

Unaudited Condensed Interim Consolidated Financial Statements of

FORTUNE BAY CORP.

(formerly 9617337 Canada Limited)

June 30, 2016

(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>	June 30 2016	December 31 2015
Assets		
Current assets		
Cash	\$ 795,185	\$ 78,383
Accounts receivable (Note 4)	137,968	87,675
Prepaid expenses and deposits	29,324	2,500
Investments (Note 5)	41,795	242,490
	1,004,272	411,048
Reclamation deposit	37,742	37,742
Property and equipment (Note 6)	184,480	186,791
Exploration and evaluation assets (Note 7)	14,586,153	14,511,153
	\$ 15,812,647	\$ 15,146,734
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities (Note 8)	\$ 155,849	\$ 188,601
Equity		
Shareholders' equity	15,656,798	14,958,133
	\$ 15,812,647	\$ 15,146,734

Commitments and contingencies (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 August 24, 2016

“Michael Gross”

“Wade Dawe”

Director

Director

FORTUNE BAY CORP.

Unaudited Interim Consolidated Statements of Loss and Comprehensive Loss

Expressed in Canadian dollars

	Three-month period ended June 30, 2016	Three-month period ended June 30, 2015	Six-month period ended June 30, 2016	Six-month period ended June 30, 2015
Operating expenses (income)				
Depreciation	\$ 1,305	\$ 1,864	\$ 2,610	\$ 3,708
Office, premises and travel	4,999	3,611	9,227	8,238
Regulatory fees	41,923	-	41,923	-
Management service fees	11,250	15,000	22,500	30,000
Professional services	97,121	20,919	107,084	26,834
Salaries and benefits	60,402	17,036	71,002	21,921
Gain on sale of investments	(80,392)	-	(90,732)	-
Foreign exchange loss	4,762	3,826	11,707	1,684
	(141,370)	(62,256)	(175,321)	(92,385)
Loss from operations before income taxes	(141,370)	(62,256)	(175,321)	(92,385)
Income tax recovery (Note 10)	-	-	-	-
	(141,370)	(62,256)	(175,321)	(92,385)
Net loss for the period	(141,370)	(62,256)	(175,321)	(92,385)
Other comprehensive loss				
<i>Items that will be subsequently reclassified to the statement of loss</i>				
Net unrealized gain (loss) on available-for-sale investments (Note 5)	25,720	(143,265)	79,720	(222,510)
	\$ (115,650)	\$ (205,521)	\$ (95,601)	\$ (314,895)
Comprehensive loss for the period	\$ (115,650)	\$ (205,521)	\$ (95,601)	\$ (314,895)
Loss per share – basic and diluted	\$ (0.01)	\$ (0.00)	\$ (0.01)	\$ (0.00)
Weighted-average number of common shares outstanding				
Basic and diluted (Note 9)	18,578,200	18,578,200	18,578,200	18,578,200

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

Expressed in Canadian dollars

	Number of Common Shares	Common Shares	Net Investment from kneat.com	Warrants	Accumulated Other Comprehensive Income (Loss)	Retained Earnings (Deficit)	Total Shareholders' Equity
		\$	\$	\$	\$	\$	\$
Balance, January 1, 2015	-	-	14,559,891	-	60,000	-	14,619,891
Net loss for the period	-	-	(92,385)	-	-	-	(92,385)
Other comprehensive loss for the period	-	-	-	-	(222,510)	-	(222,510)
	-	-	(92,385)	-	(222,510)	-	(314,895)
Net contributions and advances from kneat.com	-	-	238,912	-	-	-	238,912
Balance, June 30, 2015	-	-	14,706,418	-	(162,510)	-	14,543,908
Net loss for the period	-	-	(266,481)	-	-	-	(266,481)
Other comprehensive income for the period	-	-	-	-	162,510	-	162,510
	-	-	(266,481)	-	162,510	-	(103,971)
Net contributions and advances from kneat.com	-	-	518,196	-	-	-	518,196
Balance, December 31, 2015	-	-	14,958,133	-	-	-	14,958,133
Net loss for the period	-	-	(175,321)	-	-	-	(175,321)
Other comprehensive income for the period	-	-	79,720	-	-	-	79,720
	-	-	(95,601)	-	-	-	(95,601)
Net contributions and advances from kneat.com	-	-	794,266	-	-	-	794,266
Shares and warrants issued pursuant to the Transaction (Note 9)	18,578,200	3,468,515	(15,656,798)	5,763	-	12,182,520	-
Balance, June 30, 2016	18,578,200	3,468,515	-	5,763	-	12,182,520	15,656,798

