ARIANNE PHOSPHATE INC.

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

THREE AND NINE MONTH PERIODS ENDED SEPTEMBER 30, 2014 AND 2013
(in Canadian dollars)

Condensed interim consolidated financial statements for the nine month periods ended September 30, 2014 haven't been reviewed by the auditors.

CONTENTS

ARIANNE PHOSPHATE INC.

CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION
AS AT SEPTEMBER 30, 2014
(In Canadian dollars - unaudited)

	September 30, 2014	December 31, 2013
	$	$
ASSETS		
Current assets		
Cash and cash equivalents (note 5)	4,060,148	6,896,331
Receivables and other current assets	109,930	235,081
Sales taxes receivable	359,075	376,405
Tax credit related to resources and mining tax credit receivable	-	1,609,153
	4,529,153	9,116,970
Non-current assets		
Deposit	200,000	200,000
Tax credit related to resources and mining tax credit receivable	1,566,176	1,335,032
Investment property – Outfitters	406,158	441,042
Property, plant and equipment (note 8)	373,882	82,574
Intangible assets (note 9)	47,341	-
Mining properties	1,271,745	1,241,360
Exploration and evaluation assets (note 10)	34,657,286	27,238,956
	38,522,588	30,538,964
Total assets	43,051,741	39,655,934
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities	988,956	538,934
Current portion of credit line (note 12)	213,032	-
Flow-through shares liability (note 11)	47,531	722,892
Loan payable	-	1,453,078
	1,249,519	2,714,904
Non-current liabilities		
Credit line (note 12)	12,160,340	11,399,817
Deferred income taxes	1,939,336	1,457,440
Total liabilities	15,349,195	15,572,161
Equity		
Capital stock (note 14)	49,305,365	40,721,138
Warrants	2,735,738	3,794,144
Contributed surplus	9,436,499	8,512,398
Deficit	(33,775,056)	(28,943,907)
Total equity	27,702,546	24,083,773
Total liabilities and equity	43,051,741	39,655,934

GOING CONCERN (note 1)
COMMITMENTS (note 19)
SUBSEQUENT EVENTS (note 20)

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

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

(s) Dino Fuoco, CFO

ARIANNE PHOSPHATE INC.

CONSOLIDATED INTERIM STATEMENTS OF LOSS
FOR THREE AND NINE MONTH PERIOD ENDED SEPTEMBER 30
(In Canadian dollars - unaudited)

	Three month period ended September 30, 2014	Three month period ended September 30, 2013	Nine month period ended September 30, 2014	Nine month period ended September 30, 2013
	$	$	$	$
EXPENSES				
Salaries and fringe benefits	391,947	339,061	1,247,159	617,768
Share-based compensation	135,235	222,454	733,482	366,345
Professional and consultant fees	160,813	166,229	722,604	865,122
Management fees	65,000	60,833	220,000	217,500
Registration and listing fees	9,282	17,915	56,944	121,704
Annual general meeting	64,881	11,659	78,118	31,487
Communications	92,538	52,852	355,848	216,791
Promotion, representation and travel	87,762	123,760	295,959	293,000
Insurance	13,251	6,296	36,603	31,334
Rent and office expenses	49,320	38,317	171,495	87,273
Bank charges	1,365	2,361	7,616	9,127
Loss (gain) on disposal of mining properties (note 6)	-	-	(180,000)	20,926
Property, plant and equipment and intangible assets	9,464	389	30,543	1,038
Impairment of mining properties (note 10)	-	66,083	-	66,083
Impairment of exploration and evaluation assets (note 10)	-	174,838	-	174,838
Operating loss	1,080,858	1,283,047	3,776,372	3,120,336
OTHER EXPENSES (INCOME)				
Interest income	(9,783)	(12,368)	(50,855)	(18,509)
Interest expense	213,032	22,151	610,052	22,151
Finance expenses	1,675	-	97,604	-
Foreign exchange loss	1,837	1,463	2,593	1,590
Loss (gain) on disposal of marketable securities	(14,100)	12,877	(14,100)	12,877
Net loss of investment property – Outfitters (note 7)	12,590	(5,202)	99,161	92,896
Change in fair value of marketable securities classified as fair value through profit or loss	-	14,640	-	61,189
	205,251	33,561	744,455	172,194
LOSS BEFORE INCOME TAXES	**1,286,109**	**1,316,608**	**4,520,827**	**3,292,530**
Deferred income taxes (recovery) (note 13)	(25,901)	358,480	(217,719)	2,060,261
NET LOSS FOR THE PERIOD	**1,260,208**	**1,675,088**	**4,303,108**	**5,352,791**
BASIC AND DILUTED LOSS PER SHARE	**0.01**	**0.02**	**0.05**	**0.07**
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING	**92,956,755**	**76,607,564**	**92,956,755**	**76,607,564**

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

ARIANNE PHOSPHATE INC.

