Fortune Bay Corp.

Consolidated Financial Statements
December 31, 2014
(expressed in Canadian dollars)

March 24, 2015

Management's Responsibility for Financial Reporting

The accompanying consolidated financial statements of **Fortune Bay Corp.** (the "Company") have been prepared by the Company's management. The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and contain estimates based on management's judgment. Internal control systems are maintained by management to provide reasonable assurances that assets are safeguarded and financial information is reliable.

The Board of Directors of the Company is responsible for ensuring that management fulfils its responsibilities for financial reporting and is ultimately responsible for reviewing and approving the consolidated financial statements and the accompanying management discussion and analysis. The Board carries out this responsibility principally through its Audit Committee.

The Audit Committee is appointed by the Board of Directors and a majority of its members are independent directors. It meets with the Company's management and auditors and reviews internal control and financial reporting matters to ensure that management is properly discharging its responsibilities before submitting the consolidated financial statements to the Board of Directors for approval.

PricewaterhouseCoopers LLP, appointed as the Company's auditors by the shareholders, has examined these consolidated financial statements and their report follows.

(signed) "*Wade K. Dawe*"
Chief Executive Officer
Halifax, Nova Scotia

(signed) *"Sarah L. Oliver"*
Chief Financial Officer
Halifax, Nova Scotia

March 24, 2015

Independent Auditor's Report

To the Shareholders of
Fortune Bay Corp.

We have audited the accompanying consolidated financial statements of Fortune Bay Corp. and its subsidiaries, which comprise the consolidated statement of financial position as at December 31, 2014 and the consolidated statements of loss and comprehensive loss, changes in equity and cash flows for the year then ended, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence on a test basis about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting principles and policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Fortune Bay Corp. and its subsidiaries as at December 31, 2014 and their financial performance and their cash flows for the year then ended in accordance with International Financial Reporting Standards.

PricewaterhouseCoopers LLP
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"PwC" refers to PricewaterhouseCoopers LLP, an Ontario limited liability partnership.

Comparative information
Without modifying our opinion, we draw attention to note 2 to the consolidated financial statements which describes Fortune Bay Corp.'s Master Reorganization. The Master Reorganization was accounted for as a capital reorganization using continuity of interest accounting whereby Fortune Bay Corp. is considered the continuation of the exploration properties business of Brigus Gold Corp. defined here as the Exploration Properties Business of Fortune Bay Corp. As a result the comparative consolidated financial statements for the year ended December 31, 2013 are a carve out of the Exploration Properties Business of Fortune Bay Corp.

The consolidated carve-out financial statements of the Exploration Properties Business of Fortune Bay Corp. for the year ended December 31, 2013 were audited by another auditor who expressed an unmodified opinion on those consolidated carve-out financial statements on January 27, 2014.

(signed) *"PricewaterhouseCoopers LLP"*

Chartered Accountants

Fortune Bay Corp.

Consolidated Statement of Financial Position

As at December 31, 2014 and December 31, 2013

(expressed in Canadian dollars)

	2014 $	2013 $
Assets		
Current assets		
Cash and cash equivalents	9,479,266	63,686
Accounts receivable (note 6)	128,980	19,441
Prepaid expenses and deposits	40,012	28,707
Investments (note 7)	496,980	390,000
Assets held for sale (note 8)	–	700,000
	10,145,238	1,201,834
Reclamation deposit	37,490	36,677
Property and equipment (note 9)	199,238	225,564
Exploration and evaluation assets (note 10)	13,880,241	13,718,998
	24,262,207	15,183,073
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities (note 11)	131,820	160,386
Flow-through share premium liability (note 14)	27,215	–
	159,035	160,386
Deferred tax liability	–	115,440
	159,035	275,826
Equity		
Shareholders' equity	24,103,172	14,907,247
	24,262,207	15,183,073

Commitments and contingencies (note 19)

Approved by the Board of Directors

(signed) *"David Peat"*, Director

(signed) *"Wade K. Dawe"*, Director

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

Fortune Bay Corp.

Consolidated Statements of Loss and Comprehensive Loss

For the years ended December 31, 2014 and December 31, 2013

(expressed in Canadian dollars)

	2014 $	2013 $
Operating expenses (income)		
Depreciation	13,566	25,912
Office, travel and promotion	156,425	80,120
Marketing	11,642	–
Regulatory fees	42,628	–
Management service fees	176,000	–
Professional fees	184,427	169,429
Salaries and benefits	430,593	220,972
Share-based compensation	128,282	–
Impairment of assets held for sale (note 8)	–	3,018,234
Impairment of property and equipment (note 9)	–	2,734,769
Impairment of exploration and evaluation assets (note 10)	–	42,823,760
Loss on disposal of exploration and evaluation assets	–	650,893
Loss of disposal of equipment	12,832	4,106
Gain on sale of assets held for sale	(119,848)	–
Foreign exchange loss	1,367	8,291
Loss on operations	(1,037,914)	(49,736,486)
Other income (expenses)		
Interest	87,565	–
Loss on sale and write-down of available-for-sale investments	(684,338)	–
Loss before income taxes	(1,634,687)	(49,736,486)
Income tax recovery (note 14)	115,440	9,847,145
Net loss for the year	(1,519,247)	(39,889,341)
Other comprehensive income (loss)		
Items that will be subsequently reclassified to the statement of loss		
Net unrealized loss on available-for-sale investments (note 7)	(654,338)	(150,000)
Unrealized loss on available-for-sale investments reclassified to net loss (note 7)	654,330	–
Realized loss on available-for-sale investments reclassified to net loss (note 7)	30,008	–
Comprehensive loss for the year attributable to the shareholders of the Company	(1,489,247)	(40,039,341)
Loss per share – Basic and diluted	(0.06)	(1.69)
Weighted-average number of common shares outstanding:		
Basic and diluted (notes 2 and 12)	26,981,768	23,622,971

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

Fortune Bay Corp.

