



Amended and Restated

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

### Three and nine months ended September 30, 2016

*This amended and restated Management's Discussion and Analysis of Financial Conditions and Results of Operations ("MD&A") of Fortune Minerals Limited ("Fortune" or the "Company"), dated February 21, 2017, should be read in conjunction with the Company's amended and restated unaudited interim condensed consolidated financial statements and the notes thereto for the three and nine months ended September 30, 2016 and with the amended and restated audited consolidated financial statements and the notes thereto and amended and restated MD&A for the year ended December 31, 2015, 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.

	2016			2015			2014	
	Sep-30	Jun-30	Mar-31	Dec-31	Sep-30	Jun-30	Mar-31	Dec-31
<b>Net gain (loss) from continuing operations</b>	(2,913,239)	(2,988,883)	(2,198,804)	(500,198)	(2,506,022)	(7,594,663)	(146,662)	(3,246,138)
<b>Basic and fully diluted loss per common share<sup>(1)</sup> from continuing operations</b>	—	—	—	—	(0.01)	(0.03)	—	(0.02)
<b>Net gain (loss)</b>	(2,913,239)	(2,988,883)	(2,198,779)	2,876,532	(42,087,282)	(3,354,802)	2,813,778	(6,950,468)
<b>Basic and fully diluted loss/gain per common share<sup>(1)</sup></b>	(0.01)	(0.01)	(0.01)	0.02	(0.19)	(0.02)	0.01	(0.03)

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

The Company's most significant development asset is its wholly owned NICO gold-cobalt-bismuth-copper project

in the Northwest Territories ("NICO") and the related refinery proposed to be constructed near Saskatoon, Saskatchewan.

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. Fortune has received Bronze Level recognition for its work in Progressive Aboriginal Relations ("PAR") by the Canadian Council for Aboriginal Business ("CCAB"). The PAR program is the first and only corporate responsibility assurance program in the world with an emphasis on aboriginal relations. The Company 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.

#### *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 that project. The NICO project comprises a proposed mine and mill in the Northwest Territories and a related hydrometallurgical process facility 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.

An updated feasibility study report was also prepared in order to document a number of improvements that had been made to the NICO project since the 2012 FEED Study had been completed. The report updates the economics for the project from the 2012 FEED Study and a technical report reflecting the updated feasibility study dated May 5, 2014, prepared by Micon International 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, 2016:

- Continued to hold discussions with the Government of the Northwest Territories 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;
- Continued discussions with various parties to determine all available options for financing the NICO project;
- Continued discussions with companies interested in acquiring off-take for the metals and chemicals Fortune plans to produce from the NICO project; and,
- Strengthened the Board of Directors and management team with personnel with previous operating experience in the Northwest Territories and project finance.

In addition, on March 24, 2016, the Wek'èezhìi Land and Water Board approved the new Type A Land Use Permit, for care and maintenance of the NICO project as well as the Company's Sue-Dianne project.

The Government of the Northwest Territories ("GNWT"), Department of Transportation has submitted the requisite permit applications to the Wek'èezhìi Land and Water Board to build a public highway to the community of Whati.

The application package was developed by the GNWT, with the support of the Tlicho Government, for the 94-kilometre all-season road which would follow a former all-land winter road route to significantly reduce construction costs. What is 50 km south of the NICO project which has already received its environmental assessment approval for a mine and concentrator and a spur road from the planned public highway to the mine.

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.

The NICO project and the other exploration projects of the Company are classified as exploration and evaluation stage projects for accounting purposes. Exploration and evaluation cash expenditures incurred by Fortune on its properties during the three and nine months ended September 30, 2016 were \$113,961 and \$281,162, respectively:

	<b>Three months ended September 30, 2016</b>	<b>Nine months ended September 30, 2016</b>
<b>NICO</b>	<b>\$ 113,961</b>	<b>\$ 278,359</b>
<b>All Other Projects</b>	<b>—</b>	<b>2,803</b>
<b>Total cash exploration and evaluation expenditures</b>	<b>\$113,961</b>	<b>\$ 281,162</b>

For comparison, exploration and evaluation expenditures incurred by Fortune on its properties during the three and nine months ended September 30, 2015 were \$104,014 and \$545,258, respectively, and were spent on the projects as follows:

	Three months ended September 30, 2015	Nine months ended September 30, 2015
NICO	\$ 104,014	\$ 340,941
Arctos	—	201,514
All Other Projects	—	2,803
Total cash exploration and evaluation expenditures	\$ 104,014	\$ 545,258

Exploration and evaluation expenditures for the three and nine months ended September 30, 2016 were lower compared to the same period in 2015, as a result of the sale of the Arctos licenses in 2015 and decreased expenditures at NICO. With respect to NICO, the Company has reduced spending pending further financing and the construction of an all-weather road.

