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FINANCING OFFSHORE MINING IN THE CURRENT MARKET

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Key risks for new projects

Technology and construction

- Vessels
- Mining technology
- Processing technology

Commodities

- Resources / reserves risk
- Demand risk
- Confidentiality

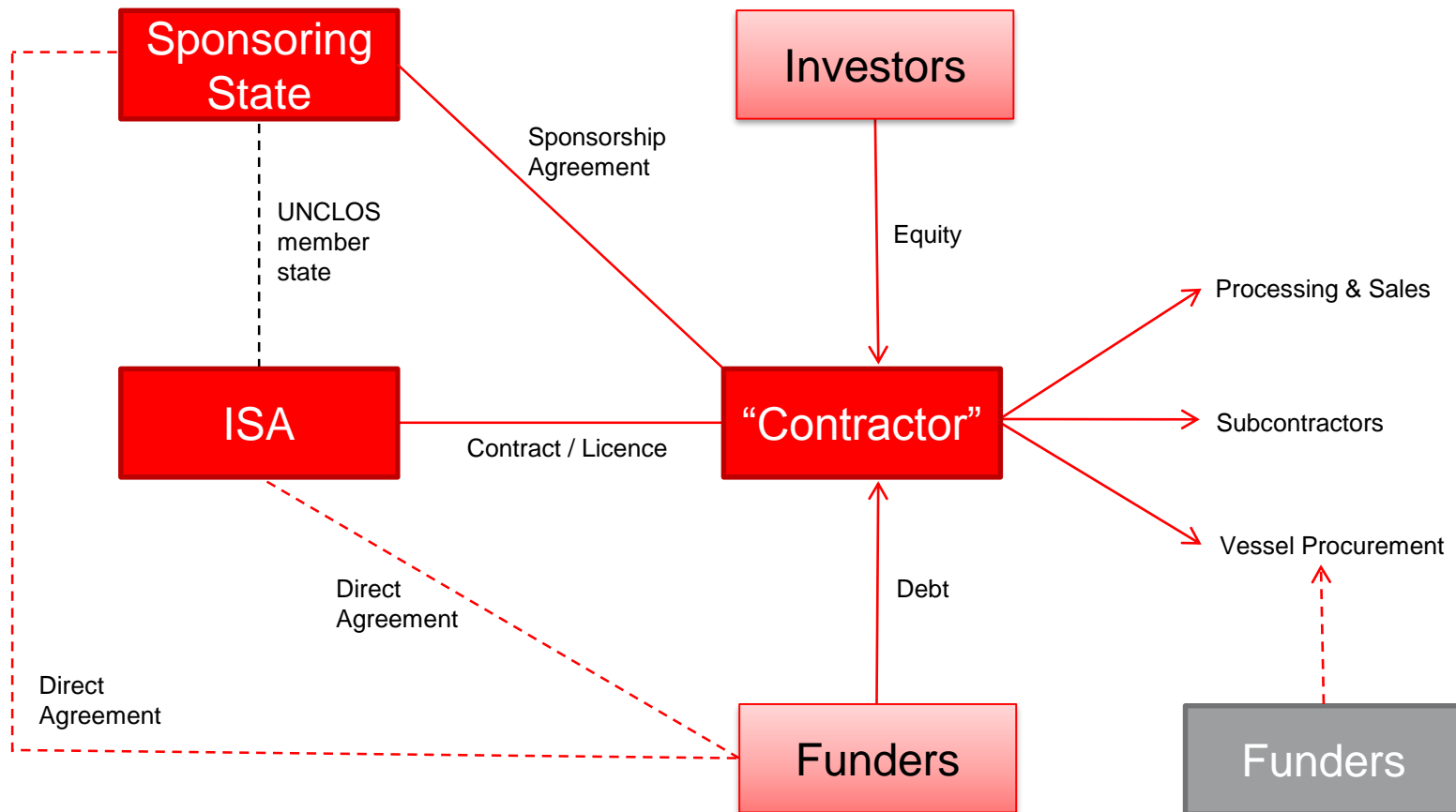
Financial

- Investors
- Fiscal regime
- Debt/security options

Regulatory

- Regulations / licensing
- Political risk
- Environmental risk

Understanding the key role players



Understanding the drivers for key role players

Private Equity Investors

- Higher risk and reward
- Exit strategy
- IPO?

Contractor

- Make profit?
- Secure resources?
- Develop business area?

