MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITIONS AND RESULTS OF OPERATIONS

Three and six months ended June 30, 2014

This Management's Discussion and Analysis of Financial Conditions and Results of Operations ("MD&A") of Fortune Minerals Limited ("Fortune" or the "Company") is dated August 07, 2014 and should be read in conjunction with the Company's unaudited interim condensed consolidated financial statements and the notes thereto for the three and six months ended June 30, 2014 and with the audited consolidated financial statements and the notes thereto and MD&A for the year ended December 31, 2013, prepared in accordance with International Financial Reporting Standards ("IFRS"). This discussion contains certain forward-looking information and is expressly qualified by the cautionary statement at the end of this MD&A. All dollar amounts are presented in Canadian dollars unless indicated otherwise.

SUMMARY OF QUARTERLY RESULTS

The following table provides selected consolidated financial information that is derived from the unaudited interim consolidated financial statements and audited consolidated financial statements of the Company.

	2014		2013				2012	
	Jun-30	**Mar-31**	**Dec-31**	**Sep-30**	**Jun-30**	**Mar-31**	**Dec-31**	**Sep-30**
Net loss (1)	(1,454,488)	(1,257,196)	(41,019,135)	(657,471)	(1,024,235)	(1,630,577)	(4,726,705)	(603,019)
Basic and fully diluted loss per common share(2)	(0.01)	(0.01)	(0.27)	—	(0.01)	(0.01)	(0.04)	(0.01)

Notes:
(1) The Company did not have revenue as of June 30, 2014. Interest and other income is included in other items on the consolidated statements of net loss, comprehensive loss, and deficit.
(2) The sum of quarterly loss per common share for any given period may not equal the year-to-date amount due to rounding.

OVERVIEW

Fortune's vision is to be a recognized expert in developing, mining and processing precious and specialty minerals projects. Supporting the vision is Fortune's mission to profitably produce precious and specialty metals and coal products to meet the needs of our customers and partners by attracting and developing a superior team of people motivated to acquire, explore, develop, mine and reclaim resource properties in a safe and responsible manner.

Fortune has a successful history of discovery and acquisitions to assemble a portfolio of world class mineral deposits. The Company's most significant assets are its 80% interest in the Arctos Anthracite Project in northwest British Columbia ("Arctos"), its wholly owned NICO gold-cobalt-bismuth-copper project in the Northwest Territories ("NICO") and its recently acquired 12% interest in the Revenue Silver Mine ("RSM"), part of a proposed two-stage transaction to acquire 100% of the project. The value Fortune offers includes: diversified assets with significant investments already made to advance development and production; projects located in North America, a mining-friendly, politically stable geographical location; two development projects and one project in late stages of commissioning providing participation in commodities of critical importance to a growing world economy including gold, cobalt, bismuth, copper, silver, lead, zinc and metallurgical coal; and a production plan that offers a different risk profile than pure exploration companies.

Fortune has assembled an experienced team that is working towards a common goal of unlocking the value of its

RSM, NICO and Arctos projects, by advancing them toward commercial production, while also minimizing the risks associated with their development. Fortune is committed to developing its projects in a socially and environmentally responsible manner. Fortune has received a Bronze Level award for its work in Progressive Aboriginal Relations ("PAR") by the Canadian Council for Aboriginal Business ("CCAB"). The PAR program is the first and only corporate responsibility assurance program in the world with an emphasis on aboriginal relations. The Company has worked with guidance and support from the CCAB to document practices, policies and behaviors that quantify and validate the Company's commitment to positive and progressive aboriginal relations. The Company is committed to open and constructive dialog with aboriginal communities and will continue to make every effort to increase aboriginal employment and business through its human resources and supply chain policies.

Fortune purchased a 12% participating interest in RSM from the current owners, including Silver Star Resources LLC, Star Mine Operations LLC and Revenue-Virginius Mines Corporation ("the Vendors") on May 9, 2014. RSM is located in Southwestern Colorado, U.S.A and is a fully permitted and constructed mine in the late stages of commissioning. RSM is a silver producing mine with primary by-products of gold, lead, zinc and potentially copper. The 12% interest acquisition represents the first phase of the planned purchase of 100% interest in RSM. See Fortune's news releases dated May 9 and July 31, 2014 for more details of the Participating Interest and Asset Purchase Agreement with the Vendors ("the PIAPA") related to the acquisition.

