FORTUNE
MINERALS LIMITED

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

Three months ended March 31, 2010

This discussion and analysis of financial condition and results of operations of Fortune Minerals Limited is prepared as at May 4, 2009, 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, 2010 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, 2009. 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 table provides selected consolidated financial information that is derived from the unaudited interim consolidated financial statements and audited consolidated financial statements of the Company.

	2010	2009				2008		
	Mar-31	**Dec-31**	**Sep-30**	**Jun-30**	**Mar-31**	**Dec-31**	**Sep-30**	**Jun-30**
Revenues	$8,197	$3,636	$6,032	$21,180	$19,486	$74,981	$98,461	$137,026
Net loss	(328,933)	(392,360)	(224,232)	(523,321)	(192,539)	(396,749)	(692,605)	(117,516)
Basic and fully diluted income (loss) per common share	—	(0.01)	—	(0.01)	—	(0.01)	(0.01)	—

*Note: the sum of quarterly loss per common share for any given period may not equal the year-to-date amount due to rounding.

OVERVIEW

The Company's most significant assets are the Mount Klappan anthracite coal project in northwest British Columbia and the NICO gold-cobalt-bismuth-copper project in the Northwest Territories, both of which are in the advanced development phase and wholly owned. Prices for Fortune's primary commodities remain strong and with rising demand, the Company is well positioned as it pursues its core objective of transforming itself into a producer. The advantages Fortune offers include: diversified assets; our projects are located in Canada, a mining friendly politically stable country; our development projects provide participation in commodities of critical importance in the world economy including gold, cobalt, bismuth, copper, and coal; and a near-term production plan that offers a different risk profile than grass roots exploration companies.

Fortune plans to develop its NICO project independently and the Company's 2010 business plans reflect a continued focus to advance permitting and financing of the NICO mine site in the Northwest Territories and the Saskatchewan Metals Processing Plant" ("SMPP") site in Saskatchewan while minimizing expenditures in other areas. In support of permitting and financing initiatives, the Company is undertaking the following activities in 2010: ongoing environmental and socio-economic studies and development of management plans and reports required by various regulatory bodies; community consultation and preparing for negotiations with the Tlicho on an Impact and Benefits Agreement; finalizing reports from the Front End Engineering and Design ("FEED") programs for the NICO site and SMPP; preliminary engineering for a permanent all-weather road to the NICO site; completion of due diligence activities at the SMPP property prior to closing of the land purchase including environmental, geotechnical and hydrogeological studies; and, exploration drilling at the mine site, in part, to support ongoing engineering and construction of the mill, mine buildings and airstrip. These activities were the focus of expenditures during the first quarter of 2010 and will remain a focus for the rest of 2010. During the second and third quarters, the Company plans to conduct a significant drilling program at the NICO site, currently estimated at 7,000 metres in 43 holes. The main objectives for this program are to extend the known mineral reserves for the deposit and provide better definition of the perimeter of the ore body for detailed mine operations and production scheduling. During the second half of 2010, the Company also plans to complete the dismantling of the remaining warehouse and to relocate its salvaged milling and process assets (the "Hemlo Assets") from the Hemlo Golden Giant Mine to appropriate staging locations. The Hemlo Assets were acquired by Fortune in 2006 as part of the purchase of mill and related facilities.

Fortune remains committed to seeking an appropriate joint venture partner to develop the Mount Klappan project on a larger, more profitable scale than originally contemplated. As the economy continues to recover and coal prices for metallurgical coal firm up as indicated by recent spot prices and trend setting contracts entered into by certain coal producers, the environment for finding a suitable partner for the project has improved. The Company plans to implement a renewed strategy for identifying and engaging a suitable partner in order to maximize value for shareholders while market conditions appear more favorable. At the same time, Fortune has continued to build its relationship with the Tahltan First Nation through ongoing dialogue and as evidenced by the signing of an Environmental Assessment Cooperation Agreement in 2009.

As a result of the Company's current strategy related to its principal projects, exploration and development cash expenditures incurred by Fortune on its properties during the three month period ending March 31, 2010 and 2009 were $1,916,017 and $2,821,292, respectively, and were spent on the projects as follows:

	Three months ended March 31, 2010	**Three months ended March 31, 2009**
NICO	$ 1,762,522	$ 2,618,398
Mount Klappan	125,097	186,307
All other projects	28,398	16,587
Total cash exploration and development expenditures	$ 1,916,017	$ 2,821,292

Exploration and development expenditures were less in 2010 than for the same period in 2009 which reflects a continued focus of expenditures on critical path activities that are required to advance development of the NICO project while the project is in the permitting stage and to minimize expenditures on Mount Klappan while a suitable joint venture partner is sought.

