

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

## Nine months ended September 30, 2022

*This Management's Discussion and Analysis of Financial Conditions and Results of Operations ("MD&A") of Fortune Minerals Limited ("Fortune" or the "Company") is dated November 14, 2022 and should be read in conjunction with the Company's unaudited interim condensed consolidated financial statement and the notes thereto for the nine months ended September 30, 2022 and with the annual audited consolidated financial statement and the notes thereto for the year ended December 31, 2021, prepared in accordance with International Financial Reporting Standards ("IFRS"). This discussion contains certain forward-looking information and is expressly qualified by the cautionary statement at the end of this MD&A. All dollar amounts are presented in Canadian dollars unless indicated otherwise. Unless the context otherwise requires, the terms "Fortune" and "the Company" where used herein refer to Fortune Minerals Limited and its subsidiaries on a consolidated basis.*

### SUMMARY OF QUARTERLY RESULTS

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

	2022			2021				2020
	Sept-30	Jun-30	Mar-31	Dec-31	Sep-30	Jun-30	Mar-31	Dec-31
<b>Revenue and Other Income</b>	1,271	1,046	2,776	176,817	86,040	7,103	7,001	5,461
<b>Net income (loss)</b>	(852,792)	(1,094,522)	153,999	(380,540)	759,394	1,021,488	(3,813,558)	(436,621)
<b>Basic and fully diluted loss per common share<sup>(1)</sup></b>	—	—	—	—	—	—	(0.01)	—

Notes:

(1) The sum of quarterly income (loss) per common share for any given period may not equal the year-to-date amount due to rounding.

Fortune has undertaken the following activities during the nine months ended September 30, 2022 in support of corporate financing initiatives and its wholly owned NICO cobalt-gold-bismuth-copper deposit and proposed mine ("NICO") in the Northwest Territories ("NWT") and a related hydrometallurgical refinery ("Refinery") proposed to be constructed in Alberta, Canada (collectively, the "NICO Project"), as well as permitting and optimizations to produce a more financially robust development:

- The Company has identified a preferred site in Alberta, Canada to build the Refinery to process NICO metal concentrates to value-added products. On January 24, 2022, the Company entered into an option to purchase this brownfield site ("Option to Purchase Agreement") located in Lamont County in Alberta's Industrial Heartland. The Company had until July 24, 2022 to conduct its due diligence and complete the purchase for \$5.5 million. On July 12, 2022, the Company secured a two-month extension to the Option to Purchase Agreement to September 30, 2022 in consideration for the payment of \$15,000 per month deductible from the purchase price. On September 30, 2022, the Company secured a further three-month extension to the Option to Purchase Agreement to December 31, 2022 in consideration for the payment of \$15,000 per month deductible from the purchase price, provided the option has not been exercised on or before the date the consideration is due. The extension is also subject to the vendor's right to list the property for sale in which case Fortune can exercise a right of first refusal;
- The Company engaged Stantec Consulting Ltd. to assess the condition of the existing Lamont County facilities and their suitability for certain unit operations, and Worley Canada Services Ltd. to prepare a permitting road map and assessment of the bismuth process flow sheet and suitability of the existing Lamont County facilities to accommodate this circuit;
- The Company engaged Haywood Securities Inc. ("Haywood") to act as financial advisor to the Company to support its near-term financing objectives. Haywood will assist Fortune with seeking to raise the funds needed to execute on the Option to Purchase Agreement and other activities required to advance development of the NICO Project to a construction decision, including an updated feasibility study to support project

finance, completion of the remaining environmental work and permits and for general corporate purposes including working capital and debt retirement;

