Unaudited Condensed Interim Consolidated Financial Statements of

FORTUNE BAY CORP.

March 31, 2021

(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

Expressed in Canadian dollars	**March 31, 2021**	December 31, 2020
Assets		
Current assets		
Cash and cash equivalents	**$ 3,685,350**	$ 3,040,414
Accounts receivable (Note 3)	**58,936**	45,947
Prepaid expenses and deposits	**55,370**	40,501
	3,799,656	3,126,862
Reclamation deposit	**38,312**	38,312
Property and equipment (Note 4)	**182,936**	182,749
Exploration and evaluation assets (Note 5)	**16,162,704**	15,654,619
Total assets	**$20,183,608**	$19,002,542
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities (Note 6)	**$ 680,072**	$ 346,409
Loan payable (Note 7)	**190,580**	190,580
Flow-through premium liability (Note 9)	**27,688**	114,758
	898,340	651,747
Deferred income tax liability (Note 9)	**413,516**	354,823
	1,311,856	1,006,570
Equity		
Shareholders' equity	**18,871,752**	17,995,972
Total liabilities and equity	**$20,183,608**	$19,002,542

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 27, 2021

"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, 2021	Three-month period ended March 31, 2020
Operating expenses		
Office, travel and general	**$ 31,111**	$ 13,885
Depreciation	**1,351**	-
Finance fees and interest	**5,717**	13,512
Professional and consulting fees	**73,162**	19,917
Salaries and benefits	**127,448**	68,873
Contract services	**3,000**	3,000
Securities and regulatory	**19,264**	11,393
Marketing and investor relations	**88,516**	-
Share-based compensation	**76,898**	11,609
Foreign exchange loss	**4,175**	6,247
	(430,642)	(148,436)
Other income		
Interest	**22**	150
Net loss before income tax	**(430,620)**	(148,286)
Deferred income tax recovery (expense) (Note 9)	**28,377**	(77,740)
Net loss and comprehensive loss for the period	**$ (402,243)**	$ (226,026)
Loss per share – basic and diluted	**$ 0.01**	$ 0.01
Weighted-average number of common shares outstanding	**31,932,069**	21,037,263

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 $	Warrants $	Contributed Surplus $	Retained Earnings (Deficit) $	Total Shareholders' Equity $
Balance, January 1, 2020	**21,037,263**	**4,125,738**	**235,926**	**361,410**	**9,749,656**	**14,272,730**
Net loss and comprehensive loss for the period	-	-	-	-	(226,026)	(226,026)
Share-based compensation expense	-	-	-	11,609	-	11,609
Balance, March 31, 2020	**21,037,263**	**4,125,738**	**235,926**	**373,019**	**9,523,630**	**14,258,313**
Balance, January 1, 2021	**30,816,708**	**7,584,975**	**1,211,508**	**536,041**	**8,663,448**	**17,995,972**
Warrants exercised (Note 8)	2,059,063	1,395,558	(194,433)	-	-	1,201,125
Warrants expired (Note 8)	-	-	(4,386)	4,386	-	-
Net loss and comprehensive loss for the period	-	-	-	-	(402,243)	(402,243)
Share-based compensation expense	-	-	-	76,898	-	76,898
Balance, March 31, 2021	**32,875,771**	**8,980,533**	**1,012,689**	**617,325**	**8,261,205**	**18,871,752**

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

Expressed in Canadian dollars	**Three-month period ended March 31, 2021**	Three-month period ended March 31, 2020
Operating activities		
Net loss for the period	**$ (402,243)**	$ (226,026)
Charges to loss not involving cash:		
Depreciation	**1,351**	-
Share-based compensation	**76,898**	11,609
Deferred income tax expense (recovery) (Note 9)	**(28,377)**	77,740
Finance fees and interest	**5,717**	13,512
Foreign exchange on deferred income taxes	**-**	-
Net change in non-cash working capital related to operations (Note 10)	**(51,786)**	89,581
Net cash used in operating activities	**(398,440)**	(33,584)
Financing activities		
Proceeds received on exercise of warrants	**1,201,125**	-
Loan received from a related party, net (Notes 7 and 11)	**-**	91,500
Net cash provided by financing activities	**1,201,125**	91,500
Investing activities		
Additions to exploration and evaluation assets	**(155,626)**	(64,595)
Purchases of property and equipment	**(2,123)**	-
Net cash used in investing activities	**(157,749)**	(64,595)
Net change in cash during the period	**644,936**	(6,679)
Cash, beginning of period	**3,040,414**	23,454
Cash, end of period	**$ 3,685,350**	$ 16,775

