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ARIANNE PHOSPHATE INC.

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS THREE-MONTH PERIODS ENDED MARCH 31, 2024 AND 2023

(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 MARCH 31, 2024 (UNAUDITED)	AS AT DECEMBER 31, 2023 (AUDITED)
	\$	\$
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	2,642,129	3,245,503
Receivables and other current assets	236,245	191,908
Sales taxes receivable	72,361	40,252
Tax credits related to resources and mining tax credits receivable	3,719	14,000
	2,954,454	3,491,663
NON-CURRENT ASSETS		
Tax credits related to resources and mining tax credits receivable	-	10,000
Investment property – Outfitters	188,858	193,761
Right-of-use assets	111,934	120,091
Property and equipment (Note 3)	63,006,432	62,980,840
TOTAL ASSETS	66,261,678	66,796,355
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	532,677	248,258
Lease liabilities	21,864	24,656
Credit line and embedded derivatives (Note 4)	1,881,338	1,839,478
	2,435,879	2,112,392
NON-CURRENT LIABILITIES		
Credit line and embedded derivatives (Note 4)	22,627,433	22,294,770
Lease liabilities	101,984	107,418
Deferred income taxes	3,706,483	3,712,021
TOTAL LIABILITIES	28,871,779	28,226,601
EQUITY		
Capital stock	90,615,110	90,615,110
Shares to be issued (Note 4)	1,641,853	-
Warrants (Note 6)	8,534,278	8,624,673
Contributed surplus	18,106,089	17,944,673
Deficit	(81,507,431)	(78,614,702)
TOTAL EQUITY	37,389,899	38,569,754
TOTAL LIABILITIES AND EQUITY	66,261,678	66,796,355

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 INTERIM STATEMENTS OF LOSS AND COMPREHENSIVE LOSS FOR THE THREE-MONTH PERIODS ENDED MARCH 31, 2024, AND 2023

(UNAUDITED)

(IN CANADIAN DOLLARS, EXCEPT FOR NUMBER OF SHARES)

	THREE-MONTH PERIOD ENDED MARCH 31, 2024	THREE-MONTH PERIOD ENDED MARCH 31, 2023
	\$	\$
EXPENSES		
Salaries and benefits	181,524	134,348
Share-based compensation (Note 6)	71,021	87,344
Professional and consultant fees	45,240	53,100
Management fees	-	10,375
Registration and listing fees	19,661	30,605
Communications and investors relation	54,504	59,595
Promotion, representation, and travel	29,490	19,910
Direct application projects and prefeasibility study	440,776	-
Insurance	18,562	17,273
Rent and office expenses	17,963	21,301
Depreciation of property and equipment and right-of-use assets	9,974	22,041
Bank charges	1,007	1,089
Government grant	-	(550)
OPERATING LOSS	889,722	456,431
OTHER EXPENSES (INCOME)		
Finance costs (Note 5)	1,987,633	2,020,383
Foreign exchange loss	466	1,059
Proceeds from the sale of a lithium royalty	-	(2,350,000)
Net loss of investment property – Outfitters	20,446	20,821
	2,008,545	(307,737)
LOSS BEFORE INCOME TAXES	2,898,267	148,694
Deferred income taxes expense (recovery)	(5,538)	-
NET AND COMPREHENSIVE LOSS	2,892,729	148,694
BASIC AND DILUTED LOSS PER SHARE	0.01	0.00
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING	196,809,271	190,230,533

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

ARIANNE PHOSPHATE INC.

CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN EQUITY

FOR THE THREE-MONTH PERIODS ENDED MARCH 31, 2024 and 2023

(UNAUDITED)

(IN CANADIAN DOLLARS, EXCEPT FOR NUMBER OF SHARES)

	CAPITAL STOCK	CAPITAL STOCK	SHARES TO BE ISSUED	WARRANTS	CONTRIBUTED SURPLUS	DEFICIT	TOTAL EQUITY
	common shares	\$	\$	\$	\$	\$	\$
BALANCE AS AT JANUARY 1, 2024	196,809,271	90,615,110	-	8,624,673	17,944,673	(78,614,702)	38,569,754
Net and Comprehensive loss	-	-	-	-	-	(2,892,729)	(2,892,729)
Share-based compensation (Note 6)	-	-	-	-	71,021	-	71,021
Warrants expired (Note 6)	-	-	-	(90,395)	90,395	-	-
Debt conversion (Note 4)	6,080,939	-	1,641,853	-	-	-	1,641,853
BALANCE AS AT MARCH 31, 2024	202,890,210	90,615,110	1,641,853	8,534,278	18,106,089	(81,507,431)	37,389,899
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	-	-	-	-	-	(148,694)	(148,694)
Share-based compensation	-	-	-	-	87,344	-	87,344
Warrants extended	-	-	-	56,157	-	(56,157)	-
Warrants exercised	83,333	20,417	-	(3,750)	-	-	16,667
Options exercised	106,667	37,210	-	-	(13,811)	-	23,399
Debt conversion	3,899,424	-	1,793,735	-	-	-	1,793,735
Share issuance expenses	-	-	-	-	-	(10,958)	(10,958)
BALANCE AS AT MARCH 31, 2023	194,276,772	88,200,913	1,793,735	9,607,971	16,755,181	(78,064,819)	38,292,981

