# MANAGEMENT'S DISCUSSION AND ANALYSIS
# FOR THE THREE MONTHS ENDED MARCH 31, 2020

The following Management's Discussion and Analysis ("**MD&A**") of Foran Mining Corporation ("**Foran**" or the "**Company**") is for the three months ended March 31, 2020 and covers information up to the date of this MD&A.

This MD&A is dated **May 27, 2020.**

This MD&A should be read in conjunction with the Company's condensed consolidated interim financial statements and the notes thereto for the three months ended March 31, 2020, which have been prepared in accordance with International Financial Reporting Standards ("**IFRS**") as issued by the International Accounting Standards ("**IAS**") Board.

This MD&A may contain forward-looking statements that reflect Management's current expectations with regards to future events. By their nature, these statements involve risk and uncertainties, many of which are beyond the Company's control. Actual results may differ materially from those expressed in such forward-looking statements. Readers are cautioned not to place undue reliance on these statements. The Company disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

All amounts are stated in Canadian dollars unless otherwise indicated.

Additional information regarding the Company, including copies of the Company's continuous disclosure materials is available through the System for Electronic Document Analysis and Retrieval ("**SEDAR**") website at www.sedar.com or on the Company's website at www.foranmining.com.

## NATURE OF BUSINESS

The Company was originally incorporated under the laws of British Columbia ("**BC**") on June 21, 1989. The Company is a reporting issuer in BC, Alberta, Ontario, New Brunswick, Nova Scotia and Newfoundland and Labrador. The Company's common shares are traded on the TSX Venture Exchange under the symbol "FOM". The Company's principal business activity is the acquisition, exploration and development of mineral properties with the objective of discovering mineral reserves and the development of an operating mine. The Company's flagship property is its 100% owned McIlvenna Bay Property in Saskatchewan, Canada, 65 kilometres ("**km**") west of Flin Flon, Manitoba.

To date the Company has not generated any revenues.

## HIGHLIGHTS AND KEY DEVELOPMENTS (to the date of this report)

- On March 12, 2020, Foran announced positive Pre-Feasibility Study ("**PFS**") results of the McIlvenna Bay project (the "**Project**"). The results include a $219 Million ("**M**") pre-tax net present value ("**NPV**") using a 7.5% discount rate ($147M after-tax) and an internal rate of return ("**IRR**") of 23.4% (19.2% after-tax) using 3 year trailing average metal prices of US$1.26 per pound ("**lb**") zinc ("**Zn**"), US$2.82/lb copper ("**Cu**"), US$1,312/ounce ("**oz**") gold ("**Au**") and US$16.30/oz silver ("**Ag**"), foreign exchange rate CAD:USD $1.30 / USD:CAD $0.77. See Page 4 for more details;

**HIGHLIGHTS AND KEY DEVELOPMENTS** (to the date of this report) (continued)

- Foran believes that this PFS, and the economics presented herein, could allow McIlvenna Bay to be fast-tracked to feasibility and an eventual production decision. Several opportunities exist to improve project margins which will be investigated during feasibility work, including:

    - refinement of the mine cut-off value to extend mine life with incremental economic material;
    - further refinement of the metallurgical program;
    - extend the use of BEVs to load-haul-dump (LHD) fleet;
    - cost savings from use of mine waste as backfill in secondary transverse stopes (currently all paste fill); and
    - large inferred resource remains which may be converted into additional reserves with further drilling to extend mine life;

- Between January 1, 2020 and the date of this report, insiders, employees and consultants exercised a total of 2,115,000 stock options with a weighted average exercise price of $0.13 for total proceeds of $284,850 with insiders selling no resulting shares;

- On April 3, 2020, the Company granted a total of 1,520,000 incentive stock options to Directors, Officers and Consultants of the Company. Each stock option will allow the holder to purchase one common share of Foran at a price of $0.09 per share subject to certain vesting requirements, with an expiry of April 3, 2025;

- On April 28, 2020, the Company filed the independent National Instrument ("**NI**") 43-101 – Standards of Disclosure for Mineral Projects technical report (the "Report") for the PFS on the Project. Management believes the PFS demonstrates that McIlvenna Bay is poised to be the centre of operations for a new mining camp. The Report, effective March 12, 2020, was prepared by AGP Mining Consultants Inc., as principal consultant, and is titled "*NI 43-101 Technical Report, Pre-Feasibility Study for the McIlvenna Bay Project*" and is available at the Company's website www.foranmining.com or under the Company's profile on SEDAR at www.sedar.com;

- On April 29, 2020, the Company completed a non-brokered private placement issuing 7,100,000 units at a price of $0.10 per unit for gross proceeds of $710,000. Each unit consisted of one common share of the Company and one half of one common share purchase warrant. Each whole warrant entitles the holder to acquire one common share of the Company at a price of $0.15 with an expiration date of April 29, 2023; and

- On May 20, 2020, the Company announced the resignation of Mr. Mario Grossi from the Company's Board of Directors (the "**Board**"). Due to the challenges associated with the ongoing global health crisis (COVID-19), Mr. Grossi, as President of Technica Mining, felt it was necessary to resign from Foran's Board in order to devote his time and attention to Technica. Mr. Grossi has agreed to join Foran's Technical Committee and will continue to offer his expertise in mining and construction to the Company.

## McIlvenna Bay PFS

Highlights from the PFS are as follows:

### Economics

- $219M pre-tax NPV using a 7.5% discount rate ($147M after-tax) and an IRR of 23.4% (19.2% after-tax) using 3 year trailing average metal prices of US$1.26/lb Zn, US$2.82/lb Cu, US$1,312/oz Au and US$16.30/oz Ag, foreign exchange rate CAD:USD $1.30 / USD:CAD $0.77 (see Table 1 on Pages 4 and 5).
- Cash cost of US$0.41/lb Zn or US$0.44/lb Cu (net of by-product credits).
    - Cash cost includes mine cash operating costs (including sustaining capital), smelting and refining charges, royalties and transportation costs.
- Pre-production capital cost of $261.3M and Life of Mine ("**LOM**") sustaining capital cost of $338.6M.
- Average LOM net smelter return ("**NSR**") value of US$127.93 per tonne of ore mined.
- After-tax free cash flow of over $626M ($365M net of pre-production capital).
- Overall average operating cost of $69.48 per tonne:
    - In addition, LOM sustaining capital of $29.86 per tonne (calculated from total LOM sustaining capital of $338.6M).

### Reserves & Resources

- A Probable Mineral Reserve of 11.34 million tonnes ("**Mt**") at 4.01% Zn, 1.14% Cu, 0.54 grams per tonne ("**g/t**") Au and 20.97 g/t Ag, derived using a USD$100/t NSR cut-off (see Table 4 on Page 9).
- Probable Reserves are contained within Indicated Resources outlined in the 2019 Mineral Resource Estimate (using a US$60/t NSR cut-off) (see Table 6 on Page 17):
    - Indicated resources of 22.95Mt
        - Grading 1.17% Cu, 3.05% Zn, 0.44 g/t Au and 16.68 g/t Ag
    - Inferred resources of 11.15Mt
        - Grading 1.38% Cu, 1.83% Zn, 0.10 % lead, 0.47 g/t Au and 14.81 g/t Ag
    - Resources and reserves are open for expansion.

### Mining & Processing

- Life-of-mine concentrate production containing over 800M lbs Zn, over 250M lbs Cu, over 155,000 oz Au and approximately 4.4 M oz Ag.
- Average annual production of 89.2M lbs Zn, 27.9M lbs Cu, 17,312 oz Au and 492,667 oz Ag.
- Underground mine with 9-year life, employing a combination of longitudinal longhole retreat ("**Avoca**") and sub-level transverse stoping methods to mine at a nominal rate of 3,600 tonnes per day ("**tpd**").
- Metallurgical testwork yielded robust metallurgical performance, with recoveries of 80% Zn, 88.2% Cu, 79.1% Au and 58.0% Ag into separate high-grade zinc and copper flotation concentrates.
- Low carbon footprint mining project:
    - Powered by existing hydroelectric power
    - Haulage of ore to surface using Battery Electric Vehicles ("**BEVs**")
    - Efficient ore haulage from deeper levels using vertical ore conveying technology

**McIlvenna Bay PFS** (continued)

### Surface Infrastructure

- Modern on-site processing facilities, including conventional crushing, grinding, flotation and dewatering units.
- Cemented paste backfill plant.
- On-site 5.6Mt capacity filter tailing ("**dry stack**") storage impoundment.

