ARIANNE PHOSPHATE INC.

ANNUAL MANAGEMENT'S DISCUSSION AND ANALYSIS

Year ended December 31, 2013

30 rue Racine Est, suite 160, Chicoutimi (Québec) G7H 1P5 Tél. : 418-549-7316 Fax : 418-549-5750 Courriel : info@arianne-inc.com www.arianne-inc.com

TABLE DES MATIÈRES

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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 year ended December 31, 2013. This report, prepared in compliance with the provisions of Form 51-102F1, approved by the Board of Directors and dated February 27, 2014, should be read in conjunction with the audited annual consolidated financial statements (the "financial statements").

The financial statements for the year ended December 31, 2013, were prepared in accordance with International Financial Reporting Standards ("IFRS").

All amounts presented in the MD&A are in Canadian dollar ($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.

2013 HIGHLIGHTS

The Company

Key developments

• In January 2013, Arianne announced that it intended to change its name to Arianne Phosphate Inc. to reflect its focus on development of the Lac à Paul Phosphate Rock Project. This change was approved by shareholders at the annual general meeting held on May 29, 2013 in Montreal.

• At the 2013 annual general meeting of shareholders, Bernard Lapointe, Chief Executive Officer (CEO) and director and Pierre Lortie, Chairman of the Board did not stand for re-election to the Board of Directors (Board). Guthrie Stewart was appointed interim Chairman of the Board. During the same meeting, Arianne announced the appointment of PricewaterhouseCoopers LLP as auditor of the Company.

• In early 2013, the Company announced that it intended to sell all of its other gold and/or base metal exploration projects in order to focus its efforts on the Lac à Paul Phosphate Rock Project.

Subsequently, the Company sold its mining property Héva to Midland Exploration for a total consideration of $90,000 consisting of $30,000 paid in cash and 60,000 shares of Midland Exploration. The Company also sold its mining property Peneroya-Brouillan to NQ Exploration for a total consideration of $ 20,000 consisting of 1,000,000 shares of NQ Exploration

• Brian Kenny was appointed CEO of Arianne on July 3, 2013. Mr. Kenny is a seasoned project development executive. He has the experience necessary to lead the development of the Lac à Paul Phosphate Rock Project. He replaced Bernard Lapointe, who continues to work with Arianne as a consultant.

• During 2013, Pierre Fitzgibbon, Steven L. Pinney, Dominique Bouchard and Siva J. Pillay were all appointed to the Board of Directors. Mr. Fitzgibbon has 25 years of experience in finance, mergers and acquisitions and strategic planning in Canadian and International markets. He is currently the President and Chief Executive Officer and serves on the Board of Atrium Innovations Inc. Prior to that, he worked with National Bank of Canada as Chief Financial Officer and was Vice Chairman Corporate and Investment Banking at National Bank Financial. Mr. Pinney has 32 years of experience with Cargill Inc. and The Mosaic Company, where he was Senior Vice President of Phosphates and Supply Chain. Mr. Bouchard is a 33-year veteran of Alcan and Rio Tinto. He served as President of Rio Tinto Iron & Titanium until his retirement in May 2013. Mr. Pillay is currently Chief Financial Officer of Ocean Partners Holdings Limited United Kingdom since 2005, a trading company of non-ferrous metal ores and concentrates located in the United Kingdom.

Lac à Paul Phosphate Rock 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.

In particular, phosphate rock mining is declining in North America and there is currently a production deficit that is expected to increase in the coming years. This deficit has increased with the closing of Agrium's Kapuskasing mine in Ontario, Canada in 2013.

Within this global context, the Lac à Paul project can make up for part of this shortfall and provide a source of high-quality phosphate rock.

Key project development Milestones 2013

Unless otherwise indicated, Arianne Phosphate has prepared the technical information in this MD&A ("Technical Information") based on information contained in the technical reports and news releases (collectively the "Disclosure Documents") available under Arianne Phosphate'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 ("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

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Technical Information is subject to the assumptions and qualifications contained in the Disclosure Documents.

The disclosure in this MD&A of all Technical Information has been approved by Daniel Boulianne, P.Geo., Vice President Exploration of Arianne Phosphate and Jean-Sébastien David, P.Geo., Chief Operating Officer of Arianne Phosphate, both Qualified Persons under NI 43-101.

• On June 28, 2013, Arianne filed its Environmental Impact Assessment (EIA) with the Ministère du développement durable, de l'environnement, de la faune et des parcs (MDDEFP) for review. This filing launched the permit application process for the proposed mine. Québec authorities have begun the analysis and discussion process with Arianne. It is expected to continue in 2014.

• On October 25, 2013, Arianne released the results of the Feasibility Study (FS) for the Lac à Paul Phosphate Rock Project.

