

Consolidated Financial Statements

Fortune Minerals Limited

Unaudited

March 31, 2008

Fortune Minerals Limited
 Incorporated under the laws of Ontario

CONSOLIDATED BALANCE SHEETS

As at	Unaudited	
	March 31, 2008	December 31, 2007
	\$	\$
ASSETS		
Current assets		
Cash and cash equivalents <i>[note 8[a]]</i>	20,736,207	23,218,869
Accounts receivable	711,742	728,243
Prepaid expenses	27,282	49,119
Total current assets	21,475,231	23,996,231
Security deposit <i>[note 5[i]]</i>	342,112	342,127
Reclamation bonds <i>[note 5[i] and note 5[ii]]</i>	592,784	585,546
Capital assets, net <i>[note 4]</i>	77,794	26,718
Mining properties <i>[note 5]</i>	68,991,415	65,403,096
	91,479,336	90,353,718
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Accounts payable and accrued liabilities	1,742,580	1,292,814
Income taxes payable	24,333	24,333
Total current liabilities	1,766,913	1,317,147
Future income taxes <i>[note 7]</i>	6,931,000	6,902,000
Total liabilities	8,697,913	8,219,147
SHAREHOLDERS' EQUITY		
Share capital <i>[note 6]</i>	79,258,620	78,616,328
Contributed surplus	3,782,720	3,606,237
Deficit	(259,917)	(87,994)
Total shareholders' equity	82,781,423	82,134,571
	91,479,336	90,353,718

See accompanying notes

Fortune Minerals Limited**CONSOLIDATED STATEMENTS OF LOSS
AND DEFICIT**

For the three month periods ended March 31

	Unaudited	
	2008	2007
	\$	\$
REVENUE		
Interest and other income	196,453	109,340
EXPENSES		
Administrative	183,185	95,800
Investor relations	92,733	42,001
Stock-based compensation	150,000	—
Amortization	4,958	1,689
	430,876	139,490
Loss before other items	(234,423)	(30,150)
Share in gain of equity investee	—	(526)
Loss before income taxes	(234,423)	(29,624)
Recovery of future income taxes	62,500	—
Net loss for the period	(171,923)	(29,624)
Deficit, beginning of period	(87,994)	(2,279,580)
Change in accounting policy	—	(4,481)
Deficit, beginning of period, as restated	(87,994)	(2,284,061)
Deficit, end of period	(259,917)	(2,313,685)
Basic and diluted loss per share [note 6[b]]	—	—

See accompanying notes

Fortune Minerals Limited

**CONSOLIDATED STATEMENTS OF
CASH FLOWS**

For the three month periods ended March 31

	Unaudited	
	2008	2007
	\$	\$
OPERATING ACTIVITIES		
Net loss for the period	(171,923)	(29,624)
Add (deduct) items not involving cash		
Stock-based compensation expense	150,000	—
Amortization	4,958	1,689
Share in gain of equity investee	—	(526)
Future income taxes	(62,500)	—
	(79,465)	(28,461)
Changes in non-cash working capital balances related to operations		
Accounts receivable	16,501	1,242,930
Prepaid expenses	21,837	25,365
Accounts payable and accrued liabilities	449,766	(563,449)
Cash provided by operating activities	408,639	676,385
INVESTING ACTIVITIES		
Decrease in security deposit	15	—
Proceeds on disposal of short-term investments	—	268,325
Purchase of plant and equipment and capital assets	(1,058,523)	(112,833)
Posting of security for reclamation bonds	(7,238)	(1,646)
Increase in deferred exploration expenditures	(2,240,830)	(3,458,088)
Cash used in investing activities	(3,306,576)	(3,304,242)
FINANCING ACTIVITY		
Proceeds on issuance of shares, net	415,275	—
Net decrease in cash and cash equivalents	(2,482,662)	(2,627,857)
Cash and cash equivalents, beginning of period	23,218,869	11,942,358
Cash and cash equivalents, end of period	20,736,207	9,314,501

See accompanying notes

Fortune Minerals Limited

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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1. BASIS OF PRESENTATION

Fortune Minerals Limited [the "Company"] is a natural resource company with mineral deposits and exploration projects in Canada. The Company is focused on the exploration and the assembly and development of natural resource projects. The recoverability of amounts shown for mineral properties and related deferred exploration expenditures is dependent upon the economic viability of recoverable reserves, the ability of the Company to obtain the necessary financing to complete the development, and future profitable production or proceeds from the disposition thereof.

