

FORAN MINING CORPORATION
CONDENSED CONSOLIDATED INTERIM FINANCIAL
STATEMENTS

FOR THE THREE MONTHS ENDED MARCH 31, 2021

(Expressed in Canadian Dollars)

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 Chartered Professional Accountants of Canada 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	March 31, 2021	December 31, 2020
		\$	\$
ASSETS			
Current			
Cash and cash equivalents		20,760,124	1,049,592
Accounts receivable		276,444	23,933
Prepaid expenses and deposits		100,586	41,479
Right-of-use asset	3	24,621	49,242
		21,161,775	1,164,246
Non-Current			
Deposits		11,000	11,000
Investments	4	156,017	175,219
Plant and equipment	5	313,827	218,809
Exploration and evaluation assets	6, 10	45,446,258	40,605,245
		67,088,877	42,174,519
LIABILITIES			
Current			
Accounts payable and accrued liabilities	10, 13(b)	2,006,691	276,046
Deferred share units	8, 13(b)	-	60,265
Lease liability	3	26,222	53,882
		2,032,913	390,193
Non-Current			
Deferred share units	8, 13(b)	1,379,270	649,639
Flow-through share premium liability	7	3,806,303	-
		7,218,486	1,039,832
EQUITY			
Share capital	9	104,391,688	84,785,546
Share-based payments reserve	9(e)	1,613,751	1,647,239
Accumulated other comprehensive income		54,507	73,709
Deficit		(46,189,555)	(45,371,807)
		59,870,391	41,134,687
		67,088,877	42,174,519

Approved on behalf of the Board:

"David Petroff", Director

"Darren Morcombe", Director

FORAN MINING CORPORATION
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF INCOME (LOSS) AND
COMPREHENSIVE INCOME (LOSS)
FOR THE THREE MONTHS ENDED MARCH 31
(Unaudited - Expressed in Canadian dollars)

	Note	<u>2021</u>	<u>2020</u>
		\$	\$
Expenses			
Consulting	8, 14(a)	189,239	34,487
Depreciation - plant and equipment	5	12,156	12,010
Depreciation - right-of-use asset	3	24,621	24,621
Directors' fees	8, 14(a)	10,000	15,000
Executive bonus	14(a)	577,963	-
Investor relations		50,723	27,037
Office and administration	14(a)	39,557	27,889
Professional fees		32,624	13,560
Salaries and benefits	14(a)	51,814	159,995
Share-based payments expense	9(e), 14(a)	274,030	50,870
Transfer agent, regulatory and filing fees		73,052	10,389
Travel and accommodation		5,804	823
		<u>1,341,583</u>	<u>376,681</u>
Other Items			
Interest and miscellaneous income		(11,792)	(350)
Reduction in flow-through share premium liability	7	(1,262,088)	-
Revaluation of deferred share units	8	816,219	(445,768)
		<u>(457,661)</u>	<u>(446,118)</u>
Net income (loss) for the period		<u>(883,922)</u>	69,437
Other Comprehensive Gain			
Unrealized loss on investments	4	(19,202)	(60,006)
Total comprehensive income (loss) for the period		<u>(903,124)</u>	<u>9,431</u>
Basic and diluted loss per share		\$ (0.01)	\$ 0.00
Basic and diluted weighted average number of shares outstanding		168,649,358	132,412,308

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, 2019		130,724,451	81,566,075	1,628,186	44,905	(43,445,554)	39,793,612
Net income for the period		-	-	-	-	69,437	69,437
Other comprehensive loss		-	-	-	(60,006)	-	(60,006)
Issued pursuant to exercise of stock options	9(b)	2,115,000	457,938	(173,088)	-	-	284,850
Share-based payments expense	9(e)	-	-	71,062	-	-	71,062
Reclass of expired stock options	9(e)	-	-	(2,407)	-	2,407	-
Balance, March 31, 2020		132,839,451	82,024,013	1,523,753	(15,101)	(43,373,710)	40,158,955
Net loss for the period		-	-	-	-	(2,122,128)	(2,122,128)
Other comprehensive income		-	-	-	88,810	-	88,810
Issued pursuant to private placements, net		12,814,285	1,698,098	-	-	-	1,698,098
Issued pursuant to exercise of stock options		10,000	1,773	(673)	-	-	1,100
Issued pursuant to exercise of DSUs		2,514,474	1,046,662	-	-	-	1,046,662
Issued pursuant to exercise of warrants		100,000	15,000	-	-	-	15,000
Share-based payments expense		-	-	248,190	-	-	248,190
Reclass of expired stock options		-	-	(124,031)	-	124,031	-
Balance, December 31, 2020		148,278,210	84,785,546	1,647,239	73,709	(45,371,807)	41,134,687
Net loss for the period		-	-	-	-	(883,922)	(883,922)
Other comprehensive loss		-	-	-	(19,202)	-	(19,202)
Issued pursuant to private placements, net	9(b)	30,665,000	23,417,374	-	-	-	23,417,374
Flow-through share premium liability	7	-	(5,068,391)	-	-	-	(5,068,391)
Issued pursuant to exercise of stock options	9(b)	1,026,036	618,177	(248,863)	-	-	369,314
Issued pursuant to exercise of DSUs		603,564	638,982	-	-	-	638,982
Share-based payments expense	9(e)	-	-	281,549	-	-	281,549
Reclass of forfeited stock options	9(e)	-	-	(66,174)	-	66,174	-
Balance, March 31, 2021		180,572,810	104,391,688	1,613,751	54,507	(46,189,555)	59,870,391

