ARIANNE PHOSPHATE INC.
CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)
SIX-MONTH PERIODS ENDED JUNE 30, 2022 AND JUNE 30, 2021
(in Canadian dollars)

Condensed consolidated interim financial statements for the six-month period ended June 30, 2022 haven't been reviewed by the auditors.

ARIANNE PHOSPHATE INC.

CONTENTS

ARIANNE PHOSPHATE INC.

CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION
(In Canadian dollars)

	As at June 30, 2022	As at December 31, 2021
	$	$
ASSETS		
Current assets		
Cash (note 4)	4,119,931	5,027,247
Receivables and other current assets	153,641	130,009
Sales taxes receivable	32,422	20,118
Mining tax credit receivable	66,496	66,496
	4,372,490	5,243,870
Non-current assets		
Mining tax credit receivable	105,605	68,844
Investment property – Outfitters (note 5)	252,077	260,241
Property, plant and equipment (note 6)	62,458,152	62,179,863
Right-of-use assets (note 7)	75,199	100,266
	62,891,033	62,609,214
Total assets	67,263,523	67,853,084
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities	269,604	214,130
Lease liabilities (note 8)	67,015	66,353
Loans (note 10)	43,139	43,139
Credit line (note 9)	496,495	2,133,041
	876,253	2,456,663
Non-current liabilities		
Credit line (note 9)	17,485,010	16,262,568
Lease liabilities (note 8)	22,325	43,371
Deferred income taxes	3,854,943	3,818,182
Total liabilities	22,238,531	22,580,784
Equity		
Capital stock (note 11)	88,623,322	85,739,960
Warrants (note 12)	9,804,077	9,804,077
Contributed surplus	16,225,452	16,075,794
Deficit	(69,627,859)	(66,347,531)
Total equity	45,024,992	45,272,300
Total liabilities and equity	67,263,523	67,853,084

COMMITMENTS (note 16)

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

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

(s) Pier-Elise Hebert-Tremblay, CFO

ARIANNE PHOSPHATE INC.

CONSOLIDATED INTERIM STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
FOR THE SIX-MONTH PERIODS ENDED JUNE 30, 2022 AND 2021
(In Canadian dollars)

	Three-month period ended June 30, 2022	Three-month period ended June 30, 2021	Six-month period ended June 30, 2022	Six-month period ended June 30, 2021
	$	$		
EXPENSES				
Salaries and benefits	122,128	224,831	246,678	286,347
Share-based compensation	109,317	44,715	197,077	76,419
Professional and consultant fees	44,768	207,669	98,778	259,218
Management fees	25,000	35,833	50,000	42,083
Registration and listing fees	28,446	17,573	52,312	45,005
Annual general meeting	35,527	-	35,527	-
Communications	108,165	46,469	158,953	81,069
Promotion, representation and travel	15,881	257	28,744	2,992
Insurance	15,900	12,801	31,492	24,231
Rent and office expenses	17,767	13,482	34,848	29,045
Depreciation of property, plant and equipment	18,346	19,031	37,064	36,465
Bank charges	1,308	1,018	2,564	1,864
Government grant	(1,009)	(884)	(1,975)	(11,888)
Operating loss	541,544	622,795	972,062	872,850
OTHER EXPENSES (INCOME)				
Finance costs (note 13)	1,354,189	816,214	2,246,041	4,936,474
Foreign exchange loss	819	(1,516)	2,363	718
Other income	(3,000)	(3,000)	(3,000)	(3,000)
Net (income) loss of investment property – Outfitters (Note 5)	23,198	40,328	35,460	52,954
	1,375,206	852,026	2,280,864	4,987,146
LOSS BEFORE INCOME TAXES	**1,916,750**	**1,474,821**	**3,252,926**	**5,859,996**
Deferred income taxes	13,139	31,769	36,761	42,655
NET LOSS AND COMPREHENSIVE LOSS FOR THE PERIOD	**1,929,889**	**1,506,590**	**3,289,687**	**5,902,651**
BASIC AND DILUTED LOSS PER SHARE	**0.01**	**0.01**	**0.02**	**0.04**
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING	**186,446,640**	**140,954,642**	**185,596,955**	**136,603,547**

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

ARIANNE PHOSPHATE INC.

CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN EQUITY
FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2022 AND 2021
(in Canadian dollars)

	Capital stock	Capital stock	Warrants	Contributed surplus	Deficit	Total equity
	common shares	$	$	$	$	$
Balance as at January 1, 2022	185,464,469	85,739,960	9,804,077	16,075,794	(66,347,531)	45,272,300
Net and Comprehensive loss for the year	-	-	-	-	(3,289,687)	(3,289,687)
Share-based compensation (note 12)	-	-	-	197,077	-	197,077
Exercise of broker warrants (note 12)	339,283	217,061	-	(47,419)		169,642
Debt conversion	4,166,096	2,666,301	-	-	-	2,666,301
Share issuance expenses					9,359	9,359
Balance as at June 30, 2022	189,969,848	88,623,322	9,804,077	16,225,452	(69,627,859)	45,024,992
Balance as at January 1, 2021	123,198,348	64,354,302	1,133,214	15,226,269	(56,836,384)	23,877,401
Net and Comprehensive loss for the year	-	-	-	-	(8,830,113)	(8,830,113)
Share-based compensation (note 14)	-	-	-	195,834	-	195,834
Grant of warrants (note 14)	-	-	8,412,413	-	-	8,412,413
Warrants expired (note 14)	-	-	(585,104)	585,104	-	-
Exercise of warrants (note 14)	28,946,666	7,134,153	(96,872)	-	-	7,037,281
Exercise of options (note 14)	109,800	36,181	-	(13,873)	-	22,308
Debt conversion (note 12)	21,709,655	9,335,151	-	-	-	9,335,151
Private Placement (note 13)	11,500,000	4,880,173	869,827	-		5,750,000
Share issuance expenses	-	-	-	-	(610,435)	(610,435)
Grant of broker warrants	-	-	-	82,460	-	82,460
Modification of warrants	-	-	70,599	-	(70,599)	-
Balance as at December 31, 2021	185,464,469	85,739,960	9,804,077	16,075,794	(66,347,531)	45,272,300

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

ARIANNE PHOSPHATE INC.

CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS
FOR THE THREE -MONTH PERIODS ENDED JUNE 30, 2022 AND 2021
(In Canadian dollars)

	Six-month period ended June 30, 2022	Six-month period ended June 30, 2021
	$	$
CASH FLOW FROM (USED IN)		
OPERATING ACTIVITIES		
Net loss for the period	(3,289,688)	(5,902,651)
Adjustments for:		
Share-based payments	197,077	76,419
Depreciation – Investment property - Outfitters	8,164	9,776
Depreciation – Property, plant and equipment	37,064	36,465
Depreciation – Intangible asset	-	-
Income taxes and deferred taxes	36,761	42,655
Tax credit adjustment	-	409,301
Finance costs	2,252,197	4,739,666
Noncash grant	-	(846)
Net change in non-cash working capital items (note 14)	21,793	(727,041)
	(736,632)	(1,316,256)
INVESTING ACTIVITIES		
Proceeds of tax credit	-	922,748
Acquisition of property, plant and equipment	(319,942)	(294,704)
Acquisition of property, plant and equipment – Outfitter	-	(3,143)
	(319,942)	624,901
FINANCING ACTIVITIES		
Proceeds from the issuance of units	-	5,750,000
Share issuance expenses	-	(505,070)
Warrants exercised	-	433,333
Broker warrants exercised	169,642	-
Options exercised	-	7,308
Reimbursement of lease liabilities	(20,384)	(14,514)
	149,258	5,671,057
CHANGE IN CASH DURING THE PERIOD	(907,316)	4,979,702
CASH BEGINNING OF PERIOD	5,027,247	628,910
CASH END OF PERIOD	4,119,931	5,608,612
Supplementary cash flow information (note 14)		
Interest received	19,288	1,550

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

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

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

The Company's shares are listed on the TSX Venture Exchange (symbol DAN), on the Frankfurt exchange (symbol JE9N) and on the 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.

