Interim Condensed Consolidated Financial Statements

Fortune Minerals Limited

September 30, 2022

Fortune Minerals Limited

NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS

Under National Instrument 51-102, Part 4, Subsection 4.3(3)(a), if an auditor has not performed a review of the interim condensed consolidated financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited consolidated interim financial statements of the Company have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of these financial statements in accordance with standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.

Fortune Minerals Limited
Incorporated under the laws of Ontario

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(expressed in Canadian dollars)

Unaudited

As at	**September 30, 2022**	December 31, 2021
ASSETS		
Current assets		
Cash and cash equivalents *[note 10]*	**520,632**	1,802,920
Reclamation security deposits *[note 7]*	**25,408**	25,249
Accounts receivable	**31,951**	194,039
Prepaid expenses	**79,037**	65,922
Total current assets	**657,028**	2,088,130
Reclamation security deposits *[note 7]*	**152,037**	151,088
Capital assets, net *[note 8]*	**273,268**	316,988
Mining properties *[note 3]*	**76,876,298**	76,049,941
	77,958,631	78,606,147
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Accounts payable and accrued liabilities	**235,516**	440,266
Lease liability *[note 12]*	**47,392**	43,665
Current debt *[note 11i]*	**13,800,153**	11,426,277
Total current liabilities	**14,083,061**	11,910,208
Provision for environmental rehabilitation *[note 7]*	**24,989**	23,409
Lease liability *[note 12]*	**235,083**	271,250
Long-term debts *[note 11ii]*	**60,000**	1,343,008
Derivatives *[note 5ii[a]]*	**—**	1,200,000
Total liabilities	**14,403,133**	14,747,875
SHAREHOLDERS' EQUITY		
Share capital *[note 5]*	**175,136,506**	174,430,765
Other reserves *[notes 5 and 6]*	**16,595,682**	15,810,882
Deficit	**(128,176,690)**	(126,383,375)
Total shareholders' equity	**63,555,498**	63,858,272
	77,958,631	78,606,147

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

Fortune Minerals Limited

CONSOLIDATED STATEMENTS OF INCOME (LOSS) AND COMPREHENSIVE INCOME (LOSS)

(expressed in Canadian dollars)

Unaudited

	Three months ended September 30, 2022	2021	Nine Months ended, September 30, 2022	2021
REVENUE AND OTHER INCOME				
Interest and other income *[note 14]*	**1,271**	86,040	**5,093**	100,144
	1,271	86,040	**5,093**	100,144
EXPENSES				
General and administrative	**227,171**	184,306	**670,759**	548,353
Stock-based compensation *[note 6]*	**—**	—	**587,180**	299,205
Interest	**562,319**	382,889	**1,513,352**	1,107,283
Corporate development	**53,023**	30,436	**183,457**	72,768
Amortization *[note 8]*	**14,550**	14,965	**43,660**	44,902
Change in fair value related to derivative liability *[note 5ii.[a]]*	**(3,000)**	(1,285,950)	**(1,200,000)**	60,309
	854,063	(673,354)	**1,798,408**	2,132,820
Net income (loss) and comprehensive income (loss) for the period	**(852,792)**	759,394	**(1,793,315)**	(2,032,676)
Basic and diluted income (loss) per share *[note 18]*	**0.00**	0.00	0.00	(0.01)

See accompanying notes to the consolidated financial statements

Fortune Minerals Limited

CONSOLIDATED STATEMENTS OF CASH FLOWS

(expressed in Canadian dollars)

