ARIANNE PHOSPHATE INC.

ARIANNE PHOSPHATE INC.
CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017
(in Canadian dollars)

ARIANNE PHOSPHATE INC.

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Independent auditor's report

To the Shareholders of
Arianne Phosphate Inc.

Our opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Arianne Phosphate Inc. and its subsidiaries (together, the Company) as at December 31, 2018 and 2017, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards, as published by the International Accounting Standards Board (IFRS).

What we have audited
The Company's consolidated financial statements comprise:

- the consolidated statements of financial position as at December 31, 2018 and 2017;
- the consolidated statements of loss and comprehensive loss for the years then ended;
- the consolidated statements of changes in equity for the years then ended;
- the consolidated statements of cash flows for the years then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence
We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

Emphasis of matter

Without qualifying our opinion, we draw attention to Note 1 in the consolidated financial statements which describes matters and conditions that indicate the existence of a material uncertainty that may cast significant doubt about Arianne Phosphate Inc.'s ability to continue as a going concern.

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"PwC" refers to PricewaterhouseCoopers LLP, an Ontario limited liability partnership.

Other information

Management is responsible for the other information. The other information comprises the Management's Discussion and Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Marc-Stéphane Pennee.

PricewaterhouseCoopers LLP[1]

Montréal, Quebec
March 20, 2019

[1] CPA auditor, CA, public accountancy permit No. A123642

ARIANNE PHOSPHATE INC.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS AT DECEMBER 31
(In Canadian dollars)

	2018	**2017**
	$	$
ASSETS		
Current assets		
Cash and cash equivalents (note 5)	2,076,731	1,374,881
Receivables and other current assets	145,149	502,748
Sales taxes receivable	43,672	88,953
Tax credit related to resources and mining tax credit receivable	272,318	248,883
	2,537,870	2,215,465
Non-current assets		
Tax credit related to resources and mining tax credit receivable	79,079	151,737
Investment property – Outfitters (note 6)	282,669	308,079
Property, plant and equipment (note 7)	56,887,529	1,630,516
Mining properties (note 8)	-	1,247,163
Exploration and evaluation assets (note 9)	-	49,773,697
	57,249,277	53,111,192
Total assets	59,787,147	55,326,657
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities	2,461,280	1,924,840
Loans and working capital facility (note 11)	5,324,950	-
	7,786,230	1,924,840
Non-current liabilities		
Credit line (note 10)	22,271,587	19,642,554
Loans and working capital facility (note 11)	-	3,728,306
Deferred income taxes (note 14)	3,008,228	2,935,567
Total liabilities	33,066,045	28,231,267
Equity		
Capital stock (note 12)	60,194,364	58,828,558
Warrants (note 13)	1,260,413	1,547,839
Contributed surplus	13,865,552	13,315,903
Deficit	(48,599,227)	(46,596,910)
Total equity	26,721,102	27,095,390
Total liabilities and equity	59,787,147	55,326,657

GOING CONCERN (note 1)
COMMITMENTS (note 17)
EVENTS AFTER REPORTING PERIOD (note 21)

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

ON BEHALF OF THE BOARD
(s) Siva J. Pillay, Director (s) Andrew Malashewsky, CFO

ARIANNE PHOSPHATE INC.

CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
FOR THE YEARS ENDED DECEMBER 31
(In Canadian dollars)

	2018	2017
	$	$
EXPENSES		
Salaries and benefits	776,502	987,993
Share-based compensation	113,298	290,986
Professional and consultant fees	319,481	349,114
Management fees	190,000	119,749
Registration and listing fees	84,645	61,632
Annual shareholders' meeting	14,980	19,140
Communications	354,738	435,185
Promotion, representation and travel	88,901	152,865
Insurance	37,638	36,004
Rent and office expenses	202,365	165,537
Depreciation of property, plant and equipment	29,443	37,432
(Gain) loss on disposal - Property, plant and equipment (notes 6 & 7)	(30,000)	89
Bank charges	5,856	8,351
Government grant (note 9)	(400,000)	-
Operating loss	1,787,847	2,664,077
OTHER EXPENSES (INCOME)		
Interest income	(14,730)	(18,152)
Foreign exchange loss	3,889	5,795
Net loss of investment property – Outfitters (note 6)	65,444	99,394
	54,603	87,037
LOSS BEFORE INCOME TAXES	1,842,450	2,751,114
Deferred income taxes expense	87,636	667,461
NET AND COMPREHENSIVE LOSS FOR THE YEAR	1,930,086	3,418,575
BASIC AND DILUTED LOSS PER SHARE	0.02	0.03
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING	105,357,276	98,699,279

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

ARIANNE PHOSPHATE INC.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31
(In Canadian dollars)

	Capital stock	Capital stock	Warrants	Contributed surplus	Deficit	Total equity
	common shares	$	$	$	$	$
Balance as at January 1, 2017	97,648,080	54,783,402	2,540,438	11,693,008	(42,760,452)	26,256,396
Net and Comprehensive loss for the year	-	-	-	-	(3,418,575)	(3,418,575)
Share-based compensation (note 13)	-	-	-	290,986	-	290,986
Grant of warrants (note 13)	-	-	176,063	-	-	176,063
Options granted to brokers (note 13)	-	-	-	51,009	-	51,009
Warrants expired	-	-	(1,280,900)	1,280,900	-	-
Private Placement (note 12)	5,922,530	4,045,156	-	-	-	4,045,156
Share issuance expenses	-	-	-	-	(305,645)	(305,645)
Modification of warrants (note 13)	-		112,238		(112,238)	-
Balance as at December 31, 2017	103,570,610	58,828,558	1,547,839	13,315,903	(46,596,910)	27,095,390
Balance as at January 1, 2018	103,570,610	58,828,558	1,547,839	13,315,903	(46,596,910)	27,095,390
Net and Comprehensive loss for the year	-	-	-	-	(1,930,086)	(1,930,086)
Share-based compensation (note 13)	-	-	-	113,298	-	113,298
Grant of warrants (note 13)	-	-	145,579	-	-	145,579
Warrants expired (note 13)	-	-	(436,351)	436,351	-	-
Private Placement (note 12)	2,233,333	1,365,806	-	-	-	1,365,806
Share issuance expenses	-	-	-	-	(68,885)	(68,885)
Modification of warrants (note 13)	-	-	3,346	-	(3,346)	-
Balance as at December 31, 2018	105,803,943	60,194,364	1,260,413	13,865,552	(48,599,227)	26,721,102

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

ARIANNE PHOSPHATE INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31
(In Canadian dollars)

	2018	2017
	$	$
CASH FLOW FROM (USED IN)		
OPERATING ACTIVITIES	(1,930,086)	(3,418,575)
Net loss for the year		
Adjustments for:		
Share-based payments	113,298	290,986
(Gain) loss on disposal - Property, plant and equipment	(30,000)	89
Loss on disposal – Property, plant and equipment – Outfitters	5,255	-
Depreciation – Investment property - Outfitters	20,155	25,276
Depreciation – Property, plant and equipment	29,443	37,432
Tax on investment property – outfitter	(14,975)	25,854
Expense of deferred income taxes	87,636	667,461
	(1,719,274)	(2,371,477)
Net change in non-cash working capital items (note 15)	673,525	(1,283,215)
	(1,045,749)	(3,654,692)
INVESTING ACTIVITIES		
Proceeds from tax credit	128,302	917,236
Disposal of property, plant and equipment	30,000	-
Acquisition of property, plant and equipment	(1,350,105)	(36,258)
Acquisition of mining properties	(30,571)	(1,523)
Acquisition of exploration and evaluation assets	(942,637)	(2,278,904)
Grant received	1,100,000	-
	(1,065,011)	(1,399,449)
FINANCING ACTIVITIES		
Proceeds from credit lines	-	1,300,232
Proceeds from loans	1,500,000	-
Transaction cost	(25,505)	(62,323)
Proceeds from the issuance of units	1,407,000	3,216,707
Share issuance expenses	(68,885)	(254,638)
	2,812,610	4,199,978
CHANGE IN CASH AND CASH EQUIVALENTS DURING THE YEAR	701,850	(854,163)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	1,374,881	2,229,044
CASH AND CASH EQUIVALENTS, END OF YEAR	2,076,731	1,374,881
Supplementary cash flow information (note 15)		
Interest received	14,730	18,152

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 *Business Corporations Act* (Quebec) (QBCA). The Company is engaged in the development of its Lac à Paul phosphate property located in Quebec, Canada. The Company has a National Instrument 43-101 compliant technical report for its mineral reserve and resource estimate and for a feasibility study on the Lac à Paul property. In October 2018, management determined that the technical feasibility and commercial viability of the Lac à Paul property had been established and accordingly, the development phase for the Lac à Paul property has commenced.

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 (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 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 year ended December 31, 2018, the Company recorded a net loss of $1,930,086 (2017 – $3,418,575) and has an accumulated deficit of $48,599,227 as at December 31, 2018 (2017 – $46,596,910). 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 December 31, 2018, the Company had a negative working capital of $5,248,360 (working capital of $290,625 in 2017). Management estimates that the working capital will not be sufficient to meet the Company's obligations and budgeted operating and development expenditures through December 31, 2019. 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 2019.

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 securing capital from potential partners. 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 consolidated financial statements.

These 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

The significant accounting policies used in the preparation of these consolidated financial statements are described below.

Basis of preparation

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), as issued by the International Accounting Standards Board (IASB). The Company has consistently applied the accounting policies used in the preparation of its IFRS consolidated financial statements, including the comparative figures. The Board of Directors approved the consolidated financial statements on March 20, 2019.

Basis of measurement

These consolidated financial statements have been prepared on a historical cost basis.

