

Consolidated Financial Statements

Fortune Minerals Limited

Unaudited

March 31, 2006

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, 2006 and the consolidated statements of loss and deficit and cash flows for the three months ended March 31, 2006. 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, 2006	December 31, 2005
	\$	\$
ASSETS		
Current assets		
Cash and cash equivalents <i>[note 8[a]]</i>	18,152,501	23,199,434
Short-term investments	268,360	267,872
Accounts receivable <i>[note 9[c]]</i>	1,000,994	844,463
Prepaid expenses	8,667	21,669
	19,430,522	24,333,438
Reclamation bonds <i>[note 2]</i>	548,444	478,093
Other deferred or prepaid expenses <i>[note 3]</i>	1,108,678	99,686
Investment in and advances to affiliated company	331,592	331,462
Capital assets, net <i>[note 4]</i>	921,365	306,725
Interests in mining properties	3,153,280	3,153,280
Deferred exploration expenditures <i>[note 5]</i>	22,657,891	19,149,212
	48,151,772	47,851,896
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Accounts payable and accrued liabilities	704,948	691,709
Taxes payable	24,333	24,333
Total current liabilities	729,281	716,042
Future income taxes <i>[note 7]</i>	5,380,000	4,880,000
Total liabilities	6,109,281	5,596,042
SHAREHOLDERS' EQUITY		
Share capital <i>[note 6]</i>	42,405,665	42,549,139
Contributed surplus	2,022,867	1,947,090
Deficit	(2,386,041)	(2,240,375)
	42,042,491	42,255,854
	48,151,772	47,851,896

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

	2006	2005
	\$	\$
REVENUE		
Interest and other income	139,502	114,532
EXPENSES		
Administrative expenses	91,429	124,805
Public relations	31,382	22,128
Stock-based compensation expense <i>[note 6[c]]</i>	160,000	-
Amortization	2,287	1,181
	285,098	148,114
Loss before other items	(145,596)	(33,582)
Share in loss of equity investee	70	-
Net loss for the period	(145,666)	(33,582)
Deficit, beginning of period	(2,240,375)	(1,837,657)
Deficit, end of period	(2,386,041)	(1,871,239)
Basic and diluted loss per share <i>[note 6[d]]</i>	-	-

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

	2006	2005
	\$	\$
OPERATING ACTIVITIES		
Net loss for the period	(145,666)	(33,582)
Add items not involving cash		
Amortization	2,287	1,181
Stock-based compensation expense	160,000	-
Share in loss of equity investee	70	-
	16,691	(32,401)
Changes in non-cash working capital balances related to operations		
Accounts receivable	(156,531)	(107,803)
Prepaid expenses	13,002	(9,761)
Accounts payable and accrued liabilities	13,239	(198,098)
Taxes payable	-	16,000
Cash used in operating activities	(113,599)	(332,063)
INVESTING ACTIVITIES		
Advances to affiliated company	(200)	(1,518)
Net decrease (increase) in short-term investments	(488)	(595)
Other deferred or prepaid expenses	(1,008,992)	-
Purchase of capital assets	(639,286)	(199,600)
Posting of security for reclamation bond	(70,351)	-
Increase in deferred exploration expenditures	(3,486,320)	(793,706)
Cash used in investing activities	(5,205,637)	(995,419)
FINANCING ACTIVITY		
Proceeds on issuance of shares and warrants, net	272,303	2,061,770
Increase (decrease) in cash and cash equivalents	(5,046,933)	734,288
Cash and cash equivalents, beginning of period	23,199,434	24,642,774
Cash and cash equivalents, end of period [note 8[a]]	18,152,501	25,377,062

See accompanying notes

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2006

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, 2005.

2. RECLAMATION BONDS

During the period, the Company increased its reclamation bond with the Mackenzie Valley Land and Water Board with respect to NICO by \$70,000. The Company's reclamation bonds are in the form of letters of credit. The Company has \$220,624 and \$327,820 recorded at cost, held in various investments as security for the letters of credit, for NICO and Mount Klappan, respectively.