CONSOLIDATED INTERIM STATEMENTS OF COMPREHENSIVE LOSS
FOR THREE AND NINE MONTH PERIOD ENDED SEPTEMBER 30
(in Canadian dollars - unaudited)

	Three month period ended September 30, 2014	Three month period ended September 30, 2013	Nine month period ended September 30, 2014	Nine month period ended September 30, 2013
	$	$	$	**$**
NET LOSS FOR THE PERIOD	**1,260,208**	**1,675,088**	**4,303,108**	**5,352,791**
Other comprehensive loss that may be reclassified subsequently to net income:	-	-	-	-
Changes in fair value of available-for-sale financial assets (note 6)	(14,100)	12,669	(14,100)	12,669
Reclassification from accumulated other comprehensive loss related to marketable securities sold	14,100	(12,669)	14,100	(12,669)
COMPREHENSIVE LOSS FOR THE PERIOD	**1,260,208**	**1,675,088**	**4,303,108**	**5,352,791**

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

ARIANNE PHOSPHATE INC.

CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN EQUITY
FOR NINE MONTH ENDED SEPTEMBER 30
(in Canadian dollars - unaudited)

	Capital stock	Capital stock	Warrants	Contributed surplus	Accumulated other comprehensive loss	Deficit	Total equity
	common shares	$	$	$	$	$	$
Balance as at January 1, 2014	85,185,255	40,721,138	3,794,144	8,512,398	-	(28,943,907)	24,083,773
Net loss of the period	-	-	-	-	-	(4,303,108)	(4,303,108)
Changes in fair value of available for-sale financial assets (note 6)	-	-	-	-	(14,100)	-	(14,100)
Reclassification from accumulated other comprehensive loss related to marketable securities sold	-				14,100	-	14,100
Comprehensive loss for the period	-	-	-	-	-	(4,303,108)	(4,303,108)
Share-based compensation	-	-	-	733,482	-	-	733,482
Stock options exercised	580,000	257,750	-	(127,250)	-	-	130,500
Warrants exercised	1,472,500	2,755,778	(929,878)	-	-	-	1,825,900
Warrants expired	-	-	(311,237)	311,237	-	-	-
Options granted to brokers exercised (note 15)	88,000	122,408	-	(41,448)	-	-	80,960
Options granted to brokers (note 15)	-		-	72,334	-	-	72,334
Private placement (note 14)	5,631,000	5,631,000	-	-	-	-	5,631,000
Share issuance expenses	-	-	-	-	-	(528,041)	(528,041)
Value assigned to warrants (note 14)	-	(182,709)	182,709	-	-	-	-
Deferred income tax	-	-	-	(24,254)	-	-	(24,254)
Balance as at September 30, 2014	**92,956,755**	**49,305,365**	**2,735,738**	**9,436,499**	**-**	**(33,775,056)**	**27,702,546**
Balance as at January 1, 2013	75,534,926	26,990,815	4,390,725	9,145,636	-	(21,225,083)	19,302,093
Net loss of the period	-	-	-	-	-	(5,352,791)	(5,352,791)
Other comprehensive loss	-	-	-	-	-	-	-
Changes in fair value of available-for-sale financial assets	-	-	-	-	12,669	-	(12,669)
Reclassification from accumulated other comprehensive income related to marketable securities sold	-	-	-	-	(12,669)	-	12,669
Comprehensive loss of the period	-	-	-	-	-	(5,352,791)	(5,352,791)
Options granted in relation with the plan	-	-	-	366,345	-	-	366,345
Value assigned to warrants	-	-	704,943	-	-	-	704,943
Broker warrants granted	-	-	-	65,810	-	-	65,810
Flow-through financing	624,500	686,950	-	-	-	-	686,950
Private placement	2,435,000	2,368,039	-	-	-	-	2,368,039
Share issuance expenses	-	-	-	-	-	(355,633)	(355,633)
Options exercised in relation with the plan	480,000	312,900	-	(217,400)	-	-	95,500
Warrants exercised	15,000	28,072	(9,472)	-	-	-	18,600
Broker warrants exercised in relation with the plan	630,000	1,234,170	-	(604,170)	-	-	630,000
Modification of warrants (1)	-	-	725,000	-	-	(725,000)	-
Balance as at September 30, 2013	**79,719,426**	**31,620,946**	**5,811,196**	**8,756,221**	**-**	**(27,658,507)**	**18,529,856**

