

**ARIANNE PHOSPHATE INC.
CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)
SIX MONTHS PERIODS ENDED JUNE 30, 2015 AND JUNE 30, 2014
(in Canadian dollars)**



Condensed interim consolidated financial statements for the six month period ended June 30, 2015 haven't been reviewed by the auditors.

ARIANNE PHOSPHATE INC.

CONTENTS

CONTENTS 2

CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION 3

CONSOLIDATED INTERIM STATEMENTS OF LOSS 4

CONSOLIDATED INTERIM STATEMENTS OF COMPREHENSIVE LOSS 5

CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN EQUITY 6

CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS..... 7

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS.....8

ARIANNE PHOSPHATE INC.

CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION AS AT JUNE 30, 2015

(In Canadian dollars)

	June 30, 2015	December 31, 2014
	\$	\$
ASSETS		
Current assets		
Cash and cash equivalents (note 4)	1,367,172	3,837,720
Receivables and other current assets	86,443	63,872
Sales taxes receivable	91,706	193,083
Grant receivable	12,595	-
Tax credit related to resources and mining tax credit receivable	-	309,954
	<u>1,557,916</u>	<u>4,404,629</u>
Non-current assets		
Tax credit related to resources and mining tax credit receivable	1,445,734	1,501,843
Investment property – Outfitters	382,442	394,530
Property, plant and equipment (note 6)	322,877	363,937
Intangible assets (note 7)	133,735	150,451
Mining properties	1,217,177	1,215,907
Exploration and evaluation assets (note 8)	38,672,672	36,623,579
	<u>42,174,637</u>	<u>40,250,247</u>
Total assets	<u>43,732,553</u>	<u>44,654,876</u>
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities	1,023,213	1,191,290
Provision	-	50,000
Current portion of the credit line (note 9)	13,473,733	12,605,641
	<u>14,496,946</u>	<u>13,846,931</u>
Non-current liabilities		
Deferred income taxes	2,071,737	2,034,817
Total liabilities	<u>16,568,683</u>	<u>15,881,748</u>
Equity		
Capital stock	51,593,734	51,593,734
Warrants	2,831,134	2,816,369
Contributed surplus	10,041,596	9,636,224
Deficit	(37,302,594)	(35,273,199)
Total equity	<u>27,163,870</u>	<u>28,773,128</u>
Total liabilities and equity	<u>43,732,553</u>	<u>44,654,876</u>
GOING CONCERN (note 1)		
COMMITMENTS (note 13)		
SUBSEQUENT EVENT (note 16)		

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) James Cowley, CFO

ARIANNE PHOSPHATE INC.
CONSOLIDATED INTERIM STATEMENTS OF LOSS
FOR SIX MONTH PERIOD ENDED JUNE 30
(In Canadian dollars)

	Three month period ended June 30, 2015	Three month period ended June 30, 2014	Six month period ended June 30, 2015	Six month period ended June 30, 2014
	\$	\$	\$	\$
EXPENSES				
Salaries and fringe benefits	403,614	467,496	779,458	855,214
Share-based compensation	205,188	322,631	405,372	598,247
Professional and consultant fees	134,655	346,236	195,968	561,790
Management fees	65,450	77,500	88,375	155,000
Registration and listing fees	15,115	1,595	53,161	47,662
Annual general meeting	38,419	13,236	38,419	13,236
Communications	86,895	192,908	144,132	263,310
Promotion, representation and travel	71,074	96,457	114,220	208,197
Insurance	11,382	13,301	24,081	23,352
Rent and office expenses	40,683	63,570	79,013	122,175
Bank charges	2,047	4,517	8,162	6,251
Gain on disposal of mining properties	-	(180,000)	-	(180,000)
Depreciation of property, plant and equipment	14,350	14,007	28,700	21,079
Operating loss	1,088,872	1,433,454	1,959,061	2,695,513
OTHER EXPENSES (INCOME)				
Interest income	(7,023)	(10,230)	(26,300)	(38,522)
Interest expense	-	211,660	-	397,021
Finance expenses	-	-	-	95,929
Foreign exchange loss	3,967	2,380	1,841	756
Net loss of investment property – Outfitters (note 5)	35,169	39,183	58,110	86,572
	32,113	242,993	33,651	541,756
LOSS BEFORE INCOME TAXES	1,120,985	1,676,447	1,992,712	3,237,269
Deferred income taxes (recovery)	17,210	(36,960)	36,683	(191,818)
NET LOSS FOR THE PERIOD	1,138,195	1,639,487	2,029,395	3,045,451
BASIC AND DILUTED LOSS PER SHARE	0.01	0.02	0.02	0.04
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING	95,325,755	86,501,959	95,325,755	86,801,892

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

ARIANNE PHOSPHATE INC.

