

ARIANNE PHOSPHATE INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS

First Quarter 2017

Period ended March 31, 2017

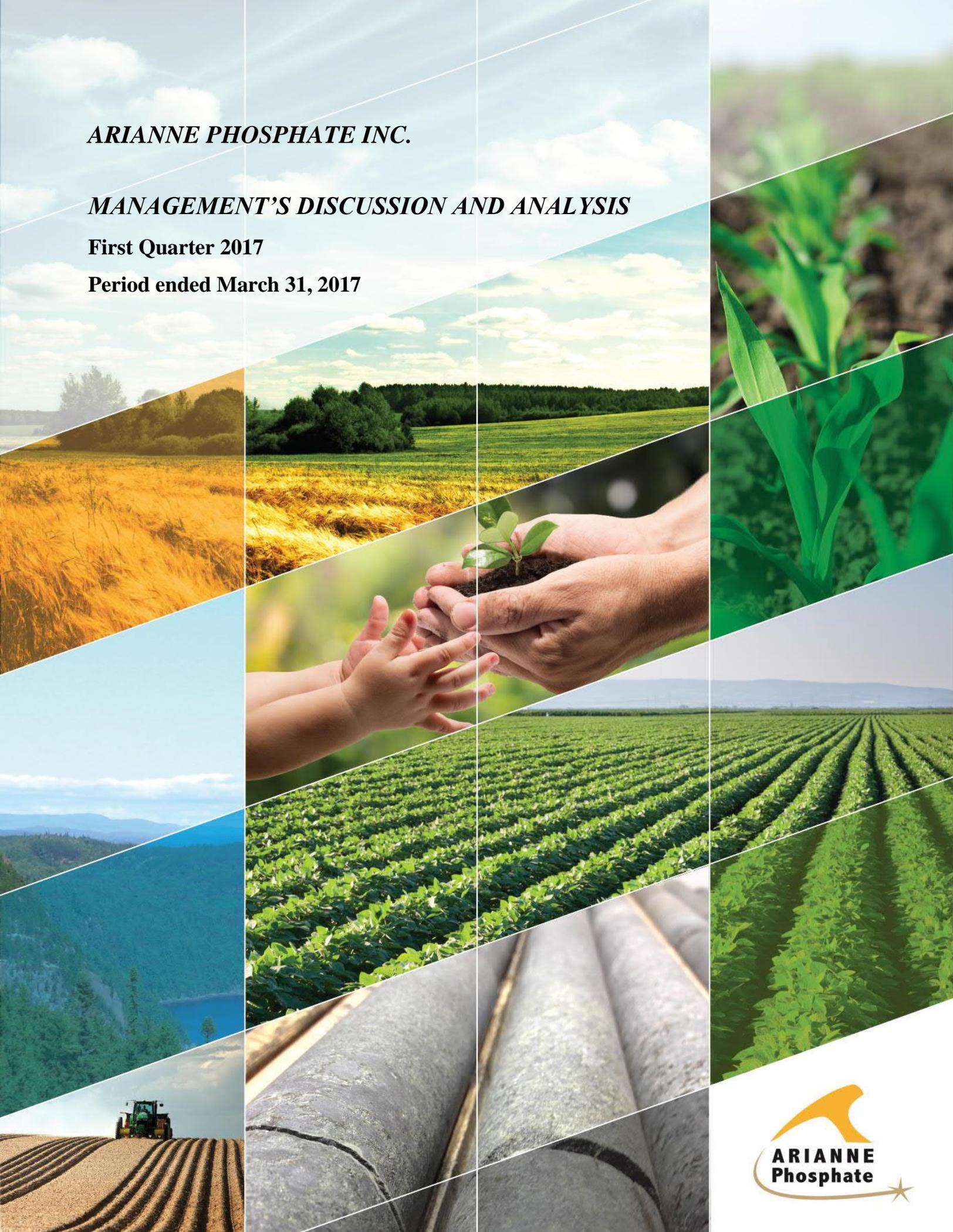


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This Management's Discussion and Analysis ("MD&A") presents an analysis of the financial situation and operations of Arianne Phosphate Inc. ("Arianne" or the "Company") for the period ended March 31, 2017. This report was prepared in compliance with the provisions of Form 51-102F1, approved by the Board of Directors and dated May 26, 2017. It should be read in conjunction with the unaudited condensed consolidated interim financial statements for the period ended March 31, 2017 (the "financial statements").

