

Unaudited Condensed Interim Consolidated Financial Statements of

FORTUNE BAY CORP.

March 31, 2017

(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, 2017	December 31, 2016
Assets		
Current assets		
Cash	\$ 328,018	\$ 491,402
Accounts receivable (Note 4)	81,561	112,452
Prepaid expenses and deposits	33,485	34,611
	443,064	638,465
Reclamation deposit	37,856	37,856
Property and equipment (Note 6)	179,613	180,910
Exploration and evaluation assets (Note 7)	14,724,061	14,666,959
Total assets	\$ 15,384,594	\$ 15,524,190
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities (Note 8)	\$ 186,145	\$ 191,888
Equity		
Shareholders' equity	15,198,449	15,332,302
Total liabilities and equity	\$ 15,384,594	\$ 15,524,190

Nature of operations and going concern (Note 1)
 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 May 23, 2017

"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, 2017	Three-month period ended March 31, 2016
Operating expenses		
Office, travel and promotion	\$ 31,136	\$ 4,228
Depreciation	1,036	1,305
Professional fees	14,682	9,963
Salaries and benefits	80,073	10,600
Management service fees	3,000	11,250
Securities and regulatory	7,481	-
Share-based compensation	45,813	-
Foreign exchange loss (gain)	(3,555)	6,945
	179,666	44,291
Other income (expenses)		
Gain on sale of investments	-	10,340
Net loss for the period	(179,666)	(33,951)
Other comprehensive income (loss)		
<i>Items that will be subsequently reclassified to the statement of loss:</i>		
Net unrealized gain on available-for-sale investments (Note 5)	-	54,000
Comprehensive income (loss) for the period	\$ (179,666)	\$ 20,049
Loss per share – basic and diluted	(\$0.01)	(\$0.00)
Weighted-average number of common shares outstanding		
Basic and diluted (Note 9)	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	Contributed Surplus	Accumulated Other Comprehensive Income (Loss)	Retained Earnings (Deficit)	Total Shareholders' Equity
		\$	\$	\$	\$	\$	\$	\$
Balance, January 1, 2016	-	-	14,958,133	-	-	-	-	14,958,133
Net loss for the period	-	-	(33,951)	-	-	-	-	(33,951)
Other comprehensive income for the period	-	-	54,000	-	-	-	-	54,000
	-	-	20,049	-	-	-	-	20,049
Net contributions and advances from kneat.com	-	-	154,938	-	-	-	-	154,938
Balance, March 31, 2016	-	-	15,133,120	-	-	-	-	15,133,120
Net loss for the period	-	-	(141,370)	-	-	-	(327,588)	(468,958)
Other comprehensive income (loss) for the period	-	-	25,720	-	-	-	(79,720)	(54,000)
	-	-	(115,650)	-	-	-	(407,308)	(522,958)
Net contributions and advances from kneat.com	-	-	630,514	-	-	-	-	630,514
Shares and warrants issued pursuant to the Transaction (Note 9)	18,578,200	3,468,515	(15,647,984)	5,763	-	-	12,173,706	-
Share-based compensation expense	-	-	-	-	91,626	-	-	91,626
Balance, December 31, 2016	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)
Other comprehensive income (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

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, 2017	Three-month period ended March 31, 2016
Operating activities		
Net loss for the period	\$ (179,666)	\$ (33,951)
Charges to loss not involving cash:		
Depreciation	1,036	1,305
Gain on sale of investments	-	(10,340)
Share-based compensation	45,813	-
Net change in non-cash working capital related to operations (Note 11)	25,834	53,330
Net cash used in operating activities	(106,983)	10,344
Investing activities		
Additions to exploration and evaluation assets	(56,401)	(203,270)
Proceeds on sale of investments	-	216,830
Net cash provided by investing activities	(56,401)	13,560
Financing activities		
Cash advances from kneat.com	-	154,938
Net cash provided by financing activities	-	154,938
Increase (decrease) in cash	(163,384)	178,842
Cash, beginning of period	491,402	78,383
Cash, end of period	\$ 328,018	\$ 257,225

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

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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” 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. (“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 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 three-month period ended March 31, 2017, the Company incurred a loss of \$179,666 (three-month period ended March 31, 2016 – loss of \$33,951). The Company has no income or cash flow 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 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 balance sheet classifications that would be necessary were the going concern assumption inappropriate, and these adjustments could be material.