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

1. NATURE OF OPERATIONS AND GOING CONCERN

Nature of operations

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

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

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

Going concern

These unaudited condensed interim consolidated financial statements have been prepared on a going-concern basis, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of operations as they come due. For the three-month period ended March 31, 2021, the Company incurred a loss before income taxes of $430,620 (year ended December 31, 2020 - $1,086,208). 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.

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, 2020.

The policies applied in these unaudited condensed interim consolidated financial statements are based on IFRS as of May 27, 2021, 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, 2021 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 Mineraçao 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, 2020. Refer to Note 2, *Basis of Presentation and Summary of Significant Accounting Policies*, and Note 4, *New Accounting Standards,* of the Company's annual consolidated financial statements for the year ended December 31, 2020 for information on the accounting policies.

3. ACCOUNTS RECEIVABLE

	March 31, 2021	December 31, 2020
Sales tax	$ 58,936	$ 45,947

4. PROPERTY AND EQUIPMENT

Cost	Land and building	Computer and office equipment	Field equipment	Total
As at January 1, 2020	$157,542	$38,599	$91,543	$287,684
Additions	-	18,424	7,864	26,288
As at December 31, 2020	157,542	57,023	99,407	313,972
Additions	-	2,123	-	2,123
As at March 31, 2021	$157,542	$59,146	$99,407	$316,095

Accumulated depreciation	Land and building	Computer and office equipment	Field equipment	Total
As at January 1, 2020	$ -	$38,599	$90,314	$128,913
Depreciation	-	1,129	1,181	2,310
As at December 31, 2020	-	39,728	91,495	131,223
Depreciation	-	1,351	585	1,936
As at March 31, 2021	$ -	$41,079	$92,080	$133,159

Carrying amount	Land and building	Computer and office equipment	Field equipment	Total
Balance, December 31, 2020	$157,542	$17,295	$7,912	$182,749
Balance, March 31, 2021	$157,542	$18,067	$7,327	$182,936

5. EXPLORATION AND EVALUATION ASSETS

	Goldfields	Ixhuatán	Total
As at January 1, 2020	$12,522,450	$2,787,163	$15,309,613
Additions	226,112	118,894	345,006
As at December 31, 2020	$12,748,562	$2,906,057	$15,654,619
Additions	454,926	53,159	508,085
As at March 31, 2021	$13,203,488	$2,959,216	$16,162,704

Goldfields

As at March 31, 2021, the Company holds a 100% interest in the Goldfields property located near Uranium City, Saskatchewan, which includes the Box Deposit, the Athona Deposit and several exploration targets.

Ixhuatán

As at March 31, 2020, the Company has a 100% interest in the Ixhuatán Project, which is located in the state of Chiapas, Mexico.

Other

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

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

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

6. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	March 31, 2021	December 31, 2020
Trade accounts payable and accrued liabilities	$470,044	$125,033
Amounts payable to related parties, including director fees	210,028	221,376
	$680,072	$346,409

7. LOAN PAYABLE

During the year ended December 31, 2019, the Company entered into a loan agreement with a related company that is co-owned by a director and officer of the Company. The loan was for up to $350,000, has an annual interest rate of 12% on the drawn balance of the loan and has a 4% lender fee which is deducted as amounts are drawn from the loan. The loan is repayable in full, including all interest and lender fees, on demand. During the year ended December 31, 2020, the Company signed an amendment to the loan payable, increasing the total amount of borrowing available to $400,000. All other terms remained unchanged. During the year ended December 31, 2020, the company drew $111,500 on the loan payable, incurred $4,460 of lender fees and repaid $190,580 of the loan payable. In addition, the company paid interest of $20,325 during the year ended December 31, 2020.

During the period ended March 31, 2021, the Company accrued interest on the loan of $5,717. As at March 31, 2021, the Company has an outstanding balance due of $190,580 (December 31, 2020 - $190,580), which includes lender fees of $7,330 (December 31, 2020 - $7,330). Accrued interest payable of $21,689 is included in accounts payable and accrued liabilities as at March 31, 2021 (December 31, 2020 - $15,972).

