

# **F O R A N**

**Condensed Consolidated Interim Financial Statements**  
**For the three and six months ended June 30, 2022 and 2021**

Expressed in thousands of Canadian Dollars

Unaudited

# FORAN

## Condensed Consolidated Interim Statements of Financial Position

(Unaudited - expressed in thousands of Canadian dollars)

	Note	June 30, 2022	December 31, 2021
<b>Assets</b>			
Current assets			
Cash and cash equivalents	\$	47,771	\$ 83,996
Accounts and other receivables		509	1,335
Prepaid expenses and deposits		148	252
<b>Total current assets</b>		<b>48,428</b>	<b>85,583</b>
Deposits		11	11
Investments		144	204
Right-of-use assets	5	807	1,442
Restricted cash	4	4,287	-
Exploration and evaluation assets	6	114,202	87,654
<b>Total assets</b>	\$	<b>167,879</b>	\$ 174,894
<b>Liabilities and Shareholders' Equity</b>			
Current liabilities			
Accounts payable and accrued liabilities	\$	4,145	\$ 9,619
Leases	5	591	778
Deferred share units	7	3,922	3,330
<b>Total current liabilities</b>		<b>8,658</b>	<b>13,727</b>
Leases	5	83	312
Decommissioning obligation		764	500
<b>Total liabilities</b>		<b>9,505</b>	<b>14,539</b>
Shareholders' Equity			
Share capital	8	206,919	205,841
Share-based payments reserve	8	4,824	4,084
Accumulated other comprehensive income		39	99
Deficit		(53,408)	(49,669)
<b>Total shareholders' equity</b>		<b>158,374</b>	<b>160,355</b>
<b>Total liabilities and shareholders' equity</b>	\$	<b>167,879</b>	\$ 174,894

Subsequent events (note 11)

The accompanying notes form an integral part of these condensed consolidated interim financial statements.

Approved on behalf of the Board:

/s/ David Petroff

Director

/s/ Dan Myerson

CEO & Executive Chairman

# FORAN

## Condensed Consolidated Interim Statements of Loss and Comprehensive Loss

(Unaudited - expressed in thousands of Canadian dollars, except share information)

	Three months ended		Six months ended	
	June 30,		June 30,	
	2022	2021	2022	2021
<b>General and administration expenses</b>				
Consulting	\$ 148	\$ 85	\$ 403	\$ 154
Depreciation	34	48	58	85
Directors' fees	60	63	128	79
Investor relations	112	121	273	172
Office and administration	256	77	389	122
Professional fees	193	323	448	429
Salaries and benefits	447	178	982	430
Share-based payments expense	382	751	1,639	1,517
	<b>1,632</b>	<b>1,646</b>	<b>4,320</b>	<b>2,988</b>
<b>Other (income) expenses</b>				
Interest and miscellaneous	(288)	(17)	(390)	(29)
Flow-through share premium	-	(1,594)	-	(2,856)
Revaluation of deferred share units	(591)	1,381	(191)	2,197
	<b>(879)</b>	<b>(230)</b>	<b>(581)</b>	<b>(688)</b>
<b>Net loss for the period</b>	<b>\$ 753</b>	<b>\$ 1,416</b>	<b>\$ 3,739</b>	<b>\$ 2,300</b>
<b>Other comprehensive loss:</b>				
Unrealized loss (gain) on investments	48	(38)	60	(19)
<b>Total comprehensive loss for the period</b>	<b>\$ 801</b>	<b>\$ 1,378</b>	<b>\$ 3,799</b>	<b>\$ 2,281</b>
Net loss per share:				
Basic	\$ 0.00	\$ 0.01	\$ 0.02	\$ 0.01
Diluted	\$ 0.00	\$ 0.01	\$ 0.02	\$ 0.01
Weighted average shares outstanding	<b>239,197,794</b>	<b>180,603,066</b>	<b>238,601,245</b>	<b>174,659,233</b>

The accompanying notes form an integral part of these condensed consolidated interim financial statements.

