

FORAN MINING CORPORATION
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(Expressed in Canadian Dollars)

INDEPENDENT AUDITORS' REPORT

TO THE SHAREHOLDERS OF FORAN MINING CORPORATION

We have audited the accompanying consolidated financial statements of Foran Mining Corporation, which comprise the consolidated statements of financial position as at December 31, 2016 and 2015 and the consolidated statements of loss and comprehensive loss, changes in equity and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Foran Mining Corporation as at December 31, 2016 and 2015, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Emphasis of Matter

Without qualifying our opinion, we draw attention to note 1 in the consolidated financial statements, which indicates the existence of material uncertainties that may cast significant doubt about the Company's ability to continue as a going concern.

Smythe LLP

Chartered Professional Accountants

Vancouver, British Columbia
March 8, 2017

Vancouver
7th Floor 355 Burrard St
Vancouver, BC V6C 2G8
T: 604 687 1231
F: 604 688 4675

Langley
305 – 9440 202 St
Langley, BC V1M 4A6
T: 604 282 3600
F: 604 888 9807

Nanaimo
201 – 1825 Bowen Rd
Nanaimo, BC V9S 1H1
T: 250 755 2111
F: 250 751 3384

FORAN MINING CORPORATION
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Expressed in Canadian dollars)

	December 31, 2016	December 31, 2015
	\$	\$
ASSETS		
Current		
Cash and cash equivalents	1,028,701	1,016,037
Accounts receivable	19,812	34,365
Prepaid expenses and deposits	61,563	66,033
	1,110,076	1,116,435
Non-Current		
Deposits	11,000	11,000
Investments (Note 5)	164,366	99,908
Plant and equipment (Note 6)	421,824	510,941
Exploration and evaluation assets (Notes 7 and 14)	25,704,608	25,276,393
	27,411,874	27,014,677
LIABILITIES		
Current		
Accounts payable and accrued liabilities (Note 14)	51,802	146,686
Non-Current		
Deferred share units (Notes 8 and 14)	324,972	64,504
	376,774	211,190
EQUITY		
Share capital (Note 9)	67,141,436	66,075,689
Share-based payments reserve	5,097,213	4,962,035
Accumulated other comprehensive income (loss)	62,856	(1,602)
Deficit	(45,266,405)	(44,232,635)
	27,035,100	26,803,487
	27,411,874	27,014,677

Approved on behalf of the Board:

"David Petroff", Director

"Darren Morcombe", Director

FORAN MINING CORPORATION
CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
FOR THE YEAR ENDED DECEMBER 31
(Expressed in Canadian dollars)

	2016	2015
	\$	\$
Expenses		
Depreciation	89,117	108,279
Directors' fees (Note 8)	-	48,000
Investor relations	57,610	225,291
Office and administration (Notes 14(a) and 14(d))	175,344	218,528
Professional fees (Note 14(b))	78,671	93,216
Salaries and benefits (Notes 8 and 14)	274,376	681,583
Share-based payments expense (Notes 9(d) and 14)	124,923	117,845
Transfer agent, regulatory and filing fees	16,195	33,260
Travel and accommodation	3,627	3,021
	<u>819,863</u>	<u>1,529,023</u>
Other Items		
Impairment of exploration and evaluation assets	-	154,241
Gain on sale of investments	-	(14,748)
Interest income	(4,589)	(21,371)
Revaluation of deferred share units (Note 8)	218,496	(71,496)
	<u>213,907</u>	<u>46,626</u>
Net loss for the year	<u>(1,033,770)</u>	<u>(1,575,649)</u>
Other Comprehensive Loss		
Items that may be reclassified subsequently to profit or loss		
Unrealized gain (loss) on available-for-sale investments	64,458	(78,094)
Transfer on sale of available-for-sale investments	-	(14,748)
	<u>64,458</u>	<u>(92,842)</u>
Total comprehensive loss for the year	<u>(969,312)</u>	<u>(1,668,491)</u>
Basic and diluted loss per share	\$ (0.01)	\$ (0.02)
Basic and diluted weighted average number of shares outstanding	93,754,005	90,773,922

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

	Number of shares	Share capital	Share-based payments reserve	Accumulated other comprehensive income (loss)	Deficit	Total
		\$	\$	\$	\$	\$
Balance, December 31, 2014	90,773,922	66,075,689	4,813,704	91,240	(42,656,986)	28,323,647
Net loss for the year	-	-	-	-	(1,575,649)	(1,575,649)
Other comprehensive loss	-	-	-	(92,842)	-	(92,842)
Share-based payments expense	-	-	148,331	-	-	148,331
Balance, December 31, 2015	90,773,922	66,075,689	4,962,035	(1,602)	(44,232,635)	26,803,487
Net loss for the year	-	-	-	-	(1,033,770)	(1,033,770)
Other comprehensive income	-	-	-	64,458	-	64,458
Private placement, net of share issue costs	5,882,353	993,512	-	-	-	993,512
Issued pursuant to exercise of stock options	225,000	72,235	(27,235)	-	-	45,000
Share-based payments expense	-	-	162,413	-	-	162,413
Balance, December 31, 2016	96,881,275	67,141,436	5,097,213	62,856	(45,266,405)	27,035,100

See accompanying notes to the consolidated financial statements.

