

**FORTUNE BAY CORP.**

**NOTICE OF ANNUAL AND SPECIAL MEETING OF SHAREHOLDERS**

**and**

**MANAGEMENT INFORMATION CIRCULAR**

**1969 Upper Water Street, Suite 2001  
Halifax, Nova Scotia, B3J 3R7**

**June 14, 2017  
2:00 p.m. Halifax Local Time**

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**Circular dated May 10, 2017**

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**FORTUNE BAY CORP.**  
**NOTICE OF ANNUAL AND SPECIAL MEETING OF SHAREHOLDERS**

**NOTICE** is hereby given that the Annual and Special Meeting (the “**Meeting**”) of the shareholders (the “**Shareholders**”) of Fortune Bay Corp. (the “**Company**”) will be held at the office of the Company, 1969 Upper Water Street, Suite 2001, in the City of Halifax on Wednesday, June 14, 2017 at 2:00 p.m. (Atlantic Time) for the following purposes:

- i. to receive and consider the audited consolidated financial statements of the Company for the fiscal year ended December 31, 2016, together with the report of the auditors thereon;
- ii. to elect directors of the Company for the forthcoming year;
- iii. to appoint as auditors for the forthcoming year, PricewaterhouseCoopers LLP, at a remuneration to be fixed by the directors;
- iv. to confirm the Company’s Stock Option Plan (the “**Plan**”), as required annually under the policies of the TSX Venture Exchange; and
- v. to transact other business as may be brought before the Meeting or adjournment thereof.

The Company’s board of directors has fixed the close of business on May 10, 2017 as the record date for determining Shareholders entitled to receive notice of, and to vote at, the Meeting and any postponement or adjournment of the Meeting. A form of proxy solicited by management of the Company in respect of the Meeting is enclosed herewith.

Shareholders who are unable to be present at the Meeting are requested to sign the enclosed form of proxy and return it in the envelope provided for that purpose. To be effective, the form of proxy must be received at the offices of Computershare, 100 University Avenue, 8<sup>th</sup> Floor, Toronto, Ontario, M5J 2Y1, by not later than 2:00 p.m. (Halifax time) on June 12, 2017 or, if the Meeting is adjourned, not later than 48 hours, excluding Saturdays, Sundays or holidays, preceding the time of such adjourned Meeting, or in either case by such later date and time as the board of directors of the Company may determine in its sole discretion. The accompanying Circular provides additional information relating to the matters to be dealt with at the Meeting.

DATED at the City of Halifax, in the Province of Nova Scotia, this 10<sup>th</sup> day of May, 2017.

BY ORDER OF THE BOARD OF DIRECTORS,

Signed: “*Wade K. Dawe*”  
Wade K. Dawe, Chairman and Chief Executive Officer

# FORTUNE BAY CORP.

1969 Upper Water Street, Suite 2001  
Halifax, Nova Scotia, B3J 3R7

## MANAGEMENT INFORMATION CIRCULAR

as at May 10, 2017 unless otherwise noted

### GENERAL VOTING AND PROXY INFORMATION

#### Solicitation of Proxies

This Information Circular (the "Circular") is furnished in connection with the solicitation by the management of Fortune Bay Corp. ("Fortune Bay" or the "Company") of proxies to be used at the annual and special meeting (the "Meeting") of shareholders of the Company (the "Shareholders"), and any adjournment thereof, to be held at the time and place and for the purposes set forth in the accompanying notice of meeting (the "Notice of Meeting"). The solicitation of proxies is intended to be primarily by mail but may also be made by telephone, fax, email or other electronic means of communication or in person by the directors and officers of the Company. The Company does not reimburse Shareholders, nominees, or agents for their costs of obtaining authorization from their principals to sign forms of proxy. All costs of solicitation by management will be borne by the Company.

#### Appointment and Revocation of Proxies

##### *General*

Shareholders may be "**Registered Shareholders**" or "**Non-Registered Shareholders**". If common shares of the Company (the "**Common Shares**") are registered in the name of an intermediary and not registered in the Shareholder's name, they are said to be owned by a "Non-Registered Shareholder". An intermediary is usually a bank, trust company, securities dealer or broker, or a clearing agency in which an intermediary participates. The instructions provided below set forth the different procedures for voting Common Shares at the Meeting to be followed by Registered Shareholders and Non-Registered Shareholders.

The persons named in the enclosed form of proxy are officers and/or directors of the Company. **Each Shareholder has the right to appoint a person or company (who need not be a Shareholder) to attend and act for him/her at the Meeting other than the persons designated in the enclosed form of proxy. Shareholders who have given a proxy also have the right to revoke it insofar as it has not been exercised.** The right to appoint an alternate proxyholder and the right to revoke a proxy may be exercised by following the procedures set out below under "*Registered Shareholders*" or "*Non-Registered Shareholders*", as applicable.

If any Shareholder receives more than one proxy or voting instruction form, it is because that Shareholder's Common Shares are registered in more than one form. In such cases, Shareholders should sign and submit all proxies or voting instruction forms received by them in accordance with the instructions provided.

### ***Registered Shareholders***

Registered Shareholders have two methods by which they can vote their Common Shares at the Meeting, namely in person or by proxy. To assure representation at the Meeting, Registered Shareholders are encouraged to return the proxy included with this Circular. Voting by proxy will not prevent a Registered Shareholder from voting in person if they attend the Meeting and duly revoke their previously granted proxy, but will ensure that their vote is counted if they are unable to attend the Meeting. Registered Shareholders who do not plan to attend the Meeting or do not wish to vote in person can vote by proxy.

Completed forms of proxy must be deposited at the office of the Company's registrar and transfer agent, Computershare Investor Services Inc. ("**Computershare**"), 100 University Avenue, 8th Floor, Toronto, Ontario, M5J 2Y1 not later than forty-eight (48) hours, excluding Saturdays, Sundays and holidays, prior to the time of the Meeting, unless the chairman of the Meeting elects to exercise his discretion to accept proxies received subsequently.

Any Registered Shareholder who has returned a proxy may revoke it at any time before it has been exercised. In addition to revocation in any other manner permitted by law, a Registered Shareholder, his attorney authorized in writing or, if the Registered Shareholder is a corporation, a corporation under its corporate seal or by an officer or attorney thereof duly authorized, may revoke a proxy by instrument in writing, including a proxy bearing a later date. The instrument revoking the proxy must be deposited at the registered office of the Company, at any time up to and including the last business day preceding the date of the Meeting, or any adjournment thereof, or with the chairman of the Meeting on the day of the Meeting or an adjournment thereof.

### ***Non-Registered Shareholders***

Non-Registered Shareholders who have not objected to their intermediary disclosing certain ownership information about themselves to the Company are referred to as "**NOBOs**". Non-Registered Shareholders who have objected to their intermediary disclosing the ownership information about themselves to the Company are referred to as "**OBOs**".

Pursuant to National Instrument 54-101 of the Canadian Securities Administrators ("**NI 54-101**"), the Company has distributed copies of proxy-related materials in connection with this Meeting (including this Circular) directly to NOBOs and indirectly to OBOs.

The Company is not relying on the notice and access delivery procedures outlined in NI 54-101 to distribute copies of proxy-related materials in connection with the Meeting.

The Company will not be paying for intermediaries to deliver to OBOs (who have not otherwise waived their right to receive proxy-related materials) copies of the proxy-related materials and related documents. Accordingly, an OBO will not receive copies of the proxy-related materials and related documents unless the OBO's intermediary assumes the costs of delivery.

### ***Meeting Materials Received by OBOs from Intermediaries***

OBOs who receive meeting materials will typically be given the ability to provide voting instructions in one of two ways:

- i. Usually, an OBO will be given a Voting Instruction Form (“**VIF**”), which must be completed and signed by the OBO in accordance with the instructions provided by the intermediary. In this case, the mechanisms described above for Registered Shareholders cannot be used and the instructions provided by the intermediary must be followed.
- ii. Occasionally, an OBO may be given a proxy that has already been signed by the intermediary. This form of proxy is restricted to the number of Common Shares owned by the OBO but is otherwise not completed. This form of proxy does not need to be signed by the OBO but must be completed by the OBO and returned to Computershare in the manner described above for Registered Shareholders.

The purpose of these procedures is to allow OBOs to direct the proxy voting of the Common Shares that they own but that are not registered in their name. **Should an OBO who receives either a form of proxy or a VIF wish to attend and vote at the Meeting in person (or have another person attend and vote on their behalf), the OBO should strike out the names of the persons designated on the enclosed form of proxy and insert the OBO’s name (or the name of his or her alternate appointee) in the blank space provided for that purpose or, in the case of a VIF, follow the corresponding instructions provided by the intermediary.** In either case, OBOs who received meeting materials from their intermediary should carefully follow the instructions provided by the intermediary.

To exercise the right to revoke a proxy, an OBO who has completed a proxy (or a VIF, as applicable) should carefully follow the instructions provided by the intermediary.

