FORTUNE
MINERALS LIMITED

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

Year ended December 31, 2016

This Management's Discussion and Analysis of Financial Conditions and Results of Operations ("MD&A") of Fortune Minerals Limited ("Fortune" or the "Company") is dated March 30, 2017 and should be read in conjunction with the Company's Annual Audited Consolidated Financial Statements and the notes thereto for the year ended December 31, 2016, prepared in accordance with International Financial Reporting Standards ("IFRS"). This discussion contains certain forward-looking information and is expressly qualified by the cautionary statement at the end of this MD&A. All dollar amounts are presented in Canadian dollars unless indicated otherwise. Unless the context otherwise requires, the terms "Fortune" and "the Company" where used herein refer to Fortune Minerals Limited and its subsidiaries on a consolidated basis.

SELECTED ANNUAL INFORMATION

	2016	2015	2014
Net loss from continuing operations	(7,874,646)	(10,747,545)	(7,037,400)
Basic and fully diluted loss per common share	(0.03)	(0.19)	(0.06)
Total assets	69,130,987	67,958,584	181,909,638
Debt - current	—	—	68,350,603
Debt - non-current	5,406,662	4,534,683	—

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			
	Dec-31	**Sep-30**	**Jun-30**	**Mar-31**	**Dec-31**	**Sep-30**	**Jun-30**	**Mar-31**
Net gain (loss) from continuing operations	226,280	(2,913,239)	(2,988,883)	(2,198,804)	(500,198)	(2,506,022)	(7,594,663)	(146,662)
Basic and fully diluted loss per common share[(1)] from continuing operations	—	(0.01)	(0.01)	(0.01)	—	(0.01)	(0.03)	—
Net gain (loss)	226,280	(2,913,239)	(2,988,883)	(2,198,804)	1,518,988	(42,087,282)	(3,354,802)	2,813,778
Basic and fully diluted loss/gain per common share[(1)]	—	(0.01)	(0.01)	(0.01)	0.02	(0.19)	(0.02)	0.01

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.

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 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 and a contemplated transaction to develop the asset, which was not 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 year ended December 31, 2016:

- Continued to hold discussions with the Government of the Northwest Territories ("GNWT") 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 exploration project.

On January 11, 2017, the Government of Canada (the "GOC"), the GNWT and the Tlicho Government announced federal funding to provide up to 25% of the construction costs for a public highway to the community of Whati. The GNWT, Department of Transportation has submitted the requisite permit applications to the Wek'èezhìi Land and Water Board to build this highway. The application package was developed by the GNWT, with the support of the Tlicho Government, for the 94-kilometre all-season road ("TASR") which would follow a former all-land winter road route to significantly reduce construction costs. Whati 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 TASR to the mine.

Subsequent to year end, Fortune entered into an engagement with PricewaterhouseCoopers Corporate Finance Inc. ("PwCCF") to assist with securing financing for construction of the NICO project. With the assistance of PwCCF, Fortune plans to secure funds through a combination of strategic partnerships, conventional and supplier debt, product off-take and /or forward sales of a portion of the contained gold.

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.

RESULTS OF 2016 OPERATIONS

Summary

The Company's net loss for the year ended December 31, 2016 was $7,874,646 or $0.03 per share compared to $41,109,318 or $0.19 per share for 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 $7,874,646 compared to $12,003,045 for the year ended December 31, 2015.

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.
- Loss on mining operations from the RSM recognized in 2015.

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

- Increase in revaluation of derivatives.
- Increase in stock-based compensation expense as a result of stock options being granted during the year compared to no stock options granted in 2015.
- Increase in interest expense related to interest accrued on the Company's long-term debt.

- 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 loss from converting $US balances in Fortune to $C at December 31, 2016 was $1,405 (December 31, 2015 – gain of $382,895).

