Unaudited Condensed Interim Consolidated Financial Statements of

FORTUNE BAY CORP.

June 30, 2015

(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	**June 30 2015**	**December 31 2014**
Assets		
Current assets		
Cash and cash equivalents	**$ 8,726,558**	$ 9,479,266
Accounts receivable (Note 4)	**107,271**	128,980
Prepaid expenses and deposits	**39,560**	40,012
Investments (Note 5)	**274,470**	496,980
	9,147,859	10,145,238
Reclamation deposit	**37,490**	37,490
Property and equipment (Note 7)	**194,036**	199,238
Exploration and evaluation assets (Note 8)	**14,015,243**	13,880,241
Total assets	**$ 23,394,628**	$ 24,262,207
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities (Note 9)	**$ 182,144**	$ 131,820
Flow-through share premium liability (Note 12)	**23,882**	27,215
	206,026	159,035
Equity		
Shareholders' equity	**23,188,602**	24,103,172
Total liabilities and equity	**$ 23,394,628**	$ 24,262,207

Commitments and contingencies (Note 17)

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

Approved on behalf of the Board of Directors on August 7, 2015,

"David Peat" "Wade Dawe"

Director Director

FORTUNE BAY CORP.
Unaudited Interim Consolidated Statements of Loss and Comprehensive Loss

Expressed in Canadian dollars

	Three-month period ended June 30, 2015	Three-month period ended June 30, 2014	**Six-month period ended June 30, 2015**	Six-month period ended June 30, 2014
Operating expenses (income)				
Depreciation	**$ 2,073**	$ 3,337	**$ 4,123**	$ 7,104
Office, premises and travel	**48,038**	82,869	**98,861**	97,696
Marketing and promotion	**1,457**	4,238	**4,732**	5,355
Regulatory fees	**87,947**	13,334	**98,018**	23,014
Management service fees	**30,000**	67,000	**60,000**	91,000
Professional services	**63,524**	79,543	**104,569**	98,422
Salaries and benefits	**182,103**	124,719	**367,706**	165,715
Share-based compensation	**28,372**	15,767	**185,913**	32,267
Loss on disposal of equipment	**-**	-	**-**	5,852
Loss on sale of investments	**-**	10,008	**-**	10,008
Gain on sale of assets held for sale (Note 6)	**-**	-	**-**	(119,848)
Foreign exchange loss (gain)	**2,883**	(3,917)	**780**	(5,378)
Loss from operations	**(446,397)**	(396,898)	**(924,702)**	(411,207)
Other income				
Interest	**20,567**	21,448	**43,396**	22,775
Loss before income taxes	**(425,830)**	(375,450)	**(881,306)**	(388,432)
Income tax recovery (Note 12)	**3,333**	-	**3,333**	115,440
Net loss for the period	**(422,497)**	(375,450)	**(877,973)**	(272,992)
Other comprehensive income (loss) *Items that will be subsequently reclassified to the statement of loss*				
Realized gain on available-for-sale investments (Note 5)	**-**	10,008	**-**	10,008
Net unrealized loss on available-for-sale investments (Note 5)	**(143,265)**	(364,938)	**(222,510)**	(19,938)
Comprehensive loss for the period	**$ (565,762)**	$ (730,380)	**$ (1,100,483)**	$ (282,922)
Loss per share – basic and diluted	$ (0.02)	$ (0.01)	$ (0.04)	$ (0.01)
Weighted-average number of common shares outstanding				
Basic and diluted	27,828,496	27,825,758	27,828,496	26,123,170