Pursuant to the PIAPA, the Company became the operator of the RSM effective May 1, 2014 with sole responsibility for the direction and control of the activities at the mine. In addition, the Company became responsible from the effective date for all costs, expenses and liabilities related to the mine and is entitled to all of the revenues from the mine pending completion of the acquisition or termination of the PIAPA. On July 31, 2014 an amendment to the PIAPA was entered into that extended the planned closing date of the purchase of the remaining 88% interest to September 2, 2014. The amendment also capped the net funding obligation of the Company with respect to the RSM during the period prior to closing at US$5.5 million. The Company will continue to maintain responsibility for the direction and control of the activities at the mine while holding a 12% interest until such time as the remaining 88% interest in the assets is acquired. Completion of the acquisition is subject to certain conditions, including the Company arranging the necessary financing.

During the period from May 1, 2014 to June 30, 2014 the Company undertook the following activities in relation to the RSM:

- Continued to advance the project through the commissioning phase to move towards commercial production; and
- Commenced the process of transitioning operations to becoming 100% owner of the mine by supervising key personnel, overseeing site activities and integration of management teams.

On July 18, 2014, the Company achieved a key milestone in the path towards commercial production at the RSM by making its first shipment of concentrate.

On July 24, 2014, the results of a Preliminary Economic Assessment ("PEA") report for RSM were announced. The PEA is reflected in a technical report dated July 23, 2014 prepared by SRK Consulting entitled "*NI 43-101 Technical Report Preliminary Economic Assessment The Revenue Mine, Sneffels, Colorado*" that has been filed on SEDAR at www.sedar.com by the Company under National Instrument 43-101. See also the Company's press release dated July 24, 2014 for details of the PEA.

The Company is forming strategic relationships in order to supply key partners and markets for Fortune's commodities.

Fortune continues to advance its wholly-owned NICO project and the Company's business activities have been focused on certain priority critical path activities required to advance permitting and financing for the development of NICO and its related hydrometallurgical process facility, the Saskatchewan Metals Processing Plant ("SMPP") as contemplated by a technical report entitled "*Technical Report and Updated Mineral Reserve Estimate and Front-End Engineering & Design (FEED) Study on the NICO Gold-Cobalt-Bismuth Deposit, Mazenod Lake Area, Northwest Territories, Canada*" dated July 2, 2012 (the "2012 FEED Study") filed on SEDAR at www.sedar.com by the Company under National Instrument 43-101. In 2013, the Company entered into an agreement with Procon Resources Inc. ("Procon"), a full-service mining contracting company headquartered in Vancouver, Canada, pursuant to which the Company received a strategic investment of $11.7 million. This transaction saw Procon buy 29.25 million newly issued shares for a 19.4% stake in Fortune. Fortune is using the proceeds of the private placement to advance the NICO project and for general working capital purposes. On May 9 and July 8, 2014, related to the Company's acquisition of an initial 12% interest in the RSM, Procon exercised its pre-emptive right and purchased an additional 7,717,871 shares for $3,087,148 in order to retain 19.4% ownership of the Company.

In support of permitting and financing initiatives for NICO, the Company undertook the following activities during the six months ended June 30, 2014:

- In January 2014, Fortune was approved for a Staging (Interim) Land Use Permit for the NICO mine. This permit allowed Fortune to conduct land-based early works at the mine site including staging of equipment and site preparation activities prior to the issuance of the full mine permit;
- In April 2014, the Company submitted its closing remarks to the Wekèezhii Land and Water Board ("WLWB");
- Continued engineering and execution planning activities for construction of the mine;
- Held various meetings and discussions with representatives from the Tlicho communities and Tlicho Government;
- Filed the final Environmental Impact Study ("EIS") for the SMPP with the Saskatchewan Environmental Assessment Branch ("SEAB"). The EIS and associated documentation was posted for public comment and followed by the SEAB's recommendation to the Saskatchewan Minister of Environment and on February 11, 2014, the Minister of Environment for the Province of Saskatchewan accepted the SEAB's recommendation and approved the Company's proposed SMPP, subject to certain conditions. With this approval, the Company is now completing the process of rezoning its land with the Rural Municipality of Corman Park;
- Held various meetings, open houses and discussions with local communities and stakeholders near the future SMPP site;
- On April 2, 2014, the Company announced the results of an updated feasibility study report. The report was prepared in order to document a number of improvements that have been made to the NICO project over the past year and to provide a comprehensive document to advance negotiations for project financing with potential strategic partners and their banks. The report updates the economics for the project from the 2012 FEED Study and a technical report reflecting the updated feasibility study dated May 5, 2014 prepared by Micon International entitled "*Technical Report on the Feasibility Study for the Nico Gold-Cobalt-Bismuth-Copper Project, Northwest Territories, Canada*" was filed on SEDAR at www.sedar.com on May 7, 2014 (see Fortune news releases dated April 2, 2014 and May 7, 2014); and
- On June 20, 2014 the WLWB issued the Land Use Permit and approved the Type A Water Licence and recommended to the GNWT Minister of Environment and Natural Resources for final approval, which was subsequently received on July 23, 2014, resulting in the NICO project having the primary permits required for construction and operations subject to meeting permit conditions and posting of initial reclamation security with the Government of the Northwest Territories.