### Project Description

McIlvenna Bay is a large polymetallic VMS deposit containing zinc, copper, lead, gold and silver which has been defined by 239 diamond drill holes and over 115,000 metres ("**m**") of diamond drilling. The bulk of the resource is contained in two contiguous lenses consisting of a large zinc +/- copper-rich massive sulphide lens and the underlying Copper Stockwork Zone ("**CSZ**") which represents a copper-rich feeder zone to the massive sulphide. These two lenses form a coherent mineralized body that averages 17.6m in thickness and plunges over 2,000m from surface, where it remains open for further expansion. Production will initially focus on mining the high value massive sulphide material with incremental production coming from the CSZ as metal prices allow.

Project economics are summarized in Table 1 below.

**Table 1: Summary of McIlvenna Bay PFS Economic Metrics[1-4]**

| | |
|---|---|
| **Pre-Tax NPV** (7.5%) & IRR [3] | NPV: $218.6M<br>IRR: 23.4% |
| **After-Tax NPV** (7.5%) & IRR [1][3] | NPV: $147.1M<br>IRR: 19.2% |
| **Undiscounted After-Tax Free Cash Flow** (Life of Mine – "LOM")<br>(Before pre-production capital deductions) | $626 M |
| **Undiscounted After-Tax Free Cash Flow (LOM)**<br>(Net of pre-production capital) | $365.4 M |
| **Payback Period from start of processing**<br>(undiscounted, after-tax cash flow) [3] | 3.8 years |
| **Metal Prices** [2]<br>(3 Year Trailing Average, CAD and USD) | $1.67/lb Zn (US$1.26/lb)<br>$3.66/lb Cu (US$2.82/lb)<br>$1,704/oz Au (US$1,312/oz)<br>$21.17/oz Ag (US$16.30/oz) |
| **Foreign Exchange Rate** | CAD:USD - $1.30<br>USD:CAD - $0.77 |
| **Pre-Production Capital Expenditures** (rounded) | $261.3 M |
| **LOM Sustaining Capital Expenditures** (including closure) [3] | $338.6 M |

**McIlvenna Bay PFS** (continued)

**Project Description** (continued)

**Table 1: Summary of McIlvenna Bay PFS Economic Metrics[1-4]** (continued)

| | |
|---|---|
| **LOM Average NSR value per tonne** | US$127.93 |
| **LOM Cash Cost** (for either Zn or Cu)**:**<br>(per lb Zinc) (net of by-products) [3][4] **or**<br>(per lb Copper) (net of by-products) [3][4] | <br>US$0.41<br>US$0.44 |
| **Nominal Throughput** (tonnes per day) | 3,600 |
| **Mine Life** | 9 years |
| **Average Annual Metal Production (Y1-9)** | 89.17 M lb Zn<br>27.88 M lb Cu<br>17,312 oz Au<br>492,667 oz Ag |
| **LOM Average Metallurgical Recoveries**<br>(Massive sulphide & CSZ blended) | 80.0% Zn<br>88.2% Cu<br>79.1% Au<br>58.0% Ag |

[1] All figures reported in 2020 Canadian dollars, and where applicable, using the 3-year trailing average foreign exchange rate of $0.77 USD:CAD ($1.30 CAD:USD).
[2] 3 year trailing average metal prices to January 20, 2020.
[3] Please see "Non-IFRS Financial Measures" at the end of this news release for a discussion of these measures.
[4] McIlvenna Bay gross revenues are derived from the production of zinc (48%), copper (38%), gold (11%) and silver (4%).

The Project, as envisaged by the PFS, is a conventional ramp-access underground mine producing zinc/copper ore at a nominal rate of 3,600 tpd. The mine will utilize modern technology (BEV haul trucks and a vertical conveyor) to bring ore to surface as feed for an on-site processing plant of equivalent capacity. Process plant tailings will be de-sulphurized, filtered and either used for cemented backfill or deposited on a small (5-6 Mt) dry stack tailings facility. Concentrate from the process plant would be shipped offsite via Flin Flon to copper and zinc smelters.

The underground mine design focuses on rapid development and access to high grade stopes utilizing a combination of Avoca and sub-level transverse stoping methods to extract the ore. The operation will utilize a fleet of 50-t BEV haul trucks to bring ore to the surface along the ramp for the first three years of production, followed by the installation of vertical conveyor technology to move ore to the surface from the deeper parts of the mine. Mineable reserves were calculated using a US$100/t NSR cut-off which focuses initial mining on the higher value massive sulphide blocks within the resource. Current probable reserves for the deposit sit at 11.34Mt (inclusive of mining dilution) grading 4.01% Zn, 1.14% Cu, 0.54 g/t Au and 20.97 g/t Ag. Based on the 2019 resource estimate, the current mine plan captures most of the material available in the deposit above the US$100/t NSR cut-off value.

**McIlvenna Bay PFS** (continued)

**Project Description** (continued)

The McIlvenna Bay processing plant utilizes a conventional mineral processing circuit with crushing, ball milling and sequential selective sulphide flotation to produce clean copper and zinc concentrates which will be readily saleable to smelters worldwide. Metallurgical testwork and modelling was advanced in 2019 and this highlighted the ability of massive sulphide and CSZ mineralization to be co-processed as a blended feed to the mill. A program of variability testwork helped to develop head grade vs. recovery relationships for the PFS, and these have been applied to the mine production schedule to define robust concentrate production profiles. Since metallurgical testing commenced in 2012, samples have displayed solid metallurgical characteristics and life of mine average zinc and copper recoveries of 80.0% and 88.2% respectively have been determined for the PFS. Separate zinc and copper flotation concentrates with grades of 54.7% Zn and 26.8% Cu respectively are indicated, and the copper concentrate also carries by-product credits for gold and silver (with recoveries of 79.1% and 58.0% respectively).

On-site infrastructure will include offices, workshops, mine dry, water treatment facilities, fuel storage areas and a paste plant. An overhead powerline will supply hydropower to the project from Pelican Narrows, some 65km north of the project site.

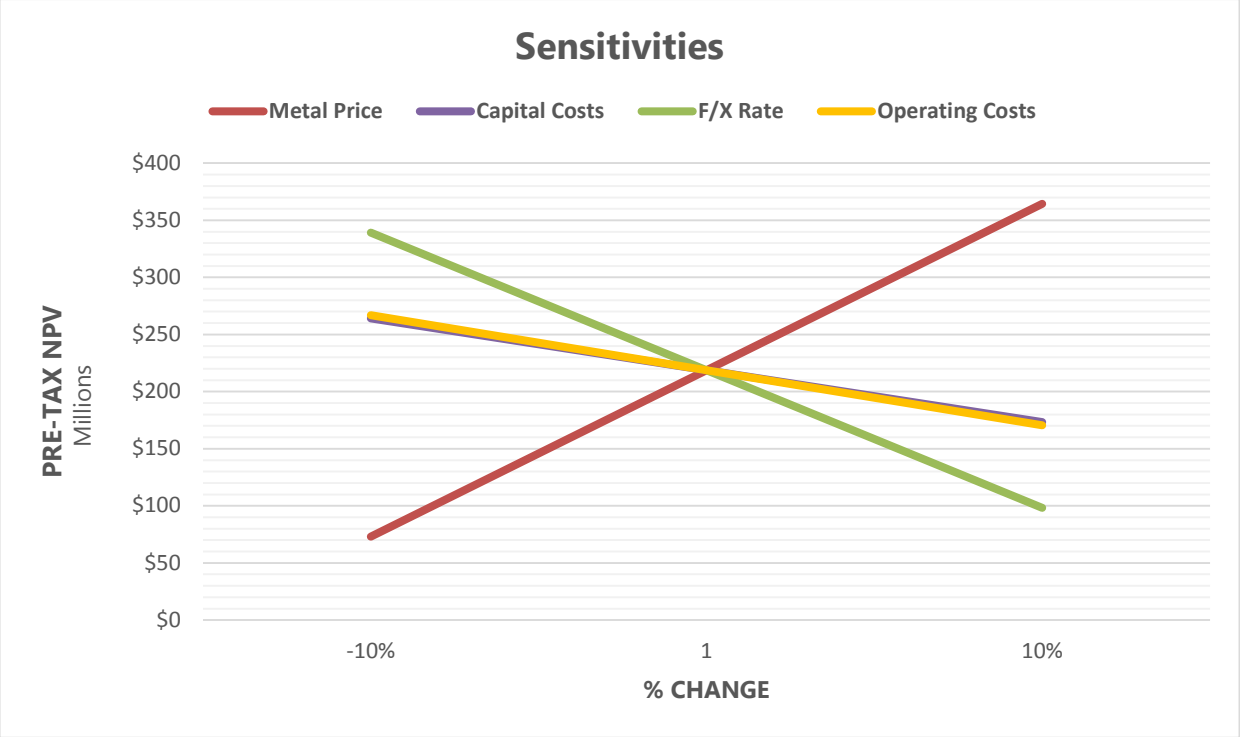
In order to advance the Project to a definitive feasibility study level, further detailed engineering and cost optimization must be undertaken for the on-site processing facilities and the dry stack tailings impoundment. This work is planned to start in earnest along with further optimization of the mine plan and cut-off grade calculations which are expected to provide additional upside for the Project.

