



Providing tomorrow's necessities

**ARIANNE PHOSPHATE INC.
CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022**
(in Canadian dollars)



Independent Auditor's Report

To the Shareholders of
Arianne Phosphate Inc.

**Raymond Chabot
Grant Thornton LLP**
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Opinion

We have audited the consolidated financial statements of Arianne Phosphate Inc. (hereafter "the Company"), which comprise the consolidated statements of financial position as at December 31, 2023 and 2022, and the consolidated statements of loss and comprehensive loss, the consolidated statements of changes in equity and the consolidated statements of cash flows for the years then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2023 and 2022, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (hereafter "IFRS Accounting Standards").

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 are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We have determined the matter described below to be the key audit matter to be communicated in our report.

Assessment for impairment of mineral property under development

As described in Note 2 to the consolidated financial statements, mineral property under development within property and equipment is 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. We identified the Company's assessment for impairment of mineral property under development as a key audit matter.

Why the matter was determined to be a key audit matter

The assessment for impairment of mineral property under development is significant to our audit because the balance of mineral property under development of \$61,855,024 as at December 31, 2023 is material to the consolidated financial statements. In addition, management's assessment for impairment indicator process is subjective and involves judgment, specifically, but not limited to the following:

- Significant decline in the market value of the Company's share price;
- Significant changes in the Company's strategic plan with regards to the project;
- Significant changes in estimated future production, phosphate price, operating cost and capital expenditure estimates that affect the conclusion of the feasibility study of the project;
- Mineral property under development is unlikely to be fully recovered from successful development or sale.

How the matter was addressed in the audit

Our audit procedures related to the Company's assessment for impairment of mineral property under development included, among others, the following:

- We assessed management's process of the facts and circumstances for determining whether an impairment indicator occurred by inspecting the Company's communications, including minutes, press releases and other internal documents, and by making requests for information from management;
- We assessed the completeness of external or internal factors that could be considered as indicators of impairment;
- We compared the quantitative and qualitative information from management's assessment with evidence obtained in other areas of the audit and with information made available to analysts and investors;
- We assessed whether there has been a significant decline in market capitalization which may indicate a decline in value of the Company's net assets.

Information other than the consolidated financial statements and the auditor's report thereon

Management is responsible for the other information. The other information comprises the information included in 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.

We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor's report. 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 Accounting Standards, 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 group 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.

From the matters communicated with those charged with governance, we determine the matters that were of most significance in the audit of the consolidated financial statements of the current period and are, therefore, the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matters or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Karine Desrochers.

Raymond Chabot Grant Thornton LLP¹

Montréal
April 23, 2024

¹ CPA auditor, public accountancy permit no. A127023

ARIANNE PHOSPHATE INC.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS AT DECEMBER 31
(In CANADIAN DOLLARS)

	2023	2022
	\$	\$
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents (Note 5)	3,245,503	3,254,878
Receivables and other current assets	191,908	197,261
Sales taxes receivable	40,252	32,596
Tax credits related to resources and mining tax credits receivable	14,000	66,496
	3,491,663	3,551,231
NON-CURRENT ASSETS		
Tax credits related to resources and mining tax credits receivable	10,000	128,033
Investment property – Outfitters (Note 6)	193,761	211,001
Right-of-use assets (Note 7)	120,091	52,401
Property and equipment (Note 8)	62,980,840	62,683,460
TOTAL ASSETS	66,796,355	66,626,126
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	248,258	303,501
Lease liabilities (Note 9)	24,656	57,368
Loans	-	55,402
Credit line and embedded derivatives (Note 10)	1,839,478	1,656,134
	2,112,392	2,072,405
NON-CURRENT LIABILITIES		
Credit line and embedded derivatives (Note 10)	22,294,770	24,111,016
Lease liabilities (Note 9)	107,418	5,503
Deferred income taxes (Note 14)	3,712,021	3,905,714
TOTAL LIABILITIES	28,226,601	30,094,638
EQUITY		
Capital stock (Note 12)	90,615,110	88,143,286
Warrants (Note 13)	8,624,673	9,555,564
Contributed surplus	17,944,673	16,681,648
Deficit	(78,614,702)	(77,849,010)
TOTAL EQUITY	38,569,754	36,531,488
TOTAL LIABILITIES AND EQUITY	66,796,355	66,626,126

COMMITMENTS (Note 16)

SUBSEQUENT EVENTS (Note 20)

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

APPROVED ON BEHALF OF THE BOARD:

(s) Siva J. Pillay, Director

(s) Marco Gagnon, Director

ARIANNE PHOSPHATE INC.
CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
FOR THE YEARS ENDED DECEMBER 31, 2023, and 2022

(IN CANADIAN DOLLARS, EXCEPT FOR NUMBER OF SHARES)

	2023	2022
	\$	\$
EXPENSES		
Salaries and benefits	681,438	508,750
Share-based compensation (Note 13)	407,500	414,484
Professional and consultant fees	172,942	116,189
Management fees	29,125	100,105
Registration and listing fees	103,879	87,100
Annual shareholders' meeting	37,592	35,527
Communications and investors relation	264,939	284,599
Promotion, representation, and travel	118,232	81,524
Direct application projects	73,192	-
Insurance	73,716	66,104
Rent and office expenses	71,850	56,015
Depreciation of property and equipment and right-of-use assets	93,726	91,179
Bank charges	4,047	9,378
Loss on derecognition of property and equipment	8,569	-
Government grant	(2,299)	(2,844)
OPERATING LOSS	2,138,448	1,848,110
OTHER EXPENSES (INCOME)		
Finance costs (Note 11)	1,015,008	7,055,134
Foreign exchange loss	3,402	24,242
Proceeds from the sale of a lithium royalty	(2,352,000)	-
Net loss of investment property – Outfitters (Note 6)	64,248	42,283
	(1,269,342)	7,121,659
LOSS BEFORE INCOME TAXES	869,106	8,969,769
Deferred income taxes expense (recovery)	(170,529)	131,489
NET AND COMPREHENSIVE LOSS	698,577	9,101,258
BASIC AND DILUTED LOSS PER SHARE	(0.00)	(0.05)
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING	194,757,094	188,871,618

