

**ARIANNE PHOSPHATE INC.  
CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS  
(UNAUDITED)  
THREE MONTHS PERIODS ENDED MARCH 31, 2016 AND MARCH 31, 2015  
(in Canadian dollars)**



Condensed consolidated interim financial statements for the three month period ended March 31, 2016 haven't been reviewed by the auditors.

# ARIANNE PHOSPHATE INC.

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# ARIANNE PHOSPHATE INC.

## CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION

(In Canadian dollars)

	As at March 31, 2016	As at December 31,2015
	\$	\$
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents (note 3)	65,244	91,920
Receivables and other current assets	55,968	76,760
Sales taxes receivable	102,213	109,528
Tax credit related to resources and mining tax credit receivable	1,351,926	1,106,305
	<u>1,575,351</u>	<u>1,384,513</u>
<b>Non-current assets</b>		
Tax credit related to resources and mining tax credit receivable	158,320	392,589
Investment property – Outfitters	355,986	363,719
Property, plant and equipment (note 5)	266,092	281,817
Intangible assets (note 6)	108,660	117,018
Mining properties (note 7)	1,245,640	1,217,177
Exploration and evaluation assets (note 8)	41,576,757	40,502,866
	<u>43,711,455</u>	<u>42,875,186</u>
<b>Total assets</b>	<u>45,286,806</u>	<u>44,259,699</u>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities	1,487,994	1,672,540
	<u>1,487,994</u>	<u>1,672,540</u>
<b>Non-current liabilities</b>		
Credit line (note 9)	14,188,387	12,561,084
Deferred income taxes	2,084,722	2,084,722
<b>Total liabilities</b>	<u>17,761,103</u>	<u>16,318,346</u>
<b>Equity</b>		
Capital stock	54,288,743	53,977,978
Warrants	1,942,622	1,957,387
Contributed surplus	11,483,140	11,344,855
Deficit	(40,188,802)	(39,338,867)
<b>Total equity</b>	<u>27,525,703</u>	<u>27,941,353</u>
<b>Total liabilities and equity</b>	<u>45,286,806</u>	<u>44,259,699</u>
<b>GOING CONCERN</b> (note 1)		
<b>COMMITMENTS</b> (note 13)		

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

ON BEHALF OF THE BOARD

(s) Siva J. Pillay, Director

(s) James Cowley, CFO

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

	<b>2016</b>	<b>2015</b>
	\$	\$
<b>EXPENSES</b>		
Salaries and fringe benefits	324,489	375,844
Share-based compensation	138,285	200,184
Professional and consultant fees	183,996	61,313
Management fees	6,250	22,925
Registration and listing fees	42,701	38,046
Communications	57,516	57,236
Promotion, representation and travel	21,113	43,146
Insurance	10,913	12,699
Rent and office expenses	34,499	38,330
Bank charges	3,399	6,117
Depreciation of property, plant and equipment	11,398	14,350
<b>Operating loss</b>	<u>834,559</u>	<u>870,190</u>
<b>OTHER EXPENSES (INCOME)</b>		
Interest income	(143)	(19,277)
Foreign exchange gain	(1,757)	(2,127)
Net loss of investment property – Outfitters (Note 4)	17,276	22,941
	<u>15,376</u>	<u>1,537</u>
<b>LOSS BEFORE INCOME TAXES</b>	<u>849,935</u>	<u>871,727</u>
Deferred income taxes	-	19,473
<b>NET LOSS FOR THE PERIOD</b>	<u>849,935</u>	<u>891,200</u>
<b>BASIC AND DILUTED LOSS PER SHARE</b>	<u>0.01</u>	<u>0.01</u>
<b>WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING</b>	<u>96,892,422</u>	<u>89,902,157</u>

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

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

	<b>2016</b>	<b>2015</b>
	\$	\$
<b>NET LOSS FOR THE PERIOD</b>	849,935	891,200
Other comprehensive loss that may be reclassified subsequently to net income:	-	-
<b>COMPREHENSIVE LOSS FOR THE PERIOD</b>	<u>849,935</u>	<u>891,200</u>

