

# **FORAN MINING CORPORATION**

## **CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

**FOR THE NINE MONTH PERIOD ENDED SEPTEMBER 30, 2016**

**(Unaudited)**

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## **NOTICE OF 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)

	September 30, 2016	December 31, 2015
<b>ASSETS</b>	<b>\$</b>	<b>\$</b>
<b>Current</b>		
Cash and cash equivalents	1,216,349	1,016,037
Accounts receivable	24,645	34,365
Prepaid expenses and deposits	38,605	66,033
	<u>1,279,599</u>	<u>1,116,435</u>
<b>Non-Current</b>		
Deposits	11,000	11,000
Investments (Note 3)	118,331	99,908
Plant and equipment (Note 4)	442,275	510,941
Exploration and evaluation assets (Notes 5 and 11)	25,630,410	25,276,393
	<u>27,481,615</u>	<u>27,014,677</u>
<b>LIABILITIES</b>		
<b>Current</b>		
Accounts payable and accrued liabilities	100,820	146,686
<b>Non-Current</b>		
Deferred share units (Notes 6 and 11)	225,040	64,504
	<u>325,860</u>	<u>211,190</u>
<b>EQUITY</b>		
Share capital (Note 7)	67,069,201	66,075,689
Share-based payments reserve	5,096,119	4,962,035
Accumulated other comprehensive income (loss)	16,821	(1,602)
Deficit	(45,026,386)	(44,232,635)
	<u>27,155,755</u>	<u>26,803,487</u>
	<u>27,481,615</u>	<u>27,014,677</u>

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)

	Three months ended September 30,		Nine months ended September 30,	
	2016	2015	2016	2015
	\$		\$	
<b>Expenses</b>				
Depreciation	21,567	26,816	68,666	82,888
Directors' fees (Note 6)	-	16,000	-	48,000
Investor relations	9,325	31,365	54,234	158,541
Office and administration (Notes 11(a) and 11(d))	30,441	54,294	151,952	173,348
Professional fees (Note 11(b))	24,855	24,626	56,887	73,931
Salaries and benefits (Notes 6 and 11)	62,115	132,112	215,995	464,801
Share-based payments expense (Notes 7(d) and 11)	21,808	20,193	103,116	97,652
Transfer agent, regulatory and filing fees	2,031	2,906	15,291	32,070
Travel and accommodation	-	1,818	-	3,021
	<b>172,142</b>	<b>310,130</b>	<b>666,141</b>	<b>1,134,252</b>
<b>Other Items</b>				
Write-off of exploration and evaluation assets	-	-	-	152,348
Gain on sale of investments	-	-	-	(9,500)
Interest income	(2,846)	(3,405)	(2,954)	(18,953)
Revaluation of deferred share units (Note 6)	4,246	(31,968)	130,564	(56,802)
	<b>1,400</b>	<b>(35,373)</b>	<b>127,610</b>	<b>67,093</b>
<b>Net loss for the period</b>	<b>(173,542)</b>	<b>(274,757)</b>	<b>(793,751)</b>	<b>(1,201,345)</b>
<b>Other Comprehensive Loss</b>				
<b>Items that may be reclassified subsequently to profit or loss</b>				
Unrealized gain (loss) on available-for-sale investments	(3,488)	55,516	18,423	17,263
<b>Total comprehensive loss for the period</b>	<b>(177,030)</b>	<b>(219,241)</b>	<b>(775,328)</b>	<b>(1,184,082)</b>
<b>Basic and diluted loss per share</b>	<b>\$ (0.00)</b>	<b>\$ (0.00)</b>	<b>\$ (0.01)</b>	<b>\$ (0.01)</b>
<b>Basic and diluted weighted average number of shares outstanding</b>	<b>90,838,563</b>	<b>90,773,922</b>	<b>90,806,243</b>	<b>90,773,922</b>

