FORTUNE MINERALS LIMITED

2014 ANNUAL FINANCIAL REPORT

Management's Discussion and Analysis and Consolidated Financial Statements

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

Year Ended December 31, 2014

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 31, 2015 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, 2014, prepared in accordance with International Financial Reporting Standards ("IFRS"). This discussion contains certain forward-looking information and is expressly qualified by the cautionary statement at the end of this MD&A. All dollar amounts are presented in Canadian dollars unless indicated otherwise. Unless the context otherwise requires, the terms "Fortune" and "the Company" where used herein refer to Fortune Minerals Limited and its subsidiaries on a consolidated basis.

SELECTED ANNUAL INFORMATION

	2014	2013	2012
Net income (loss)	(11,016,207)	(44,331,418)	(6,877,881)
Basic and fully diluted income (loss) per common share	(0.06)	(0.33)	(0.06)
Total assets	181,909,638	114,491,206	149,571,370
Debt – short term	68,350,603	2,999,526	2,996,725

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.

	Dec-31	Sep-30	Jun-30	2014 Mar-31
Net loss [(1)]	(6,950,468)	(1,354,055)	(1,454,488)	(1,257,196)
Basic and fully diluted loss per common share [(2)]	(0.03)	(0.01)	(0.01)	(0.01)

	Dec-31	Sep-30	Jun-30	2013 Mar-31
Net loss [(1)]	(41,019,135)	(657,471)	(1,024,235)	(1,630,577)
Basic and fully diluted loss per common share [(2)]	(0.27)	—	(0.01)	(0.01)

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

OVERVIEW

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

Fortune has a successful history of discovery and acquisitions to assemble a portfolio of world class mineral deposits. The Company recently acquired a 100% interest in the Revenue Silver Mine ("RSM") in Colorado through the completion of a two-stage transaction completed on October 1, 2014 and has been the mine operator of the project since May 1, 2014. The RSM is currently in the late commissioning stage and is expected to commence commercial production in 2015 subject to the Company obtaining all necessary funding. The Company's most significant development assets are its wholly owned NICO gold-cobalt-bismuth-copper project in the Northwest Territories ("NICO") and its 80% interest in the Arctos

Anthracite Project in northwest British Columbia ("Arctos"). The value Fortune offers includes: diversified assets with significant investments already made to advance development and production; projects located in North America, a mining-friendly, politically stable geographical location; two development projects and one project in the late stages of commissioning providing participation in commodities of critical importance to a growing world economy including gold, cobalt, bismuth, copper, silver, lead, zinc and metallurgical coal; and a production plan that offers a different risk profile than pure exploration companies.

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

REVENUE SILVER MINE

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

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

- $US 4 million cash payment to RVM Holdings LLC made on October 1, 2014;
- 2% net smelter return royalty to a maximum of $US 9 million, adjusted for inflation on a Consumer Price Indexed ("CPI") basis;
- 1% net smelter return royalty to a maximum of $US 9 million, adjusted for inflation on a CPI basis to be paid on sales during a calendar month, if and when the price of silver is more than $US 60 per ounce to be paid after the 2% net smelter return royalty reached $US 9 million on a CPI basis;
- a bonus payment of $US 2 million if the price of silver on the London Bullion market exceeds $US 40 per ounce for any day on or prior to December 31, 2016; and
- a bonus payment of $US 500,000 to be paid in 10 equal monthly installments if the price of silver on the London Bullion market exceeds $US 30 per ounce for any day on or prior to December 31, 2017.

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

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

REVENUE SILVER MINE *(continued)*

On December 22, 2014, the Company amended the Metal Prepay Facility, which resulted in the Company receiving $US 7 million of working capital. The additional US $7 million of working capital will be repaid with 430,000 of silver equivalent ounces, within a 1 year period, accruing interest at 15%, to be paid in accrued ounces. In addition LRC is entitled to a net smelter revenue royalty ("NSR") to be paid to LRC commencing January 2016. The NSR percentage ranges from 2 to 4% until the original facility has been repaid and 1 to 2% thereafter. Also included in the agreement is a copper payment equal to 25% of any shipment of copper during the repayment period of the Metal Prepay Facility. Subsequent to year end, the Company and LRC further amended the Metal Prepay Facility to provide the Company with an additional $US 9 million of working capital. The Company's metal delivery obligations under the original prepay facility and additional working capital facilities have been restructured but the applicable interest rates remain the same. The Metal Prepay Facility, as amended, is secured by a first charge on the assets of Fortune and its material subsidiaries and is supported by guarantees from Fortune and such subsidiaries.

During the year the Company undertook the following activities in relation to the RSM:

- Continued to advance the project through the commissioning phase to move towards commercial production;
- Transitioned operations to becoming 100% owner of the mine by restructuring the management team, key personnel, overseeing site activities and establishing a ramp up, with a significant focus on safety;
- Safety changes and improvements have resulted in the operation having the MSHA pattern of violation (POV) status removed;
- Completed staffing of the mine and operations in line with ramp up targets
- Completed high priority projects related to production and safety such as the Raisebore Hole to improve ventilation, acquired additional necessary mine equipment, and identified and initiated resolution of mill bottlenecks to achieve 400 short tons per day production target, including a thickener, crushing and grinding circuit upgrades, pump upgrades and plant automation;
- Completed environmental compliance related to water storage and discharge ponds and tailings placement systems; and,
- On July 18, 2014, the Company achieved a key milestone in the path towards commercial production at the RSM by making its first shipment of concentrate. During the commissioning period, the Company has sold concentrate for gross proceeds of $US 240,190 ($CA 278,179) to December 31, 2014.

On July 24, 2014, the results of a Preliminary Economic Assessment ("PEA") report for RSM were announced. The PEA is reflected in a technical report dated July 23, 2014 prepared by SRK Consulting entitled *"NI 43-101 Technical Report Preliminary Economic Assessment The Revenue Mine, Sneffels, Colorado"* that has been filed on SEDAR at www.sedar.com by the Company under National Instrument 43-101. See also the Company's press release dated July 24, 2014 for details of the PEA.

The Company is forming strategic relationships in order to supply key partners and markets for Fortune's commodities. This strategy continues to be the focus to advance the development of the Company's NICO and Arctos projects.

NICO PROJECT

Fortune continues to advance its wholly-owned NICO project and the Company's business activities have been focused on certain priority critical path activities required to advance permitting and financing for the development of NICO and its related hydrometallurgical process facility, the Saskatchewan Metals Processing Plant ("SMPP") as contemplated by a technical report entitled *"Technical Report and Updated Mineral Reserve Estimate and Front-End Engineering & Design (FEED) Study on the NICO Gold-Cobalt-Bismuth Deposit, Mazenod Lake Area, Northwest Territories, Canada"* dated July 2, 2012 (the "2012 FEED Study") filed on SEDAR at www.sedar.com by the Company under National Instrument 43-101. In 2013, the Company entered into an agreement with Procon Resources Inc. ("Procon"), a full-service mining contracting company headquartered in Vancouver, Canada, pursuant to which the Company received a strategic investment of $11.7 million. This transaction saw Procon buy 29.25 million newly issued shares for a 19.4% stake in Fortune. Fortune used the proceeds of the private placement to advance the NICO project and for general working capital purposes. On May 9 and July 8, 2014, related to the Company's acquisition of an initial 12% interest in the RSM, Procon exercised its pre-emptive right and purchased an additional 7,717,871 shares for $3,087,148.

In support of permitting and financing initiatives for NICO, the Company undertook the following activities during the year ended December 31, 2014:

- In January 2014, Fortune was approved for a staging (interim) land use permit for the NICO mine. This permit allowed Fortune to conduct land-based early works at the mine site including staging of equipment and site preparation activities prior to the issuance of the full mine permit;
- In April 2014, the Company submitted its closing remarks to the Wekèezhii Land and Water Board ("WLWB");
- Continued engineering and execution planning activities for construction of the mine;
- Filed the final Environmental Impact Study ("EIS") for the SMPP with the Saskatchewan Environmental Assessment Branch ("SEAB"). The EIS and associated documentation was posted for public comment and followed by the SEAB's recommendation to the Saskatchewan Minister of Environment and on February 11, 2014, the Minister of Environment for the Province of Saskatchewan accepted the SEAB's recommendation and approved the Company's proposed SMPP, subject to certain conditions. With this approval, the Company is now completing the process of rezoning its land with the Rural Municipality of Corman Park;
- Held various meetings, open houses and discussions with local communities and stakeholders near the future SMPP site;
- Initiated a study to review alternate locations for process residue storage for the SMPP in Saskatchewan to address community concerns;
- Received approval for Deep Well injection of salts from the SMPP from the Saskatchewan government;
- On April 2, 2014, the Company announced the results of an updated feasibility study report. The report was prepared in order to document a number of improvements that have been made to the NICO project over the past year and to provide a comprehensive document to advance negotiations for project financing with potential strategic partners and their banks. 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 entitled *"Technical Report on the Feasibility Study for the Nico Gold-Cobalt-Bismuth-Copper Project, Northwest Territories, Canada"* was filed on SEDAR at www.sedar.com on May 7, 2014 (see Fortune news releases dated April 2, 2014 and May 7, 2014);
- On June 20, 2014 the WLWB issued the land use permit and approved the Type A water licence and recommended to the GNWT Minister of Environment and Natural Resources for final approval, which was subsequently received on July 23, 2014, resulting in the NICO project having the primary permits required for construction and operations subject to meeting permit conditions and posting of initial reclamation security with the Government of the Northwest Territories;
- During September 2014, the Company conducted environmental monitoring and site fieldwork in support of water license requirements;
- The Company continues to hold various meetings and discussions with representatives from the Tlicho communities and Tlicho Government to achieve Access agreement and Impact and Benefit Agreement ("IBA"); and,
- Various discussions with the Government of the Northwest Territories are ongoing including in relation to a socio-economic agreement ("SEA") and funding for the all-weather access road which is critical in determining the construction schedule for the project.

ARCTOS PROJECT

During 2011, Fortune and Fortune Coal Limited ("FCL"), a wholly-owned subsidiary of Fortune, entered into an agreement (the "Arctos Agreement") with POSCO Canada Ltd. and POSCO Klappan Coal Ltd. ("POSCAN"), a wholly-owned subsidiary of POSCO Canada Ltd., to advance Arctos to production through an unincorporated joint venture, the Arctos Anthracite Joint Venture ("Arctos JV"). POSCO Canada Ltd.'s parent company, POSCO, is based in South Korea and is one of the world's largest steel producers. Pursuant to the Agreement, POSCAN acquired a 20% interest in Arctos. See Fortune's news release dated July 13, 2011 for highlights of the Arctos Agreement. Fortune plans to continue discussions with potential debt and equity providers, including potential additional strategic partners, with the aim of achieving a fully financed, permitted project.

As part of the Arctos Agreement and as contemplated by a technical report entitled *"Technical Report on the 2012 Update of the Arctos Anthracite Project Mine Feasibility Study"* dated November 28, 2012 filed on SEDAR at www.sedar.com by the Company under National Instrument 43-101, the Arctos JV partners approved a program and budget focused on advancing Arctos to production quickly by engaging with native and other local communities to build stakeholder support for Arctos, securing permits, and conducting additional environmental studies and detailed engineering to support permitting and mine planning. During the year ended December 31, 2014, the Company undertook the following activities:

- Continued to cooperate and work closely with the BC government to achieve clarity on land use and access;
- Continued environmental, permitting, community and government relations activities to advance the Arctos environmental assessment ("EA") process and community relations. To advance the EA process, the Company has conducted additional environmental baseline, geochemical, hydrogeological, geotechnical and archaeological studies activities and has completed the draft application information requirements;
- Continued activities to enhance relationships with key groups, including impacted local communities and First Nations, government regulators and other interested parties;

ARCTOS PROJECT *(continued)*

- Contributed as requested to the ongoing Klappan Strategic Initiative (KSI) process involving the Tahltan Nation and Government of British Columbia;
- Continued to seek opportunities to work with representatives from the Tahltan Nation; and
- Held meetings and discussions with representatives from the Gitxsan Nation.

The Company is currently focused on advancing the RSM and the NICO project and is not currently engaged in any activities to develop the Arctos project.

RESULTS OF 2014 OPERATIONS

SUMMARY

The Company's net loss for the three and twelve-month periods ended December 31, 2014 was $6,950,468 and $11,016,207 respectively, or $0.03 and $0.06 per share compared to $41,019,135 and $44,331,418 or $0.27 and $0.33 per share for the same periods in the prior year.

EXPENSES

Expenses increased in 2014 to $5,973,208 compared to $4,498,194 in 2013.

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

- Increase in corporate development costs as a result of the Company's activities related to the due diligence and acquisition of RSM and activities related to the pursuit of financing solutions for the NICO and Arctos projects;
- Increase in administrative expenditures primarily as a result of termination payments made in the first and third quarters of 2014 and increase in professional fees (ie. legal and audit); and
- Increase in interest expense as a result of the increase in the loan from $3 million to $5.125 million.

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

- Decrease in stock-based compensation expense during 2014 as a result of a lower fair value assigned to the 2,950,000 options granted in the first quarter of 2014 compared to 2,900,000 options during the same period in 2013. Although the number of options issued was higher in 2014, the value of the options, using the Black-Scholes option pricing model, was lower.

Below is a summary of the estimated fair value of stock options granted for the years ended December 31, 2014 and 2013:

	2014	2013
Options granted during the year	2,950,000	3,120,000
Total estimated fair value	$533,760	$936,930
Average fair value per option	$0.18	$0.30
Allocated to:		
Stock-based compensation expense	$307,220	$553,320
Exploration and development expenditures	$210,610[1]	$356,340[1]
Capital assets within mining properties	$15,930	$27,270

[1] *In 2014 the Company recovered $20,586 [2013 - $38,858] of this value, representing POSCAN's 20% share in the Arctos JV.*

OTHER INCOME AND CHARGES

An impairment charge of $1,900,269 was recognized in 2014, related to the Sue-Dianne project compared to $35,040,177 that was recognized in 2013, related to the NICO project. Management of the Company determined that the continued decline in the market price of metals constituted an impairment indicator and completed an impairment assessment of the Sue-Dianne project.