The accounting policies followed in the financial statements are consistent with those applied in the Company's annual financial statements for the year ended December 31, 2016. The financial statements should be read in conjunction with the Company's consolidated and audited annual financial statements for the year ended December 31, 2016, which have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the IASB.

All amounts presented in the MD&A are in Canadian dollars (CAD) unless otherwise noted.

FORWARD-LOOKING INFORMATION

Certain statements in this MD&A about our current and future plans, expectations and intentions, results, levels of activity, performance, goals or achievements, or any other future events or developments constitute forward-looking statements. The words "may", "will", "would", "should", "could", "expects", "plans", "intends", "trends", "indications", "anticipates", "believes", "likely", "predicts", "estimates" or "potential" or the negative or other variations of these words or other comparable words or phrases, are intended to identify forward-looking statements. Specific forward-looking statements in this MD&A include, but are not limited to, statements with respect to the general development of the business and the eventual start of commercial production and to the liquidity position of the Company. Forward-looking statements are based on information currently available to us and on estimates and assumptions made by us regarding, among other things, general economic conditions and the mining industry in general, in light of our experience and perception of historical trends, current conditions and expected future developments, as well as other factors that we believe are appropriate and reasonable in the circumstances. Although reasonable, the statements can entail known and unknown risks and uncertainties and, accordingly, actual results and future events could differ materially from those anticipated in such statements.

Arianne ensures to comply with all relevant host country environmental and social laws, regulations and permits in all material respects.

DESCRIPTION OF THE BUSINESS

Arianne is a company focused on the development of the Lac à Paul phosphate rock project (Lac à Paul) located in the Saguenay-Lac-St-Jean area, in the province of Quebec. The Company's shares are listed on the TSX Venture Exchange (symbol DAN), on the Frankfurt exchange (symbol JE9N) and on the US Stock Exchange Over-the-Counter (OTC) (symbol DRRSF). The registered office of the Company is located at 393 Racine Street East, Suite 200, Chicoutimi, Québec, Canada G7H 1T2.

HIGHLIGHTS

- In April, the Company signed a Memorandum of Understanding (“MOU”) agreement, with Groupe Alfred Boivin (“GAB”) for the trucking of the Company’s high purity phosphate concentrate between the Lac à Paul mine site and the marine terminal on the north shore of the Saguenay River. The services offered by GAB are perfectly aligned with Arianne’s transportation strategy and will allow for the final design specifications of our trucks and trailers, as well as logistics and road and fleet maintenance. This MOU provides for a research and development program for the final selection of the truck, and the creation of the trailer.
- In April, Arianne signed a MOU agreement with FLSmidth to provide all production equipment and engineering for the future plant, in collaboration with the various key suppliers involved in the Lac-à-Paul project development. FLSmidth is a leader in phosphate processing technologies covering the full flowsheet. FLSmidth comes with both strong technical ability as well as the ability to assist Arianne in sourcing the necessary financing solutions and, had already introduced the project into EKF, the Danish Export Credit Agency.
- In April 2017, the Company signed a MOU agreement with a joint venture between SNC-Lavalin (“SNC”) and Cegertec to act as project manager consultants and provide project management support, coordination and consulting for the Lac a Paul project. The joint venture will integrate all pieces into a fully functioning plan that should help us achieve engineering, cost and scheduling certainty.
- In In March 2017, Arianne signed a MOU agreement with ABB Inc. to provide engineering, procurement and support services for integrated electrification and automated mining solutions. As part of this MOU, ABB has also committed to work with Arianne in helping to secure financing for this portion of the project and, to that end, has already introduced the project to SERV, the Swiss Export Credit Agency.
- In February 2017, the Company secured a favorable power agreement with the Ministry of Energy and Natural Resources. This agreement confirms that an additional power bloc of 14-MW from Hydro-Quebec will be made available for the Lac à Paul project’s ore processing facilities. This power bloc now totals 129-MW. With this additional power bloc, Arianne will be able to supply all its processing facilities with hydroelectric power, making it the apatite concentrate producer with the lowest greenhouse gas (GHG) emissions on the market. A significant portion of the whole power bloc of 129-MW, i.e. 42-MW, will be used for the electric dryer to dry the apatite concentrate. The innovative technology integrated into the dryer will prevent the equivalent of 86,000 metric tonnes per year of CO2 emissions. It will also have a positive economic impact on the Lac à Paul project.
- In February 2017, Arianne signed an MOU with Construction Proco Inc. The agreement covers structural and architectural engineering, steel fabrication and construction of the mill process and utilities buildings and, on-site stock pile storage.
- In January 2017, the Company signed a project agreement with Rio Tinto Alcan (“Rio Tinto”) to review potential sharing of maritime services. This project agreement provides for discussions focused on Arianne’s use of ships serving Rio Tinto to deliver phosphate concentrate to international markets and should provide both environmental and economic benefits.

