

Fortune Minerals funds NICO feasibility update

FORTUNE MINERALS LTD. [FT-TSX; FTMDF-OTCQX] recently closed a short form prospectus offering that raised \$6.45 million. Proceeds will be used to update the Feasibility Study capital and operating costs for its 100%-owned, vertically integrated NICO gold-cobalt-bismuth-copper project consisting of a proposed mine, mill and concentrator located 160 km northwest of Yellowknife, Northwest Territories, and a related hydrometallurgical refinery the company plans to construct on lands it owns near Saskatoon, Saskatchewan.

Troy Nazarewicz, Investor Relations Manager, explained to *Resource World*, “The refreshed Feasibility Study (FS) is intended to firm up on the projected capital costs of approximately CDN \$600 million from the 2014 FS. The company has PwC Corporate Finance to arrange the Project Financing for construction. The 2014 FS is very comprehensive and based on Front-End Engineering and Design studies but is three years old. There is no significant new engineering required but the capital and operating costs need to be refreshed as the 2014 FS was done under different commodity price assumptions and currency exchange rates. Other factors, like less competition from major resource projects in western Canada and the oil sands, will also have a favourable impact.”

The NICO deposit contains open pit and underground proven and probable mineral reserves totaling 33 million tonnes containing 1.1 million ounces of gold, 82 million pounds of cobalt, 102 million pounds of bismuth, and 27 million pounds of copper. At the planned mill throughput rate of 4,650 tonnes of ore per day, the reserves will sustain operations for 20+ years. The company is of the view that NICO will stand out as a North American cobalt chemical producer in a market that is currently dominated by Congolese mine production, the dominance of China for refined cobalt supply, and its production primarily as a by-product of copper and nickel mining that dictate production rates.

Fortune also owns the Sue-Dianne copper-silver-gold deposit 25 km north of NICO that is a potential future source of mill feed

to extend the life of the NICO mill.

Nazarewicz said that Fortune’s investment of CDN \$116 million has advanced NICO through several resource cycles, from an in-house discovery in 1996 to the point where the company is now working with PwC to secure project financing for construction.

Mineral reserves have been drilled in detail and validated by test mining.

“Development risks have been mitigated by pilot plant tests proving the process methods, metal recoveries and the products we will produce,” said Nazarewicz. “At this point, NICO is essentially shovel-ready with Environmental Assessment approvals completed in both jurisdictions and the major mine permits already in place.”

The recent announcement of federal funding for construction of the Tlichio All-Season Road (TASR) to the community of Whati in the Northwest Territories was an essential enabler for the NICO Mine to proceed. The TASR will connect Whati to the Northwest Territories public highway system and Fortune has already permitted and will assume the cost of extending a spur road to the mine site that is required to transport metal concentrates from the mine to southern Canada for processing. The TASR is in the late stages of environmental assessment that is expected to be completed this summer.

At the time of writing, the cobalt metal price had increased by over 85% since late 2016 (rising from ~ US \$14 /lb to ~ US \$27/lb) as the market entered a deficit position in part due to the rising demand for cobalt in lithium-ion batteries.

The road certainty and growing demand for cobalt are important milestones that will increase the confidence for securing the approximately CDN \$600 million needed for project financing and construction. With PwC helping to arrange the project financing, it will likely entail a combination of strategic partnerships, conventional and supplier debt, product off-take and/or forward sales of a portion of the contained gold. ■