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

ARIANNE PHOSPHATE INC.
CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS
FOR THE THREE-MONTH PERIODS ENDED MARCH 31, 2024 and 2023
(UNAUDITED)
(IN CANADIAN DOLLARS)

	THREE-MONTH PERIOD ENDED	
	MARCH 31,	MARCH 31,
	2024	2023
	\$	\$
OPERATING ACTIVITIES		
Net loss	(2,892,729)	(148,694)
Adjustments for:		
Share-based payments	71,021	87,344
Depreciation – Investment property - Outfitters	4,903	4,882
Depreciation – Property and equipment and right-of-use assets	9,974	22,041
Finance costs	2,019,297	2,058,997
Proceeds from the sale of a lithium royalty	-	(2,350,000)
Non-cash grants	-	(1,100)
Deferred income taxes expense	(5,538)	-
Changes in non-cash working capital items		
Receivables and other current assets	(59,079)	25,017
Sales taxes receivable	(32,109)	1,758
Accounts payable and accrued liabilities	284,419	48,294
CASH FLOWS USED IN OPERATING ACTIVITIES	(599,841)	(251,461)
INVESTING ACTIVITIES		
Proceeds from the sale of a lithium royalty	-	2,350,000
Proceeds from tax credits related to resources and mining tax credits	14,742	-
Acquisition of property and equipment	(7,128)	(214,367)
CASH FLOWS FROM INVESTING ACTIVITIES	7,614	2,135,633
FINANCING ACTIVITIES		
Share issuance expenses	-	(10,958)
Repayment of lease liabilities	(11,147)	(17,594)
Exercise of options	-	23,399
Exercise of warrants	-	16,667
CASH FLOWS FROM (USED) IN FINANCING ACTIVITIES	(11,147)	11,514
NET CHANGE IN CASH AND CASH EQUIVALENTS	(603,374)	1,895,686
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	3,245,503	3,254,878
CASH AND CASH EQUIVALENTS, END OF YEAR	2,642,129	5,150,564
SUPPLEMENTARY CASH FLOW INFORMATION		
Interest received	33,409	22,321
Interest paid	2,921	20,496
Acquisition of property and equipment not yet paid	46,138	49,551

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

ARIANNE PHOSPHATE INC.

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE THREE-MONTH PERIODS ENDED MARCH 31, 2024 AND 2023

(IN CANADIAN DOLLARS)

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 901 Talbot boulevard, Suite 302, Chicoutimi, Quebec, Canada G7H 6N7.

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 March 31, 2024, the Company had a working capital of \$518,575, which included cash of \$2,642,129. 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 MATERIAL ACCOUNTING POLICIES

These condensed consolidated interim financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS Accounting Standards") 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, 2023, which have been prepared in accordance with IFRS Accounting Standards.

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, 2023.

The Board of Directors approved these condensed consolidated interim financial statements on May 24, 2024.

ARIANNE PHOSPHATE INC.

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE THREE-MONTH PERIODS ENDED MARCH 31, 2024 AND 2023

(IN CANADIAN DOLLARS)

3. PROPERTY 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	-	4,292	4,837	-	-	163,994	173,123
Derecognition of assets	(294,032)	-	-	-	-	-	(294,032)
Mining tax credits reversal	-	-	-	-	-	170,529	170,529
AS AT DECEMBER 31, 2023	-	19,673	16,817	37,635	1,096,415	61,855,024	63,025,564
Acquisition	-	2,070	-	-	-	19,801	19,801
Mining tax credits reversal	-	-	-	-	-	5,538	5,538
AS AT MARCH 31, 2024	-	21,743	16,817	37,635	1,096,415	61,880,363	63,052,973
ACCUMULATED DEPRECIATION							
AS AT DECEMBER 31, 2022	256,059	13,109	10,153	13,163	-	-	292,484
Depreciation	29,403	1,019	2,576	4,704	-	-	37,702
Derecognition of assets	(285,462)	-	-	-	-	-	(285,462)
AS AT DECEMBER 2023	-	14,128	12,729	17,867	-	-	44,724
Depreciation	-	339	302	1,176	-	-	1,817
AS AT MARCH 31, 2024	-	14,467	13,031	19,043	-	-	46,541
NET BOOK VALUE							
AS AT DECEMBER 31, 2023	-	5,545	4,088	19,768	1,096,415	61,855,024	62,980,840
AS AT MARCH 31, 2024	-	7,276	3,786	18,592	1,096,415	61,880,363	63,006,432

ARIANNE PHOSPHATE INC.
NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE THREE-MONTH PERIODS ENDED MARCH 31, 2024 AND 2023
(IN CANADIAN DOLLARS)

4. CREDIT LINE AND EMBEDDED DERIVATIVES

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 year ended December 31, 2021, 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

ARIANNE PHOSPHATE INC.

