ARIANNE Phosphate

Feed the future...Now!

ARIANNE PHOSPHATE INC.
CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

(in Canadian dollars)

Raymond Chabot Grant Thornton

Independent Auditor's Report

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To the Shareholders of
Arianne Phosphate Inc.

Opinion

We have audited the consolidated financial statements of Arianne Phosphate Inc. (hereafter "the Company"), which comprise the consolidated statement of financial position as at December 31, 2022, and the consolidated statement of loss and comprehensive loss, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to consolidated financial statements, including a summary of significant accounting policies.

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

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "Auditor's responsibilities for the audit of the consolidated financial statements" section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of matter – restated comparative information

We draw attention to Note 22 to the consolidated financial statements, which describes that certain comparative information presented for the year ended December 31, 2021 has been restated. The consolidated financial statements of the Company for the year ended December 31, 2021 (before the restatement of certain comparative information described in Note 22) were audited by another auditor who expressed an unmodified opinion on those consolidated financial statements on March 30, 2022. Our opinion is not modified in respect of this matter.

As part of our audit of the consolidated financial statements for the year ended December 31, 2022, we also audited the adjustments applied to restate certain comparative information presented. In our opinion, such adjustments are appropriate and have been properly applied.

Other than with respect to the adjustments that were applied to restate certain comparative information, we were not engaged to audit, review, or apply any procedures to the consolidated financial statements for the year ended December 31, 2021. Accordingly, we do not express an opinion or any other form of assurance on those consolidated financial statements taken as a whole.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Assessment for impairment of mineral property under development

As described in Note 2 to the consolidated financial statements, mineral property under development within property and equipment is reviewed for impairment if there is any indication that the carrying amount may not be recoverable. If any such indication is present, the recoverable amount of the asset is estimated in order to determine whether impairment exists. We identified the Company's assessment for impairment of mineral property under development as a key audit matter.

Why the matter was determined to be a key audit matter

The assessment for impairment of mineral property under development is significant to our audit because the balance of mineral property under development of $61,520,501 as at December 31, 2022 is material to the consolidated financial statements. In addition, management's assessment for impairment indicators process is subjective and involves judgment, specifically, but not limited to the following:

– Significant decline in the market value of the Company's share price;

– Significant changes in the Company's strategic plan with regards to the project;

– Significant changes in estimated future production, phosphate price, operating cost and capital expenditures estimates that affect the conclusion of the feasibility study of the project;

– Significant changes in estimates of recoverable reserves and the Company's ability to convert resources to reserves;

– Mineral property under development is unlikely to be fully recovered from successful development or sale.

How the matter was addressed in the audit

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

– We assessed management's process of the facts and circumstances for determining whether an impairment indicator occurred;

– We assessed the completeness of external or internal factors that could be considered as indicators of impairment;

– We assessed that the Company's evaluation of potential impairment indicators was consistent with the information included in the Company's press releases and minutes of the Board of Directors, and the information obtained from internal communications to management and the Board of Directors;

– We compared the quantitative and qualitative information from management's assessment with evidence obtained in other areas of the audit and with information made available to analysts and investors;

– We assessed whether there has been a significant decline in market capitalization which may indicate a decline in value of the Company's net assets.

Fair value measurement of embedded derivatives

As described in Note 2 to the consolidated financial statements, when a hybrid contract contains a host that is not a financial asset, embedded derivatives are recorded at fair value separately from the host contract when their economic characteristics and risks are not clearly and closely related to those of the host contract. Subsequent changes in fair value are recorded in the consolidated statement of loss. We identified the Company's fair value measurement of embedded derivatives as a key audit matter.

Why the matter was determined to be a key audit matter

As described in Notes 10 and 22, the Company has identified embedded derivatives as components of its credit line, recorded at fair value through net loss. The fair value measurement of embedded derivatives is significant to our audit because the balances of the supplemental warrants and the interest conversion option, being respectively of $190,434 and $(497,278) as at December 31, 2022, are material to the consolidated financial statements.

In addition, management uses valuation techniques to determine the fair value of Level 3 embedded derivatives that require significant unobservable inputs, estimation and judgment. Accordingly, the audit of the fair value measurement of embedded derivatives requires significant auditor's judgment and the use of valuation specialists to assess the techniques and non-observable inputs used, including any significant valuation adjustments.

How the matter was addressed in the audit

Our audit procedures related to the Company's assessment of the fair value of embedded derivatives included, among others, the following:

– We assessed management's assumptions, methodologies and significant inputs used in the fair value measurement through the use of our valuation specialists;

– We performed, where deemed appropriate, an independent valuation through the use of our valuation specialists to assess the valuation techniques used by management, which involved obtaining significant inputs from external sources;

– We assessed the adequacy of the disclosures related to the fair value measurement of embedded derivatives in the consolidated financial statements.

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

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

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon. In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor's report. We have nothing to report in this regard.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards (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 group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

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

Raymond Chabot Grant Thornton LLP[1]

Montréal
April 21, 2023

[1] CPA auditor, public accountancy permit no. A127023

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

	2022	2021 RESTATED (NOTE 22)
	$	$
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents (Note 5)	3,254,878	5,027,247
Receivables and other current assets	197,261	130,009
Sales taxes receivable	32,596	20,118
Tax credits related to resources and mining tax credits receivable	66,496	66,496
	3,551,231	5,243,870
NON-CURRENT ASSETS		
Tax credits related to resources and mining tax credits receivable	128,033	68,844
Investment property – Outfitters (Note 6)	211,001	260,241
Right-of-use assets (Note 8)	52,401	100,266
Property and equipment (Note 7)	62,683,460	62,179,863
TOTAL ASSETS	**66,626,126**	**67,853,084**
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	303,501	214,130
Lease liabilities (Note 9)	57,368	66,353
Loans (Note 11)	55,402	43,139
Credit line and embedded derivatives (Note 10)	1,656,134	2,120,617
	2,072,405	2,444,239
NON-CURRENT LIABILITIES		
Credit line and embedded derivatives (Note 10)	24,111,016	18,668,892
Lease liabilities (Note 9)	5,503	43,371
Deferred income taxes (Note 15)	3,905,714	3,818,182
TOTAL LIABILITIES	**30,094,638**	**24,974,684**
EQUITY		
Capital stock (Note 13)	88,143,286	85,739,960
Warrants (Note 14)	9,555,564	9,804,077
Contributed surplus	16,681,648	16,075,794
Deficit	(77,849,010)	(68,741,431)
TOTAL EQUITY	**36,531,488**	**42,878,400**
TOTAL LIABILITIES AND EQUITY	**66,626,126**	**67,853,084**

COMMITMENTS (Note 17)
SUBSEQUENT EVENTS (Note 21)
RESTATEMENT (Note 22)
The accompanying Notes are an integral part of these consolidated financial statements.