**McIlvenna Bay PFS** (continued)

## Economic Sensitivity to Metal Prices

A discounted cash flow ("**DCF**") calculation was tabulated for the Project, based on the various PFS cost and revenue inputs. The DCF was developed using 3-year trailing average prices (in USD) for Zn ($1.26/lb), Cu ($2.82/lb), Au ($1,312/oz) and Ag ($16.30/oz). Figure 1 below illustrates the sensitivity of the estimated pre-tax NPV for the cash flow generated at McIlvenna Bay related to changes in metals prices and cost inputs at the 7.5% discount rate.

**Figure 1: Sensitivities (Pre-tax)**
Sensitivity to +/- 10 % change in metal prices, capital costs, operating costs and foreign exchange is modeled below:



**McIlvenna Bay PFS** (continued)

## Capital and Operating Cost Estimates

Capital costs were prepared using information from a variety of sources, including derivation from first principles, equipment quotes, and factoring from other costs within the PFS. Capital costs are split into pre-production costs and sustaining costs and estimated to an accuracy of +/- 25%.

**Table 2: Capital Cost Summary**

| Estimated Capital Cost | CAPEX, CAD millions | | |
|---|---|---|---|
| | Pre-Production | Sustaining | Total |
| Mine | 72.7 | 273.9 | 346.6 |
| Mill | 100.6 | 7.2 | 107.8 |
| Infrastructure | 50.8 | 0.0 | 50.8 |
| G&A | 0.7 | 0.0 | 0.7 |
| Tailings | 5.9 | 11.8 | 17.6 |
| Closure | 0.0 | 6.4 | 6.4 |
| **Sub-total** | **230.7** | **299.3** | **530.0** |
| Contingency | 30.6 | 39.3 | 70.0 |
| **Total** | **261.3** | **338.6** | **600.0** |

* All figures are rounded to reflect the relative accuracy of the estimate. Totals may not sum due to rounding as required by reporting guidelines

**Table 3: Operating Cost Summary**

| Operating Costs | (CAD/t processed) |
|---|---|
| Mining | $41.19 |
| Milling | $19.55 |
| Infrastructure | $2.82 |
| G&A | $4.13 |
| Tailings | $1.78 |
| **Subtotal** | **$69.48** |
| Sustaining Costs (Capitalized)* | $29.86 |
| **Total** | **$99.34** |

*Sustaining capital costs per tonne calculated from total sustaining costs outlined in Table 2.

## McIlvenna Bay PFS (continued)

### Mineral Reserve Statement

The Mineral Reserve Statement for McIlvenna Bay is based on the Mineral Resource Estimate with an effective date of May 7, 2019 and described in this MD&A below (see news release titled *"Foran Announces Significant Increase in Resources for McIlvenna Bay Deposit*" dated May 28, 2019 and available under the Company's profile on SEDAR and on the Company website). The Mineral Resources are inclusive of Mineral Reserves.

**Table 4: Mineral Reserve Statement** (@ US$100/t NSR cut-off)

| | Probable Tonnes | Grade | | | |
|---|---|---|---|---|---|
| | | Zn (%) | Cu (%) | Au (g/t) | Ag (g/t) |
| Massive Sulphide | 7,773,176 | 5.71 | 0.88 | 0.51 | 25.24 |
| Copper Stockwork Zone | 3,566,067 | 0.31 | 1.70 | 0.60 | 11.65 |
| **Total** | **11,339,243** | **4.01** | **1.14** | **0.54** | **20.97** |

Notes:

1. Mineral Reserves have an effective date of February 17, 2020. The Qualified Person for the estimate is Denis Flood, P.Eng.
2. The Mineral Reserves were estimated in accordance with the CIM Definition Standards for Mineral Resources and Reserves
3. The Mineral Reserves are supported by a mine plan, based on a preliminary cut off NSR value calculation. Inputs to that value calculation are:
    - Metal prices of Zn US$1.25/lb, Cu US$3.30/lb, Au US$1310/oz and Ag US$16.20/oz
    - Average operating cost of C$100/t
    - Recoveries of 81.1% Zn; 88.8% Cu:69.7% Au; and 56.8% Ag
4. The Mineral Reserve Estimate incorporates a mining recovery of 95% and dilution of 10% globally.
5. All figures are rounded to reflect the relative accuracy of the estimate. Totals may not sum due to rounding as required by reporting guidelines.

### Mining & Processing

McIlvenna Bay will be mined using a combination of sub-level transverse stoping and Avoca producing 78% and 19% of the total ore respectively (with the balance to be produced from development). Sub-level intervals of 30m were used in the PFS design with panel widths of 20m. Ore will be drilled and blasted using conventional top hammer production drills and mucked with diesel LHD. In years 1-3, ore would be hauled to surface using 50t capacity BEVs, and tipped into the surface crushing plant feed bin. As underground ramp development passes the 0m level (about 400m below surface), an underground crushing station together with a vertical conveyor system (similar to that installed in 2017 at the Fresnillo Mine, Zacatecas, Mexico) will be commissioned to supplement the truck haulage. Production stopes will be backfilled using a combination of paste fill and development waste. Production is calculated at a nominal rate of 3,600 tpd over the 9-year mine life.

The material handling strategy represents a significant reduction in capital and operating costs over conventional diesel trucks due to the reduced ventilation requirements, which results in a reduction in the excavation of ventilation raises, reduced energy consumption and reduced fan sizes.

**McIlvenna Bay PFS** (continued)

**Mining & Processing** (continued)

Regardless of primary crushing location, all coarse crushed ore would be stockpiled ahead of secondary surface crushing equipment and fine ore storage facilities. The fine ore would be fed into a two-stage ball milling circuit to reduce the particle size to 80% -75 microns prior to a sequential selective flotation process. Regrinding of zinc and copper rougher concentrates would be completed using high intensity grinding mills prior to multi-stage clear flotation. Separate zinc and copper concentrates would be dewatered using thickening and pressure filtration to form final saleable products.

Zinc flotation tailing slurry would be directed through a simple sulphur reduction flotation process designed to reduce the grade of sulphur in material destined for the dry stack tailings impoundment. The small volume of sulphur concentrate would be directed to the paste plant for incorporation into cemented paste fill material used underground.

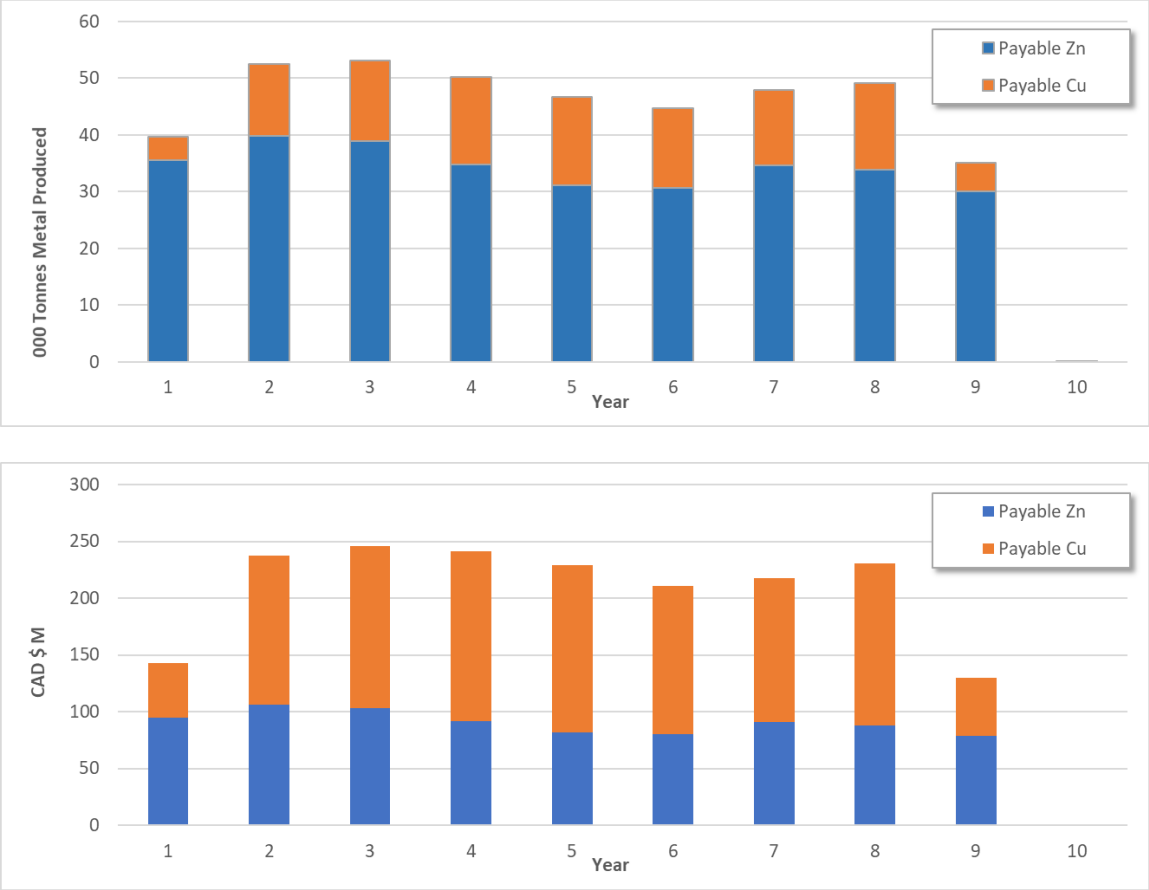
Approximately half of tailings generated by the process plant would be used as paste backfill, with the remainder trucked to a dry stack tailings storage area – located on ground previously used as a sand quarry.

