

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

**Year ended December 31, 2018**

*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 March 28, 2019 and should be read in conjunction with the Company's Annual Audited Consolidated Financial Statements and the notes thereto for the year ended December 31, 2018, 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.*

### SELECTED ANNUAL INFORMATION

	2018	2017	2016
<b>Net income (loss) from continuing operations</b>	8,548,687	(12,148,529)	(7,874,646)
<b>Basic and fully diluted income (loss) per common share</b>	0.03	(0.04)	(0.03)
<b>Total assets</b>	78,326,060	79,599,515	69,130,987
<b>Debt - non-current</b>	7,442,171	6,373,830	5,406,662

### SUMMARY OF QUARTERLY RESULTS

The following table provides selected consolidated financial information that is derived from the unaudited interim condensed consolidated financial statements and audited consolidated financial statements of the Company. The amounts represent the three-month periods ended:

	2018				2017			
	Dec-31	Sep-30	Jun-30	Mar-31	Dec-31	Sep-30	Jun-30	Mar-31
<b>Revenue and Other Income</b>	20,393	17,218	28,264	24,427	14,815	24,227	51,325	306
<b>Net income (loss)</b>	(172,101)	538,298	6,075,350	2,107,140	(4,523,814)	(1,504,932)	(1,009,170)	(5,110,613)
<b>Basic and fully diluted income (loss) per common share<sup>(1)</sup></b>	—	—	0.02	0.01	(0.02)	(0.01)	—	(0.02)

Notes:

(1) The sum of quarterly income (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 recognized as a developer, miner, processor and refiner of specialty energy and eco-metals, together with gold and other by-products that contribute to the growing green economy. Supporting the vision is Fortune's mission to profitably produce specialty and precious metals to meet the needs of our customers and partners, and to attract and develop 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 cobalt-gold-bismuth-copper deposit and proposed mine ("NICO") in the Northwest Territories ("NWT") and a related refinery contemplated to be constructed in Saskatchewan (collectively, the "NICO Project"). Fortune is investigating a number of potential development scenarios for the NICO Project that will be assessed in an updated technical report to its 2014 Feasibility Study. These include producing metal concentrates and gold doré for direct sale to third party refiners from the Company's proposed mine and concentrator in the NWT; and two scenarios of processing the cobalt concentrate in Saskatchewan to cobalt carbonate and cobalt sulphate products and processing the bismuth concentrate to ingots and/or oxide. The scenarios would enable the Company to build the vertically integrated

project upon receipt of project financing and final permits or defer the capital costs associated with the Saskatchewan refinery if there is a suitable market for its concentrates, thereby also reducing commissioning, refining and metal marketing risks.

Fortune has experienced personnel 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.

#### *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 this project. The NICO project comprises a proposed mine, mill and concentrator in the Northwest Territories and a related proposed hydrometallurgical process refinery in Saskatchewan, 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](http://www.sedar.com) by the Company under National Instrument 43-101.

When NICO is developed, Fortune will be an important new producer of battery grade cobalt products to the rapidly expanding lithium-ion rechargeable battery industry, and their use in portable electronic devices, electric vehicles, and stationary storage cells to make electricity use more efficient. Fortune will also produce environmentally friendly bismuth metals and oxide used in the automotive and pharmaceutical industries and as a non-toxic and environmentally safe replacement for lead in the growing green economy. NICO will also be a significant producer of gold and may also produce minor amounts of by-product copper. Fortune will be able to demonstrate supply chain transparency and custody control of metals from ores through to the production of value added products and mitigate risks from current mine sources of cobalt and bismuth supply in the Congo and China, respectively.

A feasibility study report (the "2014 Feasibility Study") was prepared in order to document a number of improvements to the NICO project since the preparation of the 2012 FEED Study. The 2014 Feasibility Study updated 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 Limited ("Micon") and entitled "*Technical Report on the Feasibility Study for the NICO Gold-Cobalt-Bismuth-Copper Project, Northwest Territories, Canada*" (the "Technical Report") was also filed on SEDAR.

In support of permitting and financing initiatives for NICO, the Company undertook the following activities during the year ended December 31, 2018:

- Continued to negotiate with the Government of the Northwest Territories ("GNWT") to conclude a Socio-Economic Agreement ("SEA"). Helped support the GNWT and Tlicho Government in completing the permitting and funding for the all-weather access road to the community of Whati which is critical to determining construction schedule certainty for the NICO Project. On March 29, 2018, the Mackenzie Valley Environmental Impact Review Board ("the Impact Review Board") recommended that the Tlicho All-Season Road ("Tlicho Road") be approved subject to measures designed to mitigate potential environmental, social and cultural impacts. On October 26, 2018, the GNWT announced that the responsible ministers of the Government of Canada and the GNWT have accepted the environmental assessment approval for the Tlicho Road incorporating the modified measures developed together with the Tlicho Government through the consult to modify process with the Board. The Tlicho Government also approved the Board's recommendation with modifications. On November 13, 2018, the GNWT announced that North Star Infrastructure has been selected as the preferred proponent to fund, construct, operate and maintain the Tlicho Road under a Private Public Partnership ("P3") structure for the GNWT 75% cost of the road with the government of Canada funding 25% of the construction cost. On February 14, 2019, the GNWT announced that it had executed the contract with North Star Infrastructure to design, construct, operate and maintain the Tlicho Road for a total project cost \$411.8 million over a 28-year period.

