ARIANNE PHOSPHATE INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Second Quarter 2014

Period ended June 30, 2014

TABLE OF CONTENTS

FORWARD-LOOKING INFORMATION 3
2014 HIGHLIGHTS 4
FEASIBILITY STUDY 5
LAC À PAUL PROJECT 6
2014 OBJECTIVES 10
SUSTAINABLE DEVELOPMENT 11
SUMMARY OF FINANCIAL ACTIVITIES FOR THE THREE MONTH 12
PERIOD ENDED JUNE 30, 2014 12
SUMMARY OF FINANCIAL ACTIVITIES FOR THE SIX MONTH 12
PERIOD ENDED JUNE 30, 2014 12
ANALYSIS OF FINANCIAL CONDITION 13
CASH FLOWS AND LIQUIDITY 14
FINANCING 15
SUMMARY OF QUARTERLY RESULTS 16
RELATED PARTY TRANSACTIONS 16
OFF BALANCE SHEET ARRANGEMENTS 17
CONTRACTUAL OBLIGATIONS AND COMMITMENTS 17
APPLICATION OF NEW AND REVISED IFRS 17
INFORMATION ON OUTSTANDING SHARES 18

Management's Discussion and Analysis ("MD&A") presents an analysis of the financial situation and operation of Arianne Phosphate Inc. ("Arianne" or the "Company") for the period ended June 30, 2014. This report, prepared in compliance with the provisions of Form 51-102F1, approved by the Board of Directors and dated August 27 2014, should be read in conjunction with the unaudited condensed interim consolidated financial statements for the period ended June 30, 2014 (the "financial statements").

The accounting policies followed in the financial statement are consistent with those applied in the Company's annual financial statements for the year ended December 31, 2013, except as noted in note 3. The financial statements should be read in conjunction with the Company annual financial statements for the year ended December 31, 2013 which have been prepared in accordance with 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 start of commercial production in 2017 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.

2014 HIGHLIGHTS

The Company

- On June 3, 2014, during the annual and special meeting of shareholders in Montreal, Arianne shareholders elected gentlemen Pierre Fitzgibbon, Dominique Bouchard, Brian Ostroff, James Cowley, David DeBiasio, Marco Gagnon, Siva Pillay, and Steven Pinney as directors of the Company. The Board of Directors confirmed the nominations of Mr. Pierre Fitzgibbon as Chairman and Mr. Dominique Bouchard as Vice-Chairman, respectively.

- Arianne shareholders also approved an amendment to the Company's stock option plan, limiting the number of common shares that may be reserved for stock options to 10% of the number of issued and outstanding common shares of the Company at the time of the grant.

- Shareholders also approved the resolution to appoint PricewaterhouseCoopers (PwC) as the Company's auditors for the 2014 fiscal year.

- During the second quarter, the Company reported that the results from its Winter 2014 exploration drilling program, on the western extension of the Paul Zone, were successful, extending the zone an additional 1.1 km along the strike. When added to the previously defined Paul Zone (released October 23, 2012, with a strike length of 2.7 km), the Paul Zone now has a 3.8 km strike length.

- In other drilling news during Q2 FY 2014, Arianne reported the addition of 146 million tonnes at 5.30% P_2O_5 with a 3.5% P_2O_5 cut-off grade from the South TraMan Zone in the inferred category to its mineral resources. In addition, the Company has identified a new inferred resource from the Traverse zone of 17 million tonnes at 5.98% P_2O_5 with a 3.5% P_2O_5 cut-off grade.

- During the second quarter, the Company announced that it has secured a favorable power agreement with the Quebec Ministry of Energy and Natural Resources. The agreement confirms that 115-MW of power from Hydro-Québec will be made available for the Lac à Paul Project at a preferential and reduced rate (Rate L). Details of the agreement were laid out in a letter to Arianne dated May 21, 2014. The agreement further strengthens the economics of the Lac à Paul Project, allowing the Company to produce its high quality phosphate concentrate at favorable operating costs.