- Fortune is engaged with various municipal, territorial, provincial and federal governments to attract political and financial support for the vertically integrated NICO Project and strengthen domestic supply chains for Critical Minerals needed in new technologies and the growing green economy;
- Fortune continues to review the engineering and execution plans for the NICO Project to assess various opportunities to mitigate capital and operating cost escalation and accelerate processing of higher margin ores to improve project economics;
- The Company filed its final reports for the two Government of the Northwest Territories ("GNWT") Mining Incentive Program ("MIP") grants received in 2021. The remainder of \$21,600 for the first MIP grant and the remainder of \$15,000 for the second MIP grant was received during the nine months ended September 30, 2022;
- The results of the Company's 2021 drill program confirmed continuity of cobalt-gold-bismuth and local copper mineralization in the Peanut Lake Zone, located 800 metres southeast of the NICO Deposit and also identified a potential east strike extension of the deposit; and,
- During the nine-month period ended September 30, 2022, the Company entered into new secured term debentures (the "Amended Debentures") to replace the original unsecured debentures of the Company which were issued in 2015 and matured on August 12, 2022 (the "2015 Debentures"), effectively extending the maturity date to November 30, 2022. See "Liquidity and Capital Resources" section below for more details.

## **OVERVIEW**

Fortune's vision is to be a recognized developer, miner, processor and refiner of Critical Minerals needed in new technologies and the growing green economy, together with gold and other by-products contained in the Company's mineral deposits. Supporting the vision is Fortune's mission to profitably produce specialty and precious metals to meet the needs of our customers and partners, and to attract and develop an exceptional team of people motivated to acquire, explore, develop, mine and reclaim resource properties in a safe and responsible manner. The Company's most significant asset is the NICO Project.

The Canadian and United States ("U.S.") governments have signed a Joint Action Plan on Critical Mineral Collaboration to enable more North American production of Critical Minerals. Minerals considered critical for this purpose have use in important industrial and defense applications, cannot be easily substituted by other minerals, and their supply chains are threatened by geographic concentration of production and/or geopolitical risks such as political instability in the source countries, and/or jurisdictions that are unfriendly to Canada or have poor environmental, social and governance ("ESG"). Cobalt and bismuth are identified as Critical Minerals by the U.S., European Union ("E.U.") and the Canadian governments. The Canadian Critical Minerals List also includes copper. Fortune has been in discussions with the Canadian, U.S. and E.U. governments as well as Provincial governments seeking to secure financial support for the NICO Project and its development. On April 7, 2022, the Government of Canada ("GOC") announced \$3.8 billion in financial support for Critical Minerals in its 2022 Budget to accelerate domestic production and processing of Critical Minerals. Cobalt, nickel and lithium are a priority for support because of their use in lithium-ion rechargeable batteries to power electric vehicles, portable electronics and stationary storage cells to make electricity use more efficient. Fortune has applied to the U.S. Department of Defense for matching grants of up to US\$25M to advance the NICO Project and accelerate detailed engineering. These grants were made available pursuant to a new Defense Production Act Title III Presidential Directive to support North American battery materials production due to the war in the Ukraine.

### *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 planned development. The NICO Project comprises a proposed open pit and underground mine and a mill and concentrator in the NWT, with a related Refinery to be located in Alberta. A brownfield site has been identified with requisite planning approvals already in place and existing facilities, including 42,000 square feet of serviced shops and buildings

to materially reduce capital costs for the planned development. The Company has entered into the Option to Purchase Agreement in respect of this Refinery site.

In 2014, a Feasibility Study (the "2014 Feasibility Study") for the NICO Project was summarized in a Technical Report reflecting the planned development, dated May 5, 2014, prepared by Micon International Limited ("Micon") and entitled "*Technical Report on the Feasibility Study for the NICO Gold-Cobalt-Bismuth-Copper Project, Northwest Territories, Canada*" (the "Technical Report") and filed on SEDAR. Before completing an updated Technical Report for the NICO Project, Fortune has been investigating a number of opportunities to optimize the NICO Project to produce a more financially robust project. They include:

- A new Mineral Resource model was developed with a more constrained approach to the mineralization boundaries to reduce internal and external dilution and better differentiate higher grade resource blocks for earlier processing;
- The new model also identified some additional high-grade drill intercepts as well as mineralized material at the volcanic sedimentary rock interface that were not included in previous Mineral Resource estimates;
- The grade interpolation wireframe boundaries were also extended to surface where the deposit is known to outcrop and to depth where the gold zone had been too abruptly terminated;
- A new mine plan and schedule has been completed based on the new Mineral Resource model with a re-optimized open pit shell and an expansion of the gold-rich ores designated for underground mining near the existing decline ramp, which would be processed in years 2 to 4 of the planned mine life;
- The open pit mine fleet has been amended with smaller equipment to reduce dilution with waste rock and match the lower mining rate; and
- The Company is reviewing equipment selection and installations to reduce capital costs.

