
**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

FORM 10-KSB

(Mark One)

☒ Annual Report Pursuant To Section 13 Or 15(d) Of The Securities Exchange Act Of 1934
For the fiscal year ended **October 31, 2006**

☐ Transition Report Under Section 13 Or 15(d) Of The Securities Exchange Act Of 1934
For the transition period from _____ to _____

COMMISSION FILE NUMBER **000-49995**

FORTUNA GAMING CORP.

(Name of small business issuer in its charter)

NEVADA

(State or other jurisdiction of incorporation or organization)

98-0389183

(I.R.S. Employer Identification No.)

Bornstr 5

20146

Hamburg, Germany

(Address of principal executive offices)

Issuer's Telephone Number

011 49 211 5838 8018

Securities registered under Section 12(b) of the Exchange Act:

NONE.

Securities registered under Section 12(g) of the Exchange Act:

COMMON STOCK, PAR VALUE \$0.001
PER SHARE.

Check whether the issuer (1) filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the past 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Check if there is no disclosure of delinquent filers in response to Item 405 of Regulation S-B is not contained in this form, and no disclosure will be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-KSB or any amendment to this Form 10-KSB. ☒

State issuer's revenues for its most recent fiscal year: **\$NIL**

The aggregate value of the voting stock held by non-affiliates of the registrant, computed by reference to the price at which the common equity was sold as of January 25, 2007, 2006 is NIL

State the number of shares outstanding of each of the issuer's classes of common equity, as of the latest practicable date.

As of January 25, 2007 the issuer had outstanding 68,085,676 shares of Common Stock.

Note: If determining whether a person is an affiliate will involve an unreasonable effort and expense, the issuer may calculate the aggregate market value of the common equity held by non-affiliates on the basis of reasonable assumptions, if the assumptions are stated.

Transitional Small Business Disclosure Format (check one): **Yes** ☐ **No** ☒



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FORTUNA GAMING CORP.
ANNUAL REPORT ON FORM 10-KSB

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PART I

Certain statements contained in this Form 10-KSB constitute "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended (the "Securities Act"), and Section 21E of the Securities Exchange Act of 1934 (the "Exchange Act"). These statements, identified by words such as "plan", "anticipate," "believe," "estimate," "should," "expect" and similar expressions, include our expectations and objectives regarding our future financial position, operating results and business strategy. These statements reflect the current views of management with respect to future events and are subject to risks, uncertainties and other factors that may cause our actual results, performance or achievements, or industry results, to be materially different from those described in the forward-looking statements. Such risks and uncertainties include those set forth under the caption "Management's Discussion and Analysis or Plan of Operation" and elsewhere in this Form 10-KSB. We do not intend to update the forward-looking information to reflect actual results or changes in the factors affecting such forward-looking information. We advise you to carefully review the reports and documents we file from time to time with the Securities and Exchange Commission ("SEC"), particularly our quarterly reports on Form 10-QSB and our current reports on Form 8-K. As used in this annual report, the terms "we", "us", "our", and "our company" mean Fortuna Gaming Corp. and "Fortuna" means its wholly owned subsidiaries, Fortuna Gaming (UK) Limited and Fortuna Gaming Corp. Limited, unless otherwise indicated. All dollar amounts in this annual report are in U.S. dollars unless otherwise stated.

ITEM 1. DESCRIPTION OF BUSINESS.

CORPORATE ORGANIZATION – History and Development

Fortuna Gaming Corp. ("the "Company") is a Development Stage Company, which had an interest in investing in the on-line and wireless gaming entertainment sector. In June 2005, we brought in new management and a team of consultants to re-organize the company and seek out potential investments and technology partners within this sector. To date, we have not generated any revenues or processed any transactions.

On June 28, 2005 we entered into a share exchange agreement with Fortuna Gaming (UK) Limited ("Fortuna") and a Certificate of Amendment was filed with the Secretary of State in Nevada to change the name of our Company from MoneyFlow Capital Corporation to Fortuna Gaming Corp. Fortuna Gaming (UK) Limited and Fortuna Gaming Corp. Limited both headquartered in London, England, wholly owned subsidiaries of the Company were incorporated to acquire and operate online gaming companies. Fortuna Gaming (UK) Limited was incorporated on August 31, 2005. Fortuna Gaming Corp. Limited was incorporated on February 7, 2006. To date, both Fortuna Gaming (UK) Limited and Fortuna Gaming Corp. Limited have not generated any revenues.

Fortuna's acquisition strategy was to acquire complimentary medium sized internet gaming companies operating in legal jurisdictions which would have provided a rich entertainment experience for customers while adding shareholder value. In addition to seeking out acquisitions, the Company licensed gaming software from third party software providers.

Although the Company entered into a licensing arrangement with G.I. ENTERPRISES, LTD., of KN Nevis, West Indies on November 8, 2006, with enactment of recent legislation in the US prohibiting or otherwise restricting the use of electronic payment processing of online bets from US Citizens, management is now reassessing if it is feasible from an economic, legal and risk perspective to continue its online gaming efforts versus pursuing other business initiatives outside the gaming industry.

Corporate History

We were incorporated on March 14, 2002 under the laws of the State of Nevada as North American General Resources Corporation and were primarily engaged in the acquisition and exploration of mining properties until November 2004.

On November 29, 2004 a Certificate of Amendment was filed with the Secretary of State in Nevada to change the name of the Company from North American General Resources Corporation to MoneyFlow Capital Corporation. At that time we changed our business to providing financial services, including operating a foreign exchange service and providing short-term loans and check cashing from retail premises.

North American General Resources Corp.

From March 2002 until October 2004 we were engaged in the exploration and acquisition of mining properties but never realized any revenues from its planned operations.

MoneyFlow Capital Corp.

On November 11, 2004, previous management entered into a share exchange agreement with MoneyFlow Capital Corp., (“MoneyFlow Canada”) a company incorporated under the laws of British Columbia, Canada, whereby we purchased all of the issued and outstanding shares of MoneyFlow Capital Corp. in exchange for the issuance of 6,000,000 shares of our Company and the assumption of two debt obligations amounting to approx \$2,500,000. As a result of entering into this Agreement, we changed our name from North American General Resources Corp. to MoneyFlow Capital Corporation (“MoneyFlow Nevada”) and our nature of business to providing financial services, including operating a foreign exchange service and providing short-term loans and cheque cashing from retail premises through its subsidiary.

Under the terms of the Agreement the former management paid a total of \$1,473,336 for financial services software during December 2004. However, on February 5, 2005 they defaulted on the remaining payment obligations of \$1,040,140 and the parties agreed to rescind the Agreement by returning the 6,000,000 shares to treasury in exchange for giving up the shares in MoneyFlow Canada. As a result of the termination of the agreement, the investment of \$1,473,336 was written off during fiscal 2005.

This business venture was abandoned by the previous management and board of directors and after their resignations as directors and officers of the Company, the Company underwent a re-organization by the current management team and consultants.

OPERATIONAL PLAN

Fortuna Gaming Corp., a development stage company, with subsidiaries incorporated in the United Kingdom (Fortuna Gaming (UK) Limited and Fortuna Gaming Corp. Limited) was initially established to pursue acquisitions in the online gaming business. On November 8, 2006, Fortuna Gaming (UK) Limited entered into a Software License Agreement (“Agreement”) with G.I. ENTERPRISES, LTD., of KN Nevis, West Indies (the “Licensor”). Under the terms of the Agreement, Fortuna acquired a non exclusive license to both Poker and Casino Software developed by the Licensor. As of the date of this report, no revenues have been generated through Agreement.

With enactment of recent legislation in the US prohibiting or otherwise restricting the use of electronic payment processing of online bets from US citizens, management is now reassessing the long term strategy of continuing its online gaming efforts versus pursuing business opportunities outside of the gaming industry.

To preserve cash and cut costs, we have terminated consulting agreements and management services. Management will focus its efforts over the next six to twelve months towards raising funds to pay down debt, restructure its operations and pursue other business opportunities, joint ventures and acquisitions.

Research and Development Expenditures

As we are in the start-up stage of our new business, the Company and Fortuna have engaged the services of various consultants possessing critical knowledge and experience in the gaming industry, regulatory, legal and financial services sector. The services performed by consultants from June 28, 2005 to October 31, 2006 included raising equity and debt financing, developing our overall business plan and strategies, identifying, selecting and negotiating intellectual property licensing agreements, developing operational plans covering domestic and international operations, seeking out and hiring professional management, developing marketing and promotion plans including setting up an investor relations program, developing a merger and acquisition strategy and policy and developing corporate and potential acquisition candidates and establishing corporate governance policies.

Patents and Trademarks

We do not own, either legally or beneficially, any patents or trademarks.

Employees

We have no employees as of the date of this Annual Report. We conduct our business largely through agreements with consultants and arms-length third parties.

ITEM 2. DESCRIPTION OF PROPERTY.

We currently do not own any property.

