

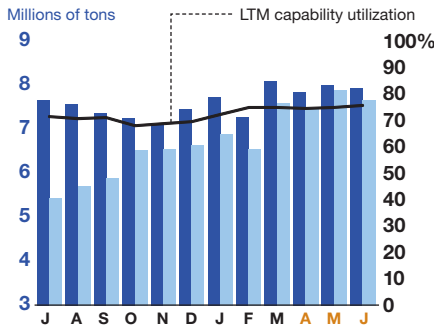
THE DOMESTIC STEEL MARKET

continued its growth in the second quarter despite a slowing macroeconomic recovery, which still was able to bolster metal demand across many end markets. During the quarter, analysts witnessed M&A market improvement over the same period last year, as deal volume and values increased substantially. The number of U.S. transactions improved during the quarter, increasing 29 percent over the same period last year. For the eighth quarter in a row, the U.S. economy showed continued economic growth. Rising consumer sentiment and stabilizing unemployment helped accelerate GDP growth, as the economy grew real GDP at 1 percent versus 0.4 percent in the first quarter. China's economic growth continued to lose speed in the second quarter, with annualized GDP growth of 9.7 percent, but inflation continued to raise concerns about a possible interest rate tightening in Beijing.

FULL ANALYSIS

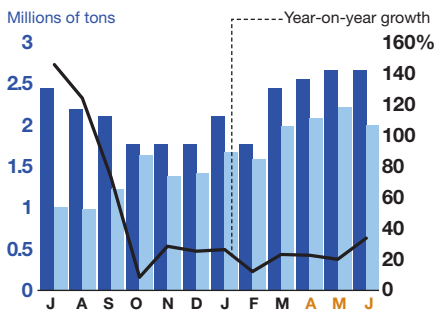
To read **Houlihan Lokey's** complete commentary regarding the quarterly financial report, go to www.modernmetals.com/quarterly.

Domestic raw steel production and average capability utilization



July 2010 - June 2011
July 2009 - June 2010
Source: U.S. Department of Commerce

Steel imports



July 2010 - June 2011
July 2009 - June 2010
Source: U.S. Department of Commerce

METAL PRICES

Product	3Q10	4Q10	1Q11	2Q11
Hot-Rolled Sheet	\$600/Ton	\$700/Ton	\$900/Ton	\$735/Ton
Cold-Rolled Sheet	\$710/Ton	\$820/Ton	\$1000/Ton	\$850/Ton
Hot-Dipped Galvanized	\$795/Ton	\$915/Ton	\$1105/Ton	\$970/Ton
#1 HMS Scrap	\$260/Ton	\$290/Ton	\$335/Ton	\$335/Ton
Steel Bar	\$635/Ton	\$675/Ton	\$785/Ton	\$760/Ton
Stainless Steel Plate	\$1.68/lb.	\$1.7/lb.	\$1.85/lb.	\$1.84/lb.
OCTG	\$1721/Ton	\$1677/Ton	\$1729/Ton	\$1763/Ton
Aluminum	\$1.05/lb.	\$1.11/lb.	\$1.18/lb.	\$1.14/lb.
Copper	\$3.65/lb.	\$4.42/lb.	\$4.26/lb.	\$4.22/lb.
Nickel	\$10.61/lb.	\$11.31/lb.	\$11.83/lb.	\$10.48/lb.
Titanium	\$10.50/lb.	\$11.31/lb.	\$12.00/lb.	\$12.00/lb.
Zinc	\$0.99/lb.	\$1.10/lb.	\$1.05/lb.	\$1.05/lb.

