



Thursday, October 22, 2009, 2-5PM
Virtual Hedging for Critical & Strategic Metals: A Tutorial

Few of the strategic and critical metals identified today are exchange-traded. As such, there is no public market or transparent price discovery mechanism available for them, and therefore, no forward market. Industrial consumers cannot lock in forward prices or deliveries through traditional hedging to protect their production costs and capabilities. This leaves consumers vulnerable to supply and price squeezes in the market, making traditional costing and forecasting unreliable, thereby threatening the future financial viability of organizations. Virtual hedging is a term used to describe various techniques for developing forward prices and assured deliveries of critical raw materials where a futures market does not traditionally exist. Tools employed in virtual hedging include direct investment in a mine and payback via guaranteed metal deliveries (off-take agreements), stockpiling, synthetic and/or over-the-counter hedges, material leasing, strategic reserves, closed-loop recycling and others. Consumers in conjunction may use such techniques with traditional programs such as critical material thifting, material substitution, pricing index selection, flexible transfer pricing and in-house waste-stream recoveries to develop an overall strategy for the mitigation of price and supply risk of critical raw materials. Similarly, producers and industrial processors may also employ these tools as a way to assure adequate income streams for debt retirement, more assured profitability and funding for future expansion and production. Virtual hedging truly has the ability to be the elusive “win-win” formula that most Western businessmen publicly promote but are rarely able to employ.

Workshop Instructor:

Jack Lifton, *Industry Consultant*, JACK LIFTON LLC; *Member*, THORIUM ACTION GROUP (TAG); *Senior Fellow*, INSTITUTE FOR THE ANALYSIS OF GLOBAL SECURITY

Workshop Speakers:

Ivan Herring, *Former Procurement Expert*, GENERAL MOTORS

John Kaiser, *CEO*, KAISER BOTTOM FISH ONLINE

Patrick Shine, *Precious Metals Trader*, S&P TRADING; *Former Member*, ETHICAL MINING ASSOCIATION

(Invited)