FORTUNE
MINERALS LIMITED

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

Three months ended March 31, 2015

This Management's Discussion and Analysis of Financial Conditions and Results of Operations ("MD&A") of Fortune Minerals Limited ("Fortune" or the "Company") is dated May 11, 2015 and should be read in conjunction with the Company's unaudited interim condensed consolidated financial statements and the notes thereto for the three months ended March 31, 2015 and with the audited consolidated financial statements and the notes thereto and MD&A for the year ended December 31, 2014, prepared in accordance with International Financial Reporting Standards ("IFRS"). This discussion contains certain forward-looking information and is expressly qualified by the cautionary statement at the end of this MD&A. All dollar amounts are presented in Canadian dollars unless indicated otherwise. Unless the context otherwise requires, the terms "Fortune" and "the Company" where used herein refer to Fortune Minerals Limited and its subsidiaries on a consolidated basis.

SUMMARY OF QUARTERLY RESULTS

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

	2015	2014				2013		
	Mar-31	**Dec-31**	**Sep-30**	**Jun-30**	**Mar-31**	**Dec-31**	**Sep-30**	**Jun-30**
Net gain (loss) (1)	2,605,689	(6,950,468)	(1,354,055)	(1,454,488)	(1,257,196)	(41,019,135)	(657,471)	(1,024,235)
Basic and fully diluted loss per common share(2)	0.01	(0.03)	(0.01)	(0.01)	(0.01)	(0.27)	—	(0.01)

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

OVERVIEW

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

Fortune has a successful history of discovery and acquisitions to assemble a portfolio of significant mineral deposits. The Company acquired a 100% interest in the Revenue Silver Mine ("RSM") in Colorado through the completion of a two-stage transaction completed on October 1, 2014 and has been the mine operator of the project since May 1, 2014. The RSM is currently in the late commissioning stage and is expected to commence commercial production in 2015. The Company's most significant development asset is its wholly owned NICO gold-cobalt-bismuth-copper project in the Northwest Territories ("NICO"). The value Fortune offers includes: diversified assets with significant investments already made to advance development and production; projects located in North America, a mining-friendly, politically stable geographical location; one substantial development project and one project in the late stages of commissioning, providing participation in commodities of critical importance to a growing world economy including gold, cobalt, bismuth, copper, silver, lead and zinc; and a production plan that offers a different risk profile than pure exploration companies.

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

Revenue Silver Mine

On May 9, 2014, Fortune Revenue Silver Mines, Inc. ("Fortune Revenue"), a wholly-owned subsidiary of Fortune, purchased a 12% participating interest in RSM from the ownership group, including Silver Star Resources LLC, Star Mine Operations LLC and Revenue-Virginius Mines Corporation ("the Vendors"). Consideration paid consisted of $US 2 million in cash and 32 million common shares of the Company valued at $10,880,000, which was determined based on the fair market value per share of $0.34 on May 9, 2014. The RSM is located in southwestern Colorado, U.S.A and is a fully permitted and constructed mine in the late stages of commissioning. The RSM's principal product will be silver, with primary by-products of gold, lead, zinc and potentially copper. Pursuant to a Participating Interest and Asset Purchase Agreement dated as of May 1, 2014 among Fortune, Fortune Revenue and the Vendors, as amended ("the PIAPA"), Fortune Revenue became the operator of the RSM effective May 1, 2014 with sole responsibility for the direction of the activities at the mine. In addition, the Company became responsible from the effective date for all costs, expenses and liabilities related to the mine and was entitled to all of the revenues from the mine.

On October 1, 2014, Fortune Revenue purchased the remaining 88% interest in the RSM. Consideration paid in accordance with the amended PIAPA was $US 18 million paid in installments of $US 15 million on October 1, 2014 and $US 3 million on October 16, 2014 and an additional $0.5 million in interim period expenditures to the vendors of RSM paid in $0.25 million increments on September 18, 2014 and October 1, 2014. In addition, 17,744,000 common shares were granted following receipt of both shareholder and regulatory approvals on November 20, 2014 and valued at $3,903,680, which was determined based on the fair market value per share of $0.22 on October 1, 2014. On closing of the acquisition on October 1, 2014, the Company assumed certain obligations and liabilities of the Vendors to the previous owner of the RSM as follows:

- $US 4 million cash payment to a previous owner of the RSM mining claims made on October 1, 2014;
- 2% net smelter return royalty to a maximum of $US 9 million, adjusted for inflation on a Consumer Price Indexed ("CPI") basis;
- 1% net smelter return royalty to a maximum of $US 9 million, adjusted for inflation on a CPI basis to be paid on sales during a calendar month, if and when the price of silver is more than $US 60 per ounce to be paid after the 2% net smelter return royalty reached $US 9 million on a CPI basis;
- a bonus payment of $US 2 million if the price of silver on the London Bullion market exceeds $US 40 per ounce for any day on or prior to December 31, 2016; and
- a bonus payment of $US 500,000 to be paid in 10 equal monthly installments if the price of silver on the

London Bullion market exceeds $US 30 per ounce for any day on or prior to December 31, 2017.

In order to finance the acquisition and operations of the RSM, the Company entered into a General Corporate Facility agreement ("the General Corporate Facility") with LRC-FRSM LLC ("LRC") during the third quarter of 2014 for $US 4 million. This $US 4 million bridge loan supported the Company's short-term working capital requirements and the advancement of near term capital improvements required at the mine.

On October 1, 2014, the Company entered into a second facility with LRC, a Senior Secured Metal Prepay Facility ("the Metal Prepay Facility"), which resulted in the Company receiving total financing of $US 35 million. The first tranche of $US 25 million was received on October 1, 2014 and the second tranche of $US 10 million was received on October 16, 2014. The Company used the funding from the first tranche to repay the General Corporate Facility, fund the RSM acquisition, including amounts owing to the previous owner of the mine, make capital investments to improve the mine operations, and provide working capital. The Metal Prepay Facility principal will be repaid from a fixed schedule of metal shipments from the RSM to LRC-FRSM LLC, plus interest of 9.25% over a five year term. Additional terms include a concentrate payment of $7.50 per metric ton of each shipment made and an offtake payment equal to $0.30 for each ounce of silver and $10 for each ounce of gold, excluding repayment units.

On December 22, 2014, the Company and LRC amended the Metal Prepay Facility, which resulted in the Company receiving $US 7 million of working capital. The additional US $7 million of working capital will be repaid with 430,000 of silver equivalent ounces, within a 1 year period, accruing interest at 15%, also to be paid in silver equivalent ounces. In addition LRC is entitled to a net smelter revenue royalty ("NSR") to be paid to LRC commencing January 2016. The NSR percentage ranges from 2 to 4% until the original facility has been repaid and 1 to 2% thereafter. Also included in the agreement is a copper payment equal to 25% of any shipment of copper during the repayment period of the Metal Prepay Facility.

On February 12, 2015, the Company and LRC further amended the Metal Prepay Facility, which resulted in the Company receiving an additional $US 5 million. The amendment added an additional 308,000 silver equivalent units to the outstanding working capital balance. The interest rate and repayment term remained the same as that outlined in the December 22, 2014 amendment.

On March 25, 2015, the Company and LRC further amended the Metal Prepay Facility, resulting in an additional US $4 million of working capital being received, of which US $2,636,268 had been received prior to March 31, 2015. The remaining amount of the US $4 million was drawn down subsequent to the quarter end. The Company's metal delivery obligations under the original prepay facility and additional working capital facilities have been restructured but the applicable interest rates remain the same under an amended agreement with LRC. As the amendment includes substantially different terms from the Senior Secured Metal Prepay Agreement the amendment has been accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability.

The following are the significant changes to the Metal Prepay Facility resulting from the most recent amendment:

- Capital support by the Company of US $4,000,000 is required no later than May 1, 2015. Such support was provided using a portion of the proceeds from the sale of the Arctos project described under "Arctos Project" below.
- The additional US $4 million of working capital resulted in an increase of 246,400 silver equivalent units to

the repayment of the facility.

