Providing tomorrow's necessities

ARIANNE PHOSPHATE INC.

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
THREE AND NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2023, AND 2022

(IN CANADIAN DOLLARS)

(UNAUDITED AND UNREVIEWED BY THE COMPANY'S INDEPENDENT AUDITORS)

ARIANNE PHOSPHATE INC.

CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION

(IN CANADIAN DOLLARS)

	AS AT SEPTEMBER 30, 2023 (UNAUDITED)	AS AT DECEMBER 31, 2022 (AUDITED)
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	3,770,894	3,254,878
Receivables and other current assets	171,306	197,261
Sales taxes receivable	27,822	32,596
Tax credits related to resources and mining tax credits receivable	14,000	66,496
	3,984,022	3,551,231
NON-CURRENT ASSETS		
Tax credits related to resources and mining tax credits receivable	10,000	128,033
Investment property – Outfitters	198,665	211,001
Right-of-use assets	14,801	52,401
Property and equipment (Note 4)	62,970,159	62,683,460
TOTAL ASSETS	**67,177,647**	**66,626,126**
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	264,425	303,501
Lease liabilities	22,647	57,368
Loans	58,806	55,402
Credit line and embedded derivatives (Note 5)	1,907,655	1,656,134
	2,253,533	2,072,405
NON-CURRENT LIABILITIES		
Credit line and embedded derivatives (Note 5)	25,209,855	24,111,016
Lease liabilities	-	5,503
Deferred income taxes	3,735,185	3,905,714
TOTAL LIABILITIES	**31,198,573**	**30,094,638**
EQUITY		
Capital stock (Note 5)	90,615,110	88,143,286
Warrants (Note 7)	8,624,673	9,555,564
Contributed surplus	17,839,110	16,681,648
Deficit	(81,099,819)	(77,849,010)
TOTAL EQUITY	**35,979,074**	**36,531,488**
TOTAL LIABILITIES AND EQUITY	**67,177,647**	**66,626,126**

APPROVED ON BEHALF OF THE BOARD:

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

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

ARIANNE PHOSPHATE INC.

CONSOLIDATED INTERIM STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
FOR THE THREE AND NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2023 AND 2022
(UNAUDITED)

(IN CANADIAN DOLLARS, EXCEPT NUMBER OF SHARES)

	THREE-MONTH PERIOD ENDED SEPTEMBER 30, 2023	THREE-MONTH PERIOD ENDED SEPTEMBER 30, 2022	NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2023	NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2022
EXPENSES				
Salaries and benefits	167,985	114,066	497,919	360,744
Share-based compensation (Note 7)	104,652	130,507	301,937	327,584
Professional and consultant fees	43,962	9,398	161,585	108,176
Management fees	6,250	25,000	22,875	75,000
Registration and listing fees	25,584	12,286	81,756	64,598
Annual meeting	-	-	38,648	35,527
Communications and investors relation	64,313	67,340	179,393	226,293
Promotion, representation, and travel	28,457	20,076	93,709	48,820
Direct application and research projects	16,252	-	46,007	-
Insurance	18,401	17,274	55,154	48,766
Rent and office expenses	16,685	12,094	50,052	46,942
Depreciation of property and equipment and right-of-use assets	21,621	17,966	65,703	55,030
Bank charges	905	143	3,240	2,707
Government grant	(585)	(317)	(1,702)	(2,292)
OPERATING LOSS	**514,482**	**425,833**	**1,596,276**	**1,397,895**
OTHER EXPENSES (INCOME)				
Finance costs (income) (Note 6)	2,046,010	1,695,732	4,038,667	5,389,285
Foreign exchange loss	309	1,030	2,720	3,393
Other gain (Note 5)	(2,000)	(4,500)	(2,352,000)	(7,500)
Net loss of investment property – Outfitters	13,690	17,792	68,560	53,252
LOSS BEFORE INCOME TAXES	**2,572,491**	**2,135,887**	**3,354,223**	**6,836,325**
Deferred income taxes expense (recovery)	(68,844)	13,211	(170,529)	49,972
NET AND COMPREHENSIVE LOSS	**2,503,647**	**2,149,098**	**3,183,694**	**6,886,297**
BASIC AND DILUTED LOSS PER SHARE	0.01	0.01	0.02	0.03
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING	196,809,271	190,028,218	194,065,518	188,428,222

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

ARIANNE PHOSPHATE INC.

CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN EQUITY

FOR THE NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2023 AND 2022

(UNAUDITED)

(IN CANADIAN DOLLARS, EXCEPT NUMBER OF SHARES)

	CAPITAL STOCK	CAPITAL STOCK	WARRANTS	CONTRIBUTED SURPLUS	DEFICIT	TOTAL EQUITY
	Common shares	$	$	$	$	$
BALANCE AS AT JANUARY 1, 2022	185,464,469	85,739,960	9,804,077	16,075,794	(68,741,431)	42,878,400
Net and Comprehensive loss	-	-	-	-	(6,886,297)	(6,886,297)
Share-based compensation (Note 7)	-	-	-	327,584	-	327,584
Warrants expired (Note 7)	-	-	(135,364)	135,364	-	-
Broker options exercised (Note 7)	339,283	217,061	-	(47,419)	-	169,642
Warrants exercised (Note 7)	217,500	53,224	(9,724)	-	-	43,500
Debt conversion (Note 5)	4,166,096	2,133,041	-	-	-	2,133,041
Share issuance expenses	-	-	-	-	(4,706)	(4,706)
BALANCE AS AT SEPTEMBER 30, 2022	190,187,348	88,143,286	9,658,989	16,491,323	(75,632,434)	38,661,164
BALANCE AS AT JANUARY 1, 2023	190,187,348	88,143,286	9,555,564	16,681,648	(77,849,010)	36,531,488
Net and Comprehensive loss	-	-	-	-	(3,183,694)	(3,183,694)
Share-based compensation (Note 7)	-	-	-	301,937	-	301,937
Warrants extended (Note 7)	-	-	56,157	-	(56,157)	-
Warrants exercised (Note 7)	2,615,832	640,879	(117,712)	-	-	523,167
Warrants expired (Note 7)	-	-	(869,336)	869,336	-	-
Options exercised (Note 7)	106,667	37,210	-	(13,811)	-	23,399
Debt conversion (Note 5)	3,899,424	1,793,735	-	-	-	1,793,735
Share issuance expenses	-	-	-	-	(10,958)	(10,958)
BALANCE AS AT SEPTEMBER 30, 2023	**196,809,271**	**90,615,110**	**8,624,673**	**17,839,110**	**(81,099,819)**	**35,979,074**

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

ARIANNE PHOSPHATE INC.

CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS
FOR THE NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2023 AND 2022
(UNAUDITED)

(IN CANADIAN DOLLARS)

	NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2023	NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2022
	$	$
OPERATING ACTIVITIES		
Net loss	(3,183,694)	(6,886,297)
Adjustments for:		
Share-based payments	301,937	327,584
Depreciation – Investment property - Outfitter	14,616	13,157
Depreciation – Property and equipment and right-of-use assets	65,703	55,030
Finance costs	4,160,764	5,446,477
Other gain	(2,350,000)	-
Non-cash grants	(3,404)	-
Deferred income taxes expense (recovery)	(170,529)	49,972
Changes in non-cash working capital items		
Receivables and other current assets	25,955	(18,148)
Sales taxes receivable	4,774	7,690
Accounts payable and accrued liabilities	35,700	(75,042)
CASH FLOWS USED IN OPERATING ACTIVITIES	**(1,098,178)**	**(1,079,577)**
INVESTING ACTIVITIES		
Proceeds from the sale of a lithium royalty	2,350,000	-
Acquisition of property and equipment - Outfitter	(2,280)	-
Acquisition of property and equipment	(215,645)	(478,962)
CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES	**2,132,075**	**(478,962)**
FINANCING ACTIVITIES		
Share issuance expenses	(10,958)	(4,706)
Repayment of lease liabilities and loans	(53,489)	(53,520)
Repayment of credit line	(1,000,000)	-
Exercise of options	23,399	-
Exercise of broker warrants	-	169,642
Exercise of warrants	523,1667	43,500
CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES	**(517,881)**	**154,916**
NET CHANGE IN CASH AND CASH EQUIVALENTS	**516,016**	**(1,403,623)**
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	3,254,878	5,027,247
CASH AND CASH EQUIVALENTS, END OF PERIOD	**3,770,894**	**3,623,624**
SUPPLEMENTARY CASH FLOW INFORMATION		
Interest received	108,525	44,968
Interest paid	13,265	13,132
Acquisition of property and equipment not yet paid	50,045	17,346