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, 2023 and 2022

(IN CANADIAN DOLLARS, EXCEPT FOR NUMBER OF SHARES)

	CAPITAL STOCK	CONTRIBUTED				TOTAL EQUITY
	common shares	CAPITAL STOCK	WARRANTS	SURPLUS	DEFICIT	
		\$	\$	\$	\$	\$
BALANCE AS AT JANUARY 1, 2022	185,464,469	85,739,960	9,804,077	16,075,794	(68,741,431)	42,878,400
Net and Comprehensive loss	-	-	-	-	(9,101,258)	(9,101,258)
Share-based compensation (Note 13)	-	-	-	414,484	-	414,484
Warrants expired (Note 13)	-	-	(238,789)	238,789	-	-
Warrants exercised (Note 13)	217,500	53,224	(9,724)	-	-	43,500
Broker options exercised (Note 13)	339,283	217,061	-	(47,419)	-	169,642
Debt conversion (Note 10)	4,166,096	2,133,041	-	-	-	2,133,041
Share issuance expenses	-	-	-	-	(6,321)	(6,321)
BALANCE AS AT DECEMBER 31, 2022	190,187,348	88,143,286	9,555,564	16,681,648	(77,849,010)	36,531,488
BALANCE AS AT JANUARY 1, 2023	190,187,348	88,143,286	9,555,564	16,681,648	(77,849,010)	36,531,488
Net and Comprehensive loss	-	-	-	-	(698,577)	(698,577)
Share-based compensation (Note 13)	-	-	-	407,500	-	407,500
Warrants extended (Note 13)	-	-	56,157	-	(56,157)	-
Warrants exercised (Note 13)	2,615,832	640,879	(117,712)	-	-	523,167
Warrants expired (Note 13)	-	-	(869,336)	869,336	-	-
Options exercised (Note 13)	106,667	37,210	-	(13,811)	-	23,399
Debt conversion (Note 10)	3,899,424	1,793,735	-	-	-	1,793,735
Share issuance expenses	-	-	-	-	(10,958)	(10,958)
BALANCE AS AT DECEMBER 31, 2023	196,809,271	90,615,110	8,624,673	17,944,673	(78,614,702)	38,569,754

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, 2023, and 2022
(IN CANADIAN DOLLARS)

	2023	2022
	\$	\$
OPERATING ACTIVITIES		
Net loss	(698,577)	(9,101,258)
Adjustments for:		
Share-based payments	407,500	414,484
Depreciation – Investment property - Outfitters	19,520	50,463
Depreciation – Property and equipment and right-of-use assets	93,726	91,179
Loss on derecognition of property and equipment	8,569	-
Finance costs	1,182,357	7,143,441
Proceeds from the sale of a lithium royalty	(2,350,000)	-
Non-cash grants	(4,598)	(2,844)
Tax on investment property – outfitter	(23,164)	(43,957)
Deferred income taxes expense	(170,529)	131,489
Changes in non-cash working capital items		
Receivables and other current assets	5,353	(28,664)
Sales taxes receivable	(7,656)	(12,478)
Accounts payable and accrued liabilities	24,634	(18,961)
CASH FLOWS USED IN OPERATING ACTIVITIES	(1,512,865)	(1,377,106)
INVESTING ACTIVITIES		
Proceeds from the sale of a lithium royalty	2,350,000	-
Acquisition of property and equipment	(248,401)	(533,512)
Acquisition of property and equipment – Outfitter	(2,280)	(1,223)
CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES	2,099,319	(534,735)
FINANCING ACTIVITIES		
Share issuance expenses	(10,958)	(6,321)
Repayment of lease liabilities and loans	(131,437)	(67,349)
Repayment of credit line	(1,000,000)	-
Exercise of options	23,399	-
Exercise of broker warrants	-	169,642
Exercise of warrants	523,167	43,500
CASH FLOWS FROM (USED) IN FINANCING ACTIVITIES	(595,829)	139,472
NET CHANGE IN CASH AND CASH EQUIVALENTS	(9,375)	(1,772,369)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	3,254,878	5,027,247
CASH AND CASH EQUIVALENTS, END OF YEAR	3,245,503	3,254,878
SUPPLEMENTARY CASH FLOW INFORMATION		
Interest received	156,132	76,975
Interest paid	16,926	20,496
Acquisition of property and equipment not yet paid	46,138	121,417

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

ARIANNE PHOSPHATE INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022
(IN CANADIAN DOLLARS)

1. STATUTE OF INCORPORATION, NATURE OF ACTIVITIES AND LIQUIDITY RISK

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 OTCQX Market (OTCQX) (symbol DRRSF). The registered office of the Company is located at 901 Talbot boulevard, Suite 302, Chicoutimi, Quebec, Canada G7H 6N7.

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.