During 2011, Fortune and Fortune Coal Limited ("FCL"), a wholly-owned subsidiary of Fortune, entered into an agreement (the "Arctos Agreement") with POSCO Canada Ltd. and POSCO Klappan Coal Ltd. ("POSCAN"), a wholly-owned subsidiary of POSCO Canada Ltd., to advance Arctos to production through an unincorporated joint venture, the Arctos Anthracite Joint Venture ("Arctos JV"). POSCO Canada Ltd.'s parent company, POSCO, is based in South Korea and is one of the world's largest steel producers. Pursuant to the Agreement, POSCAN acquired a 20% interest in Arctos. See Fortune's news release dated July 13, 2011 for highlights of the Arctos Agreement. Fortune plans to continue discussions with potential debt and equity providers, including potential additional strategic partners, with the aim of achieving a fully financed, permitted project.

As part of the Arctos Agreement and as contemplated by a technical report entitled "*Technical Report on the 2012 Update of the Arctos Anthracite Project Mine Feasibility Study*" dated November 28, 2012 filed on SEDAR at www.sedar.com by the Company under National Instrument 43-101, the Arctos JV partners approved a program and budget focused on advancing Arctos to production as quickly as possible and this program is underway. The initial budget is focused on engaging with native and other local communities and building stakeholder support for Arctos, securing permits, and conducting additional environmental studies and detailed engineering to support permitting and mine planning. During the six months ended June 30, 2014, the Company undertook the following activities:

- Continued environmental, permitting, community and government relations activities to advance the Arctos environmental assessment ("EA") process and community relations. To advance the EA process, the Company has conducted additional environmental baseline, geochemical, hydrogeological, geotechnical and archaeological studies activities and has completed the draft application information requirements;
- Continued activities to enhance relationships with key groups, including impacted local communities and First Nations, government regulators and other interested parties;
- Continued to seek opportunities to work with representatives from the Tahltan Nation; and
- Held meetings and discussions with representatives from the Gitxsan Nation.

The Company is awaiting the outcome of discussions between the Tahltan Nation and the BC government on the EA process and scope before undertaking any additional significant activities.

Fortune's engagement with Deloitte & Touche Corporate Finance Canada Inc. ("Deloitte") to assist with securing additional financing through strategic partners to support the development of NICO and Arctos has continued throughout the first two quarters of 2014 and activities with respect to this process are ongoing.

As a result of the Company's current strategy related to its principal projects, exploration and evaluation cash expenditures incurred by Fortune on its properties during the three and six months ended June 30, 2014 were $1,301,839 and $3,737,183, respectively, and were spent on the projects as follows:

	Three months ended June 30, 2014	**Six months ended June 30, 2014**
NICO	$ 688,781	$ 2,212,317
Arctos	609,964	1,521,725
All Other Projects	3,094	3,141
Total cash exploration and evaluation expenditures	$ 1,301,839	$3,737,183
RSM	$ 3,930,624	$ 3,930,624
Total cash mine development expenditures	$ 3,930,624	$3,930,624

For comparison, exploration and evaluation expenditures incurred by Fortune on its properties during the three and six months ended June 30, 2013 were $2,469,514 and $4,845,505, respectively, and were spent on the projects as follows:

	Three months ended June 30, 2013	Six months ended June 30, 2013
NICO	$ 889,288	$ 1,940,329
Arctos	1,576,457	2,901,365
All other projects	3,769	3,811
Total cash exploration and evaluation expenditures	$2,469,514	$4,845,505

Exploration and evaluation expenditures for the three and six months ended June 30, 2014 were lower compared to the same periods in 2013, primarily as a result of decreased expenditures on Arctos. Expenditures on Arctos in 2013 were higher due to increased permitting activities, environmental studies and community relations activities.