- The Company announced that preliminary results from its process metallurgical optimization tests have yielded savings in the production costs of its phosphate concentrate.

- On July 31, 2014, the Company closed the first tranche of a private placement financing for gross proceeds of $5,6M. The second and final closing of the private placement for proceeds of approximately $2.4 million is expected in September, 2014 for total gross proceeds of $8M.

FEASIBILITY STUDY

In October 2013, Arianne Phosphate released the Feasibility Study (FS) of its Lac à Paul phosphate mine project**.** The FS outlines an open pit mine, a mill producing a high quality phosphate product and a transport system delivering 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$16,124.8 million and operating cash flow of US$7,379.6 million
- Internal rate of return ("IRR") of 20.7% with a capital payback of 4.4 years before taxes and mining duties
- A 25.75 year mine life (excluding pre-production) with an average annual phosphate concentrate production of 3 million tonnes with a grade of 38.6% P_2O_5 and with average mill recovery of 90.0%
- The initial capital cost of the project is US$1,214.7 million comprising US$982.5 million for the mine and US$232.2 million for the concentrate transport system that delivers product to the deep-water Port of Saguenay, open 365 days a year
- The all-in cost on board the ship in the Port of Saguenay is US$93.7/tonne life of mine (LOM) (i.e. FOB Port of Saguenay) and yields an operating margin of 56% with an average selling price of $213/tonne at the port
- Measured and indicated mineral resources in the Paul Zone alone of 590 million tonnes grading an average of 7.13% P_2O_5 at a 4.0% cut-off grade (does not include 164 million tonnes of Manouane Zone mineral resources)
- 75.7 million tonnes of saleable concentrate at 38.6% P_2O_5 in proven and probable mineral reserves, considering a cut-off grade of 3.5% P_2O_5, of 472.1 million tonnes at an average grade of 6.9 % P_2O_5 (based on the Paul Zone mineral resource)
- Hydro-Québec-confirmed power availability of 115 MW at the Chute des Passes power plant located 30 km from the mine

Information and news releases (collectively, the "Disclosure Documents") are available under Arianne Phosphate Inc.'s company profile on SEDAR at www.sedar.com. Each Disclosure Document was prepared by or under the supervision of a qualified person (a "Qualified Person") as defined in National Instrument 43-101 Standards of Disclosure for Mineral Projects of the Canadian Securities Administrators ("NI 43-101"). Readers are encouraged to review the full text of the Disclosure Documents which qualifies the Technical Information. Readers are advised that mineral resources that are not mineral reserves do not have demonstrated economic viability. The Disclosure Documents are each intended to be read as a whole, and sections should not be read or relied upon out of context. The Technical Information is subject to the assumptions and qualifications contained in the Disclosure Documents

LAC À PAUL PROJECT

Since 2008, the rising price of phosphate rock has made it possible to profitably develop new phosphate projects and bring them into production to meet growing global demand.

Phosphate rock mining is declining in North America and there is now a production deficit that is expected to increase in the coming years. Within this context, the Lac à Paul project can make up for part of the shortfall and provide a reliable and secure source of high-quality phosphate rock.

Paul Zone Growth potential

The Lac à Paul project has strong growth potential. In Q2 FY2014, the new phosphate mineralizations identified to the WEST of the Paul zone (590 MT of measured and indicated resources at 7,13% P2O5 as announced in the press release of July 16, 2014). During the 2014 winter campaign, the recent aeromagnetic survey identified the possibility of extending the new zone, "Nouvelle" which is located to the Northeast of the Paul zone, as we well as the possibility of extending Paul to the East.

Arianne's claims also includes Zone 2 and the Manouane zone. The resource estimates according to NI 43-101 were completed on these zones and they have respectively 64 Mt of inferred resources at 4,55% P2O5 and 164 Mt of measured and indicated resources at 5,88% P2O5, cut-off grade of 2,43% P2O5. for which NI 43-101 resource estimates were completed. In addition, during exploration and drilling programs conducted over the past four years, six other mineralized zones (Nicole, Lise, Lucie, TraMan, Turc and Traverse) were discovered. The firm GoldMinds Geoservices Inc. has completed resources estimates on Nicole, TraMan and Traverse zones (non-compliant with NI 43-101).