The accompanying unaudited interim consolidated financial statements have been prepared by the Company in accordance with Canadian generally accepted accounting principles. These unaudited condensed notes to the interim 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, 2007.

2. ADOPTION OF NEW ACCOUNTING STANDARDS

Effective January 1, 2008, the Company adopted the Canadian Institute of Chartered Accountants ["CICA"] Handbook Sections 1535 *Capital Disclosures*, Section 3862 *Financial Instruments – Disclosures* and Section 3863 *Financial Instruments – Presentation*. Sections 3862 and 3863 replace Section 3861 *Financial Instruments – Disclosure and Presentation*, revising and enhancing its disclosure requirements, and carrying forward unchanged its presentation requirements. The principal changes in the Company's financial statements due to the adoption of these accounting standards are described below.

[a] Section 1535 *Capital Disclosures*

This Section specifies the disclosure of: (i) an entity's objectives, policies and processes for managing capital; (ii) summary quantitative data about what the entity regards as capital; (iii) whether the entity has complied with any externally imposed capital requirements; and (iv) if it has not complied with such requirements, the consequences of such non-compliance.

[b] Section 3862 *Financial Instruments – Disclosures*

This Section places increased emphasis on disclosures that enable the user to evaluate: (i) the significance of financial instruments for the entity's financial position and performance and (ii) the nature and extent of risks arising from financial instruments the entity is exposed to during the period and at the balance sheet date, and how the entity manages those risks.

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 schedule to change to International Financial Reporting Standards ("IFRS"). Generally accepted accounting principles ("GAAP") in Canada will cease to apply and will be replaced by IFRS. The Accounting Standards Board plans to implement changes to Canadian generally accepted accounting principles between now and the implementation date to smooth the transition; however, it is expected that IFRS implementation will significantly impact current financial statement presentation and disclosure. An IFRS convergence strategy is planned for creation during fiscal 2008 with disclosure of a more detailed plan in 2009. Commencing in fiscal 2010, the Company will need to prepare accounts in

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accordance with Canadian GAAP and IFRS in order to have comparative financial statements on full implementation of IFRS in 2011. The impact of this transition on the Company's consolidated financial statements has not yet been determined.

3. FINANCIAL INSTRUMENTS

The Company has designated cash and cash equivalents, short-term investments, and reclamation bonds as assets held for trading. Accounts receivable are designated as receivables and accounts payable and accrued liabilities are designated as other liabilities. These financial instruments initial measurement is at fair value. Receivables and accounts payable and accrued liabilities are subsequently measured on the basis of amortized cost using the effective interest rate method. Assets held for trading are revalued on the reporting date based on relevant market information and information about the financial instrument. These valuations are estimates and changes in assumptions could significantly affect the estimate.

[a] Credit risk is the risk of an unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations. Cash and cash equivalents, short-term investments and reclamation bonds are composed of financial instruments issued by large Canadian financial institutions with high investment-grade ratings maturing over various dates. Further, the Company limits its credit risk to any individual counterparty. The Company's receivables consist primarily of GST due from the Federal Government of Canada and amounts due, pursuant to a formal contract, from a reputable contractor operating in the Canadian mining industry.

[b] Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in the market prices and is comprised of three types of risk: interest rate risk; currency risk; and other price risk.