Mine development expenditures in 2014 relate entirely to the Company's acquisition of the RSM. Expenditures incurred in the quarter relate to activities undertaken to advance the project through the commissioning period.

RESULTS OF OPERATIONS

Summary

The Company's net loss for the three and six-month periods ended June 30, 2014 were $1,454,488 and $2,711,684, respectively, or $0.01 and $0.02 per share compared to $1,024,235 and $2,654,812 or $0.01 and $0.02 per share for the same periods in the prior year.

Expenses

Expenses before other items increased to $1,597,989 and $3,157,791 compared to $1,094,260 and $2,711,560 for the three and six-month periods ended June 30, 2014 and 2013, respectively.

The increase year over year is primarily attributable to the following:

- Increase in corporate development costs as a result of an increase in the Company's activities related to the purchase of RSM and activities related to financing solutions for the NICO and Arctos projects;
- Increase in administrative expenditures primarily as a result of a termination payment made in the first quarter of 2014; and
- Increase in interest expense as a result of the increase in the current debt from $3M to $5.125M .

The above increase year over year is partially offset by the following:

- Decrease in stock-based compensation expense during 2014 as a result of 2,950,000 options being granted in the first quarter of 2014 compared to 2,900,000 options during the same period in 2013. Although the number of options issued was higher in 2014, the value of the options, using the Black-Scholes option pricing model, was lower.

Other Income and Charges

Interest and other income for the three- and six-month periods ended June 30, 2014 was $38,338 and $105,799, respectively, compared to $16,885 and $45,255 for the same period in 2013. The increase is primarily due to higher interest rates on the Company's deposits, resulting in higher interest income in 2014.

There were no flow-through shares issued in 2013 or 2014. A gain on flow-through share premium of $112,000 was recognized in the six months ended June 30, 2013 as a result of expenditures incurred that were previously renounced through flow-through shares issued in 2012. The gain was calculated as the difference between the market price of the Company's shares on the day the flow-through financings closed and the price that the investors paid for the shares.

FML has an operating bank account in United States dollars ("US$") to pay certain US vendors and to receive US$ payments as well as to manage the timing of conversion of Canadian dollars ("C$") to US$, or vice versa. The foreign exchange loss from converting US$ balances in FML to C$ at June 30, 2014 and during the quarter was $85,236 (June 30, 2013- gain of $29,790). The functional currency of Fortune Revenue Silver Mines, Inc. ("FRSMI"), a Colorado subsidiary established for the purposes of the RSM, and Fortune Minerals Marketing Limited ("FMML"), a Barbados marketing subsidiary, is US$. These companies are translated to C$ for reporting purposes and as a result of the exchange rate at the time of translation, a currency translation adjustment is recognized through other comprehensive income. Currency translation adjustment for the three and six months ended June 30, 2014 was $266,133, and $nil for 2013 since FRSMI and FMML were not operating.

During the first quarter of 2013, an impairment charge of $163,352 was recognized against surface facilities assets in mining properties as a result of changes made to the detailed engineering and planning related to the use of certain assets at NICO. There were no impairment charges recognized in the six months ended June 30, 2014.

Deferred Taxes

The Company recognized a deferred income tax recovery of $192,000 for the three months ended June 30, 2014 compared to a provision of $25,000 for the same period in 2013. The 2014 recovery of $397,000 includes a provision of $478,000 for valuation allowance and $86,000 for non-deductible stock-based compensation and other expenses. The 2014 recovery results from the recognition of $826,000 from the estimated tax loss and $162,000 for investment tax credits on pre-production mining expenditures recorded during the period. During the same period in 2013, the deferred income tax recovery of $14,600 included a provision of $492,000 for renunciation of flow-through eligible expenditures, $144,000 for non-deductible stock-based compensation and other expenses and $108,000 for rate difference. The provisions were offset by the recovery of $709,000 for deferred tax benefits resulting from the estimated tax loss, $30,000 for non-taxable flow-through share premiums and $21,000 for investment tax credits on pre-production mining expenditures recorded during the period. The Company's deferred tax liability has arisen principally from the increasing difference between book and tax values of its assets resulting from the renunciation of tax deductions to investors of flow-through shares offset partially by increasing deferred tax assets for net operating loss carry forwards and unused investment tax credits on pre-production costs, net of tax.

