Progressing Exploration Entities

David Barwick

Funding of Exploration Companies has become more difficult

- 1980’s - Accumulated tax losses from any source could be sold to any Company to offset their taxable income
- 1990's - This tax benefit was eliminated with the “continuity of business” clause
- Australia does not have the flow through share scheme

  the investor can take the value of the new issue and offset the full amount against any other taxable income

Traditional Process

Founders with:

- Good Ground - Form a Company
- Raise Seed Capital & Gain Sophisticated Investors
- Add Value to Projects & Assemble Team
- Prepare ASX Listing (or RTO)

These opportunities are still there but not as in the Past

Issues with the Traditional ASX Route

- Market Timing
- Commodity Selection
- Tenement Title
- Tight Structure (Vendor-Promoter/Public Raising)
- Experienced Board

Issues with the Traditional ASX Route

- Investors with Good Track Record
- Salesmanship of Promoter
- Board & Management Salary & Fees
- Budget – Activities - Good News for Investor Interest
- Ability & Experience to Raise Funds

Issues with the Traditional ASX Route

- Informative & Honest with Shareholders
- Exit Strategy
- Potential Investors – Good Story
  - Potential for Growth
  - Opportunity
  - Want to see Hurt Money from Initial Shareholders & Promoters
  - Budget Admin/Project Funds

Issues with the Traditional ASX Route

- ASX increased Minimum Raising to $3 million
- Government Delays & Regulations

  Time Frame to Grant Exploration/Mining Tenements

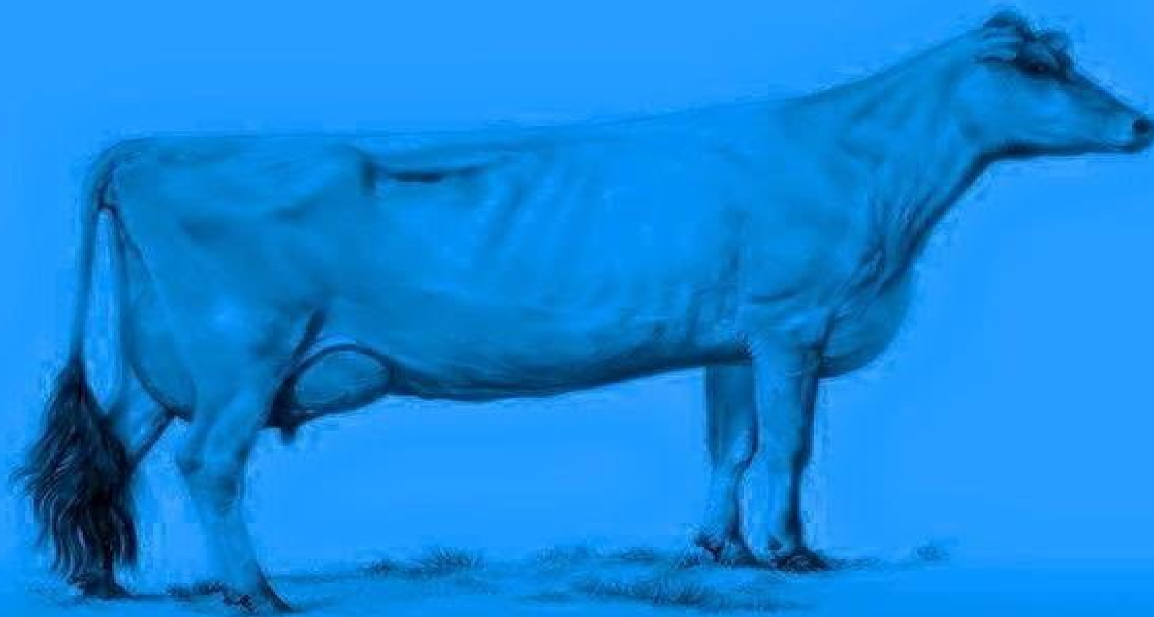
  - Political Issues
  - Extremist Issues
  - Environmetal Issues
  - Native Title Issues