- The Metal Prepay Facility was restructured to reduce the required payment of silver equivalent units from 2,904,892 to 1,138,087 and extended the repayment period to 54 months beginning July 2015.
- The working capital portion of the facility increased the required payment of silver equivalent units from 738,000 to 3,165,156.
- The working capital payback period was extended from December 31, 2015 to March 31, 2016. Full payback of the working capital facility prior to March 31, 2016 is discounted by 3% per month.
- The Company granted a security interest in all of the assets of Fortune Minerals Limited and its material subsidiaries.

During the three months ended March 31, 2015 the Company undertook the following activities in relation to the RSM:

- Continued to advance the project through the commissioning phase to move towards commercial production;
- Continued to improve safety performance and the United States Mine Safety and Health Administration has removed the mine from Pattern of Violation status;
- Completed the reorganization of mining and maintenance departments and achieved staffing plans for both departments;
- Changed the mine plan to focus on the Virginius South vein with ramp access using small diesel equipment;
- Continued to advance high priority projects such as adding a thickener and crushing and grinding circuit acquired additional necessary mine equipment, and identified and initiated resolution of mill bottlenecks to achieve 400 short tons per day production target;
- Continued to implement systems and processes in order to maximize efficiencies in the warehouse, mine, mill and administration departments.

NICO Project

Fortune continues to advance its wholly-owned NICO project and the Company's business activities have been focused on certain priority critical path activities required to advance permitting and financing for the development of NICO and its related hydrometallurgical process facility, the Saskatchewan Metals Processing Plant ("SMPP") as contemplated by a technical report entitled "*Technical Report and Updated Mineral Reserve Estimate and Front-End Engineering & Design (FEED) Study on the NICO Gold-Cobalt-Bismuth Deposit, Mazenod Lake Area, Northwest Territories, Canada*" dated July 2, 2012 (the "2012 FEED Study") filed on SEDAR at www.sedar.com by the Company under National Instrument 43-101.

In support of permitting and financing initiatives for NICO, the Company undertook the following activities during the three months ended March 31, 2015:

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

construction schedule for the project.

Arctos Project

During 2011, Fortune and Fortune Coal Limited ("FCL"), a wholly-owned subsidiary of Fortune, entered into an agreement (the "Arctos Agreement") with POSCO Canada Ltd. ("POSCAN") and POSCO Klappan Coal Ltd. ("POSCO Klappan"), a wholly-owned subsidiary of POSCAN, to advance the Arctos anthracite coal project in northwest British Columbia to production through an unincorporated joint venture, the Arctos Anthracite Joint Venture ("AAJV"). POSCAN's parent company, POSCO, is based in South Korea and is one of the world's largest steel producers. Pursuant to the Agreement, POSCO Klappan acquired a 20% interest in the Arctos project.

On May 1, 2015 the Company, FCL, POSCAN and POSCO Klappan entered into an agreement (the "Arctos Sale Agreement") with Her Majesty the Queen in Right of the Province of British Columbia (the "Province") and British Columbia Railway Company ("BC Rail") pursuant to which the AAJV sold its interests the coal licenses comprising the Arctos project to BC Rail for $18,308,000. The AAJV partners maintain the exclusive right to purchase back the coal licenses at the same price for a 10-year option period. If both partners do not wish to exercise the repurchase option, each of them may do so individually. Fortune, FCL, POSCAN and POSCO Klappan have also entered into an amending agreement to restructure the AAJV and share the proceeds from the sale of the Arctos coal licenses on an equal basis after purchasing the royalty held by the previous owner of the property for $308,000. Fortune will also be solely responsible for reclamation of the Arctos property except for the access road for which the Province will be responsible and Fortune will also be entitled to receive the cash provided as security for its reclamation obligations once the reclamation is complete. Fortune will use its $9 million share of the funds from this transaction to satisfy its obligation under the Metal Prepay Facility to contribute US$ 4 million in capital support for the RSM, for working capital and to repay debt.

The NICO and Arctos projects, along with other exploration projects of the company are classified as exploration and evaluation stage projects for accounting purposes. Exploration and evaluation cash expenditures incurred by Fortune on its properties during the three months ended March 31, 2015 and March 31, 2014 were $316,803 and $2,435,344, respectively, and were spent on the projects as follows:

	Three months ended March 31, 2015	**Three months ended March 31, 2014**
NICO	$ 121,483	$ 1,523,536
Arctos	195,320	911,761
All Other Projects	—	47
Total cash exploration and evaluation expenditures	$ 316,803	$2,435,344

Exploration and evaluation expenditures for the three months ended March 31, 2015 were lower compared to the same period in 2014, as a result of decreased expenditures on both Arctos and NICO. With respect to NICO, the Company has reduced spending pending further financing and additional clarity from the Government of the NWT on its plans for construction of an all-weather road.

