John Tumazos Very Independent Research, LLC July 22, 2007 @ 10 pm
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Complimentary Report Not Intended for Compensation

MID-SUMMER METALS PRICE SNAPSHOT PROVIDES AN ENCOURAGING PICTURE

Little Summer slowdown is evident. It is "too early" to declare an acceleration rather than a Summer slowdown, but we are encouraged at $1.58 per pound record lead prices, $3.75 copper, and $32 molybdenum. Gold near $684, silver at $13.32 and aluminum at $1.276 are not quite at full year highs, but are close.

Nickel near $16 and various grades of scrap steel down 20% or so from highs along with "moderate" $1.69 per pound zinc prices give indications of a "nonboom" climate. Uranium has dropped $6 per pound from record levels.

The only noteworthy inventory buildup is the 8,000 tonne nickel inventory build to 11,346 tonnes. The slowdown in U.S. or EU stainless output in the June 2007 quarter is no shock given a 14.7% global stainless output gain in 2006, 14.5% in 1Q07 and 7.5% in 2Q07. Yes, some overbuying happened, and distributors will destock as nickel drops $10 per pound to cut prospective surcharge schemes almost in half. However, global demand gains in 2006 and 2007 may have been enough for four normal years.

Many inventory measures have fallen, including a 75,000 tonne commodity exchange copper drop from March peaks or a 75% drop in excess steel distributor inventories in the USA. Lead and zinc trend in the right direction, while aluminum has been stable.

Normally inventories build up in August, November and December, and we do not want to become euphoric just because the first three weeks of July have been encouraging. It is too early to declare an upward acceleration in progress.

However, our earnings estimates for 2008 based on $2.75 copper, $625 gold, $1.12 aluminum and moderate declines in steel or iron ore prices appear much too conservative. We expect U.S. demand trends to avoid the large negative rates of change seen in 2007 next year, although we do not expect rebounds to 2006 levels. Chinese 15%-45% demand growth rates seen in 2007 are not likely to recur in 2008, and we are optimistic that demand gains exceed 5% to avoid downturns owing to the Olympic events, output curtailments to clean the air during the Games and a Chinese construction slowdown.

BARRICK GOLD - - COMMENTS FROM JUNE 21ST HQ VISIT FOCUS ON POSSIBLE "DIRECT SHOT" FROM PRE-FEASIBILITY TO CONSTRUCTION OF ROBUST PROJECTS

- Capital spending is expected to be $5 to 7 billion over the next five years and $1.1 to $1.8 billion in 2007, depending on the permitting timing at Pascua-Lama in Chile. Other important projects are 48%-owned Pueblo Viejo in the Dominican Republic possibly having the spending start in earnest in 2008, up to 70% owned Donlin Creek in Alaska, 37.5%-owned Reko Diq copper-gold in Baluchistan, 50%-owned Kabanga nickel in Tanzania and the smaller 60%-owned Cortez Hills in Nevada and Buzwagi in Tanzania.
- Barrick might consider directly moving projects from "prefeasibility" to permitting and construction, skipping a full feasibility study, if the drilling results and initial economics are sensational and robust. Reko Diq copper-gold and Kabanga nickel give such indications.
- Barrick has made share repurchases in the past under current CEO Greg Wilkins, and does not rule out such strategies in the future. It wants to highlight the large values of its nickel, two large copper and two large platinum group assets collectively well exceeding $6 billion.

DISCUSSION

On June 21st we visited Jim Mavor, treasury, and Susan Muir, manager of investor relations, in the Toronto headquarters.

