Fortune Graphite Inc.
(An Exploration Stage Enterprise)

Financial Statements
As of and for the Years Ended
January 31, 2013 and 2012

And

Report of Independent Public Accounting Firm

Fortune Graphite Inc.
(An Exploration Stage Enterprise)
Index to Financial Statements
January 31, 2013 and 2012

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REPORT OF INDEPENDENT PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of
Fortune Graphite Inc.:

Report on the Financial Statements

We have audited the financial statements of Fortune Graphite Inc., (an exploration stage enterprise) which are comprised of the balance sheets as at January 31, 2013 and 2012, and the related statements of comprehensive loss, changes in shareholders' equity, and cash flows for each of the years then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards ("IFRS") and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements that give a true and fair view 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 financial statements.

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

Opinion

In our opinion, the accompanying financial statements give a true and fair view of the financial position of Fortune Graphite Inc. as at January 31, 2013 and 2012, and of their financial performance and cash flows for each of the years then ended in accordance with IFRS.

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 2 of the accompanying financial statements, the Company is dependent on generating revenue and obtaining outside sources of financing for the continuation of its operations. These factors raise substantial doubt about the Company's ability to continue as a going concern. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Gregory Scott

Chicago, Illinois USA
March 20, 2013

Fortune Graphite Inc. (An Exploration Stage Enterprise)
Balance Sheet
As of January 31, 2013 and 2012

Assets	Note	2013	2012
Non-current assets			
Intangible assets - mineral rights	**4**	$ 3,900,000	$ 3,900,000
Furniture and fixtures		2,988	4,336
Total non-current assets		**$ 3,902,988**	**$ 3,904,336**
Current assets			
Cash and cash equivalents	**3**	71,365	85,000
Total current assets		**$ 71,365**	**$ 85,000**
Total assets		**$ 3,974,353**	**$ 3,989,336**
Shareholders' Equity (Deficit) and Liabilities			
Shareholders' equity			
Common stock	**5**	$ 1,039,800	$ 539,800
Additional paid-in capital		-	-
Accumulated deficit		(223,722)	(166,368)
Total shareholders' equity (deficit)		**$ 816,078**	**$ 373,432**
Long-term liabilities			
Notes payable - related party	**4**	1,100,000	1,100,000
Total long-term liabilities		**$ 1,100,000**	**$ 1,100,000**
Current liabilities			
Common stock payable - related party	**4**	1,800,000	2,300,000
Notes payable - related party		-	-
Due to related parties	**3**	258,275	215,904
Total current liabilities		**$ 2,058,275**	**$ 2,515,904**
Total liabilities		**$ 3,158,275**	**$ 3,615,904**
Total shareholders' equity and liabilities		**$ 3,974,353**	**$ 3,989,336**

The accompanying notes are in integral part of the financial statements.

Fortune Graphite Inc. (An Exploration Stage Enterprise)
Statement of Comprehensive Loss
For the Year Ended January 31, 2013 and 2012

	Note	2013	2012
Revenue			
Commission fee income	2	$ -	$ -
Total revenue		**$ -**	**$ -**
Operating expenses			
Transportation		3,557	9,581
Professional fees		25,263	42,533
Management fees		3,964	2,128
Telecommunications		2,146	2,840
Rent		6,710	10,427
Filing and transfer agent fees		6,949	12,494
General and administrative		8,765	10,745
Total operating expenses	**2**	**$ 57,354**	**$ 90,748**
Loss from operations		**$ 57,354**	**$ 90,748**
Income tax expense	**2**	-	-
Net loss		**$ 57,354**	**$ 90,748**
Other comprehensive income	**2**	$ -	$ -
Total comprehensive income		**$ 57,354**	**$ 90,748**
Loss per share - Basic and diluted		**$ 0.0074**	**$ 0.0174**
Weighted average number of common shares - Basic and diluted		**7,704,318**	**5,205,000**

The accompanying notes are in integral part of the financial statements.