3. OTHER DEFERRED OR PREPAID EXPENES

On December 2, 2005, the Company entered into an agreement with a third party to acquire certain mill, related surface facilities and processing equipment for future use at the NICO project. Payments of \$100,000 upon signing of the agreement, \$990,000 upon completing due diligence and \$2,210,000 upon closing of the transaction are required under the agreement. Closing is to occur on or before August 30, 2006 subject to certain conditions including the current mine owner completing milling and decommissioning activities. By December 31, 2005, Fortune made the initial payment and incurred other costs related to the acquisition of the assets totalling \$122,933. Fortune's 81% share of these costs totalling \$99,686 was deferred. Fortune's joint venture partner was responsible for its share of the costs. As a result, \$23,247 was included in receivables. This amount was paid subsequent to year end. Fortune completed its due diligence and made the second payment of \$990,000 on January 18, 2006. This amount together with other related expenditures has been deferred.

4. CAPITAL ASSETS

Capital assets consist of the following:

	<u>March 31, 2006</u>		<u>December 31, 2005</u>	
	<u>Cost</u>	<u>Accumulated amortization</u>	<u>Cost</u>	<u>Accumulated amortization</u>
	\$	\$	\$	\$
Surface Facilities	637,045	—	—	—
Mobile equipment	225,524	75,900	225,524	63,769
Camp Structures	112,775	23,348	112,775	16,097
Furniture and fixtures	30,813	11,978	28,572	10,259
Computer equipment	24,071	8,396	24,071	6,157
Leasehold Improvements	9,351	2,057	9,351	1,246
Software	4,752	1,287	4,752	792
Organization costs	1,109	1,109	1,109	1,109
	1,045,440	124,075	406,154	99,429
Less accumulated amortization	124,075		99,429	
Net book value	921,365		306,725	

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2006

5. DEFERRED EXPLORATION EXPENDITURES

Deferred exploration expenditures are as follows:

	Balance December 31, 2005 \$	2006		Balance March 31, 2006 \$
		Expenditures \$	Write-offs \$	
NICO	10,401,079	2,968,359	—	13,369,438
Mount Klappan	6,709,639	507,727	—	7,217,366
Sue-Dianne	1,965,513	—	—	1,965,513
Other	72,981	32,593	—	105,574
	19,149,212	3,508,679	—	22,657,891

6. SHARE CAPITAL

[a] Issued and outstanding common shares:

	March 31, 2006		December 31, 2005	
	#	\$	#	\$
Common shares				
Beginning of period	34,870,907	41,932,787	32,161,573	35,153,507
Issued as a result of:				
Public offering of shares	—	—	470,600	2,000,050
Private placement of shares	—	—	833,334	3,000,002
Exercise of warrants	30,800	121,660	1,405,400	2,599,091
Exercise of options	238,700	256,426	—	—
Share issuance costs, net of tax	—	—	—	(189,863)
Future tax impact of renunciation of development costs expended [note 7]	—	(500,000)	—	(630,000)
End of period	35,140,407	41,810,873	34,870,907	41,932,787
Warrants				
Beginning of period	341,396	616,352	1,718,560	1,026,321
Issued as a result of:				
Exercise of units	—	—	—	—
In lieu of fees	—	—	28,236	54,072
Exercised	(30,800)	(21,560)	(1,405,400)	(464,041)
End of period	310,596	594,792	341,396	616,352
		42,405,665		42,549,139

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2006

[b] The following table summarizes information about the share warrants outstanding at March 31, 2006:

Range of exercise prices	Share warrants outstanding and exercisable		
	Number outstanding at September 30, 2005	Weighted-average remaining contractual life [years]	Weighted-average exercise price
\$4.25	310,596	0.7	\$4.25

[c] Stock compensation expense of \$160,000 has been recorded for the estimated fair value of 100,000 options granted and vested during the three month period ending March 31, 2006. Contributed surplus was increased by \$160,000, representing the fair value compensation recorded.