INVESTMENT VIEWPOINT AND PRICE OBJECTIVE

We rate Barrick Gold Neutral Weight with a price target of $30 per share based on 23 times average 2007 to 2013 earnings estimates at $675 per oz gold price forecast for 2007, $625 for 2008, and $575 for 2009 onwards. We also note that proven and probable reserves estimated at $475 gold (before recovery losses and $100 lower price basis than AngloGold) were steady at 123 mm oz down 1 mm oz adjusted for the sale of the 50% stake in South Deeps. Reserves would grow 10 mm oz at a $100 per oz higher price. Silver reserves are 964 mm oz. The 60 mm oz non-reserve mineralization appears greatly understated. Surface outcrops at Reko Diq in Pakistan have been drilled to 900 meter thick homogenous findings of 0.6% copper with about 0.45 grams per tonne gold or 13 pounds of copper and one-60th ounce of gold per tonne before recovery loss.

RISKS

Risks to our investment thesis include the gold price, which could hurt results on the downside, but should it spike would increase Barrick's mark-to-market loss on its hedge book, hurt investor psychology and could require the company to deliver into its hedges at a large opportunity cost, for which the stock market might discount the stock. Future results, including detailed geological and metallurgical analysis, from the exploration activities may not turn out to be favorable. Other risks include ore grades, permitting issues, currency shifts and the weaker dollar as it increases production costs in Australia, as well as weak jewelry demand, reserve replacement, and other various operating issues, which could be a negative to costs.

KINROSS GOLD – COMMENTS FROM JUNE 21ST HQ VISIT FOCUS ON GROWTH TRAJECTORY

Kinross targets 60% gold output growth in 2009 from 2007 owing to three specific projects - - the late 2008 output from 75%-owned Kupol in Russia bought from Bema, the Buckhorn underground mine in Washington bought from Crown Res
ources and the Paracatu gold mine expansion in Brazil. The output is scheduled to grow to 2.65 from 1.65 mm oz.

Proven and probable reserves before recovery losses are 45.2 mm oz of gold, 69 mm oz of silver and 2.8 billion pounds of copper. Measured and indicated resources are 12 mm oz of gold, 13 mm oz of silver and 1.0 billion pounds of copper before deducting recovery losses.

The production forecast excludes the 49% stake in the Cerro Casale copper-gold deposit in Chile, which Kinross includes in its proven and probable reserves.

DISCUSSION

On June 21st we visited Ron Stewart, the Senior V.P. of Exploration formerly with Placer Dome, Erwyn Nadoo formerly of Barrick Gold and Tracey Thom in the Toronto headquarters.

Several interesting "upside unknowns" exist here. First, metals prices are higher than the $475 gold and $7 silver used last year to calculate resources and $525 gold and $8 silver used to calculate resources, but we expect Kinross will not raise its economic assumption "to the max" the SEC permits of a three-year moving average.

Second, the 75%-owned Kupol deposit in Russia is not fully defined. It presently totals 3.3 mm oz gold and 41 mm oz of silver to Kinross' account with a 3,000 metric tonne per day mill.

Third, the low grade Paracatu property in Brazil has much leverage to gold prices. Irt contains 16.4 mm oz of gold reserves before recovery losses in 1.26 billion tonnes grading 0.4 grams per tonne or 0.012 oz per ton gold before before recovery losses. Resources are 4 % more.

Fourth, Kinross has several strategic exploration alliances such as the Russian alliance with the former Bema team and the Brett and Verena alliances.

CERRO CASALE A LARGE ALTERNATIVE

Fifth and most important, the low grade 49%-owned Cerro Casale deposit in Chile could be bigger than the 22 mm oz of gold and 5.5 billion pounds of copper already defined as reserves on a 100% basis before recovery losses. Capital costs were estimated at $2 billion-plus in 2005 by Placer Dome, which are being re-evaluated. This project did not move foreward in the mid-1990s owing to its lean 0.25% copper and 0.02 oz per ton grades, high capital costs and then moderate $1 copper and $400 gold price trends.

The ownership structure of Cerro Casale could change it as well. It is an option for Kinross to buy out Arizona Star Resources (ARZ $11.96, not rated), which holds 51% and trades under a $0.5 billion market capitalization. It is a further option to sell an ownership stake in the copper to an Asian copper smelter that might pay over a $0.5 billion sum plus a share of the mine development costs. It is a further option to sell a copper-denominated bond as Barrick Gold did in September 2006 priced at $3.08 copper or a gold-hedge instrument. Thus, Kinross could win 100% for $3 billion gross dollars or so, with a small inflation allowance, and then reduce its capital costs by $1 billion or so.