## RESULTS OF OPERATIONS

### Summary

The Company's net loss for the three and nine month period ended September 30, 2016 was \$2,913,239 and \$8,100,926, respectively, or \$0.01 and \$0.03 per share compared to a \$42,087,282 and \$42,628,306 or \$0.19 and \$0.19 per share for the same periods in the prior year. The previous year's loss included a loss from discontinued operations related to the Revenue Silver Mine in Colorado ("RSM") which the Company no longer owns.

## **Expenses**

Expenses decreased in 2016 to \$656,337 and \$1,894,960 compared to \$2,506,022 and \$11,502,850 for the three and nine-month periods ended September 30, 2016 and 2015, respectively.

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

- Decrease in administrative and corporate development expenditures, primarily as a result of the Company downsizing and cost saving measures.
- Decrease in accretion expenses and recognized loss on disposal of mining properties as a result of the sale of the Arctos project.

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

- Increase in stock-based compensation expense as a result of stock options being granted during the period compared to no stock options granted in 2015.
- Increase in interest expense related to interest accrued on the Company's long-term debt.
- Increase due to revaluation of derivatives.
- Fortune has an operating bank account in United States dollars ("US") to pay certain US vendors and to receive US payments as well as to manage the timing of conversion of Canadian dollars ("C") to US, or vice versa. The foreign exchange gain from converting US balances in Fortune to C at September 30, 2016 was \$495 (September 30, 2015 - \$381,726).

## **Deferred Taxes**

The Company has not recognized a net deferred income tax recovery or provision for the nine months ended September 30, 2016 compared to a recovery of \$1,255,500 for the same period in 2015. During the nine months ended September 30, 2016, recognition of \$503,000 from the estimated tax loss, \$3,200 for investment tax credit on pre-production mining expenditures and \$333,800 for other expenses resulted in an income tax recovery which was offset by a tax provision of \$559,000 for a loss carryforward not recognized, \$188,000 for non-deductible stock-based compensation and other expenses, \$53,000 for renunciation of flow-through and \$40,000 for tax rate difference. During the same period in 2015, the deferred income tax net recovery of \$1,255,500 resulted primarily from a recognition of \$11,132,500 from the estimated tax loss, \$126,000 for renunciation of flow-through expenses, \$5,500 due to tax rate difference, \$19,000 for non-taxable flow-through share premium and \$18,000 for investment tax credit on pre-production mining expenditures. The net recovery included a provision of \$10,042,000 for a loss carryforward not recognized and \$3,500 for non-deductible stock-based compensation and other expenses. A valuation allowance of \$15,238,000 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 nine months ended September 30, 2016 was \$946,165 compared to \$6,386,832 for the same period in 2015. The use of cash in operating activities has decreased as there are no expenditures related to the RSM in the current period. The Company disposed of its interest in the RSM in the third quarter of 2015. The decrease is also attributed to items discussed above in the "Expenses" section.

Cash used in investing activities was \$215,079 compared to \$9,142,139 when comparing the nine months ended September 30, 2016 to 2015. In the prior year, the RSM incurred significant mine development costs, which is

included in the cash used in investing activities – discontinued operations. Exploration and evaluation expenditures have decreased from \$481,041 in 2015 to \$281,162 in 2016 due to reduced spending pending further financing.

Cash provided by financing activities decreased to \$2,056,306 from \$9,585,207 for the nine months ended September 30, 2016 and 2015, respectively. Cash provided in 2016 was a result of \$2,250,000 received from private placements completed in March, April, and August, offset by financing costs.

## LIQUIDITY AND CAPITAL RESOURCES

As at September 30, 2016, Fortune had cash and cash equivalents of \$1,039,920 and working capital of \$955,796. Of the total consolidated cash, \$670 represents Fortune's 50% share of cash from the AAJV.

Subsequent to September 30, 2016, the Company entered into a subscription agreement to sell 2,750,000 flow-through shares at a price of \$0.16 per share, raising gross proceeds of \$440,000.

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>4 - 5 years</i>	<i>After 5 years</i>
<i>Long-term debt</i>	<b>8,750,000</b>	—	—	—	8,750,000
<i>Interest on Long-term debt</i>	<b>520,618</b>	—	—	—	520,618
<i>Provision for Environmental Rehabilitation</i>	<b>22,910</b>	—	—	—	22,910
<i>Total Contractual Obligations</i>	<b>9,293,528</b>	—	—	—	<b>9,293,528</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 at their net present value using an effective interest rate of 18%.

The Company regularly reviews its planned activities relative to available funding and prioritizes activities based on what is required to complete critical path activities and budgets accordingly. The Company invests its surplus cash in low risk, liquid investments, which typically have low yields but hold their value during times of market uncertainty.

The NICO project requires further funding to advance the project through to production.