Proxies returned by intermediaries as “non-votes” because the intermediary has not received instructions from the OBO with respect to the voting of certain Common Shares or, under applicable stock exchange or other rules, the intermediary does not have the discretion to vote those Common Shares on one or more of the matters that come before the Meeting, will be treated as not entitled to vote on any such matter and will not be counted as having been voted in respect of any such matter. Common Shares represented by such “non-votes” will, however, be counted in determining whether there is a quorum.

#### Meeting Materials Received by NOBOs from the Company

As permitted under NI 54-101, the Company has used a NOBO list to send the meeting materials directly to the NOBOs whose names appear on that list. If you are a NOBO and the Company’s transfer agent, Computershare, has sent these materials directly to you, your name and address and information about your holdings of Common Shares have been obtained from the intermediary holding such Common Shares on your behalf in accordance with applicable securities regulatory requirements.

As a result, any NOBO of the Company can expect to receive a scannable VIF from Computershare. Please complete and return the VIF to Computershare in the envelope provided. In addition, telephone voting and internet voting are available as further described in the VIF. Instructions in respect of the procedure for telephone and internet voting can be found in the VIF. Computershare will tabulate the results of the VIFs received from the Company’s NOBOs and will provide appropriate instructions at the Meeting with respect to the Common Shares represented by the VIFs received by Computershare.

By choosing to send these materials to you directly, the Company (and not the intermediary holding Common Shares on your behalf) has assumed responsibility for (i) delivering these materials to you, and (ii) executing your proper voting instructions. The intermediary holding Common Shares on your behalf has appointed you as the proxyholder of such Common Shares, and therefore you can provide your voting instructions by completing the proxy included with this Circular in the same way as a Registered

Shareholder. Please refer to the information under the heading "*Registered Shareholders*" for a description of the procedure to return a proxy, your right to appoint another person or company to attend the meeting, and your right to revoke the proxy.

Although a Non-Registered Shareholder may not be recognized directly at the Meeting for the purposes of voting Common Shares registered in the name of his or her broker, a Non-Registered Shareholder may attend the Meeting as proxyholder for the Registered Shareholder and vote the Common Shares in that capacity. Non-Registered Shareholders who wish to attend the Meeting and indirectly vote their Common Shares as proxyholder for the Registered Shareholder should enter their own names in the blank space on the form of proxy provided to them and return the same in accordance with the instructions provided.

### **Exercise of Proxies**

Where a choice is specified, the Common Shares represented by proxy will be voted for, withheld from voting or voted against, as directed by the Shareholders, on any poll or ballot that may be called. **Where no choice is specified, the proxy will confer discretionary authority and will be voted in favour of all matters referred to on the form of proxy. The proxy also confers discretionary authority on the persons designated in the proxy to vote for, withhold from voting, or vote against amendments or variations to the matters identified in the Notice of Meeting and with respect to other matters not specifically mentioned in the Notice of Meeting but which may properly come before the Meeting.**

Management has no present knowledge of any amendments or variations to matters identified in the Notice of Meeting or any business that will be presented at the Meeting other than that referred to in the Notice of Meeting. However, if any other matters properly come before the Meeting, it is the intention of the person named in the enclosed instrument appointing proxy to vote in accordance with the recommendations of the management of the Company.

### **Voting Shares and Principal Holders Thereof**

The Company is authorized to issue an unlimited number of Common Shares without nominal or par value. As at the date of this Circular, there are 18,578,200 Common Shares issued and outstanding, each of which carries the right to one vote at meetings of the Shareholders. Persons who are Registered Shareholders at the close of business on May 10, 2017 are entitled to receive notice of and vote at the Meeting and will be entitled to one vote for each Common Share held.

As at May 10, 2017, to the knowledge of directors and officers of the Company, the following person beneficially owned, directly or indirectly, or exercised control or direction over, more than 10% of the voting Common Shares of the Company.

<b>Name and place of business</b>	<b>Number of Common Shares held</b>	<b>Percentage</b>
Wade K. Dawe Halifax, Nova Scotia	2,806,168	15.1%

### **Quorum**

The by-laws of the Company provide that two persons present and entitled to vote at the meeting constitute a quorum for the meeting.

## **Interest of Certain Persons or Companies in Matters to Be Acted Upon**

No director or executive officer of the Company, nor any person who has held such a position since incorporation, nor any nominee for election as a director of the Company, nor any associate or affiliate of the foregoing persons, has any substantial or material interest, direct or indirect, by way of beneficial ownership of securities or otherwise, in any matter to be acted on at the Meeting other than the election of director and the approval of the Company's stock option plan (the "**Stock Option Plan**" or the "**Plan**") (insofar as such directors and/or officers hold stock options). See "*Particulars of Matters to be Acted Upon*" and "*Executive Compensation*" below for particulars on the options held by directors and officers.

## **PARTICULARS OF MATTERS TO BE ACTED UPON**

### **Audited Financial Statements**

The audited financial statements of the Company for the fiscal year ended December 31, 2016 and the reports of the auditors thereon will be submitted to the Meeting. Receipt at such Meeting of the auditors' report and the Company's financial statements for the above noted fiscal period will not constitute approval or disapproval of any matters referred to therein.

### **Election of Directors**

Directors of the Company are elected annually by the Shareholders and will hold office until the next annual meeting of Shareholders, or until his successor is duly elected or appointed, unless: (i) his office is earlier vacated in accordance with the articles and by-laws of Fortune Bay; or (ii) he becomes disqualified to act as a director. The constating documents of the Company provide that the number of directors to be elected shall be a minimum of one (1) and a maximum of ten (10). A Board of three (3) directors is to be elected at the Meeting.

The term of office of all present directors of the Company expires at the Meeting. Management has been informed by each nominee that he/she is willing to stand for election or re-election, as applicable, and serve as a director. Each of the directors will be elected on an individual basis.

The Company's board of directors (the "**Board of Directors**" or the "**Board**") has unanimously adopted a majority voting policy in director elections that will apply at any meeting of Shareholders where an uncontested election of directors is held. Pursuant to this policy, if the number of proxy votes withheld for a particular director nominee is greater than the votes for such director, the director nominee will be required to submit his or her resignation to the Chairman of the Board promptly following the applicable Shareholders' meeting. Following receipt of the resignation, the Company's Board will consider whether or not to accept the offer of resignation. In considering whether or not to accept the resignation, the Board will consider all factors deemed relevant by its members. The Board will be expected to accept the resignation except in situations where the considerations would warrant the applicable director to continue to serve on the Board. The Board will publicly disclose its final decision within 90 days following the Meeting. A director who tenders his or her resignation pursuant to this policy will not participate in any meeting of the Board at which the resignation is considered.

In the absence of instructions to the contrary, the Common Shares represented by a properly executed form of proxy in favour of the persons designated by management of the Company will be voted FOR the election as directors of the nominees whose names are set forth below.

Name and Municipality of Residence and Date First Become a Director	Present Principal Occupation	Common Shares Beneficially Owned, or Controlled or Directed, Directly or Indirectly <sup>(1)</sup> at the date of this Circular	Percentage of Total Outstanding Common Shares at the date of this Circular
WADE K. DAWE <sup>(2)</sup> Halifax, Nova Scotia, Canada May 13, 2016	Chairman and Chief Executive Officer of the Company	2,806,168 <sup>(6)</sup>	15.1%
DERRICK GILL <sup>(2)(3)</sup> St. John's, Newfoundland, Canada May 13, 2016	Co-founder and a director of Strategic Concepts and SCI Software	28,500	0.2%
DR. MICHAEL GROSS <sup>(2)(3)(4)(5)</sup> Halifax, Nova Scotia, Canada May 13, 2016	Professor of Orthopaedic surgery at Dalhousie University	350,362 <sup>(7)</sup>	1.9%

Notes:

- (1) The information as to Common Shares beneficially owned or over which control or direction is exercised, not being within the knowledge of the Company, has been furnished by the respective parties.
- (2) Member of the Audit Committee.
- (3) Member of the Nominations and Compensation Committee.
- (4) Chairman of the Audit Committee.
- (5) Chairman of the Nominations and Compensation Committee.
- (6) 1,230,668 Common Shares are owned by Mr. Dawe directly. 1,575,500 Common Shares are owned indirectly.
- (7) 229,691 Common Shares are owned by Dr. Gross directly. 120,671 Common Shares are owned indirectly.

As at the date hereof, the directors and executive officers of the Company as a group owned beneficially, directly or indirectly, controlled or exercised direction over, 3,298,364 Common Shares representing approximately 17.8% of the outstanding Common Shares.

The following are brief profiles of the directors of the Company, including a brief description of each individual's principal occupation within the past five years.

