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### ***Registration Effective August 27<sup>th</sup> and Now Operational***

*We hope to resume the publication of detailed graphics or data backup in coming weeks.*

#### **THIS PAST WEEK INDUSTRIAL METALS FELL WHILE PRECIOUS METALS ROSE; QUARTERLY REPORTS SUGGEST INVENTORY DRAWDOWNS**

- Evidence increased of climactic inventory liquidations in the U.S. markets, including steel, specialty steels, containerboard, wood, autos and housing.
- Most steel, containerboard and wood producers increasingly target export markets. Allegheny Technologies indicated its direct exports are at least 25% and, including the exports of its customers, it believes over half its output goes abroad. Exports have exceeded 10% of domestic steel shipments since April 2007, averaging 10.6% of shipments since April. Exports are near 10% of containerboard output as well.
- Many local markets “feel like the recession is ending,” and that high exports, strong capital goods end markets and firm pricing benefiting from the weak dollar have provided a very soft landing.
- Last week the six “industrial metals” prices fell while four “precious metals” each rose. Aluminum and copper inventories fell, while the other metals inventories rose.
- The near doubling in LME lead inventories in the past five weeks has “investment fund footprints,” and illustrates the volatility inherent in financial player activity in “minor metals” like lead, cobalt, molybdenum or uranium. One retired investor, whom we believe was the largest LME participant in the 1990s, NEVER took physical positions out of concern that regulators might accuse physical metals buyers of manipulation like the Sumitomo trader Hamanaka in 1996. We marvel at specialized “one metal” funds today that actually take positions in underlying minor commodities.
- Total world aluminum smelter output per day rose 1.64% in September from August and 14.29% from last year, which appears more than demand has grown. The International Aluminum Institute reported a 4% increase in daily Chinese aluminum smelter output in September to 1.119 mmt (up from 1.111 mmt in August with 31 days) and a 0.5% increase per day in the rest of the world’s September output to 2.057 mmt.

## ALUMINUM INVENTORY NEWS IS GOOD THOUGH PRODUCTION NEWS IS NOT

Aluminum prices fell \$0.01 this past week to \$1.126 per pound, maintaining most of the past few weeks' gains. We believe recent smelter production data tends to be more accurate than inventory or consumption statistics, and we draw more worry from record output than recent inventory drawdowns. Much like stainless steel or nickel data one year ago, we wonder if part of the record double digit "apparent" demand gains could be inventory rises in some regions.

Combined LME, Comex and Shanghai inventories has their largest weekly decline since April 30, 2007. It was only the second decline registered in the past eleven weeks. They fell 14,862 tonnes to 1,251,769 tonnes. This is the second decline in four weeks, and up to this point the amount of each weekly rise appeared to be decelerating. There appears to have been no rise at all in October. However, the rises in the seven prior weeks through September 30<sup>th</sup> averaged 17,620 tonnes each and two of those individual weeks saw gains well over 30,000 tonnes.

Moreover, on October 26<sup>th</sup> the International Aluminum Institute reported a separate 80,000 tonne producer inventory drop driven by a 59,000 ton European drop for the month of September to 2.872 mmt, which is the third lowest monthly total on record since such data keeping began for 1973. This near record low is in "absolute terms," ignoring that the aluminum market is several times larger today. Prior lows were seen in mid-1988.

Output cuts seem improbable with the price rally. Prices are too high to prompt very many yet. We expect a price bottom somewhere between \$0.75 and \$1.00 per pound, and estimate full year average LME prices at \$1.19 in 2007, \$1.12 in 2008 and \$0.95 in 2009.

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## COPPER PRICES FALL SLIGHTLY AND INVENTORIES FALL SLIGHTLY

Copper prices fell for the third straight week by \$0.018 to \$3.53 while copper exchange inventories fell by 1,739 to 228,849 through October 26<sup>th</sup>. A drop in Shanghai more than offset an LME gain, while Comex inventories were again unchanged. These three weeks fall in the context of normal second-half seasonal drops, and are not large yet.

As noted earlier, WBMS data to August is highly encouraging and suggests a 0.3 to 0.5 mmt deficit in the first eight months of the year. These gains are largely on the backs of a

38% Chinese demand gain partly offset by a collective decline outside China near 0.3 mmt.