# FORAN

## Condensed Consolidated Interim Statements of Changes in Equity

(Unaudited - expressed in thousands of Canadian dollars, except share information)

	Note	Share Capital		Reserves	Accumulated OCI	Deficit	Total
		Shares	Amount				
<b>Balance, December 31, 2020</b>		<b>148,278,210</b>	<b>\$ 84,786</b>	<b>\$ 1,647</b>	<b>\$ 74</b>	<b>\$ (45,372)</b>	<b>\$ 41,135</b>
Shares issued pursuant to private placements		30,665,000	25,001	-	-	-	25,001
Flow-through share premium liability		-	(5,068)	-	-	-	(5,068)
Shares issued pursuant to exercise of stock options		1,064,369	653	(264)	-	-	389
Shares issued pursuant to exercise of DSUs		603,564	639	-	-	-	639
Shares issued pursuant to exercise of warrants		20,000	3	-	-	-	3
Share issuance costs, net of taxes		-	(1,583)	-	-	-	(1,583)
Share-based payment expense		-	-	1,605	-	-	1,605
Reclass of forfeited stock options		-	-	(66)	-	66	-
Other comprehensive income		-	-	-	19	-	19
Net loss for the period		-	-	-	-	(2,300)	(2,300)
<b>Balance, June 30, 2021</b>		<b>180,631,143</b>	<b>\$ 104,431</b>	<b>\$ 2,922</b>	<b>\$ 93</b>	<b>\$ (47,606)</b>	<b>\$ 59,840</b>
Shares issued pursuant to Fairfax placement		55,555,556	100,000	-	-	-	100,000
Shares issued pursuant to exercise of stock options		1,358,999	966	(394)	-	-	572
Share issuance costs, net of taxes		-	444	-	-	-	444
Share-based payment expense		-	-	1,556	-	-	1,556
Other comprehensive income		-	-	-	6	-	6
Net loss for the period		-	-	-	-	(2,063)	(2,063)
<b>Balance, December 31, 2021</b>		<b>237,545,698</b>	<b>\$ 205,841</b>	<b>\$ 4,084</b>	<b>\$ 99</b>	<b>\$ (49,669)</b>	<b>\$ 160,355</b>
Shares issued pursuant to exercise of stock options	8	1,547,333	1,010	(412)	-	-	598
Shares issued pursuant to exercise of warrants	8	460,000	68	-	-	-	68
Share-based payment expense	8	-	-	1,022	-	-	1,022
RSU payments expense	8	-	-	130	-	-	130
Other comprehensive loss		-	-	-	(60)	-	(60)
Net loss for the period		-	-	-	-	(3,739)	(3,739)
<b>Balance, June 30, 2022</b>		<b>239,553,031</b>	<b>\$ 206,919</b>	<b>\$ 4,824</b>	<b>\$ 39</b>	<b>\$ (53,408)</b>	<b>\$ 158,374</b>

The accompanying notes form an integral part of these condensed consolidated interim financial statements.

# FORAN

## Condensed Consolidated Interim Statements of Cash Flows

(Unaudited - expressed in thousands of Canadian dollars)

