2022 Annual Financial Report

Management's Discussion and Analysis and Consolidated Financial Statements

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

Year ended December 31, 2022

This Management's Discussion and Analysis of Financial Conditions and Results of Operations ("MD&A") of Fortune Minerals Limited ("Fortune" or the "Company") is dated May 19, 2023 and should be read in conjunction with the Company's Annual Audited Consolidated Financial Statement and the notes thereto for the year ended December 31, 2022, 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

	2022	2021	2020
Revenue and Other Income	7,861	276,961	103,361
Net loss from continuing operations	(32,969,267)	(2,413,216)	(1,715,659)
Basic loss per common share	(0.09)	(0.01)	—
Fully diluted loss per common share	(0.09)	(0.01)	—
Total assets	46,445,827	78,606,147	76,340,541
Debt – current	7,976,943	11,426,277	—
Debt – non-current	60,000	1,343,008	10,008,154

SUMMARY OF QUARTERLY RESULTS

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

	2022				2021			
	Dec-31	**Sept-30**	**Jun-30**	**Mar-31**	**Dec-31**	**Sep-30**	**Jun-30**	**Mar-31**
Revenue and Other Income	2,768	1,271	1,046	2,776	176,817	86,040	7,103	7,001
Net income (loss)	(31,175,952)	(852,792)	(1,094,522)	153,999	(380,540)	759,394	1,021,488	(3,813,558)
Basic and fully diluted loss per common share[(1)]	(0.09)	—	—	—	—	—	—	(0.01)

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

Fortune has undertaken the following activities during the year ended December 31, 2022 in support of corporate financing initiatives and its wholly owned NICO cobalt-gold-bismuth-copper deposit and proposed mine ("NICO") in the Northwest Territories ("NWT") and a related hydrometallurgical refinery ("Refinery") proposed to be constructed in Alberta, Canada (collectively, the "NICO Project"), as well as permitting and optimizations to produce a more financially robust development:

- The Company has identified a preferred site in Alberta, Canada to build the Refinery to process NICO metal concentrates to value-added products. On January 24, 2022, the Company entered into an option to purchase this brownfield site ("Option to Purchase Agreement") located in Lamont County in Alberta's Industrial Heartland. The Company had until July 24, 2022 to conduct its due diligence and complete the purchase for $5.5 million. On July 12, 2022, the Company secured a two-month extension to the Option to Purchase Agreement to September 30, 2022 in consideration for the payment of $15,000 per month deductible from the purchase price. On September 30, 2022, the Company secured a further three-month extension to the Option to Purchase Agreement to December 31, 2022 in consideration for the payment of $15,000 per month deductible from the purchase price, provided the option has not been exercised on or before the date the consideration is due. The extension is also subject to the vendor's right to list the property for sale in which case Fortune can exercise a right of first refusal. On December 20, 2022, the Option to Purchase Agreement was extended to June 30, 2023 on the same terms as the previous amendment;

- The Company engaged Stantec Consulting Ltd. to assess the condition of the existing Lamont County facilities and their suitability for certain unit operations, and Worley Canada Services Ltd. to prepare a permitting road map and assessment of the bismuth process flow sheet and suitability of the existing Lamont County facilities to accommodate this circuit;
- The Company engaged Haywood Securities Inc. ("Haywood") to act as financial advisor to the Company to support its near-term financing objectives. Haywood will assist Fortune with seeking to raise the funds needed to execute on the Option to Purchase Agreement and other activities required to advance development of the NICO Project to a construction decision, including an updated feasibility study to support project finance, completion of the remaining environmental work and permits and for general corporate purposes including working capital and debt retirement;
- Fortune is engaged with various municipal, territorial, provincial and federal governments to attract political and financial support for the vertically integrated NICO Project and strengthen domestic supply chains for Critical Minerals needed in new technologies and the growing green economy;
- Fortune continues to review the engineering and execution plans for the NICO Project to assess various opportunities to mitigate capital and operating cost escalation and accelerate processing of higher margin ores to improve project economics;
- Fortune submitted Surveillance Network Reports and an annual report in relation to the requirements of its water license for the NICO Project;
- The Company filed its final reports for the two Government of the Northwest Territories ("GNWT") Mining Incentive Program ("MIP") grants received in 2021. The remainder of $21,600 for the first MIP grant and the remainder of $15,000 for the second MIP grant were received during the year ended December 31, 2022;
- The Company entered into an Early-Stage Study Funding Agreement ("the Study") with Alberta's Industrial Heartland Association ("AIHA") effective December 20, 2021. The Study's work took place in 2022 and conducted preliminary engineering and site assessments on the proposed Refinery site. The AIHA agreed to provide funding for 50% of the costs incurred up to a maximum of $100,000 for work completed prior to December 31, 2022. The Company applied for and received funding in the amount of $21,273 subsequent to year end;
- The results of the Company's 2021 drill program confirmed continuity of cobalt-gold-bismuth and local copper mineralization in the Peanut Lake Zone, located 800 metres southeast of the NICO Deposit and also identified a potential east strike extension of the deposit; and
- During the year, the Company entered into new secured term debentures (the "Amended Debentures") to replace the original unsecured debentures of the Company which were issued in 2015 and matured on August 12, 2022 (the "2015 Debentures"), effectively extending the maturity date to November 30, 2022. On November 30, 2022, the Company settled part of these Debentures and extended the maturity date of the remainder to December 31, 2023. See "Liquidity and Capital Resources" section below for more details.

OVERVIEW

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

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

NICO Project
Fortune continues to advance its wholly owned NICO Project and the Company's business activities have been focused on certain priority critical path activities required to advance permitting and financing for the planned development. The NICO Project comprises a proposed open pit and underground mine and a mill and concentrator in the NWT, with a related Refinery which is planned to be located in Alberta. A brownfield site has been identified with requisite planning approvals already in place and existing facilities, including 42,000 square feet of serviced shops and buildings to materially reduce capital costs for the planned development. The Company has entered into the Option to Purchase Agreement in respect of this Refinery site.

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

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

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

Fortune has experienced personnel focused on advancing the NICO Project towards commercial production, while also minimizing the risks associated with its development. Fortune is committed to developing its project in a socially and environmentally responsible manner. Fortune continues to work with a number of private sector companies and potential strategic partners interested in the Critical Minerals and/or the gold contained in the NICO Project.

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

RESULTS OF OPERATIONS

Summary

The Company's net loss for the year ended December 31, 2022 was $32,969,267, or $0.09 per common share compared to a net loss of $2,413,216 or $0.01 per common share for the prior year. The change year over year is primarily due to an impairment charge, the change in fair value related to derivative liability and loss on extinguishment of debt as discussed in "Expenses" below.

Revenue and Other Income

Revenue and other income decreased in 2022 to $7,861 for the year ended December 31, 2022, compared to $276,961 for the prior year. The decrease is primarily the result of a decrease in the recognition of flow-through share premium income during the year offset by an increase in interest income earned on cash and cash equivalents.

Expenses

Expenses, excluding impairment charge, change in fair value related to derivative liability and loss on extinguishment of debt, increased in 2022 to $4,243,821 for the year ended December 31, 2022 compared to $2,796,718 for the prior year.

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

An impairment charge of $31,200,000 was recognized in 2022, related to the NICO project and was allocated pro-rata amongst the NICO cash generating units ("CGU"). The recoverable amount of the NICO project was determined based on the NICO project's value in use. The methodology is discussed further below in the "Critical Accounting Estimates" section.

The change in fair value related to derivative liability recognized a gain of $1,200,000 for the year ended December 31, 2022 compared to a gain of $106,541 for the year ended December 31, 2021.

A gain on extinguishment of debt of $1,266,693 was recognized during the year related to a settlement of debt and modifications to existing debt.

Deferred Taxes

The Company has not recognized a net deferred income tax recovery or provision for the year ended December 31, 2022 and 2021. During the year ended December 31, 2022, recognition of (i) $8,737,000 from the estimated tax loss; (ii) $335,700 for non-deductible change in gain on debt extinguishment; (iii) $318,000 for non-deductible change in fair value of derivative; and (iv) $24,400 for tax rate difference resulted in a tax recovery which was offset by: (i) a tax provision of $8,268,000 for non-deductible change in impairment charge; (ii) $1,018,100 for a loss carryforward not recognized; and (iii) $129,000 for non-deductible stock-based compensation and other expenses.

During the same period in 2021, recognition of (i) $640,000 from the estimated tax loss; (ii) $172,000 for tax rate difference; (iii) $73,000 for non-taxable flow-through share premium; and (iv) $28,000 for non-deductible change in fair value of derivative resulted in a tax recovery which was offset by: (i) a tax provision of $586,000 for a loss carryforward not recognized; and (ii) $327,000 for non-deductible stock-based compensation and other expenses.

A valuation allowance of $26,517,000 has been recognized related to the uncertainty of realizing the benefit of deferred income tax assets in future years.

Cash Flow

Cash used in operating activities during the year ended December 31, 2022 was $1,202,264 compared to $814,588 for 2021. The increase in use of cash in operating activities year over year is mainly attributed to an increase in activity related to corporate development and general and administrative expenses.

Cash used in investing activities was $726,331 compared to $1,369,457 for the year ended December 31, 2022 and 2021, respectively. This decrease is related primarily to a decrease in exploration and evaluation expenditures due to a drill program conducted in 2021 offset by an increase in capital assets included in mining properties due to a deposit of $100,000 for the Option to Purchase Agreement and additional monthly extension fees.

The NICO Project, and the Company's other exploration projects are classified as exploration and evaluation stage projects for accounting purposes. Exploration and evaluation cash expenditures incurred by Fortune on its properties during the three months and year ended December 31, 2022 were $61,790 and $386,081, respectively, and were spent on the projects as follows:

	Three months ended December 31, 2022	**Year ended December 31, 2022**
NICO	$ 61,790	$ 383,278
All Other Projects	—	2,803
Total cash exploration and evaluation expenditures	**$ 61,790**	**$ 386,081**

For comparison, exploration and evaluation expenditures incurred by Fortune on its properties during the three months and year ended December 31, 2021 were $1,014,083 and $1,320,522, respectively, and were spent on the projects as follows:

	Three months ended December 31, 2021	**Year ended December 31, 2021**
NICO	$ 1,014,083	$ 1,317,719
All Other Projects	—	2,803
Total cash exploration and evaluation expenditures	**$ 1,014,083**	**$ 1,320,522**

Cash provided by financing activities decreased to $204,325 compared to $2,908,081 for the year ended December 31, 2022 and 2021, respectively. Cash provided in 2022 was a result of the exercise of stock options and a private placement. Cash provided in 2021 related to the exercise of warrants and stock options, a private placement and the issuance of debt.