The WBMS reported global copper demand up 5.1% though it reported consumption outside China and the U.S. down 201,618 tonnes or 2.6%, which feels “out of rhythm” given the strong world economy. Large declines occurred in Mexico, Canada, Thailand, South Korea, UK, Germany, France and Russia. Nonetheless, mine output rose just 329,300 tonnes or 3.4% while refined output rose 295,200 tonnes or 2.6%. Thus, supplies appear nearly 0.3 mmt too few or maybe up to 0.5 mmt too scarce through August if demand outside China and the U.S. proves a bit better than reported.

Environmental or infrastructure issues could delay copper projects. The petitions for an Alaskan ballot initiative against mining threatens the Pebble copper-gold-moly project. A 0.2 mmt annual potential producer Rio Blanco in southern Peru faces objections from three local communities, and many more projects loom ahead in Peru. Toromacho of Aluminum Company of China, Las Bambas of Xstrata, La Granja of Rio Tinto, Magistral of Inca Pacific, Cuajone and Toquepala expansions of Southern Copper and other projects loom ahead. Labor unrest at Southern Copper or Barrick Gold’s declining Pierrina mine illustrates difficulty there.

Several other project milestones have not been ahead of schedule. For example, the government of Mongolia and Rio Tinto have not yet announced a completed tax reform arrangement. China has agreed to loan Congo \$5 billion for infrastructure, but it is not clear just how such monies will be administered or controlled. Freeport-McMoRan Copper and Gold this past week increased its capita cost estimate for its Congo project nearly 40% and hinted that the 2009 timetable could be delayed.

#### NICKEL PRICE INCHES UP AS INVENTORIES CONTINUE TO GROW

Last week LME nickel prices fell \$0.13 to \$14.29 per pound, a “quiet” almost 1% drop in a week in which each other base metal fell in price too.

LME nickel inventories rose 798 tonnes for the seventeenth straight weekly rise, but it was the third “slow pace” rise to end at 37,332 tonnes. In six of those prior weeks the rise was “large” near 3,000 tonnes. It is noteworthy that some daily declines occurred in the past several weeks.

This past week’s Allegheny Technologies quarterly report indicated it sold only 57,000 tons of “commodity flat-rolled,” suggesting a particularly sharp customer inventory cutback. The largest U.S. stainless distributor, Ryerson Tull, just completed an LBO and may have been a particularly large reducer of inventories. Further, the Allegheny Technology disclosure was not clear, but it is possible it involuntarily built some inventory of either nickel or stainless steel as its LIFO credit was smaller than expected raising the possibility of an upward volume variance.

We wonder whether the future seasonal pattern will resemble the February 6, 2006 “week six” seasonal inventory peak at 36,822 tonnes that followed six straight months of buildup since late-July 2005. Norilsk’s deliveries to the LME tend to be nil in the first four months of the year owing to winter shipping freezes.

Another scenario would be for Chinese “nickel pig iron” output to continue. Excess ordinary steel blast furnace capacity could be large, and iron ore supplies are not enough. Sustained long-term Chinese nickel pig output would require installations of hoods, dust emissions and gas control systems of some sort to abate sulphur dioxide and carcinogenic heavy metals emissions. It might be idealistic to expect strict Chinese emissions control standards in the near-term, but long-term rules probably are inevitable at some point.

We have hoped nickel would reverse the adverse trend seen since May 2007 as stainless surcharge formula will swing to a price rise in November owing to average LME prices in September having been about \$0.95 per pound above August averages.

#### GOLD, SILVER, PLATINUM AND URANIUM ARE SOLE RISERS

This past week gold rose \$19.90 to \$783.90, silver \$0.562 to \$14.262 per oz, platinum \$23 to \$1,472 per oz and uranium \$2 to \$80 per pound. While the U.S. dollar set new lows against the euro, the strength in precious metals was a stark contrast to minor declines on the part of each base metal this past week.

Gold now is within \$70 of breaking its January 1980 all-time high, and would need six more weeks to set a new record should it continue to rise \$12.60 per week as it has averaged over the past ten weeks. Gold closed above \$700 for the EIGHTH straight week and the NINTH individual week other than May 15, 2006 since January 1980. Gold has risen 9 of the past 10 weeks since global money supply injections and the U.S. Fed 0.5% rate cut. The trend remains encouraging.

