

Consolidated Financial Statements
(Expressed in Canadian dollars)

CHATHAM ROCK PHOSPHATE LIMITED

For the three months ended June 30, 2022 and 2021

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CHATHAM ROCK PHOSPHATE LIMITED

Consolidated Statement of Financial Position
(Expressed in Canadian dollars)

	Notes	As at June 30, 2022	As at March 31, 2022
Assets			
Current assets:			
Cash and cash equivalents		\$ 1,929,825	\$ 1,367,472
Accounts receivable and other receivables		317,766	19,788
Prepayments		217	53,359
		2,247,808	1,440,619
Non-current assets:			
Other financial assets		17,226	18,472
Property, plant & equipment		19,704	21,495
Mineral property interest	5	6,268,993	6,645,551
		6,305,923	6,685,518
Total assets		\$ 8,553,731	\$ 8,126,137
Liabilities and Shareholders' Equity			
Current liabilities:			
Trade and other payables	6	\$ 172,161	\$ 167,459
Monies received for subscriptions for shares		-	882,069
		172,161	1,049,528
Total liabilities		172,161	1,049,528
Shareholders' equity:			
Share capital	7	41,403,103	39,207,687
Warrants reserve		230,186	230,186
Foreign currency translation reserve		(732,864)	(262,584)
Employee share option reserve		360,640	371,789
Accumulated deficit		(32,879,496)	(32,470,470)
Total shareholders' equity		8,381,570	7,076,609
Total liabilities and shareholders' equity		\$ 8,553,731	\$ 8,126,137

Going concern (note 1)
Commitments and contingencies (note 17)

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 three months ended June 30, 2022 and 2021

	Notes	2022	2021
Revenue		\$ 415	\$ 1,318
Finance income		-	-
Finance expense		(1,592)	-
Net finance income/(expense)	10	(1,592)	-
Expenses			
General and administrative expenses	11	(407,848)	(162,856)
Expenses		(407,848)	(162,856)
Loss before income tax (continuing operations)		(409,025)	(161,538)
Income tax expense		-	-
Net loss for the period from continuing operations		(409,025)	(161,538)
<i>Other Comprehensive Income</i>			
Foreign currency translation**		(470,280)	(77,583)
Total comprehensive (loss)/profit for the period		\$ (879,305)	\$ (239,121)
Basic shareholders' loss per share		\$ (0.54)	\$ (0.37)
Diluted shareholders' loss per share		\$ (0.54)	\$ (0.37)
Weighted average number of common shares outstanding		74,904,863	43,699,154

**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 three months ended June 30, 2022 and 2021

	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, 2021	43,699,154	12,959,360	36,287,979	230,186	(159,150)	214,381	(31,437,069)	5,136,327
Issue of shares, net of costs, and discretionary warrants	17,857,738	-	1,397,691	-	-	-	-	1,397,691
<i>Transactions with owners</i>			1,397,691	-	-	-	-	1,397,691
Loss for the period	-	-	-	-	-	-	(161,538)	(161,538)
Currency Translation Loss	-	-	-	-	(77,583)	-	-	(77,583)
Total comprehensive income for the period			-	-	(77,583)	-	(161,538)	(239,121)
Balance, June 30, 2021	61,556,892	12,959,360	37,685,670	230,186	(236,733)	214,381	(31,598,607)	6,294,897
Issue of shares, net of costs, and discretionary warrants	10,374,435	10,374,435	1,522,017	-	-	-	-	1,522,017
Share-based payments			-	-	-	157,409	-	157,409
<i>Transactions with owners</i>			1,522,017	-	-	157,409	-	1,679,425
Loss for the period	-	-	-	-	-	-	(871,863)	(871,863)
Currency Translation Loss	-	-	-	-	(25,851)	-	-	(25,851)
Total comprehensive income for the period			-	-	(25,851)	-	(871,863)	(897,714)
Balance, March 31, 2022	71,931,327	23,333,795	39,207,687	230,186	(262,584)	371,790	(32,470,470)	7,076,609
Issue of shares, net of costs, and discretionary warrants	12,927,960	12,927,960	2,125,046	-	-	-	-	2,125,046
Exercise of options	470,000	-	70,370	-	-	(11,150)	-	59,220
<i>Transactions with owners</i>			2,195,416	-	-	(11,150)	-	2,184,266
Loss for the period	-	-	-	-	-	-	(409,025)	(409,025)
Currency Translation Loss	-	-	-	-	(470,280)	-	-	(470,280)
Total comprehensive income for the period			-	-	(470,280)	-	(409,025)	(879,305)
Balance, June 30, 2022	85,329,287	36,261,755	41,403,103	230,186	(732,864)	360,640	(32,879,496)	8,381,570

