

Consolidated Financial Statements

Fortune Minerals Limited

Unaudited

June 30, 2008

Fortune Minerals Limited
 Incorporated under the laws of Ontario

CONSOLIDATED BALANCE SHEETS

As at	Unaudited	
	June 30, 2008	December 31, 2007
	\$	\$
ASSETS		
Current assets		
Cash and cash equivalents <i>[note 8[a]]</i>	14,224,838	23,218,869
Accounts receivable	944,550	728,243
Prepaid expenses	18,863	49,119
Total current assets	15,188,251	23,996,231
Security deposit <i>[note 5[i]]</i>	342,095	342,127
Reclamation bonds <i>[note 5[i] and note 5[ii]]</i>	598,110	585,546
Capital assets, net <i>[note 4]</i>	121,271	26,718
Mining properties <i>[note 5]</i>	74,394,207	65,403,096
	90,643,934	90,353,718
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Accounts payable and accrued liabilities	1,001,355	1,292,814
Income taxes payable	11,672	24,333
Total current liabilities	1,013,027	1,317,147
Future income taxes <i>[note 7]</i>	6,967,000	6,902,000
Total liabilities	7,980,027	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	(377,433)	(87,994)
Total shareholders' equity	82,663,907	82,134,571
	90,643,934	90,353,718

See accompanying notes

Fortune Minerals Limited
 Incorporated under the laws of Ontario

**CONSOLIDATED STATEMENTS OF LOSS
 AND DEFICIT**

	Unaudited			
	Three months ended June 30,		Six months ended June 30,	
	2008	2007	2008	2007
	\$	\$	\$	\$
REVENUE				
Interest and other income	137,026	91,495	333,479	200,835
EXPENSES				
Administrative	227,023	118,664	410,208	214,464
Investor relations	96,946	71,677	189,679	113,678
Stock-based compensation [note 6[d]]	—	11,250	150,000	11,250
Amortization	6,073	1,504	11,031	3,193
	330,042	203,095	760,918	342,585
Loss before other items	(193,016)	(111,600)	(427,439)	(141,750)
Share in loss of equity investee	—	896	—	370
Loss before income taxes	(193,016)	(112,496)	(427,439)	(142,120)
Recovery of future income taxes [note 7]	75,500	—	138,000	—
Net loss for the period	(117,516)	(112,496)	(289,439)	(142,120)
Deficit, as previously reported			(87,994)	(2,279,580)
Change in accounting policy			—	(4,481)
Deficit, beginning of period, as restated	(259,917)	(2,313,685)	(87,994)	(2,284,061)
Deficit, end of period	(377,433)	(2,426,181)	(377,433)	(2,426,181)
Basic and diluted loss per share [note 6[b]]	—	—	—	—

See accompanying notes

**CONSOLIDATED STATEMENTS OF
 CASH FLOWS**

	Unaudited			
	Three months ended		Six months ended	
	June 30,		June 30,	
	2008	2007	2008	2007
	\$	\$	\$	\$
OPERATING ACTIVITIES				
Net loss for the period	(117,516)	(112,496)	(289,439)	(142,120)
Add (deduct) items not involving cash				
Amortization	6,073	1,504	11,031	3,193
Future income taxes	(75,500)	—	(138,000)	—
Stock-based compensation	—	11,250	150,000	11,250
Share in loss in equity investee	—	896	—	370
	(186,943)	(98,846)	(266,408)	(127,307)
Changes in non-cash working capital balances related to operations				
Prepaid expenses	8,419	(171,222)	30,256	1,071,708
Accounts receivable	(232,808)	1,192	(216,307)	26,557
Accounts payable and accrued liabilities	(741,225)	1,682,325	(291,459)	1,118,876
Income taxes payable	(12,661)	(1,480)	(12,661)	(1,480)
Cash (used in) provided by operating activities	(1,165,218)	1,411,969	(756,579)	2,088,354
INVESTING ACTIVITIES				
Proceeds on disposal of short-term investments	—	—	—	268,325
Decrease in security deposit	17	(157,471)	32	(157,471)
Purchase of plant and equipment and capital assets	(799,569)	120,166	(1,858,092)	7,333
Posting of security for reclamation bonds	(5,326)	(13,329)	(12,564)	(14,975)
Increase in deferred exploration and development expenditures	(4,541,273)	(6,173,571)	(6,782,103)	(9,631,659)
Cash used in investing activities	(5,346,151)	(6,224,205)	(8,652,727)	(9,528,447)
FINANCING ACTIVITY				
Proceeds on issuance of shares, net	—	138,000	415,275	138,000
Decrease in cash and cash equivalents	(6,511,369)	(4,674,236)	(8,994,031)	(7,302,093)
Cash and cash equivalents, beginning of period	20,736,207	9,314,501	23,218,869	11,942,358
Cash and cash equivalents, end of period [note 8]	14,224,838	4,640,265	14,224,838	4,640,265

See accompanying notes

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

[unaudited]

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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 scheduled 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

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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.