During 2013 and the fourth quarter of 2012 changes to the detailed engineering and execution plans related to the use of certain assets at NICO resulted in certain used equipment assets no longer being required. The Company previously acquired these assets as part of the Golden Giant mine asset acquisition in 2008 for future use at NICO, however as a result of the changes to the project and mine plan, management decided to sell assets that will no longer be utilized at NICO. These assets were written down to their estimated recoverable amount and were reclassified as assets held for sale. The recoverable amount was based on management's estimate of fair value less costs to sell using current market prices for the assets. Impairment charges of $8,745,263 were assessed as at December 31, 2013. The remaining balance of assets held for sale was written off resulting in an impairment charge of $1,798,545 during the year ended December 31, 2014.

During the year ended December 31, 2014 a loss on extinguishment of debt or other of $2,506,811 has been recognized. This relates to transaction costs of $3,527,422 which were incurred in the process of obtaining financing for the purchase and working capital requirement of the RSM. The additional financing received on December 22, 2014 was deemed to be a significant change to the original Metal Prepay Facility and as a result all transaction costs related to the original financing are required to be expensed. As a result of the default, the value of the NSR as at December 31, 2014 was estimated to be US $856,722 [$993,877] and has been recorded as a payable in these financial statements.

Interest income for the year ended December 31, 2014 was $143,576 compared to $126,422 for the year ended December 31, 2012. The increase is primarily due to higher interest rates on the Company's deposits, resulting in higher interest income in 2014.

During the year ended December 31, 2014, a gain on flow-through share premium of $3,909 was recognized compared to $127,000 for the same period in 2013, as a result of expenditures incurred that were renounced through flow-through shares issued in 2014. The gain was calculated as the difference between the market price of the Company's shares on the day the flow-through financings closed and the price that the investors paid for the shares.

Fortune has an operating bank account in United States dollars ("$US") to pay certain US vendors and to receive $US payments as well as to manage the timing of conversion of Canadian dollars ("$C") to $US, or vice versa. The foreign exchange gain (loss) from converting $US balances in Fortune to $C at December 31, 2014 was $(94,960) (December 31, 2013- gain of $55,833). The functional currency of Fortune Revenue, a Colorado subsidiary established for the purposes of acquiring the RSM, and Fortune Minerals Marketing Limited ("FMML"), a Barbados product marketing subsidiary, is $US. These companies are translated to $C for reporting purposes and as a result of the exchange rate at the time of translation, a currency translation adjustment is recognized through other comprehensive income. Currency translation adjustment for the year ended December 31, 2014 was $1,357,092 and $nil for 2013 since Fortune Revenue and FMML were not operating.

DEFERRED TAXES

The Company recognized a deferred income tax recovery of $1,112,000 for the year ended December 31, 2014 compared to a recovery of $3,624,600 for the same period in 2013. The 2014 deferred income taxes results from recognition of $3,220,000 from the estimated tax loss, $428,000 due to tax rate difference and $193,000 for investment tax credits on pre-production mining expenditures recorded during the period. The net recovery includes provisions of $2,591,000 for a valuation allowance and $139,000 for non-deductible stock-based compensation and other expenses. During the same period in 2013, the deferred income tax net recovery of $3,624,600 resulted primarily from a provision of $558,000 for renunciation of flow-through eligible expenditures, $153,000 for non-deductible stock-based compensation and $8,701,000 for valuation allowance. The net provision included a recovery of $12,670,000 for deferred tax benefits resulting from the estimated tax loss, $34,000 for non-taxable flow-through share premiums and $301,000 for investment tax credits on pre-production mining expenditures recorded during the period. The Company's deferred tax liability has arisen principally from the increasing difference between book and tax values of its assets resulting from the renunciation of tax deductions to investors of flow-through shares offset partially by increasing deferred tax assets for net operating loss carry forwards and unused investment tax credits on pre-production costs, net of tax.

CASH FLOW

Cash used in operating activities during the year ended December 31, 2014 was $5,034,506 compared to $2,649,304 for the same period in 2013. The operating activities before changes in non-cash working capital used cash of $7,816,915 and $2,592,369 in 2014 and 2013, respectively. The increased use of cash in operating activities, before changes in non-cash working capital, is primarily related to the increases in corporate development costs related to the RSM due diligence and acquisition, interest expense and other administrative expenses, as discussed above in the "Expenses" section.

CASH FLOW *(continued)*

Cash used in investing activities increased to $54,611,567 from $14,355,776 when comparing the year ended December 31, 2014 to 2013. This increase is primarily due to the acquisition of interest in RSM of $34,553,337 and RSM mine development costs of $13,185,494 included in the purchase of plant and equipment and capital assets of $15,557,139. Exploration and evaluation expenditures of $4,197,126 were focused primarily on permitting, environmental and community relations activities and consultation for Arctos and NICO as described in the "Overview" section and were less than the prior year due primarily to the extensive fieldwork program that was completed in 2013 at Arctos in support of the EA process. Security in the amount of $347,286 was also posted for a reclamation security deposit for the RSM project upon purchase of 100% of the mine. These expenditures were offset slightly by proceeds of $43,321 received during the same period from the sale of assets previously classified as held for sale.

The NICO and Arctos projects, along with other exploration projects of the company are classified as exploration and evaluation stage projects for accounting purposes. Exploration and evaluation cash expenditures incurred by Fortune on its properties during the three and twelve months ended December 31, 2014 were $195,937 and $4,197,126, respectively, and were spent on the projects as follows:

	Three months ended December 31, 2014	Year ended December 31, 2014
NICO	$214,246	$2,660,155
Arctos	(18,309)	1,533,865
All Other Projects	—	3,106
Total cash exploration and evaluation expenditures	**$195,937**	**$4,197,126**

For comparison, exploration and evaluation expenditures incurred by Fortune on its properties during the three and twelve months ended December 31, 2013 were $3,858,951 and $13,975,717, respectively, and were spent on the projects as follows:

	Three months ended December 31, 2013	Year ended December 31, 2013
NICO	$2,585,041	$6,057,845
Arctos	1,273,863	7,939,401
All Other Projects	47	(21,529)
Total cash exploration and evaluation expenditures	**$3,858,951**	**$13,975,717**

Exploration and evaluation expenditures for the three and twelve months ended December 31, 2014 were lower compared to the same periods in 2013, as a result of decreased expenditures on both Arctos and NICO as the Company has reduced spending on these projects pending further financing and additional clarity from the Governments of the NWT on the road for NICO and from the BC Government on the permitting process for Arctos. Expenditures for Arctos in 2013 were significantly higher due to a fieldwork program in support of permitting activities, environmental studies and community relations activities.

Mine development cash expenditures incurred by Fortune on its RSM property during the three and twelve months ended December 31, 2014 were $1,114,985 and $13,185,494, respectively. Expenditures incurred in the quarter relate to activities undertaken to advance the project through the commissioning period, mine development and capital projects to improve safety and operating efficiencies at the mine.

Cash provided by financing activities was $52,706,468 for the year ended December 31, 2014 compared to $11,004,108 for the same period in 2013. Cash provided in 2014 was as result of $4.5 million in private placements and an increase in debt of $48 million as described below in the "Liquidity and Capital Resources" section. Cash received during the same period in 2013 related to a private placement.

Below is a summary of common shares issued and net cash proceeds from financing activities for the years ended December 31, 2014 and 2013:

	Shares/Warrants Issued #	2014 Cash Proceeds and Costs, Net $	Shares/Warrants Issued #	2013 Cash Proceeds and Costs, Net $
Common shares issued during the year				
Private offerings	13,551,204	4,587,148	29,250,000	11,700,000
Shares as consideration	50,744,000			
Share issuance costs	—	(82,026)	—	(695,892)
Total	**64,295,204**	**4,505,122**	**29,250,000**	**11,004,108**
Average proceeds per share issued		**0.07**		**0.38**

LIQUIDITY AND CAPITAL RESOURCES

As at December 31, 2014, Fortune had cash and cash equivalents of $6,219,000 and a working capital deficit of $68,233,233. Of the total consolidated cash, $4,006 represents Fortune's 80% share of cash from the Arctos JV.

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

		Payments Due by Period			
Contractual Obligations	**Total**	**< 1 year**	**1-3 years**	**4-5 years**	**> 5 years**
Finance Lease Obligations	1,357,851	949,491	408,360	—	—
Current Debt	53,737,759	53,737,759			
Capital Contribution Liability	16,000,000	16,000,000	—	—	—
Total Contractual Obligations	**71,095,610**	**70,687,250**	**408,360**	**—**	**—**

The current debt represents amounts owing to LRC under the Metal Prepay Facility. The original amount financed is due over 5 years and the additional financing received on December 22, 2014 is due by December 31, 2015. The long-term debt is due August 31, 2016. The capital contribution liability represents the contractual obligation under the Arctos JV Agreement, due by December 31, 2015. Under the Senior Secured Metal Prepay Agreement, should the Company be in default of the agreement, LRC has the right to terminate the agreement and declare all amounts owing due and payable. At December 31, 2014 the Company was in default of certain covenants, which were subsequently waived by LRC in the agreement amended on February 12, 2015. As at December 31, 2014 LRC had the right to demand accelerated payment and as a result, the long-term debt of US $41,991,234 [$48,713,728] as at December 31, 2014 has been classified as current debt.

During the quarter ended June 30, 2014 the Company increased its total long-term debt with a private investor group from $3,000,000 to $5,125,000. On May 8, 2014, the group advanced an additional $2,000,000 to the Company, evidenced by a promissory note. Under the terms agreed to with the group, the aggregate amount repayable by the Company will be $5,125,000 and the maturity date for the original loan as well as the new loan was extended from August 31, 2014 to August 31, 2016. The loans will continue to bear interest at 9% per annum and are secured by a charge on the Company's personal property and the NICO mining leases.

LIQUIDITY AND CAPITAL RESOURCES *(continued)*

During the quarter ended September 30, 2014, the Company entered into the General Corporate Facility with LRC to borrow $US 4 million which was received by the Company on September 18, 2014. The balance did not bear interest and had a maturity date of no later than March 18, 2015. Pursuant to the General Corporate Facility, the Company issued 1,000,000 common shares to LRC. Subsequent to the quarter end, on October 1, 2014, the Company repaid the loan balance in full using proceeds received from the Metal Prepay Facility with LRC as described above in the "Overview" section. The $US 35 million Metal Prepay Facility principal will be repaid from a fixed schedule of metal shipments from the RSM to LRC-FRSM LLC, plus interest of 9.25% over a five year term. The additional aggregate amount of US $16 million, received for working capital subsequently, are due to be repaid by December 31, 2015.

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.

Financing was received on October 1, 2014 and October 16, 2014 from the Metal Prepay Facility to complete the acquisition of the RSM and fund start-up through the commissioning period. Additional financing has been received as discussed in the "Overview" section for working capital requirements. Future cash flows and potential capital requirements are dependent upon RSM reaching commercial production and operations ramping up to 400 short tons per day. Additional capital will be required to advance the RSM to commence productions and to fund its operations.

Under the Senior Secured Metal Prepay Agreement, should the Company be in default of the agreement, LRC has the right to terminate the agreement and declare all amounts owing due and payable. At December 31, 2014 the Company was in default of certain covenants, which were subsequently waived by LRC in the agreement amended on February 12, 2015. As at December 31, 2014 LRC had the right to demand accelerated payment and as a result, the long-term debt of US $41,991,234 [$48,713,728] as at December 31, 2014 has been classified as current debt.

The Arctos and NICO projects require further funding during 2015 or risk delays and additional financing is required to advance the NICO and Arctos projects through to production. The $14,612,844 capital contribution liability reflected on the Company's balance sheet as at December 31, 2014 represents the $16 million contractual obligation under the Arctos JV Agreement, due by December 31, 2015. In addition to contractual obligations noted, non-discretionary budget commitments required to keep current mining leases for NICO and coal licenses for Arctos in good standing consist of annual payments of $12,700 and $164,110, respectively.

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

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

OUTLOOK

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

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

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

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

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

During 2014, the Company focused on concurrently advancing the EA processes for NICO and the SMPP through to the decision for approval, continued meaningful dialogue with key parties including the Tlicho for developing mutually beneficial agreements, and worked to identify and advance opportunities to develop additional strategic partnerships. The Company has made significant progress towards achieving its milestones through the Procon strategic investment, the Federal and Tlicho government approvals for the NICO mine and mill, receipt of the land use permit and Type A water licence for the NICO site, and the ministerial approval of the SMPP, which will allow the Company to complete the process of rezoning its land with the Rural Municipality of Corman Park, Saskatchewan.

Activities undertaken during 2014 towards achieving the next major milestones for the RSM and NICO projects will remain the Company's focus heading into 2015. As it pursues these objectives, the Company will strive to prudently manage capital resources and mitigate risks.

