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

Three and six months ended June 30, 2015

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 13, 2015 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, 2015 and with the audited consolidated financial statements and the notes thereto and MD&A for the year ended December 31, 2014, 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. Unless the context otherwise requires, the terms "Fortune" and "the Company" where used herein refer to Fortune Minerals Limited and its subsidiaries on a consolidated basis.

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.

	2015		2014				2013	
	Jun-30	**Mar-31**	**Dec-31**	**Sep-30**	**Jun-30**	**Mar-31**	**Dec-31**	**Sep-30**
Net gain (loss) (1)	(3,633,725)	2,605,689	(6,950,468)	(1,354,055)	(1,454,488)	(1,257,196)	(41,019,135)	(657,471)
Basic and fully diluted loss per common share(2)	(0.02)	0.01	(0.03)	(0.01)	(0.01)	(0.01)	(0.27)	—

Notes:
(1) 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 to meet the needs of our customers and partners by attracting and developing an exceptional team of people motivated to acquire, explore, develop, mine and reclaim resource properties in a safe and responsible manner.

The Company's most significant development asset is its wholly owned NICO gold-cobalt-bismuth-copper project in the Northwest Territories ("NICO").

Fortune has assembled an experienced team that is currently focused on advancing the NICO project towards commercial production, while also minimizing the risks associated with its development. Fortune is committed to developing its project in a socially and environmentally responsible manner. Fortune has received a Bronze Level recognition 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.

Revenue Silver Mine

On October 1, 2014, Fortune Revenue Silver Mines, Inc. ("Fortune Revenue"), a wholly-owned subsidiary of Fortune, completed the purchase of a 100% ownership interest in the Revenue Silver Mine (the "RSM"), a fully permitted and constructed silver mine located in southwestern Colorado in the late stages of commissioning.

In order to finance the acquisition and operations of the RSM, the Company entered into a General Corporate Facility agreement ("the General Corporate Facility") with LRC-FRSM LLC ("LRC") during the third quarter of 2014 for $US4 million. This $US4 million bridge loan supported the Company's short-term working capital requirements and the advancement of near term capital improvements required at the mine.

On October 1, 2014, the Company entered into a second facility with LRC, a Senior Secured Metal Prepay Facility ("the Metal Prepay Facility"), which resulted in the Company receiving total financing of $US35 million. The first tranche of $US25 million was received on October 1, 2014 and the second tranche of $US10 million was received on October 16, 2014. The Company used the funding from the first tranche to repay the General Corporate Facility, fund the RSM acquisition, including amounts owing to the previous owner of the mine, make capital investments to improve the mine operations, and provide working capital.

The Metal Prepay Facility was amended on December 22, 2014, February 12, 2015 and March 25, 2015, resulting in an aggregate of an additional $US16 million of working capital being received by Fortune Revenue.

On July 1, 2015, the Company received notice from LRC that events of default had occurred under the Metal Prepay Facility. The notice from LRC declared all amounts and deliveries owing under the Metal Prepay Facility to be immediately due and payable. Fortune Revenue's obligations under the Metal Prepay Facility were secured by all of its assets and guaranteed by the Company and certain of its other subsidiaries, including Fortune Minerals NWT Inc. ("Fortune NWT") and Fortune Minerals Saskatchewan Inc. ("Fortune Saskatchewan"), which also granted LRC security over their respective assets.

On July 17, 2015 the Company entered into a Master Restructuring Agreement ("Restructuring Agreement") with LRC and its other secured creditors to settle its secured debt obligations. The Restructuring Agreement was subsequently amended on August 12, 2015. The Restructuring Agreement as amended is filed on SEDAR at www.sedar.com. The restructuring has been completed in two stages as summarized below:

<u>Stage 1 – Completed on July 17, 2015</u>

- Fortune contributed to the capital of Fortune Revenue all intercompany indebtedness owing by Fortune Revenue to Fortune and transferred all of the shares of Fortune Revenue to LRC; Fortune Revenue was subsequently renamed Ouray Silver Mines, Inc. ("Ouray")
- All obligations of Fortune and its Canadian subsidiaries under the LRC short term facility have been released
- Ouray paid US$200,000 to Fortune
- Fortune has agreed to provide certain purchasing, logistics and operations transition services to Ouray and LRC to assist in the operation of the RSM

