

# **FORAN MINING CORPORATION**

## **CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

**FOR THE NINE MONTH PERIOD ENDED SEPTEMBER 30, 2015**

**(Unaudited)**

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## **NOTICE OF AUDITOR REVIEW**

The accompanying unaudited condensed consolidated interim financial statements have been prepared by management and approved by the Audit & Risk Committee and Board of Directors.

The Company's independent auditors have not performed a review of these condensed consolidated interim financial statements in accordance with the standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditors.

**FORAN MINING CORPORATION**  
**CONDENSED CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION**  
(Unaudited)  
(Expressed in Canadian dollars)

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|                                                    | September 30,<br>2015 | December 31,<br>2014 |
|----------------------------------------------------|-----------------------|----------------------|
| <b>ASSETS</b>                                      | <b>\$</b>             | <b>\$</b>            |
| <b>Current</b>                                     |                       |                      |
| Cash and cash equivalents                          | 1,440,909             | 4,050,482            |
| Accounts receivable                                | 13,452                | 31,708               |
| Prepaid expenses                                   | 31,764                | 46,066               |
|                                                    | <b>1,486,125</b>      | <b>4,128,256</b>     |
| <b>Non-Current</b>                                 |                       |                      |
| Deposits                                           | 40,585                | 40,585               |
| Investments (Note 3)                               | 210,013               | 192,750              |
| Plant and equipment (Note 4)                       | 536,332               | 603,167              |
| Exploration and evaluation assets (Notes 5 and 11) | 25,150,608            | 23,502,998           |
|                                                    | <b>27,423,663</b>     | <b>28,467,756</b>    |
| <b>LIABILITIES</b>                                 |                       |                      |
| <b>Current</b>                                     |                       |                      |
| Accounts payable and accrued liabilities           | 94,082                | 144,109              |
| <b>Non-Current</b>                                 |                       |                      |
| Deferred share units (Notes 6 and 11)              | 67,198                | -                    |
|                                                    | <b>161,280</b>        | <b>144,109</b>       |
| <b>EQUITY</b>                                      |                       |                      |
| Share capital (Note 7)                             | 66,075,689            | 66,075,689           |
| Share-based payments reserve                       | 4,936,522             | 4,813,704            |
| Accumulated other comprehensive income             | 108,503               | 91,240               |
| Deficit                                            | (43,858,331)          | (42,656,986)         |
|                                                    | <b>27,262,383</b>     | <b>28,323,647</b>    |
|                                                    | <b>27,423,663</b>     | <b>28,467,756</b>    |

Approved on behalf of the Board:

"David Petroff", Director

"Darren Morcombe", Director

**FORAN MINING CORPORATION**  
**CONDENSED CONSOLIDATED INTERIM STATEMENTS OF LOSS AND COMPREHENSIVE LOSS**  
**FOR THE NINE MONTHS ENDED SEPTEMBER 30**  
(Unaudited)  
(Expressed in Canadian dollars)