The fair value of the options granted were estimated at the date of grant using the Black-Scholes option pricing model with the following assumptions: risk free interest rate of 3.75%, expected dividend yield of 0%, expected volatility of 0.63 and expected option life of five years. The weighted-average fair value of the options granted during the year is \$1.60.

The Black-Scholes model, used by the Company to calculate option values, as well as other accepted option valuation models, was developed to estimate fair value of freely tradable, fully transferable options, which significantly differ from the Company's stock option awards. These models also require four highly subjective assumptions, including future stock price volatility and expected time until exercise, which greatly affect the calculated values. Accordingly, management believes that these models do not necessarily provide a reliable single measure of the fair value of the Company's stock option awards.

A summary of the status of the Company's stock option plan as at March 31, 2006 and December 31, 2005, and changes during the periods ending on those dates is presented below:

	March 31, 2006		December 31, 2005	
	Number of shares	Weighted-average exercise price (\$)	Number of shares	Weighted-average exercise price (\$)
Options outstanding, beginning of period	1,932,400	2.07	1,607,400	1.55
Granted	100,000	2.84	325,000	4.62
Exercised	(238,700)	.72	—	—
Options outstanding, end, of period	1,793,700	2.29	1,932,400	2.07

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2006

The following summarizes information about the options outstanding at March 31, 2006:

Exercise prices	Options outstanding and exercisable	
	Number outstanding	Weighted-average remaining contractual life [years]
\$0.69	315,000	0.1
\$0.75	553,700	1.8
\$2.84	100,000	5.0
\$3.30	200,000	3.6
\$3.45	300,000	3.0
\$3.86	100,000	4.5
\$4.95	225,000	4.0
	1,793,700	

[d] For the three months ending March 31, 2006, the weighted average number of common shares outstanding was 35,051,403.

During the period, options and warrants to purchase 1,135,596 common shares were not included in the computation of diluted loss per share because the exercise prices of these options and warrants were greater than the average market price of the common shares. Also, options to purchase 968,700 common shares were not included in the computation of diluted loss per share because including them in the calculation would have been anti-dilutive.

7. INCOME TAXES

Future tax liabilities of \$500,000 were recorded related to the tax effect of certain flow through expenditures renounced during the period ended March 31, 2006. Share capital was reduced by a corresponding amount.

8. 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.

	March 31, 2006	December 31, 2005
	\$	\$
Cash on hand and balances with banks	229,943	2,254,516
Short-term fixed income deposits	17,922,558	20,944,918
	18,152,501	23,199,434

Fortune Minerals Limited
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2006

[b] Supplemental cash flow information

	March 31, 2006	December 31, 2005
	\$	\$
Taxes received	—	16,097
Interest received	—	521,593

9. RELATED PARTY TRANSACTIONS

- [a] During the period, the Company paid the managing director \$50,000 for third party geological consulting and for administrative consulting services on behalf of the Company.
- [b] During the period, the Company paid an officer \$41,480 for financial, management and administrative consulting services on behalf of the Company.
- [c] At December 31, 2005, a company controlled by a director owned an 18.91% interest in the NICO claims in the Mazenod Lake Area, Northwest Territories. At March 31, 2006, accounts receivable includes \$525,513 [December 31, 2005 - \$525,513] for expenditures incurred on behalf of this company. Subsequent to March 31, 2006, the joint venture partner paid this amount and advised the Company they would not participate in the planned expenditures during 2006. As a result their interest will be diluted in accordance with the joint venture agreement.

Fortune Minerals Limited

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

Three months ended March 31, 2006

This discussion and analysis of financial condition and results of operations of Fortune Minerals Limited is prepared as at May 13, 2006, 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, 2006 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, 2005. 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 \$145,666 or \$nil per share in the three months ended March 31, 2006, compared to a net loss of \$33,582 or \$nil per share in the comparable period of 2005. Included in the loss in the first quarter of 2006 was \$160,000 related to the grant of stock options. No stock options were granted in the first quarter of 2005. The Company's revenues and other costs are comparable to prior year's first quarter.

