



Management's Discussion and Analysis Consolidated Financial Statements

June 30, 2008

www.franco-nevada.com

MANAGEMENT'S DISCUSSION AND ANALYSIS

This discussion and analysis of financial position and results of operations of Franco-Nevada Corporation ("Franco-Nevada", the "Company", "we" or "our") has been prepared based upon information available to the Company as at August 8, 2008 and should be read in conjunction with the Company's unaudited interim consolidated financial statements and related notes as of and for the three and six months ended June 30, 2008. All amounts are in thousands of U.S. dollars unless specifically stated otherwise.

Additional information related to the Company, including the Company's Annual Information Form is available on SEDAR at www.sedar.com. In addition, the Company's website can be found at www.franco-nevada.com.

Cautionary Statement on Forward-Looking Information

This Management's Discussion and Analysis ("MD&A") contains certain "forward-looking statements" which may include, but are not limited to, statements with respect to future events or future performance, management's expectations regarding Franco-Nevada's growth, results of operations, estimated future revenues, requirements for additional capital, future demand for and prices of commodities, expected mining sequences, business prospects and opportunities. All statements, other than statements of historical fact, are forward-looking statements. Such forward-looking statements reflect management's current beliefs and are based on information currently available to management. Often, but not always, forward-looking statements can be identified by the use of words such as "plans", "expects", "is expected", "budget", "scheduled", "estimates", "forecasts", "predicts", "projects", "intends", "targets", "aims", "anticipates" or "believes" or variations (including negative variations) of such words and phrases or may be identified by statements to the effect that certain actions "may", "could", "should", "would", "might" or "will" be taken, occur or be achieved. Forward-looking statements involve known and unknown risks, uncertainties and other factors, which may cause the actual results, performance or achievements of Franco-Nevada to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. A number of factors could cause actual events or results to differ materially from any forward-looking statement, including, without limitation: adverse fluctuations in the prices of the primary commodities that drive the Company's royalty revenue (gold, platinum group metals, copper, nickel, oil and gas); adverse fluctuations in the value of the Canadian and Australian dollar, and any other currency in which the Company generates revenue, relative to the U.S. dollar; changes in national and local government legislation, including taxation policies; regulations and political or economic developments in any of the countries where the Company holds interests in mineral and oil and gas properties; influence of macroeconomic developments; business opportunities that become available to, or are pursued by us; reduced access to debt and equity capital; litigation; title disputes related to our interests or any of the properties underlying the Royalty Portfolio; operating or technical difficulties on any of the properties underlying the Royalty Portfolio; risks and hazards associated with the business of development and mining on any of the properties underlying the Royalty Portfolio, including, but not limited to unusual or unexpected geological formations, cave-ins, flooding and other natural disasters or civil unrest. The forward-looking statements contained in this MD&A are based upon assumptions management believes to be reasonable, including, without limitation; the ongoing operation of the properties underlying the Royalty Portfolio by the owners or operators of such properties in a manner consistent with past practice; the accuracy of public statements and disclosures made by the owners or operators of such underlying properties; no material adverse change in the market price of the commodities that underlie the Royalty Portfolio; and the absence of any other factors that could cause actions, events or results to differ from those anticipated, estimated or intended. However, there can be no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in

such statements. Franco-Nevada cannot assure investors that actual results will be consistent with these forward-looking statements and readers are cautioned that forward-looking statements are not guarantees of future performance. Accordingly, readers should not place undue reliance on forward-looking statements due to the inherent uncertainty therein. For additional information with respect to risks, uncertainties and assumptions, please also refer to the "Risk Factors" sections of our most recent Annual Information Form filed with the Canadian securities regulatory authorities on www.sedar.com, as well as our Annual MD&A and this MD&A. The forward-looking statements herein are made as of the date of this MD&A only and Franco-Nevada does not assume any obligation to update or revise them to reflect new information, estimates or opinions, future events or results or otherwise, except as required by applicable law.

Our Company

Franco-Nevada is a Toronto-headquartered company with offices in Denver, Reno and Perth, Australia and trades on the Toronto Stock Exchange under the symbol "FNV". Warrants trade under the symbol "FNV.WT". The management and directors are significant shareholders, and are dedicated to the sustainable maximization of our share price, holding 6.0% of the common shares, or 8.1% on a fully diluted basis, as of August 8, 2008.

Our Business

We are a resource royalty and investment company and are the preeminent publicly-traded royalty company in terms of the number of royalties, market capitalization, projected revenues and financial strength. On December 20, 2007, we acquired certain of Newmont Mining Corporation's ("Newmont") mineral royalties, oil and gas royalties and working interests, an equity interest in Falconbridge Dominicana, C. Por A. and other properties and interests (collectively known as the "Royalty Portfolio"), completed our initial public offering, completed our bank debt facility and listed on the Toronto Stock Exchange. On December 31, 2007, we applied a portion of the proceeds from the exercise of the underwriters' over-allotment option to completely repay the Royalty Portfolio acquisition debt.

Our Royalty Portfolio is a diversified group of precious and base metal royalties, oil and gas royalties and working interests as well as other resource investments, properties and interests. On June 30, 2008, we owned approximately 185 precious and base metal royalties and over 100 oil and gas royalties or working interests covering over 5,000 wells. Over 85% of our Royalty Portfolio revenues are expected to be generated from the geopolitically secure areas of North America and Australia.

Our portfolio generates high-margin free cash flow with lower exposure to operating and capital costs than operating companies. The portfolio also provides us with direct leverage to commodity prices and the exploration potential of world-class ore deposits and mineral exploration trends where we have existing royalty interests. Management has proven successful in both acquiring and managing our portfolio of assets and we intend to utilize our free cash flow to grow the portfolio and to pay dividends.

Our Vision and Business Model

Our vision is to be a resource royalty and investment company dedicated to the sustainable maximization of our share price. Our business model is to focus on resource royalties and investments and to specifically reduce our exposure to the multitude of risks associated with operating in today's resource environment. Our growth strategy is predicated on increasing net asset value ("NAV") on a per share basis as we strongly believe that sustainable growth in per share NAV ultimately drives our share price. Accordingly, NAV accretion per share is one of our key acquisition metrics. We are firm believers that maintaining a strong precious metals focus will allow us to preserve our premium valuation, however, we will remain vigilant for opportunities in all resources. Maintaining and managing a diversified, high-margin portfolio with low overheads provides the strong free cash flow required to fuel organic growth. We believe in maintaining a strong balance sheet to allow us to be opportunistic in any environment. We do not hedge any of our commodity exposures.

How We Operate

Our head office is in Toronto, the centre of the Canadian investment community and a global centre of mining finance. We also maintain offices in Denver and Reno in order to manage our substantial U.S. royalty portfolio, extensive land interests and to pursue U.S. business development opportunities. We also have staff in Perth, Australia to manage our assets in that country.

We currently operate with a small organization of sixteen multidisciplinary employees which we expect to expand to approximately twenty. Our management team is made up of experienced and proven professionals some of whom have been continuously associated with our royalty and investment portfolio for over 20 years. We operate with a flat management structure similar to that of a small merchant bank. As we do not have any material operational responsibilities, our flat, multidisciplinary management structure allows many of our team members to take on varying roles for corporate development opportunities.

Disclosure Controls and Procedures

Our Chief Executive Officer (“CEO”) and Chief Financial Officer (“CFO”) are responsible for establishing and maintaining the Company’s disclosure controls and procedures and have designed such disclosure controls and procedures to provide reasonable assurance that all material information relating to the Company, including its consolidated subsidiaries, is made known to them by others within those entities particularly during the period in which our annual and interim filings are being prepared.