Below is a summary of Common Shares issued and net cash proceeds from financing activities for the years ended December 31, 2022 and 2021:

	2022		2021	
	Shares/Warrants Issued	**Shares/Warrants Issued**	**Shares/Warrants Issued**	**Shares/Warrants Issued**
	#	**$**	**#**	**$**
Common shares issued during the year				
Private offerings	85,259,962	194,600	7,442,825	931,635
Exercise of Warrants	—	—	1,531,833	146,433
Exercise of Options	400,000	38,000	3,400,000	339,500
Exercise of Derivatives(1)	—	—	—	—
Share issuance costs	—	(23,317)	—	(82,221)
Total	**85,659,962**	**209,283**	**12,374,658**	**1,335,347**
Average proceeds per share issued		**0.002**		**0.11**
Warrants issued during the year				
Private offerings	5,525,750	55,450	6,435,713	110,361
Share issuance costs	—	(1,988)	—	(11,064)
Total	**5,525,750**	**53,462**	**6,435,713**	**99,297**
Average proceeds per warrant		**0.01**		**0.02**
Cash Proceeds from Financing Activities Net		**262,745**		**1,434,644**

Notes:
(1) The 55,519,391 warrants issued on August 12, 2015 have been set up as a financial liability on the Consolidated Statements of Financial Position due to an anti-dilution clause which requires the exercise price and number of shares purchasable upon exercise to be adjusted from time to time in the event of Share Reorganizations, Rights Offerings, Special Distributions, General Offerings and Capital Reorganizations. During 2022, 52,683,043 Class B warrants, representing all Class B warrants, expired unexercised.

LIQUIDITY AND CAPITAL RESOURCES

As at December 31, 2022, Fortune had cash and cash equivalents of $78,650 and negative working capital of $8,027,049 compared to $1,802,920 and negative working capital of $9,822,078, respectively, for the prior year. The negative working capital at December 31, 2022 is a result of debt maturing in December 2023 as discussed below.

The Company regularly reviews its planned activities relative to available funding and prioritizes activities based on what is required to complete critical path activities and budgets accordingly. The Company invests its surplus cash in low risk, liquid investments, which typically have low yields but hold their value during times of market uncertainty. With its existing working capital, the Company will require additional financing to conduct certain critical path activities for 2023 and to repay its outstanding debt. The NICO Project will also require further funding to maintain its operations and advance the project through to production. The Company has historically been successful in financing its activities, however, there are no assurances that it will be successful in raising future funds required, especially considering the impacts inflation, increasing interest rates, and the Russia/Ukraine conflict could have on the global financial markets as a whole. Management is continuously pursuing and considering various financing opportunities.

The Company has applied for and received $65,706 in government grants relating to supporting the payroll of the Company's employees. The Company has elected to present this government grant as a reduction to payroll expenses and this amount is included in the line "general and administrative" expenses on the consolidated statements of loss and comprehensive loss.

On June 24, 2022, the Company issued 457,456 common shares at a price of $0.1093 per share (being the 5-day volume weighted average price of the Company's common shares on the TSX as at close of trading on May 12, 2022) as partial consideration for services provided by Haywood. The fair value of the shares issued was $50,000. On August 18, 2022, the Company issued an aggregate of 3,500,000 common shares of the Company ("the Extension Shares") to the holders of the 2015 Debentures at a deemed price of $0.10 per Extension Share as additional consideration for the extension of the maturity date of the 2015 Debentures from August 12, 2022 to November 30, 2022. The fair value of the shares issued was $350,000. On August 26, 2022, the Company entered into a subscription agreement to sell 3,334,000 units at a price of $0.075 per unit, raising gross proceeds of $250,050. Each unit consists of one common share and one half of a common share purchase warrant. One warrant entitles the holder to purchase one common share of the Company for $0.10 on or before August 26, 2024. The fair value of the shares and warrants issued was $194,600 and $55,450, respectively. On November 30, 2022, the Company entered into an agreement with one of the holders of the 2015 Debentures to retire its debt for a cash payment of $1,250,000 and the remainder in common shares. An aggregate of 73,500,000 common shares of the Company was issued on December 2, 2022 at a deemed price of approximately $0.082 per share to settle the balance of $6,030,173. The fair value of the shares issued was $5,145,000 based on the share price on the TSX as at close of trading on November 30, 2022. The difference of $885,173 was allocated to a gain on extinguishment of debt on the Consolidated Statements of Loss and Comprehensive Loss. Also on December 2, 2022, the Company issued 4,468,506 shares and 3,858,750 warrants to its financial advisor in lieu of $366,418 of fees earned on the debt settlement. One warrant entitles the holder to purchase one common share of the Company for $0.10 on or before December 2, 2024. The fair value of the shares and warrants issued was $247,070 and $119,348 respectively.

Subsequent to December 31, 2022, the Company entered into subscription agreements to sell 7,892,356 units raising gross cash proceeds of $484,100. Each unit consists of one common share and one common share purchase warrant. One warrant entitles the holder to purchase one common share of the Company for $0.10 for two years from the date of issuance. Of the shares issued, 976,643 were issued in lieu of 11 months of rent on the Company's leased office, with a fair value of $68,365. A finder's fee with a fair value of $18,410 was earned on the transaction and settled in cash and the issuance of 263,000 warrants. These warrants have an exercise price of $0.07 and can be exercised within two years of issuance.

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

Contractual Obligations	***Payments Due by Year***				
	Total	***Less than 1 year***	***1-3 years***	***4-5 years***	***After 5 years***
Accounts payable and accrued liabilities	**$ 239,750**	$ 239,750	$ —	$ —	$ —
Lease liability	**320,120**	66,000	135,320	118,800	—
Current debts	**8,048,651**	8,048,651	—	—	—
Long-term debt	**60,000**	—	60,000	—	—
Interest on debt	**1,236,240**	1,236,240	—	—	—
Provision for environmental rehabilitation	**143,000**	—	—	—	143,000
Total Contractual Obligations	**$ 10,047,761**	**$ 9,590,641**	**$195,320**	**$ 118,800**	**$ 143,000**

The current debts represent the Amended Debenture in the principal amount of $5,298,651 held by a previous secured creditor of the Company and a $2,750,000 secured loan. The Amended Debenture has an aggregate principal amount of $5,298,651 (being equal to the aggregate principal and accrued interest of the 2015 Debentures on August 12, 2022), matures on December 31, 2023, bears interest at a rate of 10% per annum, compounded monthly in arrears, and is secured by all of the assets of the Company, including the NICO Project. The Loan and Security Agreement

("Loan") for $2,750,000, bears interest at 9% per annum, compounding annually, and both principal and interest are payable at maturity. The original loan of $1,500,000 was increased by $1,250,000 on November 30, 2022. The proceeds received were used as partial payment on the settlement of the other Amended Debenture. The loan is secured by the mining leases for NICO.

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

The CEBA, Loan and debentures balances have been recorded in the consolidated financial statements at their net present value using an effective interest rate of 12%, 20% and 30%, respectively.

In addition to contractual obligations noted, non-discretionary budget commitments required to keep current mining leases for NICO in good standing consist of annual payments of $13,803 plus an additional $2,350 for water licenses.

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

OUTLOOK

The Company's principal objective is to achieve successful financing and development 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 risk to meeting its objectives for the NICO Project continues to be the ability to finance the construction costs for the project. Additional risks include purchasing lands and acquiring all necessary permits to provide the Company with the flexibility to construct its own Refinery. A refinery site has been identified in Alberta, Canada, and the Company has until June 30, 2023 to complete the purchase, under the amended Extension to Option to Purchase Agreement. A significant risk to the NICO Project has now been removed with the completion of the Tlicho Road that opened to the public November 30, 2021. In addition, the Company has completed an Access Agreement with the Tlicho Government that sets out the terms and conditions for the construction of a spur road to the mine. Other risks are primarily from external parties such as government regulators, First Nations and investors who have significant influence over the outcome of the Company's efforts and external factors such as commodity prices, economic conditions and the financial markets. Accordingly, management has sought and continues to seek ways to address risks in its business model and has developed appropriate strategies to move forward by focusing expenditures on critical path activities in a socially and environmentally responsible manner.

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

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

- advancing the negotiations with the Tlicho Government for a Participation Agreement;
- identifying and engaging strategic partners to support the financing and development for the NICO Project;
- arranging the project financing and potential transactions to finance the NICO Project; and
- continuing engineering and procurement activities.

In the year ended December 31, 2022, the Company continued its dialogue with potential strategic partners. The Company has made significant progress towards achieving its milestones through the federal and Tlicho Government approvals for the NICO mine and mill, and renewal of the land use permit and/or Type A water license for the NICO site. The Company currently holds land use permits for exploration and mining and will reapply for permits to allow for several improvements identified by the Company.

Activities undertaken during 2022 towards achieving the next major milestones for the NICO Project will remain the Company's focus through 2023. As it pursues this objective, the Company will strive to prudently manage capital resources and mitigate risks.

TRANSACTIONS WITH RELATED PARTIES

During the year ended December 31, 2022, the Company paid key management personnel, including officers, directors, or their related entities, an aggregate of $523,121 for salaries and benefits and consulting and/or management services when compared to $601,585 for the prior year. In addition, stock options with a fair value of $646,000, using the Black-Scholes option pricing model, were granted in the year ended December 31, 2022 when compared to $323,300 for the same period in 2021. At December 31, 2022, $22,743 was owing to these related parties for services received during the year when compared to $47,046 at December 31, 2021.

The following table summarizes the amounts paid and payable to related parties and the nature of the payments as at December 31, 2022:

Related Party	Relationship	Business Purpose of Transaction						Total	
		Salaries and Benefits [3]		Consulting Services		Stock Options			
		Paid	Payable	Paid	Payable	Granted [4]	Payable	Paid/Awarded	Payable
Goad, Robin [1]	President & CEO, Director	$ 8,587	$ -	$ 245,192	$ 9,615	$ 170,000	$ -	$ 423,779	$ 9,615
Knight, David	Corporate Secretary	-	-	-	-	17,000	-	17,000	-
Koropchuk, Glen	Director	-	-	-	-	54,400	-	54,400	-
McVey, John	Director	-	-	-	-	68,000	-	68,000	-
Naik, Mahendra	Director	7,550	-	-	-	102,000	-	109,550	-
Penney, Patricia	Interim CFO	139,218	7,788	-	-	57,800	-	197,018	7,788
Ramsay, David	Director	-	-	-	-	54,400	-	54,400	-
Schryer, Richard [2]	VP Environmental & Regulatory Affairs	8,209	-	114,365	5,340	54,400	-	176,974	5,340
Yurkowski, Edward	Director	-	-	-	-	68,000	-	68,000	-
Total		$ 163,564	$ 7,788	$ 359,557	$ 14,955	$ 646,000	$ -	$ 1,169,121	$ 22,743

[1] 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.
[2] Richard Schryer is engaged to provide services of VP Environmental & Regulatory Affairs of the Company pursuant to an independent consultant agreement.
[3] 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.
[4] The value of options granted are calculated using the Black-Scholes option pricing model.