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 Shares	Share Capital	Net Investment from Parent	Warrants	Contributed Surplus	Accumulated Other Comprehensive Income (Loss)	Retained Earnings (Deficit)	Total
Balance, January 1, 2014	**-**	**$ -**	**$14,877,247**	**$ -**	**$ -**	**$ 30,000**	**$ -**	**$14,907,247**
Net loss for the period	-	-	-	-	-	-	(272,992)	(272,992)
Other comprehensive loss for the period	-	-	-	-	-	(9,930)	-	(9,930)
Comprehensive loss for the period	-	-	-	-	-	(9,930)	(272,992)	(282,922)
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 Private Placement (Note 10)	1,607,144	320,735	-	102,050	-	-	-	422,785
Share issuance costs	-	(32,016)	-	(2,915)	-	-	-	(34,931)
Share-based compensation expense	-	-	-	-	32,267	-	-	32,267
Balance, June 30, 2014	**27,825,758**	**5,532,442**	**-**	**99,135**	**9,513,138**	**20,070**	**10,041,297**	**25,206,082**
Net loss for the period	-	-	-	-	-	-	(1,246,255)	(1,246,255)
Other comprehensive income for the period	-	-	-	-	-	39,930	-	39,930
Comprehensive income (loss) for the period	-	-	-	-	-	39,930	(1,246,255)	(1,206,325)
Shares issued upon exercise of warrants	2,738	7,400	-	-	-	-	-	7,400
Share-based compensation expense	-	-	-	-	96,015	-	-	96,015
Balance, December 31, 2014	**27,828,496**	**5,539,842**	**-**	**99,135**	**9,609,153**	**60,000**	**8,795,042**	**24,103,172**
Net loss for the period	-	-	-	-	-	-	(877,973)	(877,973)
Other comprehensive loss for the period	-	-	-	-	-	(222,510)	-	(222,510)
Comprehensive loss for the period	-	-	-	-	-	(222,510)	(877,973)	(1,100,483)
Share-based compensation expense	-	-	-	-	185,913	-	-	185,913
Balance, June 30, 2015	**27,828,496**	**$5,539,842**	**$ -**	**$ 99,135**	**$9,795,066**	**$ (162,510)**	**$7,917,069**	**$23,188,602**

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	**Six-month period ended June 30, 2015**	Six-month period ended June 30, 2014
Operating activities		
Net loss for the period	**$ (877,973)**	$ (272,992)
Charges to income not involving cash:		
Depreciation	**4,123**	7,104
Deferred income taxes	**(3,333)**	(115,440)
Loss on disposal of equipment	**-**	5,852
Gain on sale of assets held for sale	**-**	(119,848)
Loss on sale of investments	**-**	10,008
Share-based compensation	**185,913**	32,267
Net change in non-cash working capital related to operations (Note 13)	**69,041**	(74,148)
Net cash used in operating activities	**(622,229)**	(527,197)
Investing activities		
Additions to exploration and evaluation assets	**(130,479)**	(38,207)
Proceeds on sale of investments	**-**	28,182
Net cash used in investing activities	**(130,479)**	(10,025)
Financing activities		
Cash received upon completion of the Arrangement (Note 2)	**-**	10,000,000
Cash received upon completion of the Private Placement (Note 10)	**-**	450,000
Net contributions from parent	**-**	163,186
Share issuance costs associated with the Arrangement and the Private Placement	**-**	(34,931)
Net cash provided by financing activities	**-**	10,578,255
Increase (decrease) in cash and cash equivalents	**(752,708)**	10,041,033
Cash and cash equivalents, beginning of period	**9,479,266**	63,686
Cash and cash equivalents, end of period	**$ 8,726,558**	$10,104,719

Cash and cash equivalents balances consist of the following:

Cash	**215,214**	1,047,977
Short-term investments	**8,511,344**	9,056,742
	$ 8,726,558	$10,104,719

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

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

2. 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.

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 10). In addition, Brigus' Senior Unsecured Convertible Debentures remain outstanding and may require an issuance of the Company's common shares if converted (see Note 10).

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 10).

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
Total Assets	**15,682,266**
Liabilities	
Accounts payable and accrued liabilities	61,996
Deferred tax liability	115,440
Total Liabilities	**177,436**
Carrying Value	**15,504,830**

Basis of Presentation

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

The combination of 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 prior periods of The Exploration Properties Business of Fortune Bay Corp.