Construction is anticipated to commence in Q3, 2019 and be completed in 2022, which aligns with the construction schedule for NICO, which is expected to be constructed using a winter ice road but requires an all-season road for operations.

- Continued discussions with various parties to determine all available options for financing the NICO project. Fortune previously entered into an engagement with PricewaterhouseCoopers Corporate Finance Inc. ("PwCCF") to assist with securing financing for construction of the NICO project. On April 18, 2018, Fortune provided notice that it would be terminating this engagement effective May 18, 2018 as the Company believes that the most efficient way forward is for management to drive the financial process as the Company's financing strategy relies primarily on management's detailed knowledge of the processes, commodities and marketing.
- Continued discussions with companies interested in acquiring off-take for the metals and chemicals Fortune plans to produce from the NICO project.
- Continued to work with Hatch Ltd. ("Hatch"), P&E Mining Consultants Inc. ("P&E") and Micon to update the Technical Report for the 2014 Feasibility Study using updated costs, currency exchange rates, and commodity prices as well as design changes, including an approximate 30% increase in the mill throughput rate to 6,000 metric tonnes of ore per day. The Company had expected to issue the completed feasibility study update in 2018; however, during the quarter ended June 30, 2018, the Company was contacted by several companies interested in purchasing metal concentrates directly from the NICO mine for treatment in their existing process facilities. As a result of this interest, the Company is now presented with several new development scenario opportunities that the Company feels could be attractive and are worth investigating. In order to allow the flexibility of selling metal concentrates directly from the mine, the Company has instructed Hatch to adjust engineering design in order to allow for the flexibility of proceeding or deferring the downstream process plant in Saskatchewan, which has resulted in a delay in the issuance of the completed feasibility study update.
- Engaged SGS to conduct test work validating cobalt recoveries from recirculating certain process streams during cobalt sulphate crystallization.
- Engaged TetraTech to design the spur road to the NICO site and an airstrip to be used during construction and for emergency purposes during mine operations.
- Engaged Dundee Sustainable Technologies Inc. to conduct a metallurgical test work program to assess the application of its Pyrolysis Roast and Arsenic Stabilization processes on metal concentrates produced from the NICO project. The objective of this work was to demonstrate that the Company can remove the arsenic and create metal concentrates that are more attractive to the market and can be processed in existing metal recovery circuits operating around the world. The test work was initiated because of the interest received from refining companies in purchasing metal concentrates directly from the mine. Results of the test work verified that an upgraded and essentially arsenic-free cobalt concentrate can be produced at NICO. Gold can also be recovered from metal concentrates at the mine site, which would allow the Company to control the gold revenue stream, while producing separate cobalt and bismuth concentrates for sale to third party processors with substantially all of the arsenic removed, and which is typically penalized.
- Re-initiated the negotiations for the participation and access agreements negotiations with the Tlicho Government, including completion of a Capacity Funding Agreement among Fortune, the Tlicho Government, GNWT and federal government.
- Submitted the Aquatic Baseline Summary Report to the Wek'èezhìi Land and Water Board ("WLWB") on June 19, 2018. This report will be an integral part of the Aquatic Effects Monitoring Plan for operations and requires approval from the WLWB prior to mine construction. The Company is also modeling the quality of the seepage water expected to be generated from the Co-Disposal Facility ("CDF") that the Company intends to build at the NICO project mine site to permanently store waste rock and tailings generated from the mine. The results of the source term modeling will be used in the design of the CDF Management Plan, the CDF Final Design Report and the Constructed Wetland Treatment System pilot studies that are also required to be completed prior to construction. The CDF modeling work is still ongoing as of the date of this report. During year ended December 31, 2018, the Company engaged Tetra Tech Inc. to conduct additional geotechnical work for the NICO project access road from the community of Whati to the mine site and for the proposed airstrip.

- Updated materials to support the rezoning application for the Company's lands in Saskatchewan to allow for the development of the SMPP. The Company has submitted its Comprehensive Development Report to the Rural Municipality of Corman Park ("Corman Park") on April 23, 2018.
- Engaged SGS Lakefield Ltd. to verify gold recoveries from NICO bulk, cobalt and bismuth concentrates to enable the sale of concentrate development option.
- Co-sponsored, together with the GNWT and other industry, community and education partners, the delivery of the Prospectors and Developers Association of Canada Mining Matters program, Mining Rocks Earth Science Education, to Grade 4 students at elementary schools in the Northwest Territories, including a school in Behchoko.
- Announced the establishment of two educational awards to help support Tlicho students already enrolled or entering post-secondary education programs in the fields of Geology, Earth Sciences, Engineering, Environmental Studies, Business and Accounting, and Health Care. The funds contributed will help cover educational expenses such as tuition, books and accommodation.
- Conducted a number of Requests for Qualification and Request for Proposals with identified contractors for contract mining, construction of the NICO spur road, power supply and camp and accommodation services.

