



Fortune Bay Corp.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

Three-month period ended March 31, 2022

Dated: May 27, 2022

**Fortune Bay Corp.**  
**Three-month period ended March 31, 2022**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

*This Management's Discussion and Analysis ("MD&A") provides a review of the performance of Fortune Bay Corp. (the "Company" or "Fortune Bay" or "Spinco") and should be read in conjunction with the unaudited condensed interim consolidated financial statements of Fortune Bay (the "Financial Statements") for the period ended March 31, 2022 and the audited consolidated financial statements of Fortune Bay for the years ended December 31, 2021 and 2020, which have been prepared in accordance with International Financial Reporting Standards ("IFRS").*

*The information presented in this MD&A is as of May 27, 2022. The reporting currency for the Company is the Canadian dollar. All of the financial information presented herein is expressed in Canadian dollars, unless otherwise stated. United States dollars are indicated by the symbol "US\$".*

*This MD&A contains "forward-looking statements" and "forward-looking information" within the meaning of applicable Canadian securities laws that are subject to risk factors set out herein. For further details see the sections in this MD&A titled "Cautionary Note regarding Forward-Looking Statements and Information" and "Risk Factors".*

**COMPANY OVERVIEW**

The Company was incorporated on February 4, 2016 as 9617337 Canada Limited under the laws of the *Canada Business Corporations Act* as part of the transaction (the "Transaction") between kneat.com, inc. ("kneat.com"), Kneat Solutions Limited and the Company. Fortune Bay began trading on the TSX Venture Exchange ("TSX-V") as a new public company on July 4, 2016 under the symbol FOR. As at December 31, 2021, the Company's principal activity is the acquisition, exploration and development of mineral interests. To date, the Company has not generated any revenues from operations and is considered to be in the exploration stage.

On June 27, 2016, the Company completed the Transaction with kneat.com and Kneat Solutions Limited, pursuant to which kneat.com's resource properties and other net assets were spun-out to the Company by way of a court-approved plan of arrangement in Ontario (the "Arrangement").

Pursuant to the Arrangement, shareholders of kneat.com as at the close of business on June 24, 2016 received one and one half common shares of Spinco (a "Spinco Share") in exchange for each three common shares of kneat.com held by them. Upon closing of the Transaction on June 27, 2016, shareholders of kneat.com as at the close of business on June 24, 2016 held 100% of the issued and outstanding Spinco Shares. The assets spun-out to Spinco consisted mainly of the interests in the Goldfields Project, the Ixuatán Project, the Huizopa Net Smelter Royalty ("NSR") in Mexico, and the NSR obtained from the sale of the Dominican Republic properties in 2014 (collectively, "The Exploration Properties Business of Fortune Bay").

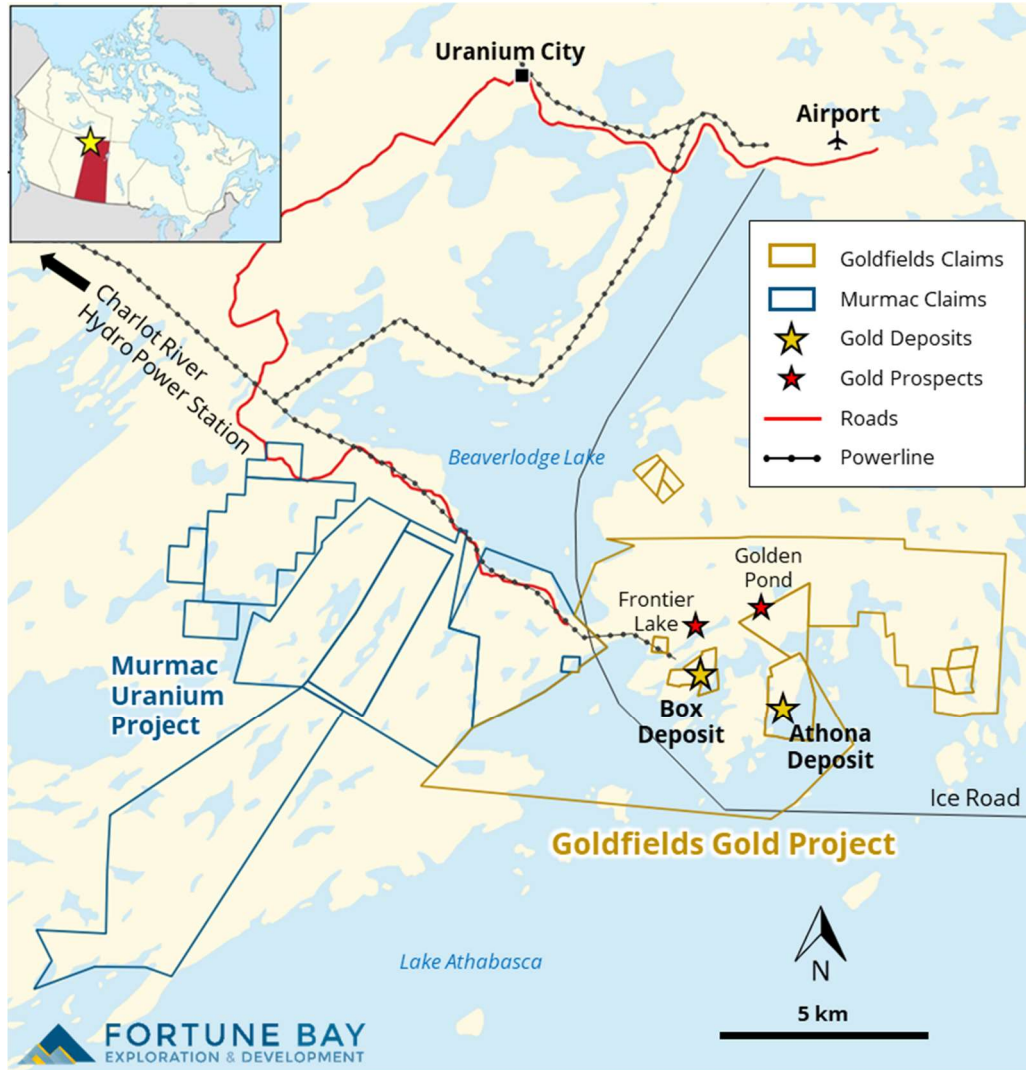
**OVERVIEW OF THE EXPLORATION PROPERTIES**

**Goldfields Project, Canada**

The 100% owned Goldfields Project is the Company's most advanced property located in northern Saskatchewan, approximately 13 kilometres south of Uranium City, and approximately 60 kilometres south of the Saskatchewan and Northwest Territories provincial boundary. The Goldfields Project is host to the Box and Athona gold deposits and numerous other gold prospects and occurrences. The Goldfields Project is comprised of 12 mineral dispositions, covering approximately 5,000 hectares, which are in good standing



and protected from expiry with assessment credits until at least 2025. Work completed during 2021 will be filed for assessment to extend the expiry dates. The Goldfields Project is endowed with established infrastructure including existing roads, powerline, and nearby facilities and an airport at Uranium City.