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Notes to the Unaudited Condensed Interim Consolidated Financial Statements

2. TRANSACTION WITH KNEAT SOLUTIONS LIMITED AND BASIS OF PRESENTATION

On June 27, 2016, Spinco completed a transaction with kneat.com and Kneat Solutions Limited, 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 of a common share of Spinco (a "Spinco Share") in exchange for each three 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").

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

	June 27, 2016
Assets	
Cash	\$ 791,262
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
	<u>15,808,724</u>
Liabilities	
Accounts payable and accrued liabilities	<u>160,740</u>
Carrying Value	<u>\$ 15,647,984</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, *Business Combinations*. 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 unaudited interim 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

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Notes to the Unaudited Condensed Interim Consolidated Financial Statements

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 \$12,173,706 is recorded as a credit to retained earnings.

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 May 23, 2017.

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, 2016.

The policies applied in these unaudited condensed interim consolidated financial statements are based on IFRS as of May 23, 2017, 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, 2017 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:

Subsidiary	Principal Activity	Country of Incorporation
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.

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Notes to the Unaudited Condensed Interim Consolidated Financial Statements

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

The comparative 2016 consolidated financial statements also include the allocation of certain kneat.com expenditures incurred prior to the Transaction that are directly attributable to the Company.

These 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, 2016. 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, 2016 for information on the accounting policies as well as new accounting standards not yet effective.

4. ACCOUNTS RECEIVABLE

	March 31, 2017	December 31, 2016
Due from related parties	\$ 61,642	\$ 90,054
Sales tax and other	19,919	22,398
	<u>\$ 81,561</u>	<u>\$112,452</u>

5. INVESTMENTS

	March 31, 2017	December 31, 2016
Available-for-sale investments	<u>\$ -</u>	<u>\$ -</u>

For the three-month period ended March 31, 2016, the Company has a realized gain on sale of available-for-sale investments of \$10,340 and an unrealized gain on available-for-sale investments of \$54,000. Proceeds of \$216,830 were received pursuant to the sale of the Company's available-for-sale investments during the three-month period ended March 31, 2016.

6. PROPERTY AND EQUIPMENT

Cost	Land and building	Computer and office equipment	Field equipment	Total
As at January 1, 2016	\$164,233	\$101,298	\$91,543	\$357,074
Additions	-	2,092	-	2,092
As at December 31, 2016	\$164,233	\$103,390	\$91,543	\$359,166
Additions	-	-	-	-
As at March 31, 2017	<u>\$164,233</u>	<u>\$103,390</u>	<u>\$91,543</u>	<u>\$359,166</u>

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Notes to the Unaudited Condensed Interim Consolidated Financial Statements

Accumulated depreciation	Land and building	Computer and office equipment	Field equipment	Total
As at January 1, 2016	\$ -	\$83,848	\$86,435	\$170,283
Additions	-	6,441	1,532	7,973
As at December 31, 2016	\$ -	\$90,289	\$87,967	\$178,256
Additions	-	1,036	261	1,297
As at March 31, 2017	\$ -	\$91,325	\$88,228	\$179,553

Carrying amount	Land and building	Computer and office equipment	Field equipment	Total
Balance, December 31, 2016	\$164,233	\$13,101	\$3,576	\$180,910
Balance, March 31, 2017	\$164,233	\$12,065	\$3,315	\$179,613

For the three-month period ended March 31, 2017, the Company has capitalized depreciation expenses totaling \$261 (March 31, 2016 - \$378).

7. EXPLORATION AND EVALUATION ASSETS

	Goldfields	Ixhuatán	Total
As at January 1, 2016	\$12,201,239	\$ 2,309,914	\$14,511,153
Additions	41,434	114,372	155,806
As at December 31, 2016	\$12,242,673	\$ 2,424,286	\$14,666,959
Additions	9,331	47,771	57,102
As at March 31, 2017	\$12,252,004	\$ 2,472,057	\$14,724,061

Goldfields

As at March 31, 2017, 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 March 31, 2017, 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.

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Notes to the Unaudited Condensed Interim Consolidated Financial Statements

8. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	March 31, 2017	December 31, 2016
Trade accounts payable and accrued liabilities	\$126,551	\$145,467
Amounts payable to related parties, including director fees	59,594	46,421
	<u>\$186,145</u>	<u>\$191,888</u>

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, 2016	-	\$ -
Shares issued pursuant to the Transaction	18,578,200	3,468,515
Outstanding, December 31, 2016 and March 31, 2017	<u>18,578,200</u>	<u>\$ 3,468,515</u>

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 on June 27, 2016, 401,786 warrants were issued, valued at \$5,763. As at March 31, 2017 and December 31, 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.

