

Consolidated Financial Statements  
(Expressed in Canadian dollars)

## **CHATHAM ROCK PHOSPHATE LIMITED**

For the nine months ended December 31, 2021 and 2020

## CONTENTS

Consolidated Statement of Financial Position	2
Consolidated Statement of Operations and Comprehensive Loss	3
Consolidated Statement of Changes in Equity	4
Consolidated Statement of Cash Flows	5
Notes to the Consolidated Financial Statements	6-33

# CHATHAM ROCK PHOSPHATE LIMITED

Consolidated Statement of Financial Position  
(Expressed in Canadian dollars)

	Notes	As at Dec 31, 2021	As at March 31, 2021
<b>Assets</b>			
Current assets:			
Cash and cash equivalents		\$ 672,313	\$ 378,868
Accounts receivable and other receivables		11,236	3,182
Prepayments		50,935	135,038
		734,484	517,088
Non-current assets:			
NZX Bond		13,056	13,225
Mineral property interests	5	6,360,688	4,691,425
		6,373,744	4,704,650
<b>Total assets</b>		<b>\$ 7,108,228</b>	<b>\$ 5,221,738</b>
<b>Liabilities and Shareholders' Equity</b>			
Current liabilities:			
Trade and other payables	6	\$ 46,158	\$ 85,411
		46,158	85,411
<b>Total liabilities</b>		<b>46,158</b>	<b>85,411</b>
Shareholders' equity:			
Share capital	7	38,819,738	36,287,979
Warrants reserve		230,186	230,186
Foreign currency translation reserve		(242,146)	(159,150)
Employee share option reserve		451,688	214,381
Accumulated deficit		(32,197,396)	(31,437,069)
<b>Total shareholders' equity</b>		<b>7,062,070</b>	<b>5,136,327</b>
<b>Total liabilities and shareholders' equity</b>		<b>\$ 7,108,228</b>	<b>\$ 5,221,738</b>

Going concern (note 1)

Commitments and contingencies (note 16)

The accompanying notes form an integral part of these consolidated financial statements.

# CHATHAM ROCK PHOSPHATE LIMITED

Consolidated Statements of Operations and Comprehensive (Loss)/ Income

(Expressed in Canadian dollars)

For the nine months ended December 31, 2021 and 2020

	Notes	Three months ended Dec 31, 2021	Three months ended Dec 31, 2020	Nine months ended Dec 31, 2021	Nine months ended Dec 31, 2020
Revenue		\$ 1,214	\$ 1,340	\$ 3,860	\$ 3,840
Finance income		484	-	484	-
Finance expense		-	(378)	-	(3,410)
Net finance income/(expense)	11	484	(378)	484	(3,410)
Expenses					
General and administrative expenses	12	(416,695)	(105,366)	(764,671)	(351,218)
Expenses		(416,695)	(105,366)	(764,671)	(351,218)
Loss before income tax (continuing operations)		(414,997)	(104,404)	(760,327)	(350,788)
Income tax expense		-	-	-	-
Net loss for the period from continuing operations		(414,997)	(104,404)	(760,327)	(350,788)
<i>Other Comprehensive Income</i>					
Foreign currency translation**		(40,720)	198,630	(82,996)	396,810
Total comprehensive (loss)/profit for the period		\$ (455,717)	\$ 94,226	\$(843,323)	\$46,022
Basic shareholders' loss per share (Canadian cents)		\$ (0.58)	\$ (0.31)	\$ (1.26)	\$ (1.09)
Diluted shareholders' loss per share (Canadian cents)		\$ (0.58)	\$ (0.31)	\$ (1.26)	\$ (1.09)
Weighted average number of common shares outstanding		71,931,327	33,699,154	60,510,622	32,299,742

\*\*Items which can subsequently be reclassified to profit or loss

The accompanying notes form an integral part of these consolidated financial statements.

# CHATHAM ROCK PHOSPHATE LIMITED

Consolidated Statement of Changes in Equity  
(Expressed in Canadian dollars, except number of common shares)  
For the nine months ended December 31, 2021 and 2020

	Number of common shares	Number of warrants	Share capital	Warrants reserve	Foreign currency translation reserve	Employee share option reserve	Accumulated deficit	Shareholders' equity
Balance, April 1, 2020	26,303,440	5,563,646	35,108,126	230,186	(355,961)	214,381	(30,864,132)	4,332,600
Issue of shares, net of costs, and discretionary warrants	7,395,714	7,395,714	587,064	-	-	-	-	587,064
<i>Transactions with owners</i>			587,064	-	-	-	-	587,064
Loss for the period	-	-	-	-	-	-	(350,788)	(350,788)
Currency Translation Loss	-	-	-	-	396,810	-	-	396,810
Total comprehensive income for the period			-	-	396,810	-	(350,788)	46,022
<b>Balance, December 31, 2020</b>	<b>33,699,154</b>	<b>12,959,360</b>	<b>35,695,190</b>	<b>230,186</b>	<b>40,849</b>	<b>214,381</b>	<b>(31,214,920)</b>	<b>4,965,686</b>
Issue of shares, net of costs, and discretionary warrants	10,000,000	-	592,789	-	-	-	-	592,789
<i>Transactions with owners</i>			592,789	-	-	-	-	592,789
Loss for the period	-	-	-	-	-	-	(222,149)	(222,149)
Currency Translation Loss	-	-	-	-	(199,999)	-	-	(199,999)
Total comprehensive income for the period			-	-	(199,999)	-	(222,149)	(422,148)
<b>Balance, March 31, 2021</b>	<b>43,699,154</b>	<b>12,959,360</b>	<b>36,287,979</b>	<b>230,186</b>	<b>(159,150)</b>	<b>214,381</b>	<b>(31,437,069)</b>	<b>5,136,327</b>
Issue of shares, net of costs, and discretionary warrants	28,232,173	10,374,435	2,531,759	-	-	-	-	2,531,759
<i>Transactions with owners</i>			-	-	-	237,307	-	237,307
Loss for the period	-	-	2,531,759	-	-	237,307	-	2,769,066
Currency Translation Loss	-	-	-	-	(82,996)	-	(760,327)	(760,327)
Total comprehensive income for the period			-	-	(82,996)	-	(760,327)	(843,323)
<b>Balance, December 31, 2021</b>	<b>71,931,327</b>	<b>23,333,795</b>	<b>38,819,738</b>	<b>230,186</b>	<b>(242,146)</b>	<b>451,688</b>	<b>(32,197,396)</b>	<b>7,062,070</b>

The accompanying notes form an integral part of these consolidated financial statements.

# CHATHAM ROCK PHOSPHATE LIMITED

Consolidated Statements of Cash flows

(Expressed in Canadian dollars)

For the nine months ended December 31, 2021 and 2020

Notes	Three months ended Dec 31 2021	Three months ended Dec 31, 2020	Nine months ended Dec 31, 2021	Nine months ended Dec 31, 2020
Cash flows from operating activities:				
Net interest received	\$ -	\$ -	\$ -	\$ -
Cash received from suppliers	1,214	1,340	3,860	3,840
Cash paid to suppliers	(109,243)	(117,855)	(456,994)	(597,682)
Interest paid	-	(378)	-	(1,687)
Tax refund received	-	-	-	-
Net cash (used in) operating activities	16 (108,029)	(116,893)	(453,134)	(595,529)
Cash flows from investing activities:				
Payments in respect of exploration and evaluation	(167,334)	(6,357)	(357,664)	(72,492)
Net cash (used in) investing activities	(167,334)	(6,357)	(357,664)	(72,492)
Cash flows from financing activities:				
Proceeds from issue of share capital, net of issue costs	250,800	93,699	1,126,897	680,763
Net cash from financing activities	250,800	93,699	1,126,897	680,763
Net increase/(decrease) in cash and cash equivalents	(24,563)	(29,551)	316,099	12,742
Cash and cash equivalents, beginning of period	707,669	78,166	378,868	12,352
Effect of foreign exchange rate fluctuations on cash held	(10,793)	386	(22,654)	23,907
Cash and cash equivalents, end of period	\$ 672,313	\$ 49,001	\$ 672,313	\$ 49,001

The accompanying notes form an integral part of these consolidated financial statements.