The Tlicho Highway to the community of Wha Ti was opened to the public on November 30, 2021, which together with the spur road to the mine the Company plans to build, will enable the Company to construct the mine with all-season road access, reducing capital costs, reducing the construction schedule, and mitigating supply chain risks during construction.

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 continues to work with a number of private sector companies and potential strategic partners interested in the Critical Minerals and/or the gold contained in the NICO Project.

The increasing demand for batteries in electric vehicles, portable electronics and stationary storage cells and government concerns over the supply chains for critical minerals are expected to support strong cobalt prices to enable the successful development of the NICO Project. Fortune expects to also produce environmentally friendly bismuth metal and oxide used in the automotive and pharmaceutical industries and with growing demand as a non-toxic and environmentally safe replacement for lead. The NICO Project will be a significant producer of gold and copper will also be produced as a minor by-product. Fortune will be able to demonstrate supply chain transparency and custody control of metals from ores through to the production of value-added products and mitigate risks from geographic concentration of supply from the Democratic Republic of the Congo and China.

## **RESULTS OF OPERATIONS**

### **Summary**

The Company's net loss for the three and nine months ended September 30, 2022 was \$852,792 and \$1,793,315, respectively, or \$0.00 per common share for both periods compared to a net income of \$759,394 and a net loss of \$2,032,676, respectively or \$0.00 and \$0.01 per common share for the same periods in the prior year. The change year over year is primarily due to the change in fair value related to derivative liability as discussed in "Expenses" below.

## **Revenue and Other Income**

Revenue and other income decreased in 2022 to \$1,271 and \$5,093 for the three and nine months ended September 30, 2022, compared to \$86,040 and \$100,144 for the same period in the prior year. The decrease is primarily the result of a decrease in the recognition of flow-through share premium income during the period offset by an increase in interest income earned on cash and cash equivalents.

## **Expenses**

Expenses, excluding change in fair value related to derivative liability, increased in 2022 to \$857,063 and \$2,998,408 for the three and nine months ended September 30, 2022 compared to \$612,596 and \$2,072,511 for the same period in the prior year.

The increase year over year is primarily attributable to (1) an increase in stock-based compensation, (2) an increase in interest expenses related to interest accrued on the Company's debts and (3) an increase in general and administrative and corporate development expenses for the same period.

The change in fair value related to derivative liability recognized a gain of \$3,000 and \$1,200,000 for the three and nine months ended September 30, 2022 compared to a gain of \$1,285,950 for the three months ended September 30, 2021 and a loss of \$60,309 for the nine months ended September 30, 2021.

## **Deferred Taxes**

The Company has not recognized a net deferred income tax recovery or provision for the three and nine months ended September 30, 2022 and 2021. During the nine months ended September 30, 2022, recognition of (i) \$475,000 from the estimated tax loss; (ii) \$318,000 for non-deductible change in fair value of derivative; and (iii) \$171,000 for tax rate difference resulted in a tax recovery which was offset by: (i) a tax provision of \$575,000 for a loss carryforward not recognized; and (ii) \$389,000 for non-deductible stock-based compensation and other expenses.

During the same period in 2021, recognition of (i) \$543,000 from the estimated tax loss; (ii) \$171,000 for tax rate difference; and (iii) \$26,000 for non-taxable flow-through share premium resulted in a tax recovery which was offset by: (i) a tax provision of \$477,000 for a loss carryforward not recognized; (ii) \$255,000 for non-deductible stock-based compensation and other expenses; and (iii) \$8,000 for non-deductible change in fair value of derivative.

During the three months ended September 30, 2022, recognition of (i) \$226,000 from the estimated tax loss; (ii) \$1,000 for non-deductible change in fair value of derivative; and (iii) \$1,000 for tax rate difference resulted in a tax recovery which was offset by: (i) a tax provision of \$165,000 for a loss carryforward not recognized; and (ii) \$63,000 for non-deductible stock-based compensation and other expenses. During the same period in 2021, recognition of (i) \$621,500 for a loss carryforward not recognized; and (ii) \$22,500 for non-taxable flow-through share premium resulted in a tax recovery which was offset by: (i) \$370,000 for non-deductible change in fair value of derivative; (ii) 212,000 from the estimated tax loss; and (iii) \$62,000 for non-deductible stock-based compensation and other expenses.