Unaudited

For the nine-month periods ended September 30,	**2022**	2021
OPERATING ACTIVITIES		
Net loss for the period from continuing operations	**(1,793,315)**	(2,032,676)
Add (deduct) items not involving cash		
Accretion	**1,580**	(7,850)
Amortization	**43,660**	44,902
Flow-through share premium	**—**	(99,096)
Stock-based compensation	**587,180**	299,205
Non-cash portion of interest expense *[note 11i.]*	**880,109**	660,939
Non-cash portion of lease expense	**(32,440)**	(29,322)
Loss on disposal of capital assets	**60**	—
Change in fair value related to derivative liability	**(1,200,000)**	60,309
Accounts receivable	**162,088**	47,161
Prepaid expenses	**(13,115)**	(21,987)
Accounts payable and accrued liabilities	**(204,750)**	145,115
Accrued interest on debt *[note 11i.]*	**269,179**	430,516
Shares issued in consideration for fees *[notes 5i.[a] and 11i.[a]]*	**400,000**	—
Cash used in operating activities	**(899,764)**	(502,784)
INVESTING ACTIVITIES		
Increase in exploration and evaluation expenditures, net	**(324,291)**	(306,439)
Purchase of capital assets, including in mining properties	**(280,046)**	(69,757)
Posting of security for reclamation security deposits, net	**(1,108)**	(370)
Receipt of reclamation security deposit	**—**	45,000
Cash used in investing activities	**(605,445)**	(331,566)
FINANCING ACTIVITIES		
Proceeds on issuance of units, net	**243,341**	486,755
Proceeds on exercise of warrants	**—**	10,000
Proceeds on exercise of options	**38,000**	34,500
Proceeds on issuance of debt, net *[note 11i[a]]*	**(58,420)**	1,477,706
Cash provided by financing activities	**222,921**	2,008,961
Increase (decrease) in cash and cash equivalents during the period, net	**(1,282,288)**	1,174,611
Cash and cash equivalents, beginning of period	**1,802,920**	1,078,884
Cash and cash equivalents, end of period *[note 10]*	**520,632**	2,253,495

See accompanying notes to the consolidated financial statements

Fortune Minerals Limited

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

(expressed in Canadian dollars)

Unaudited

	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	3,871,426	431,639	6,435,713	370,361	802,000	—	—	802,000
Share issuance costs	—	(44,181)	—	(11,064)	(55,245)	—	—	(55,245)
Exercise of warrants	100,000	11,965	(100,000)	(1,965)	10,000	—	—	10,000
Exercise of stock options	350,000	55,100	—	—	55,100	(20,600)	—	34,500
Stock options granted	—	—	—	—	—	396,500	—	396,500
Net loss for the period	—	—	—	—	—	—	(2,032,676)	(2,032,676)
September 30, 2021	**366,038,312**	**172,963,270**	**7,867,546**	**387,206**	**173,350,476**	**15,987,782**	**(126,002,835)**	**63,335,423**
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]]*	7,291,456	594,600	1,667,000	55,450	650,050	—	—	650,050
Share issuance costs *[note 5i.[b]]*	—	(5,221)	—	(1,488)	(6,709)	—	—	(6,709)
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
Net income for the period	—	—	—	—	—	—	(1,793,315)	(1,793,315)
September 30, 2022	**381,783,000**	**174,724,558**	**8,102,713**	**411,948**	**175,136,506**	**16,595,682**	**(128,176,690)**	**63,555,498**

See accompanying notes to the consolidated financial statements

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2022

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 unaudited interim condensed consolidated financial statements of Fortune Minerals Limited ["the Company"] for the nine months ended September 30, 2022, were authorized for issuance by the Board of Directors on November 8, 2022.

2. BASIS OF PRESENTATION

i. *Statement of Compliance*

These unaudited interim condensed 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"] and in accordance with International Accounting Standard ["IAS"] 34, *Interim Financial Reporting*.

ii. *Going Concern of Operations*

These unaudited interim condensed 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 $13,426,033 on September 30, 2022, which includes $12,308,434 related to debentures maturing November 30, 2022, the Company will require additional further funding to repay these debentures. 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 2022 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 that COVID-19, inflation, increasing interest rates, and the Russia/Ukraine conflict could have on the global financial markets. These unaudited interim condensed 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 unaudited interim condensed consolidated financial statements are presented in Canadian dollars ["CDN"], which is also the Company's and its subsidiary's functional currency.

These unaudited interim condensed 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 unaudited interim condensed consolidated financial statements, unless otherwise indicated.

iv. *Judgments and Estimates*

The preparation of unaudited interim condensed 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 unaudited interim condensed 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 unaudited interim condensed consolidated financial statements in the current period 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.

[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 unaudited interim condensed consolidated financial statements, the notes to the unaudited interim condensed 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 unaudited interim condensed consolidated financial statements. The determination of the relevance and materiality of disclosures involves significant judgment.