	Three months ended		Six months ended	
	June 30,		June 30,	
	2022	2021	2022	2021
Cash provided by (used in)				
Operations				
Net loss for the period	\$ (753)	\$ (1,416)	\$ (3,739)	\$ (2,300)
Adjustments for:				
Depreciation	34	48	58	85
Flow-through share premium recovery	-	(1,594)	-	(2,856)
Lease interest	-	-	-	1
Revaluation of deferred share units	(591)	1,381	(191)	2,197
Share-based payment expense	382	751	1,639	1,517
Changes in non-cash working capital:				
Accounts receivable	1,444	(185)	826	(438)
Prepaid expenses and deposits	42	(64)	104	(123)
Accounts payable and accrued liabilities	537	308	573	627
	1,095	(771)	(730)	(1,290)
Investing				
Restricted cash	(4,287)	-	(4,287)	-
Exploration and evaluation expenditures	(12,947)	(4,285)	(31,585)	(7,814)
	(17,234)	(4,285)	(35,872)	(7,814)
Financing				
Shares issued pursuant to private placements	-	-	-	25,001
Share issue costs paid	-	-	-	(1,583)
Exercise of stock options	204	21	598	390
Exercise of warrants	46	3	68	3
Lease payments	(181)	(171)	(289)	(200)
	69	(147)	377	23,611
Increase (decrease) in cash and cash equivalents	(16,070)	(5,203)	(36,225)	14,507
Cash and cash equivalents, beginning of period	63,841	20,760	83,996	1,050
<b>Cash and cash equivalents, end of period</b>	<b>\$ 47,771</b>	<b>\$ 15,557</b>	<b>\$ 47,771</b>	<b>\$ 15,557</b>
Cash and cash equivalents is comprised of:				
Guaranteed investment certificates	\$ -	\$ 130	\$ -	\$ 130
Cash	47,771	15,427	47,771	15,427
	\$ 47,771	\$ 15,557	\$ 47,771	\$ 15,557

The accompanying notes form an integral part of these condensed consolidated interim financial statements.

## Notes to Condensed Consolidated Interim Financial Statements

For the three and six months ended June 30, 2022 and 2021

(Unaudited – prepared by management)

(Expressed in thousands of Canadian dollars, except share information)

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### 1. NATURE OF OPERATIONS AND GOING CONCERN

Foran Mining Corporation (the "**Company**") is a public company listed on the TSX Venture Exchange and OTCQX, incorporated under the laws of British Columbia. The Company is involved in activities that include the acquisition, exploration and development 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 \$3,739 for the six months ended June 30, 2022 (six months ended June 30, 2021: \$2,300). As at June 30, 2022, the Company had an accumulated deficit of \$53,408 (December 31, 2021: \$49,669). In assessing whether the going concern assumption is appropriate, management took 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. On August 8, 2022, the Company announced it had entered a non-binding term sheet with Ontario Teachers Pension Plan Board (Note 11).

The ongoing effects of the coronavirus global pandemic ("**COVID-19**") have affected the global economy and may have an adverse effect on the Company's financing capabilities. The extent to which COVID-19 may impact the Company's business will depend on future developments such as the geographic spread of the disease, the duration of the outbreak, travel restrictions and social distancing, business closures or business disruptions, and the effectiveness of actions taken in Canada and other countries to contain and treat the disease. The Company has adopted a COVID-19 Site Operations Policy and is attempting to take all necessary precautionary measures to avoid a COVID-19 outbreak during its exploration programs. However, it is not possible to reliably estimate the length or severity of these developments and their financial impact on the Company's operations.

The Company has incurred significant operating losses in its exploration operations and its ability to continue as a going concern is dependent upon obtaining additional financing to complete the exploration and development of its exploration and evaluation assets and achieve future profitable production or receiving 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

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, 2021. The same accounting policies are used in the preparation of these condensed consolidated interim financial statements as those used in the most recent annual audited consolidated financial statements of the Company, with the following additional policy due to the Company granting restricted share units for the first time during the six months ended June 30, 2022:

## Notes to Condensed Consolidated Interim Financial Statements

For the three and six months ended June 30, 2022 and 2021

(Unaudited – prepared by management)

(Expressed in thousands of Canadian dollars, except share information)

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*Restricted share units:* In accordance with the Company's Long-term Performance Plan ("LTIP"), restricted share units ("RSUs") may be granted to directors, officers, employees and consultants of the Company.

The fair value of equity-settled RSU's is calculated with reference to the market value of the Company's common shares when the RSU is granted, and is recognized as an expense, with a corresponding increase in equity, over the vesting period. Performance vesting conditions are taken into account by adjusting the number of RSU's expected to vest at each reporting date so that, ultimately, the cumulative amount recognized over the vesting period is based on the number of RSU's that eventually vest.