Infrastructure

The project is located 240 km north of the Saguenay–Lac-St-Jean region in Quebec, Canada, an industrial region with a high-quality labour pool and good existing infrastructure which includes hydropower generating stations with sufficient capacity for the project, road networks and a deep-water port.

The Lac à Paul project will be powered by Hydro-Québec through Rio Tinto Alcan's power system from the Chute-des-Passes generating station, which is located 30 km from the project. A 345-kV to 161-kV step-down substation will be built at Chute-des-Passes. This new substation will supply power through a 161-kV transmission line.

Construction of a permanent camp, a fresh process water system and pumping station, tailings impoundments and a water treatment station is planned during the preproduction phase. A waste rock dump will be built in the course of mining operations.

A tailings storage facility, located just 2 km from the mill, was selected to store and manage the tailings for the 25.75-year LOM of the Lac à Paul Project.

Phosphate concentrate transport

The phosphate concentrate will be transported by truck from the mine site on an existing logging road to a deep-water port located on the north shore of the Saguenay Fjord.

Because of the spring thaw period, the Feasibility Study assumes road transport will operate at a reduced rate for 30 days. Consequently, 30 days of product storage (250,000 tonnes) has been included at the port and 21 days of storage (200,000 tonnes) at the mine. This efficient solution will allow the product to be transported directly from the mine to a deep-water port located in the vicinity of Saint-Fulgence/Sainte-Rose du Nord, on the Saguenay river, in operation 365 days a year.

Fieldwork and Heliborne magnetic survey

In January 2014, a high sensitivity airborne magnetometer survey was conducted over three contiguous blocks, each with different survey parameters, covering the entire project. The HéliMAGerTM gradiometric system was used over a total of 3,164 km of 100-metre spaced flight lines.

This cutting-edge technology helped to better identify the location of small anomalies and improve the contour of larger ones. The results led to a better definition of the mineralization potential of the Lac à Paul project (see Paul Zone Growth potential above)

Drilling

A new program of exploration drilling was carried out from February 3 to March 31, 2014. The program was conducted on two separate zones: the TraMan Zone and the western extension of the Paul Zone.

7,000 meter if rock being drilled and 2,591 analyzes were performed. The results of the mineralized intersections along the drilling was disclosed in the press release at June 12, 2014. These results were used for resources calculations realized by the firm GoldMinds Geoservices Inc.

Exploration field campaign

At the beginning of June 2014, an exploration field campaign was begun which should be completed in Q3 FY 2014.

Resource calculation

The Company commissioned GoldMinds Geoservices Inc. to prepare a preliminary resource model of the Nicole, Traverse and TraMan Zones based on holes drilled on these Zones in 2011, based on holes drilled on TraMan zone in 2014 and based on the results of the 2014 Heliborne magnetic survey.

The results has identified inferred resources and additional new potential within the Paul zone. These results were disclosed in the press releases of May 15, and July 16, 2014.

Metallurgy

Bulk samples of ore (120 tonnes) were collected in fall 2013 on three different lithologies and sent to COREM, Quebec, for metallurgical testing. The tests were conducted in two phases: laboratory validation of the process and then confirmation of the results at the pilot-plant scale.

The first phase, laboratory testing, was completed and the results indicate that the process selected was applicable to all lithologies, with the production of phosphate concentrate containing about 39% P_2O_5 with a recovery rate of over 90%.

