

FORAN MINING CORPORATION
CONDENSED CONSOLIDATED INTERIM FINANCIAL
STATEMENTS

FOR THE SIX MONTHS ENDED JUNE 30, 2018

(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	June 30, 2018	December 31, 2017
ASSETS		\$	\$
Current			
Cash and cash equivalents		6,173,995	5,299,680
Accounts receivable		163,522	14,277
Prepaid expenses and deposits		356,084	69,591
		6,693,601	5,383,548
Non-Current			
Deposits		11,000	11,000
Investments	3	96,011	120,014
Plant and equipment	4	337,369	360,298
Exploration and evaluation assets	5, 9	31,951,770	26,769,793
		39,089,751	32,644,653
LIABILITIES			
Current			
Accounts payable and accrued liabilities	8(b)(i), 9	396,430	137,487
Flow-through share premium liability	6	314,820	757,920
		711,250	895,407
Non-Current			
Deferred share units	7, 12	661,699	512,275
		1,372,949	1,407,682
EQUITY			
Share capital	8	78,370,007	71,953,767
Share-based payments reserve		5,943,104	5,471,044
Accumulated other comprehensive income (loss)		(5,499)	18,504
Deficit		(46,590,809)	(46,206,344)
		37,716,803	31,236,971
		39,089,752	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 SIX MONTHS ENDED JUNE 30
(Unaudited)
(Expressed in Canadian dollars)

	Note	Three months ended June 30,		Six months ended June 30,	
		2018	2017	2018	2017
		\$	\$		
Expenses					
Depreciation	4	15,853	18,482	32,031	37,671
Directors' fees	7, 12	12,000	-	24,000	-
Investor relations		30,837	22,787	106,352	49,726
Office and administration	12(a)	56,563	48,941	107,022	86,812
Professional fees		74,060	25,625	118,531	44,674
Salaries and benefits	7	130,745	82,750	255,761	165,648
Share-based payments expense	8(d), 12	95,851	49,662	405,003	192,633
Transfer agent, regulatory and filing fees		1,819	1,712	21,491	14,707
Travel and accommodation		9,895	7,328	13,965	17,468
		<u>427,623</u>	<u>257,287</u>	<u>1,084,156</u>	<u>609,339</u>
Other Items					
Gain on sale of investments	3	-	-	-	(257,028)
Interest income		(5,078)	(538)	(19,194)	(724)
Other income	6	(201,913)	-	(757,920)	-
Revaluation of deferred share units	7	(76,571)	(10,535)	77,424	(1,566)
		<u>(283,562)</u>	<u>(11,073)</u>	<u>(699,690)</u>	<u>(259,318)</u>
Net loss for the period		<u>(144,061)</u>	<u>(246,214)</u>	<u>(384,466)</u>	<u>(350,021)</u>
Other Comprehensive Income (Loss)					
Items that may be reclassified subsequently to profit or loss					
Unrealized loss on available-for-sale investments	3	-	(24,003)	(24,003)	-
Transfer on sale of available-for-sale investments		-	-	-	(68,355)
		<u>-</u>	<u>(24,003)</u>	<u>(24,003)</u>	<u>(68,355)</u>
Total comprehensive loss for the period		<u>(144,061)</u>	<u>(270,217)</u>	<u>(408,469)</u>	<u>(418,376)</u>
Basic and diluted loss per share		\$ (0.00)	\$ (0.00)	\$ (0.00)	\$ (0.00)
Basic and diluted weighted average number of shares outstanding		111,145,884	98,965,951	110,740,332	98,162,825

