MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Three and nine months ended September 30, 2011

This discussion and analysis of financial condition and results of operations of Fortune Minerals Limited is prepared as at November 3, 2011, and should be read in conjunction with the unaudited consolidated financial statements of Fortune Minerals Limited and the notes thereto for the three and nine months ended September 30, 2011 and with the audited consolidated financial statements of Fortune Minerals Limited and the notes thereto and management's discussion and analysis of financial condition and results of operations for the year ended December 31, 2010. In this discussion, unless the context otherwise dictates, a reference to Fortune or the Company refers to Fortune Minerals Limited and its subsidiaries. Additional information relating to the Company, including the Company's annual information form is available on SEDAR at www.sedar.com. All dollar amounts are presented in Canadian dollars.

SUMMARY OF QUARTERLY RESULTS

The following table provides selected consolidated financial information that is derived from the unaudited interim consolidated financial statements and audited consolidated financial statements of the Company.

	2011			2010(1)				2009(2)
	Sep-30	**Jun-30**	**Mar-31**	**Dec-31**	**Sep-30**	**Jun-30**	**Mar-31**	**Dec-31**
Net income (loss) (3)	6,141,309	(337,287)	(663,027)	(546,613)	(241,027)	(572,926)	80,557	(392,360)
Basic income (loss) per common share(4)	0.06	—	(0.01)	(0.01)	—	(0.01)	—	(0.01)
Fully diluted income per share(4)	0.05	—	(0.01)	(0.01)	—	(0.01)	—	(0.01)

Notes:
(1) 2010 comparatives differ from those previously disclosed due to the adoption of International Financial Reporting Standards ("IFRS").
(2) 2009 comparatives are recorded under Canadian General Accepted Accounting Principles prior to adoption of IFRS on January 1, 2010.
(3) The Company does not currently have revenue. Interest and other income is included in other items on the consolidated statement of net income (loss), comprehensive income (loss), and deficit.
(4) The sum of quarterly loss per common share for any given period may not equal the year-to-date amount due to rounding.

OVERVIEW

The Company's most significant assets are the Mount Klappan anthracite metallurgical coal project in northwest British Columbia ("Klappan") and the NICO gold-cobalt-bismuth-copper project in the Northwest Territories ("NICO"), both of which are in the development phase and owned 80% and 100%, respectively. The advantages Fortune offers include: diversified assets; our projects are located in Canada, a mining friendly politically stable country; our development projects provide participation in commodities of critical importance to the world economy including gold, cobalt, bismuth, copper, and metallurgical coal; and a production plan that offers a different risk profile than pure exploration companies. Prices for Fortune's primary commodities remain reasonably strong and with rising demand and global interest growing in securing resource supplies, the Company is well positioned as it continues to pursue its core objective of transforming itself into a producer.

Fortune, with the assistance of Deloitte & Touche Corporate Finance Canada Inc. ("Deloitte"), began a search for a strategic partner in 2010 to help develop Klappan with an objective of attracting a world-class partner with metallurgical coal market knowledge and significant financial strength. On July 13, 2011, Fortune and Fortune Coal Limited ("FCL"), a wholly-owned subsidiary of Fortune, entered into an agreement (the "Agreement") with POSCO Canada Ltd. and POSCO Klappan Coal Ltd. ("POSCAN"), a wholly-owned subsidiary of POSCO Canada Ltd., to advance Klappan to production through an unincorporated joint venture, the Klappan Coal Joint Venture ("Klappan JV"). POSCO Canada Ltd's parent company, POSCO, is based in South Korea and is one of the world's largest steel producers. Pursuant to the Agreement, POSCAN has acquired a 20% interest in Klappan, and based on current capital cost estimates, is anticipated to make total payments and cash contributions of $181 million, including $30 million in upfront funding, which was received during the third quarter.

Highlights of the Klappan JV agreement include:

- Formation of the Klappan JV to be owned 80% by FCL and 20% by POSCAN to accelerate development of Klappan by combining Fortune's local development and operations expertise and POSCAN's market knowledge and financial backing;
- At closing, POSCAN acquired from FCL a 20% interest in Klappan in exchange for: (i) proceeds of $10 million paid to FCL upon execution of the Agreement; (ii) a contribution of up-front capital of $20 million to the Klappan JV; and (iii) future payments of $17.2 million to be paid to FCL in five equal annual installments of $3.44 million beginning one year after the commencement of commercial production;
- POSCAN will fund 20% of capital and operating costs and receive 20% of the product produced from Klappan; and,
- Fortune will serve as Manager of the Klappan JV and will be compensated, on a recovery basis, for providing operational, technical and administrative support over the life of the mine.

