

Antipodes Gold Limited

Independent Adviser's Report

Prepared Pursuant to Rule 22 of the Takeovers Code in Relation to a Full Takeover Offer for Chatham Rock Phosphate Limited

December 2016

Purpose of the Report

This report is **not** a report on the merits of the offer.

This report has been commissioned by the offeror, Antipodes Gold Limited.

The purpose of this report is solely to compare the consideration and terms offered for the different classes of securities and to certify as to the fairness and reasonableness of that consideration and terms as between the different classes of securities.

A separate Independent Adviser's Report on the merits of the offer, commissioned by the directors of Chatham Rock Phosphate Limited, must accompany Chatham Rock Phosphate Limited's target company statement.

The offer should be read in conjunction with this report and the separate Independent Adviser's Report on the merits of the offer.

Statement of Independence

Simmons Corporate Finance Limited confirms that it:

- has no conflict of interest that could affect its ability to provide an unbiased report
- has no direct or indirect pecuniary or other interest in the proposed transaction considered in this report, including any success or contingency fee or remuneration, other than to receive the cash fee for providing this report.

Simmons Corporate Finance Limited has satisfied the Takeovers Panel, on the basis of the material provided to the Takeovers Panel, that it is independent under the Takeovers Code for the purposes of preparing this Independent Adviser's Report.

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1. Introduction

1.1 Background

Antipodes Gold Limited (**Antipodes** or the **Company**) is listed on the TSX Venture Exchange (**TSXV**) operated by TMX Group Limited and is listed as an overseas listed issuer on the NZX Alternative Market (**NZAX**) operated by NZX Limited.

Until early 2015, the principal activity of Antipodes was exploration for gold in New Zealand. In March 2016, the Company completed the sale of all of its exploration assets and liabilities to OceanaGold Corporation.

On 24 November 2015, Antipodes received shareholder approval to undertake a reverse takeover of Chatham Rock Phosphate Limited (**CRP**).

CRP is a New Zealand based phosphate development company listed on the NZAX. It holds a mining permit of approximately 820 km² covering an offshore phosphorite deposit on the Chatham Rise, located 450 km south east of Wellington in the Exclusive Economic Zone of New Zealand. CRP also holds a prospecting permit application adjacent to the mining permit.

1.2 Antipodes Offer

Antipodes has issued notice of its intention to make a full takeover offer for all of the equity securities on issue in CRP (the **Antipodes Offer**).

CRP currently has 829,845,062 ordinary shares on issue:

- 733,150,230 fully paid ordinary shares (the **Paid Shares**)
- 96,694,832 unpaid ordinary shares (the **Unpaid Shares**).

The Paid Shares are voting securities and the Unpaid Shares are non-voting securities.

The Unpaid Shares constitute a separate class of non-voting securities for the purposes of the Takeovers Code (the **Code**).

Antipodes currently does not own any of the ordinary shares on issue in CRP.

Antipodes will offer:

- one Antipodes fully paid common share for every 65.59 Paid Shares (the **Paid Share Offer Price**)
- one Antipodes mandatory warrant for every 65.59 Unpaid Shares (the **Unpaid Share Offer Price**).

1.3 Regulatory Requirements

CRP is a listed company on the NZAX and is a *code company* as defined by Rule 3 of the Code. The takeover process contemplated by Antipodes must therefore comply with the provisions set out in the Code.

Rule 8(2) of the Code prescribes that a full offer must include offers in respect of all the securities in each class of equity securities, whether voting or non-voting, of the target company (other than those that are already held by the offeror).

Furthermore, Rule 8(4) of the Code prescribes that if non-voting securities are included in a full offer, the consideration and terms offered for non-voting securities must be fair and reasonable in comparison with the consideration and terms offered for voting securities and as between classes of non-voting securities.

In this particular case, the Code requires that the consideration and terms offered for the Unpaid Shares must be fair and reasonable compared with the consideration and terms offered for the Paid Shares.

As the offeror, Antipodes must obtain a report pursuant to Rule 22 of the Code from an independent adviser which certifies that, in the adviser's opinion, the offer complies with Rule 8(4).