As at June 30, 2008, our CEO and CFO evaluated our system of disclosure controls and procedures and, based on that evaluation, as at June 30, 2008, the CEO and CFO have concluded that the disclosure controls and procedures were effective in providing reasonable assurance that information required to be disclosed in the Company’s interim filings and other reports filed or submitted under Canadian securities laws is recorded, processed, summarized and reported within the time frames specified by those laws and that such information is accumulated and communicated to management of the Company, including the CEO and CFO, as appropriate to allow timely decisions regarding required disclosure.

Internal Controls over Financial Reporting

Our CEO and CFO are responsible for establishing and maintaining the Company’s internal controls over financial reporting and have designed such internal controls over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the Company’s consolidated financial statements for external purposes in accordance with Canadian generally accepted accounting principles as at June 30, 2008.

During the quarter ended June 30, 2008, there have been no changes in the Company’s internal controls over financial reporting that materially affected, or are reasonably likely to affect, the Company’s internal controls over financial reporting.

Selected Financial Information

Statement of Income	Three Months Ended June 30, 2008	Six Months Ended June 30, 2008
Total revenue	\$ 40,987	\$ 68,535
Depletion and depreciation	20,630	36,167
Net income	9,876	15,077
Basic and fully diluted earnings per share	\$ 0.10	\$ 0.16

Statement of Cash Flows

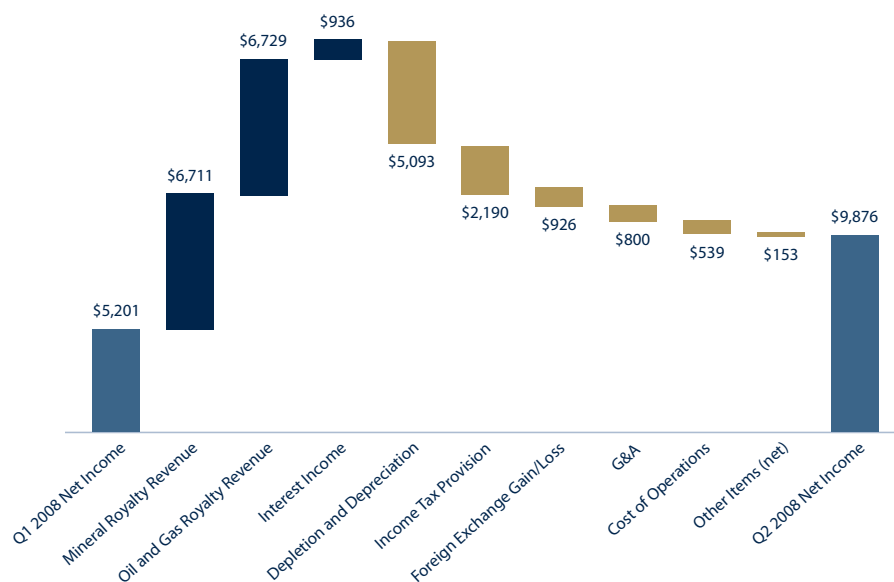
Net cash provided by operating activities, before changes in non-cash assets and liabilities	\$ 33,492	\$ 56,145
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Balance Sheet	June 30, 2008	December 31, 2007
Cash and cash equivalents	\$ 204,553	\$ 12,894
Short-term investments	88,706	—
Total assets	1,591,763	1,336,656
Total shareholders' equity	1,537,078	1,287,054

Financial Performance

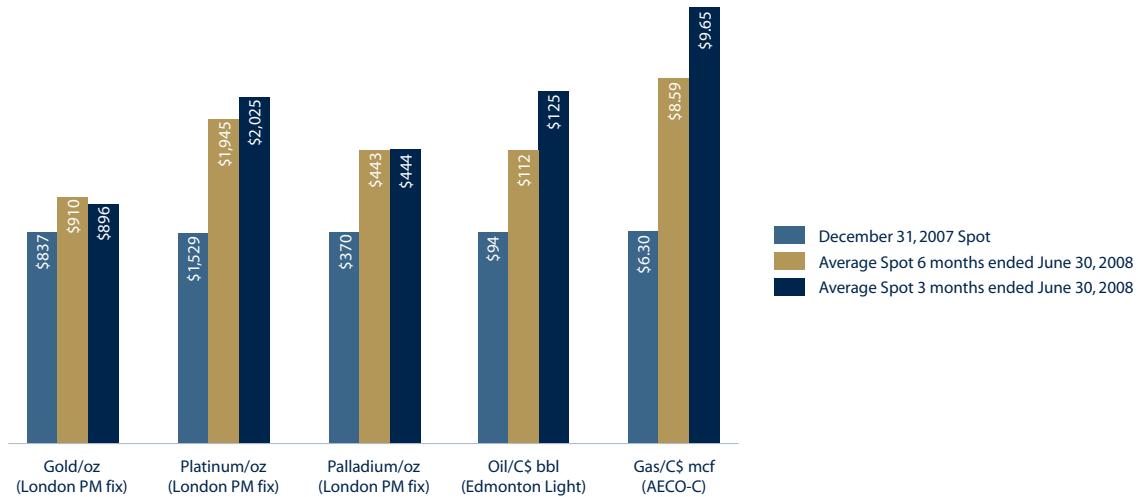
Overall

Net income for the three months ended June 30, 2008 was \$9,876, or \$0.10 per share. Net income for the six months ended June 30, 2008 was \$15,077, or \$0.16 per share.



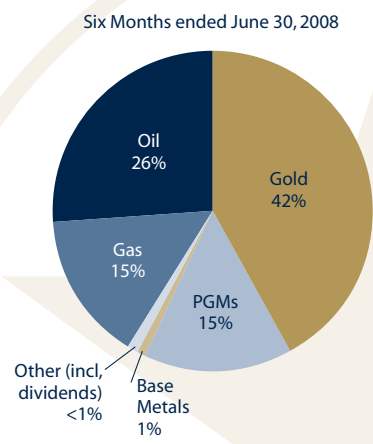
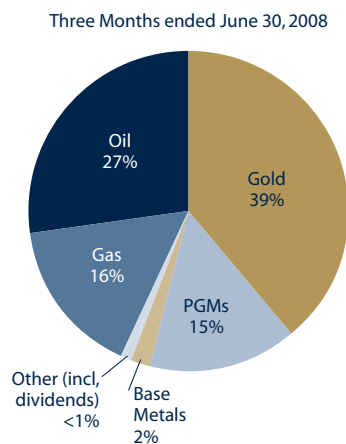
Revenue

In the second quarter of 2008 consolidated revenues increased to \$40,987, or 49%, from \$27,548 in the first quarter of 2008 as the Company continued to enjoy strong prices from all of the key commodities underlying its royalty interests, with particularly strong prices for platinum and oil and gas where average spot prices for the second quarter were 8%, 28% and 28%, respectively, above average spot prices for the first quarter. None of Franco-Nevada's revenues are hedged.



For the three months ended June 30, 2008, consolidated revenue was \$40,987 from the Company's 32 operating royalty interests. Revenue was 54% from precious metals (39% gold and 15% platinum group metals), 43% from oil and gas (27% oil and 16% gas), 2% from base metals and less than 1% from other.

For the six months ended June 30, 2008, consolidated revenue was \$68,535 from the Company's 32 operating royalty interests. Revenue was 57% from precious metals (42% gold and 15% platinum group metals), 41% from oil and gas (26% oil and 15% gas), 1% from base metals and less than 1% from other.