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 Goods and Services Tax ("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

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monitors commodity prices of anthracite coal, cobalt, gold and bismuth in addition to 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 come 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>June 30, 2008</u>		<u>December 31, 2007</u>	
	<u>Cost</u>	<u>Accumulated amortization</u>	<u>Cost</u>	<u>Accumulated amortization</u>
	\$	\$	\$	\$
Computer equipment	106,520	41,232	35,740	22,693
Furniture and fixtures	68,603	17,836	24,778	15,282
Leasehold improvements	9,601	7,053	9,602	6,417
Software	6,761	4,093	4,752	3,762
	191,485	70,214	74,872	48,154
Less accumulated amortization	70,214		48,154	
Net book value	121,271		26,718	

5. MINING PROPERTIES

Interests in mining properties consist of the following:

	<u>June 30, 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]	6,730,095	3,704,549	42,100,826	52,535,470
Mount Klappan Project [ii]	24,698	3,144,116	16,521,824	19,690,638
Sue-Dianne Project	—	9,164	2,028,306	2,037,470
Other properties	—	—	130,629	130,629
	6,754,793	6,857,829	60,781,585	74,394,207

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	December 31, 2007			
	Plant and equipment \$	Property costs \$	Deferred exploration and development expenditures \$	Total - mining properties \$
NICO Project <i>[i]</i>	5,079,841	3,593,049	36,446,106	45,118,996
Mount Klappan Project <i>[ii]</i>	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 six-month period ended June 30, 2008, \$183,617 of administrative expenses, \$197,814 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:

	June 30, 2008		December 31, 2007	
	Cost	Accumulated amortization	Cost	Accumulated amortization
	\$	\$	\$	\$
Surface facilities under construction	4,962,382	—	3,990,136	—
Surface facilities	1,309,733	343,431	841,857	269,227
Camp structures	632,898	339,292	632,898	259,974
Mobile equipment	765,255	241,797	342,505	181,416
Site furniture and equipment	28,495	19,450	28,495	15,176
	7,698,763	943,970	5,835,891	725,793
Less accumulated amortization	943,970		725,793	
Net book value	6,754,793		5,110,098	

During the six-month period ended June 30, 2008, \$31,394 of amortization and \$90,000 of stock-based compensation was 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'èzhì 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 \$238,797, recorded at fair value, held in various investments as security for the letter of credit.

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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 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 June 30, 2008, the Company has received \$342,912 in net proceeds from the disposal of surplus assets. In accordance with the agreement, \$342,095 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 June 30, 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 \$359,313, recorded at fair value, held in various investments as security for the letter of credit.

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[unaudited]

June 30, 2008

6. SHARE CAPITAL

[a] Issued and outstanding common shares:

	June 30, 2008		December 31, 2007	
	#	\$	#	\$
Common shares				
Beginning of period	49,546,407	76,630,268	38,936,407	50,753,793
Issued as a result of:				
Public offering	—	—	9,550,000	27,026,500
Purchase of property interest	—	—	1,000,000	3,000,000
Exercise of options[d]	553,700	642,292	60,000	206,572
Share issuance costs, net of tax	—	—	—	(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	—	—	4,775,000	1,623,500
In lieu of fees	—	—	573,000	389,640
Purchase of property interest	—	—	100,000	174,790
Warrant issuance costs, net of tax	—	—	—	(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 June 30, 2008, the weighted average number of common shares outstanding was 50,034,708. During the period, options to purchase 1,655,000 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 585,000 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] On July 18, 2008, the Company issued 1,100,000 common shares on a flow through basis at a price of \$2.80 per share for aggregate gross proceeds of \$3,080,000.

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[d] The estimated fair value of 585,000 options granted and vested during the six-month period ended June 30, 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.

The fair value of the options granted during the six-month period ended June 30, 2008 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 June 30, 2008, and changes during the periods ending on those dates are presented below:

	June 30, 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	100,000	2.90	135,000	4.35
Options outstanding, end of period	2,240,000	2.70	2,308,700	2.49

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The following summarizes information about the options outstanding at June 30, 2008:

Exercise prices \$	<u>Options outstanding and exercisable</u>	
	Number outstanding at June 30, 2008 #	Weighted average remaining contractual life [years] #
1.60	250,000	4.7
1.75	335,000	4.7
2.30	630,000	3.5
2.80	50,000	4.2
2.84	100,000	2.7
2.96	75,000	3.9
3.18	100,000	0.9
3.30	200,000	1.3
3.45	300,000	0.7
3.86	50,000	2.2
4.95	150,000	1.8
	<u>2,240,000</u>	

Subsequent to June 30, 2008, 55,000 options were granted with an exercise price of \$2.11 and contractual life of 5.0 years.