The Goldfields Project has a history of gold production (64,000 oz produced between 1939 to 1942), numerous exploration drilling campaigns (over 1,000 drill holes) and various historical mining studies (including the 2007 Feasibility Study for the Box deposit and the 2011 Pre-Feasibility Study for the Box and Athona deposits that were both prepared in accordance with NI 43-101). The proposed Box open-pit mine and mill development is permitted having received Ministerial approval under the Environmental Assessment Act in May 2008. Goldfields presents numerous exploration opportunities, including the potential to expand the Box and Athona deposits and discover additional mineral resources at several other gold prospects and occurrences.

A new Mineral Resource Estimate ("MRE") was reported for the Goldfields Project with an effective date of March 15, 2021. The new MRE replaces the historical MRE, as outlined in the historical 2011 Pre-Feasibility Study ("2011 PFS") and serves to classify current mineral resources for the Goldfields Project in accordance with National Instrument 43-101 ("NI 43 101").

Highlights of the new MRE include:

- Indicated mineral resources of 975,000 ounces of gold (22.6 million tonnes at an average grade of 1.34 g/t);
- Inferred mineral resources of 176,000 ounces of gold (6.0 million tonnes at an average grade of 0.92 g/t);
- Reported at a cut-off grade of 0.3 g/t gold and constrained within a conceptual open-pit shell using a gold price of USD\$1,600/oz;
- Based on verified historical drilling data and new geological and mineralization models that incorporate structural controls on gold mineralization;
- Reconciles to within 1% of historical mine production at the Box deposit;
- Indicated mineral resources comprise 85% of the estimate, with the remaining 15% classified at an inferred level of confidence;
- Confirms resource expansion opportunities at both the Box and Athona deposits, and resource upside through further infill and confirmatory drilling.

Franco-Nevada Corporation has a 2% NSR royalty for the Box and Athona deposits. The royalty covers an area of interest 16 kilometres from the external property boundaries of the Box, Athona, Fish Hook and Nicholson Bay claims. The Box area is also subject to a 1.5% NSR on all production beneath the 50 metres below mean sea level elevation on the original Cominco mining claims. This royalty does not apply to the 2011 PFS Box mine plan as the open pit designed does not extend to this depth.

During the three-month period ended March 31, 2022, the Company incurred resource property expenditures of \$751,190 on the Goldfields Project (year ended December 31, 2021 - \$2,158,486), primarily related to the Phase 1 resource expansion drilling program in 2021 and the Phase 2 exploration drilling program during the first quarter of 2022.

The Phase 1 program commenced in mid-March and was completed in mid-September 2021, including a one-month hiatus during spring break-up. A total of 5,238 metres were completed in 13 drill holes utilizing a diamond drilling rig. Assay results to date have been reported in the Company's related news releases.

During the first quarter of 2022, the Company completed a Phase 2 exploration drilling program at Goldfields. The primary objectives of the program were to test gold exploration targets within the hinge zone of the Goldfields Syncline, between the Box and Athona gold deposits, with the objective of making a new discovery. A total of four drill holes totalling 1,343 metres were completed during January and February between Box and Athona. An additional drill hole was completed at Box in early March, totalling 429 metres, to test a large gap in the historical drill coverage down-dip of the known mineralization, and outside the extents of the current mineral resources. Assay results from the five drill holes are expected during the second quarter of 2022.

On April 11, 2022, the Company announced commencement of a Preliminary Economic Assessment ("PEA") for Goldfields, with results expected early in the fourth quarter of 2022. The Company has appointed Ausenco Engineering Canada Inc. to lead the Study, with SRK Consulting (Canada) Inc. to complete an updated Mineral Resource Estimate ("MRE") and Moose Mountain Technical Services to undertake mine design and mine planning. The PEA aims to define the optimal development path for the Project before initiating further resource delineation drilling and/or development work in support of a possible future Pre-Feasibility Study.

