



**FORTUNE**  
**MINERALS LIMITED**

**ANNUAL INFORMATION FORM**

**Fiscal year ended December 31, 2010**

**March 31, 2011**

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In this Annual Information Form, unless otherwise specified, all dollar amounts are expressed in Canadian dollars.

*This document contains certain forward-looking information. This forward-looking information includes, or may be based upon, estimates, forecasts, and statements as to management's expectations with respect to, among other things, the size and quality of the Company's mineral resources, progress in permitting and development of mineral properties, timing and cost for placing the Company's mineral projects into production, costs of production, amount and quality of metal products recoverable from the Company's mineral resources, demand and market outlook for metals and coal and future metal and coal prices. Forward-looking information is based on the opinions and estimates of management at the date the information is given, and is subject to a variety of risks and uncertainties and other factors that could cause actual events or results to differ materially from those projected in the forward-looking information. These factors include the inherent risks involved in the exploration and development of mineral properties, uncertainties with respect to the receipt or timing of required permits and regulatory approvals, the uncertainties involved in interpreting drilling results and other geological data, fluctuating metal and coal prices, the possibility of project cost overruns or unanticipated costs and expenses, uncertainties relating to the availability and costs of financing needed in the future, uncertainties related to metal recoveries and other factors. Mineral resources that are not mineral reserves do not have demonstrated economic viability. Inferred mineral resources are considered too speculative geologically to have economic considerations applied to them that would enable them to be categorized as mineral reserves. There is no certainty that mineral resources will be converted into mineral reserves. Readers are cautioned to not place undue reliance on forward-looking information because it is possible that predictions, forecasts, projections and other forms of forward-looking information will not be achieved by the Company. The forward-looking information contained herein is made as of the date hereof and the Company assumes no responsibility to update them or revise it to reflect new events or circumstances, except as required by law.*

## CORPORATE STRUCTURE

### Name, Address and Incorporation

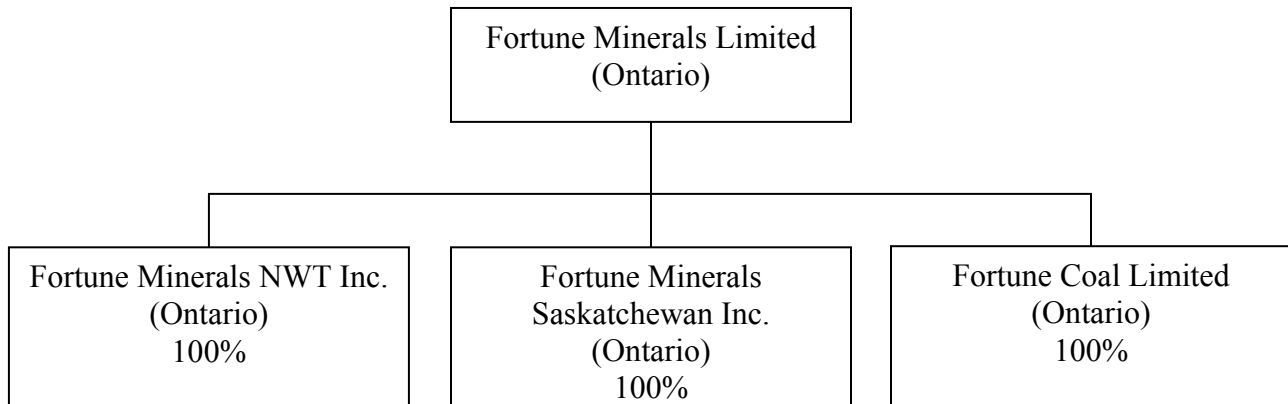
Fortune Minerals Limited ("FML", "the Company", or "Fortune") was incorporated by certificate of incorporation under the laws of the Province of Ontario dated August 2, 1988. By certificate and articles of amendment dated March 2, 1989, FML amended its articles to remove the private company restrictions from its articles. By certificate and articles of amendment dated July 28, 1997, FML amended its articles to subdivide the common shares on a three-for-one basis.

The FML has three subsidiaries, Fortune Minerals Saskatchewan Inc. ("FMSI"), Fortune Minerals NWT Inc. ("FMNI") and Fortune Coal Limited ("FCL"), all of which are wholly-owned by FML. All three subsidiaries were incorporated under the laws of the Province of Ontario. Unless the context otherwise requires, the terms "Fortune" and "the Company" where used herein refer to Fortune Minerals Limited, Fortune Minerals Saskatchewan Inc., Fortune Minerals NWT Inc. and Fortune Coal Limited on a consolidated basis.

FML's head office is located at Suite 1902, 140 Fullarton Street, London, Ontario, N6A 5P2, its telephone number is (519) 858-8188 and its fax number is (519) 858-8155. FML is a reporting issuer in Ontario, Quebec, British Columbia and Alberta.

### Intercorporate Relationships

The following diagram sets forth the organizational structure of FML and its material affiliates and associates:



## GENERAL DEVELOPMENT OF THE BUSINESS

### Three Year History

Fortune is a diversified natural resource company with several mineral deposits and a number of exploration projects, all located in Canada. They include the Mount Klappan anthracite coal deposits in British Columbia ("Klappan"), the NICO gold-cobalt-bismuth-copper deposit ("NICO"), the Sue-Dianne copper-silver deposit ("Sue-Dianne") and other base and precious metals exploration projects in the Northwest Territories ("NWT"). Fortune has an agreement to purchase lands near Saskatoon, Saskatchewan, where it proposes to construct a hydrometallurgical process plant to process bulk concentrates produced from the NICO property to high value metal products (the "Saskatchewan Metals Processing Plant" or the "SMPP"). Based on completed feasibility studies, both the Klappan, and NICO projects contain reserves to support mining operations. Fortune's strategic focus is transforming into a producer. In pursuit of its strategy, Fortune is: (i) in the process of obtaining environmental and operational permits for both NICO and the SMPP; (ii) arranging project financing for NICO; (iii) purchasing lands in Saskatchewan where it proposes to construct the SMPP; (iv) storing and preparing for future refurbishment certain salvaged buildings and equipment dismantled by the Company from the Golden Giant Mine at Hemlo, Ontario ("Hemlo Assets") which were purchased by the Company in 2006 and have been dismantled for relocation to NICO; and, (v) seeking a joint venture partner to help develop Klappan. The Company is committed to outstanding performance and growth of shareholder value through assembly and development of high quality mineral resource projects.

### *Year Ended December 31, 2008*

During 2008, exploration expenditures by the Company on its properties were \$14,239,744 and were focused primarily on NICO and Klappan and expenditures on plant and equipment for mining properties were \$8,507,652 and were focused primarily on the dismantling of the Hemlo Assets.

On October 6, 2006, the British Columbia Environmental Assessment Office ("BC EAO") issued an Order under Section 11 of the *Environmental Assessment Act* (British Columbia) defining the scope, procedures and methods required for the environmental assessment ("EA") of Klappan. Pursuant to the Order, the draft Terms of Reference document (the "BC ToR") is subject to revision based on the public comment received. Once the tasks described in the final BC ToR have been completed, Fortune will be able to file its EA application for its environmental certificate. To date, the BC ToR remains in draft form and has not been completed due to possible revisions to the project description as a result of the activities undertaken as described below. Upon entering into a joint venture arrangement and finalizing a development plan, Fortune anticipates finalizing the BC ToR and preparing and filing an EA application for its environmental certificate. (An electronic copy of the draft BC ToR and information regarding the EA process are available at [www.eao.gov.bc.ca](http://www.eao.gov.bc.ca).)

The Company's 2008 activities at Klappan included finalizing environmental baseline studies for the proposed mine site and 100km access road and compiling reports for submission in support of the EA, completion of the preliminary economic assessment for the transportation of coal products from Klappan using a buried slurry pipeline as opposed to the rail and truck haulage options that were assessed in the 2005 full bankable feasibility study assessing the Lost Fox deposit at Klappan (the "2005 FS") and an update to the 2005 FS (the "Marston 2008 Study"). This update was initially conducted using a Canadian dollar ("C\$") to United States dollar ("US\$") exchange rate of C\$1.03 = US\$1.00, but this exchange rate materially changed over the next few months and the economics were re-stated again using an exchange rate of C\$1.20 = US\$1.00. Highlights from the Marston Canada Limited ("Marston") 2008 Study with the lower Canadian dollar adjustment in brackets where applicable were as follows: confirmation of in-situ reserves of 102 million tonnes ("Mt") for a minimum 20-year mine life at the planned production rate of 3 million tonnes per annum ("Mtpa"); capital costs of \$617.2 million (\$655 million) to be incurred over the first 3 years; cash costs FOB loading vessel average US\$103.59 (US\$91.03) per tonne of premium Pulverized Coal Injection ("PCI") coal; base case pre-tax internal rate of return ("IRR") of 28.9% (40.9%), and 8% discounted net present value ("NPV") of \$702.7 million (\$1,280 million) at a coal price of US\$175/product tonne of premium PCI in years 1-5, dropping to US\$150/product tonne for the remainder of the mine life; coal price sensitivities with pre-tax IRR up to 86.6% (101.9%) and 8% discounted NPV of \$3.8 billion (\$4.9 billion) at a coal price of US\$300/product tonne of premium PCI (the price at the time the report was issued) and lower coal price sensitivities indicating robust economics at lower coal prices; and, significant opportunities for improvement of project economics through alternative transportation options, infrastructure initiatives and conducting work to upgrade resources and expand the production rate. Richard Marston P.E. was the Qualified Person responsible for

the Marston 2008 Study. This study has since been updated as discussed below for the year ended December 31, 2010.

Fortune also retained CIBC World Markets Inc. to act as the Company's financial advisor in assessing and pursuing strategic alternatives for the advancement of Klappan.

A feasibility study on NICO was completed in January 2007 (the "Micon 2007 Study") by Micon International Limited ("Micon") and Met-Chem Canada Inc. ("Met-Chem"). During 2008, Fortune engaged Micon to update the Micon 2007 Study (the "Micon 2008 Study") as a result of the materially improved flotation recoveries that were proven in the pilot plant test of NICO ores that was conducted at SGS Lakefield Research Limited ("SGS"). The capital and operating costs were not updated as part of this exercise and the Micon 2007 Study numbers were used with no provision for inflation or capital cost escalations. The Micon 2008 Study did, however use updated metal price and currency exchange rate assumptions, including US\$20/pound ("lb") for cobalt ("Co"), US\$750/ounce ("oz") for gold ("Au") and US\$10/lb for bismuth ("Bi") as well as an exchange rate of C\$1.03 = US\$1.00. These assumptions indicated a base case pre-tax IRR of 32.3% and an 8% discounted NPV of \$360.7 million for the NICO deposit development. Using the same currency exchange rate and the metal prices at the time the study was completed (US\$50/lb for Co, US\$925/oz for Au and US\$16/lb for Bi) indicated a 97.2% pre-tax IRR and 8% discounted NPV of \$1.5 billion. The operating and capital costs are to be re-assessed after completion of the hydrometallurgical part of the pilot plant nearing completion at SGS, and the front-end engineering and design ("FEED") work for the development currently being conducted by Aker Solutions Canada Inc. ("Aker"). Ian Ward, P.Eng. was the Qualified Person responsible for the Micon 2008 Study.

The Company selected Tri-Venture FE&C Canada Limited ("TV FE&C") as the primary contractor to conduct the dismantling of the mill and other buildings, major process equipment and inventory from the Golden Giant Mine at Hemlo, Ontario (collectively the "Hemlo Mill"). By year-end, substantial progress had been made towards salvaging the equipment and buildings to be used at NICO and demolishing the balance of the facilities.

Environmental surveys were conducted in the area surrounding the NICO project and along the proposed routes of the all-weather access road. The scope of the studies included air quality, baseline noise assessment, fish and fish habitat, heritage resource inventories, hydrology, traditional knowledge studies, vegetation and water quality surveys. Site visits by field staff and assistants were made throughout 2008.

The Company also received a new resource estimate for the Sue-Dianne deposit from Micon and P&E Mining Consultants Inc. ("P&E"). Sue-Dianne is located in the Northwest Territories, approximately 24km north of NICO. At a 0.4% copper cut-off, the mineral resource includes Indicated Resources of 8,444,000 t, grading 0.8% copper ("Cu"), 3.2 grams per tonne ("g/t") silver ("Ag") and 0.07 g/t Au ("Au"), plus an inferred resource of 1,620,000 t, grading 0.79% Cu, 2.4 g/t Ag and 0.07 g/t Au. Mr. B. Terrence Hennessey, P.Geo. and Mr. Eugene Puritch, P.Eng. were the Qualified Persons responsible for the mineral resource estimate in accordance with National Instrument 43-101 ("NI 43-101"). See "Mineral Projects – *Other Northwest Territories Properties*".

At December 31, 2008, Fortune had working capital of \$6,492,241 and assets of \$99,286,206.

#### ***Year Ended December 31, 2009***

During 2009, exploration and development expenditures by the Company on its properties were \$6,988,478. These expenditures were focused primarily on NICO. Expenditures on plant and equipment for mining properties were \$5,623,458 and were focused primarily on the dismantling project for the Hemlo Assets and engineering and site work for the SMPP.

Fortune remained engaged in the EA process for Klappan but limited its activities during 2009. However, the Company and the Tahltan Central Council ("TCC") on behalf of the Tahltan First Nation entered into an Environmental Assessment Cooperation Agreement that commits the parties to the principles of cooperation and mutual respect.

The adverse global economic conditions faced during 2009 caused various parties interested in Klappan to pull back on their investing activities. In light of this, Fortune terminated its financial advisory agreement with CIBC World Markets Inc. However, Fortune continued to pursue strategic alternatives for the advancement of Klappan.

With its efforts focused on the NICO project during 2009, Fortune submitted its “Land Use” and “Class A Water License” applications to the Wek’èezhii Land and Water Board to permit the mine. NICO was referred to EA by Indian and Northern Affairs Canada after review of its water license and land use permit applications (see [www.reviewboard.ca/registry](http://www.reviewboard.ca/registry)). In the Northwest Territories, an EA is administered by the Mackenzie Valley Review Board (“MVRB”).

The initial phase of any EA process is the collection of baseline environmental data. Fortune has been undertaking this work at the NICO site, along access routes, and in the surrounding area since 1998. These extensive studies have been conducted primarily by Golder Associates Limited (“Golder”) and were essentially completed during 2009. The baseline characterization of the NICO site has already been written for inclusion as the first section of the EA. Ongoing environmental monitoring was being carried out as was minor work to support refinements to design criteria as part of the FEED work conducted by Aker. Fortune completed two rounds of community consultation for the proposed NICO mine in Yellowknife, as well as the nearby Tlicho communities of Behchoko, Whati and Gameti. These meetings with local communities and stakeholders resulted in many expressions of support for the mine. The Tlicho Government also hired a consultant to advise it on matters related to the proposed project. Fortune worked with this consultant to ensure that local stakeholders were kept informed about the project. The environmental data will be collectively used in the formal EA process to outline baseline conditions, assess impacts, and develop mitigation strategies as listed in the Terms of Reference (“NWT ToR”) and EA work plan issued by the MVRB. Fortune received the final NWT ToR and work plan for the NICO EA. The NICO EA process is being managed by Richard Schryer, Ph.D., Fortune’s Director of Regulatory and Environmental Affairs, who has extensive experience with permitting major mine projects in the Northwest Territories, and Jim Mucklow, MEng., P.Eng, Manager of Environment and Community Affairs.

Additional test work was completed at SGS to support Metsim® modelling of the process flow sheet and FEED work being conducted by Aker. The crushing, grinding and flotation components of the SGS pilot plant to the production of gold-bearing cobalt and bismuth concentrates were completed in 2008. The operational improvements and higher metal recoveries for these components of the process flow sheet demonstrated by a grinding plant simulation and optimization studies conducted by Metso Minerals Inc. and Starkey & Associates as part of the FEED work determined that the four grinding mills acquired by the Company as part of the Hemlo Mill, with minor modifications to one of the mills re-configured as a rod mill, followed by three secondary ball mills in parallel closed circuit, would provide for an increase in grinding capacity from 185 to 215 tonnes per hour (“tph”). This would produce a 16% increase in the nominal daily grinding capacity for the NICO process plant from 4,000 tonne per day (“tpd”) to approximately 4,650 tpd (at 90% availability) for essentially the same operating cost.

The increase in grinding rate can be accommodated with no significant changes to the mining fleet, primary crusher or flotation circuits already specified for the NICO mine and process plant. Only an incremental increase in the downstream hydrometallurgical process equipment would be required to achieve the increased production rate for the entire mine’s process plant. Fortune plans to increase the nominal production rate for the NICO plant from 4,000 to 4,650 tpd and this is expected to reduce the operating cost per tonne of ore processed.

SGS pilot plant work on hydrometallurgical processing of NICO concentrates to high value metal products also demonstrated operational improvements, higher metal recoveries, and proved the production of higher value metal products than previously reported compared to the base assumptions used in the Micon 2007 and Micon 2008 Studies (collectively the “Micon Studies”). Collectively, these improvements are expected to have a positive impact on the overall project economics.

A summary of the results of the downstream hydrometallurgical components of the SGS pilot plant and the improvements over the base assumptions used in the Micon Studies are as follows:

*Gold*

- Production of gold doré has been proven;
- Gold recovery from the bismuth concentrate has increased from 94 to 95%;
- Gold recovery from the cleaner float tails has increased from 50 to 78%;
- Gold recovery from the cobalt autoclave residue has been confirmed at 90%;
- Overall pilot plant recovery of blended underground and open pit ores to doré was shown to be 73%, confirming the Micon Studies; and,

- Overall pilot plant recovery of average open pit ores to doré increased to 62% from 58% used in the Micon Studies.

#### *Bismuth*

- The production of high grade (99.5% purity) bismuth cathode has been proven;
- Production of bismuth cathode is a significant operational improvement over the Micon Studies , which assumed the production and sale of bismuth concentrate;
- Bismuth recovery from concentrate has increased to 98% from the 90% that would have been paid for metal-in-concentrate used in the Micon Studies;
- Operating costs for the production of bismuth and transportation costs for the delivery of bismuth to markets will be lower; and,
- Overall pilot plant recovery from ore to cathode increased to 72% from 55% used in the Micon Studies.

