company continues to work on potential JVs with others around the world. Recall Massey's Board will review the results of the strategic review during a meeting November 21-23.The company expects prices to be stable for most of its products as they are at normalized levels. The exception is heat-treat plate, in which prices were significantly higher in 2007 and 2008.

CONSOL Energy (NYSE: CNX) – Buy – $44

William Lyons, Chief Financial Officer

- Lyons indicated interest in the company's metallurgical coal reserve sale is very strong. The intention to sell the asset was announced in July and is expected to be completed in the coming months, possibly before the 4Q10 earnings release. These reserves contain 340MM tons, much of which is permitted already.
- Lyons also reiterated that in today's low-priced natural gas environment CNX is not required to drill to hold reserves on its Dominion-acquired Marcellus acreage. The company's strategy is to continue to drill for reserve delineation purposes and eventually reach a critical production mass. They will add a fourth to three current shale rigs by year end. Such comments echo the slightly more reserved production commentary during the 3Q10 earnings conference call.

James River Coal Company (NASDAQ: JRCC) – Hold – NT

Peter Socha, Chairman & Chief Executive Officer

- Socha stated the company aims to execute several acquisitions in 2011. There are numerous properties in JRCC's eastern Kentucky CAPP vicinity which would provide synergies for exiting operations. These would likely be small transactions, and the company has averaged roughly one small deal every year for the past several years. The company does not appear to be interested in expanding its Illinois Basin assets.
- Regarding the company's aggressive forward tonnage hold-back, Socha noted he has no intention whatsoever of selling thermal coal for 2012 delivery at this time. The contracting strategy continues to focus on short-duration contracts amid today's unimpressive thermal coal price environment.

Peabody Energy (NYSE: BTU) – Buy – Price Target $66

Christina Morrow, Vice President, Investor Relations

- Morrow indicated the company's exploratory phase for a US west coast coal port project is continuing after being announced in June. Peabody remains committed to a 20-30MM ton-per-year facility and now expects to make an announcement by 1Q11.

- Morrow also noted she is still seeing force majeure actions in Australia following heavy rains over the last 2 months. General expectations are for a continuation of exceptionally wet weather conditions during the rainy season through 1Q11.
- Regarding the company's development pipeline, international investment opportunities continue to be explored with Coal India, and Peabody will keep investors posted on any new developments.

Agricultural Chemicals

Improved farmer economics due to strong grain prices should support near-term demand for crop nutrients. Given limited new nitrogen supply additions along with low nutrient inventory levels should lead to pricing and margin gains over the coming Fall and Spring fertilizer application season.

CF Industries (NYSE: CF) – Hold – NA

Stephen Wilson, Chairman, President, & Chief Executive Officer

- The focus of the presentation was that high grain prices are supporting strong farm economics resulting in robust near-term fertilizer fundamentals. The company expects strong demand due to above normal Fall application and higher crop acreages. The company has sustainable long-term competitive advantage given its low feedstock costs and remains confident with its near-term outlook given strong grain prices and favorable supply/demand dynamics.

Yara International (OSLO: YAR.NO) – Not Covered

- **Torgeir Kvidal, SVP of Investor Relations:** Yara highlighted that it expects global nutrient demand to remain strong given low grain inventory levels. The company expects production growth would need to grow 5% year over year simply to maintain current low stock levels as consumption continues to grow at over 2% while global production is estimated to be down about 2% due to weaker crop yields. From the supply perspective, China is expected to remain the swing nitrogen producer with its higher cost coal-based production which should provide a strong floor for nitrogen products. Finally, the Yara expects limited supply growth over the coming years as higher construction costs and less availability of low-cost gas beginning in the 2007/2008 timeframe led to a reduction in new project activity.

DAHLMAN ROSE & CO.