RESULTS OF OPERATIONS

Revenues

Fortune's investment income, its primary source of revenue, decreased to $8,197 in the first quarter of 2010 compared to $19,486 in the same period in 2009. The decrease is the result of lower investment income related to low interest rates on cash held with financial institutions. The Company invests its surplus cash in low risk, liquid investments, which typically have low yields but hold their value during times of market uncertainty. Although management anticipates higher cash and investment balances for early 2010 as a result of completing additional financings during the fourth quarter of 2009, management anticipates the yields to remain low.

Expenses

Expenses increased to $351,988 compared to $272,025 for the three months ended March 31, 2010 and 2009, respectively. The increase is primarily attributable to increased interest expense due to the timing of the long-term debt agreement entered into during March 2009, with some minor increases to administrative and investor relations expenses.

Future Tax Recovery

The Company recognized a future income tax recovery of $89,700 compared to $60,000 for the three months ended March 31, 2010 and 2009, respectively. The current period balance reflects the recognition of future tax benefits resulting from the estimated tax loss for the quarter. During the same period in 2009, the balance reflects the recognition of future tax benefits resulting from the tax loss as well. The Company's future tax liability has arisen, principally, due to the increasing difference between the book and tax values of its assets. The increased difference between book and tax value of assets primarily reflects the renunciation of tax deductions to investors of flow through shares. The taxes payable recorded is an estimated amount related to the enactment of income tax harmonization between the Ontario and Federal Governments.

Cash Flow

Cash provided by operating activities in the first quarter of 2010 compared to 2009 was $681,485 and $2,071,344, respectively. However, operating activities before changes in non-cash working capital used cash of $399,074 during the first quarter of 2010 compared to $242,879 in the same period for 2009. This increase use of cash is directly related to the decline in investment income, increase in interest expense and minor increases in administrative and investor relations activity. The increase in the source of cash from the changes in working capital balances for the three months ended March 31, 2010 and 2009 primarily reflect an increase in accounts payable and accrued liabilities consistent with the timing of business activities.

Cash used in investing activities decreased to $4,335,963 from $6,455,405 when comparing the first quarter for 2010 and 2009. The 2010 figure primarily includes exploration and development expenditures of $1,916,017 and the purchase of plant and equipment and capital assets of $2,419,794. The 2009 figure primarily includes exploration and development expenditures of $2,821,292 and the purchase of plant and equipment and capital assets of $4,213,749. For both 2010 and 2009, exploration and development expenditures were focused on advancing the NICO project. The cost of plant and equipment and capital assets consists primarily of engineering expenditures on the Saskatchewan Metals Processing Plant during for 2010 and expenditures on dismantling, deconstruction and salvage of the Company's Hemlo Assets net of recoveries from the sale of used equipment and the recycling of scrap steel and other metals for 2009.

LIQUIDITY AND CAPITAL RESOURCES

As at March 31, 2010, Fortune had cash and cash equivalents of $14,656,729, a working capital balance of $13,194,016 and long-term debt of $2,869,679. The Company's principal operational objectives for 2010 are focused on numerous activities in support of obtaining the necessary permits and financing for its NICO project. Also, the Company anticipates incurring certain costs in its efforts to seek a suitable joint venture arrangement for the Mount Klappan project. Obtaining a joint venture partner for Mount Klappan is another potential source of funding the Company is continuing to assess to minimize the potential dilution from the issuance of additional shares. The Company's working capital is sufficient to fund its preliminary planned activities for 2010. Given the opportunity to obtain debt financing or equity financing at higher issue prices, Fortune continues to seek ways to accelerate the development of NICO and the SMPP when acceptable financing is available. Ultimately, additional financing will be required to construct the mine infrastructure, the SMPP and acquire additional equipment. The Company will continue evaluating its alternatives with a view to executing a financing plan suitable to fund its transformation into a producer.

OUTLOOK

The Company's principal objective is to achieve successful commercial production for its projects. The Company`s activities in pursuit of its objectives are subject to many risks as discussed under the heading "Risks and Uncertainties" in the Company's MD&A for the period ended December 31, 2009 and in the Company's annual information form for the year ended December 31, 2009, both of which are available on SEDAR at www.sedar.com. However, the most significant risks to meeting its objective in the targeted time frame are permitting and financing. These risks arise primarily from external stakeholders such as government regulators, First Nations, and investors who have significant influence over the outcome of the Company`s efforts. Accordingly, management has sought proactive ways to address risks in its business model and has developed appropriate strategies to move forward by focusing expenditures on critical path activities.

