

Consolidated Financial Statements

Fortune Minerals Limited

Unaudited

March 31, 2010

Fortune Minerals Limited
 Incorporated under the laws of Ontario

CONSOLIDATED BALANCE SHEETS

As at	Unaudited	
	March 31, 2010	December 31, 2009
	\$	\$
ASSETS		
Current assets		
Cash and cash equivalents <i>[note 10[a]]</i>	14,656,729	18,328,148
Restricted cash <i>[note 12]</i>	2,698,561	2,698,561
Accounts receivable	603,214	641,637
Prepaid expenses	24,750	62,857
Total current assets	17,983,254	21,731,203
Other assets <i>[note 6i[c]]</i>	352,951	213,619
Security deposit <i>[note 6i[a]]</i>	300,000	300,000
Reclamation bonds <i>[note 6iii]</i>	617,402	617,250
Capital assets, net <i>[note 5]</i>	123,122	104,135
Mining properties <i>[note 6]</i>	104,898,700	100,762,428
	124,275,429	123,728,635
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Accounts payable and accrued liabilities	4,665,157	3,581,550
Interest payable	22,500	90,000
Income taxes payable	101,581	113,659
Total current liabilities	4,789,238	3,785,209
Long-term debt <i>[note 8]</i>	2,869,679	2,854,772
Future income taxes <i>[note 9]</i>	7,608,500	7,805,000
Total liabilities	15,267,417	14,444,981
SHAREHOLDERS' EQUITY		
Share capital <i>[note 7]</i>	105,250,559	105,207,868
Contributed surplus	6,885,625	6,875,025
Deficit	(3,128,172)	(2,799,239)
Total shareholders' equity	109,008,012	109,283,654
	124,275,429	123,728,635

See accompanying notes

Fortune Minerals Limited
 Incorporated under the laws of Ontario

**CONSOLIDATED STATEMENTS OF LOSS
 AND DEFICIT**

For the three month periods ended March 31

	Unaudited	
	2010	2009
	\$	\$
REVENUE		
Interest and other income	8,197	19,486
EXPENSES		
Administrative	194,951	184,977
Investor relations	69,978	54,888
Stock-based compensation	1,100	—
Interest expense	82,407	27,283
Amortization	3,552	4,877
	351,988	272,025
Loss before other items	(343,791)	(252,539)
Foreign exchange loss <i>[note 3]</i>	74,842	—
Loss before income taxes	(418,633)	(252,539)
Recovery of future income taxes	89,700	60,000
Net loss for the period	(328,933)	(192,539)
Deficit, beginning of period	(2,799,239)	(1,466,787)
Deficit, end of period	(3,128,172)	(1,659,326)
Basic and diluted loss per share <i>[note 7[b]]</i>	—	—

See accompanying notes

Fortune Minerals Limited

**CONSOLIDATED STATEMENTS OF
CASH FLOWS**

For the three month periods ended March 31

	Unaudited	
	2010	2009
	\$	\$
OPERATING ACTIVITIES		
Net loss for the period	(328,933)	(192,539)
Add (deduct) items not involving cash		
Stock-based compensation expense	1,100	—
Amortization of capital assets	3,552	4,877
Non-cash portion of interest expense	14,907	4,783
Future income taxes	(89,700)	(60,000)
	(399,074)	(242,879)
Changes in non-cash working capital balances related to operations		
Accounts receivable	38,423	36,187
Prepaid expenses	38,107	5,284
Accounts payable and accrued liabilities	1,083,607	2,243,752
Interest payable	(67,500)	22,500
Income taxes payable	(12,078)	6,500
Cash provided by operating activities	681,485	2,071,344
INVESTING ACTIVITIES		
Decrease in security deposit	—	18
Decrease in other assets, net of non-cash items	—	582,907
Purchase of plant and equipment and capital assets	(2,419,794)	(4,213,749)
Increase in fair value posted for reclamation bonds	(152)	(3,289)
Increase in exploration and development expenditures	(1,916,017)	(2,821,292)
Cash used in investing activities	(4,335,963)	(6,455,405)
FINANCING ACTIVITY		
Proceeds on issuance of debt, net	—	2,900,690
Financing costs, net of non-cash items	(16,941)	—
Cash provided by (used in) financing activities	(16,941)	2,900,690
Net decrease in cash and cash equivalents	(3,671,419)	(1,483,371)
Cash and cash equivalents, beginning of period	18,328,148	8,935,193
Cash and cash equivalents, end of period [Note 10[a]]	14,656,729	7,451,822

