



**Price Risk Management
for Consumers and Producers**
*Hedging Advisory and Management
Services*

January 2019



CPM Group

Independent Advice and Value Added

- **Independent Advisor**

- Fully independent of banks and dealers, solely working for our clients
- Never a counterparty taking the other side of any transaction
- Strategies and ongoing management superior to structures offered by trading counterparties
 - CPM provides proactive advice

- **Value Added to Clients**

- A **Team** of hedging experts, each with decades of experience
- **Comprehensive, unbiased** expert advice and market **intelligence**
- Structure, evaluation, and execution of risk management programs
- Proactive hedge monitoring and maintenance
 - **Create profit opportunities** by restructuring hedges while maintaining price protection
- Expertise built over decades in commodities financial markets
- Strategic recommendations informed by CPM's research and analysis
- Advice on strategic materials management, purchases, sales, and financing

Tailored Price Risk Management Services and Solutions

1. Basic Training on Hedging

- **Some companies need a basic primer on hedging: for the Board, senior management, employees, etc...**
 - What hedging is, how to hedge
 - Strategies, tactics, instruments
 - Requirements to effectively hedge
 - Opportunities and risks, advantages and costs of hedging

2. On-going Advisory and Management Services

- **Some companies are ready to develop, implement, and maintain an on-going hedge program**
 - Developing and customizing hedging plan
 - Implementing, maintaining, and modifying hedges
 - Counterparty evaluation
 - Impact on finances
 - Proper price discovery and execution
 - Create profit opportunities

Benefits of CPM's Hedging Advisory Services

- **Protect Against Adverse Price Risks**
- **Participate in Beneficial Price Developments**
- **Zero Initial Cost Structures**
 - CPM strives to recommend zero initial cost hedging strategies
 - Producers get protection against a declining price environment for their products and the ability to participate when prices rise; Consumers get protection from rising prices but benefit when prices fall.
- **Reduce Cash Flow Uncertainty**
 - Producers and consumers can assure themselves against unexpected losses and margin deterioration due to declining prices, improving financial planning and cash flow management.
- **Manage Price Volatility**
 - CPM's hedging advisory process incorporates a thorough and thoughtful analysis of the risks and rewards of alternative instruments and approaches to commodity price risk management.
 - Price volatility on the producer's or consumer's balance sheet can be reduced and pre-determined.
- **Create Profit Opportunities**

Case Study:

- **Gold and Silver Producer/Refiner wanted floor price protection.**
- **CPM developed a strategy to provide:**
 - Floor price,
 - Upside participation to a certain ceiling, and
 - Further upside participation above ceiling giving up only a small percentage of the underlying metal,
 - All at a zero initial premium cost.
- **Proactive monitoring enabled company to:**
 - Maintain floor price protection,
 - Remove all ceiling caps and,
 - Obtain additional upside exposure, while
 - Generating a profit on the hedge restructuring.

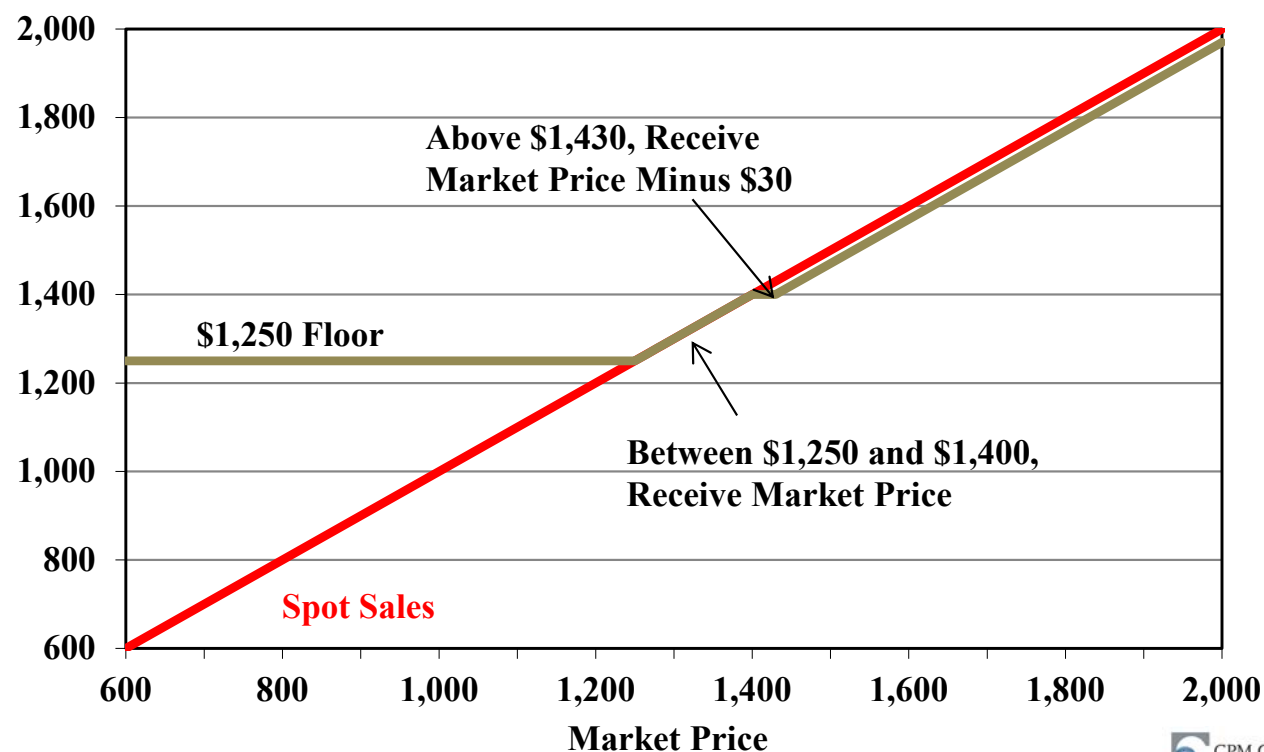
Effective Producer Gold Hedges: \$1,250 Floor – Market to \$1,400 Above \$1,430 receive Market minus \$30, Priced in April 2018