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

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

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

The Company's shares are listed on the TSX Venture Exchange (symbol DAN), on the Frankfurt exchange (symbol JE9N) and on the 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 September 30, 2023, the Company had a working capital of $1,730,489, which included cash of $3,770,894. 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

These condensed consolidated interim financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") applicable to the preparation of interim financial statements, including International Accounting Standard ("IAS") 34, *Interim Financial Reporting*. These condensed consolidated interim financial statements should be read in conjunction with the Company annual consolidated financial statements for the year ended December 31, 2022, which have been prepared in accordance with IFRS.

The accounting policies followed in these condensed consolidated interim financial statements are consistent with those applied in the Company's annual consolidated financial statements for the year ended December 31, 2022, taking into consideration the new policies adopted described in Note 3.

The Board of Directors approved these condensed consolidated interim financial statements on November 28, 2023.

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

NEW ACCOUNTING STANDARDS ADOPTED

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

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

AMENDMENTS TO IAS 1 *PRESENTATION OF FINANCIAL STATEMENTS* – NON-CURRENT LIABILITIES WITH COVENANTS

In October 2022, the IASB made further amendments to IAS 1 in response to concerns raised about these changes to the classification of liabilities as current or non-current.

The new amendments clarify that covenants of loan arrangements will not affect classification of a liability as current or non-current at the reporting date if the entity must only comply with the covenants after the reporting date. However, if the entity must comply with a covenant either before or at the reporting date, this will affect the classification as current or non-current, even if the covenant is only tested for compliance after the reporting date.

The amendments require disclosures if an entity classifies a liability as noncurrent and that liability is subject to covenants that the entity must comply with within 12 months of the reporting date. The disclosures include:

- the carrying amount of the liability,
- information about the covenants, and
- facts and circumstances, if any, that indicate that the entity may have difficulty complying with the covenants.

The amendments must be applied retrospectively in accordance with the normal requirements in IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*. The Company adopted these amendments on January 1, 2023, and it did not have any impact on the Company's consolidated financial statements.

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

In February 2021, the IASB amended IAS 1 *Presentation of Financial Statements* and IFRS *Practice Statement 2* to require the Company to disclose its material accounting policy information rather than its significant accounting policies, effective for financial years beginning on or after January 1, 2023. The adoption of these amendments did not have any impact on the Company's interim consolidated financial statements.

AMENDMENTS TO IAS 8 *ACCOUNTING POLICIES, CHANGES IN ACCOUNTING ESTIMATES AND ERRORS*

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. These amendments are effective for financial years beginning on or after January 1, 2023, and the adoption did not have any impact on the Company's consolidated financial statements.

AMENDMENTS TO IAS 12 *INCOME TAXES*

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 standard amendments have been issued and are effective as of January 1, 2023. The adoption of these amendments did not have any impact on the Company's consolidated financial statements.