Below is a summary of the estimated fair value of stock options granted for the years ended December 31, 2016 and 2015:

	2016	**2015**
Options granted during the year	12,400,000	—
Total estimated fair value	$520,580	—
Average fair value per option	$0.04	—
Allocated to:		
Stock-based compensation expense	$394,250	—
Exploration and development expenditures	$105,940	—
Capital assets within mining properties	$20,390	—

Deferred Taxes

The Company has not recognized a net deferred income tax recovery or provision for the year ended December 31, 2016 compared to a recovery of $1,255,500 for the same period in 2015. During the year ended December 31, 2016, recognition of $2,101,000 from the estimated tax loss and $13,000 for investment tax credit on pre-production mining expenditures resulted in an income tax recovery which was offset by a tax provision of $1,448,000 for non-deductible change in fair value of derivative, $356,000 for a loss carryforward not recognized, $217,000 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 $10,610,000 from the estimated tax loss, $20,000 for tax rate difference, $19,000 for non-taxable flow-through share premium and $10,000 for investment tax credit on pre-production mining expenditures. The net recovery included a provision of $9,269,100 for a loss carryforward not recognized, $132,400 for renunciation of flow-through expenses and $2,000 for non-deductible stock-based compensation and other expenses. A valuation allowance of $15,372,000 has been recognized related to the uncertainty of realizing the benefit of deferred income tax assets in future years.

Cash Flow

Cash used in operating activities during the year ended December 31, 2016 was $1,336,886 compared to $6,952,134 for the same period in 2015. The use of cash in operating activities has decreased as there were no expenditures related to the RSM in 2016. 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 $338,913 compared to $8,707,923 when comparing the years ended December 31, 2016 and 2015, respectively. 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 $562,664 in 2015 to $401,156 in 2016 due to reduced spending pending further financing.

The NICO project, along with other exploration projects of the company are classified as exploration and evaluation stage projects for accounting purposes. Exploration and evaluation cash expenditures incurred by Fortune on its properties during the three and twelve months ended December 31, 2016 were $119,994 and $401,156 respectively, and were spent on the projects as follows:

	Three months ended December 31, 2016	**Year ended December 31, 2016**
NICO	**$ 119,994**	**$ 398,353**
All Other Projects	**—**	**2,803**
Total cash exploration and evaluation expenditures	**$119,994**	**$ 401,156**

For comparison, exploration and evaluation expenditures incurred by Fortune on its properties during the three and twelve months ended December 31, 2015 were $101,222 and $562,664, respectively, and were spent on the projects as follows:

	Three months ended December 31, 2015	Year ended December 31, 2015
NICO	$ 101,222	$ 442,164
Arctos	—	117,697
All Other Projects	—	2,803
Total cash exploration and evaluation expenditures	$ 101,222	$ 562,664

Exploration and evaluation expenditures for the year ended December 31, 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.

Cash provided by financing activities decreased to $2,471,010 from $9,585,207 for the years ended December 31, 2016 and 2015, respectively. Cash provided in 2016 was a result of $2,690,000 received from private placements completed in March, April, August and October, offset by financing costs. More details are provided below in the "Liquidity and Capital Resources" section.

Below is a summary of common shares issued and net cash proceeds from financing activities for the years ended December 31, 2016 and 2015:

	2016		2015	
	Shares/Warrants Issued	**Cash Proceeds and Costs, Net**	**Shares/Warrants Issued**	**Cash Proceeds and Costs, Net**
	#	**$**	**#**	**$**
Common shares issued during the year				
Private offerings	43,821,427	2,410,000	10,905,400	636,999
Shares as consideration	—		1,350,000	
Share issuance costs	—	(235,990)	—	(40,763)
Total	**43,821,427**	**2,174,010**	**12,255,400**	**596,236**
Average proceeds per share issued		**0.05**		**0.05**
Warrants issued during the year				
Private offerings	6,415,000	297,000	58,472,091 [(1)]	35,432
Total	**6,415,000**	**297,000**	**58,472,091**	**35,432**
Average proceeds per warrant		**0.05**		**—**
Cash Proceeds from Financing Activities Net		**2,471,010**		**631,668**

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

LIQUIDITY AND CAPITAL RESOURCES

As at December 31, 2016, Fortune had cash and cash equivalents of $940,071 and working capital of $889,332. Of the total consolidated cash, $637 represents Fortune's 50% share of cash from the AAJV.