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

**ARIANNE PHOSPHATE INC.**  
**CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN EQUITY**  
**FOR THREE MONTH PERIOD ENDED MARCH 31**  
(in Canadian dollars)

	Capital stock	Capital stock	Warrants	Contributed surplus	Deficit	Total equity
	common shares	\$	\$	\$	\$	\$
<b>Balance as at January 1, 2016</b>	96,825,755	53,977,978	1,957,387	11,344,855	(39,338,867)	27,941,353
Net loss and comprehensive loss for the period	-	-	-	-	(849,935)	(849,935)
Share-based compensation	-	-	-	138,285	-	138,285
Warrants exercises (note 10)	400,000	310,765	(14,765)	-	-	296,000
<b>Balance as at March 31, 2016</b>	<b>97,225,755</b>	<b>54,288,743</b>	<b>1,942,622</b>	<b>11,483,140</b>	<b>(40,188,802)</b>	<b>27,525,703</b>
<b>Balance as at January 1, 2015</b>	95,325,755	51,593,734	2,816,369	9,636,224	(35,273,199)	28,773,128
Net loss and comprehensive loss for the period	-	-	-	-	(891,200)	(891,200)
Share-based compensation	-	-	-	200,184	-	200,184
Value assigned to warrants	-	-	14,765	-	-	14,765
<b>Balance as at March 31, 2015</b>	<b>95,325,755</b>	<b>51,593,734</b>	<b>2,831,134</b>	<b>9,836,408</b>	<b>(36,164,399)</b>	<b>28,096,877</b>

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

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

	<b>2016</b>	<b>2015</b>
	\$	\$
<b>CASH FLOW FROM (USED IN)</b>		
<b>OPERATING ACTIVITIES</b>		
Net loss for the period	(849,935)	(891,200)
Adjustments for:		
Share-based payments	138,285	200,184
Grant receivable	-	(42,252)
Depreciation – Investment property - Outfitters	7,734	9,124
Depreciation – Property, plant and equipment	11,398	20,529
Finance expenses	-	14,765
Deferred income taxes	-	19,710
	<u>(692,518)</u>	<u>(669,140)</u>
Net change in non-cash working capital items (note 11)	<u>(624,049)</u>	<u>11,009</u>
	<u>(1,316,567)</u>	<u>(658,131)</u>
<b>INVESTING ACTIVITIES</b>		
Tax credit related to resources and mining tax credit received	-	309,954
Acquisition of mining properties	(28,463)	-
Acquisition of exploration and evaluation assets	(161,646)	(837,551)
	<u>(190,109)</u>	<u>(527,597)</u>
<b>FINANCING ACTIVITIES</b>		
Proceeds from credit line	1,480,000	-
	<u>1,480,000</u>	<u>-</u>
<b>CHANGE IN CASH AND CASH EQUIVALENTS DURING THE PERIOD</b>	<u>(26,676)</u>	<u>(1,185,728)</u>
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD</b>	<u>91,920</u>	<u>3,837,720</u>
<b>CASH AND CASH EQUIVALENTS, END OF PERIOD</b>	<u>65,244</u>	<u>2,651,992</u>
Supplementary cash flow information		
Interest received	142	19,277

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



# ARIANNE PHOSPHATE INC.

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(in Canadian dollars)

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

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

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

These condensed consolidated interim financial statements have been prepared on the basis of accounting principles applicable to a going concern, which contemplates the realization of assets and settlement of liabilities in the normal course of business as they come due. In assessing whether the going concern assumption is appropriate, management takes into account all available information about the future, which is at least, but not limited to, 12 months from the end of the reporting period. For the period ended March 31, 2016, the Company recorded a net loss of \$849,935 (2015 – \$ 891,200) and has an accumulated deficit of \$40,188,802 as at March 31, 2016 (2015 – \$39,338,867 as at December 31, 2015). In addition to ongoing working capital requirements, the Company must secure sufficient funding to meet its obligations and pay general and administration costs.