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, 2020	21,037,263	$ 4,125,738
Shares issued pursuant to private placements	9,073,013	3,343,006
Flow-through shares issued	395,717	554,004
Warrants exercised	310,715	214,965
Less: Flow-through share premium	-	(114,758)
Less: Share issuance costs	-	(537,980)
Outstanding, December 31, 2020	30,816,708	$ 7,584,975
Warrants exercised	2,059,063	1,395,558
Outstanding, March 31, 2021	32,875,771	$ 8,980,533

Unit financing – May 7, 2020

On May 7, 2020, the Company completed a private placement financing for aggregate gross proceeds of $2,750,000. The Company issued 7,857,144 units at an issue price of $0.35 per unit, with each unit comprised of one common share and one-half common share purchase warrant. Each whole warrant is exercisable into one common share of the Company at an exercise price of $0.50 per share for a period of three years. Directors of the Company subscribed for 1,428,572 units pursuant to the financing.

The value allocated to the common shares issued was $2,138,889, and the value allocated to the common share purchase warrants was $611,111. Total costs associated with the private placement, consisting of broker warrants, professional and regulatory fees, as well as cash finder's fees, were $441,881. The Company allocated $343,685 to the costs of issuing the common shares and $98,196 to the costs of issuing the warrants. All securities issued pursuant to the private placement are subject to a four-month hold period in accordance with Canadian securities legislation.

Pursuant to the private placement, 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 cash of $192,500, or 7% of the gross proceeds of the financing, and 550,000 common share purchase warrants that are exercisable into 550,000 common shares of the Company at an exercise price of $0.50 per share for a period of three years. The warrants issued to Numus Capital Corp. were valued at $220,000.

Unit and flow-through financing – December 18, 2020

On December 18, 2020, the Company completed a private placement financing for aggregate gross proceeds of $2,013,047 through the issuance of 1,215,869 units and 395,717 flow-through shares.

The Company issued 1,215,869 units at an issue price of $1.20 per unit, with each unit comprised of one common share and one-half common share purchase warrant. Each whole warrant is exercisable into one common share of the Company at an exercise price of $1.60 per share for a period of two years. The value allocated to the common shares issued through the unit financing was $1,204,117, and the value allocated to the common share purchase warrants was $254,926. An officer of the Company subscribed for 16,667 units pursuant to the financing.

The Company issued 395,717 flow-through common shares at an issue price of $1.40 per flow-through share. As a result of the issuance of flow-through shares as part of this financing, the Company also recorded a flow-through premium liability of $114,758. No directors or officers of the Company subscribed for flow-through shares pursuant to the financing.

Total costs associated with the private placement, consisting of broker warrants, professional and regulatory fees, as well as cash finder's fees, were $222,468. The Company allocated $194,295 to the costs of issuing the common shares and $28,173 to the costs of issuing the warrants.

Pursuant to the private placement, 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 cash of $140,913, or 7% of the gross proceeds of the financing, and 112,811 common share purchase warrants that are exercisable into 112,811 common shares of the Company at an exercise price of $1.60 per share for a period of two years. The warrants issued to Numus Capital Corp. were valued at $53,021.

Warrants exercised

During the period ended March 31, 2021, the Company received proceeds of $1,201,125 from the exercise of 2,059,063 warrants at a weighted-average exercise price of $0.58 per share. The weighted-average share price on the date the warrants were exercised was $1.08.

During the year ended December 31, 2020, the Company received proceeds of $177,858 from the exercise of 310,715 warrants at a weighted-average exercise price of $0.57 per share. The weighted-average share price on the date the warrants were exercised was $1.27.

b) Warrants

	Number of warrants	Amount
Outstanding, January 1, 2020	2,459,063	$ 235,926
Warrants issued pursuant to private placements	4,536,508	866,037
Warrants issued as finder's fee	662,811	273,021
Less: Warrant issue costs	-	(126,369)
Warrants exercised during the year	(310,715)	(37,107)
Outstanding, December 31, 2020	7,347,667	1,211,508
Warrants exercised during the period	(2,059,063)	(194,433)
Warrants expired	(175,000)	(4,386)
Outstanding, March 31, 2021	5,113,604	$ 1,012,689

The Company issued 3,928,572 warrants pursuant to the private placement completed on May 7, 2020 that are exercisable at $0.50 and expire on May 7, 2023 and 607,936 warrants pursuant to the private placement completed on December 18, 2020 that are exercisable at $1.60 and expire on December 21, 2022. 662,811 warrants were issued as finder's fees for the private placements to Numus Capital Corp. 550,000 of the finder's warrants are valued at $220,000, are exercisable at $0.50 and expire on May 7, 2023. 112,811 of the finder's warrants are valued at $53,021, are exercisable at $1.60 and expire on December 21, 2022.

