

Consolidated Financial Statements
(Expressed in Canadian dollars)

CHATHAM ROCK PHOSPHATE LIMITED

For the six months ended September 30, 2019 and 2018

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CHATHAM ROCK PHOSPHATE LIMITED

Consolidated Balance Sheet
(Expressed in Canadian dollars)

	Notes	September 30, 2019	March 31, 2019
Assets			
Current assets:			
Cash and cash equivalents		\$ 69,835	\$ 243,615
Accounts receivable and other receivables		5,962	57,880
Current tax assets		-	2,113
Other current assets	5	77,228	81,464
		153,025	385,072
Non-current assets:			
Property, plant and equipment		95	104
NZX Bond		12,467	13,668
Mineral property interest	6	4,316,972	4,680,435
		4,329,534	4,694,207
Total assets		\$ 4,482,559	\$ 5,079,279

Liabilities and Shareholders' Equity

Current liabilities:			
Trade and other payables	7	\$ 10,209	\$ 82,492
		10,209	82,492
Total liabilities		10,209	82,492
Shareholders' equity:			
Share capital	8	35,241,168	35,068,781
Employee share option reserve		203,034	230,787
Accumulated deficit		(30,971,852)	(30,302,781)
Total shareholders' equity		4,472,350	4,996,787
Total liabilities and shareholders' equity		\$ 4,482,559	\$ 5,079,279

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 six months ended September 30, 2019 and 2018

	Notes	Three months ended Sept 30, 2019	Three months ended Sept 30, 2018	Six months ended Sept 30, 2019	Six months ended Sept 30, 2018
Revenue		\$ 1,242	\$ 1,260	\$ 2,571	\$ 2,623
Finance income		1,957	165	2,370	-
Finance expense		-	-	-	(1,209)
Net finance income/(expense)	11	1,957	165	2,370	(1,209)
General and administrative expenses	12	(105,152)	(289,205)	(260,454)	(465,260)
Depreciation		-	-	-	-
Marine Consent Application costs		-	(167)	-	4,267
Profit/(loss) before income tax (continuing operations)		(101,953)	(287,947)	(255,513)	(459,579)
Income tax expense		-	-	-	-
Net (loss)/profit for the period from continuing operations		(101,953)	(287,947)	(255,513)	(459,579)
<i>Other comprehensive income</i>					
Transfer from Foreign translation reserve		(251,166)	(187,236)	(441,311)	(291,758)
Total comprehensive (loss)/profit for the period		\$ (353,119)	\$ (475,183)	\$ (696,824)	\$ (751,337)
Basic shareholders' loss per share (Canadian cents)		\$ (0.39)	\$ (1.42)	\$ (1.00)	\$ (2.39)
Diluted shareholders' loss per share (Canadian cents)		\$ (0.39)	\$ (1.42)	\$ (1.00)	\$ (2.39)
Weighted average number of common shares outstanding		25,655,809	20,333,215	25,485,879	19,231,949

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 six months ended September 30, 2019 and 2018

	Number of common shares	Number of warrants	Share capital	Foreign Currency translation reserve	Employee share option reserve	Accumulated deficit	Shareholders' equity
Balance, 1 April, 2018	17,681,093	932,074	\$ 33,843,499	\$ 99,955	\$ -	\$(29,367,052)	\$ 4,576,402
Issue of shares, net of costs	3,109,332	-	777,333	-	-	-	777,333
Issue of discretionary warrants	-	1,554,665	-	-	-	-	-
Share-based payments	-	-	-	-	120,689	-	120,689
Currency translation loss	-	-	-	(391,713)	-	-	(391,713)
Net loss for the period	-	-	-	-	-	(459,579)	(459,579)
Transfer to other comprehensive income	-	-	-	291,758	-	(291,758)	-
Balance, September 30, 2018	20,790,425	2,486,739	\$ 34,620,832	\$ -	\$ 120,689	\$(30,118,389)	\$ 4,623,132
Issue of shares, net of costs	3,513,329	-	447,949	-	-	-	447,949
Issue of discretionary warrants	-	1,756,663 ¹	-	-	-	-	-
Share-based payments	-	-	-	-	110,098	-	110,098
Net loss for the period	-	-	-	-	-	(184,392)	(184,392)
Balance, March 31, 2019	24,303,754	4,243,402	\$ 35,068,781	\$ -	\$ 230,787	\$(30,302,781)	\$ 4,996,787
Issue of shares, net of costs	1,352,055	-	172,387	-	-	-	172,387
Issue of discretionary warrants	-	676,026 ¹	-	-	-	-	-
Cancellation of options	-	-	-	-	(27,753)	27,753	-
Net loss for the period	-	-	-	-	-	(696,824)	(696,824)
Balance, September 30, 2019	25,655,809	4,919,428	\$ 35,241,168	\$ -	\$ 203,034	\$(30,971,852)	\$ 4,472,350

