

Interim report to shareholders for the 6 months to 30 September 2016

Financial Result

Your directors submit the unaudited financial statements of Chatham Rock Phosphate Limited (CRP) for the six months to 30 September 2016. The trading result for the period was a loss of \$468,831 (2015 loss of \$398,076). An analysis of the result is provided in the table below

	6 months to 30 Sept 2015	6 months to 30 Sept 2016
Income	16	3,033
Expenses	(398,092)	(471,864)
Net Profit (loss) before income tax	(398,076)	(468,831)
Income tax	-	-
Net profit (loss) after tax	(398,076)	(468,831)

The increased deficit for the six months to 30 September 2016 can be largely attributed to legal fees relating to the TSX.V listing/merger and the disputes with NZPaM (permit fees over-charged 900%) and the EPA cost recovery billing dispute. These are all one-offs and not expected to continue.

Fundraising

We've achieved some very satisfying milestones during 2016. The highlight has been raising sufficient new capital to continue to progress our projects for the next 15 months.

Our share purchase plan seeking \$600,000 was oversubscribed. Thank you everyone who subscribed, many sticking with us for several years and continuing to share our faith in our ultimate success.

We've also made various share placements to qualified investors (new and existing) over recent months and are also delighted to have new cornerstone shareholders from Malaysia, Switzerland and Germany.

Since the initial rejection by the Environmental Protection Authority of our marine consent application in February last year we have raised \$3.7 million – despite our share price having been slaughtered.

While we've had to dilute some existing shareholders to keep Chatham functioning by raising capital at much lower prices, we believe preserving some value and delivering on our goals will ultimately produce strong returns for all shareholders.

Our ability to raise money against the odds underscores the fundamental attractiveness of the Chatham Rise project and the perceptiveness of our ever-enlarging shareholder base. Directors and management interests, along with our two new cornerstone investor groups, now each hold about 13% of the company.

The present share price of 0.9c values Chatham at \$7.5 million – less than a fifth of our market value in February 2015. We believe Chatham is now in a stronger position than it's ever been due to the knowledge gained during the marine consent application process.

Takeover Offer

This week we received a notice of takeover offer from Antipodes Gold which will enable Chatham to list on the Toronto Stock Exchange. The actual takeover offer will be despatched just before Christmas and we are expecting that the process will be largely completed by the end of January 2017.

Antipodes approved the proposed reverse takeover of Chatham a year ago, by July we had secured funding to operate until the end of 2017, and have subsequently been engaged in the process of securing approval to merge. We now expect the merger documents to go out within the next few days.

Together with the Antipodes shell we inherit some funds associated with the merger, a Toronto director, 1,003 resources-sector shareholders in a number of countries, and a Canadian corporate support structure. This merger will strengthen Chatham, complement our New Zealand listing and provide new opportunities for existing Antipodes shareholders.

Recommending Chatham shares

During our capital raising in June we met with Geneva based investment banking firm RAMPartners SA whose analysts prepared an independent research report, which is now on our website.

Key points include a buy recommendation with a price target of 50c compared with the current market price of 0.9c. RAMPartners project value of \$472 million makes assumptions relating to the market price of rock phosphate, Chatham's production costs and relevant currency interactions. It includes a detailed examination of the permit risk Chatham still faces and the evolving factors mitigating this risk.

Encouragingly the valuation also concludes our management team "has the necessary skills, ability, devotion, focus and skin in the game" to make our project work. The full research report is available to review on our website.

Operational Focus

Chatham will be reapplying for a marine consent following further consultation with stakeholders, a potential revision of the project and further research on some scientific issues.

We're also:

- Working with government ministries on improving the permitting process
- Observing Trans Tasman Resources progressing on its marine consent application and taking heed of their modified approach
- Developing trading relationships with participants in the phosphate sector
- Sourcing on-shore rock phosphate deposits
- Building farming sector, academic, industry and central government support for the use of Chatham rock phosphate as an environmentally friendly product
- Commissioning further pot tests to be followed by field trials
- Presenting at fertiliser, resources sector and environmental conferences.

Both we and the EPA have learned a lot from our initial consent application. We're confident this will result in improved application and hearing processes and we'll resubmit an even better application to robustly deal with the issues on which we were rejected.

Chatham Rock Phosphate speaks at UMC conference

Chatham Rock Phosphate (Chatham) was a keynote presenter at the Underwater Mining conference held at Incheon in South Korea in October. Chatham CEO Chris Castle updated the scientists, marine miners, sector investors and other industry players attending the conference from 17 countries on the company's present status and forward plans.