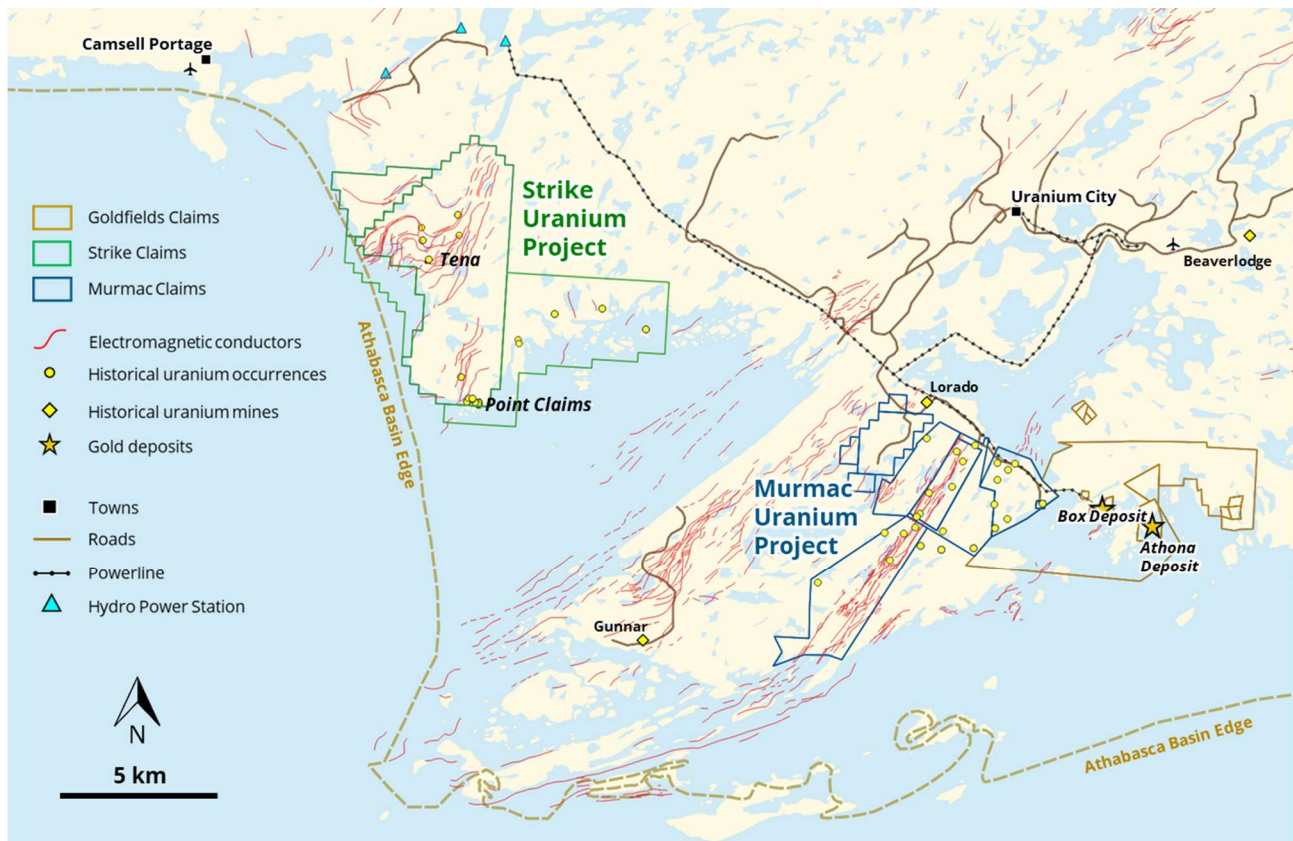
Additional information related to the Goldfields Project, and details regarding the current 2021 MRE, are provided within the National Instrument 43-101 ("NI 43-101") Technical Report titled "Technical Report: Resource Estimate for the Goldfields Project" with an effective date of May 4, 2021. The Technical Report was authored by Mr. Cliff Revering, P. Eng., and Dr. Ron Uken, PhD, P. Geo. of SRK, both of whom are Independent Qualified Persons in accordance with the requirements of NI 43-101. The Technical Report supports the 2021 MRE for Goldfields, which includes the Box and Athona gold deposits, and is available on SEDAR and the Company's website.

### Strike Uranium Project, Canada

The Strike Uranium Project ("Strike") is located in northern Saskatchewan, approximately 25 kilometres west of Uranium City and the Company's flagship Goldfields Project. Strike comprises four mineral dispositions covering an area of approximately 10,000 hectares. The mineral dispositions are in good standing and protected from expiry until at least July 2023.

Clean-energy hydro power stations are available within 10 kilometres of Strike to the north, and regional airports are available at Uranium City and Camsell Portage. Fortune Bay expects to base operations out of Uranium City where the Company has existing operational capabilities, including vehicles, field equipment, storage buildings and core logging and sampling facilities.

Previous work (from the 1950's to 2008) and historical datasets support the Strike's potential for high-grade unconformity-related, basement-hosted uranium deposits in accordance with current exploration models for these types of deposits.



The first recorded uranium exploration in the area was carried out during the 1950's by numerous junior mining companies. This initial work consisted primarily of prospecting and trenching, and numerous uranium occurrences were discovered. One of these occurrences, known as the Tena Occurrence, was mined on a small-scale during the late 1950's, with ore shipped to the Lorado mill for processing. During the late 1960's and early 1980's, SMDC (now Cameco Corp.), Mokta and Jodi Energy Resources Ltd. completed more comprehensive work consisting of airborne magnetic and electromagnetic ("EM") surveys with follow up ground EM surveying. Although these EM surveys did detect a significant number of ground EM conductors along the edge of the Athabasca Basin, diamond drill testing was very limited. Assessment records indicate that only seven historical drill holes have been completed on the property to date. Three of the holes are located near the Tena Zone with one hole intersecting 1.6% eU over 4 feet (eU is equivalent uranium derived from a downhole gamma spectrometer).

Work carried out by Cameco Corp. ("Cameco") between 2005 and 2008 produced several high-quality datasets including airborne magnetic and EM surveys (VTEM), ground EM surveys (Max-Min and Step-Wise Moving Loop), and outcrop geochemical and reflectance spectrometry (clay) sampling programs. Cameco did not conduct any drilling on the project, and despite documented recommendations in assessment reports to advance the project the ground lapsed in 2012. These publicly available datasets acquired by Cameco represent a valuable repository of data for the Project and provide an initial basis for drill targeting.

During 2021, the Company verified the Tena and Point Claims uranium occurrences through geological investigation, gamma-ray spectrometer surveying, and confirmatory surface rock sampling. The results demonstrated high uranium grades ( $>1\%$   $U_3O_8$  wt%) on surface together with anomalous geochemical associations indicative of unconformity-related, basement-hosted uranium mineralization.

During the period ended March 31, 2022, the Company incurred resource property expenditures of \$264,642 on the Strike Uranium Project (year ended December 31, 2021 - \$27,203).

During the first quarter of 2022, ground gravity surveying commenced at Strike. Surveying was paused in mid March and is scheduled to resume in early May, to achieve the desired coverage ahead of the drilling planned for 2022. Nine (9) initial drill target areas have been identified following ground gravity surveying completed in March 2022. The initial target areas comprise favorable geological, geophysical and geochemical features typically associated with high-grade basement-hosted uranium deposits related to the Athabasca Basin. Drilling commenced in mid-May with approximately 2,500 meters planned in 8 to 10 drill holes. The program is expected to be results-driven, based upon drilling results and additional gravity survey results.

### **Murmac Uranium Project, Canada**

The Murmac Uranium Project ("Murmac") comprises the western block of claims that originally formed part of the Company's Goldfields Project in northern Saskatchewan, which have been identified to have potential for high-grade unconformity-related, basement-hosted uranium deposits. Murmac comprises ten mineral dispositions covering an area of approximately 5,300 hectares. The mineral dispositions are in good standing and protected from expiry until at least November 2022. Work completed during 2021 on the contiguous Goldfields mineral dispositions will be filed for assessment to extend the expiry dates. The northern portion of the Project area has established infrastructure including a road and powerline. Nearby facilities and an airport are available in Uranium City located approximately 10 kilometres away by road.