CONSOLIDATED INTERIM STATEMENTS OF COMPREHENSIVE LOSS FOR SIX MONTH PERIOD ENDED JUNE 30

(in Canadian dollars)

	Three month period ended June 30, 2015	Three month period ended June 30, 2014	Six month period ended June 30, 2015	Six month period ended June 30, 2014
NET LOSS FOR THE PERIOD	\$ 1,138,195	\$ 1,639,487	\$ 2,029,395	\$ 3,045,451
Other comprehensive loss that may be reclassified subsequently to net income:				
Changes in fair value of available-for-sale financial assets	-	(2,550)	-	(2,550)
COMPREHENSIVE LOSS FOR THE PERIOD	1,138,195	1,636,937	2,029,395	3,042,901

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 SIX MONTHS PERIOD ENDED JUNE 30
(in Canadian dollars)

	Capital stock	Capital stock	Warrants	Contributed surplus	Accumulated other comprehensive loss	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						(2,029,395)	(2,029,395)
Share-based compensation	-			405,372	-	-	405,372
Value assigned to warrants	-		14,765		-	-	14,765
Balance as at June 30, 2015	95,325,755	51,593,734	2,831,134	10,041,596	-	(37,302,594)	27,163,870
Balance as at January 1, 2014	85,185,255	40,721,138	3,794,144	8,512,398	-	(28,943,907)	24,083,773
Net loss for the period						(3,045,451)	(3,045,451)
Changes in fair value of available for-sale financial assets					2,550	-	2,550
Comprehensive loss for the period					2,550	(3,045,451)	(3,042,901)
Share-based compensation				598,247			598,247
Stock options exercised	580,000	257,750		(127,250)			130,500
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 June 30, 2014	87,087,755	43,647,766	2,553,029	8,990,647	2,550	(31,989,358)	23,571,265

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

ARIANNE PHOSPHATE INC.
CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS
FOR SIX MONTH PERIOD ENDED JUNE 30
(In Canadian dollars)

	Six-month period ended June 30, 2015	Six-month period ended June 30, 2014
	\$	\$
CASH FLOW FROM (USED IN)		
OPERATING ACTIVITIES		
Net loss for the period	(2,029,395)	(3,045,451)
Adjustments for:		
Share-based payments	405,372	598,247
Depreciation – Investment property - Outfitters	18,407	23,256
Depreciation – Property, plant and equipment	28,700	21,079
Finance expenses	-	95,929
Loss (Gain) on disposal of mining properties	-	(180,000)
Income taxes and deferred taxes	36,920	(191,818)
	<u>(1,539,996)</u>	<u>(2,678,758)</u>
Net change in non-cash working capital items (note 11)	(303,361)	784,690
	<u>(1,843,357)</u>	<u>(1,894,068)</u>
INVESTING ACTIVITIES		
Tax credit related to resources and mining tax credit received	459,871	1,378,009
Acquisition of property, plant and equipment	-	(344,486)
Acquisition of property, plant and equipment – Outfitters	(6,319)	-
Acquisition of mining properties	(1,270)	(30,385)
Exploration and evaluation assets	(1,079,473)	(4,353,494)
	<u>(627,191)</u>	<u>(3,350,356)</u>
FINANCING ACTIVITIES		
Reimbursement of loan	-	(1,500,000)
Proceeds from the issuance of shares	-	1,956,400
	<u>-</u>	<u>456,400</u>
CHANGE IN CASH AND CASH EQUIVALENTS DURING THE PERIOD	<u>(2,470,548)</u>	<u>(4,788,024)</u>
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	3,837,720	6,896,331
CASH AND CASH EQUIVALENTS, END OF PERIOD	<u>1,367,172</u>	<u>2,108,307</u>
Supplementary cash flow information (note 11)		
Interest received	26,300	36,349
Interest paid	-	234,368

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

ARIANNE PHOSPHATE INC.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2015 AND 2014

(in Canadian dollars)

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

Ariane 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 (OTC) (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 June 30, 2015, the Company recorded a net loss of \$2,029,395 (2014 – \$3,045,451) and has an accumulated deficit of \$37,302,594 as at June 30, 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 June 30, 2015, the Company had a negative working capital of \$12,939,030 (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 June 30, 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 by the end of 2015.

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 credit line 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.

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.

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 August 26, 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*.