CRITICAL ACCOUNTING ESTIMATES

Mining Properties Valuation

The Company continues to consider, on a regular basis, whether indicators exist that suggest that the carrying value of its projects is impaired for accounting purposes. While the market capitalization relative to the carrying value of the Company's projects is reviewed, it is not considered a sole indication of impairment. Given the Company's stage of development and the volatility of the market, using the share price as a sole indication of impairment is not practical, although the Company does monitor the magnitude of the gap between its market capitalization and the project carrying values. On December 31, 2022, the Company considered whether there had been any significant changes to indicators and whether any new indicators were present. Management determined that as a result of obtaining limited financing during the year, substantive expenditure on further exploration for and evaluation of mineral resources of the NICO Project cannot be budgeted or planned and completed an impairment assessment of the NICO Project. As a result of that analysis, management has determined that the carrying value of the NICO project exceeded the recoverable amount. The recoverable amount of the NICO project was determined based on the NICO project's value in use. The Company estimated the value in use of the NICO project using a discount rate of 9.4% [December 31, 2021 – 8%]. The relevant assets were impaired to their recoverable amounts of $45,602,638 [December 31, 2021 - $75,859,388], which is the carrying value at December 31, 2022 and an impairment of $31,200,000 [December 31, 2021 - $Nil] has been recognized on the consolidated statements of loss and comprehensive loss. The assumptions used in determining the value in use for the NICO project is based on management's intention to develop and produce gold, cobalt, bismuth, and copper simultaneously. For the purposes of assessing the impairment of the project, the financial model used a discounted cash flow model using the best estimates for items such as plant capital, operating costs, commodity prices, transportation costs, discount rates and expected margins. In accordance with IFRS, if, subsequent to impairment, an asset's discounted future net cash flows exceeds its book value, the impairment charge previously recognized can be reversed. Any changes to future market conditions and commodity price forecasts may result in impairment, a further impairment or a reversal of impairment of any of the Company's project CGUs

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

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

Interests in Mining Properties and Exploration and Development Expenditures

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

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

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

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

Going Concern Assumption

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

Currently, the Company does not have a source of revenue other than investment income and it has relied, primarily, on equity financings and strategic partners to fund its activities. The Company may have limited access to capital at an acceptable cost to existing shareholders depending on economic conditions from time to time. The Company had a negative working capital balance of $8,027,049 as a result of debt coming due in December 2023 and positive cash balances at December 31, 2022 and the Company endeavours to manage the cash position prudently through ongoing monitoring of current and future cash and working capital balances relative to planned activities. The Company will require additional financing to extinguish the debt, conduct certain critical path activities in 2023 and to advance the NICO Project to production.

Deferred Income Taxes

The Company follows the deferred tax liability method in accounting for income taxes. Under this method, deferred tax assets and liabilities are determined based on differences between the financial reporting and tax bases of assets and liabilities, and measured using the substantively enacted tax rates and laws that will be in effect when the differences are expected to reverse. Assessing the recoverability of deferred tax assets requires management to make significant estimates related to expectations of future taxable income and substantively enacted tax rates. Prior to 2022, the Company completed feasibility studies and updates thereto for its principal project and is undertaking related permitting and financing activities. The benefit of certain non-capital losses, investment tax credits, undeducted share issuance costs and tax value of exploration and evaluation expenditures and capital assets in excess of book value of $26,517,000, has been offset by a valuation allowance of the same amount due to the uncertainty of realizing the benefit of deferred income tax assets in future years.

Stock Based Compensation, Warrants and Compensation Options

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

Asset Retirement Obligations

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

ENVIRONMENT

Fortune is committed to a program of environmental protection at its exploration sites. Fortune was in compliance with government regulations in 2022. Secured letters of credit have been provided to be held against future environmental obligations with respect to Arctos and NICO sites in the amounts of $25,000, representing 100% of the remaining Arctos JV letter of credit, and $143,000, respectively. Subsequent to December 31, 2022, the reclamation security deposit held for the NICO project was increased from $143,000 to $167,569, upon renewal of its land use permit

RISK AND UNCERTAINTIES

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

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

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

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

Limited Financial Resources
The existing financial resources of the Company are not sufficient to bring any of its properties into commercial production. The Company will need to obtain additional financing from external sources and/or find suitable joint venture partners in order to fund the development of the NICO mine and Refinery. 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.

The Company's ability to raise additional funds is affected by numerous factors outside the Company's control including the global economy. The global economy is currently characterized by increased volatility and uncertainty. Particularly, the invasion of Ukraine by the Russian Federation, and the accompanying international response including economic sanctions, has been disruptive to the world economy, with increased volatility in commodity markets, international trade and financial markets, all of which have a trickle-down effect on supply chains, equipment and construction. There is substantial uncertainty about the extent to which this conflict will continue to impact global economic and financial affairs, and resulting turmoil could have a material adverse effect on the Company's ability to obtain financing and advance development of the NICO Project.

Location of Refinery
The Company does not currently own any lands on which to build the Refinery, as the lands previously held for this purpose were sold as a result of a negative rezoning decision by the local Rural Municipality of Corman Park in Saskatchewan. In January 2022, the Company entered into an option agreement to purchase a brownfield site in Alberta. The Company will have until June 2023 to complete the purchase for $5.5 million, less monthly option fees paid to extend the original option agreement deadline. Once purchased, the Company will need to work towards obtaining the necessary approvals and permits as applicable to the site.

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

Fluctuating Prices
Factors beyond the control of the Company may affect the marketability of cobalt, bismuth, gold, copper or any other minerals discovered. The prices of such commodities have fluctuated widely and are affected by numerous factors beyond the Company's control such as economic downturns, commodity supply shortages, weather events, political instability, and changes in exchange and interest rates. The effect of these factors cannot accurately be predicted. Further, there is opportunity for the product mix of cobalt and bismuth from the NICO Project to be adjusted to produce products with varying prices depending on the market.

Permits and Licenses
The operations of the Company require licenses and permits from various governmental authorities. The Company believes that it presently holds all necessary licenses and permits required to carry out the activities it is currently conducting under applicable laws and regulations and the Company believes it is presently complying in all material respects with the terms of such licenses and permits. However, such licenses and permits are subject to expiration, change in regulations and other circumstances. There can be no assurance that the Company will be able to obtain all licenses and permits required to carry out future exploration, development and mining operations at its projects.

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

Environmental and Climate Change Regulation
The operations of the Company are subject to environmental regulations promulgated by government agencies from time to time. Environmental legislation provides for restrictions and prohibitions on spills, releases or emissions of various substances produced in association with certain mining industry operations, such as seepage from tailings disposal areas, which would result in environmental contamination. 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 baseline 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 processes. 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.

Indigenous Title and Rights Claims
Indigenous 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 lands that surround the NICO leases are owned by the Tlicho Government pursuant to the terms of an agreement (the "Tlicho Agreement") negotiated among the federal government, the GNWT and the Tlicho Government. The Company is not aware of any Indigenous land claims having been formally asserted or any legal actions relating to Indigenous issues having been instituted with respect to the NICO mine other than certain treaty rights established by the Tlicho Agreement. 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.

The Company has a right of access to the NICO mine site under the Tlicho Agreement with the Crown and Tlicho Government, and an Access Agreement was also entered into in 2019 between the Tlicho Government and the Company for the purposes of constructing an access road through Tlicho territory to the NICO mine site. During 2020, negotiations took place with the GNWT to make minor amendments to the SEA that was signed the prior year. The Company has executed an updated agreement and is awaiting execution by various GNWT Ministers. The Company is aware of the mutual benefits afforded by co-operative relationships with Indigenous communities in conducting exploration and development activities 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 previously entered into a Co-operative Relationship Agreement and Environmental Assessment Funding Agreement with the Tlicho Government. The Company is committed to open and constructive dialogue with Indigenous communities and stakeholders and will continue to make every effort to increase Indigenous 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 Indigenous 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 Indigenous Governments 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 Indigenous 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 Mineral 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 Reserve and Mineral Resource and project engineering, among other things. The Company believes that those experts are competent and that they have carried out their work in accordance with all internationally recognized industry standards. However, if the work conducted by those experts is ultimately found to be incorrect or inadequate in any material respect, the Company may experience delays and increased costs in developing its properties.

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

FINANCIAL INSTRUMENTS

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

During the year ended December 31, 2022 and 2021, profit and losses associated with each financial instrument are as follows:

	Impact on Profit (Loss)	
	2022	**2021**
Reclamation security deposits	2,398	480
Provision for environmental rehabilitation	(2,107)	7,366
Long-term debts	(2,087,771)	(1,547,694)
Derivative liability	1,200,000	106,541

ADDITIONAL INFORMATION

Additional information relating to the Company, including its annual information form, is available on SEDAR at www.sedar.com.

SHARE DATA

As at the date hereof, the Company has:

1. 467,643,862 common shares issued and outstanding;

2. 18,181,106 warrants outstanding which entitle the holders to purchase one common share at various prices between $0.07 and $0.11 and expiring at various dates between September 22, 2023 and March 15, 2025; and
3. stock options outstanding to purchase an aggregate of 16,050,000 common shares expiring at various dates until May 13, 2025 and exercisable at various prices between $0.095 and $0.105 per common share.

All stock options have vested as at the date hereof.

INTERNAL CONTROLS OVER EXTERNAL FINANCIAL REPORTING

Disclosure Controls and Procedures

The Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO"), together with management, evaluated the design and operating effectiveness of the Company's disclosure controls and procedures as at the financial year ended December 31, 2022. Based on that evaluation, the CEO and the CFO concluded that the design and operation of these disclosure controls and procedures were effective as at December 31, 2022 to provide reasonable assurance that material information relating to the Company, including its consolidated subsidiaries, would be made known to them by others within those entities and that information required to be disclosed by the Company in its annual and interim filings and other reports submitted under securities legislation was recorded, processed, summarized and reported within the periods specified in securities legislation.

Internal Controls over Financial Reporting

The CEO and CFO, together with management, evaluated the design and operating effectiveness of the Company's internal controls over financial reporting as at the financial year ended December 31, 2022. Based on that evaluation, the CEO and the CFO concluded that the design and operation of internal controls over financial reporting were effective as at December 31, 2022 to provide reasonable assurance regarding the reliability of financial reporting and the preparation of consolidated financial statements for external purposes in accordance with IFRS. Any system of internal control over financial reporting, no matter how well-designed, has inherent limitations. Therefore, even well-designed systems of internal control can provide only reasonable assurance with respect to financial statement preparation and presentation.

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

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

No material weaknesses in the Company's internal controls over financial reporting were identified during the year ended December 31, 2022 and there have been no changes made to such internal controls that have materially affected, or are reasonably likely to materially affect, its internal controls over financial reporting.

