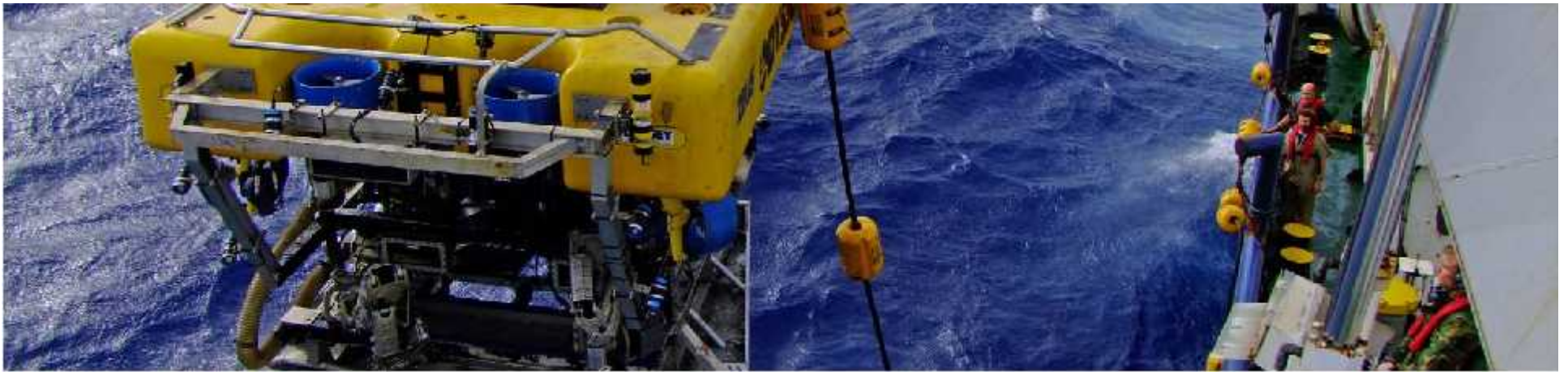




## SOPAC May 2014



Version v1

Sophie Egden  
Manager Regional Affairs

Who we are

Where we work

What the Industry Seeks?

What makes a country an attractive investment prospect for a DSM company?

How can you evidence this?

## Who we are:

- A company which explores for copper, gold, zinc and silver on the seabed
- Funded by individual investors in USA, UK and Australia; & Odyssey Marine Exploration (NASDAQ:OMEX); significant speculative investment
- Head office in Tampa Bay, USA, Operations Office in Sydney and Financial Office in Melbourne Australia; Local office Honiara, Solomon Islands.
- Exploration licences and applications in seven countries in the Western Pacific
- We are not mining yet

# Why is DSM different from land-based exploration and mining?

**Large areas either not explored or under explored at best**

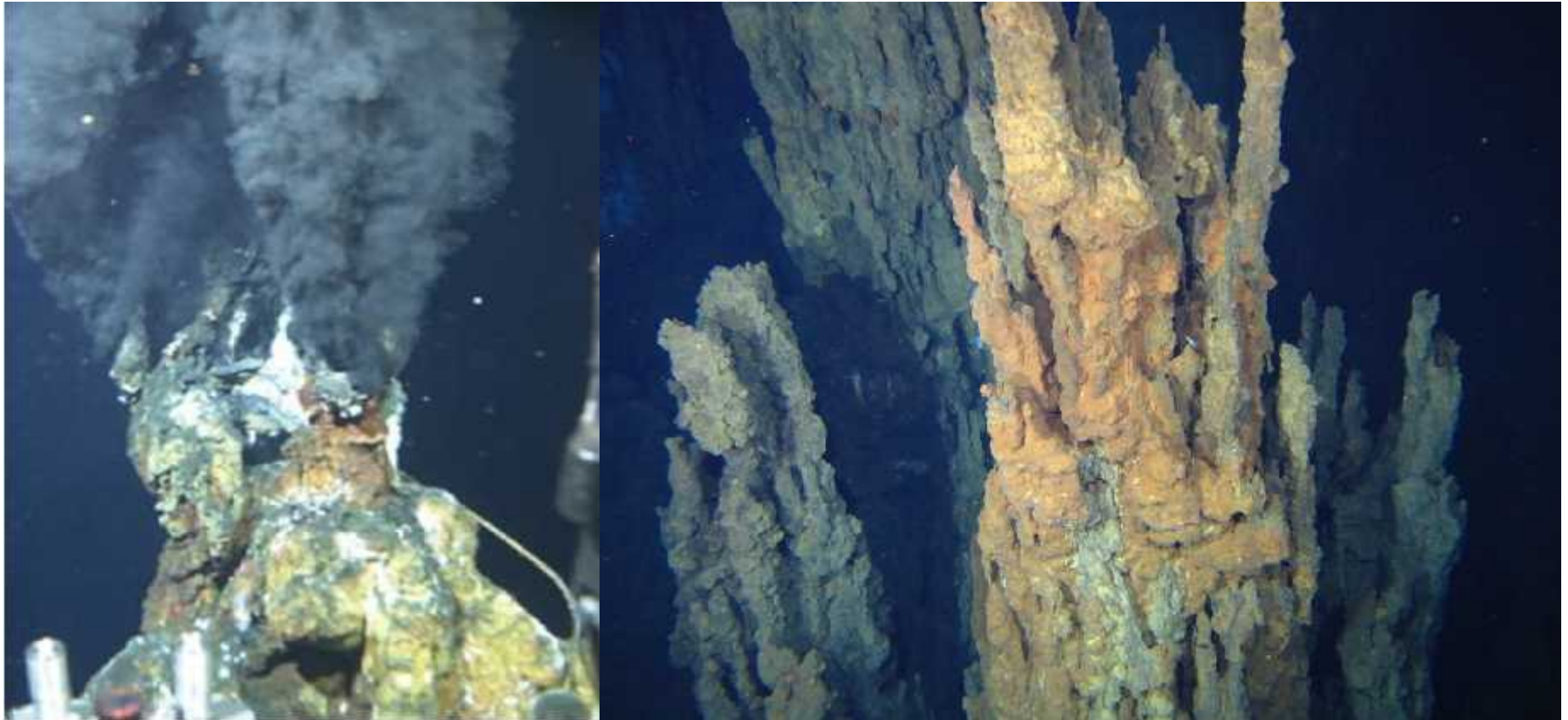
**Areas are typically remote and by definition in deep water (>800 to 2500 meters)**