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>	Six-month period ended June 30, 2016	Six-month period ended June 30, 2015
Operating activities		
Net loss for the period	\$ (175,321)	\$ (92,385)
Charges to loss not involving cash:		
Depreciation	2,610	3,708
Gain on sale of investments	(90,732)	-
Net change in non-cash working capital related to operations (Note 11)	148,792	(17,428)
Net cash used in operating activities	(114,651)	(106,105)
Investing activities		
Additions to exploration and evaluation assets	(223,777)	(130,479)
Proceeds on sale of investments	371,147	-
Net cash provided by investing activities	147,370	(130,479)
Financing activities		
Cash advances from kneat.com	684,083	238,913
Net cash provided by financing activities	684,083	238,913
Increase in cash	716,802	2,329
Cash, beginning of period	78,383	25,797
Cash, end of period	\$ 795,185	\$ 28,126

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

Fortune Bay Corp. (the “Company” or “Fortune Bay” or “Spinco”) was incorporated on February 4, 2016 as 9617337 Canada Limited under the laws of the Canada Business Corporations Act as part of the transaction (the “Transaction”) between kneat.com, inc. (formerly Fortune Bay Corp.) (“kneat.com”), Kneat Solutions Limited and the Company (refer to Note 2 for details), which was completed on June 27, 2016. The Company commenced trading on July 4, 2016 under the symbol FOR (TSXV).

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 various 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.

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 for the foreseeable future. Continued operation of the Company is dependent on its ability to develop its exploration and evaluation assets, receive continued financial support, complete equity financings, or generate profitable operations in the future.

2. TRANSACTION WITH KNEAT SOLUTIONS LIMITED AND BASIS OF PRESENTATION

On June 27, 2016, SpinCo completed a transaction with Kneat Solutions Limited and kneat.com, pursuant to which kneat.com’s resource properties and other net assets were spun-out to Spinco by way of a court-approved plan of arrangement in Ontario (the “Arrangement”).

Pursuant to the Arrangement, shareholders of kneat.com as at the close of business on June 24, 2016 received one and one half (1.5) of a common share of Spinco (a “Spinco Share”) in exchange for each three (3) common shares of kneat.com held by them. Upon closing of the Transaction on June 27, 2016, shareholders of kneat.com as at the close of business on June 24, 2016 held 100% of the issued and outstanding Spinco Shares. The assets spun-out to SpinCo consisted mainly of the interests in the Goldfields project in Saskatchewan and the Ixhuatán Project and Huizopa net smelter royalty (“NSR”) in Mexico (collectively, “The Exploration Properties Business of Fortune Bay”, formerly “The Exploration Properties Business of 9617337 Canada Limited”).

FORTUNE BAY CORP.

Notes to the Unaudited Condensed Interim Consolidated Financial Statements

The carrying value of the net assets contributed to the Company pursuant to the Arrangement consisted of the following:

	June 27 2016
Assets	
Cash	\$ 795,185
Accounts receivable	137,968
Prepaid expenses and deposits	29,324
Investments	41,795
Reclamation deposit	37,742
Property and equipment	184,480
Exploration and evaluation assets	14,586,153
	<hr/> 15,812,647 <hr/>
Liabilities	
Accounts payable and accrued liabilities	155,849
	<hr/>
Carrying Value	<u>\$ 15,656,798</u>

Basis of Presentation

These unaudited condensed interim consolidated financial statements are presented in Canadian dollars and have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair value.

The combination of Spinco and the carve-out of The Exploration Properties Business of Fortune Bay is a combination of entities between entities under common control. However, the transaction does not meet the definition of a business combination under IFRS 3. This is due to the fact that SpinCo does not meet the definition of a business. The Arrangement has thus been accounted for as a capital re-organization of the carve-out of The Exploration Properties Business of Fortune Bay. This results in the Company reporting the carrying amounts of the assets and liabilities from the current and prior periods of the carve-out of The Exploration Properties Business of Fortune Bay.

