



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

Three and nine months ended September 30, 2010

This discussion and analysis of financial condition and results of operations of Fortune Minerals Limited is prepared as at November 5, 2010, and should be read in conjunction with the unaudited consolidated financial statements of Fortune Minerals Limited and the notes thereto for the nine months ended September 30, 2010 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, 2009. 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.

INTERNATIONAL FINANCIAL REPORTING STANDARDS

The Company has included an update on the status of the conversion to International Financial Reporting Standards ("IFRS") which also addresses the applicable areas of IFRS 1 Exemptions and Exceptions and key differences under IFRS and Canadian GAAP that will have an impact on the financial statements and note disclosure of Fortune Minerals Limited (refer to pages 5 to 9).

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.

	2010			2009			2008	
	Sep-30	Jun-30	Mar-31	Dec-31	Sep-30	Jun-30	Mar-31	Dec-31
Revenues	\$5,397	\$5,222	\$8,197	\$3,636	\$6,032	\$21,180	\$19,486	\$74,981
Net loss	(444,496)	(479,690)	(328,933)	(392,360)	(224,232)	(523,321)	(192,539)	(396,749)
Basic and fully diluted income (loss) per common share	—	(0.01)	—	(0.01)	—	(0.01)	—	(0.01)

*Note: 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 coal project in northwest British Columbia and the NICO gold-cobalt-bismuth-copper project in the Northwest Territories, both of which are in the advanced development phase and wholly owned. Prices for Fortune's primary commodities remain strong and with rising demand, the Company is well positioned as it pursues its core objective of transforming itself into a producer. 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 in the world economy including gold, cobalt, bismuth, copper, and metallurgical coal; and a near-term production plan that offers a different risk profile than grass roots exploration companies.

Fortune plans to develop its NICO project independently and the Company's 2010 business plans reflect a continued focus to advance permitting and financing of the NICO mine site in the Northwest Territories and the Saskatchewan Metals Processing Plant ("SMPP") site in Saskatchewan while minimizing expenditures in other areas. In support of permitting and financing initiatives, the Company is undertaking the following activities in 2010: ongoing environmental and socio-economic studies; development of management plans and reports required by various regulatory bodies; community consultation and preparation for negotiations with the Tlicho on an Impact and

Benefits Agreement; finalizing reports from the Front End Engineering and Design (“FEED”) programs for the NICO site and SMPP; preliminary engineering for a permanent all-weather road to the NICO site; completion of due diligence activities at the SMPP property prior to closing of the land purchase including environmental, geotechnical and hydrogeological studies; and, exploration drilling at the mine site, in part, to support ongoing engineering and construction of the mill, mine buildings and airstrip. These activities have remained the focus of expenditures during 2010 and will remain a focus for the balance of 2010. During the second and third quarters, the Company also conducted a significant 38-hole drill program at the NICO site. The main objectives for this program were to extend the known mineral reserves for the deposit and provide better definition of the perimeter of the ore body for detailed mine operations and production scheduling. The results from the first 10 drill holes were received during the third quarter and identified additional high-grades (see news release dated September 9, 2010 on the Company’s website, www.fortuneminerals.com or on SEDAR at www.sedar.com, for a summary of drill results received to date). The remaining results are anticipated to be received during the fourth quarter of 2010. During the third quarter, the Company also completed the dismantling of the remaining structures and relocated its salvaged milling and process assets (the “Hemlo Assets”) from the Hemlo Golden Giant Mine to strategic staging locations prior to refurbishment and shipment to the Northwest Territories. As a result, the Company fulfilled its remaining obligations at the Hemlo Golden Giant Mine site ahead of its April 1, 2011 deadline under the current purchase agreement. Accordingly, on October 21, 2010, the \$300,000 security deposit previously posted as part of the purchase agreement was released to the Company. The Hemlo Assets were acquired by Fortune in 2006 as part of the purchase of mill and related facilities for the NICO project.