**McIlvenna Bay PFS** (continued)

**Mining & Processing** (continued)

**Figure 2: Production Schedule**

The proposed PFS payable metal production & net revenue profiles are shown in the figures below:




Note: there is a small amount of production in year 10. For the purposes of this news release, all annual production numbers have been calculated based on production for years 1 – 9.

**McIlvenna Bay PFS** (continued)

## Metallurgy

Metallurgical testing of McIlvenna Bay samples began in 2012, and several subsequent programs have incrementally advanced the quality of metallurgical predictions. The most recent metallurgical testwork program, carried out at Base Metallurgical Laboratories Ltd in Kamloops, tested three master composite samples, fifteen variability composites, and four blend composites. Samples were submitted for mineralogy, comminution tests, open and locked cycle flotation test, dewatering tests and environmental characterization tests.

The sample selection procedures carried out in support of the 2019 program used larger masses of sample, including significant use of core drilled during the 2018 summer exploration program. The samples are considered to be representative of projected mine production in terms of grade and spatial coverage within the current resource.

Flowsheet development continued using the three master composites (zinc-rich massive sulphide, copper-rich massive sulphide and copper stockwork) in a program of open circuit and locked cycle lab tests. Various reagent recipes, flowsheet configurations and grinding targets (primary ore and rougher concentrates) were also tested to advance the understanding of metallurgical response. A variability program tested fifteen composites with a wide range of grades and metal ratios. The results from this program, together with historical lab test results and 2019 master composite results were used to support the development of various grade vs. recovery relationships suitable for PFS level NSR modelling.

Importantly, the 2019 work showed that the processing of several different blends of massive sulphide and CSZ material through the baseline flowsheet had no significant detrimental effects on metallurgical performance. The work shows that the conventional mill/flotation flowsheet proposed for McIlvenna Bay will be able to accept blended feed from the mine, allowing significant simplification of the mining operation.

The McIlvenna Bay deposit contains relatively low levels of lead on average, so current process designs make no attempt to separate lead from the copper concentrate. However, the 2019 metallurgical program did highlight the importance of the copper/lead ratio in the plant feed stream, with ratios below 1.5 noted to be quite detrimental to metallurgical performance. Modern online grade monitoring equipment has been included in the process flowsheet so that operators may measure and control this parameter prior to entering the plant. This refinement in metallurgical understanding helps engineers to fine-tune the process thereby mitigating process risk.

**McIlvenna Bay PFS** (continued)

**Metallurgy** (continued)

Average metallurgical performance for the PFS flotation process is summarized in Table 5 below:

**Table 5: Metallurgical Performance Summary**

| **Metallurgical Recovery (LOM Average)** | | **Copper** | **Zinc** | **Gold** | **Silver** |
|---|---|---|---|---|---|
| Massive Sulphide Recovery | % | 80.9 | 81.8 | 68.8 | 53.7 |
| CSZ Recovery | % | 96.2 | 10.0 | 97.5 | 78.5 |
| Blended Recovery | % | **88.2** | **80.0** | **79.1** | **58.0** |
| **Concentrate Grades (LOM Average)** | | **Copper (%)** | **Zinc (%)** | **Gold (g/t)** | **Silver (g/t)** |
| Copper Concentrate | | **26.8** | | 11.5 | 326 |
| Zinc Concentrate | | | **54.7** | | |

## Infrastructure

In late 2018, Foran set out to complete a feasibility study to provide advanced definition of the Project. The original project scope included off-site toll processing using existing facilities at Hudbay Minerals Inc.'s ("**Hudbay**") 777 complex in Flin Flon. As the feasibility study work advanced during 2019, it became clear that the cost of toll milling in Flin Flon and the related costs of tailings storage would create disproportionate commercial and environmental risks while decreasing the economic viability of the Project.

On-site processing requires additional pre-production capital but lowers operating costs, provides independence to the operations and enhanced developmental flexibility to construct a long-lived mine at McIlvenna Bay. In addition, mining efficiencies are improved by utilizing tailings for paste fill rock support, and potential environmental impacts are significantly reduced. In addition, in this economic environment, fixed price construction contracts are available, allowing greater control over capital expenditures.

**McIlvenna Bay PFS** (continued)

**Infrastructure** (continued)

Site infrastructure considers the following:

- **Water Supply:** The majority of water that will need to be managed at the site will arise from the dewatering of underground workings, followed by surface run off around site during major precipitation events. Water collected around site will be treated through an effluent treatment plant and recycled where possible to processing facilities and to underground equipment. Potable water will be supplied from an on-site well.
- **Power Supply:** Discussions with SaskPower are ongoing regarding the supply of hydropower to McIlvenna Bay. The project site is already served by a 1.2MVA overhead line from Pelican Narrows (currently disconnected), and the PFS includes a plan to twin this line with a new parallel 10MVA line. An average power unit cost of $75.00 per MWh has been used for the PFS.
- **Access Road:** the existing access road is already in good condition and would require minor upgrades.
- **Concentrate Transportation:** Approximately 732,000 wet tonnes of zinc concentrate and 460,000 wet tonnes of copper concentrate will be produced over the life of mine. Concentrates would be shipped via Flin Flon to domestic smelters, and a total transportation budget of $142 million is budgeted over the life of mine.

## Tailings

Approximately 50% of the tailings produced will be utilized as paste backfill for the underground mining operations. The remaining 50% of tailings (approximately 5.6Mt) will be stored on site, utilizing best available practices into a dry stack tailings facility. Tailings will be de-sulphurized to reduce the potential for acid generation, and then filter pressed to optimum moisture content prior to hauling and placement into the tailings facility. The facility will be located within the footprint of a previously operated frac sand quarry located within approximately 1 km of the mill which will minimize overall project impact on undisturbed areas.

A PFS level design of the dry stack tailings facility has been completed by Knight Piésold Ltd. The facility will be comprised of a tailings storage pad, a perimeter runoff and seepage collection ditch, and water management pond, all of which will be lined with a conventional polyethylene geomembrane to prevent seepage reporting to the environment. The tailings stack will be compacted during placement which will increase stability and minimize infiltration of precipitation. The outer slopes of the facility will be constructed at a shallow angle of 4H:1V up to an approximate height of 16m above original ground in order to minimize effort required at closure.

**McIlvenna Bay PFS** (continued)

## Social & Environmental

The Project lies in the Boreal Plain Ecozone on the boundary of Namew Lake Upland landscape area of the Mid-Boreal Lowland Ecoregion, and the Flin Flon Plain landscape area of the Churchill River Upland Ecoregion. The boundary between these two ecoregions passes through McIlvenna Bay on Hanson Lake, such that the northern part of the baseline study area lies in the Churchill River upland, and the southern part lies in the Mid-Boreal Lowland. Extensive mining and exploration activities associated with other metal and silica sand mining projects have occurred in the Project area; therefore, the area does not represent undisturbed baseline conditions.

Comprehensive environmental baseline studies for McIlvenna Bay were completed by Canada North Environmental Services in 2012. The baseline program was designed to prepare the Project for future licensing and regulatory requirements, and included collection of a full suite of environmental data including:

- climate and meteorology
- surface water hydrology
- plankton, benthic invertebrate, and fish communities
- fish spawning
- ecosite classification
- species at risk
- heritage resources
- noise
- water and sediment quality
- fish habitat
- fish chemistry
- vegetation communities
- wildlife communities

Follow-up hydrological studies were completed between 2013 and 2014 and in 2018 and 2019 to extend the hydrological data set and to characterize the hydrologic regime of the local area.