A valuation allowance of \$17,988,000 has been recognized related to the uncertainty of realizing the benefit of deferred income tax assets in future years.

## **Cash Flow**

Cash used in operating activities during the three and nine months ended September 30, 2022 was \$215,668 and \$899,764, respectively, compared to \$5,592 and \$502,784, respectively, for 2021. The increase in use of cash in operating activities year over year is mainly attributed to an increase in activity related to corporate development and payment of accounts payable balance from the prior year.

Cash used in investing activities was \$170,201 and \$605,445, respectively, compared to \$268,581 and \$331,566, respectively, for the three and nine months ended September 30, 2022 and 2021, respectively. This increase is related primarily to an increase in expenditures of capital assets included in mining properties and exploration and evaluation expenditures due to a deposit of \$100,000 for the Option to Purchase Agreement, additional monthly extension fees and work related to the demobilization of the drill program and final MIP reports.

The NICO Project, and the Company's other exploration projects are classified as exploration and evaluation stage projects for accounting purposes. Exploration and evaluation cash expenditures incurred by Fortune on its properties during the three and nine months ended September 30, 2022 were \$100,318 and \$324,291, respectively, and were spent on the projects as follows:

	<b>Three months ended September 30, 2022</b>	<b>Nine months ended September 30, 2021</b>
<b>NICO</b>	\$ 100,318	\$ 321,488
<b>All Other Projects</b>	—	2,803
<b>Total cash exploration and evaluation expenditures</b>	<b>\$ 100,318</b>	<b>\$ 324,291</b>

For comparison, exploration and evaluation expenditures incurred by Fortune on its properties during the three and nine months ended September 30, 2021 were \$236,555 and \$306,439, respectively, and were spent on the projects as follows:

	<b>Three months ended September 30, 2021</b>	<b>Nine months ended September 30, 2021</b>
<b>NICO</b>	\$ 233,752	\$ 303,636
<b>All Other Projects</b>	2,803	2,803
<b>Total cash exploration and evaluation expenditures</b>	<b>\$ 236,555</b>	<b>\$ 306,439</b>

Cash provided by financing activities increased to \$184,921 and \$222,921, compared to \$1,477,706 and \$2,008,961, for the three and nine months ended September 30, 2022 and 2021, respectively. Cash provided in 2022 was a result of the exercise of stock options and a private placement. Cash provided in 2021 related to the exercise of warrants and stock options and a private placement.

## **LIQUIDITY AND CAPITAL RESOURCES**

As at September 30, 2022, Fortune had cash and cash equivalents of \$520,632 and negative working capital of \$13,426,033 compared to \$2,253,495 and \$(9,210,749), respectively, for the prior year. The negative working capital at September 30, 2022 is a result of debentures maturing in November 2022 and a loan maturing in September 2023 as discussed below.

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 its existing working capital, the Company will require additional financing to conduct certain critical path activities for 2022 and to repay its outstanding debentures. The NICO Project will also require further funding to maintain its operations and advance the project through to production. 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, especially considering the impacts COVID-19, inflation, increasing interest rates, and the Russia/Ukraine conflict could have on the global financial markets as a whole. Management is continuously pursuing and considering various financing opportunities.

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

<b>Contractual Obligations</b>	<b>Payments Due by Year</b>				
	<b>Total</b>	<b>Less than 1 year</b>	<b>1-3 years</b>	<b>4-5 years</b>	<b>After 5 years</b>
<i>Accounts payable and accrued liabilities</i>	\$ 235,516	\$ 235,516	\$ —	\$ —	\$ —
<i>Lease liability</i>	332,643	63,813	133,427	135,403	—
<i>Current debts</i>	13,863,518	13,863,518	—	—	—
<i>Long-term debt</i>	60,000	—	—	60,000	—
<i>Interest on debt</i>	661,842	661,842	—	—	—
<i>Provision for environmental rehabilitation</i>	143,000	—	—	—	143,000
<b>Total Contractual Obligations</b>	<b>\$ 15,296,519</b>	<b>\$ 14,824,689</b>	<b>\$133,427</b>	<b>\$ 195,403</b>	<b>\$ 143,000</b>