<u>Stage 2 – Completed on August 12, 2015</u>

- Fortune has issued to LRC and the other secured creditors:
    - Unsecured debentures in the principal amount of C$5 million to Lascaux and C$3.75 million to the other secured creditors. The debentures have a term of seven years, bear interest at 5% per annum accruing semi-annually and are repayable at maturity
    - 7.5 million Class A warrants and 29,019,391 Class B warrants to Lascaux and
    - 5 million Class A warrants and 14 million Class B warrants to the other secured creditors
- Each Class A warrant will entitle the holder to purchase one Fortune common share at C$0.15 and will expire on the fifth anniversary of the date of issuance
- Each Class B warrant will entitle the holder to purchase one Fortune common share at C$0.25 and will expire on the seventh anniversary of the date of issuance. 42,259,476 of the Class B warrants can only be exercised for the purposes of setting off or financing the repayment of an equivalent amount owing under the debenture held by the warrant holder
    - The debentures will be repayable in the event that NICO is sold, directly or indirectly
- Ouray has paid $US320,000 to Fortune
- All remaining security in Fortune's and its subsidiaries assets held by LRC under the Metal Prepay Facility and by the other secured creditors has been released and discharged.

NICO Project

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.

An updated feasibility study report was prepared in order to document a number of improvements that had been made to the NICO project since the 2012 FEED Study had been completed. 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 by the Company under National Instrument 43-101

In support of permitting and financing initiatives for NICO, the Company undertook the following activities during the six months ended June 30, 2015:

- Held various meetings and discussions with local communities and stakeholders near the future SMPP site;
- Continued to review alternate locations for process residue storage for the SMPP in Saskatchewan to address community concerns;
- Continued to hold various meetings and discussions with representatives from the Tlicho communities and Tlicho Government to achieve Access agreement and Impact and Benefit Agreement ("IBA"); and,
- Continued to hold discussions with the Government of the Northwest Territories including in relation to a socio-economic agreement and funding for the all-weather access road which is critical in determining the construction schedule for the project.

Arctos Project

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. ("POSCAN") and POSCO Klappan Coal Ltd. ("POSCO Klappan"), a wholly-owned subsidiary of POSCAN, to advance the Arctos anthracite coal project in northwest British Columbia to production through an unincorporated joint venture, the Arctos Anthracite Joint Venture ("AAJV"). POSCAN's parent company, POSCO, is based in South Korea and is one of the world's largest steel producers. Pursuant to the Agreement, POSCO Klappan acquired a 20% interest in the Arctos project.

On May 1, 2015 the Company, FCL, POSCAN and POSCO Klappan entered into an agreement (the "Arctos Sale Agreement") with Her Majesty the Queen in Right of the Province of British Columbia (the "Province") and British Columbia Railway Company ("BC Rail") pursuant to which the AAJV sold its interests of the coal licenses comprising the Arctos project to BC Rail for $18,308,000. The AAJV partners maintain the exclusive right to purchase back the coal licenses at the same price for a 10-year option period. If both partners do not wish to exercise the repurchase option, each of them may do so individually. Fortune, FCL, POSCAN and POSCO Klappan have also entered into the Amendment to Exploration, Development and Mine Operating Joint Venture Agreement ("Amended Agreement") to restructure the AAJV and share the proceeds from the sale of the Arctos coal licenses on an equal basis after purchasing the royalty held by the previous owner [the aforementioned third party] of the property for $308,000. Fortune will also be solely responsible for reclamation of the Arctos property except for the access road for which the Province will be responsible and Fortune will also be entitled to receive the cash provided as security for its reclamation obligations once the reclamation is complete. Fortune used its $9 million share of the funds from this transaction to satisfy its obligation under the Metal Prepay Facility to contribute US$ 5 million in capital support for the RSM, for working capital and to repay debt.

Pursuant to the Amended Agreement, FCL transferred 30% of its interest in the Arctos JV to POSCO Klappan, thereby reducing its interest from 80% to 50%, in exchange for the elimination of the future capital contribution to be made by FCL. This resulted in the Company recording a gain on sale of investment of $2,541,597.

The Company has recognized a loss on the sale of Arctos in the amount of $11,385,140 and management has determined that the fixed assets held for the project have little to no value and these have also been written off resulting in a loss of $16,914 of which 50% has been recorded by FCL. Additional expenses incurred in the three month period ended June 30, 2015 and reversal of prior period accruals by Fortune related to the Arctos project have also been written off in the quarter resulting in a gain of $2,341.

