

Unaudited Condensed Interim Consolidated Financial Statements of

FORTUNE BAY CORP.

March 31, 2019

(Expressed in Canadian Dollars)

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

The accompanying unaudited condensed interim consolidated financial statements of the Company have been prepared by and are the responsibility of the Company's management. The Company's independent auditor has not performed a review of these condensed interim consolidated financial statements in accordance with standards established by the Chartered Professional Accountants of Canada for a review of interim financial statements by an entity's auditor.

FORTUNE BAY CORP.

Unaudited Interim Consolidated Statements of Financial Position

<i>Expressed in Canadian dollars</i>	March 31, 2019	December 31, 2018
Assets		
Current assets		
Cash	\$ 21,212	\$ 107,911
Accounts receivable (Note 3)	16,129	12,613
Prepaid expenses and deposits	13,439	18,630
	50,780	139,154
Reclamation deposit	38,083	38,083
Property and equipment (Note 4)	161,799	162,139
Exploration and evaluation assets (Note 5)	15,194,595	15,129,451
	\$ 15,445,257	\$ 15,468,827
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities (Note 6)	\$ 289,844	\$ 204,246
Other current liabilities (Note 7)	7,500	7,500
	297,344	211,746
Deferred income tax liability (Note 9)	225,666	213,460
	523,010	425,206
Equity		
Shareholders' equity	14,922,247	15,043,621
	\$ 15,445,257	\$ 15,468,827

Nature of operations and going concern (Note 1)
 Commitments and contingencies (Note 14)
 Subsequent event (Note 15)

The accompanying notes are an integral part of these unaudited condensed interim consolidated financial statements.

Approved on behalf of the Board of Directors on May 14, 2019

“Michael Gross”
 Director

“Wade Dawe”
 Director

FORTUNE BAY CORP.
Unaudited Interim Consolidated Statements of Loss and Comprehensive Loss

Expressed in Canadian dollars

	Three-month period ended March 31, 2019	Three-month period ended March 31, 2018
Operating expenses (income)		
Office, travel and promotion	\$ 17,274	\$ 16,980
Depreciation	210	300
Professional services	13,035	14,171
Salaries and benefits	68,403	72,724
Management service fees	3,000	3,000
Securities and regulatory	9,386	10,895
Share-based compensation	15,566	23,777
Foreign exchange loss (gain)	4,220	(418)
Net loss and comprehensive loss before income taxes	\$ (131,094)	\$ (141,429)
Deferred income tax expense (Note 9)	(5,846)	-
Net loss and comprehensive loss for the period	\$ (136,940)	\$ (141,429)
Loss per share – basic and diluted	\$ 0.01	\$ 0.01
Weighted-average number of common shares outstanding		
Basic and diluted	21,037,263	19,616,471

The accompanying notes are an integral part of these unaudited condensed interim consolidated financial statements.

FORTUNE BAY CORP.
Unaudited Interim Consolidated Statements of Changes in Equity

<i>Expressed in Canadian dollars</i>	Number of Common Shares	Common Shares \$	Warrants \$	Contributed Surplus \$	Retained Earnings (Deficit) \$	Total Shareholders' Equity \$
Balance, January 1, 2018	18,578,200	3,468,515	-	230,691	11,105,688	14,804,894
Net loss and comprehensive loss for the period	-	-	-	-	(141,429)	(141,429)
Units issued pursuant to private placement (Note 8)	2,287,500	673,302	241,698	-	-	915,000
Shares and warrants issued as finder's fee (Note 8)	171,563	66,910	29,166	-	-	96,076
Unit issuance costs (Note 8)	-	(82,989)	(34,938)	-	-	(117,927)
Share-based compensation expense	-	-	-	23,777	-	23,777
Balance, March 31, 2018	21,037,263	4,125,738	235,926	254,468	10,964,259	15,580,391
Balance, January 1, 2019	21,037,263	4,125,738	235,926	318,462	10,363,495	15,043,621
Net loss and comprehensive loss for the period	-	-	-	-	(136,940)	(136,940)
Share-based compensation expense	-	-	-	15,566	-	15,566
Balance, March 31, 2019	21,037,263	4,125,738	235,926	334,028	10,226,555	14,922,247

The accompanying notes are an integral part of these unaudited condensed interim consolidated financial statements.

