

FORAN MINING CORPORATION
CONDENSED CONSOLIDATED INTERIM FINANCIAL
STATEMENTS

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2019

(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)

	Note	September 30, 2019	December 31, 2018
ASSETS		\$	\$
Current			
Cash and cash equivalents		1,062,175	4,166,773
Accounts receivable		140,315	71,381
Prepaid expenses and deposits		89,366	105,735
		1,291,856	4,343,889
Non-Current			
Deposits		11,000	11,000
Investments	3	144,015	72,008
Plant and equipment	5	275,998	317,856
Right-of-use asset	2, 4	171,054	-
Exploration and evaluation assets	6, 10	39,406,174	36,496,338
		41,300,097	41,241,091
LIABILITIES			
Current			
Accounts payable and accrued liabilities	10	417,795	223,714
Lease liability	2, 4	97,098	-
		514,893	223,714
Non-Current			
Deferred share units	8, 13	526,296	612,285
Lease liability	2, 4	79,087	-
		1,120,276	835,999
EQUITY			
Share capital	9	81,448,970	80,833,461
Share-based payments reserve		1,586,217	1,601,841
Accumulated other comprehensive income (loss)		42,505	(29,502)
Deficit		(42,897,871)	(42,000,708)
		40,179,821	40,405,092
		41,300,097	41,241,091

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)

	Note	Three months ended September 30,		Nine months ended September 30,	
		2019	2018	2019	2018
		\$	\$	\$	\$
Expenses					
Depreciation	4, 5	37,815	15,591	115,167	47,622
Directors' fees	8, 13	15,000	15,000	48,333	39,000
Investor relations		28,161	36,098	157,383	142,450
Office and administration	13(a)	30,173	58,801	110,081	165,823
Professional fees		45,161	89,030	147,445	207,561
Salaries and benefits	8	138,847	223,617	451,750	479,378
Share-based payments expense	9(d), 13	72,613	106,103	316,832	511,106
Transfer agent, regulatory and filing fees		604	2,880	28,620	24,371
Travel and accommodation		1,554	5,534	6,463	19,499
		369,928	552,654	1,382,074	1,636,810
Other Items					
Interest and miscellaneous income		(13,583)	(24,487)	(38,242)	(43,681)
Other income	7	-	(1,087,146)	-	(1,845,066)
Revaluation of deferred share units	8	(99,897)	(272,448)	(228,072)	(195,024)
		(113,480)	(1,384,081)	(266,314)	(2,083,771)
Net income (loss) for the period		(256,448)	831,427	(1,115,760)	446,961
Other Comprehensive Loss					
Items that may be reclassified subsequently to profit or loss					
Unrealized loss on investments	3	-	-	-	(24,003)
Total comprehensive loss for the period		(256,448)	831,427	(1,115,760)	422,958
Basic and diluted loss per share		\$ (0.00)	\$ 0.01	\$ (0.01)	\$ 0.00
Basic and diluted weighted average number of shares outstanding		130,124,451	127,827,603	129,621,300	116,498,680

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

	Note	Number of shares	Share capital \$	Share-based payments reserve \$	Accumulated other comprehensive income (loss) \$	Deficit \$	Total \$
Balance, December 31, 2017		109,928,051	71,953,767	1,288,454	18,504	(42,023,754)	31,236,971
Net income for the period		-	-	-	-	446,961	446,961
Other comprehensive loss		-	-	-	(24,003)	-	(24,003)
Private placement, net of share issue costs		17,191,400	9,126,632	-	-	-	9,126,632
Flow-through share premium		-	(1,129,770)	-	-	-	(1,129,770)
Issued pursuant to exercise of stock options	9(b)(iii)	905,000	882,832	(348,882)	-	-	533,950
Share-based payments expense		-	-	622,250	-	-	622,250
Balance, September 30, 2018		128,024,451	80,833,461	1,561,822	(5,499)	(41,576,793)	40,812,991
Net loss for the period		-	-	-	-	(508,726)	(508,726)
Other comprehensive loss		-	-	-	(24,003)	-	(24,003)
Share-based payments expense		-	-	124,830	-	-	124,830
Reclass of expired stock options		-	-	(84,811)	-	84,811	-
Balance, December 31, 2018		128,024,451	80,833,461	1,601,841	(29,502)	(42,000,708)	40,405,092
Net loss for the period		-	-	-	-	(1,115,760)	(1,115,760)
Other comprehensive income		-	-	-	72,007	-	72,007
Issued pursuant to exercise of stock options	9(b)(i)	2,100,000	615,509	(232,259)	-	-	383,250
Share-based payments expense	9(d)	-	-	435,232	-	-	435,232
Reclass of expired stock options	9(d)	-	-	(218,597)	-	218,597	-
Balance, September 30, 2019		130,124,451	81,448,970	1,586,217	42,505	(42,897,871)	40,179,821