|                                                                        | Three months ended<br>September 30, |                  | Nine months ended<br>September 30, |                    |
|------------------------------------------------------------------------|-------------------------------------|------------------|------------------------------------|--------------------|
|                                                                        | 2015                                | 2014             | 2015                               | 2014               |
|                                                                        | \$                                  | \$               |                                    |                    |
| <b>Expenses</b>                                                        |                                     |                  |                                    |                    |
| Depreciation                                                           | 26,816                              | 31,908           | 82,888                             | 100,073            |
| Directors' fees (Note 6)                                               | 16,000                              | -                | 48,000                             | -                  |
| Investor relations                                                     | 31,365                              | 35,469           | 158,541                            | 115,535            |
| Office and administration (Notes 11(a) and 11(d))                      | 54,294                              | 55,642           | 173,348                            | 164,337            |
| Professional fees (Note 11(b))                                         | 24,626                              | 32,166           | 73,931                             | 90,152             |
| Salaries and benefits (Notes 6 and 11)                                 | 132,112                             | 118,516          | 464,801                            | 403,732            |
| Share-based payments expense (Notes 7(d) and 11)                       | 20,193                              | 45,702           | 97,652                             | 201,708            |
| Transfer agent, regulatory and filing fees                             | 2,906                               | 1,432            | 32,070                             | 33,746             |
| Travel and accommodation                                               | 1,818                               | 3,584            | 3,021                              | 18,270             |
|                                                                        | <u>310,130</u>                      | <u>324,419</u>   | <u>1,134,252</u>                   | <u>1,127,553</u>   |
| <b>Other Items</b>                                                     |                                     |                  |                                    |                    |
| Interest income                                                        | (3,405)                             | (11,210)         | (18,953)                           | (37,994)           |
| Gain on sale of investments                                            | -                                   | -                | (9,500)                            | (23,978)           |
| Write-off of exploration and evaluation assets (Note 5)                | -                                   | -                | 152,348                            | -                  |
| Revaluation of deferred share units (Note 6)                           | (31,968)                            | -                | (56,802)                           | -                  |
|                                                                        | <u>(35,373)</u>                     | <u>(11,210)</u>  | <u>67,093</u>                      | <u>(61,972)</u>    |
| <b>Net loss for the period</b>                                         | <u>(274,757)</u>                    | <u>(313,209)</u> | <u>(1,201,345)</u>                 | <u>(1,065,581)</u> |
| <b>Other comprehensive loss</b>                                        |                                     |                  |                                    |                    |
| <b>Items that may be reclassified subsequently to profit or loss</b>   |                                     |                  |                                    |                    |
| Unrealized gain on available-for-sale investments                      | 55,516                              | 25,365           | 17,263                             | 12,845             |
| <b>Total comprehensive loss for the period</b>                         | <u>(219,241)</u>                    | <u>(287,844)</u> | <u>(1,184,082)</u>                 | <u>(1,052,736)</u> |
| <b>Basic and diluted loss per share</b>                                | \$ (0.00)                           | \$ (0.00)        | \$ (0.01)                          | \$ (0.01)          |
| <b>Basic and diluted weighted average number of shares outstanding</b> | 90,773,922                          | 83,373,922       | 90,773,922                         | 82,451,303         |

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

|                                                               | Number of<br>shares | Share<br>capital<br>\$ | Share-based<br>payments<br>reserve<br>\$ | Accumulated<br>other<br>comprehensive<br>income<br>\$ | Deficit<br>\$       | Total<br>\$       |
|---------------------------------------------------------------|---------------------|------------------------|------------------------------------------|-------------------------------------------------------|---------------------|-------------------|
| <b>Balance, December 31, 2013</b>                             | 77,198,922          | 63,172,134             | 4,439,722                                | -                                                     | (41,192,304)        | 26,419,552        |
| Net loss for the period                                       | -                   | -                      | -                                        | -                                                     | (1,065,581)         | (1,065,581)       |
| Other comprehensive loss                                      | -                   | -                      | -                                        | 12,845                                                | -                   | 12,845            |
| Private placements, net of share issuance costs               | 6,075,000           | 1,152,882              | -                                        | -                                                     | -                   | 1,152,882         |
| Shares issued pursuant to NPI purchase (Note 5(b))            | 100,000             | 18,000                 | -                                        | -                                                     | -                   | 18,000            |
| Share-based payments expense                                  | -                   | -                      | 250,219                                  | -                                                     | -                   | 250,219           |
| <b>Balance, September 30, 2014</b>                            | <b>83,373,922</b>   | <b>64,343,016</b>      | <b>4,689,941</b>                         | <b>12,845</b>                                         | <b>(42,257,885)</b> | <b>26,787,917</b> |
| Net loss for the period                                       | -                   | -                      | -                                        | -                                                     | (399,101)           | (399,101)         |
| Other comprehensive income                                    | -                   | -                      | -                                        | 78,395                                                | -                   | 78,395            |
| Private placements, net of share issuance costs               | 6,400,000           | 1,492,673              | -                                        | -                                                     | -                   | 1,492,673         |
| Shares issued pursuant to the Back-in Agreement (Note 5(b))   | 1,000,000           | 240,000                | -                                        | -                                                     | -                   | 240,000           |
| Warrants issued pursuant to the Back-in Agreement (Note 5(b)) | -                   | -                      | 82,581                                   | -                                                     | -                   | 82,581            |
| Share-based payments expense                                  | -                   | -                      | 41,182                                   | -                                                     | -                   | 41,182            |
| <b>Balance, December 31, 2014</b>                             | <b>90,773,922</b>   | <b>66,075,689</b>      | <b>4,813,704</b>                         | <b>91,240</b>                                         | <b>(42,656,986)</b> | <b>28,323,647</b> |
| Net loss for the period                                       | -                   | -                      | -                                        | -                                                     | (1,201,345)         | (1,201,345)       |
| Other comprehensive loss                                      | -                   | -                      | -                                        | 17,263                                                | -                   | 17,263            |
| Share-based payments expense                                  | -                   | -                      | 122,818                                  | -                                                     | -                   | 122,818           |
| <b>Balance, September 30, 2015</b>                            | <b>90,773,922</b>   | <b>66,075,689</b>      | <b>4,936,522</b>                         | <b>108,503</b>                                        | <b>(43,858,331)</b> | <b>27,262,383</b> |