DAY 2 – NOVEMBER 18

GLOBAL METALS, MINING & MATERIALS CONFERENCE

7:30a – 8:00a	***REGISTRATION*** Located on the Third Floor of The Plaza Hotel	
	GRAND BALLROOM – TRACK 1	**CENTENNIAL FOYER – TRACK 2**
8:00a – 8:45a	***KEYNOTE SPEAKER*** **IVANHOE MINES (IVN)** Robert M. Friedland, *Founder & Executive Chairman*	
8:45a – 9:15a	**THE MOSAIC COMPANY (MOS)** James T. Prokopanko, *President & Chief Executive Officer*	**THOMPSON CREEK METALS (TC)** Mark Wilson, *VP, Sales & Marketing*
9:15a – 9:45a	**AGRIUM INC. (AGU)** Richard Downey, *Senior Director, Investor Relations*	**SILVER WHEATON (SLW)** Randy Smallwood, *President*
9:45a – 10:00a	***COFFEE BREAK***	
10:00a – 10:30a	**ARCELORMITTAL (MT)** Louis L. Schorsch, *President & Chief Executive Officer, Flat Americas*	**PAN AMERICAN SILVER (PAAS)** Geoff Burns, *President & Chief Executive Officer*
10:30a – 11:00a	**WALTER ENERGY (WLT)** Walter J. Scheller III, *President & Chief Operating Officer of Jim Walter Resources*	**TEAL GROUP CORPORATION** Richard Aboulafia, *VP, Analysis*
11:00a – 11:30p	**KINROSS (KGC)** Thomas Boehlert, *Chief Financial Officer*	**NOVELIS** Steven Fisher, *SVP & Chief Financial Officer*
11:30a – 12:00p	**COEUR D'ALENE MINES CORPORATION (CDE)** Tony Ebersole, *Director of Corporate Communications*	**GEORGIA GULF CORPORATION (GGC)** Paul D. Carrico, *President & Chief Executive Officer*
12:00p – 1:00p	***LUNCH PANEL*** **"STEEL INDUSTRY PROSPECTS: DEMAND & PRICING IN AN UNCERTAIN ECONOMY"** **Ken Simonson**, *Chief Economist*, **ASSOCIATED GENERAL CONTRACTORS OF AMERICA**; **John Packard**, *Publisher*, **STEEL MARKET UPDATE**; **George Magliano**, *Senior Economist*, **IHS AUTOMOTIVE** Moderator: **Anthony B. Rizzuto, Jr.**, *Managing Director of Metals & Mining Equity Research*, **DAHLMAN ROSE & CO.**	
1:00p – 1:30p	**CLIFFS NATURAL RESOURCES (CLF)** Steve R. Baisden, *Senior Director, Investor Relations*	**HECLA MINING (HL)** Phillips S. Baker, Jr., *President & Chief Executive Officer*
1:30p – 2:00p	**YAMANA (AUY)** Charles B. Main, *EVP, Finance & Chief Financial Officer*	**METALS USA HOLDINGS (MUSA)** C. Lourenco Goncalves, *Chairman, President & Chief Executive Officer*
2:00p – 2:30p	**MOLYCORP MINERALS (MCP)** Mark A. Smith, *President & Chief Executive Officer*	**GOLDEN MINERALS COMPANY (AUMN)** Jeffrey G. Clevenger, *Chairman, President & Chief Executive Officer*
2:30p – 3:15p	***PANEL*** **"THE COMMERCIAL AIRCRAFT TURNAROUND & ITS IMPLICATIONS FOR METALS & MATERIALS"** **Richard Aboulafia**, *VP, Analysis*, **TEAL GROUP CORPORATION**; **Simon Pickup**, *Director Business Operations*, **AIRBUS**; **Adam Pilarski, Ph.D.**, *SVP*, **AVITAS** Moderator: **Helane Becker**, *SVP, Equity Research, Airlines & Aircraft Leasing*, **DAHLMAN ROSE & CO.**	
3:15p – 3:45p	**GUYANA GOLDFIELDS (GUY)** Claude F. Lemasson, *President & Chief Operating Officer*	**GENERAL MOLY (GMO)** Bruce D. Hansen, *Chief Executive Officer*
3:45p – 4:15p	**ALPHA NATURAL RESOURCES (ANR)** Frank Wood, *EVP & Chief Financial Officer*	**CARPENTER TECHNOLOGY CORP. (CRS)** K. Douglas Ralph, *SVP & Chief Financial Officer*
4:15p - 4:45p	**CELANESE (CE)** Mark W. Oberle, *SVP, Corporate Affairs*	**US GOLD (UXG)** Rob McEwen, *Chairman, President & Chief Executive Officer*
4:45p	**ATTENDEE COCKTAILS WITH MANAGAMENT** **IN THE TERRACE BALLROOM AT THE PLAZA HOTEL – SECOND FLOOR**	