Upon vesting, shares are issued from treasury and the amount related to the equity-settled RSU's reflected in share-based payments reserve is credited to share capital.

These condensed consolidated interim financial statements were prepared on a historical cost basis using the accrual basis of accounting, except for those assets and liabilities that are measured at fair value (Note 9) at the end of each reporting period and cash flow information.

Certain comparative figures have been reclassified to conform to the presentation adopted for the three and six months ended June 30, 2022.

The Board of Directors (the "Board") approved these condensed consolidated interim financial statements on August 17, 2022.

### 3. USE OF JUDGEMENT AND ESTIMATES

The preparation of these condensed consolidated interim financial statements requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, profit and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

Significant areas of judgements and estimates made by management in applying the Company's accounting policies and key sources of estimation uncertainty were the same as those applied in the most recent annual audited consolidated financial statements of the Company.

### 4. RESTRICTED CASH

On June 22, 2022, the Company obtained a \$14,910 surety bond to support a possible future reclamation and closure obligation in accordance with the approval to operate permit for the Company's advanced exploration decline program at its McIlvenna Bay project, which in turn is secured by restricted cash in the amount of \$4,287.

## Notes to Condensed Consolidated Interim Financial Statements

For the three and six months ended June 30, 2022 and 2021

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### 5. RIGHT-OF-USE ASSET AND LEASES

The continuity of the ROU asset and lease liability for the three months ended June 30, 2022 and year ended December 31, 2021 is as follows:

		June 30, 2022		December 31, 2021
<b>Right-of-use asset</b>				
ROU asset, beginning of the period	\$	1,442	\$	49
Adjustments		(127)		1,883
Depreciation		(508)		(490)
ROU asset, end of the period	\$	807	\$	1,442
<b>Leases</b>				
Leases, beginning of the period	\$	1,090	\$	54
Adjustments		(127)		1,883
Interest		-		1
Payments		(289)		(848)
Leases, end of the period	\$	674	\$	1,090

### 6. EXPLORATION AND EVALUATION ASSETS

A summary of the changes in exploration and evaluation assets is as follows:

	Mcllvenna Bay		Other Saskatchewan Properties		Total
	\$	77,853	\$	9,801	\$ 87,654
Balance, December 31, 2021					
Acquisition		3		-	3
Administration <sup>(1)</sup>		2,852		-	2,852
Surface prep and exploration decline		17,561		-	17,561
Camp costs		636		-	636
Consulting		477		3	480
Detailed engineering		370		-	370
Drilling		1,791		252	2,043
Feasibility studies		510		-	510
Equipment		293		-	293
Geophysics		310		-	310
Permitting and licenses		1,490		-	1,490
Total exploration expenditures		26,293		255	26,548
Balance, June 30, 2022	\$	104,146	\$	10,056	\$ 114,202

(1) Includes \$295 of share-based compensation

#### (a) Mcllvenna Bay, Saskatchewan

The Company owns a 100% interest in the Mcllvenna Bay mineral property located in Saskatchewan, Canada (“Mcllvenna Bay”).

Certain claims that make up Mcllvenna Bay are subject to a Net Tonnage Royalty (“NTR”) of \$0.75 per tonne of ore extracted.

Cameco Corporation and BHP Billiton Limited collectively hold a 1% net smelter return (“NSR”) royalty interest on Mcllvenna Bay, which can be repurchased by the Company at any time for \$1,000.

## Notes to Condensed Consolidated Interim Financial Statements

For the three and six months ended June 30, 2022 and 2021

(Unaudited – prepared by management)

(Expressed in thousands of Canadian dollars, except share information)

(b) Other Saskatchewan Properties

The Company holds interests ranging from 65% to 100% in seven mining claims 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 certain of 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. 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 June 30, 2022 (December 31, 2021 - \$nil).