As at March 31, 2016, the Company had a positive working capital of \$87,357 (negative working capital of \$288,027 as at December 31, 2015), and has an undrawn non-revolving credit line of \$2,086,887. Management estimates that the working capital will not be sufficient to meet the Company's obligations and budgeted expenditures through March 31, 2017. 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 in 2016.

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 condensed consolidated interim financial statements.

These condensed consolidated interim 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

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

The accounting policies followed in these condensed consolidated interim financial statements are consistent with those applied in the Company's annual financial statements for the year ended December 31, 2015. These condensed consolidated interim financial statements should be read in conjunction with the Company annual financial statements for the year ended December 31, 2015 which have been prepared in accordance with IFRS as issued by the IASB.

The Board of Directors approved these condensed consolidated interim financial statements on May 20, 2016.



# ARIANNE PHOSPHATE INC.

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(in Canadian dollars)

### 3. CASH AND CASH EQUIVALENTS

	As at March 31, 2016 \$	As at December 31, 2015 \$
Cash and cash equivalents	<u>65,244</u>	<u>91,920</u>

As at March 31, 2016, cash and cash equivalents comprises cash on hand amounting to \$65,244, not bearing interest. An amount of \$30,000 is restricted in connection with the Company's credit card agreement.

As at December 31, 2015, cash and cash equivalents comprises cash on hand amounting to \$91,920, not bearing interest.

### 4. INVESTMENT PROPERTY – OUTFITTERS

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

	Three-month period ended March 31, 2016 \$	Three-month period ended March 31, 2015 \$
Outfitters income	-	-
Operating expenses:		
Management fees	422	6,851
Repair and maintenance	421	-
Supplies	1,118	595
Advertising, promotion and travel	1,086	1,029
Taxes and licenses	2,065	1,945
Insurance	2,810	2,091
Interest and bank charges	60	56
Depreciation of property, plant and equipment	7,734	10,137
Tax on investment property – outfitter	-	237
Bad debts	1,560	-
	<u>17,276</u>	<u>22,941</u>
Net loss of investment property – Outfitters	<u>17,276</u>	<u>22,941</u>

# ARIANNE PHOSPHATE INC.

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(in Canadian dollars)

### 5. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements \$	Tools and equipment \$	Rolling equipment \$	Computer equipment \$	Total \$
<b>Cost</b>					
Balance as at January 1, 2015	305,443	128,740	10,376	11,919	456,478
Balance as at December 31, 2015	305,443	128,740	10,376	11,919	456,478
Balance as at March 31, 2016	305,443	128,740	10,376	11,919	456,478
<b>Accumulated depreciation</b>					
Balance as at January 1, 2015	34,844	55,161	1,556	980	92,541
Depreciation	54,120	22,073	2,646	3,281	82,120
Balance as at December 31, 2015	88,964	77,234	4,202	4,261	174,661
Depreciation	10,824	3,863	464	574	15,725
Balance as at March 31, 2016	99,788	81,097	4,666	4,835	190,386
<b>Net book value</b>					
Balance as at January 1, 2015	270,599	73,579	8,820	10,939	363,937
Balance as at December 31, 2015	216,479	51,506	6,174	7,658	281,817
Balance as at March 31, 2016	205,655	47,643	5,710	7,084	266,092

### 6. INTANGIBLE ASSETS

	Intangible assets \$
<b>Cost</b>	
Balance as at January 1, 2015	-
Acquisition	167,168
Balance as at December 31, 2015	167,168
Balance as at March 31, 2016	167,168
<b>Accumulated depreciation</b>	
Balance as at January 1, 2015	16,717
Depreciation	33,433
Balance as at December 31, 2015	50,150
Depreciation	8,358
Balance as at March 31, 2016	58,508
<b>Net book value</b>	
Balance as at January 1, 2015	150,451
Balance as at December 31, 2015	117,018
Balance as at March 31, 2016	108,660