FORAN MINING CORPORATION
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS
FOR THE THREE MONTHS ENDED MARCH 31, 2021
(Unaudited - Expressed in Canadian dollars)

	Note	<u>2021</u>	<u>2020</u>
Operating Activities			
Net income (loss) for the period		(883,922)	69,437
Items not involving cash:			
Consulting	8, 14(a)	62,500	-
Depreciation - plant and equipment	5	12,156	12,010
Depreciation - right-of-use asset	3	24,621	24,621
Directors' fees	8, 14(a)	10,000	15,000
Executive bonus		377,962	-
Flow-through share premium liability	7	(1,262,088)	-
Lease interest	3	837	2,727
Revaluation of deferred share units	8	816,219	(445,768)
Salaries and benefits	8, 14(a)	41,667	31,250
Share-based payments expense	9(e)	274,030	50,870
		(526,018)	(239,853)
Net change in non-cash working capital	10	7,801	95,301
Cash used in operating activities		(518,217)	(144,552)
Investing Activities			
Exploration and evaluation assets expenditures	6, 9(e), 10	(3,422,268)	(424,224)
Purchase of plant and equipment		(107,174)	-
Cash used in investing activities		(3,529,442)	(424,224)
Financing Activities			
Proceeds received pursuant to private placement	9(b)	25,000,640	-
Share issue costs	9(b)	(1,583,266)	-
Cash received on exercise of stock options	9(b)	369,314	284,850
Cash received on exercise of warrants	9(b)	-	-
Lease liability payments	3	(28,497)	(26,821)
Cash provided by financing activities		23,758,191	258,029
Net increase (decrease) in cash and cash equivalents		19,710,532	(310,747)
Cash and cash equivalents, beginning of period		1,049,592	391,610
Cash and cash equivalents, end of period		20,760,124	80,863
Cash and cash equivalents is comprised of:			
Guaranteed Investment Certificates		130,000	20,898
Cash		20,630,124	59,965
		20,760,124	80,863
Supplemental cash flow information	10		

FORAN MINING CORPORATION
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED MARCH 31, 2021
(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 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 \$883,922 for the three months ended March 31, 2021. As at March 31, 2021, the Company had an accumulated deficit of \$46,189,555 (December 31, 2020: \$45,371,807). 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.

In 2020, the coronavirus global pandemic ("**COVID-19**") affected the global economy as well as caused volatility in the global financial markets. While the full impact of COVID-19 on the global economy remains uncertain, rapid spread of COVID-19 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, the United States 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 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, 2020 which include the accounting policies used in the preparation of these condensed consolidated interim financial statements.

FORAN MINING CORPORATION
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED MARCH 31, 2021
(Unaudited - Expressed in Canadian dollars)

2. BASIS OF PREPARATION (continued)

These condensed consolidated interim financial statements were prepared on a historical cost basis using the accrual basis of accounting, except for cash flow information.

The Board of Directors (the “**Board**”) approved these condensed consolidated interim financial statements on May 31, 2021.

3. RIGHT-OF-USE ASSET AND LEASE LIABILITY

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

The continuity of the ROU asset and lease liability for the three months ended March 31, 2021 is as follows:

Right-of-use asset	\$
Value of right-of-use asset as at December 31, 2020	49,242
Depreciation	<u>(24,621)</u>
Value of right-of-use asset as at March 31, 2021	<u>24,621</u>
 Lease liability	
Lease liability recognized as of December 31, 2020	53,882
Lease payments	(28,497)
Lease interest	<u>837</u>
Lease liability recognized as of March 31, 2021	<u>26,222</u>
 Current portion	 <u>26,222</u>

In May 2021, the Company renewed its Vancouver office space lease agreement for one more year, expiring June 30, 2022.