As at June 30, 2022, accounts payable and accrued liabilities included \$3,110 (December 31, 2021: \$9,157) related to exploration and evaluation asset expenditures.

## 7. DEFERRED SHARE UNITS

The Company has a LTIP that allows the Company to grant various awards, including DSUs to directors, officers, employees and consultants of up to an aggregate maximum of 10% of the common shares outstanding.

A continuity of the changes in the DSUs outstanding is as follows:

	Number of units	Value
Outstanding, December 31, 2021	1,316,389 \$	3,330
Granted	324,541	783
Revaluation	-	(191)
Outstanding, June 30, 2022	1,640,930 \$	3,922

## 8. SHARE CAPITAL

(a) Authorized and issued

The Company is authorized to issue an unlimited number of common shares, non-voting shares and preference shares with no par value. At June 30, 2022, 211,775,253 common shares and 27,777,778 non-voting shares were issued and outstanding.

The rights, privileges, restrictions and conditions of the non-voting shares are identical to those of the common shares, except that the non-voting shares will not entitle the holder thereof to vote at a shareholder meeting and that the non-voting shares may be converted, at the option of the holder, on a one-to-one basis into common shares. Once a non-voting share is converted into a common share, it shall have all the rights and privileges that attach to the common shares.

(b) Stock options

The Company’s LTIP 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.

# FORAN

## Notes to Condensed Consolidated Interim Financial Statements

For the three and six months ended June 30, 2022 and 2021

(Unaudited – prepared by management)

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A continuity of the stock options is as follows:

	Number of options	Weighted average exercise price
Outstanding, December 31, 2021	13,834,001	\$ 0.52
Granted	2,775,000	2.33
Exercised	(1,547,333)	0.35
Forfeited	(828,335)	1.42
Outstanding, June 30, 2022	14,233,333	\$ 0.83

The fair value of the stock options that were granted during the six months ended June 30, 2022 was calculated using the Black-Scholes option pricing model with the following weighted average assumptions:

Risk-free interest rate	1.59%-3.16%
Expected stock price volatility	80%-82%
Expected dividend yield	0.0%
Expected option life in years	5.0

The following stock options were outstanding as at June 30, 2022:

Outstanding	Exercisable	Weighted average Exercise Price	Expiry Date	Weighted average remaining life (in years)
940,000	940,000	\$ 0.57	January 31, 2023	0.59
930,000	930,000	0.34	March 27, 2024	1.74
900,000	900,000	0.09	April 3, 2025	2.76
6,000,000	6,000,000	0.20	November 7, 2025	3.36
133,333	133,333	1.05	March 24, 2026	3.73
500,000	375,000	1.15	April 5, 2026	3.77
1,225,000	816,667	1.05	April 21, 2026	3.81
600,000	200,000	1.33	May 5, 2026	3.85
100,000	33,333	2.13	September 13, 2026	4.21
200,000	66,667	2.02	September 28, 2026	4.25
125,000	41,667	2.43	October 18, 2026	4.30
75,000	25,000	2.64	January 17, 2027	4.55
200,000	-	2.22	January 31, 2027	4.59
1,880,000	-	2.35	March 17, 2027	4.72
25,000	-	2.39	March 21, 2027	4.73
250,000	-	2.02	May 16, 2027	4.88
75,000	-	2.66	June 13, 2027	4.96
75,000	-	2.47	June 16, 2027	4.96
14,233,333	10,461,667	\$ 0.83		3.39

## Notes to Condensed Consolidated Interim Financial Statements

For the three and six months ended June 30, 2022 and 2021

(Unaudited – prepared by management)

(Expressed in thousands of Canadian dollars, except share information)

### (c) Restricted share units

At the discretion of the Company's board, the Company's LTIP allows for the grant of equity settled RSUs to directors, officers, employees and consultants.

