

FORAN MINING CORPORATION
CONDENSED CONSOLIDATED INTERIM FINANCIAL
STATEMENTS

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2017

(Unaudited)

NOTICE OF NO AUDITOR REVIEW

The accompanying unaudited condensed consolidated interim financial statements have been prepared by management and approved by the Audit & Risk Committee and Board of Directors.

The Company's independent auditors have not performed a review of these condensed consolidated interim financial statements in accordance with the standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditors.

FORAN MINING CORPORATION
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION
(Unaudited)
(Expressed in Canadian dollars)

	Sept 30, 2017	December 31, 2016
ASSETS	\$	\$
Current		
Cash and cash equivalents	480,264	1,028,701
Accounts receivable	17,065	19,812
Prepaid expenses and deposits	44,923	61,563
	542,252	1,110,076
Non-Current		
Deposits	11,000	11,000
Investments (Note 3)	96,011	164,366
Plant and equipment (Note 4)	377,730	421,824
Exploration and evaluation assets (Notes 5 and 11)	26,624,019	25,704,608
	27,651,012	27,411,874
LIABILITIES		
Current		
Accounts payable and accrued liabilities (Note 11(d))	47,947	51,802
Non-Current		
Deferred share units (Notes 6 and 11)	325,796	324,972
	373,743	376,774
EQUITY		
Share capital (Note 7)	67,663,605	67,141,436
Share-based payments reserve	5,406,979	5,097,213
Accumulated other comprehensive income	(5,499)	62,856
Deficit	(45,787,816)	(45,266,405)
	27,277,269	27,035,100
	27,651,012	27,411,874

Approved on behalf of the Board:
"David Petroff" , Director
"Darren Morcombe" , Director

FORAN MINING CORPORATION
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF LOSS AND COMPREHENSIVE
LOSS
FOR THE NINE MONTHS ENDED SEPTEMBER 30
(Unaudited)
(Expressed in Canadian dollars)

	Three months ended September 30,		Nine months ended September 30,	
	2017	2016	2017	2016
	\$	\$	\$	\$
Expenses				
Depreciation	18,380	21,567	56,051	68,666
Investor relations	6,925	9,325	56,651	54,234
Office and administration (Notes 11(a) and 11(d))	35,333	30,441	122,145	151,952
Professional fees (Note 11(b))	13,994	24,855	58,668	56,887
Salaries and benefits (Notes 6 and 11)	78,715	62,115	244,363	215,995
Share-based payments expense (Notes 7(d) and 11)	50,207	21,808	242,840	103,116
Transfer agent, regulatory and filing fees	1,116	2,031	15,823	15,291
Travel and accommodation	424	-	17,892	-
	205,094	172,142	814,433	666,141
Other Items				
Gain on sale of investments (Note 3)	-	-	(257,028)	-
Interest income	(94)	(2,846)	(818)	(2,954)
Revaluation of deferred share units (Note 6)	(33,610)	4,246	(35,176)	130,564
	(33,704)	1,400	(293,022)	127,610
Net loss for the period	(171,390)	(173,542)	(521,411)	(793,751)
Other Comprehensive Loss				
Items that may be reclassified subsequently to profit or loss				
Unrealized gain on available-for-sale investments (Note 3)	-	(3,488)	-	18,423
Transfer on sale of available-for-sale investments (Note 3)	-	-	(68,355)	-
	-	(3,488)	(68,355)	18,423
Total comprehensive loss for the period	(171,390)	(177,030)	(589,766)	(775,328)
Basic and diluted loss per share	\$ (0.00)	\$ (0.00)	\$ (0.01)	\$ (0.01)
Basic and diluted weighted average number of shares outstanding	98,967,429	90,838,563	98,433,974	90,806,243

FORAN MINING CORPORATION
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN EQUITY
(Unaudited)
(Expressed in Canadian dollars)