- i.* Interest rate risk arises because of changes in market interest rates. The Company's cash and cash equivalents, short-term investments and reclamation bonds are subject to minimal risk of changes in value, have an original maturity of 90 days or less from the date of purchase and are readily convertible into cash.
- ii.* Currency risk arises because of changes in foreign exchange rates. Nearly all of the Company's current activities are priced in Canadian dollars. However, The Company expects certain of its future capital and operating costs as well as its future revenue streams will be priced in United States dollars.
- iii.* Other price risk arises because of changes in market prices other than those due to interest rates and currency changes. The Company is exposed to price risk with respect to commodity and equity prices. Equity price risk is the potential adverse impact on the Company's ability to raise new capital and generate earnings due to movement in the Company's equity price or general movement in the level of the stock market. Commodity price risk is the potential adverse impact on earning and economic value due to commodity price movements and volatilities. The Company monitors commodity prices of anthracite coal, cobalt, gold and bismuth in addition to

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other metal markets, individual equity movements and the stock market to determine appropriate courses of action to be taken by the Company

[c] Liquidity risk is the risk that the Company will not be able to meet its obligations associated with financial liabilities as they fall due. The Company's investment policy is to invest its excess cash in high-grade investment securities with varying terms to maturity, selected with regard to the expected timing of expenditures for continuing operation. Accounts payable and accrued liabilities are all current. The Company's letters of credit are fully secured by deposits that conform to the Company's investment policy.

4. CAPITAL ASSETS

Capital assets consist of the following:

	<u>March 31, 2008</u>		<u>December 31, 2007</u>	
	<u>Cost</u>	<u>Accumulated amortization</u>	<u>Cost</u>	<u>Accumulated amortization</u>
	\$	\$	\$	\$
Computer equipment	95,717	31,271	35,740	22,693
Furniture and fixtures	25,793	16,178	24,778	15,282
Leasehold improvements	9,602	6,735	9,602	6,417
Software	4,752	3,886	4,752	3,762
	135,864	58,070	74,872	48,154
Less accumulated amortization	58,070		48,154	
Net book value	77,794		26,718	

5. MINING PROPERTIES

Interests in mining properties consist of the following:

	<u>March 31, 2008</u>			
	<u>Plant and equipment</u>	<u>Property costs</u>	<u>Deferred exploration and development expenditures</u>	<u>Total - Mining properties</u>
	\$	\$	\$	\$
NICO Project [i]	6,092,696	3,593,049	38,037,659	47,723,404
Mount Klappan Project [ii]	27,478	3,144,116	15,943,692	19,115,286
Sue-Dianne Project	—	9,164	2,019,886	2,029,050
Other properties	—	—	123,675	123,675
	6,120,174	6,746,329	56,124,912	68,991,415

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	December 31, 2007			
	Plant and Equipment \$	Property Costs \$	Deferred exploration and development Expenditures \$	Total - Mining Properties \$
NICO Project [i]	5,079,841	3,593,049	36,446,106	45,118,996
Mount Klappan Project [ii]	30,257	3,144,116	14,984,987	18,159,360
Sue-Dianne Project	—	9,164	1,996,810	2,005,974
Other properties	—	—	118,766	118,766
	5,110,098	6,746,329	53,546,669	65,403,096

During the three-month period ended March 31, 2008, \$164,010 of administrative expenses, \$82,413 of amortization and \$255,000 of stock-based compensation were charged to deferred exploration and development expenditures within mining properties.

Plant and equipment consist of the following:

	<u>March 31, 2008</u>		<u>December 31, 2007</u>	
	<u>Cost</u>	<u>Accumulated amortization</u>	<u>Cost</u>	<u>Accumulated amortization</u>
	\$	\$	\$	\$
Surface facilities under construction	4,570,600	—	3,990,136	—
Surface facilities	1,099,774	298,021	841,857	269,227
Camp structures	632,898	299,633	632,898	259,974
Mobile equipment	601,605	198,231	342,505	181,416
Site furniture and equipment	28,495	17,313	28,495	15,176
	6,933,372	813,198	5,835,891	725,793
Less accumulated amortization	813,198		725,793	
Net book value	6,120,174		5,110,098	

During the three-month period ended March 31, 2008, \$9,950 of amortization and \$90,000 of stock-based compensation were charged to surface facilities under construction.

i. NICO Project, Northwest Territories

The NICO Project and the related claims in the Mazenod Lake Area, Northwest Territories are wholly owned by the Company.