Consolidated Statements of Changes in Equity

For the years ended December 31, 2014 and December 31, 2013

(expressed in Canadian dollars)

	Number of common shares	Common shares $	Warrants $	Net investment from parent $	Contributed surplus $	Accumulated other comprehensive income (loss) $	Retained earnings (deficit) $	Total Shareholders' Equity $
Balance – January 1, 2013	–	–	–	54,010,605	–	180,000	–	54,190,605
Net contributions from parent	–	–	–	755,983	–	–	–	755,983
Net loss for the year	–	–	–	(39,889,341)	–	–	–	(39,889,341)
Other comprehensive loss for the year	–	–	–	–	–	(150,000)	–	(150,000)
Comprehensive loss for the year	–	–	–	(39,889,341)	–	(150,000)	–	(40,039,341)
Balance – December 31, 2013	–	–	–	14,877,247	–	30,000	–	14,907,247
Net loss for the year	–	–	–	–	–	–	(1,519,247)	(1,519,247)
Other comprehensive income for the year	–	–	–	–	–	30,000	–	30,000
Comprehensive income (loss) for the year	–	–	–	–	–	30,000	(1,519,247)	(1,489,247)
Net contributions from parent	–	–	–	163,186	–	–	–	163,186
Shares issued pursuant to the Master Reorganization (note 2)	23,622,971	4,724,594	–	(15,040,433)	–	–	10,314,289	(1,550)
Shares issued pursuant to the Arrangement (note 2)	2,595,643	519,129	–	–	9,480,871	–	–	10,000,000
Units issued pursuant to the Private Placement (note 12)	1,607,144	320,735	102,050	–	–	–	–	422,785
Share issuance costs (notes 2 and 12)	–	(32,016)	(2,915)	–	–	–	–	(34,931)
Shares issued upon exercise of warrants	2,738	7,400	–	–	–	–	–	7,400
Share-based compensation expense	–	–	–	–	128,282	–	–	128,282
Balance – December 31, 2014	27,828,496	5,539,842	99,135	–	9,609,153	60,000	8,795,042	24,103,172

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

Fortune Bay Corp.

Consolidated Statements of Cash Flows

For the years ended December 31, 2014 and December 31, 2013

(expressed in Canadian dollars)

	2014 $	2013 $
Operating activities		
Net loss for the year	(1,519,247)	(39,889,341)
Charges to income not involving cash		
Depreciation	13,566	25,912
Deferred income taxes	(115,440)	(9,847,145)
Loss on disposal of equipment	12,832	4,106
Loss on disposal of evaluation and exploration assets	–	650,893
Gain on sale of assets held for sale	(119,848)	–
Loss on sale and write-down of investments	684,338	–
Impairment of assets held for sale	–	3,018,234
Impairment of property and equipment	–	2,734,769
Impairment of evaluation and exploration assets	–	42,823,760
Share-based compensation	128,282	–
Net change in non-cash operating working capital related to operations (note 15)	(39,429)	(91,001)
	(954,946)	(569,813)
Investing activities		
Additions to exploration and evaluation assets	(248,628)	(319,858)
Purchases of property and equipment	(3,183)	–
Proceeds on sale of investments	36,682	–
	(215,129)	(319,858)
Financing activities		
Cash received upon completion of the Arrangement (note 2)	10,000,000	–
Net contributions from parent	163,186	755,983
Cash received upon completion of the Private Placement (note 12)	450,000	–
Share issuance costs associated with the Arrangement and the Private Placement (notes 2 and 12)	(34,931)	–
Cash received upon exercise of warrants	7,400	–
	10,585,655	755,983
Increase (decrease) in cash and cash equivalents	9,415,580	(133,688)
Cash and cash equivalents – Beginning of year	63,686	197,374
Cash and cash equivalents – End of year	9,479,266	63,686
Cash and cash equivalents balances consist of the following:		
Cash	358,013	63,686
Short-term investments	9,121,253	–
	9,479,266	63,686

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

(expressed in Canadian dollars)

1 Nature of operations

Fortune Bay Corp. (the "Company or "Fortune Bay") was incorporated on December 12, 2013 under the laws of the Canada Business Corporation Act as part of a Plan of Arrangement to reorganize Brigus Gold Corp. ("Brigus"), which was completed on March 5, 2014 (see note 2) (the "Arrangement"). The Company commenced trading on March 17, 2014, under the symbol FOR on the Toronto Stock Exchange ("TSX").

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

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

These consolidated financial statements have been prepared on a going-concern basis, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of operations for the foreseeable future. Continued operation of the Company is dependent on its ability to develop its exploration and evaluation assets, receive continued financial support, complete equity financings, or generate profitable operations in the future.

2 Master reorganization and basis of presentation

On March 5, 2014, Brigus, Primero Mining Corp. ("Primero") and Fortune Bay completed the Arrangement, pursuant to which Primero acquired all of the issued and outstanding shares of Brigus by way of a court approved Plan of Arrangement which included Brigus spinning out certain assets (together, "The Exploration Properties Business of Fortune Bay Corp.") into Fortune Bay by way of an internal reorganization (the "Master Reorganization").

Pursuant to the Arrangement, Primero acquired Brigus' Black Fox mine and surrounding properties in Ontario, Canada. The Exploration Properties Business of Fortune Bay Corp. spun out to Fortune Bay primarily consisted of the Goldfields Project in Saskatchewan, Canada, the Ixhuatán Project in Chiapas, Mexico, the net smelter royalty on the Huizopa Project in Chihuahua, Mexico and several properties in the Dominican Republic.

(expressed in Canadian dollars)

2 Master reorganization and basis of presentation (continued)

The consideration received by the shareholders of Brigus consisted of 0.175 of a common share of Primero, a nominal cash payment of $0.000001, and 0.1 of a common share of Fortune Bay for each common share of Brigus held. Brigus' outstanding options were exchanged for Primero options and were adjusted in accordance with their terms such that the number of Primero shares received upon exercise and the respective exercise prices reflect the exchange ratio described above. Brigus' outstanding warrants were not redeemed or exchanged as part of the Arrangement and continued to be governed by and subject to the applicable Brigus Warrant Indentures. The Brigus warrants were adjusted such that the number of Primero and Fortune Bay shares received upon exercise reflect the exchange ratio described above (see note 12). In addition, Brigus' Senior Unsecured Convertible Debentures remain outstanding and may require an issuance of the Company's common shares if converted (see note 12).

Pursuant to the Arrangement, Brigus subscribed for an additional 9.9% interest in Fortune Bay in consideration for a cash payment equal to $10 million, with the amount by which the cash subscription proceeds exceeded the fair market value of the Fortune Bay shares so issued being recorded as contributed surplus of Fortune Bay (see note 12).

The carrying value of The Exploration Properties Business of Fortune Bay Corp. contributed to the Company pursuant to the Master Reorganization consisted of the following:

	March 4, 2014 $
Assets	
Cash	108,047
Accounts receivable	22,147
Prepaid expenses and deposits	20,057
Investments	840,000
Assets held for sale	700,000
Reclamation deposit	37,210
Property and equipment	225,564
Exploration and evaluation assets	13,729,241
	15,682,266
Liabilities	
Accounts payable and accrued liabilities	61,996
Deferred tax liability	115,440
	177,436
Carrying value	15,504,830

Basis of presentation

These 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.

