

Chatham Rock Phosphate

Mining permit

Mining permit granted

Metals & mining

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New Zealand government authorities have notified their award of a 20-year mining permit to Chatham Rock Phosphate (CRP). This resolves an aspect of what had been increasing investor uncertainty over the past few months. Assuming it can now raise the further capital it needs to fund remaining pre-development costs, CRP will be able to apply for marine consents early in 2014.

Year end	Revenue (NZ\$m)	PBT* (NZ\$m)	EPS* (c)	DPS (c)	P/E (x)	Yield (%)
03/12	0.0	(0.8)	(1.6)	0.0	N/A	N/A
03/13	0.0	(1.4)	(1.3)	0.0	N/A	N/A
03/14e	0.0	(0.5)	(0.4)	0.0	N/A	N/A
03/15e	0.0	(0.8)	(0.5)	0.0	N/A	N/A

Note: *PBT and EPS are normalised, excluding amortisation of acquired intangibles, share-based payments and exceptional items.

CRP has received confirmation from New Zealand authorities that it has been awarded a 20-year mining permit over a 820km² area of the Chatham Rise. Permit conditions require CRP to lodge detailed engineering and feasibility studies sufficient to support a final investment decision (FID) within two years. Assuming that stage is reached, the mining permit requires minimum production of 800ktpa. Each of these conditions is well within CRP's own timelines and targets (it is targeting FID by the end of CY14 to an initial mine plan of 1.5Mtpa).

The award of the mining permit in our view serves as a significant de-risking milestone. We would have expected a greater than 14% share price response, although investors are likely awaiting further progress before attributing more value. The next milestone will be for CRP to secure the capital needed to fund its application for environmental marine consents, likely to cost c \$3.0m. With a mining permit secured, that should now become an easier proposition. An application is likely to be lodged in the New Year.

Our unrisks valuation remains for now at NZ\$2.04/share per our 22 August [update note](#). We intend to issue a full update to our CRP coverage shortly.

Price	NZ\$0.32
Market cap	NZ\$45m
	US\$/NZ\$1.20
Net cash (NZ\$m) as at 30 Sept 2013	0.8
Shares in issue	141.9m
Free float	37%
Code	CRP
Primary exchange	NZX
Other exchanges	N/A

Share price performance



Business description

Chatham Rock Phosphate holds a mining permit over a 820km² block off the east coast of New Zealand known to house significant seabed deposits of rock phosphate and other minerals. It also holds further exploration acreage in the area.

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