FORAN MINING CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31
(Expressed in Canadian dollars)

	2016	2015
	\$	\$
Operating Activities		
Net loss for the year	(1,033,770)	(1,575,649)
Items not involving cash:		
Depreciation	89,117	108,279
Directors' fees	-	48,000
Share-based payments expense	124,923	117,845
Salaries and benefits (Note 8)	48,000	88,000
Revaluation of deferred share units (Note 8)	218,496	(71,496)
Gain on sale of investments	-	(14,748)
Interest income	440	2,282
Write-off of exploration and evaluation assets	-	154,241
	(552,794)	(1,143,246)
Net change in non-cash working capital (Note 10)	(76,728)	67,755
Cash used in operating activities	(629,522)	(1,075,491)
Investing Activities		
Purchase of equipment	-	(16,053)
Exploration and evaluation assets expenditures	(396,326)	(1,957,649)
Proceeds on sale of investments	-	14,748
Cash used in investing activities	(396,326)	(1,958,954)
Financing Activities		
Issuance of units for cash pursuant to private placement, net of share issue costs	993,512	-
Cash received on exercise of stock options	45,000	-
Cash provided by financing activities	1,038,512	-
Net increase (decrease) in cash and cash equivalents	12,664	(3,034,445)
Cash and cash equivalents, beginning of year	1,016,037	4,050,482
Cash and cash equivalents, end of year	1,028,701	1,016,037
Cash and cash equivalents is comprised of:		
Guaranteed Investment Certificates	20,710	20,000
Cash	1,007,991	996,037
	1,028,701	1,016,037

Supplemental cash flow information (Note 10)

FORAN MINING CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(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 consolidated financial statements have been prepared on the going concern basis, which contemplates the realization of assets and the settlement of liabilities and commitments in the normal course of business. The Company realized a net loss of \$1,033,770 for the year ended December 31, 2016 (2015: \$1,575,649). As at December 31, 2016, the Company had an accumulated deficit of \$45,266,405 (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 consolidated 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 consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("**IFRS**") as issued by the International Accounting Standards Board.

These consolidated 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 consolidated financial statements on March 8, 2017.

3. SIGNIFICANT ACCOUNTING POLICIES

a) Principles of consolidation

These consolidated financial statements include the accounts of the Company and its wholly-owned subsidiary, 623133 Saskatchewan Ltd.

A subsidiary is an entity in which the Company has control, where control requires exposure or rights to variable returns and the ability to affect those returns through power over the investee. All intercompany balances and transactions have been eliminated upon consolidation.

FORAN MINING CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(Expressed in Canadian dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

b) Significant accounting estimates and judgments

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

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and further periods if the review affects both current and future periods.

Significant assumptions about the future and other sources of estimation uncertainty that management has made that could result in a material adjustment to the carrying amounts of assets and liabilities in the event that actual results differ from assumptions made, relate to, but are not limited to, the following:

i) Critical accounting estimates

Critical accounting estimates are estimates and assumptions made by management that may result in a material adjustment to the carrying amounts of assets and liabilities within the next financial year and include, but are not limited to, the following:

Share-based payments

The fair value of share-based payments is subject to the limitations of the Black-Scholes option pricing model that incorporates market data and involves uncertainty in estimates used by management in the assumptions. Because the Black-Scholes option pricing model requires the input of highly subjective assumptions, including the volatility of share prices, changes in subjective input assumptions can materially affect the fair value estimate.

ii) Critical accounting judgments

Information about critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the consolidated financial statements include, but are not limited to, the following:

Recovery of deferred tax assets

The Company estimates the expected manner and timing of the realization or settlement of the carrying value of its assets and liabilities and applies the tax rates that are enacted or substantively enacted on the estimated dates of realization or settlement.

The going concern assumption

The assessment of whether the going concern assumption is appropriate requires management to take into account all available information about the future, which is at least, but is not limited to, 12 months from the end of the reporting period. The Company is aware that material uncertainties related to events or conditions may cast significant doubt upon the Company's ability to continue as a going concern.

FORAN MINING CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(Expressed in Canadian dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

b) Significant accounting estimates and judgments (continued)

ii) Critical accounting judgments (continued)

Impairment

The assessment of any impairment of plant and equipment and exploration and evaluation assets is dependent upon estimates of recoverable amounts that take into account factors such as reserves, economic and market conditions and the useful lives of assets. Judgment is required in assessing the appropriate level of cash generating units (“CGU”) to be tested for such impairment, if facts and circumstances suggest that the carrying amount exceeds the recoverable amount.

Decommissioning liabilities

In the event that decommissioning liabilities are required to be recognized, such liabilities would be stated at the fair value of estimated future costs. Such estimates require extensive judgment about the nature, cost and timing of the work to be completed, and may change with future changes to costs, environmental laws and regulations, and remediation practices.

c) Cash and cash equivalents

Cash and cash equivalents comprises cash on hand and guaranteed investment certificates with maturities of three months or less.

d) Plant and equipment

Plant and equipment are carried at cost, less accumulated depreciation and accumulated impairment losses.

Cost consists of the purchase price, any costs directly attributable to bringing the asset to the location and condition necessary for its intended use and an initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

The plant and equipment noted below is depreciated over its estimated useful life using the declining-balance method at the following annual rates:

Computer and survey equipment	30%
Camp equipment	30%
Furniture and fixtures	20%
Plant	15%
Trailers	25%
Vehicles	30%

Plant and equipment are derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on disposal of the asset, determined as the difference between the net disposal proceeds and the carrying amount of the asset, is recognized in profit or loss.