APPROVED ON BEHALF OF THE BOARD:

(s) *Siva J. Pillay*, Director (s) *Marco Gagnon*, Director

ARIANNE PHOSPHATE INC.

CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
FOR THE YEARS ENDED DECEMBER 31, 2022, and 2021

(IN CANADIAN DOLLARS, EXCEPT FOR NUMBER OF SHARES)

	2022	2021 RESTATED (NOTE 22)
	$	$
EXPENSES		
Salaries and benefits	508,750	500,387
Share-based compensation (Note 14)	414,484	195,834
Professional and consultant fees	116,189	318,625
Management fees	100,105	82,083
Registration and listing fees	87,100	86,698
Annual shareholders' meeting	35,527	15,668
Communications and investors relation	284,599	179,847
Promotion, representation, and travel	81,524	12,003
Insurance	66,104	52,439
Rent and office expenses	56,015	60,763
Depreciation of property and equipment and right-of-use assets	91,179	75,088
Bank charges	9,378	4,297
Government grant	(2,844)	(13,733)
OPERATING LOSS	**1,848,110**	**1,569,999**
OTHER EXPENSES (INCOME)		
Finance costs (Note 12)	7,055,134	8,994,691
Foreign exchange loss	24,242	2,121
Other income	-	(7,500)
Net loss of investment property – Outfitters (Note 6)	42,283	77,053
	7,121,659	9,066,365
LOSS BEFORE INCOME TAXES	**8,969,769**	**10,636,364**
Deferred income taxes expense	131,489	587,649
NET AND COMPREHENSIVE LOSS	**9,101,258**	**11,224,013**
BASIC AND DILUTED LOSS PER SHARE	(0.05)	(0.07)
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING	188,871,618	167,962,016

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, 2022, and 2021

(IN CANADIAN DOLLARS, EXCEPT FOR NUMBER OF SHARES)

	CAPITAL STOCK	CAPITAL STOCK	WARRANTS	CONTRIBUTED SURPLUS	DEFICIT	TOTAL EQUITY
	common shares	$	$	$	$	$
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 (Restated - Note 22)	-	-	-	-	(11,224,013)	(11,224.013)
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 11)	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 (RESTATED – NOTE 22)	185,464,469	85,739,960	9,804,077	16,075,794	(68,741,431)	42,878,400
BALANCE AS AT JANUARY 1, 2022 (RESTATED – NOTE 22)	185,464,469	85,739,960	9,804,077	16,075,794	(68,741,431)	42,878,400
Net and Comprehensive loss	-	-	-	-	(9,101,258)	(9,101,258)
Share-based compensation (Note 14)	-	-	-	414,484	-	414,484
Warrants expired (Note 14)	-	-	(238,789)	238,789	-	-
Warrants exercised (Note 14)	217,500	53,224	(9,724)	-	-	43,500
Broker options exercised (Note 14)	339,283	217,061	-	(47,419)	-	169,642
Debt conversion (Note 10)	4,166,096	2,133,041	-	-	-	2,133,041
Share issuance expenses	-	-	-	-	(6,321)	(6,321)
BALANCE AS AT DECEMBER 31, 2022	190,187,348	88,143,286	9,555,564	16,681,648	(77,849,010)	36,531,488

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, 2022, and 2021

(IN CANADIAN DOLLARS)

	2022	2021 RESTATED
	$	$
OPERATING ACTIVITIES		
Net loss	(9,101,258)	(11,224,013)
Adjustments for:		
Share-based payments	414,484	195,834
Depreciation – Investment property - Outfitters	50,463	20,021
Depreciation – Property and equipment and right-of-use assets	91,179	75,088
Finance costs	7,143,441	8,818,349
Non-cash grants	(2,844)	3,575
Tax on investment property – outfitter	(43,957)	(1,095)
Deferred income taxes expense	131,489	587,649
Changes in non-cash working capital items		
Receivables and other current assets	(28,664)	2,543
Sales taxes receivable	(12,478)	(1,313)
Accounts payable and accrued liabilities	(18,961)	(365,137)
CASH FLOWS USED IN OPERATING ACTIVITIES	**(1,377,106)**	**(1,955,031)**
INVESTING ACTIVITIES		
Tax credits received	-	1,049,603
Proceeds from disposal of property and equipment	-	336,800
Acquisition of property and equipment	(533,512)	(609,673)
Acquisition of property and equipment – Outfitter	(1,223)	(3,143)
CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES	**(534,735)**	**773,587**
FINANCING ACTIVITIES		
Proceeds from the issuance of units	-	5,750,000
Share issuance expenses	(6,321)	(527,975)
Repayment of lease liabilities and loans	(67,349)	(164,417)
Exercise of options	-	22,308
Exercise of broker warrants	169,642	-
Exercise of warrants	43,500	433,333
CASH FLOWS USED IN FINANCING ACTIVITIES	**139,472**	**5,513,249**
NET CHANGE IN CASH AND CASH EQUIVALENTS	(1,772,369)	4,398,337
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	5,027,247	628,910
CASH AND CASH EQUIVALENTS, END OF YEAR	**3,254,878**	**5,027,247**
SUPPLEMENTARY CASH FLOW INFORMATION		
Interest received	76,975	10,761
Interest paid	20,496	33,266
Acquisition of property and equipment not yet paid	121,417	10,242

The accompanying Notes are an integral part of these consolidated 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 OTCQX Market (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.