The Company has provided a reclamation bond of \$211,000 with the Wek'èezhì Land and Water Board with respect to the bulk sample programs carried out in 2006 and 2007. The bond is in the form of a letter of credit in favour of the Receiver General for Canada. The Company has \$235,950, recorded at fair value, held in various investments as security for the letter of credit.

On August 31, 2006, the Company acquired certain mill, related surface facilities and processing equipment for future use at the NICO project. All costs of purchase, including previously deferred

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amounts and ongoing maintenance, security and other related costs, have been capitalized. No amortization has been charged against these assets as they are recorded as surface facilities under construction and are not available for use.

Pursuant to the purchase agreement of these facilities, the Company has an obligation to the vendor to dismantle and remove the assets from the site by August 31, 2009. The Company has entered into an additional agreement with the land owner, whereby these assets only need to be removed from the site by April 30, 2010. The Company has received a third party feasibility study and has commenced detailed engineering and planning related to the use of these assets at NICO but a construction decision has not been taken. As a result, the course of action with reference to using the assets is still not known.

In addition, the Company is required to post a maximum of \$1 million in financial assurance or a performance bond in favour of the vendor. The posting of this financial assurance is required upon removal of assets in amounts equal to the appraised market value of assets being removed. Assets not required at the NICO site will be sold or disposed of to fulfill the Company's obligation. As at March 31, 2008, the Company has received \$342,912 in net proceeds from the disposal of surplus assets. In accordance with the agreement, \$342,112 has been posted as financial assurance and recorded as security deposit. Upon completion of the Company's obligation to remove the assets from the site, the financial assurance will be released to the Company.

The net cost of the deconstruction, removal, and reconstruction of the assets will be accumulated as surface facilities under construction until such time as the physical assets are completed and available for use at which time they will be classified as appropriate.

***ii.* Mount Klappan Project, British Columbia**

At March 31, 2008, a reclamation bond of \$307,000 has been posted with respect to this property. The bond is in the form of a letter of credit in favour of the Government of British Columbia. The Company's wholly owned subsidiary, Fortune Coal Limited, has \$356,835, recorded at fair value, held in various investments as security for the letter of credit.

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6. SHARE CAPITAL

[a] Issued and outstanding common shares:

	<u>March 31, 2008</u>		<u>December 31, 2007</u>	
	#	\$	#	\$
Common shares				
Beginning of period	49,546,407	76,630,268	38,936,407	50,753,793
Issued as a result of:				
Public offering [c]	—	—	9,550,000	27,026,500
Purchase of property interest	—	—	1,000,000	3,000,000
Exercise of options	553,700	642,292	60,000	206,572
Share issuance costs, net of tax [c]	—	—	—	(2,326,597)
Future tax impact of renunciation of development costs expended and reduction in tax basis of mining properties acquired	—	—	—	(2,030,000)
End of period [b]	50,100,107	77,272,560	49,546,407	76,630,268
Warrants				
Beginning of period	5,448,000	1,986,060	—	—
Public offering [c]	—	—	4,775,000	1,623,500
In lieu of fees [c]	—	—	573,000	389,640
Purchase of property interest	—	—	100,000	174,790
Warrant issuance costs, net of tax [c]	—	—	—	(147,870)
Future tax impact of reduction in tax basis of mining properties acquired	—	—	—	(54,000)
End of period	5,448,000	1,986,060	5,448,000	1,986,060
		79,258,620		78,616,328

[b] At March 31, 2008, the weighted average number of common shares outstanding was 49,969,308. During the period, options to purchase 2,090,000 common shares and warrants to purchase 5,448,000 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 250,000 common shares were not included in the computation of diluted loss per share because including them in the calculation would have been anti-dilutive.

[c] The estimated fair value of 585,000 options granted and vested during the three-month period ended March 31, 2008 has been allocated to stock-based compensation expense, deferred exploration and development expenditures and capital assets in the amounts of \$150,000, \$255,000 and \$90,000, respectively. Share capital was increased and contributed surplus decreased by \$227,017 representing the fair value compensation recorded for options exercised during the period, and contributed surplus was increased by \$495,000 representing the fair value compensation recorded less \$91,500 related to the tax effect of the amount capitalized.

