

**FORAN MINING CORPORATION**  
**CONDENSED CONSOLIDATED INTERIM FINANCIAL**  
**STATEMENTS**

**FOR THE SIX MONTHS ENDED JUNE 30, 2017**

**(Unaudited)**

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## **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)

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	June 30, 2017	December 31, 2016
<b>ASSETS</b>	<b>\$</b>	<b>\$</b>
<b>Current</b>		
Cash and cash equivalents	791,591	1,028,701
Accounts receivable	10,718	19,812
Prepaid expenses and deposits	44,380	61,563
	<b>846,689</b>	1,110,076
<b>Non-Current</b>		
Deposits	11,000	11,000
Investments (Note 3)	96,011	164,366
Plant and equipment (Note 4)	396,110	421,824
Exploration and evaluation assets (Notes 5 and 11)	26,500,335	25,704,608
	<b>27,850,145</b>	27,411,874
<b>LIABILITIES</b>		
<b>Current</b>		
Accounts payable and accrued liabilities (Note 11(d))	119,145	51,802
<b>Non-Current</b>		
Deferred share units (Notes 6 and 11)	347,406	324,972
	<b>466,551</b>	376,774
<b>EQUITY</b>		
Share capital (Note 7)	67,662,605	67,141,436
Share-based payments reserve	5,342,914	5,097,213
Accumulated other comprehensive income	(5,499)	62,856
Deficit	(45,616,426)	(45,266,405)
	<b>27,383,594</b>	27,035,100
	<b>27,850,145</b>	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 SIX MONTHS ENDED JUNE 30**  
(Unaudited)  
(Expressed in Canadian dollars)

	Three months ended June 30,		Six months ended June 30,	
	2017	2016	2017	2016
	\$	\$	\$	\$
<b>Expenses</b>				
Depreciation	18,482	22,491	37,671	47,099
Investor relations	22,787	21,488	49,726	44,909
Office and administration (Notes 11(a) and 11(d))	48,941	56,509	86,812	121,511
Professional fees (Note 11(b))	25,625	14,106	44,674	32,032
Salaries and benefits (Notes 6 and 11)	82,750	66,005	165,648	153,880
Share-based payments expense (Notes 7(d) and 11)	49,662	21,570	192,633	81,308
Transfer agent, regulatory and filing fees	1,712	3,099	14,707	13,260
Travel and accommodation	7,328	-	17,468	-
	<u>257,287</u>	<u>205,268</u>	<u>609,339</u>	<u>493,999</u>
<b>Other Items</b>				
Gain on sale of investments (Note 3)	-	-	(257,028)	-
Interest income	(538)	(51)	(724)	(108)
Revaluation of deferred share units (Note 6)	(10,535)	99,557	(1,566)	126,318
	<u>(11,073)</u>	<u>99,506</u>	<u>(259,318)</u>	<u>126,210</u>
<b>Net loss for the period</b>	<u>(246,214)</u>	<u>(304,774)</u>	<u>(350,021)</u>	<u>(620,209)</u>
<b>Other Comprehensive Loss</b>				
<b>Items that may be reclassified subsequently to profit or loss</b>				
Unrealized gain on available-for-sale investments (Note 3)	(24,003)	10,463	-	21,911
Transfer on sale of available-for-sale investments (Note 3)	-	-	(68,355)	-
	<u>(24,003)</u>	<u>10,463</u>	<u>(68,355)</u>	<u>21,911</u>
<b>Total comprehensive loss for the period</b>	<u>(270,217)</u>	<u>(294,311)</u>	<u>(418,376)</u>	<u>(598,298)</u>
<b>Basic and diluted loss per share</b>	\$ (0.00)	\$ (0.00)	\$ (0.00)	\$ (0.01)
<b>Basic and diluted weighted average number of shares outstanding</b>	98,965,951	90,838,563	98,162,825	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 \$
<b>Balance, December 31, 2015</b>	<b>90,773,922</b>	<b>66,075,689</b>	<b>4,962,035</b>	<b>(1,602)</b>	<b>(44,232,635)</b>	<b>26,803,487</b>
Net loss for the period	-	-	-	-	(620,209)	(620,209)
Other comprehensive income	-	-	-	21,911	-	21,911
Private placement, net of share issue costs	5,882,353	993,512	-	-	-	993,512
Share-based payments expense	-	-	105,754	-	-	105,754
<b>Balance, June 30, 2016</b>	<b>96,656,275</b>	<b>67,069,201</b>	<b>5,067,789</b>	<b>20,309</b>	<b>(44,852,844)</b>	<b>27,304,455</b>
Net loss for the period	-	-	-	-	(413,561)	(413,561)
Other comprehensive income	-	-	-	42,547	-	42,547
Issued pursuant to exercise of stock options	225,000	72,235	(27,235)	-	-	45,000
Share-based payments expense	-	-	56,659	-	-	56,659
<b>Balance, December 31, 2016</b>	<b>96,881,275</b>	<b>67,141,436</b>	<b>5,097,213</b>	<b>62,856</b>	<b>(45,266,405)</b>	<b>27,035,100</b>
Net loss for the period	-	-	-	-	(350,021)	(350,021)
Other comprehensive loss	-	-	-	(68,355)	-	(68,355)
Issued pursuant to exercise of warrants (Note 7(b))	2,084,676	521,169	-	-	-	521,169
Share-based payments expense (Note 7(d))	-	-	245,701	-	-	245,701
<b>Balance, June 30, 2017</b>	<b>98,965,951</b>	<b>67,662,605</b>	<b>5,342,914</b>	<b>(5,499)</b>	<b>(45,616,426)</b>	<b>27,383,594</b>