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

Year Ended December 31, 2014

TRANSACTIONS WITH RELATED PARTIES

During 2014, the Company paid key management personnel, including officers, directors, or their related entities an aggregate of $1,941,836 for consulting and/or management services and legal services. In addition, stock options with a fair value of $306,000, using the Black-Scholes option pricing model, were granted to these individuals during the period. At December 31, 2014, $223,199 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, 2014:

		Business Purpose of Transaction									
Related Party	**Relationship**	**Salary and Benefits[5]**		**Consulting Services**		**Directors' Fees**		**Legal Services**		**Stock Options**		**Total**	
		Paid	Payable	Paid	Payable	Paid	Payable	Paid	Payable	Granted[6]	Payable	Paid	Payable
Breukelman, William[1]	Director					$ 12,250	$ 1,666			$ 18,000		$ 30,250	$ 1,666
Chen, Shouwu	Director					9,750	14,167			18,000		27,750	14,167
Clouter, Carl[2]	Director			$ 47,850	$ —	9,750	14,167			18,000		75,600	14,167
Currie, James[1]	Director					9,250	1,666			18,000		27,250	1,666
Doumet, George	Director					9,750	14,666			18,000		27,750	14,666
Excell, James	Director					12,833	19,083			18,000		30,833	19,083
Goad, Robin[3]	President & CEO, Director	$ 4,271	$ —	319,410	—					54,000		377,681	—
Jean, Adam[4]	VP Finance & CFO	205,325	15,647							36,000		241,325	15,647
Kemp, Julian[5]	VP Finance & CFO	355		329,890								330,245	—
Knight, David[6]	Director					9,750	14,666	$ 590,896	$ —	18,000		618,646	14,666
Naik, Mahendra	Director					57,667	76,833			27,000		84,667	76,833
Romaniuk, Mike	VP Operations & COO	$ 303,089	$ 22,075							45,000		348,089	22,075
Williams, James W. Jr.[1]	Director						13,397					—	13,397
Yurkowski, Edward	Director					9,750	15,166			18,000		27,750	15,166
Total		**$ 513,040**	**$ 37,722**	**$ 697,150**	**$ —**	**$ 140,750**	**$ 185,477**	**$ 590,896**	**$ —**	**$ 306,000**	**$ —**	**$ 2,247,836**	**$ 223,199**

1 *Bill Breukelman and James Currie ceased to be directors effective June 24, 2014. On this same date, James W. Williams, Jr. became a director.*

2 *Carl Clouter is President of Clouter Enterprises Limited which provides professional services to the Company.*

3 *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.*

4 *Adam Jean was promoted to Vice President Finance and Chief Financial Officer of the Company effective January 21, 2014.*

5 *Julian Kemp was engaged to provide services of Vice President Finance and Chief Financial Officer of the Company pursuant to an independent consultant agreement. Julian ceased to be Vice President Finance and Chief Financial Officer effective January 21, 2014.*

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

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 stage that the Company is in, and the volatility of the market, using the share price as a sole indication of impairment is not practical, however the Company monitors the magnitude of the gap between the Company market capitalization and the project carrying values. Due to the size of the gap and overall market sentiment of the resource sector at December 31, 2013, an impairment analysis was completed on the Company's NICO cash generating unit and an impairment charge of $35,040,177 was taken as at that date and was reflected in the

Company's 2013 audited financial statements. At the end of the year ended December 31, 2014, the Company considered whether there had been any significant changes to the indicators of impairment at year end and whether any new indicators were present and has determined that there are no indications that the carrying value of any or all of its projects is impaired or that impairment losses recognized in prior periods should be reversed. At December 31, 2014, management of the Company determined that the continued decline in the market price of metals constituted an impairment indicator and completed an impairment assessment of the Sue-Dianne project. The Company has recognized an impairment charge of $1,900,269.

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

- The Company has obtained EA approval for the NICO project and is focused on obtaining all necessary permits for the NICO project to proceed, and has plans in place and resources assigned to help achieve this;
- The Company has obtained a final land use permit for the NICO mine;
- The Company is currently focused on obtaining EA approval and permits for the Arctos project and has plans in place and resources assigned to help achieve this;
- Substantive expenditures on the Company's main projects, RSM and NICO, are planned and budgeted for beyond 2014;
- A successful arrangement of a joint venture with POSCAN was completed in 2011 to help finance the Arctos project;
- The feasibility studies completed to date on NICO and Arctos demonstrate net present values in excess of the carrying values of the respective projects;
- 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 price; and
- The Company obtained financing to acquire 100% of the RSM and is in the process of commissioning and ramp-up of the operations.

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.

The fair values related to the RSM acquisition are preliminary as at December 31, 2014 due to the complexity of the acquisition and the inherently uncertain nature of valuing mining assets and related property, plant and equipment. The finalization of the valuation work required to determine the fair values of the assets and liabilities acquired will be completed within 12 months of the acquisition date, at the latest.

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 deficit and positive cash balances at December 31, 2014 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. The available capital is not sufficient to fund the Company's critical path activities in 2015 and additional expenditures will be dependent on and paced with financing activities during the year.

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 2014, the Company completed feasibility studies and updates thereto for both of its principal projects and is undertaking related permitting and financing activities. The benefit of certain non-capital losses, investment tax credits and undeducted share issuance costs of $14,288,000, has been offset by a valuation allowance of $10,615,000 due to the uncertainty of realizing the benefit of deferred income tax assets in future years. Deferred tax liabilities of $4,576,000 for the book value of exploration and development expenditures and $361,000 for the book value of the capital contribution liability in excess of tax value have also been recorded in the consolidated financial statements.

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 and the principal projects are in the development stage, certain site development and exploration activities have occurred that have given rise to a constructive obligation related to the reclamation of the sites for the RSM, Arctos and NICO projects. As a result, the Company has recognized an environmental rehabilitation provision for each project. Due to the uncertainty around the settlement date and measurement of potential asset retirement obligations for the Company's projects, management considers the assumptions used to calculate the present value of such liabilities at each reporting period and updates the value recognized as required.

CAPITAL CONTRIBUTION LIABILITY

FCL's capital contribution liability was initially recorded at its estimated present value of $10,856,773 using a discount rate of 9% and a contribution date of December 31, 2015. With accretion, the estimated present value at December 31, 2014 is $14,612,844. Management considers the assumptions used to calculate the present value of such liabilities at each reporting period and will update the value recognized as required.

ASSETS HELD FOR SALE

As a result of changes made during the prior year to detailed engineering and planning related to the use of certain assets, the Company determined that the equipment no longer included in the project and mine plan would be sold. There has been very little activity with respect to disposing of these assets during the year, as a result the remaining balance of $1,798,545 has been written off and an impairment charge has been recognized.

ROYALTY PAYABLE

As a result of the default on the Metal Prepay Facility as at December 31, 2014, the value of the NSR was estimated to be US $856,722 [$993,877] and has been recorded as a payable in the Company's financial statements. The value is calculated using a discounted cash flow approach. The silver, gold, lead and zinc price assumptions, production forecasts, and resulting implicit interest rate calculations are significant assumptions used in determining the value of the NSR payable.

NEW AND FUTURE ACCOUNTING STANDARDS

IFRS Interpretations Committee 21, Levies ["IFRIC 21"] was issued by the International Accounting Standards Board ["IASB"] in May 2013. IFRIC 21 addresses the accounting for a liability to pay a levy if that liability is within the scope of IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*, as well as addressing what the obligating event is that gives rise to pay a levy and when should a liability be recognized. IFRIC 21 was adopted by the Company effective January 1, 2014 and there was no impact of the policy on these interim condensed consolidated financial statements.

The IASB issued amendments to IAS 36, *Impairment of Assets* ["IAS 36"] on May 29, 2013. The amendments restrict the requirement to disclose the recoverable amount of an asset or cash-generating unit to periods in which an impairment loss has been recognized or reversed. The amendments also expand and clarify the disclosure requirements applicable when an asset or cash-generating unit's recoverable amount has been determined on the basis of fair value less cost of disposal. The amendments were adopted by the Company effective January 1, 2014 and there was no impact of the policy on these interim condensed consolidated financial statements.

The IASB issued amendments to IAS 32, *Financial Instruments* ["IAS 32"] effective January 1, 2014. The amendments provide further clarification on the application of the offsetting requirements. There was no impact on these interim condensed consolidated financial statements as a result of adopting this amendment.

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. In July 2013, the IASB tentatively decided to defer the Mandatory effective date of IFRS 9. The IASB agreed that the mandatory effective date should no longer be annual periods beginning on or after January 1, 2015 but rather be left open pending the finalization of the impairment and classification and measurement requirements. The Company is currently evaluating the impact of IFRS 9 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, 2017, 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 15 - Revenue from contracts with customers ["IFRS 15"] 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, 2017. The Company 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 development projects and exploration sites. Fortune was in compliance with government regulations in 2013. Secured letters of credit have been provided to be held against future environmental obligations with respect to Arctos and NICO in the amounts of $307,000, representing 100% of the Arctos JV letter of credit, and $245,600, respectively. During 2014, the Company transferred US $306,513 to a surety bond related to RSM. The corporate surety is in favour of the Colorado Division of Mining Reclamation and Mining Safety. Security held is in excess of the aggregate amount required.

RISKS 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 not currently known to the Company, or that the Company currently deems immaterial, 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 RSM project is in the late-stages of commissioning and is expected to reach commercial production in 2015 subject to receipt of all necessary financing. 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 involve 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 being located in a mountainous region of Colorado and in northern Canada. Specifically, the RSM requires avalanche mitigation from heavy snow loads as well as maintenance and use of an access road constructed on a mountainside. At NICO, the Company is subject to increased risk relating to the dependence on ice road travel to supply and equip its work programs, at Arctos the Company is subject to increased risk relating to the potential damage to the access roads resulting from drainage or snow accumulations in mountainous terrain. 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 bring the RSM into commercial production and fund the development of Arctos and 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.

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, Vice President Operations and Chief Operating Officer, the RSM Site Manager and other key operations personnel at the RSM., and over a dozen full time equivalent skilled and experienced employees and consultants. The loss of any 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 silver, lead, zinc, coal, cobalt, bismuth, gold, copper or any other minerals discovered. The range in market prices, over the last five years, for silver has been volatile: annual average silver prices have ranged from a low of US$19.97/oz in 2014 to a high of US$35.12/oz in 2011; annual average lead prices have ranged from a low of US$0.69/lb (2010) to a high of US$1.33/lb (2011); annual average zinc prices have ranged from a low of US$0.72/lb (2010) to a high of US$1.22/lb (2010). For NICO, the range in market prices are as follows: annual average gold prices have ranged from a low of US$1.224/oz in 2010 to a high of US$1,669/oz in 2012; annual average cobalt prices have ranged from a low of US$13.20/lb (2013) to a high of US$20.56/lb (2010); annual average copper prices have ranged from a low of US$3.10/lb (2014) to a high of US$3.99/lb (2011); annual average bismuth prices have ranged from a low of US$8.71/lb (2013) to a high of US$11.62/lb (2011). For anthracite coal at Arctos, market prices of metallurgical coal of this quality are less readily available. However, based on spot prices and trend setting contracts entered into by certain metallurgical coal producers, it is believed that over the last five years ultra-low volatile pulverized coal injection ("ULV PCI") coal prices have ranged from approximately US$85/tonne to US$275/tonne and coking coal prices have ranged from approximately US$105/tonne to US$330/tonne. The commodity prices have fluctuated widely and are affected by numerous factors beyond the Company's control such as the economic downturn observed in 2008 and 2009, 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. On February 11, 2014, the Saskatchewan Minister of Environment accepted the SEAB's recommendation and approved the Company's proposed SMPP, subject to certain conditions. With this approval, the Company is now completing the process of rezoning its land with the Rural Municipality of Corman Park. In addition, the Company is continuing activities to assist with the advancing the Arctos EA process. Subject to receiving environmental certificates and approvals, the Company will be required to apply and obtain mining permits in order to build and operate a mine. 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 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 the acquisition of attractive mineral properties, the 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 the RSM, 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, respectively. 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 Arctos, NICO or the SMPP properties other than certain treaty rights established by the Tahltan and Gitxsan for Arctos and 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. In 2005, the Company's Arctos property was the subject of a blockade by a group of individuals, most being aboriginals, which required the Company to obtain a court injunction to remove the blockade. The Company was again faced with disruptive and damaging protests at the Arctos project site towards the end of the 2013 summer field program. This resulted in the Company voluntarily ceasing its summer field program activities early and withdrawing from the project site temporarily to support a new course of mediation between the Government of British Columbia and the Tahltan Central Council to resolve issues that have impacted work in and around the Arctos project site. The Company is not currently engaged in any activities to develop the Arctos project.

For NICO, 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 2014, 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 and an Environmental Assessment Process Funding Agreement with the Tahltan Central Council. The Company received a Bronze Level award for work in Progressive Aboriginal Relations ("PAR") from the Canadian Council for Aboriginal Business ("CCAB"). The PAR program is the first and only corporate responsibility assurance program in the world with an emphasis on aboriginal relations. The Company has worked with guidance and support from the CCAB to document practices, policies and behaviours that quantify and validate the Company's commitment to positive and progressive aboriginal relations. The Company is committed to open and constructive dialogue with aboriginal communities 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 development and 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: short-term investments included in cash and cash equivalents and reclamation security deposits, designated as financial assets measured at fair value through profit and loss; accounts receivable which is a financial asset designated as a receivable, measured initially at fair value and subsequently on the basis of amortized cost using the effective interest rate method; and accounts payable and accrued liabilities, interest payable, income taxes payable, current debt and long-term debt, finance lease obligations, royalty payable which is measured on a discounted cash flow basis and capital contribution liability, which are financial liabilities designated as other liabilities measured initially at fair value and subsequently on the basis of amortized cost using the effective interest rate method. It is management's opinion that the Company is not exposed to significant interest or credit risks arising from these financial instruments. The Company mitigates its risk by holding short-term investments in instruments low in risk and highly rated with large reputable financial institutions.

ADDITIONAL INFORMATION

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

SHARE DATA

As at the date hereof, the Company has 214,822,180 common shares issued and outstanding, 3,333,333 warrants which entitle the holder to purchase one common share for $0.40 on or before August 18, 2016, and stock options to purchase an aggregate of 7,780,000 common shares expiring at various dates between January 1, 2015 and February 4, 2019 and exercisable at various prices between $0.34 and $1.67 per option. All stock options have vested as at the date hereof.

INTERNAL CONTROLS OVER FINANCIAL REPORTING

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

As at December 31, 2014, no material weaknesses in the Company's ICFR have been identified and for the period commencing on January 1, 2014 and ending December 31, 2014, there were no changes made to the Company's ICFR considered to have materially affected, or are reasonably likely to materially affect, its ICFR. However, the Company continually assesses and, if required, implements new or modifies existing controls required to support operational changes as it makes the transition to becoming a producer. The Company's processes and internal controls are being implemented at the RSM. Additional controls are being assessed as new processes are developed and the progress towards commercial production continues.

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

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The consolidated financial statements and the Management Discussion and Analysis are the responsibility of management and have been approved by the Board of Directors. The consolidated financial statements have been prepared by management in accordance with accounting principles generally accepted in Canada. When alternative accounting methods exist, management has chosen those it deems most appropriate in the circumstances. Financial statements are not precise as they include certain amounts based on estimates and judgments. Management has determined such amounts on a reasonable basis given currently available information in order to ensure that the financial statements are presented fairly, in all material respects.