As at December 31, 2023, the Company had a working capital of \$1,379,271, which included cash of \$3,245,503. Management of the Company believes that it has sufficient funds to maintain the status of its current obligations and keep its properties in good standing, to pay its ongoing general and administrative expenses and to meet its liabilities, obligations, and existing commitments beyond the ensuing 12 months as they fall due. In assessing whether the going concern assumption is appropriate, management considers all available information about the future. To continue the Company's future operations and fund its development expenditures, the Company will periodically need to raise additional funds, which may be completed in several 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.

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES

The material 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 as issued by the International Accounting Standards Board (IFRS Accounting Standards). 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 April 23, 2024.

BASIS OF MEASUREMENT

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

ARIANNE PHOSPHATE INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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BASIS OF CONSOLIDATION

These consolidated financial statements incorporate the accounts of the Company and accounts of entities it controls, including Arianne Logistics Inc. and 9252-5880 Québec Inc., which are all wholly owned subsidiaries. Oroplata Exploration Inc and Point Comfort Explorations Inc. were dissolved during the year 2023.

Subsidiaries are entities that the Company controls either when it is exposed, or has rights, to variable returns from its involvement with the entities and has the ability to affect those returns through its power over the entities. 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.

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, monetary assets and liabilities denominated in foreign currencies are converted at the closing exchange rate. Revenue, expenses and non-monetary assets and liabilities denominated in foreign currencies are recorded at the rate of exchange prevailing at the transaction date. Exchange differences are recorded in the consolidated statements of loss and comprehensive loss for the year.

FINANCIAL INSTRUMENTS

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument. Financial assets are 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.

TRANSACTION COSTS

Transaction costs related to financial assets 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

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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 discounts estimated future cash flows (including transaction costs) through the expected life of the financial asset/liability, or, if appropriate, a shorter period.

MODIFICATIONS/AMENDMENTS TO LONG-TERM DEBT

When a financial liability measured at amortized cost is modified without resulting in derecognition, a gain or loss is 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

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. Impairment losses are presented as separate line item in the consolidated statement of loss and comprehensive loss.

Financial liabilities

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

EMBEDDED DERIVATIVES

An embedded derivative is a component of a hybrid contract that also includes a non-derivative host, with the effect that some of the cash flows of the combined instrument vary in a way similar to a stand-alone derivative. If a hybrid contract contains a host that is a financial asset, the entire hybrid contract is measured at fair value through net loss. If a hybrid contract contains a host that is not a financial asset, embedded derivatives are recorded at fair value separately from the host contract when their economic characteristics

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and risks are not clearly and closely related to those of the host contract. Subsequent changes in fair value are recorded in the consolidated statements of loss.

The credit line of the Company is a hybrid financial instrument that contains embedded derivatives (Note 10). The hybrid financial instrument is recognized as a liability, with the initial carrying value of the credit line (host) being the residual amount of the proceeds after separating the derivative components, which is recognized at fair value. Any directly attributable transaction costs are allocated to the host and derivative components in proportion to their initial carrying amounts. Subsequent to initial recognition, the host component of the hybrid financial instrument is measured at amortized cost using the effective interest method. The derivative components of the hybrid financial instrument is measured at fair value through net loss. Subsequent changes in fair value are recorded in the consolidated statements of loss and comprehensive loss.

The Company has classified its financial instruments as follows:

CATEGORY	FINANCIAL INSTRUMENT
Financial assets at amortized costs	Cash and cash equivalents Receivables and other current assets
Financial assets at fair value through net loss	Embedded derivative – prepayment option Embedded derivative – interest conversion option
Financial liabilities at amortized costs	Accounts payable and accrued liabilities Host - Credit line Loans
Financial liabilities at fair value through net loss	Embedded derivative – supplemental warrants

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 its investment property. After recognition, an investment property is carried at its cost less any accumulated depreciation and any accumulated impairment losses.

Each property and equipment part included in investment property – Outfitters is depreciated separately over its useful life.

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

Depreciation is calculated to amortize the cost of the property and equipment comprised in the investment property – outfitter over their estimated useful lives using the straight-line method on the basis of the following periods:

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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CATEGORY	RATES
Buildings	25 years
Leasehold improvements	Lease term
Computer equipment	4 years
Equipment and furniture	8 years

PROPERTY AND EQUIPMENT

Property and equipment ("P&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 is calculated to amortize the cost of the property and equipment over their estimated useful lives using the straight-line method on the basis of the following periods:

CATEGORY	RATES
Tools and equipment	10 years
Leasehold improvements	Lease term
Computer equipment	4 years
Rolling equipment	8 years
Mineral property under development	Units of production

The residual value, depreciation method and the useful life of each asset are reviewed at least at each financial year-end. Gains or losses on disposal of property 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 and comprehensive loss.

Upon transfer of exploration and evaluation assets and mining properties to mineral property under development within property 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 and equipment are transferred to producing mines assets within property and equipment. When 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 P&E, are capitalized. 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

The Company leases offices and equipment. Lease terms are negotiated on an individual basis and contain

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a wide range of different terms and conditions. Leases are recognized as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Company. Each lease payment is allocated between the lease liabilities and finance cost. The finance cost is charged to profit or loss over the lease period to produce a constant periodic rate of interest on the remaining balance of the lease liabilities for each period. The weighted average incremental borrowing rate applied to the lease liabilities is 8.0%. Assets and liabilities arising from leases are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments, less any lease incentives receivable;
- variable lease payment that are based on an index or a rate;
- amounts expected to be payable by the lessee under residual value guarantees;
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option;
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

RIGHT-OF-USE ASSETS

The Company recognizes right-of-use assets at the commencement date of the lease. Right-of-use assets are measured at cost, less any accumulated depreciation, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Company is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognized right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

LEASE LIABILITIES

At the commencement date of the lease, the Company recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The variable lease payments that do not depend on an index or a rate are recognized as expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Company uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is reduced with the lease payments principal made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

SHORT-TERM LEASES

The Company applies the short-term lease recognition exemption to all its short-term leases (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). Lease payments on short-term leases are expensed on a straight-line basis over the lease term.

