

Market Changes Impacting Mining Companies' Financial Results

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Bill Kohm has over 17 years of financial mining experience and leads Dean Dorton Natural Resources Team which specializes in the following areas:

- accounting
- tax
- financial statement audit
- public company reporting
- Internal audit/SOX
- acquisition accounting
- litigation support
- business valuation
- IT consulting

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- Man Tries To Fight Off Robbers With **Cans Of Spam** | LEX18.com (Sept. 3, 2014)



Coal Headlines

- James River Coal files for Chapter 11 Bankruptcy Protection
- Arch disposes of various non core assets in Central Appalachia and Western reserve basin and idles certain operations in Central Appalachia
- CONSOL issues \$250 Million Notes to help with debt restructuring
- Rhino opens mine in Western Kentucky
- Alliance continues record results

Agenda

- 2013 Mining Company Financial Results
- Accounting Points

2013 Mining Company Financial Results



2013 Company Results per First Research

| | Coal | Metals | Non Metal |
|------------------|-------|--------|-----------|
| Current Ratio | 1.88 | 2.33 | 2.21 |
| Debt/ Net Worth | 1.32 | .99 | 0.79 |
| EBITDA to Sales | 10.3% | 14.9% | 13.6% |
| Return on Sales | 2.9% | 4.3% | 1.9% |
| Return on Assets | 3.1% | 2.1% | 1.7% |

Coal Company Results per First Research

| | 2013 | 2012 | 2011 | |
|------------------|-------|-------|-------|------------------|
| Current Ratio | 1.88 | 1.98 | 1.80 | Stable |
| Debt/Net Worth | 1.32 | 1.20 | 1.34 | Stable |
| EBITDA to Sales | 10.3% | 10.8% | 13.2% | Decline |
| Return on Sales | 2.9% | 1.8% | 4.8% | Some bounce back |
| Return on Assets | 3.1% | 2.2% | 5.9% | Some bounce back |

Metals Company Results per First Research

| | Metals 2013 | Metals 2012 | | Metals 2011 | |
|------------------|----------------|----------------|--|----------------|---------|
| Current Ratio | 2.33 | 2.08 | | 1.94 | Improve |
| Debt/Net Worth | .99 | 1.31 | | 1.33 | Improve |
| EBITDA to Sales | 14.9% | 17.4% | | 15.2% | Stable |
| Return on Sales | 4.3% | 7.0% | | 7.2% | Decline |
| Return on Assets | 2.1% | 3.4% | | 4.7% | Decline |

Non Metals Company Results per First Research

| | Non Metal 2013 | Non Metal 2012 | Non Metal 2011 | |
|------------------|----------------|----------------|----------------|---------|
| Current Ratio | 2.21 | 2.20 | 2.31 | Stable |
| Debt/Net Worth | 0.79 | 0.73 | 0.98 | Improve |
| EBITDA to Sales | 13.6% | 12.8% | 12.4% | Improve |
| Return on Sales | 1.9% | 2.6% | 3.6% | Decline |
| Return on Assets | 1.7% | 2.3% | 3.4% | Decline |

Coal Company Financial Results

| Beta | Stock Price* | 52 Week Low | 52 Week High | 2013 Impairment | 2012 Impairment | 2011 Impairment |
|----------------------|--------------|-------------|--------------|-----------------|-----------------|-----------------|
| Arch (2.07) | \$3.07 | \$2.82 | \$5.37 | \$ 392 M | \$850 M | \$7M |
| Peab (2.14) | \$14.9 | \$14.8 | \$21.28 | \$528 M | \$929 M | \$- |
| Alliance (0.79) | \$49.7 | \$34.0 | 53.84 | \$- | \$19 M | \$- |
| *As of Sept. 3, 2014 | | | | | | |

Mining Company Financial Results

| Company | Beta | Current Stock Price* | 52 Week Low | 52 Week High | 2013 Impairment | 2012 Impairment |
|-----------------|------|----------------------|-------------|--------------|-----------------|-----------------|
| Freeport | 2.38 | \$35.30 | \$30.38 | \$39.32 | \$ - | \$ - |
| Newmont | -.01 | \$26.31 | \$20.79 | \$31.53 | \$4.3 B | \$52 M |
| Martin Marietta | 1.36 | \$129.47 | \$94.01 | \$136.36 | \$ - | \$ - |
| Vulcan | 1.44 | \$62.05 | \$48.6 | \$69.5 | \$ - | \$2 M |

*As of September 3, 2014

Accounting Points



Types of Assets- Impairment Consideration

- Asset Group
 - Reserves
 - Development Costs
 - Property, Plant and Equipment
 - Long-term Advance Royalties
- Goodwill

Impairment Tests- Expert Reliance

- Independence
- Proper Qualifications
- Ability to test assumptions and data provided by management

Emerging Accounting Issues: Leases

- Excluded
 - Mineral, oil, natural gas leases
 - ST leases (less than 1 year)
- “Right of Use Asset” and Lease Liability
- If deemed Significant Use (e.g. equipment)
 - Enhance EBITDA and operating cash flow presentation
- Final Standard?

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