Functional and presentation currency

The presentation currency and the functional currency of all operations of the Company and its subsidiaries is the Canadian dollar, since it represents the currency of the primary economic environment in which the Company and its subsidiaries operate.

Transactions in foreign currencies are translated at the exchange rates prevailing at the time they are incurred. At each closing date, assets and liabilities denominated in foreign currencies are converted at the closing exchange rate. Exchange differences are recorded in the consolidated statements of loss for the year.

Basis of consolidation

These consolidated financial statements incorporate the accounts of the Company and accounts of entities it controls, including Oroplata Exploration Inc., Arianne Logistics Inc. and 9252-5880 Québec Inc., which are all wholly owned subsidiaries.

Control is defined by the authority to direct the financial and operating policies of a business in order to obtain benefits from its activities. The amounts presented in the consolidated financial statements of subsidiaries have been adjusted, if necessary, so that they meet the accounting policies adopted by the Company.

Profit or loss or other comprehensive loss of subsidiaries set up, acquired or sold during the year are recorded from the actual date of acquisition or until the effective date of the sale, if any. All intercompany transactions, balances, income and expenses are eliminated at consolidation.

Financial instruments

Financial assets and financial liabilities are recognized when the Company became a party to the contractual provisions of the instrument. Financial assets were derecognized when the rights to receive cash flows from the assets had expired or been transferred and the Company had transferred substantially all risks and rewards of ownership.

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statements of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously.

At initial recognition, the Company classifies its financial instruments in the following categories, depending on the purpose for which the instruments were acquired.

Transaction costs

Transaction costs related to loans and receivables are added to the carrying value of the asset, and transaction costs related to financial liabilities at amortized cost are netted against the carrying value of the liability. They are then recognized over the expected life of the instrument using the effective interest method.

Transaction costs include fees and commissions paid to agents, advisers, brokers and dealers, levies by regulatory agencies and securities exchanges, and transfer taxes and duties. Transaction costs do not include debt premiums or discounts, financing costs or internal administrative or holding costs.

Effective interest method

The effective interest method is a method of calculating the amortized cost of a financial asset/liability and of allocating interest income/expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash flows (including transaction costs) through the expected life of the financial asset/liability, or, if appropriate, a shorter period.

Policies applicable until December 31, 2017

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. The Company's loans and receivables comprise cash and cash equivalents and receivables and other current assets and are included in current assets.

Loans and receivables are initially recognized at the amount expected to be received less, when material, a discount to reduce the loans and receivables to fair value. Subsequently, loans and receivables are measured at amortized cost using the effective interest method less a provision for impairment.

Financial liabilities at amortized cost

Financial liabilities at amortized cost are initially recognized at fair value less transaction costs directly attributable. Thereafter, they are measured at amortized cost using the effective interest method and include all financial liabilities other than derivative instruments. Accounts payable and accrued liabilities, loans and working capital facility and credit line are classified as financial liabilities at amortized cost.

Policies applicable since January 1, 2018

On January 1, 2018, the Company adopted IFRS 9 *Financial Instruments*. The approach in IFRS 9 is based on how an entity manages its financial instruments and the contractual cash flow characteristics of the financial asset. Most of the requirements in IAS 39 *Financial Instruments: Recognition and Measurement* for classification and measurement of financial liabilities were carried forward in IFRS 9. IFRS 9 introduced a single expected credit loss impairment model, which is based on changes in credit quality since initial application. The adoption of the expected credit loss impairment model had no impact on the Company's financial statements. There was no difference between the previous carrying amount and the carrying amount at the date of initial application of IFRS 9.

Modifications/amendments of long-term debt

Under IAS 39, when there is a modification or an exchange of a financial liability, it must be determined whether that modification results in the financial liability being derecognized. When there is no derecognition, IAS 39, allowed the difference between the carrying value of the original debt and discounted present value of the cash flows under the new terms to be recognized prospectively over the remaining life of the long-term debt. IFRS 9 changes the accounting for modifications of financial liabilities. That is, when a financial liability measured at amortized cost is modified without this resulting in derecognition, a gain or loss should be recognized in profit or loss. The gain or loss is calculated as the difference between the original contractual cash flows and the modified cash flows discounted at the original effective interest rate.

Measurement
At initial recognition, the Company measures a financial asset or financial liability at its fair value plus or minus, in the case of a financial asset or financial liability not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability. Transaction costs of financial assets or financial liabilities carried at FVPL are expensed in the consolidated statements of loss and comprehensive loss. Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest. Measurement in subsequent periods depends on the classification of the financial instrument. The Company has classified its financial instruments in the following categories depending on the purpose for which the instruments were acquired and their characteristics.

Financial assets

For the subsequent measurement, there is one measurement categorie into which the Company classifies its debt instruments:

Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortized cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognized directly in profit or loss and presented in other gains/(losses), together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the consolidated statement of earnings

Financial liabilities

Financial liabilities are subsequently measured at amortized cost using the effective interest method, except for financial liabilities at fair value through profit or loss. Such liabilities, including derivatives that are liabilities, shall be subsequently measured at fair value.

Grants

Grants are recognized only when there is a reasonable assurance that the grants will be received, once the Company has complied with the terms of such grants. Grants related to property, plant and equipment are deducted from the cost of those assets. Grants related to expenses are deducted from them.

Impairment of financial assets

At each reporting date, the Company assesses whether there is objective evidence that a financial asset is impaired. If such evidence exists, the Company recognizes an impairment loss, as follows:

a) Financial assets carried at amortized cost: The loss is the difference between the amortized cost of the financial asset and the present value of the estimated future cash flows, discounted using the instrument's original effective interest rate. The carrying amount of the asset is reduced by this amount either directly or indirectly through the use of an allowance account. Impairment losses are reversed in subsequent periods if the amount of the loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized.

Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, bank balances and highly liquid short-term investments with original maturities of three (3) months or less from the date of purchase and which are readily convertible to known amounts of cash.

Tax credit related to resources and mining tax credit

The Company is entitled to a mining tax credit equal to 16% of eligible development expenditures. These amounts are based on estimates made by management and that the Company is reasonably certain that they will be received. At this time, the mining tax credit are recorded as a reduction of property, plant and equipment.

Investment property – Outfitters

Investment property is a property (land or a building – or part of a building – or both) held to earn rental income or for capital appreciation or both, rather than for (a) use in the production or supply of goods or services or for administrative purposes; or (b) sale in the ordinary course of business. An investment property is measured initially at cost. Transaction costs are included in the initial measurement. The Company uses the cost model as its accounting policy on all of its investment property. After recognition, an investment property is carried at its cost less any accumulated depreciation and any accumulated impairment losses.

Each property, plant and equipment part included in investment property – Outfitters is depreciated separately over its useful life (separate depreciation by significant component of the cost of each property, plant and equipment, when applicable).

Rental income and direct operating expenses arising from investment property – Outfitters, including depreciation of property, plant and equipment, are recognized in the consolidated statements of loss as “net loss of investment property – Outfitters”.

Depreciation of property, plant and equipment comprised in the investment property – Outfitters is calculated using the declining balance method on the basis of the following rates:

Category	Rates
Buildings	4%
Leasehold improvements	20%
Computer equipment	30%
Equipment and furniture	30%

Property, plant and equipment

Property, plant and equipment (‘’PP&E’’) are accounted for at historical cost less any accumulated depreciation charge and impairment losses. Historical cost includes expenditures that are directly attributable to the acquisition of the asset. Subsequent costs are included in the asset’s carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost can be measured reliably.

Depreciation of tools and equipment, rolling equipment and computer equipment are calculated using the declining method at a rate of 30% and depreciation of leasehold improvements is calculated using the declining method at a rate of 20%.

Gains or losses on disposal of property, plant and equipment are determined by comparing the net proceeds with the net carrying amount of the asset and are included in the consolidated statement of loss.

Upon transfer of exploration and evaluation assets and mining properties to mineral property under development within property, plant and equipment, all subsequent expenditures on the construction, installation or completion of infrastructure facilities are capitalized within mineral property under development. After production starts, all assets included in mineral property under development within property, plant and equipment are transferred to producing mines assets within property, plant and equipment. At such time as commercial production commences, these costs will be charged to operations on a unit of production method based on proven and probable reserves.

Capitalized costs, including certain mine development and construction costs, are not depreciated until the time at which the related mining property has reached a pre-determined level of operating capacity intended by management. Costs incurred prior to this point, including depreciation of related PP&E, are capitalized and proceeds from sales during this period are offset against capitalized costs. Upon completion of construction, mining property under development are amortized on a unit of production basis, which is measured by the portion of the mine’s economically recoverable and proven ore reserves produced during the period. Impairment is tested in the same way as other non-financial assets.

Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments under an operating lease are charged to the consolidated statements of loss on a straight-line basis over the period of the lease. Related expenses, such as maintenance and insurance expenses, are charged to the consolidated statements of loss as incurred.
The economic ownership of a leased asset is transferred to the lessee if the lessee bears substantially all the risks and rewards related to the ownership of the leased asset. The related asset is then recognized at the inception of the lease as the fair value of the leased asset or, if lower, the present value of the lease payments. A corresponding amount is recognized as a finance leasing liability, irrespective of whether some of these lease payments are payable up-front at the date of inception of the lease.

Mining properties and exploration and evaluation assets

All expenditures incurred prior to securing the legal rights to explore an area are expensed immediately.

Mining properties includes rights in mining properties, paid or acquired through a business combination or an acquisition of assets, and costs related to the initial search for mineral deposits with economic potential or to obtain more information about existing mineral deposits. Mining rights are recorded at acquisition cost less accumulated impairment losses.

