

ARIANNE PHOSPHATE INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Year ended December 31, 2021

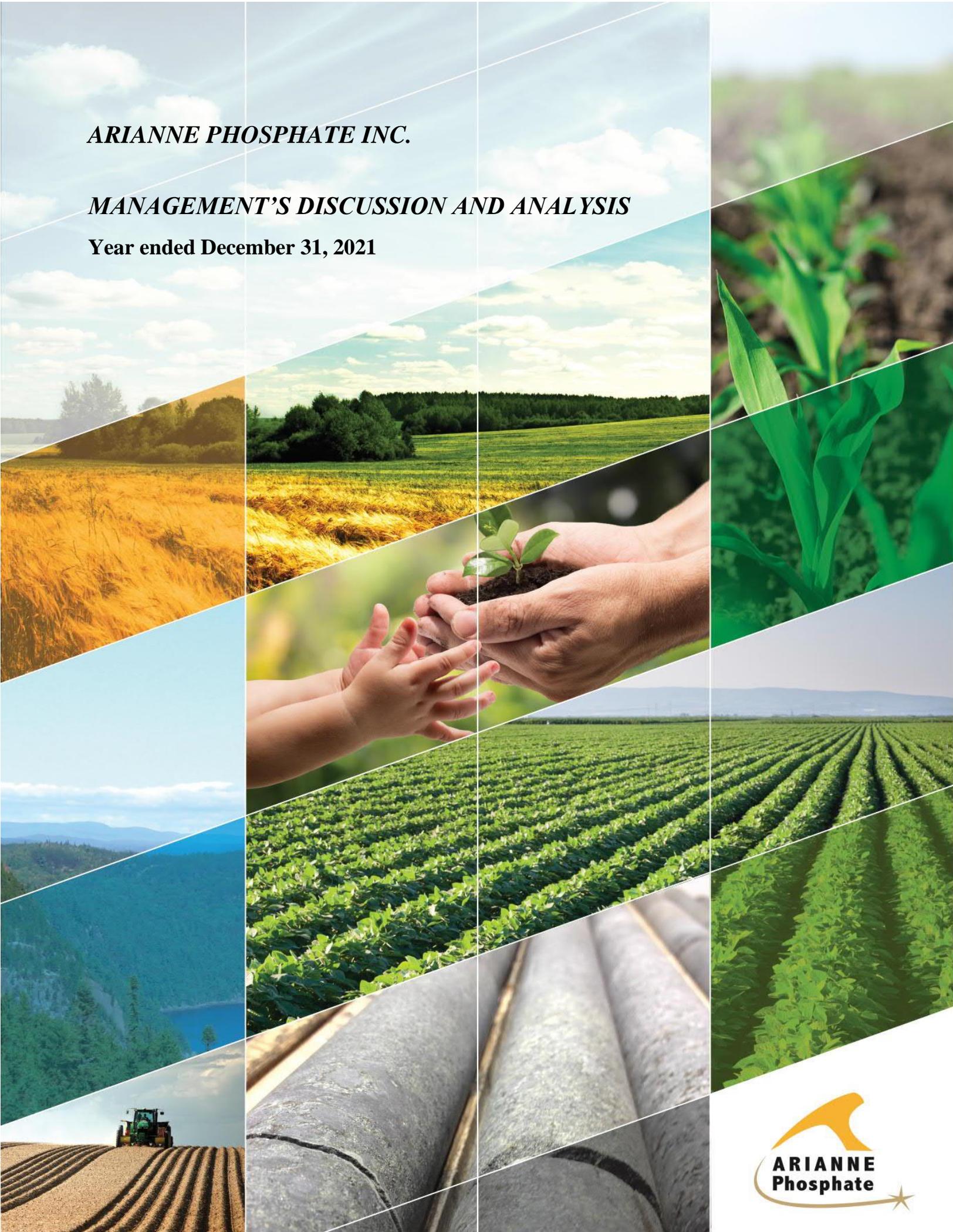


TABLE OF CONTENTS

| | |
|--|----|
| FORWARD-LOOKING INFORMATION..... | 3 |
| DESCRIPTION OF THE BUSINESS | 3 |
| HIGHLIGHTS..... | 3 |
| OPERATIONAL REVIEW AND HISTORY | 5 |
| PHOSPHATE INDUSTRY TRENDS | 7 |
| SUSTAINABLE DEVELOPMENT | 8 |
| SELECTED ANNUAL INFORMATION..... | 9 |
| FINANCIAL POSITION ANALYSIS..... | 10 |
| CASHFLOWS, LIQUIDITY AND CAPITAL MANAGEMENT | 10 |
| FINANCING | 11 |
| SUMMARY OF QUARTERLY RESULTS | 12 |
| RELATED PARTY TRANSACTIONS | 12 |
| OFF BALANCE SHEET ARRANGEMENTS..... | 13 |
| OBLIGATIONS AND COMMITMENTS..... | 13 |
| APPLICATION OF NEW IFRS AND CRITICAL ACCOUNTING ESTIMATES | 14 |
| FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT..... | 14 |
| INFORMATION ON SHARES OUTSTANDING..... | 14 |

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 year ended December 31, 2021. This report was prepared in compliance with the provisions of Form 51-102F1, approved by the Board of Directors and dated March 30, 2022. It should be read in conjunction with the audited consolidated financial statements for the year ended December 31, 2021 (the "financial statements").

The consolidated financial statements for the year ended December 31, 2021, were prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Boards.

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 February 2022, Arianne has initiated a research program in collaboration with the Environmental and Biotechnology Research Group of the Riviere-de-Loup Cegep aimed at the development of a

new breed of fertilizers using organic waste and Arianne's high-purity, low-contaminant phosphate concentrate.

- In December 2021, Arianne announced that it was working with the University of Quebec in Trois-Rivières (“UQTR”) to assess the use of Arianne's high-purity phosphate concentrate in electrolyzers that produce hydrogen for use in hydrogen fuel cells. UQTR's work is focusing on designs around the proton exchange membrane (“PEM”).
- In November 2021, the Company announced that following preliminary test work, conducted in collaboration with several battery industry participants, the Company will now be sending out its high-purity phosphate concentrate for a more detailed analysis. This next stage of testing has been designed to meet specifications provided by a major battery producer by way of MoU and, through an independent facility that is a producer of purified phosphoric acid.
- On June 4th 2021, the Company closed an equity financing in the amount of \$5,750,000. 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.