OBJECTIVES

Over the short term, the strategic objectives that guide management and the Company's directors can be summarized as follows:

- Reduce cash operating production costs and capital expenses;
- Sign an “Impact and Benefit Agreement” (IBA) with the First Nations;
- Assist the Port of Saguenay in securing their environmental permitting from “Canadian Environmental Assessment Agency” (CEEA); and
- Secure financing for construction and development of the Lac-à-Paul project (the “Project”).

Over the medium term, the Company's goal remains to build a profitable phosphate mine that will generate economic returns and benefits for our shareholders as well as stakeholders in the Saguenay-Lac-St-Jean region and Québec.

Targeted Future Milestones

- Complete partnership and financing arrangements;
- Continue to enhance the value of the project through project optimization; and
- Assist the Port of Saguenay in receiving their approval from CEAA to start the construction of the loading facilities.

FEASIBILITY STUDY (“FS”)

In October 2013, Arianne released the FS of its Lac à Paul phosphate mine project. The FS outlines an open pit mine, a mill producing a high-quality phosphate concentrate and a transport system to deliver the product to a year-round, deep-water port on the Saguenay River.

Study highlights

- Net present value (“NPV”) of US\$1,910.1 million before taxes at an 8% discount rate.
- Gross revenue, in real terms, of US\$16.1 billion, and operating cash flows of US\$7.4 billion.
- Internal rate of return (“IRR”) of 20.7% with a capital payback of 4.4 years before taxes and mining duties.
- A 26-year mine life (excluding pre-production) with an average annual phosphate concentrate production of 3 million tonnes with a grade of 38.6% P₂O₅ and with average mill recovery of 90.0%.
- Initial capital cost of US\$1,215 million, comprised of US\$983 million for the mine and US\$232 million for the concentrate transport system that delivers product to the deep-water Port of Saguenay, open 365 days a year.
- Life of Mine (LOM) operating cash cost on board the ship in the deep-water Port of Saguenay of US\$93.7/ton yielding an operating margin of 56% on an average selling price of US\$213/tonne.
- Measured and indicated mineral resources in the Paul Zone of 590 million tonnes grading an average of 7.13% P₂O₅ at a 4.0% cut-off grade (does not include 164 million tonnes of Manouane Zone mineral resources).

- Production of 76 million tons of saleable concentrate at 38.6% P₂O₅ from proven and probable mineral reserves of 472.1 million tonnes at an average grade of 6.9% P₂O₅ (based on a 3.5% cut-off grade) for the Paul Zone mineral resource.
- Hydro-Québec confirmed power availability of 115 MW at the Chute des Passes power plant located 40 km from the mine.

OPERATIONAL REVIEW

Paul area growth potential

Through further exploration activities completed in 2014, Arianne estimated in 2015, measured and indicated resources on the Paul Eastern Extension of 12.5 million tonnes at 6.31% P₂O₅ with a 4.0% P₂O₅ cut-off grade. Additionally, an updated resource estimate from the geological remodeling on the Paul Zone and its Western Extension now amount to 690 million tonnes at 7.18% P₂O₅ with a 4.0% P₂O₅ cut-off grade in the measured & indicated category. In total, Arianne's resource estimate on the Paul area in 2015 shows measured and indicated resources of 703 Mt at 7.16% P₂O₅ with a 4.0% P₂O₅ cut-off grade. The Paul Zone and both its Extensions are still open on the east and west sides as well as in depth.