Prior to the date of the spin-out, these consolidated financial statements reflect the assets, liabilities, operations and cash flows of The Exploration Properties Business of Fortune Bay on a 'carve-out' basis from the financial statements and accounting records of kneat.com. The income and expenses, where possible, have been allocated directly from kneat.com, and all remaining income and expenses have been allocated on a pro-rata basis based on the level of exploration and evaluation activities for the period up to June 27, 2016, which was the basis for allocation in the carve-out financial statements of The Exploration Properties Business of Fortune Bay. Up to the date of the Transaction, these amounts were reflected as net investment from kneat.com in the consolidated statement of changes in equity.

The net investment from kneat.com represents the retained earnings up to the close of the Arrangement and the carrying values of the net assets contributed and recorded under the continuity of interest accounting. The difference between the net investment from kneat.com up to closing of the Arrangement and the estimated fair value of common shares and warrants issued in connection with the closing of the Arrangement of \$12,182,520 is recorded as a credit to retained earnings.

FORTUNE BAY CORP.

Notes to the Unaudited Condensed Interim Consolidated Financial Statements

3. 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”). The Board of Directors approved the statements for issue on August 24, 2016.

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 combined carve-out financial statements of The Exploration Properties Business of 9617337 Canada Limited for the year-ended December 31, 2015.

The policies applied in these unaudited condensed interim consolidated financial statements are based on IFRS as of August 24, 2016, 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, 2016 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 Company consolidates the wholly-owned subsidiaries on the basis that it controls these subsidiaries through its ability to govern their financial and operating policies. There are no non-controlling interests and therefore all comprehensive income (loss) is attributable to the shareholders of the Company.

These financial statements have been prepared using the same policies and methods of computation as the annual combined carve-out financial statements of The Exploration Properties Business of 9617337 Canada Limited for the year-ended December 31, 2015. Refer to Note 3, *Significant Accounting Policies*, and Note 5, *New Accounting Standards Issued but not yet Effective*, of The Exploration Properties Business of 9617337 Canada Limited’s annual combined carve-out financial statements for the year-ended December 31, 2015 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

4. ACCOUNTS RECEIVABLE

	June 30 2016	December 31 2015
Due from related parties	\$ 83,603	\$ -
Sales tax and other	54,365	87,675
	<u>\$137,968</u>	<u>\$ 87,675</u>

5. INVESTMENTS

	June 30 2016	December 31 2015
Available-for-sale investments	<u>\$ 41,795</u>	<u>\$ 242,490</u>

For the six-month period ended June 30, 2016, the Company has recognized a gain on sale of \$90,732 and a change in the fair value of its available-for-sale investments of \$79,720 (June 30, 2015 – unrealized loss of \$222,510 and realized gain/loss of \$nil). Proceeds of \$371,147 were received pursuant to the sale of the Company's available-for-sale investments during the six-month period ended June 30, 2016.

6. PROPERTY AND EQUIPMENT

Cost	Land and building	Computer and office equipment	Field equipment	Total
As at January 1, 2015 and December 31, 2015	\$164,233	\$101,298	\$91,543	\$357,074
Additions	-	2,091	-	2,091
As at June 30, 2016	<u>\$164,233</u>	<u>\$103,389</u>	<u>\$91,543</u>	<u>\$359,165</u>
Accumulated depreciation	Land and building	Computer and office equipment	Field equipment	Total
As at January 1, 2015	\$ -	\$76,370	\$84,253	\$160,623
Additions	-	7,478	2,182	9,660
As at December 31, 2015	\$ -	\$83,848	\$86,435	\$170,283
Additions	-	3,643	759	4,402
As at June 30, 2016	<u>\$ -</u>	<u>\$87,491</u>	<u>\$87,194</u>	<u>\$174,685</u>
Carrying amount	Land and building	Computer and office equipment	Field equipment	Total
Balance, December 31, 2015	<u>\$164,233</u>	<u>\$ 17,450</u>	<u>\$ 5,108</u>	<u>\$186,791</u>
Balance, June 30, 2016	<u>\$164,233</u>	<u>\$ 15,898</u>	<u>\$ 4,349</u>	<u>\$184,480</u>

FORTUNE BAY CORP.

Notes to the Unaudited Condensed Interim Consolidated Financial Statements

For the six-month period ended June 30, 2016, the Company has capitalized depreciation expenses totaling \$759 (June 30, 2015- \$1,079).