(1) In March 2013, the Company amended the terms and conditions of the 4,000,000 warrants granted during the year ended as at December 31, 2011. Each warrant entitled its holder to acquire one common share at a price of $1.50 per share for a period of two years ending in April 2013. The Company proposed to amend the exercise price to $1.24. The term of warrants was also extended to September 2013. The fair value of the warrants have been estimated considering the fair value of the original warrants existing on the date of the modification, after a modification in the duration and of the exercise price of an instrument increases its value should be treated as an exchange of the original instrument against the new and cause additional costs in an amount equal to the incremental value of the new instrument in relation to the value of the old on the date of the change. The fair value of the extended warrants of $355,000 was estimated considering the fair value of the original warrants existing on the date of the amendment, according to the Black & Scholes model and the following assumptions: expected dividend per share, expected volatility of 122%, a risk free interest rate of 1.25% and an expected maturity of 6 months.

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

ARIANNE PHOSPHATE INC.

CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS
FOR NINE MONTH PERIOD ENDED SEPTEMBER 30, 2014
(In Canadian dollars - unaudited)

	Nine month period ended September 30, 2014	Nine month period ended September 30, 2013
	$	$
CASH FLOW FROM OPERATING ACTIVITIES		
Net loss for the period	(4,303,108)	(5,352,791)
Adjustments for:		
Share-based payments	733,482	366,345
Depreciation – Investment property - Outfitters	34,885	44,763
Depreciation – Property, plant and equipment and intangible assets	30,543	1,038
Finance expenses	95,929	22,151
Loss (Gain) on disposal of mining properties	(180,000)	20,926
Loss (gain) on disposal of marketable securities	(14,100)	12,877
Change in fair value of marketable securities	-	61,189
Income taxes and deferred taxes	(217,719)	2,060,261
Impairment of mining properties	-	66,083
Impairment of exploration and evaluation assets	-	174,838
	(3,820,088)	(2,522,320)
Net change in non-cash working capital items (note 16)	204,447	(1,241,450)
	(3,615,641)	(3,763,770)
INVESTING ACTIVITIES		
Tax credit related to resources and mining tax credit received	1,378,008	-
Grant received - Outfitters	-	59,700
Acquisition of property, plant and equipment – Outfitter	-	(2,200)
Acquisition of property, plant and equipment and intangible assets	(389,156)	(26,821)
Acquisition of mining properties	(30,385)	(12,116)
Proceeds from mining properties	-	30,000
Proceeds from disposal of marketable securities	194,100	73,956
Acquisition of exploration and evaluation assets	(6,085,762)	(8,534,126)
	(4,933,195)	(8,411,607)
FINANCING ACTIVITIES		
Proceeds from credit line	-	5,875,000
Transaction costs	-	(137,905)
Inflows and Payment from the loan	(1,500,000)	1,500,000
Proceeds from the issuance of shares	7,668,360	4,362,707
Share issuance expenses	(455,707)	(355,631)
	5,712,653	11,244,171
CHANGE IN CASH AND CASH EQUIVALENTS DURING THE PERIOD	(2,836,183)	(931,206)
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	6,896,331	5,225,976
CASH AND CASH EQUIVALENTS, END OF THE PERIOD	4,060,148	4,294,770
Supplementary cash flow information (note 16)		
Interest received	49,642	18,509
Interest paid	397,021	-

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

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

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

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

These condensed interim 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 period ended September 30, 2014, the Company recorded a net loss of $ 4,303,108 (2013 – $5,352,791) and has an accumulated deficit of $ 33,775,056 as at September 30, 2014 (December 31, 2013 – $28,943,907). 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 September 30, 2014, the Company had working capital of $3,279,634 including the cash reserved for exploration and evaluation expenses of $211,964 related to flow through share financings completed in 2013. The management estimates that the working capital will not be sufficient to meet the Company's obligations and budgeted expenditures through 2015. These circumstances lend significant doubt as to the ability of the Company to meet its obligations as they come due and, accordingly, the appropriateness of the use of accounting principles applicable to a going concern. The Company will need to secure financing in 2015.