3. MINING PROPERTIES

As at September 30, 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:

	September 30, 2022			
	Capital Assets $	**Property Costs $**	**Exploration and Evaluation Expenditures $**	**Total Mining Properties $**
NICO *[i]*	**7,135,605**	**2,191,442**	**67,355,896**	**76,682,943**
Sue-Dianne	**—**	**9,164**	**171,178**	**180,342**
Other properties	**—**	**—**	**13,013**	**13,013**
	7,135,605	**2,200,606**	**67,540,087**	**76,876,298**

	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**

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2022

During the nine months ended September 30, 2022, there was no change to Property Costs [September 30, 2021 – Nil], Exploration and Evaluation Expenditures increased by $461,335 [September 30, 2021 – $403,244] and Capital Assets increased by $379,156 [September 30, 2021 – $84,092]. There were no disposals, write-offs or amortization during the nine months ended September 30, 2022, except for $14,134 [September 30, 2021 - $13,845] of amortization of capital assets.

Exploration and evaluation expenditures capitalized to mining properties during the nine months ended September 30, 2022 and 2021 include the following:

	September 30, 2022	September 30, 2021
Employee and contractor compensation and benefits	**$ 229,791**	$ 293,253
Amortization	**14,134**	13,845
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, 2021	6,668,491	1,179,717	593,724	609,813	53,369	25,000	6	9,130,120
Additions	249,156	—	—	—	—	130,000	—	379,156
As at September 30, 2022	**6,917,647**	**1,179,717**	**593,724**	**609,813**	**53,369**	**155,000**	**6**	**9,509,276**
Accumulated amortization								
As at December 31, 2021	—	1,136,891	591,763	591,838	39,045	—	—	2,359,537
Amortization for the period	—	6,425	441	4,045	3,223	—	—	14,134
As at September 30, 2022	**—**	**1,143,316**	**592,204**	**595,883**	**42,268**	**—**	**—**	**2,373,671**
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 September 30, 2022	**6,917,647**	**36,401**	**1,520**	**13,930**	**11,101**	**155,000**	**6**	**7,135,605**

Included in surface facilities under construction during the nine months ended September 30, 2022, is $88,052 [September 30, 2021 - $51,078] of directly attributable employee and contractor compensation and benefits and $99,110 [September 30, 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.

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 nine months ended September 30, 2022.

4. ASSET IMPAIRMENT

The Company's tangible and intangible assets are reviewed for an indication of impairment at each interim condensed consolidated statement of financial position reporting date.

As at September 30, 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 period, substantive expenditure on further exploration for and evaluation of mineral resources of the NICO project cannot be budgeted or planned and completed an impairment assessment of the NICO project. As a result of that analysis, management has determined that the carrying value of its projects is not impaired or does not require a reversal of a prior impairment charge.

The model used by management to evaluate the NICO property for impairment 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. 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$25/lb. for cobalt and US$5/lb. for bismuth and an exchange rate of US$0.75:C$1.00. A discount rate of 8% was used in the cash flow analysis. These factors resulted in a recoverable amount in excess of book value of NICO. Accordingly, no impairment was recognized on the NICO project. Expected future cash flows used to determine the value in use are inherently uncertain and could materially change over time. Any significant change in these assumptions could result in a fair value that is less than the carrying value.

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
Effect of:	
Increase discount rate by 1%	$ (62)
Increase exchange rate by $0.01	(18)
Increase gold price by $100	28
Increase cobalt price by $1	29
Increase bismuth price by $1	27
Increase operating costs by 5%	(32)

5. SHARE CAPITAL AND RESERVES

i. Common Shares

The Company is authorized to issue an unlimited number of common shares without par value. As of September 30, 2022, the weighted average number of common shares outstanding was 375,575,869 [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 income (loss) and comprehensive income (loss).

[b] 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 used for grants as follows: 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.

ii. Share Purchase Warrants

The following is a summary of changes in warrants for the nine months ended September 30,

	2022			2021		
	Warrants		Weighted Average Exercise Price	Warrants		Weighted Average Exercise Price
Warrants outstanding, beginning of period	**6,435,713**	**$**	**0.14**	1,531,833	$	0.10
Issue of warrants	**1,667,000**		**0.10**	6,435,713		0.14
Exercise of warrants	—		—	(100,000)		0.10
Warrants outstanding, end of period	**8,102,713**	**$**	**0.13**	7,867,546	$	0.13

[a] 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. The warrants expired on August 12, 2022.

