Interim Condensed Consolidated Financial Statements

Fortune Minerals Limited

Unaudited

March 31, 2015

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 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	See note 2 going concern uncertainty **March 31, 2015**	December 31, 2014
ASSETS		
Current assets		
Cash and cash equivalents *[notes 7ii and 13[a]]*	**3,108,092**	6,219,000
Accounts receivable	**216,156**	202,372
Prepaid expenses	**427,176**	1,011,945
Total current assets	**3,751,424**	7,433,317
Reclamation security deposits *[note 7iv]*	**891,891**	859,195
Capital assets, net *[note 6]*	**202,131**	219,804
Mining properties *[note 7]*	**194,114,947**	173,397,322
	198,960,393	181,909,638
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Accounts payable and accrued liabilities	**3,048,029**	4,834,799
Interest payable	**269,063**	466,689
Flow-through share premium deferred gain	**52,475**	71,091
Current portion of finance lease liability *[note 10]*	**927,521**	949,491
Royalty payable *[note 11]*	**1,085,145**	993,877
Current debt *[note 11]*	**67,738,387**	53,737,759
Capital contribution liability *[note 7ii]*	**14,908,433**	14,612,844
Total current liabilities	**88,029,053**	75,666,550
Finance lease liability *[note 10]*	**232,174**	408,360
Provision for environmental rehabilitation *[note 8]*	**260,067**	238,210
Deferred income tax liabilities, net *[note 12]*	**1,086,000**	1,264,000
Total liabilities	**89,607,294**	77,577,120
Commitments and contingencies *[notes 7ii, 7iii and 16]*		
SHAREHOLDERS' EQUITY		
Share capital *[note 9]*	**159,122,804**	158,935,457
Other reserves	**11,016,669**	11,016,669
Deficit	**(64,162,922)**	(66,976,700)
Accumulated other comprehensive income	**3,376,548**	1,357,092
Total shareholders' equity	**109,353,099**	104,332,518
	198,960,393	181,909,638

See accompanying notes

Fortune Minerals Limited

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

(expressed in Canadian dollars)

Unaudited

For the three-month periods ended March 31,

	2015	2014
EXPENSES		
Administrative	**860,335**	618,333
Investor relations and regulatory fees	**47,750**	128,210
Stock-based compensation	**—**	307,220
Corporate development costs *[note 7i[c]]*	**175,566**	122,664
Interest expense *[note 11]*	**160,302**	67,655
Accretion *[notes 7ii and 8]*	**334,570**	304,321
Amortization	**17,106**	11,399
Loss before other items	**(1,595,629)**	(1,559,802)
Interest and other income	**20,373**	67,461
Gain on disposal of mining properties	**8,000**	—
Loss on disposal of capital assets	**(343)**	(262)
Gain on flow-through share premium	**18,616**	—
Foreign exchange gain *[note 4[b]ii]*	**168,954**	30,407
Loss on extinguishment of debt or other *[note 11]*	**3,812,718**	—
Gain (loss) before income taxes	**2,432,689**	(1,462,196)
Recovery of income taxes *[note 12]*		
Deferred income taxes	**173,000**	205,000
Net gain (loss) for the period	**2,605,689**	(1,257,196)
Other comprehensive income		
Currency translation adjustment	**2,019,456**	—
Net comprehensive gain (loss)	**4,625,145**	(1,257,196)
Basic and diluted loss per share *[note 9]*	**0.01**	(0.01)

See accompanying notes

Fortune Minerals Limited

CONSOLIDATED STATEMENTS OF CASH FLOWS

(expressed in Canadian dollars)

Unaudited

For the three-month periods ended March 31,

	2015	2014
OPERATING ACTIVITIES		
Net loss for the period	**2,605,689**	(1,257,196)
Add (deduct) items not involving cash		
Accretion	**334,570**	304,321
Amortization	**17,106**	11,399
Deferred income taxes	**(173,000)**	(205,000)
Gain on flow-through share premium	**(18,616)**	—
Stock-based compensation	**—**	307,220
Non-cash portion of interest expense	**10,299**	155
Gain on disposal of mining properties	**—**	—
Loss on disposal of capital assets	**343**	262
Non-cash portion of loss on extinguishment of debt	**(3,873,658)**	—
	(1,097,267)	(838,839)
Changes in non-cash working capital balances related to operations		
Accounts receivable	**(12,128)**	1,431
Prepaid expenses	**622,409**	41,503
Accounts payable and accrued liabilities	**(2,035,690)**	(511,185)
Interest payable	**(209,719)**	(67,500)
Cash used in operating activities	**(2,732,395)**	(1,374,590)
INVESTING ACTIVITIES		
Increase in exploration and evaluation expenditures	**(316,803)**	(2,435,344)
Purchase of capital assets, including in mining properties	**(9,344,754)**	(428,279)
Posting of security for reclamation security deposits, net	**—**	(10,123)
Proceeds on disposal of assets held for sale	**—**	35,483
Cash used in investing activities	**(9,661,557)**	(2,838,263)
FINANCING ACTIVITIES		
Proceeds on issuance of shares, net *[note 9 [d]]*	**79,800**	—
Proceeds on issuance of debt	**9,634,344**	—
Repayment of corporate facility	**(42,434)**	—
Payment of finance leases	**(307,122)**	—
Cash provided by financing activities	**9,364,588**	—
Effect of foreign exchange on cash	**(81,544)**	—
Decrease in cash and cash equivalents during the period net	**(3,029,364)**	(4,212,853)
Cash and cash equivalents, beginning of period	**6,219,000**	13,412,020
Cash and cash equivalents, end of period *[note 13]*	**3,108,092**	9,199,167