As at December 31, 2022, the Company had a working capital of $1,478,826, which included cash of $3,254,878. Management of the Company believes that it has sufficient funds to maintain the status of its current obligations and keep its properties in good standing, to pay its ongoing general and administrative expenses and to meet its liabilities, obligations, and existing commitments beyond the ensuing 12 months as they fall due. In assessing whether the going concern assumption is appropriate, management considers all available information about the future. To continue the Company's future operations and fund its development expenditures, the Company will periodically need to raise additional funds, which may be completed in several ways, including, but not limited to, the issuance of new equity, debt financing or securing capital from potential partners. While management has been successful in securing financing in the past, there can be no assurance that it will be able to do so in the future or that these sources of funding or initiatives will be available to the Company or that they will be available on terms which are acceptable to the Company.

2. SUMMARY OF 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). The Company has consistently applied the accounting policies used in the preparation of its IFRS consolidated financial statements, including the comparative figures. The Board of Directors approved the consolidated financial statements on April 21, 2023.

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

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.

Subsidiaries are entities that the Company controls either when it is exposed, or has rights, to variable returns from its involvement with the entities and has the ability to affect those returns through its power over the entities.The amounts presented in the consolidated financial statements of subsidiaries have been adjusted, if necessary, so that they meet the accounting policies adopted by the Company.

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

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

MODIFICATIONS/AMENDMENTS TO LONG-TERM DEBT

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

MEASUREMENT

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

Financial assets

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

Financial liabilities

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

EMBEDDED DERIVATIVES

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

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

The Company has classified its financial instruments as follows:

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

IMPAIRMENT OF FINANCIAL ASSETS

IFRS 9's impairment requirements use forward-looking information to recognize expected credit losses – the 'expected credit loss (ECL) model'.

The Company considers a range of information when assessing credit risk and measuring expected credit losses, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument.

Measurement of the expected credit losses is determined by a probability-weighted estimate of credit losses over the expected life of the financial instrument.

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 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. The mining tax credits are recorded as a reduction of property 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 its investment property. After recognition, an investment property is carried at its cost less any accumulated depreciation and any accumulated impairment losses.

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

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

As of January 1, 2022, the Company changed the depreciation method from the declining method to the straight-line method, because it was more representative of the actual use. In accordance with IAS 8 *Accounting policies, changes in accounting estimates and errors*, the change in accounting estimate had a prospective effect and the impact of the change was insignificant.

CATEGORY	RATES
Buildings	25 years
Leasehold improvements	Lease term
Computer equipment	4 years
Equipment and furniture	8 years

PROPERTY AND EQUIPMENT

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

As at January 1, 2022, the Company changed the depreciation method from the declining method to the straight-line method, because it was more representative of the actual use. In accordance with IAS 8 *Accounting policies, changes in accounting estimates and errors*, the change in accounting estimate had a prospective effect and the impact of the change was insignificant.

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

The residual value, depreciation method and the useful life of each asset are reviewed at least at each financial year-end. Gains or losses on disposal of property and equipment are determined by comparing the net proceeds with the net carrying amount of the asset and are included in the consolidated statement of loss and comprehensive loss.

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

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

LEASES

The Company leases offices and equipment. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. Leases are recognized as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Company. Each lease payment is allocated between the lease liabilities and finance cost. The finance cost is charged to profit or loss over the lease period to produce a constant periodic rate of interest on the remaining balance of the lease liabilities for each period. The weighted average incremental borrowing rate applied to the lease liabilities is 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. Right-of-use assets are measured at cost, less any accumulated depreciation, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Company is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognized right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

LEASE LIABILITIES

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

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

SHORT-TERM LEASES

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

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

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 mineral property under development over the vesting period with a corresponding increase in the contributed surplus. An individual is classified as an employee when the individual is an employee for legal or tax purposes (direct employee) or provides services like those performed by a direct employee, including directors of the Company.

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

EQUITY-SETTLED SHARE-BASED PAYMENT TRANSACTIONS

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

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

WARRANTS

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

SHARE ISSUANCE EXPENSES

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

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 the Company’s activities are conducted in Canada.

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

NEW ACCOUNTING STANDARDS ADOPTED

AMENDMENTS TO IAS 16 *PROPERTY, PLANT AND EQUIPMENT*

The IASB has made amendments to IAS 16 Property, plant and equipment, which is 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 therefore needs to distinguish between the costs associated with producing and selling items before the item of Property and equipment (pre-production revenue) is available for use and the costs associated with making the item of Property and equipment available for its intended use. For the sale of items that are not part of a company's ordinary activities, the amendments require the Company to disclose separately the sales proceeds and related production costs 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. These amendments have no impact on the Company's consolidated financial statements. While these amendments did not have retrospective effects upon adoption, any future sales of products and related costs of sales occurring before commercial production is achieved will be recorded in the consolidated statement of loss and comprehensive loss.

AMENDMENTS TO IAS 37 - PROVISIONS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS

The amendments to IAS 37 – Provisions, Contingent Liabilities, and Contingent Assets, specifying which costs a company should include as the cost of fulfilling a contract when assessing whether a contract is onerous. The amendments to IAS 37, clarify that for the purpose of assessing whether a contract is onerous, the cost of fulfilling the contract includes both the incremental costs of fulfilling that contract and an allocation of other costs that relate directly to fulfilling contracts. The adoption of these amendments did not have any impact on the Company's consolidated financial statements.

AMENDMENT TO IFRS 9, FINANCIAL INSTRUMENTS

The amendment clarifies the fees an entity includes in assessing the terms of a new or modified financial liability to determine whether to recognize a financial liability. The amendment clarifies that the reference to fees in the 10% test includes only fees paid or received between the borrower and the lender, including fees paid or received by either the borrower or the lender on the other's behalf (ie. finders fees, brokerage commission and legal fees are excluded). The amendment is effective for annual periods beginning on or after January 1, 2022. The adoption of this amendment did not have any impact on the Company's consolidated financial statements.