FORTUNE BAY CORP.
Unaudited Interim Consolidated Statements of Changes in Cash Flows

<i>Expressed in Canadian dollars</i>	Three-month period ended March 31, 2019	Three-month period ended March 31, 2018
Operating activities		
Net loss for the period	\$ (136,940)	\$ (141,429)
Charges to loss not involving cash:		
Depreciation	210	300
Share-based compensation	15,566	23,777
Deferred income tax expense (Note 9)	5,846	-
Foreign exchange loss on deferred income taxes	6,360	-
Net change in non-cash working capital related to operations (Note 10)	85,854	(116,940)
Net cash used in operating activities	(23,104)	(234,292)
Financing activities		
Loan repayment to related party (Note 11)	-	(75,426)
Gross proceeds received upon completion of private placement (Note 8)	-	915,000
Unit issuance costs associated with private placement (Note 8)	-	(21,851)
Net cash provided by financing activities	-	817,723
Investing activities		
Additions to exploration and evaluation assets	(63,595)	(70,515)
Net cash used in investing activities	(63,595)	(70,515)
Increase (decrease) in cash	(86,699)	512,916
Cash, beginning of period	107,911	53,043
Cash, end of period	\$ 21,212	\$ 565,959

The accompanying notes are an integral part of these unaudited condensed interim consolidated financial statements.

FORTUNE BAY CORP.

Notes to the Unaudited Condensed Interim Consolidated Financial Statements

1. NATURE OF OPERATIONS AND GOING CONCERN

Nature of operations

Fortune Bay Corp. (the “Company” or “Fortune Bay”) was incorporated on February 4, 2016 as 9617337 Canada Limited under the laws of the Canada Business Corporations Act as part of a plan of arrangement with kneat.com, inc. which was completed on June 27, 2016. The Company commenced trading on the TSX Venture Exchange (“TSX-V”) on July 4, 2016 under the symbol FOR.

The Company’s principal activity is the acquisition, exploration and development of mineral interests. To date, the Company has not generated any revenues from operations and is considered to be in the exploration stage. The Company is incorporated and domiciled in Canada and its head office is located at 1969 Upper Water Street, Suite 2001, Halifax, Nova Scotia.

The Company is in the process of exploring and evaluating its mineral properties in Canada and Mexico. The recoverability of amounts spent for the acquisition, exploration and development of the mineral properties is dependent upon the discovery of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete the exploration and development of its properties and upon future profitable production or proceeds from disposition of the properties. The operations of the Company will require various licenses and permits from a number of governmental authorities which are or may be granted subject to various conditions and may be subject to renewal from time to time. There can be no assurance that the Company will be able to comply with such conditions and obtain or retain all necessary licenses and permits that may be required to carry out exploration, development and mining operations at its projects. Failure to comply with these conditions may render the licenses liable to forfeiture.

Going concern

These unaudited condensed interim consolidated financial statements have been prepared on a going-concern basis, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of operations as they come due. For the period ended March 31, 2019, the Company incurred a loss before income taxes of \$131,094 (year ended December 31, 2018 - \$528,733). The Company has no income or cash inflows from operations. In addition to its working capital requirements, the Company must secure sufficient funding to maintain legal title to its resource properties, to fund its exploration and development activities and to fund its general and administrative costs. Such circumstances lend significant doubt as to the ability of the Company to meet its obligations as they come due and, accordingly, the appropriateness of the use of accounting principles applicable to a going concern. Management is evaluating alternatives to secure additional financing so that the Company can continue to operate as a going concern. Nevertheless, there can be no assurance that these initiatives will be successful or sufficient.

The Company’s ability to continue as a going concern is dependent upon its ability to fund its working capital and exploration requirements and eventually to generate positive cash flows, either from operations or sale of its properties. These unaudited condensed interim consolidated financial statements do not reflect the adjustments to the carrying value of assets and liabilities and the reported expenses and statement of financial position classifications that would be necessary were the going concern assumption inappropriate, and these adjustments could be material.