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 three months ended June 30, 2022 and 2021

	Notes	2022	2021
Cash flows from operating activities:			
Cash received from customers		\$ 415	\$ 1,318
Cash paid to suppliers		(373,239)	(121,522)
Interest paid		-	-
Net cash (used in) operating activities	16	(372,824)	(120,204)
Cash flows from investing activities:			
Payments in respect of exploration and evaluation		-	(1,041)
Net cash (used in) investing activities		-	(1,041)
Cash flows from financing activities:			
Proceeds from issue of shares and exercise of options		1,066,894	77,403
Payment share issue costs		(52,707)	-
Net cash from financing activities		1,014,187	77,403
Net increase/(decrease) in cash and cash equivalents		641,363	(43,842)
Cash and cash equivalents, beginning of period		1,367,472	378,868
Effect of foreign exchange rate fluctuations on cash held		(79,010)	(1,813)
Cash and cash equivalents, end of period		\$ 1,929,825	\$ 333,213

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 three months ended June 30, 2022 and 2021

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.

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 June 30, 2022 were reviewed by the Audit Committee and approved and authorized for issue by the Board of Directors on August 29, 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, a subsidiary company, is New Zealand dollars (NZD). The functional currency of Avenir Makatea Pty Ltd, a subsidiary company, is Australian dollars (AUD) and SAS Avenir Makatea, is French Polynesian francs (XPF).

These currencies represent the currency of the primary economic environment of the parent and the subsidiary, respectively.

CHATHAM ROCK PHOSPHATE LIMITED

Notes to the Consolidated Financial Statements
(Expressed in Canadian dollars, unless otherwise stated)
For the three months ended June 30, 2022 and 2021

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 is translated into the Group's presentation currency of Canadian dollars. Avenir Makatea Pty Ltd and SAS Avenir Makatea 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 year, 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 three months ended June 30, 2022 and 2021

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 relating to the Chatham Rise project and Avenir Makatea's Exploration research permit. In the judgement of the Directors, at March 31, 2022 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. The outcome of the re-submission is uncertain.

In respect to the Makatea Phosphate Project on Makatea Island in French Polynesia, the Group requires the grant of a Mining Concession. In September 2016 Avenir Makatea applied for a mining concession to mine/rehabilitate previously mined land. 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 outcome of the application is also uncertain.

In the event that the mining permit for Chatham Rise and the mining concession for Avenir Makatea is not granted, the Group will be unable to realize the assets and would require material adjustments to bring the assets at a carrying value other than those recorded in the financial statements.

Acquisition of Avenir Makatea Phosphate Project

Significant judgement was required in determining whether the acquisition meets the definition of a business, and therefore within the scope of IFRS 3 *Business Combinations*, or is instead an asset that do not constitute a business with the transaction being outside the scope of IFRS 3. Differentiating a business from an asset acquisition determines the accounting treatment for acquisitions. To arrive at the conclusion, a detailed analysis of what inputs and processes have been acquired was completed. In order to be a considered a business, an acquired set of activities and assets must include, as a minimum, an input and a substantive process. For projects involved solely on exploration and evaluation, such as Avenir Makatea, the processes in place, while documented, may not qualify under what's defined as "substantive" as there is no proven or probable reserve that it can be applied to, there is no organized workforce. The Directors concluded that the transaction was as an asset acquisition.

CHATHAM ROCK PHOSPHATE LIMITED

Notes to the Consolidated Financial Statements
(Expressed in Canadian dollars, unless otherwise stated)
For the three months ended June 30, 2022 and 2021

2. Basis of preparation (continued)

Exploration and evaluation costs (continued)

An asset acquisition, where consideration paid is in the form of equity instruments, falls within the scope of IFRS 2 *Share-based payment*. IFRS 2 has a rebuttable presumption that the fair value of the assets can be measured reliably, and assets acquired will be measured directly using the fair value of the asset. Given the nature of the asset and being at an exploration stage, the Directors rebutted this assumption. As provided in the standard, if the fair value cannot be estimated reliably, the fair value of the asset shall be measured with reference to the fair value of the equity instruments granted. The fair value of the assets acquired would be measured at the point the control is obtained. Accordingly, the transaction was measured with reference to the closing share price of CRP at June 30, 2022, acquisition date.

