

NEWS RELEASE 20-02

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## **CHATHAM PROVIDES A QUARTERLY UPDATE AND OUTLINES OUR ROADMAP**

**WELLINGTON New Zealand** – Chatham Rock Phosphate Limited (TSXV: “NZP” and NZX: “CRP” or the “Company”) wishes to provide another of our regular quarterly updates and also reiterate the intended roadmap going forward.

In this issue we cover:

1. Fundraising
2. Roadmap
3. Forward milestones
4. Positive external developments

### **Fundraising**

Chatham has adopted twin paths towards accessing the funding required to become fully permitted.

The first objective is to continue to raise working capital, effectively our life blood, until we become an operating company. This has been and will continue to be sourced through a series of international private placements, with most of the recent funds being raised from existing, NZ domiciled, shareholders.

We are also working with investor relations groups in Canada endeavouring to increase our investor base in that country. Surprising very few shares are held by Canadian investors, notwithstanding our primary listing being the TSX Venture Exchange. As a result our shares are rarely traded in Canada, particularly as most of our shareholders (both there and elsewhere around the world) are in for the longer haul. Our goal is to raise further funds in Canada with the expectation that there will then be more active trading in our stock.

The second objective is to source the substantial funds (about CAD 6 million) required to reapply for the Marine Consent (environmental permit). We already hold a granted mining permit but need (under NZ law) a separate permit in order to give effect to it.

Our target investors for the more substantial funding include a number of global companies in relevant sectors (shipping, dredging, fertiliser, marine mining and farming) as well as ultra-high-net-worth investors and green/ethical investment funds. We will continue to pursue numerous leads to these targeted investors with the confidence that past fundraising success will repeat.

### **The Roadmap**

Our key objective is to be granted the environmental permit on the second attempt.

We are very confident the outcome of a second application will be successful as a lot has changed since February 2015:

- we now have more experienced advisers to prepare and submit the application,
- the Environmental Protection Authority has refined and improved its operating procedures
- there have been a number of helpful changes in the relevant Act as well as supportive legal precedents.

Further, evolving farming related environmental standards, more rigorous health and safety standards and phosphate ethical supply issues tilt the playing field in our favour.

With so many positive changes the logic of reapplying is compelling.

The steps in the roadmap are:

1. Source CAD 6 million
2. Prepare a new Consent Application and all its related independent scientific reports, including some environmental data yet to be collected at sea. This is expected to take 15 months.
3. Submit the Application and undertake the hearing process with the Board of Enquiry - which by law can take no longer than nine months
4. On being granted the Consent, immediately negotiate a dredging contract with a services provider
5. The dredging services provider is expected to take up to two years to modify and commission a special purpose dredging ship.
6. In summary, we expect to go into production 4 years from the time funding is secured.

Various milestones and trends along the way should focus more attention on the project during that period.

### **Forward Milestones**

These include:

1. The elimination of financing risk. Our present market value is being adversely affected by two perceived risks. These are financing risk, and permitting risk. Once we are financed one of those risks goes away.
2. As we move through the permitting process Chatham will consult extensively with all potentially affected stakeholders and, as a result, our profile will enjoy more notoriety in New Zealand. In the past, similar circumstances have led to increased investor interest and an increase in our market capitalisation to over CAD 45 million. Our current market cap is CAD 3.1 million.
3. In the very near term, a judgement relating to the environmental permitting of another NZ based marine mining project will be released. Whatever the outcome of that judgement, Chatham will be better informed in shaping its own Consent Application. That judgement will not be a show stopper for us; indeed it will clear the air.
4. There are other marine phosphate mining applications currently stalled, two in Namibia and one offshore Mexico. Some of our overseas shareholders also hold shares (indirectly) in the Mexican project. When one or more of these projects are permitted we should enjoy collateral benefits.
5. Chatham is commissioning a New Zealand university to undertake preliminary research on the rare earths contained both within the phosphate nodules and in the seafloor muds. The results of this work should be available during 2020. To the extent they are recoverable, these rare earths could offer substantial by-product revenues.
6. Other ongoing trends likely to be very helpful for Chatham, particularly in a country governed by a Labour/Green/NZ First coalition, include increasing concerns about water quality, farm run-off, and carbon emissions. Our phosphate ranks as extremely environmentally friendly in all these aspects of national concern.
7. More rigorous international food and safety standards relating to cadmium in rock phosphate is affecting international traded rock phosphate very significantly. Chatham has been advised of its ultra-low cadmium levels on a number of occasions.
8. At present, the largest percentage of rock phosphate imported by New Zealand comes from a territory which has a disputed ownership. This dispute has led to two shipments being impounded (one permanently). The issues are complex, but it is clear that both security of