During the quarter, FCL and POSCAN each contributed their 80% and 20% interest in Klappan, respectively, to the Klappan JV. POSCAN has also contributed its $20 million in up-front capital funding and FCL has recognized a liability to make a future capital contribution. Pursuant to the Agreement, FCL is obligated to make a future capital contribution of $80 million to the Klappan JV, to be contributed when a production program has been approved by the Klappan JV management committee and when financing has been obtained. Should these criteria not be met by December 31, 2015, POSCAN may, in its sole discretion, require FCL to make a $16 million payment directly to POSCAN in lieu of the $80 million future capital contribution to the Klappan JV.

As part of the Agreement, the Klappan JV partners have approved a program and budget focused on advancing Klappan to production as quickly as possible. The initial budget is focused on engaging with communities and building stakeholder support for Klappan, securing permits, and conducting more detailed engineering to support permitting and mine planning. POSCAN's upfront contribution of $20 million is expected to fund this initial program. The funding required to construct both the Lost Fox Mine at Klappan and railway infrastructure is estimated at $768 million, which would result in POSCAN's total contribution to the Klappan JV being $154 million, or 20%, and Fortune's contribution being $614 million, or 80%. Based on a financing scenario of 70% debt and 30% equity, Fortune's equity requirement is currently estimated to be $184 million over the life of the construction phase. Fortune plans to continue discussions with potential debt and equity providers, with the aim of announcing a fully financed, permitted project at the conclusion of its currently planned programs.

Fortune is continuing to develop its wholly-owned NICO project independently and the Company's 2011 business plans reflect a continued focus to advance permitting and financing. In support of permitting and financing initiatives for NICO, the Company undertook the following activities during the first three quarters of 2011:

- Completed and submitted its Developers Assessment Report ("DAR"), a significant milestone in the environmental assessment ("EA") process in the Northwest Territories to permit the mine and concentrator;
- Received positive feedback from the Mackenzie Valley Review Board and the DAR successfully passed initial conformity requirements with zero deficiencies reported, a significant accomplishment. The Company has received information requests from interested stakeholders in response to the DAR, on schedule, and is currently in the process of responding to those information requests and preparing for technical meetings to follow;
- Completed both a small winter and summer program at the NICO mine site that included condemnation drilling beneath the NICO mill and camp site, geotechnical drilling at the proposed NICO airport site, and environmental monitoring;
- Advanced the concurrent EA process that is underway in Saskatchewan for the Saskatchewan Metals Processing Plant ("SMPP") with the receipt of Project Specific Guidelines from the Environmental Assessment Branch ("EAB") of Saskatchewan's Ministry of Environment during January 2011. The Company prepared and submitted its Environmental Impact Statement to the EAB in June 2011, the next milestone in the EA process, and it is currently being reviewed;

- Continued activities, communication and consultation designed to enhance relationships with key stakeholder groups, including government regulators, impacted local communities and First Nations for NICO and the SMPP; and,
- Completed a mini-pilot plant to conclude that the addition of gravity, regrind and secondary floatation facilities at NICO increases metal recovery to bulk concentrate and eliminates the need for cyanide facilities in the Northwest Territories.

Subsequent to the quarter end, Fortune entered into a new engagement with Deloitte to assist with securing additional financing through a strategic partner to support the development of NICO and a second strategic partner for Klappan. The goal of the engagement is to secure some or all of the required project financing to get to commercial production for both projects while securing additional significant strategic partners. The Company believes that funding its principal projects through strategic partner investments and relationships through joint venture or other arrangements is an attractive method of financing to minimize dilution and maximize shareholder value given the share price trends currently in the capital markets. Strategic partners, such as POSCO, provide additional value by supporting the development of the project, providing access to additional customer and government relationships, introducing opportunities for additional financing support, and validating the quality and significance of the Company's world-class assets.