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 Group incurred a net loss of \$409,025 for the three months ended 30 June 2022 (2021: \$161,533 net loss) and as of that date the Group's current assets exceed its current liabilities by \$2,075,647 (2021: \$244,252). During the three months the Group had operating cash outflows of \$372,824 (2021: \$120,204), investing cash outflows of \$nil (2021: \$1,041), and financing cash inflows of \$2,008,965 (2021: \$77,403). The cash balance at the end of the period was \$1,929,825 (2021: \$333,213).

Using the existing funds the Directors forecast they have sufficient cash to continue to fund operations for at least 12 months from the date the financial statements are signed. While management do not currently have committed funding to fund operations beyond this point, it has a history of raising additional funds and therefore expects to continue to meet its obligations for the foreseeable future.

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.

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 three months ended June 30, 2022 and 2021

2. Basis of preparation (continued)

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.

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.

CHATHAM ROCK PHOSPHATE LIMITED

Notes to the Consolidated Financial Statements
(Expressed in Canadian dollars, unless otherwise stated)
For the three months ended June 30, 2022 and 2021

3. Significant accounting policies (continued)

(a) Basis of consolidation (continued):

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	
		2022	2021
Chatham Rock Phosphate (NZ) Limited	New Zealand	100	100
Avenir Makatea Pty Ltd	Australia	100	-
SAS Avenir Makatea	French Polynesia	100	-
Manmar Investments One Hundred and Six (Proprietary) Limited	Namibia	100	100
Pacific Rare Earths Limited	New Zealand	100	100

All of the subsidiaries have a March 31 balance date except for Avenir Makatea Pty Ltd and SAS Avenir Makatea which have a June 30, balance date.

Manmar Investments One Hundred and Six (Proprietary) Limited and Pacific Rare Earths Limited did not have any transactions during the years ended March 31, 2022 and 2021.

(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.

(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.

CHATHAM ROCK PHOSPHATE LIMITED

Notes to the Consolidated Financial Statements
(Expressed in Canadian dollars, unless otherwise stated)
For the three months ended June 30, 2022 and 2021

3. Significant accounting policies (continued)

(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 3(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 asset's 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.

An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease and to the extent that the impairment loss is greater than the related revaluation surplus, the excess impairment loss is recognised in profit or loss. Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss to the extent that it eliminates the impairment loss which has been recognised for the asset in prior years. Any increase in excess of this amount is treated as a revaluation increase.

(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.

CHATHAM ROCK PHOSPHATE LIMITED

Notes to the Consolidated Financial Statements
(Expressed in Canadian dollars, unless otherwise stated)
For the three months ended June 30, 2022 and 2021

3. Significant accounting policies (continued)

(f) Mineral property interest (continued):

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 other wise 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 three months ended June 30, 2022 and 2021

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 year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

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 asset 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.

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.

CHATHAM ROCK PHOSPHATE LIMITED

Notes to the Consolidated Financial Statements
(Expressed in Canadian dollars, unless otherwise stated)
For the three months ended June 30, 2022 and 2021

3. Significant accounting policies (continued)

(i) Financial assets (continued)

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

IFRS 9 requires the use of forward-looking information to recognise any expected credit losses for financial instruments. The Group considers a broad range of information when assessing credit risk and measuring expected credit losses, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument. In applying this forward-looking approach, a distinction is made between:

- financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk ('Stage 1') and
- financial instruments that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low ('Stage 2').

'Stage 3' would cover financial assets that have objective evidence of impairment at the reporting date.

'12-month expected credit losses' are recognised for the first category (ie Stage 1) while 'lifetime expected credit losses' are recognised for the second category (ie Stage 2). Measurement of the expected credit losses is determined by a probability-weighted estimate of credit losses over the expected life of the financial instrument. Receivables are not significant and no expected credit losses are recognized. 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.

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3. Significant accounting policies (continued)

(i) Financial assets (continued)

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.

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.

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3. Significant accounting policies (continued)

(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.

(l) Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise cash at bank and short-term deposits with an original maturity of three months or less that are readily convertible to known cash amounts of cash which are subject to an insignificant risk of changes in value.