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

	2006	2005				2004		
	Mar-31	Dec-31	Sep-30	Jun-30	Mar-31	Dec-31	Sep-30	Jun-30
Revenues	\$ 139,502	\$155,846	\$132,275	\$177,035	\$114,532	\$ 13,671	\$ 1,938	\$ 67,544
Net income (loss)	(145,666)	(181,419)	1,103	(188,820)	(33,582)	(631,706)	(121,200)	(80,222)
Income (loss) per share	—	—	—	(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, 2006	December 31, 2005
Cumulative deferred exploration expenditures	\$22,657,891	\$19,149,212
Working capital	18,701,241	23,617,396
Total Assets	48,151,772	47,851,896

RESULTS OF OPERATIONS

Revenues

Fortune's primary source of revenue is interest income. Interest and other income was \$139,502 for the three months ended March 31, 2006 compared to \$114,532 for the corresponding period in 2005.

Expenses

Expenses for the three months ended March 31, 2006 were \$285,098, up from \$148,114 in the corresponding period in 2005. Administrative, public relations and amortization expenses were comparable between the years. The increase is attributable to the recording of stock-based compensation expense of \$160,000 arising from the granting of stock options in the first quarter of 2006.

Cash Flow

Cash used in operating activities in the three months ended March 31, 2006 was \$113,599. For the first quarter in 2005, cash used in operating activities was \$332,063. The decrease in the use of cash has resulted principally from changes in non-cash working capital items.

Cash used in investing activities was \$5,205,637 for the three months ended March 31, 2006 compared to \$995,419 in the prior year. The increase primarily relates to advancing the NICO project including the costs associated with driving the ramp required to collect the underground bulk sample, environmental studies, purchase of certain surface facilities and purchase of the Hemlo Mill buildings and equipment from the Golden Giant Mine in northern Ontario. In addition, the Company is proceeding with permitting the Mount Klappan Lost-Fox deposit.

LIQUIDITY AND CAPITAL RESOURCES

As at March 31, 2006, Fortune had cash and cash equivalents of \$18,152,501, short-term investments of \$268,360 and working capital of \$18,701,241, compared with \$23,199,434, \$267,872 and \$23,617,396, respectively, as at December 31, 2005.

TRANSACTIONS WITH RELATED PARTIES

Subsequent to March 31, 2006, Fortune's joint venture partner on the NICO project paid the balance owing at December 31, 2005 of \$525,513 and advised the Company its intention not to participate in the activities planned for 2006. As a result, Fortune will fund all of the planned expenditures for 2006 and the joint venture partner's share in the project will be diluted in accordance with the joint venture agreement.

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 NICO feasibility study expected to be completed in mid-2006, the Mount Klappan environmental studies and permitting, and its other activities noted above. The 2006 budgeted development and capital expenditures total \$21.5 million. The Company's activities are on budget having invested \$5.2 million at March 31, 2006. The Company is focussed on developing its major projects and is diligently carrying out its operating and financial plans. Additional financing will be required by the Company in order to pursue mine construction at its major projects or acquire additional projects.

SHARE DATA

As at the date hereof, the Company has 35,140,407 common shares issued and outstanding, as well as: (a) warrants to purchase an aggregate of 310,596 common shares expiring on June 23, 2006 and exercisable at \$4.25 per share; and (b) options to purchase an aggregate of 1,793,700 common shares expiring at various dates between May 20, 2006 and March 27, 2011 and exercisable at various prices between \$0.69 and \$4.95 per share.

FORWARD-LOOKING STATEMENTS

This discussion contains certain forward-looking statements relating, but not limited, to the Company's operations, anticipated financial performance, business prospects and strategies and is based on current expectations that involve a number of business risks and uncertainties. Factors that could cause actual results to differ materially from any forward looking statement include, but are not limited to: capital and operating costs varying significantly from estimates; inflation; delays in the development of the Company's projects caused by unavailability of equipment, labour or supplies, climatic conditions or otherwise; failure to raise additional funds required to finance the development of the projects and other factors. Forward-looking statements are subject to significant risks and uncertainties and other factors that could cause actual results to differ materially from expected results. 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.