See accompanying notes

Fortune Minerals Limited

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

(expressed in Canadian dollars)

Unaudited

	Common shares		Warrants		Subtotal	Other reserves	Deficit	Accumulated other comprehensive income	Total shareholders' equity
	#	$	#	$	$	$	$	$	$
December 31, 2013	**150,526,976**	**139,439,655**	**—**	**—**	**139,439,655**	**10,482,909**	**(55,960,493)**	**—**	**93,962,071**
Stock options granted	—	—	—	—	—	532,550	—	—	532,550
Net loss for the period	—	—	—	—	—	—	(1,257,196)	—	(1,257,196)
March 31, 2014	**150,526,976**	**139,439,655**	**—**	**—**	**139,439,655**	**11,015,459**	**(57,217,689)**	**—**	**93,237,425**
December 31, 2014	**214,822,180**	**158,592,124**	**3,333,333**	**343,333**	**158,935,457**	**11,016,669**	**(66,976,700)**	**1,357,092**	**104,332,518**
Issued as a result of:									
Private offerings *[note 9[c]]*	1,350,000	201,300	—	—	201,300	—	—	—	201,300
Share issuance costs, net of tax *[notes 9[c] and [d]]*	—	(13,953)	—	—	(13,953)	—	—	—	(13,953)
Net loss for the period	—	—	—	—	—	—	2,605,689	—	2,605,689
Foreign currency translation	—	—	—	—	—	—	—	2,019,456	2,019,456
Adjustment for foreign exchange on opening deficit balance	—	—	—	—	—	—	208,089	—	208,089
March 31, 2015	**216,172,180**	**158,779,471**	**3,333,333**	**343,333**	**159,122,804**	**11,016,669**	**(64,162,922)**	**3,376,548**	**109,353,099**

See accompanying notes

Fortune Minerals Limited

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

[unaudited]

March 31, 2015

1. CORPORATE INFORMATION

The unaudited interim condensed consolidated financial statements of Fortune Minerals Limited ["the Company"] for the quarter ended March 31, 2015 were authorized for issuance by the Board of Directors on May 15, 2015. Fortune Minerals Limited is incorporated under the laws of Ontario and domiciled in London, Ontario, Canada, whose shares are publicly traded on the OTCQX and the Toronto Stock Exchange.

2. BASIS OF PRESENTATION AND GOING CONCERN UNCERTAINTY

The Company is a natural resource company with mineral deposits in Canada and the United States of America ["US"] and is focused on the exploration, assembly and development of natural resource projects. The recoverability of amounts shown for mineral properties and related exploration and evaluation expenditures is dependent upon the economic viability of recoverable reserves, the ability of the Company to obtain the necessary permits and financing to complete the development, and future profitable production or proceeds from the disposition thereof. The Company's projects are all within North America, and the Company operates in one industry segment, mining.

These unaudited interim condensed consolidated financial statements, including comparatives, have been prepared using accounting policies consistent with International Financial Reporting Standards ["IFRS"] and in accordance with International Accounting Standard ["IAS"] 34, *Interim Financial Reporting*.