ITEM 3. LEGAL PROCEEDINGS.

We are not party to any other material legal proceedings and to our knowledge no such proceedings are threatened or contemplated.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS.

No matters were submitted to a vote of security holders during the fiscal year.

PART II

ITEM 5. MARKET FOR COMMON EQUITY AND RELATED STOCKHOLDER MATTERS.

Our common shares are quoted on the OTC Bulletin Board under the symbol “FGAM”. This trading symbol is in accordance with the recent corporate name change from MoneyFlow Capital Corporation (“MFCC”) to Fortuna Gaming Corp. The following table indicates the high and low bid prices of our common shares during the calendar periods indicated:

QUARTER	HIGH (\$)	LOW(\$)
1 st Quarter 2005	1.56	.99
2 nd Quarter 2005	1.13	.25
3 rd Quarter 2005	5.05	.22
4 th Quarter 2005	1.29	.54
1 st Quarter 2006	1.01	.32
2 nd Quarter 2006	0.70	.16
3 rd Quarter 2006	0.26	.045
4 th Quarter 2006	0.29	.08

The above noted high and low bid prices reflect the following changes to our Company’s issued and outstanding share capital and trading symbol on the dates the changes took place:

November 29, 2004	Symbol change: NAGC	New Symbol: MFCC
June 1, 2005	Consolidation	1 share for every 25 shares previously held
June 28, 2005	Symbol change: MFCC	New Symbol: FGAM
July 5, 2005	Consolidation	1 share for every 10 shares previously held
September 16, 2005	Stock Split	2 shares for every 1 share previously held

The source of the high and low bid information for trading on the OTC Bulletin Board is the OTC Bulletin Board. The market quotations provided reflect inter-dealer prices, without retail mark-up, markdown or commission and may not represent actual transactions.

Holders of Our Common Stock

On December 18, 2006 we had 81 registered shareholders holding 68,085,676 shares of our common stock.

Dividends

There are no restrictions in our articles of incorporation or bylaws that prevent us from declaring dividends. The Nevada Revised Statutes, however, do prohibit us from declaring dividends where, after giving effect to the distribution of the dividend:

1. We would not be able to pay our debts as they become due in the usual course of business; or
2. Our total assets would be less than the sum of our total liabilities plus the amount that would be needed to satisfy the rights of

We have not declared any dividends and we do not plan to declare any dividends in the foreseeable future.

Recent Sales of Unregistered Securities

During the current fiscal year, we did not complete any sales of securities that were not registered pursuant to the Securities Act.

ITEM 6. MANAGEMENT'S DISCUSSION AND ANALYSIS OR PLAN OF OPERATION.

PLAN OF OPERATIONS

Fortuna Gaming Corp., with subsidiaries incorporated in the United Kingdom (Fortuna Gaming (UK) Limited and Fortuna Gaming Corp. Limited) was initially established to pursue acquisitions in the online gaming business. With enactment of recent legislation in the US prohibiting or otherwise restricting the use of electronic payment processing of online bets from US citizens, management is now reassessing the long term strategy of continuing its online gaming efforts or to entertain other business initiatives.

To preserve cash and cut costs, we have terminated consulting agreements and management services. Management will focus its efforts over the next six to twelve months towards raising funds to pay down debt, restructure its operations and pursue other business opportunities, joint ventures and acquisitions.

OPERATING AND FINANCIAL REVIEW AND PROSPECTS

The following discussion and analysis explains trends in our financial condition and results of operations for the two fiscal years ended October 31, 2006 and 2005. This discussion and analysis of the results of operations and financial condition should be read in conjunction with our audited financial statements and the related notes, as well as statements made elsewhere in this Form 10-KSB.

Critical Accounting Policies

Our consolidated financial statements have been prepared in accordance with generally accepted accounting principles in the United States. Because a precise determination of many assets and liabilities is dependent upon future events, the preparation of consolidated financial statements for a period necessarily involves the use of estimates which have been made using careful judgment. In determining estimates of net recoverable amounts and net realizable values, or whether there has been a permanent impairment in value for accounts receivable, inventories, capital assets, investments, patent rights and other assets, we rely on assumptions regarding applicable industry performance and prospects, as well as general business and economic conditions that prevail and are expected to prevail. Assumptions underlying asset valuations are limited by the availability of reliable comparable data and the uncertainty of predictions concerning future events.

By nature, asset valuations are subjective and do not necessarily result in precise determinations. Should the underlying assumptions change, the estimated net recoverable amounts and net realizable values may change by a material amount.

The consolidated financial statements have, in management's opinion, been properly prepared within reasonable limits of materiality and within the framework of the significant accounting policies summarized below:

- a. Capital Assets and Amortization
Computer hardware and software licenses are recorded at cost and amortized on the declining balance basis at the rate of 30% per annum
- b. Use of Estimates
The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenues and expenses for the reporting period. Actual results could differ from those estimates.
- c. Foreign Currency Translation
Our Company's functional currency is the U.S. dollar. Transactions in foreign currency are translated into U.S. dollars as follows:
 - monetary items at the rate prevailing at the balance sheet date;
 - non-monetary items at the historical exchange rate;
 - revenue and expense at the average rate in effect during the applicable accounting period.
- d. Income Taxes
Our Company has adopted Statement of Financial Accounting Standards No. 109 – "Accounting for Income taxes" (SFAS 109). This standard requires the use of an asset and liability approach for financial accounting, and reporting on income taxes. If it is more likely than not that some portion or all of a deferred tax asset will not be realized, a valuation allowance is recognized.
- e. Basic and Diluted Loss Per Share
In accordance with SFAS No. 128 – "Earnings Per Share", the basic loss per common share is computed by dividing net loss available to common stockholders by the weighted average number of common shares outstanding. Diluted loss per common share is computed similar to basic loss per common share except that the denominator is increased to include the number of additional common shares that would have been outstanding if the potential common shares had been issued and if the additional common shares were dilutive. At October 31, 2006, our Company has no stock equivalents that were anti-dilutive and excluded in the earnings per share computation.

Going Concern and continuing operations

Our consolidated financial statements have been prepared assuming we will continue as a going concern. We have incurred a net loss for the period from March 14, 2002 (inception) to October 31, 2006 of \$5,199,088 which includes a write-off of assets amounting to \$1,515,694 in 2005 for a failed venture, as well as legal and accounting costs associated with the due diligence process relating to the G-FED transaction amounting to \$364,974. To date the Company is still in the development stage and has no sales. Our future is dependent upon the continued support of our lenders, our ability to obtain financing and upon future profitable operations from the development of acquisitions. Management has plans to seek additional capital through a private placement of our common stock and the issuance of debt. Our consolidated financial statements do not include any adjustments relating to the recoverability and classification of recorded assets, or the amounts of and classification of liabilities that might be necessary in the event we cannot continue in existence.

Operations to date have been covered primarily from financings associated with equity transactions. There can be no assurances that we will be successful in raising additional cash to finance operations. If not, we will be required to reduce operations and/or liquidate assets. Our consolidated financial statements do not include any adjustments relating to the recoverability of assets and classification of assets and liabilities that might be necessary should we be unable to continue as a going concern.

Results of Operations for the Year Ended October 31, 2006

In letters dated April 4, 2006, June 5, 2006 and July 6, 2006, the Company received comments from the Securities and Exchange Commission ("SEC") with respect to the disclosure of certain transactions included in the October 31, 2005 annual financial statement and January 31, 2006 and April 30, 2006 quarterly financial statements. As a result of this review, the Company amended and re-filed these statements to expand its disclosure and accounting treatment relating to the Share Exchange Agreement, the compensation paid to consultants in the form of stock options, the change of auditors and the systems in place regarding internal controls. On September 19, 2006, the Company filed amendments to its October 31, 2005 10-KSB, January 31, 2006 10-QSB and April 30, 2006 10-QSB that incorporate expanded disclosure pursuant to comments received by the Securities and Exchange Commission. The amended January 31, 2006 and April 30, 2006 and July 31, 2006 10-QSB's were reviewed by an independent accountant to comply with Item 310(6) of Regulation S-B.

The impact of the re-pricing of the stock options awarded to consultants at the measurement date increased consulting fees by \$100,000 for the year ended October 31, 2005, increasing the loss for the year from \$2,921,657 to \$3,021,657. See Note 1 of the October 31, 2006 consolidated financial statements - **RESTATEMENT OF PRIOR PERIOD FINANCIAL STATEMENTS**.

We incurred general operating expenses in the amount of \$1,552,669 for the year ended October 31, 2006 compared to \$1,505,963 for the preceding year, an increase of \$46,706 or 3.10%. General operating expenses for 2006 includes: (a) \$1,173,692 in consulting fees compared to \$861,452 for the same period in 2005. Included in the figure of \$1,173,692, is \$298,437 in consulting fees associated with services prepaid as at October 31, 2005 (b) \$52,109 in professional fees compared to \$44,950 for the same period in 2005 (c) \$102,720 in management fees compared to \$73,295 in 2005 (d) \$100,630 in interest expense associated with demand loans entered into throughout the year relating to the G-Fed transaction and to cover operating costs (e) \$22,286 in regulatory costs versus \$9,269 relating to the amendments and re filing of the Company's annual and quarterly interim financial statements (f) \$53,394 in travel as compared to \$94,464 for the same period in 2005 and \$47,838 in other.