Where an item of plant and equipment comprises major components with different useful lives, the components are accounted for as separate items of plant and equipment. Expenditures incurred to replace a component of an item of plant and equipment that is accounted for separately, including major inspection and overhaul expenditures, are capitalized.

FORAN MINING CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(Expressed in Canadian dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

d) Plant and equipment (continued)

Management reviews and evaluates the useful lives and residual values of plant and equipment, and adjusts if appropriate, at the end of each reporting period. The carrying amount of an item of plant and equipment is written down immediately to its recoverable amount if the carrying amount is greater than its estimated recoverable amount.

e) Exploration and evaluation assets

The Company capitalizes exploration and evaluation expenditures, net of recoveries, for expenditures incurred after it has obtained legal rights to explore a specific area and before technical feasibility and commercial viability of extracting mineral resources are demonstrable. The Company recognizes the payment or receipt of amounts required under option agreements as an addition or reduction, respectively, in the carrying amount of the property under option when paid or received.

Once the technical feasibility and commercial viability of the extraction of mineral resources in an area of interest are demonstrable, exploration and evaluation assets attributable to that area of interest are first tested for impairment and then reclassified to exploration and evaluation assets within plant and equipment. Exploration and evaluation assets are amortized over the estimated productive lives of the properties using the unit-of-production method.

Recoverability of the carrying amount of the exploration and evaluation assets is dependent on successful development and commercial exploitation or, alternatively, sale of the respective areas of interest. If the properties are abandoned, allowed to lapse, there is little prospect of further work being carried out by the Company or if circumstances suggest that an asset's carrying amount is not recoverable, it is written down immediately to its recoverable amount.

f) Impairment of non-financial assets

At each financial position reporting date the carrying amounts of the Company's assets are reviewed to determine whether there is any indication that those assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the CGU to which the asset belongs. For the purposes of impairment testing, exploration and evaluation assets are allocated to CGUs to which the exploration activity relates.

The recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in profit or loss for the period.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or CGU) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or CGU) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

FORAN MINING CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(Expressed in Canadian dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

g) Provisions

General

Provisions are recorded when a present legal or constructive obligation exists as a result of past events where it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the consolidated statement of financial position date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

Decommissioning obligations

The Company recognizes liabilities for statutory, contractual, constructive or legal obligations associated with the decommissioning of an asset, when those obligations result from the acquisition, construction, development or normal operation of the assets. Such costs are discounted to their net present value using an appropriate risk-free rate, and are provided for and capitalized as soon as the obligation to incur such costs arises. These costs are charged against profit or loss over the life of the operation, through the amortization of the asset and the unwinding of the discount on the provision.

Estimates of the timing and amount of undiscounted cash flows required to fulfill decommissioning obligations are updated periodically to reflect significant changes in facts and circumstances, and the obligations are remeasured to incorporate any resulting change in their fair value. The capitalized decommissioning cost is correspondingly increased or decreased by the amount of remeasurement.

h) Deferred Share Units

The Company has adopted a Deferred Share Unit Plan (“**DSU Plan**”) which awards DSUs to participants of the DSU Plan. Awards are initially charged to profit or loss using the market value of the Company’s common shares that best represents the period for which the awards were earned, with the corresponding liability recorded as deferred share units.

At each reporting date, the liability is revalued using the market value of the Company’s common shares, with the corresponding increase or decrease recorded to profit or loss as a revaluation of deferred share units.

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

FORAN MINING CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(Expressed in Canadian dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

i) Share-based payments

Where equity-settled share options are awarded to employees, the fair value of the options at the date of grant is recognized over the vesting period. Performance vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each reporting date so that, ultimately, the cumulative amount recognized over the vesting period is based on the number of options that eventually vest. Non-vesting conditions and market vesting conditions are factored into the fair value of the options granted. As long as all other vesting conditions are satisfied, a charge is made irrespective of whether these vesting conditions are satisfied. The cumulative expense is not adjusted for failure to achieve a market vesting condition or where a non-vesting condition is not satisfied.

Where the terms and conditions of options are modified, the increase in the fair value of the options, measured immediately before and after the modification, is also charged to profit or loss over the remaining vesting period.

Where equity instruments are granted to non-employees, they are recorded at the fair value of the goods or services received in the consolidated statement of loss and comprehensive loss, unless they are related to the issuance of shares. Amounts related to the issuance of shares are recorded as a reduction of share capital.

When the value of goods or services received in exchange for the share-based payment cannot be reliably estimated, the fair value is measured by use of a valuation model. The expected life used in the model is adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioral considerations.

All equity-settled share-based payments are reflected in share-based payments reserve until exercised. Upon exercise, shares are issued from treasury and the amount reflected in share-based payments reserve is credited to share capital along with any consideration paid.

Where a grant of options is cancelled or settled during the vesting period, excluding forfeitures when vesting conditions are not satisfied, the Company immediately accounts for the cancellation as an acceleration of vesting and recognizes the amount that otherwise would have been recognized for services received over the remainder of the vesting period. Any payment made to the employee on the cancellation is accounted for as the repurchase of an equity interest, except to the extent the payment exceeds the fair value of the equity instrument granted, measured at the repurchase date. Any such excess is recognized as an expense.

j) Warrants

Proceeds received on issuance of units, consisting of common shares and warrants, are allocated first to common shares based on the market trading price of the common shares, and any excess is allocated to warrants.

k) Flow-through shares

The Company has financed a portion of its exploration expenditures through the issuance of flow-through shares. Canadian income tax law permits the Company to transfer the tax deductibility of qualifying resource expenditures financed by such shares to the flow-through shareholders.