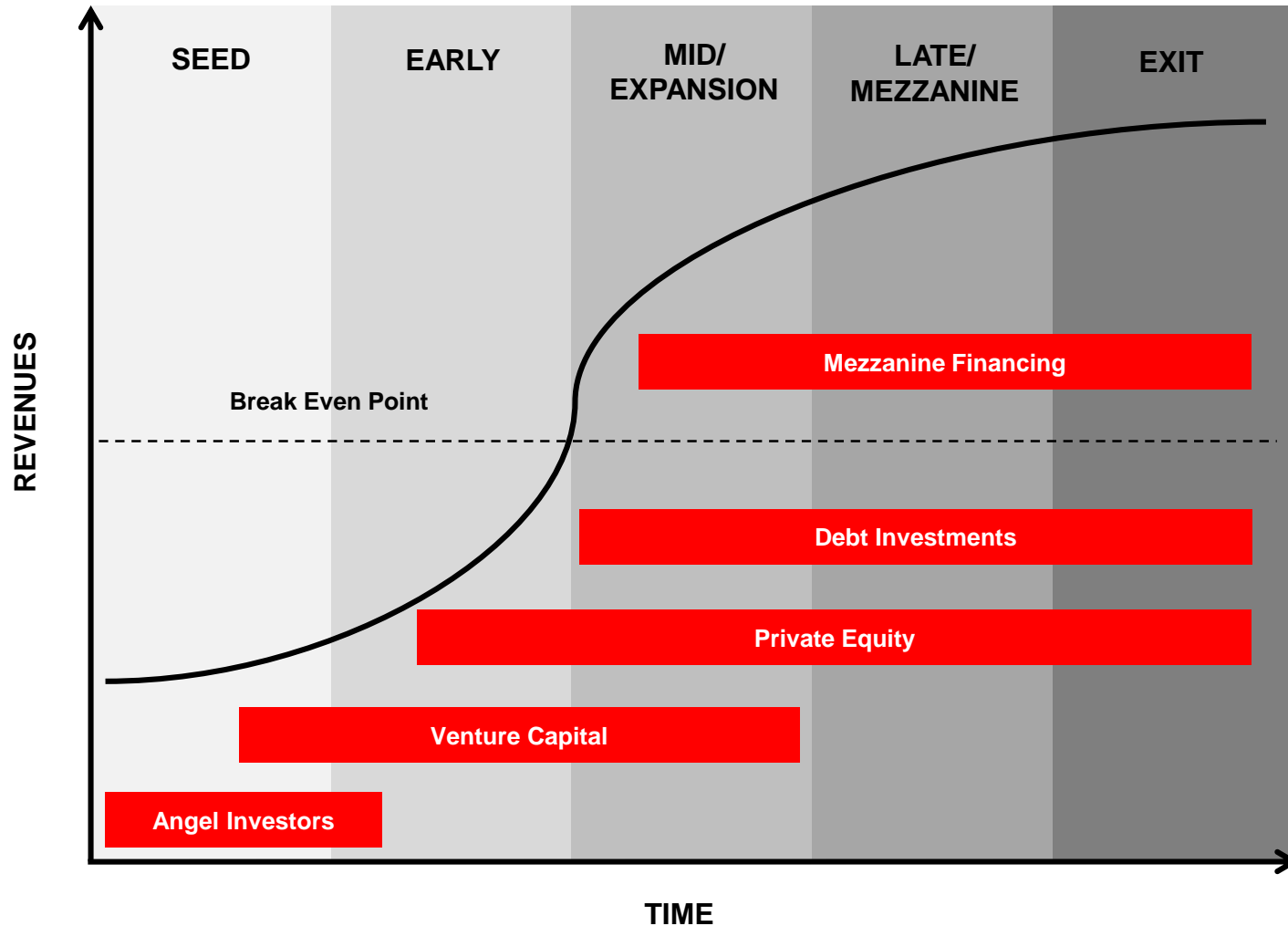
Debt Providers

- Lower risk and reward
- Certainty of recovery
- Export support?