In addition to incurring general operating expenses, we incurred \$364,974 in costs associated with the planned acquisition of the G-Fed group of companies. As disclosed on May 3, 2006, negotiations stalled and the parties agreed to terminate the transaction. These costs included \$254,714 in legal fees associated with conducting due diligence, negotiations and preparing contracts and documents; \$97,011 in accounting fees and professional fees associated with a planned listing on the Alternative Market of the London Stock Exchange to fund the G-Fed acquisition; and \$13,249 relating to travel, courier and disbursements.

The Company's license with Mobile Gaming Now (MGN) was cancelled on October 1, 2006 and accordingly, the software (license) and hardware related to this business segment were written off in 2006, creating a book loss of \$57,911.

Net loss for the year amounted to \$1,975,554 as compared to a net loss of \$3,021,657 for the same period 2005. Included in the \$3,021,657 loss for 2005 was a write off of assets from discontinued business venture in the amount of \$1,515,694.

Results of Operations for the Year Ended October 31, 2005

We have not earned any revenues to date. We do not anticipate earning any revenues until the 2nd quarter of fiscal 2006 and after the closing of the acquisition pursuant to the December 4, 2005 Letter of Intent.

On June 28, 2005, we entered into a share exchange agreement with Fortuna, whereby we purchased all of the issued and outstanding shares of Fortuna in exchange for 15,000,000 shares of our Company. A Certificate of Amendment was filed with the Secretary of State in Nevada to change our name from MoneyFlow Capital Corporation to Fortuna Gaming Corp. On August 17th, 2005 Fortuna entered into agreement with Ignition Technologies, Inc., doing business as Mobile Gaming Now ("MGN"), in which Fortuna purchased a license from MGN for its proprietary software which enables licensees to offer the game of poker to qualified players via the Internet and via cellular phones and other similar handheld devices. MGN is the first software provider to offer interactive, multi-player web and mobile gaming licenses. The license entitles Fortuna to use the MGN platform and Texas Holdem Poker application.

As we are in the start-up stage of our new business, the Company and Fortuna have engaged the services of various consultants possessing critical knowledge and experience in the gaming industry, regulatory, legal and financial services sector. The services performed by consultants from June 28, 2005 to October 31, 2005 included raising equity and debt financing, developing our overall business plan and strategies, identifying, selecting and negotiating intellectual property licensing agreements, developing operational plans covering domestic and international operations, seeking out and hiring professional management, developing marketing and promotion plans including setting up an investor relations program, developing a merger and acquisition strategy and policy and developing corporate and potential acquisition candidates and establishing corporate governance policies.

We incurred operating expenses in the amount of \$1,505,963 for the year ended October 31, 2005 which includes: (a) \$861,452 in consulting fees, (b) \$342,098 in promotional fees, (c) \$73,295 in management fees (d) \$44,950 in professional fees, and (e) \$94,464 travel expenses.

Prepaid expenses consists of advances to consultants for future services and include the amount of \$298,437 for marketing and consulting services in Europe covering the period November 1, 2005 to April 30, 2006.

We receive management services from a third party handling regulatory reporting, accounting, banking, risk management and marketing support and includes the rental of office space for use by consultants. The management fees are billed monthly.

We purchased office furniture and computer equipment and subsequently sold the assets at cost for \$72,500 to the management company engaged to provide administrative services and office space. This note is payable over 3 years at \$2,339 per month at an interest rate of 10% per annum. The payments commenced November 1, 2005 and end October 31, 2008. The management company has the option to pay the promissory note off at any time without penalty. The current portion of the promissory note as at October 31, 2005 is \$21,804 and the long term portion is \$50,696.

During the current fiscal year, we completed the sales of the following securities that were not registered pursuant to the Securities Act:

Date	No. of units	Price/ Unit	No. of warrants	Price	Expiry	Finder's Fee	Total Funds Received
12/05/04	3,000,000	\$0.50	nil	n/a	n/a	\$56,664	\$1,443,336
08/22/05	1,190,000	1.00	1,190,000	\$2.00	24 mo.	n/a	\$1,190,000.00
09/01/05	220,000	1.00	220,000	2.00	24 mo.	n/a	\$220,000.00
10/12/05	135,710	1.00	135,710	2.00	24 mo.	n/a	\$135,710.00
10/25/05	150,000	1.00	150,000	2.00	24 mo.	n/a	\$150,000.00

Discontinued Operations and Loss Associated with Write off of Assets Purchased

On October 25, 2004, we entered into an agreement (the "Agreement") which provided that we would incorporate a Canadian subsidiary, MoneyFlow Capital Corporation ("MoneyFlow Canada"), which would purchase all of the assets of CMC Investments Inc. ("CMC") and its subsidiary, Canadian Cheque Cashing Corporation ("CCCC"), in exchange for the issuance of 6,000,000 shares of our Company and the assumption of two debt obligations amounting to approx \$2,500,000. As a result of entering into this Agreement, we changed our name from North American General Resources Corp. to MoneyFlow Capital Corporation ("MoneyFlow Nevada") and our nature of business to providing financial services including operating a foreign exchange service and providing short-term loans and check cashing from retail premises through its subsidiary.

Under the terms of the Agreement we paid a total of \$1,473,336 relating to the development of financial software on behalf of our subsidiary MoneyFlow Canada. However, in February, 2005 we on our remaining payment obligations of \$1,040,140. As a result, the parties agreed to rescind the Agreement by returning the 6,000,000 shares to our Company's treasury in exchange for giving up our shares in MoneyFlow Canada. As a result of this termination, our Company's management and board of directors on record in February 2005 wrote off our investment of \$1,473,336 plus working capital of \$42,358 creating a loss of \$1,515,694.

Net Loss

Loss before discontinued operations amounted to \$1,505,963 compared to a loss of \$29,298 in the previous year. Net loss after discontinued operations (as explained above) amounted to \$2,921,657. We have incurred a net loss in the amount of \$3,221,028 from inception to October 31, 2005, which includes the write off of our investment in MoneyFlow Canada.

Liquidity and Financial Condition

We had cash on hand of \$4,893 as of October 31, 2005. Since inception, we have used our common stock to raise money for the property acquisition, for corporate expenses and to repay outstanding indebtedness.

Our consolidated financial statements contained in this annual report contemplate our continuation as a going concern. However, we have sustained substantial losses and are still in the development stage. Additional funding will be necessary to continue development and marketing of our product. We intend to arrange for the sale of additional shares of our common stock to obtain additional operating capital for at least the next twelve months.

Off-Balance Sheet Arrangements

We have no significant off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources that is material to stockholders.

Risk Factors

An investment in our common stock involves a high degree of risk. You should carefully consider the risks described below and the other information in this Annual Report before investing in our common stock. If any of the following risks occur, our business, operating results and financial condition could be seriously harmed. The trading price of our common stock could decline due to any of these risks, and you may lose all or part of your investment.

Because we will need additional financing to fund our activities, our accountants have included in their audit report that the Company's recurring losses and lack of operations raises substantial doubt about our ability to continue as a going concern.

We have incurred a net loss of \$5,199,088 for the period from March 14, 2002 (inception) to October 31, 2006, and have no revenue to date. As of October 31, 2006, we had cash in the amount of \$8,147. We will require additional financing to sustain our business operations and we may not be able to obtain financing as required.

Since this is a new direction for the business and as a development stage company, we face a high risk of business failure due to our inability to predict the success of our business

We have just begun the initial stages of the new business, and thus have no way to evaluate the likelihood that we will be able to operate the business successfully.

Because of the unique difficulties and uncertainties inherent in new ventures, we face a high risk of business failure

Potential investors should be aware of the difficulties normally encountered by commencing a new business venture and the high rate of failure of such enterprises. The likelihood of success must be considered in light of the problems, expenses, difficulties, complications and delays encountered in connection with the business we plan to undertake.

As we undertake our new business direction in the gaming business, we may become subject to new government regulation that may increase the anticipated cost of the business

Many government jurisdictions have ruled that online gaming is illegal and, accordingly, management is evaluating where Fortuna will conduct its operations in order to be compliant.