7. EXPLORATION AND EVALUATION ASSETS

	Goldfields	Ixhuatán	Total
As at January 1, 2015	\$11,697,525	\$ 2,182,716	\$13,880,241
Additions	503,714	127,198	630,912
As at December 31, 2015	\$12,201,239	\$ 2,309,914	\$14,511,153
Additions	15,611	59,389	75,000
As at June 30, 2016	\$12,216,850	\$ 2,369,303	\$ 14,586,153

Goldfields

As at June 30, 2016, the Company holds a 100% interest in the Goldfields property, which includes the Box Deposit, the Athona Deposit and several exploration targets.

Ixhuatán

As at June 30, 2016, the Company has a 100% interest in the Ixhuatán Project, which is located in the state of Chiapas, Mexico.

Huizopa

The Company has a 2% net smelter royalty 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. During 2013, the Company recorded a loss of \$650,893 and no proceeds of disposal have been recognized, as all consideration is contingent on the future development of the property. The Company considers the fair value of this consideration to be \$nil.

8. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	June 30 2016	December 31 2015
Trade accounts payable and accrued liabilities	\$152,631	\$188,601
Amounts payable to related parties, including director fees	3,218	-
	\$155,849	\$188,601

FORTUNE BAY CORP.

Notes to the Unaudited Condensed Interim Consolidated Financial Statements

9. 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, 2015 and December 31, 2015	-	\$ -
Shares issued pursuant to the Transaction	18,578,200	3,468,515
Outstanding, June 30, 2016	18,578,200	\$ 3,468,515

Shares issued pursuant to the Transaction

Pursuant to the Transaction, the Company issued 18,578,200 common shares in exchange for the net assets received from kneat.com (Note 2). The balance of share capital immediately following the close of the Transaction was \$3,468,515. The amount was estimated based on the trading price of kneat.com just prior to the Transaction net of the value of the assets left behind after the spin-out from kneat.com.

Loss per share information in these consolidated financial statements has been presented as if the 18,578,200 common shares issued in connection with the closing of the Transaction had been issued and outstanding from the start of all periods presented.

b) Warrants

Pursuant to the Transaction with kneat.com on June 27, 2016, 401,786 warrants were issued, valued at \$5,763. As at June 30, 2016, 401,786 common share purchase warrants are outstanding, exercisable at \$0.60 into common shares of the Company and expiring on April 1, 2017. The weighted-average assumptions used in the pricing model for the period ended June 30, 2016 are as follows:

Risk-free interest rate	0.53%
Expected life	0.76 years
Expected volatility	67.46%
Expected dividend per share	\$0.00
Weighted average fair value per warrant	\$0.01

c) Stock Option Plan

The Company has adopted a stock option plan, providing the Board of Directors with the discretion to issue an equivalent number of 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.

As at June 30, 2016, there were no stock options issued and outstanding.

FORTUNE BAY CORP.

Notes to the Unaudited Condensed Interim Consolidated Financial Statements

10. 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:

	June 30 2016	June 30 2015
Loss before income taxes	\$(175,321)	\$(92,385)
Statutory rate	31%	31%
Tax recovery at statutory rate	(54,350)	(28,639)
Expense for losses and deductible temporary differences not recognized in current and prior years	50,539	29,854
Permanent differences and other	3,811	(1,215)
Income tax recovery	\$ -	\$ -

11. SUPPLEMENTAL CASH FLOW INFORMATION

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

	Six-months ended June 30 2016	Six-months ended June 30 2015
Accounts receivable	\$ 46,006	\$ (12,733)
Prepaid expenses and deposits	1,452	1,256
Accounts payable and accrued liabilities	101,334	(5,951)
	\$148,792	\$ (17,428)

12. RELATED PARTY TRANSACTIONS

Amounts payable to officers, directors and companies owned thereby were \$3,218 as at June 30, 2016 (year-ended December 31, 2015 - \$nil). During the six-month period ended June 30, 2016, the Company incurred costs for management services from a related company, Numus Financial Inc. ("Numus"), in the amount of \$22,500 and recognized rent reimbursements from Numus in the amount of \$3,600 and other cost reimbursements of \$1,617. During the year-ended December 31, 2015, the Company incurred management service fees of \$52,500 from Numus and recognized rent reimbursements from Numus in the amount of \$7,200 and other cost reimbursements of \$4,468. As at June 30, 2016, the net amount receivable by the Company from Numus was \$83,178.