ARIANNE PHOSPHATE INC.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2015 AND 2014

(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

	Six-month period ended June 30, 2015	Twelve-month period ended December 31, 2014
	\$	\$
Cash and cash equivalents	<u>1,367,172</u>	<u>3,837,720</u>

As at June 30, 2015, cash and cash equivalents comprises cash on hand amounting to \$1,270,348 bearing interest at a fixed rate 1.25% and cash on hand amounting to \$96,824 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:

	Six-month period ended June 30, 2015	Six-month period ended June 30, 2014
	\$	\$
Outfitters income	<u>40,434</u>	<u>16,247</u>
Operating expenses:		
Salary and fringe benefits	15,900	-
Management fees	13,879	60,997
Repair and maintenance	12,543	7,500
Supplies	9,555	-
Advertising, promotion and travel	17,475	1,034
Taxes and licenses	6,294	4,479
Insurance	4,182	5,380
Interest and bank charges	72	173
Depreciation of property, plant and equipment	18,407	23,256
Tax on investment property – outfitter	237	-
	<u>98,544</u>	<u>102,819</u>
Net loss of investment property – Outfitters	<u>58,110</u>	<u>86,572</u>

ARIANNE PHOSPHATE INC.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2015 AND 2014

(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 June 30, 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	27,060	11,037	1,323	1,640	41,060
Balance as at June 30, 2015	61,904	66,198	2,879	2,620	133,601
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 June 30, 2015	243,539	62,542	7,497	9,299	322,877

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 June 30, 2015	167,168
Accumulated depreciation	
Balance as at January 1, 2014	-
Depreciation	16,717
Balance as at December 31, 2014	16,717
Depreciation	16,716
Balance as at June 30, 2015	33,433
Net book value	
Balance as at January 1, 2014	-
Balance as at December 31, 2014	150,451
Balance as at June 30, 2015	133,735

ARIANNE PHOSPHATE INC.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2015 AND 2014

(in Canadian dollars)

8. EXPLORATION AND EVALUATION ASSETS

	Balance as at December 31, 2014	Additions	Tax credits	Impairments	Disposals	Balance as at June 30, 2015
	\$	\$	\$	\$	\$	\$
Quebec						
Lac à Paul	36,623,579	2,142,901	(93,808)	-	-	38,672,672

For the periods ended June 30, 2015 and 2014, the following expenses, related to discovery of mineral resources, have been included in the cost of exploration and evaluation assets:

	Six-month period ended June 30, 2015	Six-month period ended June 30, 2014
	\$	\$
Drilling	-	418,799
Stripping and road repairs	-	165,566
Camp, travel and lodging and general expenses	97,973	294,616
Chemical analysis	4,796	160,439
Line cutting and geophysics	-	129,092
Planning and supervision	108,036	264,162
Professional fees and independent technical reports	1,020,162	3,583,812
Borrowing costs	882,858	512,704
Depreciation of property, plant and equipment	12,360	12,280
Depreciation of intangible asset	16,716	-
	2,142,901	5,514,470
Tax credits related to resources and mining tax credit	(93,808)	-
	2,049,093	5,514,470
Balance – Beginning of period	36,623,579	27,238,956
Balance – End of period	38,672,672	32,780,426

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 \$13,473,733 at the end of June 30, 2015 (\$12,605,641 as at December 31, 2014).

ARIANNE PHOSPHATE INC.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2015 AND 2014

(in Canadian dollars)

	Six-month period ended June 30, 2015 \$	Six-month period ended June 30, 2014 \$
Balance – Beginning of period	12,605,641	11,399,817
Capitalized interests	-	40,004
Interests payable	422,472	-
Amortization of transaction costs	445,620	472,701
Balance – End of period	<u>13,473,733</u>	<u>11,912,522</u>

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.

During the second quarter of 2015, 510,000 stock options were granted (595,000 in 2014). The fair value of stock options granted amounted to \$311,703 (\$410,502 in 2014) and was estimated using the Black-Scholes pricing model with the following weighted average assumptions:

	Six-month period ended June 30, 2015	Six-month period ended June 30, 2014
Weighted average price of share at time of grant	\$0.88	\$1.19
Weighted average risk-free interest rate	1.26%	1.60%
Weighted average expected volatility	81%	70%
Weighted average expected life	6.0 years	4.5 years
Weighted average expected dividend yield	0%	0%
Weighted average fair value of options granted	0.61	0.63

Company stock options were as follows:

	Six-month period ended June 30, 2015		Six-month period ended June 30, 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	(665,000)	1.45	(610,000)	1.31
Forfeited	(41,333)	1.29	-	-
Granted	510,000	0.85	595,000	1.30
Exercised	-	-	(580,000)	0.23
Balance – End of period	<u>5,822,834</u>	1.10	<u>5,570,000</u>	1.19
Exercisable at the end of the period	<u>3,350,834</u>	1.12	<u>3,491,666</u>	1.16

ARIANNE PHOSPHATE INC.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2015 AND 2014

(in Canadian dollars)

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:

	Six-month period ended June 30, 2015	Six-month period ended June 30, 2015, 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	-

Changes in Company warrants were as follows:

	Six-month period ended June 30, 2015		Six-month period ended June 30, 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	400,000	0.74	-	-
Exercised	-	-	(1,472,500)	1.24
Expired	-	-	(750,500)	1.21
Balance – End of period	<u>9,617,500</u>	1.22	<u>5,217,500</u>	1.24

Options granted to brokers

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

	Six-month period ended June 30, 2015		Six-month period ended June 30, 2014	
	Number	Weighted average exercise price \$	Number	Weighted average exercise price \$
Balance – Beginning of period	<u>792,659</u>	1.09	<u>432,909</u>	1.15
Balance – End of period	<u>792,659</u>	1.09	<u>432,909</u>	1.15

ARIANNE PHOSPHATE INC.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2015 AND 2014

(in Canadian dollars)

11. SUPPLEMENTARY INFORMATIONS RELATED TO CASH FLOWS

	Six-month period ended June 30, 2015	Six-month period ended June 30, 2014
	\$	\$
Net change in non-cash working capital items		
Receivable and other current assets	(22,571)	30,394
Sales taxes receivable	101,377	(8,568)
Grant receivable	(12,595)	-
Accounts payable and accrued liabilities	(319,572)	762,864
Provision	(50,000)	-
	<u>(303,361)</u>	<u>784,690</u>

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

	Six-month period ended June 30, 2015	Six-month period ended June 30, 2014
	\$	\$
Addition to exploration and evaluation assets not yet paid	151,495	780,132
Addition to property, plant and equipment assets not yet paid	-	41,390

12. RELATED PARTY TRANSACTIONS

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

	Six-month period ended June 30, 2015	Six-month period ended June 30, 2014
	\$	\$
Key management compensation ⁽¹⁾		
Share-based compensation	311,663	133,162
Management fees	88,375	155,000
	<u>400,038</u>	<u>288,162</u>
Salaries and fringe benefits ⁽²⁾	388,358	402,043
	<u>788,396</u>	<u>690,205</u>
Balance included in accounts payable and accrued liabilities	<u>25,750</u>	<u>-</u>

(1) The key management is composed of the Chief Operating Officer (COO), Chief Financial Officer (CFO), the president, and the vice-president exploration and First 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 \$51,534 (\$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 June 30, 2015, the Company would have had to pay a total amount of \$457,500 as severance. If a change of control had occurred on June 30, 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).

ARIANNE PHOSPHATE INC.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2015 AND 2014

(in Canadian dollars)

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 \$309,709. 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
June 30, 2015	\$82,846	\$253,711	-	\$336,557

14. CONTINGENCIES

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.

15. FINANCIAL INSTRUMENTS AND FINANCIAL RISKS

Classification

The Company's financial instruments as at June 30, 2015 and December 31, 2014 consist of cash and cash equivalents, receivables 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:

Classification	Carrying value		
	As at June 30 2015 \$	As at December 31, 2014 \$	
Financial assets			
Cash and cash equivalents	Loans and receivables	1,367,172	3,837,720
		1,367,172	3,827,720
Financial liabilities			
Accounts payable and accrued liabilities	Financial liabilities at amortized cost	1,023,213	1,191,290
Provision	Financial liabilities at amortized cost	-	50,000
Credit line	Financial liabilities at amortized cost	13,473,733	12,605,641
		14,496,946	13,846,931

ARIANNE PHOSPHATE INC.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2015 AND 2014

(in Canadian dollars)

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 June 30, 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 June 30, 2015, the Company had cash and cash equivalents of \$1,367,172 (\$3,837,720 as at December 31, 2014) to settle current liabilities of \$14,496,946 (\$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 June 30, 2015:

	Carrying amount	Contractual cash flows	0 to 12 months	12 to 24 months	More than 24 months
	\$	\$	\$	\$	\$
Accounts payable and accrued liabilities	1,023,213	1,023,213	1,023,213	-	-
Credit line	13,473,733	14,374,747	14,374,747	-	-

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 June 30, 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 $\pm 1\%$ on the credit line would have an impact of \$13,473 on the exploration and evaluation assets for 2015 (\$12,605 as at December 31, 2014).

Currency risk

As at June 30, 2015, the Company has a bank account in US dollars for an amount of \$135 (\$2,465 as at December 31, 2014). The Company estimates that a variation of $\pm 10\%$ in exchange rates on that date would have resulted in a variation of approximately \$13 in 2014 (\$246 as at December 31, 2014) in net loss.

16. SUBSEQUENT EVENT

The Company extended the term of 1,217,500 common share purchase warrants ("Warrants") issued as part of a private placement which was closed on July 29, 2013. Each of the Warrants, which were part of the units being issued, entitles its holder to purchase one common share of the Company at an exercise price of \$1.45 per common share until July 29, 2015. The Company has elected to extend the expiry date of the Warrants to January 27, 2017. No other Warrant terms were amended.