*Mr. Wade K. Dawe — Chairman and Chief Executive Officer*

Mr. Dawe is the Chairman and Chief Executive Officer of the Company. He has been an entrepreneur in Canadian mining and venture capital industries since 1994 and has consistently demonstrated strong results for shareholders through strategic planning, quality acquisitions and partnerships, and by retaining and developing industry respected senior management and directors. He is a director of Immunovaccine Inc., kneat.com, inc., Torrent Capital Ltd. (formerly Metallum Resources Inc.) and Chairman of Pivot Technology Solutions, Inc.. He was previously the Chairman and Chief Executive Officer of Brigus Gold Corp. and the Chairman of Stockport Exploration Inc. Mr. Dawe has a bachelor of commerce degree from Memorial University of Newfoundland, where he currently serves on the Advisory Board to the Faculty of Business Administration. Mr. Dawe's philanthropic activities include establishing and personally funding the annual James R. Pearcey Entrepreneurial Scholarship at Memorial University. Mr. Dawe, a native of Newfoundland and Labrador, is also a member of the Young Presidents' Organization (YPO), an international organization for business leaders.



*Mr. Derrick Gill – Director*

Mr. Gill is co-founder and a director of Strategic Concepts and SCI Software, which provides strategic planning, financial modeling and business development consultation to major mining and oil and gas projects in Canada. He was previously a member of the advisory board of the Atlantic Canada Opportunities Agency's Atlantic Innovation Fund. Mr. Gill's 30-year career has included executive roles at Voisey's Bay Nickel, Diamond Fields Resources and Bristol Communications. Mr. Gill received his undergraduate degree in business administration from Memorial University.

*Dr. Michael Gross – Director*

Dr. Gross has extensive capital markets experience, having served as either an executive or as a director with a number of venture stage companies. Dr. Gross was a founder and chairman of the board of NWest Energy Corp. prior to its successful initial public offering in 2008. A Professor of Orthopaedic surgery for over 20 years, he consults extensively in design and implantation techniques with the orthopaedic manufacturing industry. Dr. Gross is also the founder of companies specializing in proprietary medical devices. He received his degree in medicine from the University of Newcastle Upon Tyne in England. He obtained a Fellowship in Surgery in London and a Canadian Fellowship in Orthopaedic Surgery in 1981. Dr. Gross has completed the Rotman Directorship program and is a member of the Institute of Corporate Directors.

**Orders, Penalties and Bankruptcies**

To the knowledge of the Company, no director to be nominated for election at the Meeting:

- (a) is at the date of this Circular, or has been, within 10 years before the date hereof, a director, chief executive officer or chief financial officer of any company (including the Company) that:
  - (i) was subject to an order that was issued while the proposed director was acting in the capacity as director, chief executive officer or chief financial officer; or
  - (ii) was subject to an order that was issued after the proposed director ceased to be a director, chief executive officer or chief financial officer and which resulted from an event that occurred while that person was acting in the capacity as director, chief executive officer or chief financial officer,
- (b) is at the date of this Circular, or has been, within 10 years before the date hereof, a director or executive officer of any company (including the Company) that, while such nominee was acting in that capacity, or within a year of such nominee ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets; or
- (c) has, within 10 years before the date hereof, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of such nominee.

For the purposes of the above section, the term "order" means:

- (i) a cease trade order;
- (ii) an order similar to a cease trade order; or
- (iii) an order that denied the relevant company access to any exemption under securities legislation

that was in effect for a period of more than 30 consecutive days.

To the knowledge of the Company, as of the date hereof, no director nominated for election at the Meeting has been subject to:

- (a) any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority; or
- (b) any other penalties or sanctions imposed by a court or regulatory body.

### **Appointment of Auditors**

Management recommends to appoint PricewaterhouseCoopers LLP as auditors of the Company to hold office until the close of the next annual meeting of the Shareholders, and to authorize the Board to fix the remuneration of the auditors. PricewaterhouseCoopers LLP were first appointed as auditors of the Company on November 24, 2016.

This resolution requires the approval of a simple majority of the votes cast at the Meeting, in person or by proxy, in order to be approved.

**In the absence of instructions to the contrary, the Common Shares represented by a properly executed form of proxy in favour of the persons designated by management of the Company will be voted FOR the re-appointment of PricewaterhouseCoopers LLP as auditors of the Company.**

### **Special Business - Confirming the Company's Stock Option Plan**

Shareholders are being asked to confirm re-approval of the Company's Stock Option Plan (the "Plan"), as outlined under "Securities Authorized for Issuance under Equity Compensation Plans" and accepted by the TSX-V. There have been no changes to the Stock Option Plan since the Plan was approved at the Annual and Special meeting of Shareholders of kneat.com, inc. (formerly "Fortune Bay Corp.") held on June 15, 2016.

The Plan is a "rolling" or "evergreen" plan pursuant to which 10% of the issued and outstanding common shares of the Company on the date of option grant are reserved for issuance upon the exercise of stock options. For further details regarding the Stock Option Plan, see "Securities Authorized for Issuance under Equity Compensation Plans".

Whether or not the resolution is approved, all stock options currently outstanding under the Stock Option Plan will remain in effect in accordance with their terms. If the resolution is not approved, any currently unallocated options, rights or entitlements under the Stock Option Plan will no longer be available for grant, and previously granted options will not be available for reallocation if they are cancelled prior to exercise.

In accordance with the policies of the TSX-V, a plan with a rolling 10% maximum must be confirmed by shareholders at each annual general meeting. Accordingly, at the Meeting, the shareholders will be asked to pass the following resolution:

“WHEREAS

- i. The Board of Directors of the Company adopted a Stock Option Plan, which reserves for issuance pursuant to stock options a maximum number of common shares of the Company equal to 10% of the aggregate issued and outstanding common shares on the date of grant;

BE IT RESOLVED THAT:

- i. All unallocated stock options under the Stock Option Plan be and are hereby approved; and
- ii. Any officer or director of the Company be and is hereby authorized for and on behalf of the Company to execute and deliver all documents and instruments, and to take all such other actions as such officer or director may deem necessary or desirable to implement the foregoing resolution and the matters authorized hereby, such determinations to be conclusively evidenced by the execution and delivery of such documents and other instruments and the taking of any such action.”

The Board of Directors has determined that the approval of the unallocated options, rights or other entitlements pursuant to the Stock Option Plan is in the best interests of the Company and its shareholders. **The Board of Directors recommends that shareholders vote FOR the adoption of the resolution set forth herein. Unless contrary instructions are indicated on the form of proxy, the persons designated in the accompanying form of proxy intend to vote FOR the approval of the unallocated options, rights or other entitlements pursuant to the Stock Option Plan.**

#### **ANY OTHER MATTERS**

Management of the Company knows of no matters to come before the Meeting other than those referred to in the Notice of Meeting accompanying this Circular. However, if any other matters properly come before the Meeting, it is the intention of the persons named in the form of proxy accompanying this Circular to vote the same in accordance with their best judgment of such matters.

#### **STATEMENT OF CORPORATE GOVERNANCE PRACTICES**

The Canadian Securities Administrators have published National Instrument 58-101 – *Disclosure of Corporate Governance Practices*, National Policy 58-201 – *Corporate Governance Guidelines* ("**NP 58-201**") and National Instrument 52-110 – *Audit Committees* ("**NI 52-110**"). These instruments set out a series of guidelines and requirements for effective corporate governance (collectively, the "**Guidelines**"). The Guidelines address matters such as the constitution and independence of corporate boards, the functions to be performed by boards and their committees and the effectiveness and education of board members. NI 58-101 requires disclosure by each listed corporation of its approach to corporate governance with reference to the Guidelines.

Set out below is a description of the Company's approach to corporate governance in relation to the Guidelines.

## **Board of Directors**

NI 52-110 sets out the standard for director independence. Under NI 52-110, a director is independent if he or she has no direct or indirect material relationship with the Company. Under NI 52-110, a material relationship is a relationship which could, in the view of the Board, be reasonably expected to interfere with the exercise of a director's independent judgment. NI 52-110 also sets out certain situations where a director will automatically be considered to have a material relationship with the Company. The Board currently consists of three members, namely Wade Dawe, Derrick Gill, and Michael Gross. Two of the directors are independent directors, namely Derrick Gill and Michael Gross. They are considered to be independent directors since neither of them, in the view of the Board, has a direct or indirect material relationship with the Company, which could reasonably be expected to interfere with the exercise of such director's independent judgement. Mr. Dawe is considered to be a non-independent director as he is the Chairman and Chief Executive Officer ("CEO") of the Company.

The Board relies on senior outside legal counsel to provide advice and consultation on current and anticipated matters of corporate governance. The independent directors may meet in-camera, from time to time, with the Company's outside legal counsel participating by invitation, when deemed appropriate by the independent directors. At the present time, the Board believes that the knowledge, experience and qualifications of its independent directors are sufficient to ensure that the Board can function independently of management and discharge its responsibilities.

Since the Company's listing on the TSX-V on July 4, 2016 and until the year-ended December 31, 2016, there were two meetings of the Company's Board of Directors, and all directors attended both meetings.