All the objectives of this new work were achieved or surpassed and the campaign has had a successful outcome. Based on the finalized flow sheet, all lithologies from Paul can be readily beneficiated and can be produced with a lower MgO content and a higher percentage of P2O5 as compared to the concentrate considered for Arianne's October 2013 FS. Of added benefit, the test work allows the complete elimination of two reagents: starch and sulfuric acid, thereby significantly decreasing production costs and the environmental impact of the process

First Nations

Three First Nation communities are impacted by the proposed Lac à Paul open pit mine: the communities of Pessamit, Mashteuiatsh and Essipit.

Arianne informs the communities of Mashteuiatsh and Pessamit about the periods during which exploration is carried out on its Lac à Paul project.

In January 2014, Arianne appointed an official negotiator to work on «agreements in principle" to be established with each First Nation community. The information contained in these agreements will lay the groundwork for the IBA's (Impact and Benefit Agreements) that will be reached between the band councils of each First Nation mentioned above and the Company.

During the first and second quarters of 2014, several meetings have been held between Arianne and these communities.

Community relations Saguenay Lac St Jean

As the project develops, the Company is maintaining 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.

Throughout the first and second quarter of 2014, numerous meetings were held with key political, economic and community stakeholders involved in the project.

Economic impact of the Project

On January 14, 2014, the firm Raymond Chabot Grant Thornton (RCGT) submitted the results of its study on the economic impacts of the implementation of the Lac à Paul project to the Company.

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 aluminum industries.

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

- Total economic benefits of $12.6 billion;
- Total revenue for the federal and provincial governments of nearly $4 billion;
- During construction, the creation of almost 2,250 jobs per year and job related income of more than $300 million; and
- During the 26 years of mine operations, nearly 1,000 jobs per year and job related incomes of over $1.6 billion.

Saint-Fulgence Working Committee

Meetings of the Saint-Fulgence Working Committee were led by the Mayor of Saint-Fulgence to allow Arianne to present and discuss the progress of studies regarding various access routes and alternative locations for the Saint-Fulgence shipping dock with various stakeholders of the Fjord du Saguenay RCM, the municipality of Saint-Fulgence and representatives of residents from targeted sectors.

Land options and alternative routes in Saint-Fulgence

For several months, the Arianne team analysed different transport scenarios with the dual goals of finding the best transport solution for the Company's phosphate rock concentrate and equally important to choose the option with the least impact for local stakeholders. In November 2013, a working group was put in place by the Municipality of St-Fulgence, including representatives of the Municipalité de Saint-Fulgence, MRC du Fjord-du-Saguenay, Collectif de l'Anse à Pelletier and the Arianne team. After detailed study, the preferred scenario selected was to use the forest Road R-253 and R-200 on "Monts Valin" and the maritime terminal on the north shore of the Saguenay river.

In June, after the selection of the final transport scenario, it has been decided to dissolve the Saint-Fulgence working committee and replaced it by a larger committee (land user and economical committee). First meeting was held June 17th in St-Honoré (at the MRC hall) including representatives of the Municipality of Saint-Fulgence, Ste-Rose, MRC, Port of Saguenay, ZEC Martin Valin and Arianne. Noted that representatives from Pessamit, Mashteuiatsh were there as observers (representing two of the three first nation involved in the project)

Port Saguenay

In January 2014, discussions with the Port of Saguenay led to signing a letter of agreement to cooperate in setting up and an operating an additional shipping dock on the north bank of the Saguenay River in Saint-Fulgence.

Human resources and team growth

Arianne expanded its team with the hiring of new specialized resources to assist in meeting key business objectives

Reduction of operating costs

The Company has been working to optimize and reduce the operating costs included in the Feasibility Study.

Environmental Impact Study

As part of the critical process of obtaining government approval to begin mine construction, the Company has provided the ministry responsible with updates and answers to its questions. The Company remains on track to have the file considered receivable by the Government and a date for launch of the public consultation process, or Bureau d'audiences publiques sur l'environnement (BAPE), to be announced in September 2014.

Quebec Government Interministerial committee meeting

Arianne continues to meet with Quebec Interministerial Committee. This committee was set up by the Government to assist Arianne and facilitate the development of the project in all areas where the Quebec Government is involved. This important committee was initially organized in Q4 FY2013.