#### *Cobalt*

- Production of UMICORE Grade A (99.8%) cobalt cathode has been proven;
- The option of producing a cobalt carbonate, grading up to 46% cobalt has been proven;
- Cobalt recovery from concentrate to cathode has decreased from 95 to 93%;
- This 2% lower hydrometallurgical recovery for cobalt in the downstream processing is offset by a 5% greater flotation recovery than the estimate used in the Micon Studies; and,
- Overall pilot plant recovery from ore to cathode increased to 83% from 81% used in the Micon Studies.

#### *Copper*

- Production of a saleable copper cement grading approximately 97% copper has been proven; and,
- The copper contained in the cobalt concentrate must be removed to produce a high quality cobalt cathode and represents an additional by-product revenue stream.

Alex Mezei, P.Eng. is the Qualified Person responsible for the foregoing disclosure with respect to the pilot plant test results.

Fortune completed trade-off studies assessing the merits of relocating some of the NICO downstream process facilities to a location in southern Canada with readily available lower cost power. Results of this work were favourable and indicated positive net impacts for the NICO development for all stakeholders through the selection of Saskatoon as the site for the proposed refinery. Using this site would also help mitigate future exposure to increasing energy costs, accelerate the construction schedule and reduce environmental impacts, and is expected to speed up the permitting process already in progress. The proposed SMPP site includes access to the main line of the Canadian National Railway, which can accommodate a spur for delivery of concentrates from the mine, reagents and other supplies, and ship metal products to industrial centres in North America or points of export. The property is in close proximity to the Trans-Canada Highway and other services including power, natural gas, and water supply. Further, development of the SMPP will allow the Company future opportunities to source materials from other projects for custom processing and to participate in the metal recycling business for sustainable project development.

Fortune entered into an agreement to purchase lands near Saskatoon, Saskatchewan subject to certain conditions, including completion of satisfactory due diligence of the site and appropriate rezoning on which the Company proposes to construct its SMPP. With the SMPP proposed location in Saskatchewan, bulk concentrate would be transported by truck to Hay River, NWT for transfer to rail and delivery to the SMPP on the CN main line in Saskatchewan, located 26 km northwest of Saskatoon. At the SMPP, the bulk concentrate would undergo additional grinding and flotation to produce separate gold-bearing cobalt and bismuth concentrates, followed respectively by pressure acid leach and acid leach, hydrometallurgical processing, and then electrowinning to gold doré, 99.8% cobalt cathode, 99.5% bismuth cathode, 99.99% copper cathode and a nickel by-product. Gold doré was planned to be recovered by cyanidation of the leach residues. However, there have been process improvements resulting in changes as discussed below. The bismuth process and design engineering work for the SMPP is also being conducted by SGS, EHA Engineering Ltd., Dan Mackie & Associates and Hydroproc Consultants.

Based on the Company's mine plan, the SMPP would process approximately 80,000 tonnes ("t") of NICO sulphide concentrates each year, producing average annual production of approximately 4 million pounds of 99.8% cobalt cathode, 4.2 million pounds of 99.5% bismuth cathode, as well as 81,000 oz of gold in each of the first two years of

the mine life, followed by 27,000 oz of annual gold production in subsequent years. Approximately 760,000 pounds of 99.9% copper cathode and a nickel precipitate will also be produced as by-products of the cobalt refining process. The processing part of the SMPP FEED engineering was completed, except for components that are specific to the Saskatchewan site. Fortune engaged the services of MDH Engineered Solutions to complete the environmental and engineering studies required to permit the SMPP.

The dismantling and demolition of the Hemlo Mill was substantially completed during 2009 and valuable equipment was stored at the site under an amended agreement with Newmont Canada Limited (“Newmont”). Fortune entered into an amending agreement with Newmont that allowed the Company to maintain the service complex building and store its assets at the Hemlo site until required, but no later than April 1, 2011. Hemlo Assets salvaged from the Hemlo Mill for use at NICO include buildings, grinding mills, the crushing plant, flotation cells, compressors, boilers, generator, conveyors, pumps, motors, overhead cranes, transformers, assay laboratory, and electrical switch gear. Fortune generated cash proceeds from the sale of gold recovered from residues and other materials collected during cleanup of the Hemlo Mill. Approximately 135 t of high-grade materials were processed at refineries in Canada and the United States. The Company also sold approximately 8,200 t of recyclable scrap steel, copper and other metals from the mill, head frame and other buildings that were demolished at the Hemlo site. Additional funds were generated from the sale of surplus equipment and buildings, including a jaw crusher, the paste fill plant and building, cold storage buildings, furnaces, office and other small equipment that were not required at NICO.

The scope of work under the TV FE&C contract was reduced as allowable under the contract after it was determined that certain assets within the Hemlo Mill would no longer be required at NICO, including portions of the mill building that was demolished, and the paste fill plant, which was sold. The Company and TV FE&C had disagreements over amounts chargeable under the contract and the Company received a Statement of Claim with respect to an action commenced by TV FE&C against Fortune. TV FE&C alleged that it was still owed approximately C\$ 2.9 million for services provided under its contract. The Company believed that such claim was not supported by the facts and was considerably in excess of the amount actually owed. The parties agreed to settle the dispute through an arbitration process to commence in 2010.

Fortune retained BNP Paribas to provide advice and financial services in connection with the arrangement of a debt facility of up to US\$ 250 million to finance the construction, start-up and operation of the Company’s NICO development and SMPP. Based in Paris, France, BNP Paribas is a world class financial institution and leader in global banking and financial services. The engagement with BNP Paribas contemplates that it would act as sole and exclusive “bookrunner” and lead arranger for this debt facility. The relationship with BNP Paribas represents a significant milestone in the evolution of Fortune and the development of the NICO project.

New reserve estimates were prepared by P&E based on updated, higher commodity prices from those used in the Company’s definitive feasibility study and update and planned operational improvements for the project, which included: a new more efficient mine plan, a higher 4,650 tpd production rate, higher metal recoveries, the production of metal cathode products that were proved in the Company’s pilot plant and by-product copper cathode now planned to be produced from NICO. Fortune released these new reserve estimates in early 2010. The mineral reserves for the NICO deposit were updated in compliance with NI 43-101 and CIM guidelines by P&E using an updated resource model also prepared by P&E. The metal prices and Canadian to US dollar exchange rates used in the updated mineral reserves are the 2-year trailing average adjusted downwards for certain metals to reasonable round values. They were: US\$900/oz gold, US\$20/lb cobalt, US\$10/lb bismuth and US\$2.75/lb copper at an exchange rate of C\$1=US\$0.92.

Eugene Puritch, P.Eng. and Fred H. Brown, CPG PrSciNat, both of P&E, are the Qualified Persons responsible for the updated mineral reserves. See “Description of the Business -Mineral Projects - NICO Gold-Cobalt-Bismuth-Copper Deposit – 2010 Updated NICO Mineral Reserves and Mine Plan” below.

Based on a new mine plan, P&E has estimated the proven and probable mineral reserves for NICO to be 31 Mt up from the 21.8 Mt established previously in the Micon 2007 Study. The new mine plan and larger mineral reserves will extend the operating life of the NICO mine and SMPP from 15 to 18 years at a higher, 4,650 tpd production rate. The new mine plan has eliminated backfilling during underground operations, reducing underground mining costs. This, together with various process engineering improvements and a higher gold price, will enable the Company to increase the amount of gold-rich, higher grade underground ores that will be available to mine during

the first 2 years of the mine life. Accordingly, the percentage of plant mill feed from underground ores will increase from 30% to more than 50% and generate even higher revenues during this period.

Fortune and P&E also identified a low waste to ore strip ratio starter pit in the open pit part of the mine. This, together with the greater contribution of underground ores during the first 2 years of production, will allow the Company to defer pre-production stripping of waste rock by up to 2 years, defer the acquisition of some high cost components of the mine fleet, and reduce the up-front capital required for mine construction.

Aker continued to update the FEED level work for capital and operating cost estimates for the NICO site including the crushing plant, mill and concentrator, camp, truck shop, power plant and related support services. Concurrently with FEED, JDS Energy and Mining Inc., together with Tlicho Logistics, reviewed NICO constructability and logistics.

Golder was retained to update the tailings and mine rock management areas for NICO. The decision to move the downstream processing of concentrates to Saskatchewan has enabled the Company to investigate consolidating the tails and waste rock into a single location. Co-deposition of thickened mill tails and waste rock would allow the Company to significantly reduce the size of containment dams and lower capital costs. The reduced overall footprint for the waste management area would also reduce impacts on the environment, reclamation, simplify closure, and should be reflected in lower bonding costs.

At December 31, 2009, Fortune had working capital of \$17,945,994 and assets of \$123,728,635.

#### ***Year Ended December 31, 2010***

During 2010, exploration and development expenditures by the Company on its properties were \$9,197,860. These expenditures were focused primarily on NICO. Expenditures on plant and equipment for mining properties were \$7,124,014 and were focused primarily on engineering and site work for the SMPP as well as removal and transportation of the Hemlo Assets from the Hemlo site to various staging locations.

Fortune is committed to seeking an appropriate joint venture partner to help develop the Mount Klappan project. The Company entered into an engagement with Deloitte & Touche Corporate Finance Canada Inc. ("Deloitte") to act as the Company's financial advisor to implement a renewed strategy for identifying, evaluating and engaging a suitable strategic partner in order to maximize value for shareholders and realize the potential of Klappan. The Company considered a large field of prospective candidates for this engagement and Deloitte was selected because of their demonstrated knowledge and experience working with leading coal producers and buyers, their strong Canadian-based mining advisory team, and because they have one of the largest Mergers and Acquisitions franchises with offices throughout the globe, including a strong presence in the critical Asian markets.

The Company also engaged Marston to update the financial model from its 2005 and 2008 definitive feasibility studies. This new study indicates very attractive economics for the project using a railway development strategy with haulage of coal products by unit train to the port of Prince Rupert on the existing Dease Lake Rail Line. This railway transportation strategy is now commercially feasible for the development as a result of new capital and operating cost quotes that were received from the Canadian National Railway Company ("CN"), which operates on the Dease Lake Line to Minaret, 150 km south of Klappan. Notably, the railway right-of-way and roadbed has already been largely constructed between Minaret and Klappan and provides an existing transportation corridor that can be easily upgraded. The railway provides a simple and scalable transportation solution for the project that allows Fortune to capitalize on Klappan's world class resources.

Highlights of the study include:

- In-situ Reserves of 102 million tonnes in the initial pit for the Lost Fox deposit;
- Minimum 20-year mine life at the 3 Mtpa initial planned production rate;
- Larger 2.8 billion tonne global resource for future expansion;
- Production of premium PCI coal used to manufacture steel in an expanding global market;
- Ability to diversify into other metallurgical coal products;
- Initial capital (first 4 years) of C\$ 768.4 million for the mine, surface facilities and railway;
- Cash cost FOB loading vessel in Prince Rupert US\$ 104.79 / tonne (C\$ 110.30 / tonne);

- Pre-tax IRR of 25.4%, and 8% discounted NPV of C\$ 1.0 billion at base case price of US\$ 175 / product tonne PCI;
- Pre-tax IRR up to 60.2% and 8% discounted NPV up to C\$ 3.8 billion at coal price sensitivities up to US\$ 300 / product tonne of PCI;
- Pre-tax IRR increases to 32.0% and 8% discounted NPV to C\$1.2 billion at the base case PCI price with third party contribution of railway capital sensitivity of 50%.

See “*Mineral Projects – Mount Klappan Anthracite Coal Project – Summary of Technical Report on the 2010 Update to the 2005 Lost-Fox Area Feasibility Study*” below under “Description of Business” and the related NI 43-101 report filed on SEDAR for additional results of the updated study. The scientific and technical information for the update was based upon information prepared by or under the supervision of Edward H. Minnes, P.E. of Marston, who is a Qualified Person under NI 43-101.

Fortune is continuing to develop NICO independently and the Company’s 2010 business activities were focused on advancing engineering, permitting and financing of NICO and the SMPP while minimizing expenditures in other areas not on the critical path to production.

The Company conducted field programs at the NICO mine site in the NWT and the SMPP site in Saskatchewan during the year. At NICO, both summer and winter field programs were completed. For the NICO winter field program, the Company contracted Tlicho Logistics to extend the Government winter road used to supply local communities to the NICO mine site and to transport fuel and other bulk supplies to the project to support the Company’s winter and summer field programs. FORACO Drilling Ltd. (“Foraco”) was contracted to conduct additional geotechnical drilling at the mine to support ongoing engineering and the construction of the mill, mine buildings and airstrip. This work, together with engineering of the roads and plant site, was supervised by EBA Engineering Consultants Ltd. Additional geotechnical drilling was also conducted in the proposed impoundment area for management of co-mingled waste rock and mill tailings. Monitoring holes were also installed to collect groundwater samples for base line characterization and to monitor seepage during mine operations. Golder conducted the engineering work for the tailings and waste rock management area as well as the environmental work for the NICO mine site. Condemnation holes were drilled beneath the proposed waste rock and tailings impoundment area to ensure that no potential unidentified open pit mineable ores are sterilized by the construction of these facilities. Approximately 30 employees and contractors worked at the NICO site including many from the nearby Tlicho communities. Geologists from the Geological Survey of Canada and NWT Geoscience Office were also working at the NICO site as part of a regional scientific collaboration with Fortune to study IOCG (Olympic Dam)-type mineral deposits in this area.

During the NICO summer program, Foraco was also contracted to complete a 37-hole drill program to extend the known mineral reserves for the deposit and provide better definition of the perimeter of the ore body for detailed mine operations and production scheduling. In particular, the gold-rich central core of the deposit was open for possible extension to depth and also between some broad spaced drill hole intersections. The drilling was successful in extending the deposit, and the results included high-grade intersections, locally up to 38.4 g/t gold, 2.47% cobalt and 1.8% bismuth, within larger lower grade intervals. Several of the new drill hole intersections indicate extensions to the gold-rich central core of the NICO deposit to depth, including some drill holes that indicate the deposit remains locally open for future expansion. Several drill holes also indicate extensions to the ore zones toward surface and will therefore likely reduce waste rock stripping in these areas during mine operations. See news releases dated September 9, 2010 and December 3, 2010 on the Company’s website, [www.fortuneminerals.com](http://www.fortuneminerals.com), or on SEDAR at [www.sedar.com](http://www.sedar.com), for a summary of drill results. Robin Goad, M.Sc., P.Geo. is the Qualified Person responsible for the NICO drill program for the purposes of NI 43-101. The results of all 37 drill holes are now being reviewed by P&E to assess their impact on the project’s mineral reserves.

The NICO summer drill program also included holes that did not intersect economically significant mineralization. Most of these holes were drilled to test for potential extensions to the deposit ends, and although unsuccessful in identifying new ore, are very important in delineating the limits of the known reserves to assist with detailed mine planning.

In addition to drilling, the NICO summer program included further environmental and geotechnical studies at the site to support the EA for the project that is in progress for mine permitting. Additional groundwater monitoring wells were established in the deposit and surrounding area for baseline hydrogeological characterization to measure

rock permeability and assess groundwater quality. A large diameter hole was also drilled to the bottom of the proposed pit for hydrogeological purposes, to measure rock permeability and install a multilevel monitoring well to assess ground water quality in the deepest part of the proposed mine. The installation of this well was conducted under the supervision of Golder and Slumberger Canada Ltd. in order to address a request by government regulators pursuant to the EA process the NICO project is undergoing for mine permitting. Geotechnical drill holes were also drilled in the vicinity of the proposed concentrator to assess bedrock quality for the design of building and equipment foundations. The geotechnical part of the program was supervised by EBA Engineering Ltd. Additional assessment of the aggregate resources on the NICO property was also carried out to identify materials for the construction of the mine and surface facilities.

Fortune continued its ongoing programs of consultation and engagement with the Tlicho Government to secure their continued support for the NICO project. Three separate tours for elders from nearby communities were completed to aid local residents in understanding the nature of the project and to obtain their suggestions on project design and operation. The Company participated in a workshop held in the nearby community of Whati in August, together with the Tlicho and Northwest Territories Governments, to discuss important infrastructure initiatives in the area, including the Tlicho road. The planned Tlicho road is expected to improve the quality of life and reduce the cost of living in nearby isolated Tlicho communities as well as service the NICO development.

Aker continued to update the FEED level work for engineering, design, and capital and operating cost estimates for the NICO and SMPP sites and draft reports are near completion after incorporating data obtained from the field programs, pilot plant tests and engineering and environmental studies completed during the year.

The Company successfully demonstrated the production of 99.99% bismuth ingot (metal) through pilot plant work. High purity bismuth ingot with 99.99% purity is the standard product that is typically quoted for sale and traded on global metal markets. The ability to produce bismuth cathode and ingot is a significant improvement to the NICO project since completion of the Micon 2007 Study and Micon 2008 Study. Fortune previously demonstrated the production of a minimum 99% bismuth cathode powder product. High purity metal ingots can now be poured after smelting this powder in an induction furnace with flux to remove other metal impurities. The metallurgical test work for the NICO project, including two pilot plant tests, has been conducted at SGS Lakefield Research Limited ("SGS Lakefield") under the supervision of Alex Mezei, P.Eng. in compliance with NI 43-101.

Subsequent to year-end, the Company also completed mini-pilot plant, gravity, and confirmatory flotation tests at SGS Lakefield on samples of ores from NICO. The results released in March 2011 indicate that with the addition of gravity, regrind and secondary flotation facilities at the Company's proposed NICO concentrator increases metal recovery during flotation and eliminates the need to construct cyanide leaching and smelting facilities in the NWT. This mitigates the duplication of similar unit operations that were planned to be constructed at the SMPP. Elimination of cyanide use at the concentrator will also reduce the potential for environmental impacts in the NWT related to tailings storage and effluent treatment, and the change is in keeping with the wishes of the Tlicho people who own the lands surrounding the Company's mining leases and are stakeholders for the proposed development. Fortune had been waiting for the results of the aforesaid test work in order to use the updated recovery estimates together with the results of the 37 new drill holes completed at NICO in the 2010 drill program to prepare an updated Mineral Reserve estimate. P&E Mining Consultants Inc. is preparing the new Mineral Reserve estimate which is expected to be completed during the second quarter of 2011.