On January 30, 2019, the Company entered into a SEA with the GNWT. The SEA formalizes GNWT and Fortune objectives to optimize Northern and Indigenous employment, training, business opportunities and education to benefit residents of the Northwest Territories. The SEA also establishes measures to identify and mitigate socio-economic impacts arising from development of the mine and related facilities in Tlicho territory.

On March 25, 2019, Corman Park rejected the Company's application to change the zoning of its lands from Agriculture to M2 Rural Industrial. Fortune is considering its options with respect to the 478 acres of land owned in Corman Park. Over the past several months, the Company has been working on alternate plans in the event of a negative zoning change decision. These include identification of alternative sites in Saskatchewan and other jurisdictions to build the facility in a supportive municipality that wants to attract economic opportunities and participate in the production of energy metals and their potential spinoff businesses. The Company is also evaluating a lower cost start-up option of selling metal concentrates and gold doré directly from the proposed mine as discussed above.

On May 1, 2015 the Company's wholly-owned subsidiary, Fortune Coal Limited ("FCL") and POSCO Klappan Coal Ltd., FCL's joint venture partner in the Arctos Anthracite Joint Venture ("AAJV"), sold their interests in the coal licenses comprising the Arctos anthracite coal project in northwest British Columbia to British Columbia Railway Company 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, which expires on May 1, 2025. On March 31, 2017, the Government of British Columbia imposed a 20-year moratorium on major industrial development within parts of the Klappan area. During the 10-year option period currently in effect, the coal licenses are excluded from this moratorium on industrial development within the Klappan area.

## **RESULTS OF OPERATIONS**

### **Summary**

The Company's net income for the year ended December 31, 2018 was \$8,548,687 or \$0.03 per common share compared to a net loss of \$12,148,529 or \$0.04 per common share for the prior year.

### **Revenue and Other Income**

Revenue and other income decreased in 2018 to \$90,302 for the year ended December 31, 2018 compared to \$90,673 for the prior year. The Company earned greater interest on investments in 2018 but this was offset by a gain on flow-through share premium which was recognized in 2017.

## Expenses

Expenses decreased in 2018 to (\$8,458,385) for year ended December 31, 2018 compared to \$12,239,202 for the prior year.

The decrease year over year is primarily attributable to: (i) a gain realized on the change in fair value of derivatives compared to a loss in the prior year; and (ii) a decrease in general and administrative expenses resulting from a decline in stock-based compensation expenses. This year over year decrease was partially offset by: (i) an increase in expenses related to an increase in staff, related benefits, travel and investor relations activity; and (ii) an increase in interest expenses related to interest accrued on the Company's long-term debt, which is compounded semi-annually.

## Deferred Taxes

The Company has not recognized a net deferred income tax recovery or provision for the years ended December 31, 2018 and 2017. During the year ended December 31, 2018, recognition of \$3,109,000 for non-deductible change in fair value of derivative resulted in an income tax recovery which was offset by: (i) a tax provision of \$2,283,000 from the estimated tax loss; (ii) \$577,000 for a loss carryforward not recognized; (iii) \$223,000 for non-deductible stock-based compensation and other expenses; and (iv) \$26,000 for tax rate difference.

During the same period in 2017, a recognition of \$3,251,000 from the estimated tax loss and \$10,750 for non-taxable flow-through share premium resulted in an income tax recovery which was offset by: (i) a tax provision of \$2,434,000 for non-deductible change in fair value of derivative; (ii) \$418,250 for a loss carryforward not recognized; (iii) \$268,000 for non-deductible stock-based compensation and other expenses; (iv) \$116,000 for renunciation of flow-through expenses; and (v) \$25,500 for tax rate difference.

A valuation allowance of \$15,630,000 has been recognized related to the uncertainty of realizing the benefit of deferred income tax assets in future years.

## Cash Flow

Cash used in operating activities during the year ended December 31, 2018 was \$1,803,314 compared to \$1,480,482 for the same period in 2017. The use of cash in operating activities has increased year over year which is attributed to an increase in general corporate activity as well as increased marketing efforts by the Company.

Cash used in investing activities was \$3,744,423 compared to \$2,622,791 when comparing the year ended December 31, 2018 and 2017, respectively. This increase related primarily to an increase in capital assets included in mining properties as well as an increase in exploration and evaluation expenditures in 2018 due to an increase in activity related to the NICO project.