Valuation Methodology & Investment Risks

Metals & Mining

For companies with operating assets in the Metals & Mining space, we apply a multiple to our one-year forward EBITDA estimate to achieve our year-end price targets. Our applied multiple is based on historical industry-wide and company specific multiples. For Metals & Mining companies whose assets are primarily in pre-production, we apply an NAV analysis to future cash flows to achieve a one year forward price target.

Metals & Mining Sector Investment Risks

The global macro economy poses the biggest risk to the Metals & Mining industry as demand for metals and minerals is highly correlated to economic growth. In particular, China is the world's largest consumer of aluminum, coal, copper, iron ore, nickel and steel. A material slowing in China's economic growth trajectory could result in lower prices for commodities. Further, with China being a significant producer of aluminum and steel, it is possible that the country may be less disciplined and export large quantities of these materials, further depressing global prices.

Primary Aluminum Investment Risks include:

- We believe that the metal is not ideally positioned from a supply/demand perspective over the near and intermediate-term as LME stocks of aluminum remain exceptionally high. However, a significant portion of the metal remains tied up in financing agreements due to the wide contango and physical premiums for the metal remain high.
- There is significant idled capacity on a global basis, and we believe that production will likely increase, if prices trend meaningfully higher, effectively capping how high prices may trend over the intermediate term.

Primary Copper Investment Risks include:

- Copper prices remain significantly above their marginal cost of production, and over the long term, we would expect for prices to return to a reasonable margin above this cost. But over the near term, we anticipate that it would take a significant demand shock for this to occur, an event which we do not include in our base case.
- Political instability in some of the countries in which the miners operate and the associated risks of terrorism, civil unrest, nationalism, sudden changes in law or government, as well as other unforeseeable risks.

Primary Risks to the Diversified Miners include:

- Environmental laws becoming stricter, limiting mine development or possibly leading to the closure of operating facilities.
- Political instability in some of the countries in which the miners operate and the associated risks of terrorism, civil unrest, nationalism, sudden changes in law or government, as well as other unforeseeable risks.

Primary Molybdenum Investment Risks include:

- Molybdenum prices remain significantly above their marginal cost of production, and over the long term, prices may return to a reasonable margin above cost.
- The widespread acceptance of a molybdenum substitute for molybdenum could negatively impact demand for the metal.

Primary Steel Investment Risks

- The global supply/demand balance remains fragile, and thus steel prices will face pressure if steelmakers do not remain disciplined to manage production closely in line with order entry.
- Producing steel consumes large amounts of hydrocarbons in the form of coal and natural gas, thus these plants are large producers of carbon dioxide and other greenhouse gases. If the EPA or other governmental agency were to issue a ruling that dramatically changes the current economic framework for the industry, U.S. steelmakers would be adversely impacted.
- Governments imposing trade restrictions that would impact steel or the end markets that consume this raw material.

Valuation Methodology & Investment Risks, cont'd.

Precious Metals and Emerging Miners

In the Precious Metals and Emerging Miners space, we utilize NAV methodology to value developing and operational mining plays as this method encompasses key variables such as: price, operating costs, up-front capital, mine life, time-value of money, and the corporate balance sheet. This method allows for these variables to change over time. Our ratings and price targets are based upon a combination of value and leverage relative to a companies peer group.

Precious Metals and Emerging Miners Sector Risks

Political Risk: With worldwide assets, miners are subject to significant political risk. Despite compliance with national laws, provincial or local opposition, legal or otherwise, may impact operations.

