A PRIVATE SECTOR PERSPECTIVE ON THE FUTURE OF DEEP SEABED MINING

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Michael Johnston, CEO
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Information contained herein includes references to the Company's most recent 43-101 Technical Reports as filed on SEDAR.
Overview

• Deep Sea Mineral Production on the cusp of realisation:
  
  – World’s demand for metals and minerals on the rise, including to meet the demands of a Green Economy
  
  – Legislative and Technological advancements
  
  – Deep Sea Mineral Production offers many social and environmental advantages for mineral development
Increasing Demand for Metal

- Population Growth
- Emerging economies transitioning to industrialised and urbanised societies
Terrestrial Mining: The Situation

- Land resources are stretched = increasing economic, social and environmental costs:
  - moving more rock per tonne of metal;
  - processing more rock per tonne of metal;
  - larger waste rock dumps;
  - increasing tailings disposal & noxious waste;
  - increasing deforestation, soil erosion, etc.

- Increasing land use conflicts

- Metal demand out-pacing supply
Minerals and Metals for a Green Economy
Minerals and Metals for a Green Economy

1 Wind Turbine:
- 500 kg of Ni
- 1000 kg of Cu

12x more Cu to create 1kw than conventional power generation
Minerals and Metals for a Green Economy

- An electric vehicle contains over TWICE the Copper content of the average car – 2 km of copper wiring

- Nickel and Copper essential for batteries in Hybrid Cars
Deep Sea Minerals for a Green Economy

Holistic approach to decision making is needed
Why Go to the Sea?

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

- Seafloor Massive Sulphide (SMS) deposits – HIGH GRADES of copper, gold, zinc & silver
- Minimal overburden, which on land can be 75% of material moved
- Less ore needed to provide the same amount of metal; small physical footprint
- No indigenous or native populations to disrupt
- No blasting, no toxic chemicals, reusable infrastructure, etc.

**Average Reserve Grade (%) of Land-Based Copper Projects:**

Solwara 1 grade based on drilling, not just surface sampling

Source: Brook Hunt, a Wood Mackenzie Company

Nautilus Resource Estimate prepared by Ian Lipton, BSc (Hons), FAusIMM, Principal Geologist, Golder Associates Pty Ltd. Effective Date: 25 Nov 2011.

Mineral Resources based on 2.6% Cu eq cut-off grade
Seafloor Production System

- Key Components
  - Seafloor Production Tools (SPTs)
  - Riser and Lifting System (RALS)
  - Production Support Vessel (PSV)

- Equipment either existing or an adaptation of existing offshore technology
Technology

- Exploration (Drilling)
- Subsea
- Floating Production

- Multibeam, GPS/USBL
- Dynamic Positioning, Heave compensation, Solwara 1 Pump
- Billions spent developing deepwater offshore technologies in last 10 years
- Industry currently spends $250 to $350 billion dollars per year on OPEX and CAPEX (Source: Douglas Westwood - Global FPS Prospects - World FPS Congress 2009, London)
Approvals

Legal + Social License
Value means different things to different people

Geologists:
- A puzzle?
- A deposit?

Biologists:
- Ecological value?
- Something to protect?

Engineers:
- A challenge?

Host Country:
- Income → schools, hospitals, roads etc.
- Employment?

Company:
- Au/Cu/Zn/Ag
- Income
- A chance to make a difference

Conservationalists/NGOs:
- Ecological value?
- A cause?

General Public:
- Who do we believe?
- Do we need this?
Developing the Strategy...

- Risk assessment workshops; stakeholder mapping
- Going beyond legal compliance
- Multi-stakeholder approach
- Get the science right
Environment - Achieving Independence

- Independent researchers
  - Freedom to publish
- Independent review
  - International experts engaged by DEC
- 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
What Makes Good Minerals Policy Framework?

*Site Specific*

- Clear guidelines, timelines
- Transparency
- Consistency
- Efficiency
- Benefits justify risk(s)
  - Environmentally and Socially responsible
  - Economically viable
- Independence of reviewers
- Agreement from governing bodies and affected stakeholders
- Stability (e.g. tax)
- Not too prescriptive
- Provision for Adaptive Management
Deep Sea Mineral Production on the cusp of realisation:

- World’s demand for metals and minerals on the rise, including to meet the demands of a Green Economy

- Legislative and Technological advancements

- Deep Sea Mineral Production offers many social and environmental advantages for mineral development