**ARIANNE PHOSPHATE INC.**
**CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**
**(UNAUDITED)**
**THREE MONTHS PERIODS ENDED MARCH 31, 2015 AND MARCH 31, 2014**
(in Canadian dollars)

ARIANNE Phosphate

**Condensed interim consolidated financial statements for the three month period ended March 31, 2015 haven't been reviewed by the auditors.**

# ARIANNE PHOSPHATE INC.
## CONTENTS

# ARIANNE PHOSPHATE INC.

**CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION**
**AS AT MARCH 31, 2015**
(In Canadian dollars)

| | March 31, 2015 | December 31, 2014 |
|---|---|---|
| | $ | $ |
| **ASSETS** | | |
| **Current assets** | | |
| Cash and cash equivalents (note 4) | 2,651,992 | 3,837,720 |
| Receivables and other current assets | 104,873 | 63,872 |
| Sales taxes receivable | 181,875 | 193,083 |
| Grant receivable | 42,252 | - |
| Tax credit related to resources and mining tax credit receivable | - | 309,954 |
| | 2,980,992 | 4,404,629 |
| **Non-current assets** | | |
| Tax credit related to resources and mining tax credit receivable | 1,558,909 | 1,501,843 |
| Investment property – Outfitters | 385,406 | 394,530 |
| Property, plant and equipment (note 6) | 343,408 | 363,937 |
| Intangible assets (note 7) | 142,094 | 150,451 |
| Mining properties | 1,215,907 | 1,215,907 |
| Exploration and evaluation assets (note 8) | 37,839,063 | 36,623,579 |
| | 41,484,787 | 40,250,247 |
| **Total assets** | 44,465,779 | 44,654,876 |
| | | |
| **LIABILITIES** | | |
| **Current liabilities** | | |
| Accounts payable and accrued liabilities | 1,282,092 | 1,191,290 |
| Provision | - | 50,000 |
| Current portion of the credit line (note 9) | 13,032,283 | 12,605,641 |
| | 14,314,375 | 13,846,931 |
| **Non-current liabilities** | | |
| Deferred income taxes | 2,054,527 | 2,034,817 |
| **Total liabilities** | 16,368,902 | 15,881,748 |
| | | |
| **Equity** | | |
| Capital stock | 51,593,734 | 51,593,734 |
| Warrants (note 10) | 2,831,134 | 2,816,369 |
| Contributed surplus | 9,836,408 | 9,636,224 |
| Deficit | (36,164,399) | (35,273,199) |
| **Total equity** | 28,096,877 | 28,773,128 |
| **Total liabilities and equity** | 44,465,779 | 44,654,876 |

**GOING CONCERN** (note 1)
**COMMITMENTS** (note 13)

The accompanying notes are an integral part of these condensed interim consolidated financial statements.

ON BEHALF OF THE BOARD
(s) Siva J. Pillay, Director (s) Dino Fuoco, CFO

# ARIANNE PHOSPHATE INC.

**CONSOLIDATED INTERIM STATEMENTS OF LOSS**
**FOR THREE MONTH PERIOD ENDED MARCH 31**
(In Canadian dollars)

| | March 31, 2015 | March 31, 2014 |
|---|---|---|
| | $ | $ |
| **EXPENSES** | | |
| Salaries and fringe benefits | 375,844 | 387,717 |
| Share-based compensation | 200,184 | 275,616 |
| Professional and consultant fees | 61,313 | 215,555 |
| Management fees | 22,925 | 77,500 |
| Registration and listing fees | 38,046 | 46,066 |
| Communications | 57,236 | 70,402 |
| Promotion, representation and travel | 43,146 | 111,741 |
| Insurance | 12,699 | 10,052 |
| Rent and office expenses | 38,330 | 58,604 |
| Depreciation of property, plant and equipment | 14,350 | 7,072 |
| Bank charges | 6,117 | 1,733 |
| **Operating loss** | 870,190 | 1,262,058 |
| | | |
| **OTHER EXPENSES (INCOME)** | | |
| Interest income | (19,277) | (28,291) |
| Interest expense | - | 185,361 |
| Finance expenses | - | 95,929 |
| Foreign exchange loss | (2,127) | (1,624) |
| Net loss of investment property – Outfitters (note 6) | 22,941 | 47,388 |
| | 1,537 | 298,763 |
| **LOSS BEFORE INCOME TAXES** | 871,727 | 1,560,821 |
| Deferred income taxes (recovery) | 19,473 | (154,858) |
| **NET LOSS FOR THE PERIOD** | 891,200 | 1,405,963 |
| **BASIC AND DILUTED LOSS PER SHARE** | 0.01 | 0.02 |
| **WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING** | 89,902,157 | 85,507,265 |