	Number of shares	Share capital \$	Share-based payments reserve \$	Accumulated other comprehensive income (loss) \$	Deficit \$	Total \$
Balance, December 31, 2015	90,773,922	66,075,689	4,962,035	(1,602)	(44,232,635)	26,803,487
Net loss for the period	-	-	-	-	(793,751)	(793,751)
Other comprehensive income	-	-	-	18,423	-	18,423
Private placement, net of share issue costs	5,882,353	993,512	-	-	-	993,512
Share-based payments expense	-	-	134,084	-	-	134,084
Balance, September 30, 2016	96,656,275	67,069,201	5,096,119	16,821	(45,026,386)	27,155,755
Net loss for the period	-	-	-	-	(240,019)	(240,019)
Other comprehensive income	-	-	-	46,035	-	46,035
Issued pursuant to exercise of stock options	225,000	72,235	(27,235)	-	-	45,000
Share-based payments expense	-	-	28,329	-	-	28,329
Balance, December 31, 2016	96,881,275	67,141,436	5,097,213	62,856	(45,266,405)	27,035,100
Net loss for the period	-	-	-	-	(521,411)	(521,411)
Other comprehensive loss	-	-	-	(68,355)	-	(68,355)
Issued pursuant to exercise of warrants (Note 7(b))	2,088,676	522,169	-	-	-	522,169
Share-based payments expense (Note 7(d))	-	-	309,766	-	-	309,766
Balance, September 30, 2017	98,969,951	67,663,605	5,406,979	(5,499)	(45,787,816)	27,277,269

FORAN MINING CORPORATION
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS
FOR THE NINE MONTHS ENDED SEPTEMBER 30

(Unaudited)

(Expressed in Canadian dollars)

	Three months ended September 30,		Nine months ended September 30,	
	2017	2016	2017	2016
	\$	\$	\$	\$
Operating Activities				
Net loss for the period	(171,390)	(173,542)	(521,411)	(793,751)
Items not involving cash:				
Depreciation	18,380	21,567	56,051	68,666
Share-based payments expense	50,207	21,808	242,840	103,116
Salaries and benefits (Note 6)	12,000	12,000	36,000	36,000
Revaluation of deferred share units (Note 6)	(33,610)	4,246	(35,176)	130,564
Gain on sale of investments (Note 3)	-	-	(257,028)	-
Interest income	-	(874)	180	(254)
	(124,413)	(114,795)	(478,544)	(455,659)
Net change in non-cash working capital (Note 8)	(34,759)	17,874	(314)	(24,680)
Cash used in operating activities	(159,172)	(96,921)	(478,858)	(480,339)
Investing Activities				
Purchase of equipment	(8,458)	-	(11,957)	-
Exploration and evaluation assets expenditures	(144,697)	(188,216)	(836,819)	(312,861)
Proceeds on sale of investments (Note 3)	-	-	257,028	-
Cash used in investing activities	(153,155)	(188,216)	(591,748)	(312,861)
Financing Activities				
Issuance of units for cash pursuant to private placement	-	-	-	1,000,000
Share issue costs	-	-	-	(6,488)
Cash received on exercise of warrants (Note 7(b))	1,000	-	522,169	-
Cash provided by financing activities	1,000	-	522,169	993,512
Net increase (decrease) in cash and cash equivalents	(311,327)	(285,137)	(548,437)	200,312
Cash and cash equivalents, beginning of period	791,591	1,501,486	1,028,701	1,016,037
Cash and cash equivalents, end of period	480,264	1,216,349	480,264	1,216,349
Cash and cash equivalents is comprised of:				
Guaranteed Investment Certificates	20,804	20,710	20,804	20,710
Cash	459,460	1,195,639	459,460	1,195,639
	480,264	1,216,349	480,264	1,216,349

Supplemental cash flow information (Note 8)

FORAN MINING CORPORATION
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2017
(Expressed in Canadian dollars)

1. NATURE OF OPERATIONS AND GOING CONCERN

Foran Mining Corporation (the "**Company**") is a publicly listed company on the TSX Venture Exchange, incorporated under the laws of British Columbia. The Company and its subsidiary are involved in activities that include the acquisition and exploration of mineral properties.

The Company's head office and registered and records office is located at 904 - 409 Granville Street, Vancouver, British Columbia, V6C 1T2.