Fortune remains committed to seeking an appropriate joint venture partner to develop the Mount Klappan project on a larger, more profitable scale than originally contemplated. As the economy continues to recover and prices for metallurgical coal firm up as indicated by recent spot prices and trend setting contracts entered into by certain metallurgical coal producers, management believes that the environment for finding a suitable partner for the project has improved. The Company entered into an engagement with a financial advisor during the second quarter of 2010 to implement a renewed strategy for identifying and engaging a suitable partner in order to maximize value for shareholders and activities in relation to this engagement are ongoing. Further, the Company engaged Marston & Marston Inc. (“Marston”) to update the financial model from its 2008 definitive feasibility study. The update indicates positive economics for the project using a new railway development strategy for haulage of anthracite metallurgical coal products from Mount Klappan in northwest British Columbia to the port of Prince Rupert (see press release dated November 4, 2010 on the Company’s website or on SEDAR).

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, 2010 were \$3,257,182 and \$7,304,977, respectively. The expenditures related to the following projects:

	Three months ended September 30, 2010	Nine months ended September 30, 2010
NICO	\$ 3,133,594	\$ 6,989,615
Mount Klappan	72,530	215,575
All other projects	51,058	100,787
Total cash exploration and development expenditures	\$ 3,257,182	\$ 7,304,977

For comparison, exploration and development expenditures incurred by Fortune on its properties during the three- and nine-month periods ending September 30, 2009 were \$2,062,948 and \$6,014,451, respectively. The expenditures related to the following projects:

	Three months ended September 30, 2009	Nine months ended September 30, 2009
NICO	\$ 2,037,717	\$ 5,746,271
Mount Klappan	18,993	239,957
All other projects	6,238	28,223
Total cash exploration and development expenditures	\$ 2,062,948	\$ 6,014,451

Exploration and development expenditures were higher in 2010 than for the same period in 2009 which reflects expenditures on critical path activities required to advance development of the NICO project while the project is in

the permitting stage, including Hemlo and NICO site activities, and minimal expenditures on Mount Klappan while a suitable joint venture partner is sought.

RESULTS OF OPERATIONS

Revenues

Interest and other income was \$5,397 and \$18,816 for the three- and six-month periods ending September 30, 2010, respectively, compared to \$6,032 and \$46,698 for the same periods in 2009. While cash balances were higher in 2010 compared to 2009 for the same period year over year, the decrease in interest and other income is the result of lower investment income earned on cash held with financial institutions. 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.

Expenses

Expenses for the three- and nine-month periods ended September 30, 2010 and 2009, respectively, were \$413,465 and \$1,669,836 compared to \$334,507 and \$1,154,833. The increases year over year is primarily attributable to taxes, corporate advisory costs, and interest expense. Additional capital taxes were paid in 2010 due to a change in the calculation of capital taxes as a result of the harmonization of provincial and federal tax rules. Capital taxes applicable to the Company in Ontario were eliminated effective July 1, 2010, therefore, in subsequent periods, capital taxes are anticipated to be nil. Interest expense was higher for the nine-month period ending September 30, 2010, since interest was not incurred until late in the first quarter of 2009 when the long-term debt was arranged. Corporate advisory costs incurred in 2010 relate to an engagement to find a strategic partner for Mount Klappan, which did not exist for the same periods in 2009. Other differences year over year relate to small increases in administrative and stock based compensation expenses required to support changes in the NICO project activity year over year and a small reduction in investor relations spending.

Future Tax Recovery

The Company recognized a future income tax recovery of \$12,000 and \$444,000 compared to \$158,000 and \$310,000 for the three- and nine-month periods ended September 30, 2010 and 2009, respectively. The current and prior period balances reflect the recognition of future tax benefits resulting from the estimated tax loss net of current period deductions claimed. The Company's future tax liability has arisen, principally, due to the increasing difference between the 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. The taxes payable recorded is an estimated amount related to the enactment of income tax harmonization between the Ontario and Federal Governments, a portion of which was paid during the third quarter of 2010.

Cash Flow

Cash used in operating activities was \$1,398,220 and \$1,446,390 for the three- and nine-months ended September 30, 2010, respectively, compared to \$434,779 and \$974,298 for the same periods in 2009. Other than changes to future income tax balances between periods, the changes in cash used in operating activities are largely the result of changes in non-cash working capital balances. Operating activities before changes in non-cash working capital used cash of \$435,961 during the third quarter of 2010 compared to \$362,925 in the same period for 2009. During 2010 and 2009, accounts payable and accrued liabilities have fluctuated due to the magnitude and timing of operational activities and whether seasonally based projects are commencing or winding down. The cash used in operating activities during the three-month period ending September 30, 2010 is primarily due to the change in accounts payable and accrued liabilities of \$718,136 in 2010, which is attributed primarily to the timing of payments made for summer activities of the NICO and Hemlo projects prior to the period end.

