Fortune Bay Corp.
Year ended December 31, 2015

MANAGEMENT'S DISCUSSION AND ANALYSIS

This Management's Discussion and Analysis ("MD&A") provides a review of the performance of Fortune Bay Corp. ("Fortune Bay" or the "Company") and should be read in conjunction with the audited consolidated financial statements of Fortune Bay (the "Financial Statements") for the year ended December 31, 2015, and the audited financial statements of Fortune Bay for the year ended December 31, 2014, which have been prepared in accordance with International Financial Reporting Standards("IFRS").

The information presented in this MD&A is as of March 1, 2016. The reporting currency for the Company is the Canadian dollar. All of the financial information presented herein is expressed in Canadian dollars ("Cdn dollars" or "Cdn"), unless otherwise stated. United States dollars are indicated by the symbol "US$". This MD&A contains "forward-looking statements" that are subject to risk factors set out in a cautionary note contained herein. The reader is cautioned not to place undue reliance on forward-looking statements.

COMPANY OVERVIEW

The Company was incorporated under the name of 8724385 Canada Limited pursuant to the *Canada Business Corporations Act* by Articles of Incorporation effective December 12, 2013 as part of a plan of arrangement (the "Plan of Arrangement") to reorganize Brigus Gold Corp. ("Brigus"), which was completed on March 5, 2014 (the "Arrangement"). Articles of Amendment were filed on January 13, 2014 to change the name of the Company to "Fortune Bay Corp." Fortune Bay began trading on the Toronto Stock Exchange ("TSX") as a new public company on March 17, 2014 under the symbol FOR. As at December 31, 2015, 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.

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 the Brigus Black Fox mine and surrounding properties in Ontario, Canada. The Exploration Properties Business of Fortune Bay Corp. spun out to Fortune Bay as part of the Master Reorganization primarily consisted of the Goldfields project in Saskatchewan, Canada (the "Goldfields Project"), the Ixhuatán project in Chiapas, Mexico (the "Ixhuatán Project"), a net smelter return ("NSR") on the Huizopa project (the "Huizopa Project") located in Chihuahua, Mexico, and several properties in the Dominican Republic (together, the "Exploration Properties").

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 (each a "Common Share") for each common share of Brigus held. Brigus' outstanding options were exchanged for Primero options and 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 Common Shares received upon exercise reflect the exchange ratio described above. In addition, Brigus' senior unsecured convertible debentures remain outstanding and may require an issuance of the Company's Common Shares if converted.

Pursuant to the Arrangement, Brigus (after being acquired by Primero) 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 Common Shares so issued as recorded as contributed surplus in the capital of Fortune Bay.

The carrying value of The Exploration Properties Business of Fortune Bay Corp. contributed 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**

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

Prior to the date of the spin out, the 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 consolidated financial statements, the Company incorporated the assets and liabilities of the existing entity (The Exploration Properties Business of Fortune Bay Corp.) at their pre-transaction carrying amounts without fair value uplift (continuity of interest accounting). This is on the basis that there is no substantive economic change. In essence, the combination of the two entities reflects the results and financial position of The Exploration Properties Business of Fortune Bay Corp. The only change is a change in the structure of the group.

The consolidated statements of loss and comprehensive loss prior to March 5, 2014 include 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 statements of The Exploration Properties Business of Fortune Bay Corp. Up to the date of the Master Reorganization, these amounts were reflected as net investment from parent in the consolidated statement of changes in equity.

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

On February 10, 2016, the Company announced that it had signed a transaction agreement with Kneat Solutions Limited ("Kneat") whereby Fortune Bay will: (i) spin-out The Exploration Properties Business of Fortune Bay by way of a court-approved plan of arrangement in Ontario (the "Arrangement with Kneat"); and (ii) acquire 100% of the issued and outstanding ordinary shares of Kneat by way of a concurrent scheme of arrangement in Ireland (the "Merger").

Pursuant to the Arrangement with Kneat, Fortune Bay shareholders will receive one (1) new common share of Fortune Bay (each a "New Fortune Bay Share") and one and one half (1.5) of a common share (a "Spinco Share") of a newly formed exploration company ("Spinco") in exchange for each three (3) common shares of Fortune Bay held by them. Upon closing of the Arrangement with Kneat and the Merger, Fortune Bay shareholders will hold 100% of the issued and outstanding Spinco Shares and 31.3% of the issued and outstanding New Fortune Bay Shares, with the former shareholders of Kneat holding the remaining 68.7% of the issued and outstanding New Fortune Bay Shares. In addition to acquiring all the issued and outstanding shares of Kneat, Fortune Bay will retain net CAD $8.2 million. SpinCo will hold Fortune Bay's interests in the Goldfields project in Saskatchewan and the Ixhuatán and Huizopa projects in Mexico. It is expected that an application will be submitted to list the shares of Spinco on the TSX Venture Exchange. This transaction is subject to approval by the TSX and shareholders of Fortune Bay and Kneat.

Kneat is a privately owned company operating from its head office in Limerick, Ireland. Kneat designs, develops and supplies software for data and document management within regulated environments. Kneat's current product is Kneat GX, a configurable commercial off the shelf application focused on validation lifecycle management and testing within the life sciences industry. Complete and comprehensively documented validation of processes, products, equipment and software is a significant and impactful regulatory requirement in the life sciences industry. The Kneat GX application provides a compliant e-solution that enables life science companies to become efficient and compliant with an automated process that has traditionally been manual, in-efficient and 100% paper based. Kneat is an ISO certified company along with the Kneat GX software application.

In addition, on February 10, 2016, the Company announced that it intends to complete a non-brokered private placement financing for estimated aggregate gross proceeds of up to $2,000,000 (the "Offering"). Fortune Bay intends to issue up to 6,666,667 common shares at an issue price of $0.30 per share. Closing of the Offering is subject to certain conditions, including approval of the TSX.

OVERVIEW OF THE PROPERTIES

Goldfields Project, Canada

The Goldfields Project, located in northern Saskatchewan, Canada, is Fortune Bay's most significant property. The Company may choose to finance future exploration and development through equity financing, debt, or other means deemed appropriate by management.

