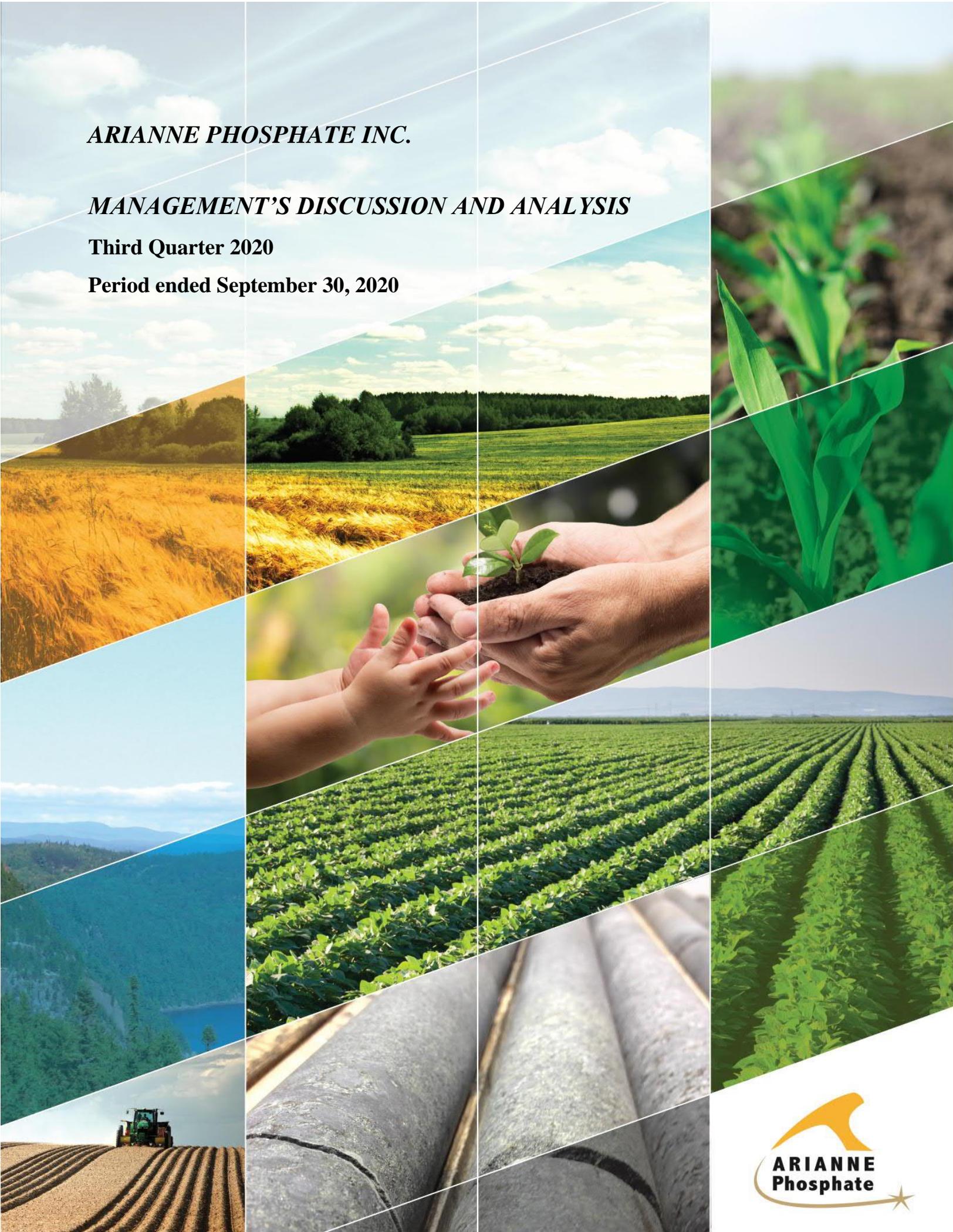


***ARIANNE PHOSPHATE INC.***

***MANAGEMENT'S DISCUSSION AND ANALYSIS***

**Third Quarter 2020**

**Period ended September 30, 2020**



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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 September 30, 2020. This report was prepared in compliance with the provisions of Form 51-102F1, approved by the Board of Directors and dated November 19, 2020. It should be read in conjunction with the unaudited condensed consolidated interim financial statements for the period ended September 30, 2020 (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, 2019 and, where required, in Note 2 of the unaudited condensed interim consolidated financial statements for the nine-month period ended September 30, 2020. The financial statements should be read in conjunction with the Company's consolidated and audited annual financial statements for the year ended December 31, 2019, 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 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 August 2020, Arianne received further results from tests designed to optimize its metallurgical process and reduce its operating cost. 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.
- In July 2020, the Company announced that it received favorable results from recently conducted metallurgical tests performed at COREM Labs in Quebec City, Canada. In tests run earlier this year, 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 recently received from these tests demonstrated that Arianne could produce a phosphate concentrate averaging 40.25% P<sub>2</sub>O<sub>5</sub> 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.

## OBJECTIVES

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

- Secure financing for construction and development of the Lac à Paul project (the "Project") (on going);
- Sign an "Impact and Benefit Agreement" (IBA) with the First Nations (on going);
- Continue to optimize its Lac à Paul project by reducing cash operating production costs and capital expenses (on going).

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.