Even at a 49% stake and $1 billion capital obligation per the current ownership structure, Cerro Casale will be Kinross' largest capital project ever. It is possible the team chooses not to "overweight" the company to a low grade, high capital cost, high elevation copper-gold porphyry.

INVESTMENT VIEW

We do not maintain regular coverage of Kinross, but it interests us because of its three or four large development projects.

We rate the gold industry neutral as the risks of higher interest rates, a dollar rebound or dependence on continued investor demand via ETF buys is offset by the reduced valuation of gold stocks versus thirty year trends and the many geopolitical risks encouraging investors to flock to gold.

Company risks include gold prices, costs, development cost overruns, Russian country risks, environmental issues, mine development completion and related financial issues.

CVRD INCO (RIO $51.81, not rated) - COMMENTS FROM JUNE 21-22ND TORONTO PRESENTATION AND SUDBURY UNDERGROUND MINE AND SURFACE MILL, SMELTER AND REFINERY TOUR

In 2015 Sudbury sulphur dioxide emissions must be cut to 66,000 tonnes from the current 175,000 tonne maximum. However, CVRD Inco plans to increase output to over 13 mmt from 10.5 mmt of ore from operation of new shafts and to compensate for declining grades, which will require a 2015 increase towards 98% from the current 90% sulphur capture rate.

On June 21st CVRD Inco announced, "

> The Creighton Deep Project, a deep mine exploration program, has the potential to almost double the proven and probable reserves at Creighton from 17 million metric tons grading 3.1% nickel and 2.5% copper to up to 32 million metric tons grading 1.9 to 2.2% nickel and 2 to 2.3% copper."

CVRD Inco emphasized that last year's acquisition of Inco helped increase or re-rate its P/E multiple. It expects earnings to be "in line" with expectations. It based the acquisition on $4.25 per pound long-term nickel.

It estimates it owns 11% of world bauxite reserves in Brazil and almost half of the proven and probable nickel reserves of the six largest producers in the world, or about as much as the next five combined.

It increased its capital budget to $8.3 from $7.4 billion for 2007. We expect the company to continue to identify numerous fine investment alternatives.

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JUNE 21-22 PROGRAM

CVRD Inco presented the Sudbury, Ontario nickel division for the benefit of over 10 CVRD Inco visitors from Brazil and emerging market analysts covering CVRD Inco that were not familiar with the Sudbury unit. In effect, it taught the Toronto or some New York metals analysts what they already knew.

The visitors broke down into three grounds to go underground into into different mines. All underground, mill, smelter and refinery operations appeared well kept and in excellent condition. It appeared that some of the record nickel earnings of the past several years had been reinvested into plant upkeep.

There was little discussion of Newfoundland, Manitoba, New Caledonia or Indonesia or the diverse global mineral operations of CVRD in iron ore in Brazil or other minerals worldwide.

NEW ORE ZONE SIGNIFIES CHANGES IN GRADE

The roughly one-third lower ore grades in the Creighton Deep and development to 10,000 foot depth indicate a tougher future time frame for nickel extraction. Some grades will be less or depths more. CVRD Inco will need to work harder to make more nickel or maintain its historic trend of about 200 mm lbs of nickel from Ontario.

XSTRATA FALCONBRIDGE COOPERATION

CVRD Inco does not expect to complete a joint venture or formal unification of the Sudbury district with Xstrata, FNX Mining or others. CVRD Inco enjoys right of first refusal on FNX Mining's ores. It appears that the two sides did not agree as how to break down the ownership percentages, which we had estimated might have been 75%-80% CVRD Inco prior to FNX Mining's discoveries. It also appears that they will achieve portions of the

Xstrata Falconbridge may “fill up its mill, smelter and refinery” after 2010 wth Tanzanian ores from its 50%-owned Kabanga mine jointly held with Barrick Gold. Xstrata also hopes to find more ores in Sudbury. It cannot process FNX Mining ores for which CVRD Inco has right of refusal.