The fair value of the warrants issued has been estimated at the grant date using the Black-Scholes option pricing model. No warrants were issued during the period ended March 31, 2021. The weighted-average assumptions used in the pricing model for the warrants issued during the year ended December 31, 2020 are as follows:

Risk-free interest rate	0.26%
Expected life	3.0 years
Expected volatility	88%
Expected dividend per share	nil
Weighted-average fair value	$0.40

During the period ended March 31, 2021, the Company received proceeds of $1,201,125 from the exercise of 2,059,063 warrants at an average exercise price of $0.58 per share. The grant date net fair value of the warrants exercised was $194,433, and the weighted-average share price on the date the warrants were exercised was $1.08. 175,000 warrants with an exercise price of $0.60 expired unexercised during the period ended March 31, 2021.

During the year ended December 31, 2020, the Company received proceeds of $177,858 from the exercise of 310,715 warrants at a weighted-average exercise price of $0.57 per share. The weighted-average share price on the date the warrants were exercised was $1.27.

As at March 31, 2021, the Company had the following warrants outstanding:

Number of warrants	Exercise price	Expiry date
3,842,857	$0.50	May 7, 2023
550,000	$0.50	May 7, 2023
607,936	$1.60	December 21, 2022
112,811	$1.60	December 21, 2022

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. For options that vest based on non-market performance criteria, an estimate is made on the grant date and each reporting date as to the number of options that are expected to vest based on performance criteria being satisfied. Changes in the estimates can materially affect the share-based compensation expense recognized in the statement of loss.

The following table reconciles the stock option activity during the three-month period ended March 31, 2021 and the year ended December 31, 2020:

	Number of options	Weighted-average exercise price
Balance, January 1, 2020	1,425,000	$ 0.39
Granted	530,000	0.81
Balance, December 31, 2030	1,955,000	$ 0.50
Granted	600,000	1.13
Balance, March 31, 2021	2,555,000	$ 0.65

The Company granted 600,000 stock options to directors, officers, employees and consultants during the three-month period ended March 31, 2021. 250,000 of the options granted are exercisable at an exercise price of $1.16, vest over a period of one year from the grant date, and expire on January 7, 2026. 350,000 of the options granted are exercisable at an exercise price of $1.10, vest over three years from the grant date, and expire on March 4, 2026.

The Company granted 500,000 stock options to an officer and 30,000 to employees and a consultant during the year ended December 31, 2020. 500,000 of the options granted are exercisable at an exercise price of $0.79 and expire on June 15, 2025. 62,500 vested on the grant date, and 187,500 will vest over three years. The remaining 250,000 options will vest in tranches according to performance-based criteria to be met over two years from the date of grant. 30,000 of the options granted during the year ended December 31, 2020 are exercisable at an exercise price of $1.15 and expire on September 18, 2025. The 30,000 options will vest over three years from the grant date.

The fair value of the stock options granted during the period ended March 31, 2021 and the year ended December 31, 2020 have 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:

	March 31, 2021	**December 31, 2020**
Risk-free interest rate	0.52%	0.31%
Expected life	3.3 years	4.5 years
Expected volatility	92%	99%
Expected dividend per share	nil	nil
Weighted-average fair value	$0.68	$0.57

The following table summarizes information relating to outstanding and exercisable stock options as at March 31, 2021:

Expiry date	Weighted-average remaining contractual life (in years)	Number of options outstanding	Number of options exercisable	Weighted-average exercise price
July 11, 2021	0.3	1,000,000	1,000,000	$ 0.40
March 5, 2023	1.9	175,000	116,666	$ 0.45
October 11, 2024	3.5	250,000	83,333	$ 0.31
June 15, 2025	4.2	500,000	62,500	$ 0.79
September 18, 2025	4.5	30,000	-	$ 1.15
January 7, 2026	4.8	250,000	-	$ 1.16
March 4, 2026	4.9	350,000	-	$ 1.10