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

This document contains certain forward-looking information. This forward-looking information includes, among other things, statements regarding the anticipated development of the NICO Project, including the building or acquisition of a hydrometallurgical refinery in western Canada, purchase of a brownfield site in Lamont County in Alberta's Industrial Heartland pursuant to the Option to Purchase Agreement and the Extension to Option to Purchase Agreement, and the expected results of the technical report updating the 2014 Feasibility Study. With respect to *forward-looking information contained in this document, the Company has made assumptions, including assumptions regarding, among other things, the Company's ability to acquire an existing hydrometallurgical refinery for the NICO Project or acquire land suitable for the construction of such a refinery, the Company's ability to obtain the necessary financing to develop and operate the NICO Project and the related hydrometallurgical refinery, the ability of the Company to obtain all necessary regulatory approvals for the construction and operation of the NICO Project and the related hydrometallurgical refinery, the Company's ability to purchase the brownfield site in Lamont County in Alberta's Industrial Heartland and the timing thereof and the timing of the update of the 2014 Feasibility Study and the results thereof. Some of the risks that could affect the Company's future results and could cause results to differ materially from those expressed in the Company's forward-looking information include: the risk that the Option to Purchase Agreement and its extension may not result in the purchase* of a *brownfield site in Lamont County in Alberta's Industrial Heartland, the risk that the Company may not be able to carry on operating or to develop, construct and operate the NICO Project, including the related hydrometallurgical refinery; the risk that the Company may not be able to acquire an existing hydrometallurgical refinery or otherwise acquire land suitable for the for the construction of such a refinery; uncertainties with respect to the receipt or timing of required permits and agreements for the development of the NICO Project, including the related hydrometallurgical refinery; the risk that the update to the 2014 Feasibility Study may not be completed within the time frame anticipated and may not generate improved economics for the NICO Project to the extent anticipated; the risk that the operating and/or capital costs for any of the Company's projects may be materially higher than anticipated; the risk of decreases in the market prices of the metals to be produced by the Company's projects; loss of key personnel; discrepancies between actual and estimated mineral resources or between actual and estimated metallurgical recoveries; the inherent risks involved in the exploration and development of mineral properties and in the mining industry in general; uncertainties associated with estimating mineral resources and even if such resources prove accurate the risk that such resources may not be converted into mineral reserves, once economic conditions are applied; labour shortages; workplace accidents; the cost and timing of expansion activities; changes in applicable laws or regulations; competition for, among other things, capital and skilled personnel; unforeseen geological, technical, drilling and processing problems; compliance with and liabilities under environmental laws and regulations; changes to the Company's current business strategies and objectives; and other factors, many of which are beyond the Company's control. Readers are cautioned to not place undue reliance on forward-looking information because it is possible that predictions, forecasts, projections and other forms of forward-looking information will not be achieved by the Company. These forward-looking statements are made as of the date hereof and the Company assumes no responsibility to update them or revise them to reflect new events or circumstances, except as required by law.*

Consolidated Financial Statements

Fortune Minerals Limited

December 31, 2022 and 2021

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Independent Auditor's Report

To the Shareholders of Fortune Minerals Limited

Opinion

We have audited the consolidated financial statements of Fortune Minerals Limited and its subsidiaries (the Group), which comprise the consolidated statements of financial position as at December 31, 2022 and 2021 and the consolidated statements of loss and comprehensive loss, cash flows and changes in shareholders' equity for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2022 and 2021, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 2 in the consolidated financial statements, which indicates that the Group requires further funding to extinguish debentures maturing in December 2023 and advance its mining projects through to production. As stated in Note 2, these events and conditions, along with other matters as set forth in Note 2, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the Material Uncertainty Related to Going Concern we have determined the matters described below to be the key audit matters to be communicated in our report.

Impairment of capitalized exploration and evaluation expenditures

Description of the key audit matter

Exploration and evaluation assets are the most significant item on the Group's financial statements. The assessment of whether there are indicators of impairment is subject to professional judgment. The identification of impairment events is judgmental and the determination of an impairment charge is subject to estimation. The assessment is also sensitive to changes in assumptions, in particular with respect to estimate of cost of capital expenditures, operating costs, future commodity prices, future foreign exchange rates and discount rates.

How our audit addressed the key audit matter

Our audit approach specifically focused on the valuation of the NICO mining property. Our procedures included, among others, using internal valuation experts assisting us in evaluating the model and assumptions used, in particular the expected capital expenditures, operating costs, future commodity prices, future exchange rates and discount rates, which are key to the outcome of the impairment test.

We further focused on the adequacy of the Company's disclosures on the accounting policy for impairment in Note 2 and disclosures on key assumptions of the asset impairment in Note 4 of the financial statements. Refer to notes 3 and 4 which detail the impairment during the year.

Other Information

Management is responsible for the other information. The other information comprises:

- The information included in the Management's Discussion and Analysis of Financial Conditions and Results of Operations for the year ended December 31, 2022.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained the Management's Discussion and Analysis of Financial Conditions and Results of Operations for the year ended December 31, 2022 prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor's report. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with IFRSs, 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.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor’s report is Lillian Krascic.

BDO Canada LLP

Chartered Professional Accountants, Licensed Public Accountants

Toronto, Ontario

May 19, 2023

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 to ensure that the consolidated 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 BDO Canada 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.

[Signed]
Robin Goad
President and
Chief Executive Officer

[Signed]
Patricia Penney
Interim Chief
Financial Officer

Fortune Minerals Limited
Incorporated under the laws of Ontario

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(expressed in Canadian dollars)

As at	**December 31, 2022**	December 31, 2021
ASSETS		
Current assets		
Cash and cash equivalents *[note 10]*	**78,650**	1,802,920
Reclamation security deposits *[note 7]*	**25,592**	25,249
Accounts receivable	**82,083**	194,039
Prepaid expenses	**51,966**	65,922
Total current assets	**238,291**	2,088,130
Reclamation security deposits *[note 7]*	**153,143**	151,088
Capital assets, net *[note 8]*	**258,400**	316,988
Mining properties *[note 3]*	**45,795,993**	76,049,941
	46,445,827	78,606,147
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Accounts payable and accrued liabilities	**239,750**	440,266
Lease liability *[note 12]*	**48,647**	43,665
Current debt *[note 11i]*	**7,976,943**	11,426,277
Total current liabilities	**8,265,340**	11,910,208
Provision for environmental rehabilitation *[note 7]*	**25,516**	23,409
Lease liability *[note 12]*	**222,603**	271,250
Long-term debts *[note 11ii]*	**60,000**	1,343,008
Derivatives *[note 5ii[b]]*	**—**	1,200,000
Total liabilities	**8,573,459**	14,747,875
SHAREHOLDERS' EQUITY		
Share capital *[note 5]*	**180,530,031**	174,430,765
Other reserves *[notes 5 and 6]*	**16,694,979**	15,810,882
Deficit	**(159,352,642)**	(126,383,375)
Total shareholders' equity	**37,872,368**	63,858,272
	46,445,827	78,606,147

See accompanying notes to the consolidated financial statements
See note 2 going concern uncertainty

[Signed]	*[Signed]*
Robin Goad Director	Mahendra Naik Director

Fortune Minerals Limited

CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS

(expressed in Canadian dollars)

For the year ended December 31,	**2022**	2021
REVENUE AND OTHER INCOME		
Interest and other income *[note 14]*	**7,861**	276,961
	7,861	276,961
EXPENSES		
General and administrative	**915,853**	781,653
Stock-based compensation *[note 6]*	**587,180**	299,205
Interest	**2,107,307**	1,568,798
Corporate development	**575,339**	86,175
Amortization *[note 8]*	**58,142**	60,887
Change in fair value related to derivative liability *[note 5ii.[b]]*	**(1,200,000)**	(106,541)
Gain on extinguishment of debt *[notes 5i[d] and 11i[b]]*	**(1,266,693)**	—
Impairment Charge *[notes 3 and 4]*	**31,200,000**	—
	32,977,128	2,690,177
Net loss and comprehensive loss for the year	**(32,969,267)**	(2,413,216)
Basic and diluted loss per share *[note 18]*	(0.09)	(0.01)

See accompanying notes to the consolidated financial statements

Fortune Minerals Limited

CONSOLIDATED STATEMENTS OF CASH FLOWS

(expressed in Canadian dollars)

For the year ended December 31,	**2022**	2021
OPERATING ACTIVITIES		
Net loss for the year from continuing operations	**(32,969,267)**	(2,413,216)
Add (deduct) items not involving cash		
Accretion	**2,107**	(7,366)
Amortization	**58,142**	60,887
Flow-through share premium	**—**	(273,835)
Stock-based compensation	**587,180**	299,205
Non-cash portion of interest expense *[note 11i.]*	**1,163,670**	935,122
Non-cash portion of lease expense	**(43,665)**	(39,495)
Loss on disposal of capital assets	**347**	—
Change in fair value related to derivative liability	**(1,200,000)**	(106,541)
Gain on extinguishment of debt *[notes 5i[d] and 11i[b]]*	**(1,266,693)**	—
Non-cash financing activities *[notes 5i[a] and [e]]*	**416,418**	—
Impairment charge	**31,200,000**	—
Changes in non-cash working capital balances related to operations		
Accounts receivable	**111,956**	(125,502)
Prepaid expenses	**13,956**	(10,203)
Accounts payable and accrued liabilities	**(200,516)**	253,784
Accrued interest on debt *[note 11i.]*	**924,101**	612,572
Cash used in operating activities	**(1,202,264)**	(814,588)
INVESTING ACTIVITIES		
Increase in exploration and evaluation expenditures, net	**(386,081)**	(1,320,522)
Purchase of capital assets, including in mining properties	**(339,052)**	(93,455)
Posting of security for reclamation security deposits, net	**(2,398)**	(480)
Receipt of reclamation security deposit	**—**	45,000
Proceeds on disposal of capital assets	**1,200**	—
Cash used in investing activities	**(726,331)**	(1,369,457)
FINANCING ACTIVITIES		
Proceeds on issuance of units, net	**224,745**	948,711
Proceeds on exercise of warrants	**—**	146,433
Proceeds on exercise of options	**38,000**	339,500
Proceeds on issuance of debt, net *[note 11i[a]]*	**1,191,580**	1,473,437
Repayment of debt	**(1,250,000)**	—
Cash provided by financing activities	**204,325**	2,908,081
Increase (decrease) in cash and cash equivalents during the year, net	**(1,724,270)**	724,036
Cash and cash equivalents, beginning of year	**1,802,920**	1,078,884
Cash and cash equivalents, end of year *[note 10]*	**78,650**	1,802,920

See accompanying notes to the consolidated financial statements

Fortune Minerals Limited

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

(expressed in Canadian dollars)