As a result of the Company's current strategy related to its principal projects, exploration and development cash expenditures incurred by Fortune on its properties during the three- and nine-month periods ending September 30, 2011 were $1,250,872 and $5,269,327, respectively. The expenditures related to the following projects:

	Three months ended September 30, 2011	**Nine months ended September 30, 2011**
NICO	$ 1,001,817	$ 4,611,653
Mount Klappan	248,887	651,892
All other projects	168	5,782
Total cash exploration and development expenditures	$ 1,250,872	$ 5,269,327

For comparison, exploration and development expenditures incurred by Fortune on its properties during the three- and nine-month periods ending September 30, 2010 were $3,279,080 and $7,358,052, respectively. The expenditures related to the following projects:

	Three months ended September 30, 2010	**Nine months ended September 30, 2010**
NICO	$ 3,155,053	$ 7,040,611
Mount Klappan	72,959	216,609
All other projects	51,068	100,832
Total cash exploration and development expenditures	$ 3,279,080	$ 7,358,052

Exploration and evaluation expenditures incurred for the nine months ended September 30, 2011 are primarily a result of spending on the Company's two principal projects, NICO and Klappan. Expenditures on NICO in 2011 have been focused on critical path activities required to advance permitting. There was a decrease in NICO expenditures for the three and nine months ended September 30, 2011 compared to 2010 due to decreased expenditures on engineering-related activities, a larger NICO summer program in 2010 compared to 2011, and reduced environmental and permitting related costs while the DAR was under review. Expenditures on Klappan were higher for the three- and nine-month periods ending September 30, 2011 compared to 2010. The increased expenditures prior to July 13, 2011, when the Klappan JV was entered, were due to increases in payments made for the Company's coal licences and engineering and related costs in support of engaging a suitable joint venture partner, compared to the same period in 2010. Subsequent to the Klappan JV formation, there has been increased activity and corresponding expenditures relating to permitting, environmental studies and community consultation.

RESULTS OF OPERATIONS

Expenses

Expenses for the three- and nine-month periods ended September 30, respectively, were $1,373,624 and $2,251,060 for 2011 compared to $439,997 and $1,837,713 for 2010. The increase year over year for both periods is attributable to increases in corporate advisory costs, accretion expense, investor relations and regulatory fees and interest expense. The increased corporate advisory costs relate to costs that were previously capitalized when the Company had engaged a financial institution to provide advice and financial services in connection with the arrangement of a debt facility to finance the construction, start-up and operation of the Company's NICO Project. Due to the Company entering into an additional agreement with Deloitte subsequent to September 30, 2011, which may lead to an alternative or supplementary financing solution for NICO, the transaction costs were written off. The Company recognized accretion expense of $220,844 during the quarter as a result of an increase in the present value of the future capital contribution liability, related to the Klappan JV. The increase in investor relations and regulatory fees in 2011 is the result of increased investor relations activities, regulatory fees paid to list additional common shares under the Company's stock option plan during the first quarter of 2011 that were not incurred during 2010 and the hiring of an Investor Relations Manager, during the second quarter of 2011. The stock based compensation expense was higher during the three months ended September 30, 2011 compared to the same period in 2010 as a result of stock options granted to new employees and director positions during the third quarter of 2011 compared to nil grants during the same quarter in 2010. Interest expense fluctuates each period due to an allocation of interest based on a ratio of qualifying assets to non-qualifying assets for accounting purposes.

Revenues

FCL recognized a total net gain of $9,201,186 for the nine months ended September 30, 2011 and $9,439,295 for the three months ended September 30, 2011. The total gross gain realized during the quarter with respect to the Klappan transactions was $10,936,842. A gain of $5,793,615 was recognized from the sale of 20% of its interest in Klappan to POSCAN, based on proceeds of $10 million that were received during the quarter. The balance of the gain, $5,143,227, arose from FCL's recognition of the present value of a $16 million future capital contribution liability as a result of the Klappan JV Agreement. Corporate advisory and other costs of $1,497,547 and $1,735,656 were incurred for the three and nine months ended September 30, 2011, respectively, on the sale of the interest in Klappan and have been reflected in the net gain on the Klappan transaction.