Cash used in investing activities was \$5,145,043 and \$4,702,528 for the three-month periods ended September 30, 2010 and 2009, respectively. For the nine-months ended September 30, 2010 and 2009, the cash used in investing activities was \$13,590,733 and \$13,248,643, respectively. The 2010 third quarter figure primarily includes exploration and development expenditures of \$3,257,182 and the purchase of plant and equipment and capital assets of \$1,887,304. The 2009 third quarter figure primarily includes exploration and development expenditures of \$2,062,948 and the purchase of plant and equipment and capital assets of \$138,196. For both 2010 and 2009, exploration and development expenditures were focused on advancing the NICO project. The cost of plant and equipment and capital assets consists primarily of engineering expenditures on the Saskatchewan Metals Processing Plant during 2010 and expenditures on dismantling, deconstruction and salvage of the Company's Hemlo Assets net of recoveries from the sale of used equipment and the recycling of scrap steel and other metals in 2010 and 2009.

On August 26, 2010 the Company modified the terms of 6,421,000 outstanding warrants, by extending the expiration date from September 2, 2010 to September 30, 2010 and decreasing the exercise price from \$0.80 to \$0.60 effective September 14, 2010. From September 16, 2010 to September 30, 2010, 6,401,806 of the 6,421,000 modified warrants, with a book value of \$868,400, were exercised for \$0.60 per unit, resulting in the issuance of 6,401,806 common shares for gross proceeds of \$3,841,084.

On November 1, 2010, the Company issued 2,100,473 common shares on a flow through basis at a price of \$0.95 per share for aggregate gross proceeds of \$1,995,450.

LIQUIDITY AND CAPITAL RESOURCES

As at September 30, 2010, Fortune had cash and cash equivalents of \$9,049,109, a working capital balance of \$8,715,187 and long-term debt of \$2,901,726. The Company's principal operational objectives for 2010 have not changed. The focus remains on activities in support of obtaining the necessary permits and financing for its NICO project, which includes the NICO site in the Northwest Territories and SMPP in Saskatchewan, and finding a strategic partner for the Mount Klappan project. The Company started incurring certain costs in its efforts to seek a suitable joint venture arrangement for the Mount Klappan project and entered into an engagement with a financial advisor as part of this process during the second quarter of 2010. Obtaining a joint venture partner for Mount Klappan is another potential source of funding the Company is continuing to assess to minimize the potential dilution from the issuance of additional shares. The Company's working capital is sufficient to fund its planned activities for 2010. Given the opportunity to obtain debt financing or equity financing at higher issue prices, Fortune continues to seek ways to accelerate the development of NICO and the SMPP when acceptable financing is available. Ultimately, additional financing will be required to construct the mine infrastructure, the SMPP and acquire additional equipment. The Company will continue evaluating its alternatives with a view to executing a financing plan suitable to fund its transformation into a producer.

OUTLOOK

The Company's principal objective remains to achieve successful commercial production for its projects. 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, 2009 and in the Company's annual information form for the year ended December 31, 2009, both of which are available on SEDAR at www.sedar.com. However, 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 near Saskatoon, Saskatchewan;
- the completion of a debt financing agreement for both the NICO project and the SMPP project; and
- sourcing any additional equity required to fulfill the Company's contribution to the projects under the debt financing agreements.

In relation to these milestones, during the third quarter of 2010 the Company continued to advance the permitting process for the NICO and SMPP sites and secured additional funding when 6,401,806 warrants were exercised for gross proceeds of \$3,841,084 while ongoing dialogue and activities to secure more significant project financing continued.

The major milestone on the path forward for the Mount Klappan project is:

- Identification of potential partners, evaluation of potential transactions and ultimately entering into a strategic arrangement suitable to the Company.

In relation to this milestone, during the third quarter of 2010 the Company continued to work with its financial advisor, engaged in the second quarter, to help identify and secure a strategic partner relationship for the Mount Klappan project. This included travel to foreign countries to meet with potential interested parties.

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 three-month period ending September 30, 2010, the Company paid entities owned or controlled by certain officers or directors an aggregate of \$161,556 (\$633,333 for the nine-month period ending September 30, 2010), for various third party consulting and legal services. These transactions have been recorded at their exchange amount.

