ARIANNE PHOSPHATE INC.

ARIANNE PHOSPHATE INC.
CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019
(in Canadian dollars)

ARIANNE PHOSPHATE INC.

CONTENTS

Independent auditor's report

To the Shareholders of Arianne Phosphate Inc.

Our opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Arianne Phosphate Inc. and its subsidiaries (together, the Company) as at December 31, 2020 and 2019, 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 (IFRS).

What we have audited

The Company's consolidated financial statements comprise:

- the consolidated statements of financial position as at December 31, 2020 and 2019;
- the consolidated statements of loss and comprehensive loss for the years then ended;
- the consolidated statements of changes in equity for the years then ended;
- the consolidated statements of cash flows for the years then ended; and
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

Basis for opinion

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

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

Independence

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

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Material uncertainty related to going concern

We draw attention to note 1 to the consolidated financial statements, which describes events or conditions that indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other information

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The engagement partner on the audit resulting in this independent auditor’s report is Yves Bonin.

/s/ PricewaterhouseCoopers LLP[1]

Montréal, Quebec
March 29, 2021

[1] FCPA auditor, FCA, public accountancy permit No. A110416

ARIANNE PHOSPHATE INC.

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

	2020	2019
	$	$
ASSETS		
Current assets		
Cash (note 5)	628,910	355,704
Receivables and other current assets	132,552	96,881
Sales taxes receivable	18,805	54,395
Tax credits related to resources and mining tax credits receivable	161,321	79,079
	941,588	586,059
Non-current assets		
Tax credits related to resources and mining tax credits receivable	-	111,511
Investment property – Outfitters (note 6)	277,119	300,608
Property, plant and equipment (note 8)	63,436,498	62,953,295
Right-of-use assets (note 9)	150,399	267,957
	63,864,016	63,633,371
Total assets	64,805,604	64,219,430
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities	1,134,335	1,317,231
Lease liabilities (note 9)	65,052	109,834
Loans and working capital facility (note 11)	5,791,750	-
Credit line (note 12)	30,660,613	26,526,083
	37,651,750	27,953,148
Non-current liabilities		
Loans and working capital facility (note 11)	43,139	5,251,704
Lease liabilities (note 9)	75,823	156,834
Deferred income taxes (note 14)	3,157,491	3,125,139
Total liabilities	40,928,203	36,486,825
Equity		
Capital stock (note 12)	64,354,302	62,677,095
Warrants (note 13)	1,133,214	810,221
Contributed surplus	15,226,269	15,066,201
Deficit	(56,836,384)	(50,820,912)
Total equity	23,877,401	27,732,605
Total liabilities and equity	64,805,604	64,219,430

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

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

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

(s) Pier-Elise Hebert-Tremblay, CFO

ARIANNE PHOSPHATE INC.

CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
FOR THE YEARS ENDED DECEMBER 31
(In Canadian dollars, except for number of shares)

	2020	2019
	$	$
EXPENSES		
Salaries and benefits	279,997	557,466
Share-based compensation	165,948	191,927
Professional and consultant fees	95,673	355,429
Management fees	71,250	263,750
Registration and listing fees	67,019	71,624
Annual shareholders' meeting	16,978	13,368
Communications	25,060	224,905
Promotion, representation and travel	12,797	105,708
Insurance	53,439	33,756
Rent and office expenses	73,073	155,743
Depreciation of property, plant and equipment and right-of-use assets	130,475	67,562
Gain on disposal - Property, plant and equipment (note 7)	(138,064)	-
Bank charges	8,738	6,375
Government grant	(45,600)	-
Operating loss	816,783	2,047,613
OTHER EXPENSES (INCOME)		
Finance costs	5,013,455	(16,112)
Foreign exchange loss	301	3,088
Net loss of investment property – Outfitters (note 6)	14,515	25,729
	5,028,271	12,705
LOSS BEFORE INCOME TAXES	5,845,054	2,060,318
Deferred income taxes expense	67,467	95,439
NET AND COMPREHENSIVE LOSS FOR THE YEAR	5,912,521	2,155,757
BASIC AND DILUTED LOSS PER SHARE	0.05	0.02
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING	118,556,555	108,754,016

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, 2020 and 2019
(in Canadian dollars)

	Capital stock	**Capital stock**	**Warrants**	**Contributed surplus**	**Deficit**	**Total equity**
	common shares	$	$	$	$	$
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	-	-	-	-	(2,155,757)	(2,155,757)
Share-based compensation (note 13)	-	-	-	191,927	-	191,927
Grant of warrants (note 13)	-	-	592,964	-	-	592,964
Grant of broker warrants (note 13)	-	-	-	3,301	-	3,301
Warrants expired (note 13)	-	-	(1,008,361)	1,008,361	-	-
Exercise of warrants (note 13)	705,882	334,795	(34,795)	-	-	300,000
Exercise of options (note 13)	20,000	5,940	-	(2,940)	-	3,000
Private Placement (note 12)	4,928,425	2,141,996	-	-	-	2,141,996
Share issuance expenses	-	-	-	-	(65,928)	(65,928)
Balance as at December 31, 2019	111,458,250	62,677,095	810,221	15,066,201	(50,820,912)	27,732,605
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	-	-	-	-	(5,912,521)	(5,912,521)
Share-based compensation (note 13)	-	-	-	165,948	-	165,948
Grant of warrants (note 13)	-	-	259,698	-	-	259,698
Exercise of options (note 13)	40,000	11,880	-	(5,880)	-	6,000
Private Placement (note 12)	11,700,098	1,665,327	-	-	-	1,665,327
Share issuance expenses	-	-	-	-	(39,656)	(39,656)
Modification of warrants	-	-	63,295	-	(63,295)	-
Balance as at December 31, 2020	123,198,348	64,354,302	1,133,214	15,226,269	(56,836,384)	23,877,401

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

ARIANNE PHOSPHATE INC.