The Goldfields Project is situated approximately 60 kilometres ("km") south of the Saskatchewan and Northwest Territories boundary. It forms a rough triangle approximately 23.3 km southwest, 17.6 km northeast and 23.3 km southeast of Uranium City, Saskatchewan. The Goldfields Project consists of 31 contiguous mining claims plus five mining leases, covering 25,685 hectares in the Beaverlodge Lake area in the Northern Mining District of Saskatchewan. The Goldfields Project consists of two deposits, known as the Box and Athona deposits.

Both the Box and Athona deposits are envisioned as large tonnage, open pit mining operations, using a central 5,000 tonnes per day ("tpd") mill processing facility. The deposits are approximately two km apart. The Box deposit is located on a peninsula west of Neiman Bay on Lake Athabasca. The Athona deposit is located approximately 0.6 km southeast of Neiman Bay.

The Goldfields Project includes 22,333,045 tonnes of ore at an average gold grade of 1.42 grams per tonne ("gpt") for a total of 1,020,000 ounces of gold. Total waste rock moved from the Goldfields Project is 81,651,910 tonnes over the 13-year life of mine ("LOM"), resulting in a strip ratio of 4.56 at Box and 1.10 at Athona.

Franco-Nevada Corporation has a 2% NSR for the Box and Athona deposits. The royalty covers an area of interest of 16 km extending inward from the external property boundaries of the Box property, Athona property, Fish Hook Bay property, and the Nicholson Bay property. The Box area is also subject to a 1.5% NSR on all production beneath 50 metres below the mean sea level on the original Cominco mining claims. This royalty does not apply to the current Box mine plan since it is above the minus 50 metres below sea level elevation.

The technical report dated October 6, 2011 (reissued March 13, 2014) pertaining to the Goldfields Project (the "Technical Report"), which was commissioned by and prepared for Brigus by March Consulting Associates Inc. in cooperation with Wardrop (now Tetra Tech), DMA and EHA Engineering Ltd. in compliance with National Instrument 43-101 - *Standards of Disclosure for Mineral Projects* ("NI 43-101"), identified several actions required to advance the Goldfields Project, including:

- continuation of the exploration drilling in relevant areas of both deposits to enhance the resource estimate;
- performance of project-specific process test work and optimization of the process recovery;
- completion of the geotechnical assessment and updating the ore reserve models to reflect the potential revised pit design; and
- advancement of the Goldfields Project planning and design to minimize potential execution risks.

The cost of completing these procedures is estimated to be approximately $1.8 million, which may be funded by the Company's existing cash. During the year ended December 31, 2015, the Company incurred resource property expenditures of $0.5 million on the Goldfields Project, primarily related to metallurgical testing, assessment work and maintenance of the properties.

Ixhuatán Project, Mexico

Fortune Bay has a 100% ownership interest in the Ixhuatán Project, which consists of the Rio Negro concession that covers 4,176 hectares in northern Chiapas State, Mexico. The Ixhuatán Project is located immediately southwest of the Santa Fe mine and is accessible by roads running five km east of the town of Rayon, Chiapas. Rayon is situated two hours south of Villahermosa, Tabasco. The Ixhuatán Project is an early-stage exploration project. The Company incurred $0.1 million of expenditures on this property during the year ended December 31, 2015, related to ongoing maintenance of the Ixhuatán Project. The Company is currently evaluating its alternatives for the development and advancement of the Ixhuatán Project.

Huizopa Project, Mexico

The Huizopa Project is located in the Sierra Madres in Chihuahua, Mexico.

On December 23, 2010, Brigus entered into an agreement (the "Huizopa Agreement") to sell 100% of Minera Sol de Oro and Minas de Argonautas (collectively, "MSO"), two former subsidiaries, which include the Huizopa Project to Cormack Capital Group LLC ("Cormack"). The Huizopa Agreement provided Cormack with an option until December 31, 2011 to return the Huizopa Project to Brigus and retain a 20% carried interest in the Huizopa Project. Under the Huizopa Agreement, Brigus retained certain rights over the voting shares of Minera Sol de Oro and Minas de Argonauts until the end of the marketing period, which was identified as December 31, 2011.

In December 2011, Brigus revised the terms of the Huizopa Agreement with Cormack. Based on the revised terms, Cormack was required to pay $3.0 million, payable in eight escalating annual installments of $0.05 million, $0.08 million, $0.1 million, $0.3 million, $0.4 million, $0.6 million, $0.7 million and $0.8 million (the "Annual Payments") commencing in June 2012 with the final installment due in June 2019. Cormack could also elect to pay up to 50% of the purchase price through the issuance of common shares in a publicly traded company listed on a recognized U.S. or Canadian national stock exchange. In addition, Brigus was entitled to receive a production bonus payments totalling $4.0 million within two years of the commencement of commercial production at the Huizopa Project. The revised terms extended the marketing period to June 15, 2013.

On May 23, 2013, Brigus signed an amended and restated agreement with Cormack. Brigus agreed to waive all payments owing to Brigus under the agreement dated December 21, 2011 and transferred 100% of the issued share capital of Minera Sol de Oro and Minas de Argonautas, including the interest in the Huizopa Project, to Cormack. Brigus retained a 2% NSR over future production from the Huizopa Project and a production bonus of $4.0 million payable over two years from the date commercial production commences. Fortune Bay acquired the NSR as part of the Arrangement. Cormack may reduce the NSR to 1% by making a $1.0 million payment to Fortune Bay. The Company is entitled to 20% of the proceeds of disposal of the Huizopa Project, if it is disposed of prior to reaching commercial production.

There is no value assigned to the NSR in the financial statements of the Company.

SELECTED ANNUAL INFORMATION

The Company has accounted for the acquisition of The Exploration Properties Business of Fortune Bay Corp. as a capital reorganization rather than a business combination, and therefore reports the results of the operations of the Exploration Properties as if Fortune Bay had always operated these assets. The amounts reported for 2013 represents the results of the operations of The Exploration Properties Business of Fortune Bay Corp. taken from the accounting records of these entities, on a carve-out basis.