Our common stock is "penny stock", with the result that trading of our common stock in any secondary market may be impeded

The SEC has adopted rules that regulate broker-dealer practices in connection with transactions in penny stocks. Penny stocks are generally equity securities with a price of less than \$5.00, other than securities registered on certain national securities exchanges or quoted on the Nasdaq system, provided that current price and volume information with respect to transactions in such securities is provided by the exchange or system. The penny stock rules require a broker-dealer, prior to a transaction in a penny stock, to deliver a standardized risk disclosure document prepared by the Commission, that: (a) contains a description of the nature and level of risk in the market for penny stocks in both public offerings and secondary trading; (b) contains a description of the broker's or dealer's duties to the customer and of the rights and remedies available to the customer with respect to a violation to such duties or other requirements of Securities' laws; (c) contains a brief, clear, narrative description of a dealer market, including bid and ask prices for penny stocks and the significance of the spread between the bid and ask price; (d) contains a toll-free telephone number for inquiries on disciplinary actions; (e) defines significant terms in the disclosure document or in the conduct of trading in penny stocks; and (f) contains such other information and is in such form, including language, type, size and format, as the Commission shall require by rule or regulation. The broker-dealer also must provide, prior to effecting any transaction in a penny stock, the customer with: (a) bid and offer quotations for the penny stock; (b) the compensation of the broker-dealer and its salesperson in the transaction; (c) the number of shares to which such bid and ask prices apply, or other comparable information relating to the depth and liquidity of the market for such stock; and (d) a monthly account statements showing the market value of each penny stock held in the customer's account. In addition, the penny stock rules require that prior to a transaction in a penny stock not otherwise exempt from those rules; the broker-dealer must make a special written determination that the penny stock is a suitable investment for the purchaser and receive the purchaser's written acknowledgment of the receipt of a risk disclosure statement, a written agreement to transactions involving penny stocks, and a signed and dated copy of a written suitability statement. These disclosure requirements may have the effect of reducing the trading activity in the secondary market for our stock as it is subject to these penny stock rules. Therefore, stockholders may have difficulty selling those securities.

ITEM 7. CONSOLIDATED FINANCIAL STATEMENTS.

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FORTUNA GAMING CORP.
(Formerly MoneyFlow Capital Corporation)
(A Development Stage Company)

OCTOBER 31, 2006 AND 2005
(Stated in U.S. Dollars)

MOORE & ASSOCIATES, CHARTERED

ACCOUNTANTS AND ADVISORS

PCAOB REGISTERED

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors
Fortuna Gaming Corp.
(Formerly MoneyFlow Capital Corporation)
(A development stage company)
Las Vegas, Nevada

We have audited the accompanying consolidated balance sheet of Fortuna Gaming Corp. (formerly MoneyFlow Capital Corporation) (A development stage company) and Fortuna Gaming (UK) Limited as of October 31, 2006 and 2005, and the related statements of operations, stockholders' equity and cash flows for the years then ended and from inception on March 14, 2002 through October 31, 2006 and 2005. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Fortuna Gaming Corp. (formerly MoneyFlow Capital Corporation) (A development stage company) and Fortuna Gaming (UK) Limited as of October 31, 2005 and 2004, and the results of its operations and its cash flows for the years then ended and from inception on March 14, 2002 through October 31, 2006 and 2005, in conformity with accounting principles generally accepted in the United States of America.

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 1d to the financial statements, the Company's recurring losses and lack of operations raises substantial doubt about its ability to continue as a going concern. Management's plans concerning these matters are also described in Note 1d. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

/s/ Moore & Associates, Chartered

Moore & Associates Chartered
Las Vegas, Nevada
January 22, 2007

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FORTUNA GAMING CORP.
(Formerly MoneyFlow Capital Corporation)
(A Development Stage Company)
CONSOLIDATED BALANCE SHEETS
(Stated in U.S. Dollars)

	OCTOBER 31	
	2006	2005 (Restated – Note 1)
ASSETS		
Current		
Cash and cash equivalents	\$ 8,147	\$ 4,893
Prepaid expenses (Note 4)	740	333,787
Accounts receivable	-	16,179
Current portion of promissory note	<u>-</u>	<u>21,804</u>
	8,887	376,663
Long Term Portion of Promissory Note	-	50,696
Capital Assets (Note 5)	<u>6,766</u>	<u>92,396</u>
	\$ 15,653	\$ 519,755
LIABILITIES		
Current		
Accounts payable and accrued liabilities	\$ 341,088	\$ 73,274
Acquisition deposits and demand loans (Note 6(a) (b))	267,740	-
Promissory note (Note 6(d))	60,000	-
Demand loan (Note 6(c))	776,729	-
Interest payable	101,676	-
Subscriptions of common shares	<u>-</u>	<u>1,695,710</u>
	\$ 1,547,233	\$1,768,984
SHAREHOLDERS' (DEFICIENCY) EQUITY		
Share Capital (Note 7)		
Authorized:		
100,000,000 common shares with a par value of \$0.001 per share		
100,000,000 preferred shares with a par value of \$0.001 per share		
Issued:		
68,085,676 common shares (Note 7(e))	68,086	66,393
Additional paid-in capital	3,596,915	1,905,406
Deficit Accumulated During The Development Stage	<u>(5,196,581)</u>	<u>(3,221,028)</u>
	<u>(1,531,580)</u>	<u>(1,249,229)</u>
	\$ 15,653	\$ 519,755

See the accompanying notes to the consolidated financial statements

FORTUNA GAMING CORP.
(Formerly MoneyFlow Capital Corporation)

(A Development Stage Company)

CONSOLIDATED STATEMENTS OF OPERATIONS
(Stated in U.S. Dollars)

	YEARS ENDED OCTOBER 31		CUMULATIVE PERIOD FROM INCEPTION MARCH 14 2002 TO OCTOBER 31
	2006	2005	2006
		(Restated – Note 1)	
Revenue	\$ -	\$ -	\$ -
Expenses			
Amortization	27,719	6,179	36,012
Bank charges	265	-	265
Consulting fees (Note 2(d))	1,173,692	861,452	2,043,103
Entertainment	161	8,202	8,363
Finders' fees	-	56,664	56,664
License fees	-	4,248	4,248
Interest expense	100,630	-	100,630
Management fees	102,720	73,295	244,665
Office and sundry	6,857	3,462	27,045
Professional fees	52,109	44,950	166,785
Promotion	5,021	342,098	356,737
Regulatory	22,286	9,269	31,555
Telephone and communications	7,815	1,680	9,495
Travel	<u>53,394</u>	<u>94,464</u>	<u>153,923</u>
Loss before the following	1,552,669	1,505,963	3,239,490
Loss from discontinued operations			
G-Fed acquisition costs	364,974	-	364,974
Mineral property option and exploration expenditures		-	13,107
Write down of web development costs		-	418
Write down of capital assets		-	4,987
Write off of licensee fee and related hardware (Note 5)	57,911	-	57,911
Loss on write off of assets from discontinued business (Note 2(c))	<u>-</u>	<u>1,515,694</u>	<u>1,515,694</u>
Net Loss For The Year	\$ 1,975,554	\$ 3,021,657	\$ 5,196,581
Basic And Diluted Loss Per Share -	\$ (0.02)	\$ (0.08)	
Basic And Diluted Loss Per Share – with discontinued business	\$ (0.03)	\$ (0.16)	
Weighted Average Number Of Shares Outstanding (Note 7(g))	67,806,929	18,277,872	

See the accompanying notes to the consolidated financial statement

FORTUNA GAMING CORP.

(Formerly MoneyFlow Capital Corporation)

(A Development Stage Company)

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Stated in U.S. Dollars)

	YEARS ENDED OCTOBER 31		Cumulative Period From Inception March 14, 2002 To October 31, 2006
	2006	2005 (Restated – Note 1)	
Cash Flows From Operating Activities			
Net loss for the period	\$ (1,975,554)	\$(3,021,657)	(5,196,581)
Non-cash items:			
Write down of web development costs	-	-	418
Write down of capital assets	-	-	4,986
Write off of licensee fee and related hardware (Note 5)	57,911		57,911
Write-off of assets from discontinued business (Note 1 (c))	-	1,515,694	1,515,694
Amortization	27,719	6,179	36,012
	(1,889,924)	(1,499,784)	(3,581,560)
Adjustments To Reconcile Net Loss To Net Cash Used By Operating Activities			
Change in prepaid expense	333,046	(333,787)	(740)
Current portion of promissory note receivable	21,804	(21,804)	-
Change in accounts receivable	16,179	(16,179)	-
Changes in accounts payable and accrued liabilities	267,815	58,190	341,088
Share subscriptions received	(1,695,710)	1,695,710	-
Acquisition deposit loan	267,740		267,740
Notes payable – acquisition	60,000		60,000
Demand loan	776,729		776,729
Change in interest payable	101,676		101,676
	(1,740,644)	(117,654)	(2,035,066)
Cash Flows From Financing Activities			
Issue of common stock	1,693	65,832	252,041
Paid-in capital	1,691,509	1,721,451	3,412,960
	1,693,202	1,787,283	3,665,001
Cash Flows From Investing Activities			
Promissory note	50,696	(50,696)	-
Purchase of hardware	-	(38,400)	(38,400)
Software license fee	-	(50,000)	(50,000)
Purchase of domain names	-	(10,175)	(10,175)
Asset purchase from discontinued business (Note 1(c))	-	(1,515,694)	(1,515,694)
Website development costs	-	-	(1,000)
Purchase of office equipment	-	-	(6,519)
	50,696	(1,664,965)	(1,621,788)
(Decrease) Increase In Cash For The Period	3,254	4,664	8,147
Cash, Beginning Of Period	<u>4,893</u>	<u>229</u>	<u>-</u>
Cash, End Of Period	\$ 8,147	\$ 4,893	\$ 8,147

See the accompanying notes to the consolidated financial statements

FORTUNA GAMING CORP.