The NICO and Arctos projects, along with other exploration projects of the company are classified as exploration and evaluation stage projects for accounting purposes. Exploration and evaluation cash expenditures incurred by Fortune on its properties during the three and six months period ended June 30, 2015 were $116,860 and $433,663, respectively, and were spent on the projects as follows:

	Three months ended June 30, 2015	**Six months ended June 30, 2015**
NICO	$ 107,863	$ 229,346
Arctos	6,194	201,514
All Other Projects	2,803	2,803
Total cash exploration and evaluation expenditures	$ 116,860	$ 433,663

For comparison, exploration and evaluation 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

Exploration and evaluation expenditures for the six months ended June 30, 2015 were lower compared to the same period in 2014, as a result of decreased expenditures on both Arctos and NICO. With respect to NICO, the Company has reduced spending pending further financing and additional clarity from the Government of the NWT on its plans for construction of an all-weather road.

Mine development cash expenditures incurred by Fortune on its RSM property during the six months ended June 30, 2015 were $18,345,431. Expenditures incurred in the six month period relate to activities undertaken to advance the project through the commissioning period, mine development and capital projects to improve safety and operating efficiencies at the mine.

RESULTS OF OPERATIONS

Summary

The Company's net loss for the three and six-month periods ended June 30, 2015 was $3,633,725 and $1,028,036, respectively, or $0.02 and $0.01 per share compared to $1,454,488 and $2,711,684 or $0.01 and $0.02 per share for the same periods in the prior year.

Expenses

Expenses increased to $1,701,292 and $3,296,921 compared to $1,597,989 and $3,157,791for the three and six-month periods ended June 30, 2015 and 2014, respectively.

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

- Increase in administrative expenditures primarily as a result of the RSM acquisition – there were limited costs in the first six months of the prior year, and an increase in professional fees (ie. legal and audit) and reclamation costs; and
- Increase in interest expense as a result of the increase in a previous loan from $3 million to $5.125 million.

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

- Decrease in stock-based compensation expense as a result of no stock options being granted in 2015.
- Decrease in investor relations costs due to cost saving measures.
- Decrease in accretion expenses as a result of the sale of the Arctos project and no longer needing to record adjustments to the long term contribution payable to the AAJV/POSCO.

Other Income and Charges

Interest and other income for the three and six-month periods ended June 30, 2015 was ($13,911) and $6,462, respectively, compared to $38,338 and $105,799 for the same period in 2014. The decrease is primarily due to no investments being held and lower cash balances during this period in 2015 compared to the same period in 2014.

On May 1, 2015, FCL's interest in the AAJV was reduced from 80% to 50% as a result of the Amended Agreement. This decrease resulted in a gain on sale of investment of $2,541,597. On this same day, the Company sold its interest in the Arctos project for proceeds of $9,154,000 and recorded a loss of $11,391,256, including the write off of capital assets and other related expenditures. During the first quarter of 2015, the Company sold equipment to an existing vendor in the amount of $8,000 and a computer was also disposed of resulting in a loss of $343.

During the three and six-month periods ended June 30, 2015 a gain of $5,612,004 and $9,424,722 has been recognized relating to the difference between interest calculated on the Metal Prepay Facility using the effective interest rate method and the interest paid, offset by $60,940 of transactions costs related to amending the original Metal Prepay Facility. These costs have been expensed in the loss on extinguishment of debt or other account.

Fortune 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 gain from converting $US balances in Fortune to $C at June 30, 2015 was $391,035 (June 30, 2014- loss of $54,829). The functional currency of Fortune Revenue, a Colorado subsidiary established for the purposes of acquiring the RSM, is $US. The accounts of Fortune Revenue 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, 2015 was ($424,820) and $1,694,447 compared with $266,133 for the same periods in 2014.