See accompanying notes

Fortune Minerals Limited

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

[unaudited]

March 31, 2010

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 exploration and development 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 Company currently operates in one geographic region, Canada, and in one industry segment, mining.

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, 2009.

2. ADOPTION OF NEW ACCOUNTING STANDARDS

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”]. The Accounting Standards Board plans to implement changes to Canadian generally accepted accounting principles [“Canadian GAAP”] 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 being developed and implemented. During 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, restricted cash, short-term investments, and reclamation bonds as assets held for trading. Accounts receivable are designated as receivables, long-term debt is classified as loans, and accounts payable, interest payable, taxes payable and accrued liabilities are designated as other liabilities. These financial instruments are initially measured at fair value. Receivables, accounts payable, accrued liabilities and long-term debt 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 about the financial instrument. These valuations are estimates and changes in assumptions could significantly affect the estimates.

[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

Fortune Minerals Limited

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

[unaudited]

March 31, 2010

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 recurring receivables consist primarily of Goods and Services Tax ["GST"] due from the Federal Government of Canada. Non-recurring receivables at March 31, 2010 are from third parties with a good payment history or were received subsequent to year-end.

[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 security held for the 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. The interest rate on the Company's long-term debt is fixed and is not subject to interest rate risk.
- ii.* Currency risk arises because of changes in foreign exchange rates. Nearly all of the Company's current activities are priced in Canadian dollars ["\$CDN"]. 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 ["\$US"]. The Company has an operating account in \$US to pay United States vendors and to receive \$US payments as well as to manage the timing of conversion of \$CDN to \$US, or vice versa. At March 31, 2010, the \$US balance in cash and cash equivalents was \$2,222,870.
- 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 earnings 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 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 operations. 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. The Company's long-term debt is in good standing and does not require any principal repayments until due in March 2012.

Fortune Minerals Limited

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

[unaudited]

March 31, 2010

4. 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, cash and cash equivalents and short-term investments, if any, 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 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 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.

The Company expects its current capital resources will be sufficient to carry out its exploration and development plans and operations for 2010. However, significant additional capital will be required to complete the development of the Company's NICO and Mount Klappan projects.

5. CAPITAL ASSETS

Capital assets consist of the following:

	<u>March 31, 2010</u>		<u>December 31, 2009</u>	
	<u>Cost</u>	<u>Accumulated amortization</u>	<u>Cost</u>	<u>Accumulated amortization</u>
	\$	\$	\$	\$
Computer equipment	128,969	76,666	118,839	73,246
Furniture and fixtures	77,588	35,633	72,880	33,673
Leasehold improvements	9,602	8,835	9,602	8,726
Software	45,160	17,063	33,906	15,447
	261,319	138,197	235,227	131,092
Less accumulated amortization	138,197		131,092	
Net book value	123,122		104,135	

Fortune Minerals Limited

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

[unaudited]

March 31, 2010

6. MINING PROPERTIES

Interests in mining properties consist of the following:

	March 31, 2010			
	Capital assets \$	Property costs \$	Exploration and development expenditures \$	Total - mining properties \$
NICO Project [i]	21,587,432	3,593,049	56,992,257	82,172,738
Mount Klappan Project [ii]	3,167	3,144,116	17,251,447	20,398,730
Sue-Dianne Project	—	9,164	2,034,120	2,043,284
Other properties	—	—	283,948	283,948
	21,590,599	6,746,329	76,561,772	104,898,700

