ARIANNE PHOSPHATE INC.
CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
(UNAUDITED)
THREE-MONTH PERIODS ENDED MARCH 31, 2020 AND MARCH 31, 2019
(in Canadian dollars)

ARIANNE Phosphate

Condensed consolidated interim financial statements for the three-month period ended March 31, 2020 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, 2020	As at December 31, 2019
	$	$
ASSETS		
Current assets		
Cash and cash equivalents (note 4)	256,978	355,704
Receivables and other current assets	94,506	96,881
Sales taxes receivable	45,465	54,395
Tax credit related to resources and mining tax credit receivable	79,079	79,079
	476,028	586,059
Non-current assets		
Tax credit related to resources and mining tax credit receivable	130,690	111,511
Investment property – Outfitters (note 5)	296,724	300,608
Property, plant and equipment (note 6)	64,562,817	62,953,295
Right-of-use assets (note 7)	273,579	267,957
	65,236,810	63,633,371
Total assets	65,739,838	64,219,430
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities (note 8)	1,505,427	1,317,231
Lease liabilities (note 9)	110,281	109,834
Credit line (note 10)	27,707,846	26,526,083
	29,323,554	27,953,148
Non-current liabilities		
Loans and working capital facility (note 11)	5,375,567	5,251,704
Lease liabilities (note 9)	155,312	156,834
Deferred income taxes	3,144,151	3,125,139
Total liabilities	37,998,584	36,486,825
Equity		
Capital stock (note 12)	63,065,972	62,677,095
Warrants (note 13)	846,369	810,221
Contributed surplus	15,108,977	15,066,201
Deficit	(51,280,064)	(50,820,912)
Total equity	27,741,254	27,732,605
Total liabilities and equity	65,739,838	64,219,430

GOING CONCERN (note 1)
COMMITMENTS (note 16)
EVENTS AFTER REPORTING DATE (note 19)

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

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

ARIANNE PHOSPHATE INC.

CONSOLIDATED INTERIM STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
FOR THE THREE-MONTH PERIODS ENDED MARCH 31, 2020 AND 2019
(In Canadian dollars)

	2020	2019
	$	$
EXPENSES		
Salaries and benefits	136,755	169,598
Share-based compensation	42,776	52,103
Professional and consultant fees	59,313	60,457
Management fees	20,000	82,500
Registration and listing fees	21,400	40,223
Communications	13,669	97,988
Promotion, representation and travel	7,799	25,731
Insurance	16,776	8,706
Rent and office expenses	26,053	47,465
Depreciation of property, plant and equipment	31,118	6,451
Bank charges	1,886	1,466
Operating loss	377,545	592,688
OTHER EXPENSES (INCOME)		
Interest income	(523)	(5,330)
Foreign exchange loss	30,258	8,341
Net loss of investment property – Outfitters (note 5)	18,337	12,508
	48,072	15,519
LOSS BEFORE INCOME TAXES	**425,617**	**608,207**
Deferred income taxes expense	19,012	23,075
NET AND COMPREHENSIVE LOSS FOR THE YEAR	**444,629**	**631,282**
BASIC AND DILUTED LOSS PER SHARE	**0.004**	**0.01**
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING	**106,004,229**	**105,803,943**

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

ARIANNE PHOSPHATE INC.

CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN EQUITY
FOR THE THREE-MONTH PERIOD ENDED MARCH 31, 2020 AND 2019
(in Canadian dollars)

	Capital stock	**Capital stock**	**Warrants**	**Contributed surplus**	**Deficit**	**Total equity**
	common shares	$	$	$	$	$
Balance as at January 1, 2020	111,458,250	62,677,095	810,221	15,066,201	(50,820,912)	27,732,605
Net and Comprehensive loss for the year	-	-	-	-	(444,629)	(444,629)
Share-based compensation (note 13)	-	-	-	42,776	-	42,776
Grant of warrants (note 13)	-	-	36,148	-	-	36,148
Private Placement (note 12)	1,700,100	388,877	-	-	-	388,877
Share issuance expenses	-	-	-	-	(14,523)	(14,523)
Balance as at March 31, 2020	113,158,350	63,065,972	846,369	15,108,977	(51,280,064)	27,741,254
Balance as at January 1, 2019	105,803,943	60,194,364	1,260,413	13,865,552	(48,599,227)	26,721,102
Net and Comprehensive loss for the year	-	-	-	-	(631,282)	(631,282)
Share-based compensation (note 13)	-	-	-	50,180	-	50,180
Modification of warrants	-	-	-	1,923	-	1,923
Balance as at March 31, 2019	105,803,943	60,194,364	1,260,413	13,917,655	(49,230,509)	26,141,923

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

ARIANNE PHOSPHATE INC.

CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS
FOR THE THREE -MONTH PERIODS ENDED MARCH 31, 2020 AND 2019
(In Canadian dollars)

	Three-month period ended March 31, 2020	Three-month period ended March 31, 2019
	$	$
CASH FLOW FROM (USED IN)		
OPERATING ACTIVITIES		
Net loss for the year	(444,629)	(631,282)
Adjustments for:		
Share-based payments	42,776	52,103
Loss on disposal - Property, plant and equipment – Outfitters	-	5,000
Depreciation – Investment property - Outfitters	3,884	5,130
Depreciation – Property, plant and equipment	31,118	6,452
Deferred income taxes expense	19,012	23,075
Net change in non-cash working capital items (note 14)	146,394	(282,762)
	(201,445)	(822,284)
INVESTING ACTIVITIES		
Proceeds from tax credit	-	258,264
Acquisition of property, plant and equipment	(276,211)	(614,861)
Acquisition of property, plant and equipment – Outfitter	-	(46,327)
	(276,211)	(402,924)
FINANCING ACTIVITIES		
Transaction costs	-	(28,568)
Proceeds from the issuance of units	425,025	-
Share issuance expenses	(14,524)	-
Reimbursement of lease liabilities	(31,571)	-
	378,930	(28,568)
CHANGE IN CASH AND CASH EQUIVALENTS DURING THE YEAR	(98,726)	(1,253,776)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	355,704	2,076,731
CASH AND CASH EQUIVALENTS, END OF YEAR	256,978	822,995
Supplementary cash flow information (note 14)		
Interest received	523	5,330

The accompanying notes are an integral part of these consolidated interim 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 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, 2020, the Company recorded a net loss of $444,629 (2019 – $631,282 for the period ended March 31, 2019) and has an accumulated deficit of $51,280,064 as at March 31, 2020 ($50,820,912 as at December 31, 2019). 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, 2020, the Company had a negative working capital of $28,847,526. Management estimates that the working capital will not be sufficient to meet the Company's obligations and budgeted operating and development expenditures through March 31, 2021. 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 2020.

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 interim financial statements.

These 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

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 consolidated financial statements for the year ended December 31, 2019. These condensed consolidated interim financial statements should be read in conjunction with the Company annual consolidated financial statements for the year ended December 31, 2019, 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 21, 2020.

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

New accounting standard adopted
Amendments to IAS 1 *Presentation of Financial Statements*

The IASB has made amendments to IAS 1 *Presentation of Financial Statements* which use a consistent definition of materiality throughout IFRS and the Conceptual Framework for Financial Reporting, clarify when information is material and incorporate some of the guidance in IAS 1 about immaterial information. In particular, the amendments clarify that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity. Materiality depends on the nature or magnitude of information, or both. An entity assesses whether information, either individually or in combination with other information, is material in the context of its financial statements taken as a whole. The amendments to IAS 1 are effective for financial years beginning on or after January 1, 2020 and doesn't have a significant impact on the consolidated interim financial statements disclosures.

(in Canadian dollars)

4. CASH AND CASH EQUIVALENTS

	As at March 31, 2020 $	As at December 31, 2019 $
Cash and cash equivalents	256,978	355,704

As at March 31, 2020, cash and cash equivalents comprise cash on hand amounting to $211,005 (bearing interest at a fixed rate of 1.20% and an amount of $45,973 not bearing interest. As at March 31, 2020 an amount of $30,000 is restricted in connection with the Company's credit card agreement.

As at December 31, 2019, cash and cash equivalents comprise cash on hand amounting to $295,282 (bearing interest at a fixed rate of 1.20% and an amount of $60,422 not bearing interest. As at December 31, 2019 an amount of $30,000 is restricted in connection with the Company's credit card agreement.