The accompanying notes are an integral part of these condensed interim consolidated financial statements.

# ARIANNE PHOSPHATE INC.

**CONSOLIDATED INTERIM STATEMENTS OF COMPREHENSIVE LOSS**
**FOR THREE MONTH PERIOD ENDED MARCH 31**
(in Canadian dollars)

| | March 31, 2015 | March 31, 2014 |
|---|---|---|
| | $ | $ |
| **NET LOSS FOR THE PERIOD** | 891,200 | 1,405,963 |
| **Other comprehensive loss:** | - | - |
| **COMPREHENSIVE LOSS** | 891,200 | 1,405,963 |

The accompanying notes are an integral part of these condensed interim consolidated financial statements.

# ARIANNE PHOSPHATE INC.

**CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN EQUITY**
**FOR THREE MONTHS PERIOD ENDED MARCH 31**
(in Canadian dollars)

| | Capital stock | Capital stock | Warrants | Contributed surplus | Deficit | Total equity |
|---|---|---|---|---|---|---|
| | common shares | $ | $ | $ | $ | $ |
| **Balance as at January 1, 2015** | 95,325,755 | 51,593,734 | 2,816,369 | 9,636,224 | (35,273,199) | 28,773,128 |
| Net loss and comprehensive loss for the period | | | | | (891,200) | (891,200) |
| Share-based compensation | - | | - | 200,184 | - | 200,184 |
| Value assigned to warrants | - | - | 14,765 | - | - | 14,765 |
| **Balance as at March 31, 2015** | 95,325,755 | 51,593,734 | 2,831,134 | 9,836,408 | (36,164,399) | 28,096,877 |
| **Balance as at January 1, 2014** | 85,185,255 | 40,721,138 | 3,794,144 | 8,512,298 | (28,943,907) | 24,083,773 |
| Net loss for the period | | - | - | - | (1,405,963) | (1,405,963) |
| Comprehensive loss for the period | | | | | (1,405,963) | (1,405,963) |
| Share-based compensation | | - | - | 275,616 | - | 275,616 |
| Stock options exercised | 430,000 | 170,850 | - | (84,350) | - | 86,500 |
| Warrants exercised | 1,472,500 | 2,755,778 | (929,878) | - | - | 1,825,900 |
| Warrants expired | - | - | (311,237) | 311,237 | - | - |
| Deferred income tax | - | - | - | (24,254) | - | (24,254) |
| **Balance as at March 31, 2014** | 87,087,755 | 43,647,766 | 2,553,029 | 8,990,647 | (30,349,870) | 24,841,572 |

The accompanying notes are an integral part of these condensed interim consolidated financial statements.

# ARIANNE PHOSPHATE INC.

**CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS**
**FOR THREE MONTH PERIOD ENDED MARCH 31**
(In Canadian dollars)