Expressed in thousands of Canadian dollars and prepared in accordance with IFRS:

	2015	**2014**	**2013**
	$	**$**	**$**
Net loss for the year	(2,178)	(1,519)	(39,889)
Comprehensive loss for the year	(2,238)	(1,489)	(40,039)
Total assets	22,728	24,262	15,183
Total liabilities	590	159	276
Cash dividends per common share	N/A	N/A	N/A

The Company expects to record losses until such time as an economic resource is developed and exploited on one or more of the Company’s Exploration Properties. The Company’s net loss could be significantly affected by any impairment, reversal of impairment or abandonment of any resource property.

RESULTS OF OPERATIONS

Year ended December 31, 2015

During the year ended December 31, 2015, the Company recorded a net loss before income taxes of $2.2 million, approximately $0.6 million higher than the net loss before income taxes incurred during the year ended December 31, 2014. The increase was primarily due to costs associated with an abandoned transaction in the amount of $0.2 million incurred during the year and an increase in salaries and benefits of $0.5 million.

The Company worked in good faith to complete a strategic transaction during the year ended December 31, 2015. On September 28, 2015, the Company abandoned the transaction after it became apparent that the seller was unable to fulfill certain contractual commitments that the Company required in order to complete the transaction. Throughout the fourth quarter of 2015, management continued to review strategic transactions and places the utmost importance on controlling costs associated with strategic transactions.

Salaries and benefits increased by approximately $0.5 million over the year ended December 31, 2014 due to the salaries of the President and Chief Operating Officer and Chief Financial Officer being incurred for a full year and a severance expense incurred during the year ended December 31, 2015.

Offices, premises and travel increased by approximately $50,000 compared to the prior year due to increased travel costs associated with the Company's search for a strategic transaction and the leasing of office space in Toronto for a full year.

The Company received interest income of $76,000 during the year, which resulted from interest earned on the Company's cash equivalents. During the year ended December 31, 2015, the Company incurred $273,000 in non-cash share-based compensation expense, attributable to the estimated fair value of stock options earned during the period, and incurred management service fees of $105,000. The management services fees are incurred with a related private company, Numus Financial Inc. ("Numus"), for certain management and administrative services in the current year, which has reduced the headcount within the Company compared to the prior year (see "*Related Party Transactions*").

The Company recorded non-cash depreciation expense of $8,000, compared to $14,000 in the same period in 2014. Depreciation expense has decreased due to a reduction in the net book value of the assets subject to depreciation.

A foreign exchange loss of $4,000 was recorded for the current year, compared to a foreign exchange loss of $1,000 recognized in the prior year. The Company expects to continue incurring foreign exchange gains and losses arising from fluctuations in the value of the United States dollar and Mexican peso relative to the Canadian dollar.

SUMMARY OF QUARTERLY RESULTS

Expressed in thousands of dollars, except per share amounts:

	Q4 2015	**Q3 2015**	**Q2 2015**	**Q1 2015**	**Q4 2014**	**Q3 2014**	**Q2 2014**	**Q1 2014**
	$	**$**	**$**	**$**	**$**	**$**	**$**	**$**
Net income (loss) for the period	(823)	(478)	(422)	(455)	(979)	(267)	(375)	102
Basic & diluted net income (loss) per share	(0.02)	(0.02)	(0.02)	(0.02)	(0.04)	(0.01)	(0.01)	0.00
Total assets	22,728	23,185	23,395	23,932	24,262	24,749	25,346	25,617
Total liabilities	590	450	206	206	159	141	113	107
Cash dividends per common share	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

LIQUIDITY AND CAPITAL RESOURCES

The Company's liquidity depends on existing cash reserves, supplemented as necessary by asset dispositions, equity and/or debt financings. As of December 31, 2015, the Company had cash and cash equivalents on-hand of $7.5 million, compared to $9.5 million as at December 31, 2014. The Company does not have any long-term debt. The Company expects to have sufficient available funds to meet current and foreseeable liabilities. During the year ended December 31, 2015, the Company used cash of $1.5 million to fund operating activities, including $0.2 million in costs associated with an abandoned transaction, and approximately $0.5 million on resource property expenditures, relating to the testing programs and maintenance of the Goldfields and Ixhuatán Projects.

During the year-ended December 31, 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 Common 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 $321,000, the value allocated to the Common Share purchase warrants, based on a Black-Scholes valuation, was $102,000, and the value allocated to the flow-through Common Share premium liability was $27,000. Total costs associated with the private placement, consisting of professional and regulatory fees, were $12,000. The Company allocated $9,000 to the costs of issuing the Common Shares and $3,000 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.

The Company has sufficient financial resources to undertake its planned activities for 2016. However, the Company does not presently have sufficient financial resources to undertake the complete development of its Exploration Properties without further inputs of financial resources. Development of the Exploration Properties will therefore depend on the Company’s existing cash on-hand and its ability to obtain additional financing through means such as joint ventures, debt financings, equity financings, or other means.

COMMITMENTS AND CONTINGENCIES

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 December 31, 2015				
	Within 1 year	2-3 years	4-5 years	Over 5 years	Total
	$	$	$	$	$
Accounts payable and accrued liabilities	589,959	-	-	-	589,959
Operating lease obligations	138,405	209,184	-	-	347,589
	728,364	209,184	-	-	937,548

OFF-BALANCE SHEET ARRANGEMENTS

At December 31, 2015, the Company had no off-balance sheet arrangements such as guarantee contracts, contingent interest in assets transferred to an entity, derivative instruments obligations or any obligations that trigger financing, liquidity, market, or credit risk to the Company.

OUTSTANDING SHARE INFORMATION

The Company has authorized an unlimited number of Common Shares without par value. As of December 31, 2015 and March 1, 2016, the Company had 27,828,496 Common Shares outstanding.

As of December 31, 2015 and March 1, 2016, the Company had 2,000,000 stock options outstanding, exercisable into common shares of the Company with an average exercise price of $0.30, expiring between November 18, 2016 and November 10, 2020.