(expressed in Canadian dollars)

2 Master reorganization and basis of presentation (continued)

Basis of presentation (continued)

The combination of the Company and The Exploration Properties Business of Fortune Bay Corp. is a combination of entities between entities under common control. However, the transaction does not meet the definition of a business combination under IFRS 3. This is due to the fact that the Company does not meet the definition of a business, and that The Exploration Properties Business of Fortune Bay Corp. is one reporting entity and so represents only one business. As this is not a business combination, IFRS 3 cannot be applied. The Master Reorganization has thus been accounted for as a capital re-organization of The Exploration Properties Business of Fortune Bay Corp. This results in the Company reporting the carrying amounts of the assets and liabilities from the current and prior periods of The Exploration Properties Business of Fortune Bay Corp.

Prior to the date of the spin out, these consolidated financial statements reflect the assets, liabilities, operations and cash flows of The Exploration Properties Business of Fortune Bay Corp. on a 'carve-out' basis from the financial statements and accounting records of Brigus. The consolidated carve-out financial statements of The Exploration Properties Business of Fortune Bay Corp. as at December 31, 2013 and for the year then ended (the "Carve-out Financial Statements") were audited by another auditor who expressed an unmodified opinion on those consolidated carve-out financial statements.

As this is a capital re-organization of The Exploration Properties Business of Fortune Bay Corp., in the consolidated financial statements, the Company incorporated the assets and liabilities of the existing entity (The Exploration Properties Business of Fortune Bay Corp.) at their pre-transaction carrying amounts without fair value uplift (continuity of interest accounting). This is on the basis that there is no substantive economic change. In essence, the combination of the two entities reflects the results and financial position of The Exploration Properties Business of Fortune Bay Corp. The only change is a change in the structure of the group. The consolidated statements of loss and comprehensive loss include the income and expenses from the The Exploration Properties Business of Fortune Bay Corp. The income and expenses, where possible, have been allocated directly from Brigus, and all remaining income and expenses have been allocated on a pro-rata basis based on the level of exploration and evaluation activities for the period up to March 4, 2014, which was the basis for allocation in the carve-out financial statements of The Exploration Properties Business of Fortune Bay Corp. Up to the date of the Master Reorganization, these amounts were reflected as net investment from parent in the consolidated statement of changes in equity.

The difference between the allocated Brigus retained earnings, income and expenses, and other comprehensive income up to the close of the Master Reorganization and the carrying values of the net assets contributed and recorded under the continuity of interest accounting, to the common shares issued in connection with the closing of the Master Reorganization on March 4, 2014 of $10,314,289 was recorded as a credit to retained earnings.

(expressed in Canadian dollars)

3 Summary of significant accounting policies

The accounting policies set out below have been applied consistently to the years presented in these consolidated financial statements, except as discussed below.

a) Statement of compliance and basis of consolidation

The 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 March 24, 2015.

These 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 Caribe, S.A. (see note 8)	Exploration	Panama
Linear Gold Mineraçao Ltda.	Exploration	Brazil
Servicios Ixhuatán, S.A. de C.V.	Exploration	Mexico

The Company consolidates the wholly-owned subsidiaries on the basis that it controls these subsidiaries through its ability to govern their financial and operating policies. There are no non-controlling interests and therefore all comprehensive loss is attributable to the shareholders of the Company.

b) Foreign currency translation

The Canadian dollar is the functional currency of the Company and all its subsidiaries, as this is the principal currency of the economic environment in which the Company operates.

Foreign currency transactions are translated as follows: (i) monetary assets and liabilities denominated in currencies other than the Canadian dollar are translated into Canadian dollars at the exchange rate prevailing at the statement of financial position date; (ii) non-monetary assets and liabilities denominated in foreign currencies and measured in terms of historic costs are translated using rates of exchange at the transaction dates; and (iii) non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated using the rates of exchange at the dates those fair values are determined.

c) Employee benefits

The Company accrues liabilities for employee benefits such as wages, salaries, bonuses, and other benefits at their nominal amounts, as these are the amounts expected to be paid when the liabilities are settled.

(expressed in Canadian dollars)

3 Summary of significant accounting policies (continued)

d) Income taxes

Current income taxes

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the countries where the Company operates and generates taxable income.

Current income tax relating to items recognized directly in equity is recognized in the consolidated statement of changes in equity and not in the statement of operations. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate. The Company recognizes interest and penalties, if any, related to uncertain tax positions in income tax expense.

Deferred income taxes

Deferred income taxes are calculated using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date. Deferred tax liabilities are recognized for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses, can be utilized, except:

- when the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

(expressed in Canadian dollars)

3 Summary of significant accounting policies (continued)

d) Income taxes (continued)

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognized outside of profit or loss is recognized outside of profit or loss. Deferred tax items are recognized in correlation to the underlying transaction either in other comprehensive income or directly in equity.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

e) Long lived assets

Property and equipment

Property and equipment, excluding land, are recorded at cost less accumulated depreciation and accumulated impairment losses. Land is recorded at cost less accumulated impairment losses and is not depreciated. The initial cost of an asset is comprised of its purchase price or construction cost, any costs directly attributable to bringing the asset into operation, the initial estimate of the reclamation obligation and, for qualifying assets, borrowing costs. The purchase price or construction cost is the aggregate amount paid and the fair value of any other consideration given to acquire the asset.

The Company depreciates the cost of property and equipment over their estimated useful lives at the following annual rates:

Computer and office equipment	30% declining balance
Leasehold improvements	straight-line over the term of the related lease
Field equipment	25-30% declining balance

Subsequent costs are included in the asset's carrying amount when it is probable that future economic benefits associated with the asset will flow to the Company and the costs can be measured reliably. This would include costs related to the refurbishment or replacement of major parts of an asset. Costs relating to the refurbishment of a major part are capitalized since the refurbishment will typically result in a significant extension in the physical life of that part. All other repairs and maintenance costs are charged to the consolidated statement of loss during the period in which they are incurred.

The estimated useful lives, residual values and depreciation methods are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

(expressed in Canadian dollars)

3 Summary of significant accounting policies (continued)

e) Long lived assets (continued)

Exploration and evaluation expenditures

Exploration and evaluation expenditures include costs such as exploratory drilling, sample testing and the costs of pre-feasibility studies. These costs are capitalized on a project-by-project basis pending determination of the technical feasibility and commercial viability of the project. The technical feasibility and commercial viability of a project is considered to be determinable when the proposed efficiency and viability of the project is assessed and the costs are expected to be recovered in full through the successful development and exploration of the identified property. All capitalized exploration and evaluation expenditures are monitored for indications of impairment, to ensure that commercial quantities of reserves exist or that exploration activities related to the property are continuing or planned for the future. If an exploration property does not prove viable, all unrecoverable costs associated with the project are expensed.

