

Consolidated Financial Statements
Fortune Minerals Limited

Unaudited

March 31, 2005

Notice to Reader

Management has compiled the unaudited interim financial information of Fortune Minerals Limited consisting of the interim consolidated balance sheet as at March 31, 2005 and the consolidated statements of loss and deficit and cash flows for the three months ended March 31, 2005. All amounts are stated in Canadian dollars. An accounting firm has not reviewed or audited this interim financial information.

Fortune Minerals Limited
 Incorporated under the laws of Ontario

CONSOLIDATED BALANCE SHEETS

As at	Unaudited	
	March 31, 2005	December 31, 2004
	\$	\$
ASSETS		
Current assets		
Cash and cash equivalents	25,361,062	24,642,774
Short-term investments	269,467	268,872
Accounts receivable	554,432	446,629
Prepaid expenses	27,626	17,865
	26,212,587	25,376,140
Reclamation bond	225,900	225,900
Investment in and advances to affiliated company	380,958	379,440
Capital assets, net <i>[note 2]</i>	202,201	19,355
Interests in mining properties	3,153,280	3,153,280
Deferred exploration expenditures <i>[note 3]</i>	12,105,815	11,296,536
	42,280,741	40,450,651
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Accounts payable and accrued liabilities	462,307	676,405
Income taxes payable	99,235	83,235
Total current liabilities	561,542	759,640
Future income taxes	4,000,000	4,000,000
Total liabilities	4,561,542	4,759,640
SHAREHOLDERS' EQUITY		
Share capital <i>[note 4]</i>	38,241,598	36,179,828
Contributed surplus	1,348,840	1,348,840
Deficit	(1,871,239)	(1,837,657)
	37,719,199	35,691,011
	42,280,741	40,450,651

See accompanying notes

Fortune Minerals Limited
Incorporated under the laws of Ontario

**CONSOLIDATED STATEMENTS OF LOSS
AND DEFICIT**

For the three month period ended March 31

Unaudited

	2005	2004
	\$	\$
REVENUE		
Interest and other income	114,532	29,298
EXPENSES		
Administrative expenses	124,805	54,799
Public relations	22,128	29,717
Stock compensation expense	-	450,000
Amortization	1,181	522
	148,114	535,038
Net loss for the period	(33,582)	(505,740)
Deficit, beginning of period	(1,837,657)	(498,789)
Deficit, end of period	(1,871,239)	(1,004,529)
Basic and diluted loss per share [note 4[d]]	-	(0.02)

See accompanying notes

Fortune Minerals Limited
 Incorporated under the laws of Ontario

**CONSOLIDATED STATEMENTS OF
 CASH FLOWS**

For the three month period ended March 31

Unaudited

	2005	2004
	\$	\$
OPERATING ACTIVITIES		
Net loss for the period	(33,582)	(505,740)
Add items not involving cash		
Amortization	1,181	522
Stock-based compensation	-	450,000
	<u>(32,401)</u>	<u>(55,218)</u>
Changes in non-cash working capital balances related to operations		
Accounts receivable	(107,803)	5,962
Prepaid expenses	(9,761)	7,965
Accounts payable and accrued liabilities	(198,098)	(55,004)
Cash used in operating activities	<u>(332,063)</u>	<u>(96,295)</u>
INVESTING ACTIVITIES		
Advances to affiliated company	(1,518)	(1,982)
Net decrease (increase) in short-term investments	(595)	-
Purchase of capital assets	(199,600)	-
Increase in deferred exploration expenditures	(793,706)	(136,946)
Cash used in investing activities	<u>(995,419)</u>	<u>(138,928)</u>
FINANCING ACTIVITY		
Proceeds on issuance of shares and warrants, net	2,061,770	107,628
Increase (decrease) in cash and cash equivalents	<u>734,288</u>	<u>(127,595)</u>
Cash and cash equivalents, beginning of period	24,642,774	3,348,384
Cash and cash equivalents, end of period [note 5[a]]	<u>25,377,062</u>	<u>3,220,789</u>

See accompanying notes

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2005

1. BASIS OF PRESENTATION

The accompanying unaudited consolidated financial statements have been prepared by Fortune Mineral Limited [the "Company"] in accordance with Canadian generally accepted accounting principles. These unaudited condensed notes to the consolidated financial statements should be read in conjunction with the audited consolidated financial statements and notes included in the Company's Annual Report for the fiscal year ended December 31, 2004.

