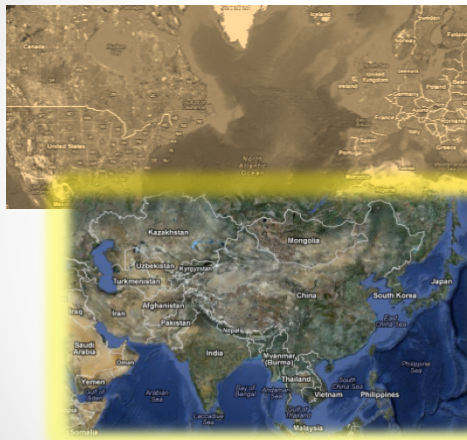


The 21st Century's Resource Corridor

Hostile, Corrupt, Promising

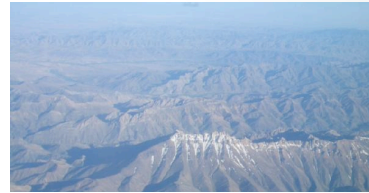
Monsoon Asia



C.R. Boxer: The crossroads of the Indian Ocean and the western Pacific will be reborn and become the demographic and strategic hub of the twenty-first century world, much as the North Atlantic junction of Europe and, later, the United States, defined the twentieth century and much of the last five hundred years.

Monsoon Asia

Monsoon Asia will see a concentration of political and economic power driven not only by the vast demographics of India and China as they continue to industrialize, but also by the equally vast mineral resources and hydrocarbon wealth deposited at its center of mass.



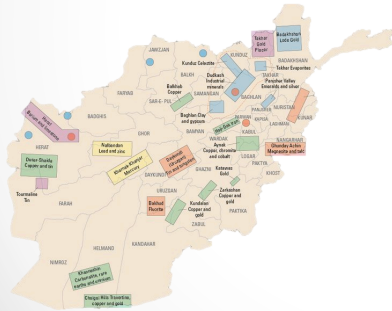
“The Last Treasure Chest”: As the great Indian tectonic plate crashed into the stationary Eurasian plate some 50 million years ago, enormous mineral deposits were formed from the Iranian plateau to Tibet, with the greatest concentrations in modern-day Afghanistan and Pakistan.



Afghan Natural Resources:

The New Great Game

TFBSO Report: Value of non-fuel mineral resources in Afghanistan between \$1 trillion and \$3 trillion. Copper, iron, gold, lithium, and rare earth elements (REE) are spread about the country roughly evenly.



The wealth and jobs created by a major extractive industry in Afghanistan would contribute more to the stability of that war-torn nation than any other post-conflict projects yet envisioned.

Afghan Natural Resources: The Race is On

- 2007: China's MCC, copper, Mes Aynak, south of Kabul in Logar Province (though that award was clouded by controversy centering on allegations of bribery in the bidding process)
- 2011: J.P. Morgan-organized group, gold, Baghlan Province (in production)
- 2011: (In a newly transparent bidding process) China's CNPC, oil and gas, Amu Darya basin
- 2011: Indian SAIL Consortium, massive \$11 billion, 1.8 billion ton iron ore deposit, Hajigak in Bamiyan Province
- 2011: Canada's Kilo Gold, iron ore, Hajigak



JPMORGAN CHASE & CO.



Afghan Natural Resources: The Race is On

U.S., Canadian, British, Turkish, Persian Gulf, and Indian corporations and consortia are presently bidding on gold and copper assets throughout Afghanistan.



Chinese and Indian corporations have expressed interest in the Tajik Oil Basin (TOB) oil and gas assets northwest Afghanistan. Exxon, Pakistan Petroleum, Dubai-based Dragon Oil, Thailand's PTT, Turkey's PTAO, and Brazil's Petra Energia have also filed expressions of interest in the TOB. This round of tenders will be awarded in late 2012 or early 2013.

Afghan Natural Resources: The New Great Game

Playing field: Afghanistan and Pakistan

Main consumers: China and India

Mining players: Canadians, British, Australians, Americans, and South Africans

Infrastructure and finance: Turkey and Persian Gulf nations



Who benefits?

Look at a map. All that stuff has to find its way to open water and markets beyond.

Monsoon Asia:

Pakistan's Role

- Pakistan is ideally positioned to play a major role in building the infrastructure that will be crucial in allowing the region's mineral resources to make their way to the Arabian Sea, and to the export markets beyond.
- The geographically preferred route from all points in Afghanistan is through Pakistan's Baluchistan Province, itself rich in mineral resources, to Gwadar Port on Pakistan's Arabian Sea coast.



Main competition: Iran, and its Chabahar Port

The New Great Game

and its new great rules

Afghan Ministry of Mines with assistance from:

- a technical mining management firm (SRK), and
- a financial management group (Canaccord Genuity)



- Afghan mining laws and tendering processes have been largely rewritten to meet international standards and conform to industry best practices.
- Transparency is being embedded into the regulations.

Afghanistan and Pakistan

Culture of Corruption

- Transparency International's annual Corruption Perception Index 2011:
 - Afghanistan ranks 180th of 182
 - Only slightly better than North Korea and Somalia
 - Pakistan ranks 134
 - Worse than Iran, Kazakhstan, and Syria
- UN estimates that Afghans paid \$2.5 billion in bribes to their government officials in 2009 (UNODC "Corruption in Afghanistan" 2010)
- Corruption driven by flood of foreign capital
 - As foreign money dries up, and foreigners pull out, corruption will settle in to a more native level (which is not to say that it will disappear)

Afghanistan and Pakistan

Culture of Corruption: Story Time

Foreign Corrupt Practices Act

(15 U.S.C. § 78dd-1, *et seq.*)

Antibribery (DOJ, criminal):

Prohibits bribery of foreign government or political officials for the purpose of obtaining or retaining business or securing any improper business advantage

Books and Records (SEC, civil):

Requires SEC-registered or reporting issuers to make and maintain accurate books and records and to implement adequate internal accounting controls

When it comes to FCPA compliance, the U.S. Government is unsympathetic to the differences between doing business in Sioux Falls and Kabul.

Foreign Corrupt Practices Act (FCPA)

Compliance

- Commitment from top down
- Policy and written compliance code, prepared by outside counsel and updated annually
- Regular communication with employees forward on developments in law an books and records compliance
- Compliance Officer responsible for oversight, available 24/7
- Zero-tolerance disciplinary procedures for violations
- Due diligence for local partners
- Anticorruption provisions in all contracts, both with U.S. clients and foreign partners