NEW ACCOUNTING STANDARD ISSUED BUT NOT YET IN EFFECT

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

In January 2020, the IASB amended IAS 1 *Presentation of Financial Statements*, which will be effective for financial years beginning on or after January 1, 2023. The standard amendments clarify that the classification of liabilities as current or non-current is based on rights that are in existence at the end of the reporting period which only impacts the presentation of liabilities in the statement of financial position. The classification is unaffected by expectations about whether the Company will exercise its right to defer settlement of a liability. Management estimates that the adoption of the amendment will have no impact.

AMENDMENTS TO IAS 1 AND IFRS PRACTICE STATEMENT 2

In February 2021, the IASB amended IAS 1 *Presentation of Financial Statements* and IFRS *Practice Statement 2* to require the Company to disclose its material accounting policy information rather than its significant accounting policies, effective for financial years beginning on or after January 1, 2023. Management estimates that the adoption of the amendment will have no impact.

AMENDMENTS TO IAS 8

In February 2021, the IASB amended IAS 8 *Accounting Policies, Changes in Accounting estimates and Errors* to introduce a definition of accounting estimates and to help entities distinguish changes in accounting policies from changes in accounting estimates. This distinction is important because changes in accounting policies must be applied retrospectively while changes in accounting estimates are accounted for prospectively. This amendment is effective for financial years beginning on or after January 1, 2023, management estimates that it will have no impact.

AMENDMENTS TO IAS 12

In May 2021, the IASB amended IAS 12 *Income Taxes* to narrow the scope of the initial recognition exemption so that it does not apply to transactions that give rise to equal and offsetting temporary differences. The following standard amendments have been issued and will be effective as of January 1, 2023, for the Company, with earlier application permitted. Management estimates that it will have no impact.

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

LIQUIDITY RISK

The assessment of the Company’s ability to execute its strategy by funding future working capital and developing its Lac à Paul phosphate property involves judgment. Estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

(IN CANADIAN DOLLARS)

CRITICAL JUDGMENTS IN APPLYING ACCOUNTING ESTIMATES

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.

FAIR VALUE OF EMBEDDED DERIVATIVES

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

ESTABLISHMENT OF TECHNICAL FEASIBILITY AND COMMERCIAL VIABILITY OF A MINERAL PROPERTY

The demonstration of potential for development and 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. Once management has determined that a project has demonstrated a potential for development based on a number of judgmental criteria, the project moves into the development phase. When the stage of completion of the development is achieved and the Company begins commercial production, this being when the project is ready for its intended use, the related assets begin to be amortized. By its nature, this assessment requires significant judgment.

5. CASH AND CASH EQUIVALENTS

	2022	2021
	$	$
Cash	208,878	212,247
Cash equivalents	3,046,000	4,815,000
	3,254,878	5,027,247

Cash equivalents at December 31, 2022 are comprised of high interest deposits bearing an interest rate of 4.45% and 4.30% as at December 31, 2022 (0.20% and 0.70% as at December 31, 2021), that can be withdrawn with a 31 days notice.

As at December 31, 2022 an amount of $12,000 ($15,000 in 2021) is restricted in connection with the Company's credit card agreement.

(IN CANADIAN DOLLARS)

6. INVESTMENT PROPERTY – OUTFITTERS

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

	BUILDINGS	LEASEHOLD IMPROVEMENTS	EQUIPMENT AND FURNITURE	COMPUTER EQUIPMENT	TOTAL
	$	$	$	$	$
COST					
As at December 31, 2021	344,665	49,490	174,863	2,577	571,595
Acquisition	-	-	1,223	-	1,223
As at December 31, 2022	**344,665**	**49,490**	**176,086**	**2,577**	**572,818**
ACCUMULATED DEPRECIATION					
As at December 31, 2020	105,837	42,709	140,314	2,473	291,333
Depreciation	9,553	1,329	9,108	31	20,021
As at December 31, 2021	115,390	44,037	149,422	2,504	311,354
Depreciation	38,927	5,453	6,010	73	50,463
As at December 31, 2022	**154,317**	**49,490**	**155,433**	**2,577**	**361,817**
NET BOOK VALUE					
As at December 31, 2021	229,275	5,453	25,441	73	260,241
As at December 31, 2022	**190,348**	**-**	**20,653**	**-**	**211,001**

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

	2022	2021
	$	$
Outfitters income	95,141	76,644
Other income	-	4,402
	95,141	81,046
OPERATING EXPENSES		
Management fees	66,974	71,068
Professional fees	2,260	2,806
Repair and maintenance	8,658	3,169
Supplies	15,815	18,705
Advertising, promotion, and travel	3,139	14,653
Travel to site and accommodation	2,327	4,930
Taxes and licenses	10,311	6,934
Insurance	16,261	16,755
Interest and bank charges	5,173	155
Depreciation of property and equipment	50,463	20,021
Tax on investment property – outfitter	(43,957)	(1,097)
	137,424	158,099
NET LOSS OF INVESTMENT PROPERTY – OUTFITTERS	**42,283**	**77,053**

(IN CANADIAN DOLLARS)