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

	Number of shares	Share capital \$	Share-based payments reserve \$	Accumulated other comprehensive income (loss) \$	Deficit \$	Total \$
<b>Balance, December 31, 2014</b>	<b>90,773,922</b>	<b>66,075,689</b>	<b>4,813,704</b>	<b>91,240</b>	<b>(42,656,986)</b>	<b>28,323,647</b>
Net loss for the period	-	-	-	-	(1,201,345)	(1,201,345)
Other comprehensive loss	-	-	-	17,263	-	17,263
Share-based payments expense	-	-	122,818	-	-	122,818
<b>Balance, September 30, 2015</b>	<b>90,773,922</b>	<b>66,075,689</b>	<b>4,936,522</b>	<b>108,503</b>	<b>(43,858,331)</b>	<b>27,262,383</b>
Net loss for the period	-	-	-	-	(374,304)	(374,304)
Other comprehensive loss	-	-	-	(110,105)	-	(110,105)
Share-based payments expense	-	-	25,513	-	-	25,513
<b>Balance, December 31, 2015</b>	<b>90,773,922</b>	<b>66,075,689</b>	<b>4,962,035</b>	<b>(1,602)</b>	<b>(44,232,635)</b>	<b>26,803,487</b>
Net loss for the period	-	-	-	-	(793,751)	(793,751)
Other comprehensive income	-	-	-	18,423	-	18,423
Private placement, net of share issue costs	5,882,353	993,512	-	-	-	993,512
Share-based payments expense	-	-	134,084	-	-	134,084
<b>Balance, September 30, 2016</b>	<b>96,656,275</b>	<b>67,069,201</b>	<b>5,096,119</b>	<b>16,821</b>	<b>(45,026,386)</b>	<b>27,155,755</b>

See accompanying notes to the condensed consolidated interim financial statements.

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

(Unaudited)

(Expressed in Canadian dollars)

	Three months ended September 30,		Nine months ended September 30,	
	2016	2015	2016	2015
	\$	\$	\$	\$
<b>Operating Activities</b>				
Net loss for the period	(173,542)	(274,757)	(793,751)	(1,201,345)
Items not involving cash:				
Depreciation	21,567	26,816	68,666	82,888
Directors' fees	-	16,000	-	48,000
Share-based payments expense	21,808	20,193	103,116	97,652
Salaries and benefits (Note 6)	12,000	20,000	36,000	76,000
Revaluation of deferred share units (Note 6)	4,246	(31,968)	130,564	(56,802)
Gain on sale of investments	-	-	-	(9,500)
Interest income	(874)	-	(254)	351
Write-off of exploration and evaluation assets	-	-	-	152,348
	(114,795)	(223,716)	(455,659)	(810,408)
Net change in non-cash working capital (Note 8)	17,874	28,423	(24,680)	(36)
<b>Cash used in operating activities</b>	<b>(96,921)</b>	<b>(195,293)</b>	<b>(480,339)</b>	<b>(810,444)</b>
<b>Investing Activities</b>				
Purchase of equipment	-	(7,053)	-	(16,053)
Exploration and evaluation assets expenditures	(188,216)	(113,916)	(312,861)	(1,792,576)
Proceeds on sale of investments	-	-	-	9,500
<b>Cash used in investing activities</b>	<b>(188,216)</b>	<b>(120,969)</b>	<b>(312,861)</b>	<b>(1,799,129)</b>
<b>Financing Activity</b>				
Issuance of units for cash pursuant to private placement	-	-	1,000,000	-
Share issue costs	-	-	(6,488)	-
<b>Cash provided by financing activity</b>	<b>-</b>	<b>-</b>	<b>993,512</b>	<b>-</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(285,137)</b>	<b>(316,262)</b>	<b>200,312</b>	<b>(2,609,573)</b>
Cash and cash equivalents, beginning of period	1,501,486	1,757,171	1,016,037	4,050,482
<b>Cash and cash equivalents, end of period</b>	<b>1,216,349</b>	<b>1,440,909</b>	<b>1,216,349</b>	<b>1,440,909</b>
<b>Cash and cash equivalents is comprised of:</b>				
Guaranteed Investment Certificates	20,710	20,536	20,710	20,536
Cash	1,195,639	1,420,373	1,195,639	1,420,373
	<b>1,216,349</b>	<b>1,440,909</b>	<b>1,216,349</b>	<b>1,440,909</b>

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

**FORAN MINING CORPORATION**  
**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**  
**FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2016**

(Unaudited)

(Expressed in Canadian dollars)

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**1. NATURE OF OPERATIONS AND GOING CONCERN**

Foran Mining Corporation (the "**Company**") is a publicly listed company on the TSX Venture Exchange, incorporated under the laws of British Columbia. The Company and its subsidiary are involved in activities that include the acquisition and exploration of mineral properties.

The Company's head office and registered and records office is located at 904 - 409 Granville Street, Vancouver, British Columbia, V6C 1T2.