NEW ACCOUNTING STANDARDS ISSUED BUT NOT YET IN EFFECT

AMENDMENTS TO IFRS 16 *LEASES* - LEASE LIABILITY IN SALE AND LEASEBACK

In September 2022, the IASB finalised narrow-scope amendments to the requirements for sale and leaseback transactions in IFRS 16 *Leases* which explain how an entity accounts for a sale and leaseback after the date of the transaction. The amendments specify that, in measuring the lease liability subsequent to the sale and leaseback, the seller-lessee determines 'lease payments' and 'revised lease payments' in a way that does not result in the seller-lessee recognising any amount of the gain or loss that relates to the right of use that it retains. This could particularly impact sale and leaseback transactions where the lease payments include variable payments that do not depend on an index or a rate. Management estimates that it will have no impact.

(IN CANADIAN DOLLARS)

4. PROPERTY, PLANT AND EQUIPMENT

	LEASEHOLD IMPROVEMENTS	TOOLS AND EQUIPMENT	COMPUTER EQUIPMENT	ROLLING EQUIPMENT	LAND	MINERAL PROPERTY UNDER DEVELOPMENT	TOTAL
	$	$	$	$	$	$	$
COST							
As at December 31, 2022	294,032	15,381	11,980	37,635	1,096,415	61,520,501	62,975,944
Acquisition	-	2,269	-	-	-	142,004	144,273
Mining tax credits reversal	-	-	-	-	-	170,529	170,529
As at September 30, 2023	**294,032**	**17,650**	**11,980**	**37,635**	**1,096,415**	**61,833,034**	**63,290,746**
ACCUMULATED DEPRECIATION							
As at December 31, 2022	256,059	13,109	10,153	13,163	-	-	292,484
Depreciation	22,052	696	1,827	3,528	-	-	28,103
As at September 30, 2023	**278,111**	**13,805**	**11,980**	**16,691**	**-**	**-**	**320,587**
NET BOOK VALUE							
As at December 31, 2022	37,973	2,272	1,827	24,472	1,096,415	61,520,501	62,683,460
As at September 30, 2023	**15,921**	**3,845**	**-**	**20,944**	**1,096,415**	**61,833,034**	**62,970,159**

5. CREDIT LINE

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

(IN CANADIAN DOLLARS)

For the first 4 years of the amended credit facility, in the event the Company has not repaid the credit line in full and the Lender remains the creditor of the Company in relation to such credit line, the Company shall grant the Lender an additional annual production fee of $0.25/tonne, which may be bought back by the Company for $2.25M, for a maximum annual additional production fee of $1/tonne (which may be bought back by the Company for a total amount of $9M). It was determined that this clause does not constitute an embedded derivative because of the non-financial variable specific to the Company and therefore the cash flows from the buy back of the production fees had to be included in the amortized cost of the host contract. After the second anniversary, since the Company had not settled the Mercury debt, the Company had granted an additional Production Fee of $0.25 per tonne. The cumulative additional production fee can be bought back for $4,500,000. In the event of total repayment of the credit line, no additional production fee shall be payable. Until there's certainty that the credit line will be fully repaid before maturity, the buy-back from the additional production fees have been included in the amortized cost.

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

On March 31, 2023, the Company opted to issue 3,899,424 common shares at a price of $0.507 per share, in lieu of cash, as its annual interest payment to the Lender due on March 31, 2023. The carrying value of the interests payable and of the corresponding embedded derivative – interest conversion option were then transferred to capital stock.

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

AS AT SEPTEMBER 30, 2023	**HOST**	**EMBEDDED DERIVATIVES**		**TOTAL**
		INTEREST CONVERSION OPTION	**SUPPLEMENTAL WARRANTS**	
	$	**$**	**$**	**$**
Balance – Beginning of period	26,073,994	(497,278)	190,434	25,767,150
Interests paid in shares	(1,991,436)	197,701	-	(1,793,735)
Change in fair value of derivative	-	102,729	(171,493)	(68,764)
Credit line repayment	(1,000,000)	-	-	(1,000,000)
Capitalized interests and accretion	4,212,859	-	-	4,212,859
BALANCE – END OF PERIOD	**27,295,417**	**(196,848)**	**18,941**	**27,117,510**
Current portion	1,964,720	(57,065)	-	1,907,655
Non-current portion	25,330,697	(139,783)	18,941	25,209,855