Deferred Taxes

The Company recognized a deferred income tax provision of $1,264,000 for the six months ended June 30, 2015 compared to a recovery of $397,000 for the same period in 2014. The 2015 deferred income taxes results from recognition of $248,000 from the estimated tax loss, $1,192,500 for other expenses and $31,000 for renunciation of flow-through expenses. The net provision includes a recovery of $119,500 for a valuation allowance and $87,500 for rate difference and other expenses. During the same period in 2014, the deferred income tax net recovery of $397,000 resulted primarily from a provision of $86,000 for non-deductible stock-based compensation and $478,000 for valuation allowance. The net provision included a recovery of $826,000 for deferred tax benefits resulting from the estimated tax loss, $162,000 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, 2015 was $3,394,874 compared to $1,622,242 for the same period in 2014. The operating activities before changes in non-cash working capital used cash of $2,465,447 and $2,157,975 for the same periods in 2015 and 2014, respectively. The increased use of cash in operating activities, before changes in non-cash working capital, is primarily related to the increases interest expense and other administrative expenses, as discussed above in the "Expenses" section.

Cash used in investing activities decreased to $9,447,091 from $10,823,062 when comparing the six months ended June 30, 2015 to 2014. This decrease is primarily due to RSM mine development costs of $18,013,428 included in the purchase of plant and equipment and capital assets being offset with proceeds on the sale of Arctos of $9,000,000. Exploration and evaluation expenditures have decreased from $3,737,183 in 2014 to $433,663 in 2015 due to reduced spending pending further financing and additional clarity from the Government of the NWT on its plans for construction of an all-weather road.

Cash provided by financing activities increased to $9,430,211 from $5,051,514 for the six months ended June 30, 2015. Cash provided in 2015 was as result of $476,672 received from a private placement effective April 1, 2015 compared to $3,051,514 received in 2014 and an increase in debt of $11,322,135 compared to $2,000,000 for the same period in 2014. More details are provided in below in the "Liquidity and Capital Resources" section.

LIQUIDITY AND CAPITAL RESOURCES

As at June 30, 2015, Fortune had cash and cash equivalents of $2,336,357 and a working capital deficit of $69,876,289. Of the total consolidated cash, $809 represents Fortune's 50% share of cash from the AAJV.

The following is a summary of contractual obligations for the next five years and thereafter:

Contractual Obligations	***Payments Due by Period***				
	Total	***Less than 1 year***	***1 - 3 years***	***4 - 5 years***	***After 5 years***
Finance Lease Obligations	**861,127**	759,581	101,546	-	-
Current Debt	**66,826,591**	66,826,591			
Total Contractual Obligations	**67,687,718**	**67,586,172**	**101,546**	**-**	**-**

The current debt and the bulk of the working capital deficit represents amounts owing to LRC under the Metal Prepay Facility. The original amount financed was due over 5 years and the additional working capital financing received on December 22, 2014 and February 12, 2015 was due by December 31, 2015. With the March 25, 2015 amendment, the original Metal Prepay Facility was restructured to reduce the required payment of silver equivalent units and extend the repayment period to 54 months beginning July 2015. The working capital portion of the facility was restructured to increase the required payment of silver equivalent units and the payback period was extended from December 31, 2015 to March 31, 2016. The long-term debt due August 31, 2016 is also included in current debt in the above table as a result of a cross default provision in the agreement.

During 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, 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 August 31, 2016. The loans will continue to bear interest at 9% per annum and are secured by a charge on the Company's personal property and the NICO mining leases. The debt has been classified as current debt due to a cross default provision in the agreement.

Under the Metal Prepay Facility, should the Company be in default of the agreement, LRC had the right to terminate the agreement and declare all amounts owing due and payable. At June 30, 2015 the Company was in default of certain covenants and LRC had the right to demand accelerated payment and as a result, the long-term debt of $US49,559,912 [$61,903,463] as at June 30, 2015 has been classified as current debt. On July 17, 2015 the Company entered into a Restructuring Agreement that settled all current debt outstanding. See "Overview" above for more details.

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. 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.

The NICO project requires further funding during 2015 or risks delays and additional financing is required to advance the NICO project through to production.

In addition to contractual obligations noted, non-discretionary budget commitments required to keep current mining leases for NICO in good standing consist of annual payments of $12,700.

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 for NICO and Arctos and a surety bond in favour of the Colorado Division of Mining Reclamation and Mining Safety for the RSM. As indicated above, additional financing is required to construct mine infrastructure and processing facilities, to acquire additional equipment for the NICO project. 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.

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 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 continually pursuing and considering various financing opportunities. The Company has historically been successful in financing its activities, however, there are no assurances that it will be successful in raising future funds required.