4. INVESTMENTS

As at March 31, 2021, the Company owned shares of one mineral exploration company listed publicly on the Canadian Securities Exchange that were classified as fair value through other comprehensive income (“**FVTOCI**”) and carried at fair market value based on quoted market prices.

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

	\$
Balance, December 31, 2020	175,219
Unrealized loss on FVTOCI investments	<u>(19,202)</u>
Balance, March 31, 2021	<u>156,017</u>

FORAN MINING CORPORATION
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED MARCH 31, 2021
(Unaudited - Expressed in Canadian dollars)

5. PLANT AND EQUIPMENT

As at March 31, 2021, 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, 2020	166,610	356,258	40,278	734,656	22,409	100,613	1,420,824
Additions	6,771	-	-	100,403	-	-	107,174
Balance, March 31, 2021	173,381	356,258	40,278	835,059	22,409	100,613	1,527,998
Accumulated Depreciation							
Balance, December 31, 2020	149,359	340,048	36,056	559,454	21,577	95,521	1,202,015
Depreciation for the period	1,777	1,199	208	8,543	52	377	12,156
Balance, March 31, 2021	151,136	341,247	36,264	567,997	21,629	95,898	1,214,171
Carrying Amount							
Balance, December 31, 2020	17,251	16,210	4,222	175,202	832	5,092	218,809
Balance, March 31, 2021	22,245	15,011	4,014	267,062	780	4,715	313,827

6. EXPLORATION AND EVALUATION ASSETS

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

	Mclivenna Bay	Other Saskatchewan Properties	Total
	\$	\$	\$
Balance, December 31, 2020	33,935,763	6,669,482	40,605,245
Exploration Costs			
Administration	82,245	-	82,245
Analysis	43,197	-	43,197
Camp costs	127,643	-	127,643
Consulting	534,296	27,825	562,121
Drilling	2,492,118	-	2,492,118
Equipment and communications	395,200	-	395,200
Feasibility	446,466	-	446,466
Fuel	344,383	-	344,383
Geophysics	153,100	-	153,100
Permitting and licenses	10,218	-	10,218
Salaries and benefits	128,246	-	128,246
Transportation and travel	56,076	-	56,076
Total Exploration Costs	4,813,188	27,825	4,841,013
Balance, March 31, 2021	38,748,951	6,697,307	45,446,258

FORAN MINING CORPORATION
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(Unaudited - Expressed in Canadian dollars)

6. EXPLORATION AND EVALUATION ASSETS (continued)

a) McIlvenna Bay, Saskatchewan

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

Certain claims that make up McIlvenna 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 McIlvenna 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 McIlvenna Bay ("**Other Saskatchewan Properties**").

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

c) Manitoba Property

The Company holds a 100% interest in one Manitoba property consisting of one claim, which has a carrying value of \$Nil at March 31, 2021.

7. 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, 2020	-
Flow-through share premium liability on the issuance of flow-through common shares	5,068,391
Settlement of flow-through share premium liability pursuant to incurring qualified expenditures	<u>(1,262,088)</u>
Balance, March 31, 2021	<u><u>3,806,303</u></u>

8. DEFERRED SHARE UNITS

The Company has a Long-Term Performance Incentive Plan ("**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.

The LTIP also introduces the availability of the Company to award restricted share units, performance share units and stock appreciation rights. The purpose of the LTIP is to attract and retain highly qualified individuals by allowing the Company to offer a broader range of incentives to diversify and customize the rewards for management, directors and consultants to promote long-term retention.

FORAN MINING CORPORATION
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED MARCH 31, 2021
(Unaudited - Expressed in Canadian dollars)

8. DEFERRED SHARE UNITS (continued)

- a) Until February 28, 2021, the Company's Executive Director was compensated for his services with DSUs on a monthly basis. For the three months ended March 31, 2021, the Executive Director earned 52,378 DSUs (2020: 156,136) for a total value of \$41,667 (2020: \$31,250) which was recorded as salaries and benefits. During the three months ended March 31, 2021, the Executive Director earned a one-time bonus of 343,603 DSUs valued at \$377,963, the amount of which is included in salaries and benefits.

Effective March 1, 2021, the Executive Director commenced earning fees through the payment of cash. For the three months ended March 31, 2021, the Executive Director earned \$15,750 of fees which was recorded as consulting fees.