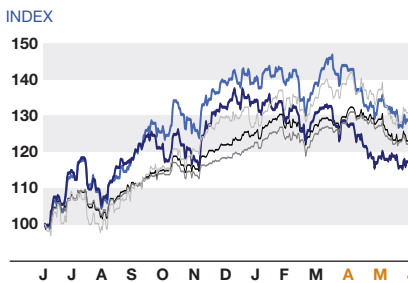
Source: American Metal Market

SELECTED Q4 2010 M&A TRANSACTIONS

Announce Date	Seller/Target	Buyer	EV (\$mm)	EV/ EBITDA
6/30/11	United Copper-Claims, WA	Bonanza Gold Corp.	\$1.20	NA
6/22/11	Florida Extruders International-Assets	Benada Aluminum Products LLC	NA	NA
6/17/11	ST Products LLC	Investor Group	NA	NA
6/13/11	Undisclosed Aluminum Extrusion	EXL Quintaglass SL	NA	NA
6/10/11	Elk Horn Coal Co. LLC	Rhino Resource Partners LP	\$120.00	NA
6/10/11	Rare Earth Resources Ltd.	Aspire International Inc.	NA	NA
6/3/11	Ormet-Terminal Assets, Burnside	Impala Warehousing (US) LLC	\$28.00	NA
6/2/11	Maverick Thru-Tubing LLC	Basic Energy Services Inc.	NA	NA

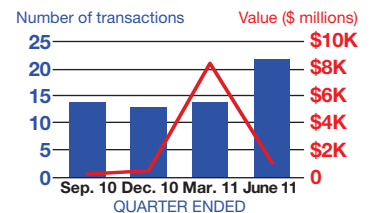
Sources: Thomson SDC M&A database, Capital IQ, SEC filings, press releases, Bloomberg

Equity performance



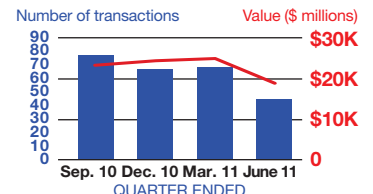
Source: Capital IQ

Announced metals M&A transactions



Sources: Thomson SDC M&A database, Capital IQ

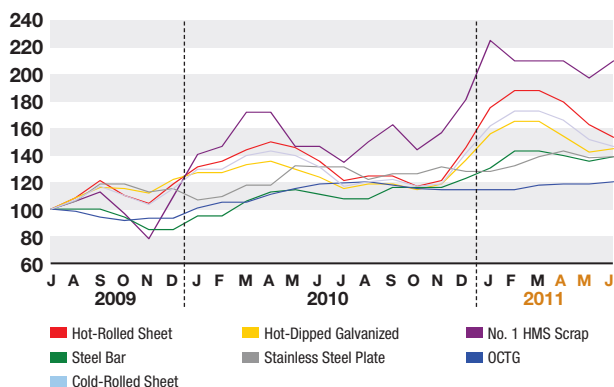
Announced metals financings



Source: Reuters Loan Pricing Corp.

Steel prices

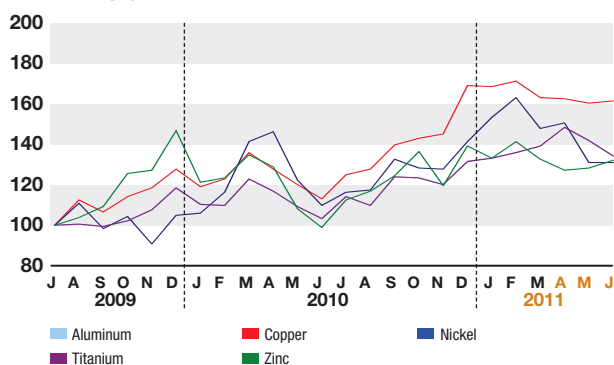
INDEXED PRICES



Source: American Metal Market

Nonferrous prices

INDEXED PRICES



Source: American Metal Market

M&A Summary	Sept. 10	Dec. 10	Mar. 11	June 11	Total
Strategic Buyers	14	12	13	15	54
Financial Buyers	0	1	1	4	6
Total	14	13	14	19	60
Sale of Company	11	11	9	7	38
Sale of Assets/Division	3	2	5	12	22
Total	14	13	14	19	60
Bankruptcy	0	0	0	0	0
Non-Bankruptcy	14	13	14	19	60
Total	14	13	14	19	60