ASX All Ords – 20 Year Chart

ASX Small Resources – 20 Year Chart

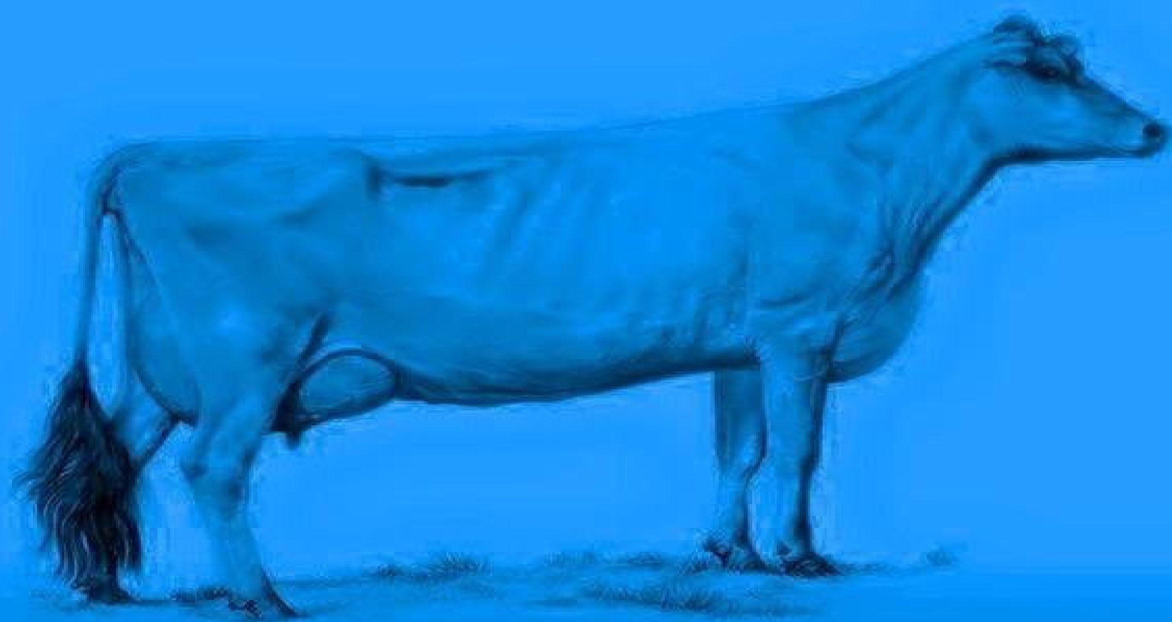
Alternatives to the ASX Route

- Private Funds
- Syndicates
- Joint Ventures
- Other Stock Exchanges- This includes NSX, TSX, TSXV, SX UKX.
- Equity Partners
- Small Scale Production to Generate Cash for increasing Exploration and Production levels.
- Royalty Funding-Offering Investors a Percentage of Profits rather than Direct Equity.



SOCIALISM

You have 2 cows.
You give one to your neighbour.



COMMUNISM

You have 2 cows
The State takes both and gives you some milk.