FORTUNE BAY CORP.

Notes to the Unaudited Condensed Interim Consolidated Financial Statements

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these unaudited condensed interim consolidated financial statements, except as discussed below.

a) Statement of Compliance and Basis of Consolidation

The unaudited condensed interim consolidated financial statements of the Company and all its subsidiaries have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”).

These unaudited condensed interim consolidated financial statements have been prepared in accordance with International Accounting Standard 34, *Interim Financial Reporting* (“IAS 34”), as issued by the IASB. Accordingly, certain information normally included in annual financial statements prepared in accordance with IFRS, as issued by the IASB, has been omitted or condensed. The unaudited condensed interim consolidated financial statements should be read in conjunction with the audited consolidated financial statements of the Company for the year ended December 31, 2018.

The policies applied in these unaudited condensed interim consolidated financial statements are based on IFRS as of May 14, 2019, the date the Board of Directors approved the financial statements. Any subsequent changes to IFRS that are given effect in the Company’s annual consolidated financial statements for the year ended December 31, 2019 could result in the restatement of these unaudited condensed interim consolidated financial statements.

These unaudited condensed interim consolidated financial statements include certain assets, liabilities and results of operations of the Company, including the following subsidiaries:

<u>Subsidiary</u>	<u>Principal Activity</u>	<u>Country of Incorporation</u>
Brigus Gold ULC	Administrative services	Canada
7153945 Canada Inc.	Exploration	Canada
Linear Gold Holdings Corp.	Holding company	Canada
Linear Gold Mexico, S.A. de C.V.	Exploration	Mexico
Linear Gold Mineração Ltda.	Exploration	Brazil
Servicios Ixhuatán, S.A. de C.V.	Exploration	Mexico

The financial results of the subsidiaries above, which are controlled by Fortune Bay, are included in the consolidated financial statements from the date that control commences until the date whereby control ceases. Control exists when an investor has power over the investee, exposure, or rights, to variable returns from its involvement with the investee and the ability to use its power over the investee to affect the amount of the returns.

All subsidiaries have the same year end. All intercompany balances, revenue and expense transactions are eliminated upon consolidation.

These unaudited condensed interim consolidated financial statements have been prepared using the same policies and methods of computation as the annual consolidated financial statements of the Company for the year ended December 31, 2018, with the exception of the changes as the result of the adoption of new accounting standards as outlined in note 2 (b). Refer to Note 2, *Basis of Presentation and Summary of Significant Accounting Policies*, and Note 4, *New Accounting Standards*, of the Company’s annual consolidated financial statements for the year ended December 31, 2018 for information on the accounting policies as well as new accounting standards not yet effective.

FORTUNE BAY CORP.

Notes to the Unaudited Condensed Interim Consolidated Financial Statements

b) New accounting standards adopted during the period

Effective January 1, 2019, the Company adopted IFRS 16, *Leases* (“IFRS 16”). This change in accounting policy will also be reflected in the Company’s subsequent quarters and annual financial statements as at and for the year ended December 31, 2019.

Description of IFRS 16

IFRS 16, *Leases* (“IFRS 16”), a new standard on lease accounting, was issued on January 13, 2016 and replaces the current guidance in IAS 17. The new standard results in substantially all lessee leases being recorded on the consolidated statements of financial position. IFRS 16 is effective for annual periods beginning on or after January 1, 2019, with early adoption permitted. The Company has one operating lease for office space which the Company considers to be a short-term lease at the commencement date and therefore there was no impact to the consolidated financial statements when the standard was adopted. The Company will monitor all leases for appropriate recognition in future periods.