As at June 30, 2022, the Company had a working capital of $3,496,237. Management of the Corporation believes that it has sufficient funds to maintain the status of its current obligations and keep its properties in good standing, to pay its ongoing general and administrative expenses and to meet its liabilities, obligations and existing commitments beyond the ensuing 12 months as they fall due, with the financing closed on June 4, 2021 (described in note 11). The Corporation's ability to continue future operations beyond twelve months and fund its development expenditures is dependent on management's ability to secure additional financing in the future, which may be completed 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

The accounting policies followed in these condensed consolidated interim financial statements are consistent with those applied in the Company's annual consolidated financial statements for the year ended December 31, 2021. These condensed consolidated interim financial statements should be read in conjunction with the Company annual consolidated financial statements for the year ended December 31, 2021, 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 August 24, 2022.

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

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.

(in Canadian dollars)

4. CASH

	As at June 30, 2022 $	As at December 31, 2021 $
Cash	4,119,931	5,027,247

As at June 30, 2022, cash comprise cash on hand amounting to $4,013,864 (December 31, 2021 - $4,942,030) bearing interest at a fixed rate of 3.70% and an amount of $106,067 (December 31, 2021- $85,217) not bearing interest.

As at June 30, 2022 an amount of $12,000 ($12,000 in 2021) is restricted in connection with the Company's credit card agreement.

5. INVESTMENT PROPERTY – OUTFITTERS

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

	Six-month period ended June 30, 2022 $	Six-month period ended June 30, 2021 $
Outfitters income	44,166	29,737
Other income	2,495	2,085
Operating expenses:		
Management and operating fees	33,435	40,838
Professional fees	2,260	990
Repair and maintenance	8,601	-
Supplies	10,823	11,706
Advertising and promotion	4,492	10,538
Taxes and licenses	1,022	2,438
Insurance	8,124	8,428
Interest and bank charges	225	65
Depreciation of property, plant and equipment	8,164	9,776
	82,121	84,779
Gain (loss) of investment property – Outfitters	(35,460)	(52,957)

The carrying value, net of amortization, for the outfitter operating assets is $252,077 as at June 30, 2022 ($256,639 as at December 31, 2021).

(in Canadian dollars)

6. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements	Tools and equipment	Computer equipment	Rolling equipment	Land	Mineral property under development	Total
	$	$	$	$	$	$	$
Cost							
Balance as at December 31, 2020	294,032	23,410	29,878	-	1,433,215	61,904,090	63,684,625
Acquisition	-	-	-	37,635	-	349,875	387,510
Disposal					(336,800)	-	(336,800)
Tax credit				-		(1,361,336)[1]	(1,361,336)
Balance as at December 31, 2021	294,032	23,410	29,878	37,635	1,096,415	60,973,590	62,454,961
Acquisition	-	-	-	-	-	327,848	327,848
Tax credit	-	-	-	-	-	(36,761)	(36,761)
Balance as at June 30, 2022	294,032	23,410	29,878	37,635	1,096,415	61,264,678	62,746,048
Accumulated depreciation							
Balance as at December 31, 2020	211,955	17,947	18,185	-	-	-	248,128
Depreciation	15,004	2,016	3,070	6,880	-	-	26,970
Balance as at December 31, 2021	226,999	19,963	21,255	6,880	-	-	275,097
Depreciation	6,441	800	1,225	4,332	-	-	12,798
Balance as at June 30, 2022	233,440	20,763	22,480	11,212	-	-	287,896
Net book value							
Balance as at December 31, 2021	67,033	3,447	8,623	30,755	1,096,415	62,973,590	62,179,863
Balance as at June 30, 2022	60,592	2,647	7,398	26,423	1,096,415	61,264,678	64,458,152

1) *Represents the tax credit related to resources and the mining duty credit for loss for the years 2012, 2013 and 2019 and related deferred income taxes adjustments.*

7. RIGHT-TO-USE ASSETS

	Buildings and Accommodations	Total
	$	$
Cost		
Balance as at December 31, 2020	225,600	225,600
Balance as at December 31, 2021	225,600	225,600
Balance as at June 30, 2022	225,600	225,600
Accumulated depreciation		
Balance as at December 31, 2020	75,201	75,201
Depreciation	50,133	50,133
Balance as at December 31, 2021	125,334	125,334
Depreciation	25,067	12,533
Balance as at June 30, 2022	150,401	137,867
Net book value		
Balance as at December 31, 2021	100,266	100,266
Balance as at June 30, 2022	75,199	87,733