Continued upward moves are conceivable given the size of the monetary injections from several of the world’s largest central banks. It is conceivable that the U.S. Fed cuts interest rates another time in the months ahead, although it is also possible that market forces push them up too if bond buyers disappointed from the past year’s event postpone purchases to force better yields.

Barrick Gold, AngloGold and Buenaventura remain the largest remaining gold hedgers, and more hedge covering may occur as “standing pat” is difficult in the face of consistent weekly gold price gains. Newcrest in Australia has been the most recent company to renounce hedging.

#### LEAD REVERSAL

The lead market is a relatively smaller market, with mine output not exceeding the 3.5 mmt 1972 level for many years until reaching 3.63 mmt in 2005, 3.72 mmt in 2006 and annualizing the first eight months of 2007 yields 3.65 mmt. Lead was the least robust

metal market owing to health concerns that required phaseout of some important uses like gasoline, paint and others. Including scrap, since over 90% of auto lead acid batteries are recycled, 2007 total global refined output should reach 8.1 mmt or 17 billion pounds. Thus, in the past when lead typically was \$0.25 per pound the market approximated \$4.25 billion, and at today's prices it is near \$28 billion.

Five or ten years ago the lead market would have been considered too small and illiquid to warrant participation from any good-sized hedge fund seeking \$1 billion notional exposure from derivatives. Today such a position would represent under 5% of the annual value of the market, rather than more than 20%.

In prior eras the larger institutional funds trading metals DID NOT TAKE POSSESSION of physical metal, disdaining storage issues or regulatory scrutiny. One large investor did not want to attract regulatory scrutiny, legal costs or worse and did not touch physical metal as a matter of policy, for example. Such past prudence may prove wise. The recent delivery of about 0.2% of annual primary and secondary consumption into LME warehouses in a single month is unusual, and could give cause for regulators to scrutinize the deliverer(s). The trading action resembles a nineteenth century "market squeeze" of the sorts that occurred before any sorts of market regulatory oversight or legislation existed. Smaller markets like lead, uranium, molybdenum or cobalt may tempt some traders in such a manner.

Lead prices fell another \$0.05 per pound after falling \$0.043 per pound in the prior week. Lead has declined almost 7% to \$1.672 from broke two weeks ago reaching \$1.79 in midweek to break the prior July 22<sup>nd</sup> weekly record near \$1.58 per pound in impressive fashion. It has exceeded aluminum and zinc for the first times in history for almost three months for aluminum and one month for zinc by now.

Inventories rose for the fifth straight week by 5,350 to 38,800 tonnes after rising 10,925 tonnes in the prior week ago to 33,450 after rising 250 tonnes to 22,425 after two weeks ago after rising 125 tonnes to 22,275 three weeks ago after four weeks ago rising 950 tonnes to 22,150. The bottom in inventories have passed.

#### ZINC INVENTORIES RISE AND PRICES FELL, AGAIN

Zinc prices fell \$0.031 per pound after dropping \$0.076 per pound in the prior week, perhaps due to the sharp decline in lead prices from their recent record as LME lead inventories have almost doubled in five weeks. Yes, zinc inventories also rose for the third straight week by 2,835 tonnes last week. The combined LME and Shanghai zinc inventory level is modest and represents about 3 days of world use.

Looking ahead, it is likely at some point that zinc inventories stop falling because the exchange stocks are so low. Much as nickel inventories last May never fell below 3,000 tonnes or lead below 21,000 tonnes recently, there should be a point somewhere above 50,000 tonnes at which exchange stocks of zinc simply fall no more.

## STEEL SCRAP

Steel scrap prices fell modestly to \$260.67 per ton for the #1 heavy melt in Chicago, Pittsburgh and Philadelphia composite, which fell from \$263.33 and \$265.00 several weeks ago. Steel scrap appears to be in a “quiet period” prior to normal January-February highs “as the ground freezes” and obsolete scrap collection slows.

Recent cessations of iron ore deliveries to more than four Brazilian charcoal pig iron producers by CVRD and potential 25%-plus April 1, 2008 iron ore price hikes should give support to 2008 scrap steel prices since alternatives appear to grow more expensive.