Infrastructure

The project is located 240 km north of the Saguenay-Lac-St-Jean region in Québec, Canada. This region is economically well-diversified with existing infrastructure, a strong industrial base and a high-quality labour pool. The region is also known for numerous hydropower generating dams. It has a well-developed road network and access to deep-sea ports.

The Lac à Paul project will get its 129 MW of electricity from Hydro-Québec through Rio Tinto Alcan's Chute-des-Passes Power dam, which is located 40 km from the project. A 345-kV/161-kV substation at Chute-des-Passes and a 161-kV power line will be built to supply the electricity to the Lac à Paul mine site.

Of interest to Arianne, in the Québec Economic Plan 2016-2017, the government announced the introduction of a measure to foster investment in businesses billed at the large-power industrial rate (Rate L). This measure provides financial assistance in the form of a reduction of electricity costs and will enable the reimbursement of up to 50% of the cost of a business's eligible investments, i.e.:

- 40% of eligible investments made; and
- an additional 10% for a 20% reduction of greenhouse gas (GHG) intensity.

This assistance will correspond to a maximum reduction of 20% of a business's electricity bill for a maximum of four years per project.

Arianne is in discussion with the provincial government to obtain a reduction on the power cost for the first 4 years of operation.

Phosphate concentrate transport

The phosphate concentrate will be transported by truck from the mine on an existing logging road to a deep-water port located on the north shore of the Saguenay River. Studies completed in June 2014 led to

the selection and presentation of a scenario using forest roads R-253 and R-200 on the “Monts-Valin” and the maritime terminal on the north shore of the Saguenay River at Sainte-Rose-du-Nord.

In accordance with the Decree from the government of Quebec received December 22, 2015, Arianne is working on finalizing the road layout with different stakeholders to optimize and reduce the social impact. To secure the transportation of the concentrate, since the beginning of the year, Arianne has been in discussion with different specialized carriers for the development of equipment to produce the best performance for Arianne's operations.

Arianne recently signed a MOU agreement with GAB regarding the trucking of the Company's high purity phosphate and research and development for the selection of the truck and the creation of the trailer.

Metallurgy

The Company completed a customer trial program that produced a phosphate concentrate with a higher grade and lower contaminants than previously ever achieved by the Company. The customer trial produced 1.2 tonnes of phosphate concentrate (called Arianne 40) with a grade of 40.0% of P₂O₅ and a minor element ratio (“MER”) of lower than 0.03. These tests were completed by adding an additional step beyond Arianne's already optimized metallurgical process. The results surpassed previous metallurgical test work that had produced a P₂O₅ concentrate of 38.8% with a MER of 0.089 and a recovery rate of 90%.

MOU Agreements to Benefit the Lac à Paul Project

During the past few months, Arianne's team has been working hard on securing various aspects of the project. In order to do so, a total of six MOU agreements were signed between Arianne and key suppliers for developing the Lac à Paul project.

1. The first MOU agreement provides for discussions focused on Arianne's use of ships serving Rio Tinto to deliver phosphate concentrate to international markets. This partnership will enhance the project's economics and reduce Arianne's environmental impact;
2. The second MOU agreement with Construction Proco Inc. is for the structural and architectural engineering, the steel fabrication and construction of the mill and utilities buildings, and the on-site stock pile storage, making the project shovel-ready with cost scheduling certainty;
3. The third MOU agreement is for the engineering, procurement and support services for integrated electrification and automated mining solutions. With ABB, Arianne has found a partner with the technical capabilities and financial network to assist in the project's development. These three partnerships tie in with Arianne's strategy to have full control over the course and cost of development;
4. The fourth MOU agreement was signed with a joint venture between SNC and Cegertec to act as project manager consultants and provide project management support, coordination and consulting;
5. The fifth MOU agreement was signed with FLSmidth to provide all production equipment and engineering for the future plant, in collaboration with the various key suppliers involved in the Lac-à-Paul project development;

6. The last MOU agreement was signed with GAB for the trucking of the Company's high purity phosphate concentrate between the Lac à Paul mine site and the marine terminal on the north shore of the Saguenay River.