The NICO project, and the Company's other exploration projects, 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 twelve months ended December 31, 2018 were \$535,958 and \$2,463,277 respectively, and were spent on the projects as follows:

	Three months ended December 31, 2018	Year ended December 31, 2018
NICO	\$ 535,850	\$ 2,460,366
All Other Projects	108	2,911
<b>Total cash exploration and evaluation expenditures</b>	<b>\$535,958</b>	<b>\$ 2,463,277</b>

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For comparison, exploration and evaluation expenditures incurred by Fortune on its properties during the three and twelve months ended December 31, 2017 were \$488,744 and \$1,854,532, respectively, and were spent on the projects as follows:

	Three months ended December 31, 2017	Year ended December 31, 2017
NICO	\$ 488,744	\$ 1,851,729
All Other Projects	—	2,803
<b>Total cash exploration and evaluation expenditures</b>	<b>\$488,744</b>	<b>\$ 1,854,532</b>

Exploration and evaluation expenditures for the three and twelve months ended December 31, 2018 were higher compared to the same periods in 2017, as a result of an increase in activity at NICO related to some site work being completed as well as continued work on updating the feasibility study.

Cash provided by financing activities decreased to \$634,398 and \$11,687,769 for the year ended December 31, 2018 and 2017, respectively. Cash provided in 2018 was a result of the exercise of derivative warrants and options while 2017 cash provided was a result of a short form prospectus offering as well as a private placement. More details are provided below in the "Liquidity and Capital Resources" section.

Below is a summary of Common Shares issued and net cash proceeds from financing activities for the years ended December 31, 2018 and 2017:

	2018		2017	
	Shares/Warrants Issued	Cash Proceeds and Costs, Net	Shares/Warrants Issued	Cash Proceeds and Costs, Net
	#	\$	#	\$
<b>Common shares issued during the year</b>				
<b>Private offerings</b>	—	—	55,211,766	8,350,950
<b>Exercise of Warrants</b>	—	—	5,386,250	807,937
<b>Exercise of Options</b>	2,850,000	176,250	—	—
<b>Exercise of Derivatives<sup>(1)</sup></b>	3,709,901	493,417	1,946,296	258,857
<b>Share issuance costs</b>	—	(35,269)	—	(593,254)
<b>Total</b>	<b>6,559,901</b>	<b>634,398</b>	<b>62,544,312</b>	<b>8,824,490</b>
<b>Average proceeds per share issued</b>		<b>0.10</b>		<b>0.14</b>
<b>Warrants issued during the year</b>				
<b>Private offerings</b>	—	—	27,605,880	3,099,050
<b>Issuance costs</b>	—	—	—	(235,771)
<b>Total</b>	—	—	<b>27,605,880</b>	<b>2,863,279</b>
<b>Average proceeds per warrant</b>		—		<b>0.10</b>
<b>Cash Proceeds from Financing Activities Net</b>		<b>634,398</b>		<b>11,687,769</b>

Notes:

- (1) The 55,519,391 warrants issued on August 12, 2015 have been set up as a financial liability on the Consolidated Statements of Financial Position due to an anti-dilution clause which requires the exercise price and number of shares purchasable upon exercise to be adjusted from time to time in the event of Share Reorganizations, Rights Offerings, Special Distributions, General Offerings and Capital Reorganizations.

## LIQUIDITY AND CAPITAL RESOURCES

As at December 31, 2018, Fortune had cash and cash equivalents of \$3,611,228 and working capital of \$3,472,283 when compared to \$8,524,567 and \$8,320,615, respectively, for the same period in the prior year.

In January 2018, 3,709,901 warrants with an exercise price of \$0.133 were exercised raising gross proceeds of \$493,417. During the year ended December 31, 2018, 2,850,000 options with an exercise price between \$0.05 and \$0.185 were exercised raising gross proceeds of \$176,250.

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

<i>Contractual Obligations</i>	<i>Payments Due by Period</i>			
	<i>Total</i>	<i>Less than 1 year</i>	<i>1 – 3 years</i>	<i>After 5 years</i>
<i>Accounts payable and accrued liabilities</i>	<b>\$ 321,906</b>	\$ 321,906	\$ —	\$ —
<i>Long-term debt</i>	<b>8,750,000</b>	—	8,750,000	—
<i>Interest on Long-term debt</i>	<b>3,613,518</b>	—	3,613,518	—
<i>Provision for Environmental Rehabilitation</i>	<b>188,000</b>	—	—	188,000
<b><i>Total Contractual Obligations</i></b>	<b>\$ 12,873,424</b>	<b>\$ 321,906</b>	<b>\$12,363,518</b>	<b>\$188,000</b>

The long-term debt represents unsecured debentures in the principal amount of \$8.75 million held by previous secured creditors. The debentures have a term of seven years maturing on August 12, 2022, bear interest at 5% per annum, compounding semi-annually, and both principal and interest are payable at maturity. The loan balances have been recorded in the consolidated financial statements at their net present value using an effective interest rate of 18%.