1.4 Purpose of the Report

Antipodes' board of directors (the **Board**) has engaged Simmons Corporate Finance Limited (**Simmons Corporate Finance**) to prepare an Independent Adviser's Report to opine on whether the consideration and terms offered for the Unpaid Shares are fair and reasonable in comparison with the consideration and terms offered for the Paid Shares under the Antipodes Offer in accordance with Rule 22 of the Code.

Simmons Corporate Finance was approved by the Takeovers Panel on 12 August 2016 to prepare the Independent Adviser's Report.

The Independent Adviser's Report is not to be used for any other purpose without our prior written consent.

2. Evaluation of the Offer as Between Classes of Securities

2.1 Basis of Evaluation

Rule 22 of the Code requires that the Independent Adviser's Report certifies that the consideration and terms offered for the Unpaid Shares are *fair and reasonable* in comparison with the consideration and terms offered for the Paid Shares.

There is no legal definition of the term *fair and reasonable* in New Zealand in either the Code or in any statute dealing with securities or commercial law.

In the absence of an explicit definition of *fair and reasonable*, guidance can be taken from:

- the Takeovers Panel *Guidance Note on Independent Advisers and the Takeovers Code* dated 11 October 2016
- definitions designed to address similar issues within New Zealand regulations which are relevant to the proposed transaction
- overseas precedents
- the ordinary meaning of the term fair and reasonable.

Our assessment of whether the consideration and terms offered for the Unpaid Shares are fair and reasonable is based on the following approach:

- the Paid Share Offer Price of one Antipodes fully paid common share for every 65.59 Paid Shares provides the benchmark for our assessment in relation to the Unpaid Shares (although we stress that we make no attempt to determine whether the Paid Share Offer Price is itself fair and reasonable)
- accordingly, we determine the underlying fair value of the Unpaid Shares assuming an initial fair value for the Paid Shares of one Antipodes fully paid common share for every 65.59 Paid Shares
- the assessment then rests on a comparison of the Unpaid Share Offer Price with the underlying fair value of the Unpaid Shares.

In our view the assessment of the terms of the Antipodes Offer relating to the Paid Shares in comparison with the terms relating to the Unpaid Shares is inconsequential in this case. Both the holders of the Paid Shares and the holders of the Unpaid Shares will receive scrip consideration if they are capable of accepting and accept the Antipodes Offer and the Antipodes Offer to each group of shareholders is effectively contingent on the same set of conditions. Accordingly, we are of the opinion that the terms of the Antipodes Offer are equivalent as between the Paid Shares and the Unpaid Shares.

We stress that we have not attempted to assess the underlying value of the Paid Shares, but have used the Paid Share Offer Price as the benchmark for our assessment of the relativity between the offers for the 2 classes of securities.

2.2 Opinion

In our opinion, the consideration and terms offered for the Unpaid Shares are fair and reasonable in comparison with the consideration and terms offered for the Paid Shares.

We certify that in our opinion, the Antipodes Offer complies with Rule 8(4).

2.3 Comparative Value of the Unpaid Shares

Terms

A total of 224,999,999 Unpaid Shares have been issued to 3 investors between 3 March 2016 and 21 July 2016:

- George Wong Kim Pau and Happy Sim (**Wong & Sim**)
- Ernst Schönbacher
- General Research GmbH (**General Research**).

128,305,167 of the Unpaid Shares have been subscribed for and paid up since their issue. Accordingly, there are currently 96,694,832 Unpaid Shares on issue.

