

**Management's Discussion and Analysis
Consolidated Financial Statements**

March 31, 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 (the "Company", "we", "our" or "Franco-Nevada") has been prepared based upon information available to the Company as at May 12, 2008 and should be read in conjunction with the Company's consolidated financial statements and related notes as of and for the three months ended March 31, 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 the results discussed in various factors, which may cause actual 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 any other factors that 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” section 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 additional offices in Denver, Reno and Perth 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 May 12, 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 March 31, 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.

How We Operate

Our head office is in Toronto, the centre of the Canadian investment community and a global center 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 maintain a U.S. business development presence. We also have an employee 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. As we have experienced business, financial, legal and geological talent, we will often multi-task on different projects to maximize our capacity, flexibility and development of personnel.

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 March 31, 2008, our CEO and CFO evaluated our system of disclosure controls and procedures and, based on that evaluation, as at March 31, 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 annual and 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 financial statements for external purposes in accordance with Canadian generally accepted accounting principles as at March 31, 2008.

During the quarter ended March 31, 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 for the quarter ended and as at March 31, 2008:

Statement of Income

Total revenue	\$27,548
Depletion and depreciation	15,537
Net income	5,201
Basic and fully diluted earnings per share	\$0.06

Statement of Cash Flows

Net cash provided by operating activities, before changes in non-cash assets and liabilities	\$22,653
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Balance Sheet

Cash and cash equivalents	\$201,978
Short-term investments	74,817
Total assets	1,579,871
Total shareholders’ equity	1,528,840

Financial Performance

Overall

Net income for the quarter ended March 31, 2008 was \$5,201, or \$0.06 per share.

Revenue

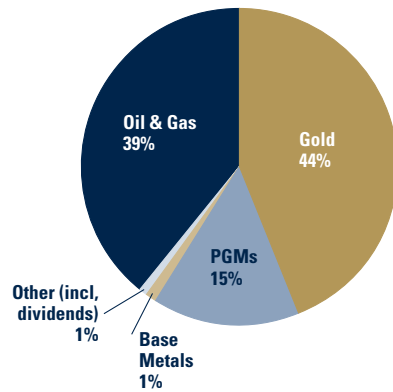
For the quarter ended March 31, 2008, consolidated revenue was \$27,548 from the Company's 32 operating royalty interests. Revenue for the quarter was 59% from precious metals (44% gold and 15% platinum group metals), 39% oil and gas (26% oil and 13% gas), base metals (1%) and other (1%).

Royalty revenue for the three months ended March 31, 2008 was comprised of the following.

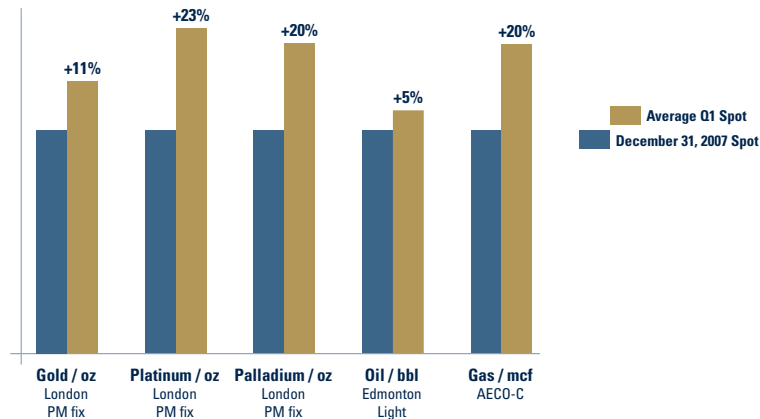
Property	Interest		Operator	Revenue
Gold				
Goldstrike - NSR	NSR	2% to 4%	Barrick Gold	\$ 3,588
Goldstrike - NPI	NPI	2.4% to 6%	Barrick Gold	4,642
Marigold	NSR	1.75% to 5%	Barrick Gold/Goldcorp	1,438
Bald Mountain	NSR	1 to 4%	Barrick Gold	402
Cerro San Pedro	GR	1.95%	Metallica Resources	359
Mesquite	NSR	0.5% to 2%	Western Goldfields	182
North Lanut	NSR	5%	Avocet Mining	647
Eskay Creek	NSR	1%	Barrick Gold	149
Mouska	GR	2%	IAMGOLD	193
New Celebration	NSR	1.75%	Dioro Exploration	59
Henty	ORR	1% to 10%	Barrick Gold	119
Holloway/Holt	NSR	2 to 10%	St Andrew Goldfields	103
Bronzewing	NSR	1%	View Resources	166
Other	Various	Various	Various	118
				12,165
PGMs				
Stillwater	NSR	5%	Stillwater Mining	4,054
Base Metals				
Robinson	NSR and Other	0.225% and other	Quadra Mining	261
Mt. Keith	NPI	0.25%	BHP Billiton	15
				276
Other				
Eagle Picher	Other	Other	EP Minerals	83
Commodore	Other	Other	Millmerran Partners	22
				105
Oil and Gas				
Edson	ORR	15%	Canadian Natural Resources	4,292
Weyburn	WI/ORR	1.11037%/0.441%	EnCana O&G Partnership	2,830
Midale	WI/ORR	1.59374%/0.972%	Apache Canada	1,082
Other	Various	Various	Various	2,652
				10,856
Dividends				
Newmont	Common shares	896,210	—	92
				\$ 27,548