	Common shares		Warrants		Subtotal	Other reserves	Deficit	Total shareholders' equity
	#	$	#	$	$	$	$	$
December 31, 2020	**361,716,886**	**172,508,747**	**1,531,833**	**29,874**	**172,538,621**	**15,611,882**	**(123,970,159)**	**64,180,344**
Issued as a result of:								
Private offerings	7,442,825	931,635	6,435,713	370,361	1,301,996	—	—	1,301,996
Share issuance costs	—	(82,221)	—	(11,064)	(93,285)	—	—	(93,285)
Exercise of warrants	1,531,833	177,618	(1,531,833)	(31,185)	146,433	—	—	146,433
Exercise of stock options	3,400,000	537,000	—	—	537,000	(197,500)	—	339,500
Stock options granted	—	—	—	—	—	396,500	—	396,500
Net loss for the year	—	—	—	—	—	—	(2,413,216)	(2,413,216)
December 31, 2021	**374,091,544**	**174,072,779**	**6,435,713**	**357,986**	**174,430,765**	**15,810,882**	**(126,383,375)**	**63,858,272**
Issued as a result of:								
Private offerings *[notes 5i.[a][b[and 11i.[a]]*	85,259,962	5,986,670	5,525,750	174,798	6,161,468	—	—	6,161,468
Share issuance costs *[note 5i.[b]]*	—	(23,317)	—	(1,988)	(25,305)	—	—	(25,305)
Exercise of stock options *[note 6]*	400,000	62,400	—	—	62,400	(24,400)	—	38,000
Stock options granted *[note 6]*	—	—	—	—	—	809,200	—	809,200
Expiration of warrants *[note 5ii.[a]]*	—	—	(1,935,713)	(99,297)	(99,297)	99,297	—	—
Net loss for the year	—	—	—	—	—	—	(32,969,267)	(32,969,267)
December 31, 2022	**459,751,506**	**180,098,532**	**10,025,750**	**431,499**	**180,530,031**	**16,694,979**	**(159,352,642)**	**37,872,368**

See accompanying notes to the consolidated financial statements

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2022 and 2021

1. CORPORATE INFORMATION

Fortune Minerals Limited's business activity is the exploration and development of mineral properties in Canada. Fortune Minerals Limited is incorporated under the laws of Ontario, domiciled in London, Ontario, Canada, and its shares are publicly traded on the Toronto Stock Exchange ["TSX"] and the OTCQB in the United States.

The consolidated financial statements of Fortune Minerals Limited ["the Company"] for the year ended December 31, 2022, were authorized for issuance by the Board of Directors on May 12, 2023.

2. BASIS OF PRESENTATION

i. *Statement of Compliance*

These consolidated financial statements of the Company have been prepared by management in accordance with International Financial Reporting Standards ["IFRS"] as issued by the International Accounting Standards Board ["IASB"].

ii. *Going Concern of Operations*

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. With the Company's negative working capital of $8,027,049 on December 31, 2022, which includes $7,976,943 related to debt maturing December 31, 2023, the Company will require additional further funding to repay these debts. The NICO project also requires further funding to advance the project through to production. This 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 beyond 2023 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, especially considering the impact inflation, increasing interest rates, and the Russia/Ukraine conflict could have on the global financial markets. These consolidated 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.

iii. *Basis of Measurement*

These consolidated financial statements are presented in Canadian dollars ["CDN"], which is also the Company's and its subsidiaries' functional currency.

These consolidated financial statements reflect the financial position and results of operations of the Company and its wholly owned subsidiaries Fortune Minerals NWT Inc. ["FMNWT"], Fortune Minerals Saskatchewan Inc. ["FMSI"], Fortune Coal Limited ["FCL"], and Fortune Minerals Mining Limited ["FMML"]. The Arctos Anthracite Joint Venture ["Arctos JV'] is accounted for as a joint operation and FCL recognizes its 50% interest in the assets, liabilities, income, loss, and expenses. All intercompany transactions and balances have been eliminated upon consolidation.

The accounting policies have been applied consistently to all years presented in these consolidated financial statements, unless otherwise indicated.

iv. *Judgments and Estimates*

The preparation of consolidated 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.

Judgments and estimates made by management in the application of IFRS that have a significant risk of resulting in a material adjustment on the consolidated financial statements in the current fiscal year are as follows:

[a] *Impairment of non-financial assets*

The Company undertakes an impairment assessment at the end of each reporting period and uses its judgment when identifying impairment indicators. In determining whether an asset is impaired, the Company has to exercise judgement and make estimation, particularly in assessing: (1) whether an event has occurred or any indicators that may affect the asset value; (2) whether the carrying value of an asset can be supported by the recoverable amount, in the case of value in use, the net present value of future cash flows which are estimated based upon the continued use of the asset; and (3) the appropriate key assumptions to be applied in estimating the recoverable amounts including cash flow projections and an appropriate discount rate. Significant inputs into the discounted cash flow model included estimates of commodity values, discount rates, useful life of a mine and future capital and operating costs. The discounted cash flow model is sensitive to changes in estimates of commodity values, discount rates, useful life of a mine and future capital operating costs. See note 4 for additional disclosure.

[b] *Fair values*

The fair values of derivatives, warrants, stock options, retirement obligations and other instruments require the use of estimates of such factors as market rates of return, market volatility, interest rates, future operating results all of which are subject to measurement uncertainty. Changes in any of these factors could have an impact on the amount recorded for debentures, warrant values, derivatives, share based compensation, asset retirement obligation, interest expense and accretion.

[c] *Exploration and evaluation expenditures*

The Company uses its judgment when identifying which costs can be capitalized as exploration and evaluation expenditures.

In addition, in preparing the consolidated financial statements, the notes to the consolidated financial statements were ordered such that the most relevant information was presented earlier in the notes and the disclosures that management deemed to be immaterial were excluded from the notes to consolidated financial statements. The determination of the relevance and materiality of disclosures involves significant judgment.

3. MINING PROPERTIES

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 of economically recoverable reserves, and active operations are continuing or planned for the future.

As at December 31, 2022, the Company's mining properties are categorized in the exploration and evaluation stage since the necessary financing has not yet been obtained and a construction decision has not yet been approved by the Board of Directors. For management purposes, the group is organized into cash generating 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.

Interests in mining properties consist of the following:

	December 31, 2022			
	Capital Assets $	**Property Costs $**	**Exploration and Evaluation Expenditures $**	**Total Mining Properties $**
NICO *[i]and note 4*	**4,289,912**	**1,300,523**	**40,012,203**	**45,602,638**
Sue-Dianne	**—**	**9,164**	**171,178**	**180,342**
Other properties	**—**	**—**	**13,013**	**13,013**
	4,289,912	**1,309,687**	**40,196,394**	**45,795,993**

	December 31, 2021			
	Capital Assets $	Property Costs $	Exploration and Evaluation Expenditures $	Total Mining Properties $
NICO *[i]*	6,770,583	2,191,442	66,897,363	75,859,388
Sue-Dianne	—	9,164	168,950	178,114
Other properties	—	—	12,439	12,439
	6,770,583	**2,200,606**	**67,078,752**	**76,049,941**

During the year ended December 31, 2022, Property Costs decreased by $890,919 [December 31, 2021 – Nil], Exploration and Evaluation Expenditures decreased by $26,882,358 [December 31, 2021 – increased by $1,423,253] and Capital Assets decreased by $2,461,825 [December 31, 2021 – increased by $105,068]. There were no disposals, write-offs or amortization during the year ended December 31, 2022, except for $18,846 [December 31, 2021 - $19,771] of amortization of capital assets and recognition of an impairment charge of $31,200,000 which has been allocated to Capital Assets, Property Costs and Exploration and Evaluation Expenditures in the amounts of $2,898,886, $890,919 and $27,410,195, respectively. See Note 4 for additional disclosure on impairment.

Exploration and evaluation expenditures capitalized to mining properties during the year ended December 31, 2022 and 2021 include the following:

	December 31, 2022	December 31, 2021
Employee and contractor compensation and benefits	**$ 289,470**	$ 443,055
Amortization	**18,846**	19,771
Stock-based compensation	**122,910**	82,960

Capital assets in mining properties consist of the following:

	Surface facilities under construction $	Surface facilities $	Camp structures $	Mobile equipment $	Site furniture and equipment $	Land and land acquisition costs $	Asset retirement obligation ["ARO"] $	Total $
Cost								
As at December 31, 2020	6,580,916	1,179,717	593,724	595,034	50,655	25,000	6	9,025,052
Additions	87,575	—	—	14,779	2,714	—	—	105,068
As at December 31, 2021	**6,668,491**	**1,179,717**	**593,724**	**609,813**	**53,369**	**25,000**	**6**	**9,130,120**
Accumulated amortization								
As at December 31, 2020	—	1,126,180	590,923	588,885	33,778	—	—	2,339,766
Amortization for the year	—	10,711	840	2,953	5,267	—	—	19,771
As at December 31, 2021	**—**	**1,136,891**	**591,763**	**591,838**	**39,045**	**—**	**—**	**2,359,537**
Net book value								
As at December 31, 2020	6,580,916	53,537	2,801	6,149	16,877	25,000	6	6,685,286
As at December 31, 2021	**6,668,491**	**42,826**	**1,961**	**17,975**	**14,324**	**25,000**	**6**	**6,770,583**

Cost								
As at December 31, 2021	6,668,491	1,179,717	593,724	609,813	53,369	25,000	6	9,130,120
Additions	247,061	—	—	—	—	190,000	—	437,061
Impairment Charge	(2,898,886)	—	—	—	—	—	—	(2,898,886)
As at December 31, 2022	**4,016,666**	**1,179,717**	**593,724**	**609,813**	**53,369**	**215,000**	**6**	**6,668,295**
Accumulated amortization								
As at December 31, 2021	—	1,136,891	591,763	591,838	39,045	—	—	2,359,537
Amortization for the year	—	8,568	588	5,393	4,297	—	—	18,846
As at December 31, 2022	**—**	**1,145,459**	**592,351**	**597,231**	**43,342**	**—**	**—**	**2,378,383**
Net book value								
As at December 31, 2021	6,668,491	42,826	1,961	17,975	14,324	25,000	6	6,770,583
As at December 31, 2022	**4,016,666**	**34,258**	**1,373**	**12,582**	**10,027**	**215,000**	**6**	**4,289,912**

Included in surface facilities under construction during the year ended December 31, 2022, is $102,917 [December 31, 2021 - $64,209] of directly attributable employee and contractor compensation and benefits and $99,110 [December 31, 2021 - $14,335] of stock-based compensation.

i. NICO Project, Northwest Territories [“NICO”]

The NICO project and the related claims in the Marian River Area, Northwest Territories are wholly owned by the Company. The Company plans to locate a related hydrometallurgical processing plant for NICO at a site in Alberta, Canada.