Fortune Graphite Inc. (An Exploration Stage Enterprise)
Statement of Changes in Shareholders' Equity
For the Year Ended January 31, 2013 and 2012

	Common Stock		Additional Paid-in	Accumulated	
	Shares	Amount	Capital	Deficit	Total
Balance at February 1, 2011	**5,203,636**	**$ 539,800**	**$ -**	**$ (75,620)**	**$ 464,180**
Net loss for the year ended January 31, 2012	-	-	-	(90,748)	(90,748)
Balance at January 31, 2012	**5,203,636**	**$ 539,800**	**$ -**	**$ (166,368)**	**$ 373,432**
Net loss for the year ended January 31, 2013	-	-	-	(57,354)	(57,354)
Common stock payable issued for acquisition of mineral rights	5,000,000	500,000	-	-	500,000
Balance at January 31, 2013	**10,203,636**	**$ 1,039,800**	**$ -**	**$ (223,722)**	**$ 816,078**

The accompanying notes are in integral part of the financial statements.

Fortune Graphite Inc. (An Exploration Stage Enterprise)
Statement of Cash Flows
For the Year Ended January 31, 2013 and 2012

	2013	2012
Cash flow from operating activities		
Net loss	$ (57,354)	$ (90,748)
Adjustments to reconcile net loss to cash from operating activities:		
Depreciation	$ 1,348	$ 1,084
Increase in due to related parties	42,371	174,664
Cash provided by operating activities	**$ (13,635)**	**$ 85,000**
Cash flow from investing activities	**$ -**	**$ -**
Cash flow from financing activities	**$ -**	**$ -**
Net change in cash and cash equivalents	**$ (13,635)**	**$ 85,000**
Cash and cash equivalents at beginning of the period	$ 85,000	$ -
Cash and cash equivalents at end of the period	**$ 71,365**	**$ 85,000**
Interest paid	$ -	$ -
Taxes paid	$ -	$ -
Non-cash financing activities:		
Acquisition of mineral rights for:		
Common stock	$ 500,000	$ -
Common stock payable - related party	$ (500,000)	$ -

The accompanying notes are in integral part of the financial statements.

1. Nature of Operations

Fortune Graphite Inc. ("Fortune Graphite" or "the Company") was incorporated on March 10, 2010, in British Columbia, Canada. The Company identifies and brings to market valuable mining properties bearing graphite carbon, gold, silver and other precious metals. The Company is the legal and registered owner of a total of 6,813 hectares containing graphite carbon, 348 hectares containing gold, and 188 hectares containing silver.

Based on the Company's business plan, it is an exploration stage enterprise since planned principle mining operations have not yet commenced. Accordingly, the Company has prepared its financial statements in accordance with International Financial Reporting Standards ("IFRS") that apply to developing enterprises.

2. Going Concern

The preparation of financial statements in accordance with IFRS contemplates that operations will be sustained for a reasonable period. The Company is in the exploration stage and is dependent on generating revenue and outside sources of financing for continuation of its operations. These conditions raise substantial doubt about the ability of the Company to continue as a going concern for a reasonable period.

The company plans to improve its financial condition through raising capital and ultimately generating revenue. However, there is no assurance that the company will be successful in accomplishing this objective. Management believes that this plan provides an opportunity for the Company to continue as a going concern. We cannot give any assurances regarding the success of management's plans. Our financial statements do not include adjustments relating to the recoverability of recorded assets or liabilities that might be necessary should we be unable to continue as a going concern.

3. Summary of Significant Accounting Policies

The principal accounting policies applied in the preparation of these financial statements are set out below.

Basis of Preparation **-** The financial statements are presented in Canadian dollars in accordance with IFRS, using the historical cost convention.

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Management believes that the estimates are reasonable.