At Hemlo, Ontario, the Company completed the dismantling of the remaining structures and relocated its salvaged Hemlo Assets to strategic staging locations prior to refurbishment and shipment to the Northwest Territories. As a result, the Company fulfilled its remaining obligations at the Golden Giant Mine site ahead of its April 1, 2011 deadline and its security deposit was returned. Subsequent to year end, the Company also settled a dispute with the contractor, TV FE&C, who was hired to complete portions of the dismantling and demolition scope relating to the Hemlo Assets and no further amounts are owed, resulting in the Company receiving its share of disputed amounts previously held in trust pending resolution of the dispute. No further obligations relating to the Hemlo Assets exist, the Hemlo project is complete and the assets are now available for refurbishment at the appropriate time.

At the future SMPP site in Saskatchewan, the Company contracted MDH Engineered Solutions Corp. ("MDH") to conduct a hydrogeology assessment of the plant site groundwater for process water supply and to assess any potential impacts the Company might have on the Dalmeny Aquifer. Geotechnical drilling was also conducted for the design of the plant foundations, and also to determine soil conditions and permeability for construction of the

water storage ponds and process residue storage facility. MDH also conducted environmental base line studies to support ongoing permitting activities.

Subsequent to year-end, the Company completed two public information sessions for the environmental assessment and permitting of the SMPP and was pleased with the considerable interest shown in the project from the local communities and municipal and provincial governments and with the generally positive response to the Company's plans for its SMPP. Approximately 75 people attended the meeting in Dalmeny, and there was an even larger turnout of approximately 115 people in Langham. Both sessions were also attended by representatives of the Regional Municipality of Corman Park, the mayors and members of town council of both communities, local businesses and media, as well as members of the Saskatoon Regional Economic Development Authority and Enterprise Saskatchewan. The information sessions followed the issuance of draft Project Specific Guidelines ("PSG's") by the Environmental Assessment Branch of Saskatchewan's Ministry of Environment ("SE"). Once finalized, the PSG's will outline the requirements of the provincial environmental assessment process and identify key issues that will need to be addressed in the Environmental Impact Statement ("EIS"). Fortune plans to submit the EIS to SE in early 2011. The purpose of these information sessions was to update the general public on the Company's plans for the SMPP and to address any concerns or questions prior to the submission of the EIS.

The Company continues to maintain a core group of management and employees to lead activities on the critical path to production while focusing on minimizing general and administration expenses to support and finance its principal projects. An additional \$8,466,859 in net cash proceeds was raised during the year to continue to fund the key activities of the Company. Management continues to review various financing alternatives to maximize value for shareholders. At December 31, 2010, Fortune had working capital of \$8,228,901 and assets of \$127,917,977.

### **Significant Acquisitions and Significant Dispositions**

Fortune did not make any significant acquisitions or dispositions during the year ended December 31, 2010.

## **DESCRIPTION OF THE BUSINESS**

### **General**

Fortune is a diversified natural resources company. Its common shares are listed on The Toronto Stock Exchange ("TSX") under the symbol "FT". Fortune is involved in the exploration and development of coal, specialty metals, base metals and precious metals, primarily in the Northwest Territories and British Columbia. Projects at advanced stages of exploration and development include the NICO and Sue-Dianne projects in the Northwest Territories as well as the Klappan project in British Columbia. Fortune is also proposing to construct a hydrometallurgical processing plant in Saskatchewan to process bulk concentrates from NICO.

### **Risk Factors**

The operations of the Company are speculative due to the high-risk nature of its business, which is the acquisition, financing, exploration and development of mining properties. The risks below are not the only ones facing the Company. Additional risks not currently known to the Company, or that the Company currently deems immaterial, may also impair the Company's operations. If any of the following risks actually occur, the Company's business, financial condition and operating results could be adversely affected.

### ***Nature of Mineral Exploration and Mining***

At the present time, the Company does not hold any interest in a mining property in production. The Company's viability and potential success is based on its ability to develop, exploit and generate revenue from mineral deposits. The exploration and development of mineral deposits involve significant financial risk over a significant period of time, which even a combination of careful evaluation, experience and knowledge may not eliminate. To date, the Company has spent approximately \$94 million and \$21 million on exploration and development of NICO and Klappan, respectively, on activities to move the projects forward. In order to continue developing the projects towards operation and commercial production, the Company will be required to make substantial additional capital

investments. It is impossible to ensure that the past or proposed exploration and development programs on the properties in which the Company has an interest will result in a profitable commercial mining operation.

The operations of the Company are subject to all of the hazards and risks normally incident to exploration and development of mineral properties, any of which could result in damage to life and property, the environment and possible legal liability. The activities of the Company may be subject to prolonged disruptions due to weather conditions as a result of the Company's properties being located in northern Canada. Specifically, at NICO, the Company is subject to increased risk relating to the dependence on ice road travel to supply and equip its work programs and at Klappan the Company is subject to increased risk relating to the potential damage to the access roads resulting from drainage or snow accumulations in mountainous terrain. While the Company has obtained insurance against certain risks in such amounts as it considers adequate, the nature of these risks are such that liabilities could exceed policy limits or could be excluded from coverage. There are also risks against which the Company cannot insure or against which it may elect not to insure. For example, the Company has not obtained environmental insurance at its project sites to date and has limited its insured values of its assets to stated amounts approximating the estimated cash invested in its capital assets to date. The potential costs which could be associated with any liabilities not covered by insurance or in excess of insurance coverage or associated with compliance with applicable laws and regulations may cause substantial delays and require significant capital outlays, adversely affecting the future earnings and competitive position of the Company.

Whether a mineral deposit will be commercially viable depends on a number of factors, some of which are the particular attributes of the deposit, such as size and grade, proximity to infrastructure, financing costs and governmental regulations, including regulations relating to prices, taxes, royalties, infrastructure, land use, importing and exporting and environmental protection. The Company has undertaken activities to reduce certain risks related to its major projects through: completion of extensive exploration and drilling programs; completion of numerous environmental baseline studies; pilot plant test work and process optimization and verification; and, investing in significant engineering studies for the mine planning, mine site buildings and equipment, infrastructure and processing facility.

#### ***Limited Financial Resources***

The existing financial resources of the Company are not sufficient to bring any of its properties into commercial production. The Company is in the process of updating capital cost estimates for NICO from the 2007 feasibility study to reflect a number of changes including relocating the hydrometallurgical facility to Saskatchewan, process enhancements designed to maximize recovery of metals and plans to produce finished metals, and expects estimated capital costs for NICO and the SMPP will exceed \$400 million. At Klappan, based on the updated feasibility study using the rail transportation option and depending on an increase in production profile, estimated capital costs exceed \$760 million. The Company will need to obtain additional financing from external sources and/or find suitable joint venture partners in order to fund the development of Klappan, NICO and the SMPP. There is no assurance that the Company will be able to obtain such financing or joint venture partners on favourable terms, or at all. Failure to obtain financing or joint venture partners could result in delay or indefinite postponement of further exploration and development of the Company's properties.

#### ***Dependence on Key Personnel and Limited Management Team***

Fortune is dependent on the services of its senior executives including the President and Chief Executive Officer, Vice President Finance and Chief Financial Officer and Vice President Operations, and approximately 10 full time equivalent skilled and experienced employees and consultants. The loss of any such individuals could have a material adverse effect on Fortune's operations. In addition, Fortune will need to supplement its existing management team in order to bring any of its projects into production.

#### ***Fluctuating Prices***

Factors beyond the control of the Company may affect the marketability of coal, cobalt, bismuth, gold, copper or any other minerals discovered. The range in market prices, over the last five years, for the commodities at NICO are as follows: annual average gold prices have ranged from a low of US\$603/oz in 2006 and have increased annually, on average, to a high of US\$1,225/oz in 2010; cobalt annual average prices have ranged from a low of US\$17.67/lb (2009) to a high of US\$40.22/lb (2008), with the annual average price in 2010 being US\$21.29/lb; copper annual average prices have ranged from a low of US\$2.32/lb (2009) to a high of US\$3.37/lb (2010); bismuth annual average prices have ranged from a low of US\$4.89/lb (2006) to a high of US\$13.76/lb (2007), with the annual average price in 2010 being US\$9.38/lb. For anthracite coal at Klappan, market prices of metallurgical coal of this

quality are less readily available. However, based on spot prices and trend setting contracts entered into by certain metallurgical coal producers, it is believed that over the last five years Ultra-low volatile pulverized coal injection ("ULV PCI") coal prices have ranged from approximately US\$80/tonne to US\$275/tonne and coking coal prices have ranged from approximately US\$100/tonne to US\$300/tonne. The commodity prices have fluctuated widely and are affected by numerous factors beyond the Company's control such as the economic downturn observed in 2008 and 2009, commodity supply shortages, weather events such as recent flooding in Australia, political instability, and changes in exchange and interest rates. The effect of these factors cannot accurately be predicted.

#### ***Permits and Licenses***

The operations of the Company require licenses and permits from various governmental authorities. The Company believes that it presently holds all necessary licenses and permits required to carry out the activities which it is currently conducting under applicable laws and regulations and the Company believes it is presently complying in all material respects with the terms of such licenses and permits. However, such licenses and permits are subject to change in regulations and in various operating circumstances. The Company has submitted requisite applications for land use and water licenses in order to construct and operate a mine at its NICO project and plans to submit its Developer's Assessment Report as part of the environmental assessment process early in 2011. However, the Company has not yet received the permits and licenses required for operations. As a result of submitting the aforementioned applications, an environmental assessment of the project is underway and the applications are subject to review and approval by certain regulatory bodies and First Nations. The Company has also entered the environmental assessment process for the SMPP in Saskatchewan in order to obtain the necessary permits required for operating the facility. These applications are also subject for review by certain regulatory authorities. In addition, the Company will be required to complete the environmental assessment process related to Klappan. Subject to receiving environmental certificates and approvals, the Company will be required to apply and obtain mining permits in order to build and operate a mine. There can be no assurance that the Company will be able to obtain all necessary licenses and permits required to carry out future exploration, development and mining operations at its projects.

#### ***Competition***

The mineral exploration and mining business is competitive in all its phases. The Company competes with numerous other companies and individuals, including other resource companies with greater financial, technical and other resources than the Company, in the search for and the acquisition of attractive mineral properties, the acquisition of mining equipment and related supplies and the attraction and retention of qualified personnel. The Company will be constrained in its ability to manage the cost of salaries at NICO and the SMPP during construction and operations as Fortune may be competing for labour with the much larger diamond mining companies operating in the Northwest Territories and potash companies operating in Saskatchewan, respectively. Similar competition may exist in British Columbia during construction and operations of Klappan since there are other mines progressing in the region. The current estimate is that upwards of 1000 additional employees in aggregate will need to be hired to operate NICO, the SMPP and Klappan. There is no assurance that the Company will continue to be able to compete successfully in the acquisition of building materials, sourcing equipment or hiring people.

#### ***Environmental and Climate Change Regulation***

The operations of the Company are subject to environmental regulations promulgated by government agencies from time to time. Environmental legislation provides for restrictions and prohibitions on spills, releases or emissions of various substances produced in association with certain mining industry operations, such as seepage from tailings disposal areas, which would result in environmental pollution. A breach of such legislation may result in the imposition of fines and penalties. In addition, certain types of operations require the submission and approval of environmental impact assessments. Environmental legislation is evolving in a manner which means standards, enforcement, fines and penalties for non-compliance are more stringent. Environmental assessments of proposed projects carry a heightened degree of responsibility for companies and their directors, officers and employees. The Company has carried out and completed significant environmental base line studies to position the Company to successfully complete required environmental assessments; however, despite this, the Company has not been able to obtain certain environmental certificates in a timely manner due to the complexities of the regulatory requirements and process. The cost of compliance with changes in governmental regulations has the potential to reduce the profitability of future operations. The impacts of international or domestic climate agreements, carbon taxes and other potential climate change legislation are difficult to predict and are not yet fully understood, including impacts on capital and operating costs.

### ***Aboriginal Title and Rights Claims***

Aboriginal title and rights may be claimed with respect to Crown properties or other types of tenure with respect to which mining rights have been conferred. The Company is not aware of any aboriginal land claims having been formally asserted or any legal actions relating to aboriginal issues having been instituted with respect to Klappan, NICO or the SMPP properties other than certain treaty rights established by the Tahltan and Gitksan for Klappan and by the Tlicho for NICO. The lands that surround NICO are owned by the Tlicho Government pursuant to the agreement between the Government of Canada, the Northwest Territories and the Tlicho Government. The Company is aware of certain First Nations that claim certain title and rights with respect to Crown properties related to the Company's projects that may or may not be formally asserted with the Crown in order to seek comprehensive land claim settlements. In 2005, the Company's Klappan property was the subject of a blockade by a group of individuals, most being aboriginals, which required the Company to obtain a court injunction to remove the blockade. For NICO, while the Company has a right of access to the NICO mine site under the Tlicho Agreement with the Crown, an access agreement will be required between the Tlicho and the Company for the use of the access roads to be built through Tlicho territory to the site. The Company is aware of the mutual benefits afforded by co-operative relationships with indigenous people in conducting exploration and development activity and is supportive of measures established to achieve such cooperation including preferential hiring practices, local business development activities, involvement in environmental stewardship and other forms of accommodation. Certain challenges with respect to timely decision making may be encountered when working with First Nation governments as a result of capacity restraints due to the limited number of key individuals in demanding leadership positions, turnover of leadership personnel and delays while elections are held. It will also be necessary for the Company to negotiate and enter into appropriate participation agreements with relevant First Nations in order to bring its projects into production and there is no assurance that the Company will be able to negotiate such agreements on favourable terms or at all. In addition, other parties may dispute the Company's title to the properties and the properties may be subject to prior unregistered agreements or transfers or land claims by aboriginal peoples, and title may be affected by undetected encumbrances or defects or government actions.

### ***Estimates of Mineral Reserves and Resources May Not be Realized***

The mineral reserve and resource estimates published from time to time by the Company with respect to its properties are estimates only and no assurance can be given that any particular level of recovery of minerals will in fact be realized or that an identified resource will ever qualify as a commercially mineable (or viable) deposit which can be legally and economically exploited. Material changes in resources, grades, stripping ratios or recovery rates may affect the economic viability of projects. However, through extensive investment in exploration drilling, test mining, bulk sampling, engineering planning and pilot plant testing, the Company has substantially mitigated and reduced these risks. There is a risk that minerals recovered in small-scale laboratory and large scale pilot plant tests will be materially different under on-site conditions or in production scale operations. Short-term factors, such as the need for orderly development of deposits or the processing of new or different grades, may have an adverse effect on mining operations or the results of operations.

The Company has engaged expert independent technical consultants to advise it with respect to mineral reserves and resources and project engineering, among other things. The Company believes that those experts are competent and that they have carried out their work in accordance with all internationally recognized industry standards. However, if the work conducted by those experts is ultimately found to be incorrect or inadequate in any material respect, the Company may experience delays and increased costs in developing its properties.

### ***Health and Safety Matters***

The Company's development and exploration projects are affected by various laws and regulations, including those which cover health and safety matters. Existing legislation and regulations are subject to change, the impacts of which are difficult to measure. It is the policy of the Company to maintain safe working conditions at all its work sites, comply with health and safety legislation, maintain equipment and premises in safe condition and ensure that all employees are trained and comply with safety procedures. The Company has successfully implemented policies and procedures relating to health and safety matters at its project sites and has a good safety record to date.

## Mineral Projects

The following table provides information on the Company's current mineral properties:

<b>Property and Location</b>	<b>Commodity Sought <sup>(1)</sup></b>	<b>Hectares</b>	<b>Fortune Interest</b>
NICO (NWT)	Co, Au, Bi, Cu	5,140	100%
Klappan (BC)	Anthracite coal	16,411	100% <sup>(2)</sup>
Great Slave (NWT)	Cu, Au	2,069	100%
Sue-Dianne (NWT)	Cu, Ag, Au	451	100% <sup>(2)</sup>
Salkeld Lake (NWT)	Cu, Zn, Pb, Au, Ag	116	100% <sup>(2)</sup>
Camsell River (NWT)	Ag	78	100% <sup>(2)</sup>

<sup>(1)</sup> Co = cobalt, Au = gold, Bi = bismuth, Cu = copper, Ag = silver, Zn = zinc, Pb = lead, Ca = calcium, Cr = chromium, Pt = platinum, Pd = palladium.

<sup>(2)</sup> Subject to third party royalties.

### ***NICO Gold-Cobalt-Bismuth-Copper Deposit***

The disclosure set forth herein is principally derived from a technical report entitled “*Technical Report on the Bankable Feasibility Study for the NICO Cobalt-Gold-Bismuth Deposit, Mazenod Lake Area, Northwest Territories, Canada*” dated February 2007 (the “Micon 2007 Study”) prepared by Micon in compliance with NI 43-101, with B. Terrence Hennessey, P.Geol., Eugene Puritch, P.Eng., Ian R. Ward, P.Eng., Klaus V. Konigsmann, P.Eng., Alfred S. Hayden, P.Eng., Kenneth A. Bocking, P.Eng., and Marc Rougier, P.Eng., as the Qualified Persons. The Micon 2007 Study was filed on SEDAR on March 4, 2007 and is available at [www.sedar.com](http://www.sedar.com). The following information is of a summary nature only and reference is made to the detailed disclosure contained in the Micon 2007 Study, which is incorporated herein by reference. Updates to the Micon 2007 Study were conducted in 2008 and 2010 and results are summarized below. Also, updated pilot plant test results released in 2011 are summarized below and were disclosed by the Company in a news release on March 16, 2011.