The Company maintains systems of internal accounting and administrative controls in order to provide, on a reasonable basis, assurance that the financial information is relevant, reliable and accurate and that the Company's assets are appropriately accounted for and adequately safeguarded.

The Board of Directors is responsible for ensuring that management fulfills its responsibility for financial reporting and is ultimately responsible for reviewing and approving the consolidated financial statements. The Board carries out this responsibility principally through its Audit Committee.

The Audit Committee is appointed by the Board, and its members are outside directors. The Committee meets with management as well as the external auditors to discuss auditing matters and financial reporting issues and to review the consolidated financial statements, the Management's Discussion and Analysis and the external auditors' report. The Committee reports its findings to the Board for consideration when approving the consolidated financial statements for issuance to the shareholders. The Committee also considers, for review by the Board and approval by the shareholders, the engagement or reappointment of the external auditors.

The consolidated financial statements have been audited by Ernst & Young LLP, the external auditors, in accordance with Canadian generally accepted auditing standards on behalf of shareholders. The external auditors have free access to the Audit Committee.

Robin Goad
President and Chief Executive Officer

Mahendra Naik
Chief Financial Officer

INDEPENDENT AUDITORS' REPORT

To the Shareholders of
Fortune Minerals Limited

We have audited the accompanying consolidated financial statements of **Fortune Minerals Limited**, which comprise the consolidated statements of financial position as at December 31, 2014 and 2013, and the consolidated statements of loss and comprehensive loss, changes in shareholders' equity and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

MANAGEMENT'S RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of **Fortune Minerals Limited** as at December 31, 2014 and 2013, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

EMPHASIS OF MATTER

Without qualifying our opinion, we draw attention to Note 2 in the financial statements. The Company incurred a net loss of $11,016,207 during the year ended December 31, 2014 and, as of that date the Company's current liabilities exceeded its current assets by $68,233,233. These conditions, along with other matters as set forth in Note 2, indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern.

Ernst & Young LLP

London, Canada,
March 31, 2015

Chartered Professional Accountants
Licensed Public Accountants

Fortune Minerals Limited

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(Expressed in Canadian dollars)

See note 2 going concern uncertainty

As at	December 31, 2014	December 31, 2013
ASSETS		
Current assets		
Cash and cash equivalents *[notes 7ii and 13[a]]*	**6,219,000**	13,412,020
Accounts receivable	**202,372**	371,867
Prepaid expenses	**1,011,945**	93,512
Assets held for sale *[note 7vi]*	**—**	1,853,592
Total current assets	**7,433,317**	15,730,991
Reclamation security deposits *[note 7iv]*	**859,195**	493,109
Capital assets, net *[note 6]*	**219,804**	253,998
Mining properties *[note 7]*	**173,397,322**	98,013,108
	181,909,638	114,491,206
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Accounts payable and accrued liabilities	**4,834,799**	1,516,216
Interest payable	**466,689**	90,000
Flow-through share premium deferred gain	**71,091**	—
Current portion of finance lease liability *[note 10]*	**949,491**	—
Royalty payable *[note 11]*	**993,877**	—
Current debt *[note 11]*	**53,737,759**	2,999,526
Capital contribution liability *[note 7ii]*	**14,612,844**	—
Total current liabilities	**75,666,550**	4,605,742
Capital contribution liability *[note 7ii]*	**—**	13,466,880
Finance lease liability *[note 10]*	**408,360**	—
Provision for environmental rehabilitation *[note 8]*	**238,210**	58,513
Deferred income tax liabilities, net *[note 12]*	**1,264,000**	2,398,000
Total liabilities	**77,577,120**	20,529,135
Commitments and contingencies *[notes 7ii, 7iii and 16]*		
SHAREHOLDERS' EQUITY		
Share capital *[note 9]*	**158,935,457**	139,439,655
Other reserves	**11,016,669**	10,482,909
Deficit	**(66,976,700)**	(55,960,493)
Accumulated other comprehensive income	**1,357,092**	—
Total shareholders' equity	**104,332,518**	93,962,071
	181,909,638	114,491,206

See accompanying notes

On behalf of the Board: **Robin Goad**, Director **Mahendra Naik**, Director

Fortune Minerals Limited

CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS

(Expressed in Canadian dollars)

Years ended December 31	2014	2013
EXPENSES		
Administrative	**2,382,470**	1,747,537
Investor relations and regulatory fees	**437,895**	423,477
Stock-based compensation *[note 9[b]]*	**307,220**	553,320
Corporate development costs *[note 7i[c]]*	**1,097,121**	465,321
Interest expense *[note 11]*	**445,130**	143,690
Accretion *[notes 7ii and 8]*	**1,227,080**	1,116,776
Amortization	**76,292**	48,073
Loss before other items	**(5,973,208)**	(4,498,194)
Interest and other income	**143,576**	126,422
Gain on disposal of mining properties	**(1,899)**	20,396
Loss on disposal of capital assets	**—**	(2,035)
Gain on flow-through share premium	**3,909**	127,000
Foreign exchange gain (loss) *[note 4[b]ii]*	**(94,960)**	55,833
Loss on extinguishment of debt or other *[note 11]*	**(2,506,811)**	—
Impairment charge *[notes 7v and 7vi]*	**(3,698,814)**	(43,785,440)
Loss before income taxes	**(12,128,207)**	(47,956,018)
Recovery of income taxes *[note 12]*		
Current income taxes	**—**	2,600
Deferred income taxes	**1,112,000**	3,622,000
Net loss for the year	**(11,016,207)**	(44,331,418)
Other comprehensive income		
Currency translation adjustment	**1,357,092**	—
Net comprehensive loss	**(9,659,115)**	(44,331,418)
Basic and diluted loss per share *[note 9]*	**(0.06)**	(0.33)

See accompanying notes

Fortune Minerals Limited

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Expressed in Canadian dollars)

Years ended December 31	2014	2013
OPERATING ACTIVITIES		
Net loss for the year	**(11,016,207)**	(44,331,418)
Add (deduct) items not involving cash		
Accretion	**1,227,080**	1,116,776
Amortization	**76,292**	48,073
Deferred income taxes	**(1,112,000)**	(3,622,000)
Gain on flow-through share premium	**(3,909)**	(127,000)
Stock-based compensation	**307,220**	553,320
Non-cash portion of interest expense	**24,506**	2,801
Gain on disposal of mining properties	**—**	(20,396)
Loss on disposal of capital assets	**1,899**	2,035
Non-cash portion of loss on extinguishment of debt	**(1,020,610)**	—
Impairment charge	**3,698,814**	43,785,440
	(7,816,915)	(2,592,369)
Changes in non-cash working capital balances related to operations		
Accounts receivable	**170,693**	(96,331)
Prepaid expenses	**(867,929)**	99,757
Accounts payable and accrued liabilities	**3,119,391**	(39,075)
Interest payable	**360,254**	—
Income taxes payable	**—**	(21,286)
Cash used in operating activities	**(5,034,506)**	(2,649,304)
INVESTING ACTIVITIES		
Increase in exploration and evaluation expenditures	**(4,197,126)**	(13,975,717)
Acquisition of interest in Revenue Silver Mine *[note 7iii]*	**(34,553,337)**	—
Purchase of capital assets, including mining properties	**(15,557,139)**	(526,267)
Posting of security for reclamation security deposits, net	**(347,286)**	(492)
Proceeds on disposal of assets held for sale	**43,321**	146,700
Cash used in investing activities	**(54,611,567)**	(14,355,776)
FINANCING ACTIVITIES		
Proceeds on issuance of shares, net *[note 9 [d] and [e]]*	**4,505,122**	11,004,108
Proceeds on issuance of debt	**52,831,131**	—
Repayment of corporate facility	**(4,404,724)**	—
Payment of finance leases	**(225,061)**	—
Cash provided by financing activities	**52,706,468**	11,004,108
Effect of foreign exchange on cash	**(253,415)**	—
Decrease in cash and cash equivalents during the year, net	**(6,939,605)**	(6,000,972)
Cash and cash equivalents, beginning of year	**13,412,020**	19,412,992
Cash and cash equivalents, end of year *[note 13]*	**6,219,000**	13,412,020

See accompanying notes

Fortune Minerals Limited

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

(Expressed in Canadian dollars)

	Common shares		Warrants		Subtotal	Other reserves	Deficit	Accumulated other comprehensive income	Total shareholders' equity
	#	$	#	$	$	$	$	$	
December 31, 2012	**121,276,976**	**128,253,547**	**1,100,000**	**404,119**	**128,657,666**	**9,141,860**	**(11,629,075)**	**—**	**126,170,451**
Issued as a result of:									
Private offerings	29,250,000	11,700,000	—	—	11,700,000	—	—	—	11,700,000
Share issuance costs, net tax	—	(513,892)	—	—	(513,892)	—	—	—	(513,892)
Stock options granted	—	—	—	—	—	936,930	—	—	936,930
Expiration of warrants	—	—	(1,100,000)	(404,119)	(404,119)	404,119	—	—	—
Net loss for the year	—	—	—	—	—	—	(44,331,418)	—	(44,331,418)
December 31, 2013	**150,526,976**	**139,439,655**	**—**	**—**	**139,439,655**	**10,482,909**	**(55,960,493)**	**—**	**93,962,071**
Issued as a result of:									
Private offerings *[note 9[c] to [g]]*	64,295,204	19,287,495	3,333,333	343,333	19,630,828	—	—	—	19,630,828
Flow-through share premium deferred gain *[note 9[g]]*	—	(75,000)	—	—	(75,000)	—	—	—	(75,000)
Share issuance costs, net of tax *[note 9[d] to [g]]*	—	(60,026)	—	—	(60,026)	—	—	—	(60,026)
Stock options granted *[note 9[b]]*	—	—	—	—	—	533,760	—	—	533,760
Net loss for the year	—	—	—	—	—	—	(11,016,207)	—	(11,016,207)
Foreign currency translation	—	—	—	—	—	—	—	1,357,092	1,357,092
December 31, 2014	**214,822,180**	**158,592,124**	**3,333,333**	**343,333**	**158,935,457**	**11,016,669**	**(66,976,700)**	**1,357,092**	**104,332,518**

See accompanying notes

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2014 and 2013

1. CORPORATE INFORMATION

The consolidated financial statements of Fortune Minerals Limited ["the Company"] for the year ended December 31, 2014 were authorized for issuance by the Board of Directors on March 31, 2015. Fortune Minerals Limited is incorporated under the laws of Ontario and domiciled in London, Ontario, Canada, whose shares are publicly traded on the OTCQX and the Toronto Stock Exchange.

2. BASIS OF PRESENTATION AND GOING CONCERN UNCERTAINTY

The Company is a natural resource company with mineral deposits in Canada and the United States of America ["US"] and is focused on the exploration, assembly and development of natural resource projects. The recoverability of amounts shown for mineral properties and related exploration and evaluation 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. The Company's projects are all within North America, and the Company operates in one industry segment, mining.

These consolidated financial statements have been prepared on a going concern basis, which contemplates the realization of the Company's assets and discharge of its liabilities and commitments in the normal course of business. Based on the Company's current cash flow forecasts, the Company does not have sufficient cash or working capital to fund all of its planned activities without obtaining additional financing. Additionally, as described in Note 17 the Company amended the Metal Prepay Facility subsequent to the year-end which requires the Company to raise no less than US $4M in capital support no later than May 1, 2015 and resulted in the Company granting a security interest in all of the assets of Fortune Minerals Limited and its material subsidiaries. This, combined with the December 31, 2014 default under the Metal Prepay Facility described in Note 11 and the working capital deficit of $68,233,233 (calculated as the difference between current liabilities of $75,566,550 and current assets of $7,433,317), results in the existence of a material uncertainty that casts significant doubt about the Company's ability to continue as a going concern. Management is actively working to achieve positive cash flows through the production of the Revenue Silver Mine and is continually pursuing and considering various financing opportunities. The Company has historically been successful in financing its activities, however, there can be no assurances that the Company will be able to obtain continued support from existing lenders or obtain sufficient financing on terms acceptable to management to be able to meet its current liabilities as they come due. These financial statements do not include adjustments, which may be material, to the amounts and classification of assets and liabilities that would be necessary should the going concern principle not be appropriate.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These consolidated financial statements have been prepared by management in accordance with International Financial Reporting Standards ["IFRS"] and are within the framework of the significant accounting policies summarized below. The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities. The reported amounts and note disclosures are determined using management's best estimates based on assumptions that reflect the most probable set of economic conditions and planned courses of action. Actual results, however, may differ from the estimates used in the consolidated financial statements.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgments made by management in the application of IFRS that have a significant effect on the consolidated financial statements and estimates with a significant risk of material adjustment in the current and following fiscal years are discussed in Notes 3[e] to 3[m], 3[r], 7iv, 11, 12 and 15.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

[a] PRINCIPLES OF CONSOLIDATION AND JOINT ARRANGEMENT

The consolidated financial statements reflect the financial position and results of operations of the Company and its wholly owned subsidiaries Fortune Minerals NWT Inc., Fortune Minerals Saskatchewan Inc. ["FMSI"], Fortune Coal Limited ["FCL"], Fortune Minerals Marketing Limited ["FMMkL"], Fortune Minerals Mining Limited ["FMML"] and Fortune Revenue Silver Mines, Inc. ["FRSMI']. The Arctos Anthracite Joint Venture is accounted for as a joint operation and FCL recognizes its 80% interest in the assets, liabilities, income, loss and expenses. All intercompany transactions and balances have been eliminated.

FRSMI was incorporated on April 9, 2014 under the Colorado Corporations and Associations Act and is domiciled in Colorado, USA. FRSMI holds the Revenue Silver Mine ["RSM"] project [refer to Note 7iii].

[b] FUNCTIONAL AND PRESENTATION CURRENCY

The functional and presentation currency of the Company and its subsidiaries is the Canadian dollar, other than FRSMI and FMMkL whose functional currency is the US dollar ["$US"].

Transactions denominated in foreign currencies are translated into the functional currency as follows:

- Monetary assets and liabilities are translated at the exchange rate in effect at the balance sheet date;
- Non-monetary assets and liabilities are translated at historical exchange rates prevailing at each transaction date; and
- Revenues and expenses are translated at the average exchange rates throughout the reporting period.
- Exchange gains and losses on translation are included in income (loss) in the consolidated statements of loss and comprehensive loss.