Mine development cash expenditures incurred by Fortune on its RSM property during the three months ended March 31, 2015 were $8,140,190. Expenditures incurred in the quarter relate to activities undertaken to advance the project through the commissioning period, mine development and capital projects to improve safety and operating efficiencies at the mine.

RESULTS OF OPERATIONS

Summary

The Company's net gain for the three-month period ended March 31, 2015 was $2,605,689 or $0.01 per share compared to a net loss of $1,257,196 or $0.01 per share for the same period in the prior year.

Expenses

Expenses increased in 2015 to $1,595,629 compared to $1,559,802 in 2014.

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

- Increase in corporate development costs as a result of the Company's activities related to activities related to the pursuit of financing solutions for the NICO and Arctos projects;
- Increase in administrative expenditures primarily as a result of the RSM acquisition – there were no related costs in the first three months of the prior year, and an increase in professional fees (ie. legal and audit); and
- Increase in interest expense as a result of the increase in a previous loan from $3 million to $5.125 million.

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

- Decrease in stock-based compensation expense as a result of no stock options being granted in the first quarter of 2015.
- Decrease in investor relations costs due to cost saving measures.

Other Income and Charges

During the quarter ended March 31, 2015 a gain of $3,812,718 has been recognized of which $3,873,658 relates to the difference between interest calculated on the Metal Prepay Facility using the effective interest rate method and the interest paid, offset by $60,940 of transactions costs related to amending the original Metal Prepay Facility. These costss have been expensed in the loss on extinguishment of debt or other account.

Interest income for the three months ended March 31, 2015 was $20,373 compared to $67,461 for the same period in 2014. The decrease is primarily due to no investments being held during the quarter and lower cash balances compared to the same period in 2014.

During the quarter ended March 31, 2014, the Company sold equipment to an existing vendor in the amount of $8,000. A computer was also disposed of resulting in a loss of $343.

Fortune has an operating bank account in United States dollars ("$US") to pay certain US vendors and to receive $US payments as well as to manage the timing of conversion of Canadian dollars ("$C") to $US, or vice versa. The foreign exchange gain (loss) from converting $US balances in Fortune to $C at March 31, 2015 was $168,954 (March 31, 2014- gain of $30,407). The functional currency of Fortune Revenue, a Colorado subsidiary established for the purposes of acquiring the RSM, is $US. The accounts of Fortune Revenue are translated to $C for reporting purposes and as a result of the exchange rate at the time of translation, a currency translation adjustment is recognized through other comprehensive income. Currency translation adjustment for the three months ended March 31, 2015 was $2,019,456 and $nil for 2014 as Fortune Revenue was not operating.

Deferred Taxes

The Company recognized a deferred income tax recovery of $173,000 for the quarter ended March 31, 2015 compared to a recovery of $205,000 for the same period in 2014. The 2015 deferred income taxes results from recognition of $85,000 from the estimated tax loss, $193,000 for investment tax credits on pre-production mining expenditures recorded during the period and $35,900 for renunciation of flow-through expenses. The net recovery includes provisions of $36,900 for a valuation allowance and $109,000 for rate difference and other expenses. During the same period in 2014, the deferred income tax net recovery of $205,000 resulted primarily from a provision of $82,000 for non-deductible stock-based compensation and $201,000 for valuation allowance. The net provision included a recovery of $384,000 for deferred tax benefits resulting from the estimated tax loss, $111,000 for investment tax credits on pre-production mining expenditures recorded during the period. The Company's deferred tax liability has arisen principally from the increasing difference between book and tax values of its assets resulting from the renunciation of tax deductions to investors of flow-through shares offset partially by increasing deferred tax assets for net operating loss carry forwards and unused investment tax credits on pre-production costs, net of tax.