Roughly $200 mm of the intended $500 mm synergy goal has been met via the “flow sheet” changes to use Xstrata’s newer copper refinery, shut Inco’s older copper refinery and move high copper ores to Xstrata to free up Inco capacity for high nickel ores.

The next phase will be for the Coleman underground mine of Inco and Strathcona underground mine of Xstrata to be operated jointly underground on the “northern range.”

RECAPTURING SULPHUR NECESSARY TO MAINTAIN SOCIAL AND ENVIRONMENTAL LICENSE TO OPERATE

Exact knowledge of the precise points in which the 10% sulphur lost to the environment escapes has not been mapped. Local managers believe at least half of it escapes in the “converters” which follow the “flash smelter furnace.” However, they do not know with precision to within 0.1% where the remainder escapes. Such data gathering is a first step toward designing a better collection system.

We expect CVRD Inco to address this problem with greater urgency in the 2009 to 2011 time frame. Detailed metallurgical design and engineering may take one year. Ultimately, portions of the mill, flash smelter, acid plant, converters, etc. may be rebuilt or replaced to achieve the higher standard.

We do not expect the provincial or federal government to force a shutdown or even output reduction should the 2015 goal be missed. For example, in February 2007 Southern Copper was five or six weeks late meeting a 12-31-06 90% sulphur dioxide target. The government in Peru did not fine it for being a few weeks late, and was pleased it beat the standard by 2%.

We believe the federal and provincial government will be very leased if CVRD Inco meets more than half of the 109,000 metric tonne sulphur dioxide target. It is possible that output curtailments are enforced if the company cannot attain a full 98% sulphur capture rate. It is also possible that the government will not so penalize CVRD Inco if CVRD Inco spends money and demonstrates that the best available technology cannot quite fulfill that standard.

COPPER INDUSTRY -- ALUMINUM COMPANY OF CHINA (CHALCO, ACH $46.90, not rated) BIDS FOR PERU COPPER (CUP $6, not rated)

On June 11th Aluminum Company of China (also called Chalco or Chinalco) agreed to acquire Peru Copper, a well-known Latin American group head by Dr. David Lowell who found Escondida in 1978 working for Exxon and sold Pierina to Barrick Gold for about $800 mm in 1995. Eight of Peru Copper's 14 directors we knew from prior enterprises, and at Prudential Equity Group we hosted corporate marketing for Peru Copper both in New York and Boston in June 2006. Its Toromacho deposit had been highlighted in technical presentations of personnel of Phelps Dodge exploration, Codelco and Cochilco as one of the largest undeveloped copper deposits in the world.

The purchase price of $792 mm plus a 50% step up to $2.25 billion from the 2005 $1.5 billion capital budget estimate suggests the buyer paid a $3.05 billion sum to buy the 22 billion pound copper and 840 mm pound molybdenum resource, or *about $0.10-$0.12 per pound of contained copper resource depending upon the value assigned to the moly.* This is a reasonable price to pay given current copper prices of $3.75 even assuming as low as a $1.75 per pound long-term copper price.

Drawbacks include a copper ore grade near 0.5%, Peruvian political trends and inevitable operating or capital cost inflations upon final engineering.

It is completely ironic that a Chinese aluminum company probably having no first hand geology contacts in the Western Hemisphere hooked up with an "all-star team" of Latin American mining people. We are entirely impressed with Aluminum Company of China.

ALCOA (AA $43.08, Neutral) INDIRECT EXPOSURE TO TOROMACHO DEPOSIT OF PERU COPPER (CUP $6, not rated)

	2007E	2008E	2009E	2010E
Revised EPS July 9th	$2.97	$2.40	$1.91	$1.94

Alcoa's indirect purchase of 8% of Peru Copper, via its 8% holding in Aluminum Company of China, may have been one of its best acquisitions of recent years. Major successes include buying 8% of ACH to begin with and one decade or more ago Alumax and the privatizations of the state aluminum companies in Spain, Italy and Hungary.