Major milestones on the path forward for the NICO project include:

- the receipt of environmental permits for the NICO site in the Northwest Territories and the SMPP site near Saskatoon;
- the completion of a debt financing agreement for both the NICO project and the SMPP project; and,
- sourcing any additional equity required to fulfill the Company's contribution to the projects under the debt financing agreements.

The major milestone on the path forward for the Mount Klappan project is:

- Implement a renewed strategy to pursue strategic alternatives for the advancement of the project including formal engagement of a financial advisor to assist with identification of potential strategic partners and evaluation of potential transactions.

The Company, as it moves forward, will continue to focus on prudent management of capital resources while advancing the development of its projects and mitigating risks.

TRANSACTIONS WITH RELATED PARTIES

During the three-month period ending March 31, 2010, the Company paid entities owned or controlled by certain officers or directors an aggregate of $233,954 for various third party consulting and legal services. These transactions have been recorded at their exchange amount.

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 has implement changes to Canadian generally accepted accounting principles ("Canadian GAAP") over the past few years to ease the transition; however, it is expected that IFRS implementation will significantly impact current financial statement presentation and disclosure. An IFRS convergence plan is in the process of being implemented based on the following key phases:

1. Identify Applicable IFRS 1 Exemptions and Exceptions
2. Identify Differences Between Canadian GAAP and IFRS Accounting Policies Applicable to the Company
3. Select From Applicable IFRS 1 Exemptions and IFRS Accounting Policies Where Options Exist
4. Prepare Opening IFRS Balance Sheet
5. Apply IFRS Accounting Policies to Comparative Financial Statements and Effective Date of Adoption
6. Assess Process, Internal Control, System and Business Changes
7. Communication and Disclosure
8. Training and Financial Expertise

Refer to the December 31, 2009 Management's Discussion and Analysis of Financial Condition and Results of Operations for an update on each of the phases identified above and anticipated timelines as at March 5, 2010. Since the last update, minimal IFRS implementation activity was planned while annual continuous disclosure requirements were ongoing. More significant implementation activities are planned for the second and third quarters of 2010 and additional updates will be provided at that time. The impact of the transition on the Company's consolidated financial statements has not yet been quantified.

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 94,779,407 common shares issued and outstanding, as well as: (i) warrants to purchase an aggregate of 20,890,275 common shares expiring at various dates between September 2, 2010 and April 16, 2013 and exercisable at various prices between $0.72 and $3.00 per share; (ii) stock options to purchase an aggregate of 3,190,000 common shares expiring at various dates between September 5, 2010 and March 17, 2015 and exercisable at various prices between $0.60 and $3.86 per share; and, (iii) compensation options to purchase an aggregate of 1,592,313 units for $0.65 on or before December 3, 2011. Each unit consists of one common share and one-half common share purchase warrant and each whole warrant entitles the holder to purchase one common share of the Company for $0.80 on or before December 3, 2011. All warrants have vested at the date hereof except for 266,668 warrants exercisable at $0.72 per share expiring on April 16, 2013, which vest on August 2, 2010. All stock options have vested as at the date hereof except for 20,000 options exercisable at $0.74 per share expiring on March 17, 2015, which vest on March 1, 2011. The compensation options had not been exercised as at the date hereof and are fully vested.

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 ("GAAP"). Any system of internal control over financial reporting ("ICFR"), no matter how well-designed, has inherent limitations. Therefore, even well-designed systems of internal control can provide only reasonable assurance with respect to financial statement preparation and presentation.

As at March 31, 2010, no material weaknesses in the Company's ICFR have been identified and for the period commencing on January 1, 2010 and ending March 31, 2010, there were no changes made to the Company`s ICFR considered to have materially affected, or are reasonably likely to materially affect, its ICFR. However, the Company continually assesses and, if required, implements new or modifies existing controls required to support operational changes as it makes the transition from exploration company to producer.

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, timing and cost for placing the Company's mineral projects into production, costs of production, amount and quality of metal products recoverable from the Company's mineral resources, demand and market outlook for metals and coal and future metal and coal 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, uncertainties with respect to the receipt or timing of required permits and regulatory approvals, the uncertainties involved in interpreting drilling results and other geological data, fluctuating metal and coal prices, the possibility of project cost overruns or unanticipated costs and expenses, uncertainties relating to the availability and costs of financing needed in the future, uncertainties related to metal recoveries, uncertainty in the outcome of litigation 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. These forward-looking statements are made as of the date hereof and the Company assumes no responsibility to update them or revise them to reflect new events or circumstances, except as required by law.