First Nations

Thanks to negotiations with the three Innu First Nations groups; Pessamit, Mastheuiatsh and Essipit, a Cooperation Agreement was signed in 2015 for the Lac à Paul project. The agreement has been used as a framework to govern the relationship between Arianne and the three communities, reflecting mutual intentions to further build a relationship characterized by cooperation and mutual respect in connection with the development of the Lac à Paul project. The shared agreement lays out the areas in which Arianne and the three communities have agreed to work together and maintain communication in order to support their mutual goals to conclude an IBA.

During the first quarter of 2017, numerous meetings were held with the representatives of these three communities. Both parties agreed to move forward with the negotiation for the IBA. Arianne is currently working at defining training, employment, and financial considerations with the three First Nations communities.

Saguenay–Lac-St-Jean Community relations

As the project develops, the Company maintains an open dialogue with the stakeholders in the region, as well as with groups and individuals impacted by the project. Community relations have always been a priority for Arianne. The Company is committed to maintaining full and open communication with all communities affected by the Lac à Paul project. During 2015, Arianne created an independent Monitoring Committee in compliance with the Quebec Government's Mining Law.

Since the beginning of 2017, numerous meetings were held with key political, economic and community stakeholders involved in the project.

Economic impact of the project

In February 2014, the firm Raymond Chabot Grant Thornton (RCGT) submitted the results of its study on the economic impact of the development of the Lac à Paul project. The RCGT analysis confirms that the significant economic benefits of the mine will increase collective wealth in the region by increasing the average income of workers and fostering the emergence of a new cluster of mining contractors, in addition to diversifying the region's traditional economy based on the forest and aluminium industries.

The project will also attract new residents with expertise in the mining sector, in addition to generating opportunities for educational institutions in the region. Arianne is working with all stakeholders, including the First Nations, to enable the region to grow and become more competitive due to the project.

Port of Saguenay

The Port of Saguenay and Arianne will cooperate in building a maritime terminal on the north shore of the Saguenay River on the limits of Sainte-Rose-du-Nord.

During the second quarter of 2016, Port of Saguenay submitted the Environmental Impact Statement ("EIS") to the Agency which was reviewed by the Panel for the rest of 2016. In the first quarter of 2017, Arianne answered the first series of questions from the CEEA.

This project was initiated as a complement to Arianne's phosphate concentrate mining project. The aim of the Port of Saguenay's project is to facilitate shipment of Arianne's phosphate concentrate to world markets.

Social acceptance

In 2015, the Company signed an agreement with the residents of the Zec Martin-Valin and Lake Neil, to offset the impact of the concentrate's transportation.

PHOSPHATE INDUSTRY TRENDS

Phosphate rock mining is declining in North America, with an estimated deficit in Canada and the United States of 4 million tons per year expected to increase to 8 million tons per year by 2020. Global demand for phosphate is increasing at approximately 3% per year due to global population growth and a shift in dietary habits towards more protein-rich foods.

Within this context, the Lac à Paul project can satisfy a portion of this growing demand and provide a reliable and secure supply of high-quality phosphate rock.

Phosphate has no substitute and is a key component essential to life. It helps root development and drought resistance in plants.

Phosphate purchasers (potential customers) are concerned with the security of supplies and are aware of the beneficial geopolitical situation regarding the region where the mine is located. The Lac à Paul project is located in a politically stable mining-friendly jurisdiction. As well, as a result of pending European legislation and recent environmental issues in North America, there has been a growing awareness surrounding the nature of the phosphate concentrate that is used in the production of fertilizer and other applications. Due to these growing concerns, the interest in higher purity phosphate rock, such as Arianne's, is projected to increase.

SUSTAINABLE DEVELOPMENT

Measuring and offsetting greenhouse gas emissions

As part of its Sustainable Development Policy, Arianne offsets its greenhouse gas ("GHG") emissions by investing in sustainable development and innovation projects.