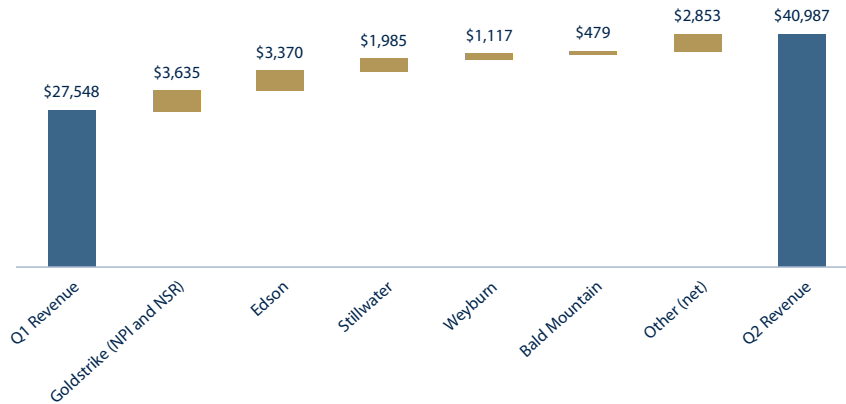


Royalty revenue for the three months and six months ended June 30, 2008 was comprised of the following.

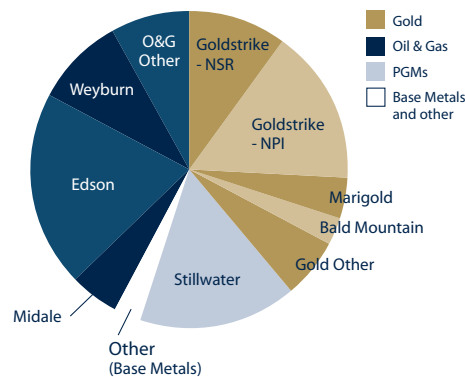
Property	Interest		Operator	Revenue	
				Three months ended June 30, 2008	Six months ended June 30, 2008
Gold					
Goldstrike - NSR	NSR	2-4%	Barrick Gold	\$ 4,495	\$ 8,084
Goldstrike - NPI	NPI	2.4-6%	Barrick Gold	7,372	12,015
Marigold	NSR	1.75-5%	Barrick Gold/Goldcorp	1,472	2,910
Bald Mountain	NSR	1-4%	Barrick Gold	880	1,281
Cerro San Pedro	GR	1.95%	New Gold	499	858
Mesquite	NSR	0.5-2%	Western Goldfields	386	568
North Lanut	NSR	5%	Avocet Mining	307	954
Eskay Creek	NSR	1%	Barrick Gold	181	330
Mouska	GR	2%	IAMGOLD	210	404
New Celebration	NSR	1.75%	Dioro Exploration	223	283
Henty	ORR	1-10%	Barrick Gold	143	287
Holloway/Holt	NSR	2-10%	St. Andrew Goldfields	—	104
Bronzewing	NSR	1%	View Resources	55	195
Other	Various	Various	Various	157	274
				16,380	28,547
PGMs					
Stillwater	NSR	5%	Stillwater Mining	6,039	10,093
Pandora	NPI	5%	Lonmin PLC	13	13
				6,052	10,106
Base Metals					
Robinson	NSR/Other	0.225%/0.25%	Quadra Mining	412	672
Mt. Keith	NPI	0.25%	BHP Billiton	(44)	(30)
Kasese	Other	Other	MFC Bancorp	422	422
				790	1,064
Other					
Eagle Picher	Other	Other	EP Minerals	83	166
Commodore	Other	Other	Millmerran Partners	6	28
				89	194
Oil and Gas					
Edson	ORR	15%	Canadian Natural Resources	7,662	11,954
Weyburn	WI\ORR	1.11%/0.44%	EnCana O&G Partnership	3,947	6,777
Midale	WI\ORR	1.59%/0.97%	Apache Canada	1,894	2,976
Other	Various	Various	Various	4,082	6,734
				17,585	28,441
Dividends					
Newmont	Common shares	896,210	—	91	183
				\$ 40,987	\$ 68,535

Notes:

NPI	Net profits interest royalty
NSR	Net smelter return royalty
GR	Gross royalty
ORR	Overriding royalty
WI	Working interest



Significant contributions to revenue for the quarter ended June 30, 2008 were from: Goldstrike (\$11,867), including \$7,372 derived from the net profits interest royalty; Edson (\$7,662); Stillwater (\$6,039); Weyburn (\$3,947); and Marigold (\$1,472).

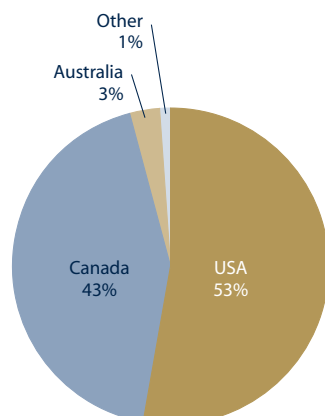


Revenues from our Goldstrike royalties are expected to increase significantly in the second half of 2008 with production expected to be weighted towards the last quarter of the year as, upon completion of a planned waste stripping effort, higher grade ore is sourced from the Betze-Post pit. During the quarter ended June 30, 2008, there were no revenues recognized with respect to the Falcondo investment. Consistent with our expectations and past patterns, revenue receipts from this investment are irregular and revenue is recognized as received.

In July 2008, Quadra Mining announced that gold production from the Robinson Mine had exceeded the 60,000 ounce annual production threshold above which Franco-Nevada receives a 10% NSR on 51% of the excess production. In addition, Quadra announced that expected 2008 copper production from the Robinson Mine was 150 million pounds. Franco-Nevada receives a price participation royalty on 51% of all copper production in excess of 130 million pounds payable in any year in which the average price of copper exceeds \$1 per pound, adjusted for inflation (based on 1990 dollars). Accordingly, Franco-Nevada expects that royalty revenue from the Robinson Mine will be significantly higher in the second half of 2008 as production thresholds contained in the royalty agreements have been, or are expected to be, exceeded.

In the second quarter of 2008, the Company received royalty statements from the operator of the Edson Property which showed that during the first quarter of 2008 an additional ten wells were brought into production bringing the number of producing wells to 131 gross (net 19.7). As royalties are paid in the second month following the month of production the Company did not receive royalty payments on the majority of these new wells until the second quarter as they came on stream in February and March. Therefore, the revenue from these new wells was recognized in the second quarter, upon receipt, when management was able to reliably estimate the revenue, for the second quarter, pursuant to the terms of the royalty agreement.

Revenue continues to be earned from royalty interests in geopolitically secure countries with over 95% of revenues for the six months ended June 30, 2008 generated from North American and Australian interests.



Costs and Expenses

Costs of operations, comprised of oil and gas production taxes, operating costs on oil and gas working interests and net proceeds taxes on mineral royalties, were \$2,339 for the second quarter of 2008 and \$4,139 for the six months ended June 30, 2008. The \$539 increase in costs of operations for the second quarter is comprised primarily of \$128 of higher mineral production taxes due to increased revenues from the Stillwater royalty and from the Company's Nevada royalty assets and \$397 of higher oil and gas production taxes and working interest operating costs due to higher oil and gas prices and production volumes.