Management is aware, in making its assessment, of material uncertainties related to events and conditions that may cast a significant doubt on the Company's ability to continue as a going concern as described in the preceding paragraph and, accordingly, the appropriateness of the use of accounting principles applicable to a going concern. These condensed interim 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.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

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

The accounting policies followed in these condensed consolidated interim financial statements are consistent with those applied in the Company's annual financial statements for the year ended December 31, 2013, except as noted in note 3. These condensed interim consolidated financial statements should be read in conjunction with the Company annual financial statements for the year ended December 31, 2013 which have been prepared in accordance with IFRS as issued by the IASB.

The Board of Directors approved these condensed consolidated interim financial statements on November 12, 2014.

3. NEW ACCOUNTING STANDARDS ISSUED AND IN EFFECT

IFRIC 21, Levies ("IFRIC 21")
In May 2013, the IASB issued IFRIC 21, which is effective for annual periods beginning on or after January 1, 2014 and is to be applied retrospectively. IFRIC 21 provides guidance on accounting for levies in accordance with IAS 37, Provisions, Contingent Liabilities and Contingent Assets. The interpretation defines a levy as an outflow from an entity imposed by a government in accordance with legislation and confirms that an entity recognizes a liability for a levy only when the triggering event specified in the legislation occurs. The adoption of IFRIC 21 for the annual period beginning January 1, 2014 did not affect the Company's condensed interim consolidated financial statements.

(In Canadian dollars - unaudited)

4. CRITICAL ACCOUNTING ESTIMATE AND JUDGMENT

The Company is partially financed through the issuance of flow-through shares and, according to tax rules regarding this type of financing, the Company is engaged in realizing mining exploration work. These tax rules also set deadlines for carrying out the exploration work, which must be performed no later than the earlier of the following dates:

• Two years following the flow-through placements; and
• One year after the Company has renounced the tax deductions relating to the exploration work.

However, there is no guarantee that the Company's exploration expenses will qualify as Canadian exploration expenses, even if the Company is committed to taking all the necessary measures in this regard. Refusal of certain expenses by the tax authorities would have a negative tax impact for investors.

5. CASH AND CASH EQUIVALENTS

	September 30, 2014 **$**
Cash and cash equivalents	4,060,148

As at September 30, 2014, cash and cash equivalents comprises cash on hand amounting to $3,982,083 bearing interest at a fixed rate 1.25% and cash on hand amounting to $78,065 not bearing interest. This rate is effective as long as the account balance exceeds $1,000,000.

6. MARKETABLE SECURITIES

On April 2, 2014, the Company sold to Virginia Mines Inc. (“Virginia”) its remaining 50% of rights and interests of the Opinaca and Black Dog properties in consideration of the issuance of 15,000 shares of Virginia representing a value of $180,000 at the transaction date. These properties had been fully impaired in 2013 and 2012 respectively. A gain on disposal of $180,000 was recognized.

During the three-months period ended September 30, 2014, the Company sold 15,000 shares of Virginia for proceeds of $194,100 less the finance expenses of $ 1,675 and realizing a gain on disposal of $ 14,100.

7. INVESTMENT PROPERTY – OUTFITTERS

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

	Nine-month period ended September 30, 2014 **$**	**Nine-month period ended September 30, 2013** **$**
Outfitters income	58,206	105,834
Operating expenses:		
Management fees	98,995	99,005
Professional fees	-	17,568
Repair and maintenance	7,500	10,896
Supplies	412	4,142
Advertising, promotion and travel	700	1,100
Selling fees		9,227
Taxes and licenses	5,783	5,645
Insurance	7,471	6,074
Interest and bank charges	225	310
Depreciation of property, plant and equipment	34,885	44,763
Bad debt expense	1,396	-
	157,367	198,730
Net loss of investment property – Outfitters	99,161	92,896

(In Canadian dollars - unaudited)

8. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements $	Tools and equipment $	Rolling equipment $	Computer equipment $	Total $
Cost					
Balance as at December 31, 2013	15,571	98,530	-	-	114,101
Acquisition	288,622	30,211	10,376	8,767	337,976
Balance as at September 30, 2014	304,193	128,741	10,376	8,767	452,077
Accumulated depreciation					
Balance as at December 31, 2013	1,427	30,100	-	-	31,527
Depreciation	26,171	18,795	1,167	535	46,668
Balance as at September 30, 2014	27,598	48,895	1,167	535	78,195
Net book value					
Balance as at December 31, 2013	14,144	68,430	-	-	82,574
Balance as at September 30, 2014	276,595	79,846	9,209	8,232	373,882

9. INTANGIBLE ASSETS

	Intangible assets $
Cost	
Balance as at January 1, 2014	-
Acquisition	51,180
Balance as at September 30, 2014	51,180
Accumulated depreciation	
Balance as at January 1, 2014	-
Depreciation	3,839
Balance as at September 30, 2014	3,839
Net book value	
Balance as at December 31, 2013	-
Balance as at September 30, 2014	47,341

10. EXPLORATION AND EVALUATION ASSETS

	December 31, 2013 $	Additions $	Tax credits $	Impairments $	Disposals $	September 30, 2014 $
Quebec						
Lac à Paul	27,194,177	7,418,330	-	-	-	34,612,507
Mirepoix	30,351	-	-	-	-	30,351
Phosphore	14,428	-	-	-	-	14,428
	27,238,956	7,418,330	-	-	-	34,657,286

During the third quarter of 2013, the company also wrote-off assets exploration and evaluation Opinaca project for the amount of $ 174,838.

(In Canadian dollars - unaudited)

For the nine-month period ended September 30, 2014 and 2013, the following expenses have been included in the cost of exploration and evaluation assets:

	Nine-month period ended September 30, 2014	**Nine-month period ended September 30, 2013**
	$	**$**
Drilling	600,227	-
Stripping and road repairs	276,146	447,415
Camp, travel and lodging and general expenses	561,277	390,056
Chemical analysis	204,989	92,275
Line cutting and geophysics	129,092	-
Planning and supervision	467,242	404,980
Professional fees and independent technical reports	4,398,870	9,727,260
Borrowing costs	760,523	1,032,081
Depreciation of property, plant and equipment	19,964	18,513
	7,418,330	12,112,580
Tax credits related to resources and mining tax credit	-	(816,927)
Depreciation		(174,838)
Disposal	-	(27,040)
	7,418,330	11,093,775
Balance – Beginning of period	27,238,956	13,644,534
Balance – End of period	34,657,286	24,738,309

11. FLOW-THROUGH SHARES LIABILITY

	Nine-month ended September 30, 2014	**Nine-month ended September 30, 2013**
	$	**$**
Balance – Beginning of period	722,892	-
Decrease related to expenses incurred	(675,361)	-
Balance – The end of period	47,531	-

In December 2013, the Company issued 1,790,952 flow-through shares at a price of $1.80 per share for a gross total of $3,223,714. As at September 30, 2014, the Company has incurred exploration and evaluation expenses of $3,011,750 and has $211,964 in cash reserved for exploration and evaluation activities related to this flow-through financing.

12. CREDIT LINE

In August 2012, the Company entered into an agreement to obtain a non-revolving credit line for an authorized amount of $10,000,000 to finance a feasibility study for the Lac à Paul property and to cover the general and administrative expenditures related to this property.

On July 29, 2013, the Company obtained a second non-revolving credit line amounting to $2,500,000. Terms and conditions are essentially the same as those in the August 2012.

The credit line and all unpaid interest will be repayable in full on the earlier of the following dates: (a) December 31, 2015; (b) the date the Company raises cumulative net cash proceeds of at least $51 million by way of equity, debt or other instruments; and (c) the date of change of control of the Company.

The credit line has a current interest portion of $213,032 at the end of September 30, 2014 and a non-current portion of $ 12,160,340.

(In Canadian dollars - unaudited)

	Nine-month period ended September 30, 2014 $	Nine-month period ended September 30, 2013 $
Balance – Beginning of period	11,399,817	-
Proceeds from credit lines	-	11,275,000
Transaction costs	-	(2,046,701)
Interest expense	-	546,071
Capitalized interest	39,886	-
Amortization of transaction costs	720,637	-
Balance – End of period	12,160,340	9,774,370
Current portion of credit line	213,032	-
Non-current portion	12,160,340	9,774,370

13. DEFERRED INCOME TAX

The deferred tax recovery for the nine months ended September 30, 2014 of $ 217,719, is attributable to additional deferred tax liabilities relating to Quebec mining duties offset by a deferred tax recovery related to the amortization of the flow through shares liability as some expenditures renounced have been incurred.