The current debt represents the Amended Debentures in the principal amount of \$12,363,518 held by previous secured creditors of the Company and a \$1,500,000 secured loan. The Amended Debentures have an aggregate principal amount of \$12,363,518 (being equal to the aggregate principal and accrued interest of the 2015 Debentures on August 12, 2022), mature on November 30, 2022, bear interest at a rate of 10% per annum, compounded monthly in arrears for the extension period between August 12, 2022 and November 30, 2022, and are secured by all of the assets of the Company, including the NICO Project. As additional consideration for the extension of the maturity date of the 2015 Debentures, the Company paid to the holders of the Amended Debentures an extension fee of an aggregate of \$350,000 upon issuance of the Amended Debentures. This extension fee was satisfied by the issuance of an aggregate of 3,500,000 common shares of the Company (the "Extension Shares") to the holders of the Amended Debentures at a deemed price of \$0.10 per Extension Share. The Loan and Security Agreement ("Loan") for \$1,500,000, bears interest at 9% per annum, compounding annually, and both principal and interest are payable at maturity. As partial consideration for the advance of the loan, the lender received 4,500,000 warrants to purchase common shares in the capital of the Company at \$0.11 on or before September 22, 2023. The loan is secured by the mining leases for NICO.

The long-term debt represents a \$60,000 Canadian Emergency Business Account ("CEBA") non-interest-bearing loan

The CEBA, Loan and debentures balances have been recorded in the consolidated financial statements at their net present value using an effective interest rate of 12%, 18% and 10%, respectively.

In addition to contractual obligations noted, non-discretionary budget commitments required to keep current mining leases for NICO in good standing consist of annual payments of \$12,700 plus an additional \$2,350 for water licenses.

The Company's current environmental reclamation obligations as defined by government regulators are fully secured by cash held in accounts with a large Canadian financial institution for NICO and Arctos. Additional financing is required to construct mine infrastructure and processing facilities and 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.

## OUTLOOK

The Company's principal objective is to achieve successful development and financing of the NICO Project. The Company's activities in pursuit of its objectives are subject to many risks as discussed under the heading "Risks and Uncertainties" section in the MD&A for the year ended December 31, 2021 filed on SEDAR. The most significant risk to meeting its objectives for the NICO Project continues to be the ability to finance the construction costs for the project. Additional risks include purchasing lands and acquiring all necessary permits to provide the Company with the flexibility to construct its own Refinery. A refinery site has been identified in Alberta, Canada, and the Company has until December 31, 2022 to complete the purchase, under the amended Extension to Option to Purchase

Agreement. A significant risk to the NICO Project has now been removed with the completion of the Tlicho Road that opened to the public November 30, 2021. In addition, the Company has completed an Access Agreement with the Tlicho Government that sets out the terms and conditions for the construction of a spur road to the mine. Other risks are primarily from external parties such as government regulators, First Nations and investors who have significant influence over the outcome of the Company's efforts and external factors such as commodity prices, economic conditions and the financial markets. Accordingly, management has sought and continues to seek ways to address risks in its business model and has developed appropriate strategies to move forward by focusing expenditures on critical path activities in a socially and environmentally responsible manner.

Major milestones to achieve on the path forward for the development of the NICO Project include:

- completion of various strategies to mitigate capital and operating cost escalation for the vertically integrated project to make it more financially robust;
- completion of the purchase of the NICO Refinery site;
- engaging with local governments and communities around the Refinery site and securing the permits required for its construction and operation;
- updating the engineering to incorporate identified optimizations to the 2014 Feasibility Study based on current estimates of costs and commodity prices to support a more financially robust project;
- continuing engagement with governments in Canada and the U.S for financial support for the NICO Project development;
- continuing with the programs required to meet water license pre-construction requirements for the NICO site;
- submitting applications to complete the remaining permits for the NICO access road, renewal of land use permits for the mine's current exploration site, and regulatory compliance for the water license;
- advancing the negotiations with the Tlicho Government for a Participation Agreement;
- identifying and engaging strategic partners to support the financing and development for the NICO Project;
- arranging the project financing and potential transactions to finance the NICO Project; and
- continuing engineering and procurement activities.