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

(Unaudited)

(Expressed in Canadian dollars)

|                                                            | Three months ended<br>September 30, |                  | Nine months ended<br>September 30, |                    |
|------------------------------------------------------------|-------------------------------------|------------------|------------------------------------|--------------------|
|                                                            | 2015                                | 2014             | 2015                               | 2014               |
|                                                            | \$                                  | \$               | \$                                 | \$                 |
| <b>Operating Activities</b>                                |                                     |                  |                                    |                    |
| Net loss for the period                                    | (274,757)                           | (313,209)        | (1,201,345)                        | (1,065,581)        |
| Items not involving cash:                                  |                                     |                  |                                    |                    |
| Depreciation                                               | 26,816                              | 31,908           | 82,888                             | 100,073            |
| Directors' fees                                            | 16,000                              | -                | 48,000                             | -                  |
| Share-based payments expense                               | 20,193                              | 45,702           | 97,652                             | 201,708            |
| Salaries and benefits (Note 6)                             | 20,000                              | -                | 76,000                             | -                  |
| Revaluation of deferred share units (Note 6)               | (31,968)                            | -                | (56,802)                           | -                  |
| Gain on sale of investments                                | -                                   | -                | (9,500)                            | (23,978)           |
| Interest income                                            | -                                   | -                | 351                                | 583                |
| Write-off of exploration and evaluation assets             | -                                   | -                | 152,348                            | -                  |
|                                                            | (223,716)                           | (235,599)        | (810,408)                          | (787,195)          |
| Net change in non-cash working capital (Note 8)            | 28,423                              | (19,915)         | (36)                               | (43,908)           |
| <b>Cash used in operating activities</b>                   | <b>(195,293)</b>                    | <b>(255,514)</b> | <b>(810,444)</b>                   | <b>(831,103)</b>   |
| <b>Investing Activities</b>                                |                                     |                  |                                    |                    |
| Purchase of NPI (Note 5(b))                                | -                                   | -                | -                                  | (50,000)           |
| Purchase of equipment                                      | (7,053)                             | -                | (16,053)                           | -                  |
| Exploration and evaluation assets expenditures             | (113,916)                           | (267,385)        | (1,792,576)                        | (1,215,376)        |
| Proceeds on sale of investments                            | -                                   | -                | 9,500                              | 23,978             |
| <b>Cash used in investing activities</b>                   | <b>(120,969)</b>                    | <b>(267,385)</b> | <b>(1,799,129)</b>                 | <b>(1,241,398)</b> |
| <b>Financing Activities</b>                                |                                     |                  |                                    |                    |
| Issuance of shares for cash pursuant to private placements | -                                   | -                | -                                  | 1,200,000          |
| Share issue costs                                          | -                                   | -                | -                                  | (47,118)           |
| <b>Cash provided by financing activities</b>               | <b>-</b>                            | <b>-</b>         | <b>-</b>                           | <b>1,152,882</b>   |
| <b>Net decrease in cash and cash equivalents</b>           | <b>(316,262)</b>                    | <b>(522,899)</b> | <b>(2,609,573)</b>                 | <b>(919,619)</b>   |
| Cash and cash equivalents, beginning of period             | 1,757,171                           | 3,879,760        | 4,050,482                          | 4,276,480          |
| <b>Cash and cash equivalents, end of period</b>            | <b>1,440,909</b>                    | <b>3,356,861</b> | <b>1,440,909</b>                   | <b>3,356,861</b>   |
| <b>Cash and cash equivalents is comprised of:</b>          |                                     |                  |                                    |                    |
| Guaranteed Investment Certificates                         | 20,536                              | 20,000           | 20,536                             | 20,000             |
| Cash                                                       | 1,420,373                           | 3,336,861        | 1,420,373                          | 3,336,861          |
|                                                            | 1,440,909                           | 3,356,861        | 1,440,909                          | 3,356,861          |