The uranium endowment of Murmac is well established through historical work until the 1980's which identified numerous high-grade ( $>1\%$   $U_3O_8$ ) uranium occurrences primarily through prospecting and



trenching. Nearby significant past uranium producers include the Lorado, Gunnar and Beaverlodge (Eldorado) mines. Approximately 150 historical drill holes, completed between 1947 and 1987, are documented across Murmac which were largely focused in proximity to the known uranium occurrences, and included shallow, high-grade drill intersections. Historical airborne and ground EM surveys, from the 1950's until as recently as 2007, identified a package of EM conductors covering a strike length of approximately 12 kilometres. These conductors, where evaluated, have been confirmed to represent graphite-bearing metasediments, which are known to provide favorable (chemically-reducing) settings for the formation of unconformity-related deposits. Geological mapping by Ashton in 2009 identified abundant quartzites along the strike of the EM conductors. Quartzites are commonly associated with unconformity-related deposits, providing competency contrasts against graphitic-rocks to create prospective dilational settings. The Athabasca Basin margin is located approximately five kilometres to the south of Murmac, indicating vertical proximity to the basal unconformity (now eroded) and good preservation potential for basement-hosted mineralization. Uranium mineralization has been documented along the Basin margin associated with the southwest extension of the Murmac conductor package, including the Stewart, Johnston and Sampson Island showings.

During 2015, Mercator Geological Services Limited carried out an exploration program on the Company's behalf which included a structural/geophysical lineament study, rock geochemical sampling program, scintillometer surveying and geological investigations. The objective of the program was to verify, identify and prioritize targets across the original 10,000 hectare Goldfields property. While gold was the primary focus, a number of uranium targets were also identified, including six Tier 1 targets at the intersection of the Murmac conductor package with cross-faults. Scintillometer surveying along the northern portion of the Murmac conductor package confirmed elevated radioactivity within bedrock, including readings of up to 1,030 counts per second ("cps"). At the Gil showing, survey locations 200 metres apart registered between 59,000 and 51,633 cps within a possibly continuous zone of recessive rock that measures about 1 metre in thickness.

During the period ended March 31, 2022, the Company incurred resource property expenditures of \$224,955 on the Murmac Project (year ended December 31, 2021 - \$23,660).

During the first quarter of 2022, ground gravity surveying commenced at Murmac. Surveying was paused in late March and is scheduled to resume in early May, to achieve the desired coverage ahead of the drilling planned for 2022. A VTEM survey for Murmac (airborne electromagnetics and magnetics) was completed during early April. The geophysical datasets collected for Murmac during winter/spring, including ground gravity and airborne VTEM, will be integrated with the existing datasets for the projects, to both define and refine drilling targets. Drilling is expected to commence following completion of drilling at Strike and continue into late Summer, with provision for up to 8 drill holes (2,000 m). The drilling program will be results-driven, and will be adjusted based on gravity survey results and any drill results that warrant immediate follow-up.

### **Ixhuatán Project, Mexico**

Fortune Bay has a 100% ownership interest in the Ixhuatán Project, which consists of the 4,176 hectare Rio Negro concession in northern Chiapas State, Mexico. The Rio Negro concession is valid until May 10, 2051. The Ixhuatán Project is located immediately southwest of the Santa Fe mine and is accessible by roads running five kilometres east of the town of Rayon. Rayon is situated 120 kilometres south of Villahermosa, Tabasco State. The Ixhuatán Project is an advanced exploration project which hosts the Campamento gold-silver deposit, the Cerro La Mina gold-copper-silver prospect, and numerous other exploration targets.



A mineral resource estimate was completed for the Campamento deposit in accordance with NI 43-101 with an effective date of June 22, 2006. At a cut-off grade of 0.5 g/t gold, the estimate includes measured and indicated mineral resources of 1.04 million ounces of gold (17.6 million tonnes at 1.8 g/t Au) and 4.4 million ounces of silver (17.6 million tonnes at 7.8 g/t Ag), and inferred mineral resources of 0.7 million ounces of gold (21.8 million tonnes at 1.0 g/t Au) and 2.3 million ounces of silver (21.8 million tonnes at 3.2 g/t Ag). The mineral resource estimate is considered historical in accordance with NI 43-101. For further details regarding historical estimates, see the section in this MD&A titled 'Cautionary Note regarding Historical Mineral Resource and Reserve Estimates'.

The Company incurred \$56,668 of expenditures on this property during the period ended March 31, 2022 (year ended December 31, 2021 - \$120,902) related to title renewals and ongoing maintenance of the Ixhuatán Project. The Company is currently considering various options to advance the Ixhuatán Project.

## Other

The Huizopa Project is located in the Sierra Madres in Chihuahua, Mexico. The Company has a 2% NSR over future production from the Huizopa Project. The Company also has the right to a production bonus of US\$4.0 million payable over two years from the date commercial production commences at Huizopa, as well as the right to 20% of the proceeds of disposal of Huizopa if it is disposed of prior to reaching commercial production. All consideration is contingent on the future development of the property. The Company considers the fair value of this consideration to be \$nil. There is no value assigned to the NSR in the financial statements of the Company.

The Company also holds an NSR on exploration properties in the Dominican Republic: the Ampliación Pueblo Viejo, Ponton and La Cueva properties. These properties were sold by the Company to an unrelated third party in 2014. The NSR is equal to 1.0% when the price of gold is less than US\$1,000 per ounce, 1.5% when the price of gold is between US\$1,000 and USD\$1,400 per ounce, and 2% when the price of gold is above US\$1,400 per ounce. The Company has assigned a value of \$nil to the NSR.

In connection with the sale of these properties in the Dominican Republic, the Company also received a promissory note equal to the greater of \$5.0 million or 1 million common shares of the purchaser. The promissory note is subject to the completion of a NI 43-101 compliant measured and indicated resource



estimate on these concessions of a minimum of one million ounces of gold equivalent (at an average grade of 2.5 g/t or higher for Ampliación Pueblo Viejo and 1.5 g/t or higher for Ponton and La Cueva) or actual gold production from these concessions plus a NI 43-101 compliant measured and indicated resource estimate on these concessions (at an average grade of 2.5 g/t gold equivalent for Ampliación Pueblo Viejo and 1.5 g/t gold equivalent or higher for Ponton and La Cueva) exceeding one million ounces of gold equivalent. The Company has assigned a value of \$nil to the promissory note.