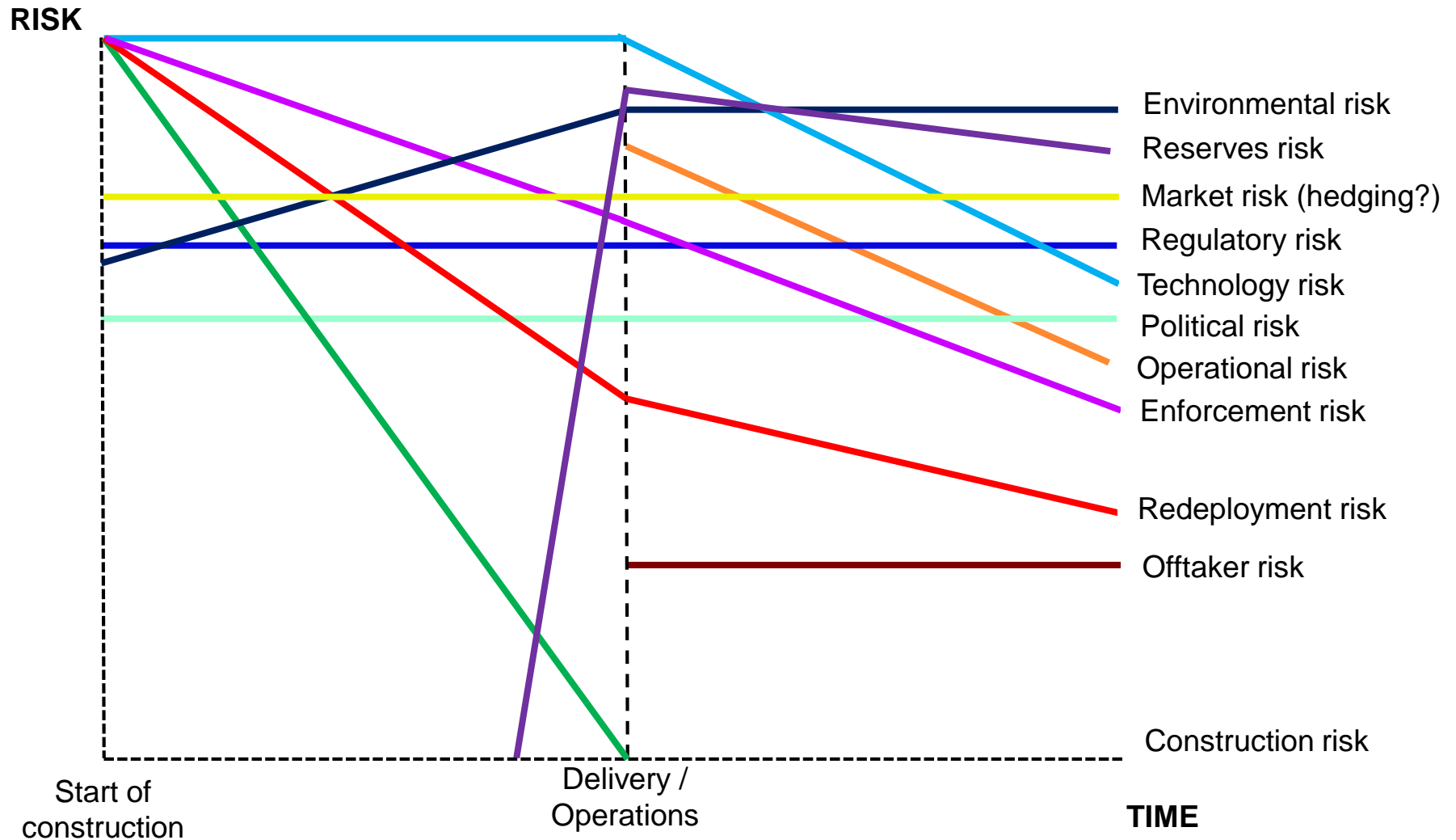
Suppliers

- Mitigation to shipping/offshore market
- Secure future business

A Typical Investment Cycle



The risk journey



Commodity and reserve risk

- Commodity prices
- Adequate proven and probable reserves – requires commercially viable harvesting and processing
- Certainty of demand, and offtaker credit risk
- Match offtake requirements with production capacity
- Effect on royalty payments

- Risk mitigated if there is a potential to redeploy equipment
- Structure project to isolate reserve risk for certain parties
- Long-term offtakes, with structures that isolate processing risk
- Information publicly available under draft regulations

Technology and construction risk

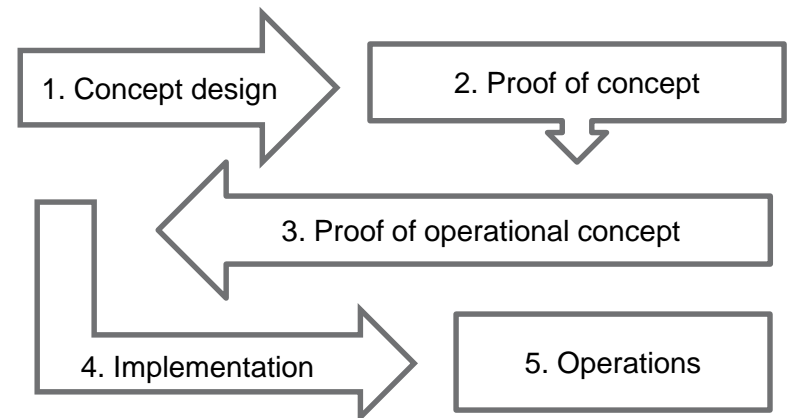
- Vessels constructed on time and on budget, and fit for purpose
- Tried and tested mining technology and processes
- Tried and tested processing technology

Time?