**FORAN MINING CORPORATION**  
**CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS**  
**FOR THE SIX MONTHS ENDED JUNE 30**

(Unaudited)

(Expressed in Canadian dollars)

	Three months ended June 30,		Six months ended June 30,	
	2017	2016	2017	2016
	\$	\$	\$	\$
<b>Operating Activities</b>				
Net loss for the period	(246,214)	(304,774)	(350,021)	(620,209)
Items not involving cash:				
Depreciation	18,482	22,491	37,671	47,099
Share-based payments expense	49,662	21,570	192,633	81,308
Salaries and benefits (Note 6)	12,000	12,000	24,000	24,000
Revaluation of deferred share units (Note 6)	(10,535)	99,557	(1,566)	126,318
Gain on sale of investments (Note 3)	-	-	(257,028)	-
Interest income	-	-	180	620
	(176,605)	(149,156)	(354,131)	(340,864)
Net change in non-cash working capital (Note 8)	24,458	305	34,445	(42,554)
<b>Cash used in operating activities</b>	<b>(152,147)</b>	<b>(148,851)</b>	<b>(319,686)</b>	<b>(383,418)</b>
<b>Investing Activities</b>				
Purchase of equipment	-	-	(3,499)	-
Exploration and evaluation assets expenditures	(474,059)	(60,887)	(692,122)	(124,645)
Proceeds on sale of investments (Note 3)	-	-	257,028	-
<b>Cash used in investing activities</b>	<b>(474,059)</b>	<b>(60,887)</b>	<b>(438,593)</b>	<b>(124,645)</b>
<b>Financing Activities</b>				
Issuance of units for cash pursuant to private placement	-	1,000,000	-	1,000,000
Share issue costs	-	(6,488)	-	(6,488)
Cash received on exercise of warrants (Note 7(b))	-	-	521,169	-
<b>Cash provided by financing activities</b>	<b>-</b>	<b>993,512</b>	<b>521,169</b>	<b>993,512</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(626,206)</b>	<b>783,774</b>	<b>(237,110)</b>	<b>485,449</b>
Cash and cash equivalents, beginning of period	1,417,797	717,712	1,028,701	1,016,037
<b>Cash and cash equivalents, end of period</b>	<b>791,591</b>	<b>1,501,486</b>	<b>791,591</b>	<b>1,501,486</b>
<b>Cash and cash equivalents is comprised of:</b>				
Guaranteed Investment Certificates	20,710	20,710	20,710	20,710
Cash	770,881	1,480,776	770,881	1,480,776
	791,591	1,501,486	791,591	1,501,486

**Supplemental cash flow information (Note 8)**

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

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**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 \$350,021 for the six months ended June 30, 2017 (2016: \$620,209). As at June 30, 2017, the Company had an accumulated deficit of \$45,616,426 (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 August 28, 2017.