Next year the steel market outlook could improve owing to (1) low distributor inventories at 12.6 million tons down 4.2 m.t. October 2006 peaks, (2) lower steel imports down 1/4 from 2005 45.3 m.t. highs, (3) weakening dollar benefits to U.S. exports benefiting steel-intensive customers and steelmakers alike, (4) decent U.S. apparent steel consumption at 342,013 tons per day to August or perhaps 355-360,000 t/d if no inventory drawdowns, (5) three straight “nonrecord” Chinese output months with the past five trending to 14% year-on-year output gains and (6) offshore iron ore bottlenecks or 25% 2008 ore price hikes benefiting global steel prices.

**Table 1: Monthly Steel Demand in tons per day terms**

**Y/Y Percentage Change**

	Domestic			Apparent		Semi-		Adj. Cons., Tons Per Day	Y/Y Percentage Change	
	Shipments	Imports	Exports	Consumption	% Imports	Finished Imports	Adjusted Consumption		Shipments	Adjusted Consumption
Jan-06	8.9	3.5	0.8	11.6	30.3%	1.0	10.7	<b>343,618</b>	3.0%	7.6%
Feb-06	8.9	3.6	0.8	11.8	30.9%	0.9	10.9	<b>352,934</b>	-3.4%	4.0%
Mar-06	9.8	4.1	0.9	13.0	31.2%	1.0	12.0	<b>387,623</b>	15.0%	19.4%
Apr-06	9.2	3.7	0.8	12.1	30.8%	0.6	11.5	<b>371,375</b>	9.2%	17.2%
May-06	9.9	3.9	0.9	12.9	30.4%	0.8	12.2	<b>392,891</b>	20.2%	25.4%
Jun-06	9.7	3.7	0.8	12.6	29.4%	0.6	12.0	<b>386,901</b>	25.2%	31.7%
Jul-06	9.0	4.3	0.7	12.6	34.1%	0.8	11.7	<b>378,367</b>	0.9%	17.2%
Aug-06	9.6	4.2	0.8	13.0	32.3%	0.9	12.0	<b>387,735</b>	11.1%	23.8%
Sep-06	9.2	3.9	0.8	12.3	31.8%	0.8	11.5	<b>382,915</b>	4.1%	14.4%
Oct-06	8.7	3.9	0.9	11.7	33.0%	0.8	11.0	<b>353,350</b>	0.7%	12.7%
Nov-06	8.0	3.4	0.8	10.6	32.2%	0.6	10.0	<b>332,613</b>	-6.1%	-0.9%
Dec-06	7.6	3.0	0.7	9.9	30.3%	0.5	9.4	<b>302,327</b>	-10.6%	-6.9%
<b>2006</b>	<b>108.6</b>	<b>45.3</b>	<b>9.7</b>	<b>144.2</b>	<b>31.4%</b>	<b>9.3</b>	<b>134.8</b>	<b>369,415</b>	3.5%	11.6%
Jan-07	8.6	2.9	0.8	10.8	27.4%	0.5	10.2	<b>330,107</b>	-3.4%	-3.9%
Feb-07	8.3	2.7	0.8	10.2	26.1%	0.5	9.7	<b>346,365</b>	-6.6%	-11.4%
Mar-07	9.3	3.0	0.9	11.4	26.6%	0.5	10.9	<b>351,868</b>	-5.1%	-9.2%
Apr-07	8.8	2.8	0.9	10.8	26.4%	0.6	10.2	<b>338,761</b>	-3.4%	-11.7%
May-07	9.1	3.3	1.0	11.4	28.7%	0.4	10.9	<b>352,419</b>	-8.2%	-10.3%
Jun-07	8.9	3.0	0.8	11.2	27.3%	0.6	10.5	<b>351,133</b>	-8.4%	-12.2%
Jul-07	8.8	3.3	0.9	11.1	29.5%	0.8	10.3	<b>333,290</b>	-2.4%	-11.9%
Aug-07	9.2	2.6	1.0	10.9	24.3%	0.6	10.3	<b>332,161</b>	-4.0%	-14.3%
Sep-07E	9.0	2.8	0.9	10.9	25.7%	0.6	10.3	<b>343,333</b>	-2.2%	-10.3%
Oct-07E	9.3	2.8	0.9	11.2	25.0%	0.6	10.6	<b>341,935</b>	6.6%	-3.2%
Nov-07E	8.9	2.8	0.8	10.9	25.7%	0.6	10.3	<b>343,333</b>	11.4%	3.2%
Dec-07E	8.7	2.8	0.8	10.7	26.2%	0.6	10.1	<b>325,806</b>	14.3%	7.8%
<b>2007E</b>	<b>107.1</b>	<b>34.96</b>	<b>10.53</b>	<b>131.5</b>	<b>26.6%</b>	<b>7.1</b>	<b>124.4</b>	<b>340,795</b>	-1.4%	-7.7%