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 plus an additional \$2,350 for water licenses.

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. 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.

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. With the existing working capital of \$3,472,283 at December 31, 2018, the Company has sufficient cash to conduct certain critical path activities in 2019. However, the NICO Project requires further funding to advance the project through to production. Management is continuously 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 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 below. The most significant risks to meeting its objectives for the NICO Project continue to

be project financing, rezoning the SMPP lands to provide the Company with the flexibility to construct its own processing facility, and construction schedule uncertainty for the Tlichó Road to Whati. 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 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:

- updating the technical report for the 2014 Feasibility Study based on updated costs, commodity prices and different development opportunities to support project financing;
- working with governments and North Star Infrastructure to achieve certainty on the construction schedule for the Tlichó Road;
- complete the already commenced process to secure new land for the SMPP, in a jurisdiction more supportive of industrial development, and continue reviewing the options to sell concentrates into the market to defer the capital expenditures of the SMPP;
- continuing studies and programs required to meet water license pre-construction requirements for the NICO project site;
- submission and regulatory compliance for the NICO Project Access Road water license and Land Use Permits;
- completing the negotiations with the Tlichó Government for the NICO access road agreement and a participation agreement;
- identifying and engaging strategic partners to support the development of the NICO Project site, including the SMPP;
- 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 NICO road construction agreements and site preparation plans, including construction of laydown areas to receive equipment and material required for early work construction; and
- continuing detailed engineering and procurement activities once financing is secured.

In the year ended December 31, 2018, the Company focused on continued dialogue with key parties including the Tlichó Government 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 its previous financings, the Federal and Tlichó Government approvals for the NICO mine and mill, receipt and renewal of the land use permit and Type A water licence for the NICO site, ministerial approval of the SMPP and the signing of the SEA.

Activities undertaken during 2018 towards achieving the next major milestones for the NICO project will remain the Company's focus through 2019. As it pursues this objective, the Company will strive to prudently manage capital resources and mitigate risks.

## **TRANSACTIONS WITH RELATED PARTIES**

During the year ended December 31, 2018, the Company paid key management personnel, including officers, directors, or their related entities, an aggregate of \$1,111,813 for consulting and/or management services and legal services when compared to \$1,000,635 for the prior year. In addition, stock options with a fair value of \$332,850, using the Black-Scholes option pricing model, were granted in the year ended December 31, 2018 when compared to \$441,600 for the same period in 2017. At December 31, 2018, \$16,175 was owing to these related parties for services received during the year when compared to \$77,250 at December 31, 2017.

The following table summarizes the amounts paid and payable to related parties and the nature of the payments as at December 31, 2018:

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Related Party <sup>1</sup>	Relationship	Business Purpose of Transaction							Total	
		Benefits <sup>8</sup>		Consulting Services		Legal Services		Stock Options	Paid/Awarded	Payable
		Paid	Payable	Paid	Payable	Paid	Payable	Granted <sup>9</sup>		
Clouter, Carl <sup>2</sup>	Director	\$ -	\$ -	\$ 12,400	\$ -	\$ -	\$ -	11,600	\$ 24,000	\$ -
Goad, Robin <sup>3 5</sup>	President & CEO, Director	7,572	-	331,250	7,500	-	-	46,400	385,222	7,500
Knight, David <sup>6</sup>	Corporate Secretary	-	-	-	-	89,639	1,500	5,800	95,439	1,500
Koropchuk, Glen	Technical Director & COO, Director	-	-	306,000	-	-	-	23,200	329,200	-
Massola, David	VP Finance & CFO	7,572	-	135,500	2,500	-	-	23,200	166,272	2,500
McVey, John	Director	-	-	-	-	-	-	154,500	154,500	-
Naik, Mahendra	Director	1,585	-	-	-	-	-	21,750	23,335	-
Ramsay, David	Director	-	-	-	-	-	-	13,050	13,050	-
Schryer, Richard <sup>7</sup>	VP Environmental & Regulatory Affairs	6,945	-	213,350	4,675	-	-	17,400	237,695	4,675
Yurkowski, Edward	Director	-	-	-	-	-	-	15,950	15,950	-
Total		\$ 23,674	\$ -	\$ 998,500	\$ 14,675	\$ 89,639	\$ 1,500	\$ 332,850	\$ 1,444,663	\$ 16,175

<sup>1</sup> Shouwu Chen ceased to be a director effective June 19, 2018. On this same day, John McVey became a director. No amounts were paid or payable for the year ended December 31, 2018 for directors Shouwu Chen, John McVey, David Ramsay and Edward Yurkowski.

<sup>2</sup> Carl Clouter is President of Clouter Enterprises Limited which provides professional services to the Company.

<sup>3</sup> 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.

David Knight is a partner with the law firm WeirFoulds LLP (formerly with Norton Rose Fulbright Canada LLP), which provides legal services to the Company. Mr. Knight is also the Company's Corporate Secretary.