Principally as a result of the Klappan JV transactions described above, the Company generated net income of $6,141,309 ($0.06 basic income per share) and $5,140,995 ($0.05 basic income per share) for the three and nine months ended September 30, 2011, respectively, compared to a net loss of $241,028 (nil income per share) and $733,396 ($0.01 loss per share) for the three and nine months ended September 30, 2010, respectively.

Deferred Taxes

The Company recognized a deferred income tax provision of $2,042,000 and $2,573,500 for the three- and nine-month period ended September 30, 2011, respectively. For the same periods in 2010, the Company recognized a deferred income tax recovery of $242,000 and $747,225, respectively. The 2011 deferred income tax provision primarily consists of income at the statutory rate of $2,181,000 and $1,044,000 for renunciation of flow-through eligible expenditures. The 2011 provision is partially offset by a recovery for non-taxable flow-through share premiums of $191,000 and investment tax credits on pre-production mining expenditures of $260,000 recorded during the period. During the same period in 2010, the deferred income tax recovery primarily reflects the recognition of deferred tax benefits resulting from the tax loss of $456,000, non-taxable flow-through share premiums of $115,000 and investment tax credits on pre-production mining expenditures of $318,000 offset by small amounts for renunciation of flow-through eligible expenditures and non-deductible stock compensation and other expenses.

The Company's deferred tax liability has arisen, principally, due to the increasing difference between book and tax values of its assets. The increased difference between book and tax value of assets primarily reflects the renunciation of tax deductions to investors of flow-through shares and the discount of the present value of the future capital contribution liability book value related to the Klappan JV, offset partially by increasing deferred tax assets for net operating loss carry forwards and unused investment tax credits on pre-production costs, net of tax. Income taxes payable of $48,462 are a result of estimated amounts payable related to the enactment of income tax harmonization between the Ontario and Federal Governments offset by installments made during the year to date.

Cash Flow

Cash used in operating activities was $3,636,073 for the nine months ended September 30, 2011, compared to $1,608,846 for the same period in 2010. The net income for the nine-month period ended September 30, 2011 was notably higher than the net loss for the same period for 2010 due to the gain recognized on the Klappan transaction. However, once adjusted for items not involving cash and changes in non-cash working capital balances related to operations, the primary difference for cash used in operating activities between the periods was due to transaction costs of $1,735,656 included in the gain on Mount Klappan transaction, net.

Cash provided by investing activities was $4,439,283 for the nine months ended September 30, 2011 compared to the $13,482,277 used during the same period in 2010. The 2011 net cash provided from investing activities is primarily due to cash proceeds of $10 million received from POSCAN offset against exploration and evaluation expenditures of $5,269,327 and the purchase of plant and equipment and capital assets of $683,547. The 2010 investing activity use of cash is primarily due to exploration and evaluation expenditures of $7,358,052 and the purchase of plant and equipment and capital assets of $6,066,174. For the three- and nine-month periods in 2011 and 2010, up until the Klappan JV was entered on July 13, 2011, exploration and development expenditures were focused primarily on advancing the NICO project while a strategic partner was being sought for the Klappan project. Since entering the Klappan JV, the Company has incurred expenditures on Klappan in the areas of permitting, environmental activities and community relations and consultation. The purchase of plant and equipment and capital assets decreased substantially in 2011 year-to-date compared to the same period for 2010 as a result of reduced spending on engineering activities for the SMPP during 2011 while the project is in the permitting phase and due to the completion of the project to dismantle, deconstruct and salvage the Company's Hemlo assets from the former Golden Giant Mine during 2010 with reduced expenditures incurred during 2011 primarily for storage costs.

Cash provided by financing activities for the nine months ended September 30, 2011 was $20,394,497 compared to $5,758,084 for the same period in 2010. The cash provided in 2011 was mostly from Fortune recognizing its 80% proportionate share of POSCAN's $20 million capital contribution to the Klappan JV. The Company also completed a private placement flow-through share financing during the third quarter, resulting in the issuance of 2,145,000 common shares for gross proceeds of $3,003,000. Additional proceeds of $1,391,497 resulted from the exercise of warrants, compensation options and stock options. Cash provided by financing in 2010 resulted primarily from the exercise of warrants, which provided gross proceeds of $3,841,084, as well as the issuance of 2,535,000 flow-through shares during the second quarter of 2010 pursuant to a private placement for net cash proceeds of $1,947,500, offset by nominal other share issuance costs incurred in the period.