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The fair value of the options granted was estimated at the date of grant using the Black-Scholes option pricing model with the following assumptions:

Number of options granted #	Assumptions				Estimated fair value per option \$
	Risk free interest rate %	Expected dividend yield %	Expected volatility %	Expected option life [years] #	
335,000	3.25	—	59	5	0.85
250,000	2.50	—	59	5	0.84

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 December 31, 2007 and March 31, 2008, and changes during the periods ending on those dates are presented below:

	March 31, 2008		December 31, 2007	
	Number of shares #	Weighted-average exercise price \$	Number of shares #	Weighted-average exercise price \$
Options outstanding, beginning of period	2,308,700	2.49	2,278,700	2.54
Granted	585,000	1.69	225,000	3.02
Exercised	553,700	0.75	60,000	2.30
Expired	—	—	135,000	4.35
Options outstanding, end of period	2,340,000	2.70	2,308,700	2.49

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The following summarizes information about the options outstanding at March 31, 2008:

Exercise prices \$	<u>Options outstanding and exercisable</u>	
	Number outstanding at March 31, 2008 #	Weighted average remaining contractual life [years] #
1.60	250,000	5.0
1.75	335,000	4.9
2.30	630,000	3.7
2.80	50,000	4.5
2.84	100,000	3.0
2.90	100,000	0.1
2.96	75,000	4.1
3.18	100,000	1.2
3.30	200,000	1.5
3.45	300,000	1.0
3.86	50,000	2.5
4.95	150,000	2.0
	<u>2,340,000</u>	

Subsequent to March 31, 2008, 100,000 options expired with an exercise price of \$2.90.

7. INCOME TAXES

The Company has non-capital loss carryforwards totalling \$4,100,000 which expire beginning in 2009 and un-deducted share issuance costs of \$2,350,000. In addition, the Company has Ontario corporate minimum tax credits of \$34,000 which expire in 2009. The Company, by 2007, has completed feasibility studies for both of its principle projects and undertaken related permitting and financing activities. Management has determined it is more likely than not that the Company will achieve production and will realize the benefit of certain non-capital losses and its un-deducted share issuance costs. The benefit of these amounts has been recorded in the consolidated financial statements to the extent that the deduction for share issuance costs and operating losses expire post-2014.

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Significant components of the Company's future income tax assets and liabilities are as follows:

	March 31, 2008	December 31, 2007
	\$	\$
Future tax assets		
Net operating loss carryforwards	1,092,000	1,003,000
Un-deducted share issuance costs	620,000	689,000
Ontario corporate minimum tax	34,000	34,000
	1,746,000	1,726,000
Less valuation allowance related to operating losses, share issuance costs and corporate minimum tax	(530,000)	(530,000)
Future tax assets	1,216,000	1,196,000
Future tax liabilities		
Book value of deferred exploration expenditures and capital assets in excess of tax value	(8,147,000)	(8,098,000)
Net future tax liabilities	(6,931,000)	(6,902,000)

The reconciliation of income taxes computed at the statutory income tax rates to the provision for income taxes is as follows:

	March 31, 2008	December 31, 2007
	\$	\$
Combined federal and provincial income tax rate	33.29%	36.12%
Corporate income tax at statutory rate	(78,000)	(90,300)
Increase (decrease) in income taxes resulting from:		
Non-deductible stock compensation expenses	50,000	37,300
Other	(34,500)	53,000
Benefit of recognizing future tax assets	—	(1,196,000)
Benefit of reduction of substantively enacted tax rates	—	(1,250,000)
	(62,500)	(2,446,000)

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8. CONSOLIDATED STATEMENTS OF CASH FLOWS

[a] Cash and cash equivalents consist of the following :

	March 31, 2008	December 31, 2007
	\$	\$
Cash on hand and balances with banks	915,318	955,914
Short-term fixed income deposits	19,820,889	22,262,955
	20,736,207	23,218,869

[b] Supplemental cash flow information:

	March 31, 2008	December 31, 2007
	\$	\$
Interest and investment income received	156,046	640,680

9. MANAGEMENT OF CAPITAL

The Company's objectives when managing capital are: (i) to safeguard the Company's ability to continue as a going concern in order to pursue the development of its mineral properties and provide returns for shareholders, and (ii) to maintain a flexible capital structure which optimizes the cost of capital at an acceptable risk.

