Archipelagic Resources of SE Asia
Mike Johnston, VP Strategic Development
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Information contained herein includes references to the April 2011 Technical Report
Agenda

• The Role of Plate Tectonics in SE Asia
• Resources of SE Asia
• SMS Mineralisation and Potential
• Nautilus in PNG
Plate Tectonics - closing of Tethys Sea

- Plate Tectonics has been a dynamic feature of planet earth's evolution.
- The Tethys Sea began to close around 200 million years ago as India and Australia migrated northwards towards Eurasia.
Plate Boundaries Today

From Wikipedia
Geological boundaries of the world

• Continental rocks are confined to tectonic plates.

• Oceans today largely comprise young rocks (<200ma), mostly basalts.

• Volcanic activity is largely related to plate boundaries.
• submarine volcanic arcs and back-arc basins are almost entirely in EEZs
• mid-ocean ridges are almost entirely in “The Area”
• Oil and gas basins are “linked” to continental land masses, and largely occur within EEZs or Ext EEZs
Oil and Gas Basins of SE Asia

Oil and Gas Basins in SE Asia are defined by regional tectonics, and occur largely within EEZ’s and ext-EEZ’s.

From USGS
Gas Hydrate Resources

Gas Hydrates Are Abundant

- Ice-like crystalline lattice enclosing methane gas
- 160x the energy density of “free gas”.
- Require “unique” temperature and pressure conditions to form
- Will occur well within continental shelves.
- Number of technical and economic challenges still to overcome.
- Commercial production 15 to 20 years away
- Alaskan land “trials”
• “active” metal systems (SMS) are associated with plate boundaries – largely within EEZs.

• “inactive” geological processes result in nodule and cobalt crusts - largely in the AREA.
Polymetallic Nodules

- Nodules and crusts occur largely in the AREA

- Nodules are a new opportunity for developing nations, through ISA sponsorship in the AREA

- Chemical processes dominate in their formation.
Known Seafloor Massive Sulphides

- SMS mineralisation is linked to volcanic activity
- >300 sites of hydrothermal activity and seafloor mineralisation are known, including 100 with polymetallic sulphide deposits

*Figure after Baker et al., 1995; German and Von Damm, 2004; Hannington et al., 2005; Koschinsky et al., 2006*
Tectonic Setting - SMS formation

- Back Arc Spreading Centres
- Mid Ocean Ridges
- Regions of active volcanism can result in deposition of metals on the seafloor as SMS systems.
- Much of SE Asia is prospective for SMS mineralisation within EEZs.

From Herzig 2004
Seafloor Massive Sulphides  - Nautilus’ first projects

Chimney Field Sampling

Solwara 1 Cross-Section
The Opportunity - Why Go to the Sea?

- World’s demand for resources continues to rise
- Every human activity impacts on the environment
- Land resources are stretched

**SEAFOOR PRODUCTION MAKES SENSE**
What’s Involved

- What is deep sea production?

1. Disaggregate seafloor material.

2. Transport the material from the seafloor to a ship.

3. Transport the material to market.
Advantages of Seafloor Production
- Small Environmental and Social Footprint

- Minimal infrastructure
- Limited social disturbance
- Minimal overburden or stripping
- Increased worker safety
- Minimal waste

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Solwara 1 Project - OUR CURRENT PROJECT FOCUS

- Located in the Bismarck Sea, PNG, at 1600m water depth
- NI 43-101 Resource established
- Environmental permit granted Dec 2009
- Mining lease granted Jan 2011
- PNG Govt as 30% contributing partner through Petromin.

Mineral Resources for Solwara 1

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<th>Classification</th>
<th>Domain</th>
<th>Tonnes</th>
<th>Cu (%)</th>
<th>Au (g/t)</th>
<th>Ag (g/t)</th>
<th>Zn (%)</th>
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</table>

Resource Estimate prepared by Ian Lipton, BSc (Hons), FAusIMM, Principal Geologist, Golder Associates Pty Ltd. Effective Date: 1 February 2008. Source: April 2011 Technical Report
4% cut-off grade
Large Tenement Portfolio Established in Pacific

- Total of ~600,000 km² of tenements in multiple jurisdictions\(^{(1)}\)

\(^{(1)}\) Total tenements include those which have been granted and those under application. Includes 75,000 km² in Clarion-Clipperton Zone in Eastern Pacific.
Who controls what?

National Waters/Airspace

Area controlled by Sovereign States

ISAs jurisdiction

Baseline-12nm
Territorial Sea

12-24 nm
Contiguous Zone

Baseline-200nm
Exclusive Economic Zone (EEZ)

High Seas

Continental Shelf
What Makes Good Minerals Policy Framework?

- Transparency
- Clear guidelines, timelines
- Consistency
- Impacts vs benefits
- Independence of reviewers
- Agreement from government and affected stakeholders
- Provision for Adaptive Management
Approvals

Legal

Social License
Legal Process

- **Mining Act 1992**
  - Governs the exploration, development, processing and transportation of minerals

- **Environment Act 2000**
  - Outlines environmental requirements of an activity
  - EIS → takes into account social considerations
Nautilus Approach

- Early, transparent and inclusive stakeholder engagement
- Inclusive multi-stakeholder workshops
  - Communities
  - World-renowned experts
  - Government
  - NGOs
- Ongoing Community Awareness and Consultations
- Established CARES

www.cares.nautilusminerals.com
Achieving Independence

- Independent researchers
  - Freedom to publish
- Independent reviewers
- Transparency
  - EIS on website

- Duke University
- Scripps Institution of Oceanography
- University of Toronto, Canada
- WHOI
- CSIRO, Australia
- Hydrobiology, Australia
- University of Papua New Guinea
- Coffey Natural Systems, Australia
- Rabaul Volcano Observatory, PNG
- Asia Pacific Applied Science Associates (APASA), Australia
- Australian National University
- Curtin University of Technology, Australia
- James Cook University, Australia
- Charles Darwin University, Australia
Community Awareness
Consultation Methods

Community Meetings
Local presence/Community Relations Officer

Website
www.cares.nautilusminerals.com

Presentations

Brochures

Posters
Seafloor Production - PNG

- Advantages
  - Unutilised resource
  - Create jobs – multiplier effect, support industries
  - Skills and technology transfer
  - Low disturbance
  - Little disruption of land holders
  - Increased worker safety
  - Royalties and taxes
  - Education for PNG students (e.g. Duke bursary)
  - Community Development Fund (voluntary)
A New Frontier of Seafloor Mineral Resources

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TSX & AIM : NUS
A New Industry, Not Just a Project

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