(Formerly MoneyFlow Capital Corporation)
(A Development Stage Company)

**CONSOLIDATED STATEMENT OF
SHAREHOLDERS' (DEFICIENCY) EQUITY
PERIOD FROM INCEPTION, MARCH 14, 2002, TO OCTOBER 31, 2006**

(Stated in U.S. Dollars)

COMMON STOCK

	Common Shares	Par Value	Additional Paid-In Capital	Subscrip- tions Receivable	Deficit Accumu- lated	TOTAL
Shares issued for cash at \$0.001	48,000	\$ 48	\$ 5,952			\$ 6,000
Shares issued to acquire mineral Property interest at \$0.001	160	0	20			20
Shares issued for cash at \$0.01	58,404	58	72,945			73,003
Shares issued for cash at \$0.15	5,626	6	105,487	(19,602)		105,493
Net loss for the period					(79,386)	(79,386)
Balance, October 31, 2002	112,190	112	184,404	(19,602)	(79,386)	105,130
Balance, October 31, 2002	112,190	112	184,404	(19,602)	(79,386)	105,130
Share subscriptions received				19,602		
Net loss for the period					(90,687)	(90,687)
Balance, October 31, 2003	112,190	112	184,404	-	(170,073)	14,443
Balance, October 31, 2003	112,190	112	184,404	-	(170,073)	14,443
Net loss for the period					(29,298)	(29,298)
Balance, October 31, 2004	112,190	112	184,404	-	(199,371)	(14,855)
Balance, October 31, 2004	112,190	112	184,404		(199,371)	(14,855)
Shares issued for S8 stock - cash and consultants' fees	480,000	480	95,520			96,000
Shares issued pursuant private Placement	577,334	578	1,442,758			1,443,336
Shares issued pursuant to Finder's Fee	22,666	22	56,642			56,664
Shares issued pursuant Acquisition Agreement	1,200,000	1,200	28,800			30,000
Returned to Treasury	(1,200,000)	(1,200)	(28,800)			(30,000)
Shares issued pursuant Share Exchange Agreement	30,000,000	30,000	(15,000)			15,000
Shares issued for S8 stock – cash and consultants' fees	35,200,000	35,200	140,800			176,000
Adjust to Transfer Agent	283	1	282			283
Net loss for the period					(3,021,657)	(3,021,657)
Balance, October 31, 2005	66,392,473	\$ 66,393	\$ 1,905,406	-	\$(3,221,028)	\$(1,249,229)
Balance, October 31, 2005	66,392,473	\$ 66,393	\$ 1,905,406	-	\$(3,221,028)	\$(1,249,229)
Private Placements - \$1.00	1,695,710	1,696	1,694,014			1,695,710
Adjust to Transfer Agent (Note 7(e))	(2,507)	(2)	(2,505)			(2,507)
Net loss for the period					(1,975,554)	(1,975,554)
Balance, October 31, 2006	68,085,676	\$68,086	\$3,596,915		\$(5,196,581)	\$(1,531,580)

FORTUNA GAMING CORP.
(Formerly MoneyFlow Capital Corporation)

(A Development Stage Company)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
OCTOBER 31, 2006 AND 2005
(Stated in U.S. Dollars)

1. RESTATEMENT OF PRIOR PERIOD FINANCIAL STATEMENTS

This note should be read in conjunction with Note 2 of the Notes to Consolidated Financials Statements in the Company's Annual Report on Form 10KSB/A for the year ended October 31, 2005.

In response to comments received from the Securities and Exchange Commission, Division of Corporate Finance, the Company amended its October 31, 2005 10 KSB. These amended reports were filed with the Securities and Exchange Commission on September 19, 2006.

- a) The nature of adjustment which impacted the Company's October 31, 2005 figures is listed below:

On October 31, 2005 financial statements have been amended to re-price stock options that were granted to consultants on May 14, 2004 and exercised on December 5, 2004 and July 8, 2005. The original price used on May 14, 2004 was \$0.005 when the market price was \$0.01, a 50% discount to the market and/or "measurement date" price. The Company has now re-priced the shares at the date of grant to reflect the market value of the shares at \$0.01 per share. The amended October 31, 2005 financial statements (Consolidated Statement of Shareholders' (Deficiency) Equity was changed to reflect the difference in pricing (a) 2,400,000 times (\$0.01 minus \$0.005) or \$12,000 and (b) 17,600,000 times (\$0.01 minus \$0.005) or \$88,000 for a total increase in consulting fees of \$100,000 charged to the statement of operations. The amended financial statements incorporate the revised disclosure under note 6 (d) and the **CONSOLIDATED BALANCE SHEETS, CONSOLIDATED STATEMENTS OF OPERATIONS; CONSOLIDATED STATEMENTS OF CASH FLOWS and CONSOLIDATED STATEMENT OF SHAREHOLDERS' (DEFICIENCY) EQUITY.** The result of the re-pricing of the options increased the consulting fees to \$861,452 from \$761,452, as previously reported and the net loss for the period to \$3,021,657 from \$2,921,657. Paid-in capital in the amended Consolidated Statement of Shareholders' (Deficiency) Equity increased from \$83,520 to \$95,520 and from \$88,000 to \$176,000 to reflect the measurement date pricing for these two transactions.

2,400,000 Common shares Issued to Consultants December 5, 2005

On December 5th, 2004, the Company issued 2,400,000 shares of common stock on options granted May 12, 2004 (the "measurement date") to a consultant. The measurement date price of \$0.01 for the options granted reflected the trading value of the Company's shares at the date of the grant. The gross proceeds to the Company of \$96,000 reflect \$24,000 (2,400,000 shares at \$0.01) plus \$72,000 in additional consulting fees.

17,600,000 Common shares Issued to Consultants July 8, 2005

On July 8, 2005, the Company issued a total of 17,600,000 shares of common stock on options granted May 12, 2004 (the "measurement date") to consultants. The measurement date price of \$0.01 for the options granted reflected the trading value of the Company's shares at the date of the grant. The gross proceeds to the Company amounted to \$176,000.

b) The following table shows the impact of the restatements.

Consolidated Statement of Operations as at October 31, 2005

	As previously <u>reported</u>	<u>As adjusted</u>
Consulting fees	761,452	861,452
Loss before the following	1,405,963	1,505,963
Net loss for the period	2,921,657	3,021,657

Consolidated Balance Sheets as at October 31, 2005

	As previously <u>reported</u>	<u>As adjusted</u>
Additional paid-in capital	1,805,406	1,905,406
Deficit accumulated during the development stage	(3,121,028)	(3,221,028)

2. NATURE OF OPERATIONS

a) Organization

The Company was incorporated on March 14, 2002 under the laws of the State of Nevada as North American General Resources Corporation and we were primarily engaged in the acquisition and exploration of mining properties until November 2004.

On November 29, 2004 a Certificate of Amendment was filed with the Secretary of State in Nevada to change the name of the Company from North American General Resources Corporation to MoneyFlow Capital Corporation at which time we changed our business to providing financial services including operating a foreign exchange service and providing short-term loans and check cashing from retail premises.

By way of a reverse take over the Company changed its business and on June 28, 2005 a Certificate of Amendment was filed with the Secretary of State in Nevada to change the name of the Company from MoneyFlow Capital Corporation to Fortuna Gaming Corp.

b) Principles of Consolidation

The accompanying consolidated financial statements reflect the operations of Fortuna Gaming Corp. and its wholly owned subsidiaries, Fortuna Gaming (UK) Limited and Fortuna Gaming Corp. Limited. All intercompany accounts and transactions have been eliminated in consolidation.

c) Discontinued Operations and Loss Associated with Write off of Assets Purchased

From March 2002 until October, 2004, the Company had been in the exploration stage since its formation and had not realized any revenues from its planned operations. During this period, the Company was primarily engaged in the acquisition and exploration of mining properties.

On October 25, 2004, the Company entered into an agreement (the "Agreement") which provided that it would incorporate a Canadian subsidiary, MoneyFlow Capital Corporation ("MoneyFlow Canada"), which would purchase all of the assets of CMC Investments Inc. ("CMC") and its subsidiary, Canadian Cheque Cashing Corporation ("CCCC"), in exchange for the issuance of 6,000,000 shares of the Company and the assumption of two debt obligations amounting to approx \$2,500,000. As a result of entering into this Agreement, the Company changed its name from North American General Resources Corp. MoneyFlow Capital Corporation ("MoneyFlow Nevada") and its nature of business to providing financial services including operating a foreign exchange service and providing short-term loans and check cashing from retail premises through its subsidiary.