His address, the central theme of this being that Chatham is back on track, will be re-submitting a marine consent application and is not going away, was warmly received. The project is very much on the world stage and it's clear that the New Zealand Environmental Protection Authority's ability to effectively evaluate marine mining proposals is under an international microscope.

Chatham rock phosphate's many benefits

We continue to believe the Chatham Rise project remains hugely valuable for all the same reasons:

- ✓ Environmental benefits
 - much lower run off to lakes and rivers
 - very low cadmium
 - much lower carbon footprint
- ✓ Security of fertiliser supply for farmers
- ✓ An ethical source – New Zealand's main source of phosphate is from a disputed territory
- ✓ Highly profitable – forecast annual earnings of \$90 million before royalties and tax, with low mining costs - equivalent to shipping cost
- ✓ Good for New Zealand:
 - \$34 million in annual taxes and royalties
 - millions in port charges
 - high-value, knowledge-based jobs in the port, on the mining ship, doing environmental monitoring and scientific research, in agriculture and hospitality and the Chatham Is

- New Zealand could become a world leader in marine technology and expertise potentially worth billions of dollars
- Our work at sea enhances knowledge of our marine environment to help identify areas most deserving of conservation.

For all these reasons we remain puzzled by environmental groups which, through opposing our Chatham project, condone New Zealand importing all our phosphate needs, so exporting our environmental footprint to countries mining phosphate where it involves severe social and environmental distress.

Marine mining is not new

Contrary to the proposition advanced by poorly informed anti-marine mining advocates, marine mining is not a new idea. Tin mining in Asia, diamond mining offshore South Africa and Namibia, and most significantly, aggregate mining offshore the United Kingdom and other European countries has been undertaken for several decades. In the UK and Europe the construction industry (roads, buildings, etc) relies heavily on raw materials recovered from the ocean.

In parallel, maintenance dredging of river channels and port entrances has been routinely undertaken for at least a century. The environmental impact of this activity is the same, is much closer to coastal communities and has accordingly been subject to rigorous scrutiny for a very long time.

How the use of RPR will improve water quality in NZ

OVERSEER is a software tool widely used by New Zealand farmers and their advisors to tailor fertiliser use to optimise farm production while minimising environmental impacts.

Developed originally by AgResearch, it's now jointly owned with the Ministry of Primary Industries and the Fertiliser Association. An independent organisation, Overseer Ltd, has been licensed to use the OVERSEER IP to create a sustainable business that delivers OVERSEER to users.

Recently the software application was upgraded and the latest version 6.2.3 was used to compare various farming scenarios to assess what impact changing the type of phosphate fertiliser used has on the amount of P loss to water. In all scenarios evaluated the use of RPR resulted in less phosphate loss to water than would be the case with soluble phosphate fertilisers such as Superphosphate.

When OVERSEER was used to compare various farming scenarios the P loss was on average 18% lower when RPR fertiliser was used compared to using Superphosphate. According to independent studies, changed farming practices resulting from using RPR over an extended period could result in up to 80% less phosphate run-off.

This advance provides more evidence for farmers and their advisors that RPR offers a more environmentally friendly source of phosphorus to New Zealand farmers. Over time this should result in increased use of RPR as it is substituted for superphosphate and other phosphate fertilisers.

This is very relevant to Chatham Rock Phosphate because our rock phosphate is a particularly effective form of reactive rock phosphate, demonstrated by extensive field trials undertaken in the mid-1980s and reinforced by recent tests.

As well as representing a secure local source, Chatham Rise-sourced RPR contains ultra-low levels of cadmium levels and creates far fewer carbon emissions, so has a much lower carbon footprint than current northern hemisphere supplies.

As the Chatham Rise deposit will likely not be mined until 2020, we have identified several overseas sources of RPR and can import this rock on request. We are already working with a private New Zealand-based fertiliser company to satisfy the existing demand for reasonably priced material.

Spreading the risk

We're confident we will get environmental approval next time, but we want to broaden our investor appeal by becoming a more diversified operation so not all our eggs are in one basket.

As well as the five marine applications in Namibia, we are developing relationships with other players in the market, maintaining our relationship with Boskalis, looking at other projects and entering the phosphate trading market.

Looking Forward

The second half of this financial year should see CRP make significant progress including the merger with Antipodes Gold (and the associated TSX.V) listing, achieve further progress toward the resubmission of our marine consent application, and a further fundraising programme in order to finance the reapplication.

Chris Castle
Managing Director

Robert Goodden
Chairman

December 22, 2016