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

Three and nine months ended September 30, 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 November 14, 2018 and should be read in conjunction with the Company's unaudited interim condensed consolidated financial statements and the notes thereto for the three and nine months ended September 30, 2018 and with the annual audited consolidated financial statements and the notes thereto for the year ended December 31, 2017, 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 condensed consolidated financial statements and audited consolidated financial statements of the Company. The amounts represent the three-month periods ended:

	2018			**2017**				**2016**
	Sep-30	**Jun-30**	**Mar-31**	**Dec-31**	**Sep-30**	**Jun-30**	**Mar-31**	**Dec-31**
Revenue and Other Income	17,218	28,264	24,427	14,815	24,227	51,325	306	6,639
Net gain (loss)	538,298	6,075,350	2,107,140	(4,523,814)	(1,504,932)	(1,009,170)	(5,110,613)	226,280
Basic and fully diluted loss per common share(1)	—	0.02	0.01	(0.02)	(0.01)	—	(0.02)	—

Notes:
(1) 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 recognized as a developer, miner, processer 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 project in the Northwest Territories ("NICO") and a related refinery contemplated to be constructed near Saskatoon, Saskatchewan. Fortune is also investigating a potential development scenario of producing metal concentrates for direct sale to third party refiners. This would enable the Company to eliminate or defer the capital costs associated with the Saskatchewan refinery and reduce 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 by the Company under National Instrument 43-101.

When NICO is developed, Fortune will be an important new producer of battery grade cobalt sulphate to the rapidly expanding lithium-ion rechargeable battery industry, which supplies these batteries for use in portable electronic devices, electric vehicles, and stationary storage cells for the electrical grid. Fortune will also produce environmentally friendly bismuth metals and oxide used in the automotive and pharmaceutical industries and as a non-toxic replacement for lead in a growing green economy. NICO will also be a significant producer of gold and will 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 sources of cobalt and bismuth supply in the Congo and China.

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*" was also filed on SEDAR.

In support of permitting and financing initiatives for NICO, the Company undertook the following activities during the nine months ended September 30, 2018:

- Continued to negotiate with the Government of the Northwest Territories ("GNWT") to conclude a socio-economic agreement. Discussions on funding for the all-weather access road to the community of Whati which is critical to determining construction schedule certainty for the project are also ongoing. On March 29, 2018, the Mackenzie Valley Environmental Impact Review Board ("the Board") recommended that the Tlicho All-Season Road ("TASR") 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 TASR 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.
- 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 2014 Feasibility Study. The Company had expected to issue the completed feasibility study update by the end of the second quarter of 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 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 after several mining and refining companies contacted the Company to express interest in purchasing metal concentrates directly from the mine. Successful 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 after arsenic, for which metal producers are typically penalized, is removed.
- Re-initiated the impacts benefit and access agreements negotiations with the Tlicho 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. Cattails were collected from the NICO project mine site in July for use in the wetland treatment study. The CDF modeling work is still ongoing as of the date of this report. During the nine months ended September 30, 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. This work began in August and was completed in October.
- 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 on April 23, 2018 and expects to have a decision with respect to the rezoning in the next six months.
- 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 accommodations.

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.

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 nine months ended September 30, 2018 were $535,153 and $1,927,319 respectively, and were spent on the projects as follows:

	Three months ended September 30, 2018	**Nine months ended September 30, 2018**
NICO	$ 532,350	$ 1,924,516
All Other Projects	2,803	2,803
Total cash exploration and evaluation expenditures	**$535,153**	**$ 1,927,319**

For comparison, exploration and evaluation expenditures incurred by Fortune on its properties during the three and nine months ended September 30, 2017 were $615,692 and $1,365,788, respectively, and were spent on the projects as follows:

	Three months ended September 30, 2017	Nine months ended September 30, 2017
NICO	$ 615,692	$ 1,362,985
All Other Projects	—	2,803
Total cash exploration and evaluation expenditures	$615,692	$ 1,365,788

While exploration and evaluation expenditures for the three months ended September 30, 2018 were lower compared to the same period in 2017, exploration and evaluation expenditures were higher for the nine months ended September 30, 2018 when compared to the same period in 2017. The overall increase is due to an increase in activity at NICO related to some site work being completed as well as continued work on updating the feasibility study.

RESULTS OF OPERATIONS

Summary

The Company's net gain for the three and nine months ended September 30, 2018 was $538,298 and $8,720,788, respectively, or $Nil and $0.03 per common share, compared to a net loss of $1,504,932 and $7,624,715 or $0.01 and $0.03 per common share for the same periods in the prior year.