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. Based on the Company's current cash flow forecasts, the Company does not have sufficient cash or working capital to fund all of its planned activities without obtaining additional financing. Additionally, the Company amended the Metal Prepay Facility on March 25 2015 which requires the Company to raise no less than US $4M in capital support no later than May 1, 2015 and resulted in the Company granting a security interest in all of the assets of Fortune Minerals Limited and its material subsidiaries. This, combined with the March 31, 2015 default under the Metal Prepay Facility described in Note 11 and the working capital deficit of $84,277,629 (calculated as the difference between current liabilities of $88,029,053 and current assets of $3,751,424), results in the existence of a material uncertainty that casts significant doubt about the Company's ability to continue as a going concern. Management is actively working to achieve positive cash flows through the production of the Revenue Silver Mine and is continually pursuing and considering various financing opportunities. The Company has historically been successful in financing its activities, however, there can be no assurances that the Company will be able to obtain continued support from existing lenders or obtain sufficient financing on terms acceptable to management to be able to meet its current liabilities as they come due. These financial statements do not include adjustments, which may be material, to the amounts and classification of assets and liabilities that would be necessary should the going concern principle not be appropriate.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The same accounting policies and methods of computation were followed in the preparation of these interim condensed consolidated financial statements that were followed for the audited annual consolidated financial statements for the year ended December 31, 2014 and updates to the accounting policies for March 31, 2015, to supplement the December 31, 2014 audited annual consolidated financial statements, are described below. Since the interim condensed consolidated financial statements for the three-month period ended March 31, 2015 do not include all disclosures required by the IFRS for annual financial statements, they should be read together with the audited annual consolidated financial statements for the year ended December 31, 2014.

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities. The reported amounts and note disclosures are determined using management's best estimates based on assumptions that reflect the most probable set of economic conditions and planned courses of action. Actual results, however, may differ from the estimates used in the interim condensed consolidated financial statements.

Judgments made by management in the application of IFRS that have a significant effect on the consolidated financial statements and estimates with a significant risk of material adjustment in the current and following fiscal years are discussed in Notes 3[e] to 3[m], 3[r], 7iv, 11, 12 and 15 of the Company's December 31, 2014 audited annual consolidated financial statements.

[a] Future accounting standard

IFRS 9, *Financial instruments* ["IFRS 9"] was issued by the IASB in November 2009 and will replace IAS 39, *Financial Instruments: Recognition and Measurement* ["IAS 39"]. IFRS 9 replaces the multiple rules in IAS 39 with a single approach to determine whether a financial asset is measured at amortized cost or fair value and a new mixed measurement model for debt instruments having only two categories: amortized cost and fair value. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. This standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. In July 2013, the IASB tentatively decided to defer the Mandatory effective date of IFRS 9. The IASB agreed that the mandatory effective date should no longer be annual periods beginning on or after January 1, 2015 but rather be left open pending the finalization of the impairment and classification and measurement requirements. The Company is currently evaluating the impact of IFRS 9 on its consolidated financial statements.

IFRS 15, *Revenue from Contracts with Customers* ["IFRS 15"] was issued by the IASB in May 2014. IFRS 15 specifies how and when an IFRS reporter will recognize revenue as well as requiring such entities to provide users of financial statements with more informative, relevant disclosures. The standard provides a single, principles based five-step model to be applied to all contracts with customers. The Company plans to adopt IFRS 15 on the effective date, January 1, 2017, and is currently evaluating the impact of this standard on its consolidated financial statements.

The IASB has replaced IAS 18, *Revenue* in its entirety with IFRS 15 - Revenue from contracts with customers ["IFRS 15"] which is intended to establish a new control-based revenue

recognition model and change the basis for deciding whether revenue is to be recognized over time or at a point in time. IFRS 15 is effective for annual periods commencing on or after January 1, 2017. The Company is currently evaluating the impact the standard is expected to have on its consolidated financial statements.

4. FINANCIAL INSTRUMENTS

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

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

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

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

ii. Currency risk arises because of changes in foreign exchange rates. All of the Company's current activities are priced in either Canadian dollars or US dollars, depending on the location of the project. However, the Company expects certain of its future capital and operating costs as well as its future revenue streams related to its Canadian operations will be priced in $US. The Company has operating accounts in $US to pay United States vendors and to receive $US payments as well as to manage the timing of conversion of Canadian dollars to $US or vice versa. As at March 31, 2015, the $US balance in cash and cash equivalents was $US 2,335,877 [$2,958,676]. As at March 31, 2015 the Company has current debt of US $49,600,778

[$62,825,558], a 10% movement in foreign exchange rates would result in a US $4,960,078 [$6,282,556] movement in the Company's current debt.

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

[c] Liquidity risk is the risk that the Company will not be able to meet its obligations associated with financial liabilities as they come due. The Company's investment policy is to invest its excess cash in high-grade investment securities with varying terms to maturity selected with regard to the expected timing of expenditures for continuing operations. Accounts payable and accrued liabilities are all current. The Company's debt was in default at March 31, 2015 and is still in default as at May 15, 2015 as described in note 11.