### 7. MINING PROPERTIES

	Royalties (NSR) %	Balance as at December 31, 2015 \$	Additions \$	Impairments \$	Disposal \$	Balance as at March 31, 2016 \$
<b>Properties in Quebec</b>						
Lac à Paul (100%)	2.75	1,217,177	28,463	-	-	1,245,640

# ARIANNE PHOSPHATE INC.

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(in Canadian dollars)

### 8. EXPLORATION AND EVALUATION ASSETS

	Balance as at December 31, 2015 \$	Additions \$	Tax credits \$	Impairments \$	Disposals \$	Balance as at March 31, 2016 \$
<b>Quebec</b>						
Lac à Paul	40,502,866	1,085,243	(11,352)	-	-	41,576,757

For the three-month periods ended March 31, 2016 and 2015, the following expenses, related to discovery of mineral resources, have been included in the cost of exploration and evaluation assets:

	Three-month period ended March 31, 2016 \$	Three-month period ended March 31, 2015 \$
Camp, travel and lodging and general expenses	44,183	59,082
Chemical analysis	-	4,621
Line cutting and geophysics	6,539	-
Planning and supervision	48,125	69,789
Professional fees and independent technical reports	530,408	683,114
Borrowing costs	443,303	441,408
Depreciation of property, plant and equipment	4,327	6,179
Depreciation of intangible asset	8,358	8,357
	<u>1,085,243</u>	<u>1,272,550</u>
Tax credits related to resources and mining tax credit	(11,352)	(57,066)
	<u>1,073,891</u>	<u>1,215,484</u>
Balance – Beginning of period	40,502,866	36,623,579
Balance – End of period	<u>41,576,757</u>	<u>37,839,063</u>

### 9. CREDIT LINE

In August 2012 and July 2013, the Company entered into an agreement to obtain a non-revolving credit line, with Mercury Financing Corp. (the "Lender"), 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. Terms and conditions are essentially the same.

Interest was capitalized quarterly until the earlier of the following dates: (a) December 31, 2013 for the August 2012 agreement and June 30, 2014 for the June 2013 agreement or (b) the date at which time the Company raises cumulative net cash proceeds of at least \$21 million by way of equity, debt or other instruments. Subsequently, interest was payable quarterly until maturity.

On October 20, 2015, the Company obtained a third non-revolving credit line amounting to \$4,566,887, bearing interest at a fixed rate of 6.25% per annum, 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, December 31, 2017. As at March 31, 2016, the Company drew \$2,480,000 from the credit lines and repaid \$1,616,000 by granting of 1,900,000 shares to the Lender in connection with the warrants exercised. As at March 31, 2016, the Company has an undrawn non-revolving credit line of \$2,086,887.

The third non-revolving credit line and all unpaid interest will be repayable in full on the earlier of the following dates: (a) December 31, 2017; (b) the date at which time the Company raises cumulative net cash proceeds of at least \$51 million by way of equity, debt or other instruments; and (c) the date of change of control of the Company.

# ARIANNE PHOSPHATE INC.

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(in Canadian dollars)

The credit line has a current portion of \$14,188,387 at the end of March 31, 2016 (\$12,561,084 as at December 31, 2015).