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

**FORAN MINING CORPORATION**  
**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**  
**FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2015**

(Unaudited)

(Expressed in Canadian dollars)

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**1. NATURE AND CONTINUANCE OF OPERATIONS**

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.

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

**2. BASIS OF PREPARATION**

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

These condensed consolidated interim financial statements should be read in conjunction with the Company's audited consolidated financial statements for the year ended December 31, 2014 which include the accounting policies used in the preparation of these condensed consolidated interim financial statements.

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

The Board of Directors approved these condensed consolidated interim financial statements on November 14, 2015.

**3. INVESTMENTS**

As at June 30, 2015, the Company owned shares of two mineral exploration companies listed publicly on the Canadian Securities Exchange that were classified as available-for-sale ("**AFS**") and carried at fair market value based on quoted market prices. A summary of the changes in AFS investments is presented below:

|                                    |                       |
|------------------------------------|-----------------------|
|                                    | \$                    |
| Balance, December 31, 2014         | 192,750               |
| Unrealized gain on AFS investments | <u>17,263</u>         |
| Balance, September 30, 2015        | <u><u>210,013</u></u> |

**FORAN MINING CORPORATION**  
**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**  
**FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2015**

(Unaudited)

(Expressed in Canadian dollars)

**4. PLANT AND EQUIPMENT**

As at September 30, 2015, the Company's plant and equipment consisted of the following:

|                                 | Computer and<br>survey<br>equipment | Camp<br>Equipment | Furniture<br>and<br>fixtures | Plant   | Trailers | Vehicles | Total     |
|---------------------------------|-------------------------------------|-------------------|------------------------------|---------|----------|----------|-----------|
|                                 | \$                                  | \$                | \$                           | \$      | \$       | \$       | \$        |
| <b>Cost</b>                     |                                     |                   |                              |         |          |          |           |
| 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, September 30, 2015     | 138,894                             | 348,605           | 40,278                       | 734,656 | 22,409   | 100,613  | 1,385,455 |
| <b>Accumulated Amortization</b> |                                     |                   |                              |         |          |          |           |
| Balance, December 31, 2014      | 97,177                              | 261,980           | 25,506                       | 295,642 | 18,483   | 67,447   | 766,235   |
| Depreciation for the period     | 8,678                               | 17,086            | 2,101                        | 47,435  | 689      | 6,899    | 82,888    |
| Balance, September 30, 2015     | 105,855                             | 279,066           | 27,607                       | 343,077 | 19,172   | 74,346   | 849,123   |
| <b>Carrying Amount</b>          |                                     |                   |                              |         |          |          |           |
| Balance, December 31, 2014      | 41,717                              | 70,572            | 14,772                       | 439,014 | 3,926    | 33,166   | 603,167   |
| Balance, September 30, 2015     | 33,039                              | 69,539            | 12,671                       | 391,579 | 3,237    | 26,267   | 536,332   |