LIQUIDITY AND CAPITAL RESOURCES

As at September 30, 2011, Fortune had cash and cash equivalents of $30,341,681 and a working capital balance of $26,025,526. $15,980,924 in cash is Fortune's share of cash from the Klappan JV. The $2,961,698 current debt at September 30, 2011, was previously considered long-term debt, but became current during the third quarter as it is due at the end of August, 2012. The Company invests its surplus cash in low risk, liquid investments, which typically have low yields but hold their value during times of market uncertainty. The Company's principal operational objectives for the balance of 2011 continue to be focused on the activities to support obtaining the necessary permits and financing for its NICO project, which includes the NICO site in the Northwest Territories and the SMPP in Saskatchewan, and a renewed focus on permitting, engineering and financing activities for Klappan now that a strategic joint venture partner has been secured. With the cash obtained upon the closing of the Klappan Coal JV agreement with POSCAN, and the existing working capital at September 30, 2011, the Company has sufficient cash to fund its planned activities through 2011 and into 2012; however, additional financing will be required to advance the NICO and Klappan projects through to production. The Company regularly reviews its planned activities relative to available funding and prioritizes activities based on what is required to complete critical path activities and budgets accordingly. Non-discretionary budget commitments consist of annual payments of $12,700 and $164,110 required to keep current mining leases for NICO and coal licenses for Klappan, respectively, in good standing. The Company's current environmental reclamation obligations as defined by government regulators are fully secured by cash held in accounts with a large Canadian financial institution. Ultimately, additional financing will be required to construct the mine infrastructure, the processing facilities and acquire additional equipment for the NICO and Klappan projects. Obtaining a joint venture partner for Klappan was one potential source of funding in addition to others including but not limited to equity financing, project financing, off-take and royalty agreements, additional strategic partnerships, mergers and acquisitions. The Company continues to evaluate its alternatives with a view to executing a financing plan suitable to fund its transformation into a producer while minimizing potential dilution. The agreement entered into with Deloitte subsequent to the period, as described above, is another activity management is currently undertaking to find strategic financing solutions for both NICO and Klappan.

OUTLOOK

The Company's principal objective is to achieve successful commercial production for its projects and to maximize shareholder value. The Company`s activities in pursuit of its objectives are subject to many risks as discussed under the heading "Risks and Uncertainties" in the Company's MD&A for the period ended December 31, 2010 and in the Company's annual information form for the year ended December 31, 2010, both of which are available on SEDAR at www.sedar.com. The most significant risks to meeting its objective in the targeted time frame continue to be permitting and financing. These risks arise primarily from external stakeholders such as government regulators, First Nations, and investors who have significant influence over the outcome of the Company`s efforts. Accordingly, management has sought proactive ways to address risks in its business model and has developed appropriate strategies to move forward by focusing expenditures on critical path activities.

Major milestones on the path forward for the NICO project include:

- the receipt of environmental permits for the NICO site in the Northwest Territories and the SMPP site in Saskatchewan;
- identifying and engaging strategic partners to support the development of the NICO project site and the SMPP, by helping to arrange or provide some or all of the project financing, evaluating potential transactions and ultimately entering into a strategic arrangement suitable to the Company.

For Klappan, a major milestone was met during the period with the funding secured from the sale of a 20% interest in Klappan and formation of a strategic relationship with POSCAN upon the completion of the KIappan Coal JV agreement in July 2011. The next major milestones on the path forward for the Klappan project are:

- the receipt of all necessary environmental and mine permits and certificates required for production at the mine site and for development of the railway to the port of Prince Rupert in British Columbia; and
- the completion of a financing plan with potential debt and equity providers to fully fund the Company's share of development and construction costs for the Klappan Coal JV.

The Company, as it moves forward, will continue to focus on prudent management of capital resources while advancing the development of its projects and mitigating risks.

TRANSACTIONS WITH RELATED PARTIES

During the nine-month period ending September 30, 2011, the Company paid key management personnel, including officers, directors, or their related entities for third-party consulting services and/or management, in aggregate, $1,009,240 for services received year-to-date compared to $874,220 for the same period in 2010. The primary reason for the increase was due to additional legal fees paid for completion of the Mount Klappan transaction. Additional amounts of $88,736 were owing to these key management personnel for services received during the third quarter of 2011.