	Three-month period ended March 31, 2016	As at December 31, 2015
	\$	\$
Balance – Beginning of period	12,561,084	12,605,641
Debt repayment by proceeds from the issuance of shares related to the warrants exercised	(296,000)	(1,320,000)
Proceeds from credit lines	1,480,000	1,000,000
Transaction cost	-	(1,522,945)
Capitalized interests	228,303	867,288
Amortization of transaction costs	215,000	931,100
Balance – End of period	<u>14,188,387</u>	<u>12,561,084</u>

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

#### Stock options

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

In March 2016, 375,000 stock options were granted. The fair value of stock options granted amounted to \$195,934 and was estimated using the Black-Scholes pricing model with the following weighted average assumptions:

	Three-month period ended March 31, 2016	Three-month period ended March 31, 2015
Weighted average price of share at time of grant	\$0.81	-
Weighted average risk-free interest rate	1.13%	-
Weighted average expected volatility	73.6%	-
Weighted average expected life	6.0 years	-
Weighted average expected dividend yield	0%	-
Weighted average fair value of options granted	0.52	-

Company stock options were as follows:

	Three-month period ended March 31, 2016		Three-month period ended March 31, 2015	
	Number	Weighted average exercise price \$	Number	Weighted average exercise price \$
<b>Balance – Beginning of period</b>	5,121,167	1.10	6,019,167	1.02
Expired	(96,667)	1.18	-	-
Forfeited	(271,667)	1.03	-	-
Granted	375,000	0.81	-	-
<b>Balance – End of period</b>	<u>5,127,833</u>	1.09	<u>6,019,167</u>	1.02
Exercisable at the end of the period	<u>3,386,000</u>	1.12	<u>3,750,834</u>	1.17

# ARIANNE PHOSPHATE INC.

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(in Canadian dollars)

### Warrants

Changes in Company warrants were as follows:

	Three- month period ended March 31, 2016		Three- month period ended March 31, 2015	
	Number	Weighted average exercise price \$	Number	Weighted average exercise price \$
<b>Balance – Beginning of period</b>	13,117,500	1.07	9,217,500	1.24
Granted	-	-	400,000	0.74
Exercised	(400,000)	0.74	-	-
<b>Balance – End of period</b>	<u>12,717,500</u>	<u>1.08</u>	<u>9,617,500</u>	<u>1.22</u>

### Options granted to brokers

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

	Three- month period ended March 31, 2016		Three- month period ended March 31, 2015	
	Number	Weighted average exercise price \$	Number	Weighted average exercise price \$
<b>Balance – Beginning of period</b>	447,750	1.00	792,659	1.09
<b>Balance – End of period</b>	<u>447,750</u>	<u>1.00</u>	<u>792,659</u>	<u>1.09</u>

## 11. SUPPLEMENTARY INFORMATIONS RELATED TO CASH FLOWS

	Three- month period ended March 31, 2016 \$	Three- month period ended March 31, 2015 \$
Net change in non-cash working capital items		
Receivable and other current assets	20,792	(41,001)
Sales taxes receivable	7,315	11,208
Accounts payable and accrued liabilities	(652,156)	90,802
Provision	-	(50,000)
	<u>(624,049)</u>	<u>11,009</u>

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

	Three- month period ended March 31, 2016 \$	Three- month period ended March 31, 2015 \$
Addition to exploration and evaluation assets not yet paid	467,610	313,877

# ARIANNE PHOSPHATE INC.

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(in Canadian dollars)

### 12. RELATED PARTY TRANSACTIONS

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

	Three- month period ended March 31, 2016 \$	Three-month period ended March 31, 2015 \$
<b>Key management compensation <sup>(1)</sup></b>		
Share-based compensation	40,376	-
Management fees	-	22,925
	<u>40,376</u>	<u>22,925</u>
Salaries and fringe benefits <sup>(2)</sup>	124,686	194,515
	<u>165,062</u>	<u>217,440</u>

(1) The key management is composed of the Chief executive officer (CEO), Chief Operating Officer (COO) and the vice-president exploration and First Nations Relations.

(2) Salaries and fringe benefits capitalized to exploration and evaluation assets amount to \$39,847 (\$33,729 in 2015).

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 March 31, 2016, the Company would have had to pay a total amount of \$600,000 as severance. If a change of control had occurred on March 31, 2016, the total amounts payable to the executive team in respect of severance would have totaled \$1,200,000 (assuming they left after a change of control and each named executive opted to receive such compensation).