7. PROPERTY AND EQUIPMENT

	LEASEHOLD IMPROVEMENTS	TOOLS AND EQUIPMENT	COMPUTER EQUIPMENT	ROLLING EQUIPMENT	LAND	MINERAL PROPERTY UNDER DEVELOPMENT	TOTAL
	$	$	$	$	$	$	$
COST							
As at December 31, 2020	294,032	23,410	29,878	-	1,433,215	61,904,090	63,684,625
Acquisition	-	-	-	37,635	-	430,836	468,471
Disposal	-	-	-	-	(336,800)	-	(336,800)
Tax credit	-	-	-	-	-	(1,361,336)[1]	(1,361,335)
As at December 31, 2021	294,032	23,410	29,878	37,635	1,096,415	60,973,590	62,454,960
Acquisition	-	-	-	-	-	606,100	606,100
Derecognition of assets	-	(8,029)	(17,898)	-	-	-	(25,927)
Tax credit	-	-	-	-	-	(59,189)	(59,189)
As at December 31, 2022	**294,032**	**15,381**	**11,980**	**37,635**	**1,096,415**	**61,520,501**	**62,975,944**
ACCUMULATED DEPRECIATION							
As at December 31, 2020	211,995	17,947	18,185	-	-	-	248,127
Depreciation	15,004	2,016	3,070	6,880	-	-	26,970
As at December 31, 2021	226,999	19,963	21,255	6,880	-	-	275,097
Depreciation	29,060	1,175	6,796	6,283	-	-	43,314
Derecognition of assets	-	(8,029)	(17,898)	-	-	-	(25,927)
As at December 31, 2022	**256,059**	**13,109**	**10,153**	**13,163**	**-**	**-**	**292,484**
NET BOOK VALUE							
As at December 31, 2021	67,033	3,447	8,623	30,755	1,096,415	60,973,590	62,179,863
As at December 31, 2022	**37,973**	**2,272**	**1,827**	**24,472**	**1,096,415**	**61,520,501**	**62,683,460**

[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.*

(IN CANADIAN DOLLARS)

8. RIGHT-TO-USE ASSETS

	BUILDINGS
	$
COST	
As at December 31, 2021 and 2022	225,600
ACCUMULATED DEPRECIATION	
As at January 1, 2021	75,201
Depreciation	50,133
As at December 31, 2021	125,334
Depreciation	47,865
As at December 31, 2022	173,199
NET BOOK VALUE	
As at December 31, 2021	100,266
As at December 31, 2022	**52,401**

9. LEASE LIABILITIES

	2022	2021
	$	$
Opening balance	109,724	140,875
Interests	20,496	33,266
Lease payments	(67,349)	(64,417)
Lease liabilities	62,871	109,724
Current portion	57,368	66,353
Non-current portion	5,503	43,371

10. CREDIT LINE AND EMBEDDED DERIVATIVES (RESTATED)

The Company has non-revolving credit lines with Mercury Financing Corp. ("the Lender") which were obtained to finance the development of the Lac a Paul project. As of May 12, 2016, the lines were fully drawn. The Lender holds a first ranking security over the Company's Lac a Paul property claims, up to an aggregate amount of $27 million. The wholly owned subsidiary, 9252-5880 Québec Inc., has guaranteed jointly and severally the credit lines. Furthermore, the Company is subject to restrictions related to the disposal of assets and equity issuance through financing. The combined credit lines have been extended in 2017, 2018, 2020 and 2021.

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

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

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

The Company has undertaken to raise additional funds in the amount of $3 million within the 1-year anniversary of the closing of the transaction, and every anniversary thereafter for the three subsequent years, for total cumulative gross proceeds of $12M. As at December 31, 2022 the Company had raised $6.09M, 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. This requirement included in the debt agreement was determined to be an embedded derivative to be separated from the host contract and classified as a liability because it failed the fixed for fixed criteria per IAS 32.11.

In connection with the credit line, in August 2012, the Company granted the Lender of the credit line a royalty of $1 per ton of phosphate concentrate sales from the Lac à Paul project. This royalty may be redeemed at any time through a lump-sum payment of $9 million. In July 2013, the Company also granted the Lender of the credit line a royalty of $0.25 per ton of phosphate concentrate sales from the Lac à Paul project that can be also redeemed any time through a lump-sum payment of $2.25 million. These royalties will have to be redeemed by the Company for the same amount in the event of a change of control where at least 90% of the issued and outstanding shares of the Company are acquired, purchased, or held by a third party, either through a tender offer or other transaction with the same result. It was determined that this clause does not constitute an embedded derivative because of the non-financial variable specific to the Company and therefore the cash flows from the buy back of the production fees had to be included in the amortized cost of the host contract.

For the first 4 years of the amended credit facility, in the event the Company has not repaid the Loan in full and the Lender remains the creditor of the Company in relation to such credit line, the Company shall grant the Lender an additional annual production fee of $0.25/tonne, which may be bought back by the Company for $2.25M, for a maximum annual additional production fee of $1/tonne (which may be bought back by the Company for a total amount of $9M). In the event of total repayment of the Loan, no additional production fee shall be payable. It was determined that this clause does not constitute an embedded derivative because of the non-financial variable specific to the Company and therefore the cash flows from the buy back of the production fees had to be included in the amortized cost of the host contract. After the 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 for $2,250,000.

(IN CANADIAN DOLLARS)

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

On April 4, 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. The Company 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. The carrying value of $2,133,041 of the interests payable and of the corresponding embedded derivative – interest conversion option valued at nil were then transferred to share capital.

AS AT DECEMBER 31, 2022	**HOST**	**EMBEDDED DERIVATIVES**		**TOTAL**
		INTEREST CONVERSION OPTION	**SUPPLEMENTAL WARRANTS**	
	$	**$**	**$**	**$**
Balance – Beginning of year	20,830,433	(348,402)	307,478	20,789,509
Interests paid in shares	(2,133,041)	-	-	(2,133,041)
Change in fair value of derivative	-	(148,876)	(117,044)	(265,920)
Capitalized interests and accretion	7,376,603	-	-	7,376,603
BALANCE – END OF YEAR	**26,073,995**	**(497,278)**	**190,434**	**25,767,151**
Current portion	1,991,436	(335,302)	-	1,656,134
Non-current portion	24,082,559	(161,976)	190,434	24,111,016

AS AT DECEMBER 31, 2021 (AS RESTATED – NOTE 22)	**HOST**	**EMBEDDED DERIVATIVES**		**TOTAL**
		INTEREST CONVERSION OPTION	**SUPPLEMENTAL WARRANTS**	
	$	**$**	**$**	**$**
Balance – Beginning of year	30,660,613	-	-	30,660, 613
Exercise of warrants	(6,603,948)	-	-	(6,603,948)
Amortization of transaction costs	1,159,996	-	-	1,159,996
Debt extinction	(25,216,661)	-	-	(25,216,661)
New debt under IFRS 9	16,131,461	(57,210)	554,170	16,628,421
Change in fair value of derivative	-	(291,191)	(246,692)	(537,884)
Capitalized interests and accretion	4,698,972	-	-	4,698,972
BALANCE – END OF YEAR	**20,830,433**	**(348,402)**	**307,478**	**20,789,509**
Current portion	2,133,041	(12,424)	-	2,120,617
Non-current portion	18,697,392	(335,977)	307,478	18,668,892