| | Three-month period ended March 31, 2015 | Three-month period ended March 31, 2014 |
|---|---|---|
| | $ | $ |
| **CASH FLOW FROM (USED IN)** | | |
| **OPERATING ACTIVITIES** | | |
| Net loss for the period | (891,200) | (1,405,963) |
| Adjustments for: | | |
| Share-based payments | 200,184 | 275,616 |
| Grant receivable | (42,252) | - |
| Depreciation – Investment property - Outfitters | 9,124 | 11,628 |
| Depreciation – Property, plant and equipment | 20,529 | 7,072 |
| Finance expenses | 14,765 | 46,922 |
| Income taxes and deferred taxes | 19,710 | (154,858) |
| | (669,140) | (1,219,583) |
| Net change in non-cash working capital items (note 11) | 11,009 | 178,801 |
| | (658,131) | (1,040,782) |
| **INVESTING ACTIVITIES** | | |
| Tax credit related to resources and mining tax credit received | 309,954 | 1,378,009 |
| Acquisition of property, plant and equipment | - | (18,735) |
| Acquisition of mining properties | - | (30,275) |
| Exploration and evaluation assets | (837,551) | (2,315,239) |
| | (527,597) | (986,240) |
| **FINANCING ACTIVITIES** | | |
| Reimbursement of loan | - | (1,500,000) |
| Proceeds from the issuance of shares | - | 1,9,12,400 |
| | - | 412,400 |
| **CHANGE IN CASH AND CASH EQUIVALENTS DURING THE PERIOD** | (1,185,728) | (1,614,622) |
| **CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD** | 3,837,720 | 6,896,331 |
| **CASH AND CASH EQUIVALENTS, END OF PERIOD** | 2,651,992 | 5,281,709 |
| Supplementary cash flow information (note 11) | | |
| Interest received | 19,277 | 28,605 |
| Interest paid | - | 66,500 |

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

## 1. STATUTE OF INCORPORATION, NATURE OF ACTIVITIES AND GOING CONCERN

Arianne Phosphate Inc. ("the Company"), was incorporated under Part IA of the Companies Act (Quebec) and was continued under the Quebec Business Corporations Act (Quebec) (QBCA). The Company is engaged in the acquisition and exploration of mining properties in Quebec, Canada. During 2013, the Company completed a feasibility study on its Lac à Paul property. The Company's objective is to focus on developing a phosphate mine by concentrating its resources on this property. The Company's shares are listed on the TSX Venture Exchange (symbol DAN), on the Frankfurt exchange (symbol JE9N) and on the US Stock Exchange Over-the-Counter QX (OTCQX) (symbol DRRSF). The registered office of the Company is located at 393 Racine Street, Suite 200, Chicoutimi, Quebec, Canada G7H 1T2.

Although management has taken steps to verify titles of mining properties in which the Company has an interest, in accordance with industry standards for the current stage of exploration of such properties, these procedures do not guarantee the Company's title. Property title may be subject to unregistered prior agreements and non-compliant with regulatory requirements.

These condensed interim consolidated financial statements have been prepared on the basis of accounting principles applicable to a going concern, which contemplates the realization of assets and settlement of liabilities in the normal course of business as they come due. In assessing whether the going concern assumption is appropriate, management takes into account all available information about the future, which is at least, but not limited to, 12 months from the end of the reporting period. For the period ended March 31, 2015, the Company recorded a net loss of $891,200 (2014 – $1,405,963) and has an accumulated deficit of $36,164,399 as at March 31, 2015 ($35,273,199 as at December 31, 2014). In addition to ongoing working capital requirements, the Company must secure sufficient funding to meet its obligations and pay general and administration costs.

As at March 31, 2015, the Company had a negative working capital of $11,333,383 (negative working capital of $9,442,302 as at December 31, 2014). Management estimates that the working capital will not be sufficient to meet the Company's obligations and budgeted expenditures through March 31, 2016. These circumstances lend significant doubt as to the ability of the Company to meet its obligations as they come due and, accordingly, the appropriateness of the use of accounting principles applicable to a going concern. The Company will need to secure financing for 2015.

These condensed interim consolidated financial statements do not reflect the adjustments to the carrying values of assets and liabilities, expenses and financial position classifications that would be necessary if the going concern assumption was not appropriate. These adjustments could be material.

Any funding shortfall may be met in the future in a number of ways including, but not limited to, the issuance of new equity, debt financing or extending the term of the current loan arrangement. While management has been successful in securing financing in the past, there can be no assurance that it will be able to do so in the future or that these sources of funding or initiatives will be available to the Company or that they will be available on terms which are acceptable to the Company. If management is unable to obtain new funding, the Company may be unable to continue its operations, and amounts realized for assets might be less than amounts reflected in the condensed interim consolidated financial statements.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These condensed interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") applicable to the preparation of interim financial statements, including IAS 34, Interim Financial Reporting, as issued by the International Accounting Standards Board ("IASB").