Under the terms of the Agreement the Company paid a total of \$1,473,336 relating to the development of financial software on behalf of its subsidiary Money Flow Canada. However, in February, 2005 the Company defaulted on its remaining payment obligations of \$1,040,140. As a result, the parties agreed to rescind the Agreement by returning the 6,000,000 shares to the Company's treasury in exchange for giving up its shares in MoneyFlow Canada. As a result of this termination, the Company's management and board of directors on record in February 2005 wrote off its investment of \$1,473,336 plus working capital of \$42,358 creating a loss of \$1,515,694.

d) Change of Business and Use of Consultants During Re-organization and Start Up Stage

On June 28, 2005, the Company changed its name to Fortuna Gaming Corp. and underwent a change in management and direction and is currently involved in the acquisition and licensing of on-line and mobile gaming technologies.

On June 28, 2005, the Company entered into a share exchange agreement with Fortuna Gaming (UK) Limited, a company incorporated under the laws of the United Kingdom, whereby the Company purchased all of the issued and outstanding shares of Fortuna Gaming (UK) Limited in exchange for 15,000,000 shares (pre 2 for 1 stock split that occurred on September 16, 2005) of the Company. The shares issued pursuant to this transaction were held in escrow pursuant to the Closing, which occurred on August 31, 2005 – the date of incorporation of Fortuna Gaming (UK) Limited. At the time of Closing, there were 18,196,095 (pre 2 for 1 stock split which occurred on September 16, 2005) shares issued and outstanding (596,095 plus 17,600,000 stock options exercised on July 8, 2005). With the issuance of the 15,000,000 shares, this would have given the Company 54.8% of the 33,196,095 shares issued and outstanding. With the Company maintaining 54.8% of the outstanding shares after the share exchange, the Company is the accounting acquirer in this transaction. The 15,000,000 shares were and continue to be restricted shares with no trading value. Since they cannot be traded, the value of the shares at the time of the transaction did not relate to the market value and thus using par value - \$.001 was the most accurate price assigned to the shares. There is no market for the shares that were issued pursuant to the share exchange. As such, there was no relation to the market price of the stock, and the only reasonable price was par value.

As the Company is in the start-up stage, Fortuna Gaming Corp. and its subsidiaries engaged the services of various consultants possessing critical knowledge and experience in the gaming industry, regulatory, legal and financial services sector. The services performed by consultants from June 28, 2005 to October 31, 2006 included legal, due diligence and accounting associated with the acquisition of GFED, raising equity and debt financing, developing the Company's overall business plan and strategies, identifying, selecting and negotiating intellectual property licensing agreements, developing operational plans covering domestic and international operations, seeking out and hiring professional management, developing marketing and promotion plans including setting up an investor relations program, developing a merger and acquisition strategy and policy and developing corporate and potential acquisition candidates and establishing corporate governance policies.

e) G-FED Acquisition Deposit and Private Placement Advances

On December 4, 2005, the Company entered into a Letter of Intent to acquire, directly or indirectly, 100% of the assets of a software development company doing business as G-FED. A refundable deposit of \$500,000 USD was paid to the vendor's attorney pursuant to the signing of the Letter of Intent. On February 1, 2006, a second deposit of \$500,000 USD was paid to the vendor's attorneys bringing the total deposits to \$ 1million USD.

The Company also received private placement advances, held in a lawyers' trust account, totaling \$2,000,000. The funds were to be used as a down payment associated with the acquisition of G-FED. As announced in a press release dated May 3, 2006, discussion relating to the purchase of the G-FED group terminated. With the termination of the acquisition, \$1,940,000 has been returned to the lenders, leaving a balance of \$60,000 owing to one lender. The Company has not received a formal demand for payment of the outstanding principle from the lender and is relying on continued support from its lender while it restructures its finances and pursues other business opportunities and acquisitions. The \$60,000 note payable bears interest at a rate of 10% per annum accrued monthly.

With the termination of the proposed transaction, the Company and G-FED's management agreed to enter into discussions on a joint venture partnership basis. As at October 31, 2006, a formal business relationship with the G-FED group has not transpired.

The \$1 million deposits less legal fees, advanced under the original Letter of Intent were returned to the Company and used to pay down demand loans as noted in Notes 6 (a) and (b).

f) Going Concern

The accompanying consolidated financial statements have been prepared assuming the Company will continue as a going concern.

As shown in the accompanying consolidated financial statements, the Company has incurred a net loss for the period from March 14, 2002 (inception) to October 31, 2006 of \$5,196,581 which includes a write-off of assets amounting to \$1,515,694 in 2005 for a failed venture prior to new management taking over the Company and \$364,974 in 2006 related to legal, due diligence and accounting costs associated with the acquisition of GFED. To date, the Company has no revenues. The future of the Company is dependent upon the continued support of its lenders, its ability to obtain financing and upon future profitable operations from the development of acquisitions. Management has plans to seek additional capital through a private placement and public offering of its common stock. The consolidated financial statements do not include any adjustments relating to the recoverability and classification of recorded assets, or the amounts of and classification of liabilities that might be necessary in the event the Company cannot continue in existence.

3. SIGNIFICANT ACCOUNTING POLICIES

The accompanying consolidated financial statements of the Company have been prepared in accordance with generally accepted accounting principles in the United States. Because a precise determination of many assets and liabilities is dependent upon future events, the preparation of consolidated financial statements for a period necessarily involves the use of estimates which have been made using careful judgment.

The consolidated financial statements have, in management's opinion, been properly prepared within reasonable limits of materiality and within the framework of the significant accounting policies summarized below:

a) Capital Assets and Amortization

Computer hardware and software licenses are recorded at cost and amortized on the declining balance basis at the rate of 30% per annum.

b) Use of Estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenues and expenses for the reporting period. Actual results could differ from those estimates.

c) Foreign Currency Translation

The Company's functional currency is the U.S. dollar. Transactions in foreign currency are translated into U.S. dollars as follows:

- i) monetary items at the rate prevailing at the balance sheet date;
- ii) non-monetary items at the historical exchange rate;
- iii) revenue and expense at the average rate in effect during the applicable accounting period

d) Income Taxes

The Company has adopted Statement of Financial Accounting Standards No. 109 – "Accounting for Income taxes" (SFAS 109). This standard requires the use of an asset and liability approach for financial accounting, and reporting on income taxes. If it is more likely than not that some portion or all of a deferred tax asset will not be realized, a valuation allowance is recognized.

e) Basic and Diluted Loss Per Share

In accordance with SFAS No. 128 – "Earnings Per Share", the basic loss per common share is computed by dividing net loss available to common stockholders by the weighted average number of common shares outstanding. Diluted loss per common share is computed similar to basic loss per common share except that the denominator is increased to include the number of additional common shares that would have been outstanding if the potential common shares had been issued and if the additional common shares were dilutive. At October 31, 2006, the Company has no stock equivalents that were anti-dilutive and excluded in the earnings per share computation.

4. PREPAID EXPENSES

Prepaid expense in the amount of \$740 is the balance of an advanced legal retainer held in trust on behalf of the Company. These funds will be applied against future legal expenses.

5. CAPITAL ASSETS

The Company's license with MGN was cancelled on October 1, 2006 and accordingly, the software (license) and hardware related to this business segment were written off in 2006, creating a book loss of \$57,911.

Net book value of Capital Assets consists of a domain name, with a book value of \$6,766 as at October 31, 2006.

Domain assets are amortized on the declining balance basis at the rate of 30% per annum, prorated from the date purchased.

- i) Domain names – Cost of \$10,175 less accumulated amortization of \$3,409

6. LOANS PAYABLE AND PROMISSORY NOTE

- (a) On December 4, 2005, the Company issued a Demand Loan for \$500,000 to a third party to fund the first G-FED deposit. After the collapse of the G-Fed transaction, effective May 3, 2006, \$322,260 was repaid to the lender, leaving a principle balance owing of \$177,740. The loan is due in full on or before February 1, 2007 and bears interest at a rate of 10% per annum accrued monthly.
- (b) On February 1, 2006, the Company issued a Demand Loan for \$500,000 to a third party to fund the second G-FED deposit. After the collapse of the G-Fed transaction, effective May 3, 2006, \$410,000 was repaid to the lender, leaving a principle balance owing of \$90,000. The loan is due in full on or before February 1, 2007 and bears interest at a rate of 10% per annum accrued monthly.

The principle balance owing on the acquisition deposit loans in 6 (a) and 6 (b) amounts to \$267,740. The Company has not received a formal demand for payment of the outstanding principle from either lender and is relying on continued support from its lenders while it restructures its finances and pursues other business opportunities and acquisitions.