Cash Flow

Cash used in operating activities during the six months ended June 30, 2014 was $1,622,242 compared to $1,222,596 for the same period in 2013. The operating activities before changes in non-cash working capital used cash of $2,157,975 and $1,502,384 in the first six months of 2014 and 2013, respectively. The increased use of cash in operating activities, before changes in non-cash working capital, is primarily related to the increases in salary and benefit, other various administrative expenses and corporate development costs, as discussed above in the "Expenses" section.

Cash used in investing activities increased to $10,823,063 from $4,964,360 when comparing the six months ended June 30, 2014 and 2013. This increase is primarily due to the first stage purchase of 12% of RSM assets in May 2014 for $2,167,136. Exploration and evaluation expenditures of $3,737,183 and the purchase of plant and equipment and capital assets of $4,951,814 also represent the cash used in investing activities for the six months ended June 30, 2014. These expenditures were offset slightly by proceeds of $43,321 received during the same period from the sale of assets previously classified as held for sale. Exploration and evaluation expenditures were focused primarily on permitting, environmental and community relations activities and consultation for Arctos and NICO as described in the "Overview" section. The purchase of plant and equipment and capital assets related primarily to costs related to future development of the proposed SMPP.

Cash provided by financing activities increased to $5,051,514 from cash used of $2,582 when comparing the six months ended June 30, 2014 and 2013. This increase is due to receipt of a private placement as described in the "Overview" section and an increase in long-term debt as described below in the "Liquidity and Capital Resources" section.

LIQUIDITY AND CAPITAL RESOURCES

As at June 30, 2014, Fortune had cash and cash equivalents of $5,855,074 and a working capital balance of $6,172,082. Of the total consolidated cash, $336,377 represents Fortune's 80% share of cash from the Arctos JV and $1,365,277 represents the C$ equivalent held by FRSMI.

During the quarter ended June 30, 2014 the Company increased its total long-term debt with a private investor group from $3,000,000 to $5,125,000. On May 8, 2014, the group advanced an additional $2,000,000 to the Company that will be evidenced by a promissory note. Under the terms agreed to with the group, the aggregate amount repayable by the Company will be $5,125,000 and the maturity date for the original loan as well as the new loan was extended from August 31, 2014 to to August 31, 2016. The loans will continue to bear interest at 9% per annum and will be secured by a charge on the Company's personal property and the NICO mining leases.

The $14,072,889 capital contribution liability reflected on the Company's balance sheet as at June 30, 2014 represents the $16 million contractual obligation under the Arctos JV Agreement, due by December 31, 2015.

The Company invests its surplus cash in low risk, liquid investments, which typically have low yields but hold their value during times of market uncertainty. With the existing working capital at June 30, 2014, the Company has cash to conduct certain critical path activities; however, the Arctos and NICO projects require further funding during 2014 or risk delays and additional financing is required to advance the NICO and Arctos projects through to production. Funding is also required to complete the acquisition and start up of the RSM. Without additional funding, the RSM transaction cannot be completed. The Company regularly reviews its planned activities relative to available funding and prioritizes activities based on what is required to complete critical path activities and budgets accordingly. In addition to contractual obligations noted, non-discretionary budget commitments required to keep current mining leases for NICO and coal licenses for Arctos in good standing consist of annual payments of $12,700 and $164,110, respectively. The Company's current environmental reclamation obligations as defined by government regulators are fully secured by cash held in accounts with a large Canadian financial institution. As indicated above, additional financing is required to construct mine infrastructure and processing facilities, to acquire additional equipment for the NICO and Arctos projects, to fund the capital contribution liability for the Arctos JV and to complete the acquisition of a 100% interest in RSM. Additional funding is also required for certain capital improvements to the RSM and working capital to fund the commissioning period. Obtaining Poscan as a joint venture partner for Arctos in 2011 and the Procon investment made during the third quarter of 2013 were examples of funding provided by strategic partners. Other potential sources for future funding include but are not limited to equity financing, project financing, off-take and royalty agreements, additional strategic partnerships, mergers and acquisitions. The Company continues to evaluate its alternatives with a view to executing a financing plan suitable to fund its transformation into a producer and minimize potential dilution to shareholders. The engagement entered into with Deloitte, as described above, is another activity management is currently undertaking to find strategic financing solutions.

Based on the Company's current cash flow forecasts, the Company does not have sufficient cash or working capital to fund all of its planned activities, including completing the second phase of the purchase of the RSM, without obtaining additional financing. This results in the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern. Management is actively pursuing and considering various financing opportunities and the Company has historically been successful in financing its activities, however, there are no assurances that it will be successful in raising the funds required to maintain its activities.