OUTLOOK

The Company's principal objective is to achieve and successful development and financing of the NICO project. 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, 2014 MD&A filed on SEDAR. The most significant risks to meeting its objectives for NICO 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 proactive 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.

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

- work with governments to achieve certainty on road schedule and funding which will determine the construction schedule;
- complete re-zoning followed by 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 and an IBA;
- 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 road construction agreements and site preparation plans, including construction of laydown

areas to receive equipment and material required for early work construction; and
- continue detailed engineering and procurement activities once financing is secured.

In the six months ending June 30, 2015, the Company focused on 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. 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, receipt of the land use permit and Type A water licence for the NICO site, 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.

Activities undertaken during 2015 towards achieving the next major milestones for the NICO project will remain the Company's focus through 2015. As it pursues this objective, the Company will strive to prudently manage capital resources and mitigate risks.

TRANSACTIONS WITH RELATED PARTIES

During the six months ended June 30, 2015, the Company paid key management personnel, including officers, directors, or their related entities an aggregate of $535,013 for consulting and/or management services and legal services. At June 30, 2015, $133,846 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, 2015:

Related Party	Relationship	Business Purpose of Transaction						Total	
		Salaries and Benefits [7]		Consulting Services		Legal Services			
		Paid	Payable	Paid	Payable	Paid	Payable	Paid/Awarded	Payable
Chen, Shouwu	Director							$ -	$ -
Clouter, Carl [1]	Director			$ 24,000				24,000	-
Doumet, George	Director							-	-
Excell, James [2]	Director							-	-
Goad, Robin [3]	President & CEO, Director	$ 2,152		137,500	12,500			139,652	12,500
Jean, Adam [4]	VP Finance & CFO	48,967						48,967	-
Knight, David [5]	Director					$ 182,500	$ 100,500	182,500	100,500
Naik, Mahendra	Director							-	-
Romaniuk, Mike	VP Operations & COO	139,894	20,846					139,894	20,846
Williams, James W. Jr. [6]	Director							-	-
Yurkowski, Edward	Director							-	-
Total		$ 191,013	$ 20,846	$ 161,500	$ 12,500	$ 182,500	$ 100,500	$ 535,013	$ 133,846

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

[2] James Excell did not stand for re-election at the June AGM and is no longer a director.

[3] 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.

[4] Adam Jean resigned as Vice President Finance and Chief Financial Officer of the Company effective January 31, 2015.

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

[6] James W. Williams, Jr. Resigned as a director on April 23, 2015.

[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.

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 Company's stage of development and the volatility of the market, using the share price as a sole indication of impairment is not practical, although the Company does monitor the magnitude of the gap between its market capitalization and the project carrying values. At the end of the year ended December 31, 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 determined that there were no indications that the carrying value of any or all of its projects was impaired or that impairment losses recognized in prior periods should be reversed, except as discussed below. At December 31, 2014, management of the Company determined that the continued decline in the market price of metals constituted an impairment indicator and completed an impairment assessment of the Sue-Dianne project that resulted in an impairment charge of $1,900,269 for that project. No further impairment charges have been recognized in the first six months of 2015.

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;
- substantive expenditures on the Company's main project, NICO, are planned and budgeted for 2015 and beyond;
- the feasibility study completed to date on NICO demonstrates a net present value in excess of the carrying values of the project;
- 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 prices; and
- The Company obtained financing to acquire 100% of the RSM and fund its development and is in the process of commissioning and ramp-up of the operations.

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 long-term debt, finance lease obligations, royalty payable which is measured on a discounted cash flow basis 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 222,077,580 common shares issued and outstanding, 6,286,033 warrants which entitle the holder to purchase one common share between $0.15 and $0.40 between March 31, 2016 and August 18, 2016, and stock options to purchase an aggregate of 6,445,000 common shares expiring at various dates between November 6, 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, 2015, no material weaknesses in the Company's ICFR have been identified and for the period commencing on January 1, 2015 and ending June 30, 2015, 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 becoming a producer. 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 development of 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 develop and operate 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 fund the capital and operating improvements necessary to carry on operating or to develop, construct and operate the NICO project and the SMPP; uncertainties with respect to the receipt or timing of required permits for the development of 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 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; workplace 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. See "Risks and Uncertainties" in the Company's MD&A for the year ended December 31, 2014. 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.*