FEASIBILITY STUDY (FS)

In October 2013, Arianne Phosphate released the Feasibility Study 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);

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- 75.7 million tonnes of saleable concentrate at 38.6% P_2O_5 in proven and probable mineral reserves reported at 3.5% P_2O_5 cut-off grade of 472.1 million tonnes at an average grade of 6.9 % P_2O_5 (taken from the Paul Zone mineral resource); and
- Hydro-Québec-confirmed power availability of 115 MW at the Chute des Passes power plant located 30 km from the mine.

This Feasibility Study was conducted subsequent to the updated Pre-Feasibility Study, which included the 164-million-tonne M&I resources of the Manouane Zone, released by Arianne on July 1, 2012. The FS includes a mineral resource estimate and a mine plan based solely on Paul Zone resources. The results of the FS establish the technical and economic feasibility of an open pit mining operation based on Paul Zone resources, crushing, grinding and flotation concentration of the phosphate ore, and its transport to a deep-water port based on the Saguenay River, in operation 365 days a year.

Operating costs

Based on all operating costs outlined in the Feasibility Study, the phosphate concentrate annual operating cost FOB Port of Saguenay is US$93.7/tonne.

Table 1: Estimate of operating costs per tonne of concentrate (exchange rate 1CDN=.9524 US)

Feasibility Study (US$/tonne)	**Item**
27.3	Average extraction cost
48.1	Average processing cost
4.3	Average general and administrative cost
14.0	Average shipping cost
93.7	**Total operating cost**

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Capital costs

Table 2: Capital costs – Mine site (exchange rate 1 CDN=.9524 US)

Feasibility Study (US$ million)	Item
470.8	Mill
108.5	Project general
65.3	General mine site
42.5	Mine development
29.6	Open pit mine
23.1	Temporary construction facilities & services
57.7	Construction support/equipment/consumables
61.7	EPCM*
73.9	Contingency
49.4	Owner's cost
982.5	**TOTAL**

** Engineering, procurement, and construction management*

The open pit mine development, ore processing facilities and all on-site infrastructure and services necessary to support the mine operation have an estimate accuracy of +/- 15%.

Table 3: Capital costs – Transport (exchange rate 1 CDN= .9534 US)

Feasibility Study (US$ million)	Item
167.9	Off-site facilities & infrastructure
7.7	Temporary construction facilities & services
3.3	Construction support/equipment/consumables
20.9	EPCM*
18.1	Contingency
14.3	Owner's cost
232.2	**TOTAL**

** Engineering, procurement, and construction management*

Capital cost for the transport system is estimated at an accuracy of +/- 25%.

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Mineral resources and reserves (NI 43-101 compliant)

- *Resources*

This NI 43-101-compliant resource calculation of the Paul Zone conducted by Gold Minds Geoservices Inc. was released in March 2013 (see press release of March 7, 2013 for details).

Table 4: Paul Zone mineral resource estimate used for the reserves

Resources	Paul Zone (cut off grade: 4.0% P_2O_5)	
	Tonnage (Mt)	Grade (% P_2O_5)
Measured (M)	336.76	7.22
Indicated (I)	253.48	7.02
Total (M+I)	**590.24**	**7.13**
Inferred	9.81	5.89

In addition to the mineral resources present in the Paul Zone, NI 43-101 compliant resources have already been estimated for Zone 2 and the Manouane Zone on the Lac à Paul property. These resources, released in November 2011 in the NI 43-101 technical report by SGS Geostat (available on SEDAR under the Company's profile at www.sedar.com), have not been updated because no additional drilling has been carried out on these zones since 2011. They are summarized as follows:

Table 5: Other mineral resources on the Lac a Paul property (Manouane Zone and Zone 2)

Resources	Manouane Zone (cut off grade: 2.43% P_2O_5)		Zone 2 (cut off grade: 2.43% P_2O_5)	
	Tonnage (Mt)	Grade % P_2O_5	Tonnage (Mt)	Grade % P_2O_5
Measured (M)	136.90	5.93	-	-
Indicated (I)	26.90	5.64	-	-
Total (M+I)	**163.80**	**5.88**	**-**	**-**
Inferred			64.00	4.55

Update of mineral resources effective: November 7, 2011(not taken into account in the Feasibility Study)

It is important to emphasize the very strong growth potential of the Lac à Paul Project. The Paul Zone has considerable potential for extension both eastward and westward and is open at depth. In addition, during the exploration and drilling programs conducted in the last three years, six other mineralized zones were discovered. None of these six zones (Lise, Lucie, Nicole, TraMan, Turc and Traverse) has NI 43-101 compliant resource estimates.

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- *Reserves*

For the Paul Zone, proven and probable mineral reserves are reported to be 472.09 million tonnes at an average grade of 6.88 % P_2O_5 with a 3.5% P_2O_5 cut-off grade. This includes allowance for 2% mining dilution and 97% ore recovery. The stripping ratio for the first 4 years is 0.87 and 1.14 over the mine life. A total of 75.7 million tonnes of saleable concentrate grading 38.6% P_2O_5 is defined.