Exploration and evaluation expenditures for each separate area of interest are capitalized. Exploration and evaluation expenditures include the cost of but are not limited to:

- establishing the volume and grade of deposits through drilling of core samples, trenching and sampling activities in an ore body;
- determining the optimal methods of extraction and metallurgical and treatment processes;
- studies related to surveying, transportation and infrastructure requirements;
- permitting activities; and
- economic evaluations to determine whether development of the mineralized material is commercially justified, including scoping, prefeasibility and feasibility studies.

Exploration and evaluation expenditures include overhead expenses directly attributable to the related activities.

Once the technical feasibility and commercial viability of the extraction of resources from a particular mineral property has been determined, exploration and evaluation assets and mining properties are reclassified to mineral property under development within property, plant and equipment. A mandatory impairment test is required to be performed immediately prior to the reclassification. Property, plant and equipment are carried at cost until the properties to which they relate are placed into commercial production, sold, abandoned or determined by management to be impaired. The establishment of technical feasibility and commercial viability of a mineral property is assessed based on a combination of factors, such as:

- Results of studies;
- Status of permits and rights and other agreements to allow access rights;
- Ability to raise project financing; and
- Approval by management and/or Board of Directors to proceed to development.

Borrowing costs

Borrowing costs attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognized in the consolidated statements of loss in the year in which they are incurred.

Impairment of non-financial assets

Property, plant and equipment and investment property – Outfitters are reviewed for impairment if there is any indication that the carrying amount may not be recoverable. If any such indication is present, the recoverable amount of the asset is estimated in order to determine whether impairment exists. Where the asset does not generate cash flows that are independent from other assets, the Company estimates the recoverable amount of the asset group to which the asset belongs.

An asset's recoverable amount is the higher of fair value less costs to dispose of and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value, using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset or asset group is estimated to be less than its carrying amount, the carrying amount is reduced to the recoverable amount. Impairment is recognized immediately in the consolidated statements of loss. Where an impairment subsequently reverses, the carrying amount is increased to the revised estimate of recoverable amount but only to the extent that this does not exceed the carrying value that would have been determined if no impairment had previously been recognized. A reversal is recognized as a reduction in the impairment charge for the period.

Provisions

A provision is a liability for which the maturity or the amount is uncertain. A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably and it is more likely than not that an outflow of economic benefits will be required to settle the obligation.

Provisions for environmental restoration, restructuring costs and legal claims, where applicable, are recognized when (i) the Company has a present legal or constructive obligation as a result of past events; (ii) it is probable that an outflow of resources will be required to settle the obligation; and (iii) the amount can be reliably estimated.

Provisions are measured at management's best estimate of the expenditure required to settle the obligation at the end of the reporting period, and are discounted to present value where the effect is material. The increase in the provision due to passage of time is recognized as finance costs. Changes in assumptions or estimates are reflected in the period in which they occur.

Provision for environmental restoration represents the legal and constructive obligations associated with the eventual closure of the Company's property and equipment. These obligations consist of costs associated with reclamation and monitoring of activities and the removal of tangible assets. The discount rate used is based on a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability, excluding the risks for which future cash flow estimates have already been adjusted.

Share-based payment transactions

The fair value of stock options granted to employees is recognized as an expense or capitalized to exploration and evaluation assets or to property, plant and equipment over the vesting period with a corresponding increase in the contributed surplus. 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 fair value is measured at the grant date and recognized over the period during which the options vest. The fair value of the options granted is measured using the Black-Scholes pricing model, taking into account the terms and conditions upon which the options were granted. At each consolidated statement of financial position reporting date, the amount recognized as an expense is adjusted to reflect the actual number of share options that are expected to vest.

Equity-settled share-based payment transactions

For transactions with parties other than employees, the Company measures the goods or services received, and the corresponding increase in equity, directly, at the fair value of the goods or services received, unless that fair value cannot be estimated reliably. When the Company cannot estimate reliably the fair value of the goods or services received, it measures their value, and the corresponding increase in equity, indirectly, by reference to the fair value of the equity instruments granted.

All equity-settled share-based compensation (except brokers options) are ultimately recognized as an expense in the consolidated statements of loss with a corresponding credit to contributed surplus, in equity. Equity-settled share-based compensation to brokers, in respect of an equity or debt financing, are recognized respectively as issuance cost of the equity instruments with a corresponding credit to deficit or against the financial liabilities.

Warrants

As part of its financing activities, the Company may grant warrants. Each warrant entitles its holder to purchase a determined number of shares at a price determined at grant for a certain period of time. Proceeds from unit placements are allocated between shares and warrants issued using the relative fair value method on a pro rata basis. The Company uses the Black-Scholes pricing model to determine the fair value of warrants issued.

Share issuance expenses

Share issuance expenses are recorded as an increase of the deficit in the year in which they are incurred.

Basic and diluted loss per share

The basic net loss per share is calculated using the weighted average of shares outstanding during the year. The diluted net loss per share, which is calculated with the treasury method, is equal to the basic net loss per share, due to the anti-dilutive effect of stock options, warrants and options granted to brokers.

Deferred taxes

Deferred taxes are recognized in respect of temporary differences between the carrying amounts of assets and liabilities and the amounts used for taxation purposes, except when deferred income results from an initial recognition of goodwill or from initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss at the time of the transaction.

Deferred taxes are measured at the tax rates that are expected to be applied to temporary differences when they will reverse, based on the laws that have been enacted or substantively enacted by the end of the reporting year and which are expected to apply to taxable income in the years during which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets, liabilities and equity of a change in tax rates is recognized in income or loss in the year that includes the enactment date. Income tax on the profit or loss for the periods presented comprises current and deferred taxes. Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in other comprehensive loss or in equity, in which case it is recognized in other comprehensive loss or in equity, respectively.

A deferred tax asset is recognized for unused tax losses and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be used. At the end of each financial reporting period, the Company reassesses the deferred tax asset not recognized. Where appropriate, the Company records a deferred tax asset that had not been recorded previously to the extent it has become probable that future taxable profits will recover the deferred tax asset.

Segment disclosures

The Company currently operates in a single segment: the development of the Lac à Paul Phosphate property. All of the Company's activities are conducted in Canada.

3. NEW ACCOUNTING STANDARD ADOPTED AND NEW ACCOUNTING STANDARD ISSUED BUT NOT YET IN EFFECT

New accounting standard adopted

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*.

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 adoption of IFRS 9 is effective since January 1, 2018 and there was no difference between the previous carrying amount and the carrying amount at the date of initial application of IFRS 9.

New accounting standard 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, 2019. Many of these updates are not relevant to the Company and are therefore not discussed herein.

IFRS 16, Leases
In January 2016, the IASB issued IFRS 16. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, which is the customer ("lessee") and the supplier ("lessor"). IFRS 16 replaces IAS 17, Leases, and related interpretations. All leases result in the lessee obtaining the right to use an asset at the start of the lease and, if lease payments are made over time, also obtaining financing. Accordingly, IFRS 16 will eliminate the classification of leases as either operating leases or finance leases as is required by IAS 17 and, instead, introduces a single lessee accounting model. Applying that model, a lessee is required to recognize: i) assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value; and ii) depreciation of lease assets separately from interest on lease liabilities in the statements of income. The new standard is effective for annual periods beginning on or after January 1, 2019 with early adoption permitted if IFRS 15 is also applied. The standard will be adopted for the period beginning on January 1, 2019. The Company does not expect a significant impact based on actual lease contracts of the Company.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of consolidated financial statements in accordance with IFRS requires management to make estimates and assumptions that affect the application of accounting policies as well as the carrying amounts of assets, liabilities, revenues and expenses. Actual results may differ from those estimates.

The estimates and underlying assumptions are reviewed regularly. Any revisions to accounting estimates are recognized in the period during which the estimates are revised and in future periods affected by these revisions.
Critical judgments in applying accounting policies

a) Going concern

The assessment of the Company's ability to execute its strategy by funding future working capital and developing its Lac à Paul phosphate property involves judgment. Estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Areas of significant judgments in assessing whether the going concern assumption is appropriate relate to the expected timing of collecting the tax credits receivable from the Quebec government and to secure its financing on a timely basis.

b) Borrowing costs

During the year ended December 31, 2018, the Company capitalized borrowing costs that were directly attributable to the acquisition, construction or production of a qualifying asset, the Lac à Paul project, as management determined that it is probable that they will result in future economic benefits to the Company and the costs can be measured reliably.

Critical judgments in applying accounting estimates

a) Impairment of non-financial assets

The Company's recoverable amount measurements with respect to the carrying amount of non-financial assets are based on numerous assumptions and may differ significantly from actual recoverable amounts. The recoverable amounts are based, in part, on certain factors that may be partially or totally outside of the Company's control. This evaluation involves a comparison of the estimated recoverable amounts of non-financial assets to their carrying values. The estimated recoverable amounts may differ from actual recoverable amounts, and these differences may be significant and could have a material impact on the Company's financial position and results of operations. Non-financial assets are reviewed for an indication of impairment at each consolidated statement of financial position date. This determination requires significant judgment. Factors which could trigger an impairment review include, but are not limited to, significant negative industry or economic trends, interruptions in exploration and evaluation activities and significant drop in commodity prices. The Company reviews exploration and evaluation assets for impairment indicators considering the following:

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

An impairment test was performed in October 2018 upon transition from exploration and evaluation assets and mining properties to property, plant and equipment, and no impairment charge was recorded (Note 7).

b) Establishment of technical feasibility and commercial viability of a mineral property

The establishment of technical feasibility and commercial viability of a mineral property is assessed based on a combination of factors (note 2). By its nature, this assessment requires significant judgment.

In October 2018, management determined that the technical feasibility and commercial viability had been established for the Lac à Paul Project and as such the mineral properties are considered to be a mineral property under development.