2014 OBJECTIVES

The strategic objectives that guide management and directors can be summarized as follows:

Over the short term:

- Continue to develop and add value to the Lac-à-Paul project ;
- Engage in discussions with potential industry and financial partners with the objective of securing strategic investment and offtake contracts;
- Secure the required financing for the Company's ongoing operations; and
- Develop financing scenarios and move towards securing financing for the Project's realisation phase.

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

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.

During the first six months of 2014, Arianne's activities were responsible for the emission of 157 tonnes of CO_2 equivalent (Table 1).

Arianne's activities are focused on the development of the Lac à Paul project, Fieldwork, including sampling and equipment and workforce transport. Arianne invests a compensation for the emission of CO_2 equivalent (Table 2).

Table 1: Greenhouse gas emissions associated with each of the Company's activities during the second quarter of 2014 (in tonnes)

	Total	**Administration and field transportation**	**Drilling**	**Excavation**	**Other**
Work and representation	157	92	37	28	0
Percentage (%)	**100%**	**58%**	**24%**	**18%**	**0%**

Table 2: Summary of offset measures implemented by Arianne as at June 30, 2014

Emissions	**Tonnes**
1999-2010	867
2011	222
2012	963
2013	100
2014	157
Total	**2,309**
Financial equivalents	
Price/tonne CO_2 ($/tonne)	11.39
Amount to offset ($)	26,300
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
Total invested	39,948
Additional investment	**13,648**

SUMMARY OF FINANCIAL ACTIVITIES FOR THE THREE MONTH PERIOD ENDED JUNE 30, 2014

The net loss for the three months ended June 30, 2014, totalled $1,639,487 compared with a net loss of $1,508,003 for the same period in 2013.

This increased loss for the second quarter of 2014 is mainly due to the change in the method of estimating deferred tax, creating a variation of $470,164. This amount comes from the method prescribed for recovery of exploration and evaluation assets, since there are indications that the exploration and evaluation assets will be recovered by operations rather than disposal. For the second quarter of 2014, the Company recorded a deferred tax recovery of $36,960.

The higher loss is also due to the increase in administrative costs related to the Company's greater level of activity for the development of the Lac à Paul project and the increase in public consultations with local communities and shareholders and other stakeholders.

Salaries and benefits increased by $324,742 ($142,754 in June 30, 2013). This increase is related to the appointment of a new officer, additional staff, and other employee related costs.

The net loss for the second quarter also includes $322,631 ($87,275 in June 30, 2013) in share-based compensation expense, an increase of $235,356 versus the prior period. This increase is primarily due to the expense related to the value of share purchase options granted.

On April 2014, the Company sold to Virginia Mines Inc. its remaining 50% of rights and interests of the Opinaca and Black Dog properties in consideration of the issuance of 15,000 shares of Virginia Mines Inc. representing a value of $180,000 at the transaction date. These properties were fully impaired in 2013 and 2012, respectively, and a gain on disposal of $180,000 was recognized during the period as a result of this transaction.

SUMMARY OF FINANCIAL ACTIVITIES FOR THE SIX MONTH PERIOD ENDED JUNE 30, 2014

The net loss for the six months ended June 30, 2014, totalled $3,045,451 compared with a net loss of $3,677,701 for the same period in 2013.

This decreased loss is mainly due to the change in the method of estimating deferred tax, creating a variation of $1,893,599. This amount comes from the method prescribed for recovery of exploration and evaluation assets, since there are indications that the exploration and evaluation assets will be recovered by operations rather than disposal. For the six month period of 2014, the Company recorded a deferred tax recovery of $191,818.

The loss is also due to the increase in administrative costs related to the Company's greater level of activity for the development of the Lac à Paul project and the increase in public consultations with local communities, shareholders and other stakeholders.