## **RECENT ANNOUNCEMENTS**

On January 7, 2021, the Company announced the retention of Mars Investor Relations Inc. ("Mars") to provide investor relations and consulting services to the Company, as well as the issuance of 250,000 stock options to Mars at an exercise price of \$1.16 per share until January 7, 2026. The stock options issued to Mars vest quarterly over a period of 12 months, with 25% vesting each quarter. This contract was terminated in October 2021.

On February 26, 2021, the Company announced that it received a drilling permit for its Goldfields Project and had commenced mobilization for a Phase 1 drilling program. Highlights of the Planned Phase 1 Drill Program include approximately 5,000 metres of core drilling planned in 15 holes with drilling focused on expanding the mineral resources at the Box and Athona deposits through step-out drilling from high gold grades which remain open.

On March 5, 2021, the Company announced the grant of 350,000 stock options to directors, officers, contractors, and employees. The options are exercisable at a price of \$1.10 per share, expire on March 4, 2026 and vest over a three-year period. Directors and officers received 230,000 of the stock options granted.

On March 17, 2021, the Company announced that the Phase 1 drilling program commenced at the Goldfields Project, where the Company plans to complete approximately 5,000 metres in 15 holes, as noted above.

On March 22, 2021, The Company announced a new MRE for the Goldfields Project. This new MRE replaces the historical MRE, as outlined in the historical 2011 Pre-Feasibility Study, and serves to classify current mineral resources for the Goldfields Project in accordance with NI 43-101. The MRE was prepared by SRK, an independent consulting firm.

On May 4, 2021, the Company announced it had filed a Technical Report under Canadian Securities Administrators' National Instrument 43-101 Standard of Disclosure for Mineral Projects for the Goldfields Project. The Technical Report was prepared by SRK and supports the new mineral resource estimate for Goldfields.

On June 15, 2021, the Company announced Phase 1 drilling results for the Athona gold deposit. A total of six diamond drill holes (1,170 metres) on an approximate 50 metre spacing were completed at the Athona South target during March and April 2021 with the primary objectives of validating historical results and commencing resource expansion to the south. The assay results confirmed expansion of mineralization to the south, and mineralization remains open. Furthermore, continuous assaying of the Athona Mine Granite ("AMG") shows the unit is more broadly mineralized than previously indicated by historical drill holes from which very few samples were collected.

On September 14, 2021, the Company announced gold assay results for the first three step-out drill holes completed at the Box gold deposit. The drill holes were part of the Phase 1 resource expansion program

which included approximately 5,000 metres of drilling. The three drill holes, completed on an approximate 50 metre spacing, returned significant gold intercepts outside of the extents of the 2021 Mineral Resource Estimate.

On September 16, 2021, the Company announced the acquisition of the Strike Uranium Project through claim staking. The Strike Project, as described above, has been identified to have potential for high-grade unconformity-related, basement-hosted uranium deposits in a setting similar to other discoveries on the margin of the Athabasca Basin.

On September 28, 2021, the Company announced the identification of the Murmac Project. The Murmac Project, as described above, comprises the western claims of the Goldfields Project in northern Saskatchewan, which have been identified to have potential for high-grade unconformity-related, basement-hosted uranium deposits typical of the Athabasca Basin margin.

On November 1, 2021, the Company announced its intention to complete a non-brokered private placement for aggregate gross proceeds of up to \$5,500,000. The Company intended to issue up to 3,076,923 units and up to 4,545,454 flow-through shares. Each unit was to be issued at a price of \$0.65 per unit, with each unit comprised of one common share and one-half common share purchase warrant. Each whole warrant is exercisable into one common share of the Company at an exercise price of \$0.85 per share for a period of two years. The flow-through shares were issued at a price of \$0.77 per share.

On November 15, 2021, the Company announced an increase to the non-brokered private placement to aggregate gross proceeds of approximately \$6,860,000. The Company intended to issue 4,669,231 units and 4,972,338 flow-through shares. Each unit was to be issued at a price of \$0.65 per unit, with each unit comprised of one common share and one-half common share purchase warrant. Each whole warrant was to be exercisable into one common share of the Company at an exercise price of \$0.85 per share for a period of two years. The flow-through shares were expected to be issued at a price of \$0.77 per share.

On December 2, 2021, the Company announced the closing of the non-brokered private placement for aggregate gross proceeds of \$6,863,700. The Company issued 4,669,231 units and 4,972,338 flow through shares. Each unit was issued at a price of \$0.65 per unit, with each unit comprised of one common share and one-half common share purchase warrant. Each whole warrant is exercisable into one common share of the Company at an exercise price of \$0.85 per share for a period of two years. The flow through shares were issued at a price of \$0.77 per share. Finder's fees of \$480,459 are payable in cash. In addition, a total of 674,910 non-transferable finder's warrants are issuable, with 326,846 finder's warrants having an exercise price of \$0.65 per share and 348,064 finder's warrants having an exercise price of \$0.77 per share. Each finder's warrant entitles a finder to purchase one common share at the applicable exercise price for two years from the date of issue, expiring on December 2, 2023.

On December 15, 2021, the Company announced its 2022 exploration plans the Goldfields Gold Project, and the Strike and Murmac Uranium Projects. The exploration plans for Strike and Murmac include geophysical surveying during the winter months, followed by maiden exploration drilling programs commencing in the spring of 2022 and continuing into summer, as outlined above.

On December 17, 2021, the Company announced the grant of 1,040,000 stock options to directors, officers, contractors, and employees. The options are exercisable at a price of \$0.70 per share, expire on December 17, 2026 and vest over a three-year period. Directors and officers received 700,000 of the stock options granted.

On January 24, 2022, the Company announced the commencement of its Goldfields Gold Project Phase 2 exploration drilling program, and a ground gravity survey at the Strike Uranium Project.

On March 7, 2022, the Company announced gold assay results for the remaining four step-out drill holes completed at the Box gold deposit, located on the Company's Goldfields Project. The drill holes are part of the Phase 1 resource expansion program completed in 2021.

On April 11, 2022, the Company announced the commencement of the PEA for its Goldfields Gold Project, as further described above. The PEA is expected to be completed in Q4 2022.

On April 26, 2022, the Company announced the initial drill target areas and 2022 drilling plans for its 100%-owned Strike project. Nine (9) initial drill target areas were identified following ground gravity surveying completed in March 2022.

On May 24, 2022, the Company announced commencement of maiden exploration drilling on its 100% owned Strike Uranium Project.