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.

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Notes to the Unaudited Condensed Interim Consolidated Financial Statements

No options were granted by the Company during the three-month period ended March 31, 2017 (year-ended December 31, 2016 – 1,000,000 options granted). The following table reconciles the stock option activity during the three-month period ended March 31, 2017 and the year-ended December 31, 2016:

	Number of options	Weighted-average exercise price
Balance, January 1, 2016	-	\$ -
Granted	1,000,000	0.40
Balance, December 31, 2016 and March 31, 2017	1,000,000	\$ 0.40

The following table summarizes information relating to outstanding and exercisable stock options as at March 31, 2017:

Expiry date	Weighted-average remaining contractual life (in years)	Number of options outstanding	Number of options exercisable	Weighted-average exercise price
July 11, 2021	4.3	1,000,000	-	\$ 0.40

For the three-month period ended March 31, 2017, the estimated value of options earned during the period and recorded in the unaudited condensed interim consolidated statement of loss was \$45,813 (three-month period ended March 31, 2016 - \$nil). As at March 31, 2017, 857,820 options were available for granting under the Plan.

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:

	March 31, 2017	March 31, 2016
Loss before income taxes	\$(179,666)	\$(33,951)
Statutory rate	31%	31%
Tax expense (recovery) at statutory rate	(55,696)	(10,525)
Expense for losses and deductible temporary differences not recognized in current and prior years	42,034	7,967
Permanent differences and other	13,662	2,558
Income tax recovery	\$ -	\$ -

11. SUPPLEMENTAL CASH FLOW INFORMATION

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

	Three-months ended March 31, 2017	Three-months ended March 31, 2016
Accounts receivable	\$ 30,891	\$ 51,791
Prepaid expenses and deposits	1,126	944
Accounts payable and accrued liabilities	(6,183)	595
	\$ 25,834	\$ 53,330

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Notes to the Unaudited Condensed Interim Consolidated Financial Statements

12. RELATED PARTY TRANSACTIONS

Amounts payable to officers, directors and companies owned thereby were \$59,594 as at March 31, 2017 (year-ended December 31, 2016 - \$46,421). During the three-month period ended March 31, 2017, the Company incurred costs for management services from a related company, Numus Financial Inc. (“Numus”), in the amount of \$3,000, incurred rent and office costs from Numus in the amount of \$12,346 and recognized other cost reimbursements from Numus of \$7,664. During the year-ended December 31, 2016, the Company incurred costs for management services from Numus of \$28,500, incurred net rent and office costs from Numus in the amount of \$11,071 and recognized other cost reimbursements from Numus of \$47,895. As at March 31, 2017, the net amount receivable by the Company from Numus was \$61,642 (December 31, 2016 - \$84,407).

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.

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

	March 31, 2017	December 31, 2016
Equity	\$15,198,449	\$15,332,302
Less: cash	(328,018)	(491,402)
	<u>\$14,870,431</u>	<u>\$14,840,900</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, 2017.

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. 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, and currency risk. Where material, these risks are reviewed and monitored.

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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 three-month period ended March 31, 2017.

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, 2017				Total
	Within 1 year	2-3 years	4-5 years	Over 5 years	
Accounts payable and accrued liabilities	\$ 186,145	\$ -	\$ -	\$ -	\$ 186,145

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Notes to the Unaudited Condensed Interim Consolidated Financial Statements

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, 2017, 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.

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:

	Mineral Operations		Total
	Canada	Mexico	
As at March 31, 2017			
Property and equipment	\$ 179,613	\$ -	\$ 179,613
Evaluation and exploration assets	12,252,004	2,472,057	14,724,061
	<u>\$12,431,617</u>	<u>\$2,472,057</u>	<u>\$14,903,674</u>

	Mineral Operations		Total
	Canada	Mexico	
As at December 31, 2016			
Property and equipment	\$ 180,910	\$ -	\$ 180,910
Evaluation and exploration assets	12,242,673	2,424,286	14,666,959
	<u>\$12,423,583</u>	<u>\$2,424,286</u>	<u>\$14,847,869</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 March 31, 2017, 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.

16. SUBSEQUENT EVENT

On April 1, 2017, 401,786 warrants of the Company expired unexercised.