Currently, the following directors serve on the boards of directors of other public companies, as listed below:

<b>Director</b>	<b>Public Company Board Member</b>
Wade Dawe	Immunovaccine Inc. (TSX) Torrent Capital Ltd. (TSX-V) Pivot Technology Solutions, Inc.(TSX) kneat.com, inc. (TSX-V)

## **Board Mandate**

The Charter of the Board of Directors outlines the mandate of the Board. The Board has the following duties and responsibilities, which may be initially reviewed by the applicable committees of the Board before being recommended to the full Board for approval:

- (a) Strategic Planning:
  - (i) Ensuring that a company-wide strategic planning process is in place and approving the resulting business plan on at least an annual basis. This business plan should take into account, at a minimum the short and longer term opportunities and risks of the business;
  - (ii) Approving Fortune Bay's annual operating and capital budgets; and
  - (iii) Reviewing performance results in relation to the business plan and budgets.
- (b) Risk Management and Internal Controls:
  - (i) Identifying and assessing the principal risks of Fortune Bay's business and ensuring the implementation of systems to mitigate these risks;

- (ii) Ensuring the integrity of Fortune Bay's internal control and management information systems and the safeguarding of Fortune Bay's assets;
  - (iii) Reviewing, approving, and as required, overseeing compliance with Fortune Bay's Disclosure Policy by directors, officers, senior management and other employees;
  - (iv) Reviewing, approving and overseeing Fortune Bay's disclosure, controls and procedures; and
  - (v) Reviewing and approving the Code of Business Conduct of Fortune Bay with the purpose of promoting integrity and deterring wrongdoing, and encouraging and promoting a culture of ethical business conduct, and as required, overseeing compliance with Fortune Bay's Code of Business Conduct by directors, officers, senior management and other employees.
- (c) Chief Executive Officer and Senior Management:
- (i) Appointing the Chief Executive Officer of Fortune Bay and determining the terms and conditions of his appointment;
  - (ii) Developing, along with the CEO, a written position description for the role of the CEO;
  - (iii) Satisfying itself as to the integrity of the CEO; and
  - (iv) Providing attention to succession planning, including the appointment, training, monitoring and continuing education of the CEO, officers and senior management.
- (d) Governance:
- (i) Developing Fortune Bay's approach to governance practices, including expectations and responsibilities of individual directors, including expectations for attendance at meetings and the level of engagement that is expected of members of the Board;
  - (ii) Approving the nomination of directors to the Board, as well as:
    - (I) determining which directors, in the reasonable opinion of the Board, are independent pursuant to applicable legislation and regulatory requirements;
    - (II) developing qualifications and criteria for the selection of directors; and
    - (III) appointing the Board Chairman, lead independent director, if applicable, and the Chair and members of each Committee of the Board in consultation with the relevant Committee.
  - (iii) Determining that Audit Committee members meet all applicable legislative, regulatory and listing qualifications, including financial literacy and independence;
  - (iv) providing an orientation program for new directors and continuing education opportunities for all directors;
  - (v) Assessing annually the effectiveness of the Board Chairman and/or lead independent director, each Committee of the Board and their respective Chairs, as well as individual Directors;
  - (vi) Developing position descriptions for the Chairman, the lead independent director and for each Committee Chair so that they may be evaluated objectively; and
  - (vii) Appointing and removing Fortune Bay's corporate secretary.
- (e) Financial Reporting, Auditors and Transactions:
- (i) Reviewing and approving, as required, Fortune Bay's financial statements and related financial information;
  - (ii) Appointing, subject to the approval of shareholders, and removing the external auditor;
  - (iii) Appointing and removing of Fortune Bay's Chief Financial Officer; and
  - (iv) Delegating, to the extent permitted by law, to the CEO, other officers and senior management appropriate powers to manage the business affairs of Fortune Bay.
- (f) Legal Requirements and Communication:
- (i) Overseeing the adequacy of Fortune Bay's processes to ensure compliance by Fortune

- Bay with applicable legal and regulatory requirements;
  - (ii) Developing and implementing measures through which the Board can receive feedback from security holders; and
  - (iii) Performing any other function that is prescribed by law that has not been delegated by the Board to a Committee of the Board or to management.
- (g) Oversight of Fortune Bay's Environmental Risks:
  - (i) Review and monitor Fortune Bay's environment policy and environmental management system.

### ***Position Descriptions***

The position descriptions for the Board Chairman are outlined in the Charter of the Board of Directors. The Board Chairman and/or lead independent director shall lead the Board in all aspects of its work and are responsible to effectively managing the affairs of the Board and ensuring that the Board is properly organized and functions efficiently. As appropriate, the Chairman and/or the lead independent director will advise the CEO in matters concerning the Board, including the relationship between management and the Board. Specifically, the Board Chairman shall:

- (a) Provide the leadership necessary to enable the Board to carry out its duties and responsibilities described in the Board Charter;
- (b) Work with the CEO, other officers and senior management to monitor progress on the business plan, annual budgets, policy implementation and succession planning;
- (c) Provide advice, counsel and mentorship to the CEO and fellow members of the Board;
- (d) Foster an effective working relationship between the Board and management;
- (e) Chair the Board meetings;
- (f) Determine, in consultation with the CEO, the Secretary, the Chairs of Committees, the frequency, dates and location of meetings of the Board, the Committees of the Board, and of the shareholders;
- (g) Review the meeting agendas to ensure that all required business comes before the Board so that it may effectively and efficiently carry out its duties and responsibilities;
- (h) Ensure that all items requiring Board and Committee approval are tabled as appropriate;
- (i) Ensure the proper flow of information to the Board;
- (j) Review, with the corporate secretary and CEO, the adequacy and timing of information and materials in support of management proposals to the Board;
- (k) In conjunction with the relevant Committee of the Board and its Chair, review and assess individual director's meeting attendance records and the effectiveness and performance of the Board, its Committees, Committee Chairs and individual directors;
- (l) Act for the CEO and exercise his/her authority in the event that the CEO is absent and is unable to act where action by the CEO is necessary to protect the interests of Fortune Bay;
- (m) Attend Committee meetings in a non-voting capacity as deemed appropriate;
- (n) Ensure that an opportunity exists at each regular meeting for the independent directors to meet separately without non-independent directors and management personnel present; and
- (o) Carry out other functions or assignments as requested by the Board.

### ***Orientation and Continuing Education***

The Board does not provide an orientation or education program for Board members, as it believes that such programs are generally more appropriate for companies of significantly larger size and complexity than the Company. The Company's Board members have considerable industry and public company

experience and rely on this experience and their backgrounds in business to best determine how to maintain and enhance their skills.

### ***Ethical Business Conduct***

The Company has adopted a Code of Business Conduct and Ethics (the “Code”) to which all directors, officers and employees of the Company must adhere. The Code is a comprehensive set of expectations, obligations and responsibilities relating to ethical conduct, corporate reporting, conflicts of interests and compliance with legal and regulatory obligations and with the Company’s policies, including its environmental, health and safety, non-discrimination and other policies. A copy of the Code may be examined and/or obtained by accessing the Company’s website at [www.fortunebaycorp.com](http://www.fortunebaycorp.com).

Under the Code, directors, officers and employees are required to promptly report any problems or concerns and any actual or potential violation of the Code to their supervisor. The Board monitors compliance with the Code by requiring management to advise it of any reports received regarding violations of the Code.

The Company also has a Whistleblower Policy which sets out the procedures for the receipt and treatment of complaints or concerns received by the Company regarding any impropriety or inaccuracy in respect of its financial statement disclosure or regarding its accounting procedures or practices, internal accounting controls, auditing matters or any violations of the Code. The policy includes provision for the submission or reporting by employees (including officers) of the Company or others, on a confidential and anonymous basis, of any such complaints or concerns to the Chairman of the Audit Committee. Complaints or concerns are investigated by the Audit Committee or by persons designated by the Audit Committee.

In respect of any transactions or agreements involving the Company and in respect of which a director of the Company has a material interest or a conflict or potential conflict of interest, that director, in order that the members of the Board exercise independent judgment in respect thereto, is required to disclose such to the Board prior to any such transaction or agreement being considered by the Board and is not permitted to vote on any Board resolution with respect thereto.

Should any officer similarly have any such material interest or conflict or potential conflict of interest, such officer must similarly disclose such to the Board.

### ***Nomination of Directors***

Prior to their standing for election, new nominees to the Board will be reviewed by the entire Board. The Nominations and Compensation Committee will have the responsibility of making recommendations to the Fortune Bay Board with respect to the new nominees and for assessing directors on an on-going basis. The Company considers it important to retain directors with significant business experience in the industry, and therefore the Company’s practice is to not set term limits for its directors. Individual directors are invited to propose new nominees to the Board having regard to the Company’s business strategy and the current composition of the Board.

### ***Board Committees***

The Board currently has two committees: (i) the Audit Committee and (ii) the Nominations and Compensation Committee. All such committees report directly to the Board. From time-to-time, based on need, ad hoc committees of the Board may also be appointed.