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

	2020	2019
	$	$
CASH FLOW FROM (USED IN)		
OPERATING ACTIVITIES		
Net loss for the year	(5,912,521)	(2,155,757)
Adjustments for:		
Share-based payments	165,948	191,927
Gain on disposal - Property, plant and equipment	(138,064)	-
Depreciation – Investment property - Outfitters	23,489	21,882
Depreciation – Property, plant and equipment	97,525	67,562
Depreciation – Intangible asset	32,951	
Borrowing costs	4,689,328	-
Non cash grant	(45,600)	
Tax on investment property – outfitter	(35,115)	21,471
Deferred income taxes expense	67,467	95,440
	(1,054,592)	(1,757,475)
Net change in non-cash working capital items (note 15)	(94,830)	(260,999)
	(1,149,422)	(2,018,474)
INVESTING ACTIVITIES		
Tax credits received	79,079	258,264
Proceeds from disposal of property, plant and equipment	202,279	-
Acquisition of property, plant and equipment	(719,017)	(2,284,013)
Acquisition – Intangible asset	(32,951)	-
Acquisition of property, plant and equipment – Outfitter	-	(39,821)
	(470,610)	(2,065,570)
FINANCING ACTIVITIES		
Proceeds from loans	80,000	-
Transaction costs	(14,752)	(24,309)
Proceeds from the issuance of units	1,925,025	2,191,050
Share issuance expenses	(39,656)	(62,625)
Reimbursement of lease liabilities	(63,379)	(44,099)
Exercise of options	6,000	3,000
Exercise of warrants	-	300,000
	1,893,238	2,363,017
CHANGE IN CASH DURING THE YEAR	273,206	(1,721,027)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	355,704	2,076,731
CASH AND CASH EQUIVALENTS, END OF YEAR	628,910	355,704
Supplementary cash flow information (note 15)		
Interest received	1,653	16,112
Interest paid	4,617	-

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

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

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

The Company's shares are listed on the TSX Venture Exchange (symbol DAN), on the Frankfurt exchange (symbol JE9N) and on the US Stock Exchange Over-the-Counter (OTC) (symbol DRRSF). The registered office of the Company is located at 393 Racine Street, Suite 200, Chicoutimi, Quebec, Canada G7H 1T2.

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

These consolidated financial statements have been prepared on the basis of accounting principles applicable to a going concern, which contemplates the realization of assets and settlement of liabilities in the normal course of business as they come due. In assessing whether the going concern assumption is appropriate, management takes into account all available information about the future, which is at least, but not limited to, 12 months from the end of the reporting period. For the year ended December 31, 2020, the Company recorded a net loss of $5,912,521 (2019 – $2,155,757) and has an accumulated deficit of $56,836,384 as at December 31, 2020 (2019 – $50,820,912). In addition to ongoing working capital requirements, the Company must secure sufficient funding to meet its obligations and pay general and administration costs.

As at December 31, 2020, the Company had a negative working capital of $36,710,162 (negative working capital of $27,367,089 in 2019). Management estimates that the working capital will not be sufficient to meet the Company's obligations and budgeted operating and development expenditures through December 31, 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 2021.

Any funding shortfall may be met in the future in a number of ways including, but not limited to, the issuance of new equity, debt financing or securing capital from potential partners. While management has been successful in securing financing in the past, there can be no assurance that it will be able to do so in the future or that these sources of funding or initiatives will be available to the Company or that they will be available on terms which are acceptable to the Company. If management is unable to obtain new funding, the Company may be unable to continue its operations, and amounts realized for assets might be less than amounts reflected in the consolidated financial statements.

These consolidated financial statements do not reflect the adjustments to the carrying values of assets and liabilities, expenses and financial position classifications that would be necessary if the going concern assumption was not appropriate. These adjustments could be material.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Basis of preparation

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), as issued by the International Accounting Standards Board (IASB). The Company has consistently applied the accounting policies used in the preparation of its IFRS consolidated financial statements, including the comparative figures. The Board of Directors approved the consolidated financial statements on March 29, 2021.

Basis of measurement

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

Functional and presentation currency

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

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

Basis of consolidation

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

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

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

Financial instruments

Financial assets and financial liabilities are recognized when the Company 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 include debt premiums or discounts, financing costs or internal administrative or holding costs.

Effective interest method

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

Modifications/amendments of long-term debt

When a financial liability measured at amortized cost is modified without this resulting in derecognition, a gain or loss should be recognized in profit or loss. The gain or loss is calculated as the difference between the original contractual cash flows and the modified cash flows discounted at the original effective interest rate.

Measurement

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

i) Financial assets

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

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

ii) Financial liabilities

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

Impairment of financial assets

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

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

Grants

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

Cash and cash equivalents

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

Tax credits related to resources and mining tax credits

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

Investment property – Outfitters

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

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

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

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

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

Property, plant and equipment

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

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

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

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

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

Leases

The Company leases offices and equipment. Lease terms are negotiated on an individual basis and contain 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 so as 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 on January 1, 2019 was 4.5%. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. 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 (i.e., the date the underlying asset is available for use). 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 increased to reflect the accretion of interest and reduced for the lease payments 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.

Lease and non-lease components
For all its leases, the Company applies the practical expedient exemption not to separate non-lease components from lease components, and instead accounts for each lease component and any associated non lease components as a single lease component.