## SELECTED ANNUAL INFORMATION

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

	2021	2020	2019
	\$	\$	\$
Net loss and comprehensive loss for the year	(1,828)	(1,086)	(614)
Total assets	24,805	19,003	15,570
Total liabilities	1,052	1,007	1,097
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

### Three-month period ended March 31, 2022

The Company recorded a net loss before income tax of \$401,548 during the three-month period ended March 31, 2022, a decrease of \$29,072 over the three-month period ended March 31, 2021. Professional fees decreased by \$35,223 as the Company incurred higher consulting costs in the prior period as it assessed new project opportunities in 2021. Salaries and benefits decreased by \$21,571, as more salary costs were allocated to the active exploration programs in Saskatchewan during the current period. In addition, marketing and investor relations expense decreased \$41,586 as the Company commenced increased marketing and investor relations programs in early 2021, including attendance at virtual investor shows. Share-based compensation during the current period was \$143,724 compared to the prior period amount of \$76,898, an increase of \$66,826 due to the issuance of additional stock options and deferred share units in 2021 and the current quarter. Finance fees and interest decreased by \$5,717 to \$nil during the current period, as finance fees and interest were incurred on the related party loan balance, which was repaid in full in 2021. The Company also incurred property investigation costs of



\$6,100 during the period ended March 31, 2022. Property investigation expenses relate to costs incurred as the Company assesses new property exploration opportunities.

During the three-month period ended March 31, 2022, the Company also recorded a deferred income tax recovery of \$143,924, compared to a deferred income tax recovery of \$28,377 during the three-month period ended March 31, 2021. Deferred income taxes in the prior period relate to the difference between the book value and the tax value of the Company's exploration and development properties in Mexico. For the current period, the Company recorded a deferred income tax recovery of \$4,288 for the difference between the book value and tax value of the Mexico properties, as well as a \$139,636 deferred income tax recovery related to the pro-rata reduction of the Company's flow-through premium liability.

A foreign exchange loss of \$1,773 was recorded for the current period, compared to a foreign exchange loss of \$4,175 during the prior period. The Company expects to continue incurring foreign exchange gains and losses arising from fluctuations in the value of the United States dollar and the Mexican peso relative to the Canadian dollar.

## SUMMARY OF QUARTERLY RESULTS

Expressed in thousands of dollars, except per share amounts:

	Q1 2022	Q4 2021	Q3 2021	Q2 2021	Q1 2021	Q4 2020	Q3 2020	Q2 2020
	\$	\$	\$	\$	\$	\$	\$	\$
Net loss for the period	(258)	(393)	(672)	(361)	(402)	(290)	(379)	(191)
Basic & diluted net loss per share	(0.01)	(0.01)	(0.02)	(0.01)	(0.01)	(0.01)	(0.01)	(0.01)
Total assets	24,837	24,805	19,558	19,736	20,184	19,003	17,355	17,561
Total liabilities	805	1,052	1,321	1,100	1,312	1,007	932	913
Cash dividends per common share	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

Quarterly results are not cyclical or seasonal, with fluctuations in net loss related primarily to changes in professional fees, salaries or administrative costs, as well as foreign exchange.

## 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 March 31, 2022, the Company had cash and cash equivalents on-hand of \$5,071,135, compared to \$6,512,470 as at December 31, 2021.

During the three-month period ended March 31, 2022, the Company used cash of \$266,312 to fund operating activities and \$1,029,863 to fund exploration and evaluation asset expenditures. Capital assets were purchased for cash of \$145,160 during the period.

On December 2, 2021, the Company completed a private placement financing for aggregate gross proceeds of \$6,863,700 through the issuance of 4,669,231 units at \$0.65 per unit and 4,972,338 flow-through shares at \$0.77 per flow-through share. Each unit consisted of one common shares and one-half common share purchase warrant. Each whole warrant is exercisable into one common share of the Company at an exercise price of \$0.85 for a period of two years. The value allocated to the common shares issued through the unit financing was \$2,486,506, and the value allocated to the common share purchase warrants was \$548,494. An officer of the Company subscribed for 30,770 units and a director

subscribed for 32,468 flow-through shares pursuant to the financing. Total costs associated with the private placement, consisting of broker warrants valued at \$225,776, professional and regulatory fees, as well as cash finder's fees, were \$764,570. As a result of the issuance of flow-through shares as part of this financing, the Company also recorded a flow-through premium liability of \$447,510.

Pursuant to the private placement completed on December 2, 2021, finder's fees were paid to Numus Capital Corp. ("Numus Capital"), a company partially owned by an officer and director of the Company, as well as to an unrelated company. The finder's fee to Numus Capital consisted of cash of \$43,750 and 65,210 common share purchase warrants. 53,846 warrants are exercisable into 53,846 common shares of the Company at an exercise price of \$0.65 per share for a period of two years, and 11,364 warrants that are exercisable into 11,364 common shares of the Company at an exercise price of \$0.77 per share for a period of two years. The warrants issued to Numus Capital were valued at \$22,482.

The finder's fee to the unrelated company consisted of cash of \$436,709 and 609,700 common share purchase warrants. 273,000 warrants that are exercisable into 273,000 common shares of the Company at an exercise price of \$0.65 per share for a period of two years, and 336,700 warrants that are exercisable into 336,700 common shares of the Company at an exercise price of \$0.77 per share for a period of two years. The warrants issued to the unrelated company were valued at \$203,294.

The Company does not 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. The reader should refer to the "Going Concern" disclosure under the Risk Factors section of this MD&A and Note 1 of the audited consolidated financial statements for the years ended December 31, 2021 and 2020.

## 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 March 31, 2022				Total
	Within 1 year	2-3 years	4-5 years	Over 5 years	
	\$	\$	\$	\$	\$
Accounts payable and accrued liabilities	497,239	-	-	-	497,239
	497,239	-	-	-	497,239

As at March 31, 2022 and December 31, 2021, the Company has a services agreement with Numus Financial Inc. ("Numus") for the provision of controller services, rent and other offices costs at a fee of \$32,400 per year, continuing until both parties mutually agree to terminate the agreement or either party provide at least six months notice. As at December 31, 2021, the Company also has an agreement with Numus for the provision of digital marketing services at a fee of \$5,200 per month until December 31, 2022, with the option to extend the agreement.

The Company has employment arrangements with the Chief Executive Officer and Chief Financial Officer of the Company which provide that, should a change in control event occur, the Chief Executive Officer will receive a lump sum payment equal to between 18 and 36 months of his then current base salary and

the Chief Financial Officer will receive a lump sum payment equal to 12 months of her then current base salary. In the event of a change of control, the Executive Chairman will receive a lump sum payment of 72 months of his original base compensation.