3. ACCOUNTS RECEIVABLE

	March 31, 2019	December 31, 2018
Sales tax and other	\$ 16,129	\$ 12,613
	<u>\$ 16,129</u>	<u>\$ 12,613</u>

4. PROPERTY AND EQUIPMENT

Cost	Land and building	Computer and office equipment	Field equipment	Total
As at January 1, 2018	\$164,233	\$38,599	\$91,543	\$294,375
Sale of property and equipment	(6,691)	-	-	(6,691)
As at December 31, 2018 and March 31, 2019	<u>\$157,542</u>	<u>\$38,599</u>	<u>\$91,543</u>	<u>\$287,684</u>
Accumulated depreciation	Land and building	Computer and office equipment	Field equipment	Total
As at January 1, 2018	\$ -	\$34,539	\$89,037	\$123,576
Depreciation	-	1,218	751	1,969
As at December 31, 2018	\$ -	\$35,757	\$89,788	\$125,545
Depreciation	-	210	130	340
As at March 31, 2019	<u>\$ -</u>	<u>\$35,967</u>	<u>\$89,918</u>	<u>\$125,885</u>
Carrying amount	Land and building	Computer and office equipment	Field equipment	Total
Balance, December 31, 2018	<u>\$157,542</u>	<u>\$2,842</u>	<u>\$1,755</u>	<u>\$162,139</u>
Balance, March 31, 2019	<u>\$157,542</u>	<u>\$2,632</u>	<u>\$1,625</u>	<u>\$161,799</u>

FORTUNE BAY CORP.

Notes to the Unaudited Condensed Interim Consolidated Financial Statements

For the three-month period ended March 31, 2019, the Company has capitalized depreciation expense of \$130 (March 31, 2018 - \$183). The Company sold two buildings with a cost base of \$6,691 during the year ended December 31, 2018 for gross proceeds of \$30,000.

5. EXPLORATION AND EVALUATION ASSETS

	Goldfields	Ixhuatán	Total
As at January 1, 2018	\$12,313,366	\$ 2,541,166	\$14,854,532
Additions	157,551	117,368	274,919
As at December 31, 2018	\$12,470,917	\$2,658,534	\$15,129,451
Additions	10,804	54,340	65,144
As at March 31, 2019	\$12,481,721	\$2,712,874	\$15,194,595

Goldfields

As at March 31, 2019, the Company holds a 100% interest in the Goldfields property, which includes the Box Deposit, the Athona Deposit and several exploration targets. During the year ended December 31, 2018, the Company incurred site restoration costs of \$82,826 and has recorded a remaining provision for site restoration costs of \$7,500.

Ixhuatán

As at March 31, 2019, the Company has a 100% interest in the Ixhuatán Project, which is located in the state of Chiapas, Mexico.

Other

The Company has a 2% net smelter royalty (“NSR”) over future production from the Huizopa Project, located in Chihuahua, Mexico. The Company also has the right to a production bonus of US\$4.0 million payable over two years from the date commercial production commences at Huizopa, as well as the right to 20% of the proceeds of disposal of Huizopa if it is disposed of prior to reaching commercial production. All consideration is contingent on the future development of the property. The Company considers the fair value of this consideration to be \$nil.

The Company also holds a NSR on exploration properties in the Dominican Republic: the Ampliación Pueblo Viejo, Ponton and La Cueva properties. These properties were sold by the Company to an unrelated third party in 2014. The NSR is equal to 1.0% when the price of gold is less than US\$1,000 per ounce, 1.5% when the price of gold is between US\$1,000 and USD\$1,400 per ounce, and 2% when the price of gold is above US\$1,400 per ounce. The Company has assigned a value of \$nil to the NSR.

In connection with the sale of these properties in the Dominican Republic, the Company also received a promissory note equal to the greater of \$5.0 million or 1 million common shares of the purchaser. The promissory note is subject to the completion of a National Instrument (“NI”) 43-101 compliant measured and indicated resource estimate on these concessions of a minimum of one million ounces of gold equivalent (at an average grade of 2.5 grams per tonne (“gpt”) or higher for Ampliación Pueblo Viejo and 1.5 gpt or higher for Ponton and La Cueva) or actual gold production from these concessions plus a NI 43-101 compliant measured and indicated resource estimate on these concessions (at an average grade of 2.5 gpt gold equivalent for APV and 1.5 gpt gold equivalent or higher for Ponton and La Cueva) exceeding one million ounces of gold equivalent. The Company has assigned a value of \$nil to the promissory note.