FORAN MINING CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(Expressed in Canadian dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

k) Flow-through shares (continued)

On issuance, the Company allocates the flow-through share proceeds into i) share capital, ii) warrants, and iii) a flow-through share premium, if any, using the residual value method. If investors pay a premium for the flow-through feature, it is recognized as a liability. Upon incurring qualifying expenditures, the Company reduces the liability and recognizes a deferred income tax recovery in income for the amount of tax reduction renounced to the shareholders. The premium is recognized as other income and the related deferred tax is recognized as a tax provision. At the end of a period, the flow-through share premium liability consists of the portion of the premium on flow-through shares that corresponds to the portion of qualifying exploration expenditures that have not yet been incurred.

Proceeds received from the issuance of flow-through shares are restricted to be used only for Canadian resource property exploration expenditures within a prescribed period.

The Company may also be subject to a Part XII.6 tax on flow-through proceeds renounced under the Lookback Rule, in accordance with Government of Canada flow-through regulations. When applicable, this tax is accrued as a financial expense until paid.

l) Income taxes

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognized in net loss, except to the extent that they relate to a business combination, or items recognized directly in equity or in other comprehensive loss.

Current income taxes are recognized for the estimated income taxes payable or receivable on taxable income or loss for the current period and any adjustment to income taxes payable in respect of previous periods. Current income taxes are determined using tax rates and tax laws that have been enacted or substantively enacted by the period-end date.

Deferred tax assets and liabilities are recognized where the carrying amount of an asset or liability differs from its tax base, except for taxable temporary differences arising on the initial recognition of goodwill, and temporary differences arising on the initial recognition of an asset or liability in a transaction that is not a business combination and at the time of the transaction affects neither accounting nor taxable profit or loss.

Recognition of deferred tax assets for unused tax losses, tax credits and deductible temporary differences is restricted to those instances where it is probable that future taxable profit will be available against which the deferred tax asset can be utilized. At the end of each reporting period, the Company reassesses unrecognized deferred tax assets. The Company recognizes a previously unrecognized deferred tax asset to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

m) Foreign currency translation

The functional and presentation currency of the Company and its subsidiary is the Canadian dollar.

FORAN MINING CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(Expressed in Canadian dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

m) Foreign currency translation (continued)

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded at the rates of exchange prevailing at the dates of the transactions. At each consolidated statement of financial position date, monetary items denominated in foreign currencies are retranslated at the rates prevailing at the consolidated statement of financial position date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

n) Basic and diluted loss per share

Loss per share is calculated using the weighted average number of common shares outstanding. The calculation of diluted loss per share assumes that outstanding options and warrants are exercised and the proceeds are used to repurchase shares of the Company at the average market price of the shares for the period. The effect is to increase the number of shares used to calculate diluted loss per share and is only recognized when the effect is dilutive. When the effects of issuance of potential shares under options and warrants would be anti-dilutive, basic and diluted loss per share are the same.

o) Financial instruments

Financial assets, financial liabilities and non-financial derivative contracts are initially recognized at fair value on the consolidated statement of financial position when the Company becomes a party to their contractual provisions. Measurement in subsequent periods depends on the financial instrument's classification.

Financial assets

Financial assets at fair value through profit or loss ("FVTPL")

Financial assets are classified as FVTPL when the financial asset is held-for-trading or is designated as such upon initial recognition.

A financial asset is classified as held-for-trading when it is purchased with the intention of selling or repurchasing in the near term, part of an identified portfolio of financial instruments that the Company manages and has a recent actual pattern of short-term profit-taking, or is a derivative that is not designated and effective hedging instrument.

Financial assets classified as FVTPL are stated at fair value with any resultant gain or loss recognized in profit or loss. Transaction costs are expensed in the period in which the costs are incurred. The Company's cash and cash equivalents are classified as FVTPL.

Held-to-maturity ("HTM") investments

HTM investments are recognized on a trade date basis and are initially measured at fair value and subsequently at amortized cost using the effective interest rate method. Transaction costs are added and amortized to the consolidated statement of loss and comprehensive loss over the life of the financial instrument on an effective yield basis.

Available-for-sale ("AFS") financial assets

AFS financial assets are non-derivatives that are either designated as AFS or not classified in any of the other financial asset categories and are subsequently measured at fair value. Changes in the fair value of AFS financial assets are recognized as other comprehensive income and classified as a component of equity.

FORAN MINING CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(Expressed in Canadian dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

o) Financial instruments (continued)

Management assesses the carrying value of AFS financial assets at every reporting period and any impairment charges are also recognized in profit or loss. When financial assets classified as AFS are sold, the accumulated fair value adjustments are derecognized from comprehensive income and recognized in profit or loss. The Company's investments are classified as AFS.

Loans and receivables

These assets are non-derivative financial assets resulting from the delivery of cash or other assets by a lender to a borrower in return for a promise to repay on a specified date or dates, or on demand. They are initially recognized at fair value plus transaction costs that are directly attributable to their acquisition or issue and subsequently carried at amortized cost, using the effective interest rate method, less any impairment losses. Amortized cost is calculated taking into account any discount or premium on acquisition and includes fees and transaction costs. Gains and losses are recognized in profit or loss when the loans and receivables are derecognized or impaired. The Company's accounts receivable and deposits are classified as loans and receivables.