## OPERATIONAL REVIEW

### 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 Agreement Trader

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. CIFIC'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% P<sub>2</sub>O<sub>5</sub> 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 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% P<sub>2</sub>O<sub>5</sub> with a 4.0% P<sub>2</sub>O<sub>5</sub> cut-off grade. Additionally, an updated resource estimate, from the geological remodeling of the Paul Zone and its Western Extension, now amount to 690 million tonnes at 7.18% P<sub>2</sub>O<sub>5</sub> with a 4.0% P<sub>2</sub>O<sub>5</sub> cut-off grade in the measured & indicated category (1). In total, Arianne's resource estimate on the Paul area in 2015 shows measured and indicated resources (1) of 703 Mt at 7.16% P<sub>2</sub>O<sub>5</sub> with a 4.0% P<sub>2</sub>O<sub>5</sub> cut-off grade. The Paul Zone and both its Extensions are still open on the east and west sides as well as in depth.

### **Other apatite mineralized areas on Arianne's claims**

Arianne's claims also include five deposits with resources identified. Manouane zone has an amount of 164 million tonnes of measured and indicated resources <sup>(1)</sup> at 5.88% P<sub>2</sub>O<sub>5</sub> with a 2.43% cut-off grade. Zone 2 has an amount of 64 million tonnes of inferred resources <sup>(1)</sup> at 4.55% P<sub>2</sub>O<sub>5</sub> with a 2.43% cut-off grade. Nicole zone has an amount of 78 million tonnes of inferred resources (1) at 5.34% P<sub>2</sub>O<sub>5</sub> with a 3.5% cut-off grade. Traverse zone has an amount of 17 million tonnes of inferred resources (1) at 5.98% P<sub>2</sub>O<sub>5</sub> with a 3.5% cut-off grade. And South TraMan zone has an amount of 146 million tonnes of inferred resources <sup>(1)</sup> at 5.30% P<sub>2</sub>O<sub>5</sub> with a 3.5% cut-off grade.

Moreover, many other apatite mineralized zones are reported within the Arianne's Lac à Paul project (MiniPaul, Lucie, Lise, Naja, North TraMan and Turc). Some of these zones (i.e., Lucie, Lise, and Naja) have been drilled and show a good potential.

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<sup>1</sup> Cautionary Statements: Mineral Resources that are not Mineral Reserves do not have demonstrated economic viability. Additional studies are required to convert these mineral resources to mineral reserves.

## **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.

The Company received the certificate of authorization permitting the woodcut of the areas of the camp, the crusher, the conveyor, the plant, the telecommunication tower, part of the pit and all the access roads to these infrastructures.