Cash Flow

Cash used in operating activities during the quarter ended March 31, 2015 was $2,732,395 compared to $1,374,590 for the same period in 2014. The operating activities before changes in non-cash working capital used cash of $1,097,267 and $838,839 in for the same period in 2015 and 2014, respectively. The increased use of cash in operating activities, before changes in non-cash working capital, is primarily related to the increases in corporate development costs related to the pursuit of financing for NICO, interest expense and other administrative expenses, as discussed above in the "Expenses" section.

Cash used in investing activities increased to $9,661,557 from $2,838,263 when comparing the three months ended March 31, 2015 to 2014. This increase is primarily due to RSM mine development costs of $8,140,190 included in the purchase of plant and equipment and capital assets of $9,344,754. Exploration and evaluation expenditures of $318,759 were focused primarily on permitting, environmental and community relations activities and consultation for Arctos and NICO as described in the "Overview" section and were less than the prior year due to reduced spending pending further financing and additional clarity from the Government of the NWT on its plans for construction of an all-weather road.

Cash provided by financing activities was $9,364,588 for the quarter ended March 31, 2015. Cash provided in 2015 was as result of $79,800 received in advance for a private placement effective April 1, 2015 and an increase in debt of $9.6 million as described below in the "Liquidity and Capital Resources" section. No financing was received during the same period in 2014 related to a private placement.

LIQUIDITY AND CAPITAL RESOURCES

As at March 31, 2015, Fortune had cash and cash equivalents of $3,108,092 and a working capital deficit of $84,277,629. Of the total consolidated cash, $20,239 represents Fortune's 80% share of cash from the Arctos JV.

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

Contractual Obligations	***Payments Due by Period***				
	Total	***Less than 1 year***	***1 - 3 years***	***4 - 5 years***	***After 5 years***
Finance Lease Obligations	**1,159,695**	927,521	232,174	-	-
Current Debt	**67,738,387**	67,738,387			
Capital Contribution Liability	**14,908,433**	14,908,433			
Total Contractual Obligations	**83,806,515**	**83,574,341**	**232,174**	**-**	**-**

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

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

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.

Additional financing has been received as discussed in the "Overview" section for working capital requirements. Future cash flows and potential capital requirements are dependent upon RSM reaching commercial production and operations ramping up to 400 short tons per day. Additional capital will be required to fund the RSM's operations and service the Company's obligations under the Metal Prepay Facility.

Under the Metal Prepay Facility, should the Company be in default of the agreement, LRC has the right to terminate the agreement and declare all amounts owing due and payable. At March 31, 2015 the Company was in default of certain covenants, which have not been waived by LRC as at the date of this document. As at March 31, 2015 LRC had the right to demand accelerated payment and as a result, the long-term debt of US $49,600,778 [$62,825,558] as at March 31, 2015 has been classified as current debt.

The NICO project requires further funding during 2015 or risks delays and additional financing is required to advance the NICO project through to production. The $14,908,433 capital contribution liability reflected on the Company's balance sheet as at March 31, 2015 represents the $16 million contractual obligation under the Arctos

JV Agreement, due by December 31, 2015. As at the date hereof, this amount is no longer due as a result of the sale of the Arctos project.

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

The Company's current environmental reclamation obligations as defined by government regulators are fully secured by cash held in accounts with a large Canadian financial institution for NICO and Arctos and a surety bond in favour of the Colorado Division of Mining Reclamation and Mining Safety for the RSM. As indicated above, additional financing is required to construct mine infrastructure and processing facilities, to acquire additional equipment for the NICO project. Potential sources for future funding include but are not limited to equity financing, project financing, off-take and royalty agreements, additional strategic partnerships, mergers and acquisitions. The Company continues to evaluate its alternatives with a view to executing a financing plan suitable to fund its transformation into a producer and minimize potential dilution to shareholders.