The Project lies within the area traditionally occupied by the Peter Ballantyne Cree Nation ("**PBCN**") and is located approximately 40km southeast of the settlement of Deschambault Lake and approximately 50km west of the community of Denare Beach. Approximately 1,500 PBCN members reside in these communities. The Project is also located within the Métis Nation of Saskatchewan Eastern Region 1. Foran has been meeting with members of the communities of Deschambault Lake and Denare Beach to update them about the Project since 2012. Foran also initiated a Traditional Land Use/Knowledge Inventory Study which was completed by ASKI Resource Management and Environmental Services (a corporation of the PBCN) in 2012. More recently, Foran has entered into discussion with the PBCN with the objective of negotiating a Memorandum of Understanding that outlines the terms and details of an understanding focused on areas of community engagement, environmental stewardship, training and employment opportunities, and business development.

**McIlvenna Bay PFS** (continued)

## Technical Report & Qualified Persons

A NI 43-101 Technical Report was filed on SEDAR under the Company's profile and on the Company's website on April 27, 2020. Readers are encouraged to read the Technical Report in its entirety, including all qualifications, assumptions and exclusions that relate to the Probable Mineral Reserves. The Technical Report is intended to be read as a whole, and sections should not be read or relied upon out of context. In accordance with NI 43-101, Andrew Holloway, P.Eng., Principal Process Engineer for AGP Mining Consultants Inc. was responsible for the overall preparation of the Technical Report and is the Qualified Person ("**QP**") for other technical details related to the PFS and Technical Report (except geology). Roger March, P.Geo. Vice President Exploration for Foran, is the internal QP for the geology sections of the PFS as well as the additional properties owned by Foran. Mr. March and Mr. Holloway have reviewed and approved the scientific and technical information within this section of the MD&A.

## 2019 Resource Estimate

On May 28, 2019, the Company released a revised resource estimate on McIlvenna Bay (the "**2019 Resource Estimate**") and is based on over 115,000m of drilling in 239 drill holes, including the 27,084m of infill and expansion drilling completed in 2018. The 2019 Resource Estimate shows that the McIlvenna Bay deposit is host to a large metal endowment and the 2018 program has demonstrated that the deposit continues to display good continuity at depth and remains open for expansion. The 2019 Resource Estimate indicates that the deposit is host to an indicated resource of 22.95Mt grading 1.17% Cu, 3.05% Zn, 0.19% lead, 0.44 g/t Au and 16.68 g/t Ag; with an additional inferred resource of 11.15Mt grading 1.38% Cu, 1.83% Zn, 0.10 % lead, 0.47 g/t Au and 14.81 g/t Ag. See Table 6 on Page 17 and Table 7 on page 18 for detailed information on the 2019 Resource Estimate and contained metal in the deposit and Figures 3 and 4 on pages 19 and 20, respectively, for longitudinal sections that illustrate the outline and classification of the resource estimate.

The McIlvenna Bay deposit consists of several zones and two distinct styles of mineralization, typical of VMS deposits:

- massive to semi-massive sulphide mineralization in the Main Lens and Lens 3;
- stockwork-style sulphide mineralization in a Copper Stockwork Zone ("**CSZ**") that directly underlies the Main Lens;
- two other small lenses of stockwork-style mineralization occur in the deposit:
    - the Stringer Zone which is located between the Main Lens and Lens 3
    - the Copper Stockwork Footwall Zone ("**CSFWZ**") which occurs as a separate lens underneath the CSZ for approximately 140m of strike length which could represent a fault offset and repetition of the Main Lens and CSZ.

## 2019 Resource Estimate (continued)

The Mineral Resource Estimate is presented in Table 6 below.

**Table 6: McIlvenna Bay Resource Estimate (US$60/t NSR cut-off)** [1-4]

| Zone | Tonnage (Mt) | Cu (%) | Zn (%) | Pb (%) | Au (g/t) | Ag (g/t) |
|---|---|---|---|---|---|---|
| **Indicated** | | | | | | |
| Main Lens – Massive Sulphide | **9.25** | **0.90** | **6.43** | **0.40** | **0.52** | **25.97** |
| Lens 3 | 1.99 | 0.85 | 3.29 | 0.14 | 0.27 | 14.71 |
| Stringer Zone | 0.70 | 1.38 | 0.62 | 0.04 | 0.35 | 13.34 |
| Copper Stockwork Zone | **10.30** | **1.43** | **0.28** | **0.02** | **0.40** | **9.30** |
| Copper Stockwork Footwall Zone | 0.71 | 1.60 | 1.04 | 0.04 | 0.54 | 11.47 |
| **Total Indicated** | **22.95** | **1.17** | **3.05** | **0.19** | **0.44** | **16.68** |
| | | | | | | |
| **Inferred** | | | | | | |
| Main Lens – Massive Sulphide | 2.97 | 1.29 | 4.79 | 0.29 | 0.47 | 23.58 |
| Copper Stockwork Zone | 8.18 | 1.42 | 0.76 | 0.03 | 0.47 | 11.63 |
| **Total Inferred** | **11.15** | **1.38** | **1.83** | **0.10** | **0.47** | **14.81** |

Notes:

1. Effective date May 7, 2019; CIM definitions were followed for Mineral Resources; NSR = Net Smelter Return.
2. The base case mineral resource is estimated based on 239 diamond drill holes and a NSR cut-off grade of US$60/t. NSR grades were calculated and high-grade caps were applied as per the discussion in Estimation Methodology and Parameters below and include provisions for metallurgical recovery and estimates of current shipping terms and smelter rates for similar concentrates. Metal prices used are US$3.30/lb. Cu, US$1.25/lb. Zn, US$1.00/lb. Pb, US$1,310/oz. Au, and US$16.20/oz. Ag. Specific gravity was interpolated for each block based on measurements taken from core specimens.
3. Mr. William Lewis, P.Geo., of Micon reviewed and verified the mineral resource estimate. Mr. Lewis is independent of Foran and is a "Qualified Person" within the meaning of NI 43-101. See news release dated May 28, 2019 for more information.
4. Mineral resources which are not mineral reserves do not have demonstrated economic viability. The estimate of mineral resources may be materially affected by environmental, permitting, legal, marketing or other issues.

**2019 Resource Estimate** (continued)

**Table 7. Contained Metal** (US$60/t NSR cut-off) [1, 2]

| Zone | Resource Classification | Zn Mlb | Cu Mlb | Ag Koz | Au Koz | Pb Mlb |
|---|---|---|---|---|---|---|
| CSZ | Indicated | 63.6 | 325.2 | 3,077.1 | 132.5 | 5.1 |
| | Inferred | 136.3 | 255.7 | 3,059.3 | 124.2 | 5.6 |
| FW | Indicated | 16.3 | 25.1 | 262.4 | 12.4 | 0.7 |
| Lens 3 | Indicated | 144.5 | 37.6 | 943.0 | 17.4 | 6.0 |
| MS | Indicated | 1,310.7 | 183.8 | 7,724.9 | 153.5 | 81.6 |
| | Inferred | 314.0 | 84.3 | 2,253.0 | 44.9 | 19.3 |
| Stringer | Indicated | 9.5 | 21.2 | 299.7 | 7.8 | 0.6 |
| **Total** | **Indicated** | **1,544.7** | **592.9** | **12,307.1** | **323.7** | **93.8** |
| | **Inferred** | **450.3** | **339.9** | **5,312.3** | **169.1** | **24.9** |