Determining the lease term of contracts with renewal or termination options
The Company determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised. The Company elected to use the recognition exemptions for lease contracts that, at the commencement date, have a remaining lease term of 12 months or less and do not contain a purchase option ('short-term leases').

Borrowing costs

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

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

Impairment of non-financial assets

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

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

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

Provisions

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

Provisions for environmental restoration, restructuring costs and legal claims, where applicable, are recognized when (i) the Company has a present legal or constructive obligation as a result of past events; (ii) it is probable that an outflow of resources will be required to settle the obligation; and (iii) the amount can be reliably estimated.
Provisions are measured at management's best estimate of the expenditure required to settle the obligation at the end of the reporting period and are discounted to present value where the effect is material. The increase in the provision due to passage of time is recognized as finance costs. Changes in assumptions or estimates are reflected in the period in which they occur.

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

Share-based payment transactions

The fair value of stock options granted to employees is recognized as an expense or capitalized to exploration and evaluation assets or to property, plant and equipment over the vesting period with a corresponding increase in the contributed surplus. An individual is classified as an employee when the individual is an employee for legal or tax purposes (direct employee) or provides services similar to those performed by a direct employee, including directors of the Company.

The fair value is measured at the grant date and recognized over the period during which the options vest. The fair value of the options granted is measured using the Black-Scholes pricing model, taking into account the terms and conditions upon which the options were granted. At each consolidated statement of financial position reporting date, the amount recognized as an expense is adjusted to reflect the actual number of share options that are expected to vest.

Equity-settled share-based payment transactions

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

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

Warrants

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

Share issuance expenses

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

Basic and diluted loss per share

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

Deferred taxes

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

Deferred taxes are measured at the tax rates that are expected to be applied to temporary differences when they will reverse, based on the laws that have been enacted or substantively enacted by the end of the reporting year and which are expected to apply to taxable income in the years during which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets, liabilities and equity of a change in tax rates is recognized in income or loss in the year that includes the enactment date. Income tax on the profit or loss for the periods presented comprises current and deferred taxes. Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in other comprehensive loss or in equity, in which case it is recognized in other comprehensive loss or in equity, respectively.
A deferred tax asset is recognized for unused tax losses and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be used. At the end of each financial reporting period, the Company reassesses the deferred tax asset not recognized. Where appropriate, the Company records a deferred tax asset that had not been recorded previously to the extent it has become probable that future taxable profits will recover the deferred tax asset.

Segment disclosures

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

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

New accounting standard adopted

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 were effective for financial years beginning on or after January 1, 2020 and had no significant impact on the consolidated financial statements disclosures.

Amendments to the Conceptual framework for financial reporting

In March 2018, the IASB issued a comprehensive set of concepts for financial reporting: the revised *Conceptual Framework for Financial Reporting*, which replaces its previous version. It assists compagnies in developing accounting policies when no IFRS standard applies to a particular transaction and it helps stakeholders more broadly to better understand the standards. The amendments are effective for annual period beginning on or after January 1, 2020, the date at which the Company adopted this new framework, and this change had no material impact on the Company's consolidated financial statements.

New accounting standard issued but not yet in effect

Amendments to IAS 16 *Property, plant and equipment*

The IASB has made amendments to *IAS 16 Property, plant and equipment*, which will be effective for financial years beginning on or after January 1, 2022. Proceeds from selling items before the related item of Property, plant and equipment is available for use should be recognized in profit or loss, together with the costs of producing those items. The Company will therefore need to distinguish between the costs associated with producing and selling items before the item of Property, plant and equipment (pre-production revenue) is available for use and the costs associated with making the item of Property, plant and equipment available for its intended use. For the sale of items that are not part of a company's ordinary activities, the amendments will require the Company to disclose separately the sales proceeds and related production cost recognized in profit or loss and specify the line items in which such proceeds and costs are included in the statement of loss and comprehensive loss. Management is in the process of evaluating the impact of adopting this new standard to its consolidated financial statements.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

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

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

Critical judgments in applying accounting policies

a) Going concern

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

b) Borrowing costs

During the year ended December 31, 2019, the Company capitalized borrowing costs that were directly attributable to the acquisition, construction or production of a qualifying asset, the Lac à Paul project, as management determined that it is probable that they will result in future economic benefits to the Company and the costs can be measured reliably.

Critical judgments in applying accounting estimates

a) Impairment of non-financial assets

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

(in Canadian dollars)

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

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

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

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

c) Uncertain tax positions

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

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

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

5. CASH

	2020 **$**	**2019** **$**
Cash	628,910	355,704

As at December 31, 2020, cash comprise cash on hand amounting to $548,526 (December 31, 2019 - $295,282) bearing interest at a fixed rate of 1.20% and an amount of $80,384 (December 31, 2019 - $60,422) not bearing interest.

As at December 31, 2020 an amount of $12,000 ($30,000 in 2019) is restricted in connection with the Company's credit card agreement.

