ARIANNE PHOSPHATE INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Second Quarter 2021

Period ended June 30, 2021

TABLE OF CONTENTS

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 June 30, 2021. This report was prepared in compliance with the provisions of Form 51-102F1, approved by the Board of Directors and dated August 26, 2021. It should be read in conjunction with the audited consolidated financial statements for the period ended June 30, 2021 (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, 2020 and, where required, in Note 2 of the unaudited condensed interim consolidated financial statements for the six-month period ended June 30, 2021. The financial statements should be read in conjunction with the Company's consolidated and audited annual financial statements for the year ended December 31, 2020, 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 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 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 2021, the Company announced that it has reached an agreement in principle with the Port of Saguenay regarding the future site of a maritime loading facility on the north shore of the Saguenay River. This Agreement will allow for both the Company and the Port to finalize details surrounding the costs, construction and operations of the facility from which, Arianne will be shipping its phosphate concentrate globally. The final agreement will cover the use of the facility for an initial period of 30 years, thereafter renewable twice for periods of 10 years.

- In April 2021, Arianne partnered with the Quebec Center of Geomatics (CGQ), to advance research and development on a new method for the design and future monitoring of the Company's tailings operations. This work will use geomatic and remote sensing tools combined with artificial intelligence that should greatly improve the safety aspects of Arianne's operations.

- In May 2021, Arianne announced that Jeffrey Beck will assume the role of Chief Executive Officer and also joined the Board of Directors. Brian Ostroff is becoming President of the Company.

- On June 4, 2021 the Company closed an equity financing in the amount of $5,750,000 financing. Under the terms of the financing, Arianne has issued 11,500,000 units at a price of $0.50 per unit. Each unit is comprised of one common share and one-half warrant. Each full warrant entitles the holder to purchase one common share at a price of $0.71 until June 4, 2023.

- On August 10, 2021 Arianne announced that has engaged Lytham Partners to provide investor relations services to the Company. The engagement of Lytham Partners will allow Arianne to continue its outreach program that had commenced in the first quarter of 2021.

- On August 10, 2021 the Company announced subject to regulatory approval, the extension on the term of 628,228 common share purchase warrants issued as part of a private placement which closed on August 21, 2019 for gross proceeds of $691,050. Each of the warrants, which were part of the units being issued, entitles its holder to purchase one common share of Arianne at an exercise price of $0.75 per common share until August 21, 2021. Arianne has elected to extend the expiry date of the Warrants to August 21, 2024. No other warrant terms are amended.

OPERATIONAL REVIEW AND HISTORY

2021

During the quarter, the Company performed work associated with its ongoing due diligence process involving potential partners. As well, as mandated by our permit, we appointed an archeology firm to perform research this fall regarding the path of the power line. Lastly, the Company was active in participating in several meetings with the AMQ (Association Minière du Québec), the regional mining commission, the MRC (Municipalité Régional de Compté) and local municipalities.

Off-take agreements

In September and December 2018, the Company announced the formal execution of two off-take agreements. Under the terms of those agreements, the buyers have entered into long-term contracts to purchase Arianne's high-purity phosphate concentrate which will be shipped to the buyers' processing plant for further processing into downstream phosphate products. The off-take agreements also have a mechanism whereby it can be extended beyond the initial contract period and applies pricing that accounts for the high quality of Arianne's concentrate. The Company is conducting ongoing discussion and negotiations with addition potential customers and off-takers.

Fertilizer Trader Agreement

In March 2019, Arianne entered into an agency agreement with Compagnie Indo Française de Commerce ("CIFC") to market and sell Arianne's high-purity, low-contaminant phosphate concentrate into the Indian market. Based in New Delhi, India, Compagnie Indo Française de Commerce Pvt. Ltd. is a private company. CIFC's business includes the trading, sale, marketing and supply of critical raw materials to India, including fertilizers, agricultural chemicals and animal feeds.

Downstream production of phosphoric acid

In October 2019, Arianne received the final report regarding a downstream phosphoric acid facility. Arianne phosphate concentrate responded extremely well during the process and was capable of producing a 60% P2O5 Merchant Grade Acid ("MGA") and opposed to usual 52% MGA and, therefore, should be able to be sold at higher margin. Further, because of the high-quality nature of the Arianne phosphate concentrate input, the gypsum by-product produced during the process appears to have commercial value, as opposed to the typical contaminated waste generated by using traditional phosphate rock sources. These tests should now allow us to continue discussions with several groups that have indicated an interest in the possibilities of a phosphoric acid facility. With the right partner, the facility can have numerous advantages; control of its own rock source will provide an economic benefit as well as allow for greater security of supply. In addition, it will also provide a buyer for roughly 40% of Arianne future mine production. The Company has partnered with the Province of New Brunswick for the review of constructing a phosphoric acid plant in Belledune, New Brunswick.