Prior to the date of the spin out, these unaudited condensed interim 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.

As this is a capital re-organization of The Exploration Properties Business of Fortune Bay Corp., in the unaudited condensed interim 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 prior year comparative on the unaudited condensed interim consolidated statement of loss and comprehensive loss includes the income and expenses from 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 statement 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these unaudited condensed interim consolidated financial statements, except as discussed below.

a) Statement of Compliance and Basis of Consolidation

The unaudited condensed interim consolidated financial statements of the Company and all its subsidiaries have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). The Board of Directors approved the statements for issue on August 7, 2015.

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 Company's audited financial statements for the year-ended December 31, 2014.

The policies applied in these unaudited condensed interim consolidated financial statements are based on IFRS as of August 7, 2015, 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, 2015 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 Caribe, S.A. (see Note 6)	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 income (loss) is attributable to the shareholders of the Company.

These financial statements have been prepared using the same policies and methods of computation as the annual consolidated financial statements of the Company for the year-ended December 31, 2014. Refer to Note 3, *Significant Accounting Policies*, of the Company's annual consolidated financial statements for the year-ended December 31, 2014 for information on the accounting policies as well as new accounting standards not yet effective.

4. ACCOUNTS RECEIVABLE

	June 30 2015	December 31 2014
Trade receivables	$ -	$ 79,700
Due from related parties	54,100	3,228
Sales tax and other	53,171	46,052
	$107,271	$128,980

5. INVESTMENTS

	June 30 2015	December 31 2014
Available-for-sale investments	$ 274,470	$ 496,980

For the six-month period ended June 30, 2015, the Company has recognized an unrealized loss of $222,510 (June 30, 2014 – unrealized loss of $19,938) in the statement of comprehensive loss relating to fair value adjustments associated with the available-for-sale investments.

6. 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 recorded a gain on the sale of assets held for sale of $119,848 in the consolidated statement of operations.

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 common shares of the 4.2 million common shares of Everton received as consideration, which the Company classified as an available-for-sale investment.

7. PROPERTY AND EQUIPMENT

Cost	Land and building	Computer and office equipment	Field equipment	Total
As at January 1, 2014	$164,233	$142,572	$91,543	$398,348
Additions	-	3,183	-	3,183
Disposals	-	(41,275)	-	(41,275)
As at December 31, 2014 and June 30, 2015	$164,233	$104,480	$91,543	$360,256

Accumulated depreciation		Land and building	Computer and office equipment	Field equipment	Total
As at January 1, 2014	$	-	$91,642	$81,142	$172,784
Additions		-	13,566	3,111	16,677
Disposals		-	(28,443)	-	(28,443)
As at December 31, 2014	$	-	$76,765	$84,253	$161,018
Additions		-	4,123	1,079	5,202
As at June 30, 2015	$	-	$80,888	$85,332	$166,220

Carrying amount	Land and building	Computer and office equipment	Field equipment	Total
Balance, December 31, 2014	$ 164,233	$ 27,715	$ 7,290	$199,238
Balance, June 30, 2015	$ 164,233	$ 23,592	$ 6,211	$194,036

For the six-month period ending June 30, 2015, the Company has capitalized depreciation expenses totaling $1,079 (year-ended December 31, 2014 - $3,111).

8. EXPLORATION AND EVALUATION ASSETS

	Goldfields	Ixhuatán	Total
As at January 1, 2014	$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
Additions	70,725	64,277	135,002
As at June 30, 2015	$11,768,250	$ 2,246,993	$14,015,243

Goldfields

As at June 30, 2015, the Company holds a 100% interest in the Goldfields property, which includes the Box Deposit, the Athona Deposit and several exploration targets.

Ixhuatán

As at June 30, 2015, the Company has a 100% interest in the Ixhuatán Project, which is located in the state of Chiapas, Mexico.

Huizopa

The Company has a 2% net smelter royalty over future production from the Huizopa Project, located in Chihuahua, Mexico. The Company also has the right to a production bonus of US$4.0 million payable over two years from the date commercial production commences at Huizopa, as well as the right to 20% of the proceeds of disposal of Huizopa if it is disposed of prior to reaching commercial production.

9. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	June 30 2015	December 31 2014
Trade accounts payable and accrued liabilities	$179,144	$128,820
Amounts payable to related parties, including director fees	3,000	3,000
	$182,144	$131,820

10. 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, 2014	$ -	$ -
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 and June 30, 2015	$ 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.

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 unaudited condensed interim consolidated financial statements has been presented as if the 23,622,971common 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 six-month period ended June 30, 2015 and the year-ended December 31, 2014 was as follows:

	Number of warrants	Value
Outstanding, January 1, 2014	-	$ -
Warrants issued pursuant to the Private Placement (Note 10 (a))	803,572	102,050
Warrant issue costs pursuant to the Private Placement (Note 10 (a))	-	(2,915)
Outstanding, December 31, 2014 and June 30, 2015	803,572	99,135

As at June 30, 2015, 803,572 common share purchase warrants are outstanding, exercisable at $0.30 into common shares of the Company and expiring on April 1, 2017.

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 continue 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 have been adjusted so that for each A Warrant exercised, the holder will 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 have been adjusted so that for each B Warrant exercised, the holder will be 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 would receive $0.37 and Primero the balance).

Both the A and the B warrants expired during the year-ended December 31, 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 following table reconciles the stock option activity during the six-month period ended June 30, 2015 and the year-ended December 31, 2014:

	Number of options	Weighted-average exercise price
Balance, January 1, 2014	-	$ -
Granted	1,900,000	0.30
Forfeited	(400,000)	0.30
Balance, December 31, 2014	1,500,000	0.30
Granted	700,000	0.30
Cancelled	(400,000)	0.31
Balance, June 30, 2015	1,800,000	$ 0.30

The following are the weighted-average assumptions used in calculating the value of the stock options granted during the six-month period ended June 30, 2015:

	June 30, 2015
Risk-free interest rate	0.99%
Expected life	4.5 years
Expected volatility	99%
Expected dividend per share	$0.00
Weighted-average fair value	$0.21

The following table summarizes information relating to outstanding and exercisable stock options as at June 30, 2015:

Expiry date	Weighted-average remaining contractual life (in years)	Number of options outstanding	Number of options exercisable	Weighted-average exercise price
March 18, 2019	3.7	1,000,000	333,333	$0.30
August 11, 2019	4.1	100,000	-	$0.315
January 2, 2020	4.5	700,000	250,000	$0.30

For the six-month period ended June 30, 2015, the estimated value of options earned during the period and recorded in the unaudited condensed interim consolidated statement of loss was $185,913 (six-month period ended June 30, 2014 - $32,267).

d) 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 1, 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.

11. CONTRIBUTED SURPLUS

Balance, January 1, 2014	$ -
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
Share-based compensation	185,913
Balance, June 30, 2015	$9,795,066

12. INCOME TAXES

	June 30 2015	December 31 2014
Current income tax expense	$ -	$ -
Deferred income tax recovery	(3,333)	(115,440)

The provision for income taxes reported differs from the amounts computed by applying the cumulative Canadian federal and provincial income tax rates to the net loss before tax provision due to the following:

	June 30 2015	June 30 2014
Loss before income taxes	$(881,306)	$(388,432)
Statutory rate	31%	31%
Tax recovery at statutory rate	(273,205)	(120,414)
Expense for losses and deductible temporary differences not recognized in current and prior years	213,461	(8,862)
Permanent differences and other	59,744	13,836
Pro-rata reduction of flow-through premium liability	(3,333)	-
Income tax recovery	$(3,333)	$(115,440)

The following table summarizes information relating to the flow-through premium liability for the six-month period ended June 30, 2015 and the year-ended December 31, 2014:

Balance, January 1, 2014	$ -
Flow-through shares premium liability recorded on issuance of flow-through shares (Note 10 (a))	27,215
Balance, December 31, 2014	27,215
Pro-rata reduction of flow-through premium liability	(3,333)
Balance, June 30, 2015	$ 23,882