#### **SUMMARY OF TECHNICAL REPORT ON THE NICO COBALT-GOLD-BISMUTH DEPOSIT FEASIBILITY STUDY**

Fortune began a program of exploration for iron oxide-hosted copper gold (“IOCG”) deposits in the Great Bear magmatic zone (a tectonic subdivision of the Proterozoic Bear Structural Province) in the 1990’s as a result of the similarity of that environment to other major IOCG deposits elsewhere in the world. This led to the identification of the Lou Lake area as a prospective location and to the staking of the NICO claims. (IOCG deposits are also known as “Hydrothermal Iron Oxide-Hosted Replacement deposits” or “Olympic Dam” type deposits.)

Fortune has been actively exploring the NICO property since 1994 and discovered significant mineralization in a number of different zones on the property, including the “Bowl Zone” in 1995. In subsequent years, a number of drilling campaigns, resource estimates and studies were carried out as described below, each campaign and study building on a more complete database than the previous one. Exploration work on the property or offsite studies have been conducted continuously since the Bowl Zone discovery. This zone is the principal mineralized zone of interest on the property and is the subject of the feasibility study for the NICO project.

Fortune also owns the Sue-Dianne deposit, another IOCG deposit, originally discovered by Noranda Inc. (now part of Extrata plc) (“Noranda”) in 1975 and located about 25 km to the northwest of NICO. Sue-Dianne, has an historical reported mineral resource of 24.3 Mt, grading 0.56% Cu and 2.2 g/t Ag, including some 10.6 Mt grading 0.95% Cu and 3.3 g/t Ag. This deposit is not considered in the Micon 2007 Study, but the resources at Sue-Dianne were subsequently updated by Micon and P&E. See “Other Northwest Territories Properties” below.

The NICO project is located in the Northwest Territories approximately 160 km northwest of the city of Yellowknife. Access is by air year round using float- or ski-equipped fixed wing aircraft or helicopter. A winter road from the town of Behchoko (formerly Fort Rae) can also be used to access the property and deliver heavy items once a hard freeze up has occurred.

The local topography is somewhat rugged as a result of hydrothermally altered, massive volcanics capping the deposit. These rocks have resulted in hills and valleys ranging from 150 metres (“m”) to 300 m above sea level. The surrounding countryside is somewhat more flat and regular.

Land holdings at the NICO project currently consist of 10 mining leases totalling some 5140 ha. Two of the original claims were taken to lease in 2002 and eight others brought to lease in 2004, after two were allowed to expire. Fortune holds a 90% interest in the property with the remainder being held by Candou Industries Inc. (“Candou”), an investment holding company.

### **Geology, Mineralization and Exploration History**

The mineralization at NICO is hosted in brecciated clastic sedimentary rocks of the Snare Group near their unconformity with overlying felsic volcanic rocks of the Faber Group. The mineralization consists of native gold, and cobalt, bismuth and copper sulphide minerals in a series of 40°-dipping stacked stratabound lenses. There are three main mineralized lenses, the Upper Middle and Lower, which are up to 1.5 km in length, 550 m in width (down dip) and 70 m in thickness (across dip).

The host sedimentary rocks have been extensively hydrothermally altered to biotite-amphibole ironstones and schists and biotite-amphibole-magnetite ironstones and schists, an alteration assemblage representing extensive addition of iron and potassium to the rocks. The overlying and capping Faber Group volcanics have also been extensively hydrothermally altered on a nearly regional scale. They have experienced the emplacement of significant amounts of potassium and the associated development of microcline giving them a distinct and ubiquitous orange-pink hue. This alteration event has been characterized as the largest hydrothermal radiometric anomaly ever detected by the Geological Survey of Canada.

Mineral resource estimates were previously prepared by Mumin in 1997 and 1998, SNC Lavalin in 1999, and Strathcona Mineral Services (“Strathcona”) in 2000 (presented in a scoping study in 2002), as well as an updated in-house estimate by Goad and Puritch in 2002. Two of these estimates were accompanied by scoping studies and preliminary economic evaluations. The study results were generally encouraging and each identified further drilling and/or mineralogical and metallurgical studies.

Work conducted since the estimate by Strathcona (2002) includes an additional 33 drill holes. These holes have extended the overall strike length of the deposit, as well as expanded and better defined the deposit including its gold-rich, high grade core and the crosscutting post mineral felsic intrusions. The infill drilling program was also successful in capturing resource blocks stranded from the main portion of the deposit in previous estimates.

Fortune has completed several phases of diamond drilling, totalling 294 holes, between 1996 and 2006. Of these, 291 were available for resource estimation in 2004 and 285 were in the general vicinity of the NICO deposit. Most of the holes fall within the interpreted mineralized extents of the three tabular zones and 216 drill holes are useable for resource estimation. These holes are located between sections 1400 NW and 2800 NW. To date, cobalt-bismuth-gold mineralization at the NICO deposit has been intersected over a strike length of over approximately 1,500 m and the deposit is now essentially closed off by drilling.

### **Mineral Resources**

Micon was retained by Fortune in 2004 to supervise and take responsibility for an updated estimation of the mineral resources for the Bowl Zone at the NICO project. The work was performed by B. Terrence Hennessey, P.Geo. of Micon and Eugene Puritch, P.Eng., of P&E, both Qualified Persons under NI 43-101.

The mineral resource was constrained with a geological model prepared with interpretation input from Robin Goad, P.Geo., Kathryn Neale and Derek Mulligan, all of whom worked for Fortune on the NICO project during 1995 and 1996. Three geological domains were established on each of the Upper, Middle and Lower Zones, based principally on different hydrothermal alteration styles as well as sulphide content and textures noted in the core. These three domains were subdivided into internal and external domains to control the interpolation of gold grades which are generally confined to the core of each of the three lenses.

Grade interpolation of the constrained block model was performed by inverse distance squared (“ID2”) for cobalt, bismuth and arsenic/cobalt ratios (necessary for the cutoff calculation) and search parameters determined through

variogram analysis. Interpolation for gold was performed by inverse distance cubed (“ID3”). Checks were also performed by interpreting all metals by ID2, ID3 and ordinary kriging.

The block model was reported by estimating a net smelter return (“NSR”) value for each block using parameters provided from the extensive metallurgical test work and mining scoping studies completed on the deposit. At the time of resource estimation it was anticipated that the upper portions of the deposit (to approximately 75 m below surface) would be mined by open pit methods and the remainder would be mined from underground in order to provide early access to the gold-rich mineralization at the core of the deposit. NSR cutoff grades of \$20.00 per tonne and \$50.00 per tonne, respectively, were used for the open pit and underground resources. The details of this procedure and the cost, exchange rate and commodity price assumptions used for resource estimation are set out in Section 17 of the Micon Technical Report summarizing the feasibility study.

The block model was interpolated in October, 2004, and the mineral resources determined from it were published in an NI 43-101 technical report in November, 2004. Since that time the individual block grades in the block model have not changed. The mineral reserves determined in the feasibility study reported on herein have used different cost, commodity price and exchange rate assumptions than were used in the 2004 mineral resource estimates.

The mineral resources for the Bowl Zone at the NICO project, as determined and reported by Micon in November, 2004 (Hennessey and Puritch, 2004), are set out in the table below. All of the blocks have been coded as Measured or Indicated resources and the mineralization shows good continuity from hole to hole and section to section.

#### NICO Mineral Resource Summary

Area	NSR Cutoff (\$/t)	Category	Tonnes	Au (g/t)	Bi (%)	Co (%)	As/Co Ratio	NSR (\$/t)
Open Pit	20	Measured	2,718,000	0.46	0.155	0.120	9.6	32.76
		Indicated	5,513,000	0.49	0.126	0.137	10.2	35.11
		Sub Total	8,231,000	0.48	0.136	0.131	10.0	34.33
Underground	50	Measured	1,382,000	3.97	0.192	0.129	6.1	78.17
		Indicated	3,741,000	3.25	0.223	0.170	6.4	79.86
		Sub Total	5,123,000	3.44	0.215	0.160	6.3	79.40
<b>Total Measured + Indicated</b>			<b>13,354,000</b>	<b>1.62</b>	<b>0.164</b>	<b>0.142</b>	<b>8.6</b>	<b>51.62</b>

Fortune has discovered and extensively explored the Bowl Zone on the NICO property. In its 2004 report, Micon recommended to Fortune that it would be justified in performing further development work on the property and to proceed with an advanced economic evaluation of the project such as a bankable feasibility study.

In 2005, Fortune retained Micon to prepare a full feasibility study for the development of the NICO deposit, with Met-Chem contracted through Micon to provide plant engineering and cost estimating. Other participants in the study were engaged directly by Fortune and included Golder, EBA Engineering Consultants Inc. (“EBA”), P&E, KVK Consulting Associates Inc, EHA Engineering Ltd., SGS and RECL. The resource estimate prepared in 2004 forms the basis for the mineral reserve estimate for the mining operation which is the subject of the NICO property feasibility study.

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### Mineral Reserves

Mineral reserves for the open pit and underground mining operation were originally determined in the Micon 2007 Study based upon operating costs estimated for the annual production rate of 1,460,000 t of ore, metallurgical recovery values determined from testing, metal prices of US\$15.00/lb Co, US\$500/oz Au, US\$4.00/lb Bi, and a US\$/C\$ 0.84 exchange rate. Mining cutoff limits are determined as NSR values based on the above parameters. The mineral reserve estimates contained in the Micon Studies are shown in following tables.

#### Open Pit Mineral Reserve Statement

(Cutoff \$32.21 per tonne NSR)

Classification	Tonnes	Au g/t	Bi %	Co %
Proven Mineral Reserve	7,058,000	1.142	0.160	0.114
Probable Mineral Reserve	13,555,000	0.698	0.158	0.131
<b>Total Mineral Reserve</b>	<b>20,613,000</b>	<b>0.850</b>	<b>0.159</b>	<b>0.125</b>

#### Underground Mineral Reserve Statement

(Cutoff \$77.13 per tonne NSR)

Classification	Tonnes	Au g/t	Bi %	Co %
Proven Mineral Reserve	231,000	5.318	0.126	0.133
Probable Mineral Reserve	973,000	5.006	0.200	0.147
<b>Total Mineral Reserve</b>	<b>1,204,000</b>	<b>5.066</b>	<b>0.186</b>	<b>0.144</b>

#### Total Mineral Reserve Statement

Classification	Tonnes	Au g/t	Bi %	Co %
Proven Mineral Reserve	7,289,000	1.274	0.159	0.115
Probable Mineral Reserve	14,528,000	0.987	0.161	0.132
<b>Total Mineral Reserve</b>	<b>21,817,000</b>	<b>1.083</b>	<b>0.160</b>	<b>0.126</b>

### Mining, Processing and Infrastructure

The Micon feasibility study contemplated an operation based on an annual production rate of 1,460,000 t of ore with a combination of both open pit and underground mining. Processing will be by conventional crushing, grinding and flotation to produce gold-bearing cobalt and bismuth concentrates. The cobalt concentrate will be further processed by pressure leaching, ion exchange solution purification and electro-winning to recover cobalt metal. Cyanide leaching of cobalt leach residue, bismuth concentrate and cleaner flotation tailings yields gold doré. It is anticipated that the bismuth concentrate will be sold to MCP Metalspecialties Inc., with which Fortune has a letter of intent ("LOI"), after the gold content has been recovered by cyanidation.

Waste rock and tailings from the operation will be stored in two impoundments, with some of the tailings area exposed to air and some under water. All water discharged from the impoundments will be treated to reduce contaminant levels before release. The project will be serviced by an all-weather road and electrical power supplied from the expanded Snare River complex. A camp facility will be provided at Lou Lake to house workers during their 4- or 7-day rotations at the site.

### Project Development

The main project schedule assumes that all permits (environmental, construction and others) are received prior to the start of each related construction activity. The principal production parameters for the project are summarized in the table below.

**NICO Project Principal Life of Mine Production and Cost Parameters**

<b>Item</b>	<b>Unit</b>	<b>Quantity</b>
<b>Mine Production, LOM</b>		
Underground mined ore	t (000's)	1,204
Average gold content	g/t	5.066
Average cobalt content	%	0.144
Average bismuth content	%	0.186
Open pit mined ore	t (000's)	20,613.0
Average gold content	g/t	0.850
Average cobalt content	%	0.125
Average bismuth content	%	0.159
Open pit mined waste	t (000's)	80,777.8
Open pit strip ratio	waste:ore	3.9:1
Total contained gold	kg	23,621
Total contained cobalt	t	27,469
Total contained bismuth	t	34,979
<b>Milling rate, annual</b>	t/a	1,460,000
<b>Cobalt concentrate and average metals content</b>	dry t	804,138
Gold	g/t	4.41
Cobalt	%	2.90
Bismuth	%	0.90
<b>Bismuth concentrate and average metals content</b>	dry t	48,760
Gold	g/t	221.81
Cobalt	%	1.20
Bismuth	%	45.00
<b>Metal Recoveries overall for sale</b>		
Gold	%	59.17
Cobalt	%	80.45
Bismuth	%	62.73
Gold in doré	ozs	449,331
Cobalt metal	lbs	48,723,231
Bismuth in concentrate	lbs	48,375,508

A summary of the operating costs for the proposed NICO development is shown in the table below.

**Operating Cost Summary**

<b>Item</b>	<b>Unit</b>	<b>Quantity</b>
Total operating cost	\$/t ore mined	39.40
Cash cost of cobalt production net of Au, Bi credits	US\$/lb	7.05
Cash cost of gold equivalent ounces	US\$/oz	320.65

A summary of the capital cost items for the proposed NICO development is shown in the table below.

**Capital Cost Summary**  
(All dollar figures are in millions)

<b>Capital Item</b>	<b>Cost</b>
<b>Total pre-production direct capital cost</b>	\$159.0
<b>EPCM cost</b>	\$16.3
<b>Owner's cost and first fill reagents</b>	\$19.4
<b>Contingency allowance</b>	\$18.4
<b>Working capital</b>	\$2.2
<b>Reclamation expenditures</b>	\$15.0
<b>Total</b>	<b>\$230.3</b>

The total elapsed time for construction prior to production commencing is estimated at 35 months. It is influenced by the need to establish the all-weather road and construct a camp prior to the site construction, and in recognition of winter conditions. The power supply from the expanded Snare River hydro-electric complex also must be available in order to commence production.

### **Project Evaluation**

The estimated pre-production capital cost of the facility in the Micon 2007 Study was \$213.1 million and the life-of-mine operating cost was estimated as \$39.40 per tonne of ore. The cash cost of cobalt production, including gold and bismuth credits, was US\$7.05/lb at base case price assumptions. For the financial evaluation, metal prices representing 24-month trailing averages as of January 15, 2007 were taken and which were US\$16.50/lb Co, US\$525/oz Au, US\$4.50/lb Bi. A US\$/C\$ 0.84 exchange rate was used.

In the base case, the project yielded a pre-tax NPV of \$91.8 million at a discount rate of 8% per annum ("pa"), total net pre-tax cash flow of \$319.3 million and an IRR of 15.3%. After applying applicable taxes, the NPV at 8% pa discount was \$42.6 million, total cash flow was \$210.5 million and the IRR was 11.9%.

Applying January 2007 metal prices to the life-of-mine cash flow model showed a pre-tax NPV of \$484.3 million at a discount rate of 8% pa and IRR of 41.5%. On an after-tax basis, the NPV was \$311.4 million at a discount rate of 8% pa and the IRR was 33.7%.

The financial analysis showed that the project is economically attractive at base case metal prices and very attractive at January, 2007 prices, but is extremely sensitive to the US\$/C\$ exchange rate and cobalt price. However, the effect of variation in cobalt price is reduced if both gold and bismuth prices are maintained at relatively high levels.

Environmental permitting and infrastructure projects are on the critical path for project development.

### **Recommendations**

Micon recommended that Fortune should initiate project financing arrangements and secure off-take agreements for cobalt production. The current LOI with MCP Metalspecialties Inc. for bismuth production should be upgraded to an off-take agreement.

Due to the long lead time for project development, Fortune should continue EA studies and immediately commence environmental permitting activities. Fortune and the local interest groups must pursue commitments by local government for the all-weather road construction. Progress on the Snare hydro-electric expansion was also crucial to the project timing at the time of the Micon 2007 Study but current plans now call for diesel power generation at NICO to eliminate the reliance on other sources of power in the event it is not available when needed.

Pilot plant metallurgical testing, on the bulk sample collected in 2006, should commence in 2007 as soon as transportation can be effected, so that parameters for detailed engineering design can be confirmed before engineering work must commence.

### **MICON 2008 STUDY**

In 2008, the Company retained Micon to prepare the Micon 2008 Study to report on the economics of NICO to reflect the improved flotation metallurgical recoveries achieved in the Company's pilot plant that was recently completed at SGS and more current metal price and currency exchange rate sensitivities. The recovery and metal product improvements achieved in the downstream hydrometallurgical part of the pilot plant were not included in this update. The updated economics were based on the operating and capital cost estimates from the 2007 feasibility study and were not adjusted for inflation or recent cost escalations. The 2008 updated economics for NICO is presented in the tables below. Ian Ward P.Eng. was the Qualified Person responsible for the Micon 2008 Study.