During the three months ended March 31, 2021, the Executive Director exercised all remaining DSUs resulting in the Company issuing 499,660 common shares of the Company (see Note 9(b)).

- b) The Company compensates each of its independent directors with DSUs. For the three months ended March 31, 2021, the independent directors earned a total of 11,494 DSUs (2020: 71,429) valued at \$10,000 (2019: \$15,000), which is recorded as directors' fees.

During the three months ended March 31, 2021, a former director exercised all of his remaining DSUs resulting in the Company issuing 103,904 common shares of the Company to him (see Note 9(b)).

At March 31, 2021, the total number of outstanding DSUs owed to current and former independent directors was 616,920 (December 31, 2020: 709,331) for a total value of \$734,135 (December 31, 2020: \$411,411) with the liability included in deferred share units on the condensed consolidated interim statement of financial position.

- c) The Company's CEO and Executive Chair of the Company earns his annual salary of \$250,000 in the form of DSUs, to be earned on a quarterly basis, in advance. During the three months ended March 31, 2021, the CEO earned 131,165 DSUs valued at \$62,500 which is included in consulting fees.

At March 31, 2021, the number of outstanding DSUs owed to the CEO was 542,131 (December 31, 2020: 410,966) for a total value of \$645,135 (December 31, 2020: \$238,360) with the liability included in deferred share units on the condensed consolidated interim statement of financial position.

A summary of the changes in DSUs is presented below:

	Number of DSUs	Value
		\$
Balance, December 31, 2020	1,223,976	709,904
Earned	538,640	492,129
Exercised	(603,564)	(638,982)
Revalued	-	816,219
Balance, March 31, 2021	<u>1,159,052</u>	<u>1,379,270</u>

FORAN MINING CORPORATION
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED MARCH 31, 2021
(Unaudited - Expressed in Canadian dollars)

8. DEFERRED SHARE UNITS (continued)

The DSU liability on the condensed consolidated interim statement of financial position is presented as follows:

	March 31, 2021	December 31, 2020
	\$	\$
Current portion	-	60,265
Non-current portion	1,379,270	649,639
	<u>1,379,270</u>	<u>709,904</u>

9. SHARE CAPITAL

a) Authorized

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

b) Share issuance details

Three months ended March 31, 2021

Private Placements

On February 2, 2021, the Company completed a non-brokered private placement totaling 30,665,000 common shares for gross proceeds of \$25,000,290. The Company issued 11,539,000 common shares at a price of \$0.65 per share for gross proceeds of \$7,500,000 and 19,126,000 common shares on a flow-through (“FT”) basis at a price of \$0.915 per FT share for gross proceeds of \$17,500,290.

As a result of subscribers paying a premium for the FT shares, the Company allocated \$5,068,391 of the gross proceeds of the FT shares to FT share premium and the remaining \$12,431,899 to share capital.

In connection with the private placement share issue costs totaled \$1,583,265.

DSUs

During the three months ended March 31, 2021, the Company issued 603,564 common shares pursuant to the exercise of 603,564 DSUs with a weighted average value of \$1.06 per share. As this was a non-cash transaction, no cash was received pursuant to the exercise.

Stock Options

During the three months ended March 31, 2021, the Company issued 1,026,036 common shares pursuant to the exercise of 1,026,036 stock options with a weighted average exercise price of \$0.36 per share for proceeds of \$369,314. In connection with the exercise, an amount of \$248,863 was reclassified from share-based payments reserve to share capital.

FORAN MINING CORPORATION
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(Unaudited - Expressed in Canadian dollars)

9. SHARE CAPITAL (continued)

b) Share issuance details (continued)

Three months ended March 31, 2020

Stock Options

During the three months ended March 31, 2020, the Company issued 2,115,000 common shares pursuant to the exercise of 2,115,000 stock options with a weighted average exercise price of \$0.13 per share for proceeds of \$284,850. In connection with the exercise, an amount of \$173,088 was reclassified from share-based payments reserve to share capital.

c) Stock options

As noted in Note 8, 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.