In January 2022, the Company entered into an option to purchase a brownfield site in Alberta [the “2022 Option”]. The site was formerly a steel fabrication plant, and the Company had until July to carry out additional due diligence and complete the purchase for $5.5 million. A non-refundable deposit of $100,000 was paid as part of the 2022 Option. In July 2022, the Company entered into an extension to the 2022 Option extending the option to September 30, 2022 in consideration for the payment of $15,000 per month, deductible from the purchase price. On September 30, 2022, the Company amended the extension to the 2022 Option to extend the option to December 31, 2022 in consideration for the payment of $15,000 per month, deductible from the purchase price, provided the option has not been exercised on or before the date the consideration is due. The 2022 Option is also subject to the Vendor’s right to list the property, subject to Fortune’s right of first refusal or to complete the option purchase for any month an extension payment has been made at the agreed purchase price. On December 20, 2022, the 2022 Option was amended to extend the option to June 30, 2023 on the same terms as the previous amendment.

ii. Arctos Anthracite Project, British Columbia [“Arctos”]

On May 1, 2015, the Company, FCL, Posco Canada Ltd. [“POSCAN”] and POSCO Klappan Coal Ltd. [“POSCO Klappan”] entered into an agreement [the “Arctos Sale Agreement”] with Her Majesty the Queen in Right of the Province of British Columbia [the "Province"] and British Columbia Railway Company ["BC Rail"] pursuant to which the Arctos JV sold its interests of the coal licenses comprising the Arctos project to BC Rail.

The Company, FCL, POSCAN and POSCO Klappan also entered into an Amendment to Exploration, Development and Mine Operating Joint Venture Agreement [“Amended Agreement”] to restructure the Arctos JV and share the proceeds from the sale of the Arctos coal licenses on an equal basis after purchasing the royalty held by the previous owner of the property. Pursuant to the Amended Agreement, FCL transferred 30% of its interest in the Arctos JV to POSCO Klappan, thereby reducing its interest from 80% to 50%, in exchange for the elimination of the future capital contribution to be made by FCL. The Company was made solely responsible for reclamation of the Arctos property except for the access road for which the Province will be responsible. The Company was entitled to receive the cash provided as security for its reclamation obligations once the reclamation is complete.

Going forward, under the Arctos Sale Agreement, the Arctos JV partners maintain the exclusive right to purchase back the coal licenses at the same price for a 10-year option period. If both partners do not wish to exercise the repurchase option, each of them may do so individually. No value was attributed to the option at the time of the agreement or as at the year ended December 31, 2022.

4. ASSET IMPAIRMENT

The Company's capital assets, mining properties and intangible assets are reviewed for an indication of impairment at each consolidated statement of financial position reporting date.

As at December 31, 2022, the Company considered whether there had been any significant changes to impairment indicators from its previous impairment assessment completed at December 31, 2021 and whether any new indicators were present. Management determined that as a result of obtaining limited financing during the year and a significant prolonged increase in the rate of inflation, substantive expenditure on further exploration for and evaluation of mineral resources of the NICO project cannot be budgeted or planned and completed an impairment assessment of the NICO project. As a result of that analysis, management has determined that the carrying value of the NICO project exceeded the recoverable amount. The recoverable amount of the NICO project was determined based on the NICO project's value in use. The Company estimated the value in use of the NICO project using a discount rate of 9.4% [December 31, 2021 – 8%]. The relevant assets were impaired to their recoverable amounts of $45,602,638 [December 31, 2021 - $75,859,388], which is the carrying value at December 31, 2022 and an impairment of $31,200,000 [December 31, 2021 - $Nil] has been recognized on the consolidated statements of loss and comprehensive loss. The assumptions used in determining the value in use for the NICO project are based on management's intention to develop and produce gold, cobalt, bismuth, and copper simultaneously. For the purposes of assessing the impairment of the project, the financial model used a discounted cash flow model using the best estimates for items such as plant capital, operating costs, commodity prices, transportation costs, discount rates, timing for the beginning of commercial operations and expected margins. Should the intention of management change with respect to the development of how this project may proceed, the economic model may result in significantly different results. It also does not reflect how any other organization would develop the project.

Assumptions underlying the estimate of the recoverable amount included expected commodity prices based on forecasted averages of US$1,800/oz for gold, US$28.75/lb. for cobalt and US$5.5/lb. for bismuth and an exchange rate of US$0.75:C$1.00. A discount rate of 9.4% was used in the cash flow analysis.

Asset impairment testing is subject to numerous assumptions, inherent risks and uncertainties, and the risk that these assumptions may not be realized. The impairment model is sensitive to several of the model key input variable. The following table indicates the estimated impact on the recoverable amount:

Change in Model Key Input	**Change in Recoverable Amount of NICO $ million December 31, 2022**	**Change in Recoverable Amount of NICO $ million December 31, 2021**
Effect of:		
Increase/decrease discount rate by 1%	$ (40)/48	$ (62)/71
Increase/decrease exchange rate by $0.01	(14)/14	(18)/19
Increase/decrease gold price by $100	20/(20)	28/(28)
Increase/decrease cobalt price by $1	24/(23)	29/(29)
Increase/decrease bismuth price by $1	19/(19)	27/(27)
Increase/decrease operating costs by 5%	(27)/27	(34)/34

5. SHARE CAPITAL AND RESERVES

The Company's common shares, share warrants and flow-through shares are classified as equity instruments, except for the warrants described in ii[a] below, which are classified as a derivative liability.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of taxes, from the proceeds.

Any premium between the amount recognized in common shares and the amount that investors pay for flow-through shares is recognized as a liability, which is recognized as income on flow-through share premium when the eligible expenditures have been renounced.

i. Common Shares

The Company is authorized to issue an unlimited number of common shares without par value. As of December 31, 2022, the weighted average number of common shares outstanding was 383,335,164 [December 31, 2021 - 365,416,852].

[a] On June 24, 2022, the Company issued 457,456 common shares at a price of $0.1093 per share [being the 5-day volume weighted average price of the Company's common shares on the TSX as at close of trading on May 12, 2022] as partial consideration for the services provided by Haywood Securities Inc. ["Haywood']. Fortune has engaged Haywood to act as financial advisor to the Company to support its near-term financing objectives. This $50,000 initial engagement fee and related share issuance cost is included in the line corporate development on the consolidated statements of loss and comprehensive loss.

[b] On August 18, 2022, the Company issued an aggregate of 3,500,000 common shares of the Company ["the Extension Shares"] to the holders of the 2015 Debentures at a deemed price of $0.10 per Extension Share as additional consideration for the extension of the

maturity date of the 2015 Debentures from August 12, 2022 to November 30, 2022. The fair value of the shares issued was $350,000. See Note 11 for additional disclosure related to the debt extension.

[c] On August 26, 2022, the Company entered into a subscription agreement to sell 3,334,000 units at a price of $0.075 per unit, raising gross proceeds of $250,050. Each unit consists of one common share and one half of a common share purchase warrant. One warrant entitles the holder to purchase one common share of the Company for $0.10 on or before August 26, 2024. The fair value of the shares and warrants issued was $194,600 and $55,450, respectively. The value of the warrants was estimated using the Black-Scholes option pricing model with the following weighted average assumptions: dividend yield of 0%, expected volatility of 108.21%, risk free interest rate of 3.56% and expected life of 2 years. Share issuance costs of $6,709 were incurred to complete the financing.

[d] On November 30, 2022, the Company entered into an agreement with one of the holders of the 2015 Debentures to retire its debt for a cash payment of $1,250,000 and the remainder in common shares. An aggregate of 73,500,000 common shares of the Company was issued, on December 2, 2022, at a deemed price of approximately $0.082 per share to settle the balance of $6,030,173. The fair value of the shares issued was $5,145,000 based on the share price on the TSX as at close of trading on November 30, 2022. The difference of $885,173 was allocated to a gain on extinguishment of debt on the Consolidated Statements of Loss and Comprehensive Loss. Share issuance costs of $17,059 were incurred to complete this share issuance. See Note 11 for additional disclosure related to the debt settlement.

[e] On December 2, 2022, the Company issued 4,468,506 shares and 3,858,750 warrants to its financial advisor in lieu of $366,418 of fees earned on the debt settlement. One warrant entitles the holder to purchase one common share of the Company for $0.082 on or before December 2, 2024. The fair value of the shares and warrants issued was $247,070 and $119,348 respectively. The value of the warrants was estimated using the Black-Scholes option pricing model with the following weighted average assumptions: dividend yield of 0%, expected volatility of 109.86%, risk free interest rate of 3.72% and expected life of 2 years. Share issuance costs of $1,537 were incurred to complete the financing.

[f] Subsequent to December 31, 2022, the Company entered into subscription agreements to sell 7,892,356 units raising gross cash proceeds of $484,100. Each unit consists of one common share and one common share purchase warrant. One warrant entitles the holder to purchase one common share of the Company for $0.10 for two years from the date of issuance. Of the shares issued, 976,643 were issued in lieu of 11 months of rent on the Company's leased office, with a fair value of $68,365. Finder's fees with a fair value of $18,410 was earned on the transactions and settled in cash and the issuance of 263,000 warrants. These warrants have an exercise price of $0.07 and can be exercised within two years of issuance.

ii. Share Purchase Warrants

The following is a summary of changes in warrants for the year ended December 31,

	2022			2021		
	Warrants		Weighted Average Exercise Price	Warrants		Weighted Average Exercise Price
Warrants outstanding, beginning of year	**6,435,713**	**$**	**0.14**	1,531,833	$	0.10
Issue of warrants *[note 5i.[c] and [e]]*	**5,525,750**		**0.10**	6,435,713		0.14
Exercise of warrants	**—**		**—**	(1,531,833)		0.10
Expiry of Warrants *[note 5ii.[a]]*	**(1,935,713)**		**0.20**	—		—
Warrants outstanding, end of year	**10,025,750**	**$**	**0.10**	6,435,713	$	0.14

[a] During the year ended December 31, 2022, 1,935,713 [December 31, 2021 – Nil] warrants with an exercise price of $0.20 expired unexercised. These warrants had a book value of $99,297.

[b] The warrants issued on August 12, 2015, were subject to adjustment from time to time in the event of Share Reorganizations, Rights Offerings, Special Distributions, General Offerings and Capital Reorganizations, such that the warrants would not result in a fixed number of shares being issued for a fixed amount of consideration. As a result, the warrants were classified as a financial liability [derivative] and revalued at each reporting period. The change in the warrants fair value is reported on the Consolidated Statements of Loss and Comprehensive Loss. These warrants expired on August 12, 2022.

The following is a summary of changes in derivatives for the year ended December 31,

	2022	2021
	Class B	**Class B**
Derivatives outstanding, beginning of year	**52,683,043**	**52,683,043**
Expiration of derivatives	**(52,683,043)**	**—**
Derivatives outstanding, end of year	**—**	**52,683,043**

iii. Nature and Purpose of Equity and Reserves

The reserves recorded in equity on the Company's Consolidated Statements of Financial Position include 'Other Reserves', 'Accumulated Deficit' and 'Accumulated Other Comprehensive Income'.

'Other Reserves' is used to recognize the value of stock option grants and amendments and expiration of share purchase warrants.

'Accumulated Deficit' is used to record the Company's change in deficit from earnings from year to year.

'Accumulated Other Comprehensive Income' is used to record foreign currency translation.