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

(Unaudited)

(Expressed in Canadian dollars)

	Note	Three months ended September 30,		Nine months ended September 30,	
		2019	2018	2019	2018
Operating Activities					
Net income (loss) for the period		(256,449)	831,427	(1,115,760)	446,961
Items not involving cash:					
Depreciation		37,815	15,591	115,167	47,622
Directors' fees	8	15,000	15,000	48,333	39,000
Interest expense		3,589	-	10,497	-
Interest income		(1,046)	(6,721)	(2,695)	(6,541)
Other income		-	(1,087,146)	-	(1,845,066)
Revaluation of deferred share units	8	(99,897)	(272,448)	(228,072)	(195,024)
Salaries and benefits	8	31,250	76,417	93,750	124,417
Share-based payments expense	9(d)	72,613	106,103	316,832	511,106
		(197,125)	(321,777)	(761,948)	(877,525)
Net change in non-cash working capital	10	50,010	225,085	(31,030)	(232,750)
Cash used in operating activities		(147,115)	(96,692)	(792,978)	(1,110,275)
Investing Activities					
Purchase of equipment		-	-	-	(9,102)
Exploration and evaluation assets expenditures		(854,475)	(3,587,919)	(2,616,195)	(8,571,979)
Cash used in investing activities		(854,475)	(3,587,919)	(2,616,195)	(8,581,081)
Financing Activities					
Issuance of shares for cash pursuant to private placement		-	2,988,150	-	9,381,642
Share issue costs		-	(208,628)	-	(255,010)
Cash received on exercise of stock options	9(b)(i)	-	-	383,250	533,950
Lease liability payments	4	(26,611)	-	(78,675)	-
Cash provided by (used in) financing activities		(26,611)	2,779,522	304,575	9,660,582
Net decrease in cash and cash equivalents		(1,028,201)	(905,089)	(3,104,598)	(30,774)
Cash and cash equivalents, beginning of period		2,090,376	6,173,995	4,166,773	5,299,680
Cash and cash equivalents, end of period		1,062,175	5,268,906	1,062,175	5,268,906
Cash and cash equivalents is comprised of:					
Guaranteed Investment Certificates		20,898	20,898	20,898	20,898
Cash		1,041,277	5,248,008	1,041,277	5,248,008
		1,062,175	5,268,906	1,062,175	5,268,906
Supplemental cash flow information	10				

FORAN MINING CORPORATION
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2019

(Unaudited)

(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 \$1,115,763 for the nine months ended September 30, 2019 (2018: net income of \$446,961). As at September 30, 2019, the Company had an accumulated deficit of \$42,897,874 (December 31, 2018: \$42,000,708). 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, therefore, a material uncertainty exists that may cast 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 AND SIGNIFICANT ACCOUNTING POLICIES

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, 2018 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 20, 2019.

FORAN MINING CORPORATION
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2019

(Unaudited)

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2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

IFRS 16 Leases

The Company adopted IFRS 16 *Leases* (“**IFRS 16**”) effective January 1, 2019. The following is the new accounting policy for leases under IFRS 16.

At inception, the Company assesses whether a contract contains an embedded lease. A contract contains a lease when the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration.

The Company, as lessee, is required to recognize a right-of-use asset (“**ROU asset**”), representing its right to use the underlying asset, and a lease liability, representing its obligation to make lease payments. The Company may elect to not apply IFRS 16 to leases with a term of less than 12 months or to low value assets, which is made on an asset by asset basis.