Financial liabilities

All financial liabilities are initially recorded at fair value and designated upon inception as FVTPL or other financial liabilities.

Other financial liabilities

Financial liabilities classified as other financial liabilities are initially recognized at fair value less directly attributable transaction costs. After initial recognition, other financial liabilities are subsequently measured at amortized cost using the effective interest method. The Company's accounts payable is classified as other financial liabilities.

Financial liabilities at fair value through profit or loss

This category comprises derivatives, or liabilities acquired or incurred principally for the purpose of selling or repurchasing in the near term. They are carried in the consolidated statement of financial position at fair value with changes in fair value recognized in profit or loss.

Derecognition of financial assets and liabilities

A financial asset is derecognized when the Company's contractual right to the asset's cash flows expires or if the Company transfers the financial asset and substantially all risks and rewards of ownership to another entity.

The Company derecognizes financial liabilities when, and only when, the Company's obligations are discharged, cancelled or they expire.

Impairment of financial assets

The Company assesses at each consolidated statement of financial position date whether a financial asset is impaired. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted. For financial assets classified as AFS, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

FORAN MINING CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(Expressed in Canadian dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

o) Financial instruments (continued)

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty;
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial reorganization.

With the exception of AFS equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized. In respect of AFS equity securities, impairment losses previously recognized through profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognized directly in equity.

4. ACCOUNTING STANDARDS

A number of new standards and amendments to standards and interpretations are not yet effective for the year ended December 31, 2016 and have not been applied in preparing these consolidated financial statements.

IFRS 16 Leases

This new standard sets out the principles for the recognition, measurement, presentation and disclosure of leases for both the lessee and the lessor. The new standard introduces a single lessee accounting model that requires the recognition of all assets and liabilities arising from a lease.

The main features of the new standard are as follows:

- An entity identifies as a lease a contract that conveys the right to control the use of an identified asset for a period of time in exchange for consideration.
- A lessee recognizes an asset representing the right to use the leased asset, and a liability for its obligation to make lease payments. Exceptions are permitted for short-term leases and leases of low-value assets.
- A lease asset is initially measured at cost, and is then depreciated similarly to property, plant and equipment. A lease liability is initially measured at the present value of the unpaid lease payments.
- A lessee presents interest expense on a lease liability separately from depreciation of a lease asset in the statement of profit or loss and other comprehensive income.
- A lessor continues to classify its leases as operating leases or finance leases, and to account for them accordingly.
- A lessor provides enhanced disclosures about its risk exposure, particularly exposure to residual-value risk.

The new standard supersedes the requirements in IAS 17 *Leases*, IFRIC 4 *Determining whether an Arrangement contains a Lease*, SIC-15 *Operating Leases – Incentives* and SIC-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*.

This standard will be applicable to the Company's annual period beginning on January 1, 2019.

FORAN MINING CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(Expressed in Canadian dollars)

4. ACCOUNTING STANDARDS (continued)

The Company has yet to determine if the implementation of IFRS 16 will result in a significant impact on its consolidated financial statements.

Classification and Measurement of Share-based Payment Transactions (Amendments to IFRS 2 Share-based Payment)

The amendments provide guidance on the accounting for:

- the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments;
- share-based payment transactions with a net settlement feature for withholding tax obligations; and
- a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled.

This standard will be applicable to the Company's annual period beginning on January 1, 2018.

The Company has yet to determine if the implementation of amendments to IFRS 2 will result in a significant impact on its consolidated financial statements.

IFRS 9 Financial Instruments

IFRS 9 will replace IAS 39 *Financial Instruments: Recognition and Measurement* and IFRIC 9 *Reassessment of Embedded Derivatives*. The final version of this new standard supersedes the requirements of earlier versions of IFRS 9. However, for annual periods beginning before January 1, 2018, an entity may elect to apply those earlier versions instead of applying the final version of this new standard if its initial application date is before February 1, 2015.

The main features introduced by this new standard compared with predecessor IFRS are as follows:

- *Classification and measurement of financial assets:*
Debt instruments are classified and measured on the basis of the entity's business model for managing the asset and its contractual cash flow characteristics as either: "amortized cost", "fair value through other comprehensive income", or "fair value through profit or loss" (default). Equity instruments are classified and measured as "fair value through profit or loss" unless upon initial recognition elected to be classified as "fair value through other comprehensive income".
- *Classification and measurement of financial liabilities:*
When an entity elects to measure a financial liability at fair value, gains or losses due to changes in the entity's own credit risk is recognized in other comprehensive income (as opposed to previously profit or loss). This change may be adopted early in isolation of the remainder of IFRS 9.
- *Impairment of financial assets:*
An expected credit loss impairment model replaced the incurred loss model and is applied to financial assets at "amortized cost" or "fair value through other comprehensive income", lease receivables, contract assets or loan commitments and financial guarantee contracts. An entity recognizes twelve-month expected credit losses if the credit risk of a financial instrument has not increased significantly since initial recognition and lifetime expected credit losses otherwise.

FORAN MINING CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(Expressed in Canadian dollars)

4. ACCOUNTING STANDARDS (continued)

- *Hedge accounting:*
Hedge accounting remains a choice, however, is now available for a broader range of hedging strategies. Voluntary termination of a hedging relationship is no longer permitted. Effectiveness testing now needs to be performed prospectively only. Entities may elect to continue to applying IAS 39 hedge accounting on adoption of IFRS 9 (until the IASB has completed its separate project on the accounting for open portfolios and macro hedging).