	December 31, 2009			
	Capital assets \$	Property costs \$	Exploration and development expenditures \$	Total - mining properties \$
NICO Project [i]	19,237,784	3,593,049	55,344,287	78,175,120
Mount Klappan Project [ii]	3,424	3,144,116	17,140,957	20,288,497
Sue-Dianne Project	—	9,164	2,033,420	2,042,584
Other properties	—	—	256,227	256,227
	19,241,208	6,746,329	74,774,891	100,762,428

During the three-month period ended March 31, 2010, \$128,818 of administrative expenses, \$60,363 of amortization and \$2,000 of stock-based compensation were capitalized to exploration and development expenditures within mining properties. Pre-production mining tax credits reduced exploration and development expenditures within mining properties by \$191,500.

Capital assets consist of the following:

	March 31, 2010		December 31, 2009	
	Cost \$	Accumulated amortization \$	Cost \$	Accumulated amortization \$
Surface facilities under construction	20,280,146	—	17,901,744	—
Surface facilities	1,434,771	664,812	1,429,741	628,051
Camp structures	600,124	467,742	600,124	457,008
Mobile equipment	820,036	487,454	780,157	461,884
Site furniture and equipment	31,280	20,737	31,280	19,882
Land acquisition costs	64,987	—	64,987	—
	23,231,344	1,640,745	20,808,033	1,566,825
Less accumulated amortization	1,640,745	—	1,566,825	—
Net book value	21,590,599	—	19,241,208	—

Fortune Minerals Limited

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

[unaudited]

March 31, 2010

During the three-month period ended March 31, 2010, \$158,801 of administrative expenses, \$17,108 of amortization and \$12,500 of stock-based compensation were capitalized 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.

[a] Golden Giant Mine Assets

On August 31, 2006, the Company acquired, from an equipment dealer [the “Vendor”], certain mill, related surface facilities and processing equipment for future use at the NICO project. Pursuant to the purchase agreement with the Vendor, the Company had an obligation to the Vendor to dismantle and remove the assets from the site of the land owner [the “Land Owner”] by August 31, 2009. In 2008, the Company entered into an agreement with the Land Owner, whereby certain additional assets were acquired and the dismantling and removal of the assets to be used at NICO would not be required until April 2010. Amendments to the purchase agreement with the Vendor were entered into reflecting the revised date. Accordingly, the Company undertook a program designed to dismantle and remove these assets.

During 2009, the agreements with the Vendor were terminated and an amending agreement with the Land Owner was executed. Under the amending agreement with the Land Owner, the Company has posted \$300,000 in financial assurance in relation to the Company’s remaining obligations with the Land Owner to dismantle a warehouse and remove the assets salvaged prior to April 2011. The amount posted is recorded as a Security deposit. Upon completion of the Company’s obligation, the financial assurance will be released to the Company.

The net cost of purchase, including previously deferred amounts, deconstruction, removal, reconstruction of the assets and ongoing maintenance, security and other related costs, have been accumulated and capitalized 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. No amortization has been charged against these assets as they are not available for use. 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.

[b] Saskatchewan Metals Processing Plant [“SMPP”]

During 2009, a decision was made to locate the hydrometallurgical processing plant of the NICO project from the mine site in the Northwest Territories to a site in southern Canada. The Company entered into an agreement to purchase lands near Saskatoon, Saskatchewan on which it proposes to construct the NICO Project refinery and incorporated Fortune Minerals Saskatchewan Inc. [“FMSI”], a wholly owned subsidiary. A deposit of \$50,000 was paid with the balance of \$825,000 due upon closing, subject to certain conditions being satisfied or waived by FMSI prior to but no later than December 31, 2012. Costs of purchasing the land are being capitalized as Land acquisition costs until the purchase closes. The net costs of design, development,

Fortune Minerals Limited

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

[unaudited]

March 31, 2010

construction and related costs incurred for the SMPP have been accumulated and capitalized 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. No amortization has been charged against these assets as they are not available for use.