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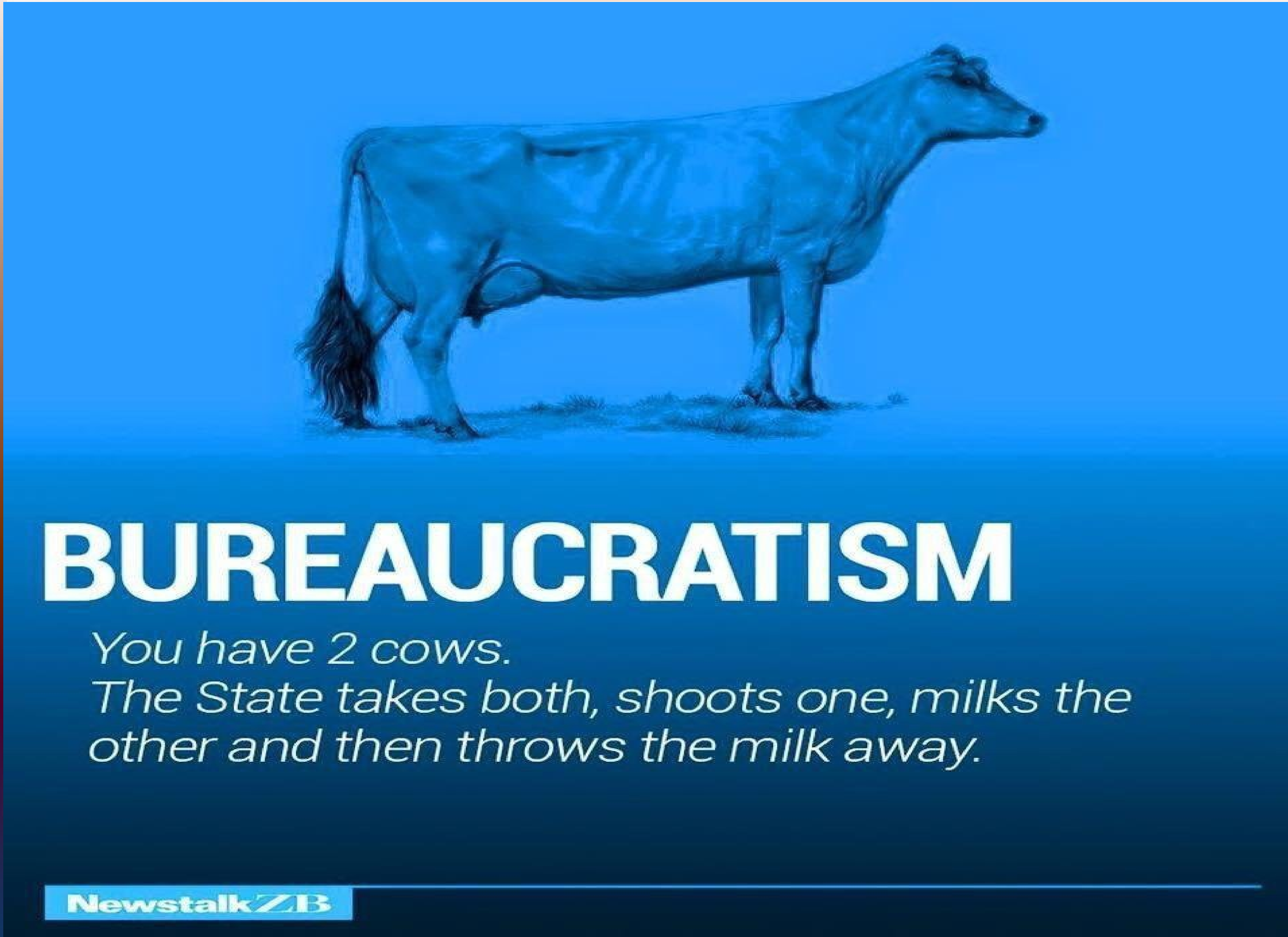
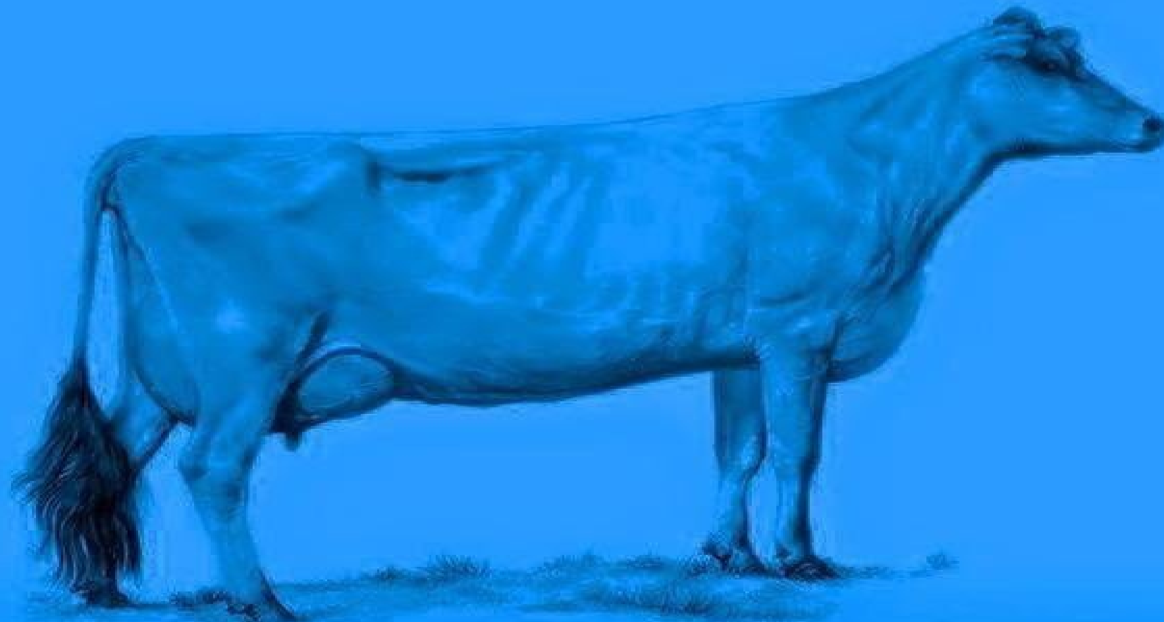
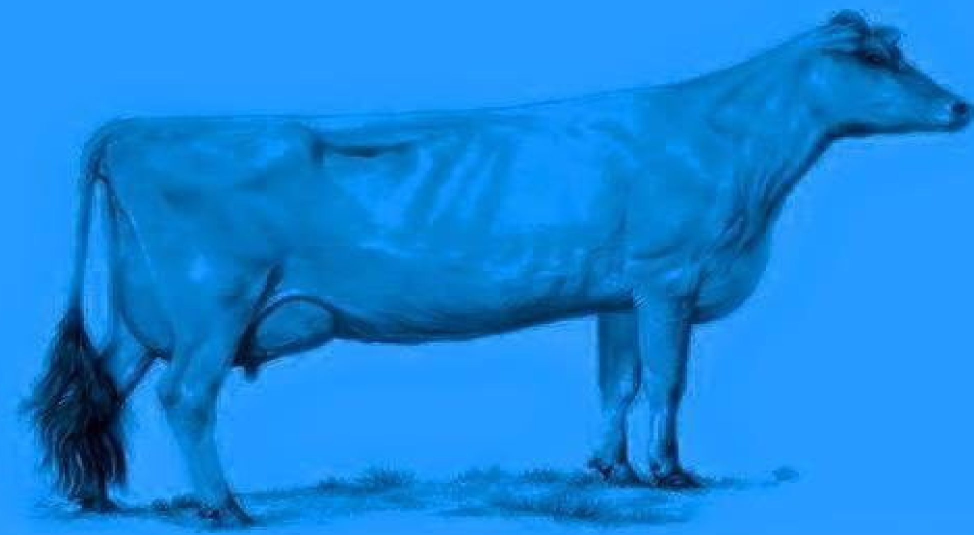

BUREAUCRATISM
You have 2 cows.
The State takes both, shoots one, milks the other and then throws the milk away.
NewstalkZB



TRADITIONAL CAPITALISM

You have two cows.
You sell one and buy a bull.
Your herd multiplies, and the economy grows.
You sell them and retire on the income.

Newstalk ZB



VENTURE CAPITALISM

You have two cows.
You sell three of them to your publicly listed company, using letters of credit opened by your brother-in-law at the bank, then execute a debt/equity swap with an associated general offer so that you get all four cows back, with a tax exemption for five cows.
The milk rights of the six cows are transferred via an intermediary to a Cayman Island Company secretly owned by the majority shareholder who sells the rights to all seven cows back to your listed company.
The annual report says the company owns eight cows, with an option on one more.

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