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

OUTLOOK

The Company's principal objective is to achieve successful commercial production for the RSM project and successful development and financing of the NICO project. The Company's activities in pursuit of its objectives are subject to many risks as discussed under the heading "Risks and Uncertainties" section in the December 31, 2014 MD&A filed on SEDAR.. The most significant risks to meeting its objectives for the RSM relate to the Company's ability to arrange required financing, to comply with all regulatory requirements with respect to health and safety matters, the Company's ability to complete the commissioning of the RSM on time and budget and external factors such as variations in commodity prices (silver, gold, lead and zinc). The most significant risks to meeting its objectives for NICO continues to be permitting and financing. These risks arise primarily from external parties such as government regulators, First Nations and investors who have significant influence over the outcome of the Company's efforts and external factors such as commodity prices, economic conditions and the financial markets. Accordingly, management has sought and continues to seek proactive ways to address risks in its business model and has developed appropriate strategies to move forward by focusing expenditures on critical path activities in a socially and environmentally responsible manner.

The next major milestones to achieve commercial production for the RSM project are:

- improve safety culture and performance at the site through focused efforts with operating personnel and deployment of capital on safety related items;
- complete mine development to support on-going operations;
- complete critical capital projects in support of safe and environmentally compliant 400 tpd operation;
- establish life of mine and mill plans in support of profitable operation with a focus on grade control;
- establish consistent production through the implementation of the mine plan and related mine development; and
- sustain production at 400 tpd.

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

- work with governments to achieve certainty on road schedule and funding which will determine the construction schedule;
- complete re-zoning followed by the receipt of all necessary environmental licenses and permits for the SMPP site in Saskatchewan;
- completing with the Tlicho Government an agreement on the NICO Project Access Road and an IBA;
- identifying and engaging strategic partners to support the development of the NICO project site and the SMPP, by helping to arrange or provide some or all of the project financing, evaluating potential transactions and ultimately entering into a strategic arrangement suitable to the Company;
- completing road construction agreements and site preparation plans, including construction of laydown areas to receive equipment and material required for early work construction; and
- continue detailed engineering and procurement activities once financing is secured.

In the first quarter of 2015, the Company focused on continued meaningful dialogue with key parties including the Tlicho for developing mutually beneficial agreements, and worked to identify and advance opportunities to develop additional strategic partnerships. The Company has made significant progress towards achieving its milestones through the Procon strategic investment, the Federal and Tlicho government approvals for the NICO mine and mill, receipt of the land use permit and Type A water licence for the NICO site, and the ministerial approval of the SMPP, which will allow the Company to complete the process of rezoning its land with the Rural Municipality of Corman Park, Saskatchewan.

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

TRANSACTIONS WITH RELATED PARTIES

During the first quarter of 2015, the Company paid key management personnel, including officers, directors, or their related entities an aggregate of $267,085 for consulting and/or management services and legal services. At March 31, 2015, $119,769 was owing to these related parties for services received during the period.

The following table summarizes the amounts paid and payable to related parties and the nature of the payments as at March 31, 2015:

Related Party	Relationship	Business Purpose of Transaction						Total	
		Salaries and Benefits [5]		Consulting Services		Legal Services			
		Paid	Payable	Paid	Payable	Paid	Payable	Paid/Awarded	Payable
Chen, Shouwu	Director							$ -	$ -
Clouter, Carl [1]	Director			$ 4,000				4,000	-
Doumet, George	Director							-	-
Excell, James	Director							-	-
Goad, Robin [2]	President & CEO, Director	$ 1,076		75,000	1,250			76,076	1,250
Jean, Adam [3]	VP Finance & CFO	48,967						48,967	-
Knight, David [4]	Director					$ 73,000	$ 103,804	73,000	103,804
Naik, Mahendra	Director							-	-
Romaniuk, Mike	VP Operations & COO	65,042	14,715					65,042	14,715
Williams, James W. Jr.	Director							-	-
Yurkowski, Edward	Director							-	-
Total		$ 115,085	$ 14,715	$ 79,000	$ 1,250	$ 73,000	$ 103,804	$ 267,085	$ 119,769

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

[2] 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.