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE THREE-MONTH PERIODS ENDED MARCH 31, 2024 AND 2023

(IN CANADIAN DOLLARS)

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 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. On March 28, 2024, the Company amended the credit line to cap the maximum additional production fees and the buy-back price to \$0.75/tonne and \$6.75M respectively, if the credit line is not repaid in full before March 31, 2024.

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 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.

On March 31, 2024, the Company opted to issue 6,080,939 common shares at a price of \$0.3229 per share, in lieu of cash, as its annual interest payment to the Lender due on March 31, 2024 (3,899,424 common shares at a price of \$0.5107 per share in lieu of cash as at March 31, 2023). The carrying value of the interests payable and of the corresponding embedded derivative – interest conversion option were then transferred to shares to be issued, as the share issuance was subject to TSX-V approval, obtained in April 2024.

ARIANNE PHOSPHATE INC.

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE THREE-MONTH PERIODS ENDED MARCH 31, 2024 AND 2023

(IN CANADIAN DOLLARS)

THREE-MONTH PERIOD ENDED MARCH 31, 2024	HOST	EMBEDDED DERIVATIVES		TOTAL
		INTEREST CONVERSION OPTION	SUPPLEMENTAL WARRANTS	
	\$	\$	\$	\$
BALANCE – BEGINNING OF PERIOD	24,565,877	(456,148)	24,519	24,134,248
Interests paid in shares	(1,963,535)	321,682	-	(1,641,853)
Change in fair value of derivative	-	(68,068)	13,634	(54,435)
Capitalized interests and accretion	2,070,810	-	-	2,070,810
BALANCE – END OF PERIOD	24,673,152	(202,534)	38,153	24,508,770
Current portion	1,991,436	(110,098)	-	1,881,338
Non-current portion	22,681,716	(92,436)	38,153	22,627,433

YEAR ENDED DECEMBER 31, 2023	HOST	EMBEDDED DERIVATIVES		TOTAL
		INTEREST CONVERSION OPTION	SUPPLEMENTAL WARRANTS	
	\$	\$	\$	\$
BALANCE – BEGINNING OF YEAR	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	-	(156,571)	(165,915)	(322,486)
Credit line repayment	(1,000,000)	-	-	(1,000,000)
Capitalized interests and accretion	1,483,319	-	-	1,483,319
BALANCE – END OF YEAR	24,565,877	(456,148)	24,519	24,134,248
Current portion	1,963,535	(124,057)	-	1,839,478
Non-current portion	22,602,342	(332,091)	24,519	22,294,770

5. FINANCE COSTS

	THREE-MONTH PERIOD ENDED MARCH 31, 2024	THREE-MONTH PERIOD ENDED MARCH 31, 2023
	\$	\$
Financial expenses on loans	-	550
Financial expenses on credit line	2,070,811	2,197,942
Change in fair value of embedded derivatives	(54,435)	(147,789)
Interest expense on lease liabilities	2,921	7,744
Interest income	(31,664)	(38,064)
	1,987,633	2,020,383

ARIANNE PHOSPHATE INC.

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE THREE-MONTH PERIODS ENDED MARCH 31, 2024 AND 2023 (IN CANADIAN DOLLARS)

6. 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 three-month period ended March 31, 2024, 150,000 stock options were granted to a consultant pursuant to the plan, having a fair value of \$18,104 and an exercise price of \$0.2775 per stock option.

The following table summarizes the information relating to the stock options outstanding under the plan as at March 31, 2024:

EXERCISE PRICE RANGE	WEIGHTED AVERAGE EXERCISE PRICE	WEIGHTED AVERAGE REMAINING CONTRACTUAL LIFE	AS AT MARCH 31, 2024	AS AT DECEMBER 31, 2023
\$	\$	Years		
0.18 – 0.28	0.23	7.27	1,593,000	946,333
0.29 – 0.44	0.37	8.27	2,596,667	1,691,667
0.45 – 0.63	0.54	5.59	2,780,000	2,530,000
0.63 – 1.30	0.93	1.37	1,455,000	2,266,000
			8,424,667	7,434,000

WARRANTS

The following table summarizes the information relating to the outstanding warrants as at March 31, 2024:

EXERCISE PRICE	EXPIRY DATE	WEIGHTED AVERAGE REMAINING CONTRACTUAL LIFE	AS AT MARCH 31, 2024	AS AT DECEMBER 31, 2023
\$		Years		
0,40	2024-02-13	-	-	850,050
0,75	2024-08-21	0.39	628,228	628,228
0,33	2026-03-31	2.00	32,000,000	32,000,000
			32,628,228	33,478,278

7. 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 three-month periods ended March 31, 2024, and 2023.

The carrying value of cash and cash equivalents, receivables and other assets, accounts payable and accrued

ARIANNE PHOSPHATE INC.

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE THREE-MONTH PERIODS ENDED MARCH 31, 2024 AND 2023

(IN CANADIAN DOLLARS)

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 March 31, 2024 of \$55,000 (\$142,000 as at December 31, 2023).

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 March 31, 2024 of \$12,000 (\$7,000 as at December 31, 2023).