## **OFF-BALANCE SHEET ARRANGEMENTS**

At March 31, 2022, 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 March 31, 2022 and May 27, 2022, the Company had 42,913,769 common shares outstanding.

As of March 31, 2022 and May 27, 2022, the Company had 2,325,000 stock options outstanding, exercisable into common shares of the Company at a weighted-average exercise price of \$0.72 with varying expiry dates. The Company had 175,000 expiring on March 5, 2023, 250,000 expiring on October 11, 2024, 500,000 expiring on June 15, 2025, 30,000 expiring on September 18, 2025, 350,000 expiring on March 4, 2026, and 1,020,000 expiring on December 17, 2026.

As at March 31, 2022 and May 27, 2022, the Company had 8,051,701 warrants outstanding. 4,321,428 warrants are exercisable at a price of \$0.50 per share and expire on May 7, 2023, 720,747 warrants are exercisable at a price of \$1.60 per share and expire on December 21, 2022, 2,334,616 warrants are exercisable at a price of \$0.85 per share and expire on December 2, 2023, 326,846 warrants are exercisable at a price of \$0.65 per share and expire on December 2, 2023, and 348,064 warrants are exercisable at a price of \$0.77 per share and expire on December 2, 2023.

As at March 31, 2022 and May 27, 2022, the Company had 389,634 deferred share units ("DSU") outstanding, of which 34,246 had vested. The DSUs vest over three years from the date of grant.

## **RELATED PARTY TRANSACTIONS**

Amounts payable to officers, directors and companies owned thereby were \$42,829 as at March 31, 2022 (December 31, 2021 – \$36,687). During the three-month period ended March 31, 2022, the Company incurred costs for controller services from Numus in the amount of \$3,000, incurred rent and office costs in the amount of \$11,948 and incurred social media program costs of \$17,779. During the year ended December 31, 2021, the Company incurred costs for controller services from Numus of \$12,000, incurred rent and office costs in the amount of \$42,498 and incurred social media program costs of \$10,400. As at March 31, 2022, the net amount payable by the Company to Numus was \$42,829 (December 31, 2021 – \$36,793).

During the year ended December 31, 2021, the Company completed a private placement financing and a flow-through financing of 4,669,231 units and 4,972,338 flow-through shares for gross proceeds of \$6,863,700. An officer of the Company subscribed for 30,770 units of the financing, and a director of the Company subscribed for 32,468 flow-through shares. In addition, finder's fees were paid to Numus Capital Corp. The finder's fees paid to Numus Capital Corp. consisted of \$43,750 cash, 53,486 common share purchase warrants valued at \$18,846 that are exercisable into 53,486 common shares of the Company at an exercise price of \$0.65 per share for a period of two years, and 11,364 common share purchase warrants valued at \$3,636 that are exercisable into 11,364 common shares of the Company at



an exercise price of \$0.77 per share for a period of two years.

During the year ended December 31, 2021, 684,063 warrants were exercised by related parties at a weighted-average exercise price of \$0.55 per share, for cash proceeds to the Company of \$376,125. The weighted-average share price on the dates of exercise was \$1.05. In addition, related parties exercised 250,000 stock options at an exercise price of \$0.40 per share, for gross proceeds to the Company of \$100,000. The share price on the date of exercise was \$0.75.

During the year ended December 31, 2021, the Company issued 1,640,000 stock options, of which 930,000 were issued to directors and officers. 230,000 of the options issued to directors and officers are exercisable at \$1.10 per share and vest over three years from the date of grant. 700,000 of the options issued to directors and officers are exercisable at \$0.70 per share and vest over three years from the date of grant.

During the year ended December 31, 2019, the Company entered into a loan agreement with a related company that is co-owned by a director and officer of the Company. The loan was repaid in full during the year ended December 31, 2021.

The key management of the Company includes the Executive Chairman, the CEO, the CFO and the Company's Directors.

## **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. Cash is placed with high-credit quality financial institutions. 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 period ended March 31, 2022.

At each reporting date, the Company assesses whether there has been an impairment of financial assets. The Company has not recorded an impairment on any financial assets during the period ended March 31, 2022 or the year ended December 31, 2021. During the period ended March 31, 2022 and the year ended December 31, 2021, the outbreak of the coronavirus ("COVID-19"), has resulted in governments across the globe enacting emergency measures to reduce the spread of the virus. Equity markets have experienced significant volatility and uncertainty while governments and central banks have reacted with significant monetary and fiscal interventions designed to stabilize economic conditions. The duration and global impact of COVID-19 is unknown, as is the impact of the government and central bank interventions. It is not possible to reliably estimate the impact on the financial results and conditions of the Company in future periods however to date there has been no impact on the Company's credit risk.

### **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 Mexican peso cash and accounts payable and accrued liabilities, in addition to certain of its operating costs. For the period ended March 31, 2022 and the year ended December 31, 2021, 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 Company does not hedge its currency risk, as the currency risk is considered minimal.

### **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 will be available to it when needed. There is also no assurance that Fortune Bay can generate revenues, operate profitably, provide a return on investment, or that it will successfully implement its plans.

#### **Going Concern**

The Company's ability to continue as a going concern is dependent upon its ability to fund its working capital and exploration requirements and eventually to generate positive cash flows, either from operations or sale of properties. The Company will actively seek financing from time to time to finance its operations, however the ability, availability and timing of such financing is not certain. The Company's financial statements do not reflect the adjustments to the carrying value of assets and liabilities and the reported expenses and balance sheet classifications that would be necessary were the going concern assumption inappropriate, and these adjustments could be material.

#### **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 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, understanding of the geology of the deposits, 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 exploration and 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 exploration, 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 exploration, 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 exploration or 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 exploration or development of new mining properties.

Mineral exploration and 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, may 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 investments 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.

### **Cybersecurity Risks**

The Company relies on information technology systems including, without limitation, its networks, equipment, hardware, software, telecommunications, and other information technology (collectively, "IT systems"), and the IT systems of its vendors and third-party service providers, to operate its business as

a whole including its exploration projects. IT systems are subject to an increasing threat of continually evolving cybersecurity risks including, without limitation, computer viruses, security breaches, and cyberattacks. In addition, the Company is subject to the risk of unauthorized access to its IT systems or its information through fraud or other means. Any cybersecurity incidents or other IT systems disruption could result in operational delays, destruction or corruption of data, security breaches, financial losses from remedial actions, the theft or other compromising of confidential or otherwise protected information, fines and lawsuits, or damage to the Company's reputation. Any such occurrence could have an adverse impact on the Company's financial condition and results of operations.