FORTUNE BAY CORP.

Notes to the Unaudited Condensed Interim Consolidated Financial Statements

6. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	March 31, 2019	December 31, 2018
Trade accounts payable and accrued liabilities	\$116,930	\$105,850
Amounts payable to related parties, including director fees	172,914	98,396
	<u>\$289,844</u>	<u>\$204,246</u>

7. OTHER CURRENT LIABILITIES

	March 31, 2019	December 31, 2018
Provision for site restoration (Note 5)	\$ 7,500	\$ 7,500

8. SHARE CAPITAL

a) Common Shares

Authorized share capital of the Company consists of an unlimited number of fully paid common shares without par value.

	Number of shares	Amount
Outstanding, January 1, 2018	18,578,200	\$ 3,468,515
Shares issued pursuant to private placement	2,287,500	673,302
Shares issued as finder's fee	171,563	66,910
Less: Share issuance costs	-	(82,989)
Outstanding, December 31, 2018 and March 31, 2019	<u>21,037,263</u>	<u>\$ 4,125,738</u>

Shares issued pursuant to Offering

On February 22, 2018, the Company completed a non-brokered private placement for aggregate gross proceeds of \$915,000 (the "Offering"). The Company issued 2,287,500 units at an issue price of \$0.40 per unit, with each unit comprised of one common share and one common share purchase warrant. Each warrant is exercisable into one common share of the Company at an exercise price of \$0.60 per share for a period of three years. Directors of the Company subscribed for an aggregate of 512,500 units.

The value allocated to the common shares issued was \$673,302, and the value allocated to the common share purchase warrants was \$241,698. Total costs associated with the private placement, consisting of professional and regulatory fees, as well as the finder's fees, were \$117,927. The Company allocated \$82,989 to the costs of issuing the common shares and \$34,938 to the costs of issuing the warrants. All securities issued pursuant to the financing were subject to a statutory four-month holding period in accordance with Canadian securities legislation.

The Offering was led by Numus Capital Corp., a private company controlled by a director and officer of the Company. In connection with the Offering, the Company paid a finder's fee comprised of common shares equal to 7.5% of the gross proceeds received by the Company from the sale of the units plus warrants entitling Numus Capital Corp. to purchase the number of shares in the Company that is equal to 7.5% of the units sold by Numus Capital Corp. as part of the Offering. This resulted in the issuance of 171,563 common shares of the Company and

FORTUNE BAY CORP.

Notes to the Unaudited Condensed Interim Consolidated Financial Statements

171,563 warrants of the Company to Numus Capital Corp. The shares issued to Numus Capital Corp. were valued at \$66,910, and the warrants were valued at \$29,166.

b) Warrants

	Number of warrants	Amount
Outstanding, January 1, 2018	-	\$ -
Warrants issued pursuant to the Offering	2,287,500	241,698
Warrants issued as finder's fee	171,563	29,166
Less: Warrant issue costs	-	(34,938)
Outstanding, December 31, 2018 and March 31, 2019	2,459,063	\$ 235,926

Pursuant to the Offering during the year ended December 31, 2018, 2,287,500 warrants were issued, valued at \$241,698. These warrants are exercisable at \$0.60 and expire on February 22, 2021. 171,563 warrants were issued as a finder's fee pursuant to the Offering, valued at \$29,166. These warrants are exercisable at \$0.40 and expire on February 22, 2021.

The fair value of the warrants issued has been estimated at the grant date using the Black-Scholes option pricing model. The weighted-average assumptions used in the pricing model for the year ended December 31, 2018 are as follows:

Risk-free interest rate	1.94%
Expected life	3.0 years
Expected volatility	79%
Expected dividend per share	nil
Weighted-average fair value per warrant	\$0.14

c) Share-Based Compensation

The Company has adopted a share-based compensation plan, providing the Board of Directors with the discretion to issue an equivalent number of stock options of up to 10% of the issued and outstanding share capital of the Company. Stock options are granted with an exercise price of not less than the closing share price the date preceding the date of grant.