For the purposes of the statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above.

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4. Segment reporting

During the period the Group has increased its operations to three business segments (three geographical areas) - the development of a defined rock phosphate deposit - in New Zealand, French Polynesia, and Australia.

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.

June 30, 2022	New Zealand	French Polynesia	Australia	Total segment	Unallocated	Consolidated
Total sales revenue						
Rental income	415	-	-	415	-	415
Other income	-	-	-	-	-	-
Total revenue and other income	415	-	-	415	-	415
Segment result	(176,945)	(61,163)	(170,917)	(409,025)	-	(409,025)
Loss/gain before income tax expense	(176,945)	(61,163)	(170,917)	(409,025)	-	(409,025)
Assets						
Total current assets	2,053,753	159,242	34,813	2,247,808	-	2,247,808
Total non-current assets	4,355,457	1,937,497	12,970	6,305,924	-	6,305,924
Total assets	6,409,210	2,096,739	47,783	8,553,731	-	8,553,731
Liabilities						
Total current liabilities	(83,400)	(14,098)	(74,663)	(172,161)	-	(172,161)
Total non-current liabilities	-	-	-	-	-	-
Total liabilities	(83,400)	(14,098)	(74,663)	(172,161)	-	(172,161)

In the comparative financial period, the business was a single reportable operating segment, being the development of a defined rock phosphate deposit on the Chatham Rise.

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5. Mineral property interest

	June 30, 2022	March 31, 2022
Chatham Rise project	\$ 4,341,493	\$ 4,709,165
Makatea phosphate project	1,927,500	1,936,386
Mineral property interests	\$ 6,268,993	\$ 6,645,551

(a) Exploration and evaluation on Chatham Rise Project

	June 30, 2022	March 31, 2022
Opening balance	\$ 4,709,165	\$ 4,691,425
Exploration costs capitalised	12,714	71,751
Foreign exchange fluctuation	(380,386)	(54,011)
Net book value	\$ 4,341,493	\$ 4,709,165
Cost	\$ 19,351,969	\$ 21,038,667
Impairment	(15,010,476)	(16,329,502)
Net book value	\$ 4,341,493	\$ 4,709,165

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 17.

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 August 23, 2021 the Group applied for a change of conditions in the permit to further defer the minimum work programme commitments. All work commitments have been met to date (Note 17).

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5. Mineral property interest (continued)

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

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 (2021: no impairment).

(b) 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.

(c) Acquisition of Makatea Phosphate Project

	June 30, 2022	March 31, 2022
Opening balance/(Acquisition cost)	\$ 1,936,386	\$ 1,853,725
Capitalised acquisition costs	-	778,584
Foreign exchange fluctuation	(8,886)	4,077
Net book value	\$ 1,927,500	\$ 1,936,386

On June 30, 2021, CRP acquired the Makatea Phosphate Project through the acquisition of 100% of the shares of an Australian private company, Avenir Makatea Pty Limited. Avenir Makatea, through its wholly owned French Polynesian subsidiary, SAS Avenir Makatea (SAS) holds the exploration research permit (ERP) to explore for phosphate on the French Polynesian island of Makatea (the "Makatea Phosphate Project").

The Makatea Phosphate Project is a combined rehabilitation and phosphate mining project located on Makatea Island approximately 240km northeast of Tahiti, French Polynesia. It covers an area of 1,035 ha (10.36 km²). The island is a well-known source of phosphate and was previously mined from 1908 to 1966.

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6. Trade other payables

	June 30, 2022	March 31, 2022
Trade and other payables due to related parties	\$ 23,571	\$ 7,613
Other trade payables	89,791	28,562
Accrued expenses	58,799	131,284
	\$ 172,161	\$ 167,459

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, 2021	43,699,154	36,287,979
Issued during the year:		
Shares issued net of costs	28,232,173	2,919,708
Balance, March 31, 2022	71,931,327	\$ 39,207,687
Issued during the three months:		
Shares issued net of costs	12,927,960	2,125,046
Exercise of options	470,000	70,370
Balance, June 30, 2022	85,329,287	\$ 41,403,103

On April 8, 2022, the Company closed a non-brokered private placement of 12,927,960 units at a price of CAD \$0.17 per Unit (NZ\$0.195) for gross proceeds of CAD \$2,197,752 (NZD \$2,520,952). 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 three (3) years from the date of issuance.