For the three-month period ended March 31, 2021, the estimated value of options earned and recorded in the unaudited condensed interim consolidated statement of loss was $67,986 (three-month period ended March 31, 2020 - $11,609). As at March 31, 2021, 732,577 options were available for granting under the Plan.

d) Deferred Share Units

The maximum number of common shares which the Company is entitled to issue from treasury in connection with the redemption of deferred share units ("DSU") granted under the DSU plan is 500,000 common shares. As at March 31, 2021, 397,158 remain available for granting under the terms of the DSU plan (December 31, 2020 – 447,662).

DSU activity for the three-month period ended March 31, 2021 and the year ended December 31, 2020 is as follows:

	Number of DSUs
Outstanding, January 1, 2020	-
Granted	52,338
Outstanding, December 31, 2020	52,338
Granted	50,504
Outstanding, March 31, 2021	102,842

The value of the DSUs granted during the period ended March 31, 2021 was $50,000 (year ended December 31, 2020 - $58,334), which will be expensed over the three-year vesting period of the DSUs. During the period ended March 31, 2021, $8,912 was expensed in the statement of loss and comprehensive loss (March 31, 2020 - $nil). As at March 31, 2021 and December 31, 2020, no DSUs had vested.

9. INCOME TAXES

a) Reconciliation of income tax expense (recovery)

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, 2021	Three-month period ended March 31, 2020
Loss before income taxes	$ (430,620)	$ (148,286)
Statutory rate	29%	31%
Tax recovery at statutory rate	(124,880)	(45,969)
Pro-rata reduction of flow-through premium liability	(87,070)	-
Expense (recovery) for losses and deductible temporary differences not recognized in current and prior years	162,812	(36,972)
Permanent differences and other	20,761	5,201
Income tax expense (recovery)	$ (28,377)	$ 77,740

b) Deferred income taxes

The tax effects of temporary differences that would give rise to the deferred tax assets and liabilities at March 31, 2021 and December 31, 2020 are as follows:

	March 31, 2021	December 31, 2020
Deferred tax assets		
Net operating losses carried forward	$ 312,429	$ 333,483
Deferred tax liabilities		
Exploration and development	725,945	688,306
Net deferred tax liability	$ 413,516	$ 354,823

At March 31, 2021, the Company recognized a net deferred tax liability of $413,516 (December 31, 2020 - $354,823) related to the difference between the book value and the tax value of the Company's exploration and evaluation assets in Mexico.

c) Flow-through share premium liability

	March 31, 2021	December 31, 2020
Opening balance	$ 114,758	$ -
Flow-through shares premium liability recorded on the issuance of flow-through shares (note 8)	-	114,758
Pro-rata reduction of flow-through premium liability	(87,070)	-
	$ 27,688	$ 114,758

10. SUPPLEMENTAL CASH FLOW INFORMATION

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

	Three-month period ended March 31, 2021	Three-month period ended March 31, 2020
Accounts receivable	$ (12,989)	$ 547
Prepaid expenses and deposits	(14,869)	4,168
Accounts payable and accrued liabilities	(23,928)	84,866
	$ (51,786)	$ 89,581

Non-cash transactions not reflected in the consolidated statements of cash flows are as follows:

	March 31, 2021	December 31, 2020
Capitalized depreciation	$ 585	$ 1,181

11. RELATED PARTY TRANSACTIONS

Amounts payable to officers, directors and companies owned thereby were $400,608 as at March 31, 2021 (December 31, 2020 – $411,956), including a loan payable to a related company of $190,580 (December 31, 2020 – $190,580). During the period ended March 31, 2021, the Company incurred costs for controller services from a company that a director and officer of the Company has ownership interest in, Numus Financial Inc. ("Numus"), in the amount of $3,000 and incurred rent and office costs in the amount of $10,816. During the year ended December 31, 2020, the Company incurred costs for controller services from Numus of $12,000 and incurred net rent and office costs in the amount of $35,394 and recognized other cost reimbursements from Numus of $2,275. As at March 31, 2021, the net amount payable by the Company to Numus was $36,451 (December 31, 2020 – $53,516).

