

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

**FOR THE THREE MONTHS ENDED MARCH 31, 2018**

**(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)

	March 31, 2018	December 31, 2017
<b>ASSETS</b>	<b>\$</b>	<b>\$</b>
<b>Current</b>		
Cash and cash equivalents	3,952,409	5,299,680
Accounts receivable	216,499	14,277
Prepaid expenses and deposits	328,378	69,591
	<b>4,497,286</b>	5,383,548
<b>Non-Current</b>		
Deposits	11,000	11,000
Investments (Note 3)	96,011	120,014
Plant and equipment (Note 4)	348,274	360,298
Exploration and evaluation assets (Notes 5 and 12)	30,470,340	26,769,793
	<b>35,422,911</b>	32,644,653
<b>LIABILITIES</b>		
<b>Current</b>		
Accounts payable and accrued liabilities (Note 9)	2,651,980	137,487
Flow -through share premium liability (Note 6)	201,913	757,920
	<b>2,853,893</b>	895,407
<b>Non-Current</b>		
Deferred share units (Notes 7 and 12)	702,270	512,275
	<b>3,556,163</b>	1,407,682
<b>EQUITY</b>		
Share capital (Note 8)	72,487,717	71,953,767
Share-based payments reserve	5,831,279	5,471,044
Accumulated other comprehensive income (loss)	(5,499)	18,504
Deficit	(46,446,749)	(46,206,344)
	<b>31,866,748</b>	31,236,971
	<b>35,422,911</b>	32,644,653

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 THREE MONTHS ENDED MARCH 31**  
(Unaudited)  
(Expressed in Canadian dollars)

	<u>2018</u>	<u>2017</u>
	\$	\$
<b>Expenses</b>		
Depreciation (Note 4)	16,178	19,189
Directors' fees (Notes 7 and 12)	12,000	-
Investor relations	75,515	26,939
Office and administration (Note 12(a))	50,459	37,871
Professional fees	44,471	19,049
Salaries and benefits (Note 7)	125,016	82,898
Share-based payments expense (Notes 8(d) and 12)	309,152	142,971
Transfer agent, regulatory and filing fees	19,672	12,995
Travel and accommodation	4,070	10,140
	<u>656,533</u>	<u>352,052</u>
<b>Other Items</b>		
Gain on sale of investments (Note 3)	-	(257,028)
Interest income	(14,116)	(186)
Other income (Note 6)	(556,007)	-
Revaluation of deferred share units (Note 7)	153,995	8,969
	<u>(416,128)</u>	<u>(248,245)</u>
<b>Net loss for the period</b>	<u>(240,405)</u>	<u>(103,807)</u>
<b>Other Comprehensive Income (Loss)</b>		
<b>Items that may be reclassified subsequently to profit or loss</b>		
Unrealized gain (loss) on available-for-sale investments (Note 3)	(24,003)	24,003
Transfer on sale of available-for-sale investments	-	(68,355)
	<u>(24,003)</u>	<u>(44,352)</u>
<b>Total comprehensive loss for the period</b>	<u>(264,408)</u>	<u>(148,159)</u>
<b>Basic and diluted loss per share</b>	\$ (0.00)	\$ (0.00)
<b>Basic and diluted weighted average number of shares outstanding</b>	110,330,273	97,350,776

**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, 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	-	-	-	-	(103,807)	(103,807)
Other comprehensive loss	-	-	-	(44,352)	-	(44,352)
Issued pursuant to exercise of warrants (Note 8(b))	2,084,676	521,169	-	-	-	521,169
Share-based payments expense (Note 8(d))	-	-	182,332	-	-	182,332
<b>Balance, March 31, 2017</b>	<b>98,965,951</b>	<b>67,662,605</b>	<b>5,279,545</b>	<b>18,504</b>	<b>(45,370,212)</b>	<b>27,590,442</b>
Net loss for the period	-	-	-	-	(836,132)	(836,132)
Other comprehensive loss	-	-	-	-	-	-
Private placement, net of share issue costs	10,105,600	4,834,957	-	-	-	4,834,957
Flow-through share premium (Note 6)	-	(757,920)	-	-	-	(757,920)
Issued pursuant to exercise of warrants	856,500	214,125	-	-	-	214,125
Share-based payments expense	-	-	191,499	-	-	191,499
<b>Balance, December 31, 2017</b>	<b>109,928,051</b>	<b>71,953,767</b>	<b>5,471,044</b>	<b>18,504</b>	<b>(46,206,344)</b>	<b>31,236,971</b>
Net loss for the period	-	-	-	-	(240,405)	(240,405)
Other comprehensive loss	-	-	-	(24,003)	-	(24,003)
Issued pursuant to exercise of stock options (Note 8(b))	905,000	533,950	-	-	-	533,950
Share-based payments expense (Note 8(d))	-	-	360,235	-	-	360,235
<b>Balance, March 31, 2018</b>	<b>110,833,051</b>	<b>72,487,717</b>	<b>5,831,279</b>	<b>(5,499)</b>	<b>(46,446,749)</b>	<b>31,866,748</b>