Intangible Assets: Mineral Rights **-** Purchased intangible assets are recorded at cost, where cost is the amount of cash or cash equivalents paid or the fair value of other consideration given to acquire an asset at the time of its acquisition. The cost of such an intangible asset is measured at fair value unless the exchange transaction lacks commercial substance or the fair value of neither the asset received nor the asset given up is reliably measurable. If the fair value of either the asset received or the asset given up can be measured reliably, then the fair value of the asset given up is used to measure cost unless the fair value of the asset received is more clearly evident.

The Company capitalizes acquisition and annual renewal costs associated with mineral rights as intangible assets. The amount capitalized represents fair value at the time the mineral rights are acquired. Upon commencement of commercial production, the mineral rights will be amortized using the unit-of-production method over their expected useful life.

Cash and Cash Equivalents **-** For purposes of the statement of cash flows, the Company considers all highly liquid investments with original maturities of three months of less to be cash equivalents. Cash and cash equivalents are stated at cost which approximates fair value.

Due to Related Parties – Due to related parties represent related obligations allocated from affiliated entities to pay for goods or services that have been acquired in the ordinary course of business from suppliers.

Revenue and Associated Costs **-** The Company recognizes revenue when persuasive evidence of an arrangement exists, services are rendered, the sales price or fee is fixed or determinable, and collectability is reasonably assured. Costs associated with the production of revenues are expensed as incurred.

Impairment of Non-Financial Assets **-** Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows, such as the mining property level.

Income Taxes **-** The Company follows the asset and liability method of accounting for future income taxes. Under this method, future income tax assets and liabilities are recorded based on temporary differences between the carrying amount of assets and liabilities and their corresponding tax basis. In addition, the future benefits of income tax assets including unused tax losses, are recognized, subject to a valuation allowance to the extent that it is more likely than not that such future benefits will ultimately be realized. The Company has provided a 100% valuation allowance to its deferred tax assets associated with net operating losses, resulting in no net tax impact for any of the years presented.

Future income tax assets and liabilities are measured using enacted tax rates and laws expected to apply when they are to be either settled or realized. The Company does not have any significant deferred tax asset or liabilities at January 31, 2012. The Company's effective tax rate approximates the Federal statutory rates.

Other Comprehensive Income **-** Other comprehensive income represents the change in equity of an enterprise during a period from transactions from non-owner sources. The Company has no accounts or transactions that give rise to other comprehensive income.

Loss Per Common Share **-** Basic loss per common share is calculated by dividing the net loss by the weighted average number of common shares outstanding during that period. Diluted loss per share is calculated by based on the treasury stock method, by dividing loss available to common shareholders, adjusted for the effects of dilutive convertible securities, by the weighted average number of common shares outstanding during the period and all additional common shares that would have been outstanding had all potential dilutive common share been issued. This method computes the number of additional shares by assuming all dilutive options are exercised. That the total number of shares is then reduced by the number of common shares assumed to be repurchased from the total of issuance proceeds, using the average market price of the Company's common shares for the period. There were no dilutive securities during the period presented in the accompanying financial statements.

Segment Reporting **-** Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the steering committee that makes strategic decisions. The Company operates in one segment described in Note 1, consisting of its mining operations.

Critical Accounting Estimates and Judgments **-** Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year include:

Mineral Rights **-** Significant estimates and assumptions are required to determine the expected useful lives for amortizing the Company's intangible assets with finite useful lives. Estimates are also necessary in assessing whether there is an impairment of their value requiring a write-down of their carrying amount. In order to ensure that its assets are carried at no more than their recoverable amount, the Company evaluates at each reporting date certain indicators that would result, if applicable, in the calculation of an impairment test. The recoverable amount of an asset or group of assets may require the Company to use estimates and mainly to assess the future cash flows expected to arise from the asset or group of assets and a suitable discount rate in order to calculate present value. Any negative change in relation to the operating performance or the expected future cash flows of individual assets or group of assets will change the expected recoverable amount of these assets or group of assets, and therefore may require a write-down of their carrying amount.

Contingent Liabilities **-** The Company is required to make judgments about contingent liabilities including the probability of pending and potential future litigation outcomes that, by their nature, are dependent on future events that are inherently uncertain. In making its determination of possible scenarios, management considers the evaluation of outside counsel knowledgeable about each matter, as well as known outcomes in case law.