The Company has a loan agreement with a related company that is co-owned by a director and officer of the Company. Refer to note 7 for details of the loan terms and transactions during the quarter.

During the year ended December 31, 2020, the Company completed private placement financings of 9,073,013 units for gross proceeds of $4,209,043 (note 8). Directors and officers of the Company subscribed for 1,445,239 units pursuant to the financings. In addition, finder's fees were paid to Numus Capital Corp., a company that a director and officer of Fortune Bay has ownership interest in. The finder's fees consisted of $313,413 cash, 550,000 common share purchase warrants valued at $220,000 that are exercisable into 550,000 common shares of the Company at an exercise price of $0.50 per share for a period of three years, and 112,811 common share purchase warrants valued at $53,021 that are exercisable into 112,811 common shares of the Company at an exercise price of $1.60 per share for a period of two years.

During the period ended March 31, 2021, 684,063 warrants were exercised by related parties at a weighted-average exercise price of $0.55 per share, for cash proceeds to the Company of $376,125. The weighted average share price on the dates of exercise was $1.05.

During the period ended March 31, 2021, the Company issued 600,000 stock options, of which 230,000 were issued to directors and officers. The options are exercisable at $1.10 per share and vest over a period of three years form the date of grant.

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, 2021	December 31, 2020
Equity	$18,871,752	$17,995,972
Less: cash	(3,685,350)	(3,040,414)
	$15,186,402	$14,955,558

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 three-month period ended March 31, 2021.

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 and cash equivalents, accounts payable and accrued liabilities, and loans payable approximate 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.

The Company's maximum exposure to credit risk is represented by the carrying amount of the Company's cash and cash equivalents. Cash and cash equivalents are placed with high-credit quality financial institutions. There are no material financial assets that the Company considers to be past due.

At each reporting date, the Company assesses whether there has been an impairment of financial assets. The Company has not recorded an impairment on any financial assets during the period ended March 31, 2021 or the year ended December 31, 2020. During the period ended March 31, 2021 and the year ended December 31, 2020, the outbreak of the coronavirus ("COVID-19") has resulted in governments across the globe enacting emergency measures to reduce the spread of the virus. Equity markets have experienced significant volatility and uncertainty while governments and central banks have reacted with significant monetary and fiscal interventions designed to stabilize economic conditions. The duration and global impact of COVID-19 are unknown, as is the impact of the government and central bank interventions. It is not possible to reliably estimate the impact on the financial results and conditions of the Company in future periods however to date there has been no impact on the Company's credit risk.

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, 2021				
	Within 1 year	2-3 years	4-5 years	Over 5 years	Total
Accounts payable and accrued liabilities	$ 680,072	$ -	$ -	$ -	$ 680,072
Loan payable	190,580	-			190,580
	$ 870,652	$ -	$ -	$ -	$ 870,652

g) Currency Risk

The Company is exposed to currency risk on its United States dollar and Mexican peso cash and accounts payable and accrued liabilities in addition to certain of its operating costs. For the period ended March 31, 2021, 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.

h) Fair value measurements recognized in the consolidated statements of financial position

The Company has historically held certain financial assets and liabilities 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).

No financial assets or financial liabilities were measured at fair value as at March 31, 2021 or December 31, 2020.

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 assets is as follows:

	Canada	Mexico	Total
As at March 31, 2021			
Property and equipment	$ 182,936	-	$ 182,936
Evaluation and exploration assets	13,203,488	2,959,216	16,162,704
	$13,386,424	$2,959,216	$16,345,640

	Canada	Mexico	Total
As at December 31, 2020			
Property and equipment	$ 182,749	$ -	$ 182,749
Evaluation and exploration assets	12,748,562	2,906,057	15,654,619
	$12,931,311	$2,906,057	$15,837,368

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, 2021, the Company has a services agreement with Numus for the provision of management services, rent and other office costs at a fee of $32,400 per year, continuing until both parties mutually agree to terminate.

The Company has employment arrangements with the Chief Executive Officer and Chief Financial Officer of the Company which provide that, should a change in control event occur, the Chief Executive Officer will receive a lump sum payment equal to between 18 and 36 months of his then current base salary and the Chief Financial Officer will receive a lump sum payment equal to 12 months of her then current base salary. In the event of a change of control, the Executive Chairman will receive a lump sum payment of 72 months of his current base compensation.