The following is a summary of changes in derivatives for the nine months ended September 30,

	2022	2021
	Class B	Class B
Derivatives outstanding, beginning of period	**52,683,043**	**52,683,043**
Expiration of derivatives	**(52,683,043)**	**—**
Derivatives outstanding, end of period	**—**	**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 estimated fair value of 11,900,000 options granted during the nine months ended September 30, 2022 has been allocated to stock-based compensation expenses and mining properties in the amounts of $587,180 and $222,020, respectively. The other reserves balance was increased by $809,200, representing the fair value of the options granted. The options granted have a maximum term of three 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%, expected volatility of 109.17%, risk free interest rate of 2.60% and expected life of 2.75 years.

A summary of the status of the Company's stock option plan as at September 30, 2022 and December 31, 2021, and changes during the period ended on those dates are presented below:

	September 30, 2022		December 31, 2021	
	Number of shares	**Weighted-average exercise price**	Number of shares	Weighted-average exercise price
	#	**$**	#	$
Options outstanding, beginning of period	**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 period	**17,950,000**	**0.10**	9,800,000	0.13
Options vested and outstanding, end of period	**17,950,000**	**0.10**	9,800,000	0.13

During the nine months ended September 30, 2022, 400,000 stock options with a book value of $24,400 were exercised raising gross proceeds of $38,000 and 3,350,000 options expired unexercised.

The following table summarizes information about the options outstanding as at September 30, 2022:

September 30, 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.

7. PROVISION FOR ENVIRONMENTAL REHABILITATION AND SECURITY DEPOSITS

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:

	September 30, 2022	December 31, 2021
NICO Project		
Provision for environmental rehabilitation	**$ 24,989**	$ 23,409
Estimated remaining life	**19 years**	20 years
Discount rate	**9%**	9%
Total provision for environmental rehabilitation	**$ 24,989**	$ 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.

Reclamation security deposits consist of the following:

	September 30, 2022	December 31, 2021
	Deposit amount $	Deposit amount $
NICO Project	**152,037**	151,088
Arctos Anthracite Project	**25,408**	25,249
Total Net Book Value	**177,445**	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.

8. CAPITAL ASSETS

Capital assets consist of the following:

	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
Disposals	(2,850)	—	—	—	(2,850)
As at September 30, 2022	**180,569**	**107,363**	**328,690**	**353,367**	**969,989**
Accumulated amortization					
As at December 31, 2021	173,411	99,983	319,356	63,101	655,851
Amortization for the period	2,245	1,105	2,450	37,860	43,660
Disposals	(2,790)	—	—	—	(2,790)
As at September 30, 2022	**172,866**	**101,088**	**321,806**	**100,961**	**696,721**
Net book value					
As at December 31, 2021	10,008	7,380	9,334	290,266	316,988
As at September 30, 2022	**7,703**	**6,275**	**6,884**	**252,406**	**273,268**

Computer equipment with a net book value of $60 was disposed of during the year, resulting in a loss 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

	September 30, 2022	September 30, 2021
Employee and contractor compensation and benefits (i)	**408,360**	300,967
Operating lease expense – property (ii)	**14,065**	15,828
Stock-based compensation	**587,180**	299,205
Amortization	**43,660**	44,902
Foreign exchange loss	**812**	96
Change in fair value related to derivative liability	**(1,200,000)**	60,309

(i) $330,532 [2021 - $234,843] and $77,828 [2021 - $66,124] of employee and contractor compensation benefits are included in general and administrative and corporate development expenses, respectively, on the consolidated statements of income (loss) and comprehensive income (loss)

(ii) Operating lease expense – property is included in interest expense on the consolidated statements of income (loss) and comprehensive income (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

	September 30, 2022	December 31, 2021
Debentures *[a]*	**12,308,434**	11,426,277
Loan *[b]*	**1,491,719**	—
Total Long-term debts	**$ 13,800,153**	$ 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 have an aggregate principal amount of $12,363,518 (being equal to the aggregate principal and accrued interest of the 2015 Debentures on August 12, 2022), mature on November 30, 2022, bear interest at a rate of 10% per annum, compounded monthly in arrears for the extension period between August 12, 2022 and November 30, 2022, and are secured by all of the assets of the Company, including the NICO Project.

The debentures are summarized as follows for the nine months ended September 30, 2022:

	September 30, 2022	December 31, 2021
Debentures at maturity	**$ 12,363,518**	$ 8,750,000
Loan discount	**—**	(588,675)
Accrued interest on debentures	**169,363**	3,264,952
Borrowing costs	**(224,447)**	—
	$ 12,308,434	$ 11,426,277

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.