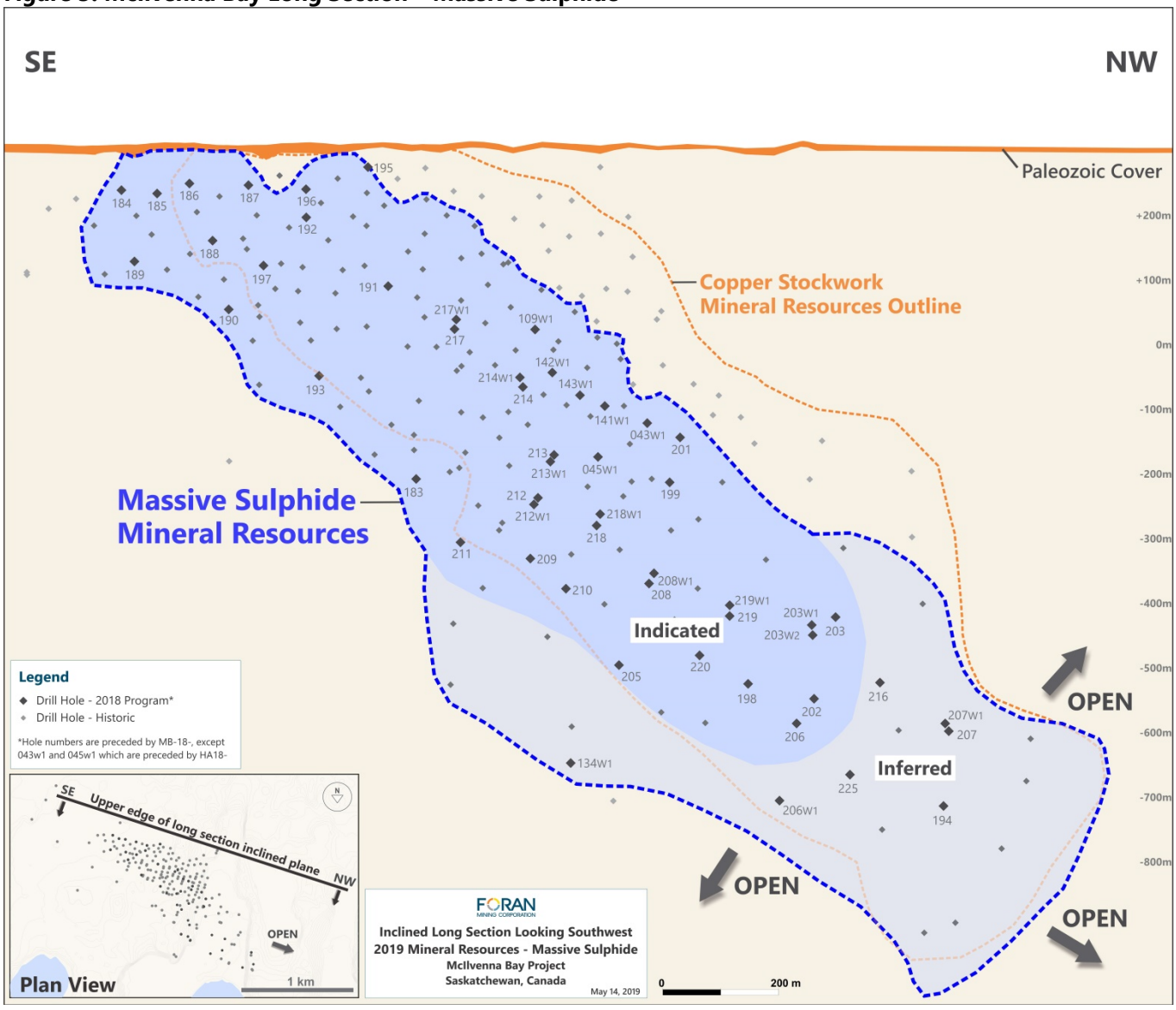
[1] Totals may not add due to rounding

[2] See footnotes 1-4 for Table 6

The Main Lens at McIlvenna Bay is a large massive to semi-massive sulphide horizon containing a metal zonation consisting of Cu-Au-rich material near the upper plunge line of the deposit which transitions down dip into a more Zn-Ag-dominant massive sulphide. In the 2013 Resource, the Main Lens was sub-divided into the Upper West Zone ("**UWZ**") and Zone 2 based on these differences in mineralogy, but for the 2019 Resource Estimate the Main Lens massive sulphide is reported as a single zone. This is a result of statistical analysis of the assay grades within the lens that suggests that there is a gradational transition between the two zones and that a hard boundary is not really appropriate, coupled with the fact that they will likely be mined together without any distinction between the zones in the PFS. The Main Lens massive sulphide is a continuous mineralized horizon which varies from 0.1 to 36.0m in thickness and averages 5.5m overall, with a strike length of 1,700m (Figure 3 on Page 19).

**2019 Resource Estimate** (continued)

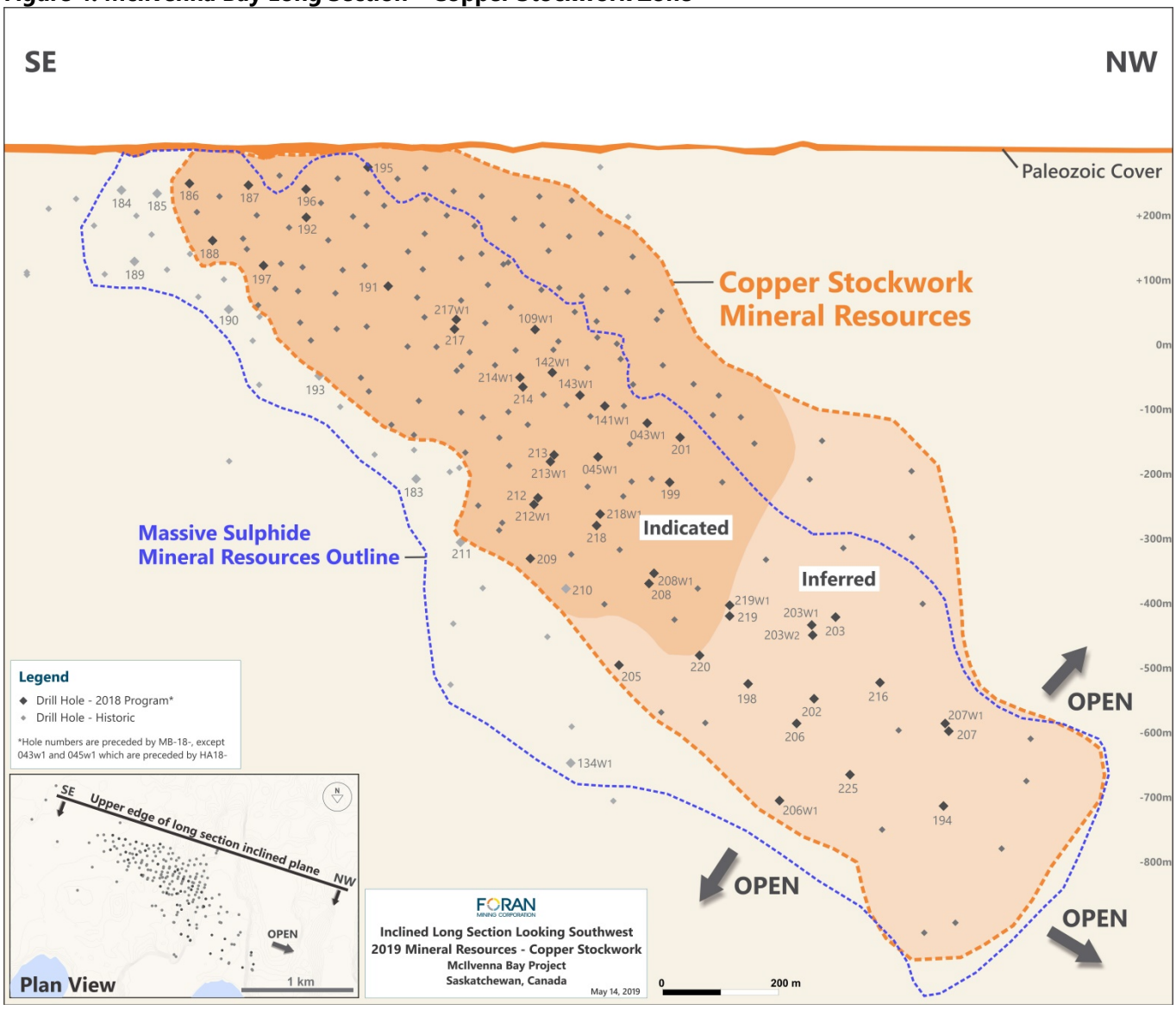
**Figure 3: McIlvenna Bay Long Section – Massive Sulphide**




The CSZ is a zone of stockwork style copper-rich mineralization that directly underlies and is in contact with the massive sulphide and is interpreted to represent the feeder zone to the massive sulphide system. The CSZ varies from 0.3 to 37.2m in thickness with an average thickness of 12.1m. The Main Lens massive sulphide and the underlying CSZ are generally in contact with one another throughout the deposit, giving the bulk of the deposit an average thickness of 17.6m overall. The deposit plunges at approximately 45 degrees from surface for a down plunge length of approximately 2,000m (Figure 4 on Page 20).

**2019 Resource Estimate** (continued)

**Figure 4: McIlvenna Bay Long Section – Copper Stockwork Zone**




Lens 3 sits approximately 10 to 30m in the hangingwall above the Main Lens and demonstrates the presence of stacked sulphide lenses in the deposit. This lens has been traced intermittently along a strike length of 1,440m and plunges parallel to the underlying Main Lens and CSZ. The lens ranges in thickness from 0.1 to 12.5m and averages 2.8m. The Stringer Zone is a narrow intermittent lens of stringer-style sulphide that occurs sporadically between the Main Lens and Lens 3 through the deposit.