# CHATHAM ROCK PHOSPHATE LIMITED

Notes to the Consolidated Financial Statements  
(Expressed in Canadian dollars, unless otherwise stated)  
For the nine months ended December 31, 2021 and 2020

---

## 1. Nature of business and going concern

Chatham Rock Phosphate Limited (the “Group” or “CRP”) is a development-stage Group incorporated under the Business Corporations Act (British Columbia) and listed on the Toronto Stock Exchange’s Venture Exchange (“TSX-V”). The Group is also registered on the overseas company register under the New Zealand Companies Act 1993 and listed on the New Zealand Stock Exchange (“NZX”). The Group is an FMC reporting entity under part 7 of the Financial Markets Conduct Act 2013 (New Zealand).

The Group comprises the parent Group and its wholly owned subsidiaries. The financial statements are presented for the consolidated group.

The acquisition of Avenir Makatea was the first step in the Group’s strategy to build an international phosphate mining and trading house with a focus on low cadmium, organic phosphate.

The Group’s registered offices are:

- 3200 – 650 West Georgia Street, Vancouver, B.C., Canada V6B 4P7
- Level 1, 93 The Terrace, Wellington 6011, New Zealand

Accordingly, the Group has reporting obligations in both the Canadian and New Zealand jurisdictions.

### *Going concern*

These consolidated financial statements have been prepared on a going concern basis, which assumes that the Group has the ability and intention to continue operations for a period of at least 12 months from the date of the approval of the financial statements. The following conditions indicate the existence of a material uncertainty that may cast significant doubt on the validity of this assumption.

### **Marine consent re-application**

In respect to the development and exploitation of the Chatham Rise rock phosphate deposit offshore New Zealand, the Group requires a marine consent in order to undertake its proposed operations. On February 11, 2015, the Group was refused Marine Consent by an Independent Decision Making Committee (DMC) convened by the Environmental Protection Authority (EPA), New Zealand’s environmental regulator on grounds which the Group disputes. The Directors plan is to re-submit its Marine Consent application with the EPA once additional funding (see below) has been secured. Management has conducted an independent review of the marine consent application and the EPA judgement and has identified the areas where their application was deficient. These deficiencies are to be addressed and communicated as part of the re-submission. The outcome of the re-submission is uncertain.

### **Additional funding**

The Group incurred a net loss of \$414,997 during the three months ended December 31, 2021 (2020: \$104,404 net loss) and as of that date the Group’s current assets exceed its current liabilities by \$688,326 (March 31, 2021: current assets exceed its current liabilities by \$431,677). During the three months the Group had operating cash outflows of \$108,029 (2020: \$116,893), investing cash outflows of \$167,334 (2020: \$6,357), and financing cash inflows of \$250,800 (2020: \$93,699). The cash balance at the end of the period was \$672,313 (December 31, 2020: \$49,001).

# CHATHAM ROCK PHOSPHATE LIMITED

Notes to the Consolidated Financial Statements  
(Expressed in Canadian dollars, unless otherwise stated)  
For the nine months ended December 31, 2021 and 2020

---

## 1. Nature of business and going concern (continued)

The Directors forecast that they have sufficient cash to continue to fund operations for at least 12 months from the date these financial statements are signed. While management do not currently have committed funding to fund operations beyond this point, or to fully fund the marine consent re-application in its entirety, it has a history of raising additional funds and therefore expects to continue to meet its obligations for the foreseeable future, and to raise funding to complete the marine consent re-application.

Management's cash flow forecasts include the following assumptions:

- The Group continues to manage its corporate costs appropriately within existing available funds.
- The Directors will continue to raise further capital as required by one of a combination of the following: placement of shares; pro-rata issue to shareholders; and/or further issue of shares to the public.
- Expenditure is scalable such that the Group can continue to operate depending on funding obtained. This includes continuing to operate for a period of 12 months from the date of the approval of the financial statements in the event no further funding is obtained during that period.
- The Directors plan to evolve the company from a single project focus into a more diversified company, principally involving other phosphate assets. The recent completion of the Avenir Makatea acquisition, as disclosed in Note 19 is a step in that direction.

The Group has obligations under the Minimum Work Programme for its existing mining permit as disclosed in Note 16. The work programme commitments have been met to date. The intention is for the Group to apply for a further change in conditions from the New Zealand Petroleum and Minerals (NZPAM) before the next minimum work programme commitment is due in December 2021, similar to what the Group has done in the past. However, no assurance can be given that the Group's revised timing of satisfaction of the conditions will be accepted by NZPAM, when completed and presented. Any failing could result in the termination or modification of the Mining Permit, which could have a material adverse effect on the financial condition, operations and prospects of the Group.

In preparing these consolidated financial statements, the Directors have considered the above material uncertainties. They believe that the plans they have implemented to address the uncertainties are feasible. In reaching this assessment, the Directors have considered:

- the independent review of its marine consent application including the identified areas of deficiency and its assessment of further study of how these deficiencies can be addressed;
- the Group's past success in managing costs to meet available funding; and
- the Group's previous ability to raise equity funding.

On this basis, the Directors believe that the Group has the ability to generate sufficient funding to continue operations for at least the next 12 months from the date of authorising the financial statements. Hence, they consider the use of the going concern basis is appropriate.



# CHATHAM ROCK PHOSPHATE LIMITED

Notes to the Consolidated Financial Statements  
(Expressed in Canadian dollars, unless otherwise stated)  
For the nine months ended December 31, 2021 and 2020

---

## 1. Nature of business and going concern (continued)

These financial statements do not include any adjustments that may be made to reflect that situation should the Group be unable to continue as a going concern, which means it may not be able to realise its assets or settle its liabilities in the normal course of business. Such adjustments may include realising assets at amounts other than those recorded in the financial statements, in particular the Chatham Phosphate property interest of \$4,685,762. In addition, the Group may have to:

- provide for further liabilities that may arise; and
- reclassify certain non-current assets and liabilities as current.

### COVID-19

- The current outbreak of COVID-19 and the subsequent quarantine measures imposed by the New Zealand government as well as the travel restrictions imposed by New Zealand and other countries since early 2020 have caused disruption to businesses and economic activity. These restrictions have continued during the financial three months ended 31 December 2021.
- The Group has considered the nature of the event and concluded that given the operations of the Group is limited; the impact on the Group is minimal.

## 2. Basis of preparation

### (a) Statement of compliance:

These consolidated financial statements have been prepared in accordance with the principles of the International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

### (b) Approval of the financial statements:

The consolidated financial statements for the three months ended December 31, 2021 were reviewed by the Audit Committee and approved and authorized for issue by the Board of Directors on March 1, 2022.

### (c) Basis of measurement:

These consolidated financial statements have been prepared on the historical cost basis, utilising the accrual method of accounting unless otherwise described in the following notes.

### (d) Functional and presentation currency:

These consolidated financial statements are presented in Canadian dollars (\$) as the Group's primary listing is on the Toronto Stock Exchange's Venture Exchange. The functional currency of the parent company is Canadian Dollars and the functional currency of Chatham Rock Phosphate (NZ) Limited, the subsidiary company, is New Zealand dollars (NZD). The function currency of Avenir Makatea Pty Ltd, the other trading subsidiary is Australian dollars (AUD). These currencies represent the currency of the primary economic environment of the parent and the subsidiaries, respectively.

# CHATHAM ROCK PHOSPHATE LIMITED

Notes to the Consolidated Financial Statements  
(Expressed in Canadian dollars, unless otherwise stated)  
For the nine months ended December 31, 2021 and 2020

---

## 2. Basis of preparation (continued)

### Currency translation:

Transactions in currencies other than the functional currency are recorded at the rate of exchange prevailing on the date of the transaction. Monetary assets and liabilities are translated at the exchange rate in place on the reporting date. Non-monetary items that are measured at historical cost in a foreign currency are translated at the exchange rate on the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date the fair value was determined. Foreign currency translation differences are recognised in profit or loss.