INTERNATIONAL FINANCIAL REPORTING STANDARDS

Effective January 1, 2011, the accounting framework under which financial statements are prepared in Canada for all publicly accountable enterprises is scheduled to change to IFRS as issued by the International Accounting Standards Board ("IASB"). IFRS uses a conceptual framework similar to Canadian GAAP, but there are significant differences in recognition, measurement and disclosures. An IFRS convergence plan is in the process of being implemented. Refer to the December 31, 2009 Management's Discussion and Analysis of Financial Condition and Results of Operations for an overview of the plan. During the third quarter of 2010, the Company hired an additional employee and engaged advisors to assist with the evaluation of differences between Canadian GAAP and IFRS and implementation of the convergence plan to be able to meet the timelines.

IFRS Transition - Identify and Select Applicable IFRS 1 Exemptions and Exceptions

During 2009, the Company conducted an assessment of the impact of *IFRS 1 First-time Adoption of International Financial Reporting Standards*. The key principle of IFRS 1 is full retrospective application of all IFRS in force at the closing balance sheet date for the first IFRS financial statements prepared on transition to IFRS. IFRS 1 acknowledges that full retrospective application may not be practical or appropriate in all situations and prescribes:

- Optional exemptions to provide limited relief for first time adopters from specific aspects of certain IFRS standards in the preparation of the Company's opening balance sheet; and
- Mandatory exceptions to retrospective application of certain IFRS standards.

Additionally, to ensure financial statements contain high-quality information that is transparent to users, IFRS 1 contains disclosure requirements to highlight changes made to financial statement items due to the transition to IFRS. The Company has reviewed the available exemptions and determined the following areas are applicable:

Business Combinations

For all transactions accounted for as business combinations under previous GAAP, the Company may elect to:

- not restate business combinations before the date of transition;
- restate all business combinations before the date of transition; or,
- restate a particular business combination, in which case subsequent business combinations must be restated.

Fair Value as Deemed Cost for Property, Plant and Equipment

For property, plant and equipment, the Company may elect to:

- use cost in accordance with IFRS;
- use fair value at the date of transition as deemed cost; or,
- use a revaluation carried out at a previous date as deemed cost, subject to certain conditions.

The exemption may be applied to any individual item of property, plant and equipment.

Designation of previously recognized financial instruments

A company may choose to reclassify a financial instrument as "a financial asset or financial liability at fair value through profit or loss" or as "available for sale" at its transition date in certain circumstances.

Share-based payments

A company may choose to apply *IFRS 2 Share-based Payment*, to any equity instruments that were granted before November 7, 2002 or that vested before the later of date of transition to IFRS and January 1, 2005 but only if the company has previously disclosed publicly the fair value of the instruments, determined at the measurement date.

Borrowing Costs / Interest Capitalization

A first-time adopter may apply the transitional provisions set out in paragraphs 27 and 28 of IAS 23 *Borrowing Costs*. IAS 23 requires borrowing costs directly attributable to acquisition, construction or production of an asset to be capitalized. An entity shall recognize other borrowing costs as an expense in the period incurred.

The Company will need to make decisions on whether to elect to use any of the applicable optional exemptions identified above and plans to do so during the fourth quarter of 2010. In addition to the optional exceptions from retrospective application, the Company reviewed the four mandatory IFRS exceptions and determined the following to be applicable:

Estimates

IFRS 1 prohibits the use of hindsight to correct estimates made under previous GAAP unless there is objective evidence of error. A company should only adjust the estimates made under previous GAAP when the previous estimate calculation does not comply with IFRS standards. If a new estimate is required under IFRS, the Company will need to estimate based on the conditions that existed at the date of transition to IFRSs. This exception will need to be considered for any significant estimates made as at December 31, 2009.

Exceptions from retrospective application relating to De-recognition of Financial Assets and Liabilities, Hedge Accounting, and Non-controlling Interests were determined not to be applicable to the Company at this time.

Identify Key Differences Between Canadian GAAP and IFRS

The Company has been conducting an analysis to compare current financial statement balances and disclosures based on Canadian GAAP to applicable IFRS. The following are selected key areas of accounting differences where changes in accounting policies on conversion to IFRS may impact the Company's consolidated financial statements. The list and comments should not be construed as a comprehensive list of all changes that will result from transition to IFRS but rather highlights those areas of accounting differences the Company currently believes to be most significant. Analysis of differences is still in process and certain decisions remain to be made where choices relating to accounting policies are available.