Paul project reserves

Proven and Probable (P&P) reserves estimated in the Feasability study published in October 2013 are presented in the next table.

Reserve (1)	Paul Zone (cut-off grade: 3.5% P_2O_5)	
	Tonnage (Mt)	Grade (% P_2O_5)
Proven (P)	313.71	6.92
Probable (P)	158.38	6.80
Total (P&P)	**472.09**	**6.88**

(1) Reserves were estimated in 2013 from the Paul Zone resources estimate at the time which amount 590M.24 Mt at 7.13%P2O5 (cut-off grade of 4.0%P2O5)

Paul project resources

Through further exploration activities completed in 2014, additional resources were estimated on the project. All the up-to-date resources of the Lac à Paul project are presented in the next table.

	Measured (M)(2)		Indicated (I)(2)		Total (M&I)(2)		Inferred (I)(2)	
	Mt	$\%P_2O_5$	Mt	$\%P_2O_5$	Mt	$\%P_2O_5$	Mt	$\%P_2O_5$
Paul + extensions(1) (cut-off grade: 4 $\%P_2O_5$)	317.64	7.29	385.06	7.05	**702.7**	**7.16**	26.01	6.58
Nicole (cut-off grade: 3.5 $\%P_2O_5$)							78.20	5.34
Manouane (cut-off grade: 2.43 $\%P_2O_5$)	136.90	5.93	26.90	5.64	**163.80**	**5.88**		
Traverse (cut-off grade: 3.5 $\%P_2O_5$)							17.00	5.98
TraMan Sud (cut-off grade: 3.5 $\%P_2O_5$)							146.00	5.30
Zone 2 (cut-off grade: 2.43 $\%P_2O_5$)							64.00	4.55

Resources presented were published in press releases from February 18. 2015. July 16. 2014. May 15. 2014 and November 8. 2011.
(1) **Cautionary Statements**: M+I Resources are inclusive of P&P reserves
(2) **Cautionary Statements**: Mineral Resources that are not Mineral Reserves do not have demonstrated economic viability. It is uncertain if further exploration will result to upgrade this inferred resource at indicated and measured resources.

Metallurgy

In 2020, the Company conducted metallurgical tests performed at COREM Labs in Quebec City, Canada. Arianne weighed the benefits of using a different collector agent sourced from NordChem, a Canadian-based company that provides tailor-made chemicals to the mining industry. Results from these tests demonstrated that Arianne could produce a phosphate concentrate averaging 40.25% P2O5 with recoveries ranging between 91.1% and 93.2% and, combined with the rapidity with which this collector acts, would also produce cost savings in the production of our high-purity concentrate.

In 2020, Arianne also received further results from tests designed to optimize its metallurgical process. The process was run at lower water temperatures to simulate the water temperatures available at site through most of the operating year. Using water at 4˚C, as opposed to the originally tested 20˚C, showed no adverse effect on the recoveries or quality of Arianne's phosphate concentrate and thus, will allow Arianne to produce the same quality product while reducing the time and costs associated with heating.

The tests conducted in 2013 for the feasibility study demonstrated the possibility of producing an apatite concentrate containing 38.6% P2O5 with a recovery of 90%. Additional tests carried out at the request of potential clients have significantly improved the quality of the concentrate by lowering the content of certain contaminants, thus reducing the minor elements ratio (MER) from 0.089 to 0.030. These tests allowed us to produce more than one tonne of concentrate with a 40% P2O5 content.

PHOSPHATE INDUSTRY TRENDS

Phosphate rock mining is declining in North America. The last phosphate mine in Canada closed in 2013. Global demand for phosphate is expected to increase over the medium and long term 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 European legislation and 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. Additionally, the United States imposed import tariffs on both Moroccan and Russian phosphate fertilizer which should continue to support the demand for geographically well located product. Further, recent events surrounding the COVID-19 virus should continue to focus attention on both the food chain and supply chain and thus, the attractiveness of the Lac à Paul project.

FINANCIAL POSITION ANALYSIS

As at June 30, 2021, total assets were $68,807,179 compared to $64,805,604 as at December 31, 2020. The primary reason for the increase is the closing on a $5,750,000 financing, development cost of $267,157 and the proceeds of tax credit of $922,748 during the period ended June 30, 2021. The Company also received $433,333 from a warrant exercise, which is offset by operating expenses and cash finance costs.

Current assets of $5,919,781 as at June 30, 2021 have increased from $941,588 as at December 31, 2020. This is the result of the higher amount of cash in the bank after the closing of a $5,750,000 financing in June 2021.