For consolidation purposes, Chatham Rock Phosphate (NZ) Limited and Avenir Makatea Pty Ltd are translated into the Group's presentation currency of Canadian dollars. Assets and liabilities are translated using the exchange rate prevailing at the end of the reporting period. Income and expense items are translated at the average exchange rate for the relevant period. Translation differences are recognised in other comprehensive income (loss) and are accumulated within equity in the currency translation reserve.

### (e) Significant accounting judgements, estimates and assumptions:

The preparation of the consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial three months, are described below. The Group based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Company. Such changes are reflected in the assumptions when they occur.

In the process of applying the Group's accounting policies, management has made the following judgements, which have the most significant effect on amounts recognised in the consolidated financial statements:

### *Share-based payment transactions*

The Group measures the cost of equity-settled transactions by reference to the fair value of the equity instruments at the date at which they are granted. The Company includes an estimate of forfeitures, share price volatility, expected life of awards, and risk-free interest rates in the calculation of the expense related to certain long-term employee incentive plans. These estimates are based on previous experience and may change throughout the life of an incentive plan. Such changes could impact the share-based payments reserve.

# CHATHAM ROCK PHOSPHATE LIMITED

Notes to the Consolidated Financial Statements  
(Expressed in Canadian dollars, unless otherwise stated)  
For the nine months ended December 31, 2021 and 2020

---

## 2. Basis of preparation (continued)

### *Exploration and evaluation costs*

Significant judgement is required in determining whether it is likely that future economic benefits will be derived from the capitalised exploration and evaluation expenditure. In the judgement of the Directors, at December 31, 2021 exploration activities in each area of interest where amounts remain capitalised have not yet reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves. Active and significant operations in relation to each of those areas of interest are planned and nothing has come to the attention of the Directors to indicate future economic benefits will not be achieved.

The Group cannot commence mining operations without the Marine Consent. The Group filed for the Marine Consent on May 14, 2014 but was declined on February 11, 2015. While the Group considers that it has a good case to receive the Marine Consent on re-application, there is no guarantee that the Marine Consent will be granted. If the Marine Consent is not granted or is granted subject to economically unfeasible conditions, the Group will not be able to proceed with mining operations in respect of the Mining Permit, which could have a material adverse effect on the financial condition, operations, and prospects of the Group.

In the event where ongoing committed activities cannot be funded by existing financial resources, the Group will either need to raise additional capital, or meet its obligations either by farm-out or partial sale of the Group's exploration interests, or subject to negotiation and approval, vary the minimum work requirements. The Directors are continually monitoring those areas of interest and are exploring alternatives for funding the development of those areas of interest when economically recoverable reserves are confirmed. If new information becomes available that suggests the recovery of expenditure is unlikely, the amounts capitalised will need to be reassessed at that time.

### (f) New accounting standards

#### *(i) New IFRS standards and interpretations adopted*

There are no other relevant standards and revisions to standards that have been published and are mandatory for the Company's accounting periods beginning on or after 1 April 2021.

#### *(ii) New IFRS standards and interpretations issued but not yet adopted*

There are no new standards or interpretations that have been issued and early adopted by the Group that are applicable to the Group.

## 3. Significant accounting policies

The accounting policies set out below have been applied consistently for all periods presented in these consolidated financial statements.

### (a) Basis of consolidation:

Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the Group. Control exists when the Company has power, exposure to variable returns and the ability to use that power to affect its returns from an entity.

# CHATHAM ROCK PHOSPHATE LIMITED

Notes to the Consolidated Financial Statements  
(Expressed in Canadian dollars, unless otherwise stated)  
For the nine months ended December 31, 2021 and 2020

---

## 3. Significant accounting policies (continued)

### (a) Basis of consolidation (continued):

Transactions costs, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred. Any contingent consideration payable is measured at fair value at the acquisition date. If the contingent consideration is classified as equity, then it is not re-measured and settlement is accounted for within equity.

Otherwise, subsequent changes in the fair value of the contingent consideration are recognised in profit or loss. The Group recognises the fair value of all identifiable assets, liabilities and contingent liabilities of the acquired business.

#### *Subsidiaries*

Subsidiaries are entities controlled by the Group. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

#### *Transactions eliminated on consolidation*

Intra-group balances are eliminated in preparing the consolidated financial statements.

These consolidated financial statements include the accounts of the Group and its subsidiaries. All inter-Group transactions and balances are eliminated on consolidation.

Significant subsidiaries of the Group are as follows:

Name	Country of incorporation	Effective interest
Chatham Rock Phosphate (NZ) Limited	New Zealand	100
Manmar Investments One Hundred and Six (Proprietary) Limited	Namibia	100
Pacific Rare Earths Limited	New Zealand	100
Avenir Makatea Pty Ltd	Australia	100
SAS Avenir Makatea	French Polynesia	100

The New Zealand & Namibia subsidiaries have a March 31, balance date. The Australian subsidiary has a June 30, balance date.

Manmar Investments One Hundred and Six (Proprietary) Limited and Pacific Rare Earths Limited both did not have any transactions during the three months ended December 31, 2021 and 2020.

### (b) Share capital:

Common shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and share options are recognised as a deduction from equity.

# CHATHAM ROCK PHOSPHATE LIMITED

Notes to the Consolidated Financial Statements  
(Expressed in Canadian dollars, unless otherwise stated)  
For the nine months ended December 31, 2021 and 2020

---

## 3. Significant accounting policies (continued)

### (c) Share purchase warrants:

The Group issues transferrable share purchase warrants as part of their common share capital offering. The warrants are classified as an equity instrument as it only allows the holder to purchase one common share at a fixed price and is a non-derivative contract.

The consideration received on the sale of share and share purchase warrant is allocated using the residual method. The allocated amounts are presented respectively as share capital and warrants reserve account, within the Statement of Changes in equity.

Any re-measurement adjustment, as a result of a subsequent modification of the terms of warrants, is not recognised within equity.

### (d) Share-based payments:

The Company has a share option plan, under which the fair value of all share-based awards as estimated using the Black-Scholes Option Pricing Model at the grant date and amortized over the vesting periods. An individual is classified as an employee when the individual is an employee for legal or tax purposes (direct employee) or provides services similar to those performed by a direct employee, including directors of the Company. The amount recognized as an expense is adjusted to reflect the number of awards expected to vest. The offset is credited to share-based payments reserve.

Upon exercise of the share purchase options, consideration paid together with the amount previously recognized in share-based payment reserve is recorded as an increase to share capital. Charges for share purchase options that are forfeited before vesting are reversed from the share-based payments reserves. For those share purchase options that expire or are forfeited after vesting, the amount previously recorded in share-based payments reserve is transferred to accumulated deficit.

### (e) Impairment:

Non-financial assets other than indefinite life intangibles are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

The Group conducts an annual internal review of asset values, which is used as a source of information to assess any indicators for impairment. If any impairment exists, an estimate of the asset's recoverable amount is calculated. Refer to factors considered in identifying whether the mineral asset may be impaired in Note (f).

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. Recoverable amount is the higher of an assets fair value less costs of disposal and value in use. Non-financial assets that have suffered an impairment are tested for possible reversal of the impairment whenever events or changes in circumstances indicate that the impairment may have reversed.

# CHATHAM ROCK PHOSPHATE LIMITED

Notes to the Consolidated Financial Statements  
(Expressed in Canadian dollars, unless otherwise stated)  
For the nine months ended December 31, 2021 and 2020

---

## 3. Significant accounting policies (continued)

### (f) Mineral property interest:

Exploration and evaluation costs, including the costs of applying and acquiring licences, are capitalised as intangible assets on an area of interest basis. Costs incurred before the Group has obtained the legal rights to explore an area are recognised in the Statement of Comprehensive Income.