6. STOCK-BASED COMPENSATION

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 confirmed and approved at the Company's annual meeting held on June 23, 2020. 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, 2022, the Company has 27,525,151 [2021 – 26,509,154] 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 estimated fair value of 11,900,000 options granted during the year ended December 31, 2022 [2021 – 6,500,000] has been allocated to stock-based compensation expenses and mining properties in the amounts of $587,180 [2021 - $299,205] and $222,020 [2021 – 97,295], respectively. The other reserves balance was increased by $809,200 [2021 - $396,500], representing the fair value of the options granted. The options granted have a maximum term of three years [2021 – 3 years] and vested immediately. The value of the options were estimated using the Black-Scholes option pricing model with the following weighted average assumptions used for grants as follows: dividend yield of 0% [2021 – 0%], expected volatility of 109.17% [2021 – 111.38%], risk free interest rate of 2.60% [2021 – 0.17%] and expected life of 2.75 years [2021 – 2.75 years].

A summary of the status of the Company's stock option plan as at December 31, 2022 and December 31, 2021, and changes during the year ended on those dates are presented below:

	December 31, 2022		December 31, 2021	
	Number of shares #	**Weighted-average exercise price $**	Number of shares #	Weighted-average exercise price $
Options outstanding, beginning of year	**9,800,000**	**0.13**	10,550,000	0.14
Issued	**11,900,000**	**0.105**	6,500,000	0.095
Exercised	**(400,000)**	**0.095**	(3,400,000)	0.10
Expired	**(3,350,000)**	**0.185**	(3,850,000)	0.12
Options outstanding, end of year	**17,950,000**	**0.10**	9,800,000	0.13
Options vested and outstanding, end of year	**17,950,000**	**0.10**	9,800,000	0.13

During the year ended December 31, 2022, 400,000 [2021 – 3,400,000] stock options with a book value of $24,400 [2021 - $197,500] were exercised raising gross proceeds of $38,000 [2021 - $339,500] and 3,350,000 [2021 – 3,850,000] options expired unexercised. Subsequent to year end, 1,900,000 options expired unexercised.

The following table summarizes information about the options outstanding as at December 31, 2022:

December 31, 2022

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	17,950,000	17,950,000	0.10	2.17

[i] The weighted average exercise price and weighted average remaining contract life are the same for options outstanding and options vested and outstanding.

December 31, 2021

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	9,800,000	9,800,000	0.13	1.45

[i] The weighted average exercise price and weighted average remaining contract life are the same for options outstanding and options vested and outstanding.

7. PROVISION FOR ENVIRONMENTAL REHABILITATION AND SECURITY DEPOSITS

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. 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, 2022	December 31, 2021
NICO Project		
Provision for environmental rehabilitation	**$ 25,516**	$ 23,409
Estimated remaining life	**20 years**	20 years
Discount rate	**9%**	9%
Total provision for environmental rehabilitation	**$ 25,516**	$ 23,409

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 the Province for NICO and Arctos, respectively, in the amounts of $143,000 and $25,000, respectively.

Reclamation security deposits consist of the following:

	December 31, 2022	December 31, 2021
	Deposit amount $	Deposit amount $
NICO Project	**153,143**	151,088
Arctos Anthracite Project	**25,592**	25,249
Total Net Book Value	**178,735**	176,337

The security for the reclamation of the Arctos Anthracite Project is held in the Arctos JV. The Company expects this amount to be released once the Province has completed its reclamation work plan review.

The security held for the NICO and Arctos reclamation security deposits consists of cash balances and highly liquid money market funds in investment accounts with a large Canadian financial institution.

Subsequent to December 31, 2022, the reclamation security deposit held for the NICO project was increased from $143,000 to $167,569, upon renewal of its land use permit.

8. 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

Capital assets consist of the following for the year ending December 31, 2022 and 2021:

	Computer equipment $	**Furniture and fixtures $**	**Software $**	**Right-to-use Assets $**	**Total $**
Cost					
As at December 31, 2020	180,697	107,363	328,690	353,367	970,117
Additions	2,722	—	—	—	2,722
As at December 31, 2021	**183,419**	**107,363**	**328,690**	**353,367**	**972,839**
Accumulated amortization					
As at December 31, 2020	169,877	98,137	314,330	12,620	594,964
Amortization for the year	3,534	1,846	5,026	50,481	60,887
As at December 31, 2021	**173,411**	**99,983**	**319,356**	**63,101**	**655,851**
Net book value					
As at December 31, 2020	10,820	9,226	14,360	340,747	375,153
As at December 31, 2021	**10,008**	**7,380**	**9,334**	**290,266**	**316,988**

	Computer equipment $	**Furniture and fixtures $**	**Software $**	**Right-to-use Assets $**	**Total $**
Cost					
As at December 31, 2021	183,419	107,363	328,690	353,367	972,839
Additions	1,101	—	—	—	1,101
Disposals	(7,478)	—	—	—	(7,478)
As at December 31, 2022	**177,042**	**107,363**	**328,690**	**353,367**	**966,462**
Accumulated amortization					
As at December 31, 2021	173,411	99,983	319,356	63,101	655,851
Amortization for the year	2,918	1,476	3,267	50,481	58,142
Disposals	(5,931)	—	—	—	(5,931)
As at December 31, 2022	**170,398**	**101,459**	**322,623**	**113,582**	**708,062**
Net book value					
As at December 31, 2021	10,008	7,380	9,334	290,266	316,988
As at December 31, 2022	**6,644**	**5,904**	**6,067**	**239,785**	**258,400**

Computer equipment with a net book value of $1,547 was disposed of during the year for net proceeds of $1,200, resulting in a loss of $347, which has been realized and is included in interest and other income on the consolidated statements of loss and comprehensive loss.

9. EXPENSES BY NATURE

	December 31, 2022	December 31 2021
Employee and contractor compensation and benefits (i)	**561,928**	425,769
Operating lease expense – property (ii)	**19,535**	21,514
Stock-based compensation	**587,180**	299,205
Amortization	**58,142**	60,887
Foreign exchange loss	**812**	96
Change in fair value related to derivative liability	**(1,200,000)**	(106,541)

(i) $458,025 [2021 - $352,941] and $103,903 [2021 - $72,828] of employee and contractor compensation benefits are included in general and administrative and corporate development expenses, respectively, on the consolidated statements of loss and comprehensive loss

(ii) Operating lease expense – property is included in interest expense on the consolidated statements of loss and comprehensive loss. The Company entered into a new lease in September 2020 and the lease was accounted for by recognizing a right-of-use asset and lease liability.

10. CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of cash on hand, balances with banks and highly liquid money market funds.

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.

11. DEBTS

i. Current Debts

	December 31, 2022	December 31, 2021
Debentures *[a]*	**5,507,760**	11,426,277
Loan *[b]*	**2,469,183**	—
Total Long-term debts	**$ 7,976,943**	$ 11,426,277

[a] On August 12, 2022 the Company and the holders of the 2015 Debentures entered into new secured term debentures (the "Amended Debentures") to replace the original

unsecured 2015 Debentures which matured on August 12, 2022. The Amended Debentures had an aggregate principal amount of $12,363,518 (being equal to the aggregate principal and accrued interest of the 2015 Debentures on August 12, 2022), matured on November 30, 2022, bearing interest at a rate of 10% per annum, compounded monthly in arrears for the extension period between August 12, 2022 and November 30, 2022, and were secured by all of the assets of the Company, including the NICO Project.

As additional consideration for the extension of the maturity date of the 2015 Debentures, the Company paid to the holders of the Amended Debentures an extension fee of an aggregate of $350,000 upon issuance of the Amended Debentures. This extension fee was satisfied by the issuance of an aggregate of 3,500,000 common shares of the Company (the "Extension Shares") to the holders of the Amended Debentures at a deemed price of $0.10 per Extension Share. The fair value of the shares issued was $350,000 and has been included in borrowing costs, which will be amortized to interest expense over the term of the Amended Debentures. Total borrowing costs of $408,420 was incurred to extend the debentures.

On November 30, 2022 the Company reached agreements with the holders of the Amended Debentures to settle the outstanding amounts. One of the holders agreed to retire its debt totaling $7,280,173 including principal and interest as at November 30, 2022. A cash payment of $1,250,000 was paid to the holder and the remaining debt was settled through the issuance of common shares [see note 5i.[d]].

The second holder of the Amended Debentures totaling $5,461,376 including principal and interest as at November 30, 2022 agreed to extend the maturity date to December 31, 2023.

The debentures are summarized as follows for the year ended December 31, 2022 and 2021:

	December 31, 2022	December 31, 2021
Debentures payable	**$ 5,298,651**	$ 8,750,000
Loan discount	—	(588,675)
Accrued interest on debentures	**209,109**	3,264,952
	$ 5,507,760	$ 11,426,277

While the Amended Debentures are outstanding, the Company cannot take the following actions without the prior written approval of its creditors:

- The merger, amalgamation, combination, consolidation, tender for the shares of or similar business transaction whereby its creditors are not the holders, directly or indirectly, of a majority of the voting securities or its ultimate controlling person immediately after such closing;
- The sale of all or substantially all of its assets;

- The creation, incurrence, assumption or suffering to exist, or otherwise becoming liable for any indebtedness on terms that are less advantageous to the Company or causing any material asset of the Company to be posted as collateral or security;
- The incurrence of accounts payable by the Company in an aggregate total in excess of $1,200,000 between June 30, 2022 and December 31, 2022, other than transaction costs relating to prospective joint ventures, equity raises or other financings (including fees of accountants, lawyers, brokers and other advisors relating to such transactions, due diligence costs, listing fees and other ordinary course transaction costs);
- The repurchase of equity or the declaration of dividends or distributions of any kind; and
- The settlement of any litigation, arbitration, or administrative proceeding in relation to the NICO project for an amount in excess of $125,000.

The 2015 Debentures had been recorded at their amortized cost at an effective interest rate of 18%. For the year ended December 31, 2022, $588,675 [December 31, 2021 - $899,301] of loan discount, related to the 2015 Debentures, was amortized using the effective interest rate method. An additional $408,420 of borrowing costs, related to the Amended Debentures, has been amortized to interest expense for the year ended December 31, 2022.

[b] In September 2021, the Company entered into a secured loan agreement for $1,500,000. The loan had a term of two years maturing on September 22, 2023, bearing interest at 9% per annum, compounding annually and both principal and interest are payable at maturity. On November 30, 2022 the Company increased the secured loan agreement by an additional amount of $1,250,000, with the proceeds being used to make the cash settlement in the retirement of the Debentures. The maturity date of the secured loan agreement was also extended to December 31, 2023 at this time. The increase in the loan and maturity extension has been accounted for as an extinguishment of the original loan payable and the recognition of a new loan payable using a discount rate of 30%. A gain on extinguishment of $381,520 has been recognized in the Consolidated Statements of Loss and Comprehensive Loss.