Fair value measurements of financial assets and liabilities

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

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

The following table illustrates the classification and of the Company's financial instruments within the fair value hierarchy as at March 31, 2015:

	Level 1 $	Level 2 $	Level 3 $
Cash and cash equivalents	3,108,092	—	—
Accounts receivable	216,156	—	—
Accounts payable and accrued liabilities	3,048,029	—	—
Interest payable	269,063	—	—
Current debt	67,738,387	—	—
Finance lease obligations	—	1,159,695	—

The following table details the Company's contractual maturities for its financial liabilities as at March 31, 2015. Payments due by year are as follows:

	Total	2015	2016
Accounts payable and accrued liabilities	$ 3,048,029	$ 3,048,029	
Interest payable	269,063	269,063	
Finance leases	1,159,695	927,521	232,174
Current debt	67,738,387	67,738,387	
	$72,215,174	$ 71,983,000	$ 232,174

5. MANAGEMENT OF CAPITAL

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

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

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

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

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

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

6. CAPITAL ASSETS AND INTANGIBLE ASSETS

Capital assets and intangible assets consist of the following:

	Computer equipment $	Furniture and fixtures $	Intangible assets [Software] $	Total $
Cost				
As at December 31, 2014	217,399	118,514	318,582	654,495
Additions	—	—	—	—
Disposal	(1,833)	—	—	(1,833)
As at March 31, 2015	**215,566**	**118,514**	**318,582**	**652,662**
Accumulated amortization				
As at December 31, 2014	162,360	80,527	191,804	434,691
Amortization for the period	4,113	1,900	11,093	17,106
Disposal	(1,266)	—	—	(1,266)
As at December 31, 2014	**165,207**	**82,427**	**202,897**	**450,531**
Net book value				
As at December 31, 2014	55,039	37,987	126,778	219,804
As at December 31, 2015	**50,359**	**36,087**	**115,685**	**202,131**

7. MINING PROPERTIES

The Company's Canadian mining properties are categorized in the exploration and evaluation stage since, as at March 31, 2015, the necessary financing has not yet been obtained and a construction decision has not yet been approved by the Board of Directors. The Company's interest in the US mining property is categorized in the development stage. For management purposes, the group is organized into business units based on the significant mining properties that the Company is currently exploring and evaluating or developing. Management monitors the monthly expenditures of its operating segments separately for the purpose of making decisions about resource allocation and financing requirements.

Interests in mining properties consist of the following:

	March 31, 2015			
	Capital and Intangible Assets $	Property Costs $	Exploration and Evaluation Expenditures $	Total Mining Properties $
NICO *[i] and [iv]*	**8,359,508**	**2,191,442**	**57,886,666**	**68,437,616**
Arctos *[ii and note 17]*	**14,183**	**2,515,293**	**30,006,466**	**32,535,942**
RSM *[iii and note 15]*	**58,559,401**	**34,413,682**	**—**	**92,973,083**
Sue-Dianne	**—**	**9,164**	**150,836**	**160,000**
Other properties	**—**	**—**	**8,306**	**8,306**
	66,933,092	**39,129,581**	**88,052,274**	**194,114,947**

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

[unaudited]

March 31, 2015

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

During the quarter, the change in exploration and evaluation expenditures is a result of additions only and there were no disposals, write-offs or amortization. Subsequent to the quarter end, the Company sold its interest in Arctos, see the subsequent events note for further details.

Included in exploration and evaluation expenditures within mining properties during the three months ended March 31, 2015 and 2014 were the following:

	March 31, 2015 $	March 31, 2014 $
Directly attributable administrative expenses	**—**	73,547
Employee and contractor compensation and benefits	**93,828**	709,252
Amortization	**20,078**	29,352
Stock-based compensation	**—**	189,056

During the three months ended March 31, 2015, the Company recovered $Nil [March 31, 2014 - $21,020] from non-cash exploration and evaluation expenditures, which represents POSCO Klappan Coal Limited's ["POSCO Klappan's"] 20% share in the Arctos Anthracite Joint Venture.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

[unaudited]

March 31, 2015

Capital assets and software 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 $	Computer equipment $	Intangible assets [Software] $	Asset retirement obligation ["ARO"] $	Mine development expenditure $	Finance Leases $	Total $
Cost												
As at December 31, 2014	7,014,266	14,319,837	601,626	1,242,193	975,851	900,356	43,380	249,160	171,277	24,937,823	1,482,722	51,938,491
Additions	56,393	1,313,553	—	340,392	614,977	—	3,971	23,199	15,855	15,121,185	16,495	17,506,020
As at March 31, 2015	**7,070,659**	**15,633,390**	**601,626**	**1,582,585**	**1,590,828**	**900,356**	**47,351**	**272,359**	**187,132**	**40,059,008**	**1,499,217**	**69,444,511**
Accumulated amortization												
As at December 31, 2014	—	1,151,623	575,869	742,319	21,496	—	413	—	—	—	—	2,491,720
Amortization for the period	—	12,675	1,932	4,995	74	—	23	—	—	—	—	19,699
As at March 31, 2015	**—**	**1,164,298**	**577,801**	**747,314**	**21,570**	**—**	**436**	—	**—**	—	—	**2,511,419**
Net book value												
As at December 31, 2014	7,014,266	13,168,214	25,757	499,874	954,355	900,356	42,967	249,160	171,277	24,937,823	1,482,722	49,446,771
As at March 31, 2015	**7,070,659**	**14,469,092**	**23,825**	**835,271**	**1,569,258**	**900,356**	**46,915**	**272,359**	**187,132**	**40,059,008**	**1,499,217**	**66,933,092**