**No one is currently mining DSM deposits, therefore no precedents to mine**

**Land based exploration is relatively cheap – small teams of geologists, mobile drills, shovels, picks, 4 WDs, helicopters**

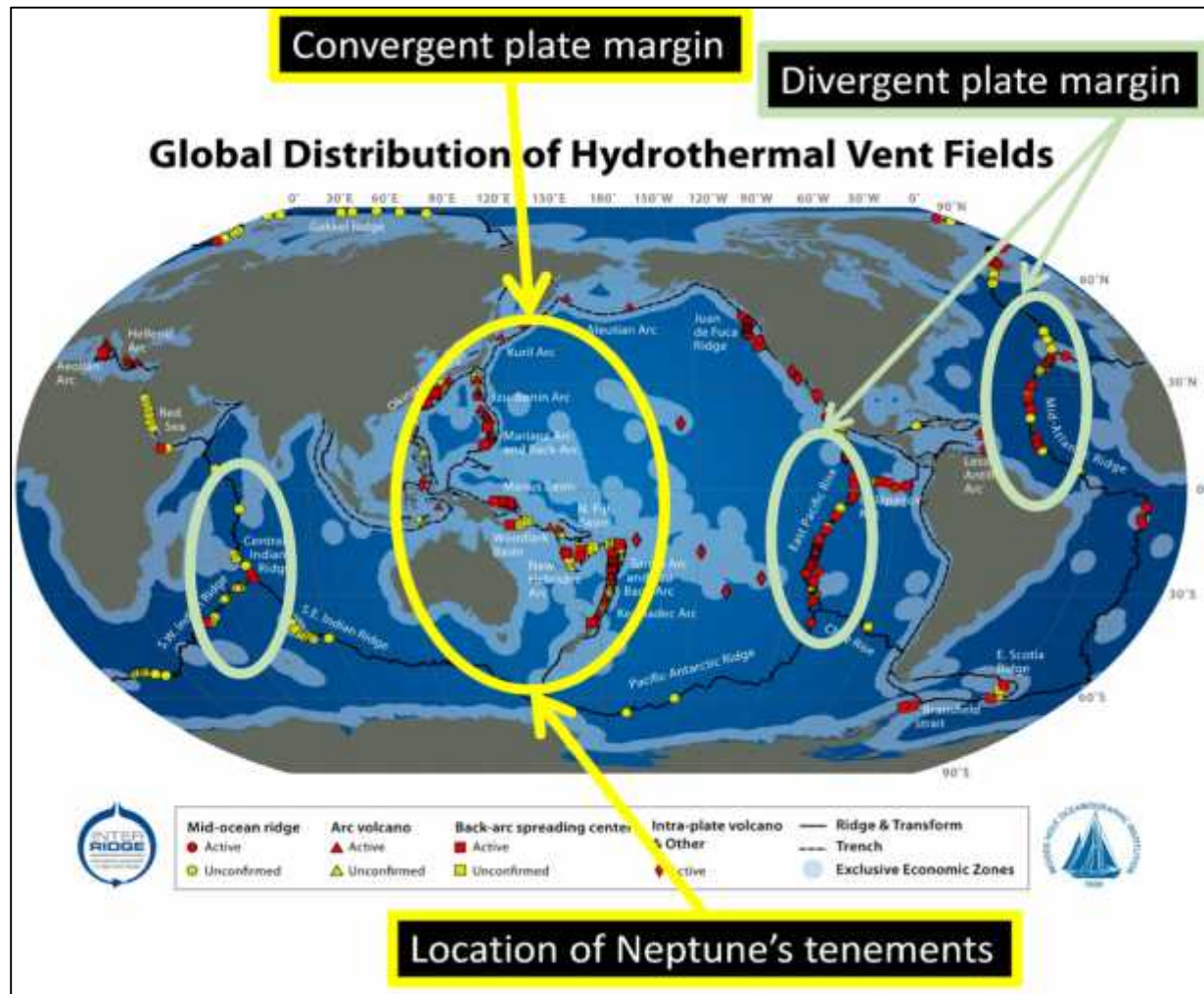
# Seafloor Massive Sulfides

## Black Smokers





# Neptune's Area of Interest/Tenements



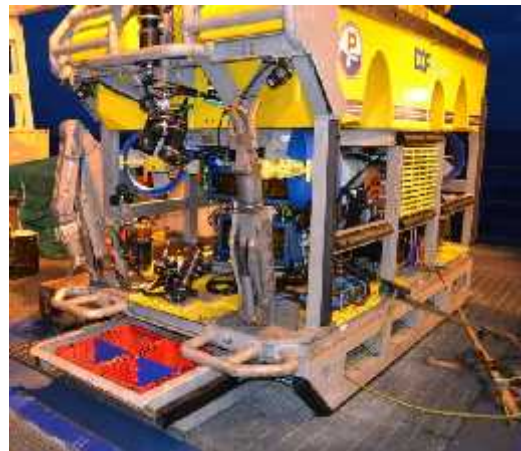
<sup>1</sup>Baker, E. T., German, C. R., 2004. On the Global Distribution of Hydrothermal Vent Fields. Mid-Ocean Ridges: Hydrothermal Interactions Between Lithosphere and Oceans, Geophysical Monograph Series 148, pp 245-266.



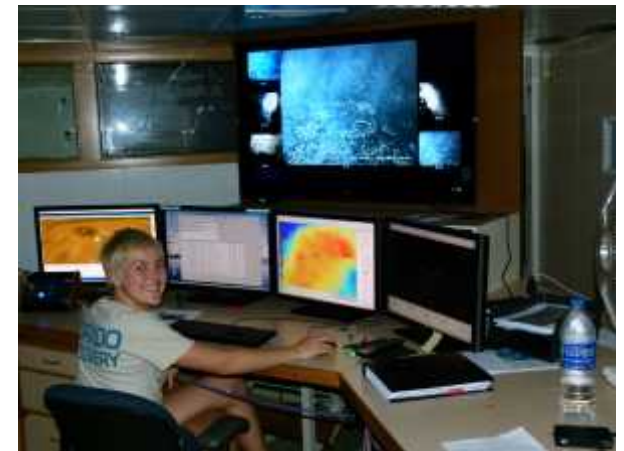
# DSM Very Expensive



**MV Skandi Hawk**



**Work Class ROV**



**On board control room**



We have had a look at cheaper alternative for Deep Sea Exploration ..... But it didn't work

# Neptune K9



## Cost to go exploring

- Ship day cost can be in excess of US\$100,000 per day
- Cost to get ship mobilised and on site and return from say Singapore could be 35 days (10 mobilisation, 10 days sailing and 10 return and 5 days demobilisation)
- 35 days = US\$3.5 million and we have just started work!!

## We are explorers only

- It is a new industry and we are all explorers
- We do not have a business generating income or cash flow
- Investors and shareholders have to have deep pockets and high tolerance to risk



## So what does the industry seek?

- Security of tenure
- Protection of incurred exploration expenditure
- Clear and unambiguous path from exploration to mining based on a precautionary approach
- Minimal upfront costs or taxation imposed by governments

## These are all over and above certainty of:

- Political stability and predictability
- Rule of law
- Established maritime boundaries
- Personal and property safety

## Security of tenure - specifically

- Clear legislation outline process from applying for exploration licences to mining
- How long are terms of licences?
- How are they renewed or extended?
- What rights do exploration holders have?
- How does exploration convert to mining?
- Which authorities and how many provide ultimate approval?

# Taxation and Licencing

- Rents and application fees kept relatively low during exploration phases
- No or minimal sales tax/VATS/GST, income tax and royalties are preferable
- Taxes should be considered in totality- income tax royalties, duties, export duties, export licences etc.
- Clear and simple taxation of companies and individuals earning income in the country-
  - eg., employees on ships,
  - How taxed?
  - When taxed?
  - How much?
  - Any minimum period?



# Summary

- Deep sea mineral exploration requires significant capital outlay from investors and offers no guarantee of returns. Therefore a tax regime that imposes a large financial burden at the exploration stage will discourage exploration companies.
- Taxes should be considered in totality, including income tax royalties, duties, export duties, export licences
- Taxes and other financial obligations should be simple to calculate, pay and prepare for audit.