These condensed consolidated interim financial statements have been prepared on the going concern basis, which contemplates the realization of assets and the settlement of liabilities and commitments in the normal course of business. The Company realized a net loss of \$521,411 for the nine months ended September 30, 2017 (2016: \$793,751). As at September 30, 2017, the Company had an accumulated deficit of \$45,787,816 (December 31, 2016: \$45,266,405). In assessing whether the going concern assumption is appropriate, management takes into account all available information about the future, which is at least, but not limited to, twelve months from the end of the reporting period.

The Company has incurred significant operating losses in its exploration operations and its ability to continue as a going concern is dependent upon the discovery of economically recoverable mineral reserves, the ability of the Company to obtain necessary financing to complete their development and fund their operations until commercially successful and future production or proceeds from the disposition thereof. While the Company has been successful in securing financing to date, there can be no assurances that it will be able to do so in the future. These uncertainties raise significant doubt about the Company's ability to continue as a going concern.

These condensed consolidated interim financial statements do not reflect the adjustments to the carrying values of assets and liabilities, the reported expenses and the consolidated statement of financial position classifications that would be necessary if the going concern assumption was inappropriate. These adjustments could be material.

2. BASIS OF PREPARATION

These condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standard 34 – *Interim Financial Reporting* ("**IAS 34**") as issued by the International Accounting Standards Board ("**IASB**") using accounting principles consistent with International Financial Reporting Standards ("**IFRS**") as issued by the IASB.

These condensed consolidated interim financial statements should be read in conjunction with the Company's audited consolidated financial statements for the year ended December 31, 2016 which include the accounting policies used in the preparation of these condensed consolidated interim financial statements.

These condensed consolidated interim financial statements were prepared on a historical cost basis using the accrual basis of accounting, except for cash flow information.

The Board of Directors (the "**Board**") approved these condensed consolidated interim financial statements on November 23, 2017.

FORAN MINING CORPORATION
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2017

(Expressed in Canadian dollars)

3. INVESTMENTS

During the nine months ended September 30, 2017, the Company sold shares of a mineral exploration company listed on the Canadian Securities Exchange for proceeds of \$257,028. The Company recorded a realized gain of \$257,028 from the sale of these shares.

As at September 30, 2017, the Company owned shares of one mineral exploration company listed publicly on the Canadian Securities Exchange that were classified as available-for-sale (“**AFS**”) and carried at fair market value based on quoted market prices. A summary of the changes in AFS investments is presented below:

	\$
Balance, December 31, 2016	164,366
Sale of AFS investments	<u>(68,355)</u>
Balance, September 30, 2017	<u><u>96,011</u></u>

4. PLANT AND EQUIPMENT

As at September 30, 2017, the Company's plant and equipment consisted of the following:

	Computer and survey equipment	Camp Equipment	Furniture and fixtures	Plant	Trailers	Vehicles	Total
	\$	\$	\$	\$	\$	\$	\$
Cost							
Balance, December 31, 2016	138,894	348,605	40,278	734,656	22,409	100,613	1,385,455
Additions	8,458	3,499	-	-	-	-	11,957
Balance, September 30, 2017	<u>147,352</u>	<u>352,104</u>	<u>40,278</u>	<u>734,656</u>	<u>22,409</u>	<u>100,613</u>	<u>1,397,412</u>
Accumulated Depreciation							
Balance, December 31, 2016	116,801	301,989	30,483	411,436	20,068	82,854	963,631
Depreciation for the period	5,251	10,236	1,398	35,047	412	3,707	56,051
Balance, September 30, 2017	<u>122,052</u>	<u>312,225</u>	<u>31,881</u>	<u>446,483</u>	<u>20,480</u>	<u>86,561</u>	<u>1,019,682</u>
Carrying Amount							
Balance, December 31, 2016	22,093	46,616	9,795	323,220	2,341	17,759	421,824
Balance, September 30, 2017	<u>25,300</u>	<u>39,879</u>	<u>8,397</u>	<u>288,173</u>	<u>1,929</u>	<u>14,052</u>	<u>377,730</u>

