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## **ARIANNE PHOSPHATE INC.**

**CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS  
THREE AND SIX-MONTH PERIODS ENDED JUNE 30, 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, EXCEPT FOR NUMBER OF SHARES)

	<b>AS AT JUNE 30, 2024</b> (UNAUDITED)	<b>AS AT DECEMBER 31, 2023</b> (AUDITED)
	\$	\$
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	2,047,826	3,245,503
Receivables and other current assets	207,861	191,908
Sales taxes receivable	74,583	40,252
Tax credits related to resources and mining tax credits receivable	3,597	14,000
	2,333,867	3,491,663
<b>NON-CURRENT ASSETS</b>		
Tax credits related to resources and mining tax credits receivable	-	10,000
Investment property – Outfitters	196,205	193,761
Right-of-use assets	103,776	120,091
Property and equipment (Note 3)	63,024,908	62,980,840
<b>TOTAL ASSETS</b>	<b>65,658,756</b>	<b>66,796,355</b>
<b>LIABILITIES</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable and accrued liabilities	541,647	248,258
Lease liabilities	22,303	24,656
Credit line and embedded derivatives (Note 4)	1,877,695	1,839,478
	2,441,645	2,112,392
<b>NON-CURRENT LIABILITIES</b>		
Credit line and embedded derivatives (Note 4)	24,767,917	22,294,770
Lease liabilities	96,234	107,418
Deferred income taxes	3,706,483	3,712,021
<b>TOTAL LIABILITIES</b>	<b>31,012,279</b>	<b>28,226,601</b>
<b>EQUITY</b>		
Capital stock	92,256,963	90,615,110
Warrants (Note 6)	8,534,278	8,624,673
Contributed surplus	18,196,905	17,944,673
Deficit	(84,341,669)	(78,614,702)
<b>TOTAL EQUITY</b>	<b>34,646,477</b>	<b>38,569,754</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>65,658,756</b>	<b>66,796,355</b>

*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 AND SIX-MONTH PERIODS ENDED JUNE 30, 2024 AND 2023

(UNAUDITED)

(IN CANADIAN DOLLARS, EXCEPT FOR NUMBER OF SHARES)

	THREE-MONTH PERIOD ENDED JUNE 30, 2024	THREE-MONTH PERIOD ENDED JUNE 30, 2023	SIX-MONTH PERIOD ENDED JUNE 30, 2024	SIX-MONTH PERIOD ENDED JUNE 30, 2023
	\$	\$	\$	\$
<b>EXPENSES</b>				
Salaries and benefits	187,647	195,586	369,171	329,934
Share-based compensation (Note 6)	90,816	109,941	161,837	197,285
Professional and consultant fees	48,917	64,523	94,157	117,623
Management fees	-	6,250	-	16,625
Registration and listing fees	31,813	25,567	51,474	56,172
Annual Meeting fees	32,053	38,648	32,053	38,648
Communications and investors relation	51,626	55,485	106,130	115,080
Promotion, representation, and travel	10,050	45,342	39,540	65,252
Direct application projects and prefeasibility study	196,952	29,755	637,728	29,755
Insurance	15,161	19,480	33,723	36,753
Rent and office expenses	20,185	12,066	38,148	33,367
Depreciation of property and equipment and right-of-use assets	9,976	22,041	19,950	44,082
Bank charges	502	1,246	1,509	2,335
Government grant	-	(567)	-	(1,117)
<b>OPERATING LOSS</b>	<b>695,698</b>	<b>625,363</b>	<b>1,585,420</b>	<b>1,081,794</b>
<b>OTHER EXPENSES (INCOME)</b>				
Finance costs (Note 5)	2,112,292	(27,726)	4,099,925	1,992,657
Foreign exchange loss	59	1,352	525	2,411
Proceeds from the sale of a lithium royalty (Note 5)	-	-	-	(2,350,000)
Net loss of investment property – Outfitters	15,371	34,049	35,817	54,870
<b>LOSS BEFORE INCOME TAXES</b>	<b>2,823,420</b>	<b>633,038</b>	<b>5,721,687</b>	<b>781,732</b>
Deferred income taxes expense (recovery)	-	(101,685)	(5,538)	(101,685)
<b>NET AND COMPREHENSIVE LOSS</b>	<b>2,823,420</b>	<b>531,353</b>	<b>5,716,149</b>	<b>680,047</b>
<b>BASIC AND DILUTED LOSS PER SHARE</b>	<b>0.01</b>	<b>0.00</b>	<b>0.03</b>	<b>0.02</b>
<b>WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING</b>	<b>202,823,386</b>	<b>195,084,455</b>	<b>199,816,329</b>	<b>185,596,955</b>

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

# ARIANNE PHOSPHATE INC.

## CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN EQUITY FOR THE SIX-MONTH PERIODS ENDED JUNE 30, 2024 and 2023 (UNAUDITED)