Exploration and evaluation assets and mining properties are reclassified into mineral property under development within PP&E and an impairment test has been performed immediately prior to the reclassification.

c) Uncertain tax positions

In July 2017, the Company received an unfavorable notice from Revenu Quebec (RQ) regarding the 2012 tax credit, which was being challenged by RQ and which was disallowed. As a result, the Company reversed $707,518 of the tax credit related to resources and mining right receivable

Credits for mining duties refundable for losses for the current and prior periods are measured at the amount expected to be recovered from Revenue Québec, using the tax rates and tax laws that have been enacted or substantively enacted at the consolidated statement of financial position date.

Uncertainties exist with respect to the interpretation of tax regulations, including mining duties for losses, and the amount and timing of their collection. The calculation of the Company's credits for mining duties refundable for losses necessarily involves a degree of estimation and judgment in respect of certain items whose tax treatment cannot be finally determined until resolution of an opposition process has been reached with the relevant taxation authority or, as appropriate, through a formal legal process. Differences arising between the actual results following final resolution of some of these items and the assumptions made, or future changes to such assumptions, could necessitate adjustments to credits for mining duties refundable for losses and income tax expense in future periods. The resolution of issues can, and often does, take many years to resolve. The inherent uncertainty regarding the outcome of these items means that eventual resolution could differ from the accounting estimates and therefore impact the Company's financial position and its financial performance and cash flows.

5. CASH AND CASH EQUIVALENTS

	2018 $	2017 $
Cash and cash equivalents	2,076,731	1,374,881

As at December 31, 2018, cash and cash equivalents comprise cash on hand amounting to $1,857,521 (December 31, 2017 - $1,162,728) bearing interest at a fixed rate of 1.75% and an amount of $219,210 (December 31, 2017 - $212,152) not bearing interest.

As at December 31, 2018 and 2017 an amount of $30,000 is restricted in connection with the Company's credit card agreement.

6. INVESTMENT PROPERTY – OUTFITTERS

Property, plant and equipment of investment property – Outfitters are as follows:

	Buildings $	Leasehold improvements $	Equipment and furniture $	Computer equipment $	Total $
Cost					
Balance as at December 31, 2016	344,665	49,490	175,548	2,577	572,280
Acquisition	-	-	-	-	-
Balance as at December 31, 2017	344,665	49,490	175,548	2,577	572,280
Disposal	-	-	(43,649)	-	(43,649)
Balance as at December 31, 2018	344,665	49,490	131,899	2,577	528,631
Accumulated depreciation					
Balance as at December 31, 2016	63,480	33,273	140,028	2,144	238,925
Depreciation	11,247	3,243	10,656	130	25,276
Balance as at December 31, 2017	74,727	36,516	150,684	2,274	264,201
Depreciation	10,797	2,595	6,671	92	20,155
Disposal	-	-	(38,394)	-	(38,394)
Balance as at December 31, 2018	85,524	39,111	118,961	2,366	245,962
Net book value					
Balance as at December 31, 2017	269,938	12,974	24,864	303	308,079
Balance as at December 31, 2018	259,141	10,379	12,938	211	282,669

As at December 31, 2018, the fair value of investment property approximates its carrying value.

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

	2018 $	2017 $
Outfitters income	79,337	68,032
Operating expenses:		
Management fees	56,345	49,960
Repair and maintenance	18,334	12,846
Supplies	16,375	8,188
Advertising, promotion and travel	20,774	23,011
Taxes and licenses	7,789	7,984
Insurance	14,060	13,771
Bad debt expense	287	-
Interest and bank charges	382	535
Depreciation of property, plant and equipment	20,155	25,277
Loss on asset disposal	5,255	-
Tax credit (recovery) on investment property – outfitter	(14,975)	25,854
	144,781	167,426
Net loss of investment property – Outfitters	65,444	99,394

7. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements $	Tools and equipment $	Computer equipment $	Land [ii] $	Mineral property under development[i] $	Total $
Cost						
Balance as at December 31, 2016	294,032	106,240	16,184	812,031	-	1,228,487
Acquisition	-	20,775	954	614,441	-	636,170
Balance as at December 31, 2017	294,032	127,015	17,138	1,426,472	-	1,864,657
Acquisition	-	-	-	6,743	183,543	190,286
Gain on modification of credit line					(1,000,403)	(1,000,403)
Transfer from mining properties (note 8)	-	-	-	-	1,277,734	1,277,734
Transfer from exploration and evaluation assets (note 9)	-	-	-	-	54,270,120	54,270,120
Borrowing costs					560,798	560,798
Balance as at December 31, 2018	294,032	127,015	17,138	1,433,215	55,291,792	57,163,192
Accumulated depreciation						
Balance as at December 31, 2016	108,212	69,639	7,204	-	-	185,055
Depreciation	35,374	11,278	2,434	-	-	49,086
Balance as at December 31, 2017	143,586	80,917	9,638	-	-	234,141
Depreciation	27,479	12,078	1,965	-	-	41,522
Balance as at December 31, 2018	171,065	92,995	11,603	-	-	275,663
Net book value						
Balance as at December 31, 2017	150,446	46,098	7,500	1,426,472	-	1,630,516
Balance as at December 31, 2018	122,967	34,020	5,535	1,433,215	55,291,792	56,887,529

(i) In October 2018, management determined that the technical feasibility and commercial viability of the Lac à Paul property had been established and, accordingly, the Company reclassified capitalized costs associated with the Lac à Paul property from exploration and evaluation assets and mining properties to mineral property under development within PP&E. Capitalized mineral property costs will be carried at cost until the Lac à Paul property is placed to commercial production, sold abandoned or determined by management to be impaired in value. The related exploration and evaluation assets and mining properties were tested for impairment immediately prior to reclassification out the exploration and evaluation assets and mining properties. In making an assessment of the potential impairment of the Lac à Paul property, management used the 'fair value less costs to dispose' approach. Fair value was derived from the Company's market capitalization as at October 24, 2018 and management found that the fair value less costs to dispose was higher than the carrying value of the Lac à Paul property. Therefore, no impairment charge was required prior to the reclassification to mineral property under development within PP&E.

(ii) The Company had options to buy land in order to develop its project. As at December 31st, 2017 the Company exercised those options.

8. MINING PROPERTIES

	Royalties (NSR)	Balance as at December 31, 2017	Additions	Transfer to property, plant and equipment as mineral property under development (note 7)	Balance as at December 31, 2018
	%	$	$	$	$
Properties in Quebec					
Lac à Paul (100%)	2.25	1,247,163	30,571	(1,277,734)	-

	Royalties (NSR)	Balance as at December 31, 2016	Additions	Balance as at December 31, 2017
	%	$	$	$
Properties in Quebec				
Lac à Paul (100%)	2.25	1,245,640	1,523	1,247,163

9. EXPLORATION AND EVALUATION ASSETS

	Balance as at December 31, 2017	Additions	Tax credits	Disposals	Transfer to property, plant and equipment as mineral property	Balance as at December 31, 2018
	$	$	$	$	$	$
Quebec						
Lac à Paul	49,773,697	4,575,502	(79,079)	-	(54,270,120)	-

	Balance as at December 31, 2016	Additions	Tax credits	Disposals	Balance as at December 31, 2017
	$	$	$	$	$
Quebec					
Lac à Paul	44,741,815	4,772,512	306,899	(47,529)	49,773,697

For the years ended December 31, 2018 and 2017, the following expenses, related to discovery of mineral resources, have been included in the cost of exploration and evaluation assets:

	2018 $	2017 $
Camp, travel and lodging and general expenses	121,318	155,631
Chemical analysis	17,805	25,540
Planning and supervision	331,512	651,119
Professional fees and independent technical reports	1,562,015	1,325,314
Borrowing costs	3,630,774	2,603,543
Depreciation of property, plant and equipment	12,078	11,365
Governmental grant(1)	(1,100,000)	-
	4,575,502	4,772,512
Tax credits related to resources and mining tax credit	(79,079)	(400,619)
Write-off of tax credits (2)	-	707,518
Disposals	-	(47,529)
Transfer to property, plant and equipment	(54,270,120)	-
	(49,773,697)	5,031,882
Balance – Beginning of year	49,773,697	44,741,815
Balance – End of year	-	49,773,697

(1) In 2018, the Company received a grant of $ 1.5 million from the Ministry of Energy and Natural Resources of Quebec. $1,100,000 was dedicated to produce additional high-purity phosphate concentrate and, to conduct pilot-scale tests. $400,000 was dedicated toward general expenses.

(2) In July 2017, the Company received an unfavorable notice from Revenu Quebec (RQ) regarding the 2012 tax credit, which was being challenged by RQ and which was disallowed. As a result, the Company reversed $707,518 of the tax credit related to resources and mining right receivable.

10. CREDIT LINE

In August 2012 and July 2013, the Company entered into agreements to obtain non-revolving credit lines for an authorized amount of respectively $10 million and $2.5 million to finance a feasibility study for the Lac à Paul property and to cover the general and administrative expenditures related to this property. The conditions of the credit line will remain effective as long as the Company meets milestones established with Mercury Financing Corp. (the “Lender”) related to obtaining specific studies and specific permits (Certificates of Authorization for Construction and Exploitation). Those credit lines were gradually disbursed as a result of written draw requests from the Company. Any repayment of capital may not be borrowed subsequently and shall reduce the authorized amount.

On October 20, 2015 (the “Closing Date”), the Company obtained a third non-revolving credit line amounting to $4,566,887 to finance exclusively the general and administrative operations and other activities related to the project development for the Lac à Paul project. This credit line will be gradually disbursed until the termination date (the “Termination date”), following written draw requests from the Company. Any repayment of capital may not be borrowed subsequently and shall reduce the authorized amount. Under this third agreement, the Company is subject to restrictions related to disposal of assets and equity issuance through financing.

In connection with this third agreement, the Company provided, as guarantee, a first mortgage on the Lac à Paul property claims, up to an aggregate amount of $27 million. The wholly owned subsidiary, 9252-5880 Québec Inc., has guaranteed jointly and severally the credit lines.