FORAN MINING CORPORATION
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2017
(Expressed in Canadian dollars)

5. EXPLORATION AND EVALUATION ASSETS

A summary of the changes in exploration and evaluation assets is presented below:

	Mcllvenna Bay	Other Saskatchewan Properties	Total
	\$	\$	\$
Balance, December 31, 2016	19,303,641	6,400,967	25,704,608
Exploration Costs			
Administration	248,915	60,845	309,760
Analysis	11,654	10,618	22,272
Camp costs	31,602	50	31,652
Consulting	112,052	2,967	115,019
Drilling	242,318	-	242,318
Equipment and communications	27,708	-	27,708
Fuel	70,828	-	70,828
Geophysics	50,698	-	50,698
Salaries and benefits	16,386	-	16,386
Transportation and travel	29,620	3,150	32,770
Total Exploration Costs	841,781	77,630	919,411
Balance, September 30, 2017	20,145,422	6,478,597	26,624,019

a) Mcllvenna Bay, Saskatchewan

The Company owns a 100% interest in the Mcllvenna Bay mineral property located in Saskatchewan ("**Mcllvenna Bay**").

Certain claims that make up the Mcllvenna Bay property are subject to a Net Tonnage Royalty of \$0.75 per tonne of ore extracted, with a right of first refusal in favour of the Company if an offer to purchase the Net Tonnage Royalty is made.

Cameco Corporation and BHP Billiton Limited collectively hold a 1% net smelter return ("**NSR**") royalty interest in Mcllvenna Bay, which can be purchased at any time for \$1,000,000.

b) Other Saskatchewan Properties

The Company holds interests ranging from 65% to 100% in five mining claim groups in its Saskatchewan property portfolio, exclusive of Mcllvenna Bay ("**Other Saskatchewan Properties**").

The Company has committed, through previous mineral property ownership agreements associated with its Other Saskatchewan Properties, to pay various NSR and net profits interest ("**NPI**") royalties. The NSR royalties range from 2% to 2.5%, with buyout provisions for up to one-half of some of these NSR royalties, and the NPI royalties range from 6% to 10%.

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FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2017
(Expressed in Canadian dollars)

5. EXPLORATION AND EVALUATION ASSETS (continued)

b) Other Saskatchewan Properties (continued)

In October 2014, the Company completed an agreement (the "**Back-in Agreement**") with Teck Resources Limited ("**Teck**") whereby certain back-in rights held by Teck on the Company's Bigstone, Balsam and Hanson properties were extinguished in exchange for 1,000,000 common shares of the Company, 1,000,000 share purchase warrants, and certain future sale participation rights. The warrants expired unexercised on October 14, 2016.

In the event the Company sells or options any of the Bigstone, Balsam and Hanson Properties prior to September 30, 2018, the Company will pay Teck in-kind an amount equal to 10% of the proceeds.

c) Manitoba Property

The Company holds a 100% interest in one Manitoba property consisting of one claim, which has a carrying value of \$Nil at September 30, 2017.

6. DEFERRED SHARE UNITS

The Company has a deferred share unit plan ("**DSU Plan**") which awards DSUs to participants of the DSU Plan. Each DSU entitles the holder a right to receive the cash equivalent of one common share. Awards are initially charged to profit or loss using the market value of the Company's shares that best represents the period for which the awards were earned, with the corresponding liability recorded as deferred share units. At each period end, the liability is revalued using the market value of the Company's common shares, with the corresponding increase or decrease recorded to profit or loss as a revaluation of deferred share units.

Upon separation from the Company, a participant will receive the cash equivalent of the fair market value of the DSUs based on the market value of the Company's common shares on the date of the separation.