The estimated fair value of options recognized has been estimated at the grant date using the Black-Scholes option pricing model. Option pricing models require the input of highly subjective assumptions, including the expected volatility. Changes in the assumptions can materially affect the fair value estimate and, therefore, the existing models do not necessarily provide a reliable estimate of the fair value of the Company's stock options.

The following table reconciles the stock option activity during the three-month period ended March 31, 2019 and the year ended December 31, 2018:

	Number of options	Weighted-average exercise price
Balance, January 1, 2018	1,000,000	\$ 0.40
Granted	175,000	0.45
Balance, December 31, 2018 and March 31, 2019	1,175,000	\$ 0.41

FORTUNE BAY CORP.

Notes to the Unaudited Condensed Interim Consolidated Financial Statements

The fair value of the 175,000 stock options issued during the year ended December 31, 2018 has been estimated at the grant date using the Black-Scholes option pricing model. The weighted-average assumptions used in the pricing model are as follows:

Risk-free interest rate	1.94%
Expected life	4.5 years
Expected volatility	100%
Expected dividend per share	nil
Weighted-average fair value	\$0.33

There were no stock options issued during the three-month period ended March 31, 2019. The following table summarizes information relating to outstanding and exercisable stock options as at March 31, 2019:

Expiry date	Weighted-average remaining contractual life (in years)	Number of options outstanding	Number of options exercisable	Weighted-average exercise price
July 11, 2021	2.3	1,000,000	666,666	\$ 0.40
March 5, 2023	3.9	175,000	58,333	\$ 0.45

For the three-month period ended March 31, 2019, the estimated value of options earned and recorded in the unaudited condensed interim consolidated statement of loss was \$15,566 (three-month period ended March 31, 2018 - \$23,777). As at March 31, 2019, 928,726 options were available for granting under the Plan.

9. INCOME TAXES

The provision for income taxes reported differs from the amounts computed by applying the cumulative Canadian federal and provincial income tax rates to the net loss before tax provision due to the following:

	Three-month period ended March 31, 2019	Three-month period ended March 31, 2018
Loss before income taxes	\$(131,094)	\$(141,429)
Statutory rate	31%	31%
Tax recovery at statutory rate	(40,639)	(43,843)
Expense for losses and deductible temporary differences not recognized in current and prior years	31,873	36,852
Permanent differences and other	14,612	6,991
Income tax expense	\$ 5,846	\$ -

FORTUNE BAY CORP.

Notes to the Unaudited Condensed Interim Consolidated Financial Statements

The tax effects of temporary differences that would give rise to the deferred tax assets and liabilities at March 31, 2019 and December 31, 2018 are as follows:

	March 31, 2019	December 31, 2018
Deferred tax assets		
Net operating losses carried forward	\$427,426	\$413,315
Deferred tax liabilities		
Exploration and development	653,092	626,775
Net deferred tax liability	\$225,666	\$213,460

At March 31, 2019, the Company recognized a net deferred tax liability of \$225,666 (December 31, 2018 - \$213,460) related to the difference between the book value and the tax value of the Company's exploration and evaluation assets in Mexico.

10. SUPPLEMENTAL CASH FLOW INFORMATION

Net changes in non-cash operating working capital items are as follows:

	Three-month period ended March 31, 2019	Three-month period ended March 31, 2018
Accounts receivable	\$ (3,516)	\$ (8,049)
Prepaid expenses and deposits	5,191	4,494
Accounts payable and accrued liabilities	84,179	(113,385)
	\$ 85,854	\$ (116,940)

11. RELATED PARTY TRANSACTIONS

Amounts payable to officers, directors and companies owned thereby were \$172,914 as at March 31, 2019 (December 31, 2018 - \$98,396). During the three-month period ended March 31, 2019, the Company incurred costs for controller services from a related company controlled by a director and officer of the Company, Numus Financial Inc. ("Numus"), in the amount of \$3,000 and incurred rent and office costs in the amount of \$7,885 and recognized other cost reimbursements from Numus of \$991. During the year ended December 31, 2018, the Company incurred costs for controller services from Numus of \$12,000 and incurred net rent and office costs in the amount of \$28,744 and recognized other cost reimbursements from Numus of \$12,632. As at March 31, 2019, the net amount payable by the Company to Numus was \$43,546 (December 31, 2018 - \$32,417).