(in Canadian dollars)

6. INVESTMENT PROPERTY – OUTFITTERS

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

	Buildings $	Leasehold improvements $	Equipment and furniture $	Computer equipment $	Total $
Cost					
Balance as at December 31, 2018	344,665	49,490	131,899	2,577	528,631
Acquisition	-	-	39,821	-	39,821
Balance as at December 31, 2019 and 2020	344,665	49,490	171,720	2,577	568,452
Accumulated depreciation					
Balance as at December 31, 2018	85,524	39,111	118,961	2,366	245,962
Depreciation	10,366	2,076	9,377	63	21,882
Balance as at December 31, 2019	95,890	41,187	128,338	2,429	267,844
Depreciation	9,947	1,522	11,976	44	23,489
Balance as at December 31, 2020	105,837	42,709	140,314	2,473	291,333
Net book value					
Balance as at December 31, 2019	248,775	8,303	43,382	148	300,608
Balance as at December 31, 2020	238,828	6,781	31,406	104	277,119

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

	2020 $	2019 $
Outfitters income	-	92,953
Other income	20,307	-
Operating expenses:		
Management fees	14,540	65,647
Repair and maintenance	3,700	6,832
Supplies	1,157	9,775
Advertising, promotion and travel	5,033	18,843
Taxes and licenses	6,233	7,265
Insurance	15,693	14,650
Interest and bank charges	90	130
Depreciation of property, plant and equipment	23,489	21,882
Gain on asset disposal	-	(47,813)
Tax credits on investment property – outfitter	(35,115)	21,471
	34,822	118,682
Net loss of investment property – Outfitters	14,515	25,729

(in Canadian dollars)

7. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements $	Tools and equipment $	Computer equipment $	Land $	Mineral property under development $	Total $
Cost						
Balance as at December 31, 2018	294,032	127,015	17,138	1,433,215	55,291,792	57,163,192
Acquisition	-	7,500	12,740	-	1,007,968	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	61,371,328	63,262,968
Acquisition	-	-	-	-	532,762	532,762
Disposal	-	(111,105)	-	-	-	(111,105)
Balance as at December 31, 2020	294,032	23,410	29,878	1,433,215	61,904,090	63,684,625
Accumulated depreciation						
Balance as at December 31, 2018	171,065	92,995	11,603	-	-	275,663
Depreciation	22,488	9,209	2,313	-	-	34,010
Balance as at December 31, 2019	193,553	102,204	13,916	-	-	309,673
Depreciation	18,442	5,820	4,269	-	-	28,531
Disposal	-	(90,077)	-	-	-	(90,077)
Balance as at December 31, 2020	211,955	17,947	18,185	-	-	248,128
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 December 31, 2020	82,037	5,463	11,693	1,433,215	61,904,090	63,436,498

8. RIGHT-TO-USE ASSETS

	Buildings, Camp and Accommodations $	Total $
Cost		
Balance as at December 31, 2018	-	-
Acquisition	310,767	310,767
Balance as at December 31, 2019	310,767	310,767
Acquisition	30,496	30,496
Termination	(115,663)	(115,663)
Balance as at December 31, 2020	225,600	225,600
Accumulated depreciation		
Balance as at December 31, 2018	-	-
Depreciation	42,810	42,810
Balance as at December 31, 2019	42,810	42,810
Depreciation	74,814	74,814
Termination	(42,423)	(42,423)
Balance as at December 31, 2020	75,201	75,201
Net book value		
Balance as at December 31, 2019	267,957	267,957
Balance as at December 31, 2020	150,399	150,399

(in Canadian dollars)

9. LEASE LIABILITIES

	2020 $	2019
Balance – Beginning of year	266,668	-
New debt obligations under lease liabilities	30,496	310,767
Reimbursement of lease liabilities	(78,678)	(44,099)
Termination	(77,611)	-
Balance – End of year	140,875	266,668
Current portion	65,052	109,834
Non-current portion	75,823	156,834

10. CREDIT LINE

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

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

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

In December 2017, the Company has extended its credit line until January 15, 2019. The credit line then bore 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 entitled the Lender to purchase one common share of the Company and could be exercisable until January 15, 2019. An amount of $nil was allocated to the fair value of the warrants.

In December 2018, the Company has extended its credit line until June 30, 2020. The credit line still bore interest at an annual rate equal to 15%, with all interests capitalized to the principal amount until the credit line matures. At the closing, the parties have also agreed to terminate 17,338,739 non-transferable warrants which were issued to the lender in December 2017 (17,181,739 warrants) and in October 2014 (157,000). In connection with this extension, the Company also paid $20,348 of transaction fees. After the extension of the credit line, a gain of $1,000,403 was recorded partially offset by an accretion of transaction cost of $535,938. 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 entitled the Lender to purchase one common share of the Company until June 30, 2020. An amount of $nil was allocated to the fair value of the warrants.

In June 2020, the Company has extended its credit line until June 15, 2021. 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 22,417,458 non-transferable warrants which were issued to the lender in December 2018. In connection with this extension, the Company also paid $14,752 of transaction fees. After the extension of the credit line, a gain of $893,516 was recorded. 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 26,780,000 warrants at an exercise price of $0.2466 per warrant. Each warrant entitles the Lender to purchase one common share of the Company and shall be exercisable until June 15, 2021. An amount of $nil was allocated to the fair value of the warrants.

(in Canadian dollars)

	2020 $	2019 $
Balance – Beginning of year	26,526,083	22,271,587
Transaction costs	(14,752)	(2,500)
Capitalized interests	4,192,589	3,608,069
Gain on modification on credit line	(893,516)	-
Amortization of transaction costs	850,209	648,927
Balance – End of year	30,660,613	26,526,083

Summary

	2020 $	2019 $
Nominal amount of credit line including capitalized interests	31,127,132	26,934,543
Unamortized transaction costs	(466,519)	(408,460)
Balance of credit line – End of year	30,660,613	26,526,083
Current portion	30,660,613	26,526,083
Non-current portion	-	-

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 represented $266,708, calculated with the Black-Scholes model. 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 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. 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 was $7,456 and was calculated using the Black-Scholes model. An amount of accrued interest of $82,000 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 loans' extension, 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 the 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.