OUTLOOK

The Company's principal objective is to achieve successful commercial production for its RSM, NICO and Arctos projects. The Company's activities in pursuit of its objectives are subject to many risks as discussed under the heading "Risks and Uncertainties" section in the December 31, 2013 MD&A filed on SEDAR and the additional risks disclosed herein.. The most significant risks to meeting its objective in the targeted time frame continues to be permitting and financing. These risks arise primarily from external parties such as government regulators, First Nations and investors who have significant influence over the outcome of the Company's efforts and external factors such as commodity prices, economic conditions and the financial markets. Accordingly, management has sought and continues to seek proactively ways to address risks in its business model and has developed appropriate strategies to move forward by focusing expenditures on critical path activities in a socially and environmentally responsible manner.

The next major milestones to achieve on the path forward for the RSM project are:

- obtain financing to complete the acquisition of the remaining 88% interest in the project and to fund required working capital and capital improvements;
- establish consistent production and revenue stream; and,
- effectively transition all employees contractual rights and obligations from the vendors to FRSMI once the acquisition is complete.

Major milestones to achieve on the path forward for the development of the NICO mine site and SMPP include:

- the receipt of all necessary environmental licenses and permits for the SMPP site in Saskatchewan;
- completing with the Tlicho Government an agreement on the NICO Project Access Road ("NPAR") and an Impact and Benefits Agreement;
- identifying and engaging strategic partners to support the development of the NICO project site and the SMPP, by helping to arrange or provide some or all of the project financing, evaluating potential transactions and ultimately entering into a strategic arrangement suitable to the Company;
- completing NPAR agreements, NPAR engineering and route design and site preparations, including construction of laydown areas to receive equipment and material required for early work construction; and
- commence detailed engineering and procurement activities once financing is secured.

During the first six months of 2014, the Company focused on concurrently advancing the EA processes for NICO and the SMPP through to the decision for approval, continued meaningful dialogue with key parties including the Tlicho for developing mutually beneficial agreements, and worked to identify and advance opportunities to develop additional strategic partnerships through the Deloitte engagement. The Company has made significant progress towards achieving its milestones through the Procon strategic investment, the Federal and Tlicho government approvals for the NICO mine and mill, and most recently, receipt of the Land Use Permit and Type A Water licence and the ministerial approval of the SMPP, which will allow the Company to complete the process of rezoning its land with the Rural Municipality of Corman Park, Saskatchewan.

The next major milestones to achieve on the path forward for the Arctos project are:

- the receipt of all necessary environmental and mine permits and certificates required for production at the mine site and for development of the railway to the port of Prince Rupert in British Columbia;
- complete agreements with the Tahltan Nation related to the mine development;
- complete a financing plan with potential debt and equity providers to fully fund the Company's share of development and construction costs for the Arctos JV;
- complete agreements with the Gitxsan Nation related to the rail infrastructure development; and
- advance engineering on critical infrastructure related to rail development and power supply.

During the first six months of 2014, the Company focused efforts on the Arctos EA process, continued relationship development activities with key parties including the Tahltan and Gitxsan First Nations and worked to identify and explore opportunities with additional strategic partners through the Deloitte engagement.

Activities undertaken during 2014 towards achieving the next major milestones for the RSM, NICO and Arctos projects will remain the Company's focus through 2014. As it pursues these objectives, the Company will strive to prudently manage capital resources and mitigate risks.

TRANSACTIONS WITH RELATED PARTIES

During the six months ended June 30, 2014, the Company paid key management personnel, including officers, directors, or their related entities an aggregate of $987,904 for consulting and/or management services and legal services. In addition, stock options with a fair value of $306,000, using the Black-Scholes option pricing model, were granted to these individuals during the period. At June 30, 2014, $193,985 was owing to these related parties for services received during the period.