This standard will be applicable to the Company's annual period beginning on January 1, 2018.

The Company has yet to determine if the implementation of IFRS 9 will result in a significant impact on its consolidated financial statements.

5. INVESTMENTS

As at December 31, 2016, the Company owned shares of two mineral exploration companies listed publicly on the Canadian Securities Exchange that were classified as 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, 2014	192,750
Unrealized gain on AFS investments	(78,094)
Sale of AFS investments	<u>(14,748)</u>
Balance, December 31, 2015	99,908
Unrealized gain on AFS investments	<u>64,458</u>
Balance, December 31, 2016	<u><u>164,366</u></u>

FORAN MINING CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(Expressed in Canadian dollars)

6. PLANT AND EQUIPMENT

As at December 31, 2016, 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, 2014	138,894	332,552	40,278	734,656	22,409	100,613	1,369,402
Additions	-	16,053	-	-	-	-	16,053
Balance, December 31, 2015	138,894	348,605	40,278	734,656	22,409	100,613	1,385,455
Additions	-	-	-	-	-	-	-
Balance, December 31, 2016	138,894	348,605	40,278	734,656	22,409	100,613	1,385,455
Accumulated Depreciation							
Balance, December 31, 2014	97,177	261,980	25,506	295,642	18,483	67,447	766,235
Depreciation for the year	11,176	22,344	2,740	62,240	893	8,886	108,279
Balance, December 31, 2015	108,353	284,324	28,246	357,882	19,376	76,333	874,514
Depreciation for the year	8,448	17,665	2,237	53,554	692	6,521	89,117
Balance, December 31, 2016	116,801	301,989	30,483	411,436	20,068	82,854	963,631
Carrying Amount							
Balance, December 31, 2014	41,717	70,572	14,772	439,014	3,926	33,166	603,167
Balance, December 31, 2015	30,541	64,281	12,032	376,774	3,033	24,280	510,941
Balance, December 31, 2016	22,093	46,616	9,795	323,220	2,341	17,759	421,824

FORAN MINING CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(Expressed in Canadian dollars)

7. EXPLORATION AND EVALUATION ASSETS

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

	McIlvenna Bay	Other Saskatchewan Properties	Total
	\$	\$	\$
Balance, December 31, 2015	18,988,841	6,287,552	25,276,393
Exploration Costs			
Administration	96,863	100,067	196,930
Analysis	-	10,166	10,166
Camp costs	6,962	-	6,962
Consulting	170,112	531	170,643
Equipment and communications	13,045	42	13,087
Fuel	2,673	-	2,673
Salaries and benefits	2,968	2,018	4,986
Transportation and travel	22,177	591	22,768
Total Exploration Costs	314,800	113,415	428,215
Balance, December 31, 2016	19,303,641	6,400,967	25,704,608

	McIlvenna Bay	Other Saskatchewan Properties	Manitoba Property	Total
	\$	\$	\$	\$
Balance, December 31, 2014	18,734,942	4,766,162	1,894	23,502,998
Acquisition and Maintenance Costs				
License fees (refunds)	-	(21,892)	-	(21,892)
Exploration Costs				
Administration	63,901	276,513	-	340,414
Camp costs	20,645	60,674	-	81,319
Consulting	3,672	176,919	-	180,591
Geophysics	135,638	17,125	-	152,763
Drilling and analysis	-	740,496	-	740,496
Equipment and communications	22,701	125,068	-	147,769
Fuel (Fuel tax rebates)	(29,132)	129,605	-	100,473
Preliminary Economic Assessment	5,248	-	-	5,248
Salaries and benefits	8,104	134,186	-	142,290
Transportation and travel	23,122	35,043	-	58,165
Total Exploration Costs	253,899	1,695,629	-	1,949,528
Property write-offs	-	(152,347)	(1,894)	(154,241)
Balance, December 31, 2015	18,988,841	6,287,552	-	25,276,393

FORAN MINING CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(Expressed in Canadian dollars)

7. 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 the McIlvenna 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 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%.

In October 2014, the Company completed an agreement (the "**Back-in Agreement**") with Teck Resources Limited ("**Teck**") to extinguish back-in rights held by Teck on certain of the Company's Saskatchewan properties. In consideration for the extinguishment of the back-in rights, the Company issued 1,000,000 common shares of the Company with a fair value of \$240,000 and 1,000,000 share purchase warrants with a fair value of \$82,581 to Teck, the amounts of which were capitalized to exploration and evaluation assets. Each warrant was exercisable into one common share of the Company at a price of \$0.24 per share with an expiry of October 14, 2016. The warrants expired unexercised on October 14, 2016.

In the event the Company sells or options any of the properties included in the Back-in Agreement prior to September 30, 2018, the Company will pay Teck in-kind an amount equal to 10% of the proceeds.

At December 31, 2015, the Company assessed its Other Saskatchewan Properties for impairment and recognized an impairment loss of \$152,347, determined in accordance with level 3 of the fair value hierarchy, relating to its two easternmost Other Saskatchewan Properties, Comeback Bay and Sam, which reduced their carrying values to \$Nil.

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 December 31, 2016.

At December 31, 2015, the Company assessed its Manitoba property for impairment and recognized an impairment loss of \$1,894, determined in accordance with level 3 of the fair value hierarchy, which reduced the carrying value to \$Nil.