A summary of the changes in stock options is presented below:

	Number of options	Weighted average exercise price \$
Balance, December 31, 2020	12,570,000	0.28
Granted	200,000	1.05
Exercised	(1,031,999)	0.36
Forfeited	(6,667)	0.09
Balance, March 31, 2021	<u>11,731,334</u>	<u>0.28</u>

The following stock options were outstanding as at March 31, 2021:

Outstanding	Exercisable	Weighted average Exercise Price \$	Expiry Date	Weighted average remaining life (in years)
168,000	1,333	0.35	September 30, 2021	0.50
1,025,000	1,025,000	0.40	March 9, 2022	0.94
1,240,000	1,240,000	0.57	January 31, 2023	1.84
80,000	80,000	0.57	March 7, 2023	1.93
190,000	190,000	0.41	August 23, 2023	2.40
1,536,667	1,536,667	0.34	March 27, 2024	2.99
1,191,667	423,333	0.09	April 3, 2025	4.01
100,000	33,333	0.15	July 9, 2025	4.28
6,000,000	-	0.20	November 9, 2025	4.61
<u>200,000</u>	<u>66,660</u>	<u>1.05</u>	<u>March 24, 2026</u>	<u>4.98</u>
<u>11,731,334</u>	<u>4,596,326</u>	<u>0.28</u>		<u>3.62</u>

FORAN MINING CORPORATION
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED MARCH 31, 2021
(Unaudited - Expressed in Canadian dollars)

9. SHARE CAPITAL (continued)

d) Share purchase warrants

A summary of the changes in warrants is presented below:

	Number of warrants	Weighted average exercise price
		\$
Balance, December 31, 2020 and March 31, 2021	9,164,285	0.21

The following warrants were outstanding as at March 31, 2021:

Outstanding	Exercisable	Exercise Price	Expiry Date
		\$	
3,450,000	3,450,000	0.15	April 29, 2023
5,714,285	5,714,285	0.25	November 26, 2025
<u>9,164,285</u>	<u>9,164,285</u>		

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

The share-based payments expense for the stock options that vested during the three months ended March 31, 2021 was \$281,549 (2020: \$71,062). Of this amount, \$274,030 (2020: \$50,870) was recorded as share-based payments expense in the condensed consolidated interim statements of income (loss) and comprehensive income (loss) and \$7,519 (2020: \$20,192) was capitalized to exploration and evaluation assets.

The fair value of the stock options that were granted during the three months ended March 31, 2021 was calculated using the Black-Scholes option pricing model with the following weighted average assumptions:

Risk-free interest rate	0.74%
Expected stock price volatility	88%
Expected dividend yield	0.0%
Expected option life in years	5.0

Expected volatility is based on historical price volatility to the extent of the expected life of the option.

During the three months ended March 31, 2021, the Company reclassified \$66,174 (2020: \$2,407) from share-based payments reserve to deficit with respect to options that were forfeited.

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10. SUPPLEMENTAL CASH FLOW INFORMATION

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

	2021	2020
	\$	\$
Accounts receivable	(252,511)	16,401
Prepaid expenses and deposits	(59,107)	38,514
Accounts payable and accrued liabilities	319,419	40,386
	<u>7,801</u>	<u>95,301</u>

During the three months ended March 31, 2021 and 2020, share-based payments expense of \$7,519 and \$20,192, respectively, were capitalized to exploration and evaluation assets.

As at March 31, 2021, accounts payable and accrued liabilities included \$1,549,071 (December 31, 2020: \$137,845) of exploration and evaluation asset expenditures.

11. FINANCIAL INSTRUMENTS

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

a) Fair value of financial instruments

The fair value hierarchy established by IFRS 13 *Fair Value Measurement* has three levels to classify the inputs to valuation techniques used to measure fair value described as follows:

- Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 – Inputs other than quoted prices that are observable for the assets or liabilities either directly or indirectly; and
- Level 3 – Inputs that are not based on observable market data.

The fair values of the Company's accounts receivable, deposits and accounts payable are equivalent to their carrying values due to their short-term nature. Investments, which are measured at FVOCI, 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.

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11. FINANCIAL INSTRUMENTS (continued)

c) Liquidity risk

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

d) Market risk

(i) Interest rate risk

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

(ii) Foreign currency risk

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

(iii) Other price risk

Other price risk is the risk that the fair value or future cash flows of a financing instrument will fluctuate due to changes in market prices, other than those arising from interest rate risk or foreign currency risk. The Company is exposed to other price risk in terms of its investment and the deferred share units. There is no material impact to deferred share units resulting from a 10% change in market prices.

12. CAPITAL MANAGEMENT

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern, so that it can provide returns for shareholders and benefits for other stakeholders. The Company's strategy remains unchanged from the year ended December 31, 2020.

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 or interim expenditure budgets that are updated as necessary. The annual budgets are approved by the Board.