supply and the ethics of this trade are in some doubt. It is possible this source of supply may cease, as has been the case in respect of a number of phosphate buyers globally.

9. The grant of the Marine Consent. Upon the grant Chatham will be a fully permitted guardian of a multi-billion dollar source of low cadmium, reactive phosphate rock, relatively close to the key Asian markets. Given the strategic nature of the resource and the nil development costs required, the intrinsic value of the company will be significantly higher than at present.

### **Positive External Developments**

Chatham is benefiting from evolving social standards and views concerning a range of environment and health issues already referred to above. It's clear the greater likelihood of our gaining a social licence to operate (i.e. community approval) will improve our chances of being granted the Marine Consent.

And while we wait to reapply, Crown Research Institute NIWA is undertaking research on the Chatham Rise (not far from our mining permit area). The baseline information being gathered should be of immense benefit to those that operate in the area, including both Chatham and the fishing industry.

**For more information contact Chris Castle on 021 558 185 or [chris@widespread.co.nz](mailto:chris@widespread.co.nz) or check out [www.rockphosphate.co.nz](http://www.rockphosphate.co.nz)**

### **About Chatham Rock Phosphate**

Chatham Rock Phosphate is the custodian of New Zealand's only material resource of ultra-low cadmium, environmentally friendly pastoral phosphate fertiliser.

The resource represents one of New Zealand's most valuable mineral assets and of huge strategic significance because phosphate is essential to maintain New Zealand's high agricultural productivity.

New Zealand's current access to phosphate is vulnerable to economic and political events in the six countries controlling 98% of the world's traded phosphate reserves, with 85% of the total in Morocco and neighbouring state the Western Sahara.

Chatham takes very seriously the responsibility vested in it through its granted mining permit to use the world's best knowledge and technology to safely extract this resource to help sustainably feed the world.

Our initial environmental consenting process independently established extraction would have no significant impact on fishing yields or profitability, marine mammals or seabirds.

Our project ticks all the boxes: environmental, health, ethical, security of supply, economic, regional development, rare earths and other green minerals

- ✓ Our rock is a proven reactive phosphate rock. Using it results in much less run-off into waterways and an improved soil profile compared with the effects of manufactured fertilisers.
- ✓ It's an organic fertiliser with no additives and with the only processing being grinding and possible pelletisation
- ✓ It contains ultra-low levels of cadmium, a cancer-causing heavy metal with much greater concentrations in other rock phosphate deposits
- ✓ Being locally sourced and needing to be applied less frequently results in much lower

carbon emissions (in effect increasing the present NZ electric vehicle fleet from 10,000 to 29,000 vehicles)

- ✓ It is New Zealand's only significant source of phosphate and seabed extraction involves a far smaller environmental impact than that imposed on local overseas communities which mine phosphate
- ✓ The rock is located within one day's sailing distance and supply is far more secure (and more ethical) than phosphate rock imported from unstable regions on the other side of the world
- ✓ The project economics are attractive and Chatham will pay significant royalties and income taxes
- ✓ The project will generate new jobs in environmental monitoring, on the mining ship, in the home port and in the science and agricultural sectors
- ✓ Chatham rock phosphate has been independently shown to be as effective as other phosphate fertilisers used in New Zealand. We could provide the two fertiliser co-ops supplying most of New Zealand's fertiliser with a green fertiliser alternative to naturally complement their other products.

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