**2008 Updated NICO Base Case economics using new flotation metallurgical recoveries**  
 US\$20/lb Co, US\$750/oz Au and US\$10/lb Bi and US\$0.97/C\$1.00  
 (All dollar figures are in millions except per pound amounts)

	Unit	Update 2008		
		Years 1-2	Years 3-15	Life of Mine Average
<b>Total Metal Recovery</b>				
Gold	%	67.90	56.41	59.54
Cobalt	%	84.58	85.50	85.37
Bismuth	%	69.60	69.66	69.65
<b>Annual Production</b>				
Gold	ozs	70,280	24,074	30,258
Cobalt	lbs	3,622,069	3,434,539	3,459,637
Bismuth	lbs	3,383,777	3,627,101	3,594,535
<b>Cash Operating Costs</b>				
Cobalt Cash Cost (gross)	US\$/lb Co			16.17
Au, Bi credits	US\$/lb Co			(14.76)
Cobalt Cash Cost (net)	US\$/lb Co			1.41
<b>Annual Revenue</b>	\$000's	156.4	118.4	123.5
<b>Annual Operating Costs</b>	\$000's	79.8	53.8	57.3
<b>Annual Operating Cash Flow (Pre-Tax)<sup>(1)</sup></b>	\$000's	71.8	63.7	64.8
<b>Annual Operating Cash Flow (After Tax)</b>	\$000's	71.4	46.1	49.5
<b>Net Present Value</b>		<b>Pre-Tax</b>	<b>After-Tax</b>	
<b>5% Discount</b>		475.7	322.6	
<b>8% Discount</b>		360.7	238.2	
<b>10% Discount</b>		299.8	193.5	
<b>Internal Rates of Return</b>		32.3%	26.7%	

<sup>(1)</sup> Operating Cash Flow is equal to Revenue less both Operating Costs and Capital Costs

**2008 updated NPV and IRR sensitivities for select metal price and currency exchange rate scenarios**

Sensitivity Scenario	FX rate (US\$/C\$1)	Au Price (US\$/oz)	Co Price (US\$/lb)	Bi Price (US\$/lb)	Pre-Tax 8% NPV (\$ millions)	Pre-Tax IRR
2007 Feasibility Base Case	0.84	525.00	16.50	4.50	143.7	18.3%
<b>2008 Updated Base Case</b>	<b>0.97</b>	<b>750.00</b>	<b>20.00</b>	<b>10.00</b>	<b>360.7</b>	<b>32.3%</b>
April 2008 Metal Prices	0.97	900.00	50.00	16.00	1,499.7	97.2%

**2008 Updated NPV sensitivities by unit change**

Sensitivity	Unit	Change	NPV impact (\$)
<b>Gold price</b>	US\$/oz	25.00	5,407,000
<b>Cobalt price</b>	US\$/lb	1.00	21,827,000
<b>Bismuth price</b>	US\$/lb	1.00	20,611,000
<b>Exchange Rate</b>	US cents	1.0	7,666,000
<b>Initial Capital Cost</b>	US\$ million	25	16,969,000
<b>Operating Cost</b>	%	10%	36,785,000

## 2010 UPDATE TO MINE PLAN AND NICO MINERAL RESERVES

In early 2010, Fortune announced a new mine plan and a 43% increase in the mineral reserves for the NICO project. The update, prepared by P&E, has increased the proven and probable mineral reserves for NICO to 31.0 Mt from the 21.8 Mt established previously in the Micon 2007 Study. The new mine plan and the larger mineral reserves will extend the operating life of the NICO mine and process plant from 15 to 18 years at a higher, 4,650tpd production rate, and positively impact project economics.

The updated mineral reserves for the NICO deposit are compiled in the following tables:

### Underground Mineral Reserves

Class	Tonnes	Au (g/t)	Co (%)	Bi (%)	Cu (%)
<b>Proven</b>	1,403,000	2.23	0.16	0.22	0.04
<b>Probable</b>	767,000	2.92	0.17	0.19	0.03
<b>Total</b>	2,170,000	2.47	0.16	0.21	0.03

### Open Pit Mineral Reserves

Class	Tonnes	Au (g/t)	Co (%)	Bi (%)	Cu (%)
<b>Proven</b>	15,019,000	0.85	0.12	0.16	0.04
<b>Probable</b>	13,797,000	0.71	0.12	0.15	0.03
<b>Total</b>	28,816,000	0.79	0.12	0.15	0.04

### Combined Mineral Reserves

Class	Tonnes	Au (g/t)	Co (%)	Bi (%)	Cu (%)
<b>Proven</b>	16,422,000	0.97	0.12	0.16	0.04
<b>Probable</b>	14,564,000	0.83	0.12	0.15	0.03
<b>Total</b>	<b>30,986,000</b>	<b>0.91</b>	<b>0.12</b>	<b>0.16</b>	<b>0.04</b>
<b>Contained Metal</b>		<b>907,000 ounces</b>	<b>82 million pounds</b>	<b>109 million pounds</b>	<b>27 million pounds</b>

In addition to the mineral reserves, there are 6.5 Mt of marginal sub-economic material that will be mined and stockpiled for processing during periods of higher metal prices. This material has the potential to be processed at a profit and extend the mine life up to an additional 4 years.

The mineral reserves for the NICO deposit were updated in compliance with NI 43-101 and CIM guidelines by P&E using an updated resource model also prepared by P&E. The increase in the NICO reserves is a result of: a more efficient open pit and underground mine plan; increased mill throughput using equipment the Company already owns from its purchase of the Hemlo Mill; higher metal recoveries confirmed by the Company's pilot plant; greater revenues using higher metal price assumptions; and, the production of some higher value metal products over those used in the Micon Studies.

The updated mineral reserves are based on operating cost net smelter return ("NSR") cut-off values that have been updated from recent FEED studies. The C\$48.07 per tonne NSR open pit reserve cut-off was derived from a C\$41.82 per tonne processing cost and a C\$6.25 per tonne general and administration ("G&A") cost. The open pit unit rock mining cost for optimization, design and reserve delineation is C\$2.59 per tonne. The C\$85.64 per tonne NSR underground reserve optimization, design and reserve delineation cut-off was derived from a \$37.57 per tonne mining cost, a C\$41.82 per tonne processing cost, and C\$6.25 per tonne for G&A.

The metal prices and Canadian dollar to US dollar exchange rates used in the updated mineral reserves are the 2-year trailing average adjusted downwards for certain metals to reasonable round values. They are: US\$900/oz gold, US\$20/lb cobalt, US\$10/lb bismuth and US\$2.75/lb copper at an exchange rate of C\$1=US\$0.92.

Eugene Puritch, P.Eng. and Fred H. Brown, CPG PrSciNat, both of P&E, are the Qualified Persons responsible for the updated mineral reserves.

## **Mining**

It is now contemplated that the NICO deposit will be mined primarily by open pit with the gold-rich, higher grade underground ores contributing mill feed during the initial 2 years of operations. Changes have been made to the mine plan to improve the economics during early years of production.

The underground part of the mine will be mined by retreat blast hole open stoping. The tonnage available from the underground part of the mine has been increased by 83% to 2.2 Mt as a result of higher projected revenues from higher metal prices and metal recoveries, and also from lower underground mining costs achieved by the significant reduction in the amount of back filling that will be required in mined out stopes. Gold-rich, higher grade ores from the underground part of the mine are now projected to contribute 60% of the mill feed at the higher 4,650 tpd production rate, as compared to 30% of 4,000 tpd in the Micon feasibility study. The greater amount of high-grade ores will increase the cash flow for the project during the first 2 years of the operation.

The open pit part of the mine will be a conventional truck and hydraulic shovel operation, accomplished in 4 phases at an average strip ratio of 3.4:1. The mine plan for the open pit has been re-scheduled with the identification of a low strip ratio starter pit. This, together with the greater availability of underground ores, allows the previously planned 10 Mt waste pre-stripping program to be eliminated. This quantity of waste now becomes part of normal production stripping and can be financed from cash flow. This change also has the potential to defer the acquisition of some of the more expensive components of the mine fleet by 1 to 2 years.

## **Processing**

It is also now contemplated that the NICO ore will be processed in 2 stages at the NICO site and SMPP, respectively. At the NICO site, 4,650 tpd of ore will be processed in a crushing, grinding and flotation concentrator to produce approximately 180 t of bulk concentrate per day. The high concentration ratio (low mass pull) of NICO ores is a significant economic attribute to the deposit, which allows the Company to transport a high-value concentrate to southern Canada where significant process cost savings can be achieved. Notably, a significant amount of the crushing, grinding and other equipment that will be required at NICO has already been purchased by Fortune from its acquisition and dismantling of the Hemlo Mill.

The NICO bulk concentrate will be transported by truck to Hay River, NWT for transfer to rail and delivery to the Company's proposed SMPP on the CN main line in Saskatchewan, located 26 km northwest of Saskatoon. At the SMPP, the bulk concentrate will undergo additional grinding and flotation to produce separate gold-bearing cobalt and bismuth concentrates, followed respectively by pressure acid leach and acid leach, hydrometallurgical processing, and then electro-winning to gold doré, 99.8% cobalt cathode, 99.5% bismuth cathode, 99.99% copper cathode and a nickel by-product.

The decision to move the downstream processing of metals to Saskatchewan was driven primarily by the availability of lower cost power and the proactive support of the Government of Saskatchewan, which has also proposed attractive tax legislation to encourage processing of raw materials that have been sourced from outside of the province. This legislation is expected to be passed in the spring of 2010 and will benefit NICO project economics.

The NICO project is in the second half of the environmental assessment process in the NWT to permit the mine and concentrator. Fortune is also working with the Tlicho and NWT Governments on making infrastructure improvements in the vicinity of the mine that will also improve the quality of life in nearby Tlicho communities.

FEED work is substantially complete for the NICO mine site and is nearing completion for the proposed SMPP in Saskatchewan. This work is being done by Aker, P&E, Golder, SGS, Faradelk Ltd., Dan Mackie and Associates, EHA Engineering Ltd. and Hydroproc Consultants. Updated economics for the NICO project will be announced upon completion of this work, targeting the second quarter of 2010.

Concurrently with FEED, JDS Energy and Mining Inc., together with Tlicho Logistics, are reviewing NICO Constructability and logistics.

## **2011 UPDATED PILOT PLANT RESULTS**

In 2011, Fortune announced the results for mini-pilot plant, gravity and confirmation floatation tests conducted at SGS Lakefield Research Limited on samples of ore from NICO. The Company concluded that the addition of

gravity, regrind and secondary floatation facilities at the NICO concentrator increases metal recovery during flotation and eliminates the need to construct cyanide leaching and smelting facilities in the NWT. This mitigates the duplication of similar unit operations that are planned to be constructed at the SMPP where bulk concentrates from the proposed mine will be processed to high value metal products. The test work at SGS Lakefield consisted of investigations to maximize the incremental recovery of gold to the bulk concentrate that is planned to be shipped from the concentrator in the NWT to the SMPP for processing to high value metal products.

SGS Lakefield completed Gravity Recoverable Gold ("GRG") testing on two sub-composite ore samples mined during the Company's 2007 underground bulk sampling program representing medium gold grade cobalt-associated and bismuth-associated gold. GRG testing is an industry accepted approach for predicting the available amount of gold that can be recovered in a gravity centrifuge and the results indicated GRG recoveries of 11% and 18% from the cobalt- and bismuth-associated composites, respectively. These results were then utilised by a third party gravity centrifugal concentrator supplier to model the predicted benefit of gravity recovery within the NICO grinding circuit upstream of flotation by benchmarking the proposed NICO circuit against the response of existing circuits with similar known GRG profiles. Because some of the gold would have otherwise been recovered during flotation, the modelling predicted that the recovery benefit would be approximately 1-4% depending on the mineralization and grade.

In addition, using composite samples created for the 2007 pilot test, SGS Lakefield completed standardized kinetic flotation testing and modelling to optimize the bulk rougher and cleaner circuit in an effort to minimize the amount of gold that reported to the cleaner tailings. These SGS Lakefield proprietary programs are referred to as "MinnovEx" flotation tests for kinetics and the "Flotation Economic Evaluation Tool" for simulation. The model confirmed that continued use of the primary grinding targets, followed by flotation in the base case primary circuit, was optimum to maintain overall recovery of cobalt to the bulk concentrate for shipment to the SMPP because cobalt recovery decreases with over-grinding. However, additional incremental gold recovery would be possible by the addition of a re-grind circuit treating the smaller cleaner flotation tailings stream, followed by secondary rougher and cleaner flotation, using the same flotation reagents used in the primary circuit. This secondary regrind-flotation circuit configuration was tested by locked cycle tests using a new 50 tonne composite sample prepared from ore mined during the 2007 NICO underground bulk sampling program. Results of this testing confirmed base case recovery assumption in the primary circuit, as well as the incremental increase in recovery of gold through the secondary-regrind circuit to the bulk concentrate. Further pilot testing at 400 kg per hour confirmed that the regrind-secondary flotation circuit could conservatively achieve additional gold recovery of 2% with only an additional 0.3 to 0.7% increase in the volume of the bulk concentrate for shipment south. In addition to the increase in gold recovery, the pilot test also indicated a minor recovery increase of approximately 1% for cobalt, bismuth, and copper to the concentrate.

Fortune had been waiting for the results of the aforesaid test work in order to use the updated recovery estimates together with the results of the 37 new drill holes completed at NICO in the 2010 drill program to prepare an updated Mineral Reserve estimate. P&E Mining Consultants Inc. is preparing the new mineral reserve estimate which is expected to be completed during the second quarter of 2011.

## ENVIRONMENTAL STUDIES AND PERMITTING

The proposed NICO development is undergoing an EA in the NWT in order to permit the mine and concentrator. With receipt of the EA Terms of Reference, Fortune is working on the second phase of the process with preparation of the Developers Assessment Report. The Company has completed significant work on environmental and socio-economic baseline studies for the proposed NICO mine site, access corridor and power corridor. The Company has been actively collecting baseline environmental data at NICO and the surrounding area since 1998 through Golder and the Tlicho aboriginal people have participated in the collection of this information. Work has included traditional use, archaeology, socio-economics, vegetation, wildlife, habitat mapping, hydrogeology, surface hydrology, water quality, fisheries, meteorology and geochemistry studies. The Company has also completed extensive work on the engineering and design of the comingled tailings and waste rock facilities with Golder in the past year.

Fortune is undergoing a concurrent permitting process in Saskatchewan to construct its SMPP near Saskatoon. The Company received the draft Project Specific Guidelines ("PSG's") from the Environmental Assessment Branch of

Saskatchewan's Ministry of Environment for the SMPP, an important milestone in the environmental assessment process in Saskatchewan. Once finalized, the PSG's will outline the requirements of the provincial environmental assessment process and identify key issues that will need to be addressed in the Environmental Impact Statement ("EIS"). Fortune also held information sessions in local communities near the future site of the SMPP to update the general public on the Company's plans for the SMPP and to address any questions prior to the submission of the EIS. Fortune intends to construct and operate an environmentally sustainable project for the benefit of all stakeholders.

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### ***Mount Klappan Anthracite Coal Project***

The disclosure set forth herein is principally derived from a technical report entitled “*Technical Report on the 2010 Update to the 2005 Lost-Fox Area Feasibility Study*” dated March 31, 2011 (the “2011 Report”). Edward H. Minnes, P.E., of Marston is the Qualified Person responsible for the preparation of this report in compliance with NI 43-101. Fortune had previously commissioned Marston to produce a mining feasibility study of producing anthracite from the Lost-Fox Area of the Project in 2005 (the “2005 Study”). A report entitled “*Technical Report of the Lost Fox Mine Feasibility Study*” dated November 2005 (“2005 FS”) was prepared in support of the 2005 Study by Marston in compliance with NI 43-101, with Richard R. Marston, P.E., as the Qualified Person. Subsequent to the 2005 FS, an update to the feasibility study was conducted by Marston in 2008. In 2010, Fortune requested Marston to update the feasibility study (the “2010 FS”) using updated costs and prices to fourth quarter 2010 conditions and based on the preferred railway development option with coal products transported on CN Rail to the Ridley Island Coal Terminal in Prince Rupert for export to overseas steel customers. The 2010 FS is provided as an addendum to the 2005 FS, and as such, should be viewed in conjunction with the 2005 FS. The Marston 2005 FS and 2010 Report have been filed on SEDAR and are available at [www.sedar.com](http://www.sedar.com). The following information is of a summary nature only and reference is made to the detailed disclosure contained in the 2011 Report, which is incorporated herein by reference.

#### **SUMMARY OF TECHNICAL REPORT ON THE 2010 UPDATE TO THE 2005 LOST-FOX AREA FEASIBILITY STUDY**

The Mount Klappan Anthracite Property (“Property”) comprises 15,918 hectares (“ha”) located in northwestern British Columbia that are licensed for coal exploration and development by Fortune. Gulf Canada Resources Ltd. (“Gulf”) originally licensed and explored the Property during the 1980s and commenced development of the Mount Klappan Project (“Project”) to explore for and produce anthracite from the Property. Conoco Canada Resources Ltd. (“Conoco”) later acquired Gulf, and in 2002 Fortune purchased the Project from Conoco.

#### **Geology, Mineralization and Exploration History**

The anthracite deposits at the Property are part of the Klappan Coalfield at the northern end of the Bowser Basin in northern British Columbia. During the late Jurassic and early Cretaceous periods, the Bowser Basin was filled with sediments deposited from eroding mountains. At the northern end of the basin, the Klappan Formation was deposited in a deltaic environment that was conducive to peat-forming. Buried deeply after millions of years, the ancient peat bogs were transformed into anthracite coal. Approximately 1,100 m in thickness, the Klappan Formation contains 33 identified coal horizons up to 11.8 m in true thickness, interbedded with primarily mudstone, siltstone and sandstone. The Klappan Formation and surrounding rocks were later deformed during a period of uplifting that caused compression in a northeast-southwest direction and created folds varying from relatively flat to overturned. In some areas of steep folds, reverse faulting has also occurred.

The uplifting and subsequent erosion has resulted in near-surface occurrences and outcrops of anthracite coal at and near the Property, which Gulf grouped into five different exploration sub-areas: Lost-Fox, Hobbit-Broatch, Nass, Summit and Skeena. Gulf later released its licenses over the Skeena Area as well as significant portions of the Nass and Summit areas.

Gulf’s drilling and sampling programs to delineate resources focused primarily on the Lost-Fox Area. Between 1982 and 1988 Gulf conducted a series of summer field programs and geological studies. The field work consisted of surveys and trenching to map near-surface anthracite sub-crops; drilling and logging to locate anthracite seams at depth; collection of core samples for analysis; and, driving adits to collect bulk samples from the H and I seams. Also, in 1985 and 1986 Gulf excavated a test pit and mined and processed bulk samples from the I Seam for pilot plant analysis and potential customer test shipments. Gulf’s major field programs ended in 1988.