Exploration and evaluation assets are not depreciated. These amounts are reclassified from exploration and evaluation assets to mine development costs once the work completed to date supports the future development of the property and such development receives the appropriate approval. All subsequent expenditures to ready the property for production are capitalized within mine development costs, other than those costs related to the construction of property and equipment. Once production has commenced, all assets included in mine development costs are reclassified to mining properties.

Exploration and evaluation expenditures incurred prior to the Company obtaining the right to explore are recorded as expense in the period in which they are incurred.

Mineral rights

Mineral rights include the cost of obtaining unpatented and patented mining claims and the cost of acquisition of properties. Significant payments related to the acquisition of land and mineral rights are capitalized. If a mineable ore body is discovered, such costs are amortized when saleable minerals are produced from the ore body using the unit-of-production method based on proven and probable reserves. If no mineable ore body is discovered or such rights are otherwise determined to have no value, such costs are expensed in the period in which it is determined the property has no future economic value.

(expressed in Canadian dollars)

3 Summary of significant accounting policies (continued)

f) Impairment of long lived assets

At the end of each reporting period, the Company reviews the carrying amounts of its long lived assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated to determine the extent of the impairment loss, if any. Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit ("CGU") to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual CGU's, or otherwise they are allocated to the smallest group of CGU's for which a reasonable and consistent allocation basis can be identified.

The recoverable amount of an asset is the higher of fair value less costs to dispose and value in use. Value in use is determined by discounting the estimated future cash flows to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or CGU) is reduced to its recoverable amount. An impairment loss is recognized immediately in the consolidated statement of loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or a CGU) is increased to the revised estimate of its recoverable amount, however the revised carrying amount cannot exceed the asset's (or CGU's) original cost before impairment calculated as if no impairment loss had been previously recognized. A reversal of an impairment loss is recognized immediately in the consolidated statement of loss.

g) Non-current assets held for sale

Non-current assets classified as held for sale are measured at the lower of their carrying amount and fair value less costs to distribute. Non-current assets are classified as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use and the following criteria have been met: the sale is highly probable, the asset is available for immediate sale in its present condition, management is committed to the sale, and the transaction is expected to be completed within one year from the date of classification.

Property and equipment classified as held for sale is not depreciated or amortized.

h) Cash and cash equivalents

Cash and cash equivalents consist of current operating bank accounts, term deposits and fixed income securities that are cashable without penalty. Cash equivalents are readily convertible into a known amount of cash and are subject to an insignificant risk of changes in value.

(expressed in Canadian dollars)

3 Summary of significant accounting policies (continued)

i) Flow-through shares

The Company has financed a portion of its exploration activities through the issuance of flow-through shares. As permitted under the Income Tax Act (Canada), the tax attributes of eligible expenditures incurred with the proceeds of flow-through share issuances are renounced to the flow-through shareholders.

At the time of share issuance, the proceeds are allocated between share capital and the obligation to deliver the tax deduction. The allocation is based on the estimated fair value of the tax deduction to the flow-through shareholders. The fair value is estimated using market data at the date of the flow-through share issuance.

In accordance with IFRS, deferred income taxes related to the temporary differences created by the renouncement of flow-through share tax benefits to subscribers are recorded on a pro-rata basis when the qualified expenditures are incurred. When the qualified expenditures are incurred, the tax value of the renunciation is recorded on a pro-rata basis as a deferred income tax liability with a corresponding charge to income tax expense in the consolidated statements of loss and comprehensive loss. Additionally, as qualified expenditures are incurred, the Company recognizes a pro-rata reduction of the flow-through premium liability as a recovery of deferred income taxes in the consolidated statements of loss and comprehensive loss.

j) Leases

Operating lease payments are recognized as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

k) Loss per share

Loss per share is calculated based on the weighted average number of shares outstanding during the year. The 2013 loss per share has been adjusted to reflect the shares outstanding pursuant to the Master Reorganization (note 2). Outstanding shares that are subject to cancellation under an escrow agreement are not treated as outstanding and are excluded from the calculation of loss per share until the date the shares are no longer subject to cancellation. The Company follows the treasury method of calculating diluted earnings per share. This method assumes that any proceeds from the exercise of stock options and other dilutive instruments would be used to purchase common shares at the average market price during the year. Diluted loss per share for the periods presented is the same as basic loss per share, as the Company has incurred losses and the exercise of options and warrants would be anti-dilutive.

(expressed in Canadian dollars)

3 Summary of significant accounting policies (continued)

l) Share-based payments

The Company has a share-based compensation plan. Awards of options under this plan are expensed based on the estimated fair value of the options at the grant date, with a corresponding credit to contributed surplus in shareholders' equity. Fair value is estimated using the Black-Scholes pricing model. If the options are subject to a vesting period, the estimated fair value is recognized over this period on a graded vesting basis, based on the Company's estimate of the shares that will eventually vest.

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, may not necessarily provide a reliable estimate of the fair value of the related stock options. The Company uses historical price data and comparable entities in the estimate of future volatilities.

Cash consideration received on exercise of options is credited to share capital together with the amounts originally recorded as share-based compensation related to the exercised options.

m) Financial instruments

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: fair value through profit or loss ("FVTPL"), held-to-maturity, available-for-sale ("AFS") and loans and receivables. 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	Subsequent measurement
Cash and cash equivalents	Loans and receivables	Amortized cost
Accounts receivable	Loans and receivables	Amortized cost
Investments	Available-for-sale	Fair value through other comprehensive income
Accounts payable and accrued liabilities	Other financial liabilities	Amortized cost

(expressed in Canadian dollars)

3 Summary of significant accounting policies (continued)

m) Financial instruments (continued)

Financial Assets

Subsequent to initial recognition, loans and receivables are measured at amortized cost and AFS instruments are measured at fair value with unrealized gains and losses recognized in the statement of other comprehensive income.

The investments are traded in active markets, therefore the fair value is based on quoted market prices at the date of the consolidated statement of financial position. The quoted market price used for financial assets held by the Company is the current bid price.

Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated fair value of the financial asset has declined.

Financial Liabilities

Financial liabilities

Financial liabilities are classified as other financial liabilities and are measured at amortized cost subsequent to initial measurement at fair value.

Offsetting financial instruments

Financial assets and financial liabilities are offset and the net amount reported on the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously.

n) Provisions

Provisions are recognized when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount can be reliably estimated. Provisions are measured at management's best estimate of the expenditure required to settle the obligation at the end of the reporting period, and are discounted to present value where the effect is material. There were no provisions recorded within the consolidated financial statements as at December 31, 2014 and 2013.