Unpaid Shares as at 30 November 2016				
	Wong & Sim	Ernst Schönbacher	General Research	Total
3 Mar 2016	58,333,333			58,333,333
10 May 2016	41,666,667			41,666,667
10 May 2016		66,666,666		66,666,666
10 May 2016			33,333,333	33,333,333
21 Jul 2016	25,000,000			25,000,000
Total Unpaid Shares issued	125,000,000	66,666,666	33,333,333	224,999,999
Paid Shares subscribed for	72,916,667	38,888,500	16,500,000	128,305,167
Remaining Unpaid Shares	<u>52,083,333</u>	<u>27,778,166</u>	<u>16,833,333</u>	<u>96,694,832</u>

The key terms of the Unpaid Shares are:

- the shares are issued as Unpaid Shares on their issue date
- the investor pays for approximately one twelfth of the shares each month after their issue date, paying an issue price of \$0.006 per share for each tranche of shares subscribed for (the **Subscription Price**)
- until the Subscription Price is paid, the Unpaid Shares carry no voting rights or distribution rights
- Unpaid Shares are credited up as fully paid as the Subscription Price is paid (ie they become Paid Shares).

Comparative Value with Paid Shares

Until the Subscription Price is paid, the Unpaid Shares carry no voting rights or distribution rights.

However, upon the payment of the Subscription Price of \$0.006 per share, the Unpaid Shares convert to Paid Shares.

Accordingly, we assess the comparative fair value of an Unpaid Share to equate to the fair value of a Paid Share less the Subscription Price.

Unpaid Share Offer Price

The Paid Share Offer Price is one Antipodes share for every 65.59 Paid Shares.

The Unpaid Share Offer Price is one Antipodes mandatory warrant for every 65.59 Unpaid Shares.

There is no concept of unpaid shares under Canadian law but mandatory warrants are a directly comparable instrument under Canadian law.

Antipodes has structured the mandatory warrants to exactly reflect the terms and conditions of the Unpaid Shares. The mandatory warrants have the following key terms:

- they are exchangeable into Antipodes shares on a 1:1 basis at an exercise price of \$0.394 per mandatory warrant
- they must be exercised by the holder on the same dates as the subscription amounts to pay up the Unpaid Shares would have otherwise been due to CRP and in the same monetary amounts
- they do not confer any voting rights or rights to dividends and are not transferable without the consent of Antipodes.

The exercise price of \$0.394 per mandatory warrant equates to the Unpaid Share Subscription Price x the Paid Share conversion ratio : $\$0.006 \times 65.59$.

In our opinion, the consideration and terms offered for the Unpaid Shares are fair and reasonable in comparison with the consideration and terms offered for the Paid Shares:

- the terms of the Antipodes mandatory warrants exactly mirror those of the Unpaid Shares
- the conversion ratio of one Antipodes security to 65.59 CRP securities is identical for both the Unpaid Shares and the Paid Shares.

3. Sources of Information, Reliance on Information, Disclaimer and Indemnity

3.1 Sources of Information

The statements and opinions expressed in this report are based on the following main sources of information:

- the draft Antipodes Offer Document
- the Antipodes Filing Statement dated 10 November 2016
- the CRP annual report for the year ended 31 March 2016
- the CRP Subscription Agreements in respect of the Unpaid Shares
- data in respect of Antipodes and CRP from NZX Company Research and S&P Capital IQ.

During the course of preparing this report, we have had discussions with and / or received information from the Board and Antipodes' legal advisers.

The Board has confirmed that we have been provided for the purpose of this Independent Adviser's Report with all information relevant to the Unpaid Shares that is known to them and that all the information is true and accurate in all material aspects and is not misleading by reason of omission or otherwise.

Including this confirmation, we have obtained all the information that we believe is desirable for the purpose of preparing this Independent Adviser's Report.

3.2 Reliance on Information

In preparing this report we have relied upon and assumed, without independent verification, the accuracy and completeness of all information that was available from public sources and all information that was furnished to us by Antipodes and its advisers.

We have evaluated that information through analysis, enquiry and examination for the purposes of preparing this report but we have not verified the accuracy or completeness of any such information or conducted an appraisal of any assets. We have not carried out any form of due diligence or audit on the accounting or other records of Antipodes or CRP. We do not warrant that our enquiries would reveal any matter which an audit, due diligence review or extensive examination might disclose.

3.3 Disclaimer

It is not intended that this report should be used or relied upon for any purpose other than as an expression of our opinion as to whether the consideration and terms offered for the Unpaid Shares are fair and reasonable in comparison with the consideration and terms offered for the Paid Shares.