5. INVESTMENT PROPERTY – OUTFITTERS

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

	Three-month period ended March 31, 2020 $	Three-month period ended March 31, 2019 $
Outfitters income	-	-
Operating expenses:		
Management fees	4,267	2,505
Repair and maintenance	3,555	497
Supplies	100	1,101
Advertising, promotion and travel	1,422	1,882
Taxes and licenses	1,200	2,707
Insurance	3,865	3,618
Interest and bank charges	44	68
Gain on disposal	-	(5,000)
Depreciation of property, plant and equipment	3,884	5,130
	18,337	12,508
Net loss of investment property – Outfitters	18,337	12,508

The carrying value, net of amortization, for the outfitter operating assets is $296,724 as at March 31, 2020 ($300,608 as at December 31, 2019).

(in Canadian dollars)

6. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements $	Tools and equipment $	Computer equipment $	Land $	Mineral property under development $	Total $
Cost						
Balance as at January 1, 2019	294,032	127,015	17,138	1,433,215	55,291,792	57,163,192
Acquisition	-	7,500	12,740	-	1,007,969	1,028,209
Borrowing costs	-	-	-	-	5,071,568	5,071,568
Balance as at December 31, 2019	294,032	134,515	29,878	1,433,215	61,371,329	63,262,969
Acquisition	-	-	-	-	232,670	232,670
Borrowing costs	-	-	-	-	1,385,404	1,385,404
Balance as at March 31, 2020	294,032	134,515	29,878	1,433,215	62,989,404	64,881,044
Accumulated depreciation						
Balance as at January 1, 2019	171,065	92,995	11,603	-	-	275,663
Depreciation	22,488	9,209	2,313	-	-	34,011
Balance as at December 31, 2019	193,553	102,204	13,916	-	-	309,674
Depreciation	4,999	2,309	1,245	-	-	8,553
Balance as at March 31, 2020	198,552	104,513	15,161	-	-	318,227
Net book value						
Balance as at December 31, 2019	100,479	32,311	15,962	1,433,215	61,371,359	62,953,295
Balance as at March 31, 2020	95,479	30,002	14,717	1,433,215	62,989,404	64,562,817

7. RIGHT-TO-USE ASSETS

	Buildings, Camp and Accommodations $	Total $
Cost		
Balance as at January 1, 2019	310,767	310,767
Acquisition	30,496	30,496
Balance as at March 31, 2020	341,263	341,263
Accumulated depreciation		
Balance as at January 1, 2019	-	-
Depreciation	42,810	42,810
Balance as at December 31, 2019	42,810	42,810
Depreciation	24,873	24,873
Balance as at March 31, 2020	67,683	67,683
Net book value		
Balance as at December 31, 2019	267,957	267,957
Balance as at March 31, 2020	273,579	279,579

8. ACCOUNTS PAYABLE AND ACCRUED LIABILITES

	As at March 31, 2020 $	As at December 31, 2019 $
Accounts payable	801,359	764,064
Accrued liabilities	130,765	59,643
Interest accrued	164,000	84,221
Income tax accrual	409,303	409,303
Balance – End of period	1,505,427	1,317,231

(in Canadian dollars)

9. LEASE LIABILITIES

	As at March 31, 2020	As at December 31, 2019 $
Balance – Beginning of year	266,668	-
New debt obligations under lease liabilities	30,496	310,767
Reimbursement of lease liabilities	(31,571)	(44,099)
Balance – End of year	265,593	266,668
Current portion	110,281	109,834
Non-current portion	155,312	156,834

10. CREDIT LINE

The Company has non-revolving credit lines with Mercury Financing Corp. ("the Lender") which were obtained to finance the development of the Lac a Paul project. As of May 12, 2016, the lines were fully drawn, and any repayment of capital cannot subsequently borrowed and reduces the authorized amounts. The Lender holds a first ranking security over the Company's Lac a 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. Furthermore, the Company is subject to restrictions related to the disposal of assets and equity issuance through financing.

In December 2017, the Company has extended its credit line until January 15, 2019. The credit line 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 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 warrants). 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.

	As at March 31, 2020 $	As at December 31, 2019 $
Balance – Beginning of year	26,526,083	22,271,587
Transaction costs	-	(2,500)
Capitalized interests	985,431	3,608,069
Amortization of transaction costs and discount	196,332	648,927
Balance – End of year	27,707,846	26,526,083

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 which expired 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 which expired on September 28, 2019. The fair value of the broker warrants was $23,026, calculated using the Black- Scholes model.