As of December 31, 2015 and March 1, 2016, the Company had 803,572 Common Share purchase warrants outstanding, exercisable into Common Shares of the Company at an exercise price of $0.30 per Common Share, expiring on April 1, 2017.

Prior to the Arrangement, two tranches of Brigus warrants were outstanding, BRD.WT.A (the "A Warrants") and BRD.WT (the "B Warrants"). The Brigus warrants were not redeemed as part of the Arrangement. Upon completion of the Arrangement, the Brigus warrants continued to be governed by and subject to the applicable Brigus warrant indentures and were listed under the symbols, P.WT.A (formerly BRD.WT.A) and P.WT.B (formerly BRD.WT).

Pursuant to the Arrangement, the A Warrants were adjusted so that for each A Warrant exercised, the holder would be entitled to receive 0.175 of a Primero Share and 0.1 of a Fortune Bay Common Share for a price of $2.19 (of which Fortune Bay would receive $0.27 and Primero the balance), and the B Warrants were adjusted so that for each B Warrant exercised, the holder would be entitled to receive 0.2395 of a Primero Share and 0.1369 of a Fortune Bay Common Share for a price of $3.00 (of which Fortune Bay would receive $0.37 and Primero the balance).

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

Prior to the Arrangement, Brigus had an outstanding aggregate principal amount of US$50.0 million 6.5% Brigus Senior Unsecured Convertible Debentures with a maturity date of March 31, 2016. The Brigus Senior Unsecured Convertible Debentures were convertible by the holders into common shares of Brigus at any time at a conversion price of US$2.45 per common share. After the Arrangement, Primero completed the repurchase of US$1.9 million of the Brigus Senior Unsecured Convertible Debentures, leaving US$48.1 million outstanding. In accordance with the exchange ratio, each Brigus Senior Unsecured Convertible Debenture holder would be entitled to receive 0.1 of a Common Share of the Company upon conversion of these outstanding Brigus Senior Unsecured Convertible Debentures. As such, the Company may be obligated to issue Common Shares upon conversion of the outstanding Brigus Senior Unsecured Convertible Debentures. Subsequent to December 31, 2015, Primero announced the cash redemption of the convertible debentures.

PROPOSED TRANSACTIONS

As outlined in the 'Company Overview' section, Fortune Bay announced the signing of a definitive agreement with Kneat on February 10, 2016. This transaction is subject to the approvals of the TSX and shareholders of Fortune Bay and Kneat. It is anticipated that this transaction will close in May 2016.

RELATED PARTY TRANSACTIONS

Amounts payable to officers, directors and companies owned thereby were $256,089 as at December 31, 2015 (2014 - $3,000). During the year ended December 31, 2015, the Company incurred costs for management services from a related company, Numus Financial Inc., in the amount of $105,000 (2014 - $176,000) and recognized rent reimbursements from Numus in the amount of $72,000 (2014 - $36,000) and other cost reimbursements of $44,684 (2014 - $101,657). As at December 31, 2015, the net amount receivable by the Company from Numus was $74,510 (2014 - $3,228).

There were no further related party transactions during the period outside the normal course of business operations.

During the year-ended December 31, 2014, the Company completed a private placement financing, issuing 1,607,144 units at a price of $0.28 per unit. Directors of the Company subscribed for all units issued pursuant to the financing.

FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

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 is placed with high-credit quality financial institutions. The balance of accounts receivable owed to the Company in the ordinary course of business is not significant. The fair value of accounts receivable approximates its 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 period, 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 year ended December 31, 2015.

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 the existing capital expenditure program and plans for expansion, which are adjusted as input variables change. These variables include, but are not limited to, funding requirements of mineral properties, general and administrative requirements 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 payable and accrued liabilities are paid in the normal course of business generally according to their terms.

Currency Risk

The Company is exposed to currency risk on its United States dollar and its Mexican Peso cash, accounts receivable and accounts payable and accrued liabilities, in addition to some of its operating costs. For the years ended December 31, 2015 and 2014, changes in the exchange rate between the aforementioned currencies and the Canadian dollar would not have impacted the Company’s net loss by a material amount, as the balance of funds held, receivable, or owing in these currencies was not material. The currency risk is minimal, therefore the Company does not hedge its currency risk.

RISK FACTORS

Mineral exploration companies face many and varied risks. The principal activity of the Company is mineral exploration, which is inherently risky. Exploration is also capital intensive, and the Company currently has no source of income other than interest income.

The following are the risk factors which the Company's management believes are most important in the context of the Company's business. It should be noted that this list is not exhaustive and that other risk factors may apply.

Limited Business History

Fortune Bay has a short history of operations and has no history of earnings. The likelihood of success of Fortune Bay must be considered in light of the problems, expenses, difficulties, complications and delays frequently encountered in connection with the establishment of any business. Fortune Bay has limited financial resources and there is no assurance that funding over and above the initial cash subscription amount will be available to it when needed. There is also no assurance that Fortune Bay can generate revenues, operate profitably, or provide a return on investment, or that it will successfully implement its plans.

Unknown Environmental Risks for Past Activities

Exploration and mining operations incur risks of releases to soil, surface water and groundwater of metals, chemicals, fuels, liquids having acidic properties and other contaminants. In recent years, regulatory requirements and improved technology have significantly reduced those risks. However, those risks have not been eliminated, and the risk of environmental contamination from present and past exploration or mining activities exists for mining companies. Companies may be liable for environmental contamination and natural resource damages relating to properties that they currently own or operate or at which environmental contamination occurred while or before they owned or operated the properties. No assurance can be given that potential liabilities for such contamination or damages caused by past activities at the Fortune Bay's exploration properties do not exist.