Salaries and benefits increased by $576,507 during the six months ended June 30, 2014 (vs $278,707 for the same period in 2013). This increase is related to the appointment of a new officer, additional staff and other employee related costs.

The net loss for the six months ended June 30, 2104 also includes $598,247 (vs $143,891 for the same period in 2013) in share-based compensation expense, an increase of $454,356 versus the prior period. This increase is primarily due to the expense related to the value of share purchase options granted.

ANALYSIS OF FINANCIAL CONDITION

For the six months ended June 30, 2014, the Company recorded a net loss of $3,045,451 and therefore has an accumulated deficit of $31,989,358 as at June 30, 2014.

In addition to ongoing working capital requirements, the Company must secure sufficient funding to meet its obligations and pay general and administrative costs.

Between January 1, 2014, and June 30, 2014, the Company received a total of $1.96 million from the exercise of warrants and of stock options.

On July 31, 2014, the Company closed the first tranche of a private placement financing for gross proceeds of $5,631,000. The second and final closing of the private placement for proceeds of approximately $2.4 million is expected in September, 2014.

Based on current spending estimates for future project development, Arianne anticipates it will need additional financing in 2015.

Any funding shortfall may be met in the future in a number of ways, including but not limited to the issuance of new debt or equity instruments, expenditures reductions and/or the introduction of joint venture partners and/or business combinations.

While Management has been successful in securing financing in the past, there can be no assurance 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 that are acceptable to the Company.

If Management is unable to obtain new funding, the Company may be unable to continue its operations, and amounts realized for assets might be less than amounts reflected in financial statements.

As at June 30, 2014, current assets are lower as compared with December 31, 2013. This is mainly due to the lower cash available as at June 30, 2014.

The Company sold to Virginia Mines Inc. the remaining 50% of its rights and interests in the Opinaca and Black Dog properties in consideration of the issuance of 15,000 shares of Virginia Mines Inc. representing a value of $ 180,000 at the transaction date. Following this transaction, the Company classified these shares as marketable securities available-for-sale.

The increase in non-current assets as at June 30, 2014, compared with December 31, 2013, is mainly due to the increase in exploration and evaluation assets in the amount $5.5M as a result of the following: the drilling program ($0.4M), stripping and road repairs ($0.2M), general expenses ($0.3M), chemical analysis ($0.2M), line cutting and geophysics ($0.1M), planning and supervision ($0.3M), the professional fees to develop the Lac à Paul project are metallurgical expenses ($1.3M), technical studies ($2.2M) and borrowing costs ($0.5M).

The accounts payable and accrued liabilities increased because of the expenses of the drilling program, the technical studies on the Lac à Paul project and the metallurgical tests. In addition since January 1, 2014, interest on the credit line stopped being capitalized and are now accrued on a quarterly basis. For the second quarter the amount is of $211,660.

The change in capital-stock is explained by the exercise of 580,000 stock options and 1,472,500 warrants.

CASH FLOWS AND LIQUIDITY

	Six-month period ended June 30, 2014 $	**Six-month period ended June 30, 2013 $**
Cash flows from operating activities before the net change in non-cash operating working capital items	(2,678,758)	(1,733,953)
Net change in non-cash operating working capital items	784,690	(734,486)
Operating activities	(1,894,068)	(2,468,439)
Investment activities	(3,350,356)	(6,993,976)
Financing activities	456,400	5,339,315
Increase (decrease) in cash and cash equivalents	(4,788,024)	(4,123,100)

Operating activities

For the period ended June 30, 2014, cash outflows from operating activities totalled $1.9 million, compared with $2.5 million for the period ended June 30, 2013. The change in non-cash working capital increased by $1.5 million during the six months of 2014 is explained by the increase account payable and accrued liabilities.

Investment activities

For the period ended June 30, 2014, cash flows used in investing activities amounted to $3.4 million, primarily reflecting outflows related to the acquisition of exploration and evaluation assets for an amount of $4.4 million, to the acquisition of property, plant and equipment assets for an amount of $0.4 million and are offset by the receipt of the refundable tax credit for resources from the Government of Quebec of $1.4 million. These outflows are directly related to the exploration and evaluation activities and the continuation of studies on the Lac à Paul project.