In May 2019, the Company received the certificate of authorization permitting the construction of a 161-kV power line of 46 km and the extension of the substation at Chute-des-passes power dam.

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.

Arianne Phosphate had worked with Alcoa Innovation and the National Research Council of Canada (NRC) to integrate aluminum in the design of the trailer that will transport the phosphate concentrate from the Lac à Paul mine to the deep-water port that will be located in Sainte-Rose-du-Nord. The final report from its partners for the optimization of the truck-trailer design has been received. The new design will now allow for a payload of 150Mt as opposed to the original 120Mt of phosphate concentrate providing for greater economies of scale. This increased payload per run will both improve our profitability as we lower our FOB cost at port and, reduce our environmental footprint as Arianne will require fewer trucks to haul the same annual output.

## **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% P<sub>2</sub>O<sub>5</sub> 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% P<sub>2</sub>O<sub>5</sub> 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% P<sub>2</sub>O<sub>5</sub> content.

## **MoU agreements to benefit the Lac à Paul project**

The Arianne team has been working hard on securing various aspects for the project with key suppliers for developing the Lac à Paul project. In 2019, Arianne signed a MOU with SINOCONST, a large Chinese state-owned enterprise to work towards a final binding agreement relating to the development of Arianne's Lac à Paul project which, would include full project financing.

## **First Nations**

Thanks to negotiations with the three Innu First Nations groups: Pessamit, Mastheuiatsh and Essipit, a Cooperation Agreement for the exploration and pre-construction phase, 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. Negotiation on the Impacts and Benefits Agreement (IBA) is on going. Several meetings were held.

## **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.

## **Economic impact of the project**

In June 2019, the Regional Manufacturers Corporation and the Haut-Saguenay Community Development Corporation published an independent study on the potential significant socio-economic impacts of the Arianne Phosphate, BlackRock Metals and Energy Saguenay, which concludes that their construction will multiply by 5 the number of workers in the regional construction industry (3.68 years), and with a

remuneration of 30.6% above the level currently observed, 7,076 inhabitants will add 2.6% to the regional population, including 1,962 children under 15 years of age. In the same direction, the remuneration of new permanent jobs generated will be 35.3% higher than the average currently observed in the region.

### **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.

In October 2018, the Company announced that the Port of Saguenay has received a favorable decision with regards to the construction of a maritime terminal facility on the north shore of the Saguenay River. Granted by the Minister for the Environment and Climate Change, the Honorable Catherine McKenna, this decision now paves the way forward for the construction of a terminal that will allow for the shipping of Arianne's phosphate concentrate to customers around the world.

## **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. 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 a Paul project.

## **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.

*Summary of offset measures implemented by Arianne as of September 30, 2020.*

<b>Emissions</b>	<b>Tonnes</b>
1999-2010	867
2011	222
2012	963
2013	100
2014	2,070
2015	37
2016 <sup>(1)</sup>	207
2017 <sup>(1)</sup>	45
2018 <sup>(1)</sup>	29
2019 <sup>(1)</sup>	25.2
2020 <sup>(1)</sup>	-
<b>Financial equivalents</b>	<b>4,259</b>
Price/tonne CO <sub>2</sub> (\$/tonne)	20.82
Amount to offset (\$)	88,672
<b>Amounts already invested</b>	<b>\$</b>
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
Biopierre	1,000
<b>Total invested</b>	<b>40,948</b>
<b>Additional investment</b>	<b>43,252</b>

*(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 September 30, 2020, total assets were \$68,553,084 compared to \$64,219,430 as at December 31, 2019. The primary reason for the increase is the capitalization of development costs and right-of-use assets and a \$1,925,025 equity financing during the nine-month period ending September 30, 2020. Costs which have been capitalized relate to work with the port of Saguenay toward the construction of a maritime terminal and work to comply with the request from the permits from the Canadian Environmental Assessment Agency, design of the trailer truck to look at greater integration of aluminium and the capitalization of carrying costs.