These condensed consolidated interim financial statements have been prepared on the going concern basis, which contemplates the realization of assets and the settlement of liabilities and commitments in the normal course of business. The Company realized a net loss of \$793,751 for the nine month period ended September 30, 2016. As at September 30, 2016, the Company had an accumulated deficit of \$45,026,386 (December 31, 2015: \$44,232,635). In assessing whether the going concern assumption is appropriate, management takes into account all available information about the future, which is at least, but not limited to, twelve months from the end of the reporting period.

The Company has incurred significant operating losses in its exploration operations and its ability to continue as a going concern is dependent upon the discovery of economically recoverable mineral reserves, the ability of the Company to obtain necessary financing to complete their development and fund their operations until commercially successful and future production or proceeds from the disposition thereof. While the Company has been successful in securing financing to date, there can be no assurances that it will be able to do so in the future. These uncertainties raise significant doubt about the Company's ability to continue as a going concern.

These condensed consolidated interim financial statements do not reflect the adjustments to the carrying values of assets and liabilities, the reported expenses and the consolidated statement of financial position classifications that would be necessary if the going concern assumption was inappropriate. These adjustments could be material.

**2. BASIS OF PREPARATION**

These condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standard 34 – *Interim Financial Reporting* ("**IAS 34**") as issued by the International Accounting Standards Board ("**IASB**") using accounting principles consistent with International Financial Reporting Standards ("**IFRS**") as issued by the IASB.

These condensed consolidated interim financial statements should be read in conjunction with the Company's audited consolidated financial statements for the year ended December 31, 2015 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 15, 2016.

**FORAN MINING CORPORATION**  
**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**  
**FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2016**

(Unaudited)

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**3. INVESTMENTS**

As at September 30, 2016, the Company owned shares of two mineral exploration companies 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, 2015	99,908
Unrealized gain on AFS investments	<u>18,423</u>
Balance, September 30, 2016	<u><u>118,331</u></u>

**4. PLANT AND EQUIPMENT**

As at September 30, 2016, the Company's plant and equipment consisted of the following:

	Computer and survey equipment	Camp Equipment	Furniture and fixtures	Plant	Trailers	Vehicles	Total
	\$	\$	\$	\$	\$	\$	\$
<b>Cost</b>							
Balance, December 31, 2015							
and September 30, 2016	138,894	348,605	40,278	734,656	22,409	100,613	<u>1,385,455</u>
<b>Accumulated Depreciation</b>							
Balance, December 31, 2015	108,353	284,324	28,246	357,882	19,376	76,333	874,514
Depreciation for the period	6,641	13,852	1,717	40,854	534	5,068	<u>68,666</u>
Balance, September 30, 2016	<u>114,994</u>	<u>298,176</u>	<u>29,963</u>	<u>398,736</u>	<u>19,910</u>	<u>81,401</u>	<u>943,180</u>
<b>Carrying Amount</b>							
Balance, December 31, 2015	30,541	64,281	12,032	376,774	3,033	24,280	510,941
Balance, September 30, 2016	<u>23,900</u>	<u>50,429</u>	<u>10,315</u>	<u>335,920</u>	<u>2,499</u>	<u>19,212</u>	<u>442,275</u>



**FORAN MINING CORPORATION**  
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**FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2016**

(Unaudited)

(Expressed in Canadian dollars)

**5. EXPLORATION AND EVALUATION ASSETS**

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

	Mcllvenna Bay	Other Saskatchewan Properties	Total
	\$	\$	\$
<b>Balance, December 31, 2015</b>	18,988,841	6,287,552	25,276,393
<b>Exploration Costs</b>			
Administration	64,630	93,978	158,608
Analysis	-	10,166	10,166
Camp costs	5,137	-	5,137
Consulting	145,182	531	145,713
Equipment and communications	10,507	42	10,549
Fuel	1,857	-	1,857
Salaries and benefits	1,431	2,018	3,449
Transportation and travel	17,947	591	18,538
<b>Total Exploration Costs</b>	246,691	107,326	354,017
<b>Balance, September 30, 2016</b>	19,235,532	6,394,878	25,630,410

**a) Mcllvenna Bay, Saskatchewan**

The Company owns a 100% interest in the Mcllvenna Bay mineral property located in Saskatchewan ("**Mcllvenna Bay**").

Certain claims that make up the Mcllvenna Bay property are subject to a Net Tonnage Royalty of \$0.75 per tonne of ore extracted, with a right of first refusal in favour of the Company.

Cameco Corporation and BHP Billiton Limited collectively hold a 1% net smelter return ("**NSR**") royalty interest in Mcllvenna Bay, which can be purchased at any time for \$1,000,000.