In the nine months ended September 30, 2022, the Company continued its dialogue with potential strategic partners. The Company has made significant progress towards achieving its milestones through the federal and Tlicho Government approvals for the NICO mine and mill, and renewal of the land use permit and/or Type A water license for the NICO site. The Company currently holds land use permits for exploration and mining and will reapply for permits to allow for several improvements identified by the Company.

Activities undertaken during 2022 towards achieving the next major milestones for the NICO Project will remain the Company's focus through 2022. 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, 2022, the Company paid key management personnel, including officers, directors, or their related entities, an aggregate of \$400,840 for salaries and benefits and consulting and/or management services when compared to \$414,789 for the prior year. In addition, stock options with a fair value of \$646,000, using the Black-Scholes option pricing model, were granted in the nine months ended September 30, 2022 when compared to \$323,300 for the same period in 2021. At September 30, 2022, \$14,450 was owing to these related parties for services received during the period when compared to \$42,819 at September 30, 2021.

The following table summarizes the amounts paid and payable to related parties and the nature of the payments as at September 30, 2022:

*Fortune Minerals Limited*  
*Management's Discussion and Analysis of Financial Conditions and Results of Operations*  
*Nine Months Ended September 30, 2022*

Related Party	Relationship	Business Purpose of Transaction						Total	
		Salaries and Benefits <sup>3</sup>		Consulting Services		Stock Options		Paid/Awarded	Payable
		Paid	Payable	Paid	Payable	Granted <sup>4</sup>	Payable		
Goad, Robin <sup>1</sup>	President & CEO, Director	\$ 6,536	\$ -	\$ 187,500	\$ 4,808	\$ 170,000	\$ -	\$ 364,036	\$ 4,808
Knight, David	Corporate Secretary	-	-	-	-	17,000	-	17,000	-
Koropchuk, Glen	Director	-	-	-	-	54,400	-	54,400	-
McVey, John	Director	-	-	-	-	68,000	-	68,000	-
Naik, Mahendra	Director	5,662	-	-	-	102,000	-	107,662	-
Penney, Patricia	Interim CFO	105,095	5,192	-	-	57,800	-	162,895	5,192
Ramsay, David	Director	-	-	-	-	54,400	-	54,400	-
Schryer, Richard <sup>2</sup>	VP Environmental & Regulatory Affairs	6,157	-	89,890	4,450	54,400	-	150,447	4,450
Yurkowski, Edward	Director	-	-	-	-	68,000	-	68,000	-
Total		\$ 123,450	\$ 5,192	\$ 277,390	\$ 9,258	\$ 646,000	\$ -	\$ 1,046,840	\$ 14,450

<sup>1</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>2</sup> Richard Schryer is engaged to provide services of VP Environmental & Regulatory Affairs of the Company pursuant to an independent consultant agreement.

<sup>3</sup> 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.

<sup>4</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. On September 30, 2022, the Company considered whether there had been any significant changes to indicators and whether any new indicators were present. Management determined that as a result of obtaining limited financing during the year, substantive expenditure on further exploration for and evaluation of mineral resources of the NICO Project cannot be budgeted or planned and completed an impairment assessment of the NICO Project. As a result of that analysis, management has determined that the carrying value of its projects is not impaired or does not require a reversal of a prior impairment charge.

Below are certain factors which management believes 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 mine and concentrator site in the NWT. The Company is focused on obtaining all necessary permits for the NICO Project to proceed, and has plans in place to help achieve this;
- the Company has obtained Land Use permits for the NICO mine and exploration activities. Permits are continuously being updated and renewed as required;
- the Company has obtained a water license for the NICO mine;
- the feasibility study completed in 2014 on the NICO Project demonstrates a net present value in excess of the carrying values of the project;
- the Company is engaged with various cobalt and bismuth experts to analyze the market as it relates to cobalt and bismuth products and the results of such analyses continue to demonstrate significant opportunities for the NICO Project returns relative to metal prices, particularly as a consequence of the growing demand for cobalt in high performance rechargeable batteries contributing to an average cumulative annual growth rate of approximately 6% as well as risks to manufacturers from constrained and geographically concentrated supply chains;
- the GNWT opened the Tlicho Road to the public effective November 30, 2021 and is a key enabler for the development; and
- the Company has identified a site in Alberta to build its Refinery, a brownfield location with existing facilities that could materially reduce the capital costs for the planned development.