Glen Koropchuk is engaged to provide services of Technical Director and Chief Operating Officer of the Company pursuant to an independent consultant agreement effective May 1, 2017 and does not receive additional compensation for his services as a director.

David Massola is engaged to provide services of VP Finance and Chief Financial Officer of the Company pursuant to an independent consultant agreement effective September 6, 2016.

Richard Schryer is engaged to provide services of VP Environmental & Regulatory Affairs of the Company pursuant to an independent consultant agreement effective May 8, 2017.

Benefits are basic in nature, require participants to contribute to the premium costs and includes certain co-pay requirements.

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

## CRITICAL ACCOUNTING ESTIMATES

### *Mining Properties Valuation*

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 December 31, 2018, the Company considered whether there had been any significant changes to indicators and whether any new indicators were present. Management determined that as a result of not obtaining financing during the year, substantive expenditure on further exploration for and evaluation of mineral resources of the NICO Project cannot be budgeted or planned and completed an impairment assessment of the NICO Project. As a result of that analysis, management has determined that the carrying value of its projects is not impaired or does not require a reversal of a prior impairment charge.

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 environmental assessment approval for the NICO and SMPP sites 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 over the next few years;
- the feasibility study completed to date on the NICO Project 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, particularly as a consequence of the growing interest in cobalt usage in high performance

- rechargeable batteries contributing to an average cumulative annual growth rate in the market of approximately 6% as well as constrained and geographical concentration of supply; and
- the Tlich Road has received commitments from the GOC to provide 25% of the construction costs and the GNWT has executed the contracts with North Star Infrastructure to design, construct, operate and maintain the road over a 28-year period.

***Interests in Mining Properties and Exploration and Development Expenditures***

In accordance with the Company's accounting policies, acquisition costs and exploration expenditures relating to mineral properties are capitalized until the properties are brought into commercial production or disposed. Amortization will commence when a property is put into commercial production. As the Company does not currently have any properties in commercial production, no amortization has been recorded.

Mineral reserve and mineral resource estimates are not precise and also depend on statistical inferences drawn from drilling and other data, which may prove to be unreliable. Future production could differ from mineral resource estimates for the following reasons:

- mineralization or formation could be different from those predicted by drilling, sampling and similar tests;
- the grade of mineral resources may vary from time to time and there can be no assurance that any particular level of recovery can be achieved from the mineral resources; and
- declines in the market prices of contained minerals may render the mining of some or all of the Company's mineral resources uneconomic.

Any of these factors may result in impairment of the carrying amount of interests in mining properties or exploration and development expenditures.

***Going Concern Assumption***

The recoverability of amounts shown for mineral properties and related exploration and development expenditures is dependent upon the economic viability of recoverable reserves, the ability of the Company to obtain the necessary permits and financing to complete the development, and future profitable production or proceeds from the disposition thereof.

Currently, the Company does not have a source of revenue other than investment income and it has relied, primarily, on equity financings and strategic partners to fund its activities. The Company may have limited access to capital at an acceptable cost to existing shareholders depending on economic conditions from time to time. The Company had a working capital balance of \$3,472,283 and positive cash balances at December 31, 2018 and the Company endeavours to manage the cash position prudently through ongoing monitoring of current and future cash and working capital balances relative to planned activities. With the existing working capital and the funds raised through the short form prospectus offering described above, the Company has sufficient cash to conduct certain critical path activities in 2019, however additional financing is required to advance the NICO project to production.

***Deferred Income Taxes***

The Company follows the deferred tax liability method in accounting for income taxes. Under this method, deferred tax assets and liabilities are determined based on differences between the financial reporting and tax bases of assets and liabilities, and measured using the substantively enacted tax rates and laws that will be in effect when the differences are expected to reverse. Assessing the recoverability of deferred tax assets requires management to make significant estimates related to expectations of future taxable income and substantively enacted tax rates. Prior to 2018, the Company completed feasibility studies and updates thereto for its principal project and is undertaking related permitting and financing activities. The benefit of certain non-capital losses, investment tax credits, undeducted share issuance costs and tax value of exploration and evaluation expenditures and capital assets in excess of book value of \$15,630,000, has been offset by a valuation allowance of the same amount due to the uncertainty of realizing the benefit of deferred income tax assets in future years.

### ***Stock Based Compensation, Warrants and Compensation Options***

The Company recognizes an expense for option awards using the fair value method of accounting. The Company also records the fair value of warrants granted through private offerings or in lieu of fees and compensation options granted using a fair-value estimate. Management estimates the fair value of stock options, warrants granted through private offerings or in lieu of fees, and compensation options using the Black-Scholes model. The Black-Scholes model, used by the Company to calculate fair values, as well as other accepted option valuation models, was developed to estimate fair value of freely tradable, fully transferable options and warrants, which may significantly differ from the Company's stock option awards or warrant grants. These models also require four highly subjective assumptions, including future stock price volatility and expected time until exercise, which greatly affect the calculated values. Accordingly, management believes that these models do not necessarily provide a reliable single measure of the fair value of the Company's stock option awards. The valuation models are used to provide a reasonable estimate of fair value given the variables used.