For the second quarter of 2008, general and administrative costs of \$2,905 included no significant one-time or infrastructure set-up costs. For the six months ended June 30, 2008, general and administrative expenses were \$5,010. The \$800 increase in general and administrative costs for the second quarter is comprised primarily of directors fees and reimbursement of directors expenses of \$251 and Canadian capital taxes of \$516.

Stock compensation expense of \$1,081 and \$2,134 for the three and six-months ended June 30, 2008, respectively, represents the amortization of the fair value of stock options granted to directors and management.

Non-GAAP Financial Measures - Free Cash Flow and EBITDA

Free cash flow was \$35,334, or 86% of revenue, and \$58,707, or 86% of revenue, for the quarter and six months ended June 30, 2008, respectively.

Earnings before income tax, interest income, interest expense, depletion, depreciation and amortization ("EBITDA") was \$34,287, or 84% of revenue, and \$57,567, or 84% of revenue, for the quarter and six months ended June 30, 2008, respectively.

The Company computes and discloses both free cash flow, free cash flow as a percentage of revenues and EBITDA and EBITDA as a percentage of revenues. These are non-GAAP financial measures. Free cash flow is defined by the Company as operating income plus depletion and depreciation, non-cash charges, and any impairment of investments and royalty interests. EBITDA is defined by the Company as net income, excluding income tax expense, interest income and expense, and depletion and depreciation. These non-GAAP financial measures do not have any standardized meaning prescribed by GAAP and therefore are unlikely to be comparable to similar measures presented by other companies.

Management believes that free cash flow, free cash flow as a percentage of revenues, EBITDA and EBITDA as a percentage of revenues are useful measures of the performance of our Royalty Portfolio. Free cash flow and EBITDA identify the cash generated in a given period that will be available to fund the Company's future operations, growth opportunities and dividends. Free cash flow and EBITDA, as defined, are most directly comparable to operating income in the Statement of Operations and Comprehensive Loss. Below are reconciliations of free cash flow to operating income and net income to EBITDA for the three months ended and six months ended June 30, 2008 and the calculation of per share amounts:

	Three Months Ended June 30, 2008	Six Months Ended June 30, 2008
Operating Income	\$ 13,623	\$ 20,406
Depletion and depreciation	20,630	36,167
Stock compensation expense	1,081	2,134
Free Cash Flow	\$ 35,334	\$ 58,707
Basic Weighted Average Shares Outstanding	100,300,000	95,750,549
Free Cash Flow per share	\$ 0.35	\$ 0.61
Net Income	\$ 9,876	\$ 15,077
Interest income	(1,266)	(1,596)
Interest expense	297	609
Income tax provision	4,750	7,310
Depletion and depreciation	20,630	36,167
EBITDA	\$ 34,287	\$ 57,567
Basic Weighted Average Shares Outstanding	100,300,000	95,750,549
EBITDA per share	\$ 0.34	\$ 0.60

Interest Income

For the three months and six months ended June 30, 2008, the Company earned interest income of \$1,266 and \$1,596, respectively, from the investment of the proceeds of the Unit Offering (as defined below) completed on March 13, 2008 and free cash flows in cash, cash equivalents and short-term investments.

Interest Expense

For the quarter ended June 30, 2008, the Company incurred interest expense of \$297 that was comprised of \$114 of standby fees on the Company's revolving term credit facility (the "Credit Facility") with a syndicate of lenders and \$183 of amortization of costs related to the Credit Facility.

For the six months ended June 30, 2008, the Company incurred interest expense of \$609 composed of \$244 of standby fees and \$365 of Credit Facility cost amortization.

The standby fee on the Credit Facility was calculated as 0.35% per annum on the entire US\$150 million undrawn balance for the period from January 1 to March 31, 2008. Under the terms of the Credit Facility, effective April 1, 2008, the standby fee was calculated at a reduced rate of 0.30% per annum due to the strengthening of the Company's leverage and interest coverage ratios.

Income Taxes

For the quarter ended June 30, 2008, the Company had income tax expense of \$4,750, resulting in an effective tax rate of 33%. This is comprised of a current tax expense of \$2,557 from the Company's U.S. and Australian subsidiaries and a future income tax expense of \$2,193 from the Canadian parent company.

For the six months ended June 30, 2008, the Company had income tax expense of \$7,310, resulting in an effective tax rate of 33%. This is comprised of a current tax expense of \$4,002 from the Company's U.S. and Australian subsidiaries and a future income tax expense of \$3,308 from the Canadian parent company.

Depletion and Depreciation

For the quarter and six months ended June 30, 2008, depletion and depreciation was \$20,630 and \$36,167, respectively. The increase of \$5,093 in depletion and depreciation in the second quarter was primarily as a result of higher oil and gas production volumes and higher production levels from the Goldstrike royalty assets.

Financial Position, Liquidity and Capital Resources

Operating Cash Flow

Cash provided by operating activities before changes in non-cash assets and liabilities was \$33,492 and \$56,145 for the three months and six months ended June 30, 2008, respectively.

Financing Activities

On March 13, 2008, the Company completed a bought deal (the "Unit Offering") with a syndicate of underwriters for 10,000,000 units (the "Units") at a price of C\$23.25 per Unit. Each Unit consists of one common share and one-half of one common share warrant (a "Warrant") that entitles the holder of each full Warrant to purchase a common share of the Company at C\$32.00 at any time before March 13, 2012. In addition, the underwriters exercised their entire over-allotment option through the purchase of an additional 1,500,000 Units. The net proceeds to the Company were C\$255,942, after deducting underwriters' commissions and expenses totaling C\$11,433.

Investing Activities

The Company invests its excess funds in various treasury bills of the U.S. government and Canadian federal and provincial governments. As of June 30, 2008, the investments had various maturities upon acquisition of between 72 and 182 days. Accordingly, on the June 30, 2008 consolidated balance sheet, those investments with maturities of ninety days or less upon acquisition are classified as "cash and cash equivalents" and those with maturities greater than ninety days are classified as "short-term investments". That portion of the proceeds from the Unit Offering that were invested in treasury bills with maturities greater than ninety days are classified as "short-term investments" in the "investing activities" section of the consolidated statement of cash flows.

Cash Resources and Liquidity

As of June 30, 2008, the Company had cash and cash equivalents and short-term investments totaling \$293,259. In addition, the Company held available-for-sale securities at quarter end with a combined market value of \$90,175.

The net proceeds from the Unit Offering continue to be invested in U.S. and Canadian dollar denominated treasury bills on a 70% to 30% ratio based upon an assessment that the most likely currency to be utilized for future royalty investments in the near term is the U.S. dollar.

The Company's near-term cash requirements are limited to general and administrative expenses, certain costs of operations directly related to the recognition of royalty revenues and semi-annual dividends. As a royalty company, there are limited requirements for capital expenditures other than for the acquisition of additional royalties. Such acquisitions are entirely discretionary and will be consummated through the use of cash, as available, or through the issuance of common shares or other equity securities or use of the Company's Credit Facility.

The Company believes that current cash resources will be sufficient to cover the cost of general and administrative expenses, costs of operations and dividend payments for the foreseeable future.

Capital Resources

As of August 8, 2008, the Company has the entire amount of \$150 million, or its Canadian dollar equivalent, available under the Credit Facility. Advances under the Credit Facility bear interest depending upon the currency of the advance and the Company's leverage ratio. As of August 8, 2008, U.S. dollar and Canadian dollar advances under the facility would bear interest rates of 5.625% and 4.875%, respectively.