Alcoa indirectly owns 1.8 billion pound of copper resources and 70 mm lbs of molybdenum in the Toromacho deposit in Peru.

STEEL INDUSTRY -- GERDAU AMERISTEEL TO BUY CHAPARRAL STEEL FOR $4.22 BILLION

We are impressed at the $4.22 billion purchase of Chaparral Steel, which appears near two to three times the cost of building a new enterprise assuming construction costs doubled in the past five years from $300 to $600 per ton of electric furnace capacity.

Gerdau Ameristeel paid $1,300 per ton times the 3.2 million ton capacity. It paid $1,780 per ton for the 2.3 million tons actually shipped. The Petersburg, VA plant of Chaparral operates near 76% of capacity, and accounts for much of the underutilized capacity as it casts a "very near net shape" that is "too light" for some popular foot-weights.

Chaparral Steel, IPSCO, Dofasco and Steel Technologies are examples of steel industry takeovers in which the physical assets of the seller were outstanding. If rebuilt today, they would be built substantially the same. Many of the other companies bought or sold in the past five years in North America were not as new, non-union or cutting edge.

Chaparral Steel, Steel Dynamics and Nucor are the only large structural producers in the U.S. It appears from the action of Gerdau Ameristeel that it would rather "pay up" to enjoy immediate earnings and cash flow, and avoid driving down prices via a new plant addition. We estimate in the second-half of 2007 that Nucor's pretax margin from large structurals will be $300 per ton higher than from hot-rolled sheet, which reflects the benefit of the current strong demand split among three suppliers.

CHANGE IN THIS RESEARCH OPERATION

This report reflects an initiation of research coverage by JTVIR, LLC. In no way shape or form should it be misconstrued as involving PEG, which shut down on June 6, 2007 as noted. The continuation of that same quarterly or full year earnings estimate for 2007 as JTVIR, LLC should not be construed or mistaken to involve PEG, which shut down on June 6, 2007. Certain data, such as the logic of the earnings model, are similar owing to the same primary author, but this coverage initiation herein involves a different entity and no employment or affiliation with the former Prudential Equity Group, LLC.

Our investment rating system for securities recommendations is Overweight, Neutral Weight or Underweight. Overweight or Underweight recommendations are estimated to vary from the relative performance of the S&P 500 by more than 10% annually, and the intended time horizon is up to 24 months. Our securities research is intended for institutional investors that might buy up to 10% of a given company, and as such focuses more towards longer-term dynamics impacting the net present value of future cash flows rather than “day trading” sorts of near-term issues.

Neither JTVIR, its members or is employees own or have a financial interest in any securities discussed in this report. Our policy is full disclosure.

Our policy permits personal trading in the metals or paper industries, though no positions were taken in companies within regular research coverage after July 2001 after joining Prudential Financial and until after one month of completed New Jersey registration of JTVIR. Our policy is that any personal trading must be consistent with our recommendation, made two business days or more AFTER a recommendation or change in recommendation and held for a minimum of 30 days or one month. We believe it is virtuous for a securities analyst to “put his or her money where his mouth is” to invest consistent with the recommendation to clients after such recommendation has been made, and we disagree with some restrictions made upon broker-dealer employees after 2000 era scandals.

Our policy permits up to three directorships and up to five consulting projects, advisory assignments or financial advice to corporations that might supplement, backcheck or substitute for certain services of a large investment banking firm. For example, we would accept an engagement to evaluate investment banking advice on behalf of a manufacturing company concerned whether advice is sincere or intended to maximize fees. Currently no such relationships exist.

Our policy is full disclosure of any advisory relationship or conflict going back three years. None currently exist.