Revenue and Other Income

Revenue and other income decreased in 2018 to $17,218 and $69,909 for the three and nine months ended September 30, 2018, respectively, compared to $24,227 and $75,858 for the same periods in 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 ($521,080) and ($8,650,879) for the three and nine months ended September 30, 2018, respectively, compared to $1,529,159 and $7,700,573 for the same periods in 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 as only two grants were issued during the nine months ended September 30, 2018. 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 three and nine month periods ended September 30, 2018 and 2017. During the nine months ended September 30, 2018, recognition of $2,950,000 for non-deductible change in fair value of derivative resulted in an income tax recovery which was offset by: (i) a tax provision of $2,300,000 from the estimated tax loss; (ii) $467,000 for a loss carryforward not recognized; (iii) $158,000 for non-deductible stock-based compensation and other expenses; and (iv) $25,000 for tax rate difference.

During the same period in 2017, a recognition of $2,045,000 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 $1,415,000 for non-deductible change in fair value of derivative; (ii) $290,750 for a loss carryforward not recognized; (iii) $233,000 for non-deductible stock-based compensation and other expenses; (iv) $93,000 for renunciation of flow-through expenses; and (v) $24,000 for tax rate difference.

During the three months ended September 30, 2018, recognition of $350,000 for non-deductible change in fair value of derivative resulted in an income tax recovery which was offset by: (i) a tax provision of $114,500 from the estimated tax loss; (ii) $156,500 for a loss carryforward not recognized; (iii) $78,000 for non-deductible stock-based compensation and other expenses; and (iv) $1,000 for tax rate difference. During the same period in 2017, a recognition of $402,000 from the estimated tax loss and $2,250 for non-taxable flow-through share premium resulted in an income tax recovery which was offset by: (i) a tax provision of $122,750 for a loss carryforward not recognized; (ii) $34,500 for non-deductible stock-based compensation and other expenses; and (iii) $247,000 for non-deductible change in fair value of derivative.

A valuation allowance of $15,784,000 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 three and nine months ended September 30, 2018 was $414,055 and $1,498,524 compared to $465,192 and $1,178,891 for the same periods in 2017. The use of cash in operating activities has increased year over year which is attributed to an increase in corporate activity related to securing financing for the NICO project as well as increased marketing efforts by the Company.

Cash used in investing activities was $595,738 and $3,112,262 compared to $880,677 and $1,753,672 when comparing the three and nine months ended September 30, 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.

Cash provided by financing activities decreased to $Nil and $564,398 from $299,999 and $6,663,003 for the three and nine months ended September 30, 2018 and 2017, respectively. Cash provided in 2018 was a result of the exercise of 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.

LIQUIDITY AND CAPITAL RESOURCES

As at September 30, 2018, Fortune had cash and cash equivalents of $4,478,179 and working capital of $4,422,263 when compared to $4,670,511 and $4,607,352, 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 nine month period ended September 30, 2018, options with an exercise price between $0.05 and $0.185 were exercised raising gross proceeds of $106,250.

On July 27, 2018, the Company granted 1,000,000 stock options having an exercise price of $0.15 and expiring on the date that is three years following the issue date.

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***
Accounts payable and accrued liabilities	**$ 183,548**	**$ 183,548**	$ —	$ —	$ —
Long-term debt	**8,750,000**	—	—	8,750,000	—
Interest on Long-term debt	**3,613,518**	—	—	3,613,518	—
Provision for Environmental Rehabilitation	**188,000**	—	—	—	188,000
Total Contractual Obligations	**$ 12,735,066**	**$ 183,548**	$ —	**$12,363,518**	**$188,000**

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 $4,422,263 at September 30, 2018, the Company has sufficient cash to conduct certain critical path activities in 2018. However, the NICO project requires further funding to advance the project through to production. Management is continuously pursuing and considering various financing opportunities to assist in this matter. 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 in the MD&A for the year ended December 31, 2017 filed on SEDAR. The most significant risks to meeting its objectives for NICO continue to be project financing, rezoning the SMPP lands to provide the Company with the flexibility to construct its own processing facility and schedule uncertainty for the TASR 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 current costs, commodity prices and different development opportunities to support project financing;
- working with governments to achieve certainty on the construction schedule for the TASR which will determine the mine construction schedule;
- completing re-zoning followed by the receipt of all necessary environmental licenses and permits for the SMPP site in Saskatchewan;
- continuing studies and programs required to meet water license pre-construction requirements for the NICO project site;
- submission and regulatory compliance for NICO project Access Road water license and Land Use Permits;
- completing the negotiations with the Tlicho Government for the NICO project access road agreement and an Impacts Benefit Agreement;
- identifying and engaging strategic partners to support the development of the NICO project site and 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 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 nine months ending September 30, 2018, the Company focused on continued dialogue with key parties including the Tlicho 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 Tlicho 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, and the ministerial approval of the SMPP.