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12. CAPITAL MANAGEMENT (continued)

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

The Company is not subject to externally imposed capital requirements.

13. RELATED PARTY TRANSACTIONS

A related party transaction is a transaction between the issuer and a related party of the issuer at the time the transaction is agreed to as a consequence of which the issuer directly or indirectly enters into specified transactions, including a purchase or sale of assets, borrowing or lending money, and forgiving debts or liabilities.

Key management compensation

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. These transactions are in the normal course of operations and are measured at their exchange amount, which is the amount agreed upon by the transacting parties.

a) Related Party Transactions

The Company's related party transactions for the three months ended March 31 were as follows:

		2021	2020
		\$	\$
Short-term benefits	1	117,840	187,869
Share-based payments expense	2	215,803	44,624
Directors' fees	3	10,000	15,000
Executive bonus	4	577,963	-
Consulting fees	5	78,250	-
Total		<u>999,856</u>	<u>247,493</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 expense were non-cash items that consisted of the fair value of stock options that had been granted to key management personnel, some of which have been capitalized to exploration and evaluation assets.

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

4 Executive bonus consisted of a cash payment of \$200,000 and an issuance of 343,603 DSUs valued at \$377,963 to the Company's Executive Director. The DSUs were immediately exercised resulting in the Company issuing 343,603 common shares of the Company to the Executive Director.

5 Consulting fees consisted of CEO fees of \$62,500 consisting of 131,165 DSUs earned by the Company's CEO through Myerson Holdings Ag, a company controlled by the CEO, and an amount of \$15,750 earned by the Company's Executive Director.

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13. RELATED PARTY TRANSACTIONS (continued)

b) Related Party Balances

The following balances were owed to related parties:

		March 31, 2021	December 31, 2020
Amounts due to:	Service for:	\$	\$
CEO	Accrued salary (DSUs)	645,136	238,360
Executive Director	Accrued consulting fees	15,750	-
Executive Director	Office rent	-	10,350
		<u>660,886</u>	<u>248,710</u>

The CEO's accrued salary was included in deferred share units as a non-current liability.

The Company had the following additional related party balances:

- At March 31, 2021, the Company owed a total of 1,159,052 DSUs (December 31, 2020: 813,010) with a fair value of \$1,379,270 (December 31, 2020: \$471,544) to key management personnel and former directors, which is included in the condensed consolidated interim statement of financial position.
- At March 31, 2021, the Company had a payable of \$8,604 (December 31, 2020: \$Nil) to a related party through common management for reimbursement of salaries and wages.

14. SUBSEQUENT EVENTS

In addition to subsequent events disclosed elsewhere in these condensed consolidated interim financial statements, the following events occurred subsequent to March 31, 2021:

- On May 25, 2021, the Company announced it had entered into a letter agreement pursuant to which Fairfax Financial Holdings Limited, through certain of its subsidiaries, will subscribe, on a private placement basis, for \$100,000,000 in common shares of the Company in two tranches.

Each tranche will be comprised of 27,777,778 common shares of the Company at a price of \$1.80 per common share for gross proceeds of \$50,000,000, along with warrants to purchase an aggregate of 8,000,000 common shares at an exercise price of \$2.09 per common share with an expiry of five years. The only difference is that the first tranche will be for voting common shares and the second tranche will be for non-voting common shares.

Closing of this financing is subject to customary closing conditions, including regulatory approval;

- on May 5, 2021, the Company granted 600,000 incentive stock options to Directors, Officers, employees and consultants of the Company. Each stock option is exercisable into one common share of the Company at an exercise price of \$1.33 per share with an expiry date of May 5, 2026, subject to certain vesting requirements;

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14. SUBSEQUENT EVENTS (continued)

- on April 21, 2021, the Company granted 1,725,000 incentive stock options to Directors, Officers, employees and consultants of the Company. Each stock option is exercisable into one common share of the Company at an exercise price of \$1.05 per share with an expiry date of April 21, 2026, subject to certain vesting requirements;
- on April 20, 2021, the Company granted 1,000,000 incentive stock options to Directors, Officers, employees and consultants of the Company. Each stock option is exercisable into one common share of the Company at an exercise price of \$1.15 per share with an expiry date of April 20, 2026, subject to certain vesting requirements;
- On April 1, 2021, the CEO earned his salary of \$62,500 for the quarter ended June 30, 2021 by virtue of the Company issuing him 71,839 DSUs at a weighted average price of \$0.87; and
- 38,333 stock options with a weighted average exercise price of \$0.53 were exercised for proceeds of \$20,350.