In addition to contractual obligations noted, non-discretionary budget commitments required to keep current mining leases for NICO in good standing consist of annual payments of \$12,700 plus an additional \$2,715 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. As indicated above, additional financing is required to construct mine infrastructure and processing facilities, to acquire additional equipment for the NICO project. Potential sources for future funding include but are not limited to equity

financing, project financing, off-take and royalty agreements, additional strategic partnerships, mergers and acquisitions. The Company continues to evaluate its alternatives with a view to executing a financing plan suitable to fund its transformation into a producer and minimize potential dilution to shareholders.

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

## **OUTLOOK**

The Company's principal objective is to achieve 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, 2015 MD&A filed on SEDAR. The most significant risks to meeting its objectives for NICO continue to be project financing, rezoning the SMPP lands and schedule uncertainty for the public 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 proactive ways to address risks in its business model and has developed appropriate strategies to move forward by focusing expenditures on critical path activities in a socially and environmentally responsible manner.

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

- work with governments to achieve certainty on the road funding and construction schedule which will determine the mine construction schedule;
- complete re-zoning followed by the receipt of all necessary environmental licenses and permits for the SMPP site in Saskatchewan;
- completing an agreement with the Tlicho Government for the NICO access road and an Impacts and Benefits Agreement;
- identifying and engaging strategic partners to support the development of the NICO project site and the SMPP, by helping to arrange or provide some or all of the project financing, evaluating potential transactions and ultimately entering into a strategic arrangement suitable to the Company;
- completing 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 nine months ending September 30, 2016, the Company focused on continued 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 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, which will allow the Company to complete the process of rezoning its land with the Rural Municipality of Corman Park, Saskatchewan.

Activities undertaken during 2016 towards achieving the next major milestones for the NICO project will remain the Company's focus through 2016 and into 2017. As it pursues this objective, the Company will strive to prudently manage capital resources and mitigate risks.

## TRANSACTIONS WITH RELATED PARTIES

During the nine months ended September 30, 2016, the Company paid key management personnel, including officers, directors, or their related entities, an aggregate of \$432,098 for consulting and/or management services and legal services. In addition, stock options with a fair value of \$439,000, using the Black-Scholes option pricing model, were granted to these individuals during the period. At September 30, 2016, \$47,000 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 September 30, 2016:

Related Party	Relationship	Business Purpose of Transaction								Total	
		Salaries and Benefits <sup>7</sup>		Consulting Services		Legal Services		Stock Options	Paid/Awarded	Payable	
		Paid	Payable	Paid	Payable	Paid	Payable	Granted <sup>8</sup>			
Chen, Shouwu	Director	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 34,000	\$ 34,000	\$ -
Clouter, Carl <sup>1</sup>	Director	-	-	32,000	4,000	-	-	-	34,000	66,000	4,000
Goad, Robin <sup>2</sup>	President & CEO, Director	3,758	-	237,500	12,500	-	-	-	68,000	309,258	12,500
Knight, David <sup>3</sup>	Corporate Secretary	-	-	-	-	89,300	30,500	-	17,000	106,300	30,500
Koropchuk, Glen <sup>4</sup>	Director	-	-	-	-	-	-	-	87,000	87,000	-
Massola, David <sup>5</sup>	VP Finance & CFO	-	-	5,040	-	-	-	-	80,000	85,040	-
Naik, Mahendra	Director	-	-	-	-	-	-	-	51,000	51,000	-
Ramsay, David <sup>6</sup>	Director	-	-	-	-	-	-	-	34,000	34,000	-
Yurkowski, Edward	Director	-	-	-	-	-	-	-	34,000	34,000	-
<b>Total</b>		<b>\$ 3,758</b>	<b>\$ -</b>	<b>\$ 274,540</b>	<b>\$ 16,500</b>	<b>\$ 89,300</b>	<b>\$ 30,500</b>	<b>\$ 439,000</b>	<b>\$ 806,598</b>	<b>\$ 47,000</b>	

<sup>1</sup> Carl Clouter is President of Clouter Enterprises Limited which provides professional services to the Company.

<sup>2</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.

<sup>3</sup> David Knight is a partner with the law firm Norton Rose Fullbright Canada LLP, which provides legal services to the Company. Mr. Knight is also the Company's Corporate Secretary.

<sup>4</sup> Glen Koropchuk was appointed to the Board of Directors on September 12, 2016.

<sup>5</sup> 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.

<sup>6</sup> David Ramsay was appointed to the Board of Directors on April 18, 2016. Mr. Ramsay is also a Director of Northern Gateway Consulting ("NGC") which, from time to time, provides professional services to the Company. \$78,250 was paid to NGC during the nine months ending September 30, 2016.