Balances of FRSMI and FMMkL are translated into the presentation currency as follows:

- Assets and liabilities are translated at the exchange rate in effect at the balance sheet date; and
- Revenues and expenses are translated at the average exchange rates throughout the reporting period.
- Exchange gains and losses on translation are included in other comprehensive income.

[c] COMPREHENSIVE LOSS

Comprehensive loss is composed of net loss and other comprehensive loss. Other comprehensive loss includes unrealized gains and losses on available-for-sale financial assets, accounting for certain derivative instruments and hedging activities and currency translation adjustment. The components of comprehensive loss, if any, are disclosed in the consolidated statements of comprehensive loss. For the year ended December 31, 2013 the Company had no other comprehensive loss to report; therefore, its net loss is equal to its comprehensive loss.

[d] CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of cash on hand, balances with banks and short-term fixed income deposits with remaining maturity dates at the date of acquisition shorter than three months.

[e] EXPLORATION AND EVALUATION EXPENDITURES

The Company capitalizes exploration and evaluation expenditures, including directly attributable salary and overhead costs relating to mineral properties until the costs are expected to be recouped through the successful development of the area of interest [or alternatively by its sale], or where activities in the area have not yet reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active operations are continuing or planned for the future.

Accumulated costs in relation to an abandoned area are written off to the consolidated statements of loss, comprehensive loss and deficit in the period in which the decision to abandon the area is made. A regular review is undertaken of each area of interest to determine the appropriateness of continuing to capitalize costs in relation to that area of interest.

Exploration and evaluation expenditures are transferred to mine development assets once the work completed to date supports the technical feasibility and commercial viability of the property and such development receives appropriate internal approvals from the Board of Directors as well as external approvals from third parties with respect to permitting.

Payments received for exploration rights on the Company's mineral properties are treated as cost recoveries and reduce the cost of deferred exploration and evaluation expenditures related to the mineral claims.

[f] MINE DEVELOPMENT EXPENDITURES

The cost of developing mineral reserves and mineral resources is capitalized on the balance sheet as incurred. Mine development expenditures, included in capital assets within mining properties, includes costs net of any proceeds received on concentrate sales associated with a start-up period where the asset is available for use but incapable of operating at normal levels without a commissioning period.

These costs are not amortized but the carrying value is assessed for impairment whenever facts and circumstances suggest that the carrying amount of the asset may exceed its recoverable amount. These costs will be amortized once commercial production begins.

[g] CAPITAL ASSETS

i. **Mining assets and other capital assets**

Capital assets are stated at cost less accumulated amortization. Where an item of capital assets comprises major components with different useful lives, the components are accounted for as separate items of capital assets.

Expenditures incurred to replace a component of an item of capital assets that is accounted for separately are capitalized. Amortization of corporate capital assets and capital assets used in the exploration and evaluation phase is recorded using the declining balance method, with management reviewing the useful lives of capital assets at each consolidated statement of financial position reporting date to verify the asset is being amortized over a period equivalent to the useful life of the asset.

The assets are amortized at the following rates:

Asset class	Rate of amortization %
Surface facilities	20
Furniture and fixtures	20 to 30
Camp structures	30
Mobile equipment	30
Computer equipment	30
Site furniture and equipment	30
Software	35
Leasehold improvements	50

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Capital Assets continued)*

ii. **Impairment**

The Company's tangible and intangible assets are reviewed for an indication of impairment at each consolidated statement of financial position reporting date. If an indication of impairment exists, the asset's recoverable amount is estimated. The recoverable amount is the greater of the asset's fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An impairment loss is recognized when the carrying amount of an asset, or its cash-generating unit, exceeds its recoverable amount. A cash-generating unit is the smallest identifiable group of assets that generates, or is expected to generate, cash inflows that are largely independent of the cash inflows from other assets or groups of assets. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs. The recoverable amount is calculated as the greater of the fair value less costs to sell and value in use. Impairment losses are recognized in profit and loss for the period. Impairment losses recognized in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to cash-generating units and then to reduce the carrying amount of the other assets in the unit on a pro-rata basis.

iii. **Reversal of impairment**

An impairment loss is reversed if there is an indication that there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized. An impairment loss with respect to goodwill is never reversed.

[h] ASSETS HELD FOR SALE

An asset is classified as held for sale when it meets the criteria in IFRS 5, Non-current Assets Held for Sale and Discontinued Operations, and is measured at the lower of the carrying amount and fair value less costs to sell. If the fair value less costs to sell is lower than the carrying amount, an impairment loss is recognized in net income/loss. Upon classification as held for sale, assets are no longer depreciated.

[i] INTANGIBLE ASSETS

Intangible assets are amortized at the following rate:

Asset class	Rate of amortization %
Software	35

[j] SHARE-BASED PAYMENT PLANS

The Company has a fixed stock-based compensation plan, approved by the shareholders at the Company's annual meeting held on June 22, 2005. The plan was most recently re-approved at the Company's annual meeting held on June 7, 2011. Under the plan, the Company may grant options to eligible individuals for up to 10% of the issued and outstanding common shares, subject to certain conditions. As at December 31, 2014, the Company has 13,702,218 options available for grant in addition to any options issued and outstanding. The exercise price of each option is equal to or higher than the market price of the Company's stock on the date of grant. The plan does not provide for a maximum term. Options are granted and their terms determined at the discretion of the Board of Directors.

The Company recognizes an expense for option awards using the fair value method of accounting based on the Black-Scholes model. The expense is capitalized to a similar extent as the optionee's salary, wages or fees are capitalized. The Black-Scholes model used by the Company to calculate option and warrant values as well as other accepted option valuation models, was developed to estimate fair value of freely tradable, fully transferable options and warrants, which significantly differ from the Company's stock option awards. These models also require four highly subjective assumptions, including future stock price volatility and expected time until exercise, which greatly affect the calculated values. Due to the number of estimates involved, it is likely that the actual fair value of the options will differ from what has been recorded in the financial statements.

[k] INCOME TAXES

The Company follows the liability method of tax allocation 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. Temporary differences that do not affect accounting or taxable profit do not result in deferred tax assets or liabilities being recognized.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to settle current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

[l] PROVISION FOR ENVIRONMENTAL REHABILITATION

Provision is made for asset retirement, restoration and for environmental rehabilitation costs [which include the dismantling and demolition of infrastructure, removal of residual materials and remediation of disturbed areas] in the financial period when the related environmental disturbance occurs, resulting in a legal or constructive obligation to the Company. The provision is based on the estimated future costs using information available at the consolidated statement of financial position date. The provision is discounted using a current market-based pre-tax discount rate and the accretion of the discount is included in amortization and accretion expense. At the time of establishing the provision, a corresponding asset is capitalized [where it gives rise to a future benefit] and depreciated over future production from the mine to which it relates.

The provision is reviewed on an annual basis for changes to obligations, legislation or discount rates that affect changes in cost estimates or life of operations. The cost of the related asset is adjusted for changes in the provision resulting from changes in the estimated cash flows or discount rate and the adjusted cost of the asset is depreciated prospectively.

[m] FINANCIAL INSTRUMENTS

Financial instruments are designated into one of the following categories: financial assets at fair value through profit or loss, held-to-maturity investments, loans and receivables, available-for-sale financial assets or other liabilities. Depending on the financial instrument designation, fair value or cost-based measures are used for estimating fair value on the consolidated statements of financial position, and gains and losses are recognized in either net income or other comprehensive income. Financial assets at fair value through profit or loss and available-for-sale are measured in the consolidated statements of financial position at fair value and financial instruments designated as held-to-maturity investments, loans and receivables or other liabilities are measured at amortized cost. Subsequent measurement and changes in fair value depend on initial classification. The Company has made the following designations:

- Short-term investments within cash and cash equivalents and reclamation security deposits are designated as "assets at fair value through profit or loss" and are measured at fair value. Gains and losses resulting from the periodic revaluation of these items are recorded in net income.

- Accounts receivable are financial assets designated as receivables and are recorded at amortized cost, which upon initial measurement are equal to fair value. Subsequent measurement of receivables is on the basis of amortized cost using the effective interest rate method.

- Accounts payable and accrued liabilities, interest payable, income taxes payable, current debt and capital contribution liability are financial liabilities designated as other liabilities recorded at amortized cost, which upon initial measurement is equal to fair value. Subsequent measurement of other liabilities is on the basis of amortized cost using the effective interest rate method.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Financial Instruments continued)*

As at December 31, 2014, the Company was not a party to any forward foreign exchange or metal pricing contracts for which hedge accounting may apply, but may use such instruments in the future. The purpose of hedge accounting is to ensure that counterbalancing gains, losses, revenues and expenses [including the effects of counterbalancing changes in cash flows] are recognized in net income in the same period or periods. Hedge accounting is applied only when gains, losses, revenues and expenses on a hedging item would otherwise be recognized in income in a different period than gains, losses, revenues and expenses on the hedged item. Where gains, losses, revenues and expenses on the hedging item and counterbalancing gains, losses, revenues and expenses on the hedged item are recognized in income in the same period, hedge accounting is both considered not necessary and not permitted by the standards.

[n] INCOME (LOSS) PER COMMON SHARE

Basic income (loss) per share is calculated by dividing net income (loss) for the year by the weighted average number of common shares outstanding in each respective period. Diluted income (loss) per share reflects the potential dilution of securities by adding other common stock equivalents in the weighted average number of common shares outstanding during the period, if dilutive.

[o] BORROWING COSTS

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the respective assets when it is probable that they will result in future economic benefits to the entity and the costs can be measured reliably. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Interest on borrowings directly relating to the financing of qualifying capital projects is added to the capitalized cost of those projects or to the capital asset until such time as the assets are substantially ready for their intended use or sale which, in the case of mining properties, is when they are capable of commercial production. Where funds have been borrowed specifically to finance a capital project, the amount capitalized represents the actual borrowing costs incurred. Where the funds used to finance a capital project form part of general borrowings, the amount capitalized is calculated using a weighted average of rates applicable to relevant general borrowings of the Company during the period.

[p] TRANSACTION COSTS

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability. For a financial asset or financial liability classified other than at fair value through profit or loss, directly attributable transaction costs relating to debt or equity activities are added to the fair value of the financial asset or liability on the consolidated statements of financial position. For a financial asset or financial liability classified as fair value through profit or loss, all transaction costs are recognized immediately in net loss for the year.

[q] ADMINISTRATIVE EXPENSES

Included in exploration and evaluation expenses are directly attributable administrative and general expenses.

[r] PROVISIONS

Provisions are recorded when a present legal or constructive obligation exists as a result of past events where it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the consolidated statements of financial position date taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows. When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount receivable can be measured reliably [see 3[t] below on fair value measurement].

[s] FLOW-THROUGH SHARES

Flow-through shares issued are recognized in share capital based on the quoted market price of the Company's shares on the date of issue. Any premium between the amount recognized in common shares and the amount that investor pays for the shares is recognized as a deferred gain, which is recognized in earnings as gain on flow-through share premium when the eligible expenditures have been renounced.

[t] FAIR VALUE MEASUREMENT

Effective January 1, 2013, the Company adopted IFRS 13, Fair Value Measurement ["IFRS 13"], which was issued by the International Accounting Standards Board ["IASB"] on May 12, 2011. Fair value is an estimate of the price that would be received by the Company to sell an asset, or paid to transfer a liability, in a timely transaction between independent market participants in the principal or most advantageous market of the security. IFRS 13 establishes a three-tier hierarchy as a framework for measuring fair value based on inputs used to value the Company's investments and requires additional disclosure about fair value. Inputs refer broadly to the assumptions that market participants would use in pricing the asset or liability including assumptions about risk and these assumptions may be observable or unobservable. The Company may use various methods and inputs to measure the fair value of its investments. The three levels of the fair value hierarchy are as follows:

Level 1 – inputs are quoted prices in active markets for identical assets or liabilities that the Company has the ability to access at the measurement date.

Level 2 – inputs other than quoted market prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 – inputs are unobservable inputs for the assets or liabilities to the extent that relevant observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the asset or liability at the measurement date.

The availability of observable inputs varies from security to security and depends on, but is not limited to, factors such as type of security, uniqueness in the market and/or liquidity of the markets. While inputs for any given security may fall into different levels, for disclosure purposes, the fair value hierarchy levels that have been assigned are the lowest level inputs that are significant to each fair value measurement in its entirety.

Cash and cash equivalents and reclamation security deposits are held in cash or short-term investments in active markets with observable, quoted prices. As a result, cash and cash equivalents and reclamation security deposits are categorized as Level 1.

The inputs or methodology used for valuing securities are not necessarily an indication of the risk associated with investing in those securities.

[u] NEW ACCOUNTING STANDARDS

IFRS Interpretations Committee 21, Levies ["IFRIC 21"] was issued by the International Accounting Standards Board ["IASB"] in May 2013. IFRIC 21 addresses the accounting for a liability to pay a levy if that liability is within the scope of IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*, as well as addressing what the obligating event is that gives rise to pay a levy and when should a liability be recognized. IFRIC 21 was adopted by the Company effective January 1, 2014 and there was no impact of the policy on these consolidated financial statements.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(New Accounting Standards continued)*

The IASB issued amendments to IAS 36, Impairment of Assets ["IAS 36"] on May 29, 2013. The amendments restrict the requirement to disclose the recoverable amount of an asset or cash-generating unit to periods in which an impairment loss has been recognized or reversed. The amendments also expand and clarify the disclosure requirements applicable when an asset or cash-generating unit's recoverable amount has been determined on the basis of fair value less cost of disposal. The amendments were adopted by the Company effective January 1, 2014 and there was no impact of the policy on these consolidated financial statements.

The IASB issued amendments to IAS 32, Financial Instruments ["IAS 32"] effective January 1, 2014. The amendments provide further clarification on the application of the offsetting requirements. There was no impact on these consolidated financial statements as a result of adopting this amendment.