7. INCOME TAXES

The Company has non-capital loss carryforwards totalling \$4,500,000 which begin to expire in 2009 and un-deducted share issuance costs of \$2,100,000. 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-2015.

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

	June 30, 2008	December 31, 2007
	\$	\$
Future tax assets		
Net operating loss carryforwards	1,141,000	1,003,000
Un-deducted share issuance costs	552,000	689,000
Ontario corporate minimum tax	34,000	34,000
	1,727,000	1,726,000
Less valuation allowance related to operating losses, share issuance costs and corporate minimum tax	(530,000)	(530,000)
Future tax assets	1,197,000	1,196,000
Future tax liabilities		
Book value of deferred exploration and development expenditures and capital assets in excess of tax value	(8,164,000)	(8,098,000)
Net future tax liabilities	(6,967,000)	(6,902,000)

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

	June 30, 2008	December 31, 2007
	\$	\$
Combined federal and provincial income tax rate	33.29%	36.12%
Corporate income tax at statutory rate	(142,000)	(90,300)
Increase (decrease) in income taxes resulting from:		
Non-deductible stock compensation expenses	50,000	37,300
Other	(46,000)	53,000
Benefit of recognizing future tax assets	—	(1,196,000)
Benefit of reduction of substantively enacted tax rates	—	(1,250,000)
	(138,000)	(2,446,000)

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[unaudited]

June 30, 2008

8. CONSOLIDATED STATEMENTS OF CASH FLOWS

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

	June 30, 2008	December 31, 2007
	\$	\$
Cash on hand and balances with banks	939,783	955,914
Short-term fixed income deposits	13,285,055	22,262,955
	14,224,838	23,218,869

[b] Supplemental cash flow information:

	June 30, 2008	December 31, 2007
	\$	\$
Interest and investment income received	301,041	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 of its of capital. In order to maximize ongoing development efforts, the Company does not pay out dividends at this time.

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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.

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 Company paid certain officers or directors an aggregate of \$371,988 for third party consulting services on behalf of the Company. These transactions have been recorded at their exchange amount.

11. COMMITMENTS

During the three-month period ending June 30, 2008, the Company has entered into an 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. The expenditures are recorded as deferred exploration and development expenditures of NICO.

Subsequent to June 30, 2008, the Company selected a contractor for the dismantling, equipment salvage, and demolition of the assets that were purchased for future use at the NICO project. The Company will be billed for the cost of the work plus a contractor's fee as the work is completed. The contract is anticipated to be completed by the end of 2009.



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

Six months ended June 30, 2008

This discussion and analysis of financial condition and results of operations of Fortune Minerals Limited is prepared as at July 28, 2008, and should be read in conjunction with the unaudited consolidated financial statements of Fortune Minerals Limited and the notes thereto for the six months ended June 30, 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	
	Jun-30	Mar-31	Dec-31	Sep-30	Jun-30	Mar-31	Dec-31	Sep-30
Revenues	\$137,026	\$196,453	\$294,749	\$203,966	\$91,495	\$109,340	\$71,354	\$256,385
Net income (loss)	(117,516)	(171,923)	2,457,888	(119,701)	(112,496)	(29,624)	18,856	189,991
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, is continuing to carry out development activities including: (i) completing the pilot plant testing of its NICO ore sample; (ii) the Front End Engineering and Design ("FEED") study for the engineering and design of the NICO mine and related facilities; (iii) the dismantling and deconstruction of its Hemlo assets including certain buildings and equipment to be relocated to NICO; (iv) various environmental and engineering studies for both NICO and Mount Klappan to complete environmental assessment requirements; and, (v) discussions with First Nation groups with a view to entering into various agreements including relevant Impact and Benefits Agreements.

Exploration and development expenditures incurred by Fortune on its properties during the three and six month periods ending June 30, 2007 were \$4,541,273 and 6,782,103, respectively. The expenditures related to the following projects:

	Three months ended June 30, 2008	Six months ended June 30, 2008
NICO	\$ 3,951,256	\$ 5,284,718
Mount Klappan	574,662	1,454,089
All other projects	15,355	43,296
Total cash exploration and development expenditures	\$ 4,541,273	\$ 6,782,103

These amounts, although lower than for the same period in 2007, are reflective of the budgeted expenditures.

The Company's net loss for the three month period ended June 30, 2008 was \$117,616 or \$nil per share compared to \$112,496 or \$nil per share for the same period in the prior year. The net loss for the six month period ended June 30, 2008 was \$289,439 or \$nil per share compared to \$142,120 or \$nil per share for the same period in the prior year. The current year's losses are higher primarily due to higher administrative, investor relations and stock-based compensation expenses offset by higher investment income and recovery of future income taxes.