**5. EXPLORATION AND EVALUATION ASSETS**

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

|                                          | McIlvenna<br>Bay | Other<br>Saskatchewan<br>Projects | Manitoba<br>Projects | Total      |
|------------------------------------------|------------------|-----------------------------------|----------------------|------------|
|                                          | \$               | \$                                | \$                   | \$         |
| <b>Balance, December 31, 2014</b>        | 18,734,942       | 4,766,162                         | 1,894                | 23,502,998 |
| <b>Acquisition and Maintenance Costs</b> |                  |                                   |                      |            |
| License fees (refunds)                   | -                | (21,892)                          | -                    | (21,892)   |
| <b>Exploration Costs</b>                 |                  |                                   |                      |            |
| Administration                           | 50,918           | 218,679                           | -                    | 269,597    |
| Camp costs                               | 514              | 58,832                            | -                    | 59,346     |
| Consulting                               | 3,672            | 148,159                           | -                    | 151,831    |
| Geophysics                               | 135,638          | 17,125                            | -                    | 152,763    |
| Drilling and analysis                    | -                | 738,687                           | -                    | 738,687    |
| Equipment and communications             | 21,507           | 122,026                           | -                    | 143,533    |
| Fuel (rebates)                           | (14,412)         | 134,022                           | -                    | 119,610    |
| Preliminary Economic Assessment          | 5,248            | -                                 | -                    | 5,248      |
| Salaries and benefits                    | 2,671            | 132,038                           | -                    | 134,709    |
| Transportation and travel                | 17,736           | 28,790                            | -                    | 46,526     |
| <b>Total Exploration Costs</b>           | 223,492          | 1,598,358                         | -                    | 1,821,850  |
| <b>Property write-offs</b>               | -                | (152,348)                         | -                    | (152,348)  |
| <b>Balance, September 30, 2015</b>       | 18,958,434       | 6,190,280                         | 1,894                | 25,150,608 |

**FORAN MINING CORPORATION**  
**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**  
**FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2015**

(Unaudited)

(Expressed in Canadian dollars)

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**5. 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.

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.

The Company has committed, through previous mineral property ownership agreements associated with these 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%.

On January 29, 2014, the Company purchased various NPI royalties from Thundermin Resources Inc. ("**Thundermin**") on certain of the Company's Saskatchewan properties and Manitoba properties in consideration for a cash payment of \$50,000 and 100,000 common shares of the Company with a fair value of \$18,000.

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 is exercisable into one common share of the Company at a price of \$0.24 per share with an expiry of 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 (a "**Future Sale**"), the Company will pay Teck in-kind an amount equal to 20% of the proceeds from any Future Sale occurring prior to September 30, 2016 and 10% of the proceeds from any Future Sale occurring after September 30, 2016 but prior to September 30, 2018.

**c) Manitoba Properties**

The Company holds a 100% interest in one Manitoba property consisting of one claim.

**6. DEFERRED SHARE UNITS**

The Company has adopted a deferred share unit plan ("**DSU Plan**") which awards deferred share units to participants of the DSU Plan. Awards are initially charged to operations 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 period end, the liability is revalued using the market value of the Company's common shares, with the corresponding increase or decrease recorded to operations as a revaluation of deferred share units.