Notes

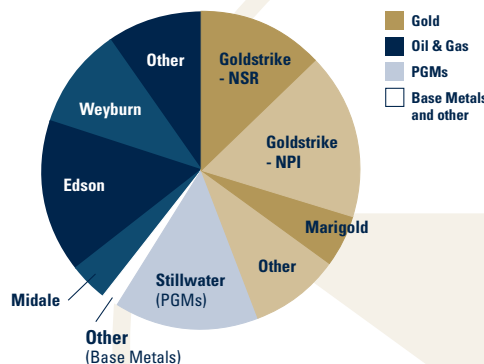
NPI	Net profits interest
NSR	Net smelter return royalty
GR	Gross royalty
ORR	Overriding royalty
WI	Working interest



During the quarter ended March 31, 2008, our revenue benefitted from increasing spot prices for all of the key commodities underlying our royalty interests, with particularly strong quarters for gold, platinum and oil where average spot prices for the quarter were 11%, 23% and 5% , respectively, above the spot prices at December 31, 2007. None of Franco-Nevada’s revenues are hedged.



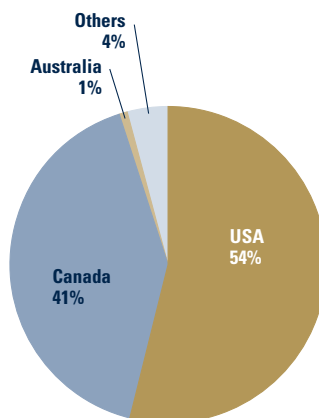
Significant contributions to revenue for the quarter ended March 31, 2008 were from Goldstrike (\$8,230), including \$4,642 derived from the net profits interest royalty; Stillwater (\$4,054); Marigold (\$1,438); Edson (\$4,292) and Weyburn (\$2,830).



Revenues from our Goldstrike royalties are expected to increase significantly in the remainder of 2008. As expected, in the first quarter of 2008 production at Goldstrike largely came from lower grade long-term stockpiles as part of a planned waste stripping phase. However, beginning in the second quarter of 2008, higher grade ore from the Betze-Post pit is expected to become accessible. During the quarter ended March 31, 2008, there were no revenues recognized with respect to the Falcondo investment or the Kasese royalty. Consistent with our expectations and past patterns, revenue

receipts from these interests 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.

Revenue continues to be earned from royalty interests in geopolitically secure countries with 96% of revenues for the quarter ended March 31, 2008 sourced 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 \$1,800 for the quarter.

For the quarter ended March 31, 2008, general and administrative costs of \$2,105 included no significant one-time or infrastructure set-up costs. One-time infrastructure and set-up costs were capitalized.