1. The value of warrants issued in connection with share capital has been included in share capital.

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 six months ended September 30, 2019 and 2018

Notes	Three months ended Sept 30, 2019	Three months ended Sept 30, 2018	Six months ended Sept 30, 2019	Six months ended Sept 30, 2018
Cash flows from operating activities:				
Net interest received	\$ 1,985	\$ -	\$ 1,985	\$ -
Cash received from customers	1,242	1,261	2,571	2,623
Cash paid to suppliers	(192,134)	(381,700)	(376,990)	(576,348)
Tax refund received	-	-	2,055	-
Net cash (used in) operating activities	17 (188,907)	(380,439)	(370,379)	(573,725)
Cash flows from investing activities:				
Funds withdrawn/(deposited) in Trust account	-	1,002	-	(6,478)
Net cash (used in) investing activities	-	1,002	-	(6,478)
Cash flows from financing activities:				
Proceeds from issue of share capital, net of issue costs	-	190,890	223,387	762,333
Net cash from financing activities	-	190,890	223,387	762,333
Net increase/(decrease) in cash and cash equivalents	(188,907)	(188,547)	(146,992)	182,130
Cash and cash equivalents, beginning of period	276,711	439,798	243,615	81,484
Effect of foreign exchange rate fluctuations on cash held	(17,970)	2,547	(26,789)	(9,816)
Cash and cash equivalents, end of period	\$ 69,834	\$ 253,798	\$ 69,834	\$ 253,798

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 six months ended September 30, 2019 and 2018

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’s Main Board (“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.

Chatham Rock Phosphate Limited’s focus is the development and exploitation of the Chatham Rise rock phosphate deposit offshore New Zealand and potential overseas phosphate projects.

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 condensed 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 condensed consolidated financial statements for the three months ended September 30, 2019 were reviewed by the Audit Committee and approved and authorized for issue by the Board of Directors on November 29, 2019.

(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.

CHATHAM ROCK PHOSPHATE LIMITED

Notes to the Consolidated Financial Statements
(Expressed in Canadian dollars, unless otherwise stated)
For the six months ended September 30, 2019 and 2018

2. Basis of preparation (continued)

(d) Going concern

These consolidated financial statements have been prepared on a going concern basis, which assumes that the Group will be able to realise its assets and extinguish its liabilities in the normal course of business and at amounts stated in the financial report. This includes the Group's minerals mining commitments, being the minimum work requirements under the Minerals Mining Permit (MMP) 55549, as set out in Note 19.

The Group incurred a net loss of \$101,953 during the three months ended September 30, 2019 and, as of that date; the Group's current assets exceed its current liabilities. The Group had cash reserves of \$69,834 and permit work commitments with associated indicative costings as set out in Note 17.

The above mentioned conditions indicate the existence of a material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern.

The Directors have prepared a cash flow forecast through to the period ending September 30, 2020 to support the ongoing operations of the Group that includes the following:

- 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.
- The Directors plan to evolve the company from a single project focus into a more diversified company, principally involving other phosphate assets.