Acquisitions and Joint Ventures

Fortune Bay will evaluate from time to time opportunities to acquire or joint venture mining assets and businesses. These acquisitions and joint ventures may be significant in size, may change the scale of Fortune Bay's business and may expose it to new geographic, political, operating, financial and geological risks. Fortune Bay's success in its acquisition and joint venture activities will depend on its ability to identify suitable acquisition and joint venture candidates and partners, acquire or joint venture them on acceptable terms and integrate their operations successfully with those of Fortune Bay. Any acquisitions or joint ventures would be accompanied by risks, such as the difficulty of assimilating the operations and personnel of any acquired companies; the potential disruption of Fortune Bay's ongoing business; the inability of management to maximize the financial and strategic position of Fortune Bay through the successful incorporation of acquired assets and businesses or joint ventures; additional expenses associated with amortization of acquired intangible assets; the maintenance of uniform standards, controls, procedures and policies; the impairment of relationships with employees, customers and contractors as a result of any integration of new management personnel; dilution of Fortune Bay's present shareholders or of its interests in its subsidiaries or assets as a result of the issuance of shares to pay for acquisitions or the decision to grant earning or other interests to a joint venture partner; and the potential unknown liabilities associated with acquired assets and businesses. There can be no assurance that Fortune Bay would be successful in overcoming these risks or any other problems encountered in connection with such acquisitions or joint ventures. There may be no right for shareholders to evaluate the merits or risks of any future acquisition or joint venture undertaken except as required by applicable laws and regulations.

Uncertainty of Mineral Resource Estimates

Mineral resource figures are only estimates. Such estimates are expressions of judgment based on knowledge, mining experience, analysis of drilling results, and industry practices. While Fortune Bay believes that the mineral resource estimates included are established and reflect management's best estimates, the estimating of mineral resources is a subjective process, and the accuracy of mineral resource estimates is a function of the quantity and quality of available data, the accuracy of statistical computations, and the assumptions used and judgments made in interpreting available engineering and geological information. There is significant uncertainty in any mineral resource estimate, and the actual deposits encountered and the economic viability of a deposit may differ materially from Fortune Bay's estimates. Estimated mineral resources may have to be re-estimated based on changes in gold prices, further exploration or development activity or actual production experience. This could materially and adversely affect estimates of the volume or grade of mineralization, estimated recovery rates or other important factors that influence mineral resource estimates. Mineral resources are not mineral reserves and there is no assurance that any mineral resource estimate will ultimately be reclassified as proven or probable mineral reserves. Mineral resources which are not mineral reserves do not have demonstrated economic viability.

Economics of Developing Mineral Properties

Mineral exploration and development is speculative and involves a high degree of risk. While the discovery of an ore body may result in substantial rewards, few properties which are explored are commercially mineable and ultimately developed into producing mines. There is no assurance that Fortune Bay's gold deposits are commercially mineable.

Should any mineral resources and reserves exist, substantial expenditures will be required to confirm mineral reserves which are sufficient to commercially mine and to obtain the required environmental approvals and permitting required to commence commercial operations. The decision as to whether a property contains a commercial mineral deposit and should be brought into production will depend upon the results of exploration programs and/or feasibility studies, and the recommendations of duly qualified engineers and/or geologists, all of which involves significant expense. This decision will involve consideration and evaluation of several significant factors including, but not limited to: (a) costs of bringing a property into production, including exploration and development work, preparation of production feasibility studies and construction of production facilities; (b) availability and costs of financing; (c) ongoing costs of production; (d) gold prices, which are historically cyclical; (e) environmental compliance regulations and restraints (including potential environmental liabilities associated with historical exploration activities); and (f) political climate and/or governmental regulation and control. Development projects are also subject to the successful completion of engineering studies, issuance of necessary governmental permits, and availability of adequate financing. Development projects have no operating history upon which to base estimates of future cash flow.

The ability to sell and profit from the sale of any eventual mineral production from any property will be subject to the prevailing conditions in the minerals marketplace at the time of sale. The global minerals marketplace is subject to global economic activity and changing attitudes of consumers and other end-users' demand for mineral products. Many of these factors are beyond the control of a mining company and therefore represent a market risk which could impact the long term viability of the Company and its operations.

Factors Beyond the Control of Fortune Bay

The potential profitability of mineral properties is dependent upon many factors beyond Fortune Bay's control. For instance, world prices of and markets for minerals are unpredictable, highly volatile, potentially subject to governmental fixing, pegging and/or controls and respond to changes in domestic, international, political, social and economic environments. Another factor is that rates of recovery of minerals from mined ore (assuming that such mineral deposits are known to exist) may vary from the rate experienced in tests and a reduction in the recovery rate will adversely affect profitability and, possibly, the economic viability of a property. Profitability also depends on the costs of operations, including costs of labour, equipment, electricity, environmental compliance or other production inputs. Such costs will fluctuate in ways Fortune Bay cannot predict and are beyond Fortune Bay's control, and such fluctuations will impact on profitability and may eliminate profitability altogether. Additionally, due to worldwide economic uncertainty, the availability and cost of funds for development and other costs have become increasingly difficult, if not impossible, to project. These changes and events may materially affect the financial performance of Fortune Bay.

Regulatory Requirements

The current or future operations of Fortune Bay, including development activities and possible commencement of production on its properties, requires permits from various federal and local governmental authorities, and such operations are and will be governed by laws and regulations governing prospecting, development, mining, production, taxes, labour standards, occupational health, waste disposal, toxic substances, land use, environmental protection, mine safety and other matters. Companies engaged in the development and operation of mines and related facilities generally experience increased costs and delays in production and other schedules as a result of the need to comply with the applicable laws, regulations and permits. There can be no assurance that all permits which Fortune Bay may require for the development and construction of mining facilities and conduct of mining operations will be obtainable on reasonable terms or that such laws and regulations would not have an adverse effect on any mining project which Fortune Bay might undertake.

Failure to comply with applicable laws, regulations and permitting requirements may result in enforcement actions including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed, and may include corrective measures requiring capital expenditures, installation of additional equipment or remedial actions. Parties engaged in mining operations may be required to compensate those suffering loss or damage by reason of the mining activities and may have civil or criminal fines or penalties imposed upon them for violation of applicable laws or regulations.

Amendments or changes to current laws, regulations government policies and permits governing operations and activities of mining companies, or more stringent implementation thereof, could have a material adverse impact on Fortune Bay and cause increases in costs or require abandonment or delays in the development of new mining properties.