	2020 $	2019 $
Balance – Beginning of period	3,728,024	3,930,395
Transaction costs	-	(421,089)
Amortization of transactions costs	204,459	218,718
Balance – End of period	3,932,483	3,728,024

(in Canadian dollars)

Summary

	2020 $	2019 $
Nominal amount of loan	4,100,000	4,100,000
Unamortized transaction costs	(167,517)	(371,976)
Balance of loan – End of year	3,932,483	3,728,024
Current portion	3,932,483	-
Non-current portion	-	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 represented $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 bears interest at 12%, capitalized monthly. In connection with the loan extension, 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 the warrants that were issued as part of the original loan in December 2018. The fair value of those warrants represented $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.

	2020 $	2019 $
Balance – Beginning of period	1,523,680	1,394,555
Capitalized interests	216,040	197,131
Transaction costs	-	(138,344)
Amortization of transactions costs	119,547	108,711
Adjustment for modification of loan	-	(38,373)
Balance – End of period	1,859,267	1,523,680

Summary

	2020 $	2019 $
Nominal amount of working capital facility	1,912,992	1,697,131
Unamortized transaction costs	(53,725)	(173,451)
Balance of loan – End of year	1,859,267	1,523,680
Current portion	1,859,267	-
Non-current portion	-	1,523,680

In April 2020, the Company received a $40 000 loan from Canada Emergency Business Account (“CEBA”). In December, the subsidiary 9252-5880 Quebec Inc. also received a $40,000 loan from CEBA. This interest-free loan, used to finance operating costs, was offered by the Canadian Government through the Company’s bank in the context of the Covid-19 pandemic outbreak. Repayment of the loan balance on or before December 31, 2022 will result in a loan forgiveness of $10 000. On January 1st, 2023, the Company will have the option to extend the repayment of the capital for 3 years and will benefit from an interest rate of 5%. The loans were initially recorded at a fair value of $43,139 considering the grant, the interest-free loan and the reimbursement on December 31, 2022. An effective rate of 15% was used, taking into account the rate that the Company would have obtained for a similar loan. The residual value of $36,860 was recorded as a deferred government grant in the statement of financial position and will be recognized in the statement of loss and comprehensive loss at the same time as the underlying expenses in general and administrative. As at December 31, 2020, an amortization of $12,300 has been recognized in the statement of loss and comprehensive loss.

(in Canadian dollars)

	2020 $	2019 $
Balance – Beginning of period	-	-
Loan received	80,000	-
Value attributed to the governmental subsidy	(36,861)	-
Balance – End of period	43,139	-
Current portion	-	-
Non-current portion	43,139	-

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:

	2020 Number	2020 Amount $	2019 Number	2019 Amount $
Balance – Beginning of year	111,458,250	62,677,095	105,803,943	60,194,364
Private placement [(1)]	11,700,098	1,665,327	4,928,425	2,141,996
Exercise of options	40,000	11,880	20,000	5,940
Exercise of warrants	-	-	705,882	334,795
Balance – End of year	123,198,348	64,354,302	111,458,250	62,677,095

As at December 31, 2020, 123,198,348 shares are issued (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 $259,698 (2019 – $49,054) – refer to description below.

Year ended December 31, 2020
On February 13, 2020, the Company closed an equity financing in the amount of $425,025. Under the terms of the financing, the Company 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.

On June 10, 2020 the Company closed an equity financing in the amount of $1,500,000. Under the terms of the financing, the Company has issued 9,999,998 units at a price of $0.15 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 $0.20 until June 10, 2023.

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, the Company closed on a $691,050 private placement. Under the terms of the offering, the Company 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.

(in Canadian dollars)

13. STOCK OPTIONS, WARRANTS AND OPTIONS GRANTED TO BROKERS

Stock options

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

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

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

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

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

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

During 2020, 1,034,050 stock options were granted to directors and employees (1,470,000 to directors, employees and consultants in 2019). The fair value of stock options granted to directors, consultants and employees amounted to $134,658 ($226,529 in 2019) and was estimated using the Black-Scholes pricing model with the following weighted average assumptions:

	2020	**2019**
Weighted average price of share at time of grant	$0.23	$0.43
Weighted average risk-free interest rate	0.55%	1.56%
Weighted average expected volatility	60%	45%
Weighted average expected life	6 years	5 years
Weighted average expected dividend yield	0%	0%
Weighted average fair value of options granted	$0.13	$0.15

Changes in the Company stock options were as follows:

	2020		**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	1,034,050	0.20	1,470,000	0.47
Exercised	(40,000)	0.15	(20,000)	0.15
Expired	(1,569,000)	0.96	(590,000)	0.91
Forfeited	(270,103)	0.39	-	-
Balance – End of year	6,014,447	0.77	6,859,500	0.88
Exercisable at the end of the year	4,693,464	0.87	5,060,334	1.03

(in Canadian dollars)

The following table summarizes the information relating to the stock options granted under the plan as at December 31, 2020:

Exercise price $	Options outstanding	Number of options exercisable	Weighted average remaining contractual life
0.37	200,000	200,000	0.1 year
0.58	150,000	150,000	0.1 year
1.25	50,000	50,000	0.4 year
1.37	450,000	450,000	0.6 year
1.16	300,000	300,000	1.3 year
1.15	126,000	126,000	1.7 year
1.07	55,000	55,000	1.9 year
1.12	50,000	50,000	2.0 years
1.25	200,000	200,000	2.4 years
1.22	200,000	200,000	2.4 years
1.19	200,000	200,000	2.5 years
1.32	124,500	124,500	3.0 years
1.30	240,000	240,000	3.3 years
1.00	300,000	300,000	3.8 years
0.85	345,000	345,000	4.4 years
0.86	40,000	40,000	4.5 years
0.86	35,000	35,000	4.7 years
0.81	175,000	175,000	4.2 years
0.76	330,000	330,000	6.3 years
0.62	40,000	40,000	7.0 years
0.41	200,000	133,333	7.7 years
0.58	370,000	246,667	7.8 years
0.43	100,000	100,000	8.1 years
0.40	66,667	66,667	8.1 years
0.55	470,000	156,667	8.8 years
0.44	191,667	91,667	8.8 years
0.21	495,613	249,213	9.5 years
0.18	20,000	20,000	9.7 years
0.20	415,000	-	9.9 years
0.20	75,000	18,750	9.9 years
	6,014,447	4,693,464	

Warrants

During 2020, 32,630,048 warrants were granted (11,838,611 in 2019). The fair value of 26,780,000 warrants amounted to $nil (note 10), and the fair value of the remaining warrants was calculated using the Black-Scholes pricing model and amounted to $259,698 ($592,964 in 2019) and were estimated with the following weighted average assumptions:

	2020	**2019**
Weighted average price of shares at time of grant	$0.14	$0.37
Weighted average risk-free interest rate	0.51%	1.59%
Weighted average expected volatility	69%	53%
Weighted average expected life	3.0 year	1.84 year
Weighted average expected dividend yield	0%	0%

	2020 $	**2019 $**
Weighted average fair value of warrants granted	0.05	0.05

(in Canadian dollars)

Changes in the Company warrants were as follows:

	2020		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	32,630,048	0.24	11,838,611	0.47
Exercised	-	-	(705,882)	0.43
Expired	(22,417,458)	0.43	(8,534,764)	0.89
Balance – End of year	48,546,591	0.36	38,334,001	0.50

The following table summarizes the information relating to the outstanding warrants as at December 31, 2020:

Exercise price $	Expiry date	Warrants outstanding	Weighted average remaining contractual life
1.25	August 2022 (1)	1,441,250	1.6 year
0.85	December 2022 (2)	1,520,015	2.0 years
0.85	March 2021	1,116,667	0.2 year
0.75	August 2021	628,228	0.6 year
0.55	September 2021	7,453,800	0.7 year
0.27	June 2021	3,756,583	0.5 year
0.40	February 2023	850,050	2.1 years
0.20	June 2022	4,999,998	2.4 years
0.2466	June 2021	26,780,000	0.4 year
		48,546,591	

(1) In August 2020, the Company amended the terms and conditions of the 1,441,250 warrants granted on August 22, 2017. Initially, each warrant entitled its holder to acquire one common share at a price of $1.25 per share until August 22, 2020. These warrants were amended in August 2020 to extend their expiration date to August 2022. All other terms and conditions remained similar. The Company calculated the fair value of the warrants prior and after the amendment. The fair value of the extended warrants was estimated at $27,720 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, 2020.

(2) In December 2020, the Company amended the terms and conditions of the 1,520,015 warrants granted on January 2, 2018. Initially, each warrant entitled its holder to acquire one common share at a price of $0.85 per share until December 29, 2020. These warrants were amended in December 2020 to extend their expiration date to December 2022. All other terms and conditions remained similar. The Company calculated the fair value of the warrants prior and after the amendment. The fair value of the extended warrants was estimated at $35,575 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, 2020.

Options granted to brokers

During 2020, nil options to brokers were granted (55,740 in 2019). The Company was not able to reliably determine the fair value of the services received and therefore used the fair value of the options granted to brokers as calculated using the Black-Scholes pricing model. The fair value of options granted to brokers was estimated using the following weighted average assumptions:

	2019
Weighted average price of share at time of grant	$0.50
Weighted average risk-free interest rate	1.46%
Weighted average expected volatility	48.5%
Weighted average expected life	2 years
Weighted average expected dividend yield	0%

	2019 $

Weighted average fair value of warrants granted	0.06

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

	2020		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	(297,400)	0.76	(131,200)	0.91
Balance – End of year	55,740	0.75	353,140	0.77

The following table summarizes the information relating to the brokers options outstanding as at December 31, 2020:

Exercise price $	**Expiry date**	**Broker options outstanding**
0.75	August 2021	55,740
		55,740

14. DEFERRED TAXES

In 2020, the Company recorded a deferred income tax liability of $3,157,491 with respect to Quebec mining duties and a corresponding deferred tax expense in the consolidated statements of loss for the year ended December 31, 2020.

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

	2020 $	**2019 $**
Deferred tax expense relating to the origination and reversal of temporary differences	67,467	95,439
Total deferred income tax expense	67,467	95,439

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

	2020 $	**2019 $**
Loss before income taxes	(5,845,054)	(2,060,318)
Income tax computed at Canadian statutory rate of 26.5% in 2020 (26.6% in 2019)	(1,548,939)	(548,045)
Non-deductible expenses	44,348	54,207
Unrecognized tax benefits	1,518,734	502,368
Quebec mining duty tax	67,634	95,439
Tax on investment property – outfitter	3,846	6,844
Other	(18,156)	(15,375)
Income tax expense	67,467	95,439
Income tax expense		
Current	-	-
Deferred	67,467	95,439

(in Canadian dollars)

The analysis of deferred income tax assets and liabilities as at December 31, 2020 is as follows:

	2019 $	Consolidated statement of loss $	2020 $
Deferred income tax assets			
Non-capital losses carried forward	6,398,697	(121,385)	6,277,312
Exploration and evaluation assets	9,007,837	314,623	9,322,460
	15,406,534	193,238	15,599,772
Deferred income tax liabilities			
Property, plant and equipment	(15,406,534)	(193,238)	(15,599,772)
Mining duties tax	(3,016,541)	(67,634)	(3,084,175)
Tax on investment property – outfitter	(108,598)	35,282	(73,316)
	(18,531,673)	(225,590)	(18,757,263)
Total deferred income tax liabilities	(3,125,139)	(32,352)	(3,157,491)

The ability to realize the tax benefits is dependent upon a number of factors, including the future profitability of operations. Deferred tax assets are recognized only to the extent that it is probable that sufficient taxable profits will be available to allow the asset to be recovered. Accordingly, some deferred tax assets have not been recognized; these deferred tax assets not recognized amount to $9,352,143.