The Company has a contractual obligation of \$7 per month for a 39-month lease, and related operating expenses, on its Colorado office space that began on March 24, 2008. Additionally, the Company has a contractual obligation of \$17 per month for a 65-month lease, and related operating expenses, on its Toronto office space that began on June 1, 2008.

Related Party Transactions

During the quarter ended June 30, 2008, a total of \$251 was paid to directors for directors fees, the reimbursement of director expenses and a payment to a director for services in connection with the initial setup and organization of the Company. There were no other transactions with related parties during the six months ended June 30, 2008, and there were no amounts due to or from related parties at June 30, 2008.

Critical Accounting Estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and the disclosure of contingent assets and liabilities at the date of the consolidated financial statements of the Company, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates by a material amount.

Management's estimate of mineral prices, operators' estimates of proven and probable reserves related to the underlying properties and operators' estimates of operating, capital and reclamation costs upon which the Company relies, are subject to certain risks and uncertainties. These estimates affect revenue recognition, depletion of interests in mineral and oil and gas properties and the assessment of recoverability of the interests in mineral and oil and gas properties. Although management has made its best assessment of these factors based upon current conditions, it is possible that changes will occur, which would materially affect the amounts contained in the consolidated financial statements of the Company.

Royalty Revenue

Royalty and oil and gas working interest revenue is recognized when management can reliably estimate the receivable, pursuant to the terms of the royalty and working interest agreements, and collection is reasonably assured. In some instances, the Company will not have access to sufficient information to make a reasonable estimate of revenue and, accordingly, revenue recognition is deferred until management can make a reasonable estimate. Differences between estimates of royalty and oil and gas working interest revenue and actual amounts are adjusted and recorded in the period that the actual amounts are known. Royalty revenue received in kind is recognized based on the fair value on the date that title is transferred to the Company. Dividend income is recognized as the dividends are received.

Depletion of Interests in Mineral Properties

Acquisition costs of production stage royalty interests are depleted using the units-of-production method over the life of the property to which the royalty interest relates, which is estimated using available estimates of proven and probable reserves specifically associated with the mineral properties or proved reserves specifically associated with the oil and gas properties.

Asset Impairment

The Company evaluates long-lived assets for impairment whenever events or changes in circumstances indicate that the related carrying values of an asset or group of assets may not be recoverable. The recoverability of royalty interests in production and development stage mineral properties is evaluated based upon estimated future undiscounted net cash flows from each royalty interest property using estimates of proven and probable reserves. The Company evaluates the recoverability of the carrying value of royalty interests in exploration stage mineral properties in the event of significant decreases in related commodity prices, and whenever new information regarding the mineral properties is obtained from the operator that could affect the future recoverability of our royalty interests. Impairments in the carrying value of each property are measured and recorded to the extent that the carrying value of each property exceeds its estimated fair value, which is generally calculated using estimated discounted future cash flows.

Income Taxes

The Company accounts for income taxes using the liability method, recognizing certain temporary differences between the financial reporting basis of its liabilities and assets and the related income tax basis for such liabilities and assets. This method generates a future income tax net asset as of the end of the year, as measured by the substantially enacted statutory tax rates in effect when the timing differences are expected to reverse. The Company's future income tax net assets include certain future tax benefits. The Company records a valuation allowance against any portion of those future income tax net assets when it believes, based on the weight of available evidence, it is more likely than not that any portion of the future income tax net asset will not be realized.

Stock-Based Compensation

The Company accounts for stock-based transactions using the Black-Scholes option pricing model. The fair value of these awards is recognized over the vesting period of each award. Compensation expense for stock options is determined based on estimated fair values of the options at the time of grant. The fair value of the stock options granted in the second quarter of 2008 was calculated using the Black-Scholes option pricing model with the following assumptions: a dividend yield of 1.3%, an expected volatility of 47.6%, a risk free interest rate of 3.75%, and an expected average option life of 4 years.

New Accounting Policies

In addition, CICA has issued Section 3064 - Goodwill and Intangible Assets, which will replace Section 3062 - Goodwill and Intangible Assets. The new standard is applicable for interim and annual financial statements relating to fiscal years beginning on or after October 1, 2008. Section 3064 establishes revised standards for the recognition, measurement, presentation and disclosure of goodwill and intangible assets. Section 3064 also provides guidance for the treatment of preproduction and start-up costs and requires that these costs be expenses as incurred. The Company plans to adopt Section 3064 on January 1, 2009. The Company is currently assessing the impact of Section 3064 on its consolidated financial statements.

Outlook

The following contains forward-looking statements about our outlook for 2008. Reference should be made to the "Cautionary Statement on Forward-Looking Information" section at the beginning of this MD&A. For a description of material factors that could cause our actual results to differ materially from the forward-looking statements in the following, please see the Cautionary Statement, the "Risk Factors" section of this MD&A and the "Risk Factors" sections of our most recent Annual Information Form and Annual MD&A filed with the Canadian securities regulatory authorities on www.sedar.com.

The Company anticipates that 2008 will be a year where it develops the required infrastructure and incurs various costs, including listing fees, reporting costs, increased accounting and legal fees, insurance and other costs, consistent with its standing as a public company. Certain infrastructure-related costs will be incurred to establish the required capabilities of a public entity and may not need to be incurred annually thereafter. We expect that the majority of our one-time infrastructure costs will be capitalized.

Revenues from our Goldstrike royalties are expected to increase significantly in the second half of 2008 with production expected to be weighted towards the last quarter of the year as, upon completion of a planned waste stripping effort, higher grade ore is sourced from the Betze-Post pit. During the quarter ended June 30, 2008, there were no revenues recognized with respect to the Falcondo investment. Consistent with our expectations and past patterns, revenue receipts from our Falcondo interest are irregular and revenue is recognized on a cash basis. In addition, revenues from the Robinson royalty are not received ratably throughout the year as, in accordance with the royalty agreements, royalties increase once annual production thresholds have been exceeded.

The Company's cash balances, including the proceeds from the Unit Offering, have been invested in high-quality, short-term interest bearing securities until they can be utilized for the acquisition of additional royalty or investment interests.

OUTSTANDING SHARE DATA

As of August 8, 2008, there were 100,300,000 Common Shares outstanding. In addition, there were 2,775,000 stock options outstanding to directors, officers and employees with exercise prices ranging from C\$15.20 to C\$20.55 per share. There were also 5,750,000 Warrants outstanding, allowing the holders to purchase Common Shares at C\$32.00 per share until March 13, 2012.

RISK FACTORS

The following discussion pertains to the outlook and conditions currently known to management which could have a material impact on the financial condition and results of operations of the Company. This discussion, by its nature, is not all-inclusive. It is not a guarantee that other factors will or will not affect the Company in the future. For additional information with respect to risks and uncertainties, please also refer to the "Risk Factors" sections of our most recent Annual Information Form and our Annual MD&A filed with the Canadian securities regulatory authorities on www.sedar.com.

Fluctuation in Mineral Prices

Mineral prices have fluctuated widely in recent years. The marketability and price of metals and minerals on properties for which the Company holds interests will be influenced by numerous factors beyond the control of the Company and which may have a material and adverse effect on the Company's profitability, results of operations and financial condition.

Foreign Currency Fluctuations

The Company's royalty interests are subject to foreign currency fluctuations and inflationary pressures, which may have a material and adverse effect on the Company's profitability, results of operations and financial condition. There can be no assurance that the steps taken by management to address variations in foreign exchange rates will eliminate the risk of all adverse effects and, accordingly, the Company may suffer losses due to foreign currency rate fluctuations.

