Consolidated Financial Statements

Fortune Minerals Limited

December 31, 2014 and 2013

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

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

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

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

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

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

[Signed]
Robin Goad
President and
Chief Executive Officer

[Signed]
Mahendra Naik
Chief Financial Officer

INDEPENDENT AUDITORS' REPORT

To the Shareholders of
Fortune Minerals Limited

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

Management's responsibility for the consolidated financial statements

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

Auditors' responsibility

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

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

of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

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

Emphasis of Matter

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

Ernst & Young LLP

Chartered Professional Accountants
Licensed Public Accountants

London, Canada
March 31, 2015

Fortune Minerals Limited
Incorporated under the laws of Ontario

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(expressed in Canadian dollars)

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

See accompanying notes

On behalf of the Board:

[Signed]

Robin Goad
Director

[Signed]

Mahendra Naik
Director

CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS

(expressed in Canadian dollars)

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

See accompanying notes

Fortune Minerals Limited

CONSOLIDATED STATEMENTS OF CASH FLOWS

(expressed in Canadian dollars)

For the year ended December 31,

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

See accompanying notes

Fortune Minerals Limited

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

(expressed in Canadian dollars)

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

See accompanying notes

Fortune Minerals Limited

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2014

1. CORPORATE INFORMATION

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

2. BASIS OF PRESENTATION AND GOING CONCERN UNCERTAINTY

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These consolidated financial statements have been prepared by management in accordance with International Financial Reporting Standards ["IFRS"] and are within the framework of the significant accounting policies summarized below. The preparation of financial statements

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

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

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

[a] Principles of consolidation and joint arrangement

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

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

[b] Functional and presentation currency

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

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

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

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

- Assets and liabilities are translated at the exchange rate in effect at the balance sheet date; and

- Revenues and expenses are translated at the average exchange rates throughout the reporting period.
- Exchange gains and losses on translation are included in other comprehensive income.

[c] Comprehensive loss

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

[d] Cash and cash equivalents

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

[e] Exploration and evaluation expenditures

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

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

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

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

[f] Mine development expenditures

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

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

[g] Capital Assets

i. Mining assets and other capital assets

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

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

The assets are amortized at the following rates:

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

ii. Impairment

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

An impairment loss is recognized when the carrying amount of an asset, or its cash-generating unit, exceeds its recoverable amount. A cash-generating unit is the smallest identifiable group of assets that generates, or is expected to generate, cash inflows that are largely independent of the cash inflows from other assets or groups of assets. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs. The recoverable amount is calculated as the greater of the fair value less

costs to sell and value in use. Impairment losses are recognized in profit and loss for the period. Impairment losses recognized in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to cash-generating units and then to reduce the carrying amount of the other assets in the unit on a pro-rata basis.

iii. Reversal of impairment

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

[h] Assets held for sale

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

[i] Intangible assets

Intangible assets are amortized at the following rate:

Asset class	Rate of amortization %
Software	35

[j] Share-based payment plans

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

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

affect the calculated values. Due to the number of estimates involved, it is likely that the actual fair value of the options will differ from what has been recorded in the financial statements.

[k] Income taxes

The Company follows the liability method of tax allocation in accounting for income taxes. Under this method, deferred tax assets and liabilities are determined based on differences between the financial reporting and tax bases of assets and liabilities and measured using the substantively enacted tax rates and laws that will be in effect when the differences are expected to reverse. Temporary differences that do not affect accounting or taxable profit do not result in deferred tax assets or liabilities being recognized.

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

[l] Provision for environmental rehabilitation

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

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

[m] Financial instruments

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

- Short-term investments within cash and cash equivalents and reclamation security deposits are designated as “assets at fair value through profit or loss” and are measured

at fair value. Gains and losses resulting from the periodic revaluation of these items are recorded in net income.

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

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

[n] Income (loss) per common share

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

[o] Borrowing costs

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

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

[p] Transaction costs

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

[q] Administrative expenses

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

[r] Provisions

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

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

[s] Flow-through shares

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

[t] Fair Value Measurement

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

and inputs to measure the fair value of its investments. The three levels of the fair value hierarchy are as follows:

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

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

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

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

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

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

[u] New accounting standards

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

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

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

[v] Future accounting standard

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

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

The IASB has replaced IAS 18, *Revenue* in its entirety with IFRS 15 - Revenue from contracts with customers [“IFRS 15”] which is intended to establish a new control-based revenue recognition model and change the basis for deciding whether revenue is to be recognized over time or at a point in time. IFRS 15 is effective for annual periods commencing on or after January 1, 2017. The Company is currently evaluating the impact the standard is expected to have on its consolidated financial statements.

