

Unaudited Condensed Interim Consolidated Financial Statements of

FORTUNE BAY CORP.

March 31, 2018

(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, 2018	December 31, 2017
Assets		
Current assets		
Cash	\$ 565,959	\$ 53,043
Accounts receivable (Note 3)	10,456	2,407
Prepaid expenses and deposits	24,790	29,284
	601,205	84,734
Reclamation deposit	37,969	37,969
Property and equipment (Note 4)	170,316	170,799
Exploration and evaluation assets (Note 5)	14,987,293	14,854,532
	15,796,783	15,148,034
Total assets	\$ 15,796,783	\$ 15,148,034
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities (Note 6)	\$ 145,392	\$ 267,714
Other current liabilities (Note 7)	71,000	-
Loan payable	-	75,426
	216,392	343,140
Equity		
Shareholders' equity	15,580,391	14,804,894
Total liabilities and equity	\$ 15,796,783	\$ 15,148,034

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

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 23, 2018

“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, 2018	Three-month period ended March 31, 2017
Operating expenses (income)		
Office, travel and promotion	\$ 16,980	\$ 31,136
Depreciation	300	1,036
Professional services	14,171	14,682
Salaries and benefits	72,724	80,073
Management service fees	3,000	3,000
Securities and regulatory	10,895	7,481
Share-based compensation	23,777	45,813
Foreign exchange gain	(418)	(3,555)
	<hr/>	<hr/>
Net loss and comprehensive loss for the period	\$ (141,429)	\$ (179,666)
	<hr/>	<hr/>
Loss per share – basic and diluted	\$ 0.01	\$ 0.01
Weighted-average number of common shares outstanding		
Basic and diluted	19,616,471	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

<i>Expressed in Canadian dollars</i>	Number of Common Shares	Common Shares \$	Warrants \$	Contributed Surplus \$	Accumulated Other Comprehensive Income (Loss) \$	Retained Earnings (Deficit) \$	Total Shareholders' Equity \$
Balance, January 1, 2017	18,578,200	3,468,515	5,763	91,626	-	11,766,398	15,332,302
Net loss for the period	-	-	-	-	-	(179,666)	(179,666)
Comprehensive loss for the period	-	-	-	-	-	(179,666)	(179,666)
Share-based compensation expense	-	-	-	45,813	-	-	45,813
Balance, March 31, 2017	18,578,200	3,468,515	5,763	137,439	-	11,586,732	15,198,449
Balance, January 1, 2018	18,578,200	3,468,515	-	230,691	-	11,105,688	14,804,894
Net loss for the period	-	-	-	-	-	(141,429)	(141,429)
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

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, 2018	Three-month period ended March 31, 2017
Operating activities		
Net loss for the period	\$ (141,429)	\$ (179,666)
Charges to loss not involving cash:		
Depreciation	300	1,036
Share-based compensation	23,777	45,813
Net change in non-cash working capital related to operations (Note 10)	(116,940)	25,834
Net cash used in operating activities	(234,292)	(106,983)
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	(70,515)	(56,401)
Net cash used in investing activities	(70,515)	(56,401)
Increase (decrease) in cash	512,916	(163,384)
Cash, beginning of period	53,043	491,402
Cash, end of period	\$ 565,959	\$ 328,018

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 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.

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, 2018, the Company incurred a loss of \$141,429 (year-ended December 31, 2017 - \$660,710). 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, 2017.

The policies applied in these unaudited condensed interim consolidated financial statements are based on IFRS as of May 23, 2018, 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, 2018 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, 2017, with the exception of the changes as the result of the adoption of new accounting standards as outlined in note 2 (c). Refer to Note 3, *Summary of Significant Accounting Policies*, and Note 5, *New Accounting Standards Issued but not yet Effective*, of the Company’s annual consolidated financial statements for the year-ended December 31, 2017 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) Site restoration provision

Exploration activities may give rise to obligations for site restoration. This work can include facility decommissioning and dismantling; removal or treatment of waste materials; site and land rehabilitation, including compliance with and monitoring of environmental regulations; security and other site-related costs required to perform the restoration work. The extent of work required and the associated costs are dependent on the requirements of relevant authorities and environmental policies.

Provisions for the cost of site restoration are recognized at the time a new legal or constructive obligation is determined. The carrying amount of the provision relates primarily to demolition of buildings and other facilities; disposal of waste materials; completion of security and safety measures and other ongoing care and maintenance required to be in compliance with relevant authorities. The expected costs are estimated based on the cost of external contractors performing the work or the cost of performing the work internally depending on management's intention.

When provisions for site restoration are initially recognized, the corresponding cost is capitalized as an asset, representing part of the cost of acquiring the future economic benefits of the resource property. The capitalized cost is recognized in exploration and evaluation properties.

c) New accounting standards adopted during the period

Effective January 1, 2018, the Company adopted IFRS 9, *Financial Instruments* ("IFRS 9"). 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, 2018.

Description of IFRS 9

IFRS 9 replaces provisions of the IASB's IAS 39, *Financial Instruments: Recognition and Measurement* ("IAS 39") that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting. The Company has adopted IFRS 9 using the retrospective approach from January 1, 2018.