Subsequent to year end, the Company issued 25,800,000 units at a price of $0.25 per unit, through a short form prospectus offering, raising gross proceeds of $6,450,000. Each unit consists of one common share and one half of a common share purchase warrant. One warrant entitles the holder to purchase one common share of the Company for $0.35 on or before March 8, 2019.

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***
Long-term debt	**8,750,000**	—	—	—	8,750,000
Interest on Long-term debt	**636,165**	—	—	—	636,165
Provision for Environmental Rehabilitation	**23,409**	—	—	—	23,409
Total Contractual Obligations	**9,409,574**	—	—	—	**9,409,574**

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 $2,715 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.

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 $889,332 at December 31, 2016 and the funds raised through the short form prospectus offering described above, the Company has sufficient cash to conduct certain critical path activities in 2017. However, the NICO project requires further funding to advance the project through to production. Management is continually pursuing and considering various financing opportunities and has engaged PwCCF, as described above, 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 below. The most significant risks to meeting its objectives for NICO continue to be project financing, rezoning the SMPP lands 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 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 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 year ending December 31, 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.

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

TRANSACTIONS WITH RELATED PARTIES

During the year ended December 31, 2016, the Company paid key management personnel, including officers, directors, or their related entities, an aggregate of $536,922 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 December 31, 2016, $17,270 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 December 31, 2016:

Related Party	Relationship	Business Purpose of Transaction							Total	
		Salaries and Benefits [7]		Consulting Services		Legal Services		Stock Options Granted [8]		
		Paid	Payable	Paid	Payable	Paid	Payable		Paid/Awarded	Payable
Chen, Shouwu	Director	$ -	$ -	$ -	$ -	$ -	$ -	$ 34,000	$ 34,000	$ -
Clouter, Carl [1]	Director	-	-	44,000	4,000	-	-	34,000	78,000	4,000
Goad, Robin [2]	President & CEO, Director	5,240	-	320,000	6,250	-	-	68,000	393,240	6,250
Knight, David [3]	Corporate Secretary	-	-	-	-	141,000	4,500	17,000	158,000	4,500
Koropchuk, Glen [4]	Director	-	-	-	-	-	-	87,000	87,000	-
Massola, David [5]	VP Finance & CFO	1,482	-	25,200	2,520	-	-	80,000	106,682	2,520
Naik, Mahendra	Director	-	-	-	-	-	-	51,000	51,000	-
Ramsay, David [6]	Director	-	-	-	-	-	-	34,000	34,000	-
Yurkowski, Edward	Director	-	-	-	-	-	-	34,000	34,000	-
Total		$ 6,722	$ -	$ 389,200	$ 12,770	$ 141,000	$ 4,500	$ 439,000	$ 975,922	$ 17,270

[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] 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.

[4] Glen Koropchuk was appointed to the Board of Directors on September 12, 2016.

[5] 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.

[6] 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 year ending December 31, 2016.

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

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

CRITICAL ACCOUNTING ESTIMATES

Mining Properties Valuation

The Company continues to consider, on a regular basis, whether indicators exist that suggest that the carrying value of its projects is impaired for accounting purposes. While the market capitalization relative to the carrying value of the Company's projects is reviewed, it is not considered a sole indication of impairment. Given the Company's stage of development and the volatility of the market, using the share price as a sole indication of impairment is not practical, although the Company does monitor the magnitude of the gap between its market capitalization and the project carrying values. At December 31, 2016, the Company considered whether there had been any significant changes to indicators and whether any new indicators were present. During the year, 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;
- the recovering price of gold and other metals; and
- the TASR has received commitment from the GOC to provide 25% of the construction costs.

Interests in Mining Properties and Exploration and Development Expenditures

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

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

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

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

Going Concern Assumption

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

Currently, the Company does not have a source of revenue other than investment income and it has relied, primarily, on equity financings and strategic partners to fund its activities. The Company may have limited access to capital at an acceptable cost to existing shareholders depending on economic conditions from time to time. The Company had a working capital balance of $889,332 and positive cash balances at December 31, 2016 and the Company endeavours to manage the cash position prudently though ongoing monitoring of current and future cash and working capital balances relative to planned activities. With the existing working capital and the funds raised through the short form prospectus offering described above, the Company has sufficient cash to conduct certain critical path activities in 2017, however additional financing is required to advance the NICO project to production.