The Company recognizes a ROU asset and a lease liability at the commencement of the lease. The ROU asset is initially measured based on the present value of lease payments, plus initial direct cost, less any incentives received. It is subsequently measured at cost less accumulated depreciation, impairment losses and adjusted for certain remeasurements of the lease liability. The ROU asset is depreciated from the commencement date over the shorter of the lease term or the useful life of the underlying asset. The ROU asset is subject to testing for impairment if there is an indicator of impairment.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by the interest rate implicit in the lease, or if that rate cannot be readily determined, the incremental borrowing rate. The incremental borrowing rate is the rate which the operation would have to pay to borrow over a similar term and with similar security, the funds necessary to obtain an asset of similar value to the ROU asset in a similar economic environment.

Lease payments included in the measurement of the lease liability are comprised of:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee;
- the exercise price under a purchase option that the Company is reasonably certain to exercise;
- lease payments in an optional renewal period if the Company is reasonably certain to exercise an extension option; and
- penalties for early termination of a lease unless the Company is reasonably certain not to terminate early.

The lease liability is subsequently increased by the interest cost on the lease liability and decreased by lease payments made. It is remeasured when there is a change in future lease payments arising from a change in an index or a rate, a change in the estimate of the amount expected to be payable under a residual value guarantee, or as appropriate, changes in the assessment of whether a purchase or extension option is reasonably certain to be exercised or a termination option is reasonably certain not to be exercised.

Variable lease payments that do not depend on an index or a rate not included in the initial measurement of the ROU asset and lease liability are recognized as an expense in the consolidated statement of comprehensive loss in the period in which they are incurred.

The ROU assets are presented within “Right-of-use assets” and the lease liabilities are presented in “Lease liability” on the consolidated statements of financial position.

FORAN MINING CORPORATION
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2019

(Unaudited)

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2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

Adoption of IFRS 16 Leases

Effective January 1, 2019, the Company adopted IFRS 16 using the modified retrospective approach. The comparative figures for the 2018 reporting period have not been restated and are accounted for under IAS 17 *Leases*, and IFRIC 4 *Determining Whether an Arrangement Contains a Lease*, as permitted under the specific transitional provisions in the standard.

The Company applied the exemption not to recognize ROU asset and lease liabilities for leases with less than 12 months of lease term and leases for low-value assets when applying IFRS 16 to leases previously classified as operating leases under IAS 17.

The Company has an office lease for its headquarters in Vancouver, British Columbia which was classified as operating leases under IAS 17. Upon transition to IFRS 16, these lease liabilities were measured at the present value of the remaining lease payments and discounted using an incremental borrowing rate of 7% as of January 1, 2019. As a result, the Company, as a lessee, has recognized \$244,363 as a lease liability, representing its obligation to make lease payments. A ROU asset of the same amount was recognized as a Right-of-use Asset, representing its right to use the underlying asset.

The following table summarizes the difference between the operating lease commitments disclosed immediately preceding the date of initial application and lease liability recognized on the consolidated balance sheet at the date of initial application:

	\$
Operating lease liability as at December 31, 2018	267,282
Effect of discounting at incremental borrowing rate	<u>(22,919)</u>
Lease liability recognized as of January 1, 2019	<u><u>244,363</u></u>

3. INVESTMENTS

As at September 30, 2019, the Company owned shares of one mineral exploration company listed publicly on the Canadian Securities Exchange that were classified as financial assets measured at fair value through other comprehensive income (“FVTOCI”) and carried at fair market value based on quoted market prices.

A summary of the changes in FVTOCI investments is presented below:

	\$
Balance, December 31, 2018	72,008
Unrealized gain on FVTOCI investments	<u>72,007</u>
Balance, September 30, 2019	<u><u>144,015</u></u>

FORAN MINING CORPORATION
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2019

(Unaudited)

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4. RIGHT-OF-USE ASSET AND LEASE LIABILITY

The Company has a lease agreement for its headquarter office space in Vancouver, British Columbia. Upon transition to IFRS 16, the Company recognized \$244,363 for an ROU asset and \$244,363 for the lease liability.