The NI 43-101 compliant reserves estimate was conducted by Cegertec Worley Parsons (see the NI 43-101 technical report released November 18, 2013 and available on SEDAR under the Company's profile at www.sedar.com).

Table 6: Mineral reserve estimate

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

Mine plan

The Feasibility Study is based on a single open pit and utilizes only measured and indicated mineral resources contained within the Paul Zone, which were considered for the development of mineral reserves.

Cegertec Worley Parsons (CWP) completed the technical mining engineering work for the Feasibility Study. The work was completed using a block model provided to CWP by Claude Duplessis of Goldminds Geoservices Inc who is a qualified person for NI 43-101. Pit optimizations were performed on the measured and indicated resources in the model; the pit design yields a LOM of 25.75 years at a 3.5% P_2O_5 cut-off grade with average grade of 6.88% P_2O_5. The final pit takes into account operational parameters such as ramps, recommended geotechnical configurations, and the LOM of 25.75 years (excluding pre-production period). The mineral reserves within the pit are shown in the table above.

The Paul Zone pit will be mined using conventional methods including drilling, blasting, loading and hauling using hydraulic shovels and trucks.

Metallurgy and phosphate concentrate quality

Metallurgical test results showed that a scale-up to a commercial facility will produce a 38.6% P_2O_5 product at 90% mill recovery. Chemical analysis of a sample of the final concentrate from the process verification test is provided in the following tables.

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Table 7: Concentrate chemical analysis

Constituent	Units	Analysis[1]
P_2O_5	%	38.60
CaO	%	51.25
MgO	%	0.70
Fe_2O_3	%	2.00
Al_2O_3	%	0.45
SiO_2	%	1.55
TiO_2	%	0.65
Na_2O	%	0.37
K_2O	%	0.19
Cl	%	0.06
F	%	1.08
PAF	%	0.54
CaO/P_2O_5	Ratio	1.33
REM	Ratio	0.08

[1] *Analysis from COREM, 2013*

	Grade[2]
Cd (ppm)[2]	0.2
Hg (ppm)[2]	< 0.01
As (ppm)[2]	10
U (ppm)[2]	< 2
Pb (ppm)[2]	2
Cr (ppm)[2]	1

[2] *Analysis from Maxxam, 2013*

Overall, the Lac à Paul phosphate concentrate is high quality for the following reasons:

- Low CaO/P_2O_5 ratio leading to low sulfuric acid consumption rates;
- High P_2O_5 recovery and high gypsum filtration rates are expected with this rock when used as a feed for conventional wet process phosphoric acid production;
- The low CaO/P_2O_5 ratio will generate low amounts of gypsum; and
- The low minor element ratio (MER) should facilitate easy production of high quality granular fertilizer products, such as monoammonium phosphate and diammonium phosphate (MAP and DAP)

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Infrastructures

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 away from the project. A 345-kV to 161-kV step-down substation will be built at Chute-des-Passes. This new substation will supply the 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 only 2 km from the mill, was selected to store and manage the tailings for the 25.75 years 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 Saguenay River.

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 deep-water port located at St-Fulgence on the Saguenay River, in operation 365 days a year.

Fieldwork and metallurgy

Exploration work (mapping, traverses on foot with Beep Map and sampling) in 2013 began in June and continued throughout the third quarter until the end of September 2013. The work was mainly carried out in the southern part of the property and in the TraMan and Turc zones.

From these works, three hundred seventy-seven (377) surface samples were analysed, especially for P_2O_5. Of these samples, one hundred fifty (150) returned values greater than 5 % P_2O_5. A new drilling campaign was initiated in February 2014 (see PR of February 5th, 2014).

In addition to the exploration work, nine new sites were stripped to rock on the Paul Zone and an existing stripped site was expanded. They were all cleaned, mapped and channel sampled. Following results from analysis of the channel samples, bulk samples were taken from six of the ten previously stripped areas for a total of 120 tonnes. This bulk sample, which was taken at the beginning of September, was used to start new metallurgical testing at COREM, which will continue until May 2014. The goal of these tests is to confirm that the results obtained earlier apply to the various lithologies of the Paul Zone. These tests will also be used to optimize the various operating parameters and variables and test different lower cost reagent suites. Once the testing has been completed, the process flowsheet will be finalized and used for the detailed engineering of the Lac à Paul project.(See Press release Q1 2014)

Community relationships

Community relations have always been a priority for Arianne. Arianne is committed to full and open communication with the community at all times.

Throughout 2013, numerous meetings were held with key political, economic and social stakeholders involved in the project.

During winter 2013, Arianne expanded its public consultations in the region. Additional meetings were held following release of the results of the Feasibility Study.