### The Audit Committee

The Audit Committee is currently composed of three directors, being Michael Gross (Chair), Wade Dawe, and Derrick Gill. The Company's Audit Committee members are considered to be independent directors, with the exception of Wade Dawe, who is the Company's Chief Executive Officer. All such members are "financially literate", as such term is used in NI 52-110 (i.e., having the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by the relevant entity's financial statements). The Audit Committee operates under a written charter as included in Appendix A to this Circular.

The Audit Committee meets with the Company's Chief Financial Officer and financial management personnel and/or its independent auditors at least four times a year, and at least once every quarter, to review and assist, as part of its Audit Committee Charter, the Board in its oversight responsibilities relating to, among other matters, the quality and integrity of the Company's financial statements and MD&A, the accounting and financial reporting principles and procedures of the Company and the adequacy of the Company's system of internal controls. The Audit Committee meets with the Company's independent auditors at least once per year without the presence of management and as well communicates directly with such auditors as circumstances warrant. The Audit Committee reviews, among other things, the Company's financial reporting practices and procedures, the Company's annual and quarterly financial statements and MD&A prior to their issuance to shareholders and filing with regulatory agencies, actual and prospective changes in significant accounting policies and their effect, the planned scope of examinations by the Company's independent auditors and their findings and recommendations and the scope of audit and non-audit services provided by the independent auditors. It also recommends to the Board the independent auditors to be proposed to the Shareholders for appointment at the Company's annual meeting and approves the remuneration of such auditors.

Since the Company's listing on the TSX-V on July 4, 2016 and until the year-ended December 31, 2016, there was one meeting of the Company's Audit Committee and one in-camera meeting was held with the Company's auditors. All Audit Committee members were present at the meeting.

In response to recent regulatory initiatives in Canada, the Audit Committee has also reviewed the Company's use of its independent auditors for non-audit services. In relation to the fiscal year ended December 31, 2016, the Company was billed fees from the auditors totaling \$26,250 for audit fees and \$17,850 for tax services. The tax services related to the spin-out transaction with kneat.com, inc. The Audit Committee believes that the extent to which the Company uses its independent auditors for non-audit services is not significant and accordingly does not affect their independence.

### The Nominations and Compensation Committee

The Nominations and Compensation Committee is currently composed of the following two independent directors: Mr. Derrick Gill and Dr. Michael Gross. Dr. Gross serves as chairperson of the Nominations and Compensation Committee.

The Board has adopted a Nominations and Compensation Committee Charter, which, among other responsibilities, requires the Nominations and Compensation Committee is to identify individuals qualified to become board members, recommend to the Board proposed nominees for membership on the Board, and to establish, administer, and evaluate the compensation philosophy, policies and plans for non-employee directors and executive officers; make recommendations to the Board regarding



director and executive compensation; and review the performance and determine the compensation of the Chief Executive Officer, based on criteria including the Company's performance and accomplishment of long-term strategic objectives.

The Nominations and Compensation Committee did not conduct a meeting during the period from July 4, 2016, the date of listing on the TSX-V, to December 31, 2016. Business of the Nominations and Compensation Committee during the period-ended December 31, 2016 was conducted by resolution.

### ***Assessments***

Board effectiveness is assessed by the Board as a whole, considering the operation of the Board committees, the adequacy of information provided to directors, the quality of communication between the Board and management and the historic growth and performance of the Company. The Board believes that this informal assessment has permitted the Board to operate effectively.

### ***Director Term Limits***

The Company has not adopted director term limits for directors. However, the Chairman and/or lead independent director and the Board regularly assess the effectiveness and contribution of directors. The Company feels that its current governance system is sufficient to ensure that the Board from year to year is composed of directors with the appropriate knowledge and skills necessary to enhance the long-term performance of the Company. Furthermore, the Company recognizes the significant value that can be offered by long-serving directors, including the breadth of experience and familiarity with the Company and its industry of those members that have joined the Board. As such, the Company believes that it would not be best suited to the needs of the Company to adopt director terms limits or any formal board renewal mechanisms other than those already in place and discussed in this Circular.

### ***Gender Diversity***

The Company currently does not have a formal policy related to the representation of women on the Board or with the management team. However, the Board is aware of the benefit of diversity on the Board and within the management team of the Company. The Nominations and Compensation Committee takes gender diversity into consideration during the recruitment and selection process of Board and management positions.

The Company ensures there is a diverse Board, with a sufficient number of directors, to encourage a variety of opinions and insights on matters which come before the Board, while at the same time limiting its membership to a number of directors that facilitates effective and efficient decision-making. Recommendations concerning director appointments are based on merit and performance, with diversity taken into consideration. Diversity is considered advantageous as it relates to qualifications, insights and experiences.

The Board has not adopted targets regarding the representation of women on the Board and in executive officer positions due to the small size of the Company and the need to consider a balance of criteria in each individual appointment. It is important that each appointment to the Board or in executive officer positions be made based on the merits of the individual and the need of the Company at that point in time. In addition, targets based on specific criteria such as gender could limit the Board's ability to ensure that the overall composition of the Board or management of the Company meets the needs of the Company. Currently one out of two (50%) of the executive officers of the Company is a female, and none (0%) of the three directors is female.

## EXECUTIVE COMPENSATION

### Compensation Discussion and Analysis

The following discussion and analysis sets out the Company's philosophy and objectives in determining executive compensation and explains how its policies and practices implement that philosophy. All dollar amounts in this Circular are expressed in Canadian dollars unless otherwise indicated. For purposes of this section, the term "Named Executive Officers" refers to the Chief Executive Officer and the Chief Financial Officer of the Company.

#### Overview

The Company's approach to executive compensation is to provide suitable compensation for executives that is internally equitable, externally competitive and reflects individual achievement. Fortune Bay will attempt to maintain compensation arrangements that will attract and retain highly qualified individuals who are able and capable of carrying out the objectives of the Company. Fortune Bay's compensation arrangements for the Named Executive Officers, in addition to salary, include compensation in the form of bonuses and, over a longer term, benefits arising from the grant of stock options. Given the stage of development of Fortune Bay, compensation of the Named Executive Officers includes the granting of meaningful stock option awards so as to attract and retain management and, to a certain extent, to conserve cash. This policy may be re-evaluated in the future to instead emphasize increased base salaries and cash bonuses with a reduced reliance on option awards, depending upon the future development of the Company and other factors which may be considered relevant by the Board of Directors from time to time.

The Nominations and Compensation Committee of the Board of Directors consists of two directors appointed to review the compensation of the Company's officers and to make recommendations to the Board of Directors regarding base salary, bonuses, stock option awards and other benefits of Named Executive Officers, as well as negotiating services and employment agreements on behalf of the Company. Information on the Company's Nominations and Compensation Committee and the skills and experience of its members in making decisions with respect to compensation policies and practices of the Company can be found in "*Statement of Corporate Governance Practices*" – "*Board Committees*" – "*The Nominations and Compensation Committee*" in this Circular.

The Company's executive compensation program is designed to recognize the fundamental value added to the Company by having a motivated and committed management team whose short, medium and long-term objectives are aligned with those of Shareholders. In determining executive compensation, the Company's Nominations and Compensation Committee bears in mind the relatively small size of the Company, the financial resources of the Company and the size of the executive team. The Company's Nominations and Compensation Committee relies on general discussion and informal comparisons to similar exploration and development stage companies, while giving consideration to the experience, qualifications and performance of the executive, in determining executive compensation.

The Company's executive compensation is typically comprised of three primary components:

- i. base salary;
- ii. a short-term incentive plan, which includes the potential for cash bonuses; and
- iii. a long-term incentive plan, which consists of grants of stock options.

The base salary of each executive is reviewed and evaluated by the Company's Nominations and Compensation Committee annually based on the philosophy, objectives and criteria outlined above.

A short-term incentive award, if any, in the form of a cash bonus, may be awarded to an executive each year, as determined by the Company's Nominations and Compensation Committee, based on the philosophy, objectives and criteria outlined above, with some use of formal objectives.

With respect to long-term incentives, each year an executive may be awarded stock options. The amount of the long-term incentive shall be determined by the Nominations and Compensation Committee and recommended to the Board of Directors, based on the philosophy, objectives and criteria outlined above, taking into account previous stock option grants.

The Nominations and Compensation Committee has discretion in determining both short-term incentive awards and the grant of stock options.

The Company has not engaged compensation advisors in the past and has no immediate plans to engage compensation advisors.

### **Approach to Risk**

The Board is aware that compensation practices can have unintended risk consequences. The Nominations and Compensation Committee reviews the Company's compensation policies to identify any practice that might encourage an employee to expose the Company to unacceptable risk. At the present time, the Nominations and Compensation Committee is satisfied that the current executive compensation program does not encourage the executives to expose the business to inappropriate risk. The Board takes a conservative approach to executive compensation rewarding individuals for the success of the Company once that success has been demonstrated and incenting them to continue that success through the grant of long-term incentive awards.

### **Hedging Policy**

No Named Executive Officer or director has purchased any financial instruments, including, for greater certainty, prepaid variable forward contracts, equity swaps, collars, or units of exchange funds, that are designed to hedge or offset a decrease in market value of equity securities granted as compensation or held, directly or indirectly, by the Named Executive Officer or director, notwithstanding that there is no policy prohibiting such purchase as of the date of this Circular.