The recoverability of the carrying amounts of exploration and evaluation assets, as set out in Note 6, is dependent on the Group gaining a Marine Consent for the MMP 55549 related project to be commercially successful. No adjustments have been made relating to the recoverability and reclassification of recorded net asset amounts and classification of liabilities that might be necessary should the exploration permits be ultimately surrendered or cancelled. The Directors determined the carrying value of assets to be appropriate subject to the above conditions being met.

(e) 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 currency of the primary economic environment in which it operates.

(f) 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.

CHATHAM ROCK PHOSPHATE LIMITED

Notes to the Consolidated Financial Statements
(Expressed in Canadian dollars, unless otherwise stated)
For the six months ended September 30, 2019 and 2018

2. Basis of preparation (continued)

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.

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 September 30, 2019 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.

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.

(g) New standards and interpretations not yet adopted

At the date of authorisation of these consolidated financial statements, certain new standards and interpretations to existing standards have been published but are not yet effective, and have not been adopted early by the Group.

Management anticipates that all pronouncements will be adopted in the first accounting period beginning on or after the effective date of the new standard. It is not expected that they will have a material impact on the Group's consolidated financial statements.

CHATHAM ROCK PHOSPHATE LIMITED

Notes to the Consolidated Financial Statements
(Expressed in Canadian dollars, unless otherwise stated)
For the six months ended September 30, 2019 and 2018

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 is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, the Group takes into consideration potential voting rights that currently are exercisable.

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
Glass Earth (New Zealand) Limited	New Zealand	100
Pacific Rare Earths Limited	New Zealand	100

All of the subsidiaries have a March, 31 balance date.

CHATHAM ROCK PHOSPHATE LIMITED

Notes to the Consolidated Financial Statements
(Expressed in Canadian dollars, unless otherwise stated)
For the six months ended September 30, 2019 and 2018

3. Significant accounting policies (continued)

(b) 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. 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.

(c) 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.

(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:

The carrying amounts of the Group's assets are reviewed at each balance sheet date to determine whether there is any objective evidence of impairment.

An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. Impairment losses directly reduce the carrying amount of assets and 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 six months ended September 30, 2019 and 2018

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 finite lived tangible 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 exploration 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 if:

- (i) Sufficient data exists to determine technical feasibility and commercial viability, and
- (ii) Facts and circumstances suggest that the carrying amount exceeds the recoverable amount (see impairment accounting policy (e)). For the purposes of impairment testing, exploration and evaluation assets are allocated to cash-generating units to which the exploration activity relates. The cash generating unit shall not be larger than the area of interest.

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.

(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.

CHATHAM ROCK PHOSPHATE LIMITED

Notes to the Consolidated Financial Statements
(Expressed in Canadian dollars, unless otherwise stated)
For the six months ended September 30, 2019 and 2018

3. Significant accounting policies (continued)

(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 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.

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

CHATHAM ROCK PHOSPHATE LIMITED

Notes to the Consolidated Financial Statements
(Expressed in Canadian dollars, unless otherwise stated)
For the six months ended September 30, 2019 and 2018

3. Significant accounting policies (continued)

(i) Financial assets (continued)

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis.

All financial assets not classified as measured at amortized cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets. On initial recognition, the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortized cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

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.
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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.
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Equity investments at FVOCI	These assets are subsequently measured at fair value. Dividends are recognized as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in OCI and are never reclassified to profit or loss.
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CHATHAM ROCK PHOSPHATE LIMITED

Notes to the Consolidated Financial Statements
(Expressed in Canadian dollars, unless otherwise stated)
For the six months ended September 30, 2019 and 2018

3. Significant accounting policies (continued)

(i) Financial assets (continued)

Impairment of financial assets

Financial assets measured at amortized cost, contract assets, and debt investments in FVOCI, but not investments in equity instruments, are assessed for credit impairment under the expected credit loss (“ECL”) model of impairment. This impairment model applies to lease receivables, loan commitments, and financial guarantee contracts; the Company has no such items. The financial assets at amortized cost consist of accounts receivables, cash and cash equivalents.