Significance of Stillwater and Goldstrike Royalties

The Stillwater and Goldstrike royalties are very significant to the Company. As a result, any adverse issues associated with production or the recoverability of reserves from those portions of the Stillwater and Goldstrike properties over which the Company has a royalty interest, could have a material and adverse effect on the Company's profitability, results of operations and financial condition.

Franco-Nevada Corporation

CONSOLIDATED BALANCE SHEETS

(unaudited, in thousands of US dollars, except share amounts)

	As at	
	June 30, 2008	December 31, 2007
ASSETS		
Cash and cash equivalents <i>(Note 5)</i>	\$ 204,553	\$ 12,894
Short-term investments <i>(Note 6)</i>	88,706	—
Royalty receivables	24,012	3,281
Prepaid expenses and other	1,354	1,786
Current assets	318,625	17,961
Royalty interests in mineral properties, net	899,892	930,808
Interests in oil and gas properties, net	281,508	298,608
Investments <i>(Note 6)</i>	90,175	87,848
Other	1,563	1,431
Total assets	\$ 1,591,763	\$ 1,336,656
LIABILITIES		
Accounts payable and accrued liabilities	\$ 7,822	\$ 3,917
Current liabilities	7,822	3,917
Future income taxes	46,863	45,685
Total liabilities	\$ 54,685	49,602
SHAREHOLDERS' EQUITY		
Common shares, unlimited common shares authorized, without par value; issued and outstanding 100,300,000 common shares at June 30, 2008 (88,800,000 common shares at December 31, 2007)	1,549,410	1,310,171
Contributed surplus	24,968	105
Deficit	(29,840)	(33,079)
Accumulated other comprehensive income (loss)	(7,460)	9,857
Total shareholders' equity	1,537,078	1,287,054
Total liabilities and shareholders' equity	\$ 1,591,763	\$ 1,336,656

See accompanying notes to the consolidated financial statements.

Approved by the Board of Directors



Pierre Lassonde
Director



Randall Oliphant
Director

Franco-Nevada Corporation

CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME (LOSS)

(unaudited, in thousands of US dollars, except share amounts)

	For the Three Months Ended June 30, 2008	For the Six Months Ended June 30, 2008
Revenue		
Mineral royalties	\$ 23,311	\$ 39,911
Oil and gas royalties and working interests	17,585	28,441
Dividends	91	183
Total revenue	40,987	68,535
Costs and expenses		
Costs of operations	2,339	4,139
Depletion and depreciation	20,630	36,167
General and administrative	2,905	5,010
Business development	409	679
Stock-based compensation expense <i>(Note 4)</i>	1,081	2,134
Total costs and expenses	27,364	48,129
Operating income	13,623	20,406
Interest income	1,266	1,596
Interest (expense) and other	(297)	(609)
Foreign exchange gain	34	994
Income before income taxes	14,626	22,387
Income tax expense <i>(Note 10)</i>	(4,750)	(7,310)
Net income	\$ 9,876	\$ 15,077
Other comprehensive income (loss):		
Unrealized change in market value of securities, net of tax benefit	\$ 4,455	\$ 3,642
Unrealized foreign exchange gain (loss), net of tax	(1,347)	4,393
Currency translation adjustment	6,932	(25,352)
	10,040	(17,317)
Total comprehensive income (loss)	\$ 19,916	\$ (2,240)
Basic and fully diluted earnings per share		
	\$ 0.10	\$ 0.16
Basic weighted average shares outstanding <i>(Note 4)</i>	100,300,000	95,750,549
Diluted weighted average shares outstanding <i>(Note 4)</i>	100,990,340	96,426,662

See accompanying notes to the consolidated financial statements.

Franco-Nevada Corporation

CONSOLIDATED STATEMENTS OF CASH FLOWS

(unaudited, in thousands of US dollars)

	For the Three Months Ended June 30, 2008	For the Six Months Ended June 30, 2008
Cash flows from operating activities		
Net income	\$ 9,876	\$ 15,077
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depletion and depreciation	20,630	36,167
Future tax expense	2,193	3,308
Stock-based compensation expense	1,081	2,134
Unrealized foreign exchange (gain) loss	(288)	(541)
Changes in non-cash assets and liabilities:		
Increase in royalty receivables	(4,532)	(20,731)
Decrease in prepaid expenses and other	74	816
Increase (decrease) in accounts payable and accrued liabilities	(112)	2,688
Net cash provided by operating activities	28,922	38,918
Cash flows from investing activities		
Short-term investments	(13,825)	(88,445)
Long-term investments	—	(584)
Oil and gas well equipment	(914)	(1,512)
Property, plant and equipment	(377)	(534)
Net cash used in investing activities	(15,116)	(91,075)
Cash flows from financing activities		
Net proceeds from unit offering (Note 3)	—	260,062
Payment of dividends	(11,838)	(11,838)
Net cash provided by (used in) financing activities	(11,838)	248,224
Effect of exchange rate changes on cash and cash equivalents	607	(4,408)
Net increase in cash and cash equivalents	2,575	191,659
Cash and cash equivalents at beginning of period	201,978	12,894
Cash and cash equivalents at end of period	\$ 204,553	\$ 204,553
Supplemental cash flow information:		
Cash paid for loan standby fees during the period	\$ 112	\$ 242
Cash paid for income taxes during the period	\$ 3,141	\$ 3,250

See accompanying notes to the consolidated financial statements.

Franco-Nevada Corporation

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

(unaudited, in thousands of US dollars, except share amounts)

	Common Shares Shares	Common Shares Amount	Contributed Surplus	Deficit	Accumulated Other Comprehensive Income (Loss)	Total Shareholders' Equity
Balance at December 31, 2007	88,800,000	\$ 1,310,171	\$ 105	\$ (33,079)	\$ 9,857	\$ 1,287,054
Issuance of common stock and warrants for:						
Unit Offering and						
Over-Allotment Exercise	11,500,000	240,140	22,786	-	-	262,926
Costs associated with initial public offering	-	(901)	-	-	-	(901)
Recognition of non-cash compensation expense for stock-based compensation	-	-	2,077	-	-	2,077
Dividends	-	-	-	(11,838)	-	(11,838)
Net income and comprehensive income (loss) for the six months ended June 30, 2008	-	-	-	15,077	(17,317)	(2,240)
Balance at June 30, 2008	100,300,000	\$ 1,549,410	\$ 24,968	\$ (29,840)	\$ (7,460)	\$ 1,537,078

See accompanying notes to the consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2008

(unaudited, in thousands of US dollars, except share amounts)

Note 1 - Nature of Operations and Basis of Presentation

Franco-Nevada Corporation ("Franco-Nevada" or the "Company") was incorporated under the Canada Business Corporations Act on October 17, 2007 for the purpose of acquiring and developing a portfolio of resource royalties, investments and other assets. The royalty portfolio consists of approximately 185 mineral interests in precious and base metal properties and over 100 royalty and/or working interests in oil and gas properties.

For the purposes of these consolidated financial statements, the purchase consideration of the acquired royalty portfolio has been allocated on a preliminary basis to the fair value of assets acquired and liabilities assumed, based on management's best estimates and taking into account all available information at the time of acquisition as well as applicable information at the time the consolidated financial statements were prepared. The Company is continuing to review information and perform further analysis with respect to these assets, including an independent valuation and confirmation of tax values, prior to finalizing the allocation of the purchase price. Although the results of this review are presently unknown, it is anticipated that it may result in a change to the amount assigned to various interests and future income tax liabilities.