This report is not a valuation of the Paid Shares or the Unpaid Shares. We expressly disclaim any liability to any CRP shareholder that relies or purports to rely on this report for any other purpose and to any other party who relies or purports to rely on this report for any purpose.

We have prepared this report with care and diligence and the statements in the report are given in good faith and in the belief, on reasonable grounds, that such statements are not false or misleading. However, in no way do we guarantee or otherwise warrant that any forecasts of future profits, cash flows or financial position of Antipodes or CRP will be achieved. Forecasts are inherently uncertain. They are predictions of future events that cannot be assured. They are based upon assumptions, many of which are beyond the control of Antipodes and CRP and their directors and management teams. Actual results will vary from the forecasts and these variations may be significantly more or less favourable.

We assume no responsibility arising in any way whatsoever for errors or omissions (including responsibility to any person for negligence) for the preparation of the report to the extent that such errors or omissions result from our reasonable reliance on information provided by others or assumptions disclosed in the report or assumptions reasonably taken as implicit, provided that this shall not absolve Simmons Corporate Finance from liability arising from an opinion expressed recklessly or in bad faith.

Our evaluation has been arrived at based on economic, exchange rate, market and other conditions prevailing at the date of this report. Such conditions may change significantly over relatively short periods of time. We have no obligation or undertaking to advise any person of any change in circumstances which comes to our attention after the date of this report or to review, revise or update this report.

We have had no involvement in the preparation of the Antipodes Offer Document and have not verified or approved the contents of the Antipodes Offer Document. We do not accept any responsibility for the contents of the Antipodes Offer Document except for this report.

3.4 Indemnity

Antipodes has agreed that, to the extent permitted by law, it will indemnify Simmons Corporate Finance and its directors and employees in respect of any liability suffered or incurred as a result of or in connection with the preparation of the report. This indemnity does not apply in respect of any negligence, wilful misconduct or breach of law. Antipodes has also agreed to indemnify Simmons Corporate Finance and its directors and employees for time incurred and any costs in relation to any inquiry or proceeding initiated by any person. Where Simmons Corporate Finance or its directors and employees are found liable for or guilty of negligence, wilful misconduct or breach of law or term of reference, Simmons Corporate Finance shall reimburse such costs.

4. Qualifications and Expertise, Independence, Declarations and Consents

4.1 Qualifications and Expertise

Simmons Corporate Finance is a New Zealand owned specialist corporate finance advisory practice. It advises on mergers and acquisitions, prepares independent expert's reports and provides valuation advice.

The person in the company responsible for issuing this report is Peter Simmons, B.Com, DipBus (Finance), INFINZ (Cert).

Simmons Corporate Finance and Mr Simmons have significant experience in the independent investigation of transactions and issuing opinions on the merits and fairness of the terms and financial conditions of the transactions.

4.2 Independence

Simmons Corporate Finance does not have at the date of this report, and has not had, any shareholding in or other relationship with Antipodes or CRP or any conflicts of interest that could affect our ability to provide an unbiased opinion in relation to the Antipodes Offer.

Simmons Corporate Finance has not had any part in the formulation of the Antipodes Offer or any aspects thereof. Our sole involvement has been the preparation of this report.

Simmons Corporate Finance will receive a fixed fee for the preparation of this report. This fee is not contingent on the conclusions of this report or the outcome of the Antipodes Offer. We will receive no other benefit from the preparation of this report.

4.3 Declarations

An advance draft of this report was provided to the Board for its comments as to the factual accuracy of the contents of the report. Changes made to the report as a result of the circulation of the draft have not changed the methodology or our conclusions.

Our terms of reference for this engagement did not contain any term which materially restricted the scope of the report.

4.4 Consents

We consent to the issuing of this report in the form and context in which it is to be included in the Antipodes Offer Document to be sent to CRP's shareholders. Neither the whole nor any part of this report, nor any reference thereto may be included in any other document without our prior written consent as to the form and context in which it appears.



Peter Simmons
Director

Simmons Corporate Finance Limited
5 December 2016