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

The Company de-recognizes financial liabilities when, and only when, the Company's obligations are discharged, cancelled or they expire.

CHATHAM ROCK PHOSPHATE LIMITED

Notes to the Consolidated Financial Statements
(Expressed in Canadian dollars, unless otherwise stated)
For the six months ended September 30, 2019 and 2018

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.

4. Segment reporting

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

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 has commenced due diligence activities on phosphate assets overseas.

5. Other current assets

	September 30, 2019	March 31, 2019
Prepayments	\$ 77,228	\$ 81,464
	\$ 77,228	\$ 81,464

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Notes to the Consolidated Financial Statements
(Expressed in Canadian dollars, unless otherwise stated)
For the six months ended September 30, 2019 and 2018

6. Mineral property interest

Exploration and evaluation on Chatham Rise Project

	September 30, 2019	March 31, 2019
Opening balance	\$ 4,680,435	\$ 4,552,204
Exploration costs capitalised	47,963	219,612
Foreign exchange fluctuation	(411,426)	(91,381)
Net book value	\$ 4,316,972	\$ 4,680,435

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 19.

The Group was granted a Minerals Prospecting Licence ("MPL") 50270 under the Continental Shelf Act 1964 on February 25, 2010 for a period of four years. The licence has been extended a number of times and will expire on 24 February 2020. The licence covers 2887km² of the Chatham Rise and is located approximately 450 kilometres east of Christchurch. On 29 August 2019 the prospecting permit was relinquished six months prior to the end of its term. This has no impact on the mining permit and proposed mining programme.

The Group holds a Minerals Mining Permit 55549. On February 11, 2015 the Group was refused Marine Consent from 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 5, 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 permit expires December 5, 2033.

In September 2012, the Group applied for five prospecting licences offshore Namibia. It remains the intention of the Directors to pursue these licences.

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7. Trade other payables

	September 30, 2019	March 31, 2019
Trade and other payables due to related parties	\$ 5,734	\$ 5,444
Other trade payables	3,950	32,827
Accrued expenses	525	44,221
	\$ 10,209	\$ 82,492

8. 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, 2018	17,681,093	\$ 33,843,499
Issued during the year: Shares issued net of costs	6,622,661	1,225,282
Balance, March 31, 2019	24,303,754	\$ 35,068,781
Issued during the year: Shares issued net of costs	1,352,055	172,387
Balance, September 30, 2019	25,655,809	\$ 35,241,168

- (c) On April 23, 2019 the Company closed a non-brokered private placement of 1,352,055 units at a price of CAD\$0.1275 per Unit for gross proceeds of CAD\$172,387. Each unit consists of one common share and one-half of one non-transferable share purchase warrant. Each whole warrant entitles the holder to purchase one common share at a price of CAD\$0.45 per share any time prior to the date that is five years from the date of issuance.

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8. Share capital (continued)

(d) Warrants:

Original Grant Date	Modified Grant Date	Original Expiry Date	Modified Expiry Date
September 27, 2017	February 18, 2019	September 27, 2019	September 27, 2022
January 24, 2018	February 18, 2019	January 24, 2020	January 24, 2023
September 13, 2018	February 18, 2019	September 13, 2020	September 13, 2023
August 25, 2018	February 18, 2019	August 25, 2020	August 25, 2023
March 26, 2019	March 26, 2019	March 26, 2024	March 26, 2024
April 23, 2019	April 23, 2019	April 23, 2024	April 23, 2024

Expiry Date	Exercise prices	Balance March, 31 2019	Issued	Exercised	Expired/ cancelled/ forfeited	Balance September, 30 2019
September 27, 2022	\$0.45	445,706	-	-	-	445,706
January 24, 2023	\$0.45	486,368	-	-	-	486,368
September 13, 2023	\$0.45	1,172,885	-	-	-	1,172,885
August 25, 2023	\$0.45	381,780	-	-	-	381,780
March 26, 2024	\$0.45	1,756,663	-	-	-	1,756,663
April 23, 2024	\$0.45	-	676,026	-	-	676,026
		4,243,402	676,026	-	-	4,919,428
Weighted average exercise price		\$0.45	\$0.45	-	-	\$0.45
Weighted average remaining life (years)		4.35	4.83	-	-	3.95

On April 23, 2019 as part of a Share Purchase Plan the Company issued 676,026 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 23, 2024.