(expressed in Canadian dollars)

4 Significant accounting judgements and key sources of estimation uncertainty

The preparation of the consolidated financial statements requires that the Company's management make estimates and judgments about future events that affect the amounts reported in the consolidated financial statements and related notes to the consolidated financial statements. Actual results may differ from those estimates. Estimates and judgments are reviewed on an ongoing basis based on historical experience and other factors that are considered to be relevant under the circumstances. Revisions to estimates are accounted for prospectively.

The significant assumptions about the future and other major sources of estimation uncertainty as at the end of the reporting period that have a significant risk of resulting in a material adjustment to the carrying amounts of the Company's assets and liabilities are as follows:

Recoverability of exploration and evaluation assets

At the end of each reporting period, the Company assesses each of its exploration and evaluation assets to determine whether any indication of impairment or indicators of a reversal of a previously recorded impairment exists. Judgment is required in determining whether indicators of impairment exist, including factors such as the period for which the Company has the right to explore, expected renewals of exploration rights, whether substantive expenditures on further exploration and evaluation of resource properties are budgeted and results of exploration and evaluation activities on the exploration and evaluation assets.

Where an indicator of impairment or an indicator of a reversal of a previously recorded impairment exists, a formal estimate of the recoverable amount is made, which is considered to be the higher of the fair value less costs to sell and value in use. The impairment analysis requires the use of estimates and assumptions, such as long-term commodity prices, discount rates, future capital requirements, exploration potential and operating performance. Fair value of mineral assets is generally determined as the present value of estimated future cash flows arising from the continued use of the asset, which includes estimates such as the cost of future expansion plans and eventual disposal, using assumptions that an independent market participant may take into account. Cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of the time value of money and the risks specific to the asset. If the Company does not have sufficient information about a particular mineral resource property to meaningfully estimate future cash flows, the fair value is estimated by management through the use of, where available, comparison to similar market assets and, where available, industry benchmarks. Actual results may differ materially from these estimates.

Contingencies

Due to the nature of the Company's operations, various legal and tax matters are outstanding from time to time. In the event that management's estimate of the future resolution of these matters changes, the Company will recognize the effects of the changes in its consolidated financial statements on the date that such changes occur.

(expressed in Canadian dollars)

4 Significant accounting judgements and key sources of estimation uncertainty (continued)

Carve-out Financial Statements

The Company's prior year comparative results are taken from the consolidated carve-out statements of The Exploration Properties Business of Fortune Bay Corp., which have been prepared on a carve-out basis. The comparative results are based on the direct costs associated with The Exploration Properties Business of Fortune Bay Corp., as well as management's allocation of certain expenses from Brigus to reflect additional costs of managing and maintaining these properties. The comparative information may not be indicative of the current, or future, results of Fortune Bay, as The Exploration Properties Business of Fortune Bay Corp. was not a stand-alone operation.

5 Recent accounting pronouncements

The Company has adopted the following new standards effective January 1, 2014. These changes were made in accordance with the applicable transitional provisions.

IFRIC 21, *Levies*

In May 2013, the IASB issued IFRIC 21, *Levies*, ("IFRIC 21") an interpretation on the accounting for levies imposed by governments. IFRIC 21 is an interpretation of IAS 37, *Provisions, Contingent Liabilities and Contingent Assets* ("IAS 37"). IAS 37 sets out criteria for the recognition of a liability, one of which is the requirement for the entity to have a present obligation as a result of a past event (known as an obligating event). The interpretation clarifies that the obligating event that gives rise to a liability to pay a levy is the activity described in the relevant legislation that triggers the payment of the levy. IFRIC 21 is effective for annual periods beginning on or after January 1, 2014. There was no impact on the consolidated financial statements upon the adoption of IFRIC 21.

IAS 32, *Offsetting Financial Assets and Financial Liabilities*

IAS 32, *Offsetting Financial Assets and Financial Liabilities*, ("IAS 32") was issued in December 2011 and amends the criterion for an entity being allowed to report financial assets and liabilities on a net basis. Retrospective application of this standard is effective for fiscal years beginning on or after January 1, 2014, with early adoption permitted. There was no impact on the consolidated financial statements upon the adoption of IAS 32.

(expressed in Canadian dollars)

5 Recent accounting pronouncements (continued)

Future pronouncements:

IFRS 9, *Financial Instruments*

IFRS 9, *Financial Instruments* ("IFRS 9") introduces new requirements for the classification and measurement of financial assets. IFRS 9 requires all recognized financial assets that are within the scope of IAS 39, *Financial Instruments: Recognition and Measurement*, ("IAS 39") to be measured at amortized cost or fair value in subsequent accounting periods following initial recognition. Specifically, financial assets that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortized cost at the end of subsequent accounting periods. All other financial assets, including equity investments, are measured at their fair values at the end of subsequent accounting periods.

Requirements for classification and measurement of financial liabilities were added in October 2010 and they largely carried forward existing requirements in IAS 39, except that fair value changes due to credit risk for liabilities designated at fair value through profit and loss would generally be recorded in other comprehensive income.

IFRS 9 was amended in November 2013 to: (i) include guidance on hedge accounting; and (ii) allow entities to early adopt the requirement to recognize changes in fair value attributable to changes in an entity's own credit risk, from financial liabilities designated under the fair value option, in other comprehensive loss, without having to adopt the remainder of IFRS 9. The final version of IFRS 9 was issued in July 2014 and includes: (i) a third measurement category for financial assets-fair value through other comprehensive income; (ii) a single forward-looking expected loss impairment model; and (iii) a mandatory effective date for IFRS 9 of annual periods beginning on or after January 1, 2018, with early adoption permitted. The Company is currently evaluating the impact of the adoption of this standard on the consolidated financial statements.

6 Accounts receivable

	2014 $	2013 $
Trade receivables	79,700	16,815
Due from related parties	3,228	–
Sales tax and other	46,052	2,626
	128,980	19,441

(expressed in Canadian dollars)

7 Investments

	2014 $	2013 $
Available-for-sale investments	496,980	390,000

For the year ended December 31, 2014, the Company has recognized an unrealized gain of $30,000 (2013 – unrealized loss of $150,000) in other comprehensive loss relating to fair value adjustments associated with the available-for-sale investments. During the year ended December 31, 2014, the Company had a realized loss of $30,008 (2013 – realized loss of $nil) upon the sale of available-for-sale investments and a write-down of available-for-sale investments of $654,330 (2013 - $nil) related to a decline in fair value.

