

NEW ZEALAND

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Romancing the stone

What's spurred investors to fund the recent round of searching and salvaging projects around the world, were several breakthroughs in electronic technology



A recent opportunity to share in the fortunes of galleon recovery, yes we're talking buried treasure here, proves that not all investments have to be boring. What's spurred investors to fund the recent round of searching and salvaging projects around the world, were several breakthroughs in electronic technology. High profile discoveries in recent years that have used this advanced electronic recovery technology include: the Titanic (using robot craft, at a depth of 12,000 feet) and the SS Central America. With a cargo of twenty tonnes of Californian gold, SS Central America was salvaged in 1989 by a specially developed remote operated craft at a depth of 8,000 feet... nice booty in anyone's language.

Marine search equipment can now operate at great depths with uncanny accuracy. In fact, it's estimated that most of the gold that's still on the ocean floor, (around half the world's current supply) will be recovered using new technology over the next 10 years. For example, electronic recovery technology means salvors can 'see' several metres below the ocean floor and through solid coral. They can position their boats on the earth's surface to an accuracy of less than half a metre. Some equipment can even scan the ocean floor, giving elevated views of objects the size of a coffee table.

It was technology recently-developed to exploit rapidly emerging opportunities in the field of ancient wreck recovery, that led to the development of Australia-based Maritime Archaeological Investments Ltd (MAIL). Taking a decidedly new approach to finding old treasures, MAIL is the first company in Australian history to offer an investment opportunity (of this kind) to the general public under an Offer Information Statement (lodged with the Australian Securities and Investments Commission ASIC, together with all the necessary disclosure requirements).

What MAIL proposes to do is initiate projects under its own management. It also plans to invest in projects initiated by others where it can have a significant influence. Arising



THE PILAR PROJECT

The *Pilar* was a galleon or patache built for the Spanish in the Philippines in 1688 for the purpose of trade between Spain's New World and Chinese merchants in the Philippines. The trade had as its basis the transportation of huge quantities of silver and gold from Acapulco in Mexico to Manila. This was the world's first great ocean trade route, which flourished for more than 250 years from the mid 16th Century. Significant details of the trade and the circumstances of the wreck have been located amongst Spanish records in Seville and other sources. These are described in a comprehensive document, the Research Design, submitted to the Guam Government by PPL in 1991. Of particular significance are manuscripts of a Court of Enquiry into the sinking.

from the 'Spanish New World Trade', there is a concentration of potentially valuable Spanish wrecks in the Caribbean, the Gulf of Mexico, down the South American West Coast, off the Florida Coast, and on the Pacific trade route, between Acapulco and Manila.

Of these locations, the Pacific trade route has received less attention from intending salvors than the others. Two such projects in which MAIL has been offered the lead investment role include: the *Pilar* Project in Guam and the Marquesas Keys Project in the Gulf of Mexico. MAIL will predominantly specialise in galleon recovery for two main reasons.

- * Their precious and highly valuable cargoes, which should lead to high investment returns from successful recoveries.

- * The detailed records available in Seville, that enables thorough archival work to be completed before incurring survey costs.

How the offer works

So how does the MAIL investment actually work? Since launching the offer last November, MAIL has attracted over A\$600,000 from 500 shareholders in Australia, the US, Ireland, the UK and the Bahamas. Retail investors who want an exposure to MAIL's upside can buy as little as \$500 worth of A\$1 shares. Under ASIC rulings, MAIL can only raise up to \$5m (using Offer Information Statement). It's understood that MAIL plans to use bank loans to carry out salvage in the event of a major find.

Once there is a main find, MAIL plans to list on the main board of the ASX to fund further projects. It

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THE MARQUESAS KEYS PROJECT

The Nuestra Senora de Atocha (Atocha) was one of a fleet of 28 Galleons carrying its fabulous New World Cargo en route from Cuba to Spain in 1622. Seven of these Galleons, including the Atocha, were sunk in the shallows of the Marquesas Keys, Gulf of Mexico, in a massive storm.

Over \$A700m of cargo has already been salvaged from the Atocha, in 1985 by its salvors. The Atocha team also discovered the remains of a second Galleon, the Santa Margarita, close to the Atocha, from which valuable cargo was recovered. However, the survey for this vessel was not completed and cargo listed on her manifest of highly significant value (up to \$100m) is yet to be recovered.

Contemporary reports record that the handful of survivors of the Atocha and Margarita reported seeing another Galleon, the Nuestra Senora de Consolacion sink close by, just off the Marquesas, in deeper water. This vessel has never been searched for as the greater depth (70 m) has protected it from salvors.

then plans to close the investment off to new investors. MAIL's chairman and founder Rod Hartley also advised Investor Monthly that once listed on the ASX, MAIL would also seek to take out dual-listings in both New Zealand and Singapore.

Shareholders have been given what effectively amounts to a 13 month window within which to make a major find. Assuming there is a major find, the proceeds from that find will be returned to shareholders by way of dividend. Based on initial projections, dividends could be well worth the punt. For example, based on an estimated booty of around A\$1bn from the Pilar alone, Hartley says shareholders could receive returns of up to 220 times their original investment.

So where is the recovery programme up to? MAIL is yet to find the major cargoes of vessels in either Guam or the Gulf of Mexico. But both projects have been following a trail to known artefacts, and some retrievals have already been made (see boxouts for detail). Due to a limited weather window for diving (three months a year), searching at the Pilar site has been slow. Nevertheless, following a two month survey, due out late May, Hartley expects to know by July whether in fact they will have found the Pilar or its whereabouts. Meantime, additional searching at the Gulf of Mexico site is expected to proceed after September.

While these projects remains high-risk, Hartley says findings to date prove that they're getting progressively closer to a major find. The downside risk, says Hartley is that neither project finds anything significant over the next 12 months. Assuming the worst, the shares could become worthless. But under tax law, the capital losses can be offset against other capital gains.

Based on the scientific evidence contained within the Offer Information Statement, the odds of Hartley and Co making a major find look encouraging. But as there are no guarantees, this investment best suits investors wishing to use punt money to add a bit of colour and excitement to their investment portfolio. ☺

MAIL's website is www.maritimeinvestment.com.au

However, modern developments have now put it within reach of Technical Divers using a helium-based breathing medium.

MAIL has been offered first right of refusal to take the lead investment role in the project to salvage the Margarita and the Consolacion.

During this survey on the Margarita site in October 2000, the team has already retrieved some remarkable artefacts including: ballast stones, an accepted sign of a large ancient wreck, 205 silver coins, a 1/4 oz gold Escudo, (this coin alone is thought to be worth up to US\$25,000) 3 gold chains, a gold and clear sapphire ring and other gold jewellery, various ornaments, some gold, 1/2 oz of gold nuggets, pottery sherds, a lead seal clearly showing a Coat of Arms, a jade sharpening stone decorated with Aztec Indian characters and a silver candelabra.