IMPAIRMENT OF NON-FINANCIAL ASSETS

Property and equipment, right-of-use assets 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

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is present, the recoverable amount of the asset is estimated 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.

SHARE-BASED PAYMENT TRANSACTIONS

The fair value of stock options granted to employees is recognized as an expense or capitalized to mineral property under development 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 like 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, considering 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. 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.

SEGMENT DISCLOSURES

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

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3. ACCOUNTING STANDARDS ADOPTED AND ACCOUNTING STANDARDS ISSUED BUT NOT YET EFFECTIVE

NEW ACCOUNTING STANDARDS ADOPTED

AMENDMENTS TO IAS 1 *PRESENTATION OF FINANCIAL STATEMENTS* - CLASSIFICATION OF LIABILITIES AS CURRENT OR NON-CURRENT

In January 2020, the IASB amended IAS 1 *Presentation of Financial Statements*, which is effective for financial years beginning on or after January 1, 2024 (originally January 1, 2023). The standard amendments clarify that the classification of liabilities as current or non-current is based on rights that are in existence at the end of the reporting period which only impacts the presentation of liabilities in the statement of financial position. The classification is unaffected by expectations about whether the Company will exercise its right to defer settlement of a liability. The Company adopted the amendments on January 1, 2023, and the adoption of these amendments did not have any impact on the Company's consolidated financial statements.

AMENDMENTS TO IAS 1 *PRESENTATION OF FINANCIAL STATEMENTS* AND IFRS PRACTICE STATEMENT 2

In February 2021, the IASB amended IAS 1 *Presentation of Financial Statements* and IFRS *Practice Statement* 2 to require the Company to disclose its material accounting policy information rather than its significant accounting policies, effective for financial years beginning on or after January 1, 2023. With the adoption of these amendments, the Company removed accounting policies that were not material in the annual consolidated financial statements.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of consolidated financial statements in accordance with IFRS Accounting Standards 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

LIQUIDITY RISK

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.

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IMPAIRMENT INDICATORS OF NON-FINANCIAL ASSETS

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.

CRITICAL JUDGMENTS IN APPLYING ACCOUNTING ESTIMATES

FAIR VALUE OF EMBEDDED DERIVATIVES

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. This involves developing estimates and assumptions that are mainly based on market conditions existing at the end of each reporting period and a probability of occurrence for each scenario considered. Management based its assumptions on observable data as far as possible, but this is not always available. In that case, management uses the best information available.

5. CASH AND CASH EQUIVALENTS

	2023	2022
	\$	\$
Cash	1,099,503	208,878
Cash equivalents	2,146,000	3,046,000
	3,245,503	3,254,878

Cash equivalents at December 31, 2023 are comprised of high interest deposits bearing an interest rate of 5.20% and 5.05% as at December 31, 2023 (4.45% and 4.30% as at December 31, 2022), that can be withdrawn with a 31 days notice. As at December 31, 2023 an amount of \$12,000 (\$12,000 in 2022) is restricted in connection with the Company's credit card agreement.

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6. INVESTMENT PROPERTY – OUTFITTERS

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

	BUILDINGS	LEASEHOLD IMPROVEMENTS	EQUIPMENT AND FURNITURE	COMPUTER EQUIPMENT	TOTAL
	\$	\$	\$	\$	\$
COST					
AS AT DECEMBER 31, 2021	344,665	49,490	174,863	2,577	571,595
Acquisition	-	-	1,223	-	1,223
AS AT DECEMBER 31, 2022	344,665	49,490	176,086	2,577	572,818
Acquisition	-	-	2,280	-	2,280
Derecognition of assets	-	(49,490)	-	-	(49,490)
AS AT DECEMBER 31, 2023	344,665	-	178,366	2,577	525,608
ACCUMULATED DEPRECIATION					
AS AT DECEMBER 31, 2021	115,390	44,037	149,423	2,504	311,354
Depreciation	38,927	5,453	6,010	73	50,463
AS AT DECEMBER 31, 2022	154,317	49,490	155,433	2,577	361,817
Depreciation	13,838	-	5,682	-	19,520
Derecognition of assets	-	(49,490)	-	-	(49,490)
AS AT DECEMBER 31, 2023	168,155	-	161,115	2,577	331,847
NET BOOK VALUE					
AS AT DECEMBER 31, 2022	190,348	-	20,653	-	211,001
AS AT DECEMBER 31, 2023	176,510	-	17,251	-	193,761

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

	2023	2022
	\$	\$
Outfitters income	59,434	95,141
Other income	10,000	-
	69,434	95,141
OPERATING EXPENSES		
Management fees	80,708	66,974
Professional fees	-	2,260
Repair and maintenance	7,053	8,658
Supplies	9,937	15,815
Advertising, promotion, and travel	7,806	3,139
Travel to site and accommodation	667	2,327
Office expenses, taxes and licenses	12,605	10,311
Insurance	18,180	16,261
Interest and bank charges	370	5,173
Depreciation of property and equipment	19,520	50,463
Tax on investment property – outfitter	(23,164)	(43,957)
	133,682	137,424
NET LOSS OF INVESTMENT PROPERTY – OUTFITTERS	64,248	42,283

