EXAMPLE OF RISK ANALYSIS FOR A SPECIFIC STRATEGY

CATEGORY		RISK SOURCE	LIKELIHOOD	DEGREE OF EXPOSURE	OVERALL
Government	1.	Environmental, health and safety regulations more costly than Plan	60% - e.g., working level reduced to 1.0	\$1.00/lb of production	(1)
	2.	Depletion allowance is reduced	25%. A reduction is proposed every year	Based on reduction to 14% in 1981, 7% in 1982, and zero in 1983	(1)
	3.	Land use regulations are more restrictive than Plan	50%. Environmental pressure will continue	Exploration costs increase 25% starting in 1981	(1)
	4.	GSA dumps stockpile	10%. Would be illegal under present law	Selling price would be 90% of Plan in last 5 years of Plan	(1)
	5.	Mining law lease system is adopted	50% - based on Ruppe bill	Royalty increased by $12\frac{1}{2}$% of ore value	(1)
	6.	Canada and Australia governments permit low sales value of their production	20% - Current policy precludes this	Selling price decreases by 20% after 1985	(1)
	7.	Severance tax increase	70% - Based on current trend	Tax increases 5% of ore value, starting in 1982	(1)
Competition	8.	AMAX opens large mines much earlier than now assumed	50% - AMAX has huge reserve	Plan share increase does not materialize	(1)
	9.	Other products/processes substitute for ours	10%. Moly, columbium, dual phase, heat treatment in H_2O	UCC sales reduced by 5% in last 3 years of plan	(1)

(1) Financial Control will calculate, based on likelihood and degree of exposure data

EXAMPLE OF RISK ANALYSIS FOR A SPECIFIC STRATEGY

CATEGORY	RISK SOURCE	LIKELIHOOD	DEGREE OF EXPOSURE	OVERALL
Technology 10.	Technology increases supply from low grade ore deposits	15% No break-throughs in sight	No price increase in last year of Plan	(1)
Economics 11.	Sales values are lower than plan	20% - Believe that Plan sales values are conservative	Sales values are 10% less than Plan in last half of Plan	(1)
Internal 12.	Product costs are higher than Plan	25%. Ore grade, material costs	10% over Plan	
13.	Capital costs higher than Plan	30%. New plants are located in very hostile environment	Based on capital cost of new plants A and B being 25% above Plan	(1)
14.	Exploration finds only less than plan reserves	50%	Base on finding 80% of Plan new reserves	(1)
15.	Exploration costs are greater than Plan	30%	Base on costs being 25% above Plan in last 5 years of Plan	(1)
TOTAL				(1)

(1) Financial Control will calculate, based on likelihood and degree of exposure data