- (c) The Company has received advances from a third party to cover operating costs. Advances total \$776,729 as at October 31, 2006 and are payable on demand and have no fixed terms of repayment. The advances bear interest at a rate of 10% per annum accrued monthly. The Company has not received a formal demand for payment of the outstanding principle from this lender and is relying on continued support from the lender to allow it to restructure its finances.
- (d) The Company received private placement advances, held in a lawyers' trust account, totaling \$2,000,000. The funds were to be used as a down payment associated with the acquisition of G-Fed. As announced in a press release dated May 3, 2006, discussion relating to the purchase of the G-Fed group terminated. With the termination of the acquisition, \$1,940,000 has been returned to the lenders, leaving a balance of \$60,000 owing to one lender. The Company has not received a formal demand for payment of the outstanding principle from the lender and is relying on continued support from this lender while it restructures its finances and pursues other business opportunities and acquisitions. The \$60,000 Promissory Note bears interest at a rate of 10% per annum accrued monthly.

7. SHARE CAPITAL

- a) Authorized:
100,000,000 common shares with a par value of \$0.001 per share
100,000,000 preferred shares with a par value of \$0.001 per share
- b) Issued:
As of October 31, 2006 the number of issued and outstanding common shares was 68,085,676.
As of January 25, 2007 the number of issued and outstanding common shares is 68,085,676.
There are no Preferred Shares issued as of January 25, 2007.

c) Share Exchange Agreement

On June 28, 2005, the Company entered into a share exchange agreement with Fortuna Gaming (UK) Limited, a company incorporated under the laws of the United Kingdom, whereby the Company purchased all of the issued and outstanding shares of Fortuna Gaming (UK) Limited in exchange for 15,000,000 shares (pre 2 for 1 stock split that occurred on September 16, 2005) of the Company. The shares issued pursuant to this transaction were held in escrow pursuant to the Closing, which occurred on August 31, 2005 – the date of incorporation of Fortuna Gaming (UK) Limited. At the time of Closing, there were 18,196,095 (pre 2 for 1 stock split which occurred on September 16, 2005) shares issued and outstanding (596,095 plus 17,600,000 stock options exercised on July 8, 2005). With the issuance of the 15,000,000 shares, this would have given the Company 54.8% of the 33,196,095 shares issued and outstanding. With the Company maintaining 54.8% of the outstanding shares after the share exchange, the Company is the accounting acquirer in this transaction. The 15,000,000 shares were and continue to be restricted shares with no trading value. Since they cannot be traded, the value of the shares at the time of the transaction did not relate to the market value and thus using par value - \$.001 was the most accurate price assigned to the shares. There is no market for the shares that were issued pursuant to the share exchange. As such, there was no relation to the market price of the stock, and the only reasonable price was par value.

- d) On October 31, 2005 financial statements have been amended to re-price stock options that were granted to consultants on May 14, 2004 and exercised on December 5, 2004 and July 8, 2005. The original price used on May 14, 2004 was \$0.005 when the market price was \$0.01, a 50% discount to the market and/or “measurement date” price. The Company has now re-priced the shares at the date of grant to reflect the market value of the shares at \$0.01 per share. The amended October 31, 2005 financial statements (Consolidated Statement of Shareholders’ (Deficiency) Equity was changed to reflect the difference in pricing (a) 2,400,000 times (\$0.01 minus \$0.005) or \$12,000 and (b) 17,600,000 times (\$0.01 minus \$0.005) or \$88,000 for a total increase in consulting fees of \$100,000 charged to the statement of operations. The amended financial statements incorporate the revised disclosure under note 7 (d) and the **CONSOLIDATED BALANCE SHEETS, CONSOLIDATED STATEMENTS OF OPERATIONS; CONSOLIDATED STATEMENTS OF CASH FLOWS and CONSOLIDATED STATEMENT OF SHAREHOLDERS’ (DEFICIENCY) EQUITY**. The result of the re-pricing of the options increased the consulting fees to \$861,452 from \$761,452, as previously reported and the net loss for the period to \$3,021,657 from \$2,921,657. Paid-in capital in the amended Consolidated Statement of Shareholders’ (Deficiency) Equity increased from \$83,520 to \$95,520 and from \$88,000 to \$176,000 to reflect the measurement date pricing for these two transactions.

2,400,000 Common shares Issued to Consultants December 5, 2005

On December 5th, 2004, the Company issued 2,400,000 shares of common stock on options granted May 12, 2004 (the “measurement date”) to a consultant. The measurement date price of \$0.01 for the options granted reflected the trading value of the Company’s shares at the date of the grant. The gross proceeds to the Company of \$96,000 reflect \$24,000 (2,400,000 shares at \$0.01) plus \$72,000 in additional consulting fees.

17,600,000 Common shares Issued to Consultants July 8, 2005

On July 8, 2005, the Company issued a total of 17,600,000 shares of common stock on options granted May 12, 2004 (the “measurement date”) to consultants. The measurement date price of \$0.01 for the options granted reflected the trading value of the Company’s shares at the date of the grant. The gross proceeds to the Company amounted to \$176,000.

e) Adjustment Made to Balance to Transfer Agent

Effective September 28, 2006, the Company's Transfer Agent, West Coast Stock Transfer, sold its business assets to Continental Stock Transfer and Trust Company. As part of this transition, it was determined that the number of shares issued and outstanding as at October 31, 2006 per West Coast Stock Transfer detail report did not agree with the Company figures due primarily to the rounding of numbers associated with a previous stock consolidation (1 for 10 - July 5, 2005) and stock split transaction (2for 1 - September 16, 2005). As a result of this analysis, a 2,507 adjustment was made to the Company's records to reduce the issued and outstanding common shares from 68,088,183 to 68,085,676. The accounting treatment to record this adjustment reduced common shares by \$2 and additional paid-in capital by \$2,505.

f) Pursuant to a private placement transaction that took place during fiscal 2005, the Company issued 1,695,710 common shares pursuant to subscriptions received at October 31, 2005.

g) Stock Option Plan

As at October 31, 2006, there were no stock options available.

h) Weighted-average shares outstanding

Loss per share has been calculated using the weighted-average number of common shares outstanding during the year of 67,806,929. Diluted loss per shares does not differ from basic loss per share as all potential common shares are anti-dilutive.

8. RELATED PARTY TRANSACTION

During the year, there were no related party transactions.

9. SUBSEQUENT EVENTS

On November 8, 2006, Fortuna Gaming (UK) Limited entered into a Software License Agreement ("Agreement") with G.I. ENTERPRISES, LTD., of KN Nevis, West Indies (the "Licensor"). Under the terms of the Agreement, the Company has acquired a non exclusive license to both Poker and Casino Software developed by the Licensor.

With enactment of recent legislation in the US prohibiting or otherwise restricting the use of electronic payment processing of online bets from US citizens, management is now reassessing the long term strategy of continuing its online gaming efforts or to entertain other business initiatives. As a result of this issue, management has decided to wind down its two UK based subsidiaries, Fortuna Gaming (UK) Limited and Fortuna Gaming Corp. Limited. From the date of incorporation to the date of this report both UK subsidiaries have not generated any revenues.

ITEM 8. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE.

On December 23, 2005 Moore & Associates, Chartered of Las Vegas, Nevada was appointed our Company's auditor for the fiscal year ending October 31, 2005 after Shelley International resigned.

ITEM 8A. CONTROLS AND PROCEDURES.

Disclosure controls and procedures are controls and other procedures that are designed to ensure that information required to be disclosed our reports filed or submitted under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the Securities and Exchange Commission's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed in our reports filed under the Exchange Act is accumulated and communicated to management, including our Chief Executive Officer and Chief Financial Officer, to allow timely decisions regarding required disclosure.

The term "internal control over financial reporting" is defined as a process designed by, or under the supervision of, our Company's principal executive and principal financial officers, or persons performing similar functions, and effected by our board of directors, management and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles and includes those policies and procedures that:

- (1) Pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of the assets of the registrant;
- (2) Provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the registrant are being made only in accordance with authorizations of management and directors of the registrant; and
- (3) Provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the registrant's assets that could have a material effect on the financial statements.

The Company has engaged the services of consultants familiar with the disclosure requirements to carry out an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures. As the Company is still in the development stages, it does not have the resources to have total separation of duties. However, to compensate, the quarterly and annual financial statements are reviewed in detail with the CEO/CFO, the Company's accountant and management continues to follow and implement good corporate governance practices to ensure proper disclosure.

PART III

ITEM 9. DIRECTORS, EXECUTIVE OFFICERS, PROMOTERS AND CONTROL PERSONS; COMPLIANCE WITH SECTION 16(A) OF THE EXCHANGE ACT.