**FORAN MINING CORPORATION**  
**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**  
**FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2015**

(Unaudited)

(Expressed in Canadian dollars)

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**6. DEFERRED SHARE UNITS (continued)**

Upon separation from the Company, a participant will receive the cash equivalent of the fair market value of the DSUs based on the market value of the Company's common shares on the date of 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. For the three and nine month periods ended September 30, 2015, respectively, the Executive Chairman earned 162,837 and 414,505 DSUs for a total value of \$20,000 and \$76,000 which is recorded as salaries and benefits in the condensed consolidated interim statement of comprehensive loss. At September 30, 2015, an amount of \$41,451 was owed to the Executive Chairman with the liability recorded as deferred share units on the condensed consolidated statement of financial position. The number of outstanding DSUs owed to the Executive Chairman at September 30, 2015 was 414,505.

Effective January 1, 2015, the Company is compensating each of its independent directors with DSUs on a quarterly basis in an amount of \$4,000. For the three and nine month periods ended September 30, 2015, respectively, the independent directors earned a total of 124,060 and 257,448 DSUs for a total value of \$16,000 and \$48,000 which is recorded as directors' fees in the condensed consolidated interim statement of comprehensive loss. At September 30, 2015 an amount of \$25,747 was owed to the independent directors with the liability included in deferred share units on the condensed consolidated statement of financial position. The total number of outstanding DSUs owed to independent directors at September 30, 2015 was 257,448. Subsequent to period end, the Company's Board of Directors passed a resolution to suspend the DSU arrangement with its independent directors, effective October 1, 2015. The resolution did not have an impact on the Company's financial position at September 30, 2015 or its operations for the nine months then ended.

**7. SHARE CAPITAL**

**a) Authorized**

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

**b) Share issuance details**

The transactions for the issuance of share capital during the nine months ended September 30, 2014 were as follows:

- (i) On February 11, 2014, the Company completed a non-brokered private placement of 6,000,000 units of the Company (the "Units") at a price of \$0.20 per Unit for gross proceeds of \$1,200,000. Each Unit consisted of one flow-through common share and one-half of one common share purchase warrant. Each whole warrant was exercisable into one common share of the Company at a price of \$0.30 per share.

In connection with the private placement, the Company paid a total of \$46,695 in share issuance fees and issued 75,000 finder units, with each finder unit having the same terms as a Unit with the exception that the common shares were not issued on a flow-through basis.

- (ii) As described in Note 5b), on January 29, 2014, the Company issued 100,000 common shares to Thundermin pursuant to the purchase of various NPI royalties from Thundermin.

**FORAN MINING CORPORATION**  
**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**  
**FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2015**

(Unaudited)

(Expressed in Canadian dollars)

**7. SHARE CAPITAL (continued)**

**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<br>options | Weighted average<br>exercise price<br>\$ |
|-----------------------------|----------------------|------------------------------------------|
| Balance, December 31, 2014  | 7,050,000            | 0.71                                     |
| Granted                     | 975,000              | 0.20                                     |
| Expired                     | (200,000)            | 0.40                                     |
| Balance, September 30, 2015 | 7,825,000            | 0.65                                     |

The following stock options were outstanding as at September 30, 2015:

| Outstanding      | Exercisable      | Weighted average<br>Exercise Price<br>\$ | Expiry Date       | Weighted average<br>remaining life<br>(in years) |
|------------------|------------------|------------------------------------------|-------------------|--------------------------------------------------|
| 1,600,000        | 1,600,000        | 1.25                                     | February 2, 2016  | 0.34                                             |
| 400,000          | 400,000          | 1.25                                     | February 27, 2016 | 0.41                                             |
| 500,000          | 500,000          | 0.90                                     | April 13, 2016    | 0.54                                             |
| 900,000          | 900,000          | 0.80                                     | January 24, 2017  | 1.32                                             |
| 200,000          | 200,000          | 0.67                                     | April 19, 2017    | 1.55                                             |
| 1,150,000        | 1,150,000        | 0.59                                     | January 24, 2018  | 2.32                                             |
| 2,000,000        | 1,333,333        | 0.20                                     | January 24, 2019  | 3.32                                             |
| 100,000          | 66,667           | 0.17                                     | May 28, 2019      | 3.66                                             |
| 975,000          | 325,000          | 0.20                                     | January 20, 2020  | 4.31                                             |
| <u>7,825,000</u> | <u>6,475,000</u> | <u>0.65</u>                              |                   | <u>2.09</u>                                      |