The Company includes the components of shareholders' equity, long-term debt, the Company's cash and cash equivalents and short-term investments in the management of capital.

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares, issue new debt, acquire or dispose of assets or adjust the amount of cash and cash equivalents and short-term investments.

To facilitate the management of its capital requirements, the Company prepares forecasts or expenditure budgets for its activities that are used to monitor performance. Variances to plan will result in adjustments to capital deployment subject to various factors and industry conditions. The Company's activities and the associated forecasts or budgets are approved by the Board of Directors.

The Company is not subject to any externally imposed capital requirements limiting or restricting the use its of capital. In order to maximize ongoing development efforts, the Company does not pay out dividends at this time.

The Company's investment policy is to invest its cash in highly liquid short-term interest-bearing investments with maturities of less than a year from the original date of acquisition, selected with regards to the expected timing of expenditure from operations.

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The Company expects its current capital resources will be sufficient to carry out its exploration and development plans and operations into 2009 and meet its commitments (Refer to note 11). However, significant additional capital will be required to complete the development of the Company's NICO and Mount Klappan projects.

10. RELATED PARTY TRANSACTIONS

In addition to any related party transactions noted elsewhere, the following related party transactions have been recorded at their exchange amount:

- [a]** During the period, the Company paid an officer and director \$55,385 for third-party geological consulting and for administrative consulting services on behalf of the Company.
- [b]** During the period, the Company paid an officer \$49,848 for financial, management and administrative consulting services on behalf of the Company.
- [c]** During the period, \$30,000 was paid to the Company's law firm for various legal services. An officer and director of the Company is a partner of that firm.
- [d]** During the period, a director earned \$12,000 for third-party management, community relations and other project related consulting on behalf of the Company. This amount is outstanding at March 31, 2008 and is included in accounts payable.

11. COMMITMENTS

Subsequent to March 31, 2008, the Company entered into a technical services agreement with a major engineering firm, to undertake the initial engineering and design work for the Company's proposed NICO mine. The estimated cost of the contract is approximately \$4.5 million and is anticipated to be completed prior to the end of 2008.



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

Three months ended March 31, 2008

This discussion and analysis of financial condition and results of operations of Fortune Minerals Limited is prepared as at April 24, 2008, 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, 2008 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, 2007. 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 tables provide selected consolidated financial information that is derived from the unaudited interim consolidated financial statements and audited consolidated financial statements of the Company.

	2008	2007				2006		
	Mar-31	Dec-31	Sep-30	Jun-30	Mar-31	Dec-31	Sep-30	Jun-30
Revenues	\$196,453	\$294,749	\$203,966	\$91,495	\$109,340	\$71,354	\$256,385	\$128,793
Net income (loss)	(171,923)	2,457,888	(119,701)	(112,496)	(29,624)	18,856	189,991	(102,386)
Basic and fully diluted income (loss) per common share	—	0.05	—	—	—	—	—	—

OVERVIEW

Fortune is a natural resource company with diversified assets, all of which are located in Canada. Currently, the Company is involved in the exploration and development of coal, specialty metals, base metals and precious metals properties. Fortune is making the transition from exploration company to mineral producer. The Company's most significant assets are the Mount Klappan anthracite coal project in northwest British Columbia and the NICO cobalt-gold-bismuth project in the Northwest Territories.