Current liabilities of $675,311 as at June 30, 2021 have decreased from $37,651,750 as at December 31, 2020. Which is the result of the classification of credit line in the non-current liabilities since it had been extended for 5 years expiring in March 2026. The lender of the credit line exercised warrants held and reduced the credit line by $6.6M. Finally, the conversion in equity of the loans and working capital facility which reduced the current liabilities by $6M.

CASHFLOWS, LIQUIDITY AND CAPITAL MANAGEMENT

As at June 30, 2021, the Company had a working capital of $5,244,470. Management of the Corporation 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, with the financing closed on June 4, 2021. The Corporation's ability to continue future operations beyond twelve months and fund its development expenditures is dependent on management's ability to secure additional financing in the future, which may be completed in a number of 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.

Cash flows provided by (used in)	**Period ended June 30, 2021 $**	**Period ended June 30, 2020 $**
Operating activities	(1,316,256)	(906,407)
Investment activities	624,901	(508,104)
Financing activities	5,671,057	1,889,812
Increase (decrease) in cash and cash equivalents	4,979,702	475,301

Operating activities year to date
For the period ended June 30, 2021, cash outflows from operating activities totalled 1.3M (million), while there were outflows of $0.9M of cash for the same period in 2020. The reason for the change in operating activities from the period ended June 30, 2021, is due to the fees paid in regard to the extension of the credit line, the conversion of the loans and working capital facility and operating expenses that were higher than in the same period of 2020 due to the level of activities and transactions that had increased.

Investment activities year to date
For the period ended June 30, 2021, cash inflow from investing activities was $0.6 M, whereas $0.5M of cash was paid in the comparative period, both reflecting costs capitalized for property, plant and equipment. The difference is the reception of $0.9M in tax credit proceeds in the period ended June 30, 2021, and $0.1M for the period ended June 30, 2020.

Financing activities year to date
For the period ended June 30, 2021, $5.7M of cash inflow provided by the issuance of shares form private placement and $0.4M of cash inflow was provided by the issuance of shares from warrants exercise off set by $0.5M of share insurance expenses. For the period ended June 30, 2020, $1.9M provided by the issuance of shares from private placements.

FINANCING

Working capital
The working capital was $5,244,470 on June 30, 2021, compared to a negative working capital of $36,710,162 as at December 31, 2020. The negative working capital in 2020 was due to the credit facility recorded in the current liabilities because of its maturity at that time. In 2021, since it was extended for 5 years it is recorded as a non-current liability.

On June 4, 2021 the Company closed an equity financing in the amount of $5,750,000 financing. Under the terms of the financing, Arianne has issued 11,500,000 units at a price of $0.50 per unit. Each unit is comprised of one common share and one-half warrant. Each full warrant entitles the holder to purchase one common share at a price of $0.71 until June 4, 2023.

SUMMARY OF QUARTERLY RESULTS

	September 30, 2019 $	December 31, 2019 $	March 31, 2020 $	June 30, 2020 $	September 30, 2020	December 31, 2020	March 31, 2021	June 30, 2021
Net loss	(429,177)	(453,456)	(1,830,034)	(750,023)	(1,666,073)	(1,666,391)	(4,396,059)	(1,506,590)
Basic and diluted loss per share	(0.01)	(0.01)	(0.01)	(0.01)	(0.01)	(0.01)	(0.01)	(0.01)

The amounts reported in the 2020 interim financial statements have been adjusted, refer to note 22 of the consolidated financial statements.

For each quarter in fiscal 2020 and 2021, 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.

SUMMARY OF FINANCIAL ACTIVITIES FOR THE THREE-MONTH PERIOD ENDED JUNE 30, 2021

The net loss for the three-month period ended June 30, 2021 was $1,506,590 compared to a net loss of $750,023 for the three-month period ended June 30, 2019. This is the result of an increase in SG&A and finance costs. For the three-month period ended June 30, 2020 the Company had reduced most of operating costs and received grant from the government in response to the Covid-19 crisis. The operating loss in 2021 of $622,795 was higher compared to $199,416 in 2020, due mainly to the aforementioned increase in expenses above. For the three-month period ended June 30, 2021 the Company had restructured its debts, start investor relations activities and closed on a bought deal financing which costs are associated with having those deals closed.

SUMMARY OF FINANCIAL ACTIVITIES FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2021

The net loss for the six-month period ended June 30, 2021 was $5,902,651 compared to a net loss adjusted of $2,580,868 for the six-month period ended June 30, 2020.

