

Chatham Rock Phosphate Announces Convertible Note Issue

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WELLINGTON, Jan. 16, 2019 - Further to our announcement of 11 January [Chatham Rock Phosphate Ltd.](#) (TSXV: "CRP" or the "Company") is pleased to confirm that we have resolved to make a convertible note issue to raise CAD1 million (NZD 1.1 million). The offer is restricted to qualified investors and is not open to retail investors. The offer is subject to acceptance by the TSX Venture Exchange.

- Offering:** Private placement of \$1.00 (NZD1.10) unsecured convertible promissory notes ("Notes") maturing years from the Closing Date ("Maturity").
- Size of Offering:** Offering of up to \$1,000,000 in Canadian currency (NZD 1,100,000).
- Minimum Subscription:** The minimum subscription is \$2,000 (NZD 2,200).
- Interest:** 10% per annum calculated and payable annually, in arrears, on December 31 of each year of the term of the Notes, commencing on the first business day following the Closing Date (as defined under the heading "Closing Date" below) with the first payment being made on December 31, 2019 as set forth under the heading "Interest Payments" below.
- Redemption:** The Notes will be redeemable at the Company's option at any time following the Closing Date upon payment of the outstanding principal amount of the Note and interest due or accruing up to the date of redemption, subject to the Investor's right of conversion as set forth under the heading "Conversion" below. Payment of the redemption price for the Notes shall be satisfied, at the Company's option, in cash or, if redeemed within two years of the Closing Date, by issuance of units of the Company ("Units"), each Unit having the value set forth under the heading "Unit Terms" below. If redeemed after two years following the Closing Date, payment of the redemption price for the Notes shall be satisfied, at the Company's option, in cash or common shares of the Company ("Shares"). If the Company elects to pay the redemption price in Units or Shares, as the case may be, the deemed redemption price shall be the same as the conversion prices as set forth under the heading "Conversion" below.
- Conversion:** Investors shall have the right, at any time, to convert the principal amount of the Notes into Units or Shares, as applicable, converted after two years following the Closing Date, into Shares, at any time prior to Maturity at the following conversion prices:
- (a) If converted on or before December 31, 2020, at a conversion price of Canadian \$0.14286 per Unit (equivalent to seven (7) Units per \$1.00 of Note principal);
 - (b) If converted after December 31, 2020 and on or before December 31, 2021, at a conversion price of Canadian \$0.25 per Unit or Share, as applicable (equivalent to four (4) Units or Shares per \$1.00 of Note principal);
 - (c) If converted after December 31, 2021 and on or before December 31, 2022, at a conversion price of Canadian \$0.3333 per Share (equivalent to three (3) Shares per \$1.00 of Note principal); and
 - (d) If converted after December 31, 2022 and on or before December 31, 2023, at a conversion price of Canadian \$1.00 per Share (equivalent to one (1) Share per \$1.00 of Note principal).
- Unit Terms:** Each Unit issuable upon redemption or conversion of the Notes shall be comprised of one (1) Share and one-half of one (1/2) non-transferable Share purchase warrant ("Warrants"), each whole Warrant entitling the investor to purchase one (1) additional Share at a price of \$0.45 per Share for a period of two years following the Closing Date. If Notes are redeemed or converted after two years from the Closing Date, only Shares shall be issued upon such redemption or conversion.
- Interest Payments:** All interest payment obligations under the Notes will be satisfied by the issuance of Shares to the Investor at a deemed price equal to the volume weighted average trading price of the Shares on the TSXV during the ten (10) trading days prior to the date on which each of the interest payments are due.

Subscription Bonus: Investors will be entitled to receive ten (10) free common share of Pacific Rare Earths Limited for each dollar (\$1.00) of Note principal subscribed for. The Pacific Rare Earth shares will be transferred by the Company from its existing holdings to the Investor on the Closing Date.

Commentary

Relative to the most recent trading prices on the TSX.V the conversion terms for the first two years are attractive.

Further, an investment in the convertible note entitles the investor to 10 free shares in CRP subsidiary Pacific Rare Earths Limited (PRE). As announced on September 5, 2018 this company has been formed to project-manage a work programme aimed at quantifying the extent, value and recoverability of Rare Earths Elements (REE) and other potentially strategic or valuable minerals contained in the rock phosphate nodules and in the seafloor muds on the Chatham Rise.

Also as announced in our October update to shareholders PRE and CRP have commissioned a substantial overseas company to undertake a research project aimed at separating valuable by-products (including rare earths) contained within the sandy seafloor matrix that contains the rock phosphate deposit.

The company will also be investigating the feasibility of extracting rare earths also contained in the rock phosphate nodules. 15 of the 17 known rare earths are present in these nodules.

Use of Proceeds

The proceeds of this convertible note issue will be used to provide interim working capital and to progress the re-application for the environmental permit.

As previously advised we are still actively communicating with the Capital Trust Group stakeholders as the company seeks to raise the capital which was a prerequisite to entering the transactions outlined in our announcement of 22 November. These transactions included an injection of USD 10 million into CRP and the acquisition by CRP of the Capital Trust Group.

If these transactions proceed they will likely provide an ongoing solution to our future funding requirements and hence the relatively small scale of this financing on such attractive terms.

Neither the Exchange, its Regulation Service Provider (as that term is defined under the policies of the Exchange), or New Zealand Exchange Limited has in any way passed upon the merits of the Transaction and associated transactions, and has neither approved nor disapproved of the contents of this press release.

SOURCE Chatham Rock Phosphate

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