8 Assets held for sale

Pursuant to the Master Reorganization, the Company acquired all of the outstanding shares of Linear Gold Caribe, S.A., which held Brigus' interest in exploration properties located in the Dominican Republic (the "Concessions"). The Concessions were recorded as assets held for sale as at December 31, 2013 as they were subject to an option agreement between Brigus and Everton Resources Inc. ("Everton") through which Everton could acquire Linear Gold Caribe, S.A. in exchange for 3 million Everton shares. The option would then be exercisable upon the delivery of the following additional consideration:

- $0.175 million in cash (less withholding taxes) and an additional 1.2 million common shares of Everton;
- a sliding net smelter return royalty on the Concessions 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 US$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 net smelter return royalty; and
- a promissory note equal to the greater of $5.0 million or 1 million common shares of Everton. The promissory note will be subject to the completion of a National Instrument ("NI") 43-101 compliant measured and indicated resource estimate on the 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 the Concessions plus a NI 43-101 compliant measured and indicated resource estimate on the 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.
- All share amounts have been adjusted for a 5:1 share consolidation completed by Everton on February 25, 2014.

For the year ended December 31, 2014, the Company has recorded a gain on the sale of assets held for sale of $119,848 in the consolidated statement of loss.

The sale was completed on March 19, 2014 upon receipt of final regulatory approval from the TSX. As at March 19, 2014, the Company recorded a balance of $798,000 on the statement of financial position in relation to the fair value of the 4.2 million common shares of Everton received as consideration, which the Company classified as an available-for-sale investment.

At December 31, 2013, the assets held for sale were measured at the lower of carrying value and fair value less costs to dispose. In the year ended December 31, 2013, the Company identified that the carrying value of the assets held for sale exceeded the fair value less costs to sell and therefore recorded an impairment charge of $3,018,234.

(expressed in Canadian dollars)

9 Property and equipment

Cost	Land and building $	Computer and office equipment $	Field equipment $	Leaseholds $	Total $
As at December 31, 2012	2,899,002	149,537	91,543	38,258	3,178,340
Disposals	–	(6,965)	–	–	(6,965)
Impairment	(2,734,769)	–	–	–	(2,734,769)
As at December 31, 2013	164,233	142,572	91,543	38,258	436,606
Additions	–	3,183	–	–	3,183
Disposals	–	(41,275)	–	–	(41,275)
As at December 31, 2014	164,233	104,480	91,543	38,258	398,514

Accumulated depreciation	Land and building $	Computer and office equipment $	Field equipment $	Leaseholds $	Total $
As at December 31, 2012	–	72,134	65,157	34,173	171,464
Additions	–	21,827	15,985	4,085	41,897
Disposals	–	(2,319)	–	–	(2,319)
As at December 31, 2013	–	91,642	81,142	38,258	211,042
Additions	–	13,566	3,111	–	16,677
Disposals	–	(28,443)	–	–	(28,443)
As at December 31, 2014	–	76,765	84,253	38,258	199,276

Carrying amounts	Land and building $	Computer and office equipment $	Field equipment $	Leaseholds $	Total $
Balance, December 31, 2013	164,233	50,930	10,401	–	225,564
Balance, December 31, 2014	164,233	27,715	7,290	–	199,238

For the year ended December 31, 2014, the Company capitalized depreciation expense totaling $3,111 (2013 - $15,985).

(expressed in Canadian dollars)

10 Exploration and evaluation assets

	Goldfields $	Ixhuatán $	Huizopa $	Total $
As at January 1, 2013	48,872,123	7,343,332	650,893	56,866,348
Additions	150,420	176,883	–	327,303
Disposals	–	–	(650,893)	(650,893)
Impairment	(37,409,335)	(5,414,425)	–	(42,823,760)
As at December 31, 2013	11,613,208	2,105,790	–	13,718,998
Additions	84,317	76,926	–	161,243
As at December 31, 2014	11,697,525	2,182,716	–	13,880,241

Goldfields

As at December 31, 2014, the Company holds a 100% interest in the Goldfields property located in Uranium City, Saskatchewan, which includes the Box Deposit, the Athona Deposit and several exploration targets.

Ixhuatán

As at December 31, 2014, the Company has a 100% interest in the Ixhuatán Project, which is located in the state of Chiapas, Mexico.

Huizopa

The Company has a 2% net smelter royalty over future production from the Huizopa Project, located in 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. As at December 31, 2013, the Company recorded an impairment of $650,893 against the carrying value of the Huizopa property, which reduced its carrying value to $nil.

(expressed in Canadian dollars)

11 Accounts payable and accrued liabilities

	2014 $	2013 $
Trade accounts payable and accrued liabilities	128,820	160,386
Amounts payable to related parties, including director fees	3,000	–
	131,820	160,386

12 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 – December 31, 2013	–	–
Shares issued pursuant to the Master Reorganization (note 2)	23,622,971	4,724,594
Shares issued pursuant to the Arrangement (note 2)	2,595,643	519,129
Share issuance costs pursuant to the Arrangement (note 2)	–	(22,852)
Shares issued pursuant to the Private Placement	1,607,144	320,735
Share issuance costs pursuant to the Private Placement	–	(9,164)
Shares issued pursuant to warrant exercise	2,738	7,400
Outstanding – December 31, 2014	27,828,496	5,539,842

Private placement flow-through financing

On April 1, 2014, the Company completed a non-brokered flow-through financing for aggregate gross proceeds of $450,000. The Company issued 1,607,144 units at a price of $0.28 per unit, with each unit consisting of one flow-through common share of the Company and one half of one common share purchase warrant. Each whole warrant entitles the holder to acquire one common share at an exercise price of $0.30 per share until April 1, 2017. Directors of the Company subscribed for all units of the financing.

The value allocated to the common shares issued was $320,735, the value allocated to the common share purchase warrants was $102,050, and the value allocated to the flow-through share premium liability was $27,215. Total costs associated with the private placement, consisting of professional and regulatory fees, were $12,079. The Company allocated $9,164 to the costs of issuing the common shares and $2,915 to the costs of issuing the warrants. All securities issued pursuant to the flow-through financing were subject to a statutory four-month holding period in accordance with Canadian securities legislation.

(expressed in Canadian dollars)

12 Share capital (continued)

a) Common shares (continued)

Share Transactions Pursuant to the Master Reorganization and the Arrangement

Pursuant to the Master Reorganization on March 4, 2014, the Company issued 23,622,971 shares in exchange for the net assets received from Brigus. The balance of share capital immediately following the close of the Master Reorganization was $4,724,594. The amount was determined to be the value attributed to the net assets calculated in accordance with the Master Reorganization.

Pursuant to the Arrangement, Brigus subscribed for such number of additional Fortune Bay shares as would result in Brigus holding, after completion of the Arrangement and distribution of Fortune Bay shares to the Brigus shareholders, 9.9% of the outstanding Fortune Bay shares, in exchange for cash consideration totalling $10 million. As per the Arrangement, the amount, if any, by which the $10 million cash subscription proceeds exceeded the fair market value of the Fortune Bay shares so issued, as determined by the Master Reorganization, was to be recorded as contributed surplus in the capital of Fortune Bay. The amount allocated to share capital under the Arrangement was $519,129, with the balance of $9,480,871 allocated to contributed surplus.