First Nations

Three First Nations communities are currently affected by the Lac à Paul Project: the communities of Mashteuiatsh, Pessamit and Essipit. Official negotiators were appointed in 2013 representing the Mashteuiatsh and Pessamit communities and Arianne.

Mashteuiatsh

Meetings with the community of Mashteuiatsh continued throughout 2013. On April 15, 2013, a letter of intent to cooperate in setting up training services for mine workers was signed by Arianne, the Commission scolaire du Pays-des-Bleuets, through its vocational centres, and the Pekuakamiulnuatsh Takuhikan Education and Labour Department. The three organizations plan to sign a partnership agreement to set up training programs that would meet workforce needs identified for operation of the Lac à Paul Phosphate Rock Project. However, this program was temporaily halted as a result of a moratorium on the development of programs for training open-pit mine workers that was imposed by the Ministère de l'Éducation, Loisir et Sport in May 2013.

A cultural visit of the Community of Mashteuiatsh was also organized in September 2013. In addition, meetings were held with representatives of various Mashteuiatsh organizations and other contractors working with the community (Granules LG, Sodexo).

The Company has increased its involvement in community life by participating in some events, including a conference on the Lac à Paul project and the land during the symposium on traditional Aboriginal knowledge and the land (*Savoirs traditionnels autochtones et territoire*) and the *Grand rassemblement des premières nations de Mashteuiatsh*

A public information meeting concerning the results of the Feasibility Study was held in Mashteuiatsh in November 2013.

On December 13, 2013 and February 12, 2014, meetings concerning the negotiation of an AIP (Agreement In Principle) with Mr. Rémy Kurtness (Mashteuiatsh) and Arianne occurred.

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Pessamit

For the community of Pessamit, meetings were held with some Band Council members in mid 2013and again in late 2013. A public information meeting with respect to the results of the Feasibility Study was held at the Pessamit community centre in November 25, 2013.

On January 17, 2014, a meeting concerning the negotiation of an AIP (Agreement in Principle) was held between the Band Council and Arianne.

Essipit

In November, 2013, a first meeting was held with some community representatives in Essipit, namely the Negotiations and Consultations Coordinator, and Economic Development Director. It dealt mainly with the project's environmental impacts. Additional meetings are planned in 2014.

Public meetings and relations with the Saguenay–Lac-St-Jean region

During the first quarter of 2013, consultations on the project were organized in five municipalities in the Saguenay–Lac-St-Jean region (Saint-Ludger-de-Milot, Ste-Monique, St-Cœur-de-Marie, Alma and l'Ascension in Lac-St-Jean). These meetings provided an opportunity to discuss aspects of importance to the region around the development of the Lac a Paul Project. Approximately four hundred people attended the meetings in 2013.

Transport was a subject of interest in the meetings. The FS solution for concentrate transport presented in the Feasibility Study requires setting up a marine terminal on the north bank of the Saguenay River, in the Municipality of St-Fulgence (Quebec).

St-Fulgence committee

It was decided to set up a formal working committee, under the direction of the Municipality of St-Fulgence, to better identify problems, issues and concerns surrounding the implementation of the terminal and to find solutions to these issues. Three public information meetings were held by the St-Fulgence committee in late 2013 and residents of the area potentially affected by the installation of a marine terminal discussed the transport solution.

During the last meeting held in December 2013 and based on the feedback received, a progress report was presented with respect to site and configuration concerns.

Land options and alternate route in St Fulgence

During January 2014, agreements were signed in order to establish purchase options for land in the area of St-Fulgence. These agreements secure options for land along two routes currently being studied.

In addition, studies have been initiated by the Company to assess the feasibility of a third route in St Fulgence .

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Port of Saguenay

During fall 2013, several meetings were held with representatives of the Port of Saguenay to discuss the operation of the deep-water port located at St-Fulgence on the Saguenay River.

Human resources and team growth

As project development proceeds, Arianne's team continues to be strengthened with a number of new positions being filled.

2014 OBJECTIVES

- Pass public hearings and obtain the environmental permit for the project
- Secure agreements with the First Nations communities impacted by Arianne's operations and sign Impact Benefit Agreements
- Secure project funding
- Further define the resource base at Lac à Paul through the completion of a new drilling campaign
- Conduct metallurgical optimization tests to freeze the process flow sheet and allow detail engineering to commence
- Advance scoping and market studies on the feasibility and economics of processing Arianne's phosphate rock into several fertilizer products.

SUSTAINABLE DEVELOPMENT

Measuring and offsetting greenhouse gas emissions

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

During 2013, Arianne's activities were responsible for the emission of 99.6 metric tons of CO_2 equivalent (Table 8).