The accounting policies followed in these condensed consolidated interim financial statements are consistent with those applied in the Company's annual financial statements for the year ended December 31, 2014. These condensed interim consolidated financial statements should be read in conjunction with the Company annual financial statements for the year ended December 31, 2014 which have been prepared in accordance with IFRS as issued by the IASB.

The Board of Directors approved these condensed interim consolidated financial statements on May 28, 2015.

## 3. NEW ACCOUNTING STANDARDS

**New accounting standards issued but not yet in effect**

The Company has not yet adopted certain standards, interpretations to existing standards and amendments which have been issued but have an effective date of later than January 1, 2014. Many of these updates are not relevant to the Company and are therefore not discussed herein.

IFRS 9, *Financial Instruments* ("IFRS 9")
In July 2014, the IASB issued IFRS 9 – *Financial Instruments*. The IASB has previously published versions of IFRS 9 that introduced new classification and measurement requirements (in 2009 and 2010) and a new hedge accounting model (in 2013). The July 2014 publication represents the final version of the Standard, replaces earlier versions of IFRS 9 and substantially completes the IASB's project to replace IAS 39 – *Financial Instruments: Recognition and Measurement*.

(in Canadian dollars)

This standard replaces the current multiple classification and measurement models for financial assets and liabilities with a single model that has only three classification categories: amortized cost and fair value through other comprehensive income and fair value through profit or loss. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset or liability. The standard introduces a new, expected loss impairment model that will require more timely recognition of expected credit losses. Specifically, the new Standard requires entities to account for expected credit losses from when financial instruments are first recognised and it lowers the threshold for recognition of full lifetime expected losses. The new standard also introduces a substantially-reformed model for hedge accounting with enhanced disclosures about risk management activity and aligns hedge accounting more closely with risk management. The new standard is effective for annual periods beginning on or after January 1, 2018 with early adoption permitted. The extent of the impact of the adoption of IFRS 9 has not yet been determined.

## 4. CASH AND CASH EQUIVALENTS

| | Three-month period ended March 31, 2015 | Twelve-month period ended December 31, 2014 |
|---|---|---|
| | $ | $ |
| Cash and cash equivalents | 2,651,992 | 3,837,720 |

As at March 31, 2015, cash and cash equivalents comprises cash on hand amounting to $2,524,335 bearing interest at a fixed rate 1.25% and cash on hand amounting to $127,657 not bearing interest. This rate is effective as long as the account balance exceeds $1,000,000.

## 5. INVESTMENT PROPERTY – OUTFITTERS

The following table summarizes the information related to the net loss of investment property – Outfitters:

| | Three-month period ended March 31, 2015 | Three-month period ended March 31, 2014 |
|---|---|---|
| | $ | $ |
| Outfitters income | - | - |
| Operating expenses: | | |
| Management fees | 6,851 | 30,500 |
| Repair and maintenance | - | 143 |
| Supplies | 595 | - |
| Advertising, promotion and travel | 1,029 | 700 |
| Taxes and licenses | 1,945 | 2,182 |
| Insurance | 2,091 | 2,091 |
| Interest and bank charges | 56 | 144 |
| Depreciation of property, plant and equipment | 10,137 | 11,628 |
| Tax on investment property – outfitter | 237 | - |
| | 22,941 | 47,388 |
| Net loss of investment property – Outfitters | 22,941 | 47,388 |

(in Canadian dollars)