Included in surface facilities under construction and mine development expenditure during the quarter ended March 31, 2015 is $3,991,492 [March 31, 2014 - $263,475] of directly attributable employee and contractor compensation and benefits, $3,791 [March 31, 2014 - $4,960] of amortization, $4,608,525 of borrowing costs, and $Nil [March 31, 2014 - $15,930] of stock-based compensation.

i. NICO Project, Northwest Territories ["NICO"]

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

[a] Golden Giant Mine Assets

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

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

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

In the 2014, certain assets with a book value of $584,524 were shipped to the Revenue Silver Mine for use. The assets that were shipped are now included in capital assets of Revenue Silver Mine.

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

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

[c] Corporate Development Costs

The costs incurred in identifying and securing strategic partners to support the development of all projects are recorded as corporate development costs.

ii. Arctos Anthracite Project, British Columbia ["Arctos"]

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

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

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

On July 13, 2011, FCL's future capital contribution liability of $16 million was recorded at its estimated present value of $10,856,773 using a discount rate of 9% and a contribution date approximately 4.5 years from the closing of the transaction resulting in a $5,143,227 gain. FCL has made capital contributions of $166,000 during the quarter ended March 31, 2015. For the quarter ended March 31, 2015, accretion of $328,789 was recognized and as at March 31, 2015 the future capital contribution liability balance is $14,908,433.

As at March 31, 2015, the cash balance in the Arctos JV was $25,299, of which FCL recorded its 80% share.

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

Subsequent to the quarter end the Company sold its interest in Arctos, see the subsequent events note for further details.

iii. Revenue Silver Mine ["RSM"]

On October 1, 2014, the Company completed the acquisition of a 100% interest in RSM, a mining company involved in the production of silver in Colorado, USA through its wholly-owned

subsidiary Fortune Revenue Silver Mines, Inc. The key assets acquired include all of RSM's capital equipment assets and mineral interests in the mine.

The transaction is being accounted for as a business combination with the Company identified as the acquirer. The acquisition was accounted for on a preliminary basis taking into account the information available at the time the December 31, 2014 consolidated financial statements were prepared. Refer to note 15, Business Combinations for more information.

During 2014, the Company transferred various assets capitalized as surface facilities that were previously acquired for NICO through the Golden Giant Mine transaction to RSM. The value of the capital assets transferred from NICO to RSM was $594,649, including $10,125 related to assets that were previously categorized as assets held for sale.

Amounts included in the RSM balances at March 31, 2015 include balances that were part of the purchase of the RSM on October 1, 2014. Please refer to note 15, Business Combinations for more details.

For the quarter ended March 31, 2015 the Company has incurred $15,121,185 of mine development expenditures, which is net of proceeds of $255,742 on sales of concentrate, as the project advances through the commissioning phase.

iv. Reclamation Security Deposits

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

Reclamation security deposits consist of the following:

	March 31, 2015		December 31, 2014	
	Deposit amount $	**Security held [FMV*[i]*] $**	Deposit amount $	Security held [FMV*[i]*] $
NICO Project	**211,000**	**257,178**	211,000	257,156
Arctos Anthracite Project	**245,600**	**246,476**	245,600	246,455
RSM Project	**388,237**	**388,237**	355,584	355,584
Total Net Book Value	**844,837**	**891,891**	812,184	859,195

*[i]*FMV= Fair market value

The security for the reclamation of the Arctos Anthracite Project is held in the Arctos JV. As at March 31, 2015, the security deposit amount in the Arctos JV was $307,000 [December 31, 2014 - $307,000] and the fair market value of the security held was $308,095 [December 31, 2014 - $308,069] of which FCL recorded its 80% share.

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

Subsequent to the quarter end the Company sold its interest in Arctos, see the subsequent events note for further details.

v. Impairment

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

At December 31, 2014, the Company considered whether there had been any significant changes to indicators at year end and whether any new indicators were present and has determined that there are no indications that the carrying value of any or all of its projects is impaired or requires a reversal of a prior impairment charge, except as discussed below.