The Company, focused on bringing both of its principal projects into production, has added some key management talent to strengthen the operations team including a Vice-President of Operations, a Controller, a Manager of Procurement and Logistics and a Manager of Human Resources. The Company's projects are enhanced by the operating and technical expertise of the strengthened management team. The Company will be completing the pilot plant testing of its NICO ore sample and has entered into a technical services agreement with Aker Kvaerner E&C, a division of Aker Kvaerner Canada Inc., to undertake the detailed engineering and design work for the proposed NICO mine. The estimated cost of these services is estimated to be \$4.5 million. Further, the Company will be awarding a contract to commence the dismantling and deconstruction of its Hemlo assets. Environmental work and discussions with various First Nations are continuing to move forward.

Exploration and development expenditures incurred by Fortune on its properties during the three month period ending March 31, 2007 were \$2,240,830.

	Three months ended March 31, 2008
NICO	\$ 1,333,462
Mount Klappan	879,427
All other projects	27,941
Total cash exploration and development expenditures	\$ 2,240,830

These amounts, although lower than for the same period in 2007, are reflective of the budgeted expenditures and are focused on the Company's NICO and Mount Klappan projects.

The Company's net loss for the three month period ended March 31, 2008 was \$171,923 or \$nil per share compared to \$29,624 or \$nil per share for the same period in the prior year. The current year's losses are higher when compared to the prior year for the three month period due to higher administrative, investor relations and stock-based compensation expenses offset by higher investment income and recovery of future income taxes. Stock compensation expense for the three month period was \$150,000 compared to \$nil for the same periods in 2007.

RESULTS OF OPERATIONS

Revenues

Interest and other income was \$196,453 for the three month period ending March 31, 2008 compared to \$109,340 for the same period in 2007. Interest and other income increased compared to the previous year's quarter due to increased cash and investments balances.

Expenses

The Company's administrative and investor relations expenses for the first quarter of 2008 compared to 2007 increased to \$275,918 from \$137,801 as the Company has hired additional staff and has maintained a higher level of investor relations activity that commenced during 2007. The Company's expenses are anticipated to continue to increase further as it grows. In addition, the Company recorded \$150,000 in stock compensation expense in the first quarter of 2008. No stock-compensation expense was recorded in the first quarter of 2007.

Cash Flow

Cash provided by operating activities was \$408,639 for the three months ended March 31, 2008 compared to \$676,385 for the same period in 2007. Changes in non-cash working capital balances accounted for most of these amounts as the Company's investment income covers most of its administrative and investor relations cash expenditures.

Cash used in investing activities was \$3,306,576 and \$3,304,242 for the three month periods ended March 31, 2008 and 2007, respectively. The total is comparable, however, approximately \$1 million more was incurred in 2008 on plant and equipment related to the NICO project and the dismantling of its Hemlo assets. The Company will continue to invest in its two main projects, NICO and Mount Klappan.

The Company issued 553,700 shares during the first quarter of 2008 pursuant to the exercise of stock options. Cash proceeds totaled \$415,275.

LIQUIDITY AND CAPITAL RESOURCES

As at March 31, 2008, Fortune had cash and cash equivalents of \$20,736,207 and working capital of \$19,708,318, with no debt. The Company has sufficient cash to undertake its planned 2008 activities. Investment income will decline in relation to the use of cash. Additional financing will be required by the Company in order to commence mine construction. The Company will continue to pursue financing alternatives, including seeking out suitable joint venture partners, and endeavor to execute a financing plan to fund mine construction at the Lost-Fox and NICO deposits.

OUTLOOK

Commodity prices for cobalt, gold, bismuth, and anthracite continue to be very strong having an important beneficial effect on the Company's projects. These pricing trends reflect the increasing demand for these resources combined with restricted supply.

Despite significant increases to operating and capital costs due to higher fuel, labour, steel, power and other input costs being experienced in the mining industry, the Company believes that a combination of project enhancements and commodity price increases has resulted in a meaningful increase in the value of the NICO and Mount Klappan projects. Such project enhancements are the result of the evaluation of alternative transportation studies at Mount Klappan, metallurgical test work related to NICO ores, and the use of Hemlo assets. The Company will continue to seek creative ways to manage and mitigate its business risks and remains committed to executing its business strategy of bringing its projects to production.