<sup>7</sup> Salaries and benefits include a base salary plus benefits that are basic in nature, require participants to contribute to the premium costs and

<sup>8</sup> 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, 2016, the Company considered whether there had been any significant changes to indicators and whether any new indicators were present since December 31, 2015. During the period, the

market price of gold had improved, the value of the \$C had strengthened and although the Company had seen an increase in its share price, the market capitalization gap continued to be significant. Management determined that the above changes in the period constituted an impairment indicator due to the effect the price of gold and the exchange rate have on the impairment model 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; and
- The recovering price of gold and other metals.

#### RESTATEMENT OF PRIOR PERIODS

	September 30, 2016		December 31, 2015	
	As Restated	As Previously Reported	As Restated	As Previously Reported
	\$	\$	\$	\$
<b>Statement of Loss and Comprehensive Loss</b>				
<b>Change in fair value related to derivative liability</b>	(6,205,966)	—	60,909	—
<b>Net Loss from Continuing Operations</b>	(8,100,926)	(1,894,960)	(10,747,545)	(10,808,454)
<b>Loss from Discontinued Operations</b>	—	—	(30,361,773)	(29,003,110)
<b>Other Comprehensive Income</b>	25	25	(1,359,115)	(1,358,663)
<b>Net Comprehensive Loss</b>	(8,100,901)	(1,894,935)	(42,468,433)	(41,170,227)
<b>Loss per Share</b>	(0.03)	(0.01)	(0.19)	(0.19)

The interim consolidated financial statements have been amended to correct for errors in the original interim consolidated financial statements. The amendments relate to the warrants issued as part of the Restructuring Agreement on August 12, 2015. The warrants were originally recorded through equity, but should have been set up as a financial liability 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, such that the warrants do not result in a fixed number of shares being issued for a fixed amount of consideration.

## **FINANCIAL INSTRUMENTS**

As at the date hereof, the Company's financial instruments consist of: 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, 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. It is management's opinion that the Company is not exposed to significant interest or credit risks arising from these financial instruments.

## **ADDITIONAL INFORMATION**

Additional information relating to the Company, including its annual information form for the year ended December 31, 2015, is available on SEDAR at [www.sedar.com](http://www.sedar.com).

## **SHARE DATA**

As at the date hereof, the Company has 270,899,007 common shares issued and outstanding, 66,805,424 warrants which entitle the holder to purchase one common share between \$0.15 and \$0.40 and expiring between April 1, 2017 and August 12, 2022, and stock options to purchase an aggregate of 15,340,000 common shares expiring at various dates between March 23, 2017 and September 12, 2021 and exercisable at various prices between \$0.05 and \$1.20 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.

The control framework used to design and assess the effectiveness of the Company's ICFR is the *Internal Control - Integrated Framework* (COSO Framework) published by The Committee of Sponsoring Organizations of the Treadway Commission (COSO). Further, the Company uses *Internal Control over Financial Reporting - Guidance for Smaller Public Companies* published by COSO, which provides guidance to smaller public companies on the implementation of the COSO Framework.

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. As at September 30, 2016, no material

weaknesses in the Company's ICFR have been identified and for the period commencing on January 1, 2016 and ending September 30, 2016, there were no changes made to the Company's ICFR considered to have materially affected, or are reasonably likely to materially affect, its ICFR.

*This document contains certain forward-looking information. This forward-looking information includes statements with respect to, among other things, includes, among others, statements regarding the anticipated development of the NICO project and the SMPP. With respect to forward-looking information contained in this document, the Company has made assumptions, including assumptions regarding, among other things, the Company's ability to obtain the necessary financing to develop and operate the NICO project and the SMPP. Some of the risks that could affect the Company's future results and could cause results to differ materially from those expressed in the Company's forward-looking information include: the inherent risks involved in the exploration and development of mineral properties and in the mining industry in general; the risk that the Company may not be able to arrange the necessary financing to fund the capital and operating improvements necessary to carry on operating or to develop, construct and operate the NICO project and the SMPP; uncertainties with respect to the receipt or timing of required permits for the development of the NICO project or the SMPP; the risk that the operating and/or capital costs for any of the Company's projects may be materially higher than anticipated; the risk of decreases in the market prices of the metals to be produced by the Company's projects; loss of key personnel; discrepancies between actual and estimated mineral resources or between actual and estimated metallurgical recoveries; uncertainties associated with estimating mineral resources and even if such resources prove accurate the risk that such resources may not be converted into mineral reserves, once economic conditions are applied; labour shortages; workplace accidents; the cost and timing of expansion activities; changes in applicable laws or regulations; competition for, among other things, capital and skilled personnel; unforeseen geological, technical, drilling and processing problems; compliance with and liabilities under environmental laws and regulations; changes to the Company's current business strategies and objectives; and other factors, many of which are beyond the Company's control. See "Risks and Uncertainties" in the Company's MD&A for the year ended December 31, 2015. 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.*