**FORAN MINING CORPORATION**  
**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**  
**FOR THE SIX MONTHS ENDED JUNE 30, 2017**

(Expressed in Canadian dollars)

**3. INVESTMENTS**

During the six months ended June 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 June 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, June 30, 2017	<u><u>96,011</u></u>

**4. PLANT AND EQUIPMENT**

As at June 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
	\$	\$	\$	\$	\$	\$	\$
<b>Cost</b>							
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, June 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>
<b>Accumulated Depreciation</b>							
Balance, December 31, 2016	116,801	301,989	30,483	411,436	20,068	82,854	963,631
Depreciation for the period	3,181	6,974	953	23,723	283	2,557	37,671
Balance, June 30, 2017	<u>119,982</u>	<u>308,963</u>	<u>31,436</u>	<u>435,159</u>	<u>20,351</u>	<u>85,411</u>	<u>1,001,302</u>
<b>Carrying Amount</b>							
Balance, December 31, 2016	22,093	46,616	9,795	323,220	2,341	17,759	421,824
Balance, June 30, 2017	<u>27,370</u>	<u>43,141</u>	<u>8,842</u>	<u>299,497</u>	<u>2,058</u>	<u>15,202</u>	<u>396,110</u>

**FORAN MINING CORPORATION**  
**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**  
**FOR THE SIX MONTHS ENDED JUNE 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
	\$	\$	\$
<b>Balance, December 31, 2016</b>	19,303,641	6,400,967	25,704,608
<b>Exploration Costs</b>			
Administration	206,961	16,307	223,268
Analysis	11,654	10,618	22,272
Camp costs	30,039	50	30,089
Consulting	88,848	2,967	91,815
Drilling	242,318	-	242,318
Equipment and communications	21,442	-	21,442
Fuel	70,467	-	70,467
Geophysics	49,570	-	49,570
Salaries and benefits	16,386	-	16,386
Transportation and travel	24,950	3,150	28,100
<b>Total Exploration Costs</b>	762,635	33,092	795,727
<b>Balance, June 30, 2017</b>	20,066,276	6,434,059	26,500,335

**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%.

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

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**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**") to extinguish back-in rights held by Teck on certain of the Company's Saskatchewan properties. In consideration for the extinguishment of the back-in rights, the Company issued 1,000,000 common shares of the Company with a fair value of \$240,000 and

1,000,000 share purchase warrants with a fair value of \$82,581 to Teck, the amounts of which were capitalized to exploration and evaluation assets. Each warrant was exercisable into one common share of the Company at a price of \$0.24 per share with an expiry of October 14, 2016. The warrants expired unexercised on October 14, 2016.

In the event the Company sells or options any of the properties included in the Back-in Agreement 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 June 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 six months ended June 30, 2017, the Executive Chairman earned 72,366 DSUs (2016: 218,141) for a total value of \$24,000 (2016: \$24,000) which is recorded as salaries and benefits. At June 30, 2017, an amount of \$287,545 (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 June 30, 2017 was 927,564 (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**  
**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**  
**FOR THE SIX MONTHS ENDED JUNE 30, 2017**  
(Expressed in Canadian dollars)

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**6. DEFERRED SHARE UNITS** (continued)

The total number of outstanding DSUs owed to independent directors at June 30, 2017 was 193,087 (December 31, 2016: 193,087). At June 30, 2017 an amount of \$59,861 (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 six months ended June 30, 2017, an unrealized gain of \$1,566 (2016: unrealized loss of \$126,318) 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**

***Six months ended June 30, 2017***

During the six months ended June 30, 2017, the Company issued 2,084,676 common shares pursuant to the exercise of 2,084,676 warrants with an exercise price of \$0.25 per share for proceeds of \$521,169.