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Arianne's activities are focused on the development of the Lac à Paul project. Fieldwork, which includes, but is not limited to, obtaining 120-tonne bulk sampling, transporting equipment and workforce, produced the most emissions during 2013 (Table 9).

Table 8: Greenhouse gas emissions associated with each of the Company's activities during 2013 (in tonnes)

	Total	Administration and field transportation	Drilling	Excavation	Other
Lac à Paul (tonnes)	49.9	43.6	0	6.2	0.1
IR and representation (tonnes)	49.7	41.2	0	0	8.5
Total (tonnes)	**99.6**	**84.8**	**0**	**6.2**	**8.6**
Percentage (%)	**100%**	**85.1%**	**0**	**6.3%**	**8.6%**

Table 9: Summary of offset measures implemented by Arianne as at December 31, 2013

Emissions (tonnes)	Tonnes
1999-2010	867
2011	222
2012	963
2013	100
Total	**2,152**
Financial equivalents	
Price/ tonne CO_2 ($/tonne)	28
Amount to offset ($)	60,256
Amounts already invested	**$**
Global TraPs 2011	5,181
UQAC Eco-advising Chair	4,240
Global TraPs 2012	3,490
Research scholarship 2012	9,000
Carbone Boréal 2012	37
Research scholarship 2013	9,000
Amount left to be offset	**29,308**

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SELECTED ANNUAL INFORMATION

Highlights of the last three fiscal years

	DECEMBER 31, 2013	DECEMBER 31, 2012	DECEMBER 31, 2011
	$	$	$
Total assets	39,655,934	23,938,767	18,756,553
Non-current financial liabilities – credit line	11,399,817	3,275,547	-
Net loss	6,407,836	5,402,587	3,438,693
Net loss per share	0.08	0.08	0.06

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB"). The accounting policies applied in these consolidated financial statements are based on IFRS effective for the year ended December 31, 2013, as issued and outstanding as of February 27, 2014, the date when the Board of Directors approved the consolidated statements.

The presentation currency and the functional currency of all operations of the Company and its subsidiaries is the Canadian dollar ($CAD), since it represents the currency of the primary economic environment in which the Company and its subsidiaries operate.

Results of operations for the year ended December 31, 2013

The net loss for the year ended December 31, 2013 is $6,407,836 compared to a net loss of $5,402,587 for the year ended December 31, 2012.

This increased loss is mainly due to deferred income taxes of $1,457,440 compared to an income tax recovery of $ 44,000 in 2012. This amount is related to the expected manner of recovery of the Company’s prospection and evaluation assets as there are indications that its exploration and evaluation assets could be recovered through use rather than though sale. Accordingly, the Company recorded a deferred income tax liability of $1,288,844 and a corresponding deferred tax expense.

The operating loss in 2013 at $4,851,903 was lower than in 2012 ($5,352,321) This is primarily due to a lower impairment charge in 2013 on mining properties and exploration and evaluation assets, $240,920 vs $ 2,059,680 in 2012. And lower share based compensation expense.

In 2012, the Company decided to focus its financial and human resources on its phosphate properties (Lac à Paul, and Mirepoix). After a review of all its non-phosphate properties, the Company decided the value of all but two of its non-phosphate properties was impaired and as a result took a significant write-down on the these properties.

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The properties written down were Héva, La Dauversière (R-14), Moly Hill, Black Dog, Chico, Dulain, Terres rares and Mazatlan – El Rey). The only two properties not written down were Opinaca and Penaroya Brouillan, each of is subject to specific agreements with exploration partners.

During the year ended December 31, 2013, the Company again reviewed the two remaining non-phosphate properties. As a result, the Company decided to take a full write-off on Opinaca by $240,920.

The net loss for the year also includes $579,174 (vs $1,565,883 in 2012) in share-based compensation expense, a decrease of $986,709 versus the prior year. The reduction in 2013 is primarily due to the new stock options plan adopted by the Company in 2013 which has a three (3) year vesting compared to the prior plan where all options vested immediately at the time of grant.

These declines were partially off-set by increases in most other operating expenses in 2013 as a result of the increased level of activity at the Company as it continued the development of the Lac à Paul Project, increased public consultations with local communities, and increased discussions with shareholders and other stakeholders. An increase of $771,112 occurred in salaries and fringe benefits (to $1,272,316 in 2013 vs $501,204 in 2012) as a result of hiring new employees as well as an increase of $952,801 of professional and consultant fees (to $1,262,720 in 2013 vs $309,919 in 2012) primarily related to finalizing the feasibility study.

In 2013, the Company disposed of its mining property Héva to Midland Exploration for a total of $30,000 in cash and 60,000 shares, for a total consideration of $90,000 measured at the fair value using the closing price of the shares received at the date of the transaction. The carrying value of the property was nil at the date of the sale, resulting in a gain on disposal of $90,000.