Source: AISI and JTVIR, LLC estimates

## URANIUM ROSE FOR THE SECOND STRAIGHT WEEK AFTER DECLINING FOUR MONTHS

We are watching uranium as a “sentiment barometer” as its movements appear to reflect investment capital flows.

Uranium spot prices rose another \$2 to \$80 after last week rising \$3 to \$78 from the prior steady at \$75, and are well down from highs near \$136 per pound earlier this year. We regard \$5 as a significant change in inventory or speculative trend, and is very significant as the first rise after a long four or five month downtrend.

We do not know of any reason for electric utilities around the world to change their uranium procurement patterns. World growth and electricity demand appears brisk, and climate change and carbon regulations should bias utilities towards nuclear when they have a choice.

## MORE WOOD DATA UP THAN DOWNPRICES WERE MIXED

Framing lumber fell another \$4 to \$257 per 000 board feet last week, the lowest data point we have in our data base. This was the tenth straight weekly decline, and it may be near the bottom as traditionally wood market lows fall between Halloween and Christmas. The vitality of the 2008 Spring seasonal upturn is uncertain, but the likelihood of continued activity at recent levels is low.

Each other key measure rose. Lumber orders rose 3% and shipments 6% from the prior week, and the prior weeks of September 16<sup>th</sup> and October 14<sup>th</sup> appear to have been the low points for lumber orders and shipments.

OSB rose \$10 to \$175 from \$165, and plywood rose to \$358. OSB and plywood have not registered a decline for four straight weeks now. Louisiana-Pacific’s October 18<sup>th</sup> one-half billion feet or roughly 2.5% of total market capacity shutdown announcement for St-Michel-des-Saints, Quebec gives support or hope to panel markets.

Framing lumber at \$257 is below the \$265 January 2001 cyclical low, OSB at \$175 is \$37 above the March 2007 low and plywood at \$358 is well above the October 2006 \$227 low. The C\$ at US \$1.03 and crude oil near \$91 per barrel suggest that marginal costs are much higher, and that “higher price lows” will occur.

Sawmills number almost 600 across North America, and are much more fragmented. We do not foresee any such large action able to cut meaningful capacity in one fell swoop for framing lumber like in OSB.

## CHANGE IN THIS RESEARCH OPERATION

This report reflects research coverage by JTVIR, LLC. In no way shape or form should it be misconstrued as involving Prudential Equities Group (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.

## DISCLOSURES

“John Tumazos Very Independent Research, LLC” (JTVIR) is a Delaware Corporation with registration effective on August 27, 2007 as an investment advisor in the state of New Jersey owing to our place of business in New Jersey.

JTVIR is not a broker-dealer, and conducts no trades. Its primary business is to provide “unbundled” metals and paper industry securities and market research to institutions or corporations in a zero commission, electronic execution, electronic dissemination, unbundled format for a specified annual fee structure.

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.

Except for Polymet Mining and Canyon Resources, neither JTVIR, its members or its employees own or have a financial interest in any securities discussed in this report. Our policy is full disclosure. Our only financial interest in a stock we regularly cover is Polymet Mining shares bought in April 2007.

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. Alcan, which Rio Tinto soon will acquire, also will be discontinued from coverage. Bowater, which will merge with Abitibi-Consolidated, also will be dropped after the merger completion.

Subsequently, since September 2007 JTVIR, LLC has initiated coverage of new companies not previously covered in the former universe. These new companies include General Moly, Inc., Duluth Metals, Polymet Mining, Franconia Minerals, CVRD and Century Aluminum.

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.

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