At December 31, 2014, management of the Company determined that the continued decline in the market price of metals constituted an impairment indicator and completed an impairment assessment of the Sue-Dianne project. The Company recognized an impairment charge of $1,900,269. At March 31, 2015, the Company considered whether there had been any significant changes to indicators at the quarter end and whether any new indicators were present and has determined that there are no indications that the carrying value of any or all of its projects is impaired or requires a reversal of a prior impairment charge.

vi. Assets Held for Sale

The balance of assets held for sale was written off during the fourth quarter of the prior year resulting in an impairment charge of $1,798,545.

8. PROVISION FOR ENVIRONMENTAL REHABILITATION

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

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

	March 31, 2015	December 31, 2014
NICO Project		
Provision for environmental rehabilitation	**$38,496**	$37,649
Estimated remaining life	**19 years**	20 years
Discount rate	**9%**	9%
Arctos Anthracite Project *[i]*		
Provision for environmental rehabilitation	**$26,718**	$26,130
Estimated remaining life	**25 years**	26 years
Discount rate	**9%**	9%
RSM Project		
Provision for environmental rehabilitation	**$194,853**	$174,431
Estimated remaining life	**8 years**	9 years
Discount rate	**9.25%**	9.25%
Total provision for environmental rehabilitation	**$260,067**	$238,210

[i] As at March 31, 2015, the environmental rehabilitation provision balance in the Arctos JV was $33,397, of which FCL recorded its 80% share.

Subsequent to the quarter end the Company sold its interest in Arctos, see the subsequent events note for further details.

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

9. SHARE CAPITAL

[a] The Company is authorized to issue an unlimited number of common shares without par value. As at March 31, 2015, the weighted average number of common shares outstanding was 215,347,180 [December 31, 2014 - 179,605,564]. For calculating diluted loss per share, for the quarter ended March 31, 2015, there were no options with an exercise price less than the average market price for the periods.

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[b] A summary of the status of the Company's stock option plan as at March 31, 2015 and December 31, 2014, and changes during the periods ended on those dates are presented below:

	March 31, 2015		December 31, 2014	
	Number of shares #	**Weighted-average exercise price** $	Number of shares #	Weighted-average exercise price $
Options outstanding, beginning of period	**7,780,000**	**0.60**	6,935,000	0.70
Granted	—	—	2,950,000	0.37
Expired or cancelled	**(215,000)**	**0.55**	(2,105,000)	0.60
Options outstanding, end of period	**7,565,000**	**0.63**	7,780,000	0.60
Options vested and outstanding, end of period	**7,565,000**	**0.60**	7,780,000	0.60

The following table summarizes information about the options outstanding as at March 31, 2015:

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	2,935,000	2,935,000	0.37	3.8
0.50 – 0.99	4,170,000	4,170,000	0.68	2.0
1.00 – 1.49	340,000	340,000	1.20	1.4
1.50 – 1.99	120,000	120,000	1.60	1.1
	7,565,000	7,565,000		

[i] All options have vested as at March 31, 2015.

[c] On February 24, 2015 the Company issued 1,350,000 common shares to the lenders of the private loan in exchange for the release of first charge security over the Company's personal property and the NICO mining leases. The fair value of the shares was $121,500. The value of these shares was calculated based on the fair market value per share of $0.09 on February 24, 2015. Share issuance costs of $5,228 were incurred to complete the financing.

[d] On April 1, 2015, the Company entered into a subscription agreement to sell 5,905,400 units at a price of $0.08 per share, raising gross proceeds of $462,431. 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 $0.15 on or before March 31, 2016.

As at March 31, 2015, a total of $79,800 of the gross proceeds had been received in advance of the closing date and share issuance costs of $13,725 had been incurred.

10. FINANCE LEASE LIABILITY

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

	Present Value $	**Minimum Lease Payments $**
Within 1 year	**927,521**	**1,044,013**
After 1 year but no more than 5 years	**232,174**	**261,142**
	1,159,695	**1,305,155**
Less: future interest costs	—	**(145,460)**
	1,159,695	**1,159,695**

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

11. CURRENT DEBT

The following table represents the Company's current debt for the three months ended March 31, 2015 and the year ended December 31, 2014;

	March 31, 2015	December 31, 2014 $
Loan	**4,912,829**	5,024,031
Metal Prepay Facility	**62,825,558**	48,713,728
	67,738,387	53,737,759

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

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

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

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

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

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

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

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On March 25, 2015, the Company amended the Metal Prepay Facility, resulting in an additional US $4 million of working capital being received, of which US $2,636,268 had been received prior to March 31, 2015. The remaining amount of the US $4 million was drawn down subsequent to the quarter end. The Company's metal delivery obligations under the original prepay facility and additional working capital facilities have been restructured but the applicable interest rates remain the same under an amended agreement with LRC. As the amendment includes substantially different terms from the Senior Secured Metal Prepay Agreement the amendment has been accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability.