Exploration and evaluation assets are classified as intangible assets and are measured at cost less any accumulated amortisation and impairment losses. Amortisation will commence once the Group has commenced mining operations and will be recognised on a unit of production basis.

Exploration and evaluation assets are recognised and carried forward if the rights of the area of interest are current and either:

- (i) The expenditures are expected to be recouped through successful development and exploitation of the area of interest; or
- (ii) Activities in the area of interest have not at the reporting date, reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves and active and significant operations in, or in relation to, the area of interest are continuing.

Ultimate recoupment of costs is dependent on successful development and commercial exploitation or alternatively sale of respective areas. Costs are written off as soon as an area has been abandoned or considered to be non-commercial.

Exploration and evaluation assets are assessed for impairment when facts of circumstances suggest that the carrying amount of the exploration and evaluation assets may exceed its recoverable amount. The below facts and circumstances indicate that an entity should test exploration and evaluation assets for impairment (the list is not exhaustive):

- (a) the period for which the entity has the right to explore in the specific area has expired during the period or will expire in the near future, and is not expected to be renewed.
- (b) substantive expenditure on further exploration for and evaluation of mineral resources in the specific area is neither budgeted nor planned.
- (c) exploration for and evaluation of mineral resources in the specific area have not led to the discovery of commercially viable quantities of mineral resources and the entity has decided to discontinue such activities in the specific area.
- (d) sufficient data exist to indicate that, although a development in the specific area is likely to proceed, the carrying amount of the exploration and evaluation asset is unlikely to be recovered in full from successful development or by sale.

Once the technical feasibility and commercial viability of the extraction of mineral resources in an area of interest are demonstrable, exploration and evaluation assets attributable to that area of interest are first tested for impairment and then reclassified from intangible assets to mining property and development assets within property, plant and equipment.

# CHATHAM ROCK PHOSPHATE LIMITED

Notes to the Consolidated Financial Statements  
(Expressed in Canadian dollars, unless otherwise stated)  
For the nine months ended December 31, 2021 and 2020

---

## 3. Significant accounting policies (continued)

### (g) Finance income and expenses:

Finance income comprises interest income on bank deposits and foreign currency gains that are recognised in the Statement of Comprehensive Income. Interest income is recognised as it accrues, using the effective interest method.

Finance expenses comprise interest expense and foreign currency losses, are recognised in the Statement of Comprehensive Income. All borrowing costs are recognised in the Statement of Comprehensive Income using the effective interest method.

### (h) Income tax:

Income tax expense comprises current and deferred tax. Income tax expense is recognised in the Statement of Comprehensive Income except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the three months, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous three months.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which temporary differences can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

### (i) Financial assets:

Financial assets are measured at:

- (i) Amortized cost;
- (ii) Fair Value in Other Comprehensive Income ("FVOCI") – debt investment;
- (iii) FVOCI – equity investment; and
- (iv) Fair Value Through Profit or Loss ("FVTPL").

The classification depends on the business model in which the financial asset is managed and its contractual cash flow characteristics. Derivatives embedded in contracts where the host is a financial asset in the scope of IFRS 9, Financial Instruments, are never separated. Instead, the hybrid financial instrument as a whole is assessed for classification. The Group does not have any FVOCI instruments.

# CHATHAM ROCK PHOSPHATE LIMITED

Notes to the Consolidated Financial Statements  
(Expressed in Canadian dollars, unless otherwise stated)  
For the nine months ended December 31, 2021 and 2020

---

## 3. Significant accounting policies (continued)

### (i) Financial assets (continued)

Financial assets are recognised when the Group becomes a party to the contractual provisions of the financial instrument. Financial assets are recognised initially at fair value plus transaction costs.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or if the Group transfers the financial asset to another party without retaining control or substantial all risks and rewards of the asset.

A financial asset (unless it is a trade receivable without a significant financing component that is initially measured at the transaction price) is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition.

The following accounting policies apply to the subsequent measurement of financial assets:

Financial assets at FVTPL	These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in profit or loss.
---------------------------	--

Financial assets at amortized cost	These assets are subsequently measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.
------------------------------------	--

#### *Impairment of financial assets*

All financial assets are subject to review for impairment at least once each reporting date. Accounts receivable are reviewed for impairment when accounts are past due or when other objective evidence is received that a specific counterparty will default.

#### *Measurement of ECLs*

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Company expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

#### *Credit-impaired financial assets*

At each reporting date, the Company assesses whether financial assets carried at amortized cost and debt securities at FVOCI are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.



# CHATHAM ROCK PHOSPHATE LIMITED

Notes to the Consolidated Financial Statements  
(Expressed in Canadian dollars, unless otherwise stated)  
For the nine months ended December 31, 2021 and 2020

---

## 3. Significant accounting policies (continued)

### (i) Financial assets (continued)

#### *Presentation of impairment*

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets. Impairment losses related to accounts and other receivables are presented separately in the statement of profit or loss and OCI. Impairment losses on other financial assets are presented under 'finance costs', and not presented separately in the statement of profit or loss and OCI due to materiality considerations.

### (j) Financial liabilities:

Financial liabilities are classified as either financial liabilities at fair value through profit or loss or financial liabilities at amortized cost.

#### *Financial liabilities*

Financial liabilities at amortized cost are initially measured at fair value, net of transaction costs incurred and subsequently measured at amortized cost. Any difference between the amounts originally received, net of transaction costs, and the redemption value is recognized in profit or loss over the period to maturity using the effective interest method.

Financial liabilities are classified as current or non-current based on their maturity dates. The Company has classified accounts payable and other liabilities as liabilities at amortized cost.

#### *De-recognition of financial liabilities*

A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

### (k) Earnings per share:

The Group presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Group by the weighted average number of ordinary shares outstanding during the period.

Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, which comprise share warrants and options.

# CHATHAM ROCK PHOSPHATE LIMITED

Notes to the Consolidated Financial Statements  
(Expressed in Canadian dollars, unless otherwise stated)  
For the nine months ended December 31, 2021 and 2020

## 4. Segment reporting

The Group conducts its business as a single reportable operating segment, being the development of a defined rock phosphate deposits.

The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segment, has been identified as the Board. The Board manages development activity through review and approval of contracts and other operational information.

The Group operates in the minerals exploration industry within New Zealand and the Pacific and has commenced due diligence activities on phosphate assets in Australia. However, as the overseas activities have not been significant to date, the Chief Operating Decision Maker, which is the CEO, does not analyze the overseas activities separately. The overseas licenses are subject to a moratorium therefore limiting the Group's activities.

## 5. Mineral property interest

	December 31, 2021	March 31, 2021
Chatham Rise project	\$ 4,685,762	\$ 4,691,425
Makatea phosphate project	1,674,926	-
Mineral property interests	\$ 6,360,688	\$ 4,691,425

### (a) Exploration and evaluation on Chatham Rise Project

	December 31, 2021	March 31, 2021
Opening balance	\$ 4,691,425	\$ 4,456,736
Exploration costs capitalised	54,463	72,825
Foreign exchange fluctuation	(60,126)	161,864
Net book value	\$ 4,685,762	\$ 4,691,425
Cost	\$ 20,993,717	\$ 21,211,099
Impairment	(16,307,955)	(16,519,674)
Net book value	\$ 4,685,762	\$ 4,691,425

The recoverability of the carrying amounts of exploration and evaluation assets is dependent on the Group gaining a Marine Consent for the project to be commercially successful. Commitments and tenure of the permit is included in Note 18.

## 5. Mineral property interest (continued)

# CHATHAM ROCK PHOSPHATE LIMITED

Notes to the Consolidated Financial Statements  
(Expressed in Canadian dollars, unless otherwise stated)  
For the nine months ended December 31, 2021 and 2020

---

(a) Exploration and evaluation on Chatham Rise Project (continued)

The Group holds Minerals Mining Permit 55549 which was granted on December 6, 2013. The Minerals Mining Permit covers 820 sq km within the MPL 50270 area. The Mining Permit is for twenty three months (expiry 2033) and subject to the granting of a Marine Consent from the Environmental Protection Authority (“EPA”), will allow the Group to conduct mining operations. The relinquishment of MPL 50270 has no impact on the mining permit and the proposed mining programme.