While the 2022 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 have been recorded at their amortized cost at an effective interest rate of 18%. For the nine months ended September 30, 2022, $588,675 [September 30, 2021 - $660,939] of loan discount, related to the 2015 Debentures, was amortized using the effective interest rate method. An additional $183,973 of borrowing costs, related to the Amended Debentures, has been amortized to interest expense for the nine months ended September 30, 2022.

[b] In September 2021, the Company entered into a secured loan agreement for $1,500,000. The loan has a term of two years maturing on September 22, 2023, bears interest at 9% per annum, compounding annually and both principal and interest are payable at maturity.

The loan is summarized as follows for the nine months ended September 30, 2022:

	September 30, 2022	December 31, 2021
Loan payable	**$ 1,500,000**	$ 1,500,000
Accrued interest	**135,000**	33,750
Borrowing costs	**(13,281)**	(23,242)
Warrant consideration	**(130,000)**	(227,500)
	$ 1,491,719	$ 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 is 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. Borrowing costs and warrant consideration will be amortized to interest expense over the term of the loan and warrant reserve will be transferred within equity upon exercise or expiry. On September 30, 2022, $107,461 was amortized to interest expense.

ii. Long-Term Debt

	September 30, 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 nine months ended September 30, 2022:

	September 30, 2022	December 31, 2021
Loan payable	**$ 49,131**	$ 45,239
Deferred government grant income	**10,869**	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 nine months ended September 30, 2022, $3,892 [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. Monthly lease payments are $5,000 and will increase at an annual rate of 3%.

The lease liability is summarized as follows for the nine months ended September 30,

		2021		2021
Opening balance	**$**	**314,915**	$	354,410
Interest Expense		**14,065**		15,828
Lease Payments		**(46,505)**		(45,150)
	$	**282,475**	$	325,088

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. Refer to Note 20 for potential implications of COVID-19 risks that the Company is exposed to.

i. Financial instruments by category

Financial assets

	Financial assets at amortized cost	
	September 30, 2022	December 31, 2021
Cash and cash equivalents	$ 520,632	$ 1,802,920
Reclamation security deposits	177,445	176,337
Accounts receivable	31,951	194,039
Total financial assets	$ 730,028	$ 2,173,296

Financial liabilities

	Financial liabilities at fair value through profit or loss		Financial liabilities at amortized cost	
	September 30, 2022	December 31, 2021	September 30, 2022	December 31, 2021
Accounts payable and accrued liabilities	$ —	$ —	$ 235,516	$ 440,266
Lease liability	—	—	282,475	314,915
Provision for environmental rehabilitation	—	—	24,989	23,409
Current debts	—	—	13,800,153	11,426,277
Long-term debt	—	—	60,000	1,343,008
Derivatives	—	1,200,000	—	—
Total financial liabilities	$ —	$ 1,200,000	$ 14,403,133	$ 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 $275,000 [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 $14,165,000 [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 $49,000 [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	
	September 30, 2022	December 31, 2021
Derivatives	$ —	$ 1,200,000

There were no transfers between levels during the period. The change in fair value of level 3 financial instruments of $1,200,000 [September 30, 2021 – $60,309] is attributed to the change in fair value calculated on the derivative at the reporting date and has been recognized in the unaudited interim condensed 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 September 30, 2022. Payments due by year are as follows:

		September 30, 2022			
	Total	2022	2023	2024	Greater than 3 years
Accounts payable and accrued liabilities	$ 235,516	$ 235,516	$ —	$ —	$ —
Lease liability	332,643	15,913	64,291	66,219	186,220
Provision for environmental rehabilitation	143,000	—	—	—	143,000
Current debt	13,863,518	12,363,518	1,500,000	—	—
Long-term debts	60,000	—	—	—	60,000
Accrued interest on long-term debts	661,842	379,692	282,150	—	—
	$15,296,519	$ 12,994,639	$1,846,441	$ 66,219	$ 389,220

14. INTEREST AND OTHER INCOME

Interest and other income consist of the following for the nine months ended September 30,

	2022	2021
Interest income	**$ 5,965**	$ 1,144
Foreign exchange loss	**(812)**	(96)
Loss on disposal of capital assets	**(60)**	—
Flow-through share premium income	—	99,096
Total Interest and Other Income	**$ 5,093**	$ 100,144

15. INCOME TAXES

The Company has non-capital loss carryforwards totaling $56,041,000, net capital loss carryforwards of $19,313,000, un-deducted debt and share issuance costs of $110,000 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 unaudited interim condensed 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 unaudited interim condensed consolidated financial statements as it is not considered probable that sufficient future taxable profit will allow the deferred tax asset to be recovered. A valuation allowance of $17,988,000 has been recognized related to the uncertainty of realizing the benefit of deferred income tax assets in future years.