- (e) On February 18, 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 been exercised.

It was also announced that the January, September and August 2018 options were also to be extended to five years from the date of issuance. None of the 2018 warrants have to date been exercised.

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9. 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.

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.

On September 14, 2018 190,000 options were cancelled, at a cost of \$27,753, three months after the resignation of a former Director, Dr Robin Falconer.

(b) Equity-settled transactions

There were nil (September 30, 2018: nil) share-based payments settled by the issue of ordinary shares in the Company.

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10. 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 Sept 30, 2019	Three months ended Sept 30, 2018	Six months ended Sept 30, 2019	Six months ended Sept 30, 2018
Loss used in the calculation of basic EPS	(101,953)	(287,947)	(255,513)	(459,579)
Weighted average number of outstanding shares for the purpose of basic EPS	25,655,809	20,333,215	25,485,879	19,231,949
Shares to be issued for additional capital	-	-	-	-
Weighted average number of outstanding shares used in the calculation of diluted EPS	25,655,809	20,333,215	25,485,879	19,231,949
Basic loss per share (Canadian cents)	(0.39)	(1.42)	(1.00)	(2.39)
Diluted loss per share (Canadian cents)	(0.39)	(1.42)	(1.00)	(2.39)

No dilution effect on diluted EPS as the company was operating at a net loss for the period

11. Finance income and expenses

	Three months ended Sept 30, 2019	Three months ended Sept 30, 2018	Six months ended Sept 30, 2019	Six months ended Sept 30, 2018
Interest income on bank deposits	1,985	-	1,985	-
Net foreign exchange gains	(28)	165	385	-
Finance income	1,957	165	2,370	-
Interest expense	-	-	-	-
Net foreign exchange losses	-	-	-	(1,209)
Finance expense	-	-	-	(1,209)
Net finance income and expenses	1,957	165	2,370	(1,209)

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12. General and administrative expenses

The following items of expenditure are included in administrative expenses:

	Three months ended Sept 30, 2019	Three months ended Sept 30, 2018	Six months ended Sept 30, 2019	Six months ended Sept 30, 2018
Accountancy fees	\$ 2,070	\$ 2,447	\$ 9,444	\$ 11,715
Consultancy fees	17,946	38,261	52,213	83,110
Directors fees	-	-	-	-
Insurance	2,530	3,375	7,592	6,750
Legal fees	10,691	16,046	37,689	53,696
Management fees	29,797	19,337	61,704	62,949
Registry fees	2,863	11,226	6,175	15,045
Rent	4,552	4,620	9,427	9,617
Share-based payments	-	120,689	-	120,689
Travel	3,395	27,406	26,718	28,449

The Board has agreed to forfeit directors fees for the year ended March 31, 2019 (beyond the amount charged). Some directors are remunerated for their services through consultancy fees.

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

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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.

Financial instruments are comprised of accounts receivable and other receivables, cash and cash equivalents, other financial assets, trade creditors and other payables, and other financial liabilities.

Recognition and de-recognition of financial assets and liabilities

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the financial instrument. Financial assets and financial liabilities 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 liability is derecognised when it is extinguished, discharged, cancelled or expires.

Subsequent measurement of financial assets

All financial assets held by the Group in the years reported have been designated into one classification, "loans and receivables", being non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition these are measured at amortised cost using the effective interest method, less provision for impairment. Discounting is omitted where the effect of discounting is immaterial.

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.