### ***Asset Retirement Obligations***

Legal or constructive obligations associated with site restoration on the retirement of assets are recognized when they are incurred and when a reasonable estimate of the value of the obligation can be made. While the Company has not commenced commercial operations on its mining properties, certain site development and exploration activities have occurred that have given rise to a constructive obligation related to the reclamation of the site at the NICO project. As a result, the Company has recognized an environmental rehabilitation provision for the project. Due to the uncertainty around the settlement date and measurement of potential asset retirement obligations for the Company's project, management considers the assumptions used to calculate the present value of such liabilities at each reporting period and updates the value recognized as required.

## **FUTURE ACCOUNTING STANDARDS**

IFRS 16, *Leases* ("IFRS 16") was issued by the IASB in January 2016. IFRS 16 is similar in scope to IAS 17 *Leases*, however the changes will result in most leases being recognized on the balance sheet with narrow exemptions for the lease. The Company plans to adopt IFRS 16 on the effective date, January 1, 2019, and is currently evaluating the impact the standard is expected to have on its consolidated financial statements.

## **ENVIRONMENT**

Fortune is committed to a program of environmental protection at its exploration sites. Fortune was in compliance with government regulations in 2018. Secured letters of credit have been provided to be held against future environmental obligations with respect to Arctos and NICO sites in the amounts of \$25,000, representing 100% of the remaining Arctos JV letter of credit, and \$188,000, respectively.

## **RISK AND UNCERTAINTIES**

The operations of the Company are speculative due to the high-risk nature of its business, which are the acquisition, financing, exploration and development of mining properties. The risks below are not the only ones facing the Company. Additional risks 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 commercial 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 involves significant financial risk over a significant period of time, which even a combination of careful evaluation, experience and knowledge may not eliminate. 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 inherent to mining, 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 in northern Canada. At the proposed NICO mine, the Company is subject to increased risks relating to the dependence on ice roads to supply and equip its work programs. 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 will need to obtain additional financing from external sources and/or find suitable joint venture partners in order to fund the development of the NICO mine and 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.

#### **Completion of Tlicho Road**

While the Company currently anticipates that the Tlicho Road will be completed, the timing related thereto is outside of the control of the Company. There is no assurance that the Tlicho Road will be completed prior to the construction of the NICO mine.

#### **Re-zoning of SMPP Lands**

On February 11, 2014, the Saskatchewan Minister of Environment accepted the recommendation of the Saskatchewan Environmental Assessment Branch and approved the Company's proposed SMPP, subject to certain conditions. The lands on which the Company intended to construct the SMPP currently have an agriculture zoning designation and must be changed to M2 Rural Industrial to construct and operate the SMPP. The recent decision of Corman Park to reject the application was unfavourable to the Company and outside of Fortune's control. The Company is now considering its options with respect to the land it owns in Corman Park as well as alternative sites to build the SMPP facility.

#### **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, Chief Financial Officer, Chief Operating Officer and other skilled and experienced consultants and employees. The loss of such individuals could have a material adverse effect on Fortune's operations. 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 cobalt, bismuth, gold, copper or any other minerals discovered. The range in market prices, over the last five years are as follows: annual average gold prices have ranged from a low of US\$1,160/oz (2015) to a high of US\$1,270/oz (2018); annual average cobalt prices have ranged from a low of US\$12.00/lb (2016) to a high of US\$37.01/lb (2018); annual average copper prices have ranged from a low of US\$2.21/lb (2016) to a high of US\$3.10/lb (2014); annual average bismuth prices have ranged from a low of US\$4.50/lb (2016) to a high of US\$10.92/lb (2014). The commodity prices have fluctuated widely and are affected by numerous factors beyond the Company's control such as economic downturns, commodity supply shortages, weather events, political instability, and changes in exchange and interest rates. The effect of these factors cannot accurately be predicted. Further, there is opportunity for the product mix of cobalt and bismuth from the NICO project to be adjusted to produce products with varying prices depending on the market.

### **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 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. There can be no assurance that the Company will be able to obtain all licenses and permits required to carry out future exploration, development and mining operations at its projects.

### **Competition**

The mining and mineral exploration business is competitive in all of 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 acquisition of attractive mineral properties, 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, oil sands projects in Alberta and potash companies operating in Saskatchewan. 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 and environmental monitoring 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.

### **Indigenous Title and Rights Claims**

Indigenous 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 indigenous land claims having been formally asserted or any legal actions relating to indigenous issues having been instituted with respect to the NICO

mine or the SMPP properties other than certain treaty rights established by the Tlicho for NICO. The lands that surround NICO are owned by the Tlicho Government pursuant to an agreement between the federal government, the GNWT and the Tlicho Government ("Tlicho Agreement"). 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.