13. SUPPLEMENTAL CASH FLOW INFORMATION

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

	Six-months ended June 30 2015	Six-months ended June 30 2014
Accounts receivable	$ 21,709	$ (35,733)
Prepaid expenses and deposits	452	(14,253)
Accounts payable and accrued liabilities	46,880	(24,162)
	$ 69,041	$ (74,148)

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

	Six-months ended June 30 2015	Six-months ended June 30 2014
Capitalized depreciation	$ 1,079	$ 1,539

14. 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 10). Directors of the Company subscribed to all units issued for the financing.

Amounts payable to officers, directors and companies owned thereby were $3,000 as at June 30, 2015 (year-ended December 31, 2014 - $3,000). During the six-month period ended June 30, 2015, the Company paid for management services from a related company, Numus Financial Inc. ("Numus"), in the amount of $60,000 and received rent payments from Numus in the amount of $36,000. During the year-ended December 31, 2014, the Company paid management service fees of $176,000 to Numus and received rent payments of $36,000. As at June 30, 2015, the amount receivable by the Company from Numus was $52,356 (December 31, 2014 - $3,228).

15. 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 and cash equivalents, as follows:

	June 30 2015	December 31 2014
Equity	$23,188,602	$24,103,172
Less: cash and cash equivalents	(8,726,558)	(9,479,266)
	$14,462,044	$14,623,906

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 period ended June 30, 2015.

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

	June 30, 2015		December 31, 2014	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial Assets				
Cash and cash equivalents	$8,726,558	$8,726,558	$9,479,266	$9,479,266
Trade receivables and due from related parties	54,100	54,100	82,928	82,928
Investments	274,470	274,470	496,980	496,980
Financial Liabilities				
Accounts payable and accrued liabilities	182,144	182,144	131,820	131,820

c) Financial Risk Management Objectives

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

d) Market Risk

Gold prices are affected by various forces, including global supply and demand, interest rates, exchange rates, inflation or deflation, and worldwide political and economic conditions. The ability of the Company to capitalize on its current exploration and evaluation assets is impacted by the market price of gold.

There has been no change to the Company's exposure to market risks or the manner in which these risks are managed and measured.

e) Credit Risk

Credit risk on financial instruments arises from the potential for counterparties to default on their obligations to the Company.

The Company's maximum exposure to credit risk is represented by the carrying amount of the Company's cash and 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 financial assets during the six-month period ended June 30, 2015.

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:

	Payments due by period as of June 30, 2015				
	Within 1 year	2-3 years	4-5 years	Over 5 years	Total
Accounts payable and accrued liabilities	$ 182,144	$ -	$ -	$ -	$ 182,144
Operating lease obligations	117,510	238,557	29,886	-	385,953
	$ 299,654	$ 238,557	$ 29,886	$ -	$ 568,097

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 six-month period ended June 30, 2015, 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 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 June 30, 2015, the levels in the fair value hierarchy into which the Company's financial assets and liabilities are measured and recognized on the unaudited condensed interim consolidated statement of financial position at fair value are categorized as follows:

Financial Assets	Level 1 Input	Level 2 Input	Level 3 Input
Investments	$ 274,470	$ -	$ -

There were no transfers between levels during the period.

16. SEGMENT INFORMATION

The Company conducts business in Canada and 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 June 30, 2015				
Current assets	$ 9,085,424	$ 28,815	$ 33,620	$ 9,147,859
Reclamation deposit	37,490	-	-	37,490
Property and equipment	23,592	170,444	-	194,036
Evaluation and exploration assets	-	11,768,250	2,246,993	14,015,243
	$ 9,146,506	$11,967,509	$ 2,280,613	$23,394,628

		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

17. 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 June 30, 2015 and December 31, 2014, the Company had approximately $17 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 int eh accounts of the Company at any period related to these agreements.

The Company has an employment agreement 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.