### 13. COMMITMENTS

- a) The Company has granted the Lender of the August, 2012 credit line a royalty of \$1 per ton of phosphate concentrate sales from the Lac à Paul project. This royalty may be redeemed at any time through a lump-sum payment of \$6 million. In July 2013, the Company has also granted the Lender of the second credit line a royalty of \$0.25 per ton of phosphate concentrate sales from the Lac à Paul project. This royalty may be redeemed at any time through a lump-sum payment of \$1.5 million. 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.
- b) The Company granted contracts in relation to the development of the Lac à Paul project for a total of \$363,877 and in relation to the maritime terminal project for a total of \$740,784. These contracts do not have termination dates and disbursements will be made in accordance with the project's milestones.
- c) The Company's future minimum operating lease payments for the rent in Chicoutimi office, trucks rental and Lac à Paul camp are as follows:

	Within 1 year	1 to 5 years	After 5 years	Total
March 31, 2016	\$78,984	\$127,535	-	206,519\$

### 14. CONTINGENCIES

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

# ARIANNE PHOSPHATE INC.

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(in Canadian dollars)

### 15. FINANCIAL INSTRUMENTS AND FINANCIAL RISKS

#### Classification

The Company's financial instruments as at March 31, 2016 and 2015 consist of cash and cash equivalents, receivable and other current assets, accounts payable and accrued liabilities and credit line. The fair value of these financial instruments approximates their carrying value due to their short-term maturity, to current market rates or they bear interest at variable rates.

The classification of financial instruments is summarized as follows:

Classification	Carrying value	
	As at March 31, 2016 \$	As at December 31, 2015 \$
<b>Financial assets</b>		
Cash and cash equivalents	Loans and receivables	
	65,244	91,920
	<u>65,244</u>	<u>91,920</u>
<b>Financial liabilities</b>		
Accounts payable and accrued liabilities	Financial liabilities at amortized cost	
	1,487,994	1,672,540
Credit line	Financial liabilities at amortized cost	
	14,188,387	12,561,084
	<u>15,676,381</u>	<u>14,233,624</u>

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. Marketable securities were considered a level 1. There was no transfer of hierarchy level as at March 31, 2016 and December 31, 2015.

#### Financial risks

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

#### Credit risk

The Company's credit risk is primarily attributable to cash and cash equivalents and receivable and other current assets. Cash and cash equivalents are deposited in Canadian chartered bank accounts or invested in a diversified manner in securities having an investment-grade rating (AA-), from which management believes the risk of loss to be minimal. Receivable and other current assets mainly consists of 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 March 31, 2016, the Company had cash and cash equivalents of \$65,244 (\$91,920 as at December 31, 2015) to settle current liabilities of \$1,487,994 (\$1,672,540 as at December 31, 2015). The Company regularly evaluates its cash position to ensure preservation and security of capital as well as maintenance of liquidity (Refer to note 1 for the use of the going concern assumption).

The following are the contractual maturities of financial liabilities, including interest where applicable as at March 31, 2016:

	Carrying amount \$	Contractual cash flows \$	0 to 12 months \$	12 to 24 months \$	More than 24 months \$
Accounts payable and accrued liabilities	1,487,994	1,487,994	1,487,994	-	-
Credit line	14,188,387	19,549,676	-	19,549,676	-



# ARIANNE PHOSPHATE INC.

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(in Canadian dollars)

### 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 and therefore, the Company has no interest rate risk as at December 31, 2016 and March 31, 2016. The Company's policy as it relates to its cash balances is to invest excess cash in financial instruments held with a Canadian chartered bank.

As at March 31, 2016, the Company's interest rate is summarized as follows:

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

### Currency risk

As at March 31, 2016, the Company has a bank account in US dollars for an amount of \$915 (\$951 as at December 31, 2015). The Company estimates that a variation of  $\pm 10\%$  in exchange rates on that date would have resulted in a variation of approximately \$91 in 2016 (\$95 as at December 31, 2015) in net loss.