4. FINANCIAL INSTRUMENTS

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

[a] Credit risk is the risk of an unexpected loss if a customer or counterparty to a financial instrument fails to meet its contractual obligations. Cash and cash equivalents and reclamation

security deposits are composed of financial instruments issued by large Canadian financial institutions with high investment-grade ratings maturing over various dates. Further, the Company limits its credit risk to any individual counterparty. The Company's recurring receivables consist primarily of Goods and Services Tax and Harmonized Sales Tax due from the Federal Government of Canada.

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

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

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

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

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

Fair value measurements of financial assets and liabilities

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

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

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

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

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

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

5. MANAGEMENT OF CAPITAL

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

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

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

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

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

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

6. CAPITAL ASSETS AND INTANGIBLE ASSETS

Capital assets and intangible assets consist of the following:

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

7. MINING PROPERTIES

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

Interests in mining properties consist of the following:

	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**

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

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

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

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

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

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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, 2013	6,759,500	1,479,739	601,626	808,920	22,480	901,155	723	—	988	—	—	10,575,131
Additions	839,290	12,840,098	—	433,273	953,371	—	42,657	249,160	170,289	24,937,823	1,482,722	41,948,683
Disposal	(584,524)	—	—	—	—	(799)	—	—	—	—	—	(585,323)
As at December 31, 2014	**7,014,266**	**14,319,837**	**601,626**	**1,242,193**	**975,851**	**900,356**	**43,380**	**249,160**	**171,277**	**24,937,823**	**1,482,722**	**51,938,491**
Accumulated amortization												
As at December 31, 2013	—	1,086,332	564,831	713,776	21,074	—	280	—	—	—	—	2,386,293
Amortization for the period	—	65,291	11,038	28,543	422	—	133	—	—	—	—	105,427
As at December 31, 2014	**—**	**1,151,623**	**575,869**	**742,319**	**21,496**	**—**	**413**	—	**—**	—	—	**2,491,720**
Net book value												
As at December 31, 2013	6,759,500	393,407	36,795	95,144	1,406	901,155	443	—	988	—	—	8,188,838
As at December 31, 2014	**7,014,266**	**13,168,214**	**25,757**	**499,874**	**954,355**	**900,356**	**42,967**	**249,160**	**171,277**	**24,937,823**	**1,482,722**	**49,446,771**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

iii. Revenue Silver Mine ["RSM"]

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

The transaction is being accounted for as a business combination with the Company identified as the acquirer. The acquisition has been accounted for on a preliminary basis taking into account the

information available at the time these consolidated financial statements were prepared. Refer to note 15, Business Combinations for more information.

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

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

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

iv. Reclamation Security Deposits

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

Reclamation security deposits consist of the following:

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

*[i]*FMV= Fair market value

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

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

v. Impairment

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

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

vi. Assets Held for Sale

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

8. PROVISION FOR ENVIRONMENTAL REHABILITATION

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

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

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

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

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

9. SHARE CAPITAL

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

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

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

December 31, 2014

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

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

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

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

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

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

[c] On May 9, 2014 the Company issued 32 million common shares to the vendors of the RSM transaction as part of the proceeds issued for the purchase of 12% interest in RSM [refer to Note 7iii]. The fair value of the shares in exchange for the 12% interest in RSM was $10,880,000. This value was calculated based on the fair market value per share of $0.34 on May 9, 2014. On October 1, 2014, the Company entered into an agreement to issue an

additional 17,744,000 common shares, subject to shareholder and regulatory approval, on or before December 31, 2014, to the vendors of the RSM transaction as partial consideration for the remaining 88% interest in RSM. The shares were issued on November 20, 2014 and the value of the shares were valued at $3,903,680. This value was calculated based on the fair market value per share of $0.22 on October 1, 2014. Share issuance costs of $12,497 were incurred to complete the financing.