As at December 31, 2020, the Company had unrecognized deferred tax assets as follows:

	2020 $	2019 $
Non-capital losses carried forward	7,897,411	6,949,445
Non-refundable tax credits	465,170	465,169
Income tax benefit of mining duties	925,910	907,987
Share issue costs	53,671	57,087
Other assets	9,981	12,119
	9,352,143	8,391,808

As at December 31, 2020, the Company had accumulated non-capital losses for Federal tax purposes of approximately $67,683,489 ($62,913,994 in 2019) which can be used to reduce taxable income in future years.

These losses will expire as follows:

	Federal $	Provincial $
2026	357,018	140,186
2027	554,979	206,152
2028	829,462	-
2029	623,080	264,454
2030	623,519	568,161
2031	1,259,966	-
2032	4,279,969	1,736,553
2033	14,892,530	14,782,740
2034	9,835,644	9,712,235
2035	6,272,264	6,073,884
2036	5,247,865	5,156,537
2037	5,373,162	5,291,802
2038	5,520,671	5,520,672
2039	6,585,182	6,573,644
2040	5,428,178	5,428,178
	67,683,489	61,455,198

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

(in Canadian dollars)

The Company has also accumulated capital losses for tax purposes in Quebec of approximately $217,490 ($217,490 in 2019), and these losses can be carried forward indefinitely.

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

15. SUPPLEMENTARY INFORMATION RELATED TO CASH FLOWS

Net change in non-cash working capital items	**2020**	**2019**
	$	**$**
Receivable and other current assets	(35,671)	48,266
Sales taxes receivable	35,590	(10,723)
Accounts payable and accrued liabilities	(94,749)	(298,542)
	(94,830)	(260,999)

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

	2020	**2019**
	$	**$**
Addition to property, plant and equipment not yet paid	144,454	239,161
Transaction costs not yet paid	11,464	23,771

16. RELATED PARTY TRANSACTIONS

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

	2020	**2019**
	$	$
Key management compensation (1)		
Share-based compensation	121,701	88,444
Management fees	71,250	263,755
	192,951	352,199
Salaries and benefits (2)	202,786	486,949
	395,737	838,430
Balance included in accounts payable and accrued liabilities	52,029	39,332

(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 and asset under development amount to $168,683 ($226,153 in 2019 to property, plant and equipment).

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 December 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 December 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 December 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 consolidated 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 consolidated financial statements and are therefore not described in this note.

17. COMMITMENTS

a) In August 2012, the Company granted the Lender of the credit line a royalty of $1 per ton of phosphate concentrate sales from the Lac à Paul project. This royalty may be redeemed at any time through a lump-sum payment of $6 million. In July 2013, the Company also granted the Lender of the credit line a royalty of $0.25 per ton of phosphate concentrate sales from the Lac à Paul project. This royalty may be redeemed at any time through a lump-sum payment of $1.5 million. These royalties will have to be redeemed by the Company for the same amount in the event of a change of control where at least 90% of the issued and outstanding shares of the Company are acquired, purchased or held by a third party, either through a tender offer or other transaction with the same result. The Company also has granted to other parties a 2.25% royalty on the net smelter return (''NSR''). The royalty may be redeemed at any time through a lump-sum payment of $2.5 million.

(in Canadian dollars)

b) The Company granted contracts in relation to the development of the Lac à Paul project for a total of $34,440. These contracts do not have termination dates and disbursements will be made in accordance with the project's milestones.

18. CONTINGENCIES

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

19. FINANCIAL INSTRUMENTS AND FINANCIAL RISKS

Classification

The Company's financial instruments as at December 31, 2020 and 2019 consist of cash, receivable and other current assets, accounts payable and accrued liabilities, loans and working capital facility and credit line.

The classification of financial instruments is summarized as follows:

	Carrying value at December 31, 2020 $	Carrying value at December 31, 2019 $
Financial assets at amortized costs		
Cash	628,910	355,704
Receivables and other assets	132,552	96,881
	761,462	452,585
Financial liabilities at amortized costs		
Accounts payable and accrued liabilities	1,134,335	1,317,231
Loans and working capital facility	5,834,889	5,251,704
Credit line	30,660,613	26,526,083
	37,629,837	33,095,018

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, 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, 2020, the Company had cash of $628,910 ($355,704 as at December 31, 2019) to settle current liabilities of $37,651,750 ($27,794,480 as at December 31, 2019). The Company regularly evaluates its cash position to ensure preservation and security of capital as well as maintenance of liquidity (Refer to note 1 for the use of the going concern assumption).