[c] Project Financing

The Company has engaged a financial institution to provide advice and financial services in connection with the arrangement of a \$US 200-250 million debt facility to finance the construction, start-up and operation of the Company's NICO Project. Transaction costs of \$352,951 have been recorded in Other assets as at the period ended March 31, 2010, including warrants issued in lieu of fees valued at \$338,365 (refer to Note 7[d]) and other incremental costs of \$14,586 incurred to date.

ii. Mount Klappan Project, British Columbia

The Mount Klappan Project in northwest British Columbia and related coal licenses are wholly owned by the Company through its subsidiary, Fortune Coal Limited ["FCL"]. Upon commercial production, the Company has a royalty agreement obligation entitling a third party to \$1 per tonne of coal delivered to the point of usage or sale.

iii. Reclamation Bonds

The Company has provided reclamation bonds in the form of a letter of credit in favour of the Receiver General for Canada and Government of British Columbia for NICO and Mount Klappan projects, respectively. Reclamation bonds consist of the following:

	<u>March 31, 2010</u>		<u>December 31, 2009</u>	
	Security held		Security held	
	Bond	(fair market	Bond	(fair market
	amount	value)	amount	value)
	\$	\$	\$	\$
NICO Project	211,000	243,837	211,000	243,777
Mount Klappan Project	307,000	375,565	307,000	373,473
Net book value	518,000	617,402	518,000	617,250

The security held for the reclamation bonds consists of cash balances and short-term fixed income deposits with original maturity dates shorter than three months in investment accounts with a large Canadian financial institution.

Fortune Minerals Limited

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

[unaudited]

March 31, 2010

7. SHARE CAPITAL

[a] Issued and outstanding common shares:

	<u>March 31, 2010</u>		<u>December 31, 2009</u>	
	#	\$	#	\$
Common shares				
Beginning of period	94,779,407	103,192,996	55,550,107	83,353,111
Issued as a result of:				
Public offering	—	—	26,538,550	16,188,516
Private offerings	—	—	12,690,750	6,331,095
Share issuance costs, net tax [c,e]	—	(11,539)	—	(1,429,726)
Future tax impact of renunciation of development costs expended	—	(47,000)	—	(1,250,000)
End of period [b]	94,779,407	103,134,457	94,779,407	103,192,996
Warrants				
Beginning of period	20,890,275	2,014,872	5,448,000	1,986,060
Issued as a result of:				
Public offering	—	—	13,269,275	1,061,542
Private offerings	—	—	4,546,000	734,030
Warrant issuance costs, net tax [c]	—	(902)	—	(118,263)
In lieu of fees, net tax [d,e]	—	102,132	2,975,000	216,783
Expiration of warrants	—	—	(5,348,000)	(1,865,280)
End of period	20,890,275	2,116,102	20,890,275	2,014,872
		105,250,559		105,207,868

[b] The Company is authorized to issue an unlimited number of common shares without par value. At March 31, 2010, the weighted average number of common shares outstanding was 94,779,407. For calculating the fully diluted earnings per share, the weighted average number of common shares outstanding increased to 95,511,882 due to the effect of including in the computation options to purchase 1,225,000 common shares, warrants to purchase 1,100,000 common shares and compensation options to purchase 1,592,313 common shares for proceeds of \$2,547,870. Options to purchase 2,115,000 common shares, warrants to purchase 19,790,275 common shares and the warrant component of compensation options equivalent to 796,156 whole warrants were not included in the computation of diluted loss per share because the exercise prices of these options and warrants were greater to the average market price of common shares during the period.

[c] Share and warrant issuance costs relate to additional expenditures incurred from the December 3, 2009 public offering.

