



P L E X U S

RESOURCES LIMITED

MINING IN IRAN

PERCEPTIONS and MARKET ENTRY CONSIDERATIONS

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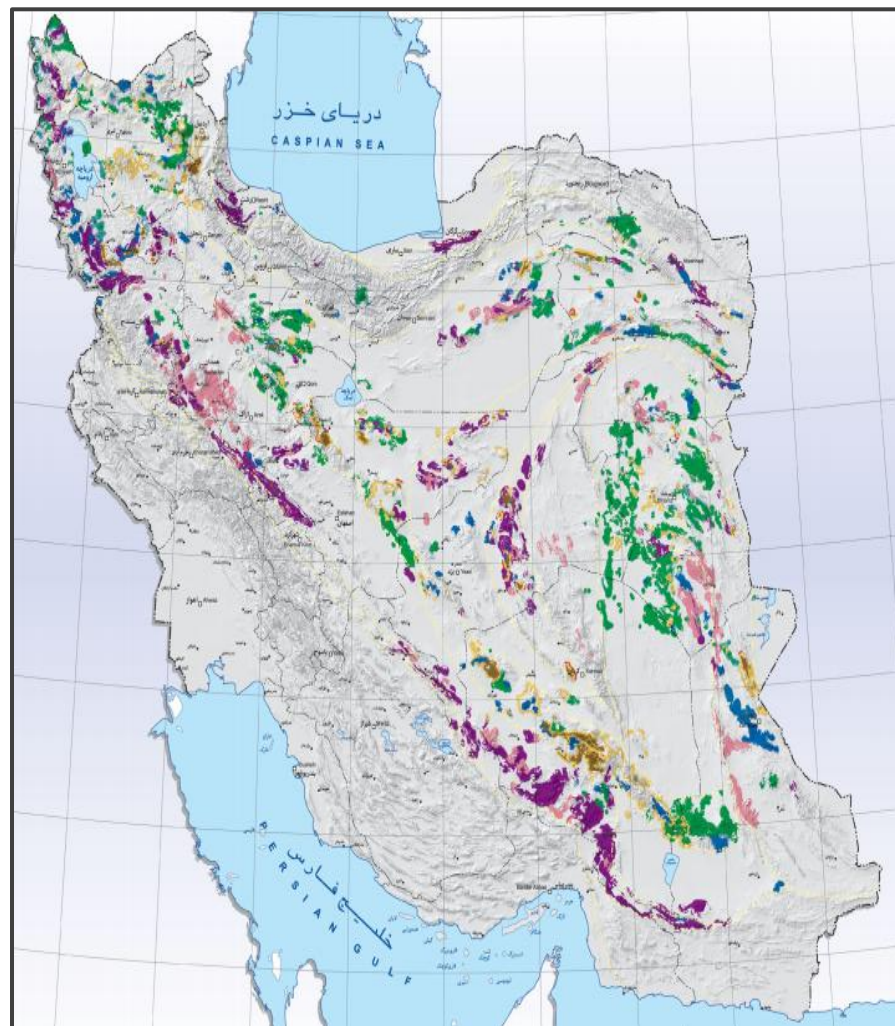
ABOUT PLEXUS RESOURCES

- Plexus Resources Ltd is a London based junior mining exploration company formed in 2012 to identify, acquire and develop mineral projects in Iran
- Our focus is on the Iranian portion of the Tethyan Metallogenic Belt due to the number of world class projects in the country
- We are seeking projects that truly justify investment in the prevailing market conditions
- Two projects have been identified, additional opportunities in Au-Cu-Zn are being investigated
- Plexus brings enhanced technical skills, operational management and international financing to potential local partner(s)
- Initial acquisition cost and investment anticipated to be between \$5 and \$10M depending upon local partner and project.



WHY IRAN AND WHAT WE ARE LOOKING FOR

- Huge mineral potential that is significantly under developed
- Iran has a number of well known geological provinces within the Tethyan Metallogenic Belt
- Plexus will focus on the Alborz and Urumieh – Dokhtar Arc, two areas well known to host both porphyry and epithermal deposits while also prospective for VMS
- Primary focus on the East Azerbaijan province





BUSINESS CONSIDERATIONS

Domestic

- Matching expectations Vs post sanctions reality
- Perception about foreign companies
- Plenty of opportunities but few are investor status ready
- Financing of projects
- Understanding what they really need

Foreign

- How to get money in and money out ?
- Some 80% of Iranian companies are in government hands
- Unique cultural influence and traditions
- Underestimate Iranian companies
- Appetite for risk: Iran Vs Other Opportunities



ASSESSING THE RISKS

The challenges and risks facing a foreign investor entering the Iran market are common to any emerging market:

- Local business regulations
- Opaque local ownership structures
- Lack of international best practices
- How to align the business interests of local partners and foreign investors
- Protectionism (by governments with local businesses)
- Shortage of project finance
- Corruption
- The shadow economy
- Domestic infighting and self-interest
- Security risk – information / physical / personal



ASSESSING THE RISKS: IRAN SPECIFIC

However, there are additional considerations:

Iran-specific risks

- Banking
- Sanctions – residual / primary still in place / SDNs / ‘Snap Back’
- Identifying the business interests of sanctioned entities
- Transparency of ownership of local companies
- Political risk – reformers Vs traditionalists
- Matching expectations on both sides following the sanctions era
- Regulations on ownership structure of large public projects
- Legal system largely untested by foreign investors
- Pre-sanctions issues
- Is Iran ready ?

CHALLENGES FOR FOREIGN INVESTORS



- Acceptable market rate of return: assessing downside protection Vs upside potential
- A clear exit strategy before entering
- What is the risk premium to factor in ?
- Understanding why foreign investments fail
- Iran is a country of bazaars: negotiations are too important to be about price only
- Iran is a re-emerging market: it has the infrastructure in place
- Perception: what an Iranian company considers a good project
- Security of tenure
- Quality of information
- Understanding the law and about licences (Discovery Licence)
- The cost of disengagement

HOW TO REDUCE ASSOCIATED BUSINESS RISKS



- Due Diligence
- Essential to verify the following on local company / prospective JV partner:
 - ✓ Partner credentials
 - ✓ Shareholding structure
 - ✓ Links to sanctioned entities incl checks on OFAC Specially Designated Nationals list, Non-SDN Iranian Sanctions Act (NS-ISA) List and Foreign Sanctions Evaders (FSE) List
 - ✓ Technical due diligence
 - ✓ Legal due diligence
- Address Legal and Regulatory Risks
- Financing Methodology
- Risk Assessment on the Market Entry Strategy



SUMMARY

CRITERIA FOR SUCCESS INCLUDE:

- Mining Sector: Clarification on the mining law / Digitalised data / Concession area size / Quality of information / Transparency /
- Good local contacts and information + due diligence
- A willingness by the Iranian authorities to embrace FDI and remove the hurdles to entry
- Time: for Iran to be rehabilitated internationally and for foreign investors to become confident in the market
- Restoring the banking system and the means of financing big projects
- The lifting of primary sanctions
- Iranian good governance, legal framework and regulations for foreign ownership
- A pro Iran Trump administration and good result in May 2017

“He who wants the rose must respect the thorn” Persian proverb

CONTACT



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