## 6. PROPERTY, PLANT AND EQUIPMENT

| | Leasehold improvements $ | Tools and equipment $ | Rolling equipment $ | Computer equipment $ | Total $ |
|---|---|---|---|---|---|
| **Cost** | | | | | |
| Balance as at January 1, 2014 | 15,571 | 98,529 | - | - | 114,100 |
| Acquisition | 289,872 | 30,211 | 10,376 | 11,919 | 342,378 |
| Balance as at December 31, 2014 | 305,443 | 128,740 | 10,376 | 11,919 | 456,478 |
| **Balance as at March 31, 2015** | 305,443 | 128,740 | 10,376 | 11,919 | 456,478 |
| **Accumulated depreciation** | | | | | |
| Balance as at January 1, 2014 | 1,426 | 30,101 | - | - | 31,527 |
| Depreciation | 33,418 | 25,060 | 1,556 | 980 | 61,014 |
| Balance as at December 31, 2014 | 34,844 | 55,161 | 1,556 | 980 | 92,541 |
| Depreciation | 13,530 | 5,518 | 661 | 820 | 20,529 |
| **Balance as at March 31, 2015** | 48,374 | 60,679 | 2,217 | 1,800 | 113,070 |
| **Net book value** | | | | | |
| Balance as at January 1, 2014 | 14,145 | 68,428 | - | - | 82,573 |
| Balance as at December 31, 2014 | 270,599 | 73,579 | 8,820 | 10,939 | 363,937 |
| Balance as at March 31, 2015 | 257,069 | 68,061 | 8,159 | 10,119 | 343,408 |

## 7. INTANGIBLE ASSETS

| | Intangible assets $ |
|---|---|
| **Cost** | |
| Balance as at January 1, 2014 | - |
| Acquisition | 167,168 |
| Balance as at December 31, 2014 | 167,168 |
| Balance as at March 31, 2015 | 167,168 |
| **Accumulated depreciation** | |
| Balance as at January 1, 2014 | - |
| Depreciation | 16,717 |
| Balance as at December 31, 2014 | 16,717 |
| Depreciation | 8,357 |
| Balance as at March 31, 2015 | 25,074 |
| **Net book value** | |
| Balance as at January 1, 2014 | - |
| Balance as at December 31, 2014 | 150,451 |
| Balance as at March 31, 2015 | 142,094 |

(in Canadian dollars)

## 8. EXPLORATION AND EVALUATION ASSETS

| | Balance as at December 31, 2014 $ | Additions $ | Tax credits $ | Impairments $ | Disposals $ | Balance as at March 31, 2015 $ |
|---|---|---|---|---|---|---|
| **Quebec** | | | | | | |
| Lac à Paul | 36,623,579 | 1,272,550 | (57,066) | - | - | 37,839,063 |

For the periods ended March 31, 2015 and 2014, the following expenses, related to discovery of mineral resources, have been included in the cost of exploration and evaluation assets:

| | Three-month period ended March 31, 2015 $ | Three-month period ended March 31, 2014 $ |
|---|---|---|
| Drilling | - | 408,556 |
| Stripping and road repairs | - | 106,018 |
| Camp, travel and lodging and general expenses | 59,082 | 233,788 |
| Chemical analysis | 4,621 | 63,220 |
| Line cutting and geophysics | - | 129,092 |
| Planning and supervision | 69,789 | 132,672 |
| Professional fees and independent technical reports | 683,114 | 1,836,081 |
| Borrowing costs | 441,408 | 278,407 |
| Depreciation of property, plant and equipment | 6,179 | 6,898 |
| Depreciation of intangible asset | 8,357 | - |
| | 1,272,550 | 3,194,732 |
| Tax credits related to resources and mining tax credit | (57,066) | - |
| | 1,215,484 | 3,194,732 |
| Balance – Beginning of period | 36,623,579 | 27,238,956 |
| Balance – End of period | 37,839,063 | 30,433,688 |

## 9. CREDIT LINE

In August 2012, the Company entered into an agreement to obtain a non-revolving credit line for an authorized amount of $10 million to finance a feasibility study for the Lac à Paul property and to cover the general and administrative expenditures related to this property.

On July 29, 2013, the Company obtained a second non-revolving credit line amounting to $2,500,000. Terms and conditions are essentially the same as those in the August 2012 credit line of $10,000,000.

The credit lines and all unpaid interest will be repayable in full on the earlier of the following dates: (a) December 31, 2015; (b) the date the Company raises cumulative net cash proceeds of at least $51 million by way of equity, debt or other instruments; and (c) the date of change of control of the Company.