**FORAN MINING CORPORATION**  
**CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS**  
**FOR THE THREE MONTHS ENDED MARCH 31**

(Unaudited)

(Expressed in Canadian dollars)

	2018	2017
	\$	\$
<b>Operating Activities</b>		
Net loss for the period	(240,405)	(103,807)
Items not involving cash:		
Depreciation	16,178	19,189
Directors' fees (Note 7)	12,000	-
Gain on sale of investments (Note 3)	-	(257,028)
Interest income	180	180
Other income	(556,007)	-
Revaluation of deferred share units (Note 7)	153,995	8,969
Salaries and benefits (Note 7)	24,000	12,000
Share-based payments expense (Note 8(d))	309,152	142,971
	<b>(280,907)</b>	<b>(177,526)</b>
Net change in non-cash working capital (Note 9)	<b>(488,960)</b>	9,987
<b>Cash used in operating activities</b>	<b>(769,867)</b>	<b>(167,539)</b>
<b>Investing Activities</b>		
Purchase of equipment (Note 4)	(4,154)	(3,499)
Exploration and evaluation assets expenditures	(1,107,200)	(218,063)
Proceeds on sale of investments (Note 3)	-	257,028
<b>Cash provided by (used in) investing activities</b>	<b>(1,111,354)</b>	35,466
<b>Financing Activities</b>		
Cash received on exercise of warrants (Note 8(b))	-	521,169
Cash received on exercise of stock options (Note 8(b))	533,950	-
<b>Cash provided by financing activities</b>	<b>533,950</b>	521,169
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(1,347,271)</b>	389,096
Cash and cash equivalents, beginning of period	5,299,680	1,028,701
<b>Cash and cash equivalents, end of period</b>	<b>3,952,409</b>	<b>1,417,797</b>
<b>Cash and cash equivalents is comprised of:</b>		
Guaranteed Investment Certificates	20,898	20,710
Cash	3,931,511	1,397,087
	<b>3,952,409</b>	<b>1,417,797</b>

**Supplemental cash flow information (Note 9)**

**FORAN MINING CORPORATION**  
**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**  
**FOR THE THREE MONTHS ENDED MARCH 31, 2018**

(Unaudited)

(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 \$240,405 for the three months ended March 31, 2018 (2017: \$103,807). As at March 31, 2018, the Company had an accumulated deficit of \$46,446,749 (2017: \$46,206,344). 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 condensed consolidated interim 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, 2017 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 May 30, 2018.

**FORAN MINING CORPORATION**  
**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**  
**FOR THE THREE MONTHS ENDED MARCH 31, 2018**

(Unaudited)

(Expressed in Canadian dollars)

**3. INVESTMENTS**

During the three months ended March 31, 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 March 31, 2018, 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, 2017	120,014
Unrealized loss on AFS investments	<u>(24,003)</u>
Balance, March 31, 2018	<u><u>96,011</u></u>

**4. PLANT AND EQUIPMENT**

As at March 31, 2018, 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, 2017	147,351	352,104	40,278	734,656	22,409	100,613	1,397,411
Additions	-	4,154	-	-	-	-	4,154
Balance, March 31, 2018	<u>147,351</u>	<u>356,258</u>	<u>40,278</u>	<u>734,656</u>	<u>22,409</u>	<u>100,613</u>	<u>1,401,565</u>
<b>Accumulated Depreciation</b>							
Balance, December 31, 2017	123,965	315,241	32,304	457,378	20,602	87,623	1,037,113
Depreciation for the period	1,730	2,727	393	10,256	111	961	16,178
Balance, March 31, 2018	<u>125,695</u>	<u>317,968</u>	<u>32,697</u>	<u>467,634</u>	<u>20,713</u>	<u>88,584</u>	<u>1,053,291</u>
<b>Carrying Amount</b>							
Balance, December 31, 2017	23,386	36,863	7,974	277,278	1,807	12,990	360,298
Balance, March 31, 2018	<u>21,656</u>	<u>38,290</u>	<u>7,581</u>	<u>267,022</u>	<u>1,696</u>	<u>12,029</u>	<u>348,274</u>