The continuity of the ROU asset and lease liability for the nine months ended September 30, 2019 is as follows:

Right-of-use asset	\$
Value of right-of-use asset as at January 1, 2019	244,363
Depreciation	<u>(73,309)</u>
Value of right-of-use asset as at September 30, 2019	<u>171,054</u>
 Lease liability	
Lease liability recongnized as of January 1, 2019	244,363
Lease payments	(78,675)
Lease interest	<u>10,497</u>
Lease liability recognized as of September 30, 2019	<u>176,185</u>
 Current portion	97,098
Non-current portion	<u>79,087</u>
	<u>176,185</u>

5. PLANT AND EQUIPMENT

As at September 30, 2019, 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, 2018	166,610	356,258	40,278	734,656	22,409	100,613	1,420,824
Additions	-	-	-	-	-	-	-
Balance, September 30, 2019	<u>166,610</u>	<u>356,258</u>	<u>40,278</u>	<u>734,656</u>	<u>22,409</u>	<u>100,613</u>	<u>1,420,824</u>
 Accumulated Depreciation							
Balance, December 31, 2018	134,394	325,987	33,783	496,688	21,013	91,103	1,102,968
Depreciation for the period	6,702	6,297	924	25,712	245	1,978	41,858
Balance, September 30, 2019	<u>141,096</u>	<u>332,284</u>	<u>34,707</u>	<u>522,400</u>	<u>21,258</u>	<u>93,081</u>	<u>1,144,826</u>
 Carrying Amount							
Balance, December 31, 2018	32,216	30,271	6,495	237,968	1,396	9,510	317,856
Balance, September 30, 2019	<u>25,514</u>	<u>23,974</u>	<u>5,571</u>	<u>212,256</u>	<u>1,151</u>	<u>7,532</u>	<u>275,998</u>

FORAN MINING CORPORATION
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2019

(Unaudited)

(Expressed in Canadian dollars)

6. 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, 2018	29,976,472	6,519,866	36,496,338
Exploration Costs			
Administration	193,624	386	194,010
Analysis	9,832	-	9,832
Camp costs	34,144	-	34,144
Consulting	230,457	-	230,457
Drilling	585,345	-	585,345
Equipment and communications	57,981	-	57,981
Feasibility	1,355,379	-	1,355,379
Fuel	142,280	-	142,280
Geophysics	31,008	-	31,008
License refunds	-	(6,855)	(6,855)
Permits	318	-	318
Salaries and benefits	222,224	51,289	273,513
Transportation and travel	52,424	-	52,424
Total Exploration Costs	2,915,016	44,820	2,959,836
Government grants	(50,000)	-	(50,000)
Balance, September 30, 2019	32,841,488	6,564,686	39,406,174

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 NINE MONTHS ENDED SEPTEMBER 30, 2019

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6. EXPLORATION AND EVALUATION ASSETS (continued)

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%.

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, 2019.

7. FLOW-THROUGH SHARE PREMIUM LIABILITY

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

	\$
Balance, January 1, 2018	757,920
Settlement of flow-through share premium liability pursuant to incurring qualified expenditures	<u>(757,920)</u>
Balance, September 30, 2018	-
Flow-through share premium liability on the issuance of flow-through common shares	1,129,770
Settlement of flow-through share premium liability pursuant to incurring qualified expenditures	<u>(1,129,770)</u>
Balance, December 31, 2018 and September 30, 2019	<u><u>-</u></u>

8. DEFERRED SHARE UNITS

The Company has a 10% rolling Long-Term Performance Incentive Plan ("**LTIP**") which allows the Company to grant various awards, including deferred share units ("**DSUs**"), to directors, officers, employees and consultants of up to an aggregate maximum of 10% of the common shares outstanding.

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 NINE MONTHS ENDED SEPTEMBER 30, 2019

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8. DEFERRED SHARE UNITS (continued)

The LTIP also introduces the availability of the Company to award restricted share units, performance share units and stock appreciation rights. The purpose of the LTIP is to attract and retain highly qualified individuals by allowing the Company to offer a broader range of incentives to diversify and customize the rewards for management, directors and consultants to promote long-term retention. One notable change is that the LTIP provides for the payout upon separation to be in shares or in cash, whereas the DSU Plan only provided for a payout in cash. The LTIP can be viewed in its entirety in the Company's Management Information Circular on www.SEDAR.com.