Subsequent measurement of financial liabilities

Trade payables and other borrowings are subsequently measured at amortised cost using the effective interest method.

Sensitivity analysis

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 September 30, 2019 (2018: an immaterial amount). As a purchaser of foreign currency, the Group's risk is that the NZD depreciates.

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.

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13. Financial instruments (continued)

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.

(i) *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 September 30, 2019, the Group is exposed to currency risk through the following assets and liabilities denominated in Canadian dollars:

	September 30, 2019	March 31 2019
Cash and cash equivalents	-	9,986
Other current assets	-	51,114
Accounts payable	(525)	(17,199)
	(525)	43,901

(ii) *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.

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13. Financial instruments (continued)

The only financial liabilities are trade and other payables. At September 30, 2019, the Group had \$39,787 (March 31, 2019 \$82,492) in trade and other payables including accrued liabilities. Trade payables are non-interest bearing and have a contractual maturity of less than 30 days.

(a) Financial assets and liabilities:

As at September 30, 2019, 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	69,834	-	69,834	69,834	-
Trade and other receivables	-	197	197	197	-
NZX Bond	12,466	-	12,466	12,466	-
Total financial assets	82,300	197	82,497	82,497	-
<u>Financial liabilities</u>					
Trade and other payables	-	10,209	10,209	10,209	-
Total financial liabilities	-	10,209	10,209	10,209	-

(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.

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13. Financial instruments (continued)

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.

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:

	September 30, 2019	March 31, 2019
Due to directors	\$ 5,735	\$ 5,444
Due to executive officers	-	-
	\$ 5,735	\$ 5,444

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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:

	Three months ended Sept 30, 2019	Three months ended Sept 30, 2018	Six months ended Sept 30, 2019	Six months ended Sept 30, 2018
Consultancy fees	\$ 5,913	\$ 4,137	\$ 5,913	\$ 9,180
Management fees	29,797	19,337	61,704	62,950
Share-based payments	-	107,703	-	107,703
	\$ 35,710	\$ 131,177	\$ 67,617	\$ 179,833

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 profit/(loss) for the year with the net cash from operating activities

	Three months ended Sept 30, 2019	Three months ended Sept 30, 2018	Six months ended Sept 30, 2019	Six months ended Sept 30, 2018
Profit/(loss) for the period	\$ (101,953)	\$ (287,947)	\$ (255,513)	\$ (459,579)
Adjustments for:				
Depreciation	-	-	-	-
Expenses (non-cash)	-	120,689	(4,465)	120,689
Change in trade and other receivables	8,503	(4,666)	7,437	(2,861)
Change in other current assets	(44,455)	(43,359)	309	1,452
Change in current tax assets	-	-	2,113	-
Change in trade and other payables	(30,572)	(57,255)	(72,283)	(87,295)
Change in exploration expenditure	(20,430)	(107,901)	(47,977)	(146,131)
Net cash from operating activities	(188,907)	(380,439)	(370,379)	(573,725)

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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 2(d).

	2019 NZD	2018 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 60 months of the commencement date of the permit, the permit holder shall:

- Complete an updated resource optimisation study for the permit area; and
- Prepare a technical report detailing all work completed during this stage of the work programme to be submitted to the chief executive in accordance with the regulations.

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.

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17. Commitments and contingencies (continued)

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.

18. Subsequent events

On November 19, 2019 the Company announced that it was proceeding with a non-brokered private placement of up to 4,000,000 units (the "Units") at a price of CAD \$0.15 per Unit (NZ\$0.177) for gross proceeds of up to CAD \$600,000, subject to regulatory approvals. Each Unit will consist of one common share in the capital of the Company and transferrable share purchase warrant ("Warrant"), transferable subject to applicable securities legislation. Each Warrant will entitle the holder thereof to acquire one common share at a price of CAD \$0.45 (NZ\$0.53) per share at any time prior to the date that is five (5) years from the date of issuance.

The proceeds of this placement will be used to fund working capital necessary to progress the re-application for the environmental permit during the next year.