In December 2017, the Company has extended its credit line until January 15, 2019. The credit line now bears interest at an annual rate equal to 15%, with all interests capitalized to the principal amount until the credit line matures. In connection with this transaction, the Company paid to the lender a commitment fee of 3% of the total amount of the credit facility, due on January 15, 2019. At the closing, the parties also agreed to terminate 3,717,000 non-transferable warrants which were issued to the lender in October 2015.

In connection with the extension of the credit line, the Company granted 17,181,739 warrants at an exercise price of $0.68 per warrant. Each warrant entitles the Lender to purchase one common share of the Company and shall be exercisable until January 15, 2019. The warrants are subject to a hold period of four months and one day from the date of the issuance. An amount of $nil was allocated to the fair value of the warrants.

In December 2018, the Company has extended its credit line until June 30, 2020. The credit line still bears interest at an annual rate equal to 15%, with all interests capitalized to the principal amount until the credit line matures. At the closing, the parties have also agreed to terminate 17,338,739 non-transferable warrants which were issued to the lender in December 2017 (17,181,739 warrants) and in October 2014 (157,000). In connection with this extension, the Company also paid $20,348 of transaction fees. After the extension of the credit line, a gain of $1,000,403 was recorded off set by an accretion of transaction cost of $535,938. This was calculated according to IFRS 9 where the present value of the debt with the new term at the effective rate of the old debt was compared to the present value of the old debt.

In connection with the extension of the credit line, the Company granted 22,417,458 warrants at an exercise price of $0.425 per warrant. Each warrant entitles the Lender to purchase one common share of the Company and shall be exercisable until June 30, 2020. The warrants are subject to a hold period of four months and one day from the date of the issuance. An amount of $nil was allocated to the fair value of the warrants.

	2018 $	2017 $
Balance – Beginning of year	19,642,554	17,396,288
Proceeds from credit line	-	291,887
Transaction costs	(20,348)	(57,790)
Capitalized interests	3,113,846	1,332,510
Gain on modification on credit line	(1,000,403)	-
Amortization of transaction costs and discount	535,938	679,659
Balance – End of year	22,271,587	19,642,554

Summary

	2018 $	2017 $
Nominal amount of credit line including capitalized interests	23,326,474	20,249,272
Unamortized transaction costs and discount	(1,054,887)	(606,718)
Balance of credit line – End of year	22,271,587	19,642,554
Current portion		-
Non-current portion	22,271,587	19,642,554

On April 21, 2017, the Company closed on a $1.4 Million credit line with Ocean Partners (“Ocean”). The credit line bears interest at 12.5% on any funds drawn, paid monthly commencing on the date of first advance. The maturity date of this credit line was December 27, 2017 but was repayable as tax credits were received. Any amounts received as tax credits reduced the amount available to draw on the credit line.

In December 2017, the credit line provided by Ocean matured and the Company made the necessary arrangements to repay the full amount owing. As Ocean voluntarily intended to subscribe to the Company's financing which was set to close later that month and, for logistical ease, Ocean asked that its outstanding amount payable on the credit line of $1,004,512 be applied as part of its larger contribution for such units. Ultimately the financing closed on December 29, 2017 for 1,600,000 units (note 12). The transaction has been accounted for as a non-monetary transaction in the statement of cash flows.

	2018 $	2017 $
Balance – Beginning of period	-	-
Proceeds from credit line	-	983,344
Accrued interests	-	21,168
Amount repaid	-	(1,004,512)
Balance – End of period	-	-

11. LOANS AND WORKING CAPITAL FACILITY

In September 2016, the Company closed on a $3 million loan agreement with various third-party lenders (the “Loans”). The Loans bears interest at 8%, paid semi-annually, and has a maturity of 3 years. The Company had the ability to repay the Loan after one year at its option. As part of the Loan, the Company issued 2,400,000 non-transferable warrants (refer to note 13), with each warrant entitling the holder to purchase one common share of the Company at a price of $1.25 per share for a term of 3 years expiring on September 28, 2019. The fair value of those warrants represents $266,708, calculated with the Black- Scholes model. Additionally, following the expiry of the regulatory hold period, should the closing price of the Company’s common shares on the TSX Venture Exchange be equal to or higher than $2 for 10 consecutive days, the Company shall have the right to force the exercise of the warrants by providing the warrant holders with a 30-day notice period, following which the warrants will automatically expire. The Company also issued 96,000 broker warrants related to this loan at a price of $0.92 per share for a term of 3 years expiring on September 28, 2019. The fair value of the broker warrants is $23,026, calculated using the Black- Scholes model.

In October 2016, the Company closed an additional $1.1 million loan agreement with various third-party lenders. The loan bears interest at 8%, paid semi-annually and has a maturity of 3 years. The Company had the ability to repay the loan after one year at its option. As part of the loan, the Company issued 880,000 non-transferable warrants (refer to note 13), with each warrant entitling the holder to purchase one common share of the Company at a price of $1.25 per share for a term of 3 years expiring on October 27, 2019. The fair value of those warrants represents $84,961, calculated with the Black- Scholes model. Additionally, following the expiry of the regulatory hold period, should the closing price of Arianne's common shares on the TSX Venture Exchange be equal to or higher than $2 for 10 consecutive days, the Company shall have the right to force the exercise of the warrants by providing the warrant holders with a 30-day notice period, following which the warrants will automatically expire. In connection, the Company also issued 35,200 non-transferable broker warrants. Each broker warrant is exercisable at $0.89 for a period of 3 years expiring on October 27, 2019. The fair value of the broker warrants is $7,456 and is calculated using the Black- Scholes model. An amount of accrued interest of $80,789 is included in the accounts payable and accrued liabilities.

	2018 $	2017 $
Balance – Beginning of period	3,728,306	3,551,692
Amortization of transactions costs	202,089	176,614
Balance – End of period	3,930,395	3,728,306

Summary

	2018 $	2017 $
Nominal amount of loan	4,100,000	4,100,000
Unamortized transaction costs	(169,605)	(371,694)
Balance of loan – End of year	3,930,395	3,728,306
Current portion	3,930,395	-
Non-current portion	-	3,728,306

In December 2018, the Company closed on a $1.5 million loan agreement with various third-party lenders (the "working capital facility"). The working capital facility bears interest at 12%, payable at maturity, and has a maturity of 1 year. As part of the Working Capital Facility, the Company issued 2,117,646 non-transferable warrants (refer to note 13), with each warrant entitling the holder to purchase one common share of the Company at a price of $0.425 per share for a term of 1 year expiring on December 2019. The fair value of those warrants represents $104,385, calculated with the Black- Scholes model.

	2018 $	2017 $
Balance – Beginning of period	-	-
Proceeds from the loan	1,500,000	-
Capitalized interests	5,918	-
Transaction costs	(115,143)	-
Amortization of transactions costs	3,780	-
Balance – End of period	1,394,555	-

Summary

	2018 $	2017 $
Nominal amount of working capital facility	1,505,918	-
Unamortized transaction costs	(111,363)	-
Balance of loan – End of year	1,394,555	-
Current portion	1,394,555	-
Non-current portion	-	-
Total loans and working capital facility - current portion	**5,324,950**	-

12. CAPITAL STOCK

Authorized

Unlimited number of common shares without par value

Unlimited number of preferred shares, without par value, issuable in series: Series A includes 500,000 preferred shares, non-voting, non-cumulative dividend of 8% redeemable by the Company at the amount paid-in.

Changes in the Company's common shares were as follows:

		2018		2017
	Number	Amount $	Number	Amount $
Balance – Beginning of year	103,570,610	58,828,558	97,648,080	54,783,402
Private placement [(1)]	2,233,333	1,365,806	5,922,530	4,045,156
Balance – End of year	105,803,943	60,194,364	103,570,610	58,828,558

As at December 31, 2018, 105,803,943 shares are issued (2017 – 103,570,610).

(1) Value of capital stock paid in cash (private placement) is presented net of fair value of warrants units amounting to $41,194 (2017 – 176,063) – refer to description below.

Year ended December 31, 2018
On March 15, 2018 the Company has closed on a $1,407,000 financing. Under the terms of the offering, the Government of Quebec subscribed to 2,233,333 Units of the Company at a price of $0.63 per Unit. The units consist of one common share and one half common share purchase warrant. Each full Warrant entitles its holder to purchase one common share at a price equal to $0.85 for a period of thirty-six (36) months following the closing date, expiring on March 14, 2021. If at any time after four (4) months and one (1) day following the closing date, the trading price of the Common Shares on the TSX Venture Exchange is equal to or exceeds $1.25 for ten (10) consecutive trading days, as evidenced by the price at the close of market, the Company shall be entitled to notify the holders of Warrants of its intention to force the exercise of the Warrants. Upon receipt of such notice, the holders of the Warrants shall have 30 days to exercise the Warrants, failing which the Warrants will automatically expire.

Year ended December 31, 2017
On August 22, 2017, Arianne closed a $2,306,000 financing. Under the terms of the financing, Arianne issued 2,882,500 units at a price of $0.80 per unit. Each unit is comprised of one common share and a half warrant. Each full warrant entitles the holder to purchase one common share at a price of $1.25 until August 22, 2020. The fair value of the warrants was calculated using the Black-Scholes pricing model and amounted to $107,644. If at any time after four (4) months and one (1) day following the closing date, the trading price of the Company's common shares on the TSX Venture Exchange is equal to or exceeds $1.60 for a period of ten (10) consecutive trading days, as evidenced by the price at the close of market, the Company shall be entitled to notify each warrant holder of its intention to force the exercise of the warrants. Upon receipt of such notice, the warrant holders shall have 30 days to exercise the warrants, failing which they will automatically expire.