Operational and Technical Risk: All mines are fundamentally unique, and thus dangers must constantly be investigated and managed. Similarly, new projects are subject to technical risks, and design flaws may result from applying an existing process to a new ore body.

Commodity Price Risk: Nearly all commodity-related equities are exposed to changes in the underlying commodity. Investors may seek this exposure for the upside potential, but must recognize that leverage cuts both ways. Lower commodity prices could undoubtedly make attractive projects less economically viable.

Market Risk: While the market sentiment toward the group is often tied closely with commodity prices (and risk), it may also be impacted by business cycle expectations and general opinion as to the legitimacy of the sector.

Financing and Dilution Risk: The cost of financing changes beyond the control of any company, and the availability of capital can appear or disappear rapidly. A management might find themselves short of capital and forced to take very expensive debt financing or issue equity at very low prices or risk going bankrupt altogether, both to the detriment of existing shareholders.

Royalty Risk in the US and Abroad: Mining companies in the US and abroad may be subject to a changing royalty regime which can negatively impact profitability and/or the economic viability of developing projects. Currently in the U.S. Congress there are two bills. One would impose gross revenue royalties while the other would impose a net revenue royalty. Passage of either bill would prove detrimental to exploration and mining investment in the US.

Coal

We utilize an EV/EBITDA multiple to value companies in our coverage universe. Our price target is derived by applying a multiple to the EBITDA estimate in a particular forward year based upon the potential for earnings growth in the following years. The multiple is determined using historical trading ranges for the company and their relationship to the industry as a whole. A market value per share is determined by subtracting both net debt and the company's legacy liabilities from the implied forward enterprise value. The price target is then discounted as necessary to arrive at a 12-month forward price.

Primary Coal Investment Risks –

Price movements in coal equities are closely tied to fluctuations in worldwide energy and commodity pricing, including coal, crude oil, natural gas, metallurgical coke and steel. Demand for coal is subject to changes in domestic and international economic growth rates, weather and variations in the price of competing power plant fuels such as natural gas and uranium. Coal usage is also vulnerable to government regulations limiting certain pollutants common in the burning of the fuel as well as the general regulatory and public views toward the building of new coal-fired plants. The production of coal is subject to numerous regulatory factors that may increase costs or prevent economic extraction of reserves.

Chemicals

We utilize a blend of historical and relative earnings and EBITDA multiples, comparable company analysis, free cash flow yield, dividend yields, and longer term discounted cash flow models to arriving at our 12-month price targets.

Primary Commodity Chemicals Sector Investment Risks –

Risk to our target includes (1) stronger than anticipated economic recovery stimulating higher than anticipated demand for commodity product slate, (2) raw material pricing pressures that materially defer from our underlying expectations, (3) supply changes that differ from planned expectations, (4) greater than anticipated capital intensity, (5) cost cutting and other company specific synergies that differ materially from our expectations

Primary Agricultural Chemicals Sector Investment Risks –

Risk to our target includes (1) stronger than anticipated markets in potash and phosphate fertilizer prices and volumes, (2) significant increases in US natural gas prices which would put US producers at a competitive disadvantage with prices and margins, (3) prolonged period of high crop prices either through stronger than anticipated demand, supply disruptions, or weather related yield damage could induce higher than anticipated demand for fertilizers.

Disclosures

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Certification:

Required Disclosures:

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Stock Ratings:

Dahlman Rose & Company, LLC assigns the following ratings to the securities of its subject companies:

Buy – The fundamentals/valuations of the subject company are ***improving*** and the investment return is expected to be 5 to 15 percentage points ***higher*** than the general market return.

Sell – The fundamentals/valuations of the subject company are ***deteriorating*** and the investment return is expected to be 5 to 15 percentage points ***lower*** than the general market return.

Hold – The fundamentals/valuations of the subject company are ***neither improving nor deteriorating*** and the investment return is expected to be ***in line*** with the general market return.

Ratings Distribution & Investment Banking Disclosure

Rating	Count	Ratings Distribution	Count	Investment Banking
Buy -rated	110	60.40	35	32.11
Hold -rated	69	37.90	22	31.88
Sell -rated	3	1.60	1	33.33