2. CAPITAL ASSETS

Capital assets consist of the following:

	2005		2004	
	Cost	Accumulated amortization	Cost	Accumulated amortization
	\$	\$	\$	\$
Mobile equipment	199,600	14,970	-	-
Office equipment	37,586	27,152	37,586	26,242
Computer equipment	43,684	36,547	43,684	35,673
Organization costs	1,109	1,109	1,109	1,109
	281,979	79,778	82,379	63,024
Less accumulated amortization	79,778		63,024	
Net book value	202,201		19,355	

3. DEFERRED EXPLORATION EXPENDITURES

Deferred exploration expenditures are as follows:

	2004			2005		
	Balance December 31, 2003	Expenditures	Write-offs	Balance December 31, 2004	Expenditures	Balance March 31, 2005
	\$	\$	\$	\$	\$	\$
Mount Klappan	561,797	638,211	—	1,200,008	333,651	1,533,659
NICO	6,431,749	1,479,544	—	7,911,293	471,539	8,382,832
Sue-Dianne	1,959,754	2,989	—	1,962,743	50	1,962,793
Olym-Pic-Dam	161,922	—	—	161,922	—	161,922
Other	41,493	31,775	(12,698)	60,570	4,039	64,609
	9,156,715	2,152,519	(12,698)	11,296,536	809,279	12,105,815

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2005

4. SHARE CAPITAL

[a] Authorized: Unlimited number of common shares

[b] Issued and outstanding common shares:

	2005		2004	
	#	\$	#	\$
Common shares				
Beginning of year	32,161,573	35,153,507	25,290,748	14,058,463
Issued as a result of:				
Public offering of shares ¹	470,600	2,000,050	4,706,000	20,000,500
Private placement of shares	—	—	924,000	3,003,000
Exercise of warrants	117,500	214,565	820,825	1,201,023
Exercise of options	—	—	420,000	419,484
Share issuance costs, net of tax	—	(168,602)	—	(2,188,963)
Future tax impact of renunciation of development costs expended	—	—	—	(1,340,000)
End of year	32,749,673	37,199,520	32,161,573	35,153,507
Warrants				
Beginning of year	1,718,560	1,026,321	2,092,025	746,385
Issued as a result of:				
Exercise of units	—	—	118,800	53,460
In lieu of fees	28,236	54,072	328,560	573,060
Exercised	(117,500)	(38,315)	(820,825)	(346,584)
End of year	1,629,296	1,042,078	1,718,560	1,026,321
		38,241,598		36,179,828

¹ On December 23, 2004, the Company completed a public offering pursuant to a short form prospectus that resulted in the issuance of 4,706,000 common shares at a price of \$4.25 per share. Included with the offering was a 30-day option whereby the agent at its discretion could purchase an additional 470,600 common shares at a price of \$4.25 per share. The agent exercised this option in full in January 2005.

[c] The following table summarizes information about the share warrants outstanding at March 31, 2005:

Range of exercise prices	Share warrants outstanding and exercisable		
	Number outstanding at March 31, 2005	Weighted-average remaining contractual life [years]	Weighted-average exercise price
\$1.50	1,272,500	0.2	\$1.50
\$3.25	46,200	0.8	\$3.25
\$4.25	310,596	1.3	\$4.25
	1,629,296		

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2005

[d] The weighted average number of common shares outstanding was 32,563,435.

During the period, options to purchase 1,832,400 common shares and warrants to purchase 1,629,296 common shares were not included in the computation of diluted loss per share because including them in the calculation would have been anti-dilutive.

5. STATEMENT OF CASH FLOWS

[a] Cash and cash equivalents consist of cash on hand and balances with banks, and short-term fixed income deposits with maturity dates shorter than three months.

	2005	2004
	\$	\$
Cash on hand and balances with banks	2,729,335	1,026,863
Short-term fixed income deposits	22,631,727	23,615,911
	25,361,062	24,642,774

[b] Supplemental cash flow information

	2005	2004
	\$	\$
Income taxes paid	—	57,837
Income taxes received	—	9,253
Interest received	86,360	91,527

6. RELATED PARTY TRANSACTIONS

During the period, the Company paid the managing director \$46,140 for third party geological consulting and for administrative consulting services on behalf of the Company.

A company controlled by a director owns an 18.91% interest in the NICO claims in the Mazenod Lake Area, Northwest Territories. At March 31, 2004, accounts receivable includes \$368,382 [December 31, 2004- \$309,100] for expenditures incurred on behalf of this company.

Fortune Minerals Limited

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

Three months ended March 31, 2005

This discussion and analysis of financial condition and results of operations of Fortune Minerals Limited is prepared as at April 29, 2005, and should be read in conjunction with the unaudited consolidated financial statements of Fortune Minerals Limited and the notes thereto for the three months ended March 31, 2005 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, 2004. 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.

OVERVIEW

Fortune is engaged in the exploration and development of coal, specialty, base and precious metals, and industrial mineral properties in Canada. These activities are carried out directly and indirectly through subsidiaries and through joint ventures with other companies, typically with Fortune as the operator. Advanced projects include a 100% interest in the Mount Klappan coal deposits, an 81% interest in the NICO cobalt-gold-bismuth deposit and a 100% interest in the Sue-Dianne copper-silver deposit. The Company has a number of additional exploration projects that are less advanced. Fortune also holds a 30% interest in Formosa Environmental Aggregates Ltd. ("Formosa"), which owns lands proposed for development of a high-calcium limestone deposit, and manages the operations of Formosa.