Impact of adoption of IFRS 9

Financial liabilities that are considered modified must be accounted for by discounting the new cash flows at the original effective interest rate, resulting in an immediate impact to the Company's net loss. Management identified no financial liabilities that were modified prior to January 1, 2018.

IFRS 9 requires the Company to use the Expected Credit Loss ("ECL") impairment model in calculating impairment provisions, which differs from the incurred credit loss model under IAS 39. The ECL model is a probability weighted estimate of credit losses. Management has determined that there is no impact on the financial statements due to this change in impairment models.

The Company determines the measurement of financial assets and liabilities at initial recognition and classifies them at amortized cost. The Company completed an assessment of its financial assets and liabilities as at January 1, 2018 and concluded that there were no changes in measurement due to the transition to IFRS 9.

Cash and accounts receivable that were classified as loans and receivables under IAS 39 are classified as financial assets measured at amortized cost under IFRS 9. There has been no impact on classification of the Company's financial liabilities.

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Notes to the Unaudited Condensed Interim Consolidated Financial Statements

Accounting policies associated with IFRS 9

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of a financial instrument. Financial assets and financial liabilities are initially measured at fair value. Financial assets are classified into one of the following specified categories: amortized cost, fair value through profit or loss (“FVTPL”) or fair value through other comprehensive income (“FVOCI”). Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities classified as FVTPL) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities classified as FVTPL are recognized immediately in the consolidated statement of loss.

The Company’s financial instruments are classified and subsequently measured as follows:

Asset / liability	Classification	Measurement model
Cash	Amortized cost	Amortized cost
Accounts receivable	Amortized cost	Amortized cost
Accounts payable and accrued liabilities	Other financial liabilities	Amortized cost

Impairment of financial assets at amortized cost

The Company recognizes an allowance using the ECL model on financial assets classified as amortized cost. The Company has elected to use the simplified approach for measuring ECL by using a lifetime expected loss allowance for all accounts receivable. Under this model, impairment provisions are based on credit risk characteristics and days past due. When there is no reasonable expectation of collection, financial assets classified as amortized cost are written off. Indications of credit risk arise based on failure to pay and other factors. Should objective events occur after an impairment loss is recognized, a reversal of impairment is recognized in the statement of loss.

3. ACCOUNTS RECEIVABLE

	March 31, 2018	December 31, 2017
Due from related parties	\$ 142	\$ 135
Sales tax and other	10,314	2,272
	<u>\$ 10,456</u>	<u>\$ 2,407</u>

FORTUNE BAY CORP.

Notes to the Unaudited Condensed Interim Consolidated Financial Statements

4. PROPERTY AND EQUIPMENT

Cost	Land and building	Computer and office equipment	Field equipment	Total
As at January 1, 2017	\$164,233	\$103,390	\$91,543	\$359,166
Write-down of capital assets	-	(64,791)	-	(64,791)
As at December 31, 2017 and March 31, 2018	\$164,233	\$ 38,599	\$91,543	\$294,375
Accumulated depreciation	Land and building	Computer and office equipment	Field equipment	Total
As at January 1, 2017	\$ -	\$90,289	\$87,967	\$178,256
Depreciation	-	2,826	1,070	3,896
Write-down of capital assets	-	(58,576)	-	(58,576)
As at December 31, 2017	\$ -	\$34,539	\$89,037	\$123,576
Depreciation	-	300	183	483
As at March 31, 2018	\$ -	\$34,839	\$89,220	\$124,059
Carrying amount	Land and building	Computer and office equipment	Field equipment	Total
Balance, December 31, 2017	\$164,233	\$4,060	\$2,506	\$170,799
Balance, March 31, 2018	\$164,233	\$3,760	\$2,323	\$170,316

For the three-month period ended March 31, 2018, the Company has capitalized depreciation expenses totaling \$183 (March 31, 2017 - \$261).

5. EXPLORATION AND EVALUATION ASSETS

	Goldfields	Ixhuatán	Total
As at January 1, 2017	\$12,242,673	\$ 2,424,286	\$14,666,959
Additions	70,693	116,880	187,573
As at December 31, 2017	\$12,313,366	\$ 2,541,166	\$14,854,532
Additions	82,085	50,676	132,761
As at March 31, 2018	\$12,395,451	\$ 2,591,842	\$14,987,293

Goldfields

As at March 31, 2018, the Company holds a 100% interest in the Goldfields property, which includes the Box Deposit, the Athona Deposit and several exploration targets. During the period-ended March 31, 2018, the Company recorded a provision for site restoration costs of \$71,000.

FORTUNE BAY CORP.

Notes to the Unaudited Condensed Interim Consolidated Financial Statements

Ixhuatán

As at March 31, 2018, 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% 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.

6. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	March 31, 2018	December 31, 2017
Trade accounts payable and accrued liabilities	\$118,732	\$130,697
Amounts payable to related parties, including director fees	26,660	137,017
	<u>\$145,392</u>	<u>\$267,714</u>

7. OTHER CURRENT LIABILITIES

	March 31, 2018	December 31, 2017
Provision for site restoration (Note 5)	\$ 71,000	\$ -
	<u>\$ 71,000</u>	<u>\$ -</u>

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, 2017 and December 31, 2017	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, March 31, 2018	<u>21,037,263</u>	<u>\$ 4,125,738</u>

FORTUNE BAY CORP.