In 2013, the Company disposed of the mining property Peneroya-Brouillan to NQ Exploration Inc. in exchange for 1,000,000 shares, for a total consideration of $20,000 measured at the fair value established using the market closing price of the shares received at the date of the transaction. The loss on disposal is $110,926.

During the year ended December 31, 2013, the Company sold 200,000 shares of NQ Exploration Inc. for total proceeds on disposal of $1,958, sold 500,000 shares of Threegold Resources Inc. for total proceeds of $4,875 and sold 94,080 shares of Galaxy Resources Ltd. (formerly Lithium One Inc.) for total proceeds of $3,781. The change in fair value of these investments between January 1st, 2013 and the respective date of disposal amounted to a loss of $ 62,771.

During the year ended December 31, 2013, the Company sold 60,000 shares of Midland Exploration Inc. at a cost of $60,000 for proceeds on disposal of $57,331, realizing a loss on disposal of $2,669. These shares were obtained through the sale of the Héva property. Also, the Company sold 1,000,000 shares of NQ Exploration Inc. at a cost of $20,000 for proceeds on disposal of $9,792, realizing a loss of $10,208. On sale of available-for-sale assets, an amount of $12,877 was reclassified from accumulated other comprehensive loss to net loss.

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FINANCIAL POSITION ANALYSIS

As at December 31, 2013, the total assets are higher as compared with December 31, 2012. This is mainly due to the higher cash available as at December 31, 2013 ($6,896,331 in 2013 compared to $5,225,976 in 2012) and the increase in the exploration and evaluation assets, $27,238,956 in 2013 versus $13,644,534 in 2012. All through the year, the company has continued to develop these assets by investing $13,594,422 on its exploration and evaluation assets, primarily composed of the Lac a Paul property.

2012 tax credits recorded on the balance sheet was $2,502,426. As a result of a notice received from Revenu Quebec on February, 2014, a portion of the 2012 tax credits ($722,000) previously recorded on the balance sheet has been disallowed. After analyzing the situation internally and with third party experts, the Company determined that some portion of the disallowed amount has a high probability of recovery and as such has recorded a provision to reduce the tax credit related to resources by $485,000 rather than the $722,000 disallowed by Revenu Quebec. The Company plans to challenge the initial February, 2014 notice from Revenu Quebec and expects to file its rebuttal by early March.

Current liabilities as at December 31, 2013 at $2,714,904 are higher than at December, 31 2012, at $1,361,127 as a result of the flow-through shares liabilities and the loan payable incurred in 2013. Regarding flow-through shares, the increase in 2013 vs 2012 represents the excess of the proceeds received from flow-through shares issued over the fair market value of the shares issued, net of issue cost. On July 12, 2013 and on December 18, 2013, respectively 624,500 and 1,790,952 flow-through common shares were issued at the price of $1.40 and $1.80 per share, respectively, for total gross proceeds of $4,098,014. The flow-through share liability is reduced as the Company incurs qualifying flow through expenses. Share issuance expenses are presented on a prorata basis as an increase in deficit and as a reduction of the flow-through shares liability (see the section financing below).

As at December 31, 2013 the Company has $3,223,714 in cash reserved for exploration and evaluation activities. As at December 31, 2012, the Company had incurred all amounts reserved in exploration and evaluation expenses.

On July 11 2013, the Company was granted a loan of $1,500,000 by an investment company. This loan bears interest at an annual rate of 7%. The loan is secured by tax credits receivable from Revenu Quebec for the years 2010, 2011 and 2012 in connection with exploration and evaluation expenditures and amounts to $2,135,446.

Non-current liabilities are $12,857,257 at end of 2013 an increase of $9,581,710 versus 2012. This increase is mostly due to the receipt of $7,100,000 from the credit lines during 2013. The increase is also due to the review in its estimate with respect to the expected manner of recovery of its mining assets as there are indications that its exploration and evaluation assets could likely be recovered through use rather than though sale. Accordingly, the Company recorded a deferred income tax liability of $1,457,440 with respect to Quebec mining duties and a corresponding deferred tax expense in the consolidated statement of loss in the year ended December 31, 2013

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CASHFLOWS, LIQUIDITY AND CAPITAL MANAGEMENT

Liquidity risk is the risk that the Company encounters difficulty in meeting obligations associated with its financial liabilities. The Company's cash balance as at December 31, 2013 was $6,896,331 and has a current tax credit related to resources and mining tax credit receivable of $1,609,153.

Based on current spending estimates for project development in 2014, the Company anticipates it will need additional financing before the end of the second quarter 2014. The Company expects it will be able to secure sufficient financing at reasonable rates but has no assurance that it will be able to do so.