**b) Other Saskatchewan Properties**

The Company holds interests ranging from 65% to 100% in five mining claim groups in its Saskatchewan property portfolio, exclusive of Mcllvenna Bay ("**Other Saskatchewan Properties**").

The Company has committed, through previous mineral property ownership agreements associated with its Other Saskatchewan Properties, to pay various NSR and net profits interest ("**NPI**") royalties. The NSR royalties range from 2% to 2.5%, with buyout provisions for up to one-half of some of these NSR royalties, and the NPI royalties range from 6% to 10%.

**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, 2016.

**FORAN MINING CORPORATION**  
**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**  
**FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2016**

(Unaudited)

(Expressed in Canadian dollars)

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**6. DEFERRED SHARE UNITS**

The Company has a deferred share unit plan (“**DSU Plan**”) which awards DSUs to participants of the DSU Plan. Each DSU entitles the holder a right to receive the cash equivalent of one common share. Awards are initially charged to operations 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 operations as a revaluation of deferred share units.

Upon separation from the Company, a participant will receive the cash equivalent of the fair market value of the DSUs based on the market value of the Company’s common shares on the date of the separation.

Effective December 1, 2014, the Company entered into an agreement with its Executive Chairman whereby the Executive Chairman is compensated for his services with DSUs on a monthly basis, to a maximum of \$8,000 per month. Effective January 1, 2016, the Chairman agreed to reduce his monthly DSU allocation by approximately 50%. For the nine months ended September 30, 2016, the Executive Chairman earned 269,240 DSUs (2015: 251,668) for a total value of \$36,000 (2015: \$56,000) which is recorded as salaries and benefits. At September 30, 2016, an amount of \$181,594 (December 31, 2015: \$43,027) 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 September 30, 2016 was 807,078 (December 31, 2015: 537,838).

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 the DSU arrangement with its independent directors.

The total number of outstanding DSUs owed to independent directors at September 30, 2016 was 193,087 (December 31, 2015: 257,448). Included in the balance at December 31, 2015 was 64,362 DSUs to an independent director who resigned on November 16, 2015. At September 30, 2016 an amount of \$43,446 (December 31, 2015: \$21,477) was owed to the independent directors with the liability included in deferred share units on the condensed consolidated interim statement of financial position. In April 2016 the Company paid the director who resigned in November 2015 \$6,028 for the 64,362 DSUs owed to him.

For the nine months ended September 30, 2016, an unrealized loss of \$130,564 (2015: unrealized gain of \$24,834) was recognized on the revaluation of DSUs.

**7. SHARE CAPITAL**

**a) Authorized**

An unlimited number of common shares  
An unlimited number of preference shares

**FORAN MINING CORPORATION**  
**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**  
**FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2016**

(Unaudited)

(Expressed in Canadian dollars)

**7. SHARE CAPITAL**

**b) Share issuance details**

On June 30, 2016, the Company completed a non-brokered private placement of 5,882,352 units at a price of \$0.17 per unit for gross proceeds of \$1,000,000. Each unit consisted of one common share of the Company and one-half of one common share purchase warrant, with each whole warrant entitling the holder to purchase one additional common share of the Company at a price of \$0.25 per share, with an expiry of December 30, 2017. All securities issued pursuant to the private placement are subject to a statutory 4-month hold period from the date of closing of the private placement. Share issue costs totaled \$6,488, including finder's fees totaling \$95.

There were no share issuances during the nine months ended September 30, 2015.

**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, 2015	7,825,000	0.65
Granted	2,760,000	0.11
Expired	(2,250,000)	1.21
Forfeited	(670,000)	0.77
Balance, September 30, 2016	<u>7,665,000</u>	<u>0.31</u>

The following stock options were outstanding as at September 30, 2016:

Outstanding	Exercisable	Weighted average Exercise Price \$	Expiry Date	Weighted average remaining life (in years)
225,000	200,000	0.20	November 16, 2016	0.13
325,000	291,667	0.20	December 31, 2016	0.25
700,000	700,000	0.80	January 24, 2017	0.32
200,000	200,000	0.67	April 19, 2017	0.55
930,000	930,000	0.59	January 24, 2018	1.32
1,625,000	1,625,000	0.20	January 24, 2019	2.32
100,000	100,000	0.17	May 28, 2019	2.66
800,000	533,333	0.20	January 20, 2020	3.31
<u>2,760,000</u>	<u>920,000</u>	<u>0.11</u>	March 8, 2021	<u>4.44</u>
<u>7,665,000</u>	<u>5,500,000</u>	<u>0.30</u>		<u>2.69</u>