7. RIGHT-OF-USE ASSETS

	BUILDINGS
	\$
COST	
AS AT DECEMBER 31, 2022 AND 2021	225,600
Acquisition	123,714
AS AT DECEMBER 31, 2023	349,314
ACCUMULATED DEPRECIATION	
AS AT DECEMBER 31, 2021	125,334
Depreciation	47,865
AS AT DECEMBER 31, 2022	173,199
Depreciation	56,024
AS AT DECEMBER 31, 2023	229,223
NET BOOK VALUE	
AS AT DECEMBER 31, 2022	52,401
AS AT DECEMBER 31, 2023	120,091

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8. PROPERTY AND EQUIPMENT

	LEASEHOLD IMPROVEMENTS	TOOLS AND EQUIPMENT	COMPUTER EQUIPMENT	ROLLING EQUIPMENT	LAND	MINERAL PROPERTY UNDER DEVELOPMENT	TOTAL
	\$	\$	\$	\$	\$	\$	\$
COST							
AS AT DECEMBER 31, 2021	294,032	23,410	29,878	37,635	1,096,415	60,973,590	62,454,960
Acquisition	-	-	-	-	-	606,100	606,100
Derecognition of assets	-	(8,029)	(17,898)	-	-	-	(25,927)
Tax credit	-	-	-	-	-	(59,189)	(59,189)
AS AT DECEMBER 31, 2022	294,032	15,381	11,980	37,635	1,096,415	61,520,501	62,975,944
Acquisition	-	4,292	4,837	-	-	163,994	173,123
Derecognition of assets	(294,032)	-	-	-	-	-	(294,032)
Mining tax credits reversal	-	-	-	-	-	170,529	170,529
AS AT DECEMBER 31, 2023	-	19,673	16,817	37,635	1,096,415	61,855,024	63,025,564
ACCUMULATED DEPRECIATION							
AS AT DECEMBER 31, 2021	226,999	19,963	21,255	6,880	-	-	275,097
Depreciation	29,060	1,175	6,796	6,283	-	-	43,314
Derecognition of assets	-	(8,029)	(17,898)	-	-	-	(25,927)
AS AT DECEMBER 31, 2022	256,059	13,109	10,153	13,163	-	-	292,484
Depreciation	29,403	1,019	2,576	4,704	-	-	37,702
Derecognition of assets	(285,462)	-	-	-	-	-	(285,462)
AS AT DECEMBER 2023	-	14,128	12,729	17,867	-	-	44,724
NET BOOK VALUE							
AS AT DECEMBER 31, 2022	37,973	2,272	1,827	24,472	1,096,415	61,520,501	62,683,460
AS AT DECEMBER 31, 2023	-	5,545	4,088	19,768	1,096,415	61,855,024	62,980,840

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9. LEASE LIABILITIES

	2023	2022
	\$	\$
BALANCE – BEGINNING OF YEAR	62,871	109,724
Interests	16,926	20,496
New lease	123,714	-
Lease payments	(71,437)	(67,349)
LEASE LIABILITIES – END OF YEAR	132,074	62,871
Current portion	24,656	57,368
Non-current portion	107,418	5,503

10. CREDIT LINE AND EMBEDDED DERIVATIVES

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. 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. The combined credit lines have been extended in 2017, 2018, 2020 and 2021.

On March 17, 2021, the Company amended and extended its credit line until March 31, 2026. Since the amendment, the credit line bears interest at an annual rate equal to 8%, with all interests capitalized to the principal amount, to be paid annually in cash or in common shares of the Company using the volume weighted average price (“VWAP”) of the Company’s shares for a period of 1 year prior to the interest payment date. It was determined that the option of conversion of the interests using the VWAP is an embedded derivatives to be separated from the host contract.

On March 31, 2021, the Lender also exercised 26,780,000 warrants into the Company’s common shares, thereby reducing the credit facility of \$6,603,948. In conjunction with the amended credit line, the Lender received 32 million non-transferable share purchase warrants, exercisable at a price of \$0.33 per warrant for a period of 5 years. These warrants are subject to a “warrant blocker” provision meaning the Lender’s holdings can only go above 19.9% of the issued and outstanding common shares of the Company in certain limited circumstances. An amount of \$8,412,413 was allocated to the fair value of the warrants, using the Black-Scholes pricing model. In connection with this extension, the Company also paid \$47,522 of transaction fees.

Since the terms of the extended credit facility were substantially different, the modification was considered as an extinguishment of the original credit line. The difference between the carrying value of the credit line extinguished and the new credit line was recognized in the year ended December 31, 2021, in the consolidated statement of loss and comprehensive loss, through a gain of \$175,827. The Company used an effective interest rate of 33.7%.

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The Company has undertaken to raise additional funds in the amount of \$3 million within the 1-year anniversary of the closing of the transaction, and every anniversary thereafter for the three subsequent years, for total cumulative gross proceeds of \$12M. Should the Company not raise additional funds on a yearly and cumulative basis, the Company shall issue the Lender an additional 5M non-transferable share purchase warrants per year where a funding milestone has not been met (maximum of 20M non-transferable warrants). Each warrant will be exercisable at a price per share equal to the market price on the date such warrants must be issued by the Company and will expire on the date the amended credit facility expires. This requirement included in the debt agreement was determined to be an embedded derivative to be separated from the host contract and classified as a liability because it failed the fixed for fixed criteria per IAS 32.11.

In connection with the credit line, 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 \$9 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 that can be also redeemed any time through a lump-sum payment of \$2.25 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. It was determined that this clause does not constitute an embedded derivative because of the non-financial variable specific to the Company and therefore the cash flows from the buy back of the production fees had to be included in the amortized cost of the host contract.