Mining Properties - Evaluation and Exploration Expenditures

Current accounting policy: The Company capitalizes acquisition costs and exploration and development expenditures relating to mining properties until the properties are brought into commercial production, disposed, or the mineral property is no longer economically viable or there is a permanent impairment in value, at which time the carrying value will be written down to its estimated fair value.

IFRS 6- Mineral property interests, exploration and evaluation costs: Under IFRS 6, the Company is required to develop an accounting policy to specifically and consistently identify which expenditures are considered exploration and evaluation activities, and recorded as assets, and to identify the cut-off point between the exploration and evaluation phase and the development phase. Expenses incurred in the development phase are to be recorded separately as intangible assets under IAS 38. Unlike IFRS, Canadian GAAP indicates that exploration costs may initially be capitalized if the Company considers that such costs have the characteristics of property, plant and equipment. Exploration and evaluation assets shall be classified as either tangible or intangible according to the nature of the assets acquired.

The Company is in the process of finalizing the definition of the cut-off point between exploration and evaluation and development phases. Once the definition is finalized, the impact on the financial statements can be quantified. The cut-off point as currently defined would result in no impact on transition to IFRS.

Property and Equipment

Current accounting policy: Capital assets are stated at cost less accumulated amortization. Amortization of capital assets is recorded using the declining balance method.

IAS 16- Property, plant, and equipment - Componentization: IAS 16 reinforces the requirement under Canadian GAAP that requires that each part of property, plant and equipment that has a cost that is significant in relation to the overall cost of the item should be depreciated separately.

IAS 16 is not expected to have a significant impact on the financial statements on transition since only a small number and value of assets are depreciated currently as most are mining property assets and not available for use.

IAS 36- Impairment of Assets

Current accounting policy: Impairment testing of long-term assets is based on a two-step approach under current Canadian GAAP. Currently, under Canadian GAAP, long-lived assets are tested for impairment whenever circumstances indicate that the carrying value may not be recoverable. When events or circumstances indicate that the carrying amount of long-lived assets, other than indefinite life intangibles, are not recoverable, the long-lived assets are tested for impairment by comparing the estimate of future expected cash flows to the carrying amount of the assets or groups of assets. If the carrying value is not recoverable from future expected cash flows, any loss is measured as the amount by which the asset's carrying value exceeds fair value and is recorded in the period. Recoverability is assessed relative to undiscounted cash flows from the direct use and disposition of the asset or group of assets. Indefinite life intangible assets are subjected to impairment tests on an annual basis or when events or circumstances indicate a potential impairment. If the carrying value of such assets exceeds the fair values, the assets are written down to fair value.

IAS 36 Impairment of Assets ("IAS 36"): IAS 36 impairment testing is based on comparing the carrying amount to the recoverable amount. In addition, IAS 36 requires, under certain circumstances, the reversal of impairment losses, which is not allowed under current Canadian GAAP.

The Company does not anticipate an impact on the financial statements on the changeover date at this time. Nevertheless, in subsequent years, IFRS could generate more impairment than Canadian GAAP would since it uses a one-step test. The extent of assets requiring an impairment test under IAS 36 will depend on whether any previous mining property expenditures are defined as being development phase assets in addition to existing plant and equipment assessed for impairment on transition. The definition of the cut-off point between exploration and evaluation and development phases is in the process of being finalized, as discussed above.

Leases

Current accounting policy: Currently the Company accounts for leases as either operating or capital. Lease classification depends on whether substantially all of the risks and rewards incidental to ownership of a leased asset have been transferred from the lessor to the lessee, and is made at inception of the lease. Currently, under Canadian GAAP, a number of indicators are used to assist in lease classification including quantitative thresholds.

IAS 17 Leases: A lease is classified as either a finance lease or an operating lease. Lease classification depends on whether substantially all of the risks and rewards incidental to ownership of a leased asset have been transferred from the lessor to the lessee, and is made at inception of the lease. A number of indicators are used to assist in lease classification however, quantitative thresholds are not offered as an indicator as under current Canadian GAAP.

The Company is currently working to establish internal indicators to assist in lease classification under IFRS and plans to complete this during the fourth quarter of 2010. The Company is currently reviewing whether there is any impact on accounting treatment of mining leases and licenses held for its projects under IFRS. The Company is reviewing its operating leases currently, but given only a small number and value of operating lease agreements exist currently, the Company is not anticipating a significant impact on transition for current operating leases.