INTERNATIONAL FINANCIAL REPORTING STANDARDS

Effective January 1, 2011, the accounting framework under which financial statements are prepared in Canada for all publicly accountable enterprises changed to International Financial Reporting Standards ("IFRS"). The Company's transition date to IFRS was January 1, 2010, and its first financial statements prepared under IFRS were the interim financial statements for the three months ended March 31, 2011. The March 31, 2011 financial statements include in Note 3 full disclosure of the Company's accounting policies, including new accounting policies under IFRS, and are available on SEDAR at www.sedar.com. The March 31, 2011 financial statements also include transitional adjustments and complete reconciliations of previously disclosed comparative period financial statements prepared in accordance with Canadian generally accepted accounting principles ("GAAP") to IFRS, with adjustments explained, in Note 15. The September 30, 2011 financial statements include, in note 15, complete reconciliations of the second quarter comparative period financial statements prepared in accordance with Canadian GAAP to IFRS.

ADDITIONAL INFORMATION

Additional information relating to the Company, including its current and previous year's annual information forms, are available on SEDAR at www.sedar.com.

SHARE DATA

As at the date hereof, the Company has 111,030,661 common shares issued and outstanding, as well as: (i) warrants to purchase an aggregate of 13,809,344 common shares expiring at various dates between December 3, 2011 and April 16, 2013 and exercisable at various prices between $0.72 and $3.00 per share; (ii) stock options to purchase an aggregate of 5,715,000 common shares expiring at various dates between December 22, 2011 and October 27, 2016 and exercisable at various prices between $0.60 and $2.30 per share; and, (iii) compensation options to purchase an aggregate of 79,616 units for $0.65 on or before December 3, 2011. Each compensation option unit consists of one common share and one-half common share purchase warrant and each whole warrant entitles the holder to purchase one common share of the Company for $0.80 on or before December 3, 2011. All warrants and compensation units have vested at September 30, 2011. All stock options have vested as at the date hereof, except for individual grants of 25,000, 37,500 and 20,000, which are exercisable at $1.60,$1.60 and $1.20, respectively, and vest on May 9, 2012, and May 30, 2012 and August 22, 2012, respectively.

INTERNAL CONTROLS OVER FINANCIAL REPORTING

Internal controls over financial reporting are designed to provide reasonable assurance regarding the reliability of the Company's financial reporting and the preparation of financial statements in compliance with IFRS. Any system of internal control over financial reporting ("ICFR"), no matter how well-designed, has inherent limitations. Therefore, even well-designed systems of internal control can provide only reasonable assurance with respect to financial statement preparation and presentation.

As at September 30, 2011, no material weaknesses in the Company's ICFR have been identified and for the period commencing on January 1, 2011 and ending September 30, 2011, there were no changes made to the Company`s ICFR considered to have materially affected, or are reasonably likely to materially affect, its ICFR. However, the Company continually assesses and, if required, implements new or modifies existing controls required to support operational changes as it makes the transition from exploration, through development, and to producer.

This discussion contains certain forward-looking information. This forward-looking information includes, or may be based upon, estimates, forecasts, and statements as to management's expectations with respect to, among other things, the size and quality of the Company's mineral resources, progress in development of mineral properties, timing and cost for placing the Company's mineral projects into production, costs of production, amount and quality of metal products recoverable from the Company's mineral resources, demand and market outlook for metals and coal and future metal and coal prices. Forward-looking information is based on the opinions and estimates of management at the date the information is given, and is subject to a variety of risks and uncertainties and other factors that could cause actual events or results to differ materially from those projected in the forward-looking information. These factors include the inherent risks involved in the exploration and development of mineral properties, uncertainties with respect to the receipt or timing of required permits and regulatory approvals, the uncertainties involved in interpreting drilling results and other geological data, fluctuating metal and coal prices, the possibility of project cost overruns or unanticipated costs and expenses, uncertainties relating to the availability and costs of financing needed in the future, uncertainties related to metal recoveries and other factors. Readers are cautioned not to place undue reliance on forward-looking information because it is possible that predictions, forecasts, projections and other forms of forward-looking information will not be achieved by the Company. These forward-looking statements are made as of the date hereof and the Company assumes no responsibility to update them or revise them to reflect new events or circumstances, except as required by law.