For the first 4 years of the amended credit facility, in the event the Company has not repaid the credit line in full and the Lender remains the creditor of the Company in relation to such credit line, the Company shall grant the Lender an additional annual production fee of \$0.25/tonne, which may be bought back by the Company for \$2.25M, for a maximum annual additional production fee of \$1/tonne (which may be bought back by the Company for a total amount of \$9M). It was determined that this clause does not constitute an embedded derivative because of the non-financial variable specific to the Company and therefore the cash flows from the buy back of the production fees had to be included in the amortized cost of the host contract. After the second anniversary, since the Company had not settled the Mercury debt, the Company had granted an additional Production Fee of \$0.25 per tonne. The cumulative additional production fee can be bought back for \$4,500,000. On March 28, 2024, the Company amended the credit line to cap the maximum additional production fees and the buy-back price to \$0.75/tonne and \$6.75M respectively, if the credit line is not repaid in full before March 31, 2024.

The Company has the option to reimburse the credit line before its maturity without any penalty. This was considered an embedded derivative to be separated from the host contract and it was determined that the fair value of that option was nil.

On March 31, 2023, the Company opted to issue 3,899,424 common shares at a price of \$0.5107 per share, in lieu of cash, as its annual interest payment to the Lender due on March 31, 2023 (4,166,096 common shares at a price of \$0.512 per share in lieu of cash as at March 31, 2022). The carrying value of the interests payable and of the corresponding embedded derivative – interest conversion option were then transferred to capital stock.

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On March 16, 2023, the Company sold its James Bay area 1.5% NSR royalty to Lithium Royalty Corp for \$2,350,000, having a cost of nil. In connection with this transaction, the Company agreed to reduce its outstanding debt through a one-time cash payment of \$1,000,000. That amount was paid in April 2023. Also, the Company waived the reduction of the additional production fees of that capital payment.

AS AT DECEMBER 31, 2023	HOST	EMBEDDED DERIVATIVES		TOTAL
		INTEREST		
		CONVERSION OPTION	SUPPLEMENTAL WARRANTS	
	\$	\$	\$	\$
BALANCE – BEGINNING OF YEAR	26,073,994	(497,278)	190,434	25,767,150
Interests paid in shares	(1,991,436)	197,701	-	(1,793,735)
Change in fair value of derivative	-	(156,571)	(165,915)	(322,486)
Credit line repayment	(1,000,000)	-	-	(1,000,000)
Capitalized interests and accretion	1,483,319	-	-	1,483,319
BALANCE – END OF YEAR	24,565,877	(456,148)	24,519	24,134,248
Current portion	1,963,535	(124,057)	-	1,839,478
Non-current portion	22,602,342	(332,091)	24,519	22,294,770

AS AT DECEMBER 31, 2022	HOST	EMBEDDED DERIVATIVES		TOTAL
		INTEREST CONVERSION OPTION	SUPPLEMENTAL WARRANTS	
	\$	\$	\$	\$
BALANCE – BEGINNING OF YEAR	20,830,432	(348,402)	307,478	20,789,508
Interests paid in shares	(2,133,041)	-	-	(2,133,041)
Change in fair value of derivative	-	(148,876)	(117,044)	(265,920)
Capitalized interests and accretion	7,376,603	-	-	7,376,603
BALANCE – END OF YEAR	26,073,994	(497,278)	190,434	25,767,150
Current portion	1,991,436	(335,302)	-	1,656,134
Non-current portion	24,082,558	(161,976)	190,434	24,111,016

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11. FINANCE COSTS

	2023	2022
	\$	\$
Financial expenses on loans	1,702	12,262
Financial expenses on credit line	1,483,319	7,376,603
Change in fair value of embedded derivatives	(322,486)	(265,920)
Interest expense on lease liabilities	16,926	20,496
Interest income	(164,453)	(88,307)
	1,015,008	7,055,134

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.

YEAR ENDED DECEMBER 31, 2023

On April 1, 2023, the Company issued 3,899,424 shares as its annual interest payment at a price of \$0.5107 per share, in lieu of cash, as its annual interest payment relating to the credit line as at March 31, 2023 (Note 10).

YEAR ENDED DECEMBER 31, 2022

On April 1st, 2022, the Company issued 4,166,096 common shares at a price of \$0.512 per share, in lieu of cash, as its annual interest payment relating to the credit line as at March 31, 2022 (Note 10).

13. STOCK OPTIONS, WARRANTS AND OPTIONS GRANTED TO BROKERS

STOCK OPTIONS

The shareholders of the Company initially approved on June 25, 2013, a stock option plan, amended on June 21, 2022 (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

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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 2023, 2,200,000 stock options were granted to directors, employees and consultants (1,850,000 in 2022), having a fair value of \$391,828 (\$459,405 in 2022). The options, when granted, are accounted for at their fair value determined by the Black-Scholes option pricing model based on the vesting period and on the following weighted average assumptions:

	2023	2022
Weighted average price of share at time of grant	\$0.35	\$0.48
Weighted average exercise price	\$0.36	\$0.48
Weighted average risk-free interest rate	3.77%	2.81%
Weighted average expected volatility	72%	74%
Weighted average expected life	3.90 years	4.62 years
Weighted average expected dividend yield	0%	0%
Weighted average fair value of options granted	\$0.20	\$0.26

The fair value of the share options is recognized as compensation expense over the vesting period. In 2023, the total share-based compensation amounted to \$407,500 (\$414,484 in 2022).