Upon completion of the Arrangement, the key management has been redefined to include the Chief Executive Officer, the Chief Financial Officer and the Company's Directors.

13. 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.

FORTUNE BAY CORP.

Notes to the Unaudited Condensed Interim Consolidated Financial Statements

The capital of the Company consists of items included in equity, net of cash, as follows:

	June 30 2016	December 31 2015
Equity	\$15,656,798	\$14,958,133
Less: cash	(795,185)	(78,383)
	<u>\$14,861,613</u>	<u>\$14,879,750</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 June 30, 2016.

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 receivable, and accounts payable and accrued liabilities approximate fair values based on the immediate or short-term maturities of these financial instruments. The investments are carried at fair value on the statement of financial position.

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, currency risk, interest rate risk, and commodity price 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.

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 six-month period ended June 30, 2016.

FORTUNE BAY CORP.

Notes to the Unaudited Condensed Interim Consolidated Financial Statements

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.

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 June 30, 2016				Total
	Within 1 year	2-3 years	4-5 years	Over 5 years	
Accounts payable and accrued liabilities	\$ 155,849	\$ -	\$ -	\$ -	\$ 155,849

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 June 30, 2016, the sensitivity of the Company's net loss due to charges in the exchange rate between the Canadian dollar and foreign currencies would have impacted net loss by \$2,145 for a 5% increase or decrease in the Canadian dollar. The Company currently does not hedge its currency risk.

h) Fair Value Measurements Recognized in the Statement of Financial Position

The Company has certain financial assets that are held at fair value. The fair value hierarchy establishes three levels to classify the inputs to valuation techniques used to measure fair value. Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities. Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices). Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

At June 30, 2016, the levels in the fair value hierarchy into which the Company's financial assets are measured and recognized on the unaudited condensed interim consolidated statement of financial position at fair value are categorized as follows:

Financial Assets	Level 1 Input	Level 2 Input	Level 3 Input
Investments	\$ 41,795	\$ -	\$ -

There were no transfers between levels during the period.

FORTUNE BAY CORP.

Notes to the Unaudited Condensed Interim Consolidated Financial Statements

14. 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:

	Corporate Canada	Mineral Operations		Total
		Canada	Mexico	
As at June 30, 2016				
Current assets	\$ 925,948	\$ 43,836	\$ 34,488	\$ 1,004,272
Reclamation deposit	37,742	-	-	37,742
Property and equipment	15,898	168,582	-	184,480
Evaluation and exploration assets	-	12,216,850	2,369,303	14,586,153
	<u>\$ 979,588</u>	<u>\$12,429,268</u>	<u>\$ 2,403,791</u>	<u>\$15,812,647</u>

	Corporate Canada	Mineral Operations		Total
		Canada	Mexico	
As at December 31, 2015				
Current assets	\$ 244,621	\$ 131,327	\$ 35,100	\$ 411,048
Reclamation deposit	37,742	-	-	37,742
Property and equipment	17,450	169,341	-	186,791
Evaluation and exploration assets	-	12,201,239	2,309,914	14,511,153
	<u>\$ 299,813</u>	<u>\$12,501,907</u>	<u>\$ 2,345,014</u>	<u>\$15,146,734</u>

15. 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.

FORTUNE BAY CORP.

Notes to the Unaudited Condensed Interim Consolidated Financial Statements

As at June 30, 2016, the Company had approximately USD\$14 million of potential commitments for the development of the Goldfields Project related to equipment that was contracted to be built by unrelated parties.

The equipment was found to be inadequate and therefore, in accordance with the terms of the contracts, management determined the contracts to be null and void. The manufacturer of the equipment has not pursued any claims. The Company believes that any potential claims are without merit, offset by other damages and, in any event, nearing or past the applicable limitation period. No amounts have been recorded in the accounts of the Company at any period related to these agreements.

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.

16. SUBSEQUENT EVENT

On July 11, 2016, the Company issued 1,000,000 stock options. Directors, officers and employees were awarded 200,000, 700,000 and 100,000 stock options respectively. The options are exercisable at a price of \$0.40 per share, expire on July 11, 2021 and vest over a thirty-six-month period.