While the Company has a right of access to the NICO mine site under the Tlicho Agreement with the Crown and Tlicho Agreement, 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. During 2018, various discussions with the GNWT took place in relation to completion of the SEA and funding for the Tlicho Road as well as determining the construction schedule for the project. The Company is aware of the mutual benefits afforded by co-operative relationships with indigenous communities 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. The Company has previously entered into a Co-operative Relationship Agreement and Environmental Assessment Funding Agreement with the Tlicho Government. The Company is committed to open and constructive dialogue with indigenous communities and stakeholders and will continue to make every effort to increase indigenous employment and business through its human resources and supply chain policies. However, certain challenges with respect to timely decision making may be encountered when working with First Nation governments as a result of the limited number of key individuals in 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 indigenous 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 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.

## FINANCIAL INSTRUMENTS

As at the date hereof, the Company's financial instruments consist of: cash and cash equivalents, reclamation security deposits, and accounts receivable which are financial assets designated as receivables, measured initially at fair value and subsequently on the basis of amortized cost using the effective interest rate method; accounts payable and accrued liabilities, provision for environmental rehabilitation and long-term debt, 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; and derivative liability measured at fair value and revalued at each reporting period. It is management's opinion that the Company is not exposed to significant interest or credit risks arising from these financial instruments.

During the year ended December 31, 2018 and 2017, profit and losses associated with each financial instrument are as follows:

	<b>Impact on Profit (Loss)</b>	
	<b>2018</b>	<b>2017</b>
Reclamation security deposits	(3,019)	(10,136)
Long-term debt	(1,068,341)	(967,168)
Derivative liability	11,639,055	(9,112,085)

## ADDITIONAL INFORMATION

Additional information relating to the Company, including its annual information form, is available on SEDAR at [www.sedar.com](http://www.sedar.com).

## SHARE DATA

As at the date hereof, the Company has:

1. 347,303,220 common shares issued and outstanding;
2. 74,908,216 warrants outstanding which entitle the holders to purchase one common share at various prices between \$0.13 and \$0.25 and expiring at various dates between December 8, 2019 and August 12, 2022; and
3. stock options outstanding to purchase an aggregate of 10,700,000 common shares expiring at various dates until March 22, 2023 and exercisable at various prices between \$0.10 and \$0.30 per common share.

All stock options have vested as at the date hereof, except for 2,075,000 options exercisable at \$0.10 which vest on December 7, 2019.

## INTERNAL CONTROLS OVER EXTERNAL FINANCIAL REPORTING

### Disclosure Controls and Procedures

The Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO"), together with management, evaluated the design and operating effectiveness of the Company's disclosure controls and procedures as at the financial year ended December 31, 2018. Based on that evaluation, the CEO and the CFO concluded that the design and operation of these disclosure controls and procedures were effective as at December 31, 2018 to provide reasonable assurance that material information relating to the Company, including its consolidated subsidiaries, would be made known to them by others within those entities and that information required to be disclosed by the Company in its annual and interim filings and other reports submitted under securities legislation was recorded, processed, summarized and reported within the periods specified in securities legislation.

### **Internal Controls over Financial Reporting**

The CEO and CFO, together with management, evaluated the design and operating effectiveness of the Company's internal controls over financial reporting as at the financial year ended December 31, 2018. Based on that evaluation, the CEO and the CFO concluded that the design and operation of internal controls over financial reporting were effective as at December 31, 2018 to provide reasonable assurance regarding the reliability of financial reporting and the preparation of consolidated financial statements for external purposes in accordance with IFRS. Any system of internal control over financial reporting, 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.

The control framework used to design and assess the effectiveness of the Company's internal controls over financial reporting is the *Internal Control - Integrated Framework* (COSO Framework) published by The Committee of Sponsoring Organizations of the Treadway Commission (COSO).

The Company assesses internal controls over financial reporting on an ongoing basis and, where determined appropriate, proactively implements enhancements to the design of controls required to support anticipated changes to and growth of the business. Due to operational, financial and administrative changes planned to occur as the Company transforms from an exploration company to a producer, changes will be required to the Company's internal controls over financial reporting in order to maintain reasonable assurance regarding the reliability of the Company's financial reporting and preparation of financial statements.

### **Changes in Internal Controls over Financial Reporting**

There have been no changes made to the Company's internal controls over financial reporting during the year ended December 31, 2018 that have materially affected, or are reasonably likely to materially affect, its internal controls over financial reporting.

*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 expected results of the technical report updating to the 2014 Feasibility Study. 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. 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; the risk that the Tlicho Road may not be constructed in a timely fashion or at all; uncertainties with respect to the receipt or timing of required permits and agreements for the development of the NICO Project; the risk that the update to the 2014 Feasibility Study may not be completed within the time frame anticipated and may not generate improved economics for the NICO Project to the extent anticipated; 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. 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.*