### **Summary Compensation Table**

Securities legislation requires the disclosure of compensation received by each "Named Executive Officer" of the Company for the three most recently completed financial years. "Named Executive Officer" is defined by the legislation to mean (i) each of Chief Executive Officer and Chief Financial Officer of the Company, (ii) each of the Company's three most highly compensated executive officers, or the three most highly compensated individuals acting in a similar capacity, other than the Chief Executive Officer and Chief Financial Officer, at the end of the most recently completed financial year and whose total compensation exceeds \$150,000, and (iii) any additional individual for whom disclosure would have been provided under (ii) but for the fact that the individual was not serving as an executive officer of the Company at the end of the most recently completed financial year-end of the Company. For the fiscal year ended December 31, 2016, the Company had two Named Executive Officers, namely

Wade K. Dawe, the Chief Executive Officer (the “CEO”), and Sarah Oliver, the Chief Financial Officer (the “CFO”).

The following table sets forth a summary of all compensation for each of the Named Executive Officers as of December 31:

Name and principal position	Year <sup>(2)</sup>	Salary (\$)	Share-based awards (\$)	Option-based awards (\$) <sup>(1)</sup>	Non-equity incentive plan compensation (\$)		All other compensation (\$)	Total compensation (\$)
					Annual incentive plans	Long-term incentive plans		
Wade Dawe, CEO <sup>(3)</sup>	2016	90,000	-	165,000	-	-	1,269	256,269
Sarah Oliver, CFO	2016	18,000	-	45,000	-	-	-	63,000

(1) This column reflects the estimated grant date fair value of options granted that will be recognized as compensation expense by the Company for financial reporting purposes, as determined in accordance with International Financial Report Standards. The estimated fair value of options is calculated using the Black-Scholes Option Pricing Model. The Black-Scholes valuation model values the option-based awards granted during the year at a weighted-average fair value of \$0.30 per option based on the following weighted-average assumptions: a 4.5 year expected term, 100% volatility, risk-free interest rate of 0.51% per annum, and a dividend rate of 0%.

(2) The Company commenced trading on the TSX-V on July 4, 2016, therefore the compensation table reflects all compensation from July 4, 2016 to December 31, 2016. Prior to July 4, 2016, no compensation was paid to the Named Executive Officers.

(3) Of the salary earned by Wade Dawe in 2016, \$36,000 remains payable as at December 31, 2016.

#### Outstanding Stock Option Awards – Named Executive Officers

The following table sets forth the details in respect of outstanding stock options granted to each Named Executive Officer as of December 31, 2016. The value shown for unexercised in-the-money options is calculated based on the closing price of a Common Share on the TSX-V on the last day of the year ended December 31, 2016, less the respective exercise price of the options, multiplied by the number of options exercisable.

Name and principal position	Option-based awards				
	Number of securities underlying options at the time of grant (#)	Number of securities underlying unexercised options (#)	Option exercise price (\$)	Option expiration date	Value of unexercised in-the-money options (\$) <sup>(1)</sup>
Wade Dawe, CEO	550,000	550,000	\$0.40	July 11, 2021	nil
Sarah Oliver, CFO	150,000	150,000	\$0.40	July 11, 2021	nil

(1) Based on December 31, 2016 closing share price on the TSX-V of \$0.60 per share. No options were exercisable at December 31, 2016.

#### Incentive Plan Awards – Value Vested or Earned during the Most Recently Completed Financial Year

The following table sets forth the value of the stock option awards that vested for each Named Executive Officer in 2016, as well as the non-equity incentive plan compensation earned during the financial year ended December 31, 2016. Currently, the Company does not have any other equity incentive plans other than its Stock Option Plan.

Name and principal position	Option-based awards – value vested during the year (\$) <sup>(1)(2)</sup>	Non-equity incentive plan compensation – value earned during the year (\$)
Wade K. Dawe, Chairman and CEO	nil	nil
Sarah Oliver, CFO	nil	nil

- 1) Value vested is calculated as the dollar value that would have been realized had the option been exercised on the date that it vested less the related exercise price multiplied by the number of vested options.
- 2) No stock options vested during the financial year ended December 31, 2016.

### Options Re-pricings

The Company did not re-price any options during the financial year ended December 31, 2016.

### Long-Term Incentive Plan and Pension Plans

The Company does not currently have a long-term incentive plan or pension plan for directors or executive officers, other than the Company's Stock Option Plan.

### Termination and Change of Control Benefits

Effective June 27, 2016, Ms. Sarah Oliver was appointed Chief Financial Officer of the Company. Pursuant to her employment contract, Ms. Oliver is entitled to an annual salary of \$36,000, payable monthly. Should a "change in control" event, as defined in the related employment contract, occur for the Company, Ms. Oliver will receive a lump sum payment equal to 12 months of her then current base salary.

Effective June 27, 2016, Mr. Wade Dawe was appointed President and Chief Executive Officer of the Company. Pursuant to his employment contract, Mr. Dawe is entitled to an annual salary of \$180,000, payable monthly. Should a "change in control" event, as defined in the related employment contract, occur for the Company, Mr. Dawe will receive a lump sum payment equal to 36 months of his then current base salary.

The advisory services for the Vice-President-Exploration position are provided by an independent consultant, as required. Certain employees of Numus Financial Inc. ("**Numus**"), a related private company, provide management services to the Company pursuant to a management services agreement between the Company and Numus.

### Directors Compensation

For the year ended December 31, 2016, non-employee directors were compensated by cash-based and option-based directors fees, issued in accordance with the Company's Stock Option Plan. The Company is eligible to grant stock options to directors under the Company's Stock Option Plan.

During the year ended December 31, 2016, the following cash was paid and stock options were issued to non-employee directors of the Company:

Name	Cash payments (\$)	Number of stock options granted
Michael Gross	6,000	100,000
Derrick Gill	6,000	100,000

As of December 31, 2016, non-employee directors of the Company held the following options:

Name	Number of stock options held
Michael Gross	100,000
Derrick Gill	100,000

The directors are indemnified by the Company against all costs, charges and expenses reasonably incurred by such director in respect of any action or proceeding to which such director is made a party by reason of being a director of the Company, subject to the limitations in respect thereof contained in the *Canada Business Corporations Act*. Directors are reimbursed for their out-of-pocket expenses incurred in attending directors' and committee meetings. The following table summarizes the compensation earned, awarded or granted to each of the non-employee directors of the Company for the year ended December 31, 2016:

Name	Fees earned (\$)	Share-based awards (\$)	Option-based awards (\$) (1)	Non-equity incentive plan compensation (\$)	All other compensation (\$)	Total (\$)
Michael Gross	6,000	nil	30,000	nil	nil	36,000
Derrick Gill	6,000	nil	30,000	nil	nil	36,000

- 1) This column reflects the estimated grant date fair value of options granted during the year that will be recognized as compensation expense by the Company for financial reporting purposes, as determined in accordance with International Financial Reporting Standards. The estimated fair value of options is calculated using the Black-Scholes Option Pricing Model. The Black-Scholes valuation model values the option-based awards granted during the year at a weighted-average fair value of \$0.30 per option based on the following weighted-average assumptions: a 4.5 year expected term, 100% volatility, risk-free interest rate of 0.51% per annum, and a dividend rate of 0%.

### Outstanding Stock Option Awards – Directors

The following table sets forth the details in respect of outstanding stock options granted to each of the non-employee directors as of December 31, 2016. The value shown for unexercised in-the-money options is calculated based on the closing price of a Common Share on the TSX-V on the last day of the year ended December 31, 2016, less the respective exercise price of the options, multiplied by the number of options exercisable.

Name and principal position	Option-based awards				
	Number of securities underlying options at the time of grant (#)	Number of securities underlying unexercised options (#)	Option exercise price (\$)	Option expiration date	Value of unexercised in-the-money options (\$) <sup>(1)</sup>
Michael Gross	100,000	100,000	\$0.40	July 11, 2021	nil
Derrick Gill	100,000	100,000	\$0.40	July 11, 2021	nil

(1) Based on December 31, 2016 closing share price on the TSX-V of \$0.60 per share. No options were exercisable at December 31, 2016.

### Incentive Plan Awards – Value Vested or Earned During the Year – Directors

The following table sets forth the value of the incentive stock option based awards that vested for each non-employee director in 2016, as well as the non-equity incentive plan compensation earned during the financial year ended December 31, 2016:

Name	Option-based awards – value vested during the year (\$) <sup>(1)</sup>	Non-equity incentive plan compensation – value earned during the year (\$) <sup>(2)</sup>
Michael Gross	nil	nil
Derrick Gill	nil	nil

- 1) Value vested is calculated as the dollar value that would have been realized had the option been exercised on the date that it vested less the related exercise price multiplied by the number of vested options.
- 2) Represents cash bonuses awarded to the non-employee directors in respect of the year ended December 31, 2016.