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

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

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

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

10. FINANCE LEASE LIABILITY

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

December 31, 2014

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

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

11. CURRENT DEBT

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

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

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

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

On October 1, 2014, the Company entered into a second facility with LRC, a Senior Secured Metal Prepay Agreement ["the Metal Prepay Facility"], which resulted in the Company receiving total financing of US $35 million. The first tranche of US $25 million was received on October 1, 2014 and the second tranche of US $10 million was received on October 16, 2014. The Company used the funding from the first tranche to repay the US $4 million General Corporate Facility on October 1, 2014, fund the RSM acquisition, including amounts owing to the previous owner of the mine, make capital investments to improve the mine operations, and provide working capital to RSM. The Metal Prepay Facility principal will be repaid from a fixed schedule of metal

shipments from RSM to LRC, plus interest of 9.25% over a five year term. Additional terms include a concentrate payment of $7.50 per metric ton of each shipment made and an offtake payment equal to $0.30 for each ounce of silver and $10 for each ounce of gold, excluding repayment units. Cash interest payments are due on the 15th business day of each month for interest relating to the calendar month immediately preceding.

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

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

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

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

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

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

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

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

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

12. INCOME TAXES

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

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2014

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

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

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

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

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

13. CONSOLIDATED STATEMENTS OF CASH FLOWS

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

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

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

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

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

14. RELATED PARTY TRANSACTIONS

For the year ended December 31, 2014, the Company paid key management personnel including officers, directors or their related entities for consulting services and/or management services.
The following compensation was paid or awarded to key management personnel for services provided during the year ended:

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

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

15. BUSINESS COMBINATIONS

The fair values related to the RSM acquisition disclosed below are preliminary as at December 31, 2014 due to the complexity of the acquisition and the inherently uncertain nature of valuing

mining assets and related property, plant and equipment. The finalization of the valuation work required to determine the fair values of the assets and liabilities acquired will be completed within 12 months of the acquisition date, at the latest.

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

Phase 1

On May 9, 2014 the Company entered into a Participating Interest and Asset Purchase Agreement purchase agreement [“the PIAPA Agreement”]. This first phase of the acquisition included the purchase of a 12% interest in RSM in exchange for consideration of $US 2 million [$2,167,136] and 32 million common shares of the Company. The 32 million common shares had a value of $10,880,000 which was determined based on the fair market value per share of $0.34 on May 9, 2014. The total consideration of $13,047,136 was allocated to mineral properties and capital assets in the amounts of $9,393,938 and $3,653,198, respectively on the date of the transaction. Pursuant to the PIAPA, the Company became the operator of the mine with joint responsibility for the direction and control of the activities of the mine when it acquired the 12% interest in RSM. In addition, the Company also took responsibility for all costs, expenses and liabilities related to the mine, retroactive to May 1, 2014.
On September 18, 2014 the Company entered into a $US 4 million General Corporate Facility agreement [“the General Corporate Facility”] with LRC-FRSM LLC [“LRC”]. From these proceeds, the Company paid $US 0.25 million in interim period expenditures to the vendors of RSM, in accordance with the amended PIAPA described below.

Phase 2

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

- US $4 million cash payment to RVM Holdings LLC, made on October 1, 2014;
- 2% net smelter return royalty to a maximum of US $9 million dollars, adjusted for inflation on a Consumer Price Indexed [“CPI”] basis. This has been included in the preliminary acquisition valuation of the mineral interests;
- 1% net smelter return royalty to a maximum of US $9 million, adjusted for inflation on a CPI basis to be paid on sales during a calendar month, if and when the price of silver is more than $60 per ounce to be paid after the 2% net smelter return royalty reached $9

million on a CPI basis. Due to the uncertainty of this contingent liability, this has not been included in the preliminary acquisition valuation and,

- a bonus payment of US $2 million if the price of silver on the London Bullion market exceeds $40 per ounce for any day on or prior to December 31, 2016. Due to the uncertainty of this contingent liability, this has not been included in the preliminary acquisition valuation.
- a bonus payment of US $500,000 to be paid in ten equal monthly installments if the price of silver on the London Bullion market exceeds $30 per ounce for any day on or prior to December 31, 2017.

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

Purchase Price:

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

Provisional Fair Value of Assets Acquired and Liabilities Assumed:

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

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

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

16. COMMITMENTS AND CONTINGENCIES

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

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

17. SUBSEQUENT EVENTS

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

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

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

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