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, 2016		96,881,275	67,141,436	5,097,213	62,856	(45,266,405)	27,035,100
Net loss for the period		-	-	-	-	(350,021)	(350,021)
Other comprehensive loss		-	-	-	(68,355)	-	(68,355)
Issued pursuant to exercise of warrants	8(b)	2,084,676	521,169	-	-	-	521,169
Share-based payments expense	8(d)	-	-	245,701	-	-	245,701
Balance, June 30, 2017		98,965,951	67,662,605	5,342,914	(5,499)	(45,616,426)	27,383,594
Net loss for the period		-	-	-	-	(589,918)	(589,918)
Other comprehensive loss		-	-	-	24,003	-	24,003
Private placement, net of share issue costs		10,105,600	4,834,957	-	-	-	4,834,957
Flow-through share premium	6	-	(757,920)	-	-	-	(757,920)
Issued pursuant to exercise of warrants		856,500	214,125	-	-	-	214,125
Share-based payments expense		-	-	128,130	-	-	128,130
Balance, December 31, 2017		109,928,051	71,953,767	5,471,044	18,504	(46,206,344)	31,236,971
Net loss for the period		-	-	-	-	(384,465)	(384,465)
Other comprehensive loss		-	-	-	(24,003)	-	(24,003)
Private placement, net of share issue costs	8(b)(i)	12,663,900	6,197,110	-	-	-	6,197,110
Flow-through share premium	6	-	(314,820)	-	-	-	(314,820)
Issued pursuant to exercise of stock options	8(b)	905,000	533,950	-	-	-	533,950
Share-based payments expense	8(d)	-	-	472,060	-	-	472,060
Balance, June 30, 2018		123,496,951	78,370,007	5,943,104	(5,499)	(46,590,809)	37,716,803

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

(Unaudited)

(Expressed in Canadian dollars)

	Note	Three months ended June 30,		Six months ended June 30,	
		2018	2017	2018	2017
		\$	\$		
Operating Activities					
Net loss for the period		(144,060)	(246,214)	(384,465)	(350,021)
Items not involving cash:					
Depreciation		15,853	18,482	32,031	37,671
Directors' fees	7	12,000	-	24,000	-
Gain on sale of investments	3	-	-	-	(257,028)
Interest income		-	-	180	180
Other income		(201,913)	-	(757,920)	-
Revaluation of deferred share units	7	(76,571)	(10,535)	77,424	(1,566)
Salaries and benefits	7	24,000	12,000	48,000	24,000
Share-based payments expense	8(d)	95,851	49,662	405,003	192,633
		(274,840)	(176,605)	(555,747)	(354,131)
Net change in non-cash working capital	9	31,125	24,458	(457,835)	34,445
Cash used in operating activities		(243,715)	(152,147)	(1,013,582)	(319,686)
Investing Activities					
Purchase of equipment	4	(4,949)	-	(9,103)	(3,499)
Exploration and evaluation assets expenditures		(3,876,860)	(474,059)	(4,984,060)	(692,122)
Proceeds on sale of investments	3	-	-	-	257,028
Cash used in investing activities		(3,881,809)	(474,059)	(4,993,163)	(438,593)
Financing Activities					
Issuance of shares for cash pursuant to private placement	8(b)(i)	6,393,492	-	6,393,492	-
Share issue costs	8(b)(i)	(46,382)	-	(46,382)	-
Cash received on exercise of warrants	8(b)(iii)	-	-	-	521,169
Cash received on exercise of stock options	8(b)(ii)	-	-	533,950	-
Cash provided by financing activities		6,347,110	-	6,881,060	521,169
Net increase (decrease) in cash and cash equivalents		2,221,586	(626,206)	874,315	(237,110)
Cash and cash equivalents, beginning of period		3,952,409	1,417,797	5,299,680	1,028,701
Cash and cash equivalents, end of period		6,173,995	791,591	6,173,995	791,591
Cash and cash equivalents is comprised of:					
Guaranteed Investment Certificates		20,898	20,710	20,898	20,710
Cash		6,153,097	770,881	6,153,097	770,881
		6,173,995	791,591	6,173,995	791,591
Supplemental cash flow information	9				

FORAN MINING CORPORATION
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED JUNE 30, 2018

(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 \$384,466 for the six months ended June 30, 2018 (2017: \$350,021). As at June 30, 2018, the Company had an accumulated deficit of \$46,590,809 (December 31, 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, 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, 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 August 23, 2018.