Future Accounting Policy Changes

In November 2009, the IASB issued IFRS 9 Financial Instruments as the first step in its project to replace IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 retains but simplifies the mixed measurement model and establishes two primary measurement categories for financial assets: amortized cost and fair value. The basis of classification depends on an entity's business model and the contractual cash flow of the financial asset. Classification is made at the time the financial asset is initially recognized, namely when the entity becomes a party to the contractual provisions of the instrument. IFRS 9 amends some of the requirements of IFRS 7 Financial Instruments: Disclosures including added disclosures about investments in equity instruments measured at fair value in OCI, and guidance on financial liabilities and de-recognition of financial instruments. In December 2011, the IASB issued an amendment that adjusted the mandatory effective date of IFRS 9 from January 1, 2013 to January 1, 2015. We are currently assessing the impact of adopting IFRS 9 on our financial statements.

In May 2011, the IASB issued IFRS 10 Consolidated Financial Statements to replace IAS 27 Consolidated and Separate Financial Statements and SIC 12 Consolidation - Special Purpose Entities. The new consolidation standard changes the definition of control so that the same criteria apply to all entities, both operating and special purpose entities, to determine control. The revised definition focuses on the need to have both power and variable returns before control is present. IFRS 10 must be applied starting January 1, 2013 with early adoption permitted. We are currently assessing the impact of adopting IFRS 10 on our financial statements.

In May 2011, the IASB issued IFRS 11 Joint Arrangements to replace IAS 31, Interests in Joint Ventures. The new standard defines two types of arrangements: Joint Operations and Joint Ventures. Focus is on the rights and obligations of the parties involved to reflect the joint arrangement, thereby requiring parties to recognize the individual assets and liabilities to which they have rights or for which they are responsible, even if the joint arrangement operates in a separate legal entity. IFRS 11 must be applied starting January 1, 2013 with early adoption permitted. We are currently assessing the impact of adopting IFRS 11 on our financial statements.
In May 2011, the IASB issued IFRS 12 Disclosure of Interests in Other Entities to create a comprehensive disclosure standard to address the requirements for subsidiaries, joint arrangements and associates including the reporting entity's involvement with other entities. It also includes the requirements for unconsolidated structured entities (i.e. special purpose entities). IFRS 12 must be applied starting January 1, 2013 with early adoption permitted. We are currently assessing the impact of adopting IFRS 12 on our financial statements.

In May 2011, the IASB issued IFRS 13 Fair Value Measurement as a single source of guidance for all fair value measurements required by IFRS to reduce the complexity and improve consistency across its application. The standard provides a definition of fair value and guidance on how to measure fair value as well as a requirement for enhanced disclosures. Enhanced disclosures about fair value are required to enable financial statement users to understand how the fair values were derived. IFRS 13 must be applied starting January 1, 2015 with early adoption permitted. We are currently assessing the impact of adopting IFRS 13 on our financial statements.

In October 2011, the IASB issued IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine. IFRIC 20 provides guidance on the accounting for the costs of stripping activity in the production phase of surface mining when two benefits accrue to the entity from the stripping activity: useable ore that can be used to produce inventory and improved access to further quantities of material that will be mined in future periods. IFRIC 20 must be applied starting January 1, 2013 with early adoption permitted. We are currently assessing the impact of adopting IFRIC 20 on our financial statements.

4. Intangible Assets – Mineral Rights

The Company acquired mineral rights associated with the following properties from related parties in exchange for shares of its common stock and future cash payments. The Company utilized the fair value of its equity and cash consideration to determine the acquisition price because proven or probable mineral reserves have not been determined for the acquired mineral rights.