Arianne Phosphate was responsible for the emission of 9 tonnes of CO₂ equivalent for the first quarter of 2017 (Table 1).

Table 1: Greenhouse gas emissions associated with each of the Company's activities during the first quarter of 2017 (in tonnes)

| | Total | Administration and field transportation |
|---------------------------------------------|-------------|-----------------------------------------|
| <i>Work and representation (tonnes)</i> | 9 | 9 |
| Percentage (%) | 100% | 100% |

Table 2: Summary of offset measures implemented by Arianne as of March 31, 2017

| Emissions | Tonnes |
|----------------------------------------|---------------|
| 1999-2010 | 867 |
| 2011 | 222 |
| 2012 | 963 |
| 2013 | 100 |
| 2014 | 2,070 |
| 2015 | 37 |
| 2016 ⁽¹⁾ | 207 |
| 2017 ⁽¹⁾ | 9 |
| Financial equivalents | 4,259 |
| Price/tonne CO ₂ (\$/tonne) | 17.29 |
| Amount to offset (\$) | 73,638 |
| Amounts already invested | \$ |
| Global TraPs 2011 | 5,181 |
| UQAC Eco-Advising Chair | 4,240 |
| Global TraPs 2012 | 3,490 |
| Research grant 2012-2014 | 27,000 |
| Carbone Boréal 2012 | 37 |
| Bioperre | 1,000 |
| Total invested | 40,948 |
| Additional investment | 32,690 |

(1) Arianne Phosphate was committed to having a carbon-neutral exploration phase. This exploration phase was completed after obtaining the ministerial decree issued by the Government of Quebec in December 2015. The Company will continue to quantify and publish its greenhouse gas emissions without committing itself to offset future emissions.

FINANCIAL POSITION ANALYSIS

As at March 31, 2017, total assets almost remained the same as December 31, 2016. This is mainly due to a decrease of the cash and cash equivalents off set by the increase in exploration and evaluation assets to \$46,206,411 in 2017 compared to \$44,741,815 in 2016.

Accounts payable and accrued liabilities as at March 31, 2017 decreased from \$1,976,203 in 2016 to \$1,911,714 in 2017. Non-current liabilities as at March 31, 2017 of \$5,904,968 are higher than \$5,793,944 at December 31, 2016, as a result of the Company interest and amortization of the financing fees of the credit line. At the end of March 31, 2017, the Company has an amount of \$291,887 available regarding its non-revolving credit line.

CASHFLOWS, LIQUIDITY AND CAPITAL MANAGEMENT

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 cash balance as at March 31, 2017 was \$458,417, and it had a current tax credit related to resources and mining tax credit receivables of \$1,721,255.

Based on current spending estimates for the project's development in 2017, the Company will need additional financing during 2017. Any funding shortfall may be met in the future in several ways including, but not limited to, the issuance of new equity, debt financing or the securing of 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.

| Cash flows provided by (used in) | March 31, 2017 \$ | March 31, 2016 \$ |
|------------------------------------------------------------------------------|----------------------|----------------------|
| Operating activities before the net change in non-cash working capital items | (636,677) | (692,518) |
| Net change in non-cash working capital items | (547,915) | (624,049) |
| Operating activities | (1,184,592) | (1,316,567) |
| Investment activities | (586,035) | (190,109) |
| Financing activities | - | 1,480,000 |
| Decrease in cash and cash equivalents | (1,770,627) | (26,676) |

Operating activities

For the period ended March 31, 2017, cash outflows from operating activities totalled \$0.6 million, while there was \$0.7 million of cash outflows for the same period in 2016. The Company spent the same amount in 2017 than in 2016 to generate its activities. The change in non-cash working capital is similar between 2017 and 2016.

Investment activities

For the period ended March 31, 2017, cash used in investing activities was \$0.6 million, which reflects expenses for exploration and evaluation assets of \$0.6 million. During the first quarter of 2016, exploration and evaluation expenses increased of \$0.2 million.

Financing activities

For the period ended March 31, 2017, the company didn't conclude any financing activities.