In conjunction with this financing, Arianne paid finder fees of $184,480 and issued 230,600 non-transferable warrants exercisable at a price of $0.80 per share until August 22, 2020. The securities issued in connection with the financing are subject to a regulatory hold period of four (4) months and one (1) day expiring on December 23, 2017.

On December 29, 2017, Arianne closed a $1,915,219 financing. Under the terms of the financing, Arianne has issued 3,040,030 units at a price of $0.63 per unit. Each unit is comprised of one common share and a half warrant. Each full warrant entitles the holder to purchase one common share at a price of $0.85 until December 29, 2020. The fair value of the warrants was calculated using the Black-Scholes pricing model and amounted to $68,419. If at any time after four (4) months and one (1) day following the closing date, the trading price of the Company's common shares on the TSX Venture Exchange is equal to or exceeds $1.25 for a period of ten (10) consecutive trading days, as evidenced by the price at the close of market, the Company shall be entitled to notify each warrant holder of its intention to force the exercise of the warrants. Upon receipt of such notice, the warrant holders shall have 30 days to exercise the warrants, failing which they will automatically expire.

In conjunction with this financing, Arianne paid finder fees of $43,029 and issued 66,800 non-transferable warrants exercisable at a price of $0.63 per share until December 29, 2020. The securities issued in connection with the financing are subject to a regulatory hold period of four (4) months and one (1) day expiring on April 30, 2018.

13. STOCK OPTIONS, WARRANTS AND OPTIONS GRANTED TO BROKERS

Stock options

In November 2012, the Company's Board of Directors approved a new policy related to the grant of stock options, without substituting the existing plan. Under this new policy, each share purchase option granted under this policy is vested by its holder on a basis of 33% every year on a three-year period from the date of grant.

The shareholders of the Company approved on May 28, 2015 a stock option (the "plan") whereby the Board of Directors may grant stock options of the Company to directors, officers, employees and suppliers. The terms of stock options are determined by the Board of Directors.

The vesting conditions of stock options awarded to consultants are as follows: 25% three months after the date of grant, 25% six months after the date of grant, 25% nine months after the date of grant and 25% one year after the date of grant.

Stock options expire no later than ten years after being granted. The exercise price of each share purchase option is determined by the Board of Directors and may not be lower than the market price of the common shares at the time of grant.

The plan provides that (i) the maximum number of common shares in the capital of the Company that may be reserved for issuance under the plan shall be equal to 10% common shares; (ii) the maximum number of common shares which may be reserved for issuance to an employee, officer or director may not exceed 5% of the outstanding common shares at the time of grant; and (iii) the maximum number of shares which may be reserved for issuance to consultants and investors representative may not exceed 2% of the outstanding common shares at the time of grant.

Any share purchase option is settled in shares in accordance with Company policies.

The Company currently estimates the volatility of its common shares based on historical data from the Company.

During 2018, 630,000 stock options were granted to directors (865,000 to directors and consultants in 2017). The fair value of stock options granted to directors and consultants amounted to $142,893 ($243,128 in 2017) and was estimated using the Black-Scholes pricing model with the following weighted average assumptions:

	2018	2017
Weighted average price of share at time of grant	$0.53	$0.74
Weighted average risk-free interest rate	2.44%	1.35%
Weighted average expected volatility	41%	45%
Weighted average expected life	6 years	4.1 years
Weighted average expected dividend yield	0%	0%
Weighted average fair value of options granted	0.22	0.28

Changes in Company stock options were as follows:

	2018		2017	
	Number	Weighted average exercise price $	Number	Weighted average exercise price $
Balance – Beginning of year	5,842,834	1.03	5,449,500	1.11
Granted	630,000	0.53	865,000	0.78
Expired	(200,000)	0.91	(330,000)	1.07
Forfeited	(273,334)	-	(141,666)	0.82
Balance – End of year	5,999,500	0.98	5,842,834	1.03
Exercisable at the end of the year	4,751,166	1.06	5,064,917	1.05

The following tables summarize the information relating to the stock options granted under the plan.

Exercise price $	Options outstanding as at December 31, 2017	Weighted average remaining contractual life	Granted	Expired	Exercised	Forfeited	Options outstanding as at December 31, 2018	Weighted average remaining contractual life as at December 31, 2018
0.15	60,000	2.3 years	-	-	-	-	60,000	1.3 years
0.15	85,000	2.5 years	-	-	-	-	85,000	1.5 years
0.37	200,000	3.1 years	-	-	-	-	200,000	2.1 years
0.58	150,000	3.1 years	-	-	-	-	150,000	2.1 years
1.25	125,000	3.4 years	-	-	-	-	125,000	2.4 years
1.37	1,050,000	3.6 years	-	-	-	-	1,050,000	2.6 years
1.16	300,000	4.3 years	-	-	-	-	300,000	3.3 years
1.15	184,000	4.7 years	-	-	-	-	184,000	3.7 years
1.07	115,000	4.9 years	-	-	-	-	115,000	3.9 years
1.12	50,000	5.0 years	-	-	-	-	50,000	4.0 years
1.25	200,000	5.4 years	-	-	-	-	200,000	4.4 years
1.22	200,000	5.4 years	-	-	-	-	200,000	4.4 years
1.19	200,000	5.5 years	-	-	-	-	200,000	4.5 years
1.24	100,000	5.8 years	-	-	-	(75,000)	25,000	4.8 years
1.32	190,500	6.0 years	-	-	-	(15,000)	175,500	5.0 years
1.30	300,000	6.3 years	-	-	-	-	300,000	5.3 years
1.00	366,667	6.8 years	-	-	-	(16,667)	350,000	5.8 years
0.85	385,000	7.4 years	-	-	-	-	385,000	6.4 years
0.86	40,000	7.5 years	-	-	-	-	40,000	6.5 years
0.86	35,000	7.7 years	-	-	-	-	35,000	6.7 years
0.81	241,667	7.2 years	-	-	-	(66,667)	175,000	6.2 years
0.98	200,000	1.5 years	-	-	-	-	200,000	0.5 years
0.85	200,000	0.9 year	-	(200,000)	-	-	-	-
0.90	125,000	1.2 years	-	-	-	-	125,000	0.2 years
0.76	500,000	9.3 years	-	-	-	(100,000)	400,000	8.3 years
0.77	200,000[(1)]	0.2 year	-	-	-	-	200,000	-
0.62	40,000	10.0 years	-	-	-	-	40,000	9.0 years
0.41	-	-	200,000	-	-	-	200,000	9.7 years
0.58	-	-	430,000	-	-	-	430,000	9.8 years
	5,842,834		630,000	(200,000)	-	(273,334)	5,999,500	

(1) In March 2018, the Company amended the terms and conditions of the 200,000 options granted in September 2017. Initially, each option entitled its holder to acquire one common share at a price of $0.77 per share until February 28, 2018. These options were amended in March 2018 to extend their expiration date to June 30, 2018. All other terms and conditions remained similar. The Company calculated the fair value of the options prior and after the amendment. The fair value of the extended warrants was estimated at $331 considering the fair value of the original options existing on the date of the amendment, according to the Black-Scholes model, and it was recorded as an increase in deficit for the exercise ended December 31, 2018.

In June 2018, the Company amended the terms and conditions of the 200,000 options amended in March 2018. Initially, each option entitled its holder to acquire one common share at a price of $0.77 per share until June 30, 2018. These options were amended in June 2018 to extend their expiration date to December 31, 2018. All other terms and conditions remained similar. The Company calculated the fair value of the options prior and after the amendment. The fair value of the extended warrants was estimated at $284 considering the fair value of the original options existing on the date of the amendment, according to the Black-Scholes model, and it was recorded as an increase in deficit for the exercise ended December 31, 2018.

Exercise price $	Options outstanding as at December 31, 2016	Weighted average remaining contractual life	Granted	Expired	Exercised	Forfeited	Options outstanding as at December 31, 2017	as at December 31, 2017
0.15	60,000	3.3 years	-	-	-	-	60,000	2.3 years
0.15	85,000	3.5 years	-	-	-	-	85,000	2.5 years
0.37	200,000	4.1 years	-	-	-	-	200,000	3.1 years
0.58	150,000	4.1 years	-	-	-	-	150,000	3.1 years
1.25	125,000	4.4 years	-	-	-	-	125,000	3.4 years
1.37	1,050,000	4.6 years	-	-	-	-	1,050,000	3.6 years
1.16	300,000	5.3 years	-	-	-	-	300,000	4.3 years
1.15	184,000	5.7 years	-	-	-	-	184,000	4.7 years
1.07	115,000	5.9 years	-	-	-	-	115,000	4.9 years
1.12	50,000	6.0 years	-	-	-	-	50,000	5.0 years
1.25	200,000	6.4 years	-	-	-	-	200,000	5.4 years
1.22	200,000	6.4 years	-	-	-	-	200,000	5.4 years
1.19	200,000	6.5 years	-	-	-	-	200,000	5.5 years
1.17	133,333	6.7 years	-	(133,333)	-	-	-	-
1.24	100,000	6.8 years	-	-	-	-	100,000	5.8 years
1.32	190,500	7.0 years	-	-	-	-	190,500	6.0 years
1.30	345,000	7.3 years	-	(45,000)	-	-	300,000	6.3 years
1.00	441,667	7.8 years	-	(66,667)	-	(8,333)	366,667	6.8 years
0.85	470,000	8.4 years	-	(85,000)	-	-	385,000	7.4 years
0.86	40,000	8.5 years	-	-	-	-	40,000	7.5 years
0.86	35,000	8.7 years	-	-	-	-	35,000	7.7 years
0.81	375,000	8.2 years	-	-	-	(133,333)	241,667	7.2 years
0.98	200,000	2.5 years	-	-	-	-	200,000	1.5 years
0.85	200,000	1.9 years	-	-	-	-	200,000	0.9 year
0.90	-	-	125,000	-	-	-	125,000	1.2 years
0.76	-	-	500,000	-	-	-	500,000	9.3 years
0.77	-	-	200,000	-	-	-	200,000	0.2 year
0.62	-	-	40,000	-	-	-	40,000	10.0 years
	5,449,500		865,000	(330,000)	-	(141,666)	5,842,834	