FORAN MINING CORPORATION
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED JUNE 30, 2018

(Unaudited)

(Expressed in Canadian dollars)

3. INVESTMENTS

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

As at June 30, 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, June 30, 2018	<u><u>96,011</u></u>

4. PLANT AND EQUIPMENT

As at June 30, 2018, 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, 2017	147,351	352,104	40,278	734,656	22,409	100,613	1,397,411
Additions	4,948	4,154	-	-	-	-	9,102
Balance, June 30, 2018	<u>152,299</u>	<u>356,258</u>	<u>40,278</u>	<u>734,656</u>	<u>22,409</u>	<u>100,613</u>	<u>1,406,513</u>
Accumulated Depreciation							
Balance, December 31, 2017	123,965	315,241	32,304	457,378	20,602	87,623	1,037,113
Depreciation for the period	3,350	5,591	771	20,241	217	1,861	32,031
Balance, June 30, 2018	<u>127,315</u>	<u>320,832</u>	<u>33,075</u>	<u>477,619</u>	<u>20,819</u>	<u>89,484</u>	<u>1,069,144</u>
Carrying Amount							
Balance, December 31, 2017	23,386	36,863	7,974	277,278	1,807	12,990	360,298
Balance, June 30, 2018	<u>24,984</u>	<u>35,426</u>	<u>7,203</u>	<u>257,037</u>	<u>1,590</u>	<u>11,129</u>	<u>337,369</u>

FORAN MINING CORPORATION
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED JUNE 30, 2018

(Unaudited)

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5. EXPLORATION AND EVALUATION ASSETS

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

	Mcllvenna Bay	Other Saskatchewan Properties	Total
	\$	\$	\$
Balance, December 31, 2017	20,256,488	6,513,305	26,769,793
Exploration Costs			
Administration	281,443	-	281,443
Analysis	84,974	-	84,974
Camp costs	143,695	50	143,745
Consulting	442,697	-	442,697
Drilling	3,123,418	-	3,123,418
Equipment and communications	194,362	-	194,362
Feasibility	82,037	-	82,037
Fuel	368,444	-	368,444
Salaries and benefits	340,433	-	340,433
Transportation and travel	120,424	-	120,424
Total Exploration Costs	5,181,927	50	5,181,977
Balance, June 30, 2018	25,438,415	6,513,355	31,951,770

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
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(Unaudited)

(Expressed in Canadian dollars)

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 June 30, 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	(757,920)
Flow-through share premium liability on the issuance of flow-through common shares	<u>314,820</u>
Balance, June 30, 2018	<u><u>314,820</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.

FORAN MINING CORPORATION
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED JUNE 30, 2018

(Unaudited)

(Expressed in Canadian dollars)

7. DEFERRED SHARE UNITS (continued)

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.

The Company's Executive Chairman is compensated for his services with DSUs on a monthly basis, to a maximum of \$8,000 per month. For the six months ended June 30, 2018, the Executive Chairman earned 95,805 DSUs (2017: 72,366) for a total value of \$48,000 (2017: \$24,000) which is recorded as salaries and benefits. At June 30, 2018, an amount of \$529,006 (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 June 30, 2018 was 1,102,097 (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 six months ended June 30, 2018, the independent directors earned a total of 48,340 DSUs for a total value of \$24,000 which is recorded as directors' fees. The total number of outstanding DSUs owed to independent directors at June 30, 2018 was 276,437 (December 31, 2017: 228,097). At June 30, 2018 an amount of \$132,690 (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 six months ended June 30, 2018, the Company recognized an unrealized loss of \$77,424 (2017: unrealized gain of \$1,566) 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

Six months ended June 30, 2018

- (i) 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, of which \$150,000 was included in accounts payable and accrued liabilities at June 30, 2018.

FORAN MINING CORPORATION
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED JUNE 30, 2018

(Unaudited)

(Expressed in Canadian dollars)

8. SHARE CAPITAL (continued)

b) Share issuance details (continued)

Six months ended June 30, 2018 (continued)

- (ii) During the six months ended June 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.

Six months ended June 30, 2017

- (iii) During the six months ended June 30, 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.