The following table summarizes the amounts paid and payable to related parties and the nature of the payments as at June 30, 2014:

Related Party	Relationship	Business Purpose of Transaction										Total	
		Salaries and Benefits [7]		Consulting Services		Directors' Fees		Legal Services		Stock Options			
		Paid	Payable	Paid	Payable	Paid	Payable	Paid	Payable	Granted [8]	Payable	Paid/Awarded	Payable
Adam Jean [1]	VP Finance & CFO	$ 89,800	$ 10,433							$ 36,000		$ 125,800	$ 10,433
Breukelman, William [2]	Director					$ 12,250	$ 1,667			18,000		30,250	1,667
Chen, Shouwu	Director					9,750	1,667			18,000		27,750	1,667
Clouter, Carl [3]	Director			$ 12,000	$ 4,000	9,750	1,667			18,000		39,750	5,667
Currie, James [2]	Director					9,250	1,667			18,000		27,250	1,667
Doumet, George	Director					9,750	1,667			18,000		27,750	1,667
Excell, James	Director					12,833	2,083			18,000		30,833	2,083
Goad, Robin [4]	President & CEO, Director	2,130		144,410	12,500					54,000		200,540	12,500
Kemp, Julian [5]	VP Finance & CFO	355		329,890								330,245	
Knight, David [6]	Director					9,750	1,667	$127,446	$127,750	18,000		155,196	129,417
Naik, Mahendra	Director					57,667	10,833			27,000		84,667	10,833
Romaniuk, Mike	VP Operations & COO	141,123	14,717							45,000		186,123	14,717
Yurkowski, Edward	Director					9,750	1,667			18,000		27,750	1,667
Total		$233,408	$ 25,150	$486,300	$16,500	$ 140,750	$ 24,585	$127,446	$127,750	$ 306,000	$ -	$ 1,293,904	$ 193,985

[1] Adam Jean was promoted to Vice President Finance and Chief Financial Officer of the Company effective January 21, 2014.

[2] Bill Breukelman and James Currie ceased to be directors effective June 24, 2014. On this same date, James W. Williams, Jr. became a director.

[3] Carl Clouter is President of Clouter Enterprises Limited which provides professional services to the Company.

[4] Robin Goad is engaged to provide services of President and Chief Executive Officer of the Company pursuant to an independent consultant agreement and does not receive additional compensation for his services as a director.

[5] Julian Kemp was engaged to provide services of Vice President Finance and Chief Financial Officer of the Company pursuant to an independent consultant agreement. Julian ceased to be Vice President Finance and Chief Financial Officer effective January 21, 2014.

[6] David Knight is a partner with the law firm Norton Rose Fullbright Canada LLP, which provides legal services to the Company.

[7] Salaries and benefits include a base salary plus benefits that are basic in nature, require participants to contribute to the premium costs and includes certain co-pay requirements.

[8] The value of options granted are calculated using the Black-Scholes option pricing model.

CRITICAL ACCOUNTING ESTIMATES

The Company continues to consider, on a regular basis, whether indicators exist that suggest that the carrying value of its projects is impaired for accounting purposes. While the market capitalization relative to the carrying value of the Company's projects is reviewed, it is not considered a sole indication of impairment. Given the stage that the Company is in, and the volatility of the market, using the share price as a sole indication of impairment is not practical, however the Company monitors the magnitude of the gap between the Company market capitalization and the project carrying values. Due to the size of the gap and overall market sentiment of the resource sector at December 31, 2013, an impairment analysis was completed on the Company's NICO cash generating unit and an impairment charge of $35,040,177 was taken as at that date and was reflected in the Company's 2013 audited financial statements. At the end of the six months ended June 30, 2014, the Company considered whether there had been any significant changes to the indicators of impairment at year end and whether any new indicators were present and has determined that there are no indications that the carrying value of any or all of its projects is impaired or that impairment losses recognized in prior periods should be reversed.

Below are certain factors which management believes further support the carrying values of its projects and are not fully reflected in the Company's market capitalization:

- The Company has obtained EA approval for the NICO project and is focused on obtaining all necessary permits for the NICO project to proceed, and has plans in place and resources assigned to help achieve this;
- The Company has obtained a final Land Use Permit for the NICO mine;
- The Company is currently focused on obtaining EA approval and permits for the Arctos project and has plans in place and resources assigned to help achieve this;
- Substantive expenditures on the Company's main projects, NICO and Arctos, are planned and budgeted for beyond 2013;
- A successful arrangement of a joint venture with POSCAN was completed in 2011 to help finance the Arctos project through development;
- The feasibility studies completed to date on NICO and Arctos demonstrate net present values in excess of the carrying values of the respective projects;
- The Company has engaged a financial advisor to assist in securing additional financing through strategic partners to support the development of NICO and Arctos;
- A strategic investment by Procon, completed in 2013, will move the NICO project forward and provides additional working capital; and
- The Company engaged the services of cobalt and bismuth experts to analyze the market as it relates to cobalt and bismuth products, results showed great opportunity for the NICO project returns relative to spot price.