In March 2015, the Company issued 400,000 warrants to Mercury Financing Corp. (the “Lender”). The Warrants were issued in relation to an agreement with the Lender to defer interest payments on the credit lines (the “Agreement”). The Agreement provides for the deferral of approximately $600,000 in interest payable to the Lender until maturity of the credit lines in December 31, 2015. Each Warrant entitles the Lender to purchase one common share of the Company at an exercise price of $0.74. The Warrants shall be exercisable for a period of one year from the date of the signature of the Agreement. The Warrants are subject to a hold period of four months and have a fair value of $14,765.

The credit line has a current portion of $13,032,283 at the end of March 31, 2015.

(in Canadian dollars)

| | Three-month period ended March 31, 2015 $ | Three-month period ended March 31, 2014 $ |
|---|---|---|
| Balance – Beginning of period | 12,605,641 | 11,399,817 |
| Capitalized interests | - | 40,004 |
| Interest expense | - | 167,868 |
| Interests payable | 209,331 | - |
| Amortization of transaction costs | 217,311 | 238,403 |
| Balance – End of period | 13,032,283 | 11,678,224 |

## 10. STOCK OPTIONS, WARRANTS AND OPTIONS GRANTED TO BROKERS

### Stock options

The stock options granted to directors vest on a basis of 33% every year on a three-year period from the date of grant and options to consultants vest on a basis of 25% every three months, starting three months after the grant date.

Company stock options were as follows:

| | Three-month period ended March 31, 2015 | | Three-month period ended March 31, 2014 | |
|---|---|---|---|---|
| | Number | Weighted average exercise price $ | Number | Weighted average exercise price $ |
| **Balance – Beginning of period** | 6,019,167 | 1.02 | 6,165,000 | 1.10 |
| Expired | - | - | (25,000) | 1.18 |
| Exercised | - | - | (430,000) | 0.20 |
| **Balance – End of period** | 6,019,167 | 1.02 | 5,710,000 | 1.17 |
| Exercisable at the end of the period | 3,750,834 | 1.17 | 3,868,333 | 1.15 |

### Warrants

In March 2015, 400,000 warrants were granted. The fair value of warrants granted amounted to $14,765 and was estimated using the Black-Scholes pricing model with the following weighted average assumptions:

| | Three-month period ended March 31, 2015 | Twelve-month period ended December 31, 2014 |
|---|---|---|
| Weighted average price of share at time of grant | $0.74 | - |
| Weighted average risk-free interest rate | 0.54% | - |
| Weighted average expected volatility | 53% | - |
| Weighted average expected life | 1 year | - |
| Weighted average expected dividend yield | 0% | - |
| Weighted average fair value of warrants granted | $0.04 | - |

(in Canadian dollars)

Changes in Company warrants were as follows:

| | Three-month period ended March 31, 2015 | | Three-month period ended March 31, 2014 | |
|---|---|---|---|---|
| | **Number** | **Weighted average exercise price $** | **Number** | **Weighted average exercise price $** |
| **Balance – Beginning of period** | 9,217,500 | 1.24 | 7,440,500 | 1.24 |
| Granted | 4,00,000 | 0.74 | - | - |
| Exercised | - | - | (1,472,500) | 1.24 |
| Expired | | | (750,500) | 1.21 |
| **Balance – End of period** | 9,617,500 | 1.22 | 5,217,500 | 1.24 |

**Options granted to brokers**

Changes in Company options granted to brokers options were as follows:

| | Three-month period ended March 31, 2015 | | Three-month period ended March 31, 2014 | |
|---|---|---|---|---|
| | **Number** | **Weighted average exercise price $** | **Number** | **Weighted average exercise price $** |
| **Balance – Beginning of period** | 792,659 | 1.09 | 432,909 | 1.15 |
| **Balance – End of period** | 792,659 | 1.09 | 432,909 | 1.15 |