[v] FUTURE ACCOUNTING STANDARD

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. In July 2013, the IASB tentatively decided to defer the Mandatory effective date of IFRS 9. The IASB agreed that the mandatory effective date should no longer be annual periods beginning on or after January 1, 2015 but rather be left open pending the finalization of the impairment and classification and measurement requirements. The Company is currently evaluating the impact of IFRS 9 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, 2017, 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 15 - Revenue from contracts with customers ["IFRS 15"] 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, 2017. The Company is currently evaluating the impact the standard is expected to have on its consolidated financial statements.

4. FINANCIAL INSTRUMENTS

The Company has designated short-term investments within cash and cash equivalents and reclamation security deposits as financial assets at fair value through profit or loss. Financial assets at fair value through profit or loss are revalued on the reporting date based on relevant market information about the financial instrument. Accounts receivable are financial assets designated as receivables measured initially at fair value and subsequently on the basis of amortized cost using the effective interest rate method. Accounts payable and accrued liabilities, interest payable, income taxes payable, royalty payable, finance lease liability, current debt and capital contribution liability 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. These valuations are estimates and changes in assumptions could significantly affect the estimates.

[a] Credit risk is the risk of an unexpected loss if a customer or counterparty to a financial instrument fails to meet its contractual obligations. Cash and cash equivalents and reclamation security deposits are composed of financial instruments issued by large Canadian financial institutions with high investment-grade ratings maturing over various dates. Further, the Company limits its credit risk to any individual counterparty. The Company's recurring receivables consist primarily of Goods and Services Tax and Harmonized Sales Tax due from the Federal Government of Canada.

[b] Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in the market prices and comprises three types of risk: interest rate risk, currency risk and other price risk.

i. Interest rate risk arises because of changes in market interest rates. The Company's cash and cash equivalents, short-term investments and security held for the reclamation bonds are subject to minimal risk of changes in value, have an original maturity of 90 days or less from the date of purchase and are readily convertible into cash. The interest rate on the Company's long-term debt is fixed and is not subject to interest rate risk.

ii. Currency risk arises because of changes in foreign exchange rates. All of the Company's current activities are priced in either Canadian dollars or US dollars, depending on the location of the project. However, the Company expects certain of its future capital and operating costs as well as its future revenue streams related to its Canadian operations will be priced in $US. The Company has operating accounts in $US to pay United States vendors and to receive $US payments as well as to manage the timing of conversion of Canadian dollars to $US or vice versa. As at December 31, 2014, the $US balance in cash and cash equivalents was $US 4,773,539 [$5,537,749]. As at December 31, 2014 the Company has current debt of US $41,991,234 [$48,713,728], a 10% movement in foreign exchange rates would result in a US $4,199,123 [$4,871,373] movement in the Company's current debt.

iii. Other price risk arises because of changes in market prices other than those due to interest rates and currency changes. The Company is exposed to price risk with respect to commodity and equity prices. Equity price risk is the potential adverse impact on the Company's ability to raise new capital and generate earnings due to movement in the Company's equity price or general movement in the level of the stock market. Commodity price risk is the potential adverse impact on earnings and economic value due to commodity price movements and volatilities. The Company monitors commodity prices of silver, lead, zinc, anthracite coal, cobalt, gold and bismuth in addition to other metal markets, individual equity movements and the stock market to determine appropriate courses of action to be taken by the Company. The royalty payable is exposed to commodity price risk, in particular silver prices.

[c] Liquidity risk is the risk that the Company will not be able to meet its obligations associated with financial liabilities as they come due. The Company's investment policy is to invest its excess cash in high-grade investment securities with varying terms to maturity selected with regard to the expected timing of expenditures for continuing operations. Accounts payable and accrued liabilities are all current. The Company's debt was in default at December 31, 2015. This default was subsequently waived on February 12, 2015 as described in note 11.

FAIR VALUE MEASUREMENTS OF FINANCIAL ASSETS AND LIABILITIES

Financial assets and liabilities are characterized using a fair value hierarchy as follows:

- Level 1 – quoted prices in active markets for identical assets and liabilities;
- Level 2 – inputs other than quoted prices included in level 1that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 – inputs for the asset or liability that are not based on observable market data.

4. FINANCIAL INSTRUMENTS *(continued)*

The following table illustrates the classification and of the Company's financial instruments within the fair value hierarchy as at December 31, 2014:

	Level 1 $	Level 2 $	Level 3 $
Cash and cash equivalents	6,219,000		
Accounts receivable	202,372		
Accounts payable and accrued liabilities	4,834,799		
Interest payable	466,689		
Current debt	53,737,759		
Finance lease obligations		1,357,851	

The following table details the Company's contractual maturities for its financial liabilities as at December 31, 2014. Payments due by year are as follows:

	Total $	2015 $	2016 $
Accounts payable and accrued liabilities	4,834,799	4,834,799	
Interest payable	466,689	466,689	
Finance leases	1,357,851	949,491	408,360
Current debt	53,737,759	53,737,759	
	60,397,098	**59,988,738**	**408,360**

5. MANAGEMENT OF CAPITAL

The Company's objectives when managing capital are: [i] to safeguard the Company's ability to continue as a going concern in order to pursue the development of its mineral properties and provide returns for shareholders, and [ii] to maintain a flexible capital structure that optimizes the cost of capital at an acceptable risk. The Company includes the components of shareholders' equity, long-term debt, cash and cash equivalents and short-term investments, if any, in the management of capital.

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares, issue new debt, acquire or dispose of assets or adjust the amount of cash and cash equivalents and short-term investments.

To facilitate the management of its capital requirements, the Company prepares forecasts or expenditure budgets for its activities that are used to monitor performance. Variances to plan will result in adjustments to capital deployment subject to various factors and industry conditions. The Company's activities and associated forecasts or budgets are approved by the Board of Directors.

The Company is not subject to any externally imposed capital requirements limiting or restricting the use of its capital. In order to maximize ongoing development efforts, the Company does not pay out dividends at this time.

The Company's investment policy is to invest its cash in highly liquid, short-term, interest bearing investments in order to have funds available on a short-term basis. Where cash is not expected to be required in the short-term, the policy is to invest in investments with an intermediate to long-term horizon that still allows for conversion to cash, if required.

Significant additional capital will be required to complete the development of the Company's NICO and Arctos projects and there are capital projects and working capital requirements for the RSM.

6. CAPITAL ASSETS AND INTANGIBLE ASSETS

Capital assets and intangible assets consist of the following:

	Computer equipment $	Furniture and fixtures $	Intangible assets [Software] $	Total $
Cost				
As at December 31, 2013	213,339	118,514	269,814	601,667
Additions	7,597	—	48,768	56,365
Disposal	(3,537)	—	—	(3,537)
As at December 31, 2014	**217,399**	**118,514**	**318,582**	**654,495**
Accumulated amortization				
As at December 31, 2013	143,044	71,030	133,595	347,669
Amortization for the year	22,556	9,497	58,209	90,262
Disposal	(3,240)	—	—	(3,240)
As at December 31, 2014	**162,360**	**80,527**	**191,804**	**434,691**
Net book value				
As at December 31, 2013	70,295	47,484	136,219	253,998
As at December 31, 2014	**55,039**	**37,987**	**126,778**	**219,804**

7. MINING PROPERTIES

The Company's Canadian mining properties are categorized in the exploration and evaluation stage since, as at December 31, 2014, the necessary financing has not yet been obtained and a construction decision has not yet been approved by the Board of Directors. The Company's interest in the US mining property is categorized in the development stage. For management purposes, the group is organized into business units based on the significant mining properties that the Company is currently exploring and evaluating or developing. Management monitors the monthly expenditures of its operating segments separately for the purpose of making decisions about resource allocation and financing requirements.

7. MINING PROPERTIES *(continued)*

Interests in mining properties consist of the following:

December 31, 2014	Capital and intangible assets $	Property costs $	Exploration and evaluation expenditure $	Total mining properties $
NICO *[i] and [iv]*	8,322,216	2,191,442	57,746,081	68,259,739
Arctos *[ii]*	15,161	2,515,293	29,810,169	32,340,623
RSM *[iii and note 15]*	41,109,394	31,519,260	—	72,628,654
Sue-Dianne	—	9,164	150,836	160,000
Other properties	—	—	8,306	8,306
	49,446,771	**36,235,159**	**87,715,392**	**173,397,322**

December 31, 2013	Capital and intangible assets $	Property costs $	Exploration and evaluation expenditure $	Total mining properties $
NICO *[i] and [iv]*	8,168,215	2,191,442	54,890,606	65,250,263
Arctos *[ii]*	20,623	2,515,293	28,161,473	30,697,389
Sue-Dianne	—	9,164	2,048,613	2,057,777
Other properties	—	—	7,679	7,679
	8,188,838	**4,715,899**	**85,108,371**	**98,013,108**

During the year, the change in exploration and evaluation expenditures is a result of additions only and there were no disposals, write-offs or amortization, except for an impairment charge of $1,900,269 on the Sue-Dianne project.

Included in exploration and evaluation expenditures within mining properties during the year ended December 31, 2014 and 2013 were the following:

	December 31, 2014 $	December 31, 2013 $
Directly attributable administrative expenses	113,916	625,951
Employee and contractor compensation and benefits	2,873,917	2,507,892
Amortization	98,312	151,517
Stock-based compensation	190,024	317,482

During the year ended December 31, 2014, the Company recovered $21,828 [December 31, 2013 - $44,186] from non-cash exploration and evaluation expenditures, which represents POSCO Klappan Coal Limited's ["POSCAN's"] 20% share in the Arctos Anthracite Joint Venture.

Capital assets and software in mining properties consist of the following:

	Surface facilities under construction $	Surface facilities $	Camp structures $	Mobile equipment $	Site furniture & equipment $	Land and land acquisition costs $	Computer equipment $	Intangible assets [Software] $	Asset retirement obligation ["ARO"] $	Mine development expenditure $	Finance leases $	Total $
Cost												
As at December 31, 2013	6,759,500	1,479,739	601,626	808,920	22,480	901,155	723	—	988	—	—	10,575,131
Additions	839,290	12,840,098	—	433,273	953,371	—	42,657	249,160	170,289	24,937,823	1,482,722	41,948,683
Disposal	(584,524)	—	—	—	—	(799)	—	—	—	—	—	(585,323)
As at December 31, 2014	**7,014,266**	**14,319,837**	**601,626**	**1,242,193**	**975,851**	**900,356**	**43,380**	**249,160**	**171,277**	**24,937,823**	**1,482,722**	**51,938,491**
Accumulated amortization												
As at December 31, 2013	—	1,086,332	564,831	713,776	21,074	—	280	—	—	—	—	2,386,293
Amortization for the year	—	65,291	11,038	28,543	422	—	133	—	—	—	—	105,427
As at December 31, 2014	**—**	**1,151,623**	**575,869**	**742,319**	**21,496**	**—**	**413**	**—**	**—**	**—**	**—**	**2,491,720**
Net book value												
As at December 31, 2013	6,759,500	393,407	36,795	95,144	1,406	901,155	443	—	988	—	—	8,188,838
As at December 31, 2014	**7,014,266**	**13,168,214**	**25,757**	**499,874**	**954,355**	**900,356**	**42,967**	**249,160**	**171,277**	**24,937,823**	**1,482,722**	**49,446,771**

Included in surface facilities under construction and mine development expenditure during the year ended December 31, 2014 is $4,923,607 [December 31, 2013 - $69,584] of directly attributable employee and contractor compensation and benefits, $19,843 [December 31, 2013 - $27,149] of amortization, $3,241,298 of borrowing costs, and $15,930 [December 31, 2013 - $27,270] of stock-based compensation.

7. MINING PROPERTIES *(continued)*

i. **NICO PROJECT, NORTHWEST TERRITORIES ["NICO"]**

The NICO project and the related claims in the Mazenod Lake Area, Northwest Territories are wholly owned by the Company.

[a] Golden Giant Mine Assets

The Company previously acquired certain mill, related surface facilities and processing equipment for future use at NICO. The Company undertook a project designed to dismantle and remove these assets, which was completed during 2010.

As a result of changes made during the prior year to detailed engineering and planning related to the use of these assets, the Company recognized an impairment loss in 2013 related to certain assets that are no longer included in the project and mine plan.

The net cost of purchase, including previously deferred amounts, deconstruction, removal, reconstruction of the assets and ongoing maintenance, security, storage and other related costs, for the assets included in the NICO project and mine plan have been accumulated and capitalized as surface facilities under construction until such time as the physical assets are completed and available for use, at which time they will be classified as appropriate. The assets are currently stored in strategic staging locations in Canada. No amortization has been charged against these assets as they are not available for use. Going forward, the Company will continue to assess the appropriateness of amounts capitalized with respect to the assets acquired for future use at NICO relative to the NICO mine plan and updated ongoing decisions.

In the second quarter, certain assets with a book value of $584,524 were shipped to the Revenue Silver Mine for use. The assets that were shipped are now included in capital assets of Revenue Silver Mine.

[b] Saskatchewan Metals Processing Plant ["SMPP"]

The Company plans to locate the hydrometallurgical processing plant for NICO at a site in Saskatchewan, Canada. In December 2012, the Company purchased lands near Saskatoon, Saskatchewan on which it proposes to construct the SMPP. The net costs of design, development, construction and related costs incurred for the SMPP have been accumulated and capitalized as surface facilities under construction until such time as the physical assets are completed and available for use, at which time they will be classified as appropriate. No amortization has been charged against these assets as they are not yet available for use.

[c] Corporate Development Costs

In 2011, the Company formally engaged a financial advisor to assist in a process to identify and secure strategic partners to support the development of both Arctos and NICO, including the potential of helping to arrange or provide some or all of the required project financing. The costs incurred in this process, including the engagement with the financial advisor, are recorded as corporate development costs.

ii. **ARCTOS ANTHRACITE PROJECT, BRITISH COLUMBIA ["ARCTOS"]**

On July 13, 2011, the Company and FCL, a wholly-owned subsidiary of the Company, entered into an agreement [the "Agreement"] with POSCO Canada Ltd. and POSCO Klappan Coal Limited ["POSCAN"], a wholly-owned subsidiary of POSCO Canada Ltd., to advance Arctos to production through an unincorporated joint venture, the Arctos Anthracite Joint Venture ["Arctos JV"], with FCL and POSCAN having respective ownership interests of 80% and 20%, respectively.