The following are the contractual maturities of financial liabilities, including interest where applicable as at December 31, 2020:

	Carrying amount $	Contractual cash flows $	0 to 12 months $	12 to 24 months $	More than 24 months $
Accounts payable and accrued liabilities	1,134,335	1,134,335	1,134,335	-	-
Lease liability	140,875	204,733	65,052	66,027	73,654
Loans and working capital facility	5,834,889	6,509,758	6,449,758	-	60,000
Credit line	30,660,613	33,249,030	33,249,030	-	-

Interest rate risk

According to the third non-revolving credit line and amendments made to the first and second credit lines dated October 20, 2015, the interest rate has been modified from a variable to fixed rate. The Company's policy as it relates to its cash balances is to invest excess cash in financial instruments held with a Canadian chartered bank.

As at December 31, 2020, the Company's exposure to interest rate risk is summarized as follows:

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

Currency risk

As at December 31, 2020, the Company has a bank account in US dollars for an amount of $25 ($296 in 2019). The Company also had US $172,782 and GBP 50,000 payable as at December 31, 2020(US $192,379 and GBP 50,000 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 $30,494 in 2020 ($29 in 2019) in net loss.

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, 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 $31,127,132.

20. POLICIES AND PROCESSES FOR MANAGING CAPITAL

As at December 31, 2020, the capital of the Company consists of equity amounting to $23,877,401 ($27,732,605 in 2019). The Company's capital management objective is to have sufficient capital to be able to meet its mining development plan and permitting in order to ensure the growth of its activities. It also has the objective to have sufficient cash to finance the 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, 2020.

21. EVENTS AFTER THE REPORTING PERIOD

On March 18, 2021 the Company announced restructuration of its currents credit line and loans. For the credit line, the Lender will exercise 26,780,000 warrants into the Company's common shares, thereby reducing the credit facility from $31,496,897 to $24,892,949, a reduction of $6,603,948. The credit facility will be extended for a period of 5 years at an annual interest rate of 8%. The annual interest can be paid by the Company, at its sole option, either in cash or in common shares of the Company. The Company will issue the 32 000 000 warrants at an exercise price of $0.33 per share for a period of 5 years. The Lender shall not be entitled to exercise 2021 warrants which would result in the

(in Canadian dollars)

Lender holding, following such exercise, on a partially diluted basis, more than 19.9% of the issued and outstanding common shares of the Company. The Company will increase the buyback purchase price of the existing production fee granted in favour of the Lender to $11.25M.

The Company also announced the conversion of its existing loans and working capital facility. The holders of $5,970,155 will have their debt converted into the common shares of the Company at a price of $0.275 per share. As a result of the debt conversion, the Company will issue a total of 21,709,655 common shares to such debt holders. The Company will cancel 11,028,584 warrants that were originally issued with the loans and working capital facility.

22. ADJUSTMENTS OF QUARTERLY INFORMATION (UNAUDITED – SUPPLEMENTARY INFORMATION)

Borrowing costs
As part of the closing of the annual financial statements, the Company adjusted the amounts reported in the 2020 interim financial statements with respect to the borrowing costs. Since the Company is currently in a period of raising funding for its project through financing and offtake agreements and is not carrying substantial technical work, the Company has suspended the capitalization of its borrowing costs until further technical work is done on the project.

a) Adjustments to the interim consolidated statements of financial position

	Previously reported **$**	**Adjustment** **$**	**Adjusted** **$**
As at March 31, 2020			
Assets			
Property, plant and equipment	64,562,817	(1,385,405)	**63,177,412**
Total assets	65,739,838	(1,385,405)	64,354,433
Liabilities and equity			
Deficit	(51,280,064)	(1,385,405)	(52,665,469)
Total liabilities and equity	65,739,898	(1,385,405)	64,354,433

	Previously reported **$**	**Adjustment** **$**	**Adjusted** **$**
As at June 30, 2020			
Assets			
Property, plant and equipment	65,216,638	(1,941,275)	63,275,363
Total assets	67,379,215	(1,941,275)	65,437,940
Liabilities and equity			
Deficit	(51,489,040)	(1,941,275)	(53,430,315)
Total liabilities and equity	67,379,215	(1,941,275)	65,437,940

	Previously reported **$**	**Adjustment** **$**	**Adjusted** **$**
As at September 30, 2020			
Assets			
Property, plant and equipment	66,785,013	(3,444,711)	63,340,302
Total assets	68,553,084	(3,444,711)	65,108,373
Liabilities and equity			
Deficit	(51,680,066)	(3,444,711)	(55,124,777)
Total liabilities and equity	68,553,084	(3,444,711)	65,108,373

b) Adjustments to the interim consolidated statements of loss

	Previously reported **$**	**Adjustment** **$**	**Adjusted** **$**
For the three months ended March 31, 2020			
Interest income (finance cost)	(523)	1,385,405	1,384,882
Loss before income taxes	425,617	1,385,405	1,811,022
Net and comprehensive loss for the period	444,629	1,385,405	1,830,034
Basic and diluted loss per shares	0.004		0.02

(in Canadian dollars)

	Previously reported $	**Adjustment $**	**Adjusted $**
For the three months ended June 30, 2020			
Interest income (finance cost)	(290)	555,870	555,580
Loss before income taxes	181,674	555,870	737,544
Net and comprehensive loss for the period	194,153	555,870	750,023
Basic and diluted loss per shares	0.002		0.01

	Previously reported $	**Adjustment $**	**Adjusted $**
For the three months ended September 30, 2020			
Interest income (finance cost)	(5,530)	1,503,436	1,497,906
Loss before income taxes	146,193	1,503,436	1,649,629
Net and comprehensive loss for the period	162,637	1,503,436	1,666,073
Basic and diluted loss per shares	0.01		0.01

c) Adjustments to the interim consolidated statements of cash flows

The adjustments made had no impact on cash flow for the quarters ended March 31, June 30 and September 30, 2020, as these are non-cash items.