FINANCING

Working capital

The negative working capital was \$17,483,742 on March 31, 2017 compared to a negative working capital of \$15,439,763 as at December 31, 2016. The Company assumes it will receive a significant portion of its tax credit related to resources and mining tax credit during the year 2017. In March 2017, Arianne had confirmation it will receive \$592,183 from the tax credit related to resources and mining tax credit related to the year 2014 and received so far \$399,327.

Management estimates that the cash available at the end of March 31, 2017 will not be sufficient to meet the Company's obligations and budgeted expenditures through March 31, 2018. These circumstances lend some doubt as to the ability of the Company to meet its obligations as they come due and, accordingly, the appropriateness of the use of accounting principles are an ongoing concern. The Company will need to secure financing in 2017. If management is unable to obtain new funding, the Company may be unable to continue its operations, and the amounts realized for assets might be less than the amounts reflected in the financial statements.

On April 21, 2017, the Company closed on a \$1.4 Million credit facility with a third-party lender. The credit facility will bear interest at 12.5% on any funds drawn, paid monthly commencing on the date of first Advance. The credit facility has a latest maturity date of December 27, 2017 but is repayable as tax credits are received.

SUMMARY OF QUARTERLY RESULTS

| | June 30, 2015 \$ | September 30, 2015 \$ | December 31, 2015 \$ | March 31, 2016 \$ | June 30, 2016 \$ | September 30, 2016 \$ | December 31, 2016 \$ | March 31, 2017 \$ |
|----------------------------------|---------------------|-----------------------------|----------------------------|-------------------------|---------------------|-----------------------------|----------------------------|-------------------------|
| Net loss | (1,138,195) | (913,206) | (1,035,145) | (849,935) | (766,015) | (826,516) | (732,702) | (799,705) |
| Basic and diluted loss per share | (0.01) | (0.01) | (0.01) | (0.01) | (0.01) | (0.01) | (0.01) | (0.01) |

For each quarter in fiscal 2015, 2016 and 2017, the information contained in the summary of quarterly results is presented in accordance with IFRS. Amounts in this table are presented in Canadian dollars which is also the functional currency.

For the last quarters of 2015, the net loss is higher than in 2016. This is due to the higher level of activities in 2015 related to exploration and associated activities.

For the first quarter of 2017, the net loss remains stable compared to the quarters of 2016. This is due to the level of activities that remain the same.

With the project now in the financing stage, expenditures in 2017 are lower than those incurred during the exploration phase.

SUMMARY OF FINANCIAL ACTIVITIES FOR THE THREE-MONTH PERIOD ENDED MARCH 31, 2017

The net loss for the three-month period ended March 31, 2017 is \$799,705 compared to a net loss of \$849,935 for the period ended March 31, 2016.

The operating loss in 2017 of \$710,774 is lower compared to \$834,559 in 2016. This is mainly due to the higher amount of salary capitalized in exploration and evaluation assets, since those salaries are qualified as development of the mining project admissible to the mining tax credit receivable.

RELATED PARTY TRANSACTIONS

The following operations occurred during the period ended March 31, 2017 and 2016:

| | 2017 \$ | 2016 \$ |
|--------------------------------------------------------------|----------------|----------------|
| Key management compensation (1) | | |
| Share-based compensation | 21,300 | 40,376 |
| Management fees | <u>16,500</u> | <u>-</u> |
| | 37,800 | 40,376 |
| Salaries and benefits (2) | <u>87,988</u> | <u>124,686</u> |
| | <u>125,788</u> | 165,062 |
| Balance included in accounts payable and accrued liabilities | - | - |

(1) The key management is composed of the Chief executive officer (CEO), Chief Financial Officer (CFO), Chief Operating Officer (COO) and the vice-president exploration and First Nations Relations.

(2) Salaries and benefits capitalized to exploration and evaluation assets amount to 68,166 (\$39,847 in 2016).

The Company has entered into employment and management contracts with its key executives whose estimated annual remuneration amounts to \$600,000. These contracts are renewable annually. The agreements with the Company's key executives contain provisions that apply in case of termination without cause or a change of control. If all executive team members had been dismissed without cause on March 31, 2017, the Company would have had to pay a total amount of \$600,000 as severance. If a change of control had occurred on March 31, 2017, the total amounts payable to the executive team in respect of severance would have totaled \$950,000 (assuming they left after a change of control and each named executive opted to receive such compensation). If the assets of the company are sold to an "arm's length entity" occurred on March 31, 2017, the total amounts payable to the executive team in respect of severance would have totaled \$1,200,000 (assuming they left after a change of control and each named executive opted to receive such compensation).