Loss per share information in these consolidated financial statements has been presented as if the 23,622,971 common shares issued in connection with the closing of the Master Reorganization had been issued and outstanding from the start of all the periods presented.

b) Warrants

Warrant activity during the year ended December 31, 2014:

	Number of warrants	Value $
Outstanding – December 31, 2013	–	–
Warrants issued pursuant to the Private Placement (note 12 (a))	803,572	102,050
Warrant issue costs pursuant to the Private Placement (note 12 (a))	–	(2,915)
Outstanding – December 31, 2014	803,572	99,135

As at December 31, 2014, 803,572 common share purchase warrants are outstanding, exercisable at $0.30 into common shares of the Company and expiring on April 1, 2017.

(expressed in Canadian dollars)

12 Share capital (continued)

b) Warrants (continued)

The fair value of the 803,572 warrants issued has been estimated at the grant date using the Black-Scholes option pricing model. The weighted-average assumptions used in the pricing model for the year ended December 31, 2014 are as follows:

Risk-free interest rate	1.08%
Expected life	3.0 years
Expected volatility	100%
Expected dividend per share	$0.00
Weighted average fair value	$0.21

Brigus warrants

Prior to the Arrangement, two tranches of Brigus warrants were outstanding, BRD.WT.A and BRD.WT. The Brigus warrants were not redeemed as part of the Arrangement. The Brigus warrants continued to be governed by and subject to the applicable Brigus Warrant Indentures and were listed under the symbols, P.WT.A (formerly BRD.WT.A) and P.WT.B (formerly BRD.WT). Pursuant to the Arrangement, the A Warrants were adjusted so that for each A Warrant exercised, the holder would be entitled to receive 0.175 of a Primero share and 0.1 of a Fortune Bay share for a price of $2.19 (of which Fortune would receive $0.27 and Primero the balance) and the B Warrants were adjusted so that for each B Warrant exercised, the holder would entitled to receive 0.2395 of a Primero share and 0.1369 of a Fortune Bay share for a price of $3.00 (of which Fortune Bay would receive $0.37 and Primero the balance).

Both the A and the B Warrants expired on November 19, 2014. Prior to the expiry, 2,738 shares of the Company were issued upon the exercise of 20,000 B Warrants for $7,400.

c) Stock option plan

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

The following table reconciles the stock option activity during the year ended December 31:

	Number of options	Weighted-average exercise price $
Balance - December 31, 2013	–	–
Granted	1,900,000	0.30
Forfeited	(400,000)	0.30
Balance - December 31, 2014	1,500,000	0.30

(expressed in Canadian dollars)

12 Share capital (continued)

d) Stock option plan (continued)

The following are the weighted-average assumptions used in calculating the value of the stock options granted during the year ended December 31, 2014:

Risk-free interest rate	1.02%
Expected life	4.5 years
Expected volatility	99%
Expected dividend per share	$0.00
Weighted-average fair value	$0.21

Expected volatility was estimated using the actual historical share prices of similar companies over the time period consistent with the expected life of the option.

The following table summarizes information relating to outstanding and exercisable stock options as at December 31, 2014:

Expiry date	Weighted-average remaining contractual life (in years)	Number of options outstanding	Number of options exercisable	Weighted-average exercise price
March 18, 2019	4.2	1,100,000	–	$0.30
August 11, 2019	4.6	400,000	–	$0.315

As at December 31, 2014, 1,282,850 options were available to be granted under the stock option plan (2013 – nil). For the year ended December 31, 2014, the estimated value of options earned during the year and recorded in the consolidated statement of loss was $128,282 (2013 – $nil).

e) Convertible debentures

Prior to the Arrangement, Brigus had outstanding aggregate principal amount of USD$50.0 million 6.5% Senior Unsecured Convertible Debentures (the "Debentures") with a maturity date of March 31, 2016. The Debentures were convertible by the holders into common shares of Brigus at any time at a conversion price of USD$2.45 per common share.

After the Arrangement, Primero completed the repurchase of USD$1.9 million of the Debentures, leaving USD$48.1 million outstanding. In accordance with the exchange ratio described in note 2, each Debenture holder would be entitled to receive 0.1 of a common share of the Company upon conversion of these outstanding debentures. As such, the Company may be obligated to issue shares upon conversion of the outstanding Debentures, in exchange for the Company's share of the converted amount of the Debentures.

(expressed in Canadian dollars)

13 Contributed surplus

	$
Balance - December 31, 2013	–
Issuance of share capital pursuant to the Arrangement (note 2)	9,480,871
Share-based compensation	128,282
Balance - December 31, 2014	9,609,153

14 Income taxes

a) Reconciliation of total tax recovery

	2014 $	2013 $
Current income tax expense	–	–
Deferred income tax recovery	115,440	9,847,145

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 income before tax provision due to the following:

	2014 $	2013 $
Loss before income taxes	1,634,687	49,736,486
Statutory rate	31%	31%
Tax recovery at statutory rate	506,753	15,418,311
Losses and deductible temporary differences not recognized in current and prior years	(335,819)	(5,531,567)
Permanent differences and other	(55,494)	(39,599)
Income tax recovery	115,440	9,847,145

(expressed in Canadian dollars)

14 Income taxes (continued)

b) Deferred income taxes

The following reflects deferred tax assets and liabilities at December 31, 2014 and 2013:

	2014 $	2013 $
Deferred tax assets		
Net operating losses carried forward	–	–
Exploration and development	–	–
	–	–
Deferred tax liabilities		
Exploration and development	–	115,440
	–	115,440

The Company has unrecognized deferred tax assets on gross deductible temporary differences and net operating losses of $32.5 million as at December 31, 2014 (December 31, 2013 - $31.3 million).