The timing of completing elements of the Company's strategy cannot always be predicted due to the reliance on and influence of forces outside of Company's control. The Company's management seeks strategies to manage and minimize the risks associated with such external factors and continuously monitors progress of each activity.

TRANSACTIONS WITH RELATED PARTIES

During first three months of 2008, the Company paid Robin Goad, the President and Chief Executive Officer, \$55,385 for geological consulting and management consulting services on behalf of the Company, Kemp Management Services, a sole proprietorship of Julian Kemp, the Vice President Finance and Chief Financial Officer, \$49,848 for financial, management and administrative consulting services on behalf of the Company and Macleod Dixon LLP, a partnership of which David Knight, the Secretary and a director, is a partner, \$30,000 for legal services. The Company also owes \$12,000 to Clouter Enterprises, a company controlled by Carl Clouter, a director, for third-party management, community relations and other project related consulting on behalf of the Company.

NEW ACCOUNTING STANDARDS

Effective January 1, 2008, the Company adopted the Canadian Institute of Chartered Accountants ["CICA"] Handbook Sections 1535 *Capital Disclosures*, Section 3862 *Financial Instruments – Disclosures* and Section 3863 *Financial Instruments – Presentation*. Sections 3862 and 3863 replace Section 3861 *Financial Instruments – Disclosure and Presentation*, revising and enhancing its disclosure requirements, and carrying forward unchanged its presentation requirements. The principal changes in the Company's financial statements due to the adoption of these accounting standards are described below.

[a] Section 1535 *Capital Disclosures*

This Section specifies the disclosure of: (i) an entity's objectives, policies and processes for managing capital; (ii) summary quantitative data about what the entity regards as capital; (iii) whether the entity has complied with any externally imposed capital requirements; and (iv) if it has not complied with such requirements, the consequences of such non-compliance.

[b] Section 3862 *Financial Instruments – Disclosures*

This Section places increased emphasis on disclosures that enable the user to evaluate: (i) the significance of financial instruments for the entity's financial position and performance and (ii) the nature and extent of risks arising from financial instruments the entity is exposed to during the period and at the balance sheet date, and how the entity manages those risks.

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 schedule to change to International Financial Reporting Standards ("IFRS"). Generally accepted accounting principles ("GAAP") in Canada will cease to apply and will be replaced by IFRS. The Accounting Standards Board plans to implement changes to Canadian generally accepted accounting principles between now and the implementation date to smooth the transition; however, it is expected that IFRS implementation will significantly impact current financial statement presentation and disclosure. An IFRS convergence strategy is planned for creation during fiscal 2008 with disclosure of a more detailed plan in 2009. Commencing in fiscal 2010, the Company will need to prepare accounts in accordance with Canadian GAAP and IFRS in order to have comparative financial statements on full implementation of IFRS in 2011. The impact of this transition on the Company's consolidated financial statements has not yet been determined.

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 50,100,107 common shares issued and outstanding, as well as: (i) warrants to purchase an aggregate of 5,448,000 common shares expiring either on July 26, 2009 or August 9, 2012 and exercisable at either \$3.00 or \$3.75 per share; and (ii) options to purchase an aggregate of 2,240,000 common shares expiring at various dates between March 17, 2009 and March 31, 2013 and exercisable at various prices between \$1.60 and \$4.95 per share.

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.

There were no changes to the Company's internal controls over financial reporting during the three month period ended March 31, 2008 that have materially affected, or are reasonably likely to materially affect, its internal controls over financial reporting.

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, demand and market outlook for metals and future metal 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, the uncertainties involved in interpreting drilling results and other geological data, fluctuating metal prices, delays in the development of the Company's projects caused by unavailability of equipment, labour or supplies, climatic conditions or otherwise, the possibility of project cost overruns or unanticipated costs and expenses, uncertainties relating to the availability and costs of financing needed in the future 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. The forward-looking information contained here-in is made as of the date hereof and the Company assumes no responsibility to update them or revise such forward-looking information to reflect new events or circumstances, except as required by law.