### Directors' and Officers' Liability Insurance

The Company maintains directors' and officers' liability and corporate reimbursement insurance with a \$5,000,000 aggregate limit of liability at an annual premium for the 12 months ending June 27, 2017 of \$10,000. Generally, under this insurance, protection is provided to individual directors and officers in the event that the Company is unable to indemnify them for their actions (this is not subject to a deductible). The policy will also reimburse the Company for indemnification paid to individual directors and officers as per the Company's indemnity agreements (subject to the deductible). Finally, reimbursement is available for the Company for any securities related loss that arises (also subject to the deductible). The major exclusions under the policy include (but are not limited to): illegal profit or fraud, bodily injury and property damage, pension related losses, and pollution. The deductible for both directors' and officers' indemnification as well as corporate reimbursement under the policy is \$25,000 per loss.

## EQUITY COMPENSATION PLAN INFORMATION

### *Securities Authorized for Issuance under Equity Compensation Plans*

The Company's current Stock Option Plan was approved at the Annual and Special meeting of Shareholders of kneat.com, inc. (formerly "Fortune Bay Corp.") held on June 15, 2016 as part of the Company's spin-out transaction with kneat.com, inc. The Plan is designed to comply with the policies of the TSX Venture Exchange and requires annual shareholder approval.

The Company is seeking re-approval of the Plan by the shareholders in accordance with the rules and policies of the TSX-V.

### The Purpose of the Plan

The purpose of the Plan is to attract and retain directors, officers, employees and consultants of, and service providers to, the Company and to align their interests with Shareholders by allowing them to directly participate in an increase in per share value created for the Company's Shareholders.

### Summary of the Plan

The principal features of the Fortune Bay Corp. Stock Option Plan are as follows:

1. The Plan is administered by the Fortune Bay Board which shall, without limitation, subject to the approval of the TSX-V, have full and final authority in its discretion, but subject to the express provisions of the Plan, to prescribe, amend and rescind rules and regulations relating to it and to make all other determinations deemed necessary or advisable for the administration of the Plan.
2. Options may be granted under the Plan to Directors, Employees, Consultants and Management Company Employees (as those terms are defined in Policy 4.4 – *Incentive Stock Options* of the TSX-V) of the Company and any of its subsidiaries.
3. The aggregate number of Fortune Bay shares (the "Optioned Shares") that may be issuable pursuant to options granted under the Plan cannot exceed 10% of the number of issued Fortune Bay shares at the time of the granting of options under the Plan.
4. No more than 5% of the issued Fortune Bay shares, calculated at the date the option is granted, may be granted to any one optionee in any 12 month period.
5. No more than 10% of the issued Fortune Bay shares, calculated at the date the option is granted, may be granted to Insiders in any 12 month period.
6. No more than 2% of the issued Fortune Bay shares, calculated at the date the option is granted, may be granted to any one consultant in any 12 month period.
7. No more than an aggregate of 2% of the issued Fortune Bay shares, calculated at the date the option is granted, may be granted to all consultants and employees conducting "Investor Relations Activities" (as that term is defined in Policy 1.1 – *Interpretation* of the TSXV ("Policy 1.1")) in any 12-month period.
8. The exercise price to each optionee for each Optioned Share shall be determined by the Fortune Bay Board but cannot, in any event, be less than the "Discounted Market Price" of the Fortune Bay shares as traded on the TSXV (as that term is defined in Policy 1.1), or such other price as may be agreed to by Fortune Bay and accepted by the TSXV; provided that the exercise price for each Optioned Share in respect of options granted within 90 days of a "Distribution" by a "Prospectus" (as those terms are defined in Policy 1.1) shall not be less than the greater of the Discounted Market Price and the price per Fortune Bay Share paid by public investors for listed Fortune Bay shares under the Distribution.
9. In the event Fortune Bay wishes to reduce the exercise price of any options held by Insiders at the time of the proposed reduction, the approval of the disinterested shareholders of Fortune Bay will be required prior to the exercise of any such options at the reduced exercise price.
10. The options may be exercisable for a period of up to five years from the date such options are granted.
11. The options are non-transferable or assignable, except in certain circumstances. The options can only be exercised by the optionee as long as the optionee remains an eligible optionee



- pursuant to the Plan or within a period of not more than 90 days (30 days for providers of Investor Relations Activities) after ceasing to be an eligible optionee or, if the optionee dies, within one year from the date of the optionee's death.
12. An optionee who is a consultant conducting Investor Relations Activities who is granted an option under the Plan will become vested with the right to exercise one-quarter (1/4) of the option upon the conclusion of every three (3) months subsequent to the date of the grant of the option, such that that optionee will be vested with the right to exercise one hundred percent (100%) of his or her option upon the conclusion of 12 months from the date of the grant of the option (by way of example, in the event that optionee did not exercise one-quarter (1/4) of his option at the conclusion of three (3) months from the date of the grant of the option, he or she would be entitled to exercise one-half (1/2) of his or her option upon the conclusion of six (6) months from the date of the grant of the option).
  13. In the event of a stock dividend, subdivision, redivision, consolidation, share reclassification (other than pursuant to the Plan), amalgamation, merger, corporate arrangement, reorganization, liquidation or the like of or by Fortune Bay, the Fortune Bay Board may make such adjustment, if any, of the number of Optioned Shares, or of the exercise price, or both, as it shall deem appropriate to give proper effect to such event.
  14. If an optionee ceases to be either a Director, Employee, Consultant or Management Company Employee of Fortune Bay or of any of its subsidiaries as a result of having been dismissed from any such position for cause, all unexercised option rights of that optionee under the Plan shall immediately become terminated and shall lapse.
  15. If an optionee ceases to be either a Director, Employee, Consultant or Management Company Employee of Fortune Bay or any of its subsidiaries for any reason other than as a result of having been dismissed for cause or as a result of the optionee's death, such optionee shall have the right for a period of 90 days (or until the normal expiry date of the option rights of such optionee if earlier) from the date of ceasing to be either a Director, Employee, Consultant or Management Company Employee to exercise the option under the Plan.
  16. If an optionee engaged in providing Investor Relations Activities to Fortune Bay ceases to be employed in providing such Investor Relations Activities, such optionee shall have the right for a period of 30 days (or until the normal expiry date of the option rights of such optionee if earlier) from the date of ceasing to provide such Investor Relations Activities to exercise the option under the Plan.
  17. In the event of the death of any optionee, the legal representatives of the deceased optionee shall have the right for a period of one year (or until the normal expiry date of the option rights of such optionee if earlier) from the date of death of the deceased optionee to exercise the deceased optionee's options.
  18. Subject to the acceptance of the TSXV, the Fortune Bay Board may from time to time amend or revise the terms of the Plan or may discontinue the Plan at any time, provided that no such action may in any manner adversely affect the rights under any options earlier granted to an optionee under the Plan without the consent of that optionee.
  19. Upon exercise of an option, the optionee shall pay to Fortune Bay amounts necessary to satisfy applicable withholding tax requirements or shall otherwise make arrangements satisfactory to Fortune Bay for such requirements.

#### Renewal of the Plan

In accordance with the requirements of the TSX-V, the Plan shall be renewed at the annual and special meeting of Shareholders every year.

The following table summarizes relevant information as of December 31, 2016 with respect to compensation plans under which equity securities are authorized for issuance. Currently, the Company does not have any other equity incentive plans other than its Stock Option Plan.

Plan Category	Number of shares to be issued upon exercise of outstanding options	Weighted-average exercise price of outstanding options	Number of securities remaining available for future issuance under equity compensation plans
Equity compensation plans approved by shareholders	1,000,000	\$0.40	857,820
Equity compensation plans not approved by shareholders	N/A	N/A	N/A

As at May 10, 2017, 1,000,000 options, being 5.4% of the 18,578,200 currently issued Common Shares of the Company, were issued and outstanding.

#### **INDEBTEDNESS OF DIRECTORS AND SENIOR OFFICERS TO THE COMPANY**

No director or senior officer of the Company, proposed management nominee for election as a director of the Company or associate or affiliate of any such director, senior officer or proposed nominee is or has been indebted to the Company or any of its subsidiaries at any time during the Company's last completed financial year, other than routine indebtedness.

#### **INTEREST OF INFORMED PERSONS IN MATERIAL TRANSACTIONS**

Other than as set forth in this Circular, no director, executive officer, shareholder who beneficially owns, directly or indirectly, or exercises control or direction over, more than 10% of the outstanding Common Shares, or any known associate or affiliate of any such person, has or had any material interest, direct or indirect, in any transaction since the incorporation of the Company or in any proposed transaction, that has materially affected or will materially affect the Company or a subsidiary of the Company.

#### **ADDITIONAL INFORMATION**

Additional information regarding the Company is available on SEDAR at [www.sedar.com](http://www.sedar.com) and on the Company's website at [www.fortunebaycorp.com](http://www.fortunebaycorp.com). Financial information regarding the Company is provided in the Company's Consolidated Financial Statements and Management Discussion and Analysis ("MD&A"), mailed to those Shareholders who requested such information. The Company's Consolidated Financial Statements and MD&A for the year-ended December 31, 2016, together with the auditor's report thereon, and this Circular may be obtained from the Secretary of the Company upon request.