(in Canadian dollars)

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 which expired on October 27, 2019. The fair value of those warrants represented $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 was exercisable at $0.89 for a period of 3 years which expired 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.

In September 2019, the Company extended the total $4.1 million loans. These extensions will mature on September 28, 2021 and bear interest at 8%, paid semi-annually. In connection with the loan extensions, the Company issued non-transferable warrants in the amount of 1,818 per $1,000 face value (for a total of 7,453,800 warrants), with each warrant entitling the holder to purchase one common share of the Company at a price of $0.55 per share for a term of 2 years expiring on September 28, 2021. These warrants replace warrants that were issued as part of the original loans in September and October of 2016. The fair value of those warrants represents $409,162 calculated with the Black-Scholes model. An analysis under IFRS 9 was performed and this loan is classified as a new loan. No impact has been recognized in the consolidated statements of loss and comprehensive loss, since the transaction costs have been amortized and the new loan is the same amount of the previous loan less the transactions fees amortized.

	As at March 31, 2020 $	**As at December 31, 2019** $
Balance – Beginning of period	3,728,024	3,930,395
Transaction costs	-	(421,089)
Amortization of transactions costs	47,526	218,718
Balance – End of period	3,775,550	3,728,024

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 which expired on December 2019. The fair value of those warrants represents $104,385, calculated with the Black-Scholes model.

In December 2019, the Company extended the total $1.5 million loan. This extension will mature on June 18, 2021 and bear interest at 12%, capitalized monthly. In connection with the loan extensions, the Company issued non-transferable warrants in the amount of 2,222 per $1,000 face value (for a total of 3,756,583 warrants), with each warrant entitling the holder to purchase one common share of the Company at a price of $0.27 per share for a term of 18 months expiring on June 18, 2021. These warrants replace warrants that were issued as part of the original loans in December 2018. The fair value of those warrants represents $134,748 calculated with the Black-Scholes model. An analysis under IFRS 9 was performed and this loan is classified as a new loan. This was calculated according to IFRS 9 where the present value of the debt with the new terms at the effective rate of the old debt was compared to the present value of the old debt.

	As at March 31, 2020 $	**As at December 31, 2019** $
Balance – Beginning of period	1,523,680	1,394,555
Capitalized interests	51,282	197,131
Transaction costs	-	(138,344)
Amortization of transactions costs	25,055	108,711
Adjustment for modification of loan	-	(38,373)
Balance – End of period	1,600,017	1,523,680

(in Canadian dollars)

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:

	Three-month period ended March 31, 2020		Year ended December 31, 2019	
	Number	Amount $	Number	Amount $
Balance – Beginning of year	111,458,250	62,677,095	105,803,943	60,194,364
Private placement (1)	1,700,100	388,877	4,928,425	2,141,996
Exercise of options	-	-	20,000	5,940
Exercise of warrants	-	-	705,882	334,795
Balance – End of year	113,158,350	65,065,972	111,458,250	62,677,095

As at March 31, 2020 113,158,350 shares are issued (December 31, 2019 – 111,458,250).

(1) Value of capital stock paid in cash (private placement) is presented net of fair value of warrants units amounting to $36,148 (2019 – 49,054) – refer to description below.

For the year ended December 31, 2020
On February 13, 2020 the Company closed an equity financing in the amount of $425,025 financing. Under the terms of the financing, Arianne has issued 1,700,100 units at a price of $0.25 per unit. Each unit is comprised of one common share and one-half warrant. Each full warrant entitles the holder to purchase one common share at a price of $0.40 until February 13, 2023.

For the year ended December 31, 2019
On May 7, 2019 the Company has closed on a $1,500,000 private placement. Under the terms of the offering, the Government of Quebec subscribed to 3,671,970 common shares of the Company at a price of $0.4085 per share.

On August 22, 2019, Arianne has closed on a $691,050 private placement. Under the terms of the offering, Arianne has issued 1,256,455 units at a price of $0.55 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 $0.75 until August 21, 2021.

13. STOCK OPTIONS, WARRANTS AND OPTIONS GRANTED TO BROKERS

Stock options

The stock options granted to directors and employees 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.