The Company's Executive Chairman is compensated for his services with DSUs on a monthly basis, to a maximum of \$10,417 per month. For the nine months ended September 30, 2019, the Executive Chairman earned 321,355 DSUs (2018: 171,205) for a total value of \$93,750 (2018: \$74,417) which is recorded as salaries and benefits. The number of outstanding DSUs owed to the Executive Chairman at September 30, 2019 was 1,701,787 (December 31, 2018: 1,380,432) for a total value of \$391,411 (December 31, 2018: \$483,151) with the liability included in deferred share units on the condensed consolidated interim statement of financial position.

The Company compensates each of its independent directors with DSUs. For the nine months ended September 30, 2019, the independent directors earned a total of 165,545 DSUs (2018: 44,120) valued at \$48,333 (2018: \$39,000), which is recorded as directors' fees. The total number of outstanding DSUs owed to the independent directors at September 30, 2019 was 534,491 (December 31, 2018: 368,947) for a total value of \$134,885 (December 31, 2018: \$129,131) with the liability included in deferred share units on the condensed consolidated interim statement of financial position.

For the nine months ended September 30, 2019, the Company recognized an unrealized gain of \$228,072 (2018: \$195,024) on the revaluation of DSUs.

9. 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

Nine months ended September 30, 2019

- (i) During the nine months ended September 30, 2019, the Company issued 2,100,000 common shares pursuant to the exercise of 2,100,000 stock options with a weighted average exercise price of \$0.18 per share for proceeds of \$383,250. In connection with the exercise, an amount of \$232,259 was reclassified from share-based payments reserve to share capital.

FORAN MINING CORPORATION
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2019

(Unaudited)

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9. SHARE CAPITAL (continued)

b) Share issuance details (continued)

Nine months ended September 30, 2018

(ii) On July 5, 2018, the Company completed a non-brokered private placement issuing 4,527,500 common shares on a flow-through basis at a price of \$0.66 per share for gross proceeds of \$2,988,150. The Company allocated \$2,173,200 of the gross proceeds to share capital. In connection with the private placement, share issue costs totaled \$58,628, including finders' fees of \$22,320.

(iii) On June 29, 2018, the Company completed a non-brokered private placement issuing 10,914,900 common shares at a price of \$0.48 per share for gross proceeds of \$5,239,152.

On June 29, 2018, the Company also completed a non-brokered private placement issuing 1,749,000 common shares on a flow-through basis at a price of \$0.66 per share for gross proceeds of \$1,154,340. The Company allocated \$839,520 of the gross proceeds of the flow-through private placement to share capital and the remaining \$314,820 to flow-through share premium liability.

In connection with the two private placements, share issue costs totaled \$196,382 including finders' fees of \$187,680.

(iv) During the nine months ended September 30, 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. In connection with the exercise, an amount of \$348,882 was reclassified from share-based payments reserve to share capital.

c) Stock options

As noted in Note 8, the Company has a 10% rolling Long-Term Performance Incentive Plan ("LTIP") which allows the Company to grant various awards, including stock options, to directors, officers, employees and consultants of up to an aggregate maximum of 10% of the common shares outstanding. 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, 2018	9,231,667	0.29
Granted	2,070,000	0.34
Exercised	(2,100,000)	0.18
Forfeited	(198,334)	0.46
Expired	(461,667)	0.39
Balance, September 30, 2019	8,541,666	0.32

FORAN MINING CORPORATION
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2019

(Unaudited)

(Expressed in Canadian dollars)

9. SHARE CAPITAL (continued)

c) Stock options (continued)

The following stock options were outstanding as at September 30, 2019:

Outstanding	Exercisable	Weighted average Exercise Price \$	Expiry Date	Weighted average remaining life (in years)
675,000	675,000	0.20	January 20, 2020	0.31
606,666 ¹	606,666	0.31	May 28, 2020	0.66
2,125,000	2,125,000	0.11	March 8, 2021	1.44
1,250,000	1,250,000	0.40	March 9, 2022	2.44
1,505,000	1,150,000	0.57	January 31, 2023	3.34
80,000	53,333	0.57	March 7, 2023	3.44
330,000	220,000	0.41	August 23, 2023	3.90
<u>1,970,000</u>	<u>690,000</u>	<u>0.34</u>	<u>March 27, 2024</u>	<u>4.49</u>
<u>8,541,666</u>	<u>6,769,999</u>	<u>0.32</u>		<u>2.59</u>