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

TRANSACTIONS WITH RELATED PARTIES

During the three and nine months ended September 30, 2018, the Company paid key management personnel, including officers, directors, or their related entities, an aggregate of $142,940 and $717,745, respectively, for consulting and/or management services and legal services when compared to $234,497 and $746,478 for the same periods in the prior year. In addition, stock options with a fair value of $140,000, using the Black-Scholes option pricing model, were granted in the nine months ended September 30, 2018 when compared to $441,600 for the same period in 2017. At September 30, 2018, $28,380 was owing to these related parties for services received during the period when compared to $16,750 at September 30, 2017.

The following table summarizes the amounts paid and payable to related parties and the nature of the payments as at September 30, 2018:

Related Party [1]	Relationship	Business Purpose of Transaction							Total	
		Salaries and Benefits [8]		Consulting Services		Legal Services		Stock Options		
		Paid	Payable	Paid	Payable	Paid	Payable	Granted [9]	Paid/Awarded	Payable
Clouter, Carl [2]	Director	$ -	$ -	$ 12,400	$ -	$ -	$ -	-	$ 12,400	$ -
Goad, Robin [3]	President & CEO, Director	5,679	-	243,750	12,500	-	-	-	249,429	12,500
Knight, David [4]	Corporate Secretary	-	-	-	-	64,146	2,630	-	64,146	2,630
Koropchuk, Glen [5]	Technical Director & COO, Director	-	-	153,000	-	-	-	-	153,000	-
Massola, David [6]	VP Finance & CFO	5,679	-	63,000	9,000	-	-	-	68,679	9,000
McVey, John	Director	-	-	-	-	-	-	140,000	140,000	-
Schryer, Richard [7]	VP Environmental & Regulatory Affairs	5,191	-	164,900	4,250	-	-	-	170,091	4,250
Total		$ 16,549	$ -	$ 637,050	$ 25,750	$ 64,146	$ 2,630	$ 140,000	$ 857,745	$ 28,380

[1] 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 nine months ended September 30, 2018 for directors Shouwu Chen, John McVey, Mahendra Naik, David Ramsay and Edward Yurkowski.

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

[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] 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.

[5] 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.

[6] 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.

[7] 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.

[8] 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.

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

CRITICAL ACCOUNTING ESTIMATES

The Company continues to consider, on a regular basis, whether indicators exist that suggest that the carrying value of its projects is impaired for accounting purposes. While the market capitalization relative to the carrying value of the Company's projects is reviewed, it is not considered a sole indication of impairment. Given the 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 September 30, 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 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 over the next few years;
- 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, 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;
- the recovering price of gold and other metals; and
- the TASR has received conditional commitment from the GOC to provide 25% of the construction costs.

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 three and nine months ended September 30, 2018 and 2017, profit and losses associated with each financial instrument are as follows:

	Impact on Profit (Loss)			
	2018		2017	
	Three Months Ended September 30,	**Nine Months ended September 30,**	Three Months Ended September 30,	Nine Months Ended September 30,
Reclamation security deposits	592	1,588	276	276
Long-term debt	(272,250)	(790,195)	(246,355)	(715,638)
Derivative liability	1,328,170	11,043,900	(924,615)	(5,298,132)

ADDITIONAL INFORMATION

Additional information relating to the Company, including its annual information form, is available on SEDAR at www.sedar.com.

SHARE DATA

As at the date hereof, the Company has:

1. 338,603,220 common shares issued and outstanding;
2. 87,808,216 warrants outstanding which entitle the holders to purchase one common share at various prices between \$0.13 and \$0.35 and expiring at various dates between March 8, 2019 and August 12, 2022; and
3. stock options outstanding to purchase an aggregate of 17,330,000 common shares expiring at various dates until March 22, 2023 and exercisable at various prices between \$0.05 and \$0.37 per common share.

All stock options have vested as at the date hereof, except for 50,000 options exercisable at \$0.30 which vest on December 14, 2018 and 25,000 options exercisable at \$0.285 which vest on March 22, 2019.

INTERNAL CONTROLS OVER EXTERNAL FINANCIAL REPORTING

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.

No material weaknesses in the Company's internal controls over financial reporting were identified during the three months ended September 30, 2018 and there have been no changes made to such internal controls 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 SMPP 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 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; the risk that the TASR 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 or the SMPP; 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.*