On May 30, 2022, 320,000 options at \$0.13 cents each were exercised and on June 14, 2022, 150,000 options at \$0.13 cents each were exercised.

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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, 2022	Issued	Exercised	Expired/ cancelled/ forfeited	Balance June 30, 2022
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 05, 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 09, 2026	\$0.45	7,201,000	-	-	-	7,201,000
Apr 08, 2025	\$0.45	-	12,927,960	-	-	12,927,960
		23,333,795	12,927,960	-	-	36,261,755
Weighted average exercise price		\$0.45	-	-	-	\$0.45
Weighted average remaining life (years)		3.40	-	-	-	3.02

On April 8, 2022 as part of a non-brokered private placement, the Company issued 12,927,960 non-transferable share purchase warrants. Each warrant entitles the holder to purchase one common share at a price of CAD\$0.45 per share any time prior to April 8, 2025.

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7. Share capital (continued)

In the event that the common shares of the Company trade on the TSX Venture Exchange at a closing price of greater than CAD \$0.60 (NZ\$0.71) per common share for a period of 20 consecutive trading days at any time after four months and one day after the closing date of the private placement, the Company may accelerate the expiry date of the Warrants by giving notice to the holders thereof by way of a news release and in such case the Warrants will expire on the 30th day after the date of dissemination of the news release.

Using the residual approach, the warrants issued in July and September 2021 were valued at \$nil. These are deemed Level 3 fair values as the warrants' value made using a valuation technique that require inputs i.e. fair value of shares, which is significant to the overall fair value measurement.

- (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 June 2018 and August 2018 options were both to be extended to five years from the date of issuance. None of the June 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.

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.

- (b) Stock options

The Company has a stock option plan under which options to purchase shares in the company may be granted to officers, directors, employees and consultants. The Board of Directors has approved a policy of reserving up to 10% of the outstanding common shares for issuance to eligible participants. All stock options have a maximum term of ten years and the vesting period for each grant is determined at the discretion of the Board of Directors.

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8. Share based payments (continued)

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 \$159,703 was estimated using the Black-Scholes Option Pricing model assuming a risk-free rate of 1.29%, 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\$0.122 on the grant date.

No further options were granted during the year ended March 31, 2022 (2021: nil).

The continuity of outstanding share based options for the year ended March 31, 2022, is as follows:

Expiry Date	Exercise prices	Balance March 31 2022	Issued	Exercised	Expired/ cancelled/ forfeited	Balance June 30, 2022
May 8, 2023	\$0.29	1,310,000	-	-	-	1,310,000
October 8, 2029	\$0.11	500,000	-	-	-	500,000
October 20, 2026	\$0.13	2,400,000	-	(470,000)	-	1,930,000
		4,210,000	-	(470,000)	-	3,740,000
Weighted average exercise price		\$0.18	-	-	-	\$0.18
Weighted average remaining life (years)		3.84	-	-	-	3.50

(c) On May 30, 2022, 320,000 options at \$0.13 cents each were exercised and on June 14, 2022, 150,000 options at \$0.13 cents each were exercised.

(d) Equity-settled transactions

The acquisition of Avenir Makatea Phosphate project during the prior year is considered an equity-settled transaction and accounted for accordingly. Refer to Notes 2 and 5 (c) for details.

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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:

	2022	2021
Loss used in the calculation of basic EPS	(409,025)	(161,538)
Weighted average number of outstanding shares for the purpose of basic EPS	74,904,863	43,699,154
Effect of dilution, weighted number of mandatory warrants	-	-
Weighted average number of outstanding shares used in the calculation of diluted EPS	74,904,863	43,699,154
Basic loss per share	(0.54)	(0.37)
Diluted loss per share	(0.54)	(0.37)

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.

10. Finance income and expenses

	2022	2021
Finance income	-	-
Net foreign exchange losses	1,592	-
Finance expense	1,592	-
Net finance income and expenses	(1,592)	-

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11. General and administrative expenses

The following items of expenditure are included in administrative expenses:

	2022	2021
Accountancy fees	1,844	-
Consultancy fees	88,792	63,462
Directors' fees	11,074	-
Employee benefits	30,211	-
Insurance	762	6,249
Legal fees	39,686	27,028
Listing fees	2,167	2,204
Management fees	55,243	15,811
Marketing	69,999	22,995
Registry fees	5,804	2,489
Rent	12,211	4,831
Travel	17,417	3,815

Refer to Note 15 for discussion on consultancy fees, which are charged by related parties.