***Six months ended June 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, June 30, 2017	7,900,000	0.27

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

**7. SHARE CAPITAL** (continued)

**c) Stock options** (continued)

The following stock options were outstanding as at June 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	0.57
1,625,000	1,625,000	0.20	January 24, 2019	1.57
100,000	100,000	0.17	May 28, 2019	1.91
800,000	800,000	0.20	January 20, 2020	2.56
2,760,000	1,840,000	0.11	March 8, 2021	3.69
1,685,000	561,667	0.40	March 9, 2022	4.69
<u>7,900,000</u>	<u>5,856,667</u>	<u>0.26</u>		<u>2.96</u>

**d) Share-based payments**

The share-based payments expense for the stock options that vested during the six months ended June 30, 2017 was \$245,701 (2016: \$105,754). Of this amount, \$192,633 (2016: \$81,308) was recorded as share-based payments expense in the condensed consolidated interim statement of loss and comprehensive loss and \$53,068 (2016: \$24,446) was capitalized to exploration and evaluation assets. The fair value of the stock options that vested during the six months ended June 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	(2,084,676)	0.25
Balance, June 30, 2017	<u>856,500</u>	<u>0.25</u>

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

**7. SHARE CAPITAL (continued)**

**e) Share purchase warrants (continued)**

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

Outstanding	Exercisable	Exercise Price	Expiry Date
<u>856,500</u>	<u>856,500</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 six months ended June 30 consisted of the following:

	2017	2016	2017	2016
	\$	\$	\$	\$
Accounts receivable	19,070	(20,467)	8,914	(5,588)
Prepaid expenses and deposits	13,991	11,382	17,183	23,424
Accounts payable and accrued liabilities	(8,603)	9,390	8,348	(60,390)
	<u>24,458</u>	<u>305</u>	<u>34,445</u>	<u>(42,554)</u>

During the six months ended June 30, 2017 and June 30, 2016, share-based payments expense of \$53,068 and \$24,446, respectively, were capitalized to exploration and evaluation assets.

As at June 30, 2017, accounts payable and accrued liabilities included \$6,716 (December 31, 2016: \$450) of exploration and evaluation asset expenditures and \$8,458 (December 31, 2016: \$Nil) plant and equipment 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.

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.

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

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**9. FINANCIAL INSTRUMENTS** (continued)

**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.

**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.

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

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**10. CAPITAL MANAGEMENT** (continued)

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 six months ended June 30 was as follows:

		Three months ended June 30,		Six months ended June 30,	
		2017	2016	2017	2016
		\$	\$	\$	\$
Short-term benefits	1	148,753	93,489	288,195	216,910
Share-based payments expense	2	59,389	27,226	230,144	102,935
Deferred share units	3	12,000	12,000	24,000	24,000
Total		<u>220,142</u>	<u>132,715</u>	<u>542,339</u>	<u>343,845</u>

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

<sup>2</sup> 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.

<sup>3</sup> 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.

a) During the six months ended June 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.

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**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**  
**FOR THE SIX MONTHS ENDED JUNE 30, 2017**  
(Expressed in Canadian dollars)

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**11. RELATED PARTY TRANSACTIONS** (continued)

- b) During the six months ended June 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 six months ended June 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 six months ended June 30, 2017, the Company was charged \$5,305 (2016: \$7,785) 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 June 30, 2017, accounts payable and accrued liabilities included an amount of \$2,156 (December 31, 2016: \$5,399) for this expense.
- e) At June 30, 2017, the Company owed a total of 1,120,651 DSUs (December 31, 2016: 1,048,286) fair valued at \$347,402 (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 \$75,000 relating to an office lease agreement that expires June 30, 2018.