14. 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:

	Nine-month period ended September 30, 2014	
	Number of common shares	Amount $
Balance – Beginning of year	85,185,255	40,721,138
Private placement(1)	5,631,000	5,448,291
Warrants exercised	1,472,500	2,755,778
Stock options exercised	580,000	257,750
Options granted to brokers exercised	88,000	122,408
Balance – End of year	92,956,755	49,305,365

As at September 30, 2014, 92,956,755 shares are issued and fully paid.

(1) The closing of the first tranche of a private placement financing for gross proceeds of $5,631,000, for total gross proceeds of up to $8M (the "Offering"). The terms of the Offering, the Company issued 5,631,000 units (the "Units") at a price of $1.00 per Unit. Each Unit is comprised of one common share (a "Common Share") and one half of one common share purchase warrant (each whole warrant being a "Warrant"). Each Warrant entitles its holder to purchase one common share at a price of$1.25 per share until July 31, 2016 (being 24 months following the closing date). If at any time after four (4) months and one (1) day following the closing date, the trading price of the Common Shares on the Toronto stock exchange (Exchange) is equal to or exceeds $1.75 for a period of twenty (20) consecutive trading days, as evidenced by the price at the close of market, the Company shall be entitled to notify the holders of Warrants of its intention to force the exercise of the Warrants. Upon receipt of such notice, the holders of the Warrants shall have 30 days to exercise the Warrants, failing which the Warrants will automatically expire. In connection with the Offering, the Company paid a commission of $455,707 and issued 422,235 non-transferable warrants (the "Agents Warrants") to Windermere Capital (Canada) Inc. ("Windermere"), also referred as options granted to brokers. Each Agent Warrant entitles to purchase one common share of the Company at a price of $1.00 per share until July 31, 2016. All securities issued in connection with the Offering are subject to a regulatory hold period of four (4) months and one (1) day expiring on December 1st, 2014. The Offering is subject to the final approval of the Exchange.

(In Canadian dollars - unaudited)

15. STOCK OPTIONS, WARRANTS AND OPTIONS GRANTED TO BROKERS

Stock options

In April 2014, 445,000 stock options were issued to directors of the Company and 150,000 to consultants.

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

The Company was not able to reliably determine the fair value of the services received from the consultants and therefore used the fair value of the stock options as calculated using the Black-Scholes pricing model.

	Nine-month period ended September 30, 2014
Weighted average price of share at time of grant	$1.19
Weighted average strike price of share at time of grant	$1.30
Weighted average risk-free interest rate	1.60%
Weighted average expected volatility	70%
Weighted average expected life	4,5 years
Weighted average expected dividend yield	0%
Weighted average fair value of options granted	0.63

The following table reflects the continuity of stock options for the nine months period ended September 30, 2014:

	Nine-month period ended September 30, 2014		
	Number	**Weighted average exercise price $**	**Remaining life**
Balance – Beginning of period	6,165,000	1.10	8.9 years
Expired	(610,000)	1.31	-
Granted	595,000	1.30	9.5 years
Exercised	(580,000)	0.23	-
Forfeited	(266,667)	1.11	-
Balance – End of period	5,303,333	1.19	8.2 years
Exercisable at the end of the period	3,558,333	1.16	7.5 years

Warrants

As at July 31, 2014 and as part of the Offering, 2,815,500 warrants were granted. The fair value of warrants granted amounted to $182,709 and was estimated using the Black-Scholes pricing model with the following weighted average assumptions:

	Nine-month period ended September 30, 2014
Weighted average price of share at time of grant	$0.932
Weighted average risk-free interest rate	1.10%
Weighted average expected volatility	43%
Weighted average expected life	2 years
Weighted average expected dividend yield	0%
Weighted average fair value of warrants granted	$0.068

(In Canadian dollars - unaudited)

The following table reflects the continuity of warrants for the nine months ended September 30, 2014:

	Nine-month period ended September 30, 2014		
	Number	**Weighted average exercise price**	**Remaining life**
		$	
Balance – Beginning of period	7,440,500	1.24	1.8 years
Expired	(750,500)	1.21	-
Granted	2,815,500	1.25	1.8 years
Exercised	(1,472,500)	1.24	-
Balance – End of period	8,033,000	1.24	1.3 years

Options granted to brokers

As at July 31, 2014 and as a part of the Offering, 422,325 options to brokers were granted. The fair value of warrants granted amounted to $ 72,334 and was estimated using the Black-Scholes pricing model with the following weighted average assumptions:

	Nine-month period ended September 30, 2014
Weighted average price of share at time of grant	$0.97
Weighted average risk-free interest rate	1.10%
Weighted average expected volatility	37%
Weighted average expected life	1.8 years
Weighted average expected dividend yield	0%
Weighted average fair value of warrants granted	0.17

The following table reflects the continuity of options granted to brokers for the nine months period ended September 30, 2014:

	Nine-month period ended September 30, 2014		
	Number	**Weighted average exercise price**	**Remaining life**
		$	
Balance – Beginning of period	432,909	1.15	1.2 years
Granted	422,325	1.00	1.8 years
Exercised	(88,000)	0.92	-
Balance – End of period	767,234	1.15	1.3 years

16. SUPPLEMENTARY INFORMATIONS RELATED TO CASH FLOWS

Net change in non-cash working capital items for the three month period ended	**Nine-month period ended September 30, 2014**	**Nine-month period ended September 30, 2013**
	$	**$**
Receivable and other current assets	76,143	(2,999)
Sales taxes receivable	17,330	(213,979)
Accounts payable and accrued liabilities	110,974	(1,024,472)
	204,447	(1,241,450)

(In Canadian dollars - unaudited)

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

	Nine-month period ended September 30, 2014 $	**Nine-month period ended September 30, 2013 $**
Addition to Property, plant and equipment assets not yet paid	2,400	-
Addition to exploration and evaluation assets not yet paid	669,221	2,499,045
Share issue expense	72,334	-

17. RELATED PARTY TRANSACTIONS

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

	Nine-month period ended September 30, 2014	**Nine-month period ended September 30, 2013**
Transactions with a Company controlled by the former Chief Executive Officer		
Exploration and evaluation assets	-	27,900
Insurance and other	-	12,000
Management fees	-	18,091
Balance included in accounts payable and accrued liabilities	-	50,678

	Nine-month period ended September 30, 2014 $	**Nine-month period ended September 30, 2013 $**
Key management compensation (1)		
Share-based compensation	70,086	366,345
Government defined contributions plan	-	9,710
Management fees	206,664	217,500
	276,750	593,555
Salaries and fringe benefits (2)	587,043	348,587
	863,793	942,142

(1) The key management is composed of the Chief Executive Officer (CEO), Chief Operations Officer, Chief Financial Officer (CFO), President and Vice-President.
(2) Salaries and fringe benefits are capitalized to exploration and evaluation assets included an amount to $ 86,328.

As part of the Offering, directors and officers of the Company subscribed to the Offering for aggregate gross proceeds of $186,000.

The Company has entered into employment and management contracts with its key executives whose estimated annual remuneration amounts to $715,000. The agreements with the Company's key executives contain provisions that apply in case of termination without cause or change of control. If all executive team members had been dismissed without cause on September 30, 2014, the Company would have had to pay a total amount of $607,500 as severance. If a change of control had occurred on September 30, 2014, the total amounts payable to the executive team in respect of severance would have totaled $1,430,000.

(In Canadian dollars - unaudited)

18. FINANCIAL INSTRUMENTS AND FINANCIAL RISKS

Classification

The Company's financial instruments as at September 30, 2014 and December 31, 2013 consist of cash and cash equivalents, receivable and other current assets and credit line. The fair value of these financial instruments approximates their carrying value due to their short-term maturity, to current market rates or they bear interest at variable rates.

The classification of financial instruments is summarized as follows:

	Classification	Carrying value As at September 30, 2014	 As at December 31, 2013
		$	$
Financial assets			
Cash and cash equivalents	Loans and receivables	4,060,148	6,896,331
Receivable and other current assets	Loans and receivables	469,005	15,000
		4,529,153	6,911,331
Financial liabilities			
Accounts payable and accrued liabilities	Financial liabilities at amortized cost	988,956	538,934
Credit line and current portion of credit line	Financial liabilities at amortized cost	12,373,372	11,399,817
Loan payable	Financial liabilities at amortized cost	-	1,453,078
		13,362,328	13,391,829

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 period ended September 30, 2014 and December 31, 2013.