(in Canadian dollars)

8. LEASE LIABILITIES

	As at June 30, 2022 $	As at December 31, 2021 $
Balance – Beginning of year	109,724	140,875
Reimbursement of lease liabilities	(20,384)	(31,151)
Balance – End of year	89,340	109,724
Current portion	67,015	66,353
Non-current portion	22,325	43,371

9. CREDIT LINE

The Company has non-revolving credit lines with Mercury Financing Corp. ("the Lender") which were obtained to finance the development of the Lac a Paul project. As of May 12, 2016, the lines were fully drawn. The Lender holds a first ranking security over the Company's Lac a Paul property claims, up to an aggregate amount of $27 million. The wholly owned subsidiary, 9252-5880 Québec Inc., has guaranteed jointly and severally the credit lines. Furthermore, the Company is subject to restrictions related to the disposal of assets and equity issuance through financing.

In December 2017, the Company had extended its credit line until January 15, 2019. The credit line bears interest at an annual rate equal to 15%, with all interests capitalized to the principal amount until the credit line matures. In connection with this transaction, the Company paid to the lender a commitment fee of 3% of the total amount of the credit facility, due on January 15, 2019. At the closing, the parties also agreed to terminate 3,717,000 non-transferable warrants which were issued to the lender in October 2015. In connection with the extension of the credit line, the Company granted 17,181,739 warrants at an exercise price of $0.68 per warrant.

In December 2018, the Company had extended its credit line until September 30, 2020. The credit line bears interest at an annual rate equal to 15%, with all interests capitalized to the principal amount until the credit line matures. At the closing, the parties have also agreed to terminate 17,338,739 non-transferable warrants which were issued to the lender in December 2017 (17,181,739 warrants) and in October 2014 (157,000 warrants). In connection with this extension, the Company also paid $20,348 of transaction fees. 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.

In June 2020, the Company had 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 the extension of the credit line, the Company granted 26,780,000 warrants at an exercise price of $0.2466 per warrant.

On June 30, 2021 the Company had extended its credit line until March 31, 2026. The credit line bears interest at an annual rate equal to 8%, with all interests capitalized to the principal amount, to be paid annually in cash or in common shares of the Company. The Lender also exercised 26,780,000 warrants into the Company's common shares, thereby reducing the credit facility of $6,603,948. In conjunction with the amended credit facility, the Lender received 32 million non-transferable share purchase warrants, exercisable at a price of $0.33 per share for a period of 5 years. These warrants are subject to a "warrant blocker" provision meaning the Lender's holdings can only go above 19.9% of the issued and outstanding common shares of the Company in certain limited circumstances. The warrants are subject to a hold period of four months and one day from the date of the issuance. An amount of $8,412,413 was allocated to the fair value of the warrants, using the Black-Scholes pricing model. In connection with this extension, the Company also paid $47,522 of transaction fees.

Since the terms of the extended credit facility are substantially different, the modification has been considered as an extinguishment of the original credit line. The difference between the carrying value of the credit line extinguished and the new credit line has been recognized in the statement of loss, through a gain of $1,211,484.

In 2021, the Company had increased the buyback purchase price of the existing production fee granted in favour of the Lender to $11.25M. After the first anniversary, since the Company had not settled the Mercury debt, the Company had granted an additional Production Fee of $0.25 per tonne. This additional production fee can be bought back at $2,250,000.

The Company has undertaken to raise additional funds in the amount of $3M within the 1-year anniversary of the closing of the transaction and, every anniversary thereafter for the three subsequent years, for total cumulative gross proceeds of $12M. As at March 31, 2022 the Company raised $5.75M, which is credited against the amount to be raised. Should the Company not raise additional funds on a yearly and cumulative basis, the Company shall issue the Lender an additional 5M non-transferable share purchase warrants per year where a funding milestone has not been met (maximum of 20M non-transferable warrants). Each warrant will be exercisable at a price per share equal to the market price on the date such warrants must be issued by the Company and will expire on the date the amended credit facility expires- for the first 4 years of the amended credit facility, in the event the Company has not repaid the Loan in full and the Lender remains the creditor of the Company in relation to such Loan, the Company shall grant the Lender an additional annual production fee of $0.25/tonne , which may be bought back by the Company for $2.25M, for a maximum annual additional production fee of $1/tonne (which may be bought back by the

(in Canadian dollars)

Company for a total amount of $9M).