During the period ended March 31, 2019, the Company entered into a loan agreement with a related company that is co-owned by a director and officer of the Company. The loan is for up to \$250,000, has an annual interest rate of 12% on the drawn balance of the loan and has a 4% lender fee which is deducted as amounts are drawn from the loan. The loan is repayable in full, including all interest and lender fees, on demand. As at March 31, 2019, the balance of the loan was \$nil. Subsequent to the end of the period, \$46,800 was drawn on the loan, including a fee of \$1,800 (4%). The loan will be used to fund exploration and evaluation asset expenditures and operating costs.

FORTUNE BAY CORP.

Notes to the Unaudited Condensed Interim Consolidated Financial Statements

During the year ended December 31, 2018, the Company completed a private placement financing of 2,287,500 units for aggregate gross proceeds of \$915,000 (Note 8). Directors of the Company subscribed for 512,500 units pursuant to the financing. In addition, a finder's fee was paid to Numus Capital Corp., a company owned by an officer and director of Fortune Bay. The finder's fee consisted of 171,563 common shares valued at \$66,910 and 171,563 common share purchase warrants valued at \$29,166 that are exercisable into 171,563 common shares of the Company at an exercise price of \$0.40 per share for a period of three years.

During the year ended December 31, 2018, a related party loan of \$75,426 was repaid in full. The balance of loan repayable included interest of \$426.

12. FAIR VALUE OF FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

a) Capital Management

The primary objective of managing the Company's capital is to ensure that there is sufficient available capital to support the long-term growth strategy of the Company in a way that optimizes the cost of capital and ensures the Company remains in sound financial position. The capital of the Company consists of items included in equity, net of cash, as follows:

	March 31 2019	December 31, 2018
Equity	\$14,922,247	\$15,043,621
Less: cash	(21,212)	(107,911)
	<u>\$14,901,035</u>	<u>\$14,935,710</u>

The Company manages its capital structure and makes adjustments in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may issue equity or debt instruments from time to time. No changes were made in the objectives, policies or processes for managing capital during the period ended March 31, 2019.

b) Fair Values of Financial Instruments

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. The carrying amounts reported in the statement of financial position for cash, accounts payable and accrued liabilities approximate their fair values based on the immediate or short-term maturities of these financial instruments.

c) Financial Risk Management Objectives

The Company examines the various financial instrument risks to which it is exposed and assesses the impact and likelihood of those risks. These risks may include market risk, credit risk, liquidity risk, and currency risk. Where material, these risks are reviewed and monitored.

d) Market Risk

Gold prices are affected by various forces, including global supply and demand, interest rates, exchange rates, inflation or deflation and worldwide political and economic conditions. The ability of the Company to capitalize on its current exploration and evaluation assets is impacted by the market price of gold.

FORTUNE BAY CORP.

Notes to the Unaudited Condensed Interim Consolidated Financial Statements

There has been no change to the Company's exposure to market risks or the manner in which these risks are managed and measured.

e) Credit Risk

Credit risk on financial instruments arises from the potential for counterparties to default on their obligations to the Company.

The Company's maximum exposure to credit risk is represented by the carrying amount of the Company's cash and accounts receivable. Cash is placed with high-credit quality financial institutions. The fair value of the accounts receivable balance approximates its carrying value due to the relatively short periods to maturity. There are no material financial assets that the Company considers to be past due.

At each reporting date, the Company assesses whether there has been an impairment of financial assets. The Company has not recorded an impairment on any financial assets during the period ended March 31, 2019.

f) Liquidity Risk

Liquidity risk is the risk that the Company will not meet its financial obligations as they become due. The Company has a planning and budgeting process to monitor operating cash requirements, including amounts projected for capital expenditures, which are adjusted as input variables change. These variables include, but are not limited to, funding requirements of exploration and evaluation assets, general and administrative requirements of the Company and the availability of capital markets. As these variables change, liquidity risks may necessitate the need for the Company to issue equity or obtain debt financing. Refer to Note 1 for further details.