RESULTS OF OPERATIONS

Revenues

Interest and other income was \$137,026 and \$333,479 for the three and six month periods ending June 30, 2008, respectively, compared to \$91,495 and \$200,835 for the same periods in 2007. Interest and other income is higher 2008 compared to the previous year's quarter due to increased cash and investments balances. However, interest and other income in 2008 is declining as a result of declining cash balances.

Expenses

The Company's administrative and investor relations expenses for the second quarter of 2008 compared to 2007 increased to \$323,969 from \$190,341. When comparing second quarter to first quarter results for both years, a similar increase in expenses results as the Company increases staff levels and maintains a higher level of investor relations activity that commenced during 2007. Administrative and investor relations expenses are anticipated to increase to match the Company's operations growth and changes in the regulatory environment. Near term regulatory changes include the adoption of International Financial Reporting Standards ("IFRS") and evaluation and testing of internal controls related to NI 52-109. Included in administrative expenses is \$150,000 for the recording of stock compensation expense in the first quarter of 2008. In the second quarter of 2007, \$11,250 of stock-compensation expense was recorded. No stock-compensation expense was recorded in the second quarter of 2008 or in the first quarter of 2007.

Cash Flow

Cash used in operating activities was \$1,165,218 and \$756,579 for the three and six months ended June 30, 2008, respectively, compared to a source of cash of \$1,411,969 and 2,088,354 for the same periods in 2007. The shift from a source to use of cash between 2008 and 2007 results from changes in non-cash working capital balances. During 2008, accounts payable and accrued liabilities have declined and accounts receivable have increased whereas the opposite occurred during 2007. The swings in current liabilities and receivables relates to the timing of operational activities and whether seasonally based projects are commencing or winding down. Cash used in operating activities before changes in non-cash working capital balances is minimal and a small percentage of overall expenditures. Additionally, investment income currently covers a substantial part of the administrative and investor relations expenditures incurred by the Company.

Cash used in investing activities was \$5,346,151 and \$6,224,205 for the three month periods ended June 30, 2008 and 2007, respectively. For the six months ended June 30, 2008, the cash used in investing activities was \$8,652,103 and \$9,528,447, respectively. The Company's investing activities remain substantial as the Company continues to invest in its two main projects, NICO and Mount Klappan. The difference in total investing activities and the allocation amongst asset classes are due to changes in the development programs. During 2007, the focus at NICO was on the underground test mining program and environmental studies. The focus at Mount Klappan was on engineering and environmental studies. During 2008, the focus at NICO has changed to the Front End Engineering and Design ("FEED") study, the metallurgical pilot plant study, the dismantling and demolition of the Company's Hemlo assets in preparation to move them to the NICO site and the commencement of the permitting activities. At Mount Klappan the focus is on completing and updating environmental and engineering studies to be able to complete the project's environmental assessment. The Company is formally seeking a joint venture partner to help

develop Mount Klappan and has engaged CIBC World Markets Inc. as its financial advisor to assist with the process of evaluating potential strategic alternatives.

The Company issued 60,000 shares during the second quarter of 2007 and 553,700 shares during the first quarter of 2008 pursuant to the exercise of stock options. Cash proceeds totaled \$138,000 and \$415,275, respectively.

LIQUIDITY AND CAPITAL RESOURCES

As at June 30, 2008, Fortune had cash and cash equivalents of \$14,224,838 and working capital of \$14,175,224, with no debt. On July 18, 2008, Fortune issued 1,100,000 shares on a flow through basis to raise gross proceeds of \$3,080,000. The Company has sufficient cash to undertake its 2008 activities but will be seeking additional funding to accelerate and advance its projects through the end of 2008 and 2009. Obtaining a joint venture partner is a potential source of funding for the necessary development programs for Mount Klappan while managing the potential dilution from the issuance of additional shares. 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 NICO.

OUTLOOK

Commodity prices for cobalt, gold, bismuth, and anthracite remain strong and in line with Management's expectations. Due to the Company's leverage to these metals, continued high prices have an important beneficial effect on the Company's projects. 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. 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 the Company's control. The Company's management seeks strategies to manage and minimize the risks associated with such external factors and continuously monitors the impact on its principal projects.

TRANSACTIONS WITH RELATED PARTIES

In addition to any related party transactions noted elsewhere, the Company paid certain officers or directors an aggregate of \$371,988 for third party consulting services on behalf of the Company. These transactions have been recorded at their exchange amount.

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 scheduled 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 51,200,107 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 2,395,000 common shares expiring at various dates between March 17, 2009 and July 3, 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 six month period ended June 30, 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.