On April 1st, 2022 the Company issued 4,166,096 common shares at a price of $0.512 per share, in lieu of cash, as its annual interest payment to Mercury as at, March 31, 2022. Arianne had at its sole option to issue the interest by way of shares or cash, such cash amount would have been equal to $2,133,041. A loss on settlement of $533,260 has been recorded in the statement of loss.

	As at June 30, 2022 $	As at December 31, 2021 $
Balance – Beginning of the period	18,395,609	30,660,613
Interest paid in shares	(2,133,041)	-
Repayment by exercise of warrants	-	(6,603,948)
Amortization of transaction costs	-	1,420,462
Debt extinction	-	(24,892,949)
New debt under IFRS 9	-	15,269,052
Capitalized interests and accretion	4,261,318	2,542,379
Balance – End of the period	17,981,505	18,395,609
Current portion	496,495	2,133,041
Non-current portion	17,485,010	16,262,568

10. LOANS

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, 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.

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, 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.

In September 2019, the Company extended the total $4.1 million loans. These extensions will mature on September 28, 2021 and bear interest at 8%, paid semi-annually. In connection with the loan extensions, the Company issued non-transferable warrants in the amount of 1,818 per $1,000 face value (for a total of 7,453,800 warrants), with each warrant entitling the holder to purchase one common share of the Company at a price of $0.55 per share for a term of 2 years expiring on September 28, 2021.

On March 31, 2021, the Company issued 14,545,455 common shares of the Company at a deemed price of $0.43 per share, as settlement for $4,000,000 of the loans. Also, 7,272,000 warrants, with an exercise price of $0.55, had been cancelled. A loss on settlement of $2,346,723 has been recorded in the statement of loss.

	As at June 30, 2022 $	As at December 31, 2021 $
Balance – Beginning of period	-	3,932,483
Amortization of transactions costs	-	167,517
Conversion in common shares	-	(4,000,000)
Repayment of the loans	-	(100,000)
Balance – End of period	-	-

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, 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.

In December 2019, the Company extended the total $1.5 million loan. This extension will mature on June 18, 2021 and bear interest at 12%, capitalized monthly. In connection with the loan extensions, the Company issued non-transferable warrants in the amount of 2,222 per $1,000 face value (for a total of 3,756,583 warrants), with each warrant entitling the holder to purchase one common share of the Company at a price of $0.27 per share for a term of 18 months expiring on June 18, 2021.

(in Canadian dollars)

On March 31, 2021, the Company issued 7,164,200 common shares of the Company at a deemed price of $0.43 per share, as settlement for $1,970,155 of the loans. Also, 3,756,584 warrants, with an exercise price of $0.27, had been cancelled. A loss on settlement of $1,155,852 has been recorded in the statement of loss.

	As at June 30, 2022 $	As at December 31, 2021 $
Balance – Beginning of period	-	1,859,267
Capitalized interests	-	57,163
Amortization of transactions costs	-	53,725
Conversion in common shares	-	(1,970,155)
Balance – End of period	-	-

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 June 30, 2022 $	As at December 31, 2021 $
Balance – Beginning of period	43,139	43,139
Balance – End of period	43,139	43,139
Current portion	43,139	43,139
Non-current portion	-	-

11. 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:

	Six-month period ended June 30, 2022		Year ended December 31, 2021	
	Number	Amount $	Number	Amount $
Balance – Beginning of year	185,464,469	85,739,960	123,198,348	64,354,302
Private placement (1)	-	-	11,500,000	4,880,173
Exercise of options	-	-	109,800	36,181
Exercise of warrants	-	-	28,946,666	7,134,153
Exercise of broker warrants	339,283	217,061	-	-
Debt-interest conversion	4,166,096	2,666,301	21,709,655	9,335,151
Balance – End of year	185,475,310	85,746,896	185,464,469	85,739,960

(1) Value of capital stock paid in cash (private placement) is presented net of fair value of warrants units amounting to nil in 2022 (2021 – 869,827) – refer to description below.