Accounts payables and accrued liabilities are paid in the normal course of business generally according to their terms.

In the normal course of business, the Company enters into contracts that give rise to commitments for future minimum payments. The following table summarizes the remaining contractual maturities of the Company's financial liabilities:

	Payments due by period as of March 31, 2019				
	Within 1 year	2-3 years	4-5 years	Over 5 years	Total
Accounts payable and accrued liabilities	\$ 289,844	\$ -	\$ -	\$ -	\$ 289,844
Other current liabilities	\$ 7,500	\$ -	\$ -	\$ -	\$ 7,500
	<u>\$ 297,344</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 297,344</u>

g) Currency Risk

The Company is exposed to currency risk on its United States dollar and Mexican peso cash, accounts receivable and accounts payable and accrued liabilities in addition to certain of its operating costs. For the period ended March 31, 2019, changes in the exchange rate between the aforementioned currencies and the Canadian dollar would not have impacted the Company's net loss by a material amount as the balance of funds held, receivable or owing in these currencies was not material. The currency risk is minimal, therefore the Company does not hedge its currency risk.

FORTUNE BAY CORP.

Notes to the Unaudited Condensed Interim Consolidated Financial Statements

13. SEGMENT INFORMATION

The Company has one operating and reportable segment, which is the acquisition, exploration and development of mineral interests. The geographical information regarding the Company's assets is as follows:

	Mineral Operations		Total
	Canada	Mexico	
As at March 31, 2019			
Property and equipment	\$ 159,167	\$ -	\$ 159,167
Evaluation and exploration assets	12,481,721	2,712,874	15,194,595
	<u>\$12,640,888</u>	<u>\$2,712,874</u>	<u>\$15,353,762</u>

	Mineral Operations		Total
	Canada	Mexico	
As at December 31, 2018			
Property and equipment	\$ 162,139	\$ -	\$ 162,139
Evaluation and exploration assets	12,470,917	2,658,534	15,129,451
	<u>\$12,633,056</u>	<u>\$2,658,534</u>	<u>\$15,291,590</u>

14. COMMITMENTS AND CONTINGENCIES

The Company's exploration activities are subject to various federal, provincial and state laws and regulations governing the protection of the environment. The Company conducts its operations so as to protect public health and the environment and it believes its operations are materially in compliance with all applicable laws and regulations. The Company has made, and expects to make in the future, expenditures to comply with such laws and regulations.

The Company is from time to time involved in various claims, legal proceedings and complaints arising in the ordinary course of business. The Company does not believe that adverse decisions in any pending or threatened proceedings related to any matter, or any amount which it may be required to pay by reason thereof, will have a material effect on the financial conditions or future results of operations of the Company.

Certain of the Company's exploration and evaluation properties are subject to royalty obligations based on mineral production from the properties. Royalty obligations for the Goldfields Project may arise once the property enters production. The royalty obligations are a 2% NSR for the Box and Athona deposits at the Goldfields property. The Box area is also subject to a 1.5% NSR on all production beneath 50 metres below the mean sea level on the original mining claims. This royalty does not apply to the current Box mine plan since it is above the minus 50 metres below sea level elevation.

As at March 31, 2019, the Company has a services agreement with Numus for the provision of management services, rent and other office costs at a fee of \$32,400 per year, continuing until both parties mutually agree to terminate.

The Company has employment arrangements with the Chief Executive Officer and Chief Financial Officer of the Company which provide that, should a change in control event occur, the Chief Executive Officer and Chief Financial Officer will receive lump sum payments equal to 36 months and 12 months, respectively, of their then current base salary.

FORTUNE BAY CORP.

Notes to the Unaudited Condensed Interim Consolidated Financial Statements

15. SUBSEQUENT EVENT

Subsequent to March 31, 2019, the Company drew down on its loan from a related company that is co-owned by a director and officer of Fortune Bay in the amount of \$46,800. The loan is due on demand, includes a lender fee of 4%, and accrues interest at 12% per annum.