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

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

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

CRITICAL ACCOUNTING ESTIMATES

The Company continues to consider, on a regular basis, whether indicators exist that suggest that the carrying value of its projects is impaired for accounting purposes. While the market capitalization relative to the carrying value of the Company's projects is reviewed, it is not considered a sole indication of impairment. Given the Company's stage of development and the volatility of the market, using the share price as a sole indication of impairment is not practical, although the Company does monitor the magnitude of the gap between its market capitalization and the project carrying values. At the end of the year ended December 31, 2014, the Company considered whether there had been any significant changes to the indicators of impairment at year end and whether any new indicators were present and determined that there were no indications that the carrying value of any or all of its projects was impaired or that impairment losses recognized in prior periods should be reversed, except as discussed below. At December 31, 2014, management of the Company determined that the continued decline in the market price of metals constituted an impairment indicator and completed an impairment assessment of the Sue-Dianne project that resulted in an impairment charge of $1,900,269 for that project. No further impairment charges have been recognized in the first three months of 2015.

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

- the Company has obtained EA approval for the NICO project and is focused on obtaining all necessary permits for the NICO project to proceed, and has plans in place and resources assigned to help achieve this;
- the Company has obtained a final land use permit for the NICO mine;
- substantive expenditures on the Company's main projects, RSM and NICO, are planned and budgeted for 2015 and beyond;
- the feasibility study completed to date on NICO demonstrates a net present value in excess of the carrying values of the project;
- the Company engaged the services of cobalt and bismuth experts to analyze the market as it relates to cobalt and bismuth products, results showed great opportunity for the NICO project returns relative to spot prices; and
- The Company obtained financing to acquire 100% of the RSM and fund its development and is in the process of commissioning and ramp-up of the operations.

FINANCIAL INSTRUMENTS

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

ADDITIONAL INFORMATION

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

SHARE DATA

As at the date hereof, the Company has 222,077,580 common shares issued and outstanding, 6,286,033 warrants which entitle the holder to purchase one common share between $0.15 and $0.40 between March 31, 2016 and August 18, 2016, and stock options to purchase an aggregate of 7,195,000 common shares expiring at various dates between May 25, 2015 and February 4, 2019 and exercisable at various prices between $0.34 and $1.67 per option. All stock options have vested as at the date hereof.

INTERNAL CONTROLS OVER FINANCIAL REPORTING

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

As at March 31, 2015, no material weaknesses in the Company's ICFR have been identified and for the period commencing on January 1, 2015 and ending March 31, 2015, there were no changes made to the Company's ICFR considered to have materially affected, or are reasonably likely to materially affect, its ICFR. However, the Company continually assesses and, if required, implements new or modifies existing controls required to support operational changes as it makes the transition to becoming a producer. The Company's processes and internal controls are being implemented at the RSM. Additional controls are being assessed as new processes are developed and the progress towards commercial production continues.

This document contains certain forward-looking information. This forward-looking information includes statements with respect to, among other things, includes, among others, statements regarding the anticipated development of the RSM, the NICO project and the SMPP. With respect to forward-looking information contained in this document, the Company has made assumptions, including assumptions regarding, among other things, the Company's ability to obtain the necessary financing to develop and operate the RSM, 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 achieve and increase production at the RSM or to develop, construct and operate the NICO project and the SMPP; uncertainties with respect to the receipt or timing of required permits for the achievement of commercial production at the RSM *or the development of the NICO project or the SMPP; the risk that the operating and/or capital costs for any of the Company's projects may be materially higher than anticipated; the risk of decreases in the market prices of the metals to be produced by the Company's projects; loss of key personnel; discrepancies between actual and estimated mineral resources or between actual and estimated metallurgical recoveries; uncertainties associated with estimating mineral resources and even if such resources prove accurate the risk that such resources may not be converted into mineral reserves, once economic conditions are applied; labour shortages; workplace accidents; the cost and timing of expansion activities; changes in applicable laws or regulations; competition for, among other things, capital and skilled personnel; unforeseen geological, technical, drilling and processing problems; compliance with and liabilities under environmental laws and regulations; changes to the Company's current business strategies and objectives; and other factors, many of which are beyond the Company's control. See "Risks and Uncertainties" in the Company's MD&A for the year ended December 31, 2014. Readers are cautioned to not place undue reliance on forward-looking information because it is possible that predictions, forecasts, projections and other forms of forward-looking information will not be achieved by the Company. These forward-looking statements are made as of the date hereof and the Company assumes no responsibility to update them or revise them to reflect new events or circumstances, except as required by law.*