**FORAN MINING CORPORATION**  
**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**  
**FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2016**

(Unaudited)

(Expressed in Canadian dollars)

**7. SHARE CAPITAL** (continued)

**d) Share-based payments**

The share-based payments expense for the stock options that vested during the nine months ended September 30, 2016 was \$134,084 (2015: \$122,818). Of this amount, \$103,116 (2015: \$97,652) was recorded as share-based payments expense in the consolidated statement of loss and comprehensive loss and \$30,968 (2015: \$25,166) was capitalized to exploration and evaluation assets. The fair value of the stock options that vested during the nine months ended September 30, 2016 and September 30, 2015 was calculated using the Black-Scholes option pricing model with the following weighted average assumptions:

	2016	2015
Risk-free interest rate	0.88%	1.18%
Expected stock price volatility	75%	74%
Expected dividend yield	0.0%	0.0%
Expected option life in years	5.0	5.0

**e) Share purchase warrants**

A summary of the changes in warrants is presented below:

	Number of warrants	Weighted average exercise price
		\$
Balance, December 31, 2015	1,000,000	0.24
Issued pursuant to private placement	2,941,176	0.25
Balance, September 30, 2016	3,941,176	0.25

The following warrants were outstanding as at September 30, 2016:

Outstanding	Exercisable	Exercise Price	Expiry Date
		\$	
1,000,000 *	1,000,000	0.24	October 14, 2016
2,941,176	2,941,176	0.25	December 30, 2017
3,941,176	3,941,176		

\* Subsequent to September 30, 2016, the warrants with a term of October 14, 2016 expired unexercised.

**FORAN MINING CORPORATION**  
**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**  
**FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2016**

(Unaudited)

(Expressed in Canadian dollars)

**8. 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:

	Three months ended		Nine months ended	
	September 30,		September 30,	
	2016	2015	2016	2015
	\$	\$	\$	\$
Accounts receivable	15,562	9,666	9,974	17,905
Prepaid expenses	4,004	15,717	27,428	14,302
Accounts payable and accrued liabilities	12,051	3,040	(48,339)	(32,243)
	<u>31,617</u>	<u>28,423</u>	<u>(10,937)</u>	<u>(36)</u>

During the nine months ended September 30, 2016 and September 30, 2015, share-based payments expense of \$30,968 and \$25,166, respectively, were capitalized to exploration and evaluation assets.

As at September 30, 2016, accounts payable and accrued liabilities included \$16,239 (December 31, 2015: \$6,051) of expenditures for exploration and evaluation assets.

**9. FINANCIAL INSTRUMENTS**

The Company examines the various financial instruments to which it is exposed and assesses the impact and likelihood of those risks. These risks include credit risk, liquidity risk and market risk (including interest rate, currency and other price risk). The risk related to financial instruments is managed by senior management of the Company under policies and directions approved by the Board. Relevant policies include the Treasury Management Policy and the approval allowing a portion of the Company's cash to be held in US dollars at the discretion of the Chief Executive Officer and the Chief Financial Officer. The Board monitors these policies on a quarterly basis. The Company's Board has not approved the use of derivative financial products.

**a) Fair value of financial instruments**

The fair value hierarchy established by IFRS 7 *Financial Instruments: Disclosures* 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 and accounts payable and accrued liabilities are equivalent to their carrying values due to their short-term nature. AFS financial instruments are comprised of marketable securities, which are valued using Level 1 measurements. DSUs are also valued using Level 1 measurements.

**FORAN MINING CORPORATION**  
**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**  
**FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2016**

(Unaudited)

(Expressed in Canadian dollars)

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**9. FINANCIAL INSTRUMENTS** (continued)

**b) Credit risk**

Credit risk is the risk of an unexpected loss if a party to a financial instrument fails to meet its contractual obligations.

The credit risk associated with cash and cash equivalents and investments is minimized as these financial instruments are held with major Canadian commercial banks. In respect of accounts receivable, the Company is not exposed to significant credit risk as the majority consists of amounts due from Canadian governmental agencies.

**c) Liquidity risk**

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company has in place a planning and budgeting process to determine the funds required to support the Company's operating requirements as well as its planned capital expenditures. The Company manages its financial resources to ensure there is sufficient working capital to fund near term planned exploration work and operating expenditures. The Company has considerable discretion to reduce or increase plans or budgets depending on current or projected liquidity. When appropriate, the Company will seek joint venture partners in order to fund or share the funding of its exploration properties to minimize shareholder risk.