**FORAN MINING CORPORATION**  
**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**  
**FOR THE THREE MONTHS ENDED MARCH 31, 2018**

(Unaudited)

(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, 2017</b>	20,256,488	6,513,305	26,769,793
<b>Exploration Costs</b>			
Administration	149,268	-	149,268
Analysis	24,346	-	24,346
Camp costs	101,757	50	101,807
Consulting	251,605	-	251,605
Drilling	2,431,451	-	2,431,451
Equipment and communications	129,692	-	129,692
Feasibility	56,477	-	56,477
Fuel	264,783	-	264,783
Salaries and benefits	209,309	-	209,309
Transportation and travel	81,809	-	81,809
<b>Total Exploration Costs</b>	3,700,497	50	3,700,547
<b>Balance, March 31, 2018</b>	23,956,985	6,513,355	30,470,340

**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 Mcllvenna Bay 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.

In December 2017 the Company entered into a technical services agreement (the "**Agreement**") with Glencore Canada Corporation ("**Glencore**"). The Agreement contemplates Glencore contributing its professional and technical services, assistance, guidance and advice in connection with the objective of completing a Feasibility Study on Mcllvenna Bay. In consideration, the Company has given Glencore an exclusive off-take contract to purchase or toll process all of the concentrates and/or other mineral products produced from Mcllvenna Bay at prevailing market rates.

**FORAN MINING CORPORATION**  
**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**  
**FOR THE THREE MONTHS ENDED MARCH 31, 2018**

(Unaudited)

(Expressed in Canadian dollars)

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**5. EXPLORATION AND EVALUATION ASSETS**

**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 McIlvenna 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%.

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 March 31, 2018.

**6. FLOW-THROUGH SHARE PREMIUM LIABILITY**

A summary of the changes in the Company's flow-through share premium liability was as follows:

	\$
Balance, December 31, 2017	757,920
Settlement of flow-through share premium liability pursuant to incurring qualified expenditures	<u>(556,007)</u>
Balance, March 31, 2018	<u><u>201,913</u></u>

**7. 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.

**FORAN MINING CORPORATION**  
**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**  
**FOR THE THREE MONTHS ENDED MARCH 31, 2018**

(Unaudited)

(Expressed in Canadian dollars)

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

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%. In January 2018, the Board passed a resolution to increase the Executive Chairman's compensation back to a maximum of \$8,000 per month, effective commencing January 1, 2018.

For the three months ended March 31, 2018, the Executive Chairman earned 43,906 DSUs (2017: 32,766) for a total value of \$24,000 (2017: \$12,000) which is recorded as salaries and benefits. At March 31, 2018, an amount of \$567,106 (December 31, 2017: \$417,611) 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 March 31, 2018 was 1,050,197 (December 31, 2017: 1,006,291).

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. In January 2018, the Board passed a resolution to reinstate each independent director's compensation to \$4,000 per quarter, effective with the quarter commencing October 1, 2017.

For the three months ended March 31, 2018, the independent directors earned a total of 22,200 DSUs for a total value of \$12,000 which is recorded as directors' fees. The total number of outstanding DSUs owed to independent directors at March 31, 2018 was 250,297 (December 31, 2017: 228,097). At March 31, 2018 an amount of \$135,164 (December 31, 2017: \$94,664) 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 three months ended March 31, 2018, the Company recognized an unrealized loss of \$153,995 (2017: \$8,969) on the revaluation of DSUs.

**8. SHARE CAPITAL**

**a) Authorized**

An unlimited number of common shares without par value  
An unlimited number of preference shares without par value

**b) Share issuance details**

***Three months ended March 31, 2018***

During the three months ended March 31, 2018, the Company issued 905,000 common shares pursuant to the exercise of 905,000 stock options with a weighted average exercise price of \$0.59 per share for proceeds of \$533,950.

***Three months ended March 31, 2017***

During the three months ended March 31, 2017, the Company issued 2,084,676 common shares pursuant to the exercise of 2,084,676 share purchase warrants with a weighted average exercise price of \$0.25 for proceeds of \$521,169.