Notes to the Unaudited Condensed Interim Consolidated Financial Statements

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 are 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 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

	<u>Number of warrants</u>	<u>Amount</u>
Outstanding, January 1, 2017 and December 31, 2017	-	\$ -
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, March 31, 2018	<u>2,459,063</u>	<u>\$ 235,926</u>

Pursuant to the Offering, 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 period-ended March 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

FORTUNE BAY CORP.

Notes to the Unaudited Condensed Interim Consolidated Financial Statements

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, 2018 and the year-ended December 31, 2017:

	Number of options	Weighted-average exercise price
Balance, January 1, 2017 and December 31, 2017	1,000,000	\$ 0.40
Granted	175,000	0.45
Balance, March 31, 2018	1,175,000	\$ 0.41

The fair value of the 175,000 stock options issued during the period ended March 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

The following table summarizes information relating to outstanding and exercisable stock options as at March 31, 2018:

Expiry date	Weighted-average remaining contractual life (in years)	Number of options outstanding	Number of options exercisable	Weighted-average exercise price
July 11, 2021	3.3	1,000,000	333,333	\$ 0.40
March 5, 2023	4.9	175,000	-	\$ 0.45

For the three-month period ended March 31, 2018, the estimated value of options earned and recorded in the unaudited condensed interim consolidated statement of loss was \$23,777 (three-month period ended March 31, 2017 - \$45,813). As at March 31, 2018, 928,726 options were available for granting under the Plan.

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Notes to the Unaudited Condensed Interim Consolidated Financial Statements

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, 2018	Three-month period ended March 31, 2017
Loss before income taxes	\$(141,429)	\$(179,666)
Statutory rate	31%	31%
Tax expense (recovery) at statutory rate	(43,843)	(55,696)
Expense for losses and deductible temporary differences not recognized in current and prior years	36,852	42,034
Permanent differences and other	6,991	13,662
Income tax recovery	\$ -	\$ -

10. SUPPLEMENTAL CASH FLOW INFORMATION

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

	Three-month period ended March 31, 2018	Three-month period ended March 31, 2017
Accounts receivable	\$ (8,049)	\$ 30,891
Prepaid expenses and deposits	4,494	1,126
Accounts payable and accrued liabilities	(113,385)	(6,183)
	\$ (116,940)	\$ 25,834

11. RELATED PARTY TRANSACTIONS

Amounts payable to officers, directors and companies owned thereby were \$26,660 as at March 31, 2018 (December 31, 2017 - \$212,443, including a loan payable of \$75,426 to a company owned by a director of Fortune Bay). The related party loan was paid in full, including interest, during the current period. During the three-month period ended March 31, 2018, the Company incurred costs for management services from a related company, Numus Financial Inc. ("Numus"), in the amount of \$3,000 and incurred rent and office costs in the amount of \$7,328 and recognized other cost reimbursements from Numus of \$1,348. During the year-ended December 31, 2017, the Company incurred costs for management services from Numus of \$12,000 and incurred net rent and office costs in the amount of \$45,865 and recognized other cost reimbursements from Numus of \$51,073. As at March 31, 2018, the net amount payable by the Company to Numus was \$11,677 (December 31, 2017 - \$1,410).

During the three-month period ended March 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.

FORTUNE BAY CORP.

Notes to the Unaudited Condensed Interim Consolidated Financial Statements

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 2018	December 31, 2017
Equity	\$15,580,391	\$14,804,894
Less: cash	(565,959)	(53,043)
	<u>\$15,014,432</u>	<u>\$14,751,851</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, 2018.

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 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.

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.

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Notes to the Unaudited Condensed Interim Consolidated Financial Statements

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 three-month period ended March 31, 2018.

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, 2018				
	Within 1 year	2-3 years	4-5 years	Over 5 years	Total
Accounts payable and accrued liabilities	\$ 145,392	\$ -	\$ -	\$ -	\$ 145,392
Other current liabilities	\$ 71,000	\$ -	\$ -	\$ -	\$ 71,000
	\$ 216,392	\$ -	\$ -	\$ -	\$ 216,392

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, 2018, 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.

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:

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	Mineral Operations		Total
	Canada	Mexico	
As at March 31, 2018			
Property and equipment	\$ 170,316	\$ -	\$ 170,316
Evaluation and exploration assets	12,395,451	2,591,842	14,987,293
	<u>\$12,565,767</u>	<u>\$2,591,842</u>	<u>\$15,157,609</u>

	Mineral Operations		Total
	Canada	Mexico	
As at December 31, 2017			
Property and equipment	\$ 170,799	\$ -	\$ 170,799
Evaluation and exploration assets	12,313,366	2,541,166	14,854,532
	<u>\$12,484,165</u>	<u>\$2,541,166</u>	<u>\$15,025,331</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, 2018, the Company has a management services agreement with Numus for the provision of management services, rent and other office costs at a fee of \$32,700 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.