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

- Capital support by the Company of US $4,000,000 is required no later than May 1, 2015.
- The additional US $4 million of working capital resulted in an increase of 246,400 silver equivalent units to the repayment of the facility.
- The Metal Prepay Facility was restructured to reduce the required payment of silver equivalent units from 2,904,892 to 1,138,087 and extended the repayment period to fifty four months beginning July 2015.
- The working capital portion of the facility increased the required payment of silver equivalent units from 738,000 to 3,165,156.
- The working capital payback period was extended from December 31, 2015 to March 31, 2016. Full payback of the working capital facility prior to March 31, 2016 is discounted by 3% per month.
- Cash interest payments will accrue beginning July 1, 2015.
- The Company granted a security interest in all of the assets of Fortune Minerals Limited and its material subsidiaries.

As a result of extinguishment accounting, transaction costs of $3,527,422 incurred relating to the original Metal Prepay Facility and its subsequent amendment on December 22, 2014 were expensed in the loss on extinguishment of debt or other as at December 31, 2014. As at March 31, 2015, additional transaction costs of $60,940 incurred relating to amending the original Metal Prepay Facility have been expensed in the loss on extinguishment of debt or other.

Under the Senior Secured Metal Prepay Agreement, should the Company be in default of the agreement, LRC has the right to terminate the agreement and declare all amounts owing due and payable. At December 31, 2014 the Company was in default of certain covenants, which were subsequently waived by LRC in the agreement amended on February 12, 2015. As at December 31, 2014 LRC had the right to demand accelerated payment and as a result, the long-term debt of US $41,991,234 [$48,713,728] as at December 31, 2014 was classified as current debt. As at March 31, 2015, the Company continued to be in default of certain covenants and as a result the debt of US $49,600,778 [$62,825,558] continues to be classified as current debt. As at the date of

these interim consolidated financial statements the Company is still in default of certain covenants and the debt remains classified as current.

As a result of the default, the value of the NSR as at March 31, 2015 was estimated to be US $856,722 [$1,085,145] and has been recorded as a payable in these financial statements. The value is calculated using a discounted cash flow approach. The silver, gold, lead and zinc price assumptions, production forecasts, and resulting implicit interest rate calculations are significant assumptions used in determining the value of the NSR payable.

During the quarter ended March 31, 2015 interest expense of US $3,638,432 [$4,608,525] [December 31, 2014 - US $2,569,863 [$2,910,748]], using the effective interest rate method, had been incurred and was treated as borrowing costs and offset against mine development.

On May 8, 2014, the Company increased its debt with a private investor group from the original loan principal of $3,000,000 to $5,125,000 when the group advanced $2,000,000 to the Company as a promissory note. Under the terms agreed to with the group, the aggregate amount repayable by the Company will be $5,125,000, representing a 2.5% premium over the proceeds, and the maturity date for the original loan as well as the new loan was extended from August 31, 2014 to August 31, 2016. The loans will continue to bear interest at 9% per annum and will be secured by a charge on the Company's personal property and the NICO mining leases. Cash interest payments of $230,625 are due on the last business day of August and February of each year during the term of the loan and promissory note. On February 24, 2015, the group entered into an agreement with the Company relinquishing its secured charge on the Company's assets in exchange for 1,350,000 common shares. In addition, the agreement deferred the payment of all interest payments until July 1, 2015. For the three months ended March 31, 2015, $10,299 of loan discount [March 31, 2014 - $155 of transaction costs and loan discount] were amortized using the effective interest rate method. The debt has been classified as current debt due to a cross default provision in the agreement.

12. INCOME TAXES

The Company has non-capital loss carryforwards totaling $45,620,000, of which $500,000 expires in 2015, un-deducted debt and share issuance costs of $1,473,000 and unused investment tax credits on pre-production mining costs of $2,770,000 that begin to expire in 2028. The Company has completed feasibility studies for both of its principal projects and undertaken related permitting and financing activities. The benefit of certain non-capital losses and undeducted share issuance costs has been recorded in the consolidated financial statements only to the extent of existing taxable temporary differences. A valuation allowance of $10,751,000 has been recognized related to the uncertainty of realizing the benefit of deferred income tax assets in future years.