On February 11, 2015, the Group was refused Marine Consent by an Independent Decision Making Committee (DMC) convened by the Environmental Protection Authority (EPA), New Zealand’s environmental regulator on grounds which the Group disputes. Subsequently, the Directors impaired the carrying value of the capitalised costs to represent their best estimate of the recoverability as the Group reconsiders the re-submission of the Marine Consent with the EPA.

On November 7, 2019 the Group was granted a change of conditions in the permit to further defer the minimum work programme commitments. All work commitments have been met to date.

The intention is for the Group to apply for a further change in conditions from New Zealand Petroleum and Minerals prior to the next due date (Note 18).

The Group has considered whether there are any facts or circumstances that would indicate that the mineral property interest should be assessed for impairment and we noted the following:

- The Group’s tenure to the mining permit over the area is current and is not to expire in the near future;
- Substantive expenditure on further exploration for and evaluation of mineral resources is still planned;
- Relevant studies suggest that the phosphate within the area remains commercially viable and once the exploitation begins the carrying amount of the asset is likely to be recovered.

The above factors have been unchanged and concluded that no further impairment is required (2020: no impairment).

In September 2012, the Group applied for five prospecting licences offshore Namibia. The prospecting regime is currently subject to a moratorium. It remains the intention of the Directors to pursue these licences.

(b) Acquisition of Makatea Phosphate Project

---

	December 31, 2021
Acquisition cost	\$ 1,403,493
Exploration costs capitalised	271,433
Net book value	\$ 1,674,926

---

# CHATHAM ROCK PHOSPHATE LIMITED

Notes to the Consolidated Financial Statements  
(Expressed in Canadian dollars, unless otherwise stated)  
For the nine months ended December 31, 2021 and 2020

## 5. Mineral property interest (continued)

### (b) Acquisition of Makatea Phosphate Project (continued)

The Makatea Phosphate Project was acquired on June 30, 2021 with the acquisition of Avenir Makatea Pty Ltd.

The Makatea Phosphate Project is a combined rehabilitation and phosphate mining project located on Makatea Island approximately 240km northeast of Tahiti, French Polynesia. The elevated island was previously mined from 1908 to 1966. Samples of the phosphorites of Makatea have an average P2O5 concentration of 33.2% and have very low impurities. The Makatea project covers an area of 1,035 ha (10.36 km<sup>2</sup>).

SAS Avenir Makatea (wholly-owned subsidiary of Avenir) was granted an exploration permit on January 28, 2014 and in September 2016 applied for a mining concession to mine/rehabilitate an area of 600 ha of previously mined land. The Project has a 30 year life.

The application is being processed under the terms of a new Mining Code for French Polynesia that was promulgated in January 2020. The Project is subject to a Public Enquiry process that leads to recommendations to the Council of Ministers for the grant of the Mining Concession.

The Public Enquiry, which will be based on the presentation of an updated Environmental Impact Assessment and an Economic Benefit Analysis, is expected to commence in the last quarter of 2021. Nominated consultants in French Polynesia, in association with the staff of SAS Avenir Makatea, will prepare the two reports and present these to the public in advance of /and during the one-month public enquiry period.

Following the enquiry, the process for determining the application is set out by the Mining Code including presentations to the nominated Mining Committee. The Committee makes its recommendations to the Council of Ministers.

Avenir has sought intensive consultation with landowners of Makatea over the past four years and been engaged in continuing consultation with Government since 2011. The Company expects to be granted the Mining Concession in early 2022.

## 6. Trade other payables

	December 31, 2021	March 31, 2021
Trade and other payables due to related parties	\$ -	\$ 22,053
Other trade payables	41,364	20,602
Accrued expenses	4,794	42,756
	<u>\$ 46,158</u>	<u>\$ 85,411</u>

# CHATHAM ROCK PHOSPHATE LIMITED

Notes to the Consolidated Financial Statements  
(Expressed in Canadian dollars, unless otherwise stated)  
For the nine months ended December 31, 2021 and 2020

## 7. Share capital

(a) Authorised:

The Group's share capital consists of an unlimited number of common shares without par value.

The holders of ordinary shares are entitled to receive dividends and are entitled to one vote per share at meetings of the Group, to the extent to which they have been paid up. All shares rank equally with regard to the Group's residual assets.

(b) Issued and outstanding:

	Number of shares	Amount
Balance, April, 1, 2020	26,303,440	35,108,126
Issued during the three months: Shares issued net of costs	17,395,714	1,179,853
Balance, March 31, 2021	43,699,154	36,287,979
Issued during the nine months: Shares issued net of costs	28,232,173	2,531,759
Balance, December 31, 2021	71,931,327	\$ 38,819,738

On June 30, 2021, the Company completed the acquisition of Avenir Makatea Pty Limited. Pursuant to the terms of the Share Purchase Agreement dated April 28, 2021 between the Company and Avenir's shareholders, the Company issued a total of 17,857,738 common shares to the former Avenir shareholders.

On July 19, 2021, the Company closed a non-brokered private placement of 3,173,435 units at a price of CAD \$0.11 per Unit (NZ\$0.12) for gross proceeds of CAD \$349,078 (NZD \$380,812). Each Unit consists of one common share in the capital of the Company and one transferable share purchase warrant. Each Warrant will entitle the holder thereof to acquire one common share at a price of CAD\$0.45 per share at any time prior to the date that is five (5) years from the date of issuance.

On September 9, 2021, the Company closed a non-brokered private placement of 7,201,000 units at a price of CAD \$0.11 per Unit (NZ\$0.125) for gross proceeds of CAD \$792,110 (NZD \$880,781). Each Unit consists of one common share in the capital of the Company and one transferable share purchase warrant. Each Warrant will entitle the holder thereof to acquire one common share at a price of CAD\$0.45 per share at any time prior to the date that is five (5) years from the date of issuance.

# CHATHAM ROCK PHOSPHATE LIMITED

Notes to the Consolidated Financial Statements  
(Expressed in Canadian dollars, unless otherwise stated)  
For the nine months ended December 31, 2021 and 2020

## 7. Share capital (continued)

(c) Warrants:

Original Grant Date	Modified Grant Date	Original Expiry Date	Modified Expiry Date
December 27, 2017	February 18, 2019	December 27, 2019	December 27, 2022
January 24, 2018	February 18, 2019	January 24, 2020	January 24, 2023
December 13, 2018	February 18, 2019	December 13, 2020	December 13, 2023
August 25, 2018	February 18, 2019	August 25, 2020	August 25, 2023

Expiry Date	Exercise prices	Balance March 31, 2021	Issued	Exercised	Expired/ cancelled/ forfeited	Balance December 31, 2021
Dec 27, 2022	\$0.45	442,293	-	-	-	442,293
Jan 24, 2023	\$0.45	486,368	-	-	-	486,368
Dec 13, 2023	\$0.45	1,172,885	-	-	-	1,172,885
Aug 25, 2023	\$0.45	381,780	-	-	-	381,780
Mar 26, 2024	\$0.45	1,756,663	-	-	-	1,756,663
Apr 23, 2024	\$0.45	676,026	-	-	-	676,026
Dec 23, 2024	\$0.45	647,631	-	-	-	647,631
May 5, 2025	\$0.45	5,029,820	-	-	-	5,029,820
Sep 23, 2025	\$0.45	2,365,894	-	-	-	2,365,894
Jul 19, 2026	\$0.45	-	3,173,435	-	-	3,173,435
Sep 9, 2026	\$0.45	-	7,201,000	-	-	7,201,000
		12,959,360	10,374,435	-	-	23,333,795
Weighted average exercise price		\$0.45	\$0.45	-	-	\$0.45
Weighted average remaining life (years)		3.51	4.56	-	-	3.60

(d) On February 18, 2019 the Company announced that all issued 2017 warrants would be reduced in price from CAD \$1.00 per common share to CAD \$0.45 per share and that it was going to extend the expiry date from two years to five years from the date of issuance. None of the 2017 warrants have to date be exercised.