These unaudited interim consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles for interim financial information and are expressed in United States ("US") dollars. Accordingly, these interim consolidated financial statements of the Company do not include all information and note disclosures as required under Canadian generally accepted accounting principles for annual financial statements. The interim consolidated financial statements should be read in conjunction with the Company's 2007 audited consolidated financial statements and the corresponding notes thereto.

The financial information included herein reflects all adjustments, consisting only of normal recurring adjustments which, in the opinion of management, are necessary for a fair presentation of the results for the interim period presented. The results of operations for the three and six months ended June 30, 2008 are not necessarily indicative of the results to be expected for the full year.

Note 2 - Significant Accounting Policies

These interim consolidated financial statements are prepared following accounting policies consistent with the Company's audited financial statements and notes thereto for the period ended December 31, 2007, except for the following new accounting standards issued by the Canadian Institute of Chartered Accountants ("CICA") that became effective for the Company on January 1, 2008. These new standards have been adopted on a prospective basis with no restatement to prior period financial statements.

Capital Disclosures and Financial Instruments

On December 1, 2006, the CICA issued three new accounting standards: Capital Disclosures (Handbook Section 1535), Financial Instruments - Disclosures (Handbook Section 3862) and Financial Instruments - Presentation (Handbook Section 3863). These new standards became effective for the Company on January 1, 2008.

(a) Capital Disclosures

Handbook Section 1535 specified the disclosure of (i) an entity's objectives, policies and processes for managing capital; (ii) quantitative data about what the entity regards as capital; (iii) whether the entity has complied with any capital requirements; and (iv) if the entity has not complied, the consequences of such noncompliance. The Company has included disclosures recommended by the new Handbook Section in Note 8 to these interim consolidated financial statements.

(b) Financial Instruments

Handbook Sections 3862 and 3863 replace Handbook Section 3861, Financial Instruments - Disclosure and Presentation, revising and enhancing its disclosure requirements, and carrying forward unchanged its presentation requirements. These new sections place increased emphasis on disclosures about the nature and extent of risks arising from financial instruments and how the entity manages those risks. The Company has included disclosures recommended by the new Handbook Section in Note 7 to these interim consolidated financial statements.

International Financial Reporting Standards ("IFRS")

In 2006, the Canadian Accounting Standards Board ("AsSB") published a new strategic plan that will significantly affect financial reporting requirements for Canadian companies. The AsSB strategic plan outlines the convergence of Canadian GAAP with IFRS over an expected five year transitional period. In February 2008, the AsSB announced that 2011 is the changeover date for publicly-listed companies to use IFRS, replacing Canada's own GAAP. Accordingly interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011 will be prepared in accordance with IFRS.

Note 3 - Unit Offering

On March 13, 2008, the Company completed a bought deal with a syndicate of underwriters for 10,000,000 units (the "Units") at C\$23.25 per Unit ("Unit Offering"). Each Unit consists of one common share and one half of one common share purchase warrant (the "Warrant"). Each whole Warrant entitles the holder to purchase one common share at a price of C\$32.00 at any time before March 13, 2012. In addition, the underwriters exercised an over-allotment option for the purchase of an additional 1,500,000 Units. The net proceeds to the Company were \$260,062 (C\$255,942) after deducting underwriters' commission and offering expenses of \$11,617 (C\$11,433). The Company has allocated the net proceeds of the offering between the common shares and the warrants based upon their relative fair values on the closing date of the Unit Offering, with the warrant value being reflected in contributed surplus. The fair value of the warrants was determined to be C\$3.90 per whole warrant using the Black-Scholes option pricing model, with an assumed risk free interest rate of 3.2%, expected dividend yield of 1.04%, expected life of the warrant of four years and expected price volatility of the Company's common shares of 35%.

Note 4 - Stock-Based Compensation and Earnings Per Share

Stock-Based Compensation

On November 12, 2007, the Company's Board of Directors adopted a stock option plan ("Plan"), pursuant to which the Company may grant incentive stock options to directors, officers, employees and consultants at the discretion of the Board of Directors. The exercise price and vesting period of any option is fixed by the Board of Directors on the date of grant.

During the three and six months ended June 30, 2008, the Company issued to employees 50,000 and 545,000 stock options, respectively, at exercise prices between of C\$15.61 and C\$20.55. These ten-year term options vest over three years in equal portions on the anniversary of the grant date.

The Company uses the fair value method of accounting for stock-based compensation awards. The fair value of unvested stock options granted during 2007 and the three and six months ended June 30, 2008 has been determined to be \$10,435 (C\$10,360), \$390 (C\$387), and \$2,738 (C\$2,719), respectively, of which \$1,081 (C\$1,070) and \$2,134 (C\$2,119) was recognized as expense during the three and six months ended June 30, 2008, respectively. As at June 30, 2008, there was \$10,934 (C\$10,856) of total unrecognized non-cash stock compensation expense related to non-vested stock options granted under the Company's equity compensation plans, which is expected to be recognized over a weighted average period of 2.6 years. To determine non-cash stock compensation expense for stock option awards, the fair value of each stock option award is estimated on the date of grant using the Black-Scholes option pricing model for all periods presented. The weighted average grant date fair value of the non-vested stock options granted in 2007 was C\$4.54 per share and the weighted average grant date fair value of the non-vested stock options granted in 2008 was C\$4.99 per share.

Option pricing models require the input of highly subjective assumptions, including expected price volatility. Changes in the subjective input assumptions can materially affect the fair value estimate and, therefore, option pricing models do not necessarily provide a reliable measure of the fair value of our stock options.

Earnings per Share

Basic earnings per share is computed by dividing the net income by the weighted average number of common shares outstanding during each period. Diluted earnings per share reflects the effect of all potentially dilutive common share equivalents. For the three and six months ended June 30, 2008, "in-the-money" stock options of 690,340 and 676,113 were included in the diluted weighted average shares outstanding using the treasury stock method. Outstanding warrants were not included in the diluted weighted average shares as the exercise price was more than the average share price during the three and six months ended June 30, 2008.

Note 5 - Cash and Cash Equivalents

The Company considers all highly liquid investments with an original maturity of three months or less to be cash equivalents. At June 30, 2008, cash and cash equivalents were primarily held in US dollar denominated Canadian treasury bills, interest bearing cash and money market accounts. Cash equivalents have been designated as available-for-sale securities and, as a result, these investments have been recorded at fair value.

The US dollar strengthened from the date of purchase to June 30, 2008, and an unrealized foreign exchange gain of \$4,775, net of income taxes of \$892, was recognized in other comprehensive income (loss) for the six months ended June 30, 2008. During the three months ended June 30, 2008, an unrealized foreign exchange loss of \$1,345, net of an income tax recovery of \$257, was recognized in other comprehensive income (loss). Additionally, as of the date of purchase of the US treasury bills, a realized foreign exchange gain of \$453 was recognized upon the conversion of Canadian dollars to US dollars and was reflected in income during the six month period ended June 30, 2008.

Note 6 - Investments

The following summarizes the Company's investments as at June 30, 2008 and December 31, 2007:

	As at June 30, 2008	As at December 31, 2007
Short-term investments:		
Canadian treasury bills	\$ 88,606	\$ —
Certificate of deposit	100	—
Total short-term investments	\$ 88,706	\$ —
Long-term investments:		
Investment in Falcondo	42,740	44,059
Newmont Exchangeable Shares	46,709	43,789
Other	726	—
	\$ 90,175	\$ 87,848

Short-term investments

The Company made investments in Canadian treasury bills and a certificate of deposit during the six months ended June 30, 2008 for a total cost of \$88,445. These investments have been designated as available-for-sale and, as a result, have been recorded at fair value.