Deferred Income Taxes

The Company follows the deferred tax liability method in accounting for income taxes. Under this method, deferred tax assets and liabilities are determined based on differences between the financial reporting and tax bases of assets and liabilities, and measured using the substantively enacted tax rates and laws that will be in effect when the differences are expected to reverse. Assessing the recoverability of deferred tax assets requires management to make significant estimates related to expectations of future taxable income and substantively enacted tax rates. Prior to 2016, the Company completed feasibility studies and updates thereto for its principal project and is undertaking related permitting and financing activities. The benefit of certain non-capital losses, investment tax credits, undeducted share issuance costs and tax value of exploration and evaluation expenditures and capital assets in excess of book value of $15,372,000, has been offset by a valuation allowance of the same amount due to the uncertainty of realizing the benefit of deferred income tax assets in future years.

Stock Based Compensation, Warrants and Compensation Options

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

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

FUTURE ACCOUNTING STANDARDS

IFRS 9, *Financial instruments* ("IFRS 9") was issued by the IASB in November 2009 and will replace IAS 39, *Financial Instruments: Recognition and Measurement* ("IAS 39"). IFRS 9 replaces the multiple rules in IAS 39 with a single approach to determine whether a financial asset is measured at amortized cost or fair value and a new mixed measurement model for debt instruments having only two categories: amortized cost and fair value. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. This standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. The Company plans to adopt IFRS 9 on the effective date, January 1, 2018, and is currently evaluating the impact of this standard on its consolidated financial statements.

IFRS 15, *Revenue from Contracts with Customers* ("IFRS 15") was issued by the IASB in May 2014. IFRS 15 specifies how and when an IFRS reporter will recognize revenue as well as requiring such entities to provide users of financial statements with more informative, relevant disclosures. The standard provides a single, principles based five-step model to be applied to all contracts with customers. The Company plans to adopt IFRS 15 on the effective date, January 1, 2018, and is currently evaluating the impact of this standard on its consolidated financial statements.

The IASB has replaced IAS 18, *Revenue* in its entirety with IFRS which is intended to establish a new control-based revenue recognition model and change the basis for deciding whether revenue is to be recognized over time or at a point in time. IFRS 15 is effective for annual periods commencing on or after January 1, 2018. The Company is currently evaluating the impact the standard is expected to have on its consolidated financial statements.

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

ENVIRONMENT

Fortune is committed to a program of environmental protection at its exploration sites. Fortune was in compliance with government regulations in 2016. Secured letters of credit have been provided to be held against future environmental obligations with respect to Arctos and NICO in the amounts of $25,000, representing 100% of the remaining Arctos JV letter of credit, and $143,000, respectively.

RISK AND UNCERTAINTIES

The operations of the Company are speculative due to the high-risk nature of its business, which are the acquisition, financing, exploration and development of mining properties. The risks below are not the only ones facing the Company. Additional risks may also impair the Company's operations. If any of the following risks actually occur, the Company's business, financial condition and operating results could be adversely affected.

Nature of Mineral Exploration and Mining

At the present time, the Company does not hold any interest in a mining property in commercial production. The Company's viability and potential success is based on its ability to develop, exploit and generate revenue from mineral deposits. The exploration and development of mineral deposits involves significant financial risk over a significant period of time, which even a combination of careful evaluation, experience and knowledge may not eliminate. In order to continue developing the projects towards operation and commercial production, the Company will be required to make substantial additional capital investments. It is impossible to ensure that the past or proposed exploration and development programs on the properties in which the Company has an interest will result in a profitable commercial mining operation.