It also announced that the September 2018 and August 2018 options were both to be extended to five years from the date of issuance. None of the September 2018 or August 2018 warrant have to date been exercised.

The warrant terms were changed in order to ensure that they can be exercised after the achievement of key future milestones including the grant of the environmental permit and the commencement of the dredging operations.

# CHATHAM ROCK PHOSPHATE LIMITED

Notes to the Consolidated Financial Statements  
(Expressed in Canadian dollars, unless otherwise stated)  
For the nine months ended December 31, 2021 and 2020

---

## 8. Share based payments

### (a) Recognised share-based payment expenses

The purpose of the share-based payments is to reward key consultants and cornerstone investors in a manner that aligns remuneration with the creation of shareholder wealth. As the Company's activities have been predominantly developing an already defined mineral deposit, shareholder wealth is dependent, for the foreseeable future, on development success rather than an improvement in the Company's earnings.

The Company grants share purchase options pursuant to the policies of the TSX-Venture Exchange with respect to eligible persons, exercise price, maximum term, vesting, maximum options per person and termination of eligible person status. These are treated as equity-settled share based payments.

2018 share option grants:

The Company granted 1,690,000 share options under the share option plan of May 8, 2018. The options which expire on May 8, 2023 are exercisable at \$0.29 per share. 1,580,000 options fully vested on May 8, 2018 and 110,000 options will vest upon a performance hurdle being achieved. The performance hurdle is gaining the Marine Consent.

The share-based payment expense of \$230,787 was estimated using the Black-Scholes Option Pricing model assuming a risk free rate of 2.16%, a volatility of 65%, an expected dividend rate of nil and an expected life of 5 years. The shares in the Company traded at CAD\$0.27 on the grant date.

The Company granted 500,000 share options under the share option plan of May 8, 2018 on October 8, 2019. The options expire on October 8, 2029 and are exercisable at \$0.11 per share. They fully vested on grant date.

On October 20, 2021 the Company granted 2,400,000 share options under the share option plan of May 8, 2018. The options which expire on October 20, 2026 are exercisable at \$0.13 per share. The options fully vested on October 20, 2021.

The share-based payment expense of \$237,307 was estimated using the Black-Scholes Option Pricing model assuming a risk free rate of 1.0%, a volatility of 121%, an expected dividend rate of nil and an expected life of 5 years. The shares in the Company traded at CAD\$0.12 on the grant date.

No further options were granted during the three months ended December 31, 2021 (December 31, 2020: nil).

# CHATHAM ROCK PHOSPHATE LIMITED

Notes to the Consolidated Financial Statements  
(Expressed in Canadian dollars, unless otherwise stated)  
For the nine months ended December 31, 2021 and 2020

## 8. Share based payments (cont'd)

The continuity of outstanding share based options for the three months ended December 31, 2021, is as follows:

Expiry Date	Exercise prices	Balance March 31 2021	Issued	Exercised	Expired/ cancelled/ forfeited	Balance December 31, 2021
May 8, 2023	\$0.29	1,310,000	-	-	-	1,310,000
October 8, 2029	\$0.11	500,000	-	-	-	500,000
October 20, 2026	\$0.12	-	2,400,000	-	-	2,400,000
		1,810,000	2,400,000	-	-	4,210,000
Weighted average exercise price		\$0.24	\$0.12	-	-	\$0.17
Weighted average remaining life (years)		3.86	4.83	-	-	4.12

### (b) Equity-settled transactions

On June 30, share-based payments of C\$1,397,691 were settled by the issue of 17,857,738 ordinary shares in the Company.

## 9. Earnings per share

The earnings and weighted average number of outstanding shares used in the calculation of basic and diluted earnings per share are as follows:

	Three months ended Dec 31, 2021	Three months ended Dec 31, 2020	Nine months ended Dec 31, 2021	Nine months ended Dec 31, 2020
Loss used in the calculation of basic EPS	\$ (414,997)	\$ (104,404)	\$ (760,327)	\$ (350,788)
Weighted average number of outstanding shares for the purpose of basic EPS	71,931,327	33,699,154	60,510,622	32,299,742
Effect of dilution, weighted number of mandatory warrants	-	-	-	-
Weighted average number of outstanding shares used in the calculation of diluted EPS	71,931,327	33,699,154	60,510,622	32,299,742
Basic loss per share (Canadian cents)	(0.58)	(0.31)	(1.26)	(1.09)
Diluted loss per share (Canadian cents)	(0.58)	(0.31)	(1.26)	(1.09)

The outstanding warrants and share options were not considered to have any dilutive effect on the EPS as the Company was operating at a net loss for the period and these warrants are currently out of the money and are not expected to be exercised.



# CHATHAM ROCK PHOSPHATE LIMITED

Notes to the Consolidated Financial Statements  
(Expressed in Canadian dollars, unless otherwise stated)  
For the nine months ended December 31, 2021 and 2020

## 10. Finance income and expense

	Three months ended Dec 31, 2021	Three months ended Dec 31, 2020	Nine months ended Dec 31, 2021	Nine months ended Dec 31, 2020
Net foreign exchange gains	484	-	484	-
Finance income	484	-	484	-
Interest expense	-	-	-	(1,687)
Net foreign exchange losses	-	(378)	-	(1,723)
Finance expense	-	(378)	-	(3,410)
Net finance income and expenses	484	(378)	484	(3,410)

## 11. General and administrative expenses

The following items of expenditure are included in administrative expenses:

	Three months ended Dec 31, 2021	Three months ended Dec 31, 2020	Nine months ended Dec 31, 2021	Nine months ended Dec 31, 2020
Accountancy fees	\$ (212)	\$ 5,754	\$ 7,463	\$ 10,970
Consultancy fees	41,733	7,372	121,845	7,372
Directors fees	-	-	-	-
Insurance	6,934	5,000	19,434	15,000
Legal fees	53,818	12,569	119,987	56,824
Management fees	14,562	16,092	46,321	47,390
Marketing	42,951	38,400	117,622	148,400
Registry fees	14,233	2,727	20,355	12,101
Rent	8,016	4,913	17,720	14,078
Share-based payments	237,307	-	237,307	-
Travel	808	239	10,749	2,701

The Board has agreed to forfeit directors fees for the three months ended December 31, 2021 (beyond the amount charged). Some directors are remunerated for their services through consultancy fees.

Refer to Note 14 for discussion on consultancy fees, which are charged by related parties.

# CHATHAM ROCK PHOSPHATE LIMITED

Notes to the Consolidated Financial Statements  
(Expressed in Canadian dollars, unless otherwise stated)  
For the nine months ended December 31, 2021 and 2020

---

## 12. Financial instruments

Exposure to credit, market, foreign currency, equity prices and liquidity risks arise in the normal course of the Group's business.

### *Credit risk:*

The Group incurs credit risk from financial instruments when a counter party fails to meet its contractual obligations. Credit risk arises on cash and other receivables. The Group does not have a significant concentration of credit risk with any single party.

### *Market risk:*

Market risk is that changes in market prices, such as foreign exchange rates and interest rates will affect the Group's income or the value of its holding of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

### *Foreign currency risk:*

The Group is exposed to foreign currency risk on purchases that are denominated in a currency other than the Group's functional currency, New Zealand dollars (NZD). It is the Group's policy not to hedge foreign currency risks.

At December 31, 2021, the Group is exposed to currency risk through the following assets and liabilities denominated in Canadian dollars:

	December 31, 2021	March 31, 2021
Cash and cash equivalents	672,313	174,864
Accounts payable	(46,158)	(8,269)
	626,155	166,595

# CHATHAM ROCK PHOSPHATE LIMITED

Notes to the Consolidated Financial Statements  
(Expressed in Canadian dollars, unless otherwise stated)  
For the nine months ended December 31, 2021 and 2020

---

## 13. Financial instruments (continued)

In managing currency risks the Group aims to reduce the impact of short-term fluctuations on the Group's earnings. Over the longer-term, however, permanent changes in foreign exchange will have an impact on profit.