As at June 30, 2008, the market value of the Canadian treasury bills decreased from the date of their purchase and an unrealized loss of \$50, net of income taxes of \$8, was recognized in other comprehensive income (loss).

Investment in Falcondo

The Company owns 121,729, or 4.1%, of the outstanding common shares in Falcondo, a non-public entity which owns and operates an integrated complex of mines, smelter, crude oil supply system, oil refinery and power plant producing ferronickel in the Dominican Republic. This investment has been designated as an available-for-sale security and is recorded at cost.

Newmont Exchangeable Shares - Related Party Transaction

On December 18, 2007 the Company issued three million common shares to a director of the Company in exchange for 896,210 exchangeable shares of Newmont Mining Company of Canada Limited (the "Exchangeable Shares"). This investment has been designated as available-for-sale and, as a result, has been recorded at fair value.

As at June 30, 2008, the market value of the Exchangeable Shares increased from December 31, 2007 and an unrealized gain of \$3,565, net of income taxes of \$666 and an unrealized foreign exchange gain of \$382, net of income taxes of \$73, was recognized in other comprehensive income (loss) for the first six months of 2008.

As at June 30, 2008, the market value of the Exchangeable Shares increased from March 31, 2008 and an unrealized gain of \$4,829, net of income taxes of \$907 was recognized in other comprehensive income (loss) for the three months ended June 30, 2008.

Note 7 - Accounting for Financial Instruments

Financial Risk Management

The Company is engaged in the business of acquiring, managing and creating resource royalties. Royalties are interests that provide the right to revenue or production from the various royalty properties, after deducting specified costs, if any. These activities expose the Company to a variety of financial risks, which include direct exposure to commodity price risk, foreign exchange risk, interest rate risk, credit risk and liquidity risk. The Company does not enter into hedges or derivatives.

Commodity Price Risk

The Company's royalties are subject to price risk from fluctuations in market prices of commodities. The Company does not manage any exposures to commodity price risk.

Foreign Exchange Risk

The Company operates on an international basis and, therefore, foreign exchange risk and foreign currency translation risk exposures arise from transactions denominated in a foreign currency. The Company's current foreign exchange risk for its Canadian operations arises primarily with respect to the US dollar. The Company has elected not to manage this exposure.

The Canadian net proceeds from the Unit Offering discussed in Note 3 have been invested in US and Canadian dollar denominated treasury bills on a 70% to 30% ratio which exposes the Company to foreign exchange risk.

During the period from investing the proceeds of the Unit Offering on March 13, 2008, to the end of June 30, 2008, the US dollar strengthened and the Company recognized an unrealized foreign exchange gain of \$5,667 which was recognized in other comprehensive income (loss) for the six months ended June 30, 2008. Should the entire proceeds of the Unit Offering continue to be invested in the same 70% to 30% US to Canadian dollar ratio as exists at the current time, a one-cent strengthening or weakening in the Canadian to US dollar exchange would result in approximately a \$1,900, or \$0.02 per fully diluted common share, foreign exchange impact.

Interest Rate Risk

The Company's interest rate risk mainly arises from the interest rate impact on cash and cash equivalents. Using the interest rates for the currently-owned portfolio of short-term investments, should the proceeds from the Unit Offering continue to be invested in the same investments as currently exists, the Company would realize interest income of approximately \$1,100, or \$0.01 per fully diluted common share, per quarter. Assuming a 0.5% increase or decrease in interest rates, this quarterly interest income would change by approximately \$330 per quarter (assuming the proceeds from the Unit Offering continue to be invested in the same investments as currently exist). As at June 30, 2008, the Company had no outstanding debt under its revolving credit facility.

Credit Risk

Credit risk arises from the non-performance by counterparties of contractual financial obligations under our royalty portfolio. The Company's maximum exposure to credit risk at the reporting date is the royalty receivables.

Liquidity Risk

The Company manages liquidity risk by maintaining adequate cash and cash equivalent balances, and may consider utilizing its revolving term credit facility where appropriate. Management continuously monitors and reviews both actual and forecasted cash flows, including acquisition activities. The Company does not have any derivative financial instruments.

Note 8 - Capital Risk Management

The Company's primary objective when managing capital is to provide a sustainable return to shareholders through managing and growing the Company's resource royalty portfolio. The Company's royalty portfolio provides an opportunity to capture value without the typical capital and operating costs associated with a natural resource operation, and without many of the risks faced by natural resource operators. Maintaining and managing a diversified, high-margin royalty portfolio with low overheads provides the free cash flow required to fuel organic growth. Additionally, the Company is opportunistic with regard to accessing the equity markets.

There were no changes in the Company's approach to capital management during the three and six months ended June 30, 2008 compared to the year ended December 31, 2007. The Company is not subject to externally imposed capital requirements.

As at June 30, 2008, the Company has cash, cash equivalents and available-for-sale short-term investments totaling \$293,259 together with an unused \$150,000 revolving term credit facility, all of which are available for growing the royalty portfolio and paying dividends.

Note 9 - Related Party Transactions

During the three and six months ended June 30, 2008, the Company paid \$251 (C\$249) for directors fees and reimbursements of related expenses, as well as a payment to a director for services in connection with the initial setup and organization of the Company.

Note 10 - Income Taxes

Income taxes for the three months and six months ended June 30, 2008 consisted of the following:

	Three Months		Six Months
Current income tax expense	\$ 2,557	\$	4,002
Future income tax expense	2,193		3,308
Income tax expense	\$ 4,750	\$	7,310

A reconciliation of the provision for income taxes computed at the combined Canadian federal and provincial statutory rate to the provision for income taxes as shown in the consolidated statement of income and comprehensive income (loss) for the three and six months ended June 30, 2008 is as follows:

	Three Months	Six Months
Income before income taxes	\$ 14,626	\$ 22,387
Statutory tax rate	30.35%	30.35%
Tax expense at statutory rate	4,439	6,794
Reconciling items:		
Stock-based compensation expense	328	648
Non-taxable portion of foreign exchange gain	–	(142)
Differences in foreign statutory tax rates	345	585
Differences due to declining future tax rates	(362)	(575)
Income tax expense	\$ 4,750	\$ 7,310

CORPORATE INFORMATION

Directors

Pierre Lassonde, Chairman
David Harquail, President and CEO
Graham Farquharson
Louis Gignac
Randall Oliphant
Hon. David R. Peterson

Management

David Harquail
President and CEO

Steven K. Aaker
Chief of U.S. Operations

Sharon E. Dowdall
Chief Legal Officer and Corporate Secretary

H. Geoff Waterman
Chief Operating Officer

Alex Morrison
Chief Financial Officer

Paul Brink
Senior Vice President - Business Development

Steve Alfors
Vice President - U.S. Legal & Business Development

Edward N. Jackson
Director of Mineral Lands

Kevin McElligott
Managing Director - Australia

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Share Listing

Toronto Stock Exchange
Common shares: FNV
Warrants: FNV.WT
1 warrant + \$32.00 = 1 common share
Expiry: March 13, 2012

Shares Outstanding

(as at June 30, 2008)

Common shares:	100,300,000
Warrants:	5,750,000
Options:	<u>2,825,000</u>
Fully diluted:	108,875,000

Investor Information

Donna Andrejek - Toronto
Jason O'Connell - Toronto
Robert Eckles - Denver

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