Gulf’s field and geological work culminated in several mining project feasibility studies of the Lost-Fox Area completed during 1987 – 1990. Gulf staff and consultants including Marston completed geological interpretation, resource estimates, open-pit mining plans, coal processing and infrastructure plans, and transportation and market studies. In 1987 and 1990 Gulf published two major feasibility studies with numerous concept and alternative studies developed during the intervening period. Concurrently, Gulf entered into the B.C. environmental assessment (EA) process to develop the Lost-Fox Mine. Gulf continued to examine alternative development concepts for the Project through 1994.

In 2002 Fortune acquired the Project and is currently performing geological, environmental and mine planning studies to develop the Lost-Fox Area. Fortune continued this work with a drilling program at Mount Klappan in 2005. As part of the 2002 acquisition due diligence and subsequent block modeling of Gulf's data and geological work in early 2004, Marston verified and reported Gulf's resource estimates for the Mount Klappan Project under Paper 88-21 of the Geological Survey of Canada titled, "A *Standardized Coal Resource/Reserve Reporting System for Canada (GSC 88-21)*." As a result of that work, Marston determined that under GSC 88-21, in all exploration areas including Lost-Fox, the Mount Klappan Project contained an estimated 231 million tonnes (Mt) of Measured and Indicated resources, 359.5 Mt of Inferred resources and 2.2 billion tonnes of speculative resources. See Marston's "Technical Report on Coal Resource Estimates of the Mount Klappan Anthracite Project Lost-Fox Area, March 2005."

### 2005 Feasibility Study

In July 2004 Fortune requested Marston to prepare a feasibility study of producing anthracite from the Lost-Fox Area of the Project. Part of the 2005 Feasibility Study ("FS") Scope of Work was to comprehensively review all available geological data and interpretations for the Lost-Fox Area and to produce an updated geological model for use in the 2005 FS.

### Mineral Resources

After a thorough review of the geological data and aerial photographs of the Lost-Fox Area, Marston concluded that large portions of the area are of a Moderate geology type as defined in GSC 88-21. However, areas of steep dips, overturned structures and significant reverse faults were characterized as Complex geology type. The Measured and Indicated resource estimates were developed, applying the different GSC 88-21 standards required for the two geology types. Therein, Marston reported, under GSC 88-21, Measured and Indicated resources of 143.3 Mt and 15.7 Mt of Inferred resources.

These resources were based on a conceptual pit design with a cutoff strip ratio of 15:1 bank cubic metres ("bcm") per tonne of product for a 50 millimetre (mm) x 0 mm sized product with an average ash content of 12 % on an air dried basis ("adb"). The 2005 FS was based on producing a 10% ash (adb) product that is standard for the pulverized coal injection ("PCI") markets; however, the 12% ash adb product is also likely to be marketable to some customers. Based on this assumption, the 15:1 conceptual pit developed for the March 2005 Technical Report was used to define the limits of in-situ resources.

Marston's Measured, Indicated and Inferred anthracite resource estimates in the 2005 FS report are presented on Table 3.1, below. The Measured and Indicated mineral resources are inclusive of those mineral resources modified to produce mineral reserves.

**Lost Fox Area Estimated Anthracite Resources**

<b>In-Situ (Mt)</b>			
<b>Measured</b>	<b>Indicated</b>	<b>Total</b>	<b>Inferred</b>
120.6	22.7	143.3	15.7

The resource estimates are classified as Measured, Indicated and Inferred according to the CIM Definition Standards on Mineral Resources and Mineral Reserves ("CIMDS") prepared by the CIM Standing Committee on Reserve Definitions and adopted by the CIM Council, December 11, 2005, which are incorporated by reference in National Instrument 43-101 ("NI 43-101"). For coal resource estimates, the CIMDS incorporates by reference the guidelines of GSC 88-21.

### Mineral Reserves

CIMDS defines mineral reserves as "the economically mineable part of a Measured or Indicated Mineral Resource demonstrated by at least a Preliminary Feasibility Study. This study must include adequate information on mining, processing, metallurgical, economic and other relevant factors that demonstrate, at the time of reporting, that economic extraction can be justified. A Mineral Reserve includes diluting materials and allowances for losses that may occur when the material is mined."

In accordance with CIMDS, Marston estimated Lost-Fox anthracite reserves based on a 20-year mine plan and clean coal production of 3.0 million tonnes per annum (“Mtpa”) and associated economic studies. The reserves were estimated within an ultimate pit designed on the economics developed for the 3 Mtpa options of the 2005 FS. For initial pit designs, Marston used Lerchs-Grossmann (“LG”) pit optimization tools, which are a standard in the mining industry. A series of nested pits were developed based on a range of commodity prices and estimated unit costs for mining, processing and transporting coal to a port. The pits, as seen in Figure 10, Dumps, Pits, and Onsite Infrastructure, were then used as a mine plan to develop the lowest cost anthracite to sustain a 20-year mine life. The resulting mining sequence and detailed annual production statistics were used to develop detailed operating and infrastructure cost estimates.

The 2005 FS considered several transportation options, the most closely matching alternative used for the 2010 FS being a 3 Mtpa All Rail Case. The report’s results for this case were based on a 50% third party rail capital contribution, a pre-tax basis, an average coal price of \$125 per tonne (based on a US\$100 per tonne at an exchange rate of CDN\$1=US\$.80) and an estimated cash cost of \$83.65 per tonne. This resulted in an initial capital cost of \$414 million (“M”) and sustaining capital cost of \$243.5M, with a net present value (“NPV”) of \$384M at a 10% discount rate and an internal rate of return (“IRR”) of 29.9%. This analysis shows that the Resources contained in the Lost Fox Ultimate Pit could be reported as Reserves.

### **2008 Update**

In 2008 the 2005 FS was updated to reflect the economic conditions for a 3.0 Mtpa All Trucking Case to the port of Stewart, British Columbia. The reason for the update was the significant change in exchange rates between US\$ and CDN\$ and increasing sales prices in PCI coal. Infrastructure capital cost was escalated based on the changes in prices of key components and labor. Marston calculated the IRR with an average coal price of a product price of US\$175 per tonne for Years 1 through 5 and US\$150 per tonne thereafter FOBT loading port over the plan period and an exchange rate of US\$0.97 per CDN\$1.00. The IRR was 28.9% before tax and 21.5% after-tax. Total capital required to achieve full production by Year 3 including working capital was estimated to be \$635M with a payback period of about 5.5 years. The 2005 FS resources of the Lost-Fox Pit were confirmed to be reserves under the economic conditions present in 2008.

### **2008 Addendum**

Subsequent to the production of the 2008 FS, significant changes occurred in exchange rates, and to a lesser degree, fuel prices. The Canadian dollar weakened from US\$0.97=CDN\$1.00 to US\$0.83=CDN\$1.00. Fuel prices saw a reduction of approximately 4% from the 2008 FS.

The impact of the change in exchange rate primarily affected the price of coal, which increased from CDN\$175 to CDN\$211 for Years 1 through 5 and from CDN\$150 to CDN\$181 for the remaining years. The price increase and associated royalty increase resulted in increased NPV of \$591M at an 8% discount rate. The weakening dollar increased infrastructure costs by \$39M, resulting in a decrease in NPV of \$36M. Equipment costs were not modified for the addendum to the 2008 FS. Marston was informed by Caterpillar that forecast pricing information is generally not adjusted to fluctuating exchange rates. A net increase of NPV due to exchange rate was approximately CDN\$555 on a pre-tax basis.

The impact of the reduced fuel rate resulted in a pre-tax gain NPV increase of \$22M at a discount rate of 8%. The NPV at an 8% rate of return was estimated at \$1,281M before tax and \$749M after-tax. The internal rate of return was calculated at 40.9% before tax and 31.2% after-tax.

### **2010 Update**

In 2010 Fortune conducted in-house investigations of various transportation alternatives using the largely completed Dease Lake Line railway infrastructure. This railway infrastructure would provide a simpler and scalable transportation solution for the development of Mount Klappan that would also allow for use of the existing Ridley Island Coal Terminal in Prince Rupert. The Canadian National (“CN”) Railway Company, which operates on the Dease Lake Line to Minaret, 150 km south of Mount Klappan, provided updated capital estimates and operating costs that were commercially competitive with trucking coal to Stewart. Fortune retained Marston to update the results from the 2005 FS to reflect the current economic conditions. This update was based on producing 3.0 Mtpa and shipping all coal via rail to Ridley Island Coal Terminal at Prince Rupert. The All Rail Option was chosen for its numerous advantages over the All Trucking Option to the Stewart Bulk Terminals Ltd. at Stewart, British Columbia including more opportunity to expand production rate; a more cost effective method to transport bulk

commodities to the mine site; elimination of the need to develop the short cut road for the Trucking Option; elimination of the need to upgrade port facilities; and, a more reliable year-round transportation solution with less concerns for truck and port congestion or avalanche conditions during the winter season. The use of the Ridley Island Coal Terminal also provides several advantages. Ridley's facilities offer a modern government-owned, bulk handling facility with capacity up to 12 Mtpa. It has the capability to handle Capesize ocean vessels, and has the opportunity to blend and split cargos with coal from other Canadian producers. The ultimate pit, mining sequence and reserve estimates from the 2005 FS were used in the 2010 FS.

Marston calculated NPV and IRR with an average coal price of US\$175 per tonne and an estimated cash cost of \$110.30 per tonne, while using an exchange rate of CDN\$1=US\$.95, assuming Fortune provides All Rail capital expenses and using a pre-tax basis. This results in a NPV of \$1,027.8M at an 8% discount rate and an IRR of 25.4%. The capital expenditures under these conditions are \$768.4M initial capital cost (incurred during the first four years of the project) and \$334.2M of sustaining capital over the life-of-mine ("LOM"). The resources at the Lost-Fox Pit can still be considered reserves based on these numbers.

### **Recommendations**

Based on the results of the 2010 FS update, the Mount Klappan project is commercially viable, and detailed mine planning and permitting for the Project are recommended. Marston also recommends that Fortune complete the analyses of the samples and interprets the results received from Fortune's 2005 drilling program. During 2004 Shell Canada Limited ("Shell") drilled five exploration holes. The data from the Shell drillings was provided to Fortune in the form of geophysical logs. It is recommended that these logs be used to the extent possible to aid in the delineation of additional coal resources. The complete results should be incorporated into the resource model. Additional recommendations are subject to the findings of the current program but would include additional drilling in the Hobbit-Broatch Area and additional bulk samples from the key seams for additional washability testing.

### **Opportunities**

Opportunities exist to further improve the economics for the Mount Klappan project and were identified in the 2008 Marston Feasibility Study update. They include:

- There is a significant opportunity to expand the economic resource base for Mount Klappan and Marston has recommended a four-phase drill program to increase and upgrade the resources in the Inferred and Speculative classes to Measured and Indicated. In addition, the current resources are only estimated to a depth of approximately 300 metres. Drilling by Fortune, Gulf and Shell have identified thick intersections of coal beneath this depth that may be amenable to future underground mining.
- The current study is predicated on diesel-generated power and the use of diesel mining equipment. The B.C. Government is extending the provincial electrical grid along Highway 37. Access to grid power would eliminate the need for on-site power generation, allow for the use of more efficient electric-cable shovels and electric assisted haul trucks, and alleviate uncertainties associated with fluctuations in the price of diesel.
- Opportunities exist to finance mobile equipment for the mine through a "lease-to-purchase" program and would lower the up-front capital for the development.

## **ENVIRONMENTAL STUDIES AND PERMITTING**

Fortune has submitted a project description to the British Columbia Environmental Assessment Office and received Section 10 and 11 Orders indicating that the EA process has started and defines the scope, procedures and methods required for the EA of Fortune's project. Fortune previously retained the services of Rescan Environmental Services Limited and Rescan Tahltan Environmental Consultants to conduct extensive environmental baseline studies and to assist the Company in preliminary permitting activities for Klappan. Fortune expects to complete the EA process after it concludes a transaction with a financial partner. Fortune is working with the local communities to explain the project and its benefits and potential impacts and currently has an EA Cooperation Agreement with the Tahltan. Development of Klappan will bring long-term employment to an area already adversely impacted by the downturn in the forestry industry as well as provide important infrastructure for the benefit of other projects and the public. Fortune intends to construct and operate an environmentally sustainable project for the benefit of all stakeholders.

**Other Northwest Territories Properties**

Fortune has other participating interests in mineral claims in the Northwest Territories. They include the 100% owned Sue-Dianne deposit contained in a 451 ha lease, the 2,069 ha Great Slave claims along the south shore of the East Arm of Great Slave Lake, a 100% interest in 78 ha in the Camsell River area between the adjoining past producing Norex and Northrim silver mines near Great Bear Lake and a 100% interest in 116 ha at Salkeld Lake south of Great Slave Lake with copper-silver-gold +/- lead and zinc showings.

The Sue-Dianne lease is located 24 km north of NICO in the Mazenod Lake area of the Northwest Territories. There is an underlying 1.5% NSR royalty payable to Noranda and a 15% net profits interest to the original vendor of the property. Fortune acquired its interest in Sue-Dianne pursuant to a 1996 option agreement whereby Fortune earned a 50% interest by expending \$2 million in exploration of the property over 3 years. Fortune increased its interest in Sue-Dianne to 100% when Noranda did not participate in subsequent work programs.

The Sue-Dianne lease contains the Sue-Dianne deposit, which was discovered in 1975 when Noranda drilled a target identified from earlier geological mapping and geophysical surveys. Drilling by 1977 partly delineated an historical (pre-NI 43-101) resource of 8.16 Mt, grading 0.8% copper and 5.52 g/t Ag. No further work was carried out until Fortune optioned the property as part of a regional approach to exploration in the area. Fortune carried out additional geology and geophysical surveys, environmental, geotechnical engineering and metallurgical studies, and drilled 47 holes by the end of 1998. Additional work consisted of geotechnical engineering and site rehabilitation. Revised resource estimates as set forth below were prepared in early 2008 by Micon and P&E. The processing of mineralization from Sue-Dianne could take place at the proposed NICO processing facility once mining operation have ceased at NICO or at an expanded NICO process plant in the future. However, such an expansion is not presently contemplated and is not part of the NICO mine permit applications submitted. Preliminary metallurgical test work has been conducted on composite samples of core from the deposit at SGS in 1998.

**Resources for the Sue-Dianne Copper-Silver Deposit @0.40% Cu Cut-Off Grade**

<b>Classification</b>	<b>Tonnes</b>	<b>Cu (%)</b>	<b>Au (g/t)</b>	<b>Ag (g/t)</b>	<b>Cu (million lbs)</b>	<b>Au (oz)</b>	<b>Ag (oz)</b>
<b>Indicated</b>	8,444,000	0.80	0.07	3.2	149.1	19,000	855,000
<b>Inferred</b>	1,620,000	0.79	0.07	2.4	28.3	3,600	122,000

*Mineral resources that are not mineral reserves do not have demonstrated economic viability. The estimate of mineral resources may be materially affected by environmental, permitting, legal, title, taxation, sociopolitical, marketing, or other relevant issues. The quantity and grade of reported inferred resources in this estimation are uncertain in nature and there has been insufficient exploration to define these inferred resources as an indicated or measured mineral resource and it is uncertain if further exploration will result in upgrading them to an indicated or measured mineral resource category.*

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## DIVIDENDS

To date the Company has not paid any dividends on its shares, and it is unlikely that dividends will be payable in the foreseeable future. The Company anticipates that dividends will only be paid in the event it successfully brings one of its properties into production.

## DESCRIPTION OF CAPITAL STRUCTURE

Fortune's authorized share capital consists of an unlimited number of common shares ("Common Shares") without par value, of which 107,219,427 are outstanding as at the date hereof. Holders of Common Shares are entitled to one vote per share at any meeting of the shareholders of the Company, to receive dividends as and when declared by the Board of Directors, and to receive pro rata the remaining property and assets of the Company upon its dissolution or winding-up. The holders of Common Shares have no pre-emptive, redemption, subscription or conversion rights. Modifications to the rights, privileges, restrictions and conditions attached to the Common Shares (including the creation of another class of shares that ranks prior to or on a parity with the Common Shares) requires an affirmative vote of two-thirds of the votes cast at a meeting of the holders of Common Shares.

## MARKET FOR SECURITIES

### Trading Price and Volume

The Common Shares are listed on TSX under the symbol "FT". Fortune also has a class of warrants listed on the TSX under the symbol "FT.WT.a". The following tables summarize the range of trading prices and monthly volumes of the Common Shares and warrants on the TSX for the most recently completed financial year.

#### *Common Shares*

<b>Month</b>	<b>High</b>	<b>Low</b>	<b>Volume</b>
<b>January</b>	\$1.04	\$0.65	6,464,375
<b>February</b>	\$0.84	\$0.73	830,899
<b>March</b>	\$0.79	\$0.65	2,427,179
<b>April</b>	\$0.85	\$0.71	2,309,934
<b>May</b>	\$0.80	\$0.63	1,176,059
<b>June</b>	\$0.73	\$0.61	388,033
<b>July</b>	\$0.67	\$0.57	399,108
<b>August</b>	\$0.70	\$0.57	1,234,800
<b>September</b>	\$0.80	\$0.58	2,415,223
<b>October</b>	\$0.94	\$0.75	1,584,948
<b>November</b>	\$1.39	\$0.81	5,589,197
<b>December</b>	\$1.74	\$1.12	7,592,285

#### *Warrants with a Strike Price of \$0.80 with an Expiry Date of December 3, 2011*

<b>Month</b>	<b>High</b>	<b>Low</b>	<b>Volume</b>
<b>January</b>	\$0.39	\$0.18	848,700
<b>February</b>	\$0.26	\$0.25	26,450
<b>March</b>	\$0.25	\$0.185	200,100
<b>April</b>	\$0.27	\$0.19	67,750
<b>May</b>	\$0.235	\$0.185	38,000
<b>June</b>	\$0.20	\$0.07	275,350
<b>July</b>	\$0.18	\$0.12	363,150
<b>August</b>	\$0.19	\$0.125	108,500
<b>September</b>	\$0.21	\$0.12	195,500
<b>October</b>	\$0.28	\$0.22	167,083
<b>November</b>	\$0.60	\$0.21	464,300
<b>December</b>	\$0.97	\$0.425	1,765,355

## Prior Sales

The only equity securities that the Company has outstanding that are not listed or quoted on a marketplace are stock options granted under the Company's stock option plan, certain Common Share purchase warrants and compensation options. Set forth below is information with respect to the stock options issued during the most recently completed financial year. No additional non-trading warrants or compensation options were issued during the most recently completed financial year.

