

## **REPORT TO SHAREHOLDERS FOR THE YEAR TO 31 MARCH 2017**

### **Corporate Activity**

During the last 12 months CRP has been restructured, is now Stock Exchange listed in New Zealand, Canada and Germany and has acquired two new significant cornerstone investor groups.

The purpose of these changes was to better position Chatham on the world stage to more effectively raise funds from international investors, these funds being required to reapply for the Marine Consent required to give effect to our granted mining permit.

The TSX.V listing in Canada was achieved by means of a merger with dual listed Antipodes Gold, which, having sold its Coromandel based gold assets to Newmont New Zealand, was a cashed-up shell.

That process was complex, highly regulated and took over a year to complete.

In parallel with that CRP undertook multiple investor roadshows in Europe and Canada and continued to steadily raise working capital from investors there, in New Zealand and in Asia. CRP has now raised more than \$4.6 million since the Marine Consent was declined in February 2015.

During the period the market capitalisation has recovered from \$2.4 million to \$9.5 million.

The cornerstone investors are based in Singapore, Germany and Switzerland and together with the CRP management team hold, directly and indirectly, approximately 40% of the company. The rest of the shares are held by more than 1,500 shareholders in nine countries.

In Q3 2017 CRP is expecting to raise the funds required to complete the Marine Consent reapplication and to cover the costs of the hearing.

### **Operational Focus**

The reapplication for the environmental permit will follow further consultation with stakeholders, a potential revision of the project and further research on some scientific issues.

CRP is also:

- Working with government Ministries on improving the permitting process
- Observing Trans-Tasman Resources' progress with its marine consent application and taking particular note of its modified approach
- Developing trading relationships with participants in the phosphate sector
- Identifying on-shore rock phosphate deposits overseas
- 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.

Importantly, recent changes to the EEZ Act are now law and these will change the way in which Marine Consent applications are heard as well as creating the opportunity to provide guidelines for decision makers. The absence, until now, of such guidelines was a notable handicap to decision making committees operating under the EEZ Act.

## **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 (less than 10mg/kg)
  - much lower carbon footprint
- ✓ Security of fertiliser supply for farmers
- ✓ An ethical source – New Zealand's current main source of phosphate is from a disputed territory
- ✓ Highly profitable due to mining and shipping costs
- ✓ Good for New Zealand:
  - Up to \$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
  - 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.

## **Selective Blindness**

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.

## **Healthier Waterways and Soils**

Chatham will deliver a secure and sustainable local supply of low-cadmium phosphate that will also reduce fertiliser run-off into waterways, produce healthier soils and shrink fertiliser needs over time. Chatham rock phosphate is ideal as an organic direct application fertiliser not processed with chemicals.

## **Cadmium is Becoming a Real Issue in Europe**

In a bid to protect the environment and public health the European Environment Committee (EEC) recently voted for new cadmium limits in phosphate fertilisers to come into force even faster than planned.

The Commission originally proposed reducing the limits from 60mg/kg to 40mg/kg after three years and 20mg/kg after 12 years. But the EEC voted to introduce the 20mg/kg limit after just nine years.

At the moment, 70% of EU phosphate imports are from north and west Africa, where cadmium levels are much higher than 20mg/kg - in some cases over 250mg/kg.

The estimated cost of removing the cadmium (if it's feasible) would raise rock phosphate prices by 10% - 15% and could make phosphate rock sourced from north and west Africa uncompetitive. The next most accessible source of phosphate for Europe is Russia.

It is thought the price of Russian phosphate could go up as the EEC has concluded European demand would outstrip supply. Difficult EU-Russian diplomatic relations complicate matters further.

The European Parliament will vote on the plans in September this year.

## **Security of Supply and Ethical Solution**

We noted in a recent announcement that the halting of a second phosphate shipment from the Western Sahara is intensifying the supply risk for New Zealand farmers. The need for New Zealand to secure its own low cadmium and ethical phosphate resource is highlighted by news Panama authorities detained Moroccan phosphate shipment from the Western Sahara after the Polisario independence movement claimed the cargo had been transported illegally.

The detention of the vessel carrying phosphate rock cargo from Morocco's OCP for Canada's Agrium is the second tanker recently stopped by a Polisario legal challenge, a new tactic the independence movement has been using in its conflict with Morocco. The first shipment was detained in South Africa in mid-May, has been unable to resume its journey to New Zealand and lengthy legal action to resolve the situation is expected.

Western Sahara has been disputed since 1975, when Morocco claimed it as part of the kingdom and the Polisario fought a guerrilla war for the Sahrawi people's independence.

Both New Zealand fertiliser manufacturers source a large part of their phosphate rock supply from that area, so the implications for farmers and the economically important agriculture sector are serious.

New Zealand needs to use its own source of ethically-produced, environmentally-friendly phosphate rock rather than importing product from a disputed territory.

The phosphate rock from Morocco is used to make New Zealand's predominant fertiliser superphosphate, which results in high levels of run-off with resulting pollution to our waterways and can also be detrimental to soil health over the long term.

## **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.

As well as representing a secure local source, Chatham Rise-sourced RPR (reactive phosphate rock) 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.

## **Spreading the Risk**

As the Chatham Rise deposit will likely not be mined until 2022, 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.

We are 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 next year should see CRP make significant progress toward the resubmission of our marine consent application, and a further fundraising programme in order to finance the reapplication.

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**Chris Castle**  
**President & CEO**

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**Robert Goodden**  
**Chairman**

**June 27, 2017**