Changes in the Company stock options were as follows:

	2023		2022	
	NUMBER	WEIGHTED AVERAGE EXERCISE PRICE	NUMBER	WEIGHTED AVERAGE EXERCISE PRICE
		\$		\$
BALANCE – BEGINNING	7,434,000	0.61	6,807,500	0.66
Granted	2,200,000	0.37	1,850,000	0.50
Exercised	(106,667)	0.22	-	-
Expired	(1,052,666)	1.01	(1,076,833)	0.80
Forfeited	(200,000)	0.50	(146,667)	0.22
BALANCE – END	8,274,667	0.50	7,434,000	0.61
EXERCISABLE – END	5,834,667	0.56	5,401,334	0.68

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The weighted average share price at the moment of the exercises was \$0.48 per share.

- (i) The following table summarizes the information relating to the stock options granted under the plan as at December 31, 2023:

EXERCISE PRICE RANGE	WEIGHTED AVERAGE EXERCISE PRICE	WEIGHTED AVERAGE REMAINING CONTRACTUAL LIFE	OPTIONS OUTSTANDING 2023	OPTIONS OUTSTANDING 2022
\$	\$	Years		
0.18 – 0.27	0.22	8.07	1,443,000	946,333
0.28 – 0.44	0.37	8.52	2,596,667	1,691,667
0.45 – 0.62	0.53	6.10	2,630,000	2,530,000
0.63 – 0.86	0.79	2.11	1,065,000	1,075,000
0.87 – 1.32	1.13	0.56	540,000	1,191,000
			8,274,667	7,434,000

WARRANTS

Changes in the Company warrants were as follows:

	2023		2022	
	NUMBER	WEIGHTED AVERAGE EXERCISE PRICE	NUMBER	WEIGHTED AVERAGE EXERCISE PRICE
		\$		\$
BALANCE – BEGINNING	41,844,110	0.38	45,022,875	0.42
Exercised	(2,615,832)	0.20	(217,500)	0.20
Expired	(5,750,000)	0.71	(2,961,265)	1.04
BALANCE – END	33,478,278	0.34	41,844,110	0.38

The following table summarizes the information relating to the outstanding warrants as at December 31, 2023:

EXERCISE PRICE	EXPIRY DATE	WEIGHTED AVERAGE REMAINING CONTRACTUAL LIFE	WARRANTS OUTSTANDING 2023	WARRANTS OUTSTANDING 2022
\$		Years		
0,40	(1) 2024-02-13	0.12	850,050	850,050
0,71	2023-06-04	0.42	-	5,750,000
0,20	2023-06-10	0.44	-	2,615,832
0,75	2024-08-21	0.64	628,228	628,228
0,33	2026-03-31	2.25	32,000,000	32,000,000
			33,478,278	41,844,110

(1) In January 2023, the Company amended the terms and conditions of the 850,050 warrants granted on February 13, 2020, to extend their expiration date from February 13, 2023, to February 13, 2024. All other terms and conditions remained similar. The fair value of the extended warrants was estimated at \$56,157

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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 year ended December 31, 2023.

OPTIONS GRANTED TO BROKERS

The 250,717 options granted to brokers outstanding as at December 31, 2022 expired on June 4, 2023.

14. DEFERRED TAXES

In 2023, the Company recorded a deferred income tax liability of \$3,712,021 with respect to Quebec mining duties and a corresponding deferred tax expense in the consolidated statements of loss and comprehensive loss for the year ended December 31, 2023.

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

	2023	2022
	\$	\$
Deferred tax expense relating to the origination and reversal of temporary differences	(170,529)	131,489
TOTAL DEFERRED INCOME TAX EXPENSE	(170,529)	131,489

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

	2023	2022
	\$	\$
Loss before income taxes	(869,106)	(8,969,769)
Income tax computed at Canadian statutory rate of 26.5% in 2023 (26.5% in 2022)	(230,313)	(2,376,989)
Non-deductible expenses	112,060	111,789
Unrecognized tax benefits	144,319	2,311,690
Quebec mining duty tax (recovery)	(170,529)	59,189
Tax on investment property – outfitter	23,164	11,205
Other	(49,229)	14,605
Income tax expense (recovery)	(170,529)	131,489
Income tax expense		
Current	-	-
Deferred	(170,529)	131,489

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The analysis of deferred income tax assets and liabilities as at December 31, 2022 is as follows:

	2022	CONSOLIDATED	2023
		STATEMENT OF LOSS	
	\$	\$	\$
DEFERRED INCOME TAX ASSETS			
Non-capital losses carried forward	12,561,013	(2,794,683)	9,766,330
Exploration and evaluation assets	6,270,386	88,648	6,359,034
	18,831,399	(2,706,035)	16,125,364
DEFERRED INCOME TAX LIABILITIES			
Property and equipment	(15,498,653)	(15,511)	(15,514,164)
Financial instrument	(3,332,746)	2,721,547	(611,199)
Mining duties tax	(3,877,973)	170,529	(3,707,444)
Tax on investment property – outfitter	(27,741)	23,164	(4,577)
	(22,737,113)	2,899,729	(19,837,384)
TOTAL DEFERRED INCOME TAX LIABILITIES	(3,905,714)	193,694	(3,712,020)

	2021	CONSOLIDATED	2022
		STATEMENT OF LOSS	
	\$	\$	\$
DEFERRED INCOME TAX ASSETS			
Non-capital losses carried forward	6,135,858	134,528	6,270,386
Exploration and evaluation assets	13,838,830	(1,277,817)	12,561,013
	19,974,688	(1,143,289)	18,831,399
DEFERRED INCOME TAX LIABILITIES			
Property and equipment	(15,324,086)	(174,567)	(15,498,653)
Financial instrument	(4,650,602)	1,317,855	(3,332,747)
Mining duties tax	(3,747,484)	(131,489)	(3,877,973)
Tax on investment property – outfitter	(71,698)	43,957	(27,741)
	(23,792,870)	1,055,756	(22,737,114)
TOTAL DEFERRED INCOME TAX LIABILITIES	(3,818,182)	(87,533)	(3,905,714)

The ability to realize the tax benefits is dependent upon several 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.