Warrants

During 2018, 25,651,771 warrants were granted (20,143,004 in 2017). The fair value of the warrants was calculated using the Black-Scholes pricing model and amounted to $145,579 ($176,063 in 2017) and were estimated with the following weighted average assumptions:

	2018	2017
Weighted average price of shares at time of grant	$0.02	$0.05
Weighted average risk-free interest rate	0.23%	0.21%
Weighted average expected volatility	5%	6%
Weighted average expected life	0.2 years	0.4 years
Weighted average expected dividend yield	0%	0%

	2018 $	2017 $
Weighted average fair value of warrants granted	0.01	0.01

Changes in Company warrants were as follows:

	2018		2017	
	Number	Weighted average exercise price $	Number	Weighted average exercise price $
Balance – Beginning of year	28,640,504	0.90	15,997,500	1.12
Granted	25,651,771	0.44	20,143,004	0.73
Expired	(18,556,239)	0.74	(7,500,000)	0.93
Balance – End of year	35,736,036	0.36	28,640,504	0.90

The following table summarizes the information relating to the warrants granted during the year:

Exercise price $	Expiry date	Warrants outstanding as at December 31, 2017	Granted	Expired	Exercised	Warrants outstanding as at December 31, 2018	Weighted average remaining contractual life as at December 31, 2018
1.25	July 2019(2)	2,815,500	-	-	-	2,815,500	0.6 year
1.25	October 2019(3)	1,184,500	-	(157,000)	-	1,027,500	0.8 year
1.45	July 2018(1)	1,217,500	-	(1,217,500)	-	-	-
1.25	September 2019	2,400,000	-	-	-	2,400,000	0.7 years
1.25	October 2019	880,000	-	-	-	880,000	0.8 years
1.25	August 2020	1,441,250	-	-	-	1,441,250	1.6 years
0.68	January 2019	17,181,739	-	(17,181,739)	-	-	-
0.85	December 2020	1,520,015	-	-	-	1,520,015	2.0 years
0.85	March 2021	-	1,116,667	-	-	1,116,667	2.2 years
0.43	June 2020	-	22,417,458	-	-	22,417,458	1.5 years
0.43	December 2019	-	2,117,646	-	-	2,117,646	1.0 year
		28,640,504	25,651,771	(18,556,239)	-	35,736,036	

(2) In January 2018, the Company amended the terms and conditions of the 1,217,500 warrants granted on July 29, 2013. Initially, each warrant entitled its holder to acquire one common share at a price of $1.45 per share until January 27, 2018. These warrants were amended in January 2018 to extend their expiration date to July 2018. All other terms and conditions remained similar. The Company calculated the fair value of the warrants prior and after the amendment. The fair value of the extended warrants was estimated at $5 considering the fair value of the original warrants existing on the date of the amendment, according to the Black-Scholes model, and it was recorded as an increase in deficit for the exercise ended December 31, 2018.

(3) In July 2018, the Company amended the terms and conditions of the 2,815,500 warrants granted on July 31, 2014. Initially, each warrant entitled its holder to acquire one common share at a price of $1.25 per share until July 31, 2018. These warrants were amended in July 2018 to extend their expiration date to July 2019. All other terms and conditions remained similar. The Company calculated the fair value of the warrants prior and after the amendment. The fair value of the extended warrants was estimated at $184 considering the fair value of the original warrants existing on the date of the amendment, according to the Black-Scholes model, and it was recorded as an increase in deficit for the exercise ended December 31, 2018.

(4) In October 2018, the Company amended the terms and conditions of the 1,184,500 warrants granted on October 16, 2014. Initially, each warrant entitled its holder to acquire one common share at a price of $1.25 per share until October 15, 2018. These warrants were amended in October 2018 to extend their expiration date to October 2019. All other terms and conditions remained similar. The Company calculated the fair value of the warrants prior and after the amendment. The fair value of the extended warrants was estimated at $3,157 considering the fair value of the original warrants existing on the date of the amendment, according to the Black-Scholes model, and it was recorded as an increase in deficit for the exercise ended December 31, 2018.

Exercise price $	Expiry date	Warrants outstanding as at December 31, 2016	Granted	Expired	Exercised	Warrants outstanding as at December 31, 2017	Weighted average remaining contractual life as at December 31, 2017
1.25	July 2017[1]	2,815,500	-	-	-	2,815,500	0.6 year
1.25	October 2017[2]	1,184,500	-	-	-	1,184,500	0.8 year
0.86	December 2017	5,000,000	-	(5,000,000)	-	-	-
1.08	December 2017	2,500,000	-	(2,500,000)	-	-	-
1.45	January 2018[3]	1,217,500	-	-	-	1,217,500	0.1 year
1.25	September 2019	2,400,000	-	-	-	2,400,000	1.7 years
1.25	October 2019	880,000	-	-	-	880,000	1.8 years
1.25	August 2020	-	1,441,250	-	-	1,441,250	2.6 years
0.68	January 2019	-	17,181,739	-	-	17,181,739	1.0 year
0.85	December 2020	-	1,520,015	-	-	1,520,015	3.0 years
		15,997,500	20,143,004	(7,500,000)	-	28,640,504	

(1) In July 2017, the Company amended the terms and conditions of 2,815,500 warrants granted on July 31, 2014. Initially, each warrant entitled its holder to purchase one common share at a price of $1.25 per share until July 31, 2017. These warrants were amended in July 2017 to extend the expiry date to July 31, 2018. All other terms and conditions remained similar. The fair value of the extended warrants was estimated at $73,635 considering the fair value of the original warrants existing on the date of the amendment, according to the Black-Scholes model, and it was recorded as an increase in deficit for year ended December 31, 2017.

(2) In October 2017, the Company amended the terms and conditions of 1,184,500 warrants granted on October 16, 2014. Initially, each warrant, entitled its holder to purchase one common share at a price of $1.25 per share until October 15, 2017. These warrants were amended in October 2017 to extend the expiry date to October 15, 2018. All other terms and conditions remained similar. The fair value of the extended warrants was estimated at $22,609 considering the fair value of the original warrants existing on the date of the amendment, according to the Black-Scholes model, and it was recorded as an increase in deficit for year ended December 31, 2017.

(3) In January 2017, the Company amended the terms and conditions of the 1,217,500 warrants granted on July 29, 2013. Initially, each warrant entitled its holder to purchase one common share at a price of $1.45 per share until January 27, 2017. These warrants were amended in January 2017 to extend their expiration date to January 2018. All other terms and conditions remained similar. The fair value of the extended warrants was estimated at $15,994 considering the fair value of the original warrants existing on the date of the amendment, according to the Black-Scholes model, and it was recorded as an increase in deficit for year ended December 31, 2017.

Options granted to brokers

During 2017, 297,400 options to brokers were granted to Windermere, a related party, in connection with the private placement. The Company was not able to reliably determine the fair value of the services received from Windermere and therefore used the fair value of the options granted to brokers as calculated using the Black-Scholes pricing model. The fair value of options granted to brokers amounted to $51,009 and was estimated using the following weighted average assumptions:

	2017
Weighted average price of share at time of grant	$0.73
Weighted average risk-free interest rate	1.3%
Weighted average expected volatility	44%
Weighted average expected life	3 years
Weighted average expected dividend yield	0%

	2017 $
Weighted average fair value of warrants granted	0.17

Changes in Company options granted to brokers were as follows:

	2018		2017	
	Number	Weighted average exercise price $	Number	Weighted average exercise price $
Balance – Beginning of year	428,600	0.81	131,200	0.91
Granted	-	-	297,400	0.76
Balance – End of year	428,600	0.81	428,600	0.81

The following table summarizes the information relating to the brokers options granted:

Exercise price $	Expiry date	Broker options outstanding as at December 31, 2017	Granted	Exercised	Expired	Broker options outstanding as at December 31, 2018
0.92	September 2019	96,000	-	-	-	96,000
0.89	October 2019	35,200	-	-	-	35,200
0.80	August 2020	230,600		-	-	230,600
0.63	December 2020	66,800		-	-	66,800
		428,600		-	-	428,600

Exercise price $	Expiry date	Broker options outstanding as at December 31, 2016	Granted	Exercised	Expired	Broker options outstanding as at December 31, 2017
0.92	September 2019	96,000	-	-	-	96,000
0.89	October 2019	35,200	-	-	-	35,200
0.80	August 2020	-	230,600	-	-	230,600
0.63	December 2020	-	66,800	-	-	66,800
		131,200	297,400	-	-	428,600

14. DEFERRED TAXES

In 2018, the Company recorded a deferred income tax liability of $3,330,406 with respect to Quebec mining duties and a corresponding deferred tax expense in the consolidated statements of loss for the year ended December 31, 2018.