Current assets of \$1,160,844 as at September 30, 2020 have increased from \$586,059 as at December 31, 2019. This is the result of increase in cash and cash equivalents due to additional capital raised via the issuance of capital stock.

Current liabilities of \$36,246,901 as at September 30, 2020 have increased from \$27,953,148 as at December 31, 2019. Which is the result of the interest on the credit line facility and the classification of loans and working capital facilities which expire in June 2021.

### **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 September 30, 2020 was \$1,036,767.

Based on current spending estimates for the project's development, the Company will need additional financing in the next 12 months. 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)	<b>Nine-month period ended September 30, 2020 \$</b>	<b>Nine-month period ended September 30, 2019 \$</b>
Operating activities	(610,561)	(1,687,841)
Investment activities	(530,939)	(1,699,865)
Financing activities	1,822,563	2,374,168
Increase (decrease) in cash and cash equivalents	681,063	(1,013,538)

#### **Operating activities**

For the nine-month period ended September 30, 2020, cash outflows from operating activities totalled \$0.6M (million), while there was outflows of \$1.7M of cash for the same period in 2019. The reason for the change in operating activities from the nine-month period ended September 30, 2020 is due to lower activities and reduction of manpower. Due to the uncertainties of the Covid-19 environment, the Company reviewed overhead costs which resulted in reductions to salaries for the management and employees.

#### **Investment activities**

For the nine-month period ended September 30, 2020, cash used in investing activities was \$0.5 M, whereas \$1.7M was paid in the comparative period, both reflecting costs capitalized for property, plant and equipment. The decrease is due to a lower amount of investment in the development asset: which includes work with the port of Saguenay and design of the trailers with integration of aluminium. Furthermore, the Company received \$0.3M in tax credit proceeds in the nine-month period ended September 30, 2019 and \$0.08M for the nine-month period ended September 30, 2020.

### Financing activities

For the nine-month period ended September 30, 2020, \$1.8M of cash inflow was provided by the issuance of shares from private placements. For the period of nine-month ending September 30, 2019, \$2.1M provided by issuance of shares was accounted and \$0.3M from warrants exercised.

## FINANCING

### Financing

In June 2020, the Company closed an equity financing in the amount of \$1,500,000 financing. Under the terms of the financing, Arianne has issued 9,999,998 units at a price of \$0.15 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 \$0.20 until June 10, 2023.

In February 2020, the Company closed on the first tranche of an equity financing in the amount of \$425,025. Under the terms of the financing, Arianne has issued 1,700,100 units at a price of \$0.25 per unit. Each unit is comprised of one common share and one-half common share warrant. Each full warrant entitles the holder to purchase one common share at a price of \$0.40 until February 13, 2023.

In April 2020, Arianne received a loan of \$40,000 from the Canada Emergency Business Account regarding the outbreak of the Covid-19. This loan carries 0% interest until December 31, 2022.

### Working capital

The negative working capital was \$35,086,057 on September 30, 2020, compared to a negative working capital of \$27,367,089 as at December 31, 2019. The working capital deficit increased due to the interest capitalized on credit line facilities.

Management estimates that the cash available at the end of September 30, 2020 will not be sufficient to meet the Company's obligations and budgeted expenditures through September 30, 2021. 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 2021. 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.

## SUMMARY OF QUARTERLY RESULTS

	December 31, 2018 \$	March 31, 2019 \$	June 30, 2019 \$	September 30, 2019 \$	December 31, 2019 \$	March 31, 2020 \$	June 30, 2020 \$	September 30, 2020 \$
Net income (loss)	(495,064)	(631,282)	(641,842)	(429,177)	(453,456)	(444,629)	(194,153)	(162,637)
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 2018, 2019 and 2020 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 SEPTEMBER 30, 2020

The net loss for the three-month period ended September 30, 2020 was \$162,637 compared to a net loss of \$429,177 for the three-month period ended September 30, 2019. This is the result in a decrease in salaries and benefit, management fees and communication due to reduced manpower count, salaries reduction due reductions to salaries instituted as of April 2020 in response to the Covid-19 crisis. All those decreases are offset by and increase in the share-based compensation of \$45,428 due to the higher amount of amortization of the options granted. The operating loss in 2020 of \$143,396 was lower compared to \$398,626 in 2019, due mainly to the aforementioned reduction in expenses above and a gain of \$134,900 realized on the sale of the mining camp and genset.