Cost?

And will it work?

- Who bears the risk of cost overruns? Contingent equity and debt available?
- Route to market for new technology:



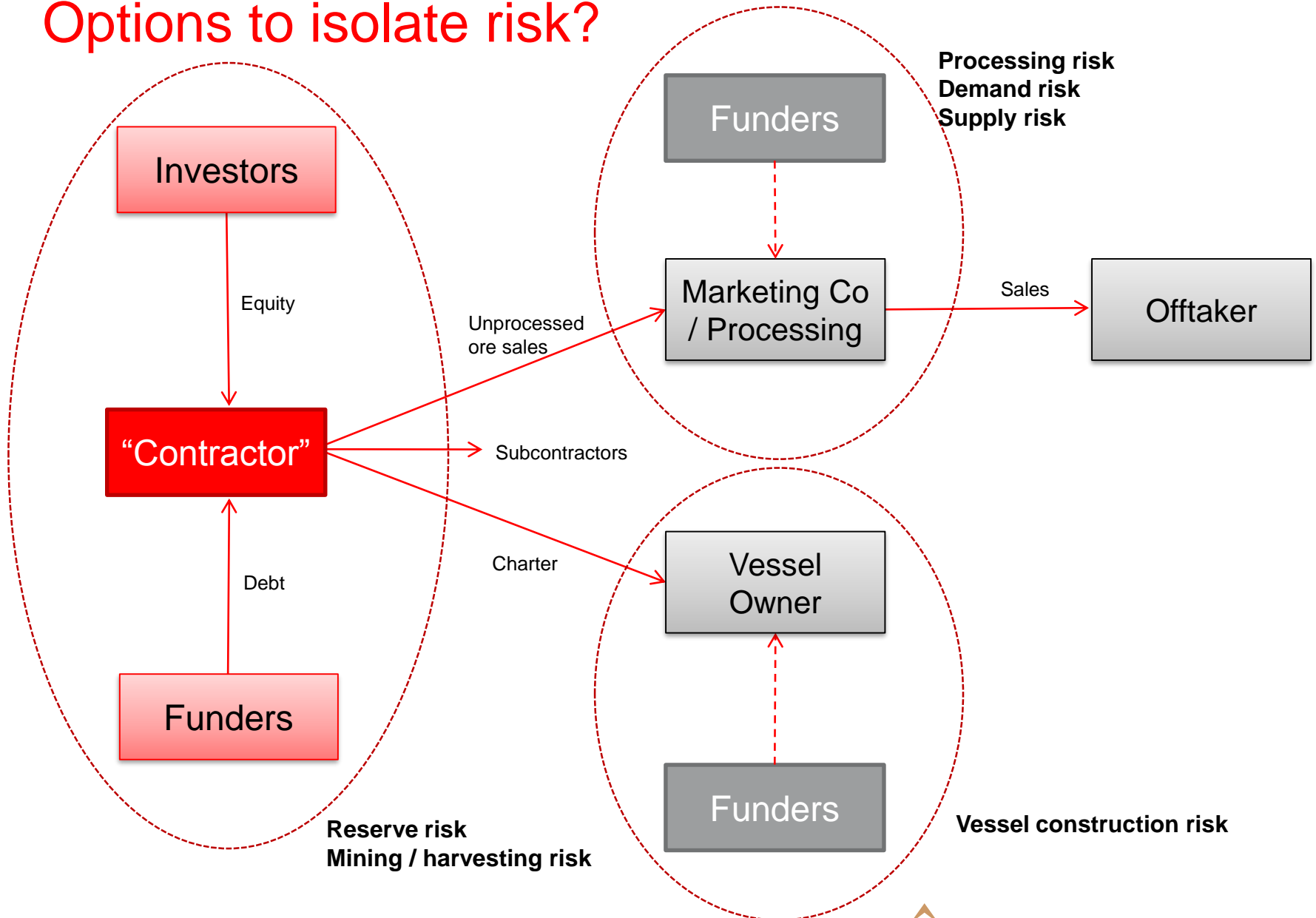
- Who can give warranties that each part works?