- In April 2021, the Company announced that it had reached an agreement in principle with the Port of Saguenay regarding the future 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 operation 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 storage facility. 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 March 2021, the Company announced the restructuring of its current credit line and loans. For the credit line, the Lender has exercised 26,780,000 warrants into the Company's common shares, thereby reducing the credit facility from \$31,496,897 to \$24,892,949, a reduction of \$6,603,948. The credit facility will be extended for a period of 5 years at an annual interest rate of 8%. The annual interest can be paid by the Company, at its sole option, either in cash or in common shares of the Company. The Company will issue the 32,000,000 warrants at an exercise price of \$0.33 per share for a period of 5 years. The Lender shall not be entitled to exercise warrants which would result in the Lender holding, following such exercise, on a partially diluted basis, more than 19.9% of the issued and outstanding common shares of the Company, except under limited circumstances. The Company will increase the buyback purchase price of the existing production fee granted in favor of the Lender to \$11.25M.
- Arianne converted its existing loans and working capital facility. The holders of \$5,970,155 of these facilities had their debt converted into common shares of the Company at a price of \$0.275 per share. As a result of the debt conversion, the Company had issued a total of 21,709,655

common shares to such debt holders. The Company also canceled 11,028,584 warrants that were originally issued with the loans and working capital facility.

OPERATIONAL REVIEW AND HISTORY

Although 85% of the world's phosphate production is used in fertilizer, there is a growing demand from other specialty applications. Due to the nature of Arianne Phosphate's deposit, it allows the Company to produce a very high-purity, low-contaminant phosphate concentrate that can be used for other applications, as well as, for fertilizer. Arianne has been active in pursuing several opportunities that would allow its product a greater potential customer base.

Lithium-Iron-Phosphate (LFP) battery

Over the last several years, the LFP battery has been gaining greater penetration among certain segments of the automotive industry with, several large companies increasing the number of vehicles using these batteries. A constraint on some of the current battery technologies has been the ability to source both an ample and safe supply of the necessary materials to produce these batteries, a challenge that is impacting the industry. In the case of LFP batteries, both iron and phosphate are easier to source and, should provide for the substantial growth that is expected to come over the next few years.

Arianne's high-purity concentrate could work across a wide spectrum of needs, from fertilizer through to more advanced applications. Based on further tests, LFP could provide a new potential market. As with the fertilizer industry, which is now suffering significant supply disruptions, Arianne's location in a safe geopolitical environment provides security of supply for those looking to source their phosphate

Initial work surrounding the Company's high-purity phosphate concentrate has indicated that it would be a good fit for the industry and, has led Arianne to actively pursue this opportunity.