**2019 Resource Estimate** (continued)

The CSFWZ is a separate lens that underlies the CSZ and has been intersected in nine drill holes over approximately 140m of strike length in the up-dip, central part of the deposit. The lens varies in thickness from 0.3 to 17m with an average thickness of 4.4m. The CSFWZ dominantly consists of stockwork style copper-rich mineralization similar to the CSZ, although in several holes narrow massive sulphide was also intersected at the top of the interval. It is possible that the CSFWZ represents a fault offset and repetition of the Main Lens and CSZ, but further drilling is required to prove the relationship of this lens to the rest of the deposit. The reader is referred to the Foran News Release from May 28, 2019 for more detailed information on the 2019 Resource Estimate.

### OUTLOOK

The results of the PFS released on March 12, 2020 indicate that McIlvenna Bay could be developed into a viable mining project which would provide economic benefits to the region for years to come. Foran is committed to advancing the project through feasibility and is now in a position, with the release of the PFS, to advance discussions with potential investors with experience in developing similar mines as Foran explores the best way to advance engineering work and build and operate McIlvenna Bay.

During its tenure, the current management team of Foran has held community meetings at the PBCN communities of Amisk Lake and Deschambault. Regular community meetings are an important part of the engagement process to keep communities abreast of activities as the McIlvenna Bay project progresses. Wherever practical, Foran hires local PBCN members to assist in advancing the project. As McIlvenna Bay is advanced, communicating effectively and working with the communities affected by Foran's activities is one of its priorities.

Foran plans to leverage its strengths, notably its staff and the project location and jurisdiction. Foran's experienced team members have track-records of taking projects to feasibility and production. The McIlvenna Bay project is the largest undeveloped VMS deposit in the prolific Flin Flon Mining Belt. It is close to infrastructure, a mining town and workforce, a concentrator and zinc plant. These advantages, along with base metal forecasts that project future strong demand for zinc and copper, are reasons Foran Management is of the view that the McIlvenna Bay deposit and the Hanson Lake base metals district are unique among their peer group.

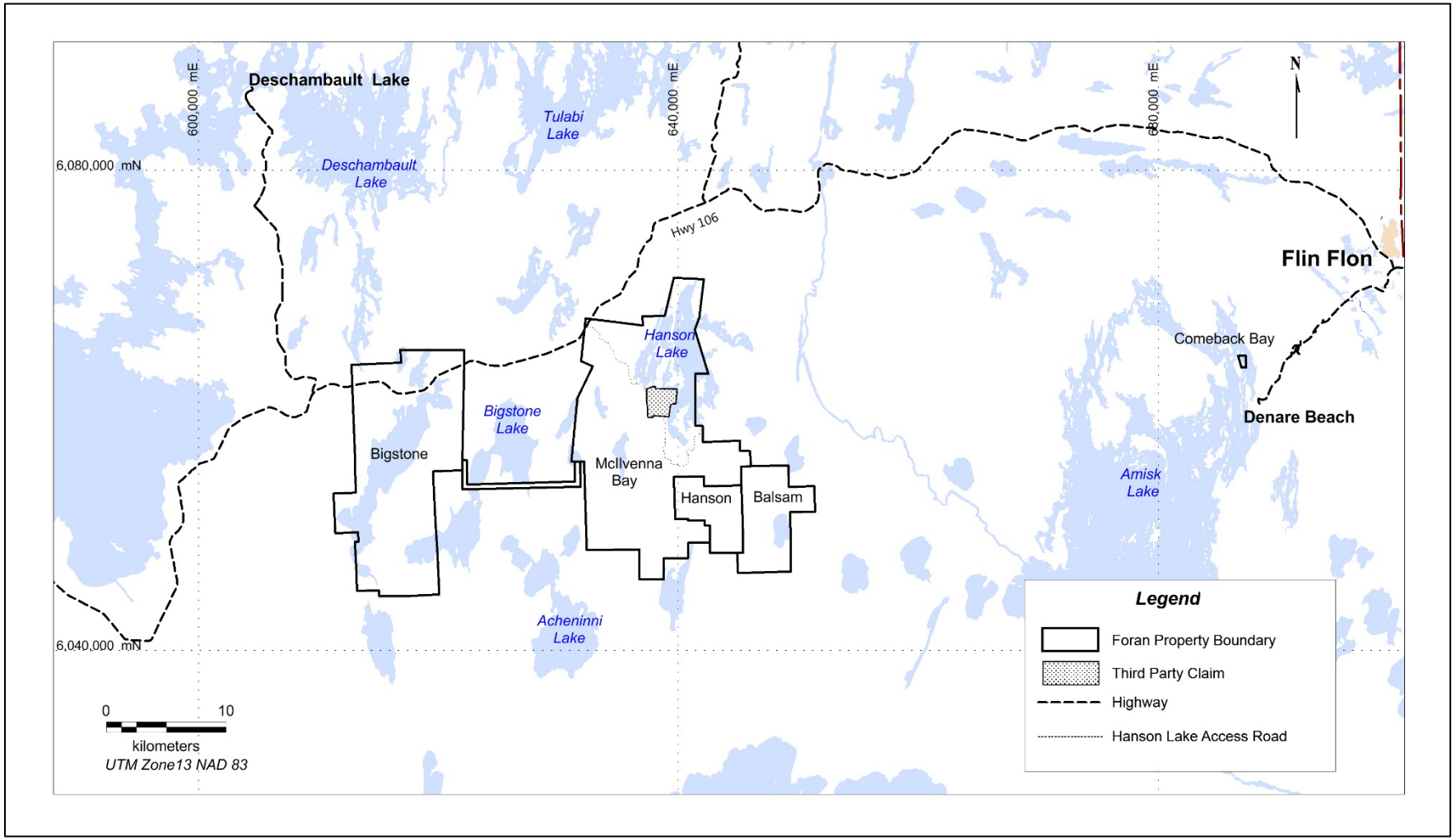
### QUALIFIED PERSON

Mr. Roger March, P.Geo., VP Exploration for the Company and a QP within the meaning of NI 43-101, has reviewed and approved the technical information in this section of the MD&A.

## MINERAL PROPERTIES

### SASKATCHEWAN PROPERTIES

As of the date of this report, the Company has five properties in Saskatchewan comprising a total of 61 claims for 43,703 hectares ("**ha**"), located between 15 and 90km west of Flin Flon, Manitoba. The four westernmost properties are higher priority, consisting of the McIlvenna Bay Property which contains the McIlvenna Bay deposit, and three properties contiguous to the McIlvenna Bay Property (Hanson, Balsam and Bigstone), all of which occur at the western limit of the Flin Flon Greenstone Belt. All four properties are underlain by prospective felsic volcanic stratigraphy that hosts variably significant VMS styles of alteration and mineralization. The fifth property located in Saskatchewan (Comeback Bay) is of lower priority having both precious and base metal VMS potential within the western limit of the Flin Flon Arc Assemblage (Birch Lake Belt).


600,000 mE
640,000 mE
680,000 mE
N
6,080,000 mN
6,040,000 mN
Deschambault Lake
Tulabi Lake
Deschambault Lake
Hwy 106
Flin Flon
Comeback Bay
Denare Beach
Hanson Lake
Bigstone Lake
Bigstone
McIlvenna Bay
Hanson
Balsam
Amisk Lake
Acheninni Lake
0
10
kilometers
UTM Zone13 NAD 83
Legend
Foran Property Boundary
Third Party Claim
Highway
Hanson Lake Access Road

## MINERAL PROPERTIES (continued)

### SASKATCHEWAN PROPERTIES (continued)

### 1) MCILVENNA BAY PROPERTY

The Company has a 100% interest in the McIlvenna Bay Property in east central Saskatchewan. The McIlvenna Bay Property consists of 38 claims covering a total of 20,907 ha. The McIlvenna Bay deposit is located on the McIlvenna Bay Property, approximately one km south of Hanson Lake, Saskatchewan, 375km northeast of Saskatoon, Saskatchewan and 65km west south-west of Flin Flon, Manitoba. The McIlvenna Bay deposit is linked to Flin Flon, Manitoba by 85km of highway followed by 18km of unsealed secondary road.

Some of the 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 ("**Cameco**") and BHP Billiton ("**Billiton**") collectively hold a 1% Net Smelter Return ("**NSR**") royalty interest on McIlvenna Bay, which can be purchased by the Company at any time for $1,000,000.

The McIlvenna Bay deposit was discovered in 1988 and includes two distinct styles of VMS mineralization which include massive to semi-massive sulphides and copper stockwork. Since 2011, the Company has been working to advance the McIlvenna Bay deposit through continued exploration, resource definition and environmental and engineering studies.

**2020**

On March 12, 2020, Foran announced positive PFS results of the Project. The results include a $219M pre-tax net present value ("**NPV**") using a 7.5% discount rate ($147M after-tax) and an internal rate of return ("**IRR**") of 23.4% (19.2% after-tax) using 3 year trailing average metal prices of US$1.26 per lb Zn, US$2.82/lb Cu, US$1,312/ounce ("**oz**") gold ("**Au**") and US$16.30/oz silver ("**Ag**"), foreign exchange rate CAD:USD $1.30 / USD:CAD $0.77. See Page 4 of this MD&A and the news release of March 12, 2020 for more details;

***Expenditure Requirements***

The claims that comprise the McIlvenna Bay Property are in good standing for a period of between 9 and 15 years, with the exception of one claim which is 6 years.