Sources: Thomson SDC M&A database, Capital IQ

QUARTERLY SECTOR RETURNS	Quarterly equity returns				
	3Q10	4Q10	1Q11	2Q11	LTM
Specialty/Nonferrous Producers	10.60%	5.90%	15.60%	3.20%	40.90%
Scrap Processors	17.90%	32.90%	-12.50%	-1.20%	35.60%
Service Centers/Processors	15.10%	22.30%	13.90%	-9.10%	47.90%
Base Metal Producers	21.20%	24.40%	13.70%	-8.10%	57.80%
Tube and Pipe Producers	9.00%	17.40%	2.60%	-4.50%	29.40%
Integrated Steel Producers	14.10%	30.30%	-6.90%	-12.30%	21.90%
Minimill Steel Producers	1.90%	15.20%	4.40%	-12.00%	10.50%
Mining—Coal & Iron Ore	21.70%	16.90%	2.80%	-4.10%	43.50%
Mining—Metals	33.10%	25.30%	-5.60%	-4.90%	54.50%
International Steel Producers	20.40%	10.20%	-1.90%	-6.60%	23.50%
Houlihan Lokey Metals Index	19.80%	15.10%	1.70%	-5.10%	35.70%
Houlihan Lokey International Producer Index	20.40%	10.20%	-1.90%	-6.60%	23.50%
Russell 2000 Index	10.90%	15.40%	7.60%	-2.30%	35.80%
S&P 500 Index	10.70%	9.70%	5.40%	-0.90%	28.10%
Dow Jones Industrial Index	10.40%	6.90%	6.40%	0.30%	27.00%

LTM EBITDA MULTIPLE SUMMARY	Median LTM EBITDA multiples			
	3Q10	4Q10	1Q11	2Q11
Specialty/Nonferrous Producers	22.7x	17.4x	18.0x	17.8x
Scrap Processors	7.6x	10.5x	9.4x	9.4x
Service Centers/Processors	7.8x	9.2x	10.9x	8.4x
Base Metal Producers	11.5x	12.9x	11.8x	9.4x
Tube and Pipe Producers	10.4x	12.2x	11.0x	11.4x
Integrated Steel Producers	5.2x	17.4x	17.2x	20.6x
Minimill Steel Producers	14.6x	14.3x	14.9x	10.7x
Mining—Coal & Iron Ore	10.3x	8.9x	8.6x	8.0x
Mining—Metals	7.3x	10.9x	7.6x	7.4x
International Steel Producers	10.3x	8.1x	7.8x	6.7x

NFY EBITDA MULTIPLE SUMMARY	Median NFY EBITDA multiples			
	3Q10	4Q10	1Q11	2Q11
Specialty/Nonferrous Producers	13.9x	21.5x	11.1x	11.2x
Scrap Processors	5.7x	8.7x	6.7x	6.9x
Service Centers/Processors	6.8x	8.8x	7.8x	6.9x
Base Metal Producers	7.5x	8.8x	6.8x	6.9x
Tube and Pipe Producers	9.1x	12.1x	9.6x	13.9x
Integrated Steel Producers	4.8x	8.0x	5.5x	7.6x
Minimill Steel Producers	7.5x	9.5x	7.8x	7.3x
Mining—Coal & Iron Ore	6.2x	9.0x	6.0x	5.9x
Mining—Metals	4.8x	9.0x	5.1x	5.0x
International Steel Producers	5.8x	8.4x	7.0x	5.2x

Source: Capital IQ

ABOUT HOULIHAN LOKEY: Houlihan Lokey is an international investment bank with expertise in mergers and acquisitions, capital markets, financial restructuring and valuation. The firm is ranked globally as the No. 1 restructuring advisor, the No. 1 M&A fairness opinion advisor over the past 10 years, and the No. 1 M&A advisor for U.S. transactions under \$1 billion, according to Thomson Reuters. Houlihan Lokey has 14 offices and more than 800 employees in the United States, Europe and Asia. The firm serves more than 1,000 clients each year, ranging from closely held companies to Global 500 corporations. For more information, visit www.hl.com.