Stock compensation expense of \$1,053 for the quarter 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 and earnings before income tax, interest income, interest expense, depletion, depreciation and amortization ("EBITDA") were \$23,373, or 85% of revenue, and \$23,280, or 85% of revenue, respectively, for the quarter ended March 31, 2008.

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 quarter ended March 31, 2008:

Operating Income	\$	6,783
Depletion and depreciation		15,537
Stock compensation expense		1,053
Free Cash Flow	\$	23,373
Net Income	\$	5,201
Interest income		(330)
Interest expense		312
Income tax provision		2,560
Depletion and depreciation		15,537
EBITDA	\$	23,280

Interest Income

For the quarter ended March 31, 2008, the Company earned interest income of \$330 primarily from the investment of cash, cash equivalents and short-term investments from the proceeds of the Unit Offering (as defined below) completed on March 13, 2008, through the end of the quarter.

Interest Expense

For the quarter ended March 31, 2008, the Company incurred interest expense of \$312 that was comprised of \$130 of standby fees on the Company's revolving term credit facility (the "Credit Facility") with a syndicate of lenders and \$182 of amortization of costs related to the Credit Facility. The standby fee on the Credit Facility was calculated as 0.35% per annum on the entire US\$150 million undrawn balance. Under the terms of the Credit Facility, effective April 1, 2008, the standby fee will be 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 March 31, 2008, the Company had income tax expense of \$2,560, resulting in an effective tax rate of 33%. This is comprised of a current tax expense of \$1,445 from the Company's U.S. and Australian subsidiaries and a future income tax expense of \$1,115 from the Canadian parent company. The Company expects that for fiscal 2008 the Canadian parent company will not have any current tax expense and cash taxes. Cash taxes payable are only expected for the U.S. and Australian subsidiaries.

Financial Position, Liquidity and Capital Resources

Operating Cash Flow

Cash provided by operating activities before changes in non-cash assets and liabilities was \$22,653 for the quarter ended March 31, 2008.

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 invested the net proceeds from the Unit Offering in various treasury bills of the Canadian and U.S. federal governments with maturities upon acquisition of between 35 and 175 days. Accordingly, on the March 31, 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 March 31, 2008, the Company had cash and cash equivalents and short-term investments totaling \$276,795. In addition, the Company held available-for-sale securities at quarter end with a combined market value of \$83,935.

The net proceeds from the Unit Offering have been 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.

During the period from the investing of the proceeds of the Unit Offering on March 13, 2008 to the end of the fiscal quarter on March 31, 2008, the U.S. dollar strengthened and the Company recognized an unrealized foreign exchange gain of \$6,120, net of taxes of \$1,149, in other comprehensive income. Should the entire proceeds of the Unit Offering remain unspent and continue to be invested in the same 70% to 30% U.S. to Canadian dollar ratio as exists at the current time, a one-cent strengthening or weakening in the Canadian to U.S. dollar exchange would result in approximately a \$1,900, or \$0.02 per fully diluted common share, foreign exchange gain or loss, respectively.

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 May 12, 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 May 12, 2008, U.S. dollar and Canadian dollar advances under the facility would bear interest rates of 6.125% and 5.125%, 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 begins on June 1, 2008.

Related Party Transactions

There were no transactions with related parties during the quarter ended March 31, 2008, and there were no amounts due to or from related parties at March 31, 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 first quarter of 2008 was calculated using the Black-Scholes option pricing model with the following assumptions: a dividend yield of 1.5%, an expected volatility of 35%, a risk free interest rate of 4.3%, 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 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 remainder of 2008. As expected, in the first quarter of 2008 production at Goldstrike largely came from lower grade long-term stockpiles as part of a planned waste stripping phase. However, beginning in the second quarter of 2008, higher grade ore from the Betze-Post pit is expected to become accessible. During the quarter ended March 31, 2008, there were no revenues recognized with respect to the Falcondo investment or the Kasese royalty. Consistent with our expectations and past patterns, revenue receipts from these interests 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 May 12, 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\$19.22 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" section 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 SHEET