[d] The Company issued 1,100,000 warrants on October 16, 2009 with an exercise price of \$0.72 per share and expiration date of April 16, 2013 in relation to an engagement to arrange debt financing for the NICO Project. The warrants issued in relation to the engagement represent transaction costs and have vesting dates of 300,000 on October 16, 2009; 266,666 on each of

Fortune Minerals Limited

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

[unaudited]

March 31, 2010

February 1, 2010 and May 3, 2010; and, 266,668 on August 2, 2010. Warrants fully vested are recorded at fair value measured on the vesting date. Warrants not fully vested at each period-end are revalued based on updated assumptions at each period-end with a final valuation performed and recorded upon vesting. The estimated fair value of the warrants at March 31, 2010 was \$338,365 [December 31, 2009 - \$199,033]. The value of the warrants is recorded in Other assets until either the debt facility is arranged or the proposed financing abandoned and was estimated using the Black-Scholes option pricing model based on the following assumptions:

Number of units granted #	Assumptions			Expected unit life [years] #	Estimated fair value per unit \$
	Risk free interest rate %	Expected dividend yield %	Expected volatility %		
Warrants:					
533,334 [i]	2.03	—	67	3.0	0.36
266,666	1.65	—	66	3.2	0.38
300,000	1.90	—	63	3.5	0.34

[i] Warrants not fully vested at March 31, 2010. These warrants are revalued based on updated assumptions each period-end with a final valuation performed and recorded upon vesting. Changes in estimates based on revaluations are recorded and applied retrospectively on the basis the assumptions were in place on the date of warrant issue and are recognized in the period of the change in valuation.

The Black-Scholes model, used by the Company to calculate warrant values, as well as other accepted valuation models, was developed to estimate fair value of freely tradable, fully transferable warrants. These models 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 warrants.

- [e] Included in share issuance costs, net of tax, is \$4,500 to record a future tax asset for deductible share issuance costs and included within in lieu of fees, net of tax, is \$37,200 to record a future tax liability for non-deductible revaluations of warrant compensation.
- [f] The estimated fair value of 40,000 options granted during the period ended March 31, 2010 has been allocated to stock-based compensation expense, exploration and development expenditures and capital assets in the amounts of \$1,100, \$2,000 and \$12,500, respectively. Contributed surplus was increased by \$15,600 representing the fair value compensation recorded less \$5,000 related to the tax effect of the amount capitalized.

Fortune Minerals Limited

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

[unaudited]

March 31, 2010

The fair value of options granted during the period ended March 31, 2010 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] #	
40,000	2.90	—	59	5	0.39

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, 2010 and December 31, 2009, and changes during the periods ending on those dates are presented below:

	March 31, 2010		December 31, 2009	
	Number of shares #	Weighted-average exercise price \$	Number of shares #	Weighted-average exercise price \$
Options outstanding, beginning of period	3,300,000	1.61	2,785,000	2.45
Granted	40,000	0.74	1,185,000	0.60
Exercised	—	—	—	—
Expired	—	—	670,000	3.28
Options outstanding, end of period	3,340,000	1.60	3,300,000	1.61
Options exercisable, end of period	3,320,000	1.61	3,300,000	1.61

Subsequent to March 31, 2010, 150,000 options with an exercise price of \$4.95 expired unexercised.

Fortune Minerals Limited

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

[unaudited]

March 31, 2010

The following summarizes information about the options outstanding at March 31, 2010:

Range of exercise prices \$	Number outstanding #	Number vested and outstanding #	Weighted average exercise price [i] \$	Weighted average remaining contract life [i] [years]
0.50 – 0.99	1,225,000	1,205,000	0.60	4.1
1.00 – 1.49	180,000	180,000	1.30	2.9
1.50 – 1.99	895,000	895,000	1.59	3.2
2.00 – 2.49	665,000	665,000	2.29	1.8
2.50 – 2.99	175,000	175,000	2.89	1.5
3.00 – 3.99	50,000	50,000	3.86	0.5
> 4.00	150,000	150,000	4.95	0.0
	3,340,000	3,320,000		

[i] The weighted average exercise prices and weighted average remaining contract life are the same for both the options outstanding and the options vested and outstanding.