<u>Name</u>	<u>Age</u>	<u>Office(s) Held</u>
Richard Nikolaus Ritter Von Raffay	53	Director, President, Treasurer , Secretary Chief Executive Officer & Chief Financial Officer

Richard Von Raffay, was appointed president, secretary, treasurer and director October 1, 2006. Mr. Von Raffay has a Master of Business Administration from the Hamburg University for Economics and Politics and studied management economics and law at the University of Hamburg, law faculty. During his career, Mr. Von Raffay has acted as the Managing Director of Hanseatische Commodity und Capital GmbH, Senior Corporate Finance Advisor at Eutelis GmbH, Ratingen, subsidiary of Deutsche Telekom and France Telekom. In addition, he has served as a member of the supervisory board of Khan Oppenhiemer and Pictet AG in Hamburg.

Douglas Waugh, our previous president, secretary, treasurer and director resigned on October 1, 2006 as president, secretary and treasurer and as director October 4, 2006 to pursue other interests.

Term of Office

Directors are appointed for a one-year term to hold office until the next annual general meeting of our shareholders or until removed from office in accordance with our bylaws. Our officers are appointed by our board of directors and hold office until removed by the board.

Significant Employees

We have no significant employees other than our officers and directors. We conduct our business through agreements with consultants and arms-length third parties.

Committees of the Board of Directors

We presently do not have an audit committee, compensation committee, nominating committee, an executive committee of our board of directors, stock plan committee or any other committees. However, our board of directors will be establishing various committees during the coming fiscal year.

Audit Committee Financial Expert

We have no financial expert but we are planning to fill this position with a qualified expert during the coming fiscal year.

Code of Ethics

We have not yet adopted a corporate code of ethics. Our board of directors is considering establishing a code of ethics to deter wrongdoing and promote honest and ethical conduct; provide full, fair, accurate, timely and understandable disclosure in public reports; comply with applicable laws; ensure prompt internal reporting of code violations; and provide accountability for adherence to the code.

Compliance with Section 16(a) of the Securities Exchange Act

Section 16(a) of the Exchange Act requires our executive officers and directors, and persons who own more than 10% of a registered class of our equity securities ("Reporting Persons"), to file reports of ownership and changes in ownership with the SEC. Reporting Persons are required by SEC regulations to furnish us with copies of all forms they file pursuant to Section 16(a). Based solely on our review of the copies of such reports received by it, and written representations from certain Reporting Persons that, other than as described below, no other reports were required for those persons, we believe that, during the year ended October 31, 2006, the Reporting Persons complied with all Section 16(a) filing requirements applicable to them. No one with a principal position has failed to file, on a timely basis, the identified reports required by section 16(a) of the Exchange Act during the most recent fiscal year.

ITEM 10. EXECUTIVE COMPENSATION

Summary Compensation Table

The following table sets forth summary information concerning compensation paid by or accrued for services rendered to us in all capacities during the past three fiscal years to our Chief Executive Officer and to each additional executive officer whose salary and bonus exceeded \$100,000 (the "Named Executive Officer.")

Name	Title	Year	Annual Compensation			Long Term Compensation			
			Salary	Bonus	(1) Other Annual Compensation	Restricted Stock Awarded	Options/* SARs (#)	LTIP payouts (\$)	All Other Compensation
Douglas	President,	2006	0	0	120,000	0	0	0	0
Waugh	Secretary,	2005	0	0	40,000	0	0	0	0
	Treasurer and Director	2004	0	0	0	0	0	0	0

(1) paid as consulting fees to Mr. Waugh from July, 2005 to October, 2006.

Mr. Douglas Waugh was our president and director from September 1, 2005 to October 4, 2006. Mr. Richard Von Ratter has not received any compensation since taking over the presidency on October 1, 2006.

Stock Option Grants

There were no stock options granted during the financial year ending October 31, 2006.

Exercise of Stock Options and Year-End Option Values

As at October 31, 2006, there were no stock options available under the Stock Option Plan.

Compensation Arrangements

We do not pay to our directors or officers any salary.

We do not pay our directors any compensation for serving or on our board of directors.

We conduct our business through agreements with consultants and arms-length third parties. Currently, we have no formal agreements.

ITEM 11. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

The following table sets forth certain information concerning the number of shares of our common stock owned beneficially as of January 25, 2007 by: (i) each person (including any group) known to us to own more than five percent (5%) of any class of our voting securities, (ii) each of our directors, (iii) each of our named executive officers; and (iv) officers and directors as a group. Unless otherwise indicated, the shareholders listed possess sole voting and investment power with respect to the shares shown.

<u>Title of Class</u>	<u>Name and Address Of Beneficial Owner</u>	<u>Amount and Nature of Beneficial Ownership</u>	<u>Percentage of Common Stock ⁽¹⁾</u>
Common Stock	All Officers and Directors as Group – includes 1 director and officer of Fortuna Gaming (UK) Limited and Fortuna Gaming Corp. Limited	1,000,000 Direct	1.47%

⁽¹⁾ Based on 68,085,676 shares of our common stock issued and outstanding as of January 25, 2007. Under Rule 13d-3, certain shares may be deemed to be beneficially owned by more than one person (if, for example, persons share the power to vote or the power to dispose of the shares). In addition, shares are deemed to be beneficially owned by a person if the person has the right to acquire the shares (for example, upon exercise of an option) within 60 days of the date as of which the information is provided. In computing the percentage ownership of any person, the amount of shares outstanding is deemed to include the amount of shares beneficially owned by such person (and only such person) by reason of these acquisition rights. As a result, the percentage of outstanding shares of any person as shown in this table does not necessarily reflect the person's actual ownership or voting power with respect to the number of shares of common stock actually outstanding on January 27, 2007.

Change in Control

We are not aware of any arrangement that might result in a change in control in the future.

Securities Authorized for Issuance under Equity Compensation Plans

The Company does not have any equity compensation plans

ITEM 12. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS.

Except as described below, none of the following parties has, since our date of incorporation, had any material interest, direct or indirect, in any transaction with us or in any presently proposed transaction that has or will materially affect us, other than noted in this section:

- Any of our directors or officers
- Any person proposed as a nominee for election as a director
- Any person who beneficially owns, directly or indirectly, shares carrying more than 10% of the voting rights attached to our outstanding shares of common stock
- Any of our promoters; and
- Any relative or spouse of any of the foregoing persons who has the same house as such person

During the year ended October 31, 2006, our directors received \$120,000 for management services.

ITEM 13. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits and Index of Exhibits

Exhibit Number	Description of Exhibit
3.1	Articles of Incorporation ⁽¹⁾
3.2	Amended Bylaws ⁽¹⁾
10.1	Wool Bay Property Option Agreement dated May 16, 2002 between 4763 NWT LTD. and North American General Resources Corporation ⁽¹⁾
10.2	Wool Bay Property Option Agreement dated July 5, 2002 between 4763 NWT LTD. and North American General Resources Corporation ⁽¹⁾
10.3	Amendment No. 1 to Wool Bay Property Option Agreement dated April 15, 2003 between 4763 NWT LTD. And North American General Resources Corporation ⁽¹⁾
10.4	Asset Purchase Agreement dated October 25, 2004 among CMC Investments Inc., MoneyFlow Capital Corp., Canadian Cheque Cashing Corporation, Wayne Mah, and North American General Resources Corp.
31.1	Certification of Chief Executive Officer and Chief Financial Officer pursuant to Section 302 of the Sarbanes- Oxley Act of 2002
32.1	Certification of Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

(1) Filed with the SEC as an exhibit to our Form SB-2 Registration Statement originally filed on January 16, 2004, as amended.

(b) Reports on Form 8-K.

The following reports on Form 8-K were filed during the last quarter of our fiscal year ended October 31, 2006.

<u>Date Filed</u>	<u>Content</u>
November 8, 2006	The Company announced that Fortuna Gaming (UK) Limited entered into a Software License Agreement ("Agreement") with G.I. ENTERPRISES, LTD., of KN Nevis, West Indies (the "Licensor"). Under the terms of the Agreement, the Company has acquired a non exclusive license to both Poker and Casino Software developed by the Licensor.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES.

Audit Fees

The aggregate fees billed for the fiscal year ended October 31, 2006 for professional services rendered by the principal accountant, Moore & Associates, Chartered Accountant and Advisors, for the audit of our annual financial statements, review of our amended October 31, 2005 Form 10-KSB, review of our amended January 31, 2006 and April 30, 2006 Form 10-QSB's and review of our July 30, 2006 Form 10-QSB were as follows:

Audit Fee	\$6,000
Review of Quarterly Reports	\$7,500

Audit Related Fees

None.

Tax Fees

None.

All Other Fees

None.

SIGNATURES

In accordance with Section 13 or 15(d) of the Exchange Act, the registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

FORTUNA GAMING CORP.

By: /s/ Richard Von Ritter

Richard Von Ritter
President, Chief Executive Officer,
Chief Financial Officer and Director
(Principal Executive Officer and Principal Financial Officer)
Date: January 25, 2007

In accordance with the Exchange Act, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

By: /s/ Richard Von Ritter

President, Chief Executive Officer,
Chief Financial Officer and Director
(Principal Executive Officer and Principal Financial Officer)
Date: January 25, 2007