FINANCIAL INSTRUMENTS

As at the date hereof, the Company's financial instruments consist of: short-term investments included in cash and cash equivalents and reclamation security deposits, designated as financial assets measured at fair value through profit and loss; accounts receivable which is a financial asset designated as a receivable, measured initially at fair value and subsequently on the basis of amortized cost using the effective interest rate method; and accounts payable and accrued liabilities, interest payable, income taxes payable, current debt and capital contribution liability, which are financial liabilities designated as other liabilities measured initially at fair value and subsequently on the basis of amortized cost using the effective interest rate method. It is management's opinion that the Company is not exposed to significant interest or credit risks arising from these financial instruments. The Company mitigates its risk by holding short-term investments in instruments low in risk and highly rated with large reputable financial institutions.

ADDITIONAL INFORMATION

Additional information relating to the Company, including its current and previous year's annual information forms are available on SEDAR at www.sedar.com.

SHARE DATA

As at the date hereof, the Company has 190,244,847 common shares issued and outstanding, as well as stock options to purchase an aggregate of 8,595,000 common shares expiring at various dates between May 25, 2015 and February 4, 2019 and exercisable at various prices between $0.34 and $1.67 per option. All stock options have vested as at the date hereof.

INTERNAL CONTROLS OVER FINANCIAL REPORTING

Internal controls over financial reporting ("ICFR") are designed to provide reasonable assurance regarding the reliability of the Company's financial reporting and the preparation of financial statements in compliance with IFRS. Any system of ICFR, no matter how well-designed, has inherent limitations. Therefore, even well-designed systems of internal control can provide only reasonable assurance with respect to financial statement preparation and presentation.

As at June 30, 2014, no material weaknesses in the Company's ICFR have been identified and for the period commencing on January 1, 2014 and ending June 30, 2014, there were no changes made to the Company's ICFR considered to have materially affected, or are reasonably likely to materially affect, its ICFR. However, the Company continually assesses and, if required, implements new or modifies existing controls required to support operational changes as it makes the transition to producer. The Company is currently transitioning control over RSM processes. The Company's processes and internal controls are being implemented at the RSM. Additional controls are being assessed as new processes are developed and the progress towards commercial production continues.

This document contains certain forward-looking information. This forward-looking information includes statements with respect to, among other things, includes, among others, statements regarding the anticipated completion of the acquisition of 100% of the RSM and the anticipated development of the RSM, the Arctos project, the NICO project and the SMPP. With respect to forward-looking information contained in this document, the Company has made assumptions, including assumptions regarding, among other things, the Company's ability to obtain the necessary financing to complete the RSM acquisition and to develop and operate the RSM, the Arctos project, the NICO project and the SMPP. Some of the risks that could affect the Company's future results and could cause results to differ materially from those expressed in the Company's forward-looking information include: the inherent risks involved in the exploration and development of mineral properties and in the mining industry in general; the risk that the Company may not be able to arrange the necessary financing to complete the acquisition of the RSM or to develop, construct and operate the Arctos project, NICO project and the SMPP; uncertainties with respect to the receipt or timing of required permits for the development of the Arctos project, the NICO project or the SMPP; the risk that the operating and/or capital costs for any of the Company's projects may be materially higher than anticipated; the risk of decreases in the market prices of the metals to be produced by the Company's projects; loss of key personnel; discrepancies between actual and estimated production; discrepancies between actual and estimated mineral resources or between actual and estimated metallurgical recoveries; uncertainties associated with estimating mineral resources and even if such resources prove accurate the risk that such resources may not be converted into mineral reserves, once economic conditions are applied; labour shortages; mining accidents; the cost and timing of expansion activities; changes in applicable laws or regulations; competition for, among other things, capital and skilled personnel; unforeseen geological, technical, drilling and processing problems; compliance with and liabilities under environmental laws and regulations; changes to the Company's current business strategies and objectives; and other factors, many of which are beyond the Company's control. In addition, the risk factors described or referred to in the Company's Annual Information Form for the year ended December 31, 2013, which is available on the SEDAR website under the heading Corporate Profiles, should be reviewed in conjunction with the information contained in this presentation. 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. These forward-looking statements are made as of the date hereof and the Company assumes no responsibility to update them or revise them to reflect new events or circumstances, except as required by law.