¹ One of the Company's directors resigned during the nine months ended September 30, 2019. Consequently certain stock options were extended to one year from the date of the director's resignation.

d) Share-based payments and share-based payments reserve

The share-based payments expense for the stock options that vested during the nine months ended September 30, 2019 was \$435,232 (2018: \$622,250). Of this amount, \$316,832 (2018: \$511,106) was recorded as share-based payments expense in the condensed consolidated interim statement of loss and comprehensive loss and \$118,400 (2018: \$111,144) was capitalized to exploration and evaluation assets. The fair value of the stock options that were granted during the nine months ended September 30, 2019 and 2018 was calculated using the Black-Scholes option pricing model with the following weighted average assumptions:

	2019	2018
Risk-free interest rate	1.47%	2.04%
Expected stock price volatility	83%	85%
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.

During the nine months ended September 30, 2019, the Company reclassified \$218,597 (2018: \$Nil) from share-based payments reserve to deficit with respect to options that either expired or were forfeited during the period.

FORAN MINING CORPORATION
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2019

(Unaudited)

(Expressed in Canadian dollars)

10. 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:

	2019	2018
	\$	\$
Accounts receivable	(66,239)	(119,578)
Prepaid expenses and deposits	16,369	(29,149)
Accounts payable and accrued liabilities	18,840	(84,023)
	<u>(31,030)</u>	<u>(232,750)</u>

During the nine months ended September 30, 2019 and 2018, share-based payments expense of \$118,400 and \$111,144, respectively, were capitalized to exploration and evaluation assets.

As at September 30, 2019, accounts payable and accrued liabilities included \$306,863 (December 31, 2018: \$131,622) of exploration and evaluation asset expenditures.

11. 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.

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.

FORAN MINING CORPORATION
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2019

(Unaudited)

(Expressed in Canadian dollars)

11. FINANCIAL INSTRUMENTS (continued)

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 and the deferred share units.

12. 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, 2018.

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.

FORAN MINING CORPORATION
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2019

(Unaudited)

(Expressed in Canadian dollars)

12. CAPITAL MANAGEMENT (continued)

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.

13. RELATED PARTY TRANSACTIONS

Under IAS, a related party transaction is a transfer of resources, services or obligations between an issuer and a party related to the issuer or its Executive Directors or Officers. Under Multilateral Instrument 61-101 *Protection of Minority Security Holders in Special Transactions*, a related party transaction is a transaction between the issuer and a related party of the issuer at the time the transaction is agreed to as a consequence of which the issuer directly or indirectly enters into specified transactions, including a purchase or sale of assets, issuing securities or subscribing for securities, borrowing or lending money, and forgiving debts or liabilities.

Key management compensation

Key management personnel at the Company are the Directors and Officers of the Company. Key management personnel, or their related parties, may hold positions in other entities that result in them having control or significant influence over the financial or operating policies of those entities. These transactions are in the normal course of operations and are measured at their exchange amount, which is the amount agreed upon by the transacting parties.

a) Related Party Transactions

The Company's related party transactions for the three and nine months ended September 30 were as follows:

		Three months ended September 30,		Nine months ended September 30,	
		2019	2018	2019	2018
		\$	\$		
Short-term benefits	1	167,899	252,109	545,175	644,450
Share-based payments expense	2	61,131	90,713	292,874	511,551
Directors' fees	3	15,000	15,000	48,333	39,000
Total		<u>244,030</u>	<u>357,822</u>	<u>886,382</u>	<u>1,195,001</u>

¹ 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.

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 Directors' fees consisted exclusively of DSUs awarded to the independent directors, which is more fully described in Note 8.

b) During the nine months ended September 30, 2019, the Company was charged \$7,425 (2018: \$8,501) 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, 2019, accounts payable and accrued liabilities included an amount of \$Nil (December 31, 2018: \$2,096) for this expense.

FORAN MINING CORPORATION
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2019

(Unaudited)

(Expressed in Canadian dollars)

13. RELATED PARTY TRANSACTIONS (continued)

- c) At September 30, 2019, the Company owed a total of 2,236,278 DSUs (December 31, 2018: 1,749,379) fair valued at \$526,296 (December 31, 2017: \$612,285) to key management personnel, which is included in the condensed consolidated interim statement of financial position.