(in Canadian dollars)

Year ended December 31, 2021
On June 4, 2021 the Company closed an equity financing in the amount of $5,750,000. Under the terms of the financing, Arianne has issued 11,500,000 units at a price of $0.50 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 $0.71 until June 4, 2023.

12. STOCK OPTIONS, WARRANTS AND OPTIONS GRANTED TO BROKERS

Stock options

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

Changes in Company stock options were as follows:

	Six-month period ended June 30, 2022		Year ended December 31, 2021	
	Number	Weighted average exercise price $	Number	Weighted average exercise price $
Balance – Beginning of the period	6,807,500	0.66	6,014,447	0.77
Granted	1,050,000	0.60	1,845,000	0.42
Exercised	-	-	(109,800)	0.20
Expired	(266,667)	0.36	(878,813)	0.96
Forfeited	-	-	(63,334)	0.39
Balance – End of year	7,590,833	0.667	6,807,500	0.66
Exercisable at the end of the period	4,860,416	0.77	4,785,416	0.77

Warrants

Changes in Company warrants were as follows:

	Six-month period ended June 30, 2022		Year ended December 31, 2021	
	Number	Weighted average exercise price $	Number	Weighted average exercise price $
Balance – Beginning of year	45,022,875	0.42	48,546,591	0.36
Granted	-	-	37,750,000	0.39
Exercised	-	-	(28,946,666)	0.24
Expired	-	-	(12,327,050)	0.49
Balance – End of year	45,022,875	0.42	45,022,875	0.42

Options granted to brokers

Changes in Company options granted to brokers were as follows:

	Six-month period ended June 30, 2022		Year ended December 31, 2021	
	Number	Weighted average exercise price $	Number	Weighted average exercise price $
Balance – Beginning of year	590,000	0.50	55,740	0.75
Granted	-	-	590,000	0.50
Exercised	(339,283)	0.50		
Expired	-	-	(55,740)	0.75
Balance – End of year	250,717	0.50	590,000	0.50

(in Canadian dollars)

13. FINANCE COSTS

	Six-month period ended June 30, 2022 $	Six-month period ended June 30, 2021 $
Accretion and interest on loans	-	280,405
Accretion and interest on credit line	1,718,937	2,257,735
Loss on conversion	533,260	3,502,575
Gain on extension of credit line	-	(1,211,484)
Interest expense on lease liabilities	13,132	17,676
Interest income	(19,288)	(1,550)
Transaction costs	-	91,117
	2,246,041	4,936,474

14. SUPPLEMENTARY INFORMATION RELATED TO CASH FLOWS

Net change in non-cash working capital items	Six-month period ended June 30, 2022 $	Six-month period ended June 30, 2021 $
Receivable and other current assets	(23,631)	(5,710)
Sales taxes receivable	(12,304)	(87,605)
Accounts payable and accrued liabilities	57,728	(633,726)
	21,793	(727,041)

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

	Six-month period ended June 30, 2022 $	Six-month period ended June 30, 2021 $
Addition to property, plant and equipment not yet paid		153,546
Transaction costs not yet paid		49,827

15. RELATED PARTY TRANSACTIONS

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

	Six-month period ended June 30, 2022 $	Six-month period ended June 30, 2021 $
Key management compensation (1)		
Share-based compensation	60,335	47,770
Management fees (2)	50,000	206,795
	110,335	254,565
Salaries and benefits (2)	233,638	292,486
	343,973	547,051
Balance included in accounts payable and accrued liabilities	8,333	-

(1) The key management is composed of the Chief executive officer (CEO), President, Chief Financial Officer (CFO), Chief Operating Officer (COO), President and Executive Chairman.

(2) Salaries, benefits and management fees capitalized to property, plant and equipment amount to $130,867 ($76,901 in 2021).