Effective December 1, 2014, the Company entered into an agreement with its Executive Chairman whereby the Executive Chairman is compensated for his services with DSUs on a monthly basis, to a maximum of \$8,000 per month. Effective January 1, 2016, the Chairman agreed to reduce his monthly DSU allocation by approximately 50%. For the nine months ended September 30, 2017, the Executive Chairman earned 115,259 DSUs (2016: 269,240) for a total value of \$36,000 (2016: \$36,000) which is recorded as salaries and benefits. At September 30, 2017, an amount of \$271,728 (December 31, 2016: \$265,112) was owed to the Executive Chairman with the liability included in deferred share units on the condensed consolidated interim statement of financial position. The number of outstanding DSUs owed to the Executive Chairman at September 30, 2017 was 970,458 (December 31, 2016: 855,199).

Effective January 1, 2015, the Company commenced compensating each of its independent directors with DSUs in an amount of \$4,000 per quarter. Effective October 1, 2015, the Company's Board passed a resolution to suspend both the DSU arrangement and fees with its independent directors.

FORAN MINING CORPORATION
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FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2017
(Expressed in Canadian dollars)

6. DEFERRED SHARE UNITS (continued)

The total number of outstanding DSUs owed to independent directors at September 30, 2017 was 193,087 (December 31, 2016: 193,087). At September 30, 2017 an amount of \$54,064 (December 31, 2016: \$59,857) was owed to the independent directors with the liability included in deferred share units on the condensed consolidated interim statement of financial position.

For the nine months ended September 30, 2017, an unrealized gain of \$35,176 (2016: unrealized loss of \$130,564) was recognized on the revaluation of DSUs.

7. SHARE CAPITAL

a) Authorized

An unlimited number of common shares
An unlimited number of preference shares

b) Share issuance details

Nine months ended September 30, 2017

During the nine months ended September 30, 2017, the Company issued 2,088,676 common shares pursuant to the exercise of 2,088,676 warrants with an exercise price of \$0.25 per share for proceeds of \$522,169.

Nine months ended September 30, 2016

On June 30, 2016, the Company completed a non-brokered private placement of 5,882,352 units at a price of \$0.17 per unit for gross proceeds of \$1,000,000. Each unit consisted of one common share of the Company and one-half of one common share purchase warrant, with each whole warrant entitling the holder to purchase one additional common share of the Company at a price of \$0.25 per share, with an expiry of December 30, 2017. Share issue costs totaled \$6,488, including finder's fees totaling \$95.

c) Stock options

The Company has a Rolling Stock Option Plan whereby the Company may grant options to directors, officers, employees and consultants of up to 10% of the common shares outstanding at the time of grant. The exercise price, term and vesting period of each option are determined by the Board within regulatory guidelines.

A summary of the changes in stock options is presented below:

	Number of options	Weighted average exercise price \$
Balance, December 31, 2016	7,115,000	0.29
Granted	1,685,000	0.40
Expired	(900,000)	0.77
Balance, September 30, 2017	7,900,000	0.27

FORAN MINING CORPORATION
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2017
(Expressed in Canadian dollars)

7. SHARE CAPITAL (continued)

c) Stock options (continued)

The following stock options were outstanding as at September 30, 2017:

Outstanding	Exercisable	Weighted average Exercise Price	Expiry Date	Weighted average remaining life (in years)
		\$		
930,000	930,000	0.59	January 24, 2018	0.32
1,625,000	1,625,000	0.20	January 24, 2019	1.32
100,000	100,000	0.17	May 28, 2019	1.66
800,000	800,000	0.20	January 20, 2020	2.31
2,760,000	1,840,000	0.11	March 8, 2021	3.44
1,685,000	561,667	0.40	March 9, 2022	4.44
<u>7,900,000</u>	<u>5,856,667</u>	<u>0.26</u>		<u>2.71</u>

d) Share-based payments

The share-based payments expense for the stock options that vested during the nine months ended September 30, 2017 was \$309,766 (2016: \$134,084). Of this amount, \$242,840 (2016: \$103,116) was recorded as share-based payments expense in the condensed consolidated interim statement of loss and comprehensive loss and \$66,926 (2016: \$30,968) was capitalized to exploration and evaluation assets. The fair value of the stock options that vested during the nine months ended September 30, 2017 and 2016 was calculated using the Black-Scholes option pricing model with the following weighted average assumptions:

	2017	2016
Risk-free interest rate	0.71%	88.00%
Expected stock price volatility	79%	75%
Expected dividend yield	0.0%	0.0%
Expected option life in years	5.0	5.0

Expected volatility is based on historical price volatility to the extent of the expected life of the option.

e) Share purchase warrants

A summary of the changes in warrants is presented below:

	Number of warrants	Weighted average exercise price
		\$
Balance, December 31, 2016	2,941,176	0.25
Exercised	(2,088,676)	0.25
Balance, September 30, 2017	<u>852,500</u>	<u>0.25</u>

FORAN MINING CORPORATION
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7. SHARE CAPITAL (continued)

e) Share purchase warrants (continued)

The following warrants were outstanding as at September 30, 2017:

Outstanding	Exercisable	Exercise Price	Expiry Date
<u>852,500</u>	<u>852,500</u>	\$ 0.25	December 30, 2017

8. SUPPLEMENTAL CASH FLOW INFORMATION

The net change in non-cash operating working capital balances for the three and nine months ended September 30 consisted of the following:

	Three months ended		Nine months ended	
	September 30,		September 30,	
	2017	2016	2017	2016
	\$	\$	\$	\$
Accounts receivable	(6,347)	15,562	2,567	9,974
Prepaid expenses and deposits	(543)	4,004	16,640	27,428
Accounts payable and accrued liabilities	(27,869)	(1,692)	(19,521)	(62,082)
	<u>(34,759)</u>	<u>17,874</u>	<u>(314)</u>	<u>(24,680)</u>

During the nine months ended September 30, 2017 and September 30, 2016, share-based payments expense of \$66,926 and \$30,968, respectively, were capitalized to exploration and evaluation assets.

As at September 30, 2017, accounts payable and accrued liabilities included \$16,116 (December 31, 2016: \$450) of exploration and evaluation asset expenditures.

9. FINANCIAL INSTRUMENTS

The Company examines the various financial instruments to which it is exposed and assesses the impact and likelihood of those risks. These risks include credit risk, liquidity risk and market risk (including interest rate, currency and other price risk). The risk related to financial instruments is managed by senior management of the Company under policies and directions approved by the Board. Relevant policies include the Treasury Management Policy and the approval allowing a portion of the Company's cash to be held in US dollars at the discretion of the Chief Executive Officer and the Chief Financial Officer. The Board monitors these policies on a quarterly basis. The Company's Board has not approved the use of derivative financial products.

a) Fair value of financial instruments

The fair value hierarchy established by IFRS 13 *Fair Value Measurement* has three levels to classify the inputs to valuation techniques used to measure fair value described as follows:

- Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 – Inputs other than quoted prices that are observable for the assets or liabilities either directly or indirectly; and
- Level 3 – Inputs that are not based on observable market data.

FORAN MINING CORPORATION
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(Expressed in Canadian dollars)

9. FINANCIAL INSTRUMENTS (continued)

a) Fair value of financial instruments (continued)

The fair values of the Company's accounts receivable, deposits and accounts payable are equivalent to their carrying values due to their short-term nature. AFS financial instruments are comprised of investments, which are valued using Level 1 measurements.

b) Credit risk

Credit risk is the risk of an unexpected loss if a party to a financial instrument fails to meet its contractual obligations.

The credit risk associated with cash and cash equivalents is minimized as these financial instruments are held with major Canadian commercial banks. In respect of accounts receivable, the Company is not exposed to significant credit risk as the majority consists of amounts due from Canadian governmental agencies.

c) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company has in place a planning and budgeting process to determine the funds required to support the Company's operating requirements as well as its planned capital expenditures. The Company manages its financial resources to ensure there is sufficient working capital to fund near term planned exploration work and operating expenditures. The Company has considerable discretion to reduce or increase plans or budgets depending on current or projected liquidity. When appropriate, the Company will seek joint venture partners in order to fund or share the funding of its exploration properties to minimize shareholder risk.

d) Market risk

(i) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market interest rates. The Company is exposed to short-term interest rates through the interest earned on cash and cash equivalents. A 1% change in short-term rates would not have a material impact on net loss or comprehensive loss.