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**7. SHARE CAPITAL (continued)**

**d) Share-based payments**

The share-based payments expense for the stock options that vested during the nine months ended September 30, 2015 was \$122,818 (2014: \$250,219). Of this amount, \$97,652 (2014: \$201,708) was recorded as share-based payments expense in the condensed consolidated interim statement of loss and comprehensive loss and \$25,166 (2014: \$48,511) was capitalized to exploration and evaluation assets. The fair value of the stock options that vested during the nine month periods ended September 30, 2015 and September 30, 2014 was calculated using the following weighted average assumptions:

|                                 | 2015  | 2014  |
|---------------------------------|-------|-------|
| Risk-free interest rate         | 1.18% | 1.46% |
| Expected stock price volatility | 74%   | 74%   |
| Expected dividend yield         | 0.0%  | 0.0%  |
| Expected option life in years   | 5.0   | 5.0   |

**e) Share purchase warrants**

The fair value of these options was determined on the date of the grant using the Black-Scholes option pricing model. Option pricing models require the input of highly subjective assumptions including the expected price volatility. Changes in the subjective input assumptions can materially affect the fair value estimate.

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                     | (3,037,500)        | 0.30                            |
| Balance, September 30, 2015 | 2,000,000          | 0.47                            |

The following warrants were outstanding as at September 30, 2015:

| Outstanding | Exercisable | Exercise Price | Expiry Date       |
|-------------|-------------|----------------|-------------------|
|             |             | \$             |                   |
| 1,000,000   | 750,000     | 0.70           | December 22, 2015 |
| 1,000,000   | 1,000,000   | 0.24           | October 14, 2016  |
| 2,000,000   | 1,750,000   |                |                   |

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**8. SUPPLEMENTAL CASH FLOW INFORMATION**

The net change in non-cash operating working capital balances consisted of the following:

|                                          | Three months ended<br>September 30, |          | Nine months ended<br>September 30, |          |
|------------------------------------------|-------------------------------------|----------|------------------------------------|----------|
|                                          | 2015                                | 2014     | 2015                               | 2014     |
|                                          | \$                                  | \$       | \$                                 | \$       |
| Accounts receivable                      | 9,666                               | 18,762   | 17,905                             | 7,317    |
| Prepaid expenses                         | 15,717                              | (57,158) | 14,302                             | (35,383) |
| Accounts payable and accrued liabilities | 3,040                               | 18,481   | (32,243)                           | (15,842) |
|                                          | 28,423                              | (19,915) | (36)                               | (43,908) |

During the nine months ended September 30, 2015 and September 30, 2014, share-based payments expense of \$25,166 and \$48,511, respectively, were capitalized to exploration and evaluation assets.

As at September 30, 2015, accounts payable and accrued liabilities included \$48,766 (December 31, 2014: \$66,550) of expenditures for exploration and evaluation assets.

The non-cash transaction for the nine months ended September 30, 2014 consisted of the Company issuing 100,000 common shares valued at \$18,000 to Thundermin as part of the purchase of various NPI royalties from Thundermin.

**9. FINANCIAL INSTRUMENTS**

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

**a) Fair value of financial instruments**

The fair value hierarchy established by IFRS 7 *Financial Instruments: Disclosures* has three levels to classify the inputs to valuation techniques used to measure fair value described as follows:

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

The fair values of the Company's accounts receivable and accounts payable and accrued liabilities are equivalent to their carrying values due to their short-term nature. AFS financial instruments are comprised of marketable securities, which are valued using Level 1 measurements.