## 11. SUPPLEMENTARY INFORMATIONS RELATED TO CASH FLOWS

| Net change in non-cash working capital items | **Three-month period ended March 31, 2015 $** | **Three-month period ended March 31, 2014 $** |
|---|---|---|
| Receivable and other current assets | (41,001) | 90,001 |
| Sales taxes receivable | 11,208 | (91,838) |
| Accounts payable and accrued liabilities | 90,802 | 180,638 |
| Provision | (50,000) | - |
| | 11,009 | 178,801 |

Items not affecting cash and cash equivalents not otherwise disclosed elsewhere in the financial statements:

| | **Three-month period ended March 31, 2015 $** | **Three-month period ended March 31, 2014 $** |
|---|---|---|
| Addition to exploration and evaluation assets not yet paid | 313,877 | 711,328 |
| Addition to property, plant and equipment assets not yet paid | - | 57,153 |

(in Canadian dollars)

## 12. RELATED PARTY TRANSACTIONS

The table below shows related party transactions and balances payable for each of the Company's related parties:

| | Three-month period ended March 31, 2015 $ | Three-month period ended March 31, 2014 $ |
|---|---|---|
| **Key management compensation** [(1)] | | |
| Share-based compensation | - | 93,351 |
| Management fees | 22,925 | 77,500 |
| | 22,925 | 170,851 |
| Salaries and fringe benefits [(2)] | 194,515 | 236,918 |
| | 217,440 | 407,769 |
| Balance included in accounts payable and accrued liabilities | - | - |

(1) The key management is composed of the Chief Operating Officer (COO), Chief Financial Officer (CFO), the president, and the vice-president exploration and Firsts Nations relations. The key management compensation includes amounts for the former CEO, CFO and vice-president who left respectively in December, August and February 2014.
(2) Salaries and fringe benefits capitalized to exploration and evaluation assets amount to $33,729 ($51,122 in 2014).

The Company has entered into employment and management contracts with its key executives whose estimated annual remuneration amounts to $640,000. These contracts are renewable annually. The agreements with the Company's key executives contain provisions that apply in case of termination without cause or a change of control. If all executive team members had been dismissed without cause on March 31, 2015, the Company would have had to pay a total amount of $457,500 as severance. If a change of control had occurred on March 31, 2015, the total amounts payable to the executive team in respect of severance would have totaled $1,022,500 (assuming they left after a change of control and each named executive opted to receive such compensation). For one key executive, if both a termination of the employment agreement and a change of control of the Company occur within 6 months of each other, the Company would have to pay a one-time severance equal to $75,000.

## 13. COMMITMENTS

a) The Company has granted the lender of the August, 2012 credit line a royalty of $1 per ton of phosphate concentrate sales from the Lac à Paul project. This royalty may be redeemed at any time through a lump-sum payment of $6 million. In July 2013, the Company has also granted the lender of the second credit line a royalty of $0.25 per ton of phosphate concentrate sales from the Lac à Paul project. This royalty may be redeemed at any time through a lump-sum payment of $1.5 million. This royalty will have to be redeemed by the Company for the same amount in the event of a change of control where at least 90% of the issued and outstanding shares of the Company are acquired, purchased or held by a third party, either through a tender offer or other transaction with the same result.

b) The Company granted contracts in relation to the development of the Lac à Paul project for a total of $484,730. These contracts do not have termination dates and disbursements will be made in accordance with the project's milestones.

c) The Company's future minimum operating lease payments for the rent in Chicoutimi office, trucks rental and Lac à Paul camp are as follows:

| | Within 1 year | 1 to 5 years | After 5 years | Total |
|---|---|---|---|---|
| March 31, 2015 | $71,454 | $205,771 | - | $277,225 |

## 14. CONTENGENCIES

In the normal course of operations, the Company is exposed to events that could give rise to contingent liabilities. As at the date of issue of the condensed interim consolidated financial statements, the Company was not aware of any significant events that would have a material effect on its condensed interim consolidated financial statements.

(in Canadian dollars)

## 15. FINANCIAL INSTRUMENTS AND FINANCIAL RISKS

### Classification

The Company's financial instruments as at March 31, 2015 and December 31, 2014 consist of cash and cash equivalents, receivable and other current assets, accounts payable and accrued liabilities, provision and credit line. The fair value of these financial instruments approximates their carrying value due to their short-term maturity, to current market rates or they bear interest at variable rates.