Changes in Company stock options were as follows:

	Three-month period ended March 31, 2020		Year ended December 31, 2019	
	Number	Weighted average exercise price $	Number	Weighted average exercise price $
Balance – Beginning of year	6,859,500	0.88	5,999,500	0.98
Granted	-	-	1,470,000	0.47
Exercised	-	-	(20,000)	0.15
Expired	(25,000)	1.00	(590,000)	0.91
Balance – End of year	6,834,500	0.88	6,859,500	0.88
Exercisable at the end of the year	5,239,500	0.96	5,060,334	1.03

(in Canadian dollars)

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

Exercise price $	Options outstanding as at December 31, 2019	Granted	Expired	Exercised	Forfeited	Options outstanding as at March 31, 2020	Weighted average remaining contractual life as at March 31, 2020
0.15	40,000	-	-		-	40,000	0.1 year
0.15	85,000	-	-	-	-	85,000	0.2 year
0.37	200,000	-	-	-	-	200,000	0.8 year
0.58	150,000	-	-	-	-	150,000	0.8 year
1.25	125,000	-	-	-	-	125,000	1.1 year
1.37	1,050,000	-	-	-	-	1,050,000	1.4 year
1.16	300,000	-	-	-	-	300,000	2.1 years
1.15	184,000	-	-	-	-	184,000	2.4 years
1.07	115,000	-	-	-	-	115,000	2.7 years
1.12	50,000	-	-	-	-	50,000	2.8 years
1.25	200,000	-	-	-	-	200,000	3.2 years
1.22	200,000	-	-	-	-	200,000	3.2 years
1.19	200,000	-	-	-	-	200,000	3.2 years
1.32	160,500	-	-	-	-	160,500	3.7 years
1.30	300,000	-	-	-	-	300,000	4.0 years
1.00	325,000	-	(25,000)	-	-	300,000	4.5 years
0.85	385,000	-	-	-	-	385,000	5.2 years
0.86	40,000	-	-	-	-	40,000	5.2 years
0.86	35,000	-	-	-	-	35,000	5.4 years
0.81	175,000	-	-	-	-	175,000	5.0 years
0.76	400,000	-	-	-	-	400,000	7.0 years
0.62	40,000	-	-	-	-	40,000	7.7 years
0.41	200,000	-	-	-	-	200,000	8.4 years
0.58	430,000	-	-	-	-	430,000	8.5 years
0.43	100,000	-	-	-	-	100,000	8.8 years
0.40	200,000	-	-	-	-	200,000	8.9 years
0.40	275,000	-	-	-	-	275,000	0.4 year
0.55	125,000	-	-	-	-	125,000	0.8 year
0.55	470,000	-	-	-	-	470,000	9.5 years
0.44	300,000	-	-	-	-	300,000	9.5 years
	6,859,500	-	(25,000)	-	-	6,834,500	

Warrants

Changes in Company warrants were as follows:

	Three-month period ended March 31, 2020		Year ended December 31, 2019	
	Number	Weighted average exercise price $	Number	Weighted average exercise price $
Balance – Beginning of year	38,334,001	0.50	35,736,036	0.36
Granted	850,050	0.40	11,838,611	0.47
Exercised	-	-	(705,882)	0.43
Expired	-	-	(8,534,764)	0.89
Balance – End of year	39,184,051	0.50	38,334,001	0.50

(in Canadian dollars)

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

Exercise price $	Expiry date	Warrants outstanding as at December 31, 2019	Granted	Expired	Exercised	Warrants outstanding as at March 31, 2020	Weighted average remaining contractual life as at March 31, 2020
1.25	August 2020	1,441,250	-	-	-	1,441,250	0.4 year
0.85	December 2020	1,520,015	-	-	-	1,520,015	0.7 year
0.85	March 2021	1,116,667	-	-	-	1,116,667	1.0 year
0.43	June 2020	22,417,458	-	-	-	22,417,458	0.2 year
0.75	August 2021	628,228	-	-	-	628,228	1.4 year
0.55	September 2021	7,453,800	-	-	-	7,453,800	1.5 year
0.27	June 2021	3,756,583	-	-	-	3,756,583	1.2 year
0.40	February 2023	-	850,050	-	-	850,050	2.9 years
		38,334,001	850,050	-	-	39,184,051	

Options granted to brokers

Changes in Company options granted to brokers were as follows:

	Three-month period ended March 31, 2020		Year ended December 31, 2019	
	Number	Weighted average exercise price $	Number	Weighted average exercise price $
Balance – Beginning of year	353,140	0.77	428,600	0.81
Granted	-	-	55,740	0.75
Expired	-	-	(131,200)	0.91
Balance – End of year	353,140	0.77	353,140	0.77

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

Exercise price $	Expiry date	Broker options outstanding as at December 31, 2019	Granted	Exercised	Expired	Broker options outstanding as at December March 31, 2020
0.80	August 2020	230,600	-	-	-	230,600
0.63	December 2020	66,800	-	-	-	66,800
0.75	August 2021	55,740	-	-	-	55,740
		353,140	-	-	-	353,140

14. SUPPLEMENTARY INFORMATION RELATED TO CASH FLOWS

Net change in non-cash working capital items	Three-month period ended March 31, 2020 $	Three-month period ended March 31, 2019 $
Receivable and other current assets	2,375	89,846
Sales taxes receivable	8,930	(5,145)
Accounts payable and accrued liabilities	135,089	(367,463)
	146,394	(282,762)

(in Canadian dollars)

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

	Three-month period ended March 31, 2020	**Three-month period ended March 31, 2019**
	$	**$**
Addition to property, plant and equipment not yet paid	212,490	801,626
Transaction costs not yet paid	35,619	-

15. 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, 2020	**Three-month period ended March 31, 2019**
	$	$
Key management compensation (1)		
Share-based compensation	23,671	19,222
Management fees	20,000	82,500
	43,671	101,722
Salaries and benefits (2)	71,575	77,761
	115,246	179,483
Balance included in accounts payable and accrued liabilities	74,255	53,333

(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.
(2) Salaries and benefits capitalized to property, plant and equipment amount to $51,718 ($54,370 in 2019).

The Company has entered into employment and management contracts with its key executives whose estimated annual remuneration amounts to $475,000. 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, 2020, the Company would have had to pay a total amount of $475,000 as severance. If a change of control had occurred on March 31, 2020, the total amounts payable to the executive team in respect of severance would have totaled $800,000 (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 March 31, 2020, 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).

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.

16. 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 $107,562. These contracts do not have termination dates and disbursements will be made in accordance with the project's milestones.

(in Canadian dollars)

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

18. FINANCIAL INSTRUMENTS AND FINANCIAL RISKS

Classification

The Company's financial instruments as at December 31, 2019 and 2018 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 As at March 31, 2020 $	Carrying value at December 31, 2019 $
Financial assets at amortized costs		
Cash and cash equivalents	256,978	355,704
Receivables and other assets	94,506	96,881
	351,484	452,585
Financial liabilities at amortized costs		
Accounts payable and accrued liabilities	1,505,427	1,317,231
Lease liability	265,593	266,668
Loans and working capital facility	5,375,597	5,251,704
Credit line	27,707,846	26,526,083
	34,854,463	33,361,686

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 periods ended March 31, 2020 and 2019.

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, 2019, the Company had cash and cash equivalents of $355,704 ($2,076,731 as at December 31, 2018) to settle current liabilities of $27,794,480 ($7,786,230 as at December 31, 2018). 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, 2020:

	Carrying amount $	Contractual cash flows $	0 to 12 months $	12 to 24 months $	More than 24 months $
Accounts payable and accrued liabilities	1,505,427	1,505,427	1,505,427	-	-
Lease liability	265,593	265,593	110,281	103,415	51,897
Loans and working capital facility	5,375,567	6,779,531	329,773	6,449,758	-
Credit line	27,707,846	28,942,258	28,942,258	-	-

Interest rate risk

Company debt facilities bear interest at fixed rates and therefore has no interest rate risk. The Company's policy as it relates to its cash balances is to invest excess cash in financial instruments held with a Canadian chartered bank.

As at March 31, 2020, 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 March 31, 2020, the Company has a bank account in US dollars for an amount of $183 ($296 as at December 31, 2019). The Company estimates that a variation of ±10% in exchange rates on that date would have resulted in a variation of approximately $18 as at March 31, 2020 ($29 as at December 31, 2019) in net loss. The Company also had US $192,379 and GBP 50,000 payable as at March 31, 2020.

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 $27,919,974.

19. EVENTS AFTER THE REPORTING PERIOD

In April 2020, Arianne received a loan of $40,000 from the Canada Emergency Business Account regarding the outbreak of the Covid-19. This loan bears 0% interest until December 31, 2022.