The operations of the Company are subject to all of the hazards and risks normally incident to mining, exploration and development of mineral properties, any of which could result in damage to life and property, the environment and possible legal liability. The activities of the Company may be subject to prolonged disruptions due to weather conditions as a result of the Company's properties in northern Canada. At NICO, the Company is subject to increased risks relating to the dependence on ice roads to supply and equip its work programs. While the Company has obtained insurance against certain risks in such amounts as it considers adequate, the nature of these risks are such that liabilities could exceed policy limits or could be excluded from coverage. There are also risks against which the Company cannot insure or against which it may elect not to insure. For example, the Company has not obtained environmental insurance at its project sites to date and has limited its insured values of its assets to stated amounts approximating the estimated cash invested in its capital assets to date. The potential costs which could be associated with any liabilities not covered by insurance or in excess of insurance coverage or associated with compliance with applicable laws and regulations may cause substantial delays and require significant capital outlays, adversely affecting the future earnings and competitive position of the Company.

Whether a mineral deposit will be commercially viable depends on a number of factors, some of which are the particular attributes of the deposit, such as size and grade, proximity to infrastructure, financing costs and governmental regulations, including regulations relating to prices, taxes, royalties, infrastructure, land use, importing and exporting and environmental protection. The Company has undertaken activities to reduce certain risks related to its major projects through: completion of extensive exploration and drilling programs; completion of numerous environmental baseline studies; pilot plant test work and process optimization and verification; and, investing in significant engineering studies for the mine planning, mine site buildings and equipment, infrastructure and processing facility.

Limited Financial Resources
The existing financial resources of the Company are not sufficient to bring any of its properties into commercial production. The Company will need to obtain additional financing from external sources and/or find suitable joint venture partners in order to fund the development of NICO, including the SMPP. There is no assurance that the Company will be able to obtain such financing or joint venture partners on favourable terms or at all. Failure to obtain financing or joint venture partners could result in delay or indefinite postponement of further exploration and development of the Company's properties.

Completion of TASR
While the Company currently anticipates that the TASR will be completed, the decisions to fund, build and complete the TASR, and the timing related thereto, are outside of the control of the Company. There is no assurance that the TASR will be completed and, if not completed or significantly delayed, the NICO project will not be able to be developed as currently contemplated.

Re-zoning of SMPP Lands
On February 11, 2014, the Saskatchewan Minister of Environment accepted the recommendation of the Saskatchewan Environmental Assessment Branch and approved the Company's proposed SMPP, subject to certain conditions. The lands on which the Company intends to construct the SMPP currently have an agriculture zoning designation and must be changed to M1 Rural Industrial to construct the SMPP. This is a decision of the Rural Municipality of Corman Park and outside of the control of the Company. There can be no assurance that the Company will be able to obtain a favorable decision from the Rural Municipality of Corman Park and if the change to the zoning designation is not completed, the NICO project will not be able to be developed as currently contemplated.

Dependence on Key Personnel and Limited Management Team
Fortune is dependent on the services of its senior executives including the President and Chief Executive Officer, Chief Financial Officer, and other skilled and experienced employees and consultants. The loss of such individuals could have a material adverse effect on Fortune's operations. Fortune will need to supplement its existing management team in order to bring any of its projects into production.

Fluctuating Prices
Factors beyond the control of the Company may affect the marketability of cobalt, bismuth, gold, copper or any other minerals discovered. The range in market prices, over the last five years are as follows: annual average gold prices have ranged from a low of US$1,160/oz in 2015 to a high of US$1,669/oz in 2012; annual average cobalt prices have ranged from a low of US$12.00/lb (2016) to a high of US$14.43/lb (2014); annual average copper prices have ranged from a low of US$2.21/lb (2016) to a high of US$3.61/lb (2012); annual average bismuth prices have ranged from a low of US$4.50lb (2016) to a high of US$10.92/lb (2014). The commodity prices have fluctuated widely and are affected by numerous factors beyond the Company's control such as economic downturns, commodity supply shortages, weather events, political instability, and changes in exchange and interest rates. The effect of these factors cannot accurately be predicted. Further, there is opportunity for the product mix of cobalt and bismuth from the NICO project to be adjusted to produce products with varying prices depending on the market.