FORAN MINING CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(Expressed in Canadian dollars)

8. 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.

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 year ended December 31, 2016, the Executive Chairman earned 317,361 DSUs (2015: 537,838) for a total value of \$48,000 (2015: \$88,000) which is recorded as salaries and benefits. At December 31, 2016, an amount of \$265,112 (December 31, 2015: \$43,027) was owed to the Executive Chairman with the liability included in deferred share units on the consolidated statement of financial position. The number of outstanding DSUs owed to the Executive Chairman at December 31, 2016 was 855,199 (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 both the DSU arrangement and fees with its independent directors. For the year ended December 31, 2016, the independent directors earned a total of Nil (2015: 257,448) DSUs for a total of \$Nil (2015: \$48,000) which is recorded as director fees.

The total number of outstanding DSUs owed to independent directors at December 31, 2016 was 193,087 (December 31, 2015: 257,448). Included in the balance at December 31, 2015 was 64,362 DSUs owed to an independent director who resigned on November 16, 2015. At December 31, 2016 an amount of \$59,857 (December 31, 2015: \$21,477) was owed to the independent directors with the liability included in deferred share units on the consolidated 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 year ended December 31, 2016, an unrealized loss of \$218,496 (2015: unrealized gain of \$71,496) was recognized on the revaluation of DSUs.

9. SHARE CAPITAL

a) Authorized

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

FORAN MINING CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(Expressed in Canadian dollars)

9. SHARE CAPITAL (continued)

b) Share issuance details

On June 30, 2016, the Company completed a non-brokered private placement of 5,882,353 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. Share issue costs totaled \$6,488, including finder's fees totaling \$95.

There were no share issuances during the year ended December 31, 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, 2014	7,050,000	0.71
Granted	975,000	0.20
Expired	(200,000)	0.40
Balance, December 31, 2015	7,825,000	0.65
Granted	2,760,000	0.11
Exercised	(225,000)	0.20
Expired	(2,575,000)	1.08
Forfeited	(670,000)	0.77
Balance, December 31, 2016	<u>7,115,000</u>	<u>0.29</u>

The following stock options were outstanding as at December 31, 2016:

Outstanding	Exercisable	Weighted average Exercise Price \$	Expiry Date	Weighted average remaining life (in years)
700,000 *	700,000	0.80	January 24, 2017	0.07
200,000	200,000	0.67	April 19, 2017	0.30
930,000	930,000	0.59	January 24, 2018	1.07
1,625,000	1,625,000	0.20	January 24, 2019	2.07
100,000	100,000	0.17	May 28, 2019	2.41
800,000	533,333	0.20	January 20, 2020	3.05
<u>2,760,000</u>	<u>920,000</u>	<u>0.11</u>	<u>March 8, 2021</u>	<u>4.19</u>
<u>7,115,000</u>	<u>5,008,333</u>	<u>0.29</u>		<u>2.63</u>

* Subsequent to December 31, 2016, the 700,000 stock options with an expiry date of January 24, 2017 expired unexercised.

FORAN MINING CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(Expressed in Canadian dollars)

9. SHARE CAPITAL (continued)

c) Stock options (continued)

The following stock options were outstanding as at December 31, 2015:

Outstanding	Exercisable	Weighted average Exercise Price \$	Expiry Date	Weighted average remaining life (in years)
1,600,000	1,600,000	1.25	February 2, 2016	0.09
400,000	400,000	1.25	February 27, 2016	0.16
500,000	500,000	0.90	April 13, 2016	0.29
900,000	900,000	0.80	January 24, 2017	1.07
200,000	200,000	0.67	April 19, 2017	1.30
1,150,000	1,150,000	0.59	January 24, 2018	2.07
2,000,000	1,333,333	0.20	January 24, 2019	3.07
100,000	66,667	0.17	May 28, 2019	3.41
975,000	325,000	0.20	January 20, 2020	4.06
<u>7,825,000</u>	<u>6,475,000</u>	<u>0.65</u>		<u>1.84</u>

d) Share-based payments

The share-based payments expense for the stock options that vested during the year ended December 31, 2016 was \$162,413 (2015: \$148,331). Of this amount, \$124,923 (2015: \$117,845) was recorded as share-based payments expense in the consolidated statement of loss and comprehensive loss and \$37,490 (2015: \$30,486) was capitalized to exploration and evaluation assets. The fair value of the stock options that vested during the years ended December 31, 2016 and 2015 was calculated using the Black-Scholes option pricing model with the following weighted average assumptions:

	2016	2015
Risk-free interest rate	0.88%	1.25%
Expected stock price volatility	75%	74%
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.

FORAN MINING CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(Expressed in Canadian dollars)

9. SHARE CAPITAL (continued)

e) Share purchase warrants

A summary of the changes in warrants is presented below:

	Number of warrants	Weighted average exercise price \$
Balance, December 31, 2014	5,037,500	0.37
Expired	<u>(4,037,500)</u>	<u>0.40</u>
Balance, December 31, 2015	1,000,000	0.24
Issued pursuant to private placement	2,941,176	0.25
Expired	<u>(1,000,000)</u>	<u>0.24</u>
Balance, December 31, 2016	<u>2,941,176</u>	<u>0.25</u>

The following warrants were outstanding as at December 31, 2016:

Outstanding	Exercisable	Exercise Price \$	Expiry Date
<u>2,941,176</u>	<u>2,941,176</u>	0.25	December 30, 2017

Subsequent to December 31, 2016, 1,567,176 warrants were exercised for proceeds of \$391,794.