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

OFF BALANCE SHEET ARRANGEMENTS

As of the date of this MD&A, the Company does not have any off-balance sheet arrangements that have, or are reasonably likely to have, a current or future effect on the results of operations or financial condition of the Company, including, and without limitation, such considerations as liquidity and capital resources.

OBLIGATIONS AND COMMITMENTS

- a) The Company granted the Lender of the August 2012 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 \$6 million. In July 2013, the Company also granted the Lender of the second credit line a royalty of \$0.25 per ton of phosphate concentrate sales from the Lac à Paul project. This royalty may be redeemed at any time through a lump-sum payment of \$1.5 million. These royalties will have to be redeemed by the Company for the same amount in the event of a change of control where at least 90% of the issued and outstanding shares of the Company are acquired, purchased or held by a third party, either through a tender offer or other transaction with the same result. The Company has also granted to other parties a 2.25% royalty on the net smelter return. The royalty may be redeemed at any time through a lump-sum payment of \$2.5 million.
- b) The Company granted contracts in relation to the development of the Lac à Paul project for a total of \$243,728. These contracts do not have termination dates and disbursements will be made in accordance with the project's milestones.
- c) The Company's future minimum operating lease payments for the rent of the Chicoutimi office, truck rentals and Lac à Paul camp are as follows:

| | Within 1 year | 1 to 5 years | After 5 years | Total |
|----------------|---------------|--------------|---------------|---------|
| | \$ | \$ | \$ | \$ |
| March 31, 2017 | 89,837 | 52,880 | - | 142,717 |

The following are the contractual maturities of financial liabilities, including interest where applicable as at March 31, 2017:

| | Carrying amount | Contractual cash flows | 0 to 12 months | 12 to 24 months | More than 24 months |
|------------------------------------------|-----------------|------------------------|----------------|-----------------|---------------------|
| | \$ | \$ | \$ | \$ | \$ |
| Accounts payable and accrued liabilities | 1,911,714 | 1,911,714 | 1,911,714 | - | - |
| Credit line | 17,864,439 | 20,562,518 | 20,562,518 | - | - |
| Loan | 3,592,462 | 4,924,625 | 328,000 | 328,000 | 4,268,625 |

APPLICATION OF NEW AND REVISED IFRS AND CRITICAL ACCOUNTING ESTIMATES

The preparation of consolidated financial statements in conformity with IFRS requires management to make estimates and assumptions that affect amounts reported in the financial statements and accompanying notes. There is a summary of significant accounting policies in note 2 and a summary of the critical accounting estimates and judgements in the note 4 of the audited financial statements for the year ended December 31, 2016.

FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT

The Company's financial instruments, financial risk and capital management are presented and described in the unaudited condensed consolidated interim financial statements for the period ended March 31, 2017.

INFORMATION ON SHARES OUTSTANDING

As at May 26, 2017, 97,648,080 common shares are issued and outstanding. There are 131,200 shares stock options, 15,997,500 warrants and 6,074,500 options granted to brokers outstanding.

(s) Jean-Sébastien David
Jean-Sébastien David
Chief Operating Officer

(s) Jim Cowley
Jim Cowley
Director and Interim CFO

Board of Directors and Officers

Jean Lamarre, Chairman of the Board of Directors
Dominique Bouchard, Vice-Chairman of the Board of Directors
Brian Ostroff, Director and Chief Executive Officer
Jim Cowley, Director and Interim Chief Financial Officer
Steven L. Pinney, Director
Dave DeBiasio, Director
Siva J. Pillay, Director
Marco Gagnon, Director

Jean-Sébastien David, Chief Operating Officer
Daniel Boulianne, Vice-president exploration and First Nations Relations

Ticker symbols

DAN: TSX-V (Canada)
JE9N: FSE (Germany)
DRRSF: OTC (USA)

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