	December 31, 2013 $	**December 31, 2012 $**
Cash flows from operating activities before the net change in non-cash working capital items	(4,042,162)	(1,809,138)
Net change in non-cash working capital items	(1,098,143)	992,042
Operating activities	(5,140,305)	(817,096)
Investment activities	(12,665,349)	(4,481,361))
Financing activities	19,476,009	7,556,247
Increase (decrease) in cash and cash equivalents	1,670,355	2,257,790

Operating activities
For the year ended December 31, 2013, cash outflows from operating activities totalled $5,1 million (MM), while there was $0,8MM of cash outflows for the same period in 2012. This can be explained by higher administrative costs, related to the increased level of activity at the Company as it continues the development of the Lac à Paul project, increased public consultations with local communities, and increased discussions with shareholders and other stakeholders. The main drivers of the increased administrative costs were higher professional and consultant fees ($1.0MM), higher salaries and fringe benefits ($0.8 million) and higher costs of communication ($0.2 MM).

Investment activities
For the year ended December 31, 2013, cash used in investing activities was $12.7MM which primarily reflects expenses for exploration and evaluation assets of $12.7MM and was related to completing the feasibility study on the Lac a Paul project. This compares to $8.8MM in 2012.

Financing activities
For the year ended December 31, 2013, cash provided by financing activities was $19.5M versus $7.6MM in 2012. The increase is primarily due to 1) proceeds of $7.1MM from new credit lines, 2) proceeds from new loan payable of $1.5MM and gross proceeds from the issuance of shares of $11.6MM. The gross proceeds provided from the issuance of share were related to a) $3.5MM for the exercise of warrants, b) $2.7MM for a private placement, c) $0.7MM for the exercise of stock options

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to non-brokers, d) 0.6MM in options exercised by brokers and e) $4.1MM for flow-through shares financing.

FINANCING

2014

During January, 2014, the Company received a total of $1.8MM from the exercise of 1,472,500 warrants at $1,24 each, also during January 2014, the Company received $86,500 from the exercise of stock options.

2013

- During the third quarter of 2013, the Company was granted a loan of $1,500,000 by an investment company. This loan bears interest at an annual rate of 7%. The loan is secured by tax credits receivable from Revenu Quebec for the years 2010, 2011, 2012 and 2013 in connection with exploration expenditures amounting to a total of $2,372,446. The Company must repay the loan on the earlier of either payment by Revenu Quebec or February 28, 2014. In connection with the loan, the Company issued 350,000 warrants to the investment company to subscribe for 350,000 common shares of the Company at a price of $1.18 with a expiry date of February 28, 2014;

- During the third quarter of 2013, the Company entered into an agreement to obtain a non-revolving credit line for an authorized amount of $2.5 million. In connection with obtaining the credit line, the Company granted 375,000 warrants at an exercise price of $1.77 and 625,000 warrants at an exercise price of $1.18;

- During the third quarter of 2013, the Company raised a gross amount of $2,678,500 by issuing 2,435,000 units at $1.10 each comprised of one share and a half warrant, each unit entitles its holder to acquire one common share of the Company at a price of $1.10 per share and one-half of one common share purchase warrant, each warrant entitling its holder to acquire one common share at a price of 1.45 per share for a two-year period following the closing

- During the third quarter of 2013, the Company raised total proceeds of $874,300 by issuing 624 500 flow-through shares at $1.40 per share. In connection with the flow-through financing, the Company granted 214,165 options granted to brokers at an exercise price of $1.10.

- In the fourth quarter of 2013, the Company raised total proceeds of $3,223,714 by issuing 1,790,952 flow-through shares at $1.80 per share. In connection with the flow-through financing, the Company granted 130,744 warrants at an exercise price of $1.40.

Working capital

The working capital is $6,402,066 as at December 31, 2013 compared to $6,953,036 as at December 31, 2012. The decrease was primarily due to the reclassification of the tax credit from current to non-current as well as higher spending in 2013 on increased exploration and evaluation activities.

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Management estimates that the working capital available as the end of 2013 will not be sufficient to meet the Company's obligations and budgeted expenditures through December 31, 2014. These circumstances lend significant 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 applicable to a going concern. The Company will need to secure financing in 2014.

Management is aware, in making its assessment, of material uncertainties related to events and conditions that may cast a significant doubt upon the Company's ability to continue as a going concern as described in the preceding paragraph, and accordingly, the appropriateness of the use of accounting principles applicable to a going concern. These consolidated financial statements do not reflect the adjustments to the carrying values of assets and liabilities, expenses and financial position classifications that would be necessary if the going concern assumption was not appropriate. These 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. 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. 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 the consolidated financial statements.

