



Seabed Minerals Authority

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NEWS RELEASE- SEABED MINERALS EXPLORATION LICENCING UPDATE

Under the direction of the Minister Responsible for Minerals and Natural Resources, the Hon. Mark Brown, on-going preliminary discussions are continuing between the Cook Islands Seabed Minerals Authority (SBMA) with a number of overseas entities, which remain interested in undertaking licenced Exploration activities for Deep Seabed Minerals in the Cook Islands Nodules zones.

The Cook Islands waters contain a valuable and unique Manganese Nodule resource estimated at 10 billion tonnes, situated on the deep-sea floor at 5000 metres depth and stretching for hundreds of kilometres, from remote north east of Penrhyn to the far south of Mangaia.

Since 2013, under our Cook Islands Seabed Minerals Act 2009, the SBMA has established a robust Licencing system and Regulatory Framework, which includes an option to allocate Exploration rights by General Application and also by a Tender Process. This Tender Process option allows the release of a limited number of specific Nodules blocks, over which valid Applications to Explore can be received, evaluated and granted. Due Diligence assessment and consultation are key parts of this Tender Process option, based on best international practice and advice.

The first 5 month Application phase for the first 2015 Tender has now expired in January, with the receipt of no Applications by the SBMA. This result was not entirely unexpected, as stated by Minister Brown at the Tender opening in August 2015, that he did not expect a mad rush of Applications at this time.

This realistic view is based on a number of current external market factors, which are beyond the control of the Cook Islands, as a deep sea mineral resource owning nation. These factors include the high cost of deep sea minerals exploration costing many millions of dollars of high risk capital investment and the current depressed global minerals markets.

(See attached Graphs for background)

This Tender process option was recommended to the previous Government on advice sought in 2008 from the Commonwealth Secretariat (CommSec) as a means of controlling and attracting DSM interest to our EEZ and formed a key plank of the Seabed Minerals Act 2009, drafted with CommSec assistance.

Our national Tender process was founded on a world standard Regulatory Framework of Licencing, which was developed with the assistance of the Natural Resource Adviser, Darryl Thorburn, who was contracted since 2012 until November, under assistance provided by CommSec.

It is also based on the New Zealand Petroleum and Minerals (NZPAM) Licencing system and advice. Expert legal and technical assistance and advice was also obtained from the SPC EU Deep Sea Minerals Project.

Currently the appetite for allocating risk capital for funding such a venture as deep sea minerals exploration is exceedingly tight, due to the global mineral price cycle being at its lowest for the last 20 years or so.

The Authority's view is that currently there is a distinct lack of global risk capital investment for Exploration for deep Sea Minerals, given this low global demand for minerals. It is considered that this will be the prevailing economic setting for at least 12-24 months.

However, the lack of Applications at this time may not be an entirely bad result, as the Cook Islands has been taking a "steady as she goes" approach and this enforced delay will allow more review of the Regulatory Framework, on-going capacity building, promotion, consultation and time to see how the DSM is progressing in other nations and in international waters.

END RELEASE

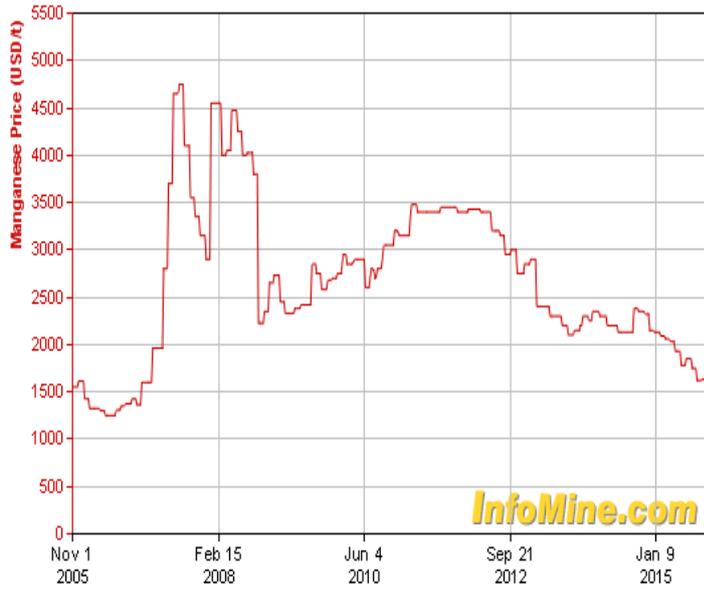
BACKGROUND

Normally in frontier minerals exploration, it is junior miners that make the first efforts and larger miners follow later. Junior miners have low capital but more appetite for risk, whereas large multi-national mining companies are more “risk averse” and often want almost risk free opportunities before investing in large capital projects.

“Investors face a “cataclysmic year” where stock markets could fall by up to 20% and oil could slump to \$16 a barrel, economists at the Royal Bank of Scotland have warned.”



Manganese Price
1,480.00 USD/t
30 Nov '15

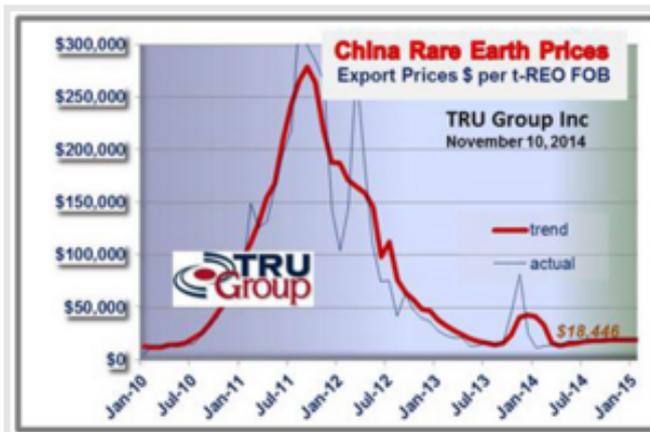


NICKEL PRICE - COBALT PRICE - COPPER PRICE - FERRO TITANIUM PRICE
Jan 6, 2006 - Nov 20, 2015



Rare Earth Space loses Magnetism as Prices Discharge! – China actions cause REE Juniors multiple challenges says TRU

TRU Group Inc, Tucson, USA, Toronto ON, November 10, 2014 – Rare earths engineering consultants TRU Group Inc says China-controlled pricing is self-destructive and creates hurdles for western



RE metal projects. Average rare earth prices have levelled off at an estimated \$18,500 per t for 2014 following the steep declines in recent years. Prices have stabilized at a level below the average for 2010 before the crisis in supply began when China unexpectedly restricted exports. (See chart left) "The failed attempts by Chinese suppliers to halt the decline in REE prices was *long predicted by TRU*" say CEO Edward R Anderson.

"Rare earth metal prices are so low now that profit margins even in China may be

unattractive". *Strategic rare earths** are used in high-tech magnets for electric vehicles and China produces over ninety per cent of global requirements. Most western REE newcomers have exhausted their cash and have been forced into hibernation: They need more sensible operational business models to attract investors. **"Trouble is that the REE juniors focus too much on geology when the real technical issues lie in highly specialized REE chemical production. Design of operations in a fragmented industry is complex but crucial to success. Unless there is a strategic change in direction I doubt whether we will see the capacity expansion that was expected"**

say Anderson. (See our website at www.trugroupinc.com)

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