The increase in net loss is explained by the borrowing costs incurred during the first quarter of 2021 regarding the extension of the credit line and the conversion in equity of the loans and working capital facility. The conversion in equity created a noncash borrowing cost of $3.5M due to a gap between the fair value of the stock on the date of the transaction versus the value of the stock used in the conversion. This is due to a quickly increase of the stock in the market during the first quarter of 2021.

Since the Company is currently engaged in raising funds for its project through financing and off-take agreements and has reduced technical work, the Company has suspended the capitalization of its borrowing costs until further technical work is done on the project.

Higher operation costs in the six-month period ending on June 30, 2021 are a result of increased professional and consultants fees ($189,973), communication ($86,724) and salaries and benefits ($75,931). The increase in spending was mostly due to legal expenses and the ending of government subsidies. Furthermore, the increase in communication costs was due to a reinstatement of the Company's investor relation program.

RELATED PARTY TRANSACTIONS

The following operations occurred during the period ended June 30, 2021 and 2020:

	2021 **$**	**2020** **$**
Key management compensation (1)		
Share-based compensation	47,770	28,979
Management fees (2)	206,795	155,833
	254,565	184,812
Salaries and benefits (2)	292,486	157,143
	547,051	341,995
Balance included in accounts payable and accrued liabilities	-	6,667

(1) The key management is composed of the Chief executive officer (CEO), Chief Financial Officer (CFO), Chief Operating Officer (COO) and Executive Chairman.

(2) Salaries, benefits and management fees capitalized to property, plant and equipment amount to $164,712 ($108,221 in 2020).

The Company has entered into employment and management contracts with its key executives whose estimated annual remuneration amounts to $432,500. 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 June 30, 2021, the Company would have had to pay a total amount of $600,000 as severance. If a change of control had occurred on June 30, 2021, the total amounts payable to the executive team in respect of severance would have totaled $925,000 (assuming they left after a change of control and each named executive opted to receive such compensation). If the assets of the company had been sold to an "arm's length entity" on June 30, 2021, the total amounts payable to the executive team in respect of severance would have totaled $1,175,000 (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 the financial statements.

Ocean Partners is also considered as a related party because a director of the Company is one of its managing directors. All agreements and transactions with Ocean Partners are already disclosed in the financial statements.

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) In August 2012, the Company granted the Lender of the credit line a royalty of $1 per ton of phosphate concentrate sales from the Lac à Paul project. This royalty may be redeemed at any time through a lump-sum payment of $9 million. In July 2013, the Company also granted the Lender of the credit line a royalty of $0.25 per ton of phosphate concentrate sales from the Lac à Paul project. This royalty may be redeemed at 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. The Company also has granted to other parties a 2.75% royalty on the net smelter return. The royalty may be redeemed at any time through a lump-sum payment of $2.5 million.

The following are the contractual maturities of financial liabilities, including interest where applicable as at June 30, 2021:

	Carrying amount $	**Contractual cash flows $**	**0 to 12 months $**	**12 to 24 months $**	**More than 24 months $**
Accounts payable and accrued liabilities	509,610	509,610	509,610	-	-
Lease liability	126,361	126,361	65,701	60,660	-
Loans	143,139	130,000	100,000	-	30,000
Credit line	16,739,671	35,825,488	2,134,658	2,051,977	31,638,853

APPLICATION OF NEW 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 of the consolidated financial statements for the period ended June 30, 2021, and a summary of the critical accounting estimates and judgements in the note 4 of the audited financial statements for the period ended June 30, 2021.

FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT

The Company's financial instruments, financial risk and capital management are presented and described in the audited consolidated financial statements for the period ended June 30, 2021.

INFORMATION ON SHARES OUTSTANDING

As at August 26, 2021, 185,389,469 common shares are issued and outstanding. There are 6,162,563 stock options, 45,204,675 warrants and 645,740 options granted to brokers outstanding.

(s) Jeffrey Beck
Jeffrey Beck
Chief Executive Officer

(s) Pier-Elise Hebert-Tremblay
Pier-Elise Hebert-Tremblay
Chief Financial Officer

Board of Directors and Officers

Dominique Bouchard, Executive Chairman of the Board of Director
Jeffrey Beck, Chief Executive Officer and Director
Brian Ostroff, Director and President
Jim Cowley, Director
Steven L. Pinney, Director
Siva J. Pillay, Director
Marco Gagnon, Director
Claude Lafleur, Director

Jean-Sébastien David, Chief Operating Officer
Pier-Elise Hebert-Tremblay, Chief Financial Officer

Ticker symbols

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

Head Office

393 Racine St. East, Suite 200
Chicoutimi, Québec G7H 1T2
Tel.: 418-549-7316
Fax: 418-549-5750
Email: info@arianne-inc.com