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, June 30, 2018	<u>8,915,000</u>	<u>0.29</u>

The following stock options were outstanding as at June 30, 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	0.57
100,000	100,000	0.17	May 28, 2019	0.91
800,000	800,000	0.20	January 20, 2020	1.56
2,760,000	2,760,000	0.11	March 8, 2021	2.69
1,685,000	1,123,339	0.40	March 9, 2022	3.69
1,865,000	621,667	0.57	January 31, 2023	4.59
<u>80,000</u>	<u>26,667</u>	0.57	March 7, 2023	4.69
<u>8,915,000</u>	<u>7,056,673</u>			<u>2.79</u>

FORAN MINING CORPORATION
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED JUNE 30, 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 six months ended June 30, 2018 was \$472,060 (2017: \$245,701). Of this amount, \$405,003 (2017: \$192,633) was recorded as share-based payments expense in the condensed consolidated interim statement of loss and comprehensive loss and \$67,057 (2017: \$53,068) was capitalized to exploration and evaluation assets. The fair value of the stock options that were granted during the six months ended June 30, 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 and six months ended June 30 consisted of the following:

	Three months ended June 30,		Six months ended June 30,	
	2018	2017	2018	2017
	\$	\$	\$	\$
Accounts receivable	52,977	19,070	(149,425)	8,914
Prepaid expenses and deposits	(27,706)	13,991	(286,493)	17,183
Accounts payable and accrued liabilities	5,854	(8,603)	(21,917)	8,348
	<u>31,125</u>	<u>24,458</u>	<u>(457,835)</u>	<u>34,445</u>

During the six months ended June 30, 2018 and 2017, share-based payments expense of \$67,057 and \$53,068, respectively, were capitalized to exploration and evaluation assets.

As at June 30, 2018, accounts payable and accrued liabilities included \$133,643 (December 31, 2017: \$2,783) of exploration and evaluation asset expenditures.

As at June 30, 2018, accounts payable and accrued liabilities included an amount of \$150,000 (December 31, 2017: \$52,925) that was recorded as share issue costs.

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NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED JUNE 30, 2018

(Unaudited)

(Expressed in Canadian dollars)

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.

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.

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10. FINANCIAL INSTRUMENTS (continued)

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.

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.

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12. RELATED PARTY TRANSACTIONS (continued)

The remuneration of key management personnel for the six months ended June 30 was as follows:

		Three months ended		Six months ended	
		June 30,		June 30,	
		2018	2017	2018	2017
		\$	\$	\$	\$
Short-term benefits	1	186,922	160,753	392,341	312,195
Share-based payments expense	2	99,433	59,389	420,838	230,144
Directors' fees	3	12,000	-	24,000	-
Total		<u>298,355</u>	<u>220,142</u>	<u>837,179</u>	<u>542,339</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 7.

- a) During the six months ended June 30, 2018, the Company was charged \$5,296 (2017: \$5,305) by the Executive Chairman for office rent, the amount of which was included in office and administration expenses in the condensed consolidated interim statement of loss and comprehensive loss. At June 30, 2018, accounts payable and accrued liabilities included an amount of \$5,296 (December 31, 2017: \$8,363) for this expense.
- b) At June 30, 2018, the Company owed a total of 1,378,534 DSUs (December 31, 2017: 1,234,388) fair valued at \$661,699 (December 31, 2017: \$512,275) to key management personnel, which is included in the condensed consolidated interim statement of financial position.
- c) During the six months ended June 30, 2018, the Company charged Metallic Minerals Corp., a company with an officer in common, an amount of \$600 (2017: \$Nil) for certain office operating costs. Included in accounts receivable at June 30, 2018 was an amount of \$300 (December 31, 2017: \$Nil) for these services.
- d) During the six months ended June 30, 2018, the Company charged Group Ten Metals Inc., a company with an officer in common, an amount of \$450 (2017: \$Nil) for certain office operating costs. Included in accounts receivable at June 30, 2018 was an amount of \$450 (December 31, 2017: \$Nil) for these services.

13. OBLIGATIONS

- a) As a result of the issuance of flow-through shares on June 29, 2018, the Company has a commitment to incur \$1,154,340 in qualifying Canadian exploration expenditures on or before December 31, 2019. As at June 30, 2018, the entire commitment was remaining.
- 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 payments are approximately \$335,000.

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14. SUBSEQUENT EVENT

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. In connection with the private placement the Company paid finder's fees of \$22,320.