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

	As at	
	March 31, 2008	December 31, 2007
ASSETS		
Cash and cash equivalents <i>(Note 5)</i>	\$ 201,978	\$ 12,894
Short-term investments <i>(Note 6)</i>	74,817	—
Royalty receivables	19,480	3,281
Prepaid expenses and other	1,353	1,786
Current assets	297,628	17,961
Royalty interests in mineral properties, net	913,411	930,808
Interests in oil and gas properties, net	283,527	298,608
Investments <i>(Note 6)</i>	83,935	87,848
Other	1,370	1,431
Total assets	\$ 1,579,871	\$ 1,336,656
LIABILITIES		
Accounts payable and accrued liabilities	\$ 6,717	\$ 3,917
Current liabilities	6,717	3,917
Future income taxes <i>(Note 9)</i>	44,314	45,685
Total liabilities	51,031	49,602
SHAREHOLDERS' EQUITY		
Common stock, unlimited common shares authorized, without par value; issued and outstanding 100,300,000 common shares at March 31, 2008 (88,800,000 common shares at December 31, 2007)	1,550,311	1,310,171
Contributed surplus	23,907	105
Deficit	(27,878)	(33,079)
Accumulated other comprehensive income (loss)	(17,500)	9,857
Total shareholders' equity	1,528,840	1,287,054
Total liabilities and shareholders' equity	\$ 1,579,871	\$ 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 STATEMENT OF INCOME AND COMPREHENSIVE LOSS

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

For the Three Months
Ended March 31, 2008

Revenue	
Mineral royalties	\$ 16,600
Oil and gas royalties and working interests	10,856
Dividends	92
Total revenue	27,548
Costs and expenses	
Costs of operations	1,800
Depletion and depreciation	15,537
General and administrative	2,105
Business development	270
Stock-based compensation expense <i>(Note 4)</i>	1,053
Total costs and expenses	20,765
Operating income	6,783
Interest income	330
Interest (expense) and other	(312)
Foreign exchange gain	960
Income before income taxes	7,761
Income tax expense <i>(Note 9)</i>	(2,560)
Net income	\$ 5,201
Other comprehensive gain (loss):	
Unrealized change in market value of securities, net of tax benefit	\$ (813)
Unrealized foreign exchange gain, net of tax benefit	5,740
Currency translation adjustment	(32,284)
	(27,357)
Total net income and comprehensive (loss)	\$ (22,156)
Basic and fully diluted earnings per share	\$ 0.06
Basic weighted average shares outstanding <i>(Note 4)</i>	91,201,099
Diluted weighted average shares outstanding <i>(Note 4)</i>	91,846,232

See accompanying notes to the consolidated financial statements.

Franco-Nevada Corporation

CONSOLIDATED STATEMENT OF CASH FLOWS

(unaudited, in thousands of US dollars)

For the Three Months
Ended March 31, 2008

Cash flows from operating activities

Net income	\$	5,201
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depletion and depreciation		15,537
Deferred tax expense		1,115
Stock-based compensation expense		1,053
Unrealized foreign exchange (gain) loss		(253)
Changes in non-cash assets and liabilities:		
Increase in royalty receivables		(16,199)
Decrease in prepaid expenses and other		742
Increase in accounts payable and accrued liabilities		2,800
Net cash provided by operating activities		9,996

Cash flows from investing activities

Short-term investments		(74,620)
Long-term investments		(584)
Oil and gas well equipment		(598)
Fixed assets		(157)
Net cash used in investing activities		(75,959)

Cash flows from financing activities

Net proceeds from unit offering (<i>Note 3</i>)		260,062
Net cash provided by financing activities		260,062

Effect of exchange rate changes on cash and cash equivalents		(5,015)
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Net increase in cash and cash equivalents		189,084
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Cash and cash equivalents at beginning of period		12,894
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Cash and cash equivalents at end of period	\$	201,978
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Supplemental cash flow information:

Cash paid for loan standby fees during the period	\$	130
Cash paid for US income taxes during the period		109

See accompanying notes to the consolidated financial statements.

