

## De-risking continues

Chatham Rock Phosphate (CRP) is moving closer to demonstrating a commercially and technically viable undersea mining project. Risks still remain, but the most significant are easing. Doubts over the technical viability of undersea seabed mining at the depths CRP is contemplating have reduced substantially, with global dredging major Royal Boskalis taking an equity stake in CRP. The other main risk, mining and environmental approvals, will be CRP's major focus over the coming 12 months.

### Undersea rock phosphate play

CRP is progressing the appraisal and potential development of a large permit area 450km offshore from the east coast of New Zealand's South Island. The area has been known since the 1950s to contain large deposits of high-grade rock phosphate on or near the seabed, 400m below the surface.

### Royal Boskalis: Global-scale validation

In July CRP announced that Dutch company Royal Boskalis, the world's largest integrated dredging company, would take up to a 20% stake in CRP. Boskalis has already had a significant association with the project having been selected as the preferred submitter of three mining concept studies tendered by global dredging operators in early 2011. In our view, Boskalis deciding to join the project at an equity level after completing extensive hands-on due diligence over the past 18 months is a very material endorsement of the project and of the confidence Boskalis has in the technical viability of its mining concept.

The Boskalis announcement followed earlier share placements to new and existing investors including a US-based private equity fund. The result is that CRP has recruited US\$12m of new funding since the start of the year. CRP remains committed to completing a secondary TSX-V compliance listing in Q412 as a means of laying a beachhead for future capital raisings.

### Risks

Despite the progress it has made, CRP still faces a number of significant project risks. In respect of technical risk, the most material lies in successfully executing its undersea mining concept. If sanctioned, the Chatham Rise project would be the first time that seafloor mining at depth has been undertaken anywhere in the world.

Regulatory risk distils largely to CRP securing the marine and mining licences it requires to support a commercial operation. CRP expects to submit an application for a mining licence in the next few weeks. Separate marine consents will be required and will be subject to a new regulatory regime. CRP intends applying immediately after the new regime comes into effect, expected to be in April/May 2013. The new regime will require all new applications to be dealt with within six months, meaning a decision should be expected in late 2013.

## Mining

Price  
NZ\$0.25

Market cap  
NZ\$25m

### Share price performance



### Business description

Chatham Rock Phosphate holds an exploration licence over 4,726km<sup>2</sup> off the east coast of New Zealand known to house significant seabed deposits of rock phosphate and other minerals.

### Catalyst: TSX-V listing

CRP is aiming to submit a TSX-V listing application before the end of Q312 with a target of listing before year-end. Although CRP's intention is not to accompany the listing with a capital raise, a compliance listing would substantially broaden the potential investor pool for future capital raisings when markets recover.

### Catalyst: Mining licence

CRP intends submitting a mining licence application to the regulator, New Zealand Petroleum & Minerals, by the end of September. CRP expects a six-month turnaround on its application, with an outcome likely to become known by the end of Q113.

### Catalyst: Marine consents

As its mining concept involves activities beyond New Zealand's 12-mile limit, marine consents will be required under new legislation currently going through Parliament. An application is expected to be lodged with the newly established Environmental Protection Agency in H113.

### Analyst

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**Management and project team****Managing director: Chris Castle**

Chartered accountant with more than 35 years' experience in the investment, corporate finance and mineral sectors. Also a non-executive director of TSX-V listed Asian Mineral Resources and ASX listed King Solomon Mines.

**Principal scientist: Dr Robin Falconer**

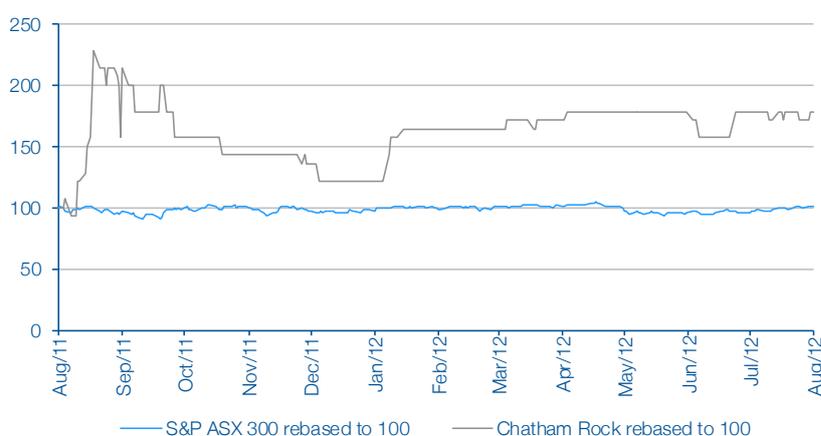
Formerly with GNS Science where he was the manager of research and the natural hazard group from 1995 to 2008. Prior to that, he was a consultant working nationally and internationally.

**Chief geologist: Campbell McKenzie**

Geologist with 15 years' minerals experience. Currently COO of Kenex. Previously managed the minerals unit within the Crown Minerals Group of the Ministry of Economic Development and New Zealand country manager for Neptune Minerals.

**Share data and price performance****Market data**

Ticker	CRP		
Listing	NZX		
Net debt (NZ\$m)	(0.3)		
EV (NZ\$m)	24.4		
Free float (%)	79		
Shares in issue (m)	98.7		
<b>Price performance</b>	<b>1m</b>	<b>3m</b>	<b>12m</b>
Absolute	0.0	0.0	78.6
Relative	(3.7)	(2.1)	68.5
	<b>High</b>	<b>Low</b>	
12 month range (A\$)	0.33	0.13	

**Share price performance relative to ASX 300****Shareholders, reporting dates and summary financial history**

Top shareholder	%	P&L (NZ\$'000s)	Mar 10A	Mar 11A	Mar 12A
Subsea Investments LLC	19.9%	Turnover	0	0	0
Boskalis Offshore BV	15.0%	Adj. EBITDA	(142)	(529)	(761)
Widespread Portfolios Ltd	14.1%	Adj. PBT	(107)	(506)	(749)
Odyssey Marine Exploration Inc	9.4%	Tax rate	0	0	0
Tasman Portfolio Ltd	3.7%	Adj. EPS	(0.6)	(2.0)	(1.6)
International Mining & Financing Corporation	3.3%	Adj. fully diluted EPS	(0.3)	(1.2)	(1.4)
Sensitivities evaluation		Balance sheet (NZ\$'000s)	Mar 10A	Mar 11A	Mar 12A
Litigation/regulatory	◐	Non-current assets	738	4,398	11,389
Commodity price	●	Current assets	553	455	478
Currency	○	Current liabilities	(132)	(250)	(3,621)
Stock overhang	◐	Non-current liabilities	(0)	(0)	(0)
Interest rates	○	Net assets	1,159	4,603	8,245
Reporting calendar	Date	Cash flow (NZ\$'000s)	Mar 10A	Mar 11A	Mar 12A
Interim report	Nov	Operating cash flow	(133)	(493)	(666)
		Capex	(105)	(819)	(3,848)
		Equity issued	396	1,045	4,396
		Net cash flow	163	(276)	39

Source: Company accounts, Thomson Reuters

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