(IN CANADIAN DOLLARS, EXCEPT FOR NUMBER OF SHARES)

	CAPITAL STOCK	CONTRIBUTED				TOTAL EQUITY
	CAPITAL STOCK	CAPITAL STOCK	WARRANTS	SURPLUS	DEFICIT	TOTAL EQUITY
	common shares	\$	\$	\$	\$	\$
<b>BALANCE AS AT JANUARY 1, 2024</b>	196,809,271	90,615,110	8,624,673	17,944,673	(78,614,702)	38,569,754
Net and Comprehensive loss	-	-	-	-	(5,716,149)	(5,716,149)
Share-based compensation (Note 6)	-	-	-	161,837	-	161,837
Warrants expired (Note 6)	-	-	(90,395)	90,395	-	-
Debt conversion (Note 4)	6,080,939	1,641,853	-	-	-	1,641,853
Share issuance expense	-	-	-	-	(10,818)	(10,818)
<b>BALANCE AS AT JUNE 30, 2024</b>	<b>202,890,210</b>	<b>92,256,963</b>	<b>8,534,278</b>	<b>18,196,905</b>	<b>(84,341,669)</b>	<b>34,646,477</b>
<b>BALANCE AS AT JANUARY 1, 2023</b>	190,187,348	88,143,286	9,555,564	16,681,648	(77,849,010)	36,531,488
Net and Comprehensive loss	-	-	-	-	(680,047)	(680,047)
Share-based compensation	-	-	-	197,285	-	197,285
Warrants extended	-	-	56,157	-	(56,157)	-
Warrants exercised	83,333	640,879	(117,712)	-	-	523,166
Warrants expired	-	-	(869,336)	869,336	-	-
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)
<b>BALANCE AS AT JUNE 30, 2023</b>	<b>194,276,772</b>	<b>90,615,110</b>	<b>8,624,673</b>	<b>17,734,458</b>	<b>(78,596,172)</b>	<b>38,378,069</b>

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

**ARIANNE PHOSPHATE INC.**  
**CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS**  
**FOR THE SIX-MONTH PERIODS ENDED JUNE 30, 2024 and 2023**  
**(UNAUDITED)**  
(IN CANADIAN DOLLARS)

	<b>SIX-MONTH PERIOD ENDED</b>	
	<b>JUNE 30, 2024</b>	<b>JUNE 30, 2023</b>
	\$	\$
<b>OPERATING ACTIVITIES</b>		
Net loss	(5,716,149)	(680,047)
Adjustments for:		
Share-based payments	161,837	197,285
Depreciation – Investment property - Outfitters	10,201	9,713
Depreciation – Property and equipment and right-of-use assets	19,950	44,082
Finance costs	4,158,573	2,073,135
Proceeds from the sale of a lithium royalty	-	(2,350,000)
Non-cash grants	-	(2,234)
Deferred income taxes expense	(5,538)	(101,685)
Changes in non-cash working capital items		
Receivables and other current assets	(15,953)	72,264
Sales taxes receivable	(34,331)	(4,900)
Accounts payable and accrued liabilities	289,924	77,862
<b>CASH FLOWS USED IN OPERATING ACTIVITIES</b>	<b>(1,131,486)</b>	<b>(664,525)</b>
<b>INVESTING ACTIVITIES</b>		
Proceeds from the sale of a lithium royalty	-	2,350,000
Proceeds from tax credits related to resources and mining tax credits	14,865	-
Acquisition of property and equipment - Outfitter	(12,645)	(2,280)
Acquisition of property and equipment	(38,700)	(205,881)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	<b>(36,480)</b>	<b>2,141,839</b>
<b>FINANCING ACTIVITIES</b>		
Share issuance expenses	(10,818)	(10,958)
Repayment of lease liabilities	(18,893)	(35,542)
Repayment of credit line	-	(1,000,000)
Exercise of options	-	23,399
Exercise of warrants	-	523,166
<b>CASH FLOWS FROM (USED) IN FINANCING ACTIVITIES</b>	<b>(29,711)</b>	<b>(499,934)</b>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	<b>(1,197,677)</b>	<b>977,380</b>
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	3,245,503	3,254,878
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<b>2,047,826</b>	<b>4,232,258</b>
<b>SUPPLEMENTARY CASH FLOW INFORMATION</b>		
Interest received	63,187	66,359
Interest paid	5,356	11,016
Acquisition of property and equipment not yet paid	49,604	47,663

*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 AND SIX-MONTH PERIODS ENDED JUNE 30, 2024 AND 2023

(IN CANADIAN DOLLARS)

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#### 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 June 30, 2024, the Company had a working capital of negative \$107,778, which included cash of \$2,047,826. 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 August 26, 2024.