The following warrants were outstanding as at December 31, 2015:

Outstanding	Exercisable	Exercise Price \$	Expiry Date
<u>1,000,000</u>	<u>1,000,000</u>	0.24	October 14, 2016

10. SUPPLEMENTAL CASH FLOW INFORMATION

The net change in non-cash operating working capital balances for the years ended December 31 consisted of the following:

	2016 \$	2015 \$
Accounts receivable	14,113	(4,939)
Prepaid expenses and deposits	4,470	9,618
Accounts payable and accrued liabilities	<u>(95,311)</u>	<u>63,076</u>
	<u>(76,728)</u>	<u>67,755</u>

During the years ended December 31, 2016 and December 31, 2015, share-based payments expense of \$37,490 and \$30,486, respectively, were capitalized to exploration and evaluation assets.

As at December 31, 2016, accounts payable and accrued liabilities included \$450 (December 31, 2015: \$6,051) of expenditures for exploration and evaluation assets.

FORAN MINING CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(Expressed in Canadian dollars)

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 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 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.

FORAN MINING CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(Expressed in Canadian dollars)

11. 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.

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, 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.

FORAN MINING CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(Expressed in Canadian dollars)

13. INCOME TAXES

Income tax expense differs from the amount that would result from applying the Canadian federal and provincial income tax rates to loss before income taxes. These differences result from the following items for the years ended December 31:

	2016	2015
	\$	\$
Loss before income taxes	(1,033,770)	(1,575,649)
Canadian federal and provincial income tax rates	27.00%	27.00%
Income tax recovery based on the above rates	(279,118)	(425,425)
Increase (decrease) due to:		
Non-deductible expenses and other permanent differences	33,876	29,951
Losses for which no tax benefit is recorded	245,242	395,474
Net income tax recovery	<u>-</u>	<u>-</u>

The components of unrecognized deferred tax assets are as follows:

	December 31, 2016	December 31, 2015
	\$	\$
Share issue costs	24,319	42,782
Exploration and evaluation assets	1,328,343	1,328,343
Plant and equipment	333,412	309,350
Capital losses and other	809,854	730,818
Non-capital losses	3,161,017	2,991,167
Unrecognized deferred tax assets	<u>5,656,945</u>	<u>5,402,460</u>

In assessing the ability to realize deferred tax assets, management considers whether it is probable that some portion or all of the deferred tax assets will be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those deferred tax assets are deductible.

FORAN MINING CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(Expressed in Canadian dollars)

13. INCOME TAXES (continued)

As at December 31, 2016, the Company had exploration and evaluation expenditures of approximately \$30,216,310, which are available to carry-forward indefinitely, and non-capital losses of approximately \$11,709,000 that expire as follows:

	\$
2025	281,000
2026	487,000
2027	2,033,000
2028	319,000
2029	350,000
2030	1,222,000
2031	1,597,000
2032	1,570,000
2033	1,366,000
2034	476,000
2035	1,374,000
2036	634,000
	<u>11,709,000</u>

14. 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 years ended December 31 was as follows:

		2016	2015
		\$	\$
Short-term benefits	1	378,211	787,499
Share-based payments expense	2	157,988	142,276
Deferred share units	3	48,000	136,000
Total		<u>584,199</u>	<u>1,065,775</u>

¹ Short-term benefits consisted of salaries and health benefits 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 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 8.

On June 21, 2016, the related company described in Notes 14a), b) and c) below was acquired by another company and as such ceased to be related effective June 22, 2016.

a) During the year ended December 31, 2016, the Company charged a company that had two directors and two officers in common \$9,000 (2015: \$12,000) for administration expenses including office rent and office operating costs, the amount of which was netted against office and administration expenses in the consolidated statement of loss and comprehensive loss.

FORAN MINING CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(Expressed in Canadian dollars)

14. RELATED PARTY TRANSACTIONS (continued)

- b) During the year ended December 31, 2016, the Company was charged \$17,508 (2015: \$38,099) for office administrator services by a company that had two directors and two officers in common, the amount of which was included in professional fees in the consolidated statement of loss and comprehensive loss. At December 31, 2016, accounts payable and accrued liabilities included an amount of \$Nil (December 31, 2015: \$2,187) for these services.
- c) During the year ended December 31, 2016, the Company charged a company that had two directors and two officers in common \$22,200 (2015: \$27,528) for CFO services, the amount of which was netted against salaries and benefits in the consolidated statement of loss and comprehensive loss. At December 31, 2016, accounts receivable included an amount of \$Nil (December 31, 2015: \$3,600) for these services.
- d) During the year ended December 31, 2016, the Company was charged \$14,176 (2015: \$8,776) by the Executive Chairman for office rent, the amount of which was included in office and administration expenses in the consolidated statement of loss and comprehensive loss. At December 31, 2016, accounts payable and accrued liabilities included an amount of \$5,399 (December 31, 2015: \$Nil) for this expense.
- e) At December 31, 2016, the Company owed a total of 1,048,286 DSUs (December 31, 2015: 795,286) fair valued at \$324,972 (December 31, 2015: \$64,504) to key management personnel, which is included in the consolidated statement of financial position.

15. 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 \$21,000 over the term of the lease agreement.