(IN CANADIAN DOLLARS)

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

6. FINANCE COSTS

	NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2023	NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2022
	$	$
Financial expenses on loans	1,702	1,702
Financial expenses on credit line	4,212,859	5,349,538
Change in fair value of embedded derivatives	(68,764)	66,993
Interest expense on lease liabilities	13,265	18,786
Interest income	(120,395)	(47,734)
	4,038,667	**5,389,285**

7. STOCK OPTIONS, WARRANTS AND OPTIONS GRANTED TO BROKERS

STOCK OPTIONS

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

During the nine-month period ended September 30, 2023, 1,610,000 stock options were granted to directors, employees and consultants, pursuant to the Plan, having a fair value of $282,430 and a weighted average exercise price of $0.42 per stock option.

(IN CANADIAN DOLLARS)

The following table summarizes the information relating to the stock options outstanding under the plan as at September 30, 2023 and December 31, 2022:

EXERCISE PRICE RANGE	WEIGHTED AVERAGE EXERCISE PRICE	WEIGHTED AVERAGE REMAINING CONTRACTUAL LIFE	OPTIONS OUTSTANDING AS AT SEPTEMBER 30, 2023	OPTIONS OUTSTANDING AS AT DECEMBER 31, 2022
$	$	Years		
0.18 – 0.27	0.20	6.97	853,000	946,333
0.28 – 0.44	0.37	7.84	2,596,667	1,691,667
0.45 – 0.62	0.53	5.44	2,630,000	2,530,000
0.67 – 0.86	0.79	2.36	1,065,000	1,075,000
0.87 – 1.32	1.15	0.77	580,000	1,191,000
			7,724,667	7,434,000
		OPTIONS EXERCISABLE	**4,967,167**	**5,401,334**

WARRANTS

Changes in the Company warrants were as follows:

	FOR THE NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2023		FOR THE YEAR ENDED DECEMBER 31, 2022	
	NUMBER	WEIGHTED AVERAGE EXERCISE PRICE	NUMBER	WEIGHTED AVERAGE EXERCISE PRICE
		$		$
BALANCE – BEGINNING	41,844,110	0.38	45,022,875	0.42
Exercised	(2,615,832)	0.20	(217,500)	0.20
Expired	(5,750,000)	0.71	(2,961,265)	1.04
BALANCE – END	33,478,278	0.34	41,844,110	0.38

The following table summarizes the information relating to the warrants outstanding under the plan as at September 30, 2023 and December 31, 2022:

EXERCISE PRICE		EXPIRY DATE	WEIGHTED AVERAGE REMAINING CONTRACTUAL LIFE	AS AT SEPTEMBER 30, 2023	AS AT DECEMBER 31, 2022
$			Years		
0.40	(1)	2024-02-13	0.37	850,050	850,050
0.71		2023-06-04	-	-	5,750,000
0.20		2023-06-10	-	-	2,615,832
0.75		2024-08-21	0.89	628,228	628,228
0.33		2026-03-31	2.50	32,000,000	32,000,000
				33,478,278	41,844,110

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

OPTIONS GRANTED TO BROKERS

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

8. FAIR VALUE OF FINANCIAL INSTRUMENTS

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 nine-month periods ended September 30, 2023, and 2022.

Current financial assets and financial liabilities are valued at their carrying amounts, which are reasonable estimates of their fair value due to their near-term maturities. This includes cash and cash equivalents, receivables and other assets and accounts payable and accrued liabilities and loans.

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 September 30, 2023 of $113,000 ($311,000 as at December 31, 2022).

The embedded derivative – supplemental warrants is classified as a level 3 instrument. An increase/decrease of 10% in the volatility, share price, strike 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 September 30, 2023 of $6,000 and ($59,000 as at December 31, 2022).