Franco-Nevada Corporation

CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY

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

	Common Shares Shares	Common Shares Amount	Contributed Surplus	Accumulated 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
Recognition of non-cash compensation expense for stock-based compensation	—	—	1,016	—	—	1,016
Net income and comprehensive (loss) for the three months ended March 31, 2008	—	—	—	5,201	(27,357)	(22,156)
Balance at March 31, 2008	100,300,000	\$ 1,550,311	\$ 23,907	\$ (27,878)	\$ (17,500)	\$ 1,528,840

See accompanying notes to the consolidated financial statements.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED MARCH 31, 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.

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 months ended March 31, 2008 are not necessarily indicative of the results to be expected for the full year.

Note 2 - Significant Accounting Policies

These interim 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 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 financial statements.

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 months ended March 31, 2008, the Company issued to employees 495,000 stock options at exercise prices between of C\$15.61 and C\$19.22. 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 first three months ended March 31, 2008 has been determined to be US\$10,404 (C\$10,360) and US\$2,341 (C\$2,331), respectively, of which \$1,053 (C\$1,049) was recognized as expense during the three months ended March 31, 2008. As at March 31, 2008, there was \$11,587 (C\$11,539) 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 2.8 years. The fair value of the options was calculated using the Black-Scholes option pricing model and utilized the following assumptions:

Risk-free interest rate	4.3%
Expected dividend yield	1.5%
Expected price volatility of the Company's common shares	35%
Expected life of the option	4.0 years

Option pricing models require the input of highly objective 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 months ended March 31, 2008, "in-the-money" stock options of 645,133 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 months ended March 31, 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 March 31, 2008, cash and cash equivalents were primarily held in US 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 March 31, 2008, and an unrealized foreign exchange gain of \$6,120, net of income taxes of \$1,149, 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 \$450 was recognized upon the conversion of Canadian dollars to US dollars.

Note 6 - Investments

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

	As at March 31, 2008	As at December 31, 2007
Short-term investments:		
Canadian treasury bills	\$ 74,717	\$ —
Certificate of deposit	100	—
Total short-term investments	\$ 74,817	\$ —
Long-term investments:		
Investment in Falcondo	42,357	44,059
Newmont Exchangeable Shares	40,605	43,789
Other	973	—
	\$ 83,935	\$ 87,848

Short-term investments

The Company made investments in Canadian treasury bills and a certificate of deposit during March 2008 for a total cost of \$74,520. These investments have been designated as available-for-sale and, as a result, have been recorded at fair value.

As at March 31, 2008, the market value of the Canadian treasury bills increased from the date of purchase and an unrealized gain of \$88, net of income taxes of \$16, 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 March 31, 2008, the market value of the Exchangeable Shares declined from the market value as at December 31, 2007 and an unrealized loss of \$1,255, net of income taxes of \$236 and an unrealized foreign exchange gain of \$379, net of income taxes of \$73, was recognized in other comprehensive income (loss).

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 the fiscal quarter on March 31, 2008, the US dollar strengthened and the Company recognized an unrealized foreign exchange gain of \$7,269 which was recognized in other comprehensive income (loss) for the March 31, 2008 quarter. 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 gain (loss), respectively.

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 March 31, 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 the accessing equity markets.

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

As at March 31, 2008, the Company has cash, cash equivalents and available-for-sale short-term investments totaling \$276,795 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 - Income Taxes

Income taxes for the three months ended March 31, 2008 consists of the following:

Current income tax expense	\$	1,445
Future income tax expense		1,115
Net income tax expense	\$	2,560

A reconciliation of the provision for income tax 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 loss for the three months ended March 31, 2008 is as follows:

Income before income taxes	\$	7,761
Statutory tax rate		30.35%
Tax expense at statutory rate		2,355
Reconciling items:		
Stock-based compensation expense		320
Non-taxable portion of foreign exchange gain		(142)
Differences in foreign statutory tax rates		240
Differences due to declining future tax rates		(213)
Net income tax expense	\$	2,560