The development of mines and related facilities is contingent upon governmental approvals that are complex and time consuming to obtain and which, depending upon the location of the project, involve multiple governmental agencies. The duration and success of such approvals are subject to many variables outside Fortune Bay's control.

Any significant delays in obtaining or renewing such permits or licenses in the future could have a material adverse effect on Fortune Bay.

Insurance

Fortune Bay's business is capital intensive and subject to a number of risks and hazards, including environmental pollution, accidents or spills, industrial and transportation accidents, labour disputes, changes in the regulatory environment, natural phenomena (such as inclement weather conditions, earthquakes, pit wall failures and cave-ins) and encountering unusual or unexpected geological conditions. Many of the foregoing risks and hazards could result in damage to, or destruction of: Fortune Bay's mineral properties or future processing facilities, personal injury or death, environmental damage, delays in or interruption of or cessation of their exploration or development activities, delay in or inability to receive regulatory approvals to transport their gold concentrates, or costs, monetary losses and potential legal liability and adverse governmental action. Fortune Bay may be subject to liability or sustain loss for certain risks and hazards against which they do not or cannot insure or which it may reasonably elect not to insure because of the cost. This lack of insurance coverage could result in material economic harm to Fortune Bay.

Environmental Risks and Hazards

All phases of Fortune Bay's operations are subject to environmental regulation in the jurisdictions in which it operates. These regulations mandate, among other things, the maintenance of air and water quality standards and land reclamation. They also set forth limitations on the general, transportation, storage and disposal of solid and hazardous waste. Environmental legislation is evolving in a manner which will require stricter standards and enforcement, increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects and a heightened degree of responsibility for companies and their officers, directors and employees. There is no assurance that future changes in environmental regulation, if any, will not adversely affect Fortune Bay's operations. Environmental hazards may exist on the properties which are unknown to Fortune Bay at present and which have been caused by previous or existing owners or operators of the properties. Reclamation costs are uncertain and planned expenditures estimated by management may differ from the actual expenditures required.

Fortune Bay is not insured against most environmental risks. Insurance against environmental risks (including potential liability for pollution and other hazards as a result of the disposal of waste products occurring from exploration and production) has not been generally available to companies within the industry. Fortune Bay will periodically evaluate the cost and coverage of the insurance against certain environmental risks that is available to determine if it would be appropriate to obtain such insurance.

Without such insurance, and if Fortune Bay becomes subject to environmental liabilities, the payment of such liabilities would reduce or eliminate its available funds or could exceed the funds Fortune Bay has to pay such liabilities and result in bankruptcy. Should Fortune Bay be unable to fund fully the remedial cost of an environmental problem, Fortune Bay might be required to enter into interim compliance measures pending completion of the required remedy.

Costs of Land Reclamation Risk

It is difficult to determine the exact amounts which will be required to complete all land reclamation activities in connection with the properties in which Fortune Bay holds an interest. Reclamation bonds and other forms of financial assurance represent only a portion of the total amount of money that will be spent on reclamation activities over the life of a mine. Accordingly, it may be necessary to revise planned expenditures and operating plans in order to fund reclamation activities. Such costs may have a material adverse impact upon the financial condition and results of operations of Fortune Bay.

No Assurance of Title to Property

There may be challenges to title to the mineral properties in which Fortune Bay holds a material interest. If there are title defects with respect to any properties, Fortune Bay might be required to compensate other persons or perhaps reduce its interest in the affected property. Also, in any such case, the investigation and resolution of title issues would divert management's time from ongoing exploration and development programs.

Risk of Amendments to Laws

Amendments to current laws, regulations and permits governing operations and activities of mining companies, or more stringent implementation thereof, could have a material adverse impact on Fortune Bay and cause increases in capital expenditures or production costs or reduction in levels of production at producing properties or require abandonment or delays in development of new mining properties.

Commodity Prices

The price of the Company’s shares, Fortune Bay's financial results and exploration, development and mining activities may in the future be significantly adversely affected by declines in the price of gold or other minerals. The price of gold or other minerals fluctuates widely and is affected by numerous factors beyond Fortune Bay's control, such as the sale or purchase of commodities by various central banks and financial institutions, interest rates, exchange rates, inflation or deflation, fluctuation in the value of the United States dollar and other foreign currencies, global and regional supply and demand, the political and economic conditions of major mineral-producing countries throughout the world, and the cost of substitutes, inventory levels and carrying charges. Future serious price declines in the market value of gold or other minerals could cause continued development of and commercial production from Fortune Bay's properties to be impracticable. Depending on the price of gold and other minerals, cash flow from mining operations may not be sufficient and Fortune Bay could be forced to discontinue production and may lose its interest in, or may be forced to sell, some of its properties. Economic viability of future production from Fortune Bay's mining properties, if any, is dependent upon the prices of gold and other minerals.

In addition to adversely affecting any reserve estimates and its financial condition, declining commodity prices can impact operations by requiring a reassessment of the feasibility of a particular project. Such a reassessment may be the result of a management decision or may be required under financing arrangements related to a particular project. Even if the project is ultimately determined to be economically viable, the need to conduct such a reassessment may cause substantial delays or may interrupt operations until the reassessment can be completed.

Foreign Countries and Regulatory Requirements

Fortune Bay has investment in properties and projects located in foreign countries, including Mexico. The carrying values of these properties and Fortune Bay's ability to advance development plans or bring the projects to production may be adversely affected by whatever political instability and legal and economic uncertainty might exist in such countries. These risks may limit or disrupt Fortune Bay's projects, restrict the movement of funds or result in the deprivation of contractual rights or the taking of property by nationalization, expropriation or other means without fair compensation.

There can be no assurance that industries which are deemed of national or strategic importance in countries in which Fortune Bay has operations or assets, including mineral exploration, production and development, will not be nationalized. The risk exists that further government limitations, restrictions or requirements, not presently foreseen, will be implemented. Changes in policy that alter laws regulating the mining industry could have a material adverse effect on Fortune Bay. There can be no assurance that Fortune Bay's assets in these countries will not be subject to nationalization, requisition or confiscation, whether legitimate or not, by an authority or body.

