

Directors' Review for the year to 31 March 2019

Financial results

Your directors submit the audited financial statements of Aorere Resources Limited for the year to 31 March 2019. The trading result for the period was a loss of 271,000 (2018 - \$528,000 loss). The reduced loss arose due to a reduction in operating costs

Operations Report

As at 21 May 2019, our portfolio comprised the following investments.

Portfolio Analysis	
Asian Minerals	22,799
Chatham Rock	112,117
Minor investments	11,440
Cash	75,458
	221,814

Chatham Rock Phosphate

Chatham Rock Phosphate (“CRP”) remains the investment that we are most involved with operationally and it presently represents 50.5% of our assets. We are also one of the major CRP shareholders with 2.2% and in conjunction with AOR and CRP directors, staff and consultants hold 28.8%, effectively a controlling interest.

CRP was granted a mining permit in 2013 to develop New Zealand’s only significant source of environmentally-friendly pastoral phosphate fertiliser and is now preparing to embark on a revised environmental consent application.

CRP’s role is focused on delivering a secure and sustainable local supply of low-cadmium phosphate that will reduce fertiliser run-off into waterways, produce healthier soils and shrink fertiliser needs over time.

The resource has an estimated gross value of \$5 to \$7 billion, representing one of New Zealand’s most valuable mineral assets and is of huge strategic significance because phosphate is essential to maintain New Zealand’s high agricultural productivity. Local and international investors have contributed more than \$40 million to evaluate the project’s financial viability, environmental benefits and impacts, technical and logistical requirements, local and international product uses.

CRP proposes to extract up to 1.5 million tonnes of phosphate nodules from the top half metre of sand on identified parts of an 820km² area on the Chatham Rise, 450km off the west coast of New Zealand, in waters of 400m. The earlier environmental consenting process has established extraction would have no material impact on fishing yields or profitability, marine mammals or seabirds.

In progressing plans to submit a new application, CRP notes that the 2017 revisions to the 2013 EEZ Act achieved

helpful changes in the permitting process. CRP continues to interact with iwi, academic, industry and central government in order to get the message across that its success will ensure that New Zealand can benefit from an environmentally superior phosphate source.

Significantly, environmental permit grants relating to the mining of other marine phosphate deposits offshore Mexico and Namibia appear to be getting closer.

In March 2017, CRP listed on the Toronto Stock Exchange to provide a more useful share-trading platform for overseas shareholders and facilitate the capital raising needed for the consenting process and beyond.

Subsequently, at the request of their European shareholder base, CRP listed on the Frankfurt Stock Exchange.

As earlier announced CRP is also seeking to own other sustainable rock phosphate sources, to move from being a single project company.

Asian Mineral Resources

Our investment in TSX.V listed Asian Mineral Resources (AMR) dates back to 2000.

AMR has divested its 90-per-cent ownership interest in the Ban Phuc nickel mine in Vietnam to Ta Khoa Mining Ltd, a company established by its longstanding in-country senior manager, Stephen Ennor.

AMR is now effectively a shell company and the AMR Board is evaluating a number of opportunities with the objective of taking AMR in a new direction. We look forward with great anticipation to the next steps and remain represented on the AMR board.

The Future

We hold stakes in two companies that still have promising prospects.

Our other key asset is the NZX main board listing status enjoyed by Aorere Resources – these listings are expensive to achieve via an IPO process. Acquisition of a listing such as ours offers a path to market that can be an attractive alternative to private companies seeking to join the NZX. Your directors are exploring ways of unlocking this value while still retaining control of our existing assets.

As already announced we propose to seek further capital from shareholders in order to continue with these objectives.

Chris Castle
Managing director

Peter Liddle
Chairman

22 May 2019