Direct application

Arianne is working with Riviere-du-Loup Cegep on the development of a new breed of fertilizers using organic waste and Arianne's high-purity, low-contaminant phosphate concentrate.

Currently, the industry practice is to take mined phosphate concentrate and ship it to a phosphoric acid facility. There, it is combined with sulphuric acid and other ingredients to make 'downstream' phosphate-based fertilizers such as MAP and DAP. By working with both research and commercial organizations, Arianne is looking at ways to alter the traditional process and combine its concentrate with organic waste or other bacterias that would allow its phosphate concentrate to effectively be used in farming without the requirement of traditional acidulated fertilizer products.

For the agricultural industry, it could allow the farmer the ability to move away from acid-based processes and, by integrating with organic waste, allow for a more circular and environmentally friendly process. Logistically, it would also allow Arianne to be less reliant on downstream facilities to purchase its phosphate and transform it into fertilizers

Hydrogen-based technology

Currently, electrolyzers have three main challenges for mass production: performance, durability and cost. The current research centers on the use of phosphate-based materials in the components of the electrolyser

and would address these challenges. Phosphate does allow for greater ionic conductivity and will optimize hydrogen production.

Arianne Phosphate is working with the Université du Québec à Trois-Rivières UQTR”) to assess the use of Arianne’s high-purity phosphate concentrate in electrolyzers that produce hydrogen for use in hydrogen fuel cells. UQTR’s work is focusing on designs around the proton exchange membrane (“PEM”).

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.

At the end of 2021 and beginning of 2022, Arianne had extended the existing offtake agreements, which demonstrates the interest of the market in our rock and the support we receive from our future clients.

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 Feasibility study published in October 2013 are presented in the next table.

| Reserve ⁽¹⁾ | Paul Zone (cut-off grade: 3.5% P ₂ O ₅) | |
|------------------------|---|---|
| | Tonnage (Mt) | Grade (% P ₂ O 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 ₂ O ₅ | Mt | %P ₂ O ₅ | Mt | %P ₂ O ₅ | Mt | %P ₂ O ₅ |
| Paul + extensions⁽¹⁾ (cut-off grade: 4.4% P ₂ O ₅) | 317.64 | 7.29 | 385.06 | 7.05 | 702.7 | 7.16 | 26.01 | 6.58 |
| Nicole (cut-off grade: 3.5% P ₂ O ₅) | | | | | | | 78.20 | 5.34 |
| Manouane (cut-off grade: 2.43% P ₂ O ₅) | 136.90 | 5.93 | 26.90 | 5.64 | 163.80 | 5.88 | | |
| Traverse (cut-off grade: 3.5% P ₂ O ₅) | | | | | | | 17.00 | 5.98 |
| TraMan Sud (cut-off grade: 3.5% P ₂ O ₅) | | | | | | | 146.00 | 5.30 |
| Zone 2 (cut-off grade: 2.43% P ₂ O 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

The ongoing conflict between Russia and Ukraine has disrupted the supply of many commodities from Russia and, has created huge implications for the fertilizer market. Russia is a very large producer and exporter of various fertilizers, including phosphate. The Lac à Paul project can offer a domestic supply for North America, as well as export to other areas globally. This continues to highlight the importance of a safe geopolitical jurisdiction.

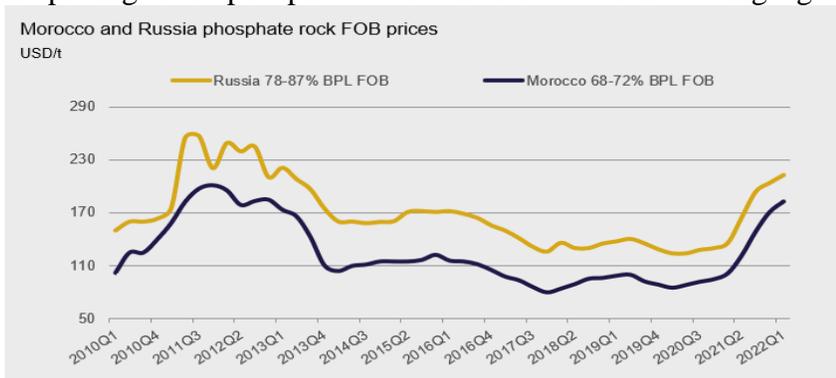
Global demand for phosphate is expected to increase over the medium and long term due to global population growth and a shift in dietary habits towards more protein-rich foods.