Gold Participatory Options Program For May 2018 - April 2019

Indicatively priced on 20 April 2018

- Floor price of \$1,250.
- Receive market price between \$1,250 and \$1,400.
- Above \$1,430, receive the market price less \$30.
- Maximum marked to market exposure \$30.
- Zero initial premium.

US\$ / Ounce - Sales Price



CPM Group

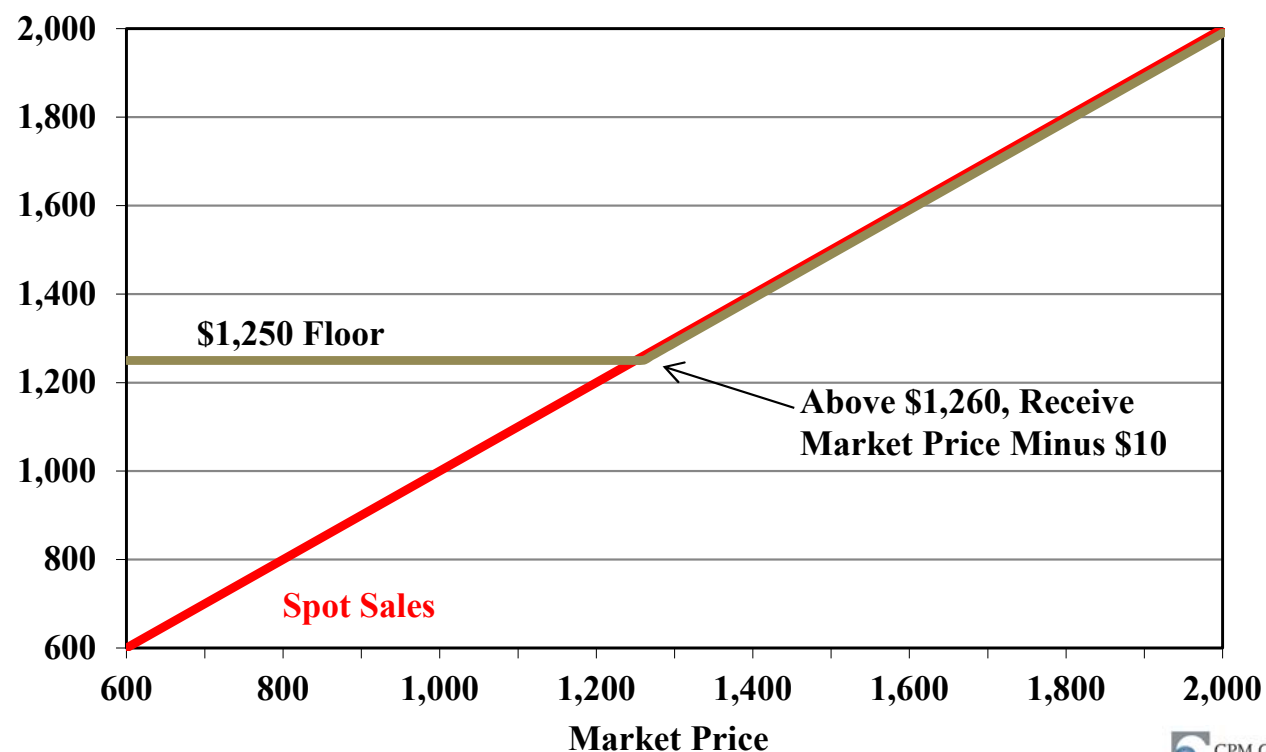
Effective Producer Gold Hedges: \$1,250 Floor – Give up \$10 Above \$1,260, Priced in April 2018

- Floor price of \$1,250.
- Above \$1,260, receive the market price less \$10.
- Maximum marked to market exposure \$10.
- Zero initial premium.

Gold Participatory Options Program For May 2018 - April 2019

Indicatively priced on 20 April 2018

US\$ / Ounce - Sales Price



CPM Group

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