The Company has accumulated losses for Canadian income tax purposes of approximately $4,621,000, which may be carried forward and used to reduce taxable income in future years. These losses expire as follows:

	$
Year ending December 31, 2030	1,816,000
2031	400,000
2032	879,000
2033	550,000
2034	976,000
	4,621,000

(expressed in Canadian dollars)

14 Income taxes (continued)

b) Deferred income taxes (continued)

The Company has accumulated Mexican tax losses of approximately $20,478,000, which may be carried forward and used to reduce taxable income from Mexico in future years. These losses expire as follows:

	$
Year ending December 31, 2015	1,878,000
2016	7,063,000
2017	6,047,000
2018	4,928,000
2021	199,000
2023	311,000
2024	52,000
	20,478,000

The Company has accumulated tax losses in Brazil of $1.2 million which have no expiry date.

c) Flow-through share premium liability

	2014 $	2013 $
Opening balance	–	–
Flow-through shares premium liability recorded on issuance of flow-through shares (note 12 (a))	27,215	–
Ending balance	27,215	–

15 Supplemental cash flow information

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

	2014 $	2013 $
Accounts receivable	(112,692)	(6,119)
Prepaid expenses and deposits	(12,118)	1,172
Accounts payable and accrued liabilities	85,381	(86,054)
	(39,429)	(91,001)

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

	2014 $	2013 $
Capitalized depreciation	3,111	15,985

(expressed in Canadian dollars)

16 Related party transactions

The Company completed a private placement financing on April 1, 2014, issuing 1,607,144 units at a price of $0.28 per unit (see note 12). Directors of the Company subscribed to all units issued for the financing. There were no other transactions with related parties outside the normal course of business operations during the year.

Amounts payable to officers, directors and companies owned thereby were $3,000 as at December 31, 2014. During the year ended December 31, 2014, the Company paid for management services from a related company, Numus Financial Inc., in the amount of $176,000 and received rent payments from Numus Financial Inc. in the amount of $36,000. As at December 31, 2014, the amount receivable by the Company from Numus Financial Inc. was $3,228.

Key management includes the Company's Directors, Chairman and Chief Executive Officer, President and Chief Operating Officer and Chief Financial Officer. Compensation awarded to key management is summarized as follows:

	2014 $
Cash and accrued compensation and other benefits	313,496
Share-based compensation	118,657
	432,153

Cash and accrued compensation and other benefits are included in salaries and benefits on the statement of loss.

17 Fair value 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 and cash equivalents, as follows:

	2014 $	2013 $
Equity	24,103,172	14,905,698
Less: Cash and cash equivalents	(9,479,266)	(63,686)
	14,623,906	14,842,012

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 return capital to shareholders. No changes were made in the objectives, policies or processes for managing capital during the year ended December 31, 2014.

(expressed in Canadian dollars)

17 Fair value financial instruments and risk management (continued)

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, trade receivables and due from related parties and accounts payable and accrued liabilities approximate fair values based on the immediate or short-term maturities of these financial instruments. The investments are carried at fair value on the statement of financial position. The following is a comparison of the carrying amounts and fair value of the Company's financial instruments:

	2014		2013	
	Carrying amount $	Fair value $	Carrying amount $	Fair value $
Financial assets				
Cash and cash equivalents	9,479,266	9,479,266	63,686	63,686
Trade receivables and due from related parties	82,928	82,928	16,815	16,815
Investments	496,980	496,980	390,000	390,000
Financial liabilities				
Accounts payable and accrued liabilities	131,820	131,820	160,386	160,386

c) Financial risk management objectives

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

d) Market risk

Gold prices are affected by various factors, 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.

(expressed in Canadian dollars)

17 Fair value financial instruments and risk management (continued)

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 and accounts receivable. Cash and cash equivalents are placed with high-credit quality financial institutions. The fair value of accounts receivable approximates carrying value due to their 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 accounts receivable amounts during the year ended December 31, 2014.

f) Liquidity risk

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

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

In the normal course of business, the Company enters into contracts that give rise to commitments for future minimum payments. The following table summarizes the remaining contractual maturities of the Company's financial liabilities. The amounts included in this table may not result in an actual obligation of the Company, as the requirement to settle certain of these amounts is contingent on the occurrence of certain events that may or may not transpire:

	Within 1 year	2-3 years	4-5 years	Over 5 years	Total
Accounts payable and accrued liabilities	131,820	–	–	–	131,820
Operating lease obligations	117,498	237,543	89,658	–	444,699
	249,318	237,543	89,658	–	576,519

The Company also has a potential contingency related to a commitment (see note 19).

(expressed in Canadian dollars)

17 Fair value financial instruments and risk management (continued)

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 year ended December 31, 2014, 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) Commodity risk

The price of the Company's common share may be impacted by the price of gold or other minerals. Economic viability of future production from the Company's exploration and evaluation properties, if any, is dependent on the price of gold. The Company is currently not at the production stage so the impact on the current year results is $nil.

i) Fair value measurements recognized in the statement of financial position

The Company has 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).

At December 31, 2014, the levels in the fair value hierarchy into which the Company's financial assets and liabilities are measured and recognized on the consolidated statement of financial position at fair value are categorized as follows:

Financial assets	Level 1 $	Level 2 $	Level 3 $
Investments	496,980	–	–

There were no transfers between levels during the year.

(expressed in Canadian dollars)

18 Segment information

The Company conducts business in Canada and in Mexico. There is no segmented revenue or operating results to report however, the geographical information regarding the Company's assets is as follows:

		Mineral operations		
	Corporate Canada $	Canada $	Mexico $	Total $
As at December 31, 2014				
Current assets	10,104,365	19,377	21,496	10,145,238
Reclamation deposit	37,490	–	–	37,490
Property and equipment	27,715	171,523	–	199,238
Evaluation and exploration assets	–	11,697,525	2,182,716	13,880,241
	10,169,570	11,888,425	2,204,212	24,262,207

		Mineral operations			
	Corporate Canada $	Canada $	Mexico $	Dominican Republic $	Total $
As at December 31, 2013					
Current assets	438,198	39,127	23,099	701,410	1,201,834
Reclamation deposit	36,677	–	–	–	36,677
Property and equipment	50,929	174,635	–	–	225,564
Evaluation and exploration assets	–	11,613,208	2,105,790	–	13,718,998
	525,804	11,826,970	2,128,889	701,410	15,183,073

(expressed in Canadian dollars)

19 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.

As at December 31, 2014, the Company had approximately $16 million of potential commitments for the development of the Goldfields Project related to equipment that was contracted to be built by unrelated parties. The equipment was found to be inadequate and therefore, in accordance with the terms of the contracts, management determined the contracts to be null and void. The manufacturer of the equipment has not pursued any claims. The Company believes that any potential claims are without merit, offset by other damages and, in any event, nearing or past the applicable limitation period. No amounts have been recorded in the accounts of the Company at any period related to these agreements.

The Company has an employment arrangement with the President and Chief Operating Officer of the Company which provides that, should a change in control event occur, the President and Chief Operating Officer will receive a lump sum payment equal to 24 months of the Executive's then current base salary. The Company also has an employment arrangement with the Chief Financial Officer of the Company which provides that, should a change in control event occur, the Chief Financial Officer will receive a lump sum payment equal to 18 months of the Executive's then current base salary.

20 Subsequent events

On January 2, 2015, 700,000 stock options were granted to key management of the Company. These options have a term of five years and an exercise price of $0.30. In addition, 400,000 options were cancelled on January 2, 2015.