The major components of deferred income tax recovery are as follows:

	2018 $	2017 $
Deferred tax recovery relating to the origination and reversal of temporary differences	87,636	667,461
Total deferred income tax recovery	87,636	667,461

The Company's income tax provision consists of the following:

	2018 $	2017 $
Loss before income taxes	(1,842,450)	(2,751,114)
Income tax computed at Canadian statutory rate of 26.7% in 2018 (26.8% in 2017)	(491,934)	(737,299)
Non-deductible expenses	27,486	80,869
Income tax benefit of mining duties	-	-
Book-to-tax	-	-
Unrecognized tax benefits	465,311	676,212
Quebec mining duty tax	87,636	667,461
Tax on investment property – outfitter	14,975	(19,782)
Other	(15,838)	-
Income tax expense	87,636	667,461
Income tax expense		
Current	-	-
Deferred	87,636	667,461

The analysis of deferred income tax assets and liabilities as at December 31, 2018 is as follows:

	2017 $	Loss $	2018 $
Deferred income tax assets			
Non-capital losses carried forward	8,681,433	(969,898)	7,711,535
	8,681,433	(969,898)	7,711,535
Deferred income tax liabilities			
Exploration and evaluation assets	(8,681,433)	14,921,197	6,239,764
Property, plant and equipment	-	(13,951,299)	(13,951,299)
Mining duties tax	(2,833,467)	(87,636)	(2,921,103)
Tax on investment property – outfitter	(102,100)	14,975	(87,125)
	(11,617,000)	897,237	(10,719,763)
Total deferred income tax liabilities	(2,935,567)	(72,661)	(3,008,228)

The ability to realize the tax benefits is dependent upon a number of factors, including the future profitability of operations. Deferred tax assets are recognized only to the extent that it is probable that sufficient taxable profits will be available to allow the asset to be recovered. Accordingly, some deferred tax assets have not been recognized; these deferred tax assets not recognized amount to $7,863,192.

As at December 31, the Company had unrecognized deferred tax assets as follows:

	2018 $	2017 $
Non-capital losses carried forward	6,325,543	3,826,634
Mining properties	-	1,297,145
Non-refundable tax credits	465,169	465,169
Income tax benefit of mining duties	882,558	859,334
Share issue costs	58,100	35,359
Other assets	131,822	752,249
	7,863,192	7,235,890

As at December 31, 2018, the Company had accumulated non-capital losses for Federal tax purposes of approximately $55,667,943 ($49,893,419 in 2017) which can be used to reduce taxable income in future years as follows:

The Company has accumulated non-capital losses for income tax purposes as at December 31, 2018.

These losses will expire as follows:

	Federal $	Provincial $
2026	357,018	140,186
2027	554,979	206,152
2028	829,462	-
2029	623,080	264,454
2030	623,519	568,161
2031	1,259,966	-
2032	4,279,969	1,736,553
2033	14,892,530	14,782,740
2034	9,835,644	9,712,235
2035	6,272,264	6,073,884
2036	5,247,865	5,156,537
2037	5,373,162	5,291,802
2038	5,518,485	5,518,485
	55,667,943	49,451,189

* The deferred income tax on non-capital losses has been partially recorded.

The Company has also accumulated capital losses for tax purposes in Quebec of approximately $217,490 ($217,490 in 2017), and these losses can be carried forward indefinitely.

The Company is subject to federal and provincial income taxes and provincial mining taxes. Tax laws are complex and can be subject to different interpretations. The Company has prepared its tax provision based on the interpretation of tax laws which it believes represents the probable outcome. The Company may be required to change its provision for income taxes if the tax authorities ultimately are not in agreement with the Company's interpretation.

15. SUPPLEMENTARY INFORMATION RELATED TO CASH FLOWS

Net change in non-cash working capital items	2018 $	2017 $
Receivable and other current assets	357,599	(369,371)
Sales taxes receivable	45,281	(17,540)
Accounts payable and accrued liabilities	270,645	(896,304)
	673,525	(1,283,215)

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

	2018 $	2017 $
Addition to exploration and evaluation assets not yet paid	118,905	224,474
Addition to property, plant and equipment not yet paid	965,762	600,000
Transaction costs not yet paid	26,068	20,467

16. RELATED PARTY TRANSACTIONS

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

	2018 $	2017 $
Key management compensation [(1)]		
Share-based compensation	42,585	101,870
Management fees	190,000	119,749
	232,585	221,619
Salaries and benefits [(2)]	376,102	388,665
	608,687	610,284
Balance included in accounts payable and accrued liabilities	8,333	9,580

(1) The key management is composed of the Chief executive officer (CEO), Chief Financial Officer (CFO), Chief Operating Officer (COO), Executive Chairman and the vice-president exploration and First Nations Relations.
(3) Salaries and benefits capitalized to property, plant and equipment and exploration and evaluation assets amount to $227,196 ($247,302 in 2017 to exploration and evaluation assets).

The Company has entered into employment and management contracts with its key executives whose estimated annual remuneration amounts to $600,000. 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 December 31, 2018, the Company would have had to pay a total amount of $600,000 as severance. If a change of control had occurred on December 31, 2018, the total amounts payable to the executive team in respect of severance would have totaled $1,050,000 (assuming they left after a change of control and each named executive opted to receive such compensation). If the assets of the company had been sold to an "arm's length entity" on December 31, 2018, the total amounts payable to the executive team in respect of severance would have totaled $1,300,000 (assuming they left after a change of control and each named executive opted to receive such compensation).

Subsequent to the nomination of Brian Ostroff as a director of the Company on June 4, 2014, Windermere is considered as a related party because it has significant influence over the Company through its representation on the Board of Directors. All agreements and transactions with Windermere are already disclosed in these financial statements and are therefore not described in this note.

Ocean Partners is also considered as a related party because a director of the Company is one of its managing directors. All agreements and transactions with Ocean Partners are already disclosed in these financial statements and are therefore not described in this note.

17. COMMITMENTS

a) In August 2012, the Company granted the Lender of the 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 also granted the Lender of the 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. These royalties 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. The Company also has granted to other parties a 2.25% royalty on the net smelter return (''NSR''). The royalty may be redeemed at any time through a lump-sum payment of $2.5 million.

b) The Company granted contracts in relation to the development of the Lac à Paul project for a total of $39,126. 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, Lac à Paul camp and insurance are as follows:

	Within 1 year	1 to 5 years	After 5 years	Total
December 31, 2018	142,164	-	-	142,164

18. 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 consolidated financial statements, the Company was not aware of any significant events that would have a material effect on its consolidated financial statements.

19. FINANCIAL INSTRUMENTS AND FINANCIAL RISKS

Classification

The Company's financial instruments as at December 31, 2018 and 2017 consist of cash and cash equivalents, receivable and other current assets, accounts payable and accrued liabilities, loans and working capital facility and credit line.

The classification of financial instruments is summarized as follows:

	Carrying value at December 31, 2018 $	Carrying value at December 31, 2017 $
Financial assets at amortized costs (loans and receivables in 2017)		
Cash and cash equivalents	2,076,731	1,374,881
Receivables and other assets	145,149	502,748
	2,221,880	1,877,629
Financial liabilities at amortized costs (other financial liabilities in 2017)		
Accounts payable and accrued liabilities	2,461,280	1,924,840
Loans and working capital facility	5,324,950	3,728,306
Credit line	22,271,587	19,642,554
	30,057,817	25,295,700

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 during the years ended December 31, 2018 and 2017.

Financial risks

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

Credit risk

The Company's credit risk is primarily attributable to cash and cash equivalents and receivables 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. Receivables and other current assets mainly consist of interest receivable from Canadian chartered banks, sales taxes receivable 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 December 31, 2018, the Company had cash and cash equivalents of $2,076,731 ($1,374,881 as at December 31, 2017) to settle current liabilities of $7,786,230 ($1,924,840 as at December 31, 2017). 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 December 31, 2018:

	Carrying amount $	Contractual cash flows $	0 to 12 months $	12 to 24 months $	More than 24 months $
Accounts payable and accrued liabilities	2,461,280	2,461,280	2,461,280	-	-
Loans and working capital facility	5,324,950	6,122,903	6,122,903	-	-
Credit line	22,271,587	28,942,258	-	28,942,258	-

Interest rate risk

According to the third non-revolving credit line and amendments made to the first and second credit lines dated October 20, 2015, the interest rate has been modified from a variable to fixed rate. 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 December 31, 2018, the Company's exposure to interest rate risk is summarized as follows:

Cash and cash equivalents	Fixed interest rate and non-interest bearing
Accounts payable and accrued liabilities	Non-interest bearing
Credit line	Fixed interest rate
Loans and working capital facility	Fixed interest rate

Currency risk

As at December 31, 2018, the Company has a bank account in US dollars for an amount of $1,324 ($1,348 in 2017). The Company estimates that a variation of ±10% in exchange rates on that date would have resulted in a variation of approximately $132 in 2018 ($135 in 2017) in net loss. The Company also had US $150,626 and GBP 50,000 payable as at December 31, 2018.

Fair Value risk

Current financial assets and financial liabilities are valued at their carrying amounts, which are reasonable estimates of their fair value due to their near-term maturities; this includes cash and cash equivalents, receivables and other assets and accounts payable and accrued liabilities. Loans and working capital facility were accounted at amortized cost, and its fair value approximates its carrying value. The credit line was accounted at amortized cost, and its fair value is $23,326,474.

20. POLICIES AND PROCESSES FOR MANAGING CAPITAL

As at December 31, 2018, the capital of the Company consists of equity amounting to $26,721,102 ($27,095,390 in 2017). The Company's capital management objective is to have sufficient capital to be able to meet its mining development plan and permitting in order to ensure the growth of its activities. It also has the objective to have sufficient cash to finance the exploration and evaluation expenditures, the investing activities and the working capital requirements. The variation of capital components is explained in the consolidated statements of changes in equity.

There were no significant changes in the Company's approach to capital management during the year ended December 31, 2018.

21. EVENTS AFTER THE REPORTING PERIOD

In January 2019, the Company appointed Andrew Malashewsky as its Chief Financial Officer and he was granted 100,000 stock options. Each Option entitles the holder to purchase one common share of the Company until January 23, 2029 at a price of $0.4325 per share.

In February 2019, the Company appointed Jean Fontaine as a Director and he was granted 200,000 stock options. Each Option entitles the holder to purchase one common share of the Company until February 18, 2029 at a price of $0.40 per share.