# ARIANNE PHOSPHATE INC.

## NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

### FOR THE THREE AND SIX-MONTH PERIODS ENDED JUNE 30, 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
	\$	\$	\$	\$	\$	\$	\$
<b>COST</b>							
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	-	-	-	40,095	42,165
Mining tax credits reversal	-	-	-	-	-	5,538	5,538
<b>AS AT JUNE 30, 2024</b>	<b>-</b>	<b>21,743</b>	<b>16,817</b>	<b>37,635</b>	<b>1,096,415</b>	<b>61,900,657</b>	<b>63,073,267</b>
<b>ACCUMULATED DEPRECIATION</b>							
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	-	678	605	2,352	-	-	3,635
<b>AS AT JUNE 30, 2024</b>	<b>-</b>	<b>14,806</b>	<b>13,334</b>	<b>20,219</b>	<b>-</b>	<b>-</b>	<b>48,359</b>
<b>NET BOOK VALUE</b>							
AS AT DECEMBER 31, 2023	-	5,545	4,088	19,768	1,096,415	61,855,024	62,980,840
<b>AS AT JUNE 30, 2024</b>	<b>-</b>	<b>6,937</b>	<b>3,483</b>	<b>17,416</b>	<b>1,096,415</b>	<b>61,900,657</b>	<b>63,024,908</b>

# ARIANNE PHOSPHATE INC.

## NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

### FOR THE THREE AND SIX-MONTH PERIODS ENDED JUNE 30, 2024 AND 2023

(IN CANADIAN DOLLARS)

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#### 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 AND SIX-MONTH PERIODS ENDED JUNE 30, 2024 AND 2023**

(IN CANADIAN DOLLARS)

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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 capital stock.

# ARIANNE PHOSPHATE INC.

## NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

### FOR THE THREE AND SIX-MONTH PERIODS ENDED JUNE 30, 2024 AND 2023

(IN CANADIAN DOLLARS)

SIX-MONTH PERIOD ENDED JUNE 30, 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	-	(12,129)	14,683	2,554
Capitalized interests and accretion	4,150,663	-	-	4,150,663
<b>BALANCE – END OF PERIOD</b>	<b>26,753,005</b>	<b>(146,595)</b>	<b>39,202</b>	<b>26,645,612</b>
Current portion	1,958,170	(80,475)	-	1,877,695
Non-current portion	24,794,835	(66,119)	39,202	24,767,917

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
<b>BALANCE – END OF YEAR</b>	<b>24,565,877</b>	<b>(456,148)</b>	<b>24,519</b>	<b>24,134,248</b>
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

	SIX-MONTH PERIOD ENDED JUNE 30, 2024	SIX-MONTH PERIOD ENDED JUNE 30, 2023
	\$	\$
Financial expenses on loans	-	1,117
Financial expenses on credit line	4,150,663	2,090,837
Change in fair value of embedded derivatives	2,554	(30,952)
Interest expense on lease liabilities	5,356	11,016
Interest income	(58,648)	(79,361)
	<b>4,099,925</b>	<b>1,992,657</b>

# ARIANNE PHOSPHATE INC.

## NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

### FOR THE THREE AND SIX-MONTH PERIODS ENDED JUNE 30, 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 six-month period ended June 30, 2024, 650,000 stock options were granted to a consultant and management member pursuant to the plan, having a total fair value of \$113,104 and a weighted average exercise price of \$0.26 per stock option.

The following table summarizes the information relating to the stock options outstanding under the plan as at June 30, 2024:

EXERCISE PRICE RANGE	WEIGHTED AVERAGE EXERCISE PRICE	WEIGHTED AVERAGE REMAINING CONTRACTUAL LIFE	AS AT JUNE 30, 2024	AS AT DECEMBER 31, 2023
\$	\$	Years		
0.18 – 0.28	0.23	7.69	2,093,000	946,333
0.29 – 0.44	0.37	8.02	2,596,667	1,691,667
0.45 – 0.63	0.54	5.76	2,580,000	2,530,000
0.63 – 1.30	0.86	1.39	1,215,000	2,266,000
			8,484,667	7,434,000

### WARRANTS

The following table summarizes the information relating to the outstanding warrants as at June 30, 2024:

EXERCISE PRICE	EXPIRY DATE	WEIGHTED AVERAGE REMAINING CONTRACTUAL LIFE	AS AT JUNE 30, 2024	AS AT DECEMBER 31, 2023
\$		Years		
0.40	2024-02-13	-	-	850,050
0.75	2024-08-21	0.14	628,228	628,228
0.33	2026-03-31	1.75	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 six-month periods ended June 30, 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 AND SIX-MONTH PERIODS ENDED JUNE 30, 2024 AND 2023**

(IN CANADIAN DOLLARS)

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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 June 30, 2024 of \$54,000 (\$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 June 30, 2024 of \$16,000 (\$7,000 as at December 31, 2023).