12. Depreciation and amortisation

Depreciation and amortisation included in the profit and loss is as follows:

	2022	2021
Depreciation plant and equipment	1,049	-
	1,049	-

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13. 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 has transactional currency exposure arising from corporate costs which are denominated in New Zealand dollars (NZD) and Australian dollars (AUD) and investing costs which are denominated in French Polynesian Francs (XPF). The Group does not undertake any hedging activities.

The Group owns a fixed life intangible asset in French Polynesia and is exposed to foreign currency risk arising from various currency exposures to the Canadian dollar.

The Board approved the policy of holding certain funds in Canadian dollars to manage foreign exchange risk. The Group's exposure to foreign exchange risk at the reporting date was as follows:

		June 30, 2022		
		NZD	AUD	XPF
<i>Financial assets:</i>				
Cash and cash equivalents	\$	658,519	\$ 20,258	\$ 152,323
Accounts receivable and other receivables		8,509	14,555	6,702
<i>Financial liabilities:</i>				
Trade and other payables	\$	48,724	\$ 74,663	\$ 14,098

At the reporting date, if the currencies set out in the table above, strengthened or weakened against the Canadian dollar by the percentage shown, with all other variables held constant, net profit for the year would increase/(decrease) and net assets would increase/(decrease) by:

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13. Financial instruments (continued)

		June 30, 2022		
	NZD	AUD		XPF
<i>Impact on post tax profit</i>				
Exchange rate +10%	\$ 61,830	\$ (3,985)		\$ 14,493
Exchange rate -10%	(61,830)	3,985		(14,493)
<i>Impact on Equity</i>				
Exchange rate +10%	\$ 61,830	\$ (3,985)		\$ 14,493
Exchange rate -10%	(61,830)	3,985		(14,493)

Management believes the risk exposures as at the reporting date are representative of the risk exposure inherent in the financial instruments. A movement of +/- 10% is selected because a review of recent exchange rate movements and economic data suggests this range is reasonable.

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 terms 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 June 30, 2022, the Group had \$172,161 (March 31, 2022: \$167,459) in trade and other payables including accrued liabilities. Trade payables are non-interest bearing and have a contractual maturity of less than 30 days.

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13. Financial instruments (continued)

(a) Financial assets and liabilities:

As at June 30, 2022, 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 year \$	1 to 3 years \$
<u>Financial assets</u>					
Cash and cash equivalent	1,929,825	-	1,929,825	1,929,825	-
Other financial assets	17,226	-	17,226	17,226	-
Total financial assets	1,947,051	-	1,947,051	1,947,051	-
<u>Financial liabilities</u>					
Trade and other payables	172,161	-	172,161	172,161	-
Total financial liabilities	172,161	-	172,161	172,161	-

(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.

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14. 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.

15. 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:

	June 30, 2022	March 31, 2022
Due to directors	\$ 23,571	\$ 22,053
	\$ 23,571	\$ 22,053

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15. 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:

	June 30, 2022	June 30, 2021
Consultancy fees	\$ 6,636	\$ -
Management fees	55,243	15,811
	<u>\$ 61,879</u>	<u>\$ 15,811</u>

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.

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

	2022	2021
(Loss) for the period	\$ (409,025)	\$ (161,538)
Adjustments for:		
Expenses (non-cash)	1,049	-
Change in trade and other receivables	(297,978)	170
Change in other current assets	328,428	31,056
Change in trade and other payables	4,702	10,108
Net cash from operating activities	\$ (372,824)	\$ (120,204)

17. 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.

	2022 NZD	2021 NZD
Within one year	\$ -	\$ -
After one year but not more than five years	\$ 6,000,000	\$ 6,000,000
	<u>\$ 6,000,000</u>	<u>\$ 6,000,000</u>

CHATHAM ROCK PHOSPHATE LIMITED

Notes to the Consolidated Financial Statements
(Expressed in Canadian dollars, unless otherwise stated)
For the three months ended June 30, 2022 and 2021

17. Commitments and contingencies (continued)

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. During the year the Company applied for a further deferral of the minimum work program to align the hurdles with an expected realistic timeline for preparation of a new marine consent application. 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 years 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.

18. Subsequent events

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