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. Supply has also been constrained by China's export ban on phosphate fertilizers and now, the restriction on exports from Russia. 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.

Since the beginning of 2021, the market of fertilizer had seen many disturbances. This is reflecting on the pricing of the phosphate rock which had been increasing significantly since the beginning of 2021.



Source: CRU

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 December 31, 2021.

| Emissions | Tonnes |
|--|---------------|
| 1999-2010 | 867 |
| 2011 | 222 |
| 2012 | 963 |
| 2013 | 100 |
| 2014 | 2,070 |
| 2015 | 37 |
| 2016 ⁽¹⁾ | 207 |
| 2017 ⁽¹⁾ | 45 |
| 2018 ⁽¹⁾ | 29 |
| 2019 ⁽¹⁾ | 25.2 |
| 2020 ⁽¹⁾ | - |
| Financial equivalents | 4,259 |
| Price/tonne CO ₂ (\$/tonne) | 20.82 |
| Amount to offset (\$) | 88,672 |
| Amounts already invested | \$ |
| Global TraPs 2011 | 5,181 |
| UQAC Eco-Advising Chair | 4,240 |
| Global TraPs 2012 | 3,490 |
| Research grant 2012-2014 | 27,000 |
| Carbone Boréal 2012 | 37 |
| Biopierre | 1,000 |
| Total invested | 40,948 |
| Additional investment | 43,252 |

(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.*

SELECTED ANNUAL INFORMATION

Highlights of the last three fiscal years

| | DECEMBER 31, 2021 | DECEMBER 31, 2020 | DECEMBER 31, 2019 |
|-----------------------------------|-------------------|-------------------|-------------------|
| | \$ | \$ | \$ |
| Total assets | 67,853,084 | 64,805,604 | 64,219,430 |
| Non-current financial liabilities | 22,580,784 | 3,276,453 | 8,533,677 |
| Net loss | 8,830,013 | 5,912,521 | 2,155,757 |
| Net loss per share | 0.05 | 0.05 | 0.02 |

Operational Results for the year ended December 31, 2021

The net loss for the year ended December 31, 2021 was \$8,830,013 compared to a net loss of \$5,912,521 for the year ended December 31, 2020 and \$2,155,757 for the year ended December 31, 2019.

The increase in net loss over the last 2 years is explained mostly by the increase of borrowing costs due to the conversion of debts in equity that created a loss on conversion of \$3.5M offset by a gain on debt extinction of \$1.2M. The deferred income taxes expense increase from \$67,467 in 2020 to \$587,649 in 2021, representing adjustments in regard on tax credit received from previous years. Those are non cash expenses. Expenses had generally increased in 2021 to meet the regular burn rate of the Company. In 2020 due to lower-level activity, due to the uncertainties of the Covid-19 environment, the Company revised cash burn to adjust to the situation.

In 2021, salaries and benefits (increase of \$220,390), professional and consultant fees (increase of \$222,952), management fee (increase of \$10,833) and communication (increase of \$154,787).

The increase in net loss from 2019 to 2020 is explained by the classification of the borrowing costs as expenses due to the stage where the Company is at. Since the Company is currently in a period of raising funding for its project through financing and off-take agreements and is not carrying substantial technical work, the Company has suspended the capitalization of its borrowing costs until further technical work is done on the project.

The operating loss in 2021 of \$1,569,999 was higher compared to \$816,783 in 2020, due mainly to the aforementioned increase in expenses above and a gain of \$138,064 realized on the sale of the mining camp and genset in 2020.

FINANCIAL POSITION ANALYSIS

As at December 31, 2021, total assets were \$67,853,084 compared to \$64,805,604 as at December 31, 2020. The primary reason for the increase is the \$5,750,000 equity financing during the year ended December 31, 2021 and \$430,836 for development costs offset by tax credits received of \$1,026,171.

Current assets of \$5,243,870 as at December 31, 2021 have increased from \$941,588 as at December 31, 2020. 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 \$2,456,663 as at December 31, 2021 have decreased from \$37,651,750 as at December 31, 2020, which is the result of the refinancing transactions including the credit line facility that expires in March 2026.