In addition, in the event of a dispute arising from foreign operations, Fortune Bay may be subject to the exclusive jurisdiction of foreign courts or may not be successful in subjecting foreign persons to the jurisdiction of courts in Canada. Fortune Bay also may be hindered or prevented from enforcing its rights with respect to a governmental instrumentality because of the doctrine of sovereign immunity. It is not possible for Fortune Bay to accurately predict such developments or changes in laws or policy or to the extent to which any such developments or changes may have a material adverse effect on Fortune Bay's operations.

Acquisitions and Integration

From time to time, it can be expected that Fortune Bay will examine opportunities to acquire additional exploration and/or mining assets and/or businesses. Any acquisition that Fortune Bay may choose to complete may be of a significant size, may change the scale of Fortune Bay's business and operations, and may expose Fortune Bay to new geographic, political, operating, financial and geological risks. Fortune Bay's success in its acquisition activities depends upon its ability to identify suitable acquisition candidates, negotiate acceptable terms for any such acquisition, and integrate the acquired operations successfully with those of Fortune Bay. Any acquisitions would be accompanied by risks. In the event that Fortune Bay chooses to raise debt capital to finance any such acquisitions, Fortune Bay's leverage will be increased. If Fortune Bay chooses to use equity as consideration for such acquisitions, existing shareholders may suffer dilution. Alternatively, Fortune Bay may choose to finance any such acquisitions with its existing resources. There can be no assurance that Fortune Bay would be successful in overcoming these risks or any other problems encountered in connection with such acquisitions.

Internal Controls

Internal controls over financial reporting are procedures designed to provide reasonable assurance that transactions are properly authorized, assets are safeguarded against unauthorized or improper use, and transactions are properly recorded and reported. A control system, no matter how well designed and operated, can provide only reasonable, and not absolute, assurance with respect to the reliability of financial reporting and financial statement preparation.

Conflicts of Interest

Some of the directors and officers of Fortune Bay are directors and officers of other companies, some of which are in the same business as Fortune Bay. Some of Fortune Bay's directors and officers will continue to pursue the acquisition, exploration and, if warranted, the development of mineral resource properties on their own behalf and on behalf of other companies, and situations may arise where they will be in direct competition with Fortune Bay. Fortune Bay's directors and officers are required by law to act in the best interests of Fortune Bay. They may have the same obligations to the other companies in respect of which they act as directors and officers. Discharge of their obligations to Fortune Bay may result in a breach of their obligations to the other companies and, in certain circumstances, this could expose Fortune Bay to liability to those companies. Similarly, discharge by the directors and officers of their obligations to the other companies could result in a breach of their obligation to act in the best interests of Fortune Bay. Such conflicting legal obligations may expose Fortune Bay to liability to others and impair its ability to achieve its business objectives.

Influence of Third Party Stakeholders

The lands in which Fortune Bay holds an interest, or the exploration equipment and roads or other means of access which Fortune Bay intends to utilize in carrying out its work programs or general business mandates, may be subject to interests or claims by third party individuals, groups or companies. In the event that such third parties assert any claims, Fortune Bay's work programs may be delayed even if such claims are not meritorious. Such delays may result in significant financial loss and loss of opportunity for Fortune Bay.

Fluctuation in Market Value of Common Shares

The market price of the Common Shares can be affected by many variables not directly related to the corporate performance of Fortune Bay, including the market in which it is traded, the strength of the economy generally, the availability and attractiveness of alternative investments, and the breadth of the public market for the stock. The effect of these and other factors on the market price of Common Shares in the future cannot be predicted. The lack of an active public market could have a material adverse effect on the price of Common Shares.

DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROLS OVER FINANCIAL REPORTING

Disclosure Controls and Procedures

Disclosure controls and procedures (as such term is defined (as such term is defined in Multilateral Instrument 52-109 – *Certification of Disclosure in Issuers' Annual and Interim Filings*) have been designed by the Company to provide reasonable assurance that

(a) material information relating to the Company is made known to the Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO") by others, particularly during the period in which the annual filings are being prepared; and

(b) information required to be disclosed by the Company in its annual filings, interim filings or other reports that it files or submits under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation, and is accumulated and communicated to management, including the CEO and CFO, to allow timely decisions regarding required disclosures.

Based upon that evaluation, the CEO and CFO have concluded that as of the end of the period covered by this MD&A, the design and operation of the disclosure controls and procedures are effective to ensure that information required to be disclosed in reports that it files or submits to regulatory authorities is recorded, processed, summarized and reported within the time periods specified by regulation, and is accumulated and communicated to management, including our CEO and CFO, to allow timely decisions regarding required disclosures.

Notwithstanding the foregoing, because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that the disclosure controls and procedures will detect or uncover every situation involving the failure of persons within the Company and its subsidiaries to disclose material information otherwise required to be set forth in the reports. The disclosure controls and procedures are designed to provide reasonable assurance of achieving their objective of ensuring that information required to be disclosed in the reports that the Company files or submits is communicated to management to allow timely decisions regarding required disclosure.

Internal Control over Financial Reporting

The Company's management, with the participation of its CEO and CFO, has designed, established and is maintaining a system of internal control over financial reporting. Under the supervision of the CFO, the Company's internal control over financial reporting is a process designed to provide reasonable assurance that the financial information prepared by the Company for external purposes is reliable and has been recorded, processed and reported in an accurate and timely manner and in accordance with IFRS.

Management, with the participation of its CEO and CFO, has used the Internal Control—Integrated Framework to evaluate the effectiveness of internal control over financial reporting, which is a recognized and suitable framework issued by the Committee of Sponsoring Organizations (COSO Framework) published by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

The Company's controls include policies and procedures that:

- pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company;
- provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with IFRS; and
- provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company's assets that could have a material effect on the annual financial statements or interim financial statements.

The Company's control over financial reporting during the period ended December 31, 2015 were designed and implemented throughout the year. There have been no changes to the controls during the year that materially affected or are reasonably likely to materially affect the Company's internal control over financial reporting.