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

	March 31, 2015 $	December 31, 2014 $
Deferred income tax assets		
Net operating loss carryforwards	**13,328,000**	11,031,000
Undeducted debt and share issuance costs *[i]*	**506,000**	515,000
Unused investment tax credits on pre-production costs	**2,770,000**	2,742,000
	16,604,000	14,288,000
Less valuation allowance related to operating losses, share issuance costs and unused investments tax credits	**(10,751,000)**	(10,615,000)
Deferred income tax assets	**5,853,000**	3,673,000
Book value of exploration and evaluation expenditures and capital assets in excess of tax value	**(6,655,000)**	(4,576,000)
Book value of capital contribution liability in excess of tax value	**(284,000)**	(361,000)
Deferred income tax liabilities	**(6,939,000)**	(4,937,000)
Net deferred income tax liabilities	**(1,086,000)**	(1,264,000)

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

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

	March 31, 2015 $	March 31, 2014 $
Combined federal and provincial/state income tax rate	**26.57%**	26.43%
Corporate income tax recovery at statutory rate	**(85,000)**	(384,000)
Increase (decrease) in income taxes resulting from		
Non-deductible stock-based compensation and other expenses	**—**	82,000
Renunciation of flow-through expenses	**(35,900)**	—
Rate difference	**5,000**	4,000
Non-taxable flow-through share premium	**(5,000)**	—
Investment tax credits on pre-production mining costs, net of tax	**(193,000)**	(111,000)
Valuation allowance	**36,900**	201,000
Other	**104,000**	3,000
	(173,000)	(205,000)

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13. CONSOLIDATED STATEMENTS OF CASH FLOWS

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

	March 31, 2015 $	December 31, 2014 $
Cash on hand with banks	**3,108,092**	6,219,000

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

	March 31, 2015 $	March 31, 2014 $
Interest and investment income received	403	42,275
Interest paid	809,258	135,000

In accordance with the Metal Prepay Facility, FRSMI is required to maintain net working capital and cash in an aggregate of not less than US $2 million [$2,533,200] during the term of the facility.

14. RELATED PARTY TRANSACTIONS

For the three months ended March 31, 2015, the Company paid key management personnel including officers, directors or their related entities for consulting services and/or management services.

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

	March 31, 2015 $	March 31, 2014 $
Salaries and benefits	**115,085**	110,829
Consulting services	**79,000**	403,300
Directors' fees	**—**	58,000
Legal services	**73,000**	39,646
Fair value of stock options granted	**—**	306,000
	267,085	917,775

As at March 31, 2015, $119,769 [March 31, 2014 - $91,241] was owing to key management personnel for services provided during the year.

15. BUSINESS COMBINATIONS

The fair values related to the RSM acquisition disclosed below are preliminary as at March 31, 2015 due to the complexity of the acquisition and the inherently uncertain nature of valuing mining assets and related property, plant and equipment. The finalization of the valuation work required to determine the fair values of the assets and liabilities acquired will be completed within 12 months of the acquisition date, at the latest.

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

Phase 1

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

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

Phase 2

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

- US $4 million cash payment to RVM Holdings LLC, made on October 1, 2014;

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

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

Purchase Price:

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

Provisional Fair Value of Assets Acquired and Liabilities Assumed:

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

Transaction costs of $537,028 were incurred in relation to the acquisition of the RSM and were included in corporate development costs at December 31, 2014. In addition, $2,663,784 of transactions costs related to obtaininig financing to purchase the RSM were incurred and have been expensed to transaction costs. At December 31, 2014, the amounts expensed to transaction costs were reclassified to loss on extinguishment of debt.

If the acquisition of 100% interest of RSM had been completed on January 1, 2014, the consolidated statement of income for 2014 would have included no revenue or net earnings as RSM was acquired while it was in the commissioning phase and had not reached commercial production as of December 31, 2014.

For the three months ended March 31, 2015 RSM has contributed a net gain of $2.7 million [December 31, 2014 - $3.9 million] to the continuing operations of the Company.

16. COMMITMENTS AND CONTINGENCIES

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

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

17. SUBSEQUENT EVENTS

On May 1, 2015 the Company, FCL, POSCAN and 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 Anthracite Joint Venture [“AAJV”] sold its interests the coal licenses comprising the Arctos project to BC Rail for $18,308,000. The AAJV 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. Fortune, FCL, POSCAN and POSCO Klappan have also entered into an amending agreement to restructure the AAJV 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 for $308,000. Fortune will also be solely responsible for reclamation of the Arctos property except for the access road for which the Province will be responsible and Fortune will also be entitled to receive the cash provided as security for its reclamation obligations once the reclamation is complete. Fortune will use its $9 million share of the funds from this transaction to satisfy its obligation under the Metal Prepay Facility to contribute US$ 4 million in capital support for the RSM, for working capital and to repay debt.

The transaction is not reflected in these interim consolidated financial statements and will be recorded in the second quarter when it occurred.