8. LONG-TERM DEBT

On March 2, 2009, the Company raised net proceeds excluding transaction costs of \$2,925,000 pursuant to a loan agreement with a private investor. The loan has a face value of \$3,000,000, is unsecured, has a term of three years and bears interest at an annual rate of 9%. Cash interest payments of \$135,000 are due on the last business day of August and February of each year during the term agreement. Transaction costs totalling \$118,060 consist of \$93,750 for warrants issued in lieu of fees and \$24,310 for listing and legal fees incurred. Transaction costs are recorded as a reduction to net proceeds of the loan on initial recognition and are amortized to interest expense using the effective interest rate method over the life of the loan. For the period ending March 31, 2010, \$14,907 of transaction costs and loan discount were amortized using the effective interest method and were included in interest expense of \$82,407.

Fortune Minerals Limited

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

[unaudited]

March 31, 2010

9. INCOME TAXES

The Company has non-capital loss carryforwards totalling \$8,670,000 which begin to expire in 2010, un-deducted share issuance costs of \$2,300,000 and unused investment tax credits on preproduction costs of \$1,274,400 which begin to expire in 2028. The Company has completed feasibility studies for both of its principal 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.

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

	March 31, 2010 \$	December 31, 2009 \$
Future tax assets		
Net operating loss carryforwards	2,316,500	2,117,000
Un-deducted share issuance costs	615,900	676,000
Unused investment tax credits on preproduction costs	1,274,400	1,085,000
	4,206,800	3,878,000
Less valuation allowance related to operating losses, share issuance costs and corporate minimum tax	(509,400)	(530,000)
Future tax assets	3,697,400	3,348,000
Future tax liabilities		
Book value of exploration and development expenditures and capital assets in excess of tax value	(11,305,900)	(11,153,000)
Net future tax liabilities	(7,608,500)	(7,805,000)

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

	March 31, 2010 \$	December 31, 2009 \$
Combined federal and provincial income tax rate	30.80%	32.79%
Corporate income tax at statutory rate	(128,900)	(528,700)
Increase (decrease) in income taxes resulting from:		
Non-deductible stock compensation and other expenses	27,700	111,000
Rate difference	13,500	97,000
Other	(2,000)	40,900
	(89,700)	(279,800)

Fortune Minerals Limited

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

[unaudited]

March 31, 2010

10. CONSOLIDATED STATEMENT OF CASH FLOWS

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

	March 31, 2010	December 31, 2009
	\$	\$
Cash on hand and balances with banks	13,894,182	17,566,979
Short-term fixed income deposits	762,547	761,169
	14,656,729	18,328,148

[b] Supplemental cash flow information:

	March 31, 2010	December 31, 2009
	\$	\$
Interest and investment income received	8,197	72,380
Interest paid	135,000	135,000

11. RELATED PARTY TRANSACTIONS

For the period ending March 31, 2010, the Company paid certain officers or directors an aggregate of \$233,954 for third party consulting services on behalf of the Company. These transactions have been recorded at their exchange amount.

12. CONTINGENCIES

The Company is from time to time involved in claims and litigation arising in the normal course of business. Claims are made by third parties against the Company and by the Company against third parties with respect to costs incurred and/or amounts charged under applicable contract provisions. Although management makes an estimate and provides for the final resolution of these claims in the financial statements, it is possible that the final resolution of these matters may require the Company to make expenditures in excess of estimates. Management believes that none of these claims will have a material impact on the Company's financial position. At March 31, 2010, the Company has posted \$2,698,561 in a trust account in relation to a disputed claim. This amount is recorded as restricted cash pending resolution of the dispute.