**d) Market risk**

**(i) Interest rate risk**

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market interest rates. The Company is exposed to short-term interest rates through the interest earned on cash and cash equivalents. A 1% change in short-term rates would not have a material impact on net loss or comprehensive loss.

**(ii) Foreign currency risk**

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates. The Company holds substantially all of its cash resources in Canadian dollars with an insignificant amount held in US dollars, making currency risk minimal.

**(iii) Other price risk**

Other price risk is the risk that the fair value or future cash flows of a financing instrument will fluctuate due to changes in market prices, other than those arising from interest rate risk or foreign currency risk. The Company is exposed to other price risk in terms of its investment. A 30% change in price would not have a material impact on net loss or comprehensive loss.

**FORAN MINING CORPORATION**  
**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**  
**FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2016**

(Unaudited)

(Expressed in Canadian dollars)

**10. CAPITAL MANAGEMENT**

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern, so that it can provide returns for shareholders and benefits for other stakeholders. The Company's strategy remains unchanged from the year ended December 31, 2015.

The Company considers the items included in equity as capital. The Company manages the capital structure and makes adjustments to it in response to changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may issue new shares, or acquire or dispose of assets.

In order to facilitate the management of its capital requirements, the Company prepares annual expenditure budgets that are updated as necessary. The annual budgets are approved by the Board.

In order to maximize ongoing exploration efforts, the Company does not pay dividends. The Company's treasury management policy is to invest its cash in highly rated liquid short-term interest bearing investments with an initial term to maturity of twelve months or less.

The Company is not subject to externally imposed capital requirements.

**11. RELATED PARTY TRANSACTIONS**

*Key management compensation*

Key management personnel at the Company are the Directors and Officers of the Company.

The remuneration of key management personnel for the three and nine months ended September 30, 2016 and September 30, 2015 was as follows:

		Three months ended September 30,		Nine months ended September 30,	
		2016	2015	2016	2015
				\$	\$
Short-term benefits	1	86,448	185,163	303,358	605,302
Share-based payments expense	2	27,526	24,646	130,461	117,630
Deferred share units	3	12,000	36,000	36,000	124,000
Total		<u>125,974</u>	<u>245,809</u>	<u>469,819</u>	<u>846,932</u>

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

<sup>2</sup> Share-based payments were non-cash items that consisted of the fair value of stock options that had been granted to key management personnel, some of which have been capitalized to exploration and evaluation assets.

<sup>3</sup> Deferred share units consisted of DSUs awarded to key management personnel, some of which have been recorded as salaries and benefits and some as directors' fees, as more fully described in Note 6.

**FORAN MINING CORPORATION**  
**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**  
**FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2016**

(Unaudited)

(Expressed in Canadian dollars)

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

On June 21, 2016, the related company described in Notes 11a), b) and c) below was acquired by another company and as such ceased to be related effective June 22, 2016.

- a) During the nine months ended September 30, 2016, the Company charged a company that had two former directors and two former officers in common \$9,000 (2015: \$9,000) for administration expenses including office rent and office operating costs, the amount of which was netted against office and administration expenses in the condensed consolidated interim statement of loss and comprehensive loss.
- b) During the nine months ended September 30, 2016, the Company was charged \$17,508 (2015: \$29,429) for office administrator services by a company that had two former directors and two former officers in common, the amount of which was included in professional fees in the condensed consolidated interim statement of loss and comprehensive loss. At September 30, 2016, accounts payable and accrued liabilities included an amount of \$Nil (December 31, 2015: \$2,187) for these services.
- c) During the nine months ended September 30, 2016, the Company charged a company that had two former directors and two former officers in common \$22,200 (2015: \$19,128) for CFO services, the amount of which was netted against salaries and benefits in the condensed consolidated interim statement of loss and comprehensive loss. At September 30, 2016, accounts receivable included an amount of \$Nil (December 31, 2015: \$3,600) for these services.
- d) During the nine months ended September 30, 2016, the Company was charged \$8,776 (2015: \$8,776) 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.
- e) At September 30, 2016, the Company owed a total of 1,000,165 DSUs (December 31, 2015: 795,286) fair valued at \$225,040 (December 31, 2015: \$64,504) to key management personnel, which is included in the condensed consolidated interim statement of financial position.

**12. COMMITMENT**

Effective July 1, 2016, the Company entered into a new one year office lease agreement, which will end June 30, 2017. The Company has an estimated future minimum lease payment of approximately \$32,000 over the term of the lease agreement.