Permits and Licenses
The operations of the Company require licenses and permits from various governmental authorities. The Company believes that it presently holds all necessary licenses and permits required to carry out the activities it is currently

conducting under applicable laws and regulations and the Company believes it is presently complying in all material respects with the terms of such licenses and permits. However, such licenses and permits are subject to change in regulations and in various operating circumstances. There can be no assurance that the Company will be able to obtain all licenses and permits required to carry out future exploration, development and mining operations at its projects.

Competition
The mining and mineral exploration business is competitive in all of its phases. The Company competes with numerous other companies and individuals, including other resource companies with greater financial, technical and other resources than the Company, in the search for and acquisition of attractive mineral properties, acquisition of mining equipment and related supplies, and the attraction and retention of qualified personnel. The Company will be constrained in its ability to manage the cost of salaries at NICO and the SMPP during construction and operations as Fortune may be competing for labour with the much larger diamond mining companies operating in the Northwest Territories, oil sands projects in Alberta and potash companies operating in Saskatchewan. There is no assurance that the Company will continue to be able to compete successfully in the acquisition of building materials, sourcing equipment or hiring people.

Environmental and Climate Change Regulation
The operations of the Company are subject to environmental regulations promulgated by government agencies from time to time. Environmental legislation provides for restrictions and prohibitions on spills, releases or emissions of various substances produced in association with certain mining industry operations, such as seepage from tailings disposal areas, which would result in environmental pollution. A breach of such legislation may result in the imposition of fines and penalties. In addition, certain types of operations require the submission and approval of environmental impact assessments. Environmental legislation is evolving in a manner which means standards, enforcement, fines and penalties for non-compliance are more stringent. Environmental assessments of proposed projects carry a heightened degree of responsibility for companies and their directors, officers and employees. The Company has carried out and completed significant environmental base line studies and environmental monitoring to position the Company to successfully complete required environmental assessments; however, despite this, the Company has not been able to obtain certain environmental certificates in a timely manner due to the complexities of the regulatory requirements and process. The cost of compliance with changes in governmental regulations has the potential to reduce the profitability of future operations. The impacts of international or domestic climate agreements, carbon taxes and other potential climate change legislation are difficult to predict and are not yet fully understood, including impacts on capital and operating costs.

Aboriginal Title and Rights Claims
Aboriginal title and rights may be claimed with respect to Crown properties or other types of tenure with respect to which mining rights have been conferred. The Company is not aware of any aboriginal land claims having been formally asserted or any legal actions relating to aboriginal issues having been instituted with respect to NICO or the SMPP properties other than certain treaty rights established by the Tlicho for NICO. The lands that surround NICO are owned by the Tlicho Government pursuant to an agreement between the Government of Canada, the Northwest Territories and the Tlicho Government. The Company is aware of certain First Nations that claim certain title and rights with respect to Crown properties related to the Company's projects that may or may not be formally asserted with the Crown in order to seek comprehensive land claim settlements.

While the Company has a right of access to the NICO mine site under the Tlicho agreement with the Crown, an access agreement will be required between the Tlicho and the Company for the use of the access roads to be built through Tlicho territory to the site. During 2016, various discussions with the GNWT have taken place in relation to the socio-economic agreement and funding for the all-weather road which is critical in determining the construction schedule for the project. The Company is aware of the mutual benefits afforded by co-operative relationships with aboriginal communities in conducting exploration and development activity and is supportive of measures established to achieve such cooperation including preferential hiring practices, local business development activities, involvement in environmental stewardship and other forms of accommodation. The Company has previously entered into a Co-operative Relationship Agreement and Environmental Assessment Funding Agreement with the Tlicho Government. The Company has also received a Bronze Level award for work in Progressive Aboriginal Relations ("PAR") from the Canadian Council for Aboriginal Business. 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 dialogue with aboriginal communities and stakeholders and will continue to make every effort to increase aboriginal employment and business through its human resources and supply chain policies. However, certain challenges with respect to timely decision making may be encountered when working with First Nation governments as a result of the limited number of key individuals in leadership positions, turnover of leadership personnel and delays while elections are held. It will also be necessary for the Company to negotiate and enter into appropriate participation agreements with relevant First Nations in order to bring its projects into production and there is no assurance that the Company will be able to negotiate such agreements on favourable terms or at all. In addition, other parties may dispute the Company's title to the properties and the properties may be subject to prior unregistered agreements or transfers or land claims by aboriginal peoples, and title may be affected by undetected encumbrances or defects or government actions.