A continuity of the changes in the RSUs outstanding is as follows:

	Number of units
Outstanding, December 31, 2021	-
Granted	182,500
Outstanding, June 30, 2022	182,500

### (d) Share purchase warrants

A continuity of the outstanding share purchase warrants is as follows:

	Number of warrants	Weighted average exercise price
Outstanding, December 31, 2021	25,144,285	1.41
Granted	-	-
Exercised	(460,000)	0.15
Forfeited	-	-
Outstanding, June 30, 2022	24,684,285	\$ 1.43

The following warrants were outstanding at June 30, 2022:

Warrants outstanding and exercisable	Expiry Date	Weighted average exercise price
2,970,000	April 29, 2023	0.15
5,714,285	November 25, 2025	\$ 0.25
16,000,000	August 6, 2026	2.09
24,684,285		\$ 1.43

## 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 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 as described below:

*Level 1* – unadjusted quoted prices in active markets for identical assets or liabilities;

*Level 2* – inputs other than quoted market 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.

## Notes to Condensed Consolidated Interim Financial Statements

For the three and six months ended June 30, 2022 and 2021

(Unaudited – prepared by management)

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The Company's accounts and other receivables, cash and cash equivalents, restricted cash, accounts payable and accrued liabilities are carried at amortized cost, and the fair values of these financial instruments approximate their carrying values due to their short-term nature. Investments, which are measured at fair value through other comprehensive income, are valued using Level 1 inputs.

(b) Credit risk

Credit risk is the risk of an unexpected loss if a party to a financial instrument fails to meet its contractual obligation. The credit risk associated with cash and cash equivalents and restricted cash 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 become 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.

(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 interest 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 currency 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. There is not material impact to deferred share units resulting from a 10% change in market prices.

## Notes to Condensed Consolidated Interim Financial Statements

For the three and six months ended June 30, 2022 and 2021

(Unaudited – prepared by management)

(Expressed in thousands of Canadian dollars, except share information)

### 10. RELATED PARTY TRANSACTIONS

Key management personnel at the Company are the current 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. Transactions with related parties are in the normal course of operations and are measured at their exchange amount, which is the amount agreed upon by the transacting parties, and in the case of share-based expense, at estimated fair value recognized over the vesting period.

The Company's related party transactions for the three and six months ended June 30, 2022 were as follows:

	For the three months ended		For the six months ended	
	June 30,		June 30,	
	2022	2021	2022	2021
Short-term benefits <sup>(1)</sup>	\$ 257	\$ 164	\$ 532	\$ 482
Directors' fees <sup>(2)</sup>	60	63	128	79
Consulting fees <sup>(3)</sup>	94	-	188	-
Share-based payments <sup>(4)</sup>	327	613	1,480	1,321
<b>Total</b>	<b>\$ 738</b>	<b>\$ 840</b>	<b>\$ 2,328</b>	<b>\$ 1,882</b>

(1) Short-term benefits consisted of salaries and bonuses for key management personnel.

(2) Directors' fees consist of cash retainers paid to the directors.

(3) Consulting fees consist of fees paid to Myerson Holdings AG, a company controlled by the CEO.

(4) Share-based payment expense consist of RSU's, DSU's and stock options granted to key management personnel.

### 11. SUBSEQUENT EVENTS

On August 8, 2022, the Company announced it had entered a non-binding term sheet with Ontario Teachers Pension Plan Board ("Ontario Teachers"), which contemplates a transaction that would have Ontario Teachers' invest up to \$200,000 in the McIlvenna Bay project.

The proposed investment would consist of a \$180,000 convertible secured interest-bearing instrument, with interest payable, at the Company's election, in cash or common shares of the Company. The instrument will be converted into a 19.99% equity interest of an operating subsidiary of the Company, which will hold the McIlvenna Bay project and surrounding properties, upon achieving commercial production and certain other conditions. An additional \$20,000 of consideration shall be payable upon the McIlvenna Bay project reaching certain production thresholds.

The proposed investment will be conditional on, among other things, the Company securing a binding commitment for a senior credit facility, execution of joint operating and governance agreements, as well as other conditions customary for a transaction of this nature.