Financing activities

For the six months period ended June 30, 2014, cash flows from financing activities totalled $0.4 million compared with $5.3 million in 2013. The decrease is primarily due to the fact that the credit line was fully drawn in 2013 for $12.5 million and there was a repayment in Q1 FY2014 of the $1.5 million loan which was partially offset by the receipt of proceeds from the exercise of warrants and stock options of $1.9 million.

FINANCING

Since early 2014, the Company received a total of $1.9 million from the exercise of 1,472,500 warrants. During the same period, the Company received $130,500 from the exercise of stock options.

On July 31, 2014, the Company closed the first tranche of a private placement financing for gross proceeds of $5,631,000. The second and final closing of the private placement for proceeds of approximately $2.4 million is expected in September, 2014. Total gross proceeds from the private placement (the first and second closings) are estimated to be approximately $8M (the "Offering"). Directors and officers of the Company subscribed to the Offering for aggregate gross proceeds of $186,000. Of the $5,631,000 raised, $500,000 will be held in escrow pending the filing of certain documents requested by the TSX Venture Exchange (the "Exchange").

Under the terms of the Offering, the Company issued 5,631,000 units (the "Units") at a price of $1.00 per Unit. Each Unit is comprised of one common share (a "Common Share") and one half of one common share purchase warrant (each whole warrant being a "Warrant"). Each Warrant entitles its holder to purchase one common share at a price of $1.25 per share until July 31, 2016. If at any time after four (4) months and one (1) day following the closing date, the trading price of the Common Shares on the Exchange is equal to or exceeds $1.75 for a period of twenty (20) consecutive trading days, as evidenced by the price at the close of market, the Company shall be entitled to notify the holders of Warrants of its intention to force the exercise of the Warrants. Upon receipt of such notice, the holders of the Warrants shall have 30 days to exercise the Warrants, failing which the Warrants will automatically expire.

In connection with the Offering, the Company paid Windermere Capital (Canada) Inc. ("Windermere"), acting as agent for the private placement, a commission of $422,325 and issued to Windermere 422,235 non-transferable warrants (the "Agents Warrants"). Each Agent Warrant entitles Windermere to purchase one common share of the Company at a price of $1.00 per share until July 31, 2016.

All securities issued in connection with the Offering are subject to a regulatory hold period of four (4) months and one (1) day expiring on December 1st, 2014. The Offering is subject to the final approval of the Exchange.

Working capital

As at June 30, 2014, the Company had working capital of $706,818 including $2,108,307 in cash and cash equivalents and $615,388 in cash reserved for exploration and evaluation related to flow through financings completed in 2013.

The financial statements do not reflect any adjustments in the carrying values of assets and liabilities, reported expenses, and statement of financial position classifications used that would be necessary if the going concern basis was not appropriate. Such adjustments could be material. Any funding shortfall may be met in the future in a number of ways, including but not limited to the issuance of new equity or debt financing. If Management is not able to obtain new financing, the Company may be unable to continue its operations, and amounts realized for assets may be less than the amounts reported in the financial statements.

SUMMARY OF QUARTERLY RESULTS

	September 30 2012	December 31 2012	March 31 2013	June 30 2013	September 30 2013	December 31 2013	March 31 2014	June 30 2014
	$	$	$	$	$	$	$	$
Net loss	(1,585,171)	(2,729,669)	(2,169,703)	(1,508,001)	(1,675,090)	(1,055,045)	(1,405,964)	(1,639,487)
Basic and diluted net loss per share	(0.02)	(0.02)	(0.01)	(0.02)	(0.02)	(0.01)	(0.02)	(0.02)

For each quarter of fiscal 2012, 2013 and 2014, the information contained in the summary of quarterly results is presented in accordance with International Financial Reporting Standards ("IFRS"). The amounts in this table are presented in Canadian dollars, which is also the functional currency.