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

	September 30, 2022 $	December 31, 2021 $
Deferred income tax assets		
Net operating loss carryforwards	**14,875,000**	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	**1,110,000**	1,140,000
	17,988,000	17,600,000
Less valuation allowance related to operating losses, share issuance costs and unused investments tax credits	**(17,988,000)**	(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 period ended is as follows:

	September 30, 2022 $	September 30, 2021 $
Combined federal and provincial/state income tax rate	**26.50%**	26.50%
Corporate income tax provision (recovery) at statutory rate	**(475,000)**	(543,000)
Increase (decrease) in income taxes resulting from		
Non-deductible stock-based compensation and other expenses	**389,000**	255,000
Non-deductible change in fair value of derivative	**(318,000)**	8,000
Rate difference	**(171,000)**	(171,000)
Non-taxable flow-through share premium	**—**	(26,000)
Tax value of loss carryforwards not recognized	**575,000**	477,000
	—	—

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 nine months ended September 30, 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 nine months ended:

	September 30, 2022	September 30, 2021
Salaries and benefits	**$ 123,450**	$ 115,045
Consulting services	**277,390**	260,194
Legal services	—	39,550
Fair value of stock options granted	**646,000**	323,300
	$ 1,046,840	$ 738,089

As at September 30, 2022, $14,450 [2021 - $42,819] was owing to key management personnel for services provided during the period.

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 income (loss) per share reflects the potential dilution of securities by adding other common stock equivalents in the weighted average number of common shares outstanding during the period, if dilutive.

i. Basic loss per share

	September 30, 2022	September 30, 2021
Net loss	**$ (1,793,315)**	**$ (2,032,676)**
Weighted average number of common shares	**375,575,869**	**363,876,382**
Basic loss per share	**$ 0.00**	**$ (0.01)**

ii. Diluted loss per share

For calculating diluted loss per share, for the three and nine months ended September 30, 2022 and 2021, the following weighted average options and warrants had an exercise price less than the average market price for the period:

	2022		2021	
	Three months ended September 30,	**Nine months ended September 30,**	Three months ended September 30,	Nine months ended September 30,
Options	—	**17,900,000**	10,300,000	10,300,000
Warrants	—	**6,667,000**	1,431,833	1,431,833
	—	**24,567,000**	11,731,833	11,731,833

The diluted income per share computation for the nine months ended September 30, 2022 and the nine months ended September 30, 2021, is equal to the basic loss per share as inclusion of the above would have been anti-dilutive. The diluted income per share computation for the three months ended September 30, 2021 is as follows:

	Three months ended September 30, 2021
Net income	$ 759,394
Weighted average number of common shares (diluted)	368,010,604
Diluted gain per share	$ 0.00

19. CONSOLIDATED STATEMENTS OF CASH FLOWS

Supplemental cash flow information for the nine months ended September 30:

	2022	2021
Interest and investment income received	**$ 5,965**	$ 1,144

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 unaudited interim condensed consolidated financial statements:

- IAS 1 amendments on classification – tentatively effective for reporting periods beginning on or after January 1, 2023. 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.

21. COVID-19

The COVID-19 global pandemic has disrupted economic activities and supply chains around the world. Although the disruption from the virus was expected to be temporary, the pandemic is now in its third year. The Company has felt the impact of the Pandemic by having restricted access to its NICO site in the Northwest Territories, increased costs of goods and services, and tight financial markets in which to raise the funds required to advance the project. While the timing and cost of these activities was impacted, Fortune was able to complete its planned field programs over the past two years. The Company's ability to continue to service debt and meet obligations as they come due is dependent on the continued ability to obtain financing and maintain cash flows.

The Company has applied for government support programs introduced in response to the global pandemic. Included in net loss and comprehensive loss for the year is $65,706 of Government grants obtained 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 is included in the line general and administrative expenses on the consolidated statements of loss and comprehensive loss.