Fortune incurred a net loss of \$33,582 or \$nil per share in the three months ended March 31, 2005, compared to a net loss of \$505,740 or \$0.02 per share in the comparable period of 2004. Included in the loss in the first quarter of 2004 was \$450,000 related to the grant of stock options. No stock options were granted in the first quarter of 2005. With the Company's recent growth and increased activities related to the development of Mount Klappan and NICO deposits, administration costs are higher than in the preceding year. This increase in costs has been offset by the interest income being earned on higher cash balances and investments.

Selected Financial Information

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

Financial and Operating Data

	2005		2004				2003		
	Mar-31	Dec-31	Sep-30	Jun-30	Mar-31	Dec-31	Sep-30	Jun-30	
Revenues	\$ 114,532	\$ 13,671	\$ 1,938	\$ 67,544	\$ 29,298	\$ 12,485	\$ 10,504	\$ 19,510	
Net loss	(33,582)	(631,706)	(121,200)	(80,222)	(505,740)	(63,494)	(61,002)	(133,224)	
Loss per share	—	(0.02)	(0.01)	—	(0.02)	—	—	(0.01)	

Fortune Minerals Limited

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

Balance Sheet Data

	March 31, 2005	December 31, 2004
Cumulative deferred exploration expenditures	\$12,105,815	\$11,296,536
Working capital	25,651,045	24,616,500
Total Assets	42,280,741	40,450,651

RESULTS OF OPERATIONS

Revenues

Fortune's primary source of revenue is interest income. Interest and other income was \$114,532 for the three months ended March 31, 2005 compared to \$29,298 for the corresponding period in 2004. The overall increase resulted from higher cash balances generated by financing activity late in 2004. Due to the nature and timing of deposits and changes in interest rates in the economy, the Company experiences fluctuations in yield rates affecting the amount of interest income.

Expenses

Expenses for the three months ended March 31, 2005 were \$148,114, down from \$535,038 in the corresponding period in 2004. Administrative expenses were higher in the first quarter of 2005 compared to 2004 due to increased professional and consulting fees. The costs however, are comparable to the fourth quarter of 2004. As Fortune continues to advance its projects and with the recent additions of Jim Excell and Garrett Macdonald, management anticipates these costs will increase accordingly.

Cash Flow

Cash used in operating activities in the three months ended March 31, 2005 was \$348,063. For the first quarter in 2004, cash used in operating activities was \$96,295. The increase in the use of cash has resulted principally from the increase in receivables and the decrease in accounts payable and accrued liabilities.

Cash used in investing activities was \$995,419 for the three months ended March 31, 2005 compared to \$138,928 in the prior year. The change reflects the costs associated with the feasibility studies underway and the purchase of certain equipment for the preparation of the NICO project site to commence an underground bulk sample in 2006.

LIQUIDITY AND CAPITAL RESOURCES

As at March 31, 2005, Fortune had cash and cash equivalents of \$25,361,062, short-term investments of \$269,467 and working capital of \$25,651,045, compared with \$24,642,774, \$268,872 and \$24,616,500, respectively, as at December 31, 2004. In January 2005, the agent exercised the overallotment option pursuant to the financing completed in December of 2004 and together with the exercise of warrants raised net proceeds of \$2,061,770 in the first quarter. The Company has, at March 31, 2005, 1,272,500 warrants outstanding with an exercise price of \$1.50 and an expiry date of May 30, 2005. Management anticipates these warrants will be exercised providing the Company with an additional \$1,908,750 in proceeds.

Fortune Minerals Limited

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

OUTLOOK

The Company currently has sufficient resources to fund the feasibility studies expected to be completed in mid 2005 and its other operations. There are no significant changes to the Company's operating or financial plans. Additional financing will be required by the Company in order to pursue further exploration and development of its major projects or acquire additional projects.

SHARE DATA

As at the date hereof, the Company has 32,765,073 common shares issued and outstanding, as well as: (a) warrants to purchase an aggregate of 1,613,896 common shares expiring on May 30, 2005, January 31, 2006, or June 23, 2006 and exercisable at \$1.50, \$3.25 or \$4.25 per share; and (b) options to purchase an aggregate of 1,607,400 common shares expiring at various dates between June 23, 2006 and October 15, 2009 and exercisable at various prices between \$0.69 and \$3.45 per share.

CAUTIONARY STATEMENT ON FORWARD-LOOKING INFORMATION

This discussion contains certain forward looking statements relating but not limited to the Company's operations, anticipated financial performance, business prospects and strategies. Forward-looking information typically contains statements with words such as "anticipated", "believe", "expect", "plan" or similar words suggesting future outcomes. 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. In addition, the Company undertakes no obligation to update publicly or otherwise revise any forward-looking information whether as a result of new information, future events or otherwise.