It is estimated that a general increase of one percentage point in the value of the New Zealand dollar against other foreign currencies would have decreased the Group's profit before income tax by an immaterial amount for the period ended December 31, 2021 (March 31, 2021: an immaterial amount). As a purchaser of foreign currency, the Group's risk is that the NZD depreciates.

### *Interest rate risk:*

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Group's cash and cash equivalents attract interest at floating rates and have maturities of 90 days or less. The interest is typical of New Zealand banking rates, which are at present historically low; however, the Group's conservative investment strategy mitigates the risk of deterioration to capital invested. A change of 100 basis points in the interest rate would not be material to the consolidated financial statements.

### *Liquidity risk:*

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

Ultimate responsibility for liquidity risk management rests with the Board of Directors, which has built an appropriate liquidity risk framework for the management of the Group's short, medium and longer term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate cash balances through monitoring of future rolling cash flow forecasts of its operations and equity raising, which reflect management's expectations of the settlement of financial assets and liabilities.

The only financial liabilities are trade and other payables. At December 31, 2021, the Group had \$46,158 (March 31, 2021: \$85,411) in trade and other payables including accrued liabilities. Trade payables are non-interest bearing and have a contractual maturity of less than 30 days.

# CHATHAM ROCK PHOSPHATE LIMITED

Notes to the Consolidated Financial Statements  
(Expressed in Canadian dollars, unless otherwise stated)  
For the nine months ended December 31, 2021 and 2020

## 12. Financial instruments (continued)

### (a) Financial assets and liabilities:

As at December 31, 2021, the carrying and fair values of our financial instruments by category are as follows:

	Amortised cost \$	Fair value through profit and loss \$	Total carrying amount \$	Less than 1 three months \$	1 to 3 three months \$
<u>Financial assets</u>					
Cash and cash equivalent	672,313	-	672,313	672,313	-
NZX Bond	13,056	-	13,056	13,056	-
<b>Total financial assets</b>	<b>685,369</b>	<b>-</b>	<b>685,369</b>	<b>685,369</b>	<b>-</b>
<u>Financial liabilities</u>					
Trade and other payables	-	46,158	46,158	46,158	-
<b>Total financial liabilities</b>	<b>-</b>	<b>46,158</b>	<b>46,158</b>	<b>46,158</b>	<b>-</b>

### (b) Fair value:

All financial instruments measured at fair value are categorized into one of three hierarchy levels, described below, for disclosure purposes. Each level is based on the transparency of the inputs used to measure the fair values of assets and liabilities:

- Level 1 - Values based on unadjusted quoted prices in active markets that are accessible at the measurement date for identical assets and liabilities.
- Level 2 - Values based on quoted prices in markets that are not active or model inputs that are observable either directly or indirectly for substantially the full contractual term of the asset or liability.
- Level 3 - Values based on prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement.

The carrying values of cash and cash equivalents, accounts receivable and accounts payable and accrued liabilities approximate their respective fair values due to the short-term nature of these instruments. The carrying value of the bank term loan approximates its fair value due to the existence of floating market-based interest rates.

The Group has no financial assets or liabilities included in Level 1, 2 or 3 of the fair value hierarchy.

# CHATHAM ROCK PHOSPHATE LIMITED

Notes to the Consolidated Financial Statements  
(Expressed in Canadian dollars, unless otherwise stated)  
For the nine months ended December 31, 2021 and 2020

---

## 13. Capital management

The Group defines the capital that it manages as its shareholder equity.

The Group's objectives with respect to managing capital are to safeguard the Group's ability to continue as a going concern so that it can provide future returns to shareholders and benefits for other stakeholders.

The Group's capital structure reflects a Group focused on mineral exploration and financing both internal and external growth opportunities. The exploration for and development of mineral deposits involves significant risk which even a combination of careful evaluation, experience and knowledge may not adequately mitigate.

In order to maintain or adjust its capital structure, the Group may issue new shares or sell assets to fund ongoing operations.

The Group manages its capital structure by performing the following:

- Preparing budgets and cash-flow forecasts which are reviewed and approved by the Board of Directors;
- Regular internal reporting and Board of Directors meetings to review actual versus budgeted spending and cash-flows; and
- Detailed project analysis to assess and determine new funding requirements.

There were no changes in the Group's approach to capital management during the period. The Group is not subject to externally imposed capital requirements.

## 14. Related party transactions

### (a) Balances receivable and payable:

The amounts due to related parties and included in accounts payable, are non-interest bearing, unsecured and due on demand, and comprise the following:

	December 31, 2021	March 31, 2021
Due to directors	\$ -	\$ -
Due to executive officers	-	22,053
	\$ -	\$ 22,053

# CHATHAM ROCK PHOSPHATE LIMITED

Notes to the Consolidated Financial Statements  
 (Expressed in Canadian dollars, unless otherwise stated)  
 For the nine months ended December 31, 2021 and 2020

## 14. Related party transactions (continued)

### (b) Key management personnel:

Key management personnel includes the consulting and management fees paid and/or accrued to the Group's senior officers and directors as follows:

	Three months ended Dec 31, 2021	Three months ended Dec 31, 2020	Nine months ended Dec 31, 2021	Nine months ended Dec 31, 2020
Consultancy fees	\$ 13,115	\$ -	\$ 24,535	\$ -
Management fees	14,562	16,092	46,321	47,390
Share-based payments	205,666	-	205,666	-
	<b>\$ 233,343</b>	<b>\$ 16,092</b>	<b>\$ 276,522</b>	<b>\$ 47,390</b>

Depending on the nature of services and costs, certain amounts have been capitalized to intangible assets as they are directly attributable to the Chatham Rise project.

## 15. Reconciliation of the loss for the three months with the net cash from operating activities

	Three months ended Dec 31, 2021	Three months ended Dec 31, 2020	Nine months ended Dec 31, 2021	Nine months ended Dec 31, 2020
Profit/(loss) for the period	\$ (414,997)	\$ (104,404)	\$ (760,327)	\$ (350,788)
Adjustments for:				
Expenses (non-cash)	237,307	-	237,307	-
Change in trade and other receivables	(9,585)	(2,854)	(8,054)	1,236
Change in other current assets	70,025	(16,411)	115,526	(75,985)
Change in trade and other payables	9,221	6,776	(37,586)	(169,992)
<b>Net cash from operating activities</b>	<b>\$ (108,029)</b>	<b>\$ (116,893)</b>	<b>\$ (453,134)</b>	<b>\$ (595,529)</b>

# CHATHAM ROCK PHOSPHATE LIMITED

Notes to the Consolidated Financial Statements  
(Expressed in Canadian dollars, unless otherwise stated)  
For the nine months ended December 31, 2021 and 2020

## 16. Commitments and contingencies

Licence work commitments:

The Group has the following indicative expenditure commitments at balance date (being minimum work requirements under its minerals mining permit and minerals prospecting licence). The Company is dependent on certain factors to be able to meet these minimum work requirements. They are set out in Note 1.

	2021	2020
	NZD	NZD
Within one year	\$ -	\$ -
After one year but not more than five years	\$ 6,000,000	\$ 6,000,000
	\$ 6,000,000	\$ 6,000,000

Minerals Mining Permit 55549

The Minerals Mining Permit was granted on December 6, 2013. On November 7, 2019 the Company was granted a change of conditions in the permit to defer the minimum work programme commitments. To date all minimum work commitments have been completed. The minimum work programme includes:

Within 96 months of the commencement date of the permit, the permit holder shall:

- Complete and submit a sufficiently detailed engineering study and feasibility study, which (without limitation) is at the level of detail to reach a decision-to-mine milestone; and
- Submit a detailed timeline for the construction/refit of a selected vessel including (without limitation) the detail timing of the commissioning and mobilisation to the Chatham Rise; and
- Complete and submit a marine operations risk review report that includes (without limitation) a HAZID Risk Assessment Matrix, risk review of on-board processing and risk review of planned and unplanned maintenance in various weather scenarios; and
- Either commit by notice in writing to the Chief Executive to carry out the work programme obligations set out for the following 24 months and to commence production within 60 months of the commencement date of the permit or surrender the permit.