Regulatory risk

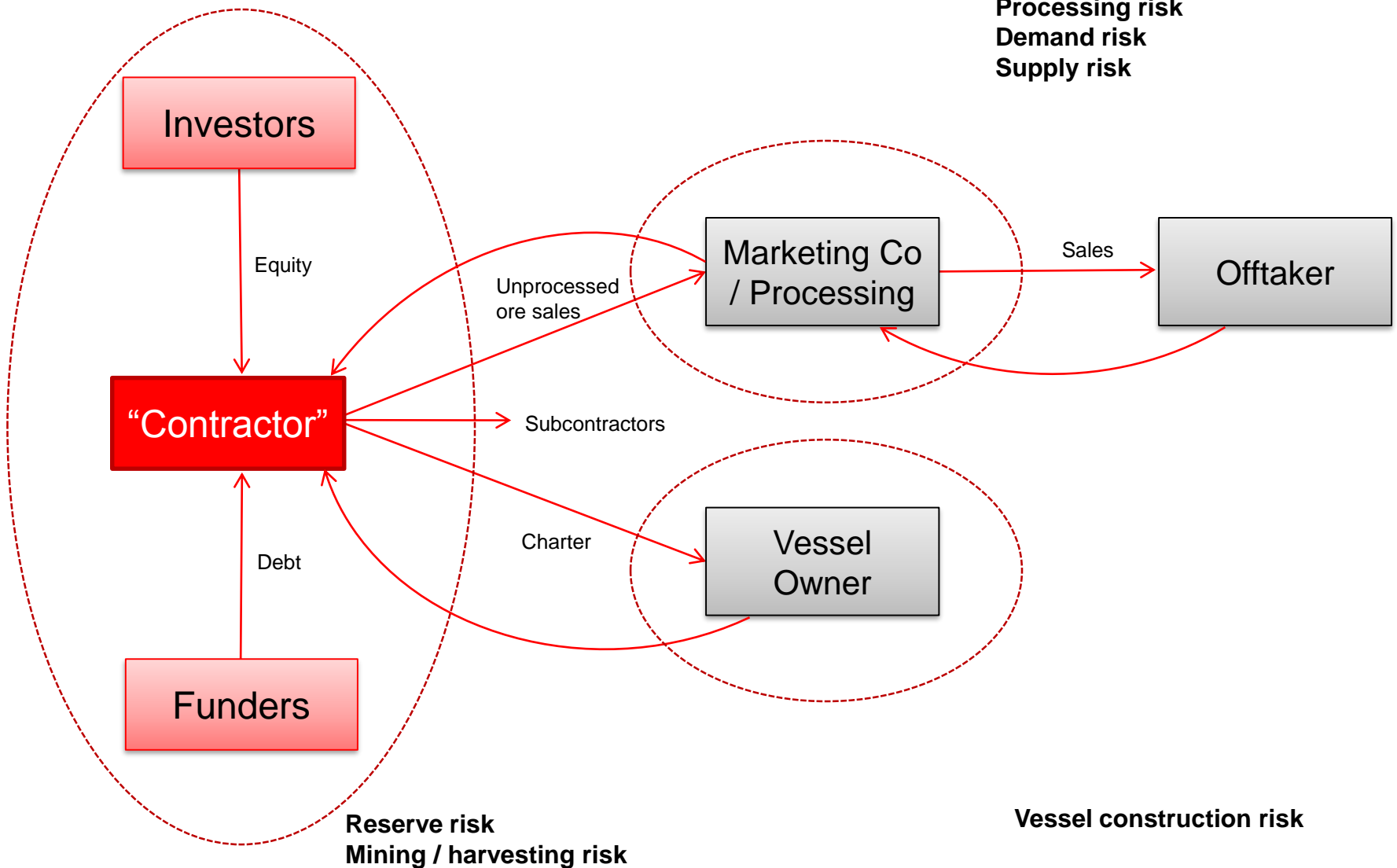
- Financing before Contract
- Duration of the contract and rights of renewal
- Ensuring a stable regulatory environment with flexibility to make commercial decisions
- Clear parameters for suspension and revocation of the contract
- Taking security and ensuring transferability of the contractor's rights

- Draft Reg 8 – financial capability
- Draft Reg 14 – [20] years with conditional option to renew, on terms to be agreed
- Draft Reg 18 – material changes to Plan of Work require prior approval of the Authority
- Draft Contract 30-32 – clear triggers for termination
- Draft Reg 16 & 17 – security is permitted in principle, and transfers are subject to prior approval, with specific conditions provided

Options to isolate risk?



Options to find investors?



The logo consists of a stylized, upward-pointing triangle or chevron shape, rendered in a light tan or beige color. It is positioned to the left of the text.

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