The classification of financial instruments is summarized as follows:

| | | Carrying value | |
|---|---|---|---|
| | **Classification** | **As at March, 31 2015 $** | **As at December 31, 2014 $** |
| **Financial assets** | | | |
| Cash and cash equivalents | Loans and receivables | 2,651,992 | 3,837,720 |
| | | 2,651,992 | 3,827,720 |
| **Financial liabilities** | | | |
| Accounts payable and accrued liabilities | Financial liabilities at amortized cost | 1,282,092 | 1,191,290 |
| Provision | Financial liabilities at amortized cost | - | 50,000 |
| Credit line | Financial liabilities at amortized cost | 13,043,357 | 12,605,641 |
| | | 14,325,449 | 13,846,931 |

The Company defines the fair value hierarchy under which its financial instruments are valued as follows: level 1 includes unadjusted quoted prices in active markets for identical assets or liabilities; level 2 includes inputs other than quoted prices in level 1 that are observable for assets or liabilities, either directly or indirectly; and level 3 includes inputs for the asset or liability that are not based on observable market data. There was no transfer of hierarchy level as at March 31, 2015 and December 31, 2014.

### Financial risks

The Company has exposure to various financial risks, such as credit risk, liquidity risk, interest rate risk and currency risk from its use of financial instruments.

### Credit risk

The Company's credit risk is primarily attributable to cash and cash equivalents and receivable and other current assets. Cash and cash equivalents are deposited in Canadian chartered bank accounts or invested in a diversified manner in securities having an investment-grade rating (AA-), from which management believes the risk of loss to be minimal. Receivable and other current assets mainly consists of interest receivable from Canadian chartered banks, and mining tax credits due from the Quebec government. Management believes that the credit risk concentration with respect to financial instruments included in amounts receivable is minimal.

### Liquidity risk

Liquidity risk is the risk that the Company will not have sufficient cash resources to meet its financial obligations as they come due. The Company's liquidity and operating results may be adversely affected if the Company's access to the capital market is hindered, whether as a result of a downturn in stock market conditions generally or related to matters specific to the Company. The Company generates cash flows primarily from its financing activities. As at March 31, 2015, the Company had cash and cash equivalents of $2,651,992 ($3,837,720 as at December 31, 2014) to settle current liabilities of $14,325,449 ($13,843,931 as at December 31, 2014). The Company regularly evaluates its cash position to ensure preservation and security of capital as well as maintenance of liquidity (Refer to note 1 for the use of the going concern assumption).

The following are the contractual maturities of financial liabilities, including interest where applicable as at March 31, 2015:

| | Carrying amount $ | Contractual cash flows $ | 0 to 12 months $ | 12 to 24 months $ | More than 24 months $ |
|---|---|---|---|---|---|
| Accounts payable and accrued liabilities | 1,282,092 | 1,282,092 | 1,282,092 | - | - |
| Credit line | 13,043,357 | 14,356,620 | 14,356,620 | - | - |

**Interest rate risk**

Interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company has not entered into any derivative contracts to manage this risk. The Company's policy as it relates to its cash balances is to invest excess cash in financial instruments held with a Canadian chartered bank.

As at March 31, 2015, the Company's exposure to interest rate risk is summarized as follows:

| | |
|---|---|
| Cash and cash equivalents | Fixed interest rate & Non-interest bearing |
| Accounts payable and accrued liabilities | Non-interest bearing |
| Credit line | Variable interest rate |

The Company's interest rate risk arises from credit lines. Credit lines issued at variable rates expose the Company to cash flow risk. A variation of ±1% on the credit line would have an impact of $13,043 on the exploration and evaluation assets for 2015 ($12,605 as at December 31, 2014).

**Currency risk**

As at March 31, 2015, the Company has a bank account in US dollars for an amount of $1,150 ($2,465 as at December 31, 2014).The Company estimates that a variation of ±10% in exchange rates on that date would have resulted in a variation of approximately $115 in 2014 ($246 as at December 31, 2014) in net loss.