Financial risks

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

Credit risk

The Company's credit risk is primarily attributable to cash and cash equivalents and receivable and other current assets. Cash and cash equivalents are deposited in Canadian chartered bank accounts or invested in a diversified manner in securities having an investment-grade rating (AA-), from which management believes the risk of loss to be minimal.

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 flow primarily from its financing activities. As at September 30, 2014 the Company has cash and cash equivalents of $4,060,148 ($6,896,331 as at December 31, 2013) to settle current liabilities of $1,249,519 ($2,714,904 as at December 31, 2013). The cash reserved for exploration and evaluation expenses amounts to $211,964. 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 September 30, 2014:

	Carrying amount	Contractual cash flows	0 to 12 months	12 to 24 months	More than 24 months
	$	$	$	$	$
Accounts payable and accrued liabilities	988,956	988,956	988,956	-	-
Credit line	12,373,372	14,579,998	847,087	13,732,911	-

Interest rate risk

Interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company has not entered into any derivative contracts to manage this risk. The Company's policy as it relates to its cash balances is to invest excess cash in financial instruments held with a Canadian chartered bank.

As at September 30, 2014, the Company's exposure to interest rate risk is summarized as follows:

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

Since cash and cash equivalents is subject to fixed interest rates, a fluctuation in interest rates will have no impact on their cash flows. The Company's interest rate risk arises from credit lines. Credit lines issued at variable rates expose the Company to cash flow risk.

Currency risk

As at September 30, 2014, the Company has a bank account in US dollars for an amount of $4,725 ($ 13,708 in December 31, 2013). The Company estimates that a variation of ±10% in exchange rates on that date would have resulted in a variation of approximately $473 as at September 30, 2014 ($ 1,370 in December 31, 2013) in net loss.

19. COMMITMENTS

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

b) The Company's future minimum operating lease payments for the rent in Chicoutimi and Montreal offices, trucks rental and Lac A Paul camp are as follows:

	Within 1 year	**1 to 5 years**	**After 5 years**	**Total**
September 30, 2014	$102,397	430,925	-	$533,322

c) During the third quarter, the Company announced the resignation of the CEO, Brian Kenny. The Company agrees to pay $6,000 per month to the former CEO for a period of four months for a total of $24,000 in exchange for the Consultant Services.

20. SUBSEQUENT EVENTS

a) October 15, 2014, the Company closed the second tranche of a private placement financing for gross proceeds of $2,369,000 for total gross proceeds from the Offering (the first and second closings) of up to $8M. Directors and officers of the Company subscribed to the Offering for aggregate gross proceeds of $30,000.

Under the terms of the Offering, the Company issued 2,369,000 units (the "Units") at a price of $1.00 per Unit. Each Unit is comprised of one common share and one half of a warrant. Each warrant entitles its holder to purchase one common share at a price of $1.25 per share until October 15, 2016. If at any time after four (4) months and one (1) day following the closing date, the trading price of the Common Shares on the Exchange is equal to or exceeds $1.75 for a period of twenty (20) consecutive trading days, as evidenced by the price at the close of market, the Company shall be entitled to notify the holders of Warrants of its intention to force the exercise of the Warrants. Upon receipt of such notice, the holders of the Warrants shall have 30 days to exercise the Warrants, failing which the Warrants will automatically expire.

In connection with the second closing of the Offering, the Company paid commissions of $75,425 of which $25,425 was paid to Windermere Capital (Canada) Inc. ("Windermere"), which acted as an agent for the private placement. Furthermore, the Company issued 25,425 non-transferable warrants (the "Agent's Warrants") to Windermere. Each Agent Warrant entitles to purchase one common share of the Company at a price of $1.00 per share until October 15, 2016.

All securities issued in connection with the Offering are subject to a regulatory hold period of four (4) months and one (1) day expiring on February 16, 2015.

b) October 15, 2014, the Company issued to its Directors, officers and employees a total of 850,000 stock options with an exercise price of $1.00 per share and a ten year term. The stock options vest on a basis of 33% every year on a three-year period starting from the date of grant.