11. LOANS AND WORKING CAPITAL FACILITY

LOANS

In September 2016 and October 2016, the Company closed on $4.1 million loan agreements with various third-party lenders (the "Loans"). The Loans bore interest at 8%, paid semi-annually, and had a maturity of 3 years, which was extended in September 2019 until September 2021. As part of the Loans, the Company issued respectively 2,400,000 and 880,000 non-transferable warrants, which expired on September 28, 2019, and October 27, 2019, replaced by 7,453,800 new warrants 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 consolidated statement of loss for the year ended December 31, 2021.

WORKING CAPITAL FACILITY

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 bore interest at 12%, payable at maturity, and had a maturity of 1 year, which had been extended in December 2019 until June 18, 2021. As part of the Working Capital Facility, the Company issued 2,117,646 non-transferable warrants, which expired in December 2019, replaced by 3,756,583 new warrants 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.

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, the 3,756,584 warrants were cancelled. A loss on settlement of $1,155,852 has been recorded in the consolidated statement of loss for the year ended December 31, 2021.

CANADA EMERGENCY BUSINESS ACCOUNT

In April and December 2020, the Company and it subsidiary 9252-5880 Quebec Inc. received $80 000 loans from Canada Emergency Business Account ("CEBA"). These loans are interest-free and used to finance operating costs, 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, extended to December 31, 2023, during 2022, will result in a total loan forgiveness of $20,000. On January 1st, 2024, the Company will have the option to extend the repayment of the capital for 3 years and the loans will then bear a 5% interest rate.

The loans were initially recorded at a fair value of $43,139 considering the grant due to the interest-free loans and loan forgiveness of $10,000 per agreement. An effective rate of 15% was used, considering 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 CANADIAN DOLLARS)

12. FINANCE COSTS

	2022	2021 RESTATED
	$	$
Accretion and interest on loans	12,262	282,405
Accretion, interest on credit line and amortization of transaction costs	7,376,603	5,858,968
Change in fair value of embedded derivatives	(265,920)	(537,884)
Loss on debt conversion	-	3,502,575
Gain on extension of credit line	-	(175,827)
Interest expense on lease liabilities	20,496	33,266
Interest income	(88,307)	(11,297)
Transaction costs	-	42,485
	7,055,134	**8,994,691**

13. CAPITAL STOCK

AUTHORIZED

Unlimited number of common shares without par value.

Unlimited number of preferred shares, without par value, issuable in series: Series A includes 500,000 preferred shares, non-voting, non-cumulative dividend of 8% redeemable by the Company at the amount paid in.

YEAR ENDED DECEMBER 31, 2022

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

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, the Company 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.

14. STOCK OPTIONS, WARRANTS AND OPTIONS GRANTED TO BROKERS

STOCK OPTIONS

The shareholders of the Company initially approved on June 25, 2013 a stock option plan, amended on June 21, 2022 (the “plan”) whereby the Board of Directors may grant stock options of the Company to directors, officers, employees and suppliers. The terms of stock options are determined by the Board of Directors.

(IN CANADIAN DOLLARS)

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 2022, 1,850,000 stock options were granted to directors, employees and consultants (1,845,000 in 2021), having a fair value of $459,405 ($424,860 in 2021). The options, when granted, are accounted for at their fair value determined by the Black-Scholes option pricing model based on the vesting period and on the following weighted average assumptions:

	2022	**2021**
Weighted average price of share at time of grant	$0.48	$0.40
Weighted average exercise price	$0.48	$0.40
Weighted average risk-free interest rate	2.81%	1.09%
Weighted average expected volatility	74%	72%
Weighted average expected life	4.62 years	4.7 years
Weighted average expected dividend yield	0%	0%
Weighted average fair value of options granted	$0.26	$0.22

The fair value of the share options is recognized as compensation expense over the vesting period. In 2022, the total share-based compensation amounted to $414,484 ($ 195,834 in 2021).

(IN CANADIAN DOLLARS)

Changes in the Company stock options were as follows:

	2022		2021	
	NUMBER	WEIGHTED AVERAGE EXERCISE PRICE	NUMBER	WEIGHTED AVERAGE EXERCISE PRICE
		$		$
BALANCE – BEGINNING	6,807,500	0.66	6,014,447	0.77
Granted [(i)]	1,850,000	0.50	1,845,000	0.42
Exercised	-	-	(109,800)	0.20
Expired	(1,076,833)	0.80	(878,813)	0.96
Forfeited	(146,667)	0.22	(63,334)	0.39
BALANCE – END	**7,434,000**	**0.61**	**6,807,500**	**0.66**
Exercisable - End	5,401,334	0.68	4,785,416	0.77

(i) Options were granted to directors, employees, and consultants.

The following table summarizes the information relating to the stock options granted under the plan as at December 31, 2022:

EXERCISE PRICE RANGE	WEIGHTED AVERAGE EXERCISE PRICE	WEIGHTED AVERAGE REMAINING CONTRACTUAL LIFE	OPTIONS OUTSTANDING 2022	OPTIONS OUTSTANDING 2021
$	$	Years		
0.18 – 0.27	0.21	7.23	946,333	1,193,000
0.355 – 0.44	0.39	9.27	1,691,667	1,290,000
0.50 – 0.62	0.54	7.12	2,530,000	1,630,000
0.76 – 0.86	0.81	2.82	1,075,000	925,000
1.00 – 1.32	1.18	0.97	1,191,000	1,769,500
			7,434,000	6,807,500

WARRANTS

During 2021, 37,750,000 warrants were granted (nil in 2022). The fair value of warrants was calculated using the Black-Scholes pricing model and amounted to $9,282,240 and was estimated with the following weighted average assumptions:

	2021
Weighted average price of shares at time of grant	$0.35
Weighted average exercise price	$0.35
Weighted average risk-free interest rate	1.23%
Weighted average expected volatility	70%
Weighted average expected life	4.5 year
Weighted average expected dividend yield	0%
Weighted average fair value of warrants granted	$0.25

(IN CANADIAN DOLLARS)

Changes in the Company warrants were as follows:

	2022		2021	
	NUMBER	WEIGHTED AVERAGE EXERCISE PRICE	NUMBER	WEIGHTED AVERAGE EXERCISE PRICE
		$		$
BALANCE – BEGINNING	45,022,875	0.42	48,546,591	0.36
Granted	-	-	37,750,000	0.39
Exercised	(217,500)	0.20	(28,946,666)	0.24
Expired	(2,961,265)	1.04	(12,327,050)	0.49
BALANCE – END	41,844,110	0.38	45,022,875	0.42

The following table summarizes the information relating to the outstanding warrants as at December 31, 2022:

EXERCISE PRICE		EXPIRY DATE	WEIGHTED AVERAGE REMAINING CONTRACTUAL LIFE	WARRANTS OUTSTANDING 2022	WARRANTS OUTSTANDING 2021
$			Years		
0,40	(1)	2023-02-13	0,12	850,050	850,050
0,71		2023-06-04	0,42	5,750,000	5,750,000
0,20		2023-06-10	0,44	2,615,832	2,833,332
0,75	(2)	2024-08-21	1,64	628,228	628,228
0,33		2026-03-31	3,25	32,000,000	32,000,000
				41,844,110	45,022,875

(1) In January 2023, the Company amended the terms and conditions of the 850,050 warrants granted on February 13, 2020, to extend their expiration date from February 13, 2023, to February 13, 2024. All other terms and conditions remained similar.

(2) In August 2021, the Company amended the terms and conditions of the 628,228 warrants granted on August 21, 2019 to extend their expiration date to August 2024. 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 $70,599 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, 2021.

OPTIONS GRANTED TO BROKERS

During 2021, 590,000 options to brokers were granted (nil in 2022). 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.

(IN CANADIAN DOLLARS)

The fair value of options granted to brokers was estimated using the following weighted average assumptions:

	2021
Weighted average price of share at time of grant	$0.47
Weighted average exercise price	$0.47
Weighted average risk-free interest rate	0.32%
Weighted average expected volatility	92%
Weighted average expected life	2 years
Weighted average expected dividend yield	0%
Weighted average fair value of warrants granted	$0.14

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

		2022		2021
	Number	Weighted average exercise price	Number	Weighted average exercise price
		$		$
Balance – Beginning	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	250,717	0.50	590,000	0.50

The following table summarizes the information relating to the brokers options outstanding as at December 31, 2022:

Exercise price	Expiry date	Broker options outstanding 2022	Broker options outstanding 2021
$			
0.50	2023-06-04	250,717	590,000

15. DEFERRED TAXES (RESTATED)

In 2022, the Company recorded a deferred income tax liability of $3,877,973 with respect to Quebec mining duties and a corresponding deferred tax expense in the consolidated statements of loss and comprehensive loss for the year ended December 31, 2022.

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

	2022	2021
	$	$
Deferred tax expense relating to the origination and reversal of temporary differences	131,489	587,649
Total deferred income tax expense	131,489	587,649

(IN CANADIAN DOLLARS)

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

	2022	**2021**
	$	**$**
Loss before income taxes	(8,969,769)	(10,636,364)
Income tax computed at Canadian statutory rate of 26.5% in 2022 (26.5% in 2021)	(2,376,989)	(2,818,636)
Non-deductible expenses	111,789	52,239
Unrecognized tax benefits	2,311,690	74,464
Quebec mining duty tax	59,189	587,649
Tax on investment property – outfitter	11,205	20,419
Recognition of deferred tax liability on financial instrument	-	3,097,990
Other	14,605	(426,476)
Income tax expense	131,489	587,649
Income tax expense		
Current	-	-
Deferred	131,489	587,649

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

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

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

(IN CANADIAN DOLLARS)

As at December 31, 2022, the Company had unrecognized deferred tax assets as follows:

	2022	2021 (Restated – Note 22)
	$	$
Non-capital losses carried forward	6,456,927	4,739,955
Non-refundable tax credits	-	465,170
Income tax benefit of mining duties	1,027,663	1,011,978
Share issue costs	151,832	234,637
Other assets	15,280	15,012
	7,651,702	6,466,752

As at December 31, 2022, the Company had accumulated non-capital losses for Federal tax purposes 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	5,765,710	5,765,711
2041 (RESTATED)	4,790,445	4,790,445
2042	1,657,187	1,657,187
	74,468,653	68,240,363

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

The Company has also accumulated capital losses for tax purposes in Quebec of approximately $217,490 ($217,490 in 2021), 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.

(IN CANADIAN DOLLARS)

16. RELATED PARTY TRANSACTIONS

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

	2022	2021
	$	$
KEY MANAGEMENT COMPENSATION [(1)]		
Share-based compensation	287,405	122,035
Management fees	100,105	82,083
	387,510	204,118
Salaries and benefits [(2)]	455,524	488,365
TOTAL COMPENSATION	**843,034**	**692,483**
Balance included in accounts payable and accrued liabilities	17,180	6,667

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

(2) Salaries and benefits capitalized to property and equipment amount to $222,377 ($281,932 in 2021).

The agreements with the Company's key executives provide for payments on termination of employment without cause or following a change of control of $150,000 to $650,000.

After the nomination of Brian Ostroff as a director of the Company on June 4, 2014, Windermere was 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. They cessed to be a related party to the Company in June 2022.

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.