(ii) Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates. The Company holds substantially all of its cash resources in Canadian dollars with an insignificant amount held in US dollars, making currency risk minimal.

(iii) Other price risk

Other price risk is the risk that the fair value or future cash flows of a financing instrument will fluctuate due to changes in market prices, other than those arising from interest rate risk or foreign currency risk. The Company is exposed to other price risk in terms of its investment.

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(Expressed in Canadian dollars)

10. CAPITAL MANAGEMENT

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern, so that it can provide returns for shareholders and benefits for other stakeholders. The Company's strategy remains unchanged from the year ended December 31, 2016.

The Company considers the items included in equity as capital. The Company manages the capital structure and makes adjustments to it in response to changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may issue new shares, or acquire or dispose of assets.

In order to facilitate the management of its capital requirements, the Company prepares annual expenditure budgets that are updated as necessary. The annual budgets are approved by the Board.

In order to maximize ongoing exploration efforts, the Company does not pay dividends. The Company's treasury management policy is to invest its cash in highly rated liquid short-term interest bearing investments with an initial term to maturity of twelve months or less.

The Company is not subject to externally imposed capital requirements.

11. RELATED PARTY TRANSACTIONS

Key management compensation

Key management personnel at the Company are the Directors and Officers of the Company.

The remuneration of key management personnel for the nine months ended September 30 was as follows:

		Three months ended September 30,		Nine months ended September 30,	
		2017	2016	2017	2016
		\$	\$	\$	\$
Short-term benefits	1	138,681	86,448	426,876	303,358
Share-based payments expense	2	60,042	27,526	290,186	130,461
Deferred share units	3	12,000	12,000	36,000	36,000
Total		<u>210,723</u>	<u>125,974</u>	<u>753,062</u>	<u>469,819</u>

¹ Short-term benefits consisted of salaries and health benefits for key management personnel, some of which have been capitalized to exploration and evaluation assets.

² Share-based payments were non-cash items that consisted of the fair value of stock options that had been granted to key management personnel, some of which have been capitalized to exploration and evaluation assets.

³ Deferred share units consisted of DSUs awarded to the Company's Executive Chairman which have been recorded as salaries and benefits as more fully described in Note 6.

On June 21, 2016, the related company described in notes a), b) and c) below was acquired by another company and as such ceased to be related effective June 22, 2016.

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11. RELATED PARTY TRANSACTIONS (continued)

- a) During the nine months ended September 30, 2017, the Company charged SnipGold Corp. (“**SnipGold**”), a company that had two directors and two officers in common \$Nil (2016: \$9,000) for administration expenses including office rent and office operating costs, the amount of which was netted against office and administration expenses in the condensed consolidated interim statement of loss and comprehensive loss.
- b) During the nine months ended September 30, 2017, the Company was charged \$Nil (2016: \$17,508) for office manager services by SnipGold, the amount of which was included in professional fees in the condensed consolidated interim statement of loss and comprehensive loss.
- c) During the nine months ended September 30, 2017, the Company charged SnipGold \$Nil (2016: \$22,200) for CFO services, the amount of which was netted against salaries and benefits in the condensed consolidated interim statement of loss and comprehensive loss.
- d) During the nine months ended September 30, 2017, the Company was charged \$5,305 (2016: \$8,776) by the Executive Chairman for office rent, the amount of which was included in office and administration expenses in the condensed consolidated interim statement of loss and comprehensive loss. At September 30, 2017, accounts payable and accrued liabilities included an amount of \$Nil (December 31, 2016: \$5,399) for this expense.
- e) At September 30, 2017, the Company owed a total of 1,163,545 DSUs (December 31, 2016: 1,048,286) fair valued at \$325,796 (December 31, 2016: \$324,972) to key management personnel, which is included in the condensed consolidated interim statement of financial position.

12. COMMITMENT

The Company has an estimated future minimum lease payment of approximately \$56,000 relating to an office lease agreement that expires June 30, 2018.