CASHFLOWS, LIQUIDITY AND CAPITAL MANAGEMENT

As at December 31, 2021, the Company had a working capital of \$2,787,207. 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, development expenditures 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) | Year ended December 31, 2021 \$ | Year ended December 31, 2020 \$ |
|--|--|--|
| Operating activities | (1,921,765) | (1,149,422) |
| Investment activities | 773,587 | (470,610) |
| Financing activities | 5,546,515 | 1,893,238 |
| Increase (decrease) in cash and cash equivalents | 4,398,337 | 273,206 |

Operating activities

For the year ended December 31, 2021, cash outflows from operating activities totalled \$1.9M, while there were outflows of \$1.1M for the same year in 2020. The reason for the change in operating activities from the year ended December 31, 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

For the year ended December 31, 2021, cash received from investing activities was \$0.8M, whereas \$0.4M was paid in the comparative period, both reflecting costs capitalized for property, plant and equipment. The difference is the reception of \$1.0M in tax credit proceeds for the year ended December 31, 2021, and \$0.1M for the year ended December 31, 2020.

Financing activities

For the year ended December 31, 2021, \$5.7M of cash inflow was provided by the issuance of shares from private placements and \$0.4M of cash inflow was provided by the issuance of shares from warrants exercise offset by \$0.5M of share issuance expenses. For the year ended December 31, 2020, \$1.9M provided by issuance of shares from a private placement.

FINANCING

Financing

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.

Working capital

The working capital was \$2,787,207 on December 31, 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.

SUMMARY OF QUARTERLY RESULTS

| | March 31, 2020 \$ | June 30, 2020 \$ | September 30, 2020 | December 31, 2020 | March 31, 2021 | June 30, 2021 | September 30, 2021 | December 31, 2021 |
|----------------------------------|-------------------------|------------------------|-----------------------|----------------------|-------------------|---------------|-----------------------|----------------------|
| Net loss | (1,830,034) | (750,023) | (1,666,073) | (1,666,391) | (4,396,059) | (1,506,590) | (1,158,719) | (1,768,745) |
| 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 as at December 31, 2020.

For each quarter in fiscal 2021 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.

RELATED PARTY TRANSACTIONS

The following operations occurred during the year ended December 31, 2021 and 2020:

| | 2021 \$ | 2020 \$ |
|--|----------------|------------|
| Key management compensation (1) | | |
| Share-based compensation | 122,035 | 121,701 |
| Management fees | <u>82,083</u> | 71,250 |
| | 204,118 | 192,951 |
| Salaries and benefits (2) | <u>488,365</u> | 202,786 |
| | <u>692,483</u> | 395,737 |
| Balance included in accounts payable and accrued liabilities | 6,667 | 52,029 |

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

(2) Salaries and benefits capitalized to property, plant and equipment amount to \$281,932 (\$168,683 in 2020).

The Company has entered into employment and management contracts with its key executives whose estimated annual remuneration amounts to \$500,000. 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 December 31, 2021, the Company would have had to pay a total amount of \$600,000 as severance. If a change of control had occurred on December 31, 2021, the total amounts payable to the executive team in respect of severance would have totaled \$475,000 (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 December 31, 2021, the total amounts payable to the executive team in respect of severance would have totaled \$725,000 (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 consolidated financial statements and are therefore not described in this note.

Ocean Partners is also considered as a related party because two directors of the Company are directors of Ocean Partners. All agreements and transactions with Ocean Partners are already disclosed in these consolidated 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 \$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 ("NSR"). 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 \$223,148. 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 December 31, 2021:

| | Carrying amount | Contractual cash flows | 0 to 12 months | 12 to 24 months | More than 24 months |
|--|------------------------|-------------------------------|-----------------------|------------------------|----------------------------|
| | \$ | \$ | \$ | \$ | \$ |
| Accounts payable and accrued liabilities | 214,130 | 214,130 | 214,130 | - | - |
| Lease liability | 109,724 | 109,724 | 66,353 | 43,371 | - |
| Loans and working capital facility | 43,139 | 60,000 | - | 60,000 | - |
| Credit line | 18,395,609 | 35,818,099 | 2,133,041 | 2,051,977 | 31,633,081 |

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 year ended December 31, 2021, 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, 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 year ended December 31, 2021.

INFORMATION ON SHARES OUTSTANDING

As at March 30, 2022, 185,475,310 common shares are issued and outstanding. There are 6,707,083 stock options, 45,022,875 warrants and 579,159 options granted to brokers outstanding.

(s) Raphael Gaudreault
Raphael Gaudreault
Chief Operating 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

Raphael Gaudreault, 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