Stock options issued during the most recently completed financial year:

Date of Grant	Date of Expiry	Number of Options Granted	Exercise Price of Options Granted
March 16, 2010	March 17, 2015	40,000	\$0.74
May 26, 2010	May 25, 2015	1,115,000	\$0.68
November 6, 2010	November 6, 2015	40,000	\$0.92

## ESCROWED SECURITIES

The following table sets for the details of shares of the Company currently held in escrow:

Designation of Class	Number of Securities held in Escrow	Percentage of Class
Common Shares	900,000	0.8%

The shares referred to in the table above were placed in escrow in connection with the transfer to Fortune by Robin Goad and Carl Clouter in 1994 of certain claims that now form part of the NICO property (the "Transferred Property"). In accordance with the securities laws in effect at the time of the transfer, Fortune required the consent of the Director of the Ontario Securities Commission (the "OSC") to complete the transaction. As a condition of granting such consent, the Director required that the shares to be issued to Messrs. Goad and Clouter be escrowed and such shares were deposited in escrow with Jones, Gable & Company Limited ("Jones Gable") pursuant to an escrow agreement (the "Escrow Agreement") dated as of the 23rd day of February, 1995 among Mr. Goad, Mr. Clouter, Fortune and Jones Gable. The escrowed shares held by Mr. Goad were subsequently transferred to Geoscience Technical Inc. ("Geoscience"), a private holding company owned by Mr. Goad.

The Escrow Agreement provides, in effect, that the shares held in escrow thereunder may only be transferred by the holders or released with the consent of the OSC, subject to the exception that:

- (a) one-third of the escrowed shares beneficially owned by each of Geoscience and Mr. Clouter may be released upon the commencement of commercial production on the Transferred Property; and,
- (b) following the commencing of commercial production on the Transferred Property, the balance of the escrowed shares may be released within 30 days of the end of each calendar quarter based on an assumed NSR from the property (the "Royalty") in each calendar quarter. The aggregate number of escrowed shares to be released on each release date shall be equal to 3% of the Royalty for the immediately preceding calendar quarter divided by the market price of the common shares of Fortune as of last trading day of such calendar quarter.

## DIRECTORS AND OFFICERS

### Name, Occupation and Security Holding

The following table sets forth certain information with respect to the directors and officers of the Company:

Name, Municipality Of Residence and Present Position with the Company	Principal Occupation	Director Since
<b>GOAD, ROBIN E.</b> Arva, Ontario President, Chief Executive Officer and Director	Geologist/Mining Executive	1989
<b>DOUMET, GEORGE M.</b> <sup>(1)</sup> Vancouver, British Columbia Chairman	President and Chief Executive Officer, Federal White Cement Ltd. (specialty cement manufacturer)	1995
<b>BREUKELMAN, WILLIAM A.</b> <sup>(1)(2)</sup> Mississauga, Ontario Director	Chairman, Gedex Inc. (imaging technology development company)	1995
<b>CLOUTER, CARL L.</b> Gander, Newfoundland Director	Commercial Pilot/President, Clouter Enterprises Ltd. (real estate investment company)	1988
<b>KNIGHT, DAVID A.</b> Oakville, Ontario Secretary and Director	Partner, Macleod Dixon LLP, Barristers & Solicitors	2000
<b>EXCELL, JAMES D.</b> <sup>(2)</sup> Kelowna, British Columbia Director	President and Chief Executive Officer, Abacus Mining & Exploration Corporation	2005
<b>NAIK, MAHENDRA</b> <sup>(1)(2)</sup> Unionville, Ontario Director	Chartered Accountant and Chief Financial Officer, Fundeco Inc. (private investment company)	2006
<b>CURRIE, JAMES A.</b> Abbotsford, British Columbia Director	Executive Vice President and Chief Operating Officer, New Gold Inc. (public mining company)	2008
<b>CHEN, SHOU WU (GRANT)</b> Hong Kong, China Director	Deputy Chairman and CEO, China Mining Resources Group Limited (public mining company)	2010
<b>KEMP, JULIAN B.</b> London, Ontario Vice President Finance and Chief Financial Officer	Chartered Accountant/Mining Executive	N/A
<b>RINALDI, THOMAS R.</b> London, Ontario Vice President Operations	Mining Engineer/Mining Executive	N/A

<sup>(1)</sup> Members of the Audit Committee

<sup>(2)</sup> Members of the Compensation Committee

Each of the directors and officers of the Company has held his present principal occupation noted above for the past five years except for:

- Mr. Excell, who prior to July 2010 was President of Narego Solutions Inc. (private consulting company) and prior to October 2008 was President and CEO of North American Palladium Inc.;
- Mr. Chen, who prior to 2009 was the Senior Vice President of Standard Bank in the People's Republic of China in the mining and metals division, and between 2003 and 2007 worked as a senior mining analyst for Kingsway Group; a business development Manager for Golden China Mining; and a merchant banking Manager for Golden China Resourced Corporation; and,
- Mr. Currie, who during a period in 2008 was Vice President Operations of the Company, prior to April 2008 was Vice President of Operations for Miramar Mining Corporation, and prior to 2006 was the General Manager of Mauritanian Copper Mines S.A.

The directors of the Company are elected by the shareholders at each annual general meeting and serve until the next annual general meeting, or until their successors are duly elected or appointed. Officers of the Company are appointed by the board of directors.

As at the date hereof, the directors and officers of the Company as a group owned beneficially, directly or indirectly, or exercised control or discretion over an aggregate of 24,827,083 common shares of the Company, which is equal to approximately 23% of the issued and outstanding shares of the Company.

The following are brief profiles of the directors and officers of the Company:

**William A. Breukelman, M.B.A., P.Eng., B.A.Sc.**, Director, Mississauga, Ontario.

Bill Breukelman has had an extensive business career in Canada and internationally. He has established businesses, mainly with a technology and imaging focus that have significantly advanced imaging, analytical geochemistry, and geophysics. Among his achievements, Bill co-founded and chaired IMAX Corporation. Bill also was CEO and co-founder of SCIEX. Bill is Chairman of Gedex Inc. with its industry changing, high definition airborne gravity gradiometer system. Gedex received the Mining Journal's first internationally adjudicated award for research which recognized that Gedex is expected to have the most significance for mining in the future. Bill also received a special achievement award in 2005 from the Prospectors and Developers Association of Canada.

**Shou Wu (Grant) Chen, M.B.A., M.Sc.**, Director, Hong Kong, China.

Grant Chen is the Deputy Chairman and CEO of China Mining Resources Group Limited, a Hong Kong based company that mines and processes molybdenum, copper, zinc and other metal products in China and invests in Canadian mining companies. Grant previously worked as a geologist in the precious metals sector in China and then as an analyst and merchant banker, and subsequently, Senior Vice President in the Mining and Metals Division for Standard Bank. Mr. Chen has more than 10 years of additional experience working in the precious metals sector and was a council member for the China Gold Society and a research professor in the Shenyang Institute of Geology and Mineral Resources of the Ministry of Land and Resources, PRC.

**The Honorable Carl L. Clouter**, Director, Gander, Newfoundland.

Carl Clouter is a commercial pilot who owned a charter airline service in the Northwest Territories. Carl has been active in mineral exploration and prospecting carried out in conjunction with more than 35 years of flying throughout remote areas of Canada. Carl also served as a Sentencing Justice of the Peace and a member of the board for the mineral development assistance program for the Government of the Northwest Territories.

**James (Jim) Currie, P.Eng.** Director, Abbotsford, British Columbia.

Jim Currie is a mining engineer with over 30 years of experience in the mining industry, having worked on projects in North and South America, Asia and Africa. Currently, Jim is Executive Vice President and Chief Operating Officer with New Gold Inc., a mid-tier gold producer. Jim was previously the Vice President Operations for Miramar Mining Corp. in Vancouver and was responsible for the development of Miramar's 10 million ounce gold resource at Hope Bay in the Canadian Arctic. Prior to that, he held the position of General Manager of Mauritanian Copper Mines SA.

**George M. Doumet, M.Sc., M.B.A.**, Chairman, Vancouver, British Columbia.

George Doumet is a chemical and nuclear engineer who has founded and owns a number of industrial companies. He is President and Chief Executive Officer of Federal White Cement Ltd., a specialty cement manufacturer, and investment holding companies. George is also a Principal in other businesses involved in the production, marketing and distribution of specialty building products, chemicals and industrial minerals.

**James D. Excell, B.A.Sc.**, Director, Kelowna, British Columbia.

Jim Excell is President and CEO of Abacus Mining and Exploration Corp., a mineral exploration and development company with advanced-stage projects located in the prolific Afton Mining Camp near Kamloops, British Columbia. Jim was previously the CEO of Narego Solutions Inc., a private consulting company. During a career spanning more than three decades with BHP Billiton, Jim served as a senior executive and managed and developed some of the world's premier mining projects. They included metallurgical and thermal coal mines in Australia and the United States and the Ekati Diamond Mine and Island Cooper Mine in Canada. More recently, Jim was the CEO of North American Palladium Inc., a mining company involved in the production of platinum group metals, nickel and copper. Jim is also a director of Diamondex Resources Ltd., Advanced Explorations Inc. and the Prospectors and Developers Association of Canada.

**Robin E. Goad, M.Sc., P.Geo.**, President, Chief Executive Officer, and Director, Arva, Ontario.

Robin Goad is the President and CEO of Fortune. He is a geologist with more than 29 years of experience in the mining and exploration industries. Robin previously worked for major mining companies including Noranda and Teck, and as a consultant for junior resource companies and government in Canada and internationally. He co-founded Fortune in 1988. Robin joined the Board of Directors of Klondex Mines Limited in February 2011, and also serves as a director of Andor Mining Inc and the Northwest Territories and Nunavut Chamber of Mines.

**David A. Knight, B.A., LL.B.**, Secretary and Director, Oakville, Ontario.

David Knight is a partner with Macleod Dixon LLP, Barristers & Solicitors, a major Canadian law firm, with extensive experience in the resource sector. David specializes in all areas of securities law, including public and private financings, take-overs, stock exchange listings, mergers and acquisitions and regulatory compliance. He acts for a number of investment dealers and resource companies. David also serves as a director of Freegold Ventures Limited. David is a member of the Law Society of Upper Canada and the Canadian Bar Association.

**Mahendra Naik**, Director, Unionville, Ontario.

Mahendra Naik is a Chartered Accountant and was one of the founding directors and key executives in starting IAMGOLD Corporation, a TSX and NYSE listed gold mining company. As Chief Financial Officer from 1990 to 1999, he was involved in the negotiations of the Sadiola and Yatela mine joint ventures with Anglo American and the US\$400 million in project debt financings for development of the mines. In addition, he was involved in more than \$150 million in equity financings including the IPO for IAMGOLD. Mahendra is currently the Chief Financial Officer of Fundeco Inc, a private investment company and a director and member of the audit and compensation committees for IAMGOLD.

**Julian Kemp, B.B.A., C.A.**, Vice President Finance and Chief Financial Officer, London, Ontario.

Julian Kemp is a chartered accountant with more than 20 years of professional experience primarily in the mining and exploration industries. Julian has had a progressive career having previously worked for various junior resource companies exploring, developing and mining coal and precious metals both in Canada and internationally. Julian Kemp also serves as a director of Claim Post Resources Inc., Rubicon Minerals Corporation and previously served as an officer and/or director of other TSX and TSX Venture Exchange listed mineral exploration companies.

**Thomas Rinaldi, B.Sc., (Mining Engineering)** Vice President Operations, London, Ontario.

Tom Rinaldi is a mining engineer with more than 25 years of senior management and operations experience in the mining and exploration industries in the United States and Peru. Tom's extensive experience includes work with a number of large, mid-tier and small mining companies, including Magma Copper, USMX, Mineral Ridge Resources, Minerex Resources, Equatorial Tonopah, and United Salt. He has held senior management positions in both open pit and underground mining operations and has supervised engineering, permitting and the construction of new projects.

### **Cease Trade Orders, Bankruptcies, Penalties or Sanctions**

Except as described below, no director or executive officer of the Company is, as at the date of this Annual Information Form, or was within 10 years before the date of this Annual Information Form, a director, chief executive officer or chief financial officer of any company (including the Company), that:

- (a) was subject to a cease trade order, an order similar to a cease trade order or an order that denied the relevant company access to any exemption under securities legislation for a period of more than 30 consecutive days that was issued while the director or executive officer was acting in the capacity as director, chief executive officer or chief financial officer, or
- (b) was subject to a cease trade order, an order similar to a cease trade order or an order that denied the relevant company access to any exemption under securities legislation for a period of more than 30 consecutive days that was issued after the director or executive officer ceased to be a director, chief executive officer or chief financial officer and which resulted from an event that occurred while that person was acting in the capacity as director, chief executive officer or chief financial officer.

Julian Kemp, Vice President and Chief Financial Officer of the Company, while a director of Goldgroup Mining Inc., formerly Sierra Minerals Inc. ("Sierra"), was subject to a cease trade order issued on April 4, 2007 related to the securities of Sierra. The cease trade order was issued pursuant to Sierra's failure to file its annual financial statements and management discussion and analysis by the required date. Sierra subsequently filed all of its required continuous disclosure documents and the cease trade order lapsed on June 28, 2007.

Except as described below, no director or executive officer of the Company, and no shareholder holding a sufficient number of securities of the Company to affect materially the control of the Company:

- (a) is, as at the date of this Annual Information Form, or has been within the 10 years before the date of this Annual Information Form, a director or executive officer of any company (including the Company) that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets, or
- (b) has, within 10 years before the date of this Annual Information Form, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the director, executive officer or shareholder.

David A. Knight, the Secretary and a director of the Company, resigned as a director of Armstrong Corporation ("Armstrong"), a manufacturer and distributor of specialty chemicals, on September 26, 2002. On January 20, 2003 Deloitte & Touche was appointed by a secured creditor of Armstrong as receiver manager of the assets of Armstrong and on March 13, 2003 Armstrong was petitioned into bankruptcy by such creditor.

### **Conflicts of Interest**

Some of the directors and officers of Fortune also serve as directors and/or officers of other companies and may be presented from time to time with situations or opportunities which give rise to apparent conflicts of interest which cannot be resolved by arm's length negotiations but only through exercise by the directors and officers of such judgment as is consistent with their fiduciary duties to the Company which arise under Ontario corporate law, especially insofar as taking advantage, directly or indirectly, of information or opportunities acquired in their capacities as directors or officers of the Company. All conflicts of interest will be resolved in accordance with the appropriate business corporation statute. Any transactions with directors and officers will be on terms consistent with industry standards and sound business practices in accordance with the fiduciary duties of those persons to the Issuer and, depending upon the magnitude of the transactions and the absence of any disinterested board members, may be submitted to the shareholders for their approval.

None of the current directors or officers of the Company, nor any associate or affiliate of the foregoing persons, has any material interest, direct or indirect, in any transactions of the Company or in any proposed transaction which, in either case, has or will materially affect the Company.

#### **LEGAL PROCEEDINGS**

Other than the arbitration proceeding with TV FE&C settled in early 2011 and described under “General Development of the Business” above, as at the date hereof, Fortune is not a party to and none of Fortune’s properties is the subject of any material legal proceedings.

#### **INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS**

No director or executive officer of Fortune, no person or company that is the direct or indirect beneficial owner of or who exercises control or direction over more than 10 percent of Fortune’s common shares, and no associate or affiliate of any of the foregoing, has or has had any material interest, direct or indirect, in any transaction during the three most recent financial years or during the current financial year that has materially affected or will materially affect the Company except Grant Chen, through his position as Deputy Chairman and CEO of China Mining Resources Group Limited which has invested in various equity financings by the Company. At the date hereof, China Mining Resources Group Limited is a direct or indirect beneficial owner and exercises control or direction over 14.3% of Fortune’s common shares.

#### **TRANSFER AGENTS AND REGISTRARS**

Computershare Investor Services Inc. at its principal office in Toronto is the registrar and transfer agent for the Common Shares and Computershare Trust Company of Canada at its principal office in Toronto is the warrant agent for the Warrants.

#### **MATERIAL CONTRACTS**

Fortune did not enter into any contract during the most recently completed financial year, and has not entered into any contract since January 1, 2002 that is still in effect, that may be considered material to Fortune, other than material contracts entered into in the ordinary course of business not required to be filed under National Instrument 51-102-*Continuous Disclosure Obligations*.

#### **INTERESTS OF EXPERTS**

Certain disclosure with respect to the Company’s properties contained herein or in other filings made by the Company under National Instrument 51-102 during, or relating to, the Company’s most recently completed financial year is derived from reports prepared by Marston Canada Inc., with Richard R. Marston and Edward H. Minnes as the Qualified Persons, Micon International Ltd., with Terrence Hennessey, Eugene Puritch, Ian Ward, Klaus Konigsmann, Alfred Hayden, Kenneth Bocking and Marc Rougier as the Qualified Persons, P&E Mining Consultants Inc., with Eugene Puritch and Fred H. Brown as the Qualified Persons and SGS Lakefield Research Limited with Alex Mezie as the Qualified Person. As at the date hereof, each of such persons owns directly or indirectly, less than 1% of the outstanding shares of the Company.