The Arctos JV is a joint operation between FCL and POSCAN. Pursuant to the agreement, FCL recognizes its share of the assets, liabilities, revenue and expenses of the joint operation in its financial statements. Pursuant to the Agreement, in addition to $10 million of proceeds paid to FCL and an upfront capital contribution of $20 million paid to the Arctos JV from POSCAN in the prior year, future proceeds of $17.2 million will be paid to FCL by POSCAN in five equal annual installments of $3.44 million beginning one year after the commencement of commercial production. No gain has been recognized to date related to the $17.2 million in future proceeds.

Pursuant to the Agreement, FCL is obligated to a future capital contribution of $80 million to the Arctos JV, to be contributed when a production program has been approved by the Arctos JV management committee and when financing has been obtained. Should these criteria not be met by December 31, 2015, POSCAN can, in its sole discretion, require FCL to make a $16 million payment directly to POSCAN in lieu of the $80 million capital contribution, resulting in no change to each party's respective ownership interests.

On July 13, 2011, FCL's future capital contribution liability of $16 million was recorded at its estimated present value of $10,856,773 using a discount rate of 9% and a contribution date approximately 4.5 years from the closing of the transaction resulting in a $5,143,227 gain. FCL has made capital contributions of $360,000 during the year ending December 31, 2014. For the year ended December 31, 2014, accretion of $1,217,964 was recognized and as at December 31, 2014 the future capital contribution liability balance is $14,612,844.

As at December 31, 2014, the cash balance in the Arctos JV was $5,007, of which FCL recorded its 80% share.

Upon commercial production, the Company has a royalty agreement entitling a third party to $1 per tonne of coal delivered to the point of usage or sale. Pursuant to the Agreement, the obligation will be paid by the Arctos JV.

iii. REVENUE SILVER MINE ["RSM"]

On October 1, 2014, the Company completed the acquisition of a 100% interest in RSM, a mining company involved in the production of silver in Colorado, USA through its wholly-owned subsidiary Fortune Revenue Silver Mines, Inc. The key assets acquired include all of RSM's capital equipment assets and mineral interests in the mine.

The transaction is being accounted for as a business combination with the Company identified as the acquirer. The acquisition has been accounted for on a preliminary basis taking into account the information available at the time these consolidated financial statements were prepared. Refer to note 15, Business Combinations for more information.

During the second quarter, the Company transferred various assets capitalized as surface facilities that were previously acquired for NICO through the Golden Giant Mine transaction to RSM. The value of the capital assets transferred from NICO to RSM was $594,649, including $10,125 related to assets that were previously categorized as assets held for sale.

Amounts included in the RSM balances at year end include balances that were part of the purchase of the RSM on October 1, 2014. Please refer to note 15, Business Combinations for more details.

As at December 31, 2014 the Company has incured $22,898,605 of mine development expenditures, which is net of proceeds of $278,317 on sales of concentrate, as the project advances through the commissioning phase.

7. MINING PROPERTIES *(continued)*

iv. **RECLAMATION SECURITY DEPOSITS**

The Company has provided reclamation security deposits in the form of a letter of credit in favour of the Government of the Northwest Territories and Government of British Columbia for NICO and Arctos, respectively. During the third quarter, the Company transferred $US 306,513 to a surety bond related to RSM in advance of the completion of the acquistion. The bond became effective October 1, 2014 when the Company acquired the remaining 88% interest in RSM. The corporate surety is in favour of the Colorado Division of Mining Reclamation and Mining Safety.

Reclamation security deposits consist of the following:

	December 31, 2014		December 31, 2013	
	Deposit amount $	Security held (FMV [i]) $	Deposit amount $	Security held (FMV [i]) $
NICO Project	211,000	257,156	211,000	246,900
Arctos Anthracite Project	245,600	246,455	245,600	246,209
RSM Project	355,584	355,584	—	—
Total net book value	**812,184**	**859,195**	**456,600**	**493,109**

[i] FMV = Fair market value

The security for the reclamation of the Arctos Anthracite Project is held in the Arctos JV. As at December 31, 2014, the security deposit amount in the Arctos JV was $307,000 [December 31, 2013 - $307,000] and the fair market value of the security held was $308,069 [December 31, 2013 - $307,761] of which FCL recorded its 80% share.

The security held for the NICO and Arctos reclamation security deposits consists of cash balances and short-term fixed income deposits with original maturity dates shorter than three months in investment accounts with a large Canadian financial institution.

v. **IMPAIRMENT**

In accordance with the Company's accounting policy, each asset or cash-generating unit ["CGU"] is evaluated at each reporting date to determine whether there are any indicators of impairment. If any such indication exists, a formal estimate of the recoverable amount is performed and an impairment loss is recognized to the extent that the carrying amount exceeds the recoverable amount. An impairment loss is reversed if there is an indication that there has been a change in the estimates used to determine the recoverable amount.

At December 31, 2013, management of the Company determined that the continued decline in the market price of metals constituted an impairment indicator, and completed an impairment assessment of the NICO project. The assessment indicated that the carrying amounts of the NICO project exceeded the recoverable amount. Accordingly, the Company recognized an impairment charge of $35,040,177. The recoverable amount of the CGU was determined by calculating the fair value less cost to sell ["FVLCS"]. At December 31, 2014, the Company considered whether there had been any significant changes to indicators at year end and whether any new indicators were present and has determined that there are no indications that the carrying value of any or all of its projects is impaired or requires a reversal of a prior impairment charge. At December 31, 2014, management of the Company determined that the continued decline in the market price of metals constituted an impairment indicator and completed an impairment assessment of the Sue-Dianne project. The Company has recognized an impairment charge of $1,900,269.

vi. **ASSETS HELD FOR SALE**

As a result of changes to the NICO project and mine plan during 2013 with respect to certain equipment that the Company previously acquired that will no longer be used at the NICO site, the Company completed an impairment assessment of the assets that will no longer be used as part of the NICO project. At December 31, 2013 the Company determined that the equipment no longer included in the project and mine plan will be sold or scrapped and as a result these assets were reclassified as assets held for sale and recorded at their estimated recoverable amount resulting in an impairment write down of $8,745,263 in 2013. The recoverable amount was based on management's estimate of fair value less costs to sell using current market comparable prices for the assets. During the year ended December 31, 2014, the Company sold $44,922 of assets held for sale for net proceeds of $43,321 and transferred $10,125 of assets previously classified as held for sale to RSM. The remaining balance of assets held for sale were written off resulting in an impairment charge of $1,798,545 during the year.

8. PROVISION FOR ENVIRONMENTAL REHABILITATION

Although the ultimate amount of the environmental rehabilitation provision is uncertain, the estimate of these obligations is based on information currently available including the most recently estimated mine life and applicable regulatory requirements. Significant closure activities include primarily land rehabilitation for impacts to date.

The provision for environmental rehabilitation and key assumptions are as follows:

	December 31, 2014	December 31, 2013
NICO Project		
Provision for environmental rehabilitation	$37,649	$34,540
Estimated remaining life	20 years	21 years
Discount rate	9%	9%
Arctos Anthracite Project *[i]*		
Provision for environmental rehabilitation	$26,130	$23,973
Estimated remaining life	26 years	27 years
Discount rate	9%	9%
RSM Project		
Provision for environmental rehabilitation	$174,431	—
Estimated remaining life	9 years	—
Discount rate	9.25%	—
Total provision for environmental rehabilitation	**$238,210**	**$58,513**

[i] As at December 31, 2014, the environmental rehabilitation provision balance in the Arctos JV was $32,663, of which FCL recorded its 80% share.

Amounts included in the RSM balances at year end include balances that were part of the purchase of the RSM on October 1, 2014. Please refer to note 15, Business Combinations for more details.

9. SHARE CAPITAL

[a] The Company is authorized to issue an unlimited number of common shares without par value. As at December 31, 2014, the weighted average number of common shares outstanding was 179,605,564 [December 31, 2013 - 132,976,976]. For calculating diluted loss per share, for the year ended December 31, 2014, there were no options with an exercise price less than the average market price for the periods.

[b] The estimated fair value of 2,950,000 options granted during the year ended December 31, 2014 and the fair value of options granted in previous periods that vested during the year ended December 31, 2014 has been allocated to stock-based compensation expense, exploration and evaluation expenditures and capital assets in the amounts of $307,220, $190,024 and $15,930, respectively. The fair value of the options allocated to exploration and evaluation expenditures is net of $20,586, which represents POSCAN's 20% share in the Arctos JV. The other reserves balance was increased by $533,760, representing the fair value of the options issued. The options granted during the year ended December 31, 2014 have a maximum term of five years and all vested immediately. The estimated volatility was calculated using historical volatility.

The fair value of options granted during the year ended December 31, 2014 was estimated at the date of grant using the BlackScholes option pricing model with the following assumptions:

	Assumptions				
Number of options granted #	**Risk-free interest rate %**	**Expected dividend yield %**	**Expected volatility %**	**Expected option life [years] #**	**Estimated fair value per option $**
2,950,000	1.55	0	58	4.6	0.18

A summary of the status of the Company's stock option plan as at December 31, 2014 and December 31, 2013, and changes during the periods ended on those dates are presented below:

	December 31, 2014		December 31, 2013	
	Number of shares #	**Weighted-average exercise price $**	**Number of shares #**	**Weighted-average exercise price $**
Options outstanding, beginning of year	6,935,000	0.70	5,480,000	0.94
Granted	2,950,000	0.37	3,120,000	0.58
Expired or cancelled	(2,105,000)	0.60	(1,665,000)	1.28
Options outstanding, end of period	**7,780,000**	**0.60**	**6,935,000**	**0.70**
Options vested and outstanding, end of period	**7,780,000**	**0.60**	**6,900,000**	**0.71**

The following table summarizes information about the options outstanding as at December 31, 2014:

Range of exercise prices $	Number outstanding #	Number vested and outstanding #	Weighted-average exercise price - all *[i]* $	Weighted-average remaining contract life - all *[i]* [years]
nil – 0.49	3,025,000	3,025,000	0.37	4.0
0.50 – 0.99	4,295,000	4,295,000	0.68	2.2
1.00 – 1.49	340,000	340,000	1.20	1.7
1.50 – 1.99	120,000	120,000	1.60	1.4
	7,780,000	**7,780,000**		

[i] All options have vested as at December 31, 2014.

[c] On May 9, 2014 the Company issued 32 million common shares to the vendors of the RSM transaction as part of the proceeds issued for the purchase of 12% interest in RSM [refer to Note 7iii]. The fair value of the shares in exchange for the 12% interest in RSM was $10,880,000. This value was calculated based on the fair market value per share of $0.34 on May 9, 2014. On October 1, 2014, the Company entered into an agreement to issue an additional 17,744,000 common shares, subject to shareholder and regulatory approval, on or before December 31, 2014, to the vendors of the RSM transaction as partial consideration for the remaining 88% interest in RSM. The shares were issued on November 20, 2014 and the value of the shares were valued at $3,903,680. This value was calculated based on the fair market value per share of $0.22 on October 1, 2014. Share issuance costs of $12,497 were incurred to complete the financing.

[d] On May 9, 2014, the Company entered into a subscription agreement with Procon pursuant to which the Company agreed to sell, and Procon agreed to purchase, an aggregate of 7,717,871 common shares at a price of $0.40 per share, raising gross proceeds of $3,087,149. The first tranche of the placement was completed on May 9, 2014, in which 5,631,744 shares were issued to Procon. The additional 2,086,127 common shares required shareholder approval, which was granted on June 24, 2014. Share issuance costs of $37,044 were incurred to complete the financing.

[e] On August 18, 2014, the Company entered into a subscription agreement to sell 3,333,333 units raising gross proceeds of $1,000,000. Each unit consists of one common share and one common share purchase warrant, with each warrant entitling the holder to purchase one common share of the Company for $0.40 on or before August 18, 2016. The fair value of the shares and warrants issued was $656,667 and $343,333, respectively. Share issuance costs of $19,081 were incurred to complete the financing.

[f] On September 17, 2014, the Company issued 1,000,000 common shares to LRC as a condition of the General Corporate Facility. The fair market value of the shares, $260,000, was calculated based on the share price of $0.26 on September 17, 2014. Share issuance costs of $5,486 were incurred to complete the financing.

[g] On November 28, 2014, the Company issued 2,500,000 common shares on a flow-through basis at a price of $0.20 per share for aggregate gross proceeds of $500,000. The total flow-through share premium deferred gain recognized during the year was $75,000, calculated as the difference between the market price of the Company's shares on the day the flow-through financings closed and the price that the investor paid for the shares. The gain is recognized in income when the related expenditures are renounced. Share issuance costs of $7,918 were incurred as part of these transactions.

10. FINANCE LEASE LIABILITY

Fortune acquired certain equipment that it classifies as mining properties. The leases are accounted for as finance leases and were all entered into during the last quarter of 2014. Most of the leases have a buy-out provision which range from $2,000 to $85,200. These leases typically have lease terms between 6 months to 3 years. All are at fixed rental terms. There was no amount recognized as an expense in the year in respect of contingent rental.

	Present Value $	Minimum Lease Payments $
Within 1 year	949,491	1,061,308
After 1 year but no more than 5 years	408,360	460,712
	1,357,851	1,522,020
Less: future interest costs		(164,169)
	1,357,851	**1,357,851**

Amounts above include balances that were part of the purchase of the RSM on October 1, 2014. Please refer to note 15, Business Combinations for more details.

11. CURRENT DEBT

The following table represents the Company's current debt for the year ended;

	December 31, 2014 $
Loan	5,024,031
Metal Prepay Facility	48,713,728
	53,737,759

In order to finance the acquisition and operations of the RSM, the Company entered into the General Corporate Facility with LRC-FRSM LLC ["LRC'] to borrow US $4 million which was received by the Company on September 18, 2014. This US $4 million bridge loan supported the Company's short-term working capital requirements and the advancement of near term capital improvements required at the mine. The balance did not bear interest and had a maturity date of no later than March 18, 2015. As per the General Corporate Facility, the Company issued 1,000,000 common shares to LRC. The share issuance was treated as a borrowing cost and offset against mine development.

On October 1, 2014, the Company repaid the loan balance in full using proceeds received from the Metal Prepay Agreement with LRC.