## FINANCIAL INSTRUMENTS

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

During the nine months ended September 30, 2022 and 2021, profit and losses associated with each financial instrument are as follows:

	<b>Impact on Profit (Loss)</b>	
	<b>2022</b>	<b>2021</b>
Reclamation security deposits	1,108	370
Provision for environmental rehabilitation	(1,580)	7,850
Long-term debts	(1,149,288)	(1,091,455)
Derivative liability	1,200,000	(60,309)

## ADDITIONAL INFORMATION

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

## SHARE DATA

As at the date hereof, the Company has:

1. 381,783,000 common shares issued and outstanding;
2. 8,102,713 warrants outstanding which entitle the holders to purchase one common share at various prices between \$0.10 and \$0.20 and expiring at various dates between November 20, 2022 and August 26, 2024; and
3. stock options outstanding to purchase an aggregate of 17,950,000 common shares expiring at various dates until May 13, 2025 and exercisable at various prices between \$0.095 and \$0.29 per common share.

All stock options have vested as at the date hereof.

## INTERNAL CONTROLS OVER EXTERNAL FINANCIAL REPORTING

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

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

No material weaknesses in the Company's internal controls over financial reporting were identified during the nine months ended September 30, 2022 and there have been no changes made to such internal controls that have materially affected, or are reasonably likely to materially affect, its internal controls over financial reporting.

*The disclosure of scientific and technical information contained in this MD&A has been approved by Robin Goad, M.Sc., P.Geo., President and Chief Executive Officer of Fortune, who is a "Qualified Person" under National Instrument 43-101.*

*This document contains certain forward-looking information. This forward-looking information includes, among other things, statements regarding the anticipated development of the NICO Project, including the building or acquisition of a hydrometallurgical refinery in western Canada, purchase of a brownfield site in Lamont County in Alberta's Industrial Heartland pursuant to the Option to Purchase Agreement and the Extension to Option to Purchase Agreement, and the expected results of the technical report updating the 2014 Feasibility Study. With respect to forward-looking information contained in this document, the Company has made assumptions, including assumptions regarding, among other things, the Company's ability to acquire an existing hydrometallurgical refinery for the NICO Project or acquire land suitable for the construction of such a refinery, the Company's ability to obtain the necessary financing to develop and operate the NICO Project and the related hydrometallurgical refinery, the ability of the Company to obtain all necessary regulatory approvals for the construction and operation of the NICO Project and the related hydrometallurgical refinery, the Company's ability to purchase the brownfield site in Lamont County in Alberta's Industrial Heartland and the timing thereof and the timing of the update of the 2014 Feasibility Study and the results thereof. 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 risk that the Option to Purchase Agreement and its extension may not result in the purchase of a brownfield site in Lamont County in Alberta's Industrial Heartland, the risk that the Company may not be able to carry on operating or to develop, construct and operate the NICO Project, including the related hydrometallurgical refinery; the risk that the Company may not be able to acquire an existing hydrometallurgical refinery or otherwise acquire land suitable for the construction of such a refinery; uncertainties with respect to the receipt or timing of required permits and agreements for the development of the NICO Project, including the related hydrometallurgical refinery; the risk that the update to the 2014 Feasibility Study may not be completed within the time frame anticipated and may not generate improved economics for the NICO Project to the extent anticipated; the risk that the operating and/or capital costs for any of the Company's projects may be materially higher than anticipated; the risk of decreases in the market prices of the metals to be produced by the Company's projects; loss of key personnel; discrepancies between actual and estimated mineral resources or between actual and estimated metallurgical recoveries; the inherent risks involved in the exploration and development of mineral properties and in the mining industry in general; 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.*