17. COMMITMENTS

a) The Company has granted to a third party a 2.75% royalty on the net smelter return (''NSR'') over the Lac à Paul project. The royalty may be redeemed at any time through a lump-sum payment of $2.5 million.

b) The Company may grant contracts in relation to the development of the Lac à Paul project. The total committed as at December 31, 2022 is $238,170 ($223,148 as at December 31, 2021). These contracts usually do not have termination dates and disbursements are 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

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, 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 cash equivalents and receivables and other current assets. Cash and cash equivalents are deposited in Canadian chartered bank accounts or invested in a diversified manner in securities having an investment-grade rating (AA-), from which management believes the risk of loss to be minimal. Receivables and other current assets mainly consist of interest receivable from Canadian chartered banks. Management believes that the credit risk concentration with respect to financial instruments included in amounts receivable is minimal.

LIQUIDITY RISK

Liquidity risk is the risk that the Company will not have sufficient cash resources to meet its financial obligations as they come due. The Company's liquidity and operating results may be adversely affected if the Company's access to the capital market is hindered, whether because of a downturn in stock market conditions generally or related to matters specific to the Company. The Company generates cash flows primarily from its financing activities. As at December 31, 2022, the Company had cash and cash equivalents of $3,254,878 ($5,027,247 as at December 31, 2021) to settle current liabilities of $2,072,405 ($2,444,239 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 and other liabilities, including interest where applicable as at December 31, 2022:

	CARRYING AMOUNT	CONTRACTUAL CASH FLOWS	2023	2024	2025	2026 AND ONWARD
	$	$	$	$		$
Accounts payable and accrued liabilities	303,501	303,501	303,501	-	-	-
Lease liabilities	62,871	73,177	67,548	5,629	-	-
Loans	55,402	60,000	60,000	-	-	-
Credit line (host)	26,073,995	33,448,328	1,991,436	1,996,892	1,991,436	27,468,564

INTEREST RATE RISK

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

CURRENCY RISK

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

	2022	2021
	$	$
Payables in US dollars	31,844	29,448
Canadian dollar equivalent	43,147	37,971
Payables in GBP	25,000	25,000
Canadian dollar equivalent	40,827	42,423

FAIR VALUE RISK

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

The fair value of the credit line is based on discounted cash flows and is not materially different from its carrying value because there was no material change in the assumptions used for fair value determination at inception. Therefore, its principal amounts approximate their fair value.

The embedded derivative – interest conversion option is classified as a level 3 instrument. An increase/decrease of the expected share price and expected VWAP used of 10% would lead to a variation in the fair value as at December 31, 2022 of $311,000 ($155,000 as at December 31, 2021).

The embedded derivative – supplemental warrants is classified as a level 3 instrument. An increase/decrease of 10% in the volatility, share price, stock price and the probability determined for each year, the main non-observable inputs used in the model, would lead to a variation in the fair value as at December 31, 2022 of $59,000 and ($78,000 as at December 31, 2021).

20. POLICIES AND PROCESSES FOR MANAGING CAPITAL

As at December 31, 2022, the capital of the Company consists of equity amounting to $36,531,488 ($42,878,400 in 2021 (restated – Note 22)). The Company's capital management objective is to have sufficient capital to be able to meet its mining development plan and permitting to ensure the growth of its activities. It also has the objective to have sufficient cash to finance the investing activities and the working capital requirements. The variation of capital components is explained in the consolidated statements of changes in equity.

There were no significant changes in the Company's approach to capital management during the year ended December 31, 2022.

21. SUBSEQUENT EVENTS

On February 3, 2023, the Company extended the expiration of the warrants granted on February 13, 2020 (Note 14).

On March 16, 2023, the Company sold it's 1.5% royalties covering 25 claims in the James Bay area to Lithium Royalty Corp for $2,350,000.

On March 31, 2023, the Company announced the issuance of 3,899,424 shares as its annual interest payment due on the same date, at a price of $0.5107. Also, the Company announced a repayment of $1 million on the outstanding credit line.

22. RESTATEMENT OF THE CONSOLIDATED FINANCIAL STATEMENTS

During the preparation of the 2022 annual consolidated financial statements, the Company has determined that there was an error in the prior period in respect of the accounting of the credit line modification. When the credit line was modified, during the year ended December 31, 2021, the supplemental warrants to issue if the Company doesn't complete the required cumulative financing, the additional production fees if the credit line is not fully reimbursed at each anniversary of the credit line, the prepayment option without penalty, and the Company's option to redeem the interests in shares using the volume-weighted-average price were considered as commitments and contingencies and not as embedded derivatives or as part of the cash flows of the credit line (Note 10).

In accordance with IAS 8 *Accounting Policies, changes in Accounting Estimates and Errors*, the consolidated financial statements of the prior period were restated.

(IN CANADIAN DOLLARS)

Below are the changes to the prior year balances to reflect the restatement to correct this error:

CONSOLIDATED STATEMENT OF FINANCIAL POSITION, AS AT DECEMBER 31, 2021:

	AS PREVIOUSLY REPORTED	**IMPACT**	**RESTATED**
	$	$	$
CURRENT LIABILITIES			
Credit line and embedded derivatives	2,133,041	(12,424)	2,120,617
TOTAL CURRENT LIABILITIES	**2,456,663**	**(12,424)**	**2,444,239**
NON-CURRENT LIABILITIES			
Credit line and embedded derivatives	16,262,568	2,406,324	18,668,892
TOTAL LIABILITIES	**22,580,784**	**2,393,900**	**24,974,684**
EQUITY			
Deficit	(66,347,531)	(2,393,900)	(68,741,431)
TOTAL EQUITY	**45,272,300**	**(2,393,900)**	**42,878,400**
TOTAL LIABILITIES AND EQUITY	**67,853,084**	**-**	**67,853,084**

CONSOLIDATED STATEMENT OF LOSS AND COMPREHENSIVE LOSS FOR THE YEAR ENDED DECEMBER 31, 2021:

	AS PREVIOUSLY REPORTED	**IMPACT**	**RESTATED**
	$	$	$
OTHER EXPENSES (INCOME)			
Finance costs	6,600,791	2,393,900	8,994,691
NET LOSS AND COMPREHENSIVE LOSS	**8,830,113**	**2,393,900**	**11,224,013**
BASIC AND DILUTED LOSS PER SHARE	**0.05**	**0.02**	**0.07**