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As at December 31, 2023, the Company had unrecognized deferred tax assets as follows:

	2023	2022
	\$	\$
Non-capital losses carried forward	9,629,749	6,456,927
Non-refundable tax credits	-	-
Income tax benefit of mining duties	982,473	1,027,663
Share issue costs	80,568	151,832
Other assets	15,681	15,280
	10,708,471	7,651,702

As at December 31, 2023, the Company had accumulated non-capital losses of \$76,811,471 for Federal tax purposes and \$70,571,592 for Provincial tax purposes (\$74,552,190 and \$68,312,311 respectively as at December 31, 2022) which can be used to reduce taxable income between 2027 and 2043.

The Company has also accumulated capital losses for tax purposes in Quebec of approximately \$217,490 (\$217,490 in 2022), 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. RELATED PARTY TRANSACTIONS

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

	2023	2022
	\$	\$
KEY MANAGEMENT COMPENSATION ⁽¹⁾		
Share-based compensation	330,913	287,405
Management fees	29,125	100,105
	360,038	387,510
Salaries and benefits ⁽²⁾	593,518	455,524
TOTAL COMPENSATION	953,556	843,034
Balance included in accounts payable and accrued liabilities	3,638	17,180

⁽¹⁾ The key management is composed of the Chief executive officer, Chief Financial Officer, Chief Operating Officer, President, and directors.

⁽²⁾ Salaries and benefits capitalized to property and equipment amount to \$59,170 (\$222,377 in 2022).

The agreements with the Company's key executives provide for payments on termination of employment following a change of control of \$625,000.

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16. COMMITMENTS

- a) The Company has granted to a third party a 2.25% royalty on the net smelter return ("NSR") over the Lac à Paul project. The royalty may be redeemed at any time through a lump-sum payment of \$2 million.
- b) The Company may grant contracts in relation to the development of the Lac à Paul project. The total committed as at December 31, 2023 is \$423,853 (\$238,170 as at December 31, 2022). These contracts usually do not have termination dates and disbursements are made in accordance with the project's milestones.

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

18. FINANCIAL INSTRUMENTS AND FINANCIAL RISKS

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. 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 because 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, 2023, the Company had cash and cash equivalents of \$3,245,503 (\$3,254,878 as at December 31, 2022) to settle current liabilities of \$2,112,392 (\$2,072,405 as at December 31, 2022). The Company regularly evaluates its cash position to ensure preservation and security of capital as well as maintenance of liquidity (Refer to Note 1).

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The following are the contractual maturities of financial liabilities and other liabilities, including interest where applicable as at December 31, 2023:

	CARRYING AMOUNT	CONTRACTUAL CASH FLOWS	2024	2025	2026	2027	2028 AND ONWARD
	\$	\$	\$	\$			\$
Accounts payable and accrued liabilities	248,258	248,258	248,258	-	-	-	-
Lease liabilities	132,074	160,583	34,326	30,920	30,920	30,920	33,497
Credit line (host)	24,565,877	48,357,004	1,963,535	1,958,170	44,435,298	-	-

INTEREST RATE RISK

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Financial liabilities are not exposed to interest rate risk as they are non-interest bearing or bear interest at a fixed rate.

CURRENCY RISK

Foreign currency risk is the risk that the Company's financial performance could be affected by fluctuations in the exchange rates between currencies. Some of the Company's expenditures are denominated in U.S. dollars and the Company holds insignificant balances in cash denominated in U.S. dollars. The impact on of an increase or decrease in foreign currencies would not be material.

	2023	2022
	\$	\$
Payables in US dollars	30,000	31,844
Canadian dollar equivalent	39,740	43,147
Payables in GBP	25,000	25,000
Canadian dollar equivalent	42,159	40,827

FAIR VALUE RISK

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, 2023, and 2022.

The carrying value of cash and cash equivalents, receivables and other assets, accounts payable and accrued liabilities, and loans are considered to be a reasonable approximation of their fair value because of the short-term maturity and contractual terms of these instruments.

The fair value of the credit line is based on discounted cash flows and is not materially different from its carrying value because there was no material change in the assumptions used for fair value determination

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at inception. Therefore, its principal amounts approximate their fair value.

The embedded derivative – interest conversion option is classified as a level 3 instrument. An increase/decrease of the expected share price and expected VWAP used of 10% would lead to a variation in the fair value as at December 31, 2023 of \$142,000 (\$311,000 as at December 31, 2022).

The embedded derivative – supplemental warrants is classified as a level 3 instrument. An increase/decrease of 10% in the volatility, share price, stock price and the probability determined for each year, the main non-observable inputs used in the model, would lead to a variation in the fair value as at December 31, 2023 of \$7,000 and (\$59,000 as at December 31, 2022).

19. POLICIES AND PROCESSES FOR MANAGING CAPITAL

As at December 31, 2023, the capital of the Company consists of equity amounting to \$38,569,754 (\$36,531,488 in 2022). The Company's capital management objective is to have sufficient capital to be able to meet its mining development plan and permitting to ensure the growth of its activities. It also has the objective to have sufficient cash to finance 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, 2023.

20. SUBSEQUENT EVENTS

On March 31, 2024, the Company elected to issue 6,080,939 shares as its annual interest payment due on the same date, at a price of \$0.3229.