The loan is summarized as follows for the year ended December 31, 2022 and 2021:

	December 31, 2022	December 31, 2021
Loan payable	**$ 2,408,604**	$ 1,500,000
Accrued interest	**60,579**	33,750
Borrowing costs	—	(23,242)
Warrant consideration	—	(227,500)
	$ 2,469,183	$ 1,283,008

As partial consideration for the advance of the loan, the lender received 4,500,000 warrants to purchase common shares in the capital of the Company. One warrant entitles the holder to purchase one common share of the Company for $0.11 on or before September 22, 2023. At initial recognition, the equity component of the loan was separated from the liability component. The fair value of the liability portion was measured by an effective interest rate of

18%. A conversion option classified as equity is determined by deducting the amount of the liability component from the fair value of the loan as a whole. The remaining Borrowing costs and warrant consideration of $119,402 at November 30, 2022 was taken into income when the loan was extinguished. At December 31, 2022, $166,575 has been amortized to interest expense.

ii. Long-Term Debt

	December 31, 2022	December 31, 2021
CEBA *[a]*	**60,000**	60,000
Loan *[11i.b]*	—	1,283,008
Total Long-term debts	**$ 60,000**	$ 1,343,008

[a] In April 2020, the Company received a $40,000 loan through the Canada Emergency Business Account program ("CEBA"). The CEBA was launched by the Government of Canada in response to the global COVID-19 health crisis and has been implemented by financial institutions in cooperation with Export Development Canada. In December 2020, the Government of Canada increased the CEBA loan for eligible businesses from $40,000 to $60,000 and Fortune applied and received the additional $20,000 loan expansion.

The loan is summarized as follows for the year ended December 31, 2022 and 2021:

	December 31, 2022	December 31, 2021
Loan payable	**$ 50,428**	$ 45,239
Deferred government grant income	**9,572**	14,761
	$ 60,000	$ 60,000

The loan balance has been recorded at its amortized cost at an effective interest rate of 12%. For the year ended December 31, 2022, $5,189 [December 31, 2021 - $4,299] of deferred government grant income was amortized using the effective interest rate method.

If the loan is repaid in full by December 31, 2023, one third, or $20,000, of the loan will be forgiven. If the loan is not repaid by December 31, 2023, it will be converted into a 2-year term loan bearing interest at 5%, with monthly interest-only payments and the outstanding balance due to be repaid in full by December 31, 2025.

12. LEASES

The Company entered into a lease agreement effective September 25, 2020, to lease office space for a term of two years with 5 subsequent renewal periods of one year each and monthly lease payments of $5,000 increasing at an annual rate of 3%. Effective September 2022, the Company renewed its lease for a 2-year term at $66,000 per year. Subsequent to year end, the Company entered into an agreement, as part of a private placement, to issue shares for 11 months of rental payments.

The lease liability is summarized as follows for the year ended December 31,

		2022		2021
Opening balance	**$**	**314,915**	$	354,410
Interest Expense		**19,535**		21,105
Lease Payments		**(63,200)**		(60,600)
	$	**271,250**	$	314,915

13. FINANCIAL INSTRUMENTS

The Company is exposed to risks through its operations that arise from its use of financial instruments, which include credit risk, interest rate risk, market price risk, liquidity risk and foreign exchange risk. Under normal course of operations, the Company's management believes that these risks are minimal due to the nature of the financial instruments. The principal financial instruments used by the Company, from which financial instrument risk arises, are cash and cash equivalents, reclamation security deposits, accounts receivable, accounts payable and accrued liabilities, lease liability, provision for environmental rehabilitation, current and long-term debts, and derivatives.

i. Financial instruments by category

Financial assets

	Financial assets at amortized cost	
	December 31, 2022	December 31, 2021
Cash and cash equivalents	$ 78,650	$ 1,802,920
Reclamation security deposits	178,735	176,337
Accounts receivable	82,083	194,039
Total financial assets	$ 339,468	$ 2,173,296

Financial liabilities

	Financial liabilities at fair value through profit or loss		Financial liabilities at amortized cost	
	December 31, 2022	December 31, 2021	December 31, 2022	December 31, 2021
Accounts payable and accrued liabilities	$ —	$ —	$ 239,750	$ 440,266
Lease liability	—	—	271,250	314,915
Provision for environmental rehabilitation	—	—	25,516	23,409
Current debts	—	—	7,976,943	11,426,277
Long-term debt	—	—	60,000	1,343,008
Derivatives	—	1,200,000	—	—
Total financial liabilities	$ —	$ 1,200,000	$ 8,573,459	$ 13,547,875

ii. Financial instruments at amortized cost

The fair value of the Company's cash and cash equivalents, reclamation security deposits, accounts receivable, and accounts payable and accrued liabilities approximate their carrying values due to their short-term nature. The fair value of the lease liability measured at amortized cost has a fair value of approximately $267,000 [December 31, 2021 - $305,000] estimated using an 8% discount rate. The fair value of the current debt measured at amortized cost has a fair value of approximately $8,440,000 [December 31, 2021 - $11,661,000] estimated using a 10% discount rate. The fair value of the long-term debt measured at amortized cost has a fair value of approximately $49,800 [December 31, 2021 - $1,560,000] estimated using a 10% discount rate.

iii. Financial instruments measured at fair value

The fair value hierarchy of financial instruments measured at fair value is provided below:

	Level 3	
	December 31, 2022	December 31, 2021
Derivatives	$ —	$ 1,200,000

There were no transfers between levels during the year. The change in fair value of level 3 financial instruments of $1,200,000 [December 31, 2021 – $106,541] is attributed to the change in fair value calculated on the derivative at the reporting date and has been recognized in the consolidated statements of loss and comprehensive loss. The derivative warrants expired unexercised on August 12, 2022.

iv. Contractual maturities of financial liabilities

The following table details the Company's contractual maturities for its financial liabilities as at December 31, 2022. Payments due by year are as follows:

		December 31, 2022			
	Total	2023	2024	2025	Greater than 3 years
Accounts payable and accrued liabilities	$ 239,750	$ 239,750	$ —	$ —	$ —
Lease liability	320,120	66,000	66,660	68,660	118,800
Provision for environmental rehabilitation	143,000	—	—	—	143,000
Current debt	8,048,651	8,048,651	—	—	—
Long-term debts	60,000	—	—	60,000	—
Accrued interest on long-term debts	1,236,240	1,236,240	—	—	—
	$10,047,761	$ 9,590,641	$66,660	$ 128,660	$ 261,800

14. INTEREST AND OTHER INCOME

Interest and other income consist of the following for the year ended December 31,

	2022	2021
Interest income	**$ 9,020**	$ 3,222
Foreign exchange loss	**(812)**	(96)
Loss on disposal of capital assets	**(347)**	—
Flow-through share premium income	—	273,835
Total Interest and Other Income	**$ 7,861**	$ 276,961

15. INCOME TAXES

The Company has non-capital loss carryforwards totaling $57,027,000, net capital loss carryforwards of $19,895,000, un-deducted debt and share issuance costs of $111,000 and unused investment tax credits on pre-production mining costs of $1,974,000. The non-capital losses will begin to expire in 2026. The Company has completed feasibility studies for its principal project 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. The potential benefits of these carry-forward non-capital losses, capital losses, and other deductible temporary differences have not been recognized in these consolidated financial statements as it is not considered probable that sufficient future taxable profit will allow the erred tax asset to be recovered. A valuation allowance of $26,517,000 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, 2022 **$**	December 31, 2021 $
Deferred income tax assets		
Net operating loss carryforwards	**15,138,000**	14,448,000
Undeducted debt and share issuance costs *[i]*	**29,000**	38,000
Unused investment tax credits on pre-production costs	**1,974,000**	1,974,000
Tax value of exploration and evaluation expenditures and capital assets in excess of book value	**9,376,000**	1,140,000
	26,517,000	17,600,000
Less valuation allowance related to operating losses, share issuance costs and unused investments tax credits	**(26,517,000)**	(17,600,000)
Deferred income tax assets	**—**	—

[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, 2022 **$**	December 31, 2021 $
Combined federal and provincial/state income tax rate	**26.50%**	26.50%
Corporate income tax provision (recovery) at statutory rate	**(8,737,000)**	(640,000)
Increase (decrease) in income taxes resulting from		
Non-deductible stock-based compensation and other expenses	**129,000**	327,000
Non-deductible change in fair value of derivative	**(318,000)**	(28,000)
Non-deductible change in gain on debt extinguishment	**(335,700)**	—
Non-deductible change in impairment charge	**8,268,000**	—
Rate difference	**(24,400)**	(172,000)
Non-taxable flow-through share premium	**—**	(73,000)
Tax value of loss carryforwards not recognized	**1,018,100**	586,000
	—	—

16. 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 debts, cash and cash equivalents and short-term investments, if any, in the management of capital.

The Company manages the capital structure and adjusts 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 currently.

17. RELATED PARTY TRANSACTIONS

For the year ended December 31, 2022, the Company paid key management personnel including officers, directors or their related entities for salaries and benefits and 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, 2022	December 31, 2021
Salaries and benefits	**$ 163,564**	$ 162,744
Consulting services	**359,557**	376,291
Legal services	**—**	62,550
Fair value of stock options granted	**646,000**	323,300
	$ 1,169,121	$ 924,885

As at December 31, 2022, $22,743 [2021 - $47,046] was owing to key management personnel for services provided during the year.

18. LOSS PER SHARE

Basic loss per share is calculated by dividing net loss for the period by the weighted average number of common shares outstanding in each respective period. Diluted 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 year, if dilutive.

i. Basic loss per share	**December 31, 2022**	December 31, 2021
Net loss	**$ (32,969,267)**	**$ (2,413,216)**
Weighted average number of common shares	**383,335,164**	**365,416,852**
Basic loss per share	**$ (0.09)**	**$ (0.01)**

ii. Diluted loss per share

For calculating diluted loss per share, for the year ended December 31, 2022 and 2021, the following weighted average options and warrants had an exercise price less than the average market price for the year:

	2022	2021
Options	13,596,438	6,400,000
Warrants	1,973,586	—
	15,570,024	**6,400,000**

The diluted income per share computation for the year ended December 31, 2022 and 2021 is equal to the basic loss per share as inclusion of the above would have been anti-dilutive.

19. CONSOLIDATED STATEMENTS OF CASH FLOWS

Supplemental cash flow information for the year ended December 31:

	2022	2021
Interest and investment income received	**$ 9,020**	$ 3,222

20. STANDARDS, AMENDMENTS, AND INTERPRETATIONS

i. Future accounting standards

The Company has not yet determined the full extent of the impact of the following new standards, amendments, and interpretations, which have not been applied in these consolidated financial statements:

- IAS 1 amendments on classification – tentatively effective for reporting periods beginning on or after January 1, 2024. On January 23, 2020, the IASB issued 'Classification of Liabilities as Current or Non-Current (Amendments to IAS 1)' providing a more general approach to the classification of liabilities under IAS 1 based on the contractual arrangements in place at the reporting date. This amendment was effective for reporting periods beginning on or after January 1, 2023. In June 2021, the IASB tentatively decided to defer the effective date of the 2020 Amendments to IAS 1 by one year, to no earlier than January 1, 2024.