On October 1, 2014, the Company entered into a second facility with LRC, a Senior Secured Metal Prepay Agreement ["the Metal Prepay Facility"], which resulted in the Company receiving total financing of US $35 million. The first tranche of US $25 million was received on October 1, 2014 and the second tranche of US $10 million was received on October 16, 2014. The Company used the funding from the first tranche to repay the US $4 million General Corporate Facility on October 1, 2014, fund the RSM acquisition, including amounts owing to the previous owner of the mine, make capital investments to improve the mine operations, and provide working capital to RSM. The Metal Prepay Facility principal will be repaid from a fixed schedule of metal shipments from RSM to LRC, plus interest of 9.25% over a five year term. Additional terms include a concentrate payment of $7.50 per metric ton of each shipment made and an offtake payment equal to $0.30 for each ounce of silver and $10 for each ounce of gold, excluding repayment units. Cash interest payments are due on the 15th business day of each month for interest relating to the calendar month immediately preceding.

In accordance with the Metal Prepay Facility, FRSMI is required to maintain net working capital and cash in an aggregate of not less than US $2 million [$2,320,200] during the term of the facility.

The Metal Prepay Facility is secured by the assets of the RSM and a corporate guarantee.

On December 22, 2014, the Company amended the Metal Prepay Facility, which resulted in the Company receiving US $7 million. The additional US $7 million will be repaid with 430,000 of silver equivalent ounces, within a 1 year period, accruing interest at 15%, to be paid in accrued ounces. The debt will be repaid using a silver equivalent price of US $16.50 or if lower, the silver market price at the time of the delivery. In addition LRC is entitled to a net smelter revenue royalty ["NSR"] to be paid to LRC commencing January 2016. The NSR percentage ranges from 2 to 4% until the original facility has been repaid and 1 to 2% thereafter for the life of the mine. Also included in the agreement is a copper payment equal to 25% of any shipment of copper during the repayment period of the Metal Prepay Facility. As the amendment includes substantially different terms from the Senior Secured Metal Prepay Agreement the amendment has been accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability.

As a result of the extinguishment accounting, transaction costs of $3,527,422 incurred relating to the original Metal Prepay Facility and its subsequent amendment on December 22, 2014 have been expensed in the loss on extinguishment of debt or other.

Under the Senior Secured Metal Prepay Agreement, should the Company be in default of the agreement, LRC has the right to terminate the agreement and declare all amounts owing due and payable. At December 31, 2014 the Company was in default of certain covenants, which were subsequently waived by LRC in the agreement amended on February 12, 2015. As at December 31, 2014 LRC had the right to demand accelerated payment and as a result, the long-term debt of US $41,991,234 [$48,713,728] as at December 31, 2014 has been classified as current debt.

As a result of the default, the value of the NSR as at December 31, 2014 was estimated to be US $856,722 [$993,877] and has been recorded as a payable in these financial statements. The value is calculated using a discounted cash flow approach. The silver, gold, lead and zinc price assumptions, production forecasts, and resulting implicit interest rate calculations are significant assumptions used in determining the value of the NSR payable.

As at December 31, 2014 interest expense of US $2,569,863 [$2,910,748] had been incurred and was treated as borrowing costs and offset against mine development.

Subsequent to year end the Company entered into amendments to the Metal Prepay Facility. Refer to the Subsequent Events note for additional details.

On May 8, 2014, the Company increased its debt with a private investor group from the original loan principal of $3,000,000 to $5,125,000 when the group advanced $2,000,000 to the Company as a promissory note. Under the terms agreed to with the group, the aggregate amount repayable by the Company will be $5,125,000, representing a 2.5% premium over the proceeds, and the maturity date for the original loan as well as the new loan was extended from August 31, 2014 to August 31, 2016. The loans will continue to bear interest at 9% per annum and will be secured by a charge on the Company's personal property and the NICO mining leases. Cash interest payments of $230,625 are due on the last business day of August and February of each year during the term of the loan and promissory note. For the year ended December 31, 2014, $24,505 of loan discount [December 31, 2013 - $2,801 of transaction costs and loan discount] were amortized using the effective interest rate method. The debt has been classified as current debt due to a cross default provision in the agreement.

12. INCOME TAXES

The Company has non-capital loss carryforwards totaling $39,132,000, of which $500,000 expires in 2015, un-deducted debt and share issuance costs of $1,543,000 and unused investment tax credits on pre-production mining costs of $2,742,000 that begin to expire in 2028. The Company has completed feasibility studies for both of its principal projects and undertaken related permitting and financing activities. The benefit of certain non-capital losses and undeducted share issuance costs has been recorded in the consolidated financial statements only to the extent of existing taxable temporary differences. A valuation allowance of $10,615,000 has been recognized related to the uncertainty of realizing the benefit of deferred income tax assets in future years.

Significant components of the Company's deferred income tax assets and liabilities are as follows:

	December 31, 2014 $	December 31, 2013 $
Deferred income tax assets		
Net operating loss carryforwards	11,031,000	8,318,000
Undeducted debt and share issuance costs *[i]*	515,000	186,000
Unused investment tax credits on pre-production costs	2,742,000	2,492,000
	14,288,000	**10,996,000**
Less valuation allowance related to operating losses, share issuance costs and unused investments tax credits	(10,615,000)	(8,948,000)
Deferred income tax assets	**3,673,000**	**2,048,000**
Book value of exploration and evaluation expenditures and capital assets in excess of tax value	(4,576,000)	(3,787,000)
Book value of capital contribution liability in excess of tax value	(361,000)	(659,000)
Deferred income tax liabilities	**(4,937,000)**	**(4,446,000)**
Net deferred income tax liabilities	**(1,264,000)**	**(2,398,000)**

[i] The aggregate deferred tax impact of share issuance costs is charged to share capital.

The reconciliation of income taxes computed at the statutory income tax rates to the provision for (recovery of) income taxes for the year ended is as follows:

	December 31, 2014 $	December 31, 2013 $
Combined federal and provincial/state income tax rate	**26.57%**	**26.43%**
Corporate income tax recovery at statutory rate	(3,220,000)	(12,670,000)
Increase (decrease) in income taxes resulting from		
Non-deductible stock-based compensation and other expenses	85,000	153,000
Renunciation of flow-through expenses	—	558,000
Rate difference	(428,000)	(31,000)
Non-taxable flow-through share premium	(1,000)	(34,000)
Investment tax credits on pre-production mining costs, net of tax	(193,000)	(301,000)
Valuation allowance	2,591,000	8,701,000
Other	54,000	(600)
	(1,112,000)	**(3,624,600)**

13. CONSOLIDATED STATEMENTS OF CASH FLOWS

[a] Cash and cash equivalents consist of the following:

	December 31, 2014 $	December 31, 2013 $
Cash on hand with banks	6,219,000	5,611,494
Short-term fixed income deposits	—	7,800,526
	6,219,000	**13,412,020**

[b] Supplemental cash flow information for the year ended:

	December 31, 2014 $	December 31, 2013 $
Interest and investment income received	96,197	145,754
Interest paid	868,620	270,000

In accordance with the Metal Prepay Facility, FRSMI is required to maintain net working capital and cash in an aggregate of not less than US $2 million [$2,320,200] during the term of the facility.

14. RELATED PARTY TRANSACTIONS

For the year ended December 31, 2014, the Company paid key management personnel including officers, directors or their related entities for consulting services and/or management services.

The following compensation was paid or awarded to key management personnel for services provided during the year ended:

	December 31, 2014 $	December 31, 2013 $
Salaries and benefits	513,040	287,168
Consulting services	697,150	636,352
Directors' fees	140,750	423,970
Legal services	590,896	401,595
Fair value of stock options granted	306,000	513,750
	2,247,836	**2,262,835**

As at December 31, 2014, $223,196 [December 31, 2013 - $81,547] was owing to key management personnel for services provided during the year.

15. BUSINESS COMBINATIONS

The fair values related to the RSM acquisition disclosed below are preliminary as at December 31, 2014 due to the complexity of the acquisition and the inherently uncertain nature of valuing mining assets and related property, plant and equipment. The finalization of the valuation work required to determine the fair values of the assets and liabilities acquired will be completed within 12 months of the acquisition date, at the latest.

The Company acquired a 100% interest in RSM through two phases:

Phase 1

On May 9, 2014 the Company entered into a Participating Interest and Asset Purchase Agreement purchase agreement ["the PIAPA Agreement"]. This first phase of the acquisition included the purchase of a 12% interest in RSM in exchange for consideration of $US 2 million [$2,167,136] and 32 million common shares of the Company. The 32 million common shares had a value of $10,880,000 which was determined based on the fair market value per share of $0.34 on May 9, 2014. The total consideration of $13,047,136 was allocated to mineral properties and capital assets in the amounts of $9,393,938 and $3,653,198, respectively on the date of the transaction. Pursuant to the PIAPA, the Company became the operator of the mine with joint responsibility for the direction and control of the activities of the mine when it acquired the 12% interest in RSM. In addition, the Company also took responsibility for all costs, expenses and liabilities related to the mine, retroactive to May 1, 2014.

On September 18, 2014 the Company entered into a $US 4 million General Corporate Facility agreement ["the General Corporate Facility"] with LRC-FRSM LLC ["LRC"]. From these proceeds, the Company paid $US 0.25 million in interim period expenditures to the vendors of RSM, in accordance with the amended PIAPA described below.

Phase 2

Pursuant to the PIAPA Agreement and amendments agreed to on July 31, 2014, August 19, 2014 and September 26, 2014 ["the Amendments"], the remaining 88% interest in RSM was acquired by the Company on October 1, 2014. Consideration paid in accordance with the PIAPA Agreement and the Amendments was $US 18 million paid in installments of $US 15 million on October 1, 2014 and $US 3 million on October 16, 2014 and an additional $0.25 million in interim period expenditures to the vendors of RSM on October 1, 2014. In addition, 17,744,000 common shares were granted following both shareholder and regulatory approvals on November 20, 2014. The fair market value of these shares on the acquisition date of October 1, 2014 was $3,903,680. On close of the acquisition on October 1, 2014, the Company assumed certain obligations and liabilities of the vendors to a third party including:

- US $4 million cash payment to RVM Holdings LLC, made on October 1, 2014;
- 2% net smelter return royalty to a maximum of US $9 million dollars, adjusted for inflation on a Consumer Price Indexed ["CPI"] basis. This has been included in the preliminary acquisition valuation of the mineral interests;
- 1% net smelter return royalty to a maximum of US $9 million, adjusted for inflation on a CPI basis to be paid on sales during a calendar month, if and when the price of silver is more than $60 per ounce to be paid after the 2% net smelter return royalty reached $9 million on a CPI basis. Due to the uncertainty of this contingent liability, this has not been included in the preliminary acquisition valuation and,
- a bonus payment of US $2 million if the price of silver on the London Bullion market exceeds $40 per ounce for any day on or prior to December 31, 2016. Due to the uncertainty of this contingent liability, this has not been included in the preliminary acquisition valuation.
- a bonus payment of US $500,000 to be paid in ten equal monthly installments if the price of silver on the London Bullion market exceeds $30 per ounce for any day on or prior to December 31, 2017.

The provisional allocation of the consideration to the fair values of identifiable assets and liabilities as at October 1, 2014 are as follows:

Purchase Price:

	USD	CAD
Cash	$ 27,932,147	$ 31,202,131
Debt	3,000,000	3,351,206
Shares	13,475,886	15,053,492
	$ 44,408,033	$ 49,606,829

Provisional Fair Value of Assets Acquired and Liabilities Assumed:

	USD	CAD
Mining properties	$ 48,408,033	$ 54,075,104
Environmental provision	146,961	164,166
Assets under capital lease	1,224,826	1,368,215
Due to RVM Holdings LLC.	(4,000,000)	(4,468,275)
Provision for environmental rehabilitation	(146,961)	(164,166)
Finance lease obligations	(1,224,826)	(1,368,215)
	$ 44,408,033	$ 49,606,829

Transaction costs of $537,028 were incurred in relation to the acquisition of the RSM and have been included in corporate development costs in these financials. In addition, $2,663,784 of transactions costs related to obtaininig financing to purchase the RSM were incurred and have been expensed to transaction costs. As at year end, the amounts expensed to transaction costs have been reclassified to loss on extinguishment of debt.

Since the date of acquisition of 100% interest, RSM has contributed a net loss of $3.9 million to the continuing operations of the Company. If the acquisition of 100% interest of RSM had been completed on January 1, 2014, the consolidated statement of income for 2014 would have included no revenue or net earnings as RSM was acquired while it was in the commissioning phase and had not reached commercial production as of December 31, 2014.

16. COMMITMENTS AND CONTINGENCIES

The Company is from time to time involved in claims and litigation arising in the normal course of business. Claims are made by third parties against the Company and by the Company against third parties with respect to costs incurred and/or amounts charged under applicable contract provisions.

Refer to commitments discussed in Business Combinations note regarding RVM Holdings LLC.

17. SUBSEQUENT EVENTS

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

On March 25, 2015, the Company amended the Metal Prepay Facility, resulting in an additional US $4 million of working capital being received. The Company's metal delivery obligations under the original prepay facility and additional working capital facilities have been restructured but the applicable interest rates remain the same under an amended agreement with LRC.

The following are the significant changes to the Metal Prepay Facility:

- Capital support by the Company of US $4,000,000 is required no later than May 1, 2015.
- The additional US $4 million of working capital resulted in an increase of 246,400 silver equivalent units to the repayment of the facility.
- The Metal Prepay Facility was restructured to reduce the required payment of silver equivalent units from 2,904,892 to 1,138,087 and extended the repayment period to fifty four months beginning July 2015.
- The working capital portion of the facility increased the required payment of silver equivalent units from 738,000 to 3,165,156.
- The working capital payback period was extended from December 31, 2015 to March 31, 2016. Full payback of the working capital facility prior to March 31, 2016 is discounted by 3% per month.
- The Company granted a security interest in all of the assets of Fortune Minerals Limited and its material subsidiaries.
- Pursuant to the March 25, 2015 amendment, the total advances is US $50,991,234 as compared to US $41,991,234 [$48,713,728] included in the Company's financial position at December 31, 2014