Within 120 months of the commencement date of the permit, the permit holder must spend on average \$2 million per annum completing appropriate sampling, geophysical and geotechnical surveys and data analysis (without limitation) in respect of the mining blocks identified for the first five three monthss of production. For the remainder of the term the Company must spend \$2 million per annum on carrying out further specified work programme commitments.

In addition to those disclosed above, there are other specific work programme commitments under the permit which applies only once the Group enters the production stage.

As the Group has not yet obtained a marine consent, the Group has been unable to carry out certain aspects of their minimum work programme. Similar to previous years, management's intention is to apply for a change in conditions from New Zealand Petroleum and Minerals which would generally result in the due date of the conditions being deferred.

## 17. Subsequent events

# CHATHAM ROCK PHOSPHATE LIMITED

Notes to the Consolidated Financial Statements  
(Expressed in Canadian dollars, unless otherwise stated)  
For the nine months ended December 31, 2021 and 2020

---

## Acquisition of Korella

On 14 October the Company executed a term sheet to acquire the Korella phosphate mine in Australia.

This C\$11.2m (A\$12.3m) acquisition, subject to certain conditions including TSX.V approval, will be funded by a cash payment of \$C280,000 (\$A300,000), an issue of CRP shares to the value of \$C1.8m (\$A2m) and \$C9.1m (\$A10m) in royalties payable in respect of the first 1 million tonnes of rock phosphate sold.

The Korella Mine is located in North-West Queensland approximately 150km southeast of Mt. Isa and adjoins the Phosphate Hill Mine owned and operated by Incitec Pivot.

The mine is on mining lease ML90209, in force until 2033 and which covers approximately 1,602 ha of grazing land on Chatsworth Station in the Shire of Cloncurry.

While export options through the Port of Townsville have been considered, the Korella Mine will predominantly service the growing domestic demand for competitively priced fertilizers.

The Korella mine is connected by sealed road to Cloncurry and from there by road to all the major agricultural regions in Queensland, Northern Territory and the far north of Western Australia. Further, the Phosphate Hill to Townsville rail line is only 3km north of the Korella mine.

Exploration at Korella started in 2007 and resulted in the discovery of a shallow phosphate ore body.

A trial mining operation at Korella in 2015 recovered and stockpiled over 10,000 tonnes of direct shipping phosphate from a shallow open cut. The stockpiled phosphate remains on site and will provide early cash flow with sales directly from the mine.

Korella phosphate is low cadmium, direct application phosphate, with a low carbon footprint, suitable for the organic and regenerative farming sector. And at these times of rising fertilizer prices and restricted supply, Korella phosphate is also being considered as a lower cost source of P for general agriculture.

The Korella mine is planned to operate on a campaign mining basis, contract operated, delivering selectively mined phosphate to the mine storage areas. Another contractor will, over the course of the year, crush on demand to meet market requirements.

Production at Korella is expected to commence after the transfer of the lease to Chatham's wholly-owned Australian subsidiary, Avenir Makatea Pty Ltd, trading as Korella Fertilizers.

As the phosphate ore will be contract-mined and crushed, our capital costs are expected to be low. However, a detailed overall capital budget for the recommencement of the mine operation is presently being finalized.

In addition to the significant low cadmium phosphate resource at Korella, exploration within the mining lease identified a rare earth element (REE) resource.

Other valuable heavy rare earth elements (HREE) such as dysprosium (Dy) and neodymium (Nd) were also identified as being associated with the identified yttrium resource.

Monetisation of the REE resource is part of the Company's overall plan for the Korella Mine. REE recovery options will be the subject of ongoing investigations.

## 17. Subsequent events (continued)



# CHATHAM ROCK PHOSPHATE LIMITED

Notes to the Consolidated Financial Statements  
(Expressed in Canadian dollars, unless otherwise stated)  
For the nine months ended December 31, 2021 and 2020

---

## **Application for Korella South Phosphate and Rare Earths Exploration Permit**

On December 14, 2021, the Company advised that our application for an area of 196 square kilometres south of Korella had been accepted by the Queensland Department of Resources. The area covered by EPMA 28187 (Korella South) is approximately 12 times the size of the Korella mining permit that the Company is presently acquiring. Chatham's wholly-owned Australian subsidiary Avenir Makatea Pty Ltd made the application.

Korella South (EPMA 28187) covers an area that has been subject to considerable past exploration for a variety of minerals.

Based on the body of geological knowledge that currently exists concerning Korella South, the ground is highly prospective for both rock phosphates and rare earths.

The potential exists within Korella South for additional phosphate resources that will complement the existing low cadmium, high quality phosphate resources within the Korella Mining Permit

The strong relationship between phosphate and rare earth elements (REE) has been the subject of considerable study both overseas and more locally by the Queensland Geological Survey who have focussed on the eastern rim of the Georgina Basin that includes Korella South.

The potential for rare earth mineralisation in Korella South, in addition to those already identified in Korella, is expected to attract major players in the rare earths industry as potential joint venture partners for Chatham 100% owned subsidiary company Pacific Rare Earths Limited (PRE).

PRE is proposed to manage and lead the rare earths facet of the Korella South development as it has already demonstrated in relation to the rare earths identified in the Chatham Rise deposit.

## **Korella Dicalcium Phosphate Project**

On 14 January 2022 the Company announced the start of a prefeasibility study for the production of Dicalcium Phosphate (DCP) from the Korella and Korella South phosphate projects in Queensland.

DCP is an essential ingredient in the diet for all farmed animals including beef cattle in feedlots as well as all dairy cattle in that it enables healthy bone growth.

DCP is currently a fully imported product that has recently become subject to supply-chain difficulties.

Internal discussions concerning the production of DCP started back in January 2021 when Avenir Makatea Pty Ltd (Avenir Makatea) was approached by Belgium company Prayon SA as to whether the technology was suitable for their Makatea project. Having regard to the high demand for DCP in Australia and in particular Queensland beef feedlots, attention turned to looking at sources of phosphate in Northern Territory and Queensland.

Since the merger of Avenir Makatea and CRP in July 2021, a detailed scoping study for siting of the DCP plant has been undertaken in conjunction with Prayon having regard to supply of the three key ingredients, phosphate, limestone and sulfuric acid. Three sites were considered, one in the Northern Territory and three in Queensland.

## **17. Subsequent events (continued)**

# CHATHAM ROCK PHOSPHATE LIMITED

Notes to the Consolidated Financial Statements  
(Expressed in Canadian dollars, unless otherwise stated)  
For the nine months ended December 31, 2021 and 2020

---

Following the recent the application for an exploration area at Korella South adjacent to the Korella Mine, the decision was taken to progress to the Prefeasibility Study stage with plant proposed to be located at Korella South and supplied with phosphate from the adjacent Korella Mine.

Samples of Korella phosphate have been sent to phosphate technology specialists Prayon SA for testing to establish the parameters for production of DCP through their “GetMoreP” technology (GMP). Initial results are expected by the end of March 2022 then Prayon will start the program by a Pre-Feasibility Test that will provide the following information:

- Determination of the P2O5 extraction rate through the GMP process
- Determination of the P2O5% in the DCP
- Assessment on the feasibility to produce DCP from Korella raw material through the GMP process.

In the GMP process additional inputs are limestone and sulfuric acid. The process involves the addition of sulfuric acid to the phosphate under diluted conditions followed by a neutralisation using limestone to form the DCP. The process conditions enable a purification of the product through a chemical removal of the impurities.

Since Korella and Korella South are located in the Northwest Queensland mineral district both additional inputs i.e., limestone and sulfuric acid, are readily available locally.

There were no other material subsequent events up to the date of this report.