Numerous prior investment banking relationships existed prior to three years history to the pre-1997 time frame under the employment of Donaldson, Lufkin and Jenrette or Oppenheimer & Co., Inc. Some of these we can recollect included 14 different gold mine valuations or sales for Barrick Gold, LAC Minerals (later acquired by Barrick), Addington Resources (gold assets in Montana acquired by Canyon Resources), Westworld Industries (Bolivian assets acquired by Battle Mountain Gold later acquired by Newmont Mining), Coeur d’Alene Mines, Crown Resources (acquired by Kinross Gold), Freeport-McMoRan Gold (acquired by Minorco later AngloGold later Queenstake Resources), FMC Gold (later renamed Meridian Gold) and others. Sole managed initial public offerings included Reliance Steel & Aluminum and Huntco. Lead-managed initial public offerings included American Steel & Wire (later acquired by Birmingham Steel) and lead-managed underwritings included Quanex. Co-managed underwritings included the IPO of Century Aluminum and offerings for AK Steel, Kaiser Aluminum, Agnico-Eagle Mines, Cameco and others. Asset sales or purchase advisories, fairness opinion or trusteeships were done for Thypin Steel (sold to Ryerson Tull), Cyclops Corp. (sold to Armco later sold to AK Steel), Allegheny Corp., Bethlehem Steel, the U.S. Dept. of Justice pursuant to the June 1984 merger of LTV and Republic Steel to sell the Gadsden, AL integrated flat-rolled mill, Cobre Copper, and others. Typically more than five investment banking assignments were evaluated, partly executed or “due diligenced” for any completed transaction. Some examples we can recall for which a prospectus was either drafted or partly drafted indicating much work included stock underwritings not completed for Wheeling-Pittsburgh Steel, Steel Dynamics, Atlas Corp., Webco, Sharon Steel, IPSCO, Co-Steel Inc., and others.

ANALYST UNIVERSE COVERAGE:

John C. Tumazos, CFA: Rio Tinto, Louisiana-Pacific, Nucor Corp., Newmont Mining, U.S. Steel, International Paper, BHP Billiton, MeadWestvaco Corp., Antofagasta PLC, Allegheny Technologies, Alcoa Inc., Inco Limited, Bowater, Inc., Temple-Inland, Barrick Gold, Abitibi-Consolidated, Weyerhaeuser Co., Alcan Inc., Smurfit-Stone Container, Plum Creek Timber, Worthington Industries, Goldcorp Inc., AngloGold Ashanti, Freeport McMoRan Copper & Gold, Novelis Inc., FNX Mining.

Dynatec is a company not continued in the research coverage of JTVIR, LLC that was previously included in the prior June 6, 2007 Prudential Equities Group universe owing to a pending takeover by Sherritt International.

In accordance with applicable rules and regulations, we note above parenthetically that our stock ratings of “Overweight,” “Neutral Weight,” and “Underweight” most closely correspond with the more traditional ratings of “Buy,” “Hold,” and “Sell,” respectively; however, please note that their meanings are not the same. (See the definitions above.) We believe that an investor’s decision to buy or sell a security should always take into account, among other things, that the investor’s particular investment objectives and experience, risk tolerance, and financial circumstances. Rather than being based on an expected deviation from a given benchmark (as buy, hold and sell recommendations often are), our stock ratings are determined on a relative basis (see the foregoing definitions).

There is no intention to “balance” the number of Overweight or Underweight ratings, as instances of broad over- or under-performance among basic industrials may occur. JTVIR makes each investment judgment in a “bottoms up” manner based on the assets of each individual company.

Price Target – Methods/Risks

The methods used to determine the price target generally are based on future earning estimates, product performance expectations, cash flow methodology, historical and/or relative valuation multiples. The risks associated with achieving the price target generally include customer spending, industry competition and overall market conditions.

Additional risk factors as they pertain to the analyst's specific investment thesis can be found within the report.

Additional information on the securities discussed herein is available upon request. The applicable disclosures can be obtained by writing to: John Tumazos Very Independent Research, LLC, 11 Yellow Brook Road, Holmdel, NJ 07733 Attn: John C. Tumazos.