### **The Impact of COVID-19**

The outbreak of COVID-19, has resulted in governments around the world enacting emergency measures to reduce the spread of the virus. Equity markets have experienced volatility and uncertainty while governments and central banks have reacted with significant monetary and fiscal interventions designed to stabilize economic conditions. The duration and global impact of COVID-19 is unknown, as is the impact of the government and central bank interventions. It is not possible to reliably estimate the impact of COVID-19 on the financial results and conditions of the Company in future periods.

The COVID-19 pandemic may disrupt the Company's business and operational plans. The length or severity of these disruptions are unknown at this point in time. The related disruptions that could emerge, as a result of the COVID-19 pandemic, include (i) delays to permits required for exploration and development activities, (ii) restrictions that governments impose to address the COVID-19 outbreak, (iii) restrictions that the Company and its contractors and subcontractors impose to ensure the safety of employees and others, (iv) shortages and / or unexpected sickness of employees, and (v) unavailability of contractors and subcontractors, (vi) interruption of supplies from third parties upon which the Company relies, and (vii) unusually high levels of volatility in capital markets and limitations on the availability of capital. Management is closely monitoring the situation and is actively adapting work plans to mitigate adverse effects where possible. Notwithstanding this, mineral exploration, development and mining continue to be considered Allowable Business Services by the Government of Saskatchewan that can continue to operate in accordance with public health advisories. The Company is committed to following best practice management, and meeting or exceeding the relevant guidelines and policies related to COVID-19 (and amendments thereof), including but not limited to; public health advisories, COVID-19 Precautionary Measures for Saskatchewan Mining Industry, Mineral Exploration Camps (Saskatchewan Mining Association, June 2020), the Employment of Athabasca Basin Residents during COVID-19 (Athabasca Basin Communities Letter dated June 12, 2020), and the Company's Health, Safety and Environmental Policies.

## **DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROLS OVER FINANCIAL REPORTING**

### **Disclosure Controls and Procedures**

Disclosure controls and procedures (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 CEO and the 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.

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.

### **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, as at March 31, 2022, 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.

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.

### **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 2, *Summary of Significant Accounting Policies*, to the December 31, 2021 audited 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.

During the year ended December 31, 2021, the Company recorded an impairment write-down of \$140,309 on its building asset. During the period ended March 31, 2022, there were no other indicators of impairment or impairment reversals on the Company's long-lived assets.

### **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 3, *Significant Accounting Judgments and Key Sources of Estimation Uncertainty*, to the December 31, 2021 audited consolidated financial statements of the Company.

### **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," "aims", "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 Company's exploration and development plans for the exploration properties;
- 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 continue as a going concern;
- 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 commodity 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".

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 except as required by securities legislation.

## **CAUTIONARY NOTE REGARDING HISTORICAL RESULTS AND HISTORICAL MINERAL RESOURCE ESTIMATES**

### **Disclosure of Historical Mineral Resource Estimates**

The mineral resource estimate for the Ixhuatán project is considered historical in accordance with NI 43-101. A Qualified Person has not done sufficient work to classify the historical estimate as current mineral resources, and the Company is not treating the historical estimate as current mineral resources. While the

estimate was prepared in accordance with NI 43-101, and CIM Standards on Mineral Resources and Reserves: Definitions and Guidelines in effect at the time, there is no guarantee that it would be consistent with current standards and it should not be regarded as such. Fortune Bay has not undertaken any independent verification of the data upon which the historical estimate is based. The historical estimate is considered relevant to assess the mineralization and economic potential of the Ixhuatán project.

In accordance with Section 2.4 NI 43-101, and despite section 2.2, an issuer may disclose an historical estimate, using the original terminology, if the disclosure identifies the following:

	<b>Ixhuatán – Campamento Deposit</b>
Source and date of the historical estimate, including any existing technical report	NI 43-101 Technical Report 2006 Resource Estimation, Campamento Gold Project on the Ixhuatán Property, Chiapas State, Mexico (the "2006 Resource Estimate Report") for Linear Gold Corp. by G. H. Giroux, MASc, PEng. with an effective date of June 22, 2006.
Relevance and reliability of the historical estimate	The 2006 Resource Estimate Report was compiled in accordance with Canadian Institute of Mining (2005) standards and best practices for Mineral Resources, adhering to the NI 43-101 Standards of Disclosure for Mineral Projects. Supporting resource data were subjected to quality control by the responsible Qualified Person.
Key assumptions, parameters, and methods used to prepare the historical estimate	Supporting resource data included 94 drill holes totalling 17,956 m with 8,372 gold assay results. Composited (5 m) gold grade (g/t) was interpolated into a block model further constrained by a 3-D model of the mineralization extent using semivariogram and search parameters that were optimized to fit known structural controls on mineralization. Resource classification (confidence) was assigned based on distance to drill coverage and interpretations of grade continuity based on semivariogram analysis.
Resource categories used	In accordance with NI 43-101 Ixhuatán historical mineral resource estimates use the terms "mineral resource", "inferred mineral resource" and "indicated mineral resource" having the same meanings ascribed to those terms by the Canadian Institute of Mining, Metallurgy and Petroleum, as the CIM Definition Standards on Mineral Resources and Mineral Reserves adopted by CIM Council, as amended.
More recent estimates or data available to the issuer	No relevant drilling or assay work has been conducted since 2006 on the Campamento Deposit.
Work that needs to be done to upgrade or verify the historical estimate as current mineral resources or mineral reserves;	An independent Qualified Person will be required to review and validate the historical data and historical estimates and compile an updated current Technical Report in accordance with NI 43-101.

## Disclosure of Historical Results

Unless otherwise noted, historical results (including but not limited to assay results from surface and drilling samples) have not been verified and there is a risk that any future confirmation work and exploration may produce results that substantially differ from the historical results. The Company considers these results relevant to assess the mineralization and economic potential of the respective property.



## **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. The technical and scientific information in this MD&A has been reviewed and approved by Dale Verran, M.Sc., P.Geo., Chief Executive Officer for Fortune Bay Corp., who is a Qualified Person as defined by NI 43-101. Mr. Verran is an employee of Fortune Bay and is not independent of the Company under NI 43-101.

## **OTHER 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).