#### **DIRECTORS' APPROVAL**

The Board of Directors has approved the contents of this Circular and has authorized it to be sent to shareholders.

DATED at Halifax this 10<sup>th</sup> day of May, 2017.

Signed "Wade K. Dawe"

Wade K. Dawe, Chairman and Chief Executive Officer

**APPENDIX A**  
**CHARTER OF THE AUDIT COMMITTEE OF FORTUNE BAY CORP.**

This Charter shall govern the activities of the audit committee (the "**Audit Committee**") of the board of directors (the "**Board**") of Fortune Bay Corp. (the "**Corporation**").

**1. BACKGROUND**

1.1 National Instrument 52-110 — *Audit Committees* (the "**Instrument**") relating to the composition and function of audit committees was implemented for reporting issuers and, accordingly, applies to every TSX Venture Exchange listed company, including the Corporation. The Instrument requires all affected issuers to have a written audit committee charter which must be disclosed, as stipulated by Form 52- 110F2, in the management information circular of the Corporation wherein management solicits proxies from the security holders of the Corporation for the purpose of electing directors to the board of directors. The Corporation, as a TSX Venture Exchange-listed company is, however, exempt from certain requirements of the Instrument.

1.2 This Charter has been adopted by the board of directors in order to comply with the Instrument and to more properly define the role of the Audit Committee in the oversight of the financial reporting process of the Corporation. Nothing in this Charter is intended to restrict the ability of the Board or the Audit Committee to alter or vary procedures in order to comply more fully with the Instrument, as amended from time to time.

**2 PURPOSE**

2.1 The primary function of the Audit Committee is to assist the Board in fulfilling its financial reporting and controls responsibilities to the shareholders of the Corporation and the investment community. The external auditors will report directly to the Audit Committee. The Audit Committee's primary duties and responsibilities are:

- (a) overseeing the integrity of the Corporation's financial statements and reviewing the financial reports and other financial information provided by the Corporation to any governmental body or the public and other relevant documents and overseeing the Corporation's compliance with legal and regulatory requirements, including the Instrument;
- (b) recommending the appointment and reviewing and appraising the audit efforts of the Corporation's external auditor, overseeing the external auditor's qualifications and independence and providing an open avenue of communication among the external auditor, financial and senior management and the Board;
- (c) serving as an independent and objective party to oversee and monitor the Corporation's financial reporting process and internal controls, the Corporation's processes to manage business and financial risk, and its compliance with legal, ethical and regulatory requirements;
- (d) encouraging continuous improvement of, and fostering adherence to, the Corporation's policies, procedures and practices at all levels.

**3 COMPOSITION**

3.1 The Audit Committee shall consist of a minimum of three Directors of the Corporation, including the Chair of the Audit Committee, all of whom shall meet the requirements of the Instrument. All

members should be, to the extent possible, to the satisfaction of the Board, be "financially literate" as defined in the Instrument. A majority of the members of the Audit Committee shall be "independent" as defined in the Instrument.

3.2 The members of the Audit Committee shall be elected by the Board at the annual organizational meeting of the Board or until their successors are duly elected. The Board may remove a member of the Audit Committee at any time in its sole discretion by resolution of the Board. Unless a Chair is elected by the full Board, the members of the Audit Committee may designate a Chair by majority vote of the full membership of the Audit Committee.

#### **4 DUTIES AND RESPONSIBILITIES**

4.1 The Audit Committee shall review and recommend to the Board for approval:

- (a) The annual audited consolidated financial statements.
- (b) Review with financial management and the external auditor the Corporation's financial statements, MD&A and annual and interim earnings releases to be filed with regulatory bodies such as securities commissions prior to filing or prior to the release of earnings, as well as financial information and earnings guidance provided to analysts and rating agencies.
- (c) Documents referencing, containing or incorporating by reference the annual audited consolidated financial statements or interim financial results (e.g., prospectuses, press releases with financial results and Annual Information Form when applicable) prior to their release.
- (d) Adequacy of this charter and revisions thereto as necessary.

4.2 The Audit Committee, in fulfilling its mandate, will:

- (a) Satisfy itself that adequate internal controls and procedures are in place to allow the Chief Executive Officer and the Chief Financial Officer to certify financial statements and other disclosure documents as required under securities laws. Review with management relationships with regulators, and the accuracy and timeliness of filing with regulatory authorities (when and if applicable).
- (b) Recommend to the Board the selection of the external auditor, consider the independence and effectiveness and approve the fees and other compensation to be paid to the external auditor. Review the performance of the external auditor and approve any proposed discharge and replacement of the external auditor when circumstances warrant. Review the annual audit plans of the internal and external auditors of the Corporation and discuss any significant changes required in the audit plan.
- (c) Monitor the relationship between management and the external auditor including reviewing any management letters or other reports of the external auditor and discussing any material differences of opinion or disagreements between management and the external auditor.
- (d) Periodically consult with the external auditor out of the presence of management about significant risks or exposures, internal controls and other steps that management has taken to control such risks, and the fullness and accuracy of the organization's financial statements. Particular emphasis should be given to the adequacy of internal controls to expose any payments, transactions, or procedures that might be deemed illegal or otherwise improper.

- (e) Arrange for the external auditor to be available to the Audit Committee and the full Board as needed. Ensure that the auditor's report directly to the Audit Committee and are made accountable to the Board and the Audit Committee, as representatives of the shareholders to whom the auditors are ultimately responsible.
- (f) Ensure that the external auditors are prohibited from providing the following non-audit services and pre-approve any permissible non-audit engagements of the external auditors, in accordance with applicable legislation:
  - i. bookkeeping or other services related to the accounting records or financial statements of the Corporation;
  - ii. financial information systems design and implementation;
  - iii. appraisal or valuation services, fairness opinions, or contribution-in-kind reports;
  - iv. actuarial services;
  - v. internal audit outsourcing services;
  - vi. management functions or human resources;
  - vii. broker or dealer, investment adviser or investment banking services; legal services and expert services unrelated to the audit; and
- (g) Review with management and the external auditor of the Corporation's major accounting policies, including the impact of alternative accounting policies and key management estimates and judgments that can materially affect the financial results.
- (h) Review with management their approach to controlling and securing corporate assets (including intellectual property) and information systems, the adequacy of staffing of key functions and their plans for improvements.
- (i) Review the expenses of the Chair and President of the Corporation annually.
- (j) Obtaining reports from management and the Corporation's external auditor that the Corporation is in conformity with legal requirements and the Corporation's Code of Ethics and Conduct (if applicable) and reviewing reports and disclosures of insider and related party transactions.
- (k) At least annually obtaining and reviewing a report prepared by the external auditors describing (i) the auditors' internal quality-control procedures; (ii) any material issues raised by the most recent internal quality-control review, or peer review, of the auditors, or by any inquiry of investigation by governmental or professional authorities, within the preceding five years, respecting one or more independent audits carried out by the auditors, and any steps taken to deal with any such issues; and (iii) (to assess the auditors' independence) all relationships between the independent auditors and the Corporation.
- (l) Setting clear hiring policies for partners, employees or former partners and former employees of the present and former external auditors of the Corporation.
- (m) Reporting annually to the shareholders in the Corporation's Management Information Circular prepared for the annual meeting of shareholders on the carrying out of its responsibilities under this charter and on other matters as required by applicable securities regulatory authorities.
- (n) Establish procedures for the receipt, retention and treatment of complaints received by the Corporation regarding accounting, internal accounting controls, or auditing matters, and for employees to submit confidential anonymous concerns regarding questionable accounting or auditing matters.
- (o) Perform such other duties as required by the Corporation's incorporating statute and applicable securities legislation and policies.

4.3 The Audit Committee may engage and communicate directly and independently with outside legal and other advisors for the Audit Committee as required.

## **5 SECRETARY**

5.1 The Secretary of the Audit Committee will be appointed by the Chair.

## **6 MEETINGS**

6.1 The Audit Committee shall meet at such times and places as the Audit Committee may determine, but no less than four times per year. In any event, the Audit Committee shall meet prior to the Corporation issuing a press release with its quarterly or annual earnings information. At least annually, the Audit Committee shall meet separately with management and with the external auditors.

6.2 Meetings may be conducted with members present, in person, by telephone or by video conference facilities.

6.3 A resolution in writing signed by all the members of the Audit Committee is valid as if it had been passed at a meeting of the Audit Committee.

6.4 The external auditors or any member of the Audit Committee may call a meeting of the Audit Committee.

6.5 The external auditors of the Corporation will receive notice of every meeting of the Audit Committee.

6.6 The Chairman of the Audit Committee will report periodically the committee's findings and recommendations to the Board of Directors.

## **7 QUORUM**

7.1 A quorum is established with a minimum of two Audit Committee members.