Stock-based compensation plans

Current accounting policy: The Company recognizes an expense for option awards using the fair value method of accounting. The expense is capitalized to a similar extent as the optionee's salary, wages or fees are capitalized, over the vesting period beginning at the grant date.

IFRS 2 Share based payments: IFRS 2 requires the Company to estimate the forfeiture rate, with respect to share options, at the grant date instead of recognizing the entire compensation expense and only record actual forfeitures as they occur. For graded-vesting features, IFRS requires each instalment to be treated as a separate share option grant, because each instalment has a different vesting period and hence the fair value of each instalment will differ, under IFRS the awards should not be re measured at each reporting date. As well, IFRS 2 requires the Company to

begin recognizing the fair value of the options beginning when the services from the individual are received. Recognition of compensation expense may be required prior to the grant date when services have commenced.

The Company has initially assessed the following unaudited adjustments to the financial statements beginning at the IFRS transition date for existing share based payments issued with graded vesting that should be treated as separate awards and measured on their grant date:

- at the transition date, an adjustment of \$25,157 to increase the fair value of the awards and the respective advisory costs,
- at Q1, 2010 an adjustment of \$43,325 to decrease the fair value of the awards and the respective advisory costs recognized in the quarter,
- at Q2, 2010 an adjustment of \$17,800 to increase the fair value of the awards and increase the respective advisory costs recognized in the quarter, and
- at Q3, 2010 an adjustment of \$10,317 to increase the fair value of the awards and increase the respective advisory costs recognized in the quarter

Provisions

Current accounting policy: Currently, under Canadian GAAP, the Company recognizes contingent liabilities if they can be reliably measured and if the outcome is likely.

IAS 37 - Provisions, contingent liabilities and contingent assets - Contingencies: Under IFRS, a provision should be recognized when: there is a present obligation as a result of a past transaction or event; it is probable that an outflow of resources will be required to settle the obligation; and, a reliable estimate can be made of the obligation. “Probable” in this context means more likely than not. Under Canadian GAAP, the criterion for recognition in the financial statements is “likely”, which is a higher threshold than “probable”. Other differences between IFRS and Canadian GAAP exist in relation to the measurement of provisions, such as the methodology for determining the best estimate where there is a range of equally possible outcomes (IFRS uses the mid-point of the range, whereas Canadian GAAP uses the low-end of the range), and the requirement under IFRS for provisions to be discounted where material.

The Company does not anticipate an impact on the financial statements on the changeover date at this time, however, will complete the review of potential contingencies during the fourth quarter of 2010. In years subsequent to adoption of IFRS, it is possible that there may be some provisions or contingent liabilities which would meet the recognition criteria under IFRS that would not have been recognized under Canadian GAAP.

IAS 37 - Provisions, contingent liabilities and contingent assets - Asset Retirement Obligations: Under IFRS an asset retirement obligation exists if there is a legal or constructive obligation upon commencement of a project. IAS 16 requires the cost of PP&E to include the estimated cost of dismantling and removing the asset and restoring the site. The measurement of this obligation is addressed in IAS 37, which includes obligations arising from a legal or constructive obligation.

The Company is in the processing of quantifying its obligation for restoring the NICO and Klappan project sites under IFRS, however, the amount is expected to be small given estimated costs are discounted from the reclamation date at the end of the respective mine lives. At pre-discounted values, the existing obligations are estimated by the regulators at \$211,000 and \$307,000, respectively. Further, the Company anticipates it would cost significantly less to restore the sites using its own equipment and people, and is in the process of quantifying its current constructive obligation under this scenario, which would then be discounted from an estimated mine reclamation date.

Income Taxes

Current accounting policy: The Company follows the liability method of tax allocation in accounting for income taxes. Under this method, future tax assets and liabilities are determined based on differences between the financial reporting and tax bases of assets and liabilities, and measured using the substantively enacted tax rates and laws that will be in effect when the differences are expected to reverse.

The Corporation plans to undertake a review of *IAS 12 Income taxes* with respect to the accounting for income taxes to assess the impact on convergence during the fourth quarter of 2010. The impact of adoption of IAS 12 has not yet been determined.