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**9. FINANCIAL INSTRUMENTS (continued)**

**b) Credit risk**

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

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

**c) Liquidity risk**

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company has in place a planning and budgeting process to determine the funds required to support the Company's operating requirements as well as its planned capital expenditures. The Company manages its financial resources to ensure there is sufficient working capital to fund near term planned exploration work and operating expenditures. The Company has considerable discretion to reduce or increase plans or budgets depending on current or projected liquidity. When appropriate, the Company will seek joint venture partners in order to fund or share the funding of its exploration properties to minimize shareholder risk. As at September 30, 2015, the Company had sufficient cash to meet its obligations related to accounts payable and accrued liabilities and required administrative and property expenditures over the next twelve months.

**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.

**(ii) Foreign currency risk**

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

**(iii) Other price risk**

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

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**10. CAPITAL MANAGEMENT**

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern, so that it can provide returns for shareholders and benefits for other stakeholders. The Company's strategy remains unchanged from the year ended December 31, 2014.

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

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

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

The Company is not subject to externally imposed capital requirements.

**11. RELATED PARTY TRANSACTIONS**

*Key management compensation*

Key management personnel at the Company are the directors and officers of the Company.

The remuneration of key management personnel for the three and nine months ended September 30, 2015 and September 30, 2014 was as follows:

|                              |   | Three months ended<br>September 30, |         | Nine months ended<br>September 30, |         |
|------------------------------|---|-------------------------------------|---------|------------------------------------|---------|
|                              |   | 2015                                | 2014    | 2015                               | 2014    |
|                              |   | \$                                  | \$      | \$                                 | \$      |
| Short-term benefits          | 1 | 185,163                             | 184,537 | 605,302                            | 553,665 |
| Share-based payments expense | 2 | 24,646                              | 51,476  | 117,630                            | 239,451 |
| Deferred share units         | 3 | 36,000                              | -       | 124,000                            | -       |
| Total                        |   | 245,809                             | 236,013 | 846,932                            | 793,116 |

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

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

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

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

- a) During the nine months ended September 30, 2015, the Company charged a company that has two directors and two officers in common \$9,000 (2014: \$22,500) for administration expenses including office rent and office operating costs, the amount of which was netted against office and administration expenses in the condensed consolidated interim statement of loss and comprehensive loss.
- b) During the nine months ended September 30, 2015, the Company was charged \$29,429 (2014: \$17,416) for office administrator services by a company that has two directors and two officers in common, the amount of which was included in professional fees in the condensed consolidated interim statement of loss and comprehensive loss. At September 30, 2015, accounts payable and accrued liabilities included an amount of \$4,068 (December 31, 2014: \$3,432) for these services.
- c) During the nine months ended September 30, 2015, the Company charged a company that has two directors and two officers in common \$19,128 (2014: \$14,700) for CFO services, the amount of which was netted against salaries and benefits in the condensed consolidated interim statement of loss and comprehensive loss. At September 30, 2015, accounts receivable included an amount of \$2,400 (December 31, 2014: \$1,764) for these services.
- d) During the nine months ended September 30, 2015, the Company was charged \$8,776 (2014: \$Nil) by the Executive Chairman for office rent, the amount of which was included in office and administration expenses in the condensed consolidated interim statement of loss and comprehensive loss.
- e) At September 30, 2015, the Company owed a total of 671,953 DSUs (December 31, 2014: Nil) valued at \$67,198 (December 31, 2014: \$Nil) to key management personnel, which is included in the condensed consolidated interim statement of financial position.

**12. COMMITMENT**

In March 2011, the Company entered into a five year office lease agreement, which commenced July 1, 2011 and ends June 30, 2016.

Future minimum lease payments over the remaining term of the lease agreement are estimated to be as follows:

|      |           |
|------|-----------|
| 2015 | \$ 27,399 |
| 2016 | \$ 27,399 |