RELATED PARTY TRANSACTIONS

	Six-month period ended June 30, 2014	**Six-month period ended June 30, 2013**
	$	**$**
Transactions with a company controlled by the former Chief Executive Officer		
Exploration and evaluation assets	-	27,900
Office expenses	-	22,778
Balance included in accounts payable and accrued liabilities	-	50,678
	$	**$**
Key management compensation (1)		
Government defined contribution plans	-	3,672
Share-based compensation	133,162	143,891
Management fees	155,000	156,667
	288,162	304,230
Salaries and fringe benefits (2)	402,043	79,257
	690,205	383,487

(1) The key management is composed of the Chief Executive Officer (CEO), Chief Operations Officer (COO), Chief Financial Officer (CFO), and Vice-President.
(2) Salaries and fringe benefits are capitalized to exploration and evaluation assets included an amount to $ 63,018.

The Company has entered into employment and management contracts with its key executives whose estimated annual remuneration amounts to $955,000. The agreements with the Company's key executives contain provisions that apply in case of termination without cause or change of control. If all executive team members had been dismissed without cause on June 30, 2014, the Company would have had to pay a total amount of $955,000 as severance. If a change of control had occurred on June 30, 2014, the total amounts payable to the executive team in respect of severance would have totaled $1,585,000.

OFF BALANCE SHEET ARRANGEMENTS

As at the date of this report, the Company has no 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, without limitation, such considerations as liquidity and capital resources.

CONTRACTUAL OBLIGATIONS AND COMMITMENTS

a) The Company has 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 has 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. This royalty 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.

b) The Company's future minimum operating lease payments for the rent in Chicoutimi and Montreal offices , truck rentals and Lac A Paul camp are as follows:

	Within 1 year	1 to 5 years	After 5 years	Total
June 30, 2014	$102,397	430,925	-	$533,322

APPLICATION OF NEW AND REVISED IFRS

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") applicable to the preparation of interim financial statements, including IAS 34, Interim Financial Reporting, as issued by the International Accounting Standards Board ("IASB").

The accounting policies followed in these consolidated interim financial statements are consistent with those applied in the Company's annual financial statements for the year ended December 31, 2013, except as noted in note 3. These condensed interim consolidated financial statements should be read in conjunction with the Company annual financial statements for the year ended December 31, 2013 which have been prepared in accordance with IFRS as issued by the IASB.

FINANCIAL INSTRUMENTS, FINANCIAL RISK AND CAPITAL MANAGEMENT

The Company's financial instruments, financial risk and capital management are presented and described in the unaudited condensed interim consolidated financial statements for the period ended June 30, 2014.

INFORMATION ON OUTSTANDING SHARES

92,868,755 common shares are issued and outstanding as at August 27, 2014. Also, there are 8,033,000 warrants, 5,570,000 share purchase options and 432,909 options granted to brokers in circulation.

(s) Siva J. Pillay
Siva J. Pillay
Director and Chair of the Audit Committee

(s) L. Derek Lindsay
L. Derek Lindsay
Chief Financial Officer and Corporate Secretary

Board of Directors and Officers

Pierre Fitzgibbon, Chairman of the Board of Directors
Dominique Bouchard, Vice-Chairman of the Board of Directors
Jim Cowley, Vice President and Director
Steven L. Pinney Director
Dave DeBiasio, Director
Siva J. Pillay, Director
Marco Gagnon, Director
Brian Ostroff, Director

Brian Kenny, Chief Executive Officer
L. Derek Lindsay, Chief Financial Officer and Corporate Secretary
Jean-Sébastien David, Chief Operating Officer
Daniel Boulianne, Vice President Exploration

Ticker symbols

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

Head Office

393 rue Racine Est, Suite 200
Chicoutimi (Québec) G7H 1T2
Tel.: 418-549-7316
Fax : 418-549-5750
Email: info@arianne-Inc.com