Ernst & Young LLP, the Company’s auditor, is independent in accordance with the applicable rules of professional conduct of the Institute of Chartered Accountants of Ontario.

#### **AUDIT COMMITTEE**

The Company’s Audit Committee is responsible for monitoring the Company’s systems and procedures for financial reporting and internal control, reviewing certain public disclosure documents and monitoring the performance and independence of the Company’s external auditors. The Audit Committee is also responsible for reviewing the Company’s annual audited financial statements, unaudited quarterly financial statements and management’s discussion and analysis of financial results of operations for both annual and interim financial statements and review of related operations prior to their approval by the full board of directors of the Company.

The Audit Committee's charter sets out the responsibilities and duties, qualifications for membership, procedures for committee member removal and appointments and reporting to the Company's board of directors. A copy of the charter is attached hereto as Schedule "A".

The members of the Company's current Audit Committee are William A. Breukelman, George Doumet and Mahendra Naik. Each of Messrs. Breukelman, Doumet and Naik are "independent" and "financially literate" within the meaning of such terms as defined in Multilateral Instrument 52-110 - *Audit Committees*.

### **Relevant Education and Experience**

Set out below is a description of the education and experience of each Audit Committee member that is relevant to the performance of his responsibilities as an Audit Committee member:

<b>Name</b>	<b>Independent</b>	<b>Financially Literate</b>	<b>Relevant Education and Experience</b>
William A. Breukelman	Yes	Yes	MBA with extensive management and entrepreneurial experience in the development and growth of new industries
George Doumet	Yes	Yes	MBA with extensive management experience, ownership and investment holdings in numerous significant businesses
Mahendra Naik	Yes	Yes	Chartered Accountant with mining and investment industry experience

### **Pre-Approval Policies and Procedures**

The Audit Committee charter provides that all non-audit services by the Company's external auditors require pre-approval by the Audit Committee.

### **External Auditor Service Fees**

#### ***Audit Fees***

The aggregate audit fees billed by the Company's external auditors during the financial year ended December 31, 2010 was \$45,620 (2009 – \$90,000). In the previous year \$50,000 of the aggregate audit fees related to services rendered in connection with the short-form prospectus filed on November 25, 2009. The remainder of the billings in 2010 primarily related to the auditing services for the year ended December 31, 2009.

#### ***Audit-Related Fees***

The aggregate audit related fees billed by the Company's external auditors during the financial year ended December 31, 2010 were \$73,620 (2009 - \$27,270). These billings primarily related to quarterly review procedures and matters related to the implementation of International Financial Reporting Standards, with a small portion related to internal control testing. The Company's external auditors billed higher amounts for the quarterly reviews during 2010 in order to allocate the annual fees more evenly through the year.

#### ***Tax Fees***

The aggregate tax fees billed by the Company's external auditors during the financial year ended December 31, 2010 were \$29,350 (2009 - \$20,250). These billings related to the preparation of the December 31, 2009 income, capital and resource tax returns of the Company and its subsidiary and associated companies and other tax advisory services.

#### ***All Other Fees***

The Company's external auditors have not provided any services other than those described above in the past two fiscal years.

### **ADDITIONAL INFORMATION**

Additional information relating to the Company may be found on SEDAR at [www.sedar.com](http://www.sedar.com).

Additional information, including directors' and officers' remuneration and indebtedness, principal holders of the Company's securities, and securities authorized for issuance under equity compensation plans is contained in the Company's information circular for its most recent annual meeting of shareholders. Additional financial information is provided in the Company's audited consolidated financial statements and management's discussion and analysis for its most recently completed financial year ended December 31, 2010.

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## SCHEDULE "A" - AUDIT COMMITTEE CHARTER

- Composition
  - The audit committee (the "Committee") will be composed of three directors, all of whom are "financially literate" and "independent", as such terms are defined in *Multilateral Instrument 52-110 – Audit Committees* (the "Audit Committee Rule"). A quorum will be two directors.
  - Members will have a one-year renewable term with no more than two members rotating in a given year.
  - Any member may be removed and replaced at any time by the Board and will automatically cease to be a member of the Committee as soon as such member ceases to be a director. The Board may fill vacancies in the Committee by election from among the members of the Board to hold office until the next annual meeting of shareholders of the Corporation. If and whenever a vacancy exists on the Committee, the remaining members may exercise all its powers so long as a quorum remains in office.
  - One member shall be appointed Committee chair by the Board.
- Authority
  - The Committee has the authority to investigate any activity of the Corporation. The Committee shall be granted unrestricted access to all information that it considers necessary to carry out its duties and all employees are to co-operate as requested by the Committee.
  - The Committee has the authority to: (i) engage independent counsel and such other advisors as it determines necessary to carry out its duties, (ii) set and pay the compensation for any advisors employed by it; and (iii) communicate directly with the internal and external auditors.
- Meetings
  - The Committee will meet regularly at such times as it considers necessary to perform the duties described herein, but not less than four times per year. At minimum, the meetings will be scheduled to permit review of the quarterly and annual financial statements and reports. Additional meetings may be held as deemed necessary by the chair of the Committee or as requested by any member or the external auditor.
  - Minutes of each meeting will be prepared by the person designated by the Committee to act as secretary and will be provided to the Secretary of the Corporation for retention.
- Reporting
  - A summary of all meetings of the Committee is to be provided to the Board. Oral reports by the chair on matters not yet minuted are to be provided to the Board at its next meeting.
  - Supporting schedules and information reviewed by the Committee will be available for examination by any director upon request to the Secretary of the Corporation.
- Responsibilities
  - The responsibilities of the Committee are as follows:
    - To satisfy itself that the Corporation has implemented appropriate systems to identify, monitor and mitigate significant business risks and compliance matters.
    - To satisfy itself that the Corporation has implemented appropriate systems of internal control to ensure compliance with legal, ethical and regulatory requirements and that these systems are operating effectively.

- To satisfy itself that the Corporation has implemented appropriate systems of internal control to ensure compliance with its policies and procedures and that these systems are operating effectively.
  - To satisfy itself that the Corporation has implemented appropriate systems of internal control over financial reporting and that these systems are operating effectively.
  - To satisfy itself that the policies and procedures for the approval of senior management's expenses, perquisites, remuneration and use of the organization's assets are regularly reviewed, compliance with conflict of interest policies are monitored, and procedures to monitor transactions between officers and the organization and to assess the adequacy of insurance coverage are regularly reviewed.
  - To satisfy itself that the Corporation's annual and interim financial statements are fairly presented in all material respects in accordance with generally accepted accounting principles, the selection of accounting policies is appropriate and annual financial statements are approved by the Board.
  - To review the Corporation's interim and annual financial statements, management's discussion and analysis disclosure ("MD&A") and all earnings press releases before any public disclosure thereof by the Corporation.
  - To satisfy itself that adequate procedures exist for disclosure of financial information extracted or derived from financial statements, other than the public disclosure referred to directly above, and periodically assess those procedures.
  - To ensure that the financial information contained in the Corporation's quarterly reports, annual report to shareholders, MD&A, annual information form, prospectuses and other documents is accurate and complete and fairly presents the financial position and the risks of the Corporation.
  - To establish and review procedures for the receipt, retention and treatment of complaints received regarding accounting, internal accounting controls or auditing matters.
  - To establish and review procedures for the confidential and anonymous submission by employees of concerns about questionable accounting or auditing matters.
  - To annually review the performance of the Committee and report to the Board thereon.
  - To review and reassess the adequacy of this charter on a regular basis and submit any proposed revisions to the Board for consideration and approval.
  - To recommend to the Board (i) the external auditor to be nominated for election by shareholders, and (ii) the compensation of the external auditor.
  - To confirm the independence of auditors, which will require receipt from the auditor of a written statement delineating all relationships between the auditors and the Corporation and that might affect the independence of the auditors.
  - To take direct responsibility for overseeing the work of the external auditor engaged for the purpose of preparing or issuing an auditor's report or performing other audit, review or attest services for the Corporation, including the resolution of disagreements between management and the external auditor regarding financial reporting. In carrying out any such services, the external auditor shall report directly to the Committee.
  - To ensure that the external audit function has been effectively carried out and any matter that the external auditor wishes to bring to the attention of the Board has been given adequate attention.
  - To pre-approve all non-audit services to be performed by the external auditor, provided that the Committee may delegate to one or more of its members the authority to pre-approve such services and provided further that the pre-approval of any non-audit services by any member to whom such authority has been delegated must be presented to the Committee at its first scheduled meeting following such pre-approval.
  - To review and approve hiring policies regarding partners, employees and former partners and employees of the present and former external auditor.
- The Committee will inquire into any other matters referred to it by the Board.

**SCHEDULE “B” - GLOSSARY OF MINING TERMS**

The following is a glossary of terms used in this Annual Information Form or in documents incorporated herein by reference.

<b>“adit”</b>	A near horizontal passage from the surface by which a mine is entered and dewatered.
<b>“anthracite”</b>	A hard, compact variety of mineral coal that has the highest carbon count and energy content and contains the fewest impurities (volatile matter) and moisture of all coals.
<b>“assay”</b>	An analysis to determine the presence, absence or concentration of one or more chemical components.
<b>“autoclave”</b>	Processing equipment using an oxidation process in which high temperatures and pressures are applied to convert refractory sulphide mineralization into amenable oxide ore.
<b>“backfilling”</b>	Reusing material excavated from a site for filling the surface or underground voids created by mining.
<b>“base line”</b>	A surveyed condition and reference used for future surveys generally for determining changes from the original condition.
<b>“base metal”</b>	A metal such as copper, lead, nickel, zinc or cobalt, of comparatively low value and relatively inferior in certain properties (such as resistance to corrosion) compared to noble metals such as gold, silver or platinum.
<b>“bogs”</b>	Peat-covered or peat-filled wetlands, which generally have a high water table, are very acidic and low in nutrients.
<b>“coal licenses”</b>	A form of license under the <i>Coal Act</i> (British Columbia) granting exclusive rights to explore for coal.
<b>“cutoff grade”</b>	A minimum metal grade at which a tonne of rock can be processed on an economic basis.
<b>“cyanidation”</b>	A process extracting gold and silver from their ores by treatment with dilute solutions of potassium cyanide or sodium cyanide.
<b>“deposit”</b>	A mineralized body which has been physically delineated by sufficient drilling, trenching, and/or underground work, and found to contain a sufficient average grade of metal or metals to warrant further exploration and/or development expenditures; such a deposit does not qualify as a commercially mineable ore body or as containing mineral reserves, until final legal, technical and economic factors have been resolved.
<b>“development”</b>	The preparation of a known commercially mineable deposit for mining.
<b>“doré”</b>	A mixture of gold and silver, with minor other constituents, produced by smelting the material from the electrowinning cells. Doré requires further refining, generally not done at a mine site, to yield gold and silver.
<b>“electrowinning”</b>	An electrochemical process in which a metal dissolved within an electrolyte is plated onto an electrode. Used to recover metals such as cobalt, copper, gold, and nickel from solution in the leaching of ores, concentrates, precipitates and matte.
<b>“environmental assessment” or “EA”</b>	Examination of a development proposal’s potential to cause environmental, social and economic effects and the proposed mitigation to those effects.
<b>“feasibility study”</b>	Engineering study that is designed to define the technical, economic and legal viability of the mineral project with a high calibre of reliability, contains detailed supporting evidence, and has a firm conceptual framework which can be used for more detailed construction designs and drawings. The study is of sufficient detail and accuracy to be used for the decision to proceed with the project and for financing.
<b>“flotation”</b>	A process of concentration in which levitation in water of particles heavier than water is obtained with the use of chemical reagents, typically used in processing of coal or sulphide minerals with the aid of a reagent and the desired product becomes attached to air bubbles in a liquid medium and floats as a froth.
<b>“flow sheet”</b>	A diagram of a sequence of processes in the treatment of metals.

<b>“footprint”</b>	The land or water area covered by a project. This includes direct physical coverage (i.e., the area on which the project physically stands) and direct effects (i.e., the disturbances that may directly emanate from the project, such as noise).
<b>“g/t Au”</b>	Grams of gold per metric tonne.
<b>“grade”</b>	The quality of an ore or metal content.
<b>“hydrometallurgical”</b>	Pertaining to the treatment of ores, concentrates and other metal-bearing materials by wet processes, usually involving the solution of some component, and its subsequent recovery from the solution.
<b>“internal rate of return” or “IRR”</b>	A method used to analyze investments which reflect and account for the time value of money. The IRR is the discount rate which makes the net present value of all-future cash flows (positive and negative) equal to zero. When the IRR is greater than the required rate of return – called hurdle rate in capital budgeting – the investment is acceptable.
<b>“inverse distance cubed” or “ID3”</b> <b>“inverse distance squared” or “ID2”</b>	A grade interpolation method in which a neighbourhood population about the interpolated point is identified and a weighted average is taken of the observation values within this neighbourhood. The weights selected are a decreasing function of distance. The distances can be entered to any power such as 2 or 3 to provide variable weighting. Selecting a higher power will place a higher weighting on nearer samples.
<b>“land use permit”</b>	A permit that allows the use of land for activities related to a project. It defines the terms and conditions that govern the activities allowed under the permit.
<b>“leach”</b>	The process of extracting minerals from a solid by dissolving them in a liquid, either in nature or through an industrial process.
<b>“mineralization”</b>	A concentration of minerals within a body of rock.
<b>“mineral reserves”</b>	A <i>mineral reserve</i> is the economically mineable part of a measured or indicated mineral resource demonstrated by at least a preliminary feasibility study. This study must include adequate information on mining, processing metallurgical, economic and other relevant factors that demonstrate, at the time of reporting, that economic extraction can be justified. A mineral reserve includes allowances for dilution and losses that may occur when the material is mined.
<b>“mineral resources”</b>	<p>A <i>mineral resource</i> is a concentration or occurrence of natural, solid, inorganic or fossilized organic material in or on the earth’s crust in such form and quantity and of such a grade or quality that it has reasonable prospects for economic extraction. The location, quantity, grade, geological characteristics and continuity of a mineral resource are known, estimated or interpreted from specific geological evidence and knowledge.</p> <p><i>measured resources:</i> A measured resource is that part of a mineral resource for which quantity, grade or quality, densities, shape, physical characteristics are so well established that they can be estimated with confidence sufficient to allow the appropriate application of technical and economic parameters, to support production planning and evaluation of the economic viability of the deposit. The estimate is based on detailed and reliable exploration, sampling and testing information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes that are spaced closely enough to confirm both geological and grade continuity.</p> <p><i>indicated resources:</i> An indicated resource is that part of a mineral resource for which quantity, grade or quality, densities, shape and physical characteristics, can be estimated with a level of confidence sufficient to allow the appropriate application of technical and economic parameters, to support mine planning and evaluation of the economic viability of the deposit. The estimate is based on detailed and reliable exploration and test information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes that are spaced closely enough for geological and grade continuity to be reasonably assumed.</p> <p><i>inferred resources:</i> An inferred resource is that part of a mineral resource for which quantity and grade or quality can be estimated on the basis of geological evidence</p>

	<p>and limited sampling and reasonably assumed, but not verified, geological and grade continuity. The estimate is based on limited information and sampling gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes.</p> <p><i>speculative resources</i>: A resource classification unique to coal with a relatively low degree of geological assurance based on extrapolation of a few data points over large distances, restricted to regions where extensive coal exploitation has not yet taken place.</p>
<b>“mineral claim”</b>	That portion of public or private mineral lands which a party has staked or marked out in accordance with federal, provincial or state mining laws to acquire the right to explore for and exploit the minerals under the surface
<b>“net present value” or “NPV”</b>	A method used to evaluate the difference between the present value of all estimated cash inflows and outflows of an investment using a given rate of discount. Generally the discount rate reflects the marginal cost of capital of a company or a hurdle rate. If the discounted cash inflows exceed the discounted outflows, the investment is considered economically feasible.
<b>“net smelter return” or “NSR”</b>	The net amount received from the sale of metal products produced from a property after deducting all freight and downstream treatment charges from processing to saleable metal products, but excluding mining, milling and general administrative expenditures.
<b>“NSR cutoff”</b>	A minimum metal grade at which a tonne of rock can be processed on an economic basis as determined by a net smelter return.
<b>“ordinary kriging”</b>	A weighted, moving average grade estimation technique based on geostatistics that uses the spatial correlation of point measurements to estimate values at adjacent, unmeasured points.
<b>“pilot plant”</b>	a small chemical processing system which is operated to generate information about the behavior of the system for use in design of larger facilities.
<b>“pulverized coal injection” or “PCI”</b>	A process involving the direct injection of pulverized coal into a blast furnace as a means of increasing blast furnace productivity and reducing the consumption of more expensive coking coals.
<b>“rank”</b>	The degree of coalification established by the American Society for Testing of Materials (“A.S.T.M.”) by which organic matter is compacted and converted to coal through diagenesis and chemical alteration.
<b>“reductant”</b>	A substance capable of bringing about the reduction of another substance as it itself is oxidized.
<b>“run-of-mine (“ROM”) coal”</b>	Coal which has been mined prior to screening, washing or any other treatment.
<b>“scoping study”</b>	A study or assessment of the potential economics of a mineralized deposit on a preliminary basis.
<b>“stope”</b>	An underground excavation formed by the extraction of ore.
<b>“strike length”</b>	The physical distance in which the direction or trend taken by a structural surface such as bedding, or a fault plane, as it intersects the horizontal.
<b>“strip ratio”</b>	The unit amount of spoil or overburden that must be removed to gain access to a unit amount of ore or mineral material.
<b>“sulfide”</b>	An anion (an ion with more electrons than protons, giving it a net negative charge) of sulfur in its lowest oxidation number of -2
<b>“sulfide mineral” or “sulfide concentrate”</b>	A mineral or concentrate containing sulfide as its major anion.
<b>“volatile content”</b>	In coal, those substances, other than moisture, that are given off as gas and vapour during combustion.
<b>“waste rock”</b>	All rock materials, except ore and tailings, that are produced as a result of mining operations.
<b>“water license”</b>	A license that permits the use of water, or the deposit of waste, or both