Other

Other areas that have been initially identified as having a potential significant impact in the future, but not on transition, as the Company evolves from pre-production to operating include:

- Inventory
- Revenue Recognition
- Business Combinations
- Functional Currency
- Closure and Environmental Costs
- Derivatives and Hedging

Additional Areas to be Addressed in the Conversion to IFRS

Prepare Opening IFRS Balance Sheet

The opening IFRS balance sheet for the Company will:

- include all assets and liabilities that IFRS requires;
- exclude any assets and liabilities that IFRS does not permit;
- classify all assets, liabilities and equity in accordance with IFRS; and,
- measure all items in accordance with IFRS.

The exception to this is where IFRS 1 optional exemptions or mandatory exceptions does not require or permit recognition, classification and measurement in accordance with IFRS as discussed above. The adjustments as a result of applying IFRS for the first time will be recorded in retained earnings or another equity category. The Company has not yet prepared an opening IFRS balance sheet but plans to do so during the fourth quarter of 2010.

Apply IFRS Accounting Policies to Comparative Financial Statements and Effective Date of Adoption

For the Company, the first published interim financial statements under IFRS will be for the 3-month period ending March 31, 2011. However, comparative financial statements will need to be provided for the 3-month period ending March 31, 2010. Therefore, IFRS 1 will be applied to the opening balances for the period beginning January 1, 2010. The Company is in the process of preparing account balances in accordance with IFRS in order to have comparative financial statements on full implementation of IFRS in 2011. The complete quantitative impact of the transition to IFRS on the Company's consolidated financial statements has not yet been determined.

Assess Process, Internal Control, System and Business Changes

Until IFRS accounting policies are selected as explained above, the full impact on process and internal controls is not known; however, it is not anticipated that significant changes to processes or internal controls will be required initially given the areas identified as having a potential impact and the stage of development of the Company.

The Company has reviewed short-term system needs required to support future operations under IFRS with the intent to implement any required changes prior to IFRS conversion. As a result, to date, the Company has implemented fixed assets inventory and accounting software with increased functionality and reporting which will assist with applying IFRS accounting policies selected for property, plant and equipment.

Major business activities are not expected to be impacted by the transition to IFRS since they are not impacted by GAAP measures currently (i.e. no debt covenants, capital requirements, or compensation arrangements impacted by GAAP measures at this time). However, the Company will consider the impact on business activities for any future arrangements entered into that may be impacted by IFRS accounting policies.

Communication and Disclosure

The Company will continue to assess and monitor the impact of adopting IFRS. As the financial statement impact of the transition to IFRS is quantified, in addition to regulatory disclosure requirements, the Company will assess the nature and extent of investor relations activity required, if any, to communicate to shareholders changes in accounting policies and account balances due to IFRS.

Training and Financial Expertise

Fortune's Corporate Controller and Chief Financial Officer have attended training programs specific to IFRS. During the third quarter of 2010, the Company added financial expertise to the team through the hiring of an Accounting Manager with an initial emphasis on IFRS implementation responsibilities. The Chief Financial Officer, Corporate Controller and Accounting Manager have also completed a significant amount of self-study related to the standards under IFRS. The Company will continue to build IFRS knowledge through senior management and Audit Committee training and communication. IFRS is on the agenda and relevant implementation activities discussed for each 2010 Audit Committee meeting and further IFRS-specific meetings will be held as required between the date hereof and full IFRS implementation. In addition, the Company has engaged the external auditors to assist with certain activities related to the implementation of IFRS and is consulting on technical matters where required.

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 105,816,686 common shares issued and outstanding, as well as: (i) warrants to purchase an aggregate of 14,469,275 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 4,225,000 common shares expiring at various dates between March 27, 2011 and May 25, 2015 and exercisable at various prices between \$0.60 and \$2.96 per share; and, (iii) compensation options to purchase an aggregate of 1,592,313 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 have vested at September 30, 2010. All stock options have vested as at the date hereof except for 20,000 options exercisable at \$0.74 per share expiring on March 17, 2015, which vest on March 1, 2011. The compensation options had not been exercised as at the date hereof and are fully vested.

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 Canadian generally accepted accounting principles ("GAAP"). 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, 2010, no material weaknesses in the Company's ICFR have been identified and for the period commencing on January 1, 2010 and ending September 30, 2010, 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 an exploration company 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, uncertainty in the outcome of litigation and other factors. Readers are cautioned to not 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.