The following table provides details on the components of each acquisition, including the number of shares of common stock issued, the number of shares of common stock to be issued in the future, and the future cash payments due to the seller. The future cash payments provided in the table below represent the payment obligations described in the purchase agreements. However, the seller has amended the terms of the agreements to defer the payment of future cash obligations by the Company until February 12, 2014 at a minimum, unless adequate funding is available to the Company for the payment after all 2013 exploration costs are taken into consideration from a successfully completed fundraise once listed on the GXG First Quote Market. As a result, all future cash payments due by the Company are reflected in the balance sheet as non-current liabilities.

	Mineral Rights Acquired					**Obligations**		
	AA Bentinck	**Harris Gold Creek**	**King David Castle**	**McVicar**	**Superior Graphite**	**Current Obligations**	**Noncurrent Obligations**	**Total**
Components of acquisition price:								
Common stock issued as of January 31, 2013:								
Shares	5,000,000	5,000,000	-	-	-	-	-	
Price per share	$ 0.10	$ 0.10	-	-	-	-	-	
	$ 500,000	$ 500,000	-	-	-	-	-	**$ 1,000,000**
Common stock payable at January 31, 2013								
Shares	-	-	5,000,000	3,000,000	10,000,000			
Price per share	-	-	$ 0.10	$ 0.10	$ 0.10			
Share issue date	-	-	Jun 16, 2012	Jun 16, 2012	Jun 16, 2012			
	-	-	$ 500,000	$ 300,000	$ 1,000,000	**$ 1,800,000**	-	**$ 1,800,000**
Future Cash Payments at January 31, 2013:								
Total payment due	-	$ 100,000	$ 250,000	$ 250,000	$ 500,000			
Due monthly	-	$ 5,000	$ 10,000	$ 10,000	$ 15,000			
Months	-	20	25	25	20			
Start	-	Sep 15, 2012	June 16, 2013	Aug 1, 2012	May 1, 2014			
End	-	Aug 15, 2014	May 16, 2015	Jul 1, 2014	Feb 1, 2017			
Payments due in:								
2012	-	$ 20,000	$ -	$ 50,000	$ -	$ -	$ 70,000	
2013	-	60,000	70,000	120,000	-	-	250,000	
2014	-	20,000	120,000	80,000	120,000	-	340,000	
2015	-	-	60,000	-	180,000	-	240,000	
2016	-	-	-	-	180,000	-	180,000	
2017	-	-	-	-	20,000	-	20,000	
						$ -	-	
							$ 1,100,000	
	$ -	$ 100,000	$ 250,000	$ 250,000	$ 500,000			**$ 1,100,000**

	AA Bentinck	**Harris Gold Creek**	**King David Castle**	**McVicar**	**Superior Graphite**	**Totals**
Date acquired	Apr 12, 2010	Aug 11, 2010	Dec 16, 2010	Dec 16, 2010	Jan 25, 2011	
Total consideration	$ 500,000	$ 600,000	$ 750,000	$ 550,000	$1,500,000	$ 3,900,000

Pursuant to these acquisitions, the Company owns 5,312 hectares containing graphite carbon, 348 hectares containing gold, and 188 hectares containing silver at January 31, 2013.

5. Shareholders' Equity

The Company is authorized to issue an unlimited number of no-par value shares of common stock.

All shares of the Company's common stock have equal rights and privileges with respect to voting, liquidation and dividend rights. Each share of common stock entitles the holder thereof to: one non-cumulative vote for each share held of record on all matters submitted to a vote of the stockholders; to participate equally and to receive any and all such dividends as may be declared by the Board of Directors out of funds legally available therefore; and to participate pro rata in any distribution of assets available for distribution upon liquidation. Stockholders have no pre-emptive rights to acquire additional shares of common stock or any other securities. Common shares are not subject to redemption and carry no subscription or conversion rights. All outstanding shares of common stock are fully paid and non-assessable.

6. Subsequent Events

No events occurred subsequent to January 31, 2013 that would require adjustment to the accompanying financial statements.

7. Approval of Financial Statements

The accompanying financial statements were approved by the board of directors and authorized for issue on March 20, 2013.