Because of the inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate. Management assessed the effectiveness of the internal control over financial reporting as of December 31, 2015. As a result, management concluded that the internal control over financial reporting were effective as at that date.

Limitations of Controls and Procedures

The Company's management, including the CEO and CFO, believe that any disclosure controls and procedures or internal controls over financial reporting, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, they cannot provide absolute assurance that all control issues and instances of fraud, if any, within the Company have been prevented or detected. These inherent limitations include the realities that judgments in decision-making can be faulty, and that breakdowns can occur because of simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people, or by unauthorized override of the control. The design of any systems of controls also is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Accordingly, because of the inherent limitations in a cost effective control system, misstatements due to error or fraud may occur and not be detected.

CRITICAL ACCOUNTING POLICIES

The preparation of the Financial Statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses. Management routinely makes judgments and estimates about the effect of matters that are inherently uncertain. As the number of variables and assumptions affecting the future resolution of the uncertainties increase, these judgments become even more subjective and complex. The Company's significant accounting policies are disclosed in Note 3 to the December 31, 2015 consolidated financial statements.

The Company has identified certain accounting policies that the Company believes are most critical in understanding the judgments that are involved in producing the consolidated financial statements and the estimates made that could impact results of the operations, which are discussed below.

Impairment of long lived assets

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

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

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

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

Long lived assets

Exploration and evaluation expenditures

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

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

SIGNIFICANT ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

The significant assumptions about the future and other major sources of estimation uncertainty as at the end of the reporting period that have a significant risk of resulting in a material adjustment to the carrying amounts of the Company's assets and liabilities are outlined in Note 4 to the December 31, 2014 audited consolidated financial statements.

MANAGEMENT CHANGES AND OTHER INFORMATION

Mr. Darren Nantes, FCA, was elected to the Company's Board of Directors at the Company's Annual and Special Meeting of Shareholders held June 23, 2015. Mr. Nantes is the founder, Chairman and Chief Executive Officer of Nantes Capital Inc. and the Nantes Group of Companies.

On February 10, 2016, it was announced that given the anticipated change in nature of the business, Mr. Brent MacKinnon would no longer be continuing on as President and Chief Operating Officer.

Additional information regarding the Company is available on SEDAR at www.sedar.com and on the Company's website at www.fortunebaycorp.com.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS AND INFORMATION

This MD&A contains "forward-looking information", as such term is defined in applicable Canadian securities legislation. Forward-looking information is necessarily based on a number of estimates and assumptions that are inherently subject to significant business, economic and competitive uncertainties and contingencies. All statements other than statements which are reporting results as well as statements of historical fact set forth or incorporated herein by reference, are forward looking information that may involve a number of known and unknown risks, uncertainties and other factors, many of which are beyond the Company's ability to control or predict. Forward-looking information can be identified by the use of words such as "may," "should," "expects," "plans," "anticipates," "believes," "estimates," "predicts," "intends," "continue," or the negative of such terms, or other comparable terminology.

This information includes, but is not limited to comments regarding:

- the transaction with Kneat Solutions Limited;
- the Company's exploration and development plans for the Exploration Properties;
- the Company's ability to identify and complete a strategic transaction;
- liquidity to support operations;
- completion of a NI 43-101 report for any of the Exploration Properties;
- the establishment and estimates of additional mineral resources;
- anticipated expenditures for development, exploration and corporate overhead;
- timing and issuance of any permits;
- estimates of closure costs and reclamation liabilities;
- the Company's ability to obtain financing to fund future expenditure and capital requirements; and
- the impact of adoption of new accounting standards.

Although the Company believes that the plans, intentions and expectations reflected in this forward-looking information are reasonable, the Company cannot be certain that these plans, intentions or expectations will be achieved. Actual results, performance or achievements could differ materially from those contemplated, expressed or implied by the forward-looking information contained in this report. Disclosure of important factors that could cause actual results to differ materially from the Company's plans, intentions or expectations is included in this report under the heading "Risk Factors".

Forward-looking information inherently involves risks and uncertainties that could cause actual results to differ materially from the forward-looking information. Factors that could cause or contribute to such differences include, but are not limited to unexpected changes in business and economic conditions, including the global financial and capital markets; significant increases or decreases in gold prices; changes in interest and currency exchange rates; changes in operating costs; results of current and future exploration and development activities; results of future feasibility studies; joint venture relationships; political or economic instability, either globally or in the countries in which the Company operates; local and community impacts and issues; timing of receipt of government approvals; accidents and labour disputes; environmental costs and risks; competitive factors, including competition for property acquisitions; availability of external financing at reasonable rates or at all; and the factors discussed in this MD&A under the heading "Risk Factors"; and other risks and uncertainties set forth the periodic report filings with Canadian securities authorities.

Many of these factors are beyond the Company's ability to control or predict. These factors are not intended to represent a complete list of the general or specific factors that may affect the Company. The Company may note additional factors elsewhere in this MD&A. All forward-looking statements and information speak only as of the date made. All subsequent written and oral forward-looking statements attributable to the Company, or persons acting on the Company's behalf, are expressly qualified in their entirety by these cautionary statements. Readers are cautioned not to put undue reliance on forward-looking information due to the inherent uncertainty therein. Fortune Bay disclaims any intent or obligation to update publicly any forward-looking statements, whether as a result of new information, future events or results or otherwise.

TECHNICAL INFORMATION

NI 43-101 requires, among other things, that issuers ensure that all written disclosure of a scientific or technical nature concerning a mineral project on a property material to the issuer identifies and discloses the relationship to the issuer of the qualified person who prepared or supervised the preparation of the technical report or other information that forms the basis for the written disclosure. A "qualified person" for purposes of NI 43-101 means an individual who is an engineer or geoscientist with at least five years of experience in mineral exploration, mine development or operation and/or mineral project assessment, has experience relevant to the subject matter of the disclosure and is a member in good standing of a specified professional association.

Unless otherwise noted, Mr. John A. Dixon, P. Geo., is the qualified person responsible for the preparation of technical information included in this MD&A.