Estimates of Mineral Reserves and Resources May Not be Realized

The mineral reserve and resource estimates published from time to time by the Company with respect to its properties are estimates only and no assurance can be given that any particular level of recovery of minerals will in fact be realized or that an identified resource will ever qualify as a commercially mineable (or viable) deposit which can be legally and economically exploited. Material changes in resources, grades, stripping ratios or recovery rates may affect the economic viability of projects. However, through extensive investment in exploration drilling, test mining, bulk sampling, engineering planning and pilot plant testing, the Company has substantially mitigated and reduced these risks. There is a risk that minerals recovered in small-scale laboratory and large scale pilot plant tests will be materially different under on-site conditions or in production scale operations. Short-term factors, such as the need for orderly development of deposits or the processing of new or different grades, may have an adverse effect on mining operations or the results of operations.

The Company has engaged expert independent technical consultants to advise it with respect to mineral reserves and resources and project engineering, among other things. The Company believes that those experts are competent and that they have carried out their work in accordance with all internationally recognized industry standards. However, if the work conducted by those experts is ultimately found to be incorrect or inadequate in any material respect, the Company may experience delays and increased costs in developing its properties.

Health and Safety Matters

The Company's exploration projects are affected by various laws and regulations, including those which cover health and safety matters. Existing legislation and regulations are subject to change, the impacts of which are difficult to measure. It is the policy of the Company to maintain safe working conditions at all its work sites, comply with health and safety legislation, maintain equipment and premises in safe condition and ensure that all employees are trained and comply with safety procedures. The Company has successfully implemented policies and procedures relating to health and safety matters at its project sites and has a good safety record to date.

FINANCIAL INSTRUMENTS

As at the date hereof, the Company's financial instruments consist of: cash and cash equivalents 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; 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; 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.

ADDITIONAL INFORMATION

Additional information relating to the Company, including its annual information form for the year ended December 31, 2016, is available on SEDAR at www.sedar.com.

SHARE DATA

As at the date hereof, the Company has 300,022,757 common shares issued and outstanding, 86,783,436 warrants which entitle the holder to purchase one common share between $0.13 and $0.40 and expiring between April 1, 2017 and August 12, 2022, and stock options to purchase an aggregate of 15,290,000 common shares expiring at various dates between May 14, 2017 and September 12, 2021 and exercisable at various prices between $0.05 and $0.71 per option. All stock options have vested as at the date hereof.

INTERNAL CONTROLS OVER EXTERNAL FINANCIAL REPORTING

Disclosure Controls and Procedures

The Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO"), together with management, evaluated the design and operating effectiveness of the Company's disclosure controls and procedures as at the financial year ended December 31, 2016. Based on that evaluation, the CEO and the CFO concluded that the design and operation of these disclosure controls and procedures were effective as at December 31, 2016 to provide reasonable assurance that material information relating to the Company, including its consolidated subsidiaries, would be made known to them by others within those entities and that information required to be disclosed by the Company in its annual and interim filings and other reports submitted under securities legislation was recorded, processed, summarized and reported within the periods specified in securities legislation.

Internal Controls over Financial Reporting

The CEO and CFO, together with management, evaluated the design and operating effectiveness of the Company's internal controls over financial reporting as at the financial year ended December 31, 2016. Based on that evaluation, the CEO and the CFO concluded that the design and operation of internal controls over financial reporting were effective as at December 31, 2016 to provide reasonable assurance regarding the reliability of financial reporting and the preparation of consolidated financial statements for external purposes in accordance with IFRS. Any system of internal control over financial reporting, no matter how well-designed, has inherent limitations. Therefore, even well-designed systems of internal control can provide only reasonable assurance with respect to financial statement preparation and presentation.

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

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

Changes in Internal Controls over Financial Reporting
There have been no changes made to the Company's internal controls over financial reporting during the year ended December 31, 2016 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. 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. 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.