**FORAN MINING CORPORATION**  
**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**  
**FOR THE THREE MONTHS ENDED MARCH 31, 2018**

(Unaudited)

(Expressed in Canadian dollars)

**8. SHARE CAPITAL** (continued)

**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, 2017	7,900,000	0.26
Granted	1,945,000	0.57
Exercised	(905,000)	0.59
Expired	(25,000)	0.59
Balance, March 31, 2018	<u>8,915,000</u>	<u>0.29</u>

The following stock options were outstanding as at March 31, 2018:

Outstanding	Exercisable	Weighted average Exercise Price	Expiry Date	Weighted average remaining life (in years)
		\$		
1,625,000	1,625,000	0.20	January 24, 2019	0.82
100,000	100,000	0.17	May 28, 2019	1.16
800,000	800,000	0.20	January 20, 2020	1.81
2,760,000	2,760,000	0.11	March 8, 2021	2.94
1,685,000	1,123,339	0.40	March 9, 2022	3.94
1,865,000	621,667	0.57	January 31, 2023	4.84
<u>80,000</u>	<u>26,667</u>	0.57	March 7, 2023	4.94
<u>8,915,000</u>	<u>7,056,673</u>			<u>3.04</u>

**FORAN MINING CORPORATION**  
**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**  
**FOR THE THREE MONTHS ENDED MARCH 31, 2018**

(Unaudited)

(Expressed in Canadian dollars)

**8. SHARE CAPITAL** (continued)

**d) Share-based payments**

The share-based payments expense for the stock options that vested during the three months ended March 31, 2018 was \$360,235 (2017: \$182,332). Of this amount, \$309,152 (2017: \$142,970) was recorded as share-based payments expense in the condensed consolidated interim statement of loss and comprehensive loss and \$51,083 (2017: \$39,362) was capitalized to exploration and evaluation assets. The fair value of the stock options that were granted during the three months ended March 31, 2018 and 2017 was calculated using the Black-Scholes option pricing model with the following weighted average assumptions:

	2018	2017
Risk-free interest rate	2.01%	0.97%
Expected stock price volatility	85%	84%
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.

**9. SUPPLEMENTAL CASH FLOW INFORMATION**

The net change in non-cash operating working capital balances for the three months ended March 31 consisted of the following:

	2018	2017
	\$	\$
Accounts receivable	(202,402)	(10,156)
Prepaid expenses and deposits	(258,787)	3,192
Accounts payable and accrued liabilities	(27,771)	16,951
	<u>(488,960)</u>	<u>9,987</u>

During the three months ended March 31, 2018 and 2017, share-based payments expense of \$51,083 and \$39,362, respectively, were capitalized to exploration and evaluation assets.

As at March 31, 2018, accounts payable and accrued liabilities included \$2,545,047 (December 31, 2017: \$2,783) of exploration and evaluation asset expenditures.

As at March 31, 2018, accounts payable and accrued liabilities included an amount of \$Nil (December 31, 2017: \$52,925) that was recorded as share issue costs.

**10. 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 an annual basis. The Company's Board has not approved the use of derivative financial products.

**FORAN MINING CORPORATION**  
**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**  
**FOR THE THREE MONTHS ENDED MARCH 31, 2018**

(Unaudited)

(Expressed in Canadian dollars)

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**10. FINANCIAL INSTRUMENTS** (continued)

**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.

**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.

**FORAN MINING CORPORATION**  
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**FOR THE THREE MONTHS ENDED MARCH 31, 2018**

(Unaudited)

(Expressed in Canadian dollars)

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**10. FINANCIAL INSTRUMENTS** (continued)

**d) Market risk** (continued)

**(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 and the deferred share units.

**11. 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, 2017.

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.

**12. 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 three months ended March 31 was as follows:

		2018	2017
		\$	\$
Short-term benefits	1	205,419	139,442
Share-based payments expense	2	321,405	170,755
Directors' fees	3	12,000	-
Total		<u>538,824</u>	<u>310,197</u>

<sup>1</sup> Short-term benefits consisted of salaries, health benefits and DSUs 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> Directors' fees consisted exclusively of DSUs, which is more fully described in Note 7.

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(Unaudited)

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

- a) During the three months ended March 31, 2018, the Company was charged \$2,138 (2017: \$3,150) 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 March 31, 2018, accounts payable and accrued liabilities included an amount of \$2,138 (December 31, 2017: \$8,363) for this expense.
- b) At March 31, 2018, the Company owed a total of 1,300,494 DSUs (December 31, 2017: 1,234,388) fair valued at \$702,270 (December 31, 2017: \$512,275) to key management personnel, which is included in the condensed consolidated interim statement of financial position.

**13. OBLIGATIONS**

- a) As a result of the issuance of flow-through shares on December 21 and 29, 2017, the Company has a commitment to incur \$4,951,744 in qualifying Canadian exploration expenditures on or before December 31, 2018. As at March 31, 2018, the Company had approximately \$1,319,000 remaining to be incurred.
- b) In May 2018, the Company renewed its office lease agreement for a three-year term expiring June 30, 2021. The estimated future minimum lease payment is approximately \$335,000.