(in Canadian dollars)

The Company has entered into employment and management contracts with its key executives whose estimated annual remuneration amounts to $725,000. 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 June 30, 2022, the Company would have had to pay a total amount of $375,000 as severance. If a change of control had occurred on June 30, 2022, the total amounts payable to the executive team in respect of severance would have totaled $725,000 (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 June 30, 2022, the total amounts payable to the executive team in respect of severance would have totaled $725,000 (assuming they left after a change of control and each named executive opted to receive such compensation).

Subsequent to the nomination of Brian Ostroff as a director of the Company on June 4, 2014, Windermere is considered as a related party because it has significant influence over the Company through its representation on the Board of Directors. All agreements and transactions with Windermere are already disclosed in these financial statements and are therefore not described in this note.

Ocean Partners is also considered as a related party because two directors of the Company are directors of Ocean Partners. All agreements and transactions with Ocean Partners are already disclosed in these consolidated financial statements and are therefore not described in this note.

16. COMMITMENTS

a) In August 2012, the Company granted the Lender of the credit line a royalty of $1 per ton of phosphate concentrate sales from the Lac à Paul project. This royalty may be redeemed at any time through a lump-sum payment of $9 million. In July 2013, the Company also granted the Lender of the credit line a royalty of $0.25 per ton of phosphate concentrate sales from the Lac à Paul project. This royalty may be redeemed at any time through a lump-sum payment of $2.25 million. In 2022, the Company 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 $2.25 million. These royalties will have to be redeemed by the Company for the same amount in the event of a change of control where at least 90% of the issued and outstanding shares of the Company are acquired, purchased or held by a third party, either through a tender offer or other transaction with the same result. The Company also has granted to other parties a 2.75% royalty on the net smelter return (''NSR''). The royalty may be redeemed at any time through a lump-sum payment of $2.5 million.

17. CONTINGENCIES

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

18. FINANCIAL INSTRUMENTS AND FINANCIAL RISKS

Classification

The Company's financial instruments as at June 30, 2022 and as at December 31, 2021 consist of cash, receivable and other current assets, accounts payable and accrued liabilities, loans and credit line.

The classification of financial instruments is summarized as follows:

	Carrying value As at June 30, 2022 $	Carrying value As at December 31, 2021 $
Financial assets at amortized costs		
Cash	4,119,931	5,027,247
Receivables and other assets	153,641	130,009
	4,273,572	5,157,236
Financial liabilities at amortized costs		
Accounts payable and accrued liabilities	269,604	214,130
Loans	43,139	43,139
Credit line	17,981,505	18,395,609
	18,294,248	37,629,837

The Company defines the fair value hierarchy under which its financial instruments are valued as follows: level 1 includes unadjusted quoted prices in active markets for identical assets or liabilities; level 2 includes inputs other than quoted prices in level 1 that are observable for assets or liabilities, either directly or indirectly; and level 3 includes inputs for the asset or liability that are not based on observable market data. There was no transfer of hierarchy level during the periods ended June 30, 2022 and 2021.

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 receivables and other current assets. Cash is 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 June 30, 2022, the Company had cash of $4,120,931 ($5,027,247 as at December 31, 2021) to settle current liabilities of $876,253 ($2,456,663 as at December 31, 2021). The Company regularly evaluates its cash position to ensure preservation and security of capital as well as maintenance of liquidity (Refer to note 1).

The following are the contractual maturities of financial liabilities, including interest where applicable as at June 30, 2022:

	Carrying amount $	Contractual cash flows $	0 to 12 months $	12 to 24 months $	More than 24 months $
Accounts payable and accrued liabilities	269,604	269,604	269,604	-	-
Lease liability	89,340	89,340	67,015	22,325	-
Loans	43,139	30,000	30,000	-	-
Credit line	17,981,505	33,690,849	2,051,978	2,057,769	29,581,102

Interest rate risk

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

As at June 30, 2022, 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	Fixed interest rate

Currency risk

As at June 30, 2022, the Company has a bank account in US dollars for an amount of $2,373 ($3,116 as at December 31, 2021). The Company also had US $27,882 and GBP 25,000 payable as at June 30, 2022 (US $29,448 and GBP 25,000 as at December 31, 2021).

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 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 $25,973,623.