SUMMARY OF QUARTERLY RESULTS

	March 31, 2012	**June 30, 2012**	**September 30, 2012**	**December 31, 2012**	**March 31, 2013**	**June 30, 2013**	**September 30, 2013**	**December 31, 2013**
	$	$	$	$	$	$	$	$
Net loss	(331,630)	(756,117)	(1,585,171)	(2,729,669)	(2,169,700)	(1,508,001)	(1,675,090)	(1,055,045)
Basic and diluted loss per share	(0.005)	(0.01)	(0.02)	(0.02)	(0.01)	(0.02)	(0.02)	(0.01)

For each quarter in financial year 2012 and financial year 2013, the information contained in the summary of quarterly results is presented in accordance with International Financial Reporting Standards (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 DECEMBER 31, 2013

The net loss in the Q4 2013 decreased to $1,055,045 (vs $2,729,669 in Q4 2012)

This decrease was driven primarily by the reduction in impairment charges for mining properties and exploration and evaluation assets during Q4 2013 vs the prior quarter 2012.

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In Q4 2013, operating expenses increased as result of higher levels of activity at the Company in connection with the preparation of the feasibility study along with higher deferred income tax expense in Q4 2012.

The net loss for the quarter also includes $212,829 ($72,687 in 2012) in share-based compensation expense, an increase of $140,142 compared to the same period in 2012.

In addition, the net loss for the quarter also includes $34,604 of change in fair value of marketable securities classified as fair value through profit or loss

RELATED PARTY TRANSACTIONS

The following operations occurred during the year ended December 31, 2013 and 2012:

	Year ended December 31, 2013	**Year ended December 31, 2012**
	$	$
Company controlled by the previous Chief Executive Officer (CEO) (1)		
Exploration and evaluation expenditure	27,900	547,219
Insurance and other	14,445	12,000
Management fees	8,333	-
	50,678	559,219
Balance included in accounts payable and accrued liabilities	-	28,201

	2013	**2012**
	$	$
Key management compensation (2)		
Share-based compensation (3)	364,650	1,498,935
Management fees	382,500	237,500
	747,150	1 736,435
Salaries and fringe benefits (4)	715,974	606,911
	1,463,124	2,343,346
Balance included in accounts payable and accrued liabilities	-	-

(1) The previous CEO was considered a related party until he left on May 29, 2013.
(2) The key management is composed of the CEO, Chief Operations Officer (COO), Chief Financial Officer (CFO), president, vice-presidents and directors.
(3) An amount of nil is capitalized to exploration and evaluation assets ($117,928 in 2012)
(4) Salaries and fringe benefits capitalized to exploration and evaluation assets amount to $182,236 ($308,528 in 2012).

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During 2013, the Company terminated a large part of its activities with the company controlled by the former CEO, Bernard Lapointe,

The Company has entered into employment and management contracts with its key executives whose estimated annual remuneration amounts to $1,190,000. 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 December 31, 2013, the Company would had have to pay a total amount of $1,027,500 as severance. If a change of control had occurred on December 31, 2013, the total amounts payable to the executive team in respect of severance would have totaled $1,892,500 (assuming they left after a change of control and each named executive opted to receive such compensation).

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 COMMITTMENTS

a) In May 2012, the Company has committed to pay, for a period of three years, an annual contribution of $9,000 to Université de Laval to collaborate on research on the use of phosphorus.

b) 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.

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

	Within 1 year	**1 to 5 years**	**After 5 years**	**Total**
December 31, 2013	$82,267	-	-	$82,267

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The following are the contractual maturities of financial liabilities, including interest where applicable as at December 31, 2013:

	Carrying amount $	Contractual cash flows $	0 to 12 months $	12 to 24 months $	More than 24 months $
Accounts payable and accrued liabilities	538,934	538,934	538,934	-	-
Credit line	11,399,817	14,962,237	766,918	14,195,319	
Loan payable	1,453,078	1,566,534	1,566,534	-	-

APPLICATION OF NEW AND REVISED IFRS

The preparation of consolidated financial statements in conformity with IFRS requires management to make estimates and assumptions that affect amounts reported in the consolidated financial statements and accompanying notes. There is a full disclosure and description of the Corporation's critical accounting policies and accounting estimates in note 4 of the audited consolidated financial statements for the year ended December 31, 2013. In addition, there is a summary of significant accounting policies in note 3 of the consolidated financial statements for the year ended December 31, 2013.

FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT

There is a full disclosure and description of the Corporation's financial instruments, financial risks and capital management in note 20 of the audited consolidated financial statements for the year ended December 31, 2013.

INFORMATION ON SHARES OUTSTANDING

As at February 27, 2014, 87,087,755 common shares are issued and outstanding. There are 5,735,000 stock options exercisable, 5,968,000 warrants and 432,909 options granted to brokers outstanding.

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

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

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Board of Directors and Officers

Guthrie J. Stewart, Interim Chairman of the Board
Steven L. Pinney, Director
Dave DeBiasio, Director
Siva J. Pillay, Director
Dominique Bouchard, Director
Marco Gagnon, Director
Pierre Fitzgibbon, Director
Jim Cowley, President and 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)

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