### SUMMARY OF FINANCIAL ACTIVITIES FOR THE NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2020

The net loss for the nine-month period ended September 30, 2020 was \$801,418 compared to a net loss of \$1,683,288 for the nine-month period ended September 30, 2019. This is the result in a decrease in salaries and benefit, management fees and communication due to reduced manpower count and operating activities. The operating loss in 2020 of \$753,483 was lower compared to \$1,683,288 in 2019, due mainly to the aforementioned reduction in expenses above.

### RELATED PARTY TRANSACTIONS

The following operations occurred during the period ended September 30, 2020 and 2019:

	2020 \$	2019 \$
<b>Key management compensation (1)</b>		
Share-based compensation	104,198	57,135
Management fees	139,616	213,333
	243,814	270,468
Salaries and benefits (2)	198,272	217,835
	442,086	488,303
Balance included in accounts payable and accrued liabilities	85,170	29,166

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

(2) Salaries and benefits capitalized to property, plant and equipment amount to \$51,718 (\$151,422 in 2019).

The Company has entered into employment and management contracts with its key executives whose estimated annual remuneration amounts to \$475,000. 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 September 30, 2020, the Company would have had to pay a total amount of \$475,000 as severance. If a change of control had occurred on September 30, 2020, the total amounts payable to the executive team in respect of severance would have totaled \$800,000 (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 September 30, 2020, the total amounts payable to the executive team in respect of severance would have totaled \$1,050,000 (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.

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 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) 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 \$6 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 \$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 also has 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 \$34,178. These contracts do not have termination dates and disbursements will be made in accordance with the project's milestones.

The following are the contractual maturities of financial liabilities, including interest where applicable as at September 30, 2020:

	<b>Carrying amount</b>	<b>Contractual cash flows</b>	<b>0 to 12 months</b>	<b>12 to 24 months</b>	<b>More than 24 months</b>
	\$	\$	\$	\$	\$
Accounts payable and accrued liabilities	1,218,196	1,218,196	1,218,196	-	-
Lease liability	162,975	220,704	64,732	66,027	89,945
Loans and working capital facility	5,686,337	6,643,758	6,613,758	-	30,000
Credit line	29,317,629	33,249,030	33,249,030	-	-

### 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 of the condensed consolidated interim financial statements for the nine-month period ended September 30, 2020, 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, 2019.

#### **COVID-19 coronavirus outbreak**

The Corporation is monitoring the outbreak of the COVID-19 coronavirus. Current business disruptions could impact negatively the business and financial condition of the Corporation.

### 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 September 30, 2020.

### INFORMATION ON SHARES OUTSTANDING

As at November 19, 2020, 123,198,348 common shares are issued and outstanding. There are 5,911,113 shares stock options, 48,546,591 warrants and 122,540 options granted to brokers outstanding.

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

(s) Andrew Malashewsky  
Andrew Malashewsky  
Chief Financial Officer

## **Board of Directors and Officers**

**Dominique Bouchard**, Executive Chairman of the Board of Directors

**Brian Ostroff**, Director and Chief Executive Officer

**Jim Cowley**, Director

**Steven L. Pinney**, Director

**Siva J. Pillay**, Director

**Marco Gagnon**, Director

**Claude Lafleur**, Director

**Jean Fontaine**, Director

**Jean-Sébastien David**, Chief Operating Officer

**Andrew Malashewsky**, Chief Financial Officer

### **Ticker symbols**

DAN: TSX-V (Canada)

JE9N: FSE (Germany)

DRRSF: OTC (USA)

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