### 2) BIGSTONE

The Company has a 100% interest in the Bigstone Property, which is comprised of 13 claims totalling 16,117 ha oriented north-south to cover roughly 20km of prospective volcanic stratigraphy.

The Bigstone Property hosts a deposit (the "**Bigstone Deposit**") with an historic mineral resource estimate prepared by past operators in 1990. The Company is not treating the historic estimates as current as a Qualified Person within the meaning of NI 43-101 has not completed sufficient work to classify the historic estimate as current; additional work, including re-surveying, re-logging and drill core QA/QC would be required to verify and upgrade the historic estimate to current.

## MINERAL PROPERTIES (continued)

### SASKATCHEWAN PROPERTIES (continued)

#### 2) BIGSTONE

For additional information on the Bigstone Deposit, see the Company's website at www.foranmining.com under the Properties/Bigstone link.

Some of the claims that make up the Bigstone Property are subject to a 2% NSR royalty.

***Expenditure Requirements***

The claims that comprise the Bigstone Property are in good standing for a period of between 8 and 11 years.

#### 3) BALSAM

The Company has a 100% interest in the Balsam Property, which is comprised of seven claims totalling 4,066 ha contiguous with the McIlvenna Bay and Hanson Properties. Balsam claims cover the southeast strike extension of McIlvenna Bay stratigraphy and host a number of significant VMS occurrences including high-grade copper mineralization discovered in the Thunder Zone in 2013, and the Balsam Zone, where an historic mineral resource estimate has been outlined. Further drilling, sampling and geological interpretation will be required to upgrade the historic resource to current.

Some of the claims that make up the Balsam Property are subject to a 2% NSR royalty.

***Expenditure Requirements***

The claims that comprise the Balsam Property are in good standing for a period of between 8 and 15 years.

#### 4) HANSON

The Company has a 100% interest in the Hanson Property, which is comprised of two claims totalling 2,565 ha contiguous with the McIlvenna Bay Property to the north and west and the Balsam Property to the east. A number of VMS targets are known from past exploration.

***Expenditure Requirements***

The two claims that comprise the Hanson Property are in good standing for 13 and 15 years.

#### 5) COMEBACK BAY

The Comeback Bay Property is comprised of one claim totalling 48 ha which is located 15km southwest of Flin Flon.

**MINERAL PROPERTIES** (continued)

**SASKATCHEWAN PROPERTIES** (continued)

**5) COMEBACK BAY** (continued)

The Comeback Bay claim is subject to a joint venture agreement in which the Company owns a 65% interest and Coronation Mines Ltd. (a subsidiary of Cobalt Solutions Inc.) owns the remaining 35%. This claim is subject to a 2.5% NSR royalty and a 10% NPI.

***Expenditure Requirements***

The Comeback Bay claim is in good standing for two years.

**MANITOBA PROPERTY**

**REED LAKE**

The Company has a 100% interest in the Reed Lake Property, which is comprised of a single claim totaling 195 ha located 105km east of Flin Flon and 21km southwest of Snow Lake.

Reed Lake is subject to a 1% NSR royalty. Geologically, the claim occurs within the Snow Lake arc assemblage at the eastern limit of the Flin Flon Greenstone Belt. Historic drilling has intersected altered and weakly mineralized felsic to intermediate volcanic rocks equivalent to those hosting HudBay's Lalor deposit, situated 15km to the northeast.

***Expenditure Requirements***

There are no expenditures required in 2020 to keep the Reed Lake claims in good standing.

## OVERALL PERFORMANCE

### FINANCIAL CONDITION

The net assets of the Company increased from $39,793,612 at December 31, 2019 to $40,158,955 at March 31, 2020, an increase of $365,343. The most significant assets at March 31, 2020 were exploration and evaluation assets of $40,204,547 (December 31, 2019: $39,826,171) and plant and equipment of $251,297 (December 31, 2019: $263,308).

The majority of the $378,376 increase in exploration and evaluation assets was a result of the Company capitalizing costs relating to the PFS. The most significant capitalized exploration costs consisted of PFS costs of $304,427 and administration costs of $50,780.

Cash and cash equivalents at March 31, 2020 were $80,863 (December 31, 2019: $391,610). Subsequent to quarter end, the Company completed a non-brokered private placement issuing 7,100,000 units at a price of $0.10 per unit for gross proceeds of $710,000. Each unit consisted of one common share of the Company and one half of one common share purchase warrant. Each whole warrant entitles the holder to acquire one common share of the Company at a price of $0.15 with an expiration date of April 29, 2023.

The Company's liabilities at March 31, 2020 consisted of deferred share units of $284,188 (December 31, 2019: $683,706), accounts payable and accrued liabilities of $239,623 (December 31, 2019: $265,277) and a lease liability totaling $129,824 (December 31, 2019: $153,918), with $102,761 classified as a current liability and $27,063 classified as a non-current liability.

The Company has a Long-Term Performance Incentive Plan which includes, as one of the awards, deferred share units ("**DSUs**"). 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 DSUs. 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 DSUs. Upon separation from the Company, participants will, at their choice, receive either the equivalent number of common shares in the Company, or the cash equivalent of the fair market value of the DSUs based on a volume weighted average of the Company's share price.

The Company's Executive Chairman is compensated for his services with DSUs on a monthly basis, to a maximum of $10,417 per month. At March 31, 2020, an amount of $188,569 (December 31, 2019: $512,066) was owed to the Executive Chairman. The number of outstanding DSUs owed to the Executive Chairman at March 31, 2020 was 1,984,944 (December 31, 2019: 1,828,808).

The Company's independent directors are compensated for their services with DSUs. At March 31, 2020 an amount of $95,619 (December 31, 2019: $171,640) was owed to the independent directors. The number of outstanding DSUs owed to independent directors at March 31, 2020 was 668,420 (December 31, 2019: 596,991).

The majority of the accounts payable and accrued liabilities at March 31, 2020 related to PFS costs.

## OVERALL PERFORMANCE (continued)

### FINANCIAL CONDITION (continued)

The lease liability of $129,824 pertains to the Company's existing office lease agreement which expires June 30, 2021.

### RESULTS OF OPERATIONS

**Quarter ended March 31, 2020**

The Company recorded net income of $69,437 for the quarter ended March 31, 2020 (2019: loss of $522,005). Expenses before Other Items were $376,681 (2019: $592,766) with the most significant being salaries and benefits of $159,995 (2019: $160,286), share-based payments expense of $50,870 (2019: $171,290), depreciation of $36,631 (2019: $38,970) and consulting fees of $34,487 (2019: $39,842). Other Items for the quarter ended March 31, 2020 consisted of an unrealized gain of $445,768 (2019: $51,915) on the revaluation of deferred share units and interest and miscellaneous income of $350 (2019: $18,846).

Salaries and benefits were consistent year over year.

With respect to share-based payments expense, the Company applies the fair value method of accounting for all awards of stock options by using the Black-Scholes Option Pricing Model. Variations in share-based payments expense is based on a number of factors including, but not limited to, the size and occurrence of grants during a particular period, the Company's share price at the time of an option grant and the timing of recording share-based payments expense based on vesting schedules. Share-based payments expense was $120,420 lower for the quarter ended March 31, 2020. The Company did not grant any stock options during the quarter ended March 31, 2020. The Company granted 2,070,000 stock options during the quarter ended March 31, 2019 with an exercise price of $0.34.

The majority of the consulting fees of $34,487 for the quarter ended March 31, 2020 consisted of $27,265 charged by the Company's strategic consultant and $6,322 charged by the Company's Office Manager.

As noted in '*Financial Condition*' above, the Company compensates its Executive Chairman and independent directors with DSUs which are revalued at the end of every quarter. The majority of the unrealized gain of $445,768 on the revaluation of deferred share units was a result of the Company's stock decreasing from $0.28 per share at December 31, 2019 to $0.095 per share at March 31, 2020.

## OVERALL PERFORMANCE (continued)

### CASH FLOWS

**Quarter ended March 31, 2020**

Cash and cash equivalents decreased by $310,747 during the quarter ended March 31, 2020, from $391,610 at December 31, 2019 to $80,863 at March 31, 2020. The decrease was a result of cash of $424,224 used in investing activities, $144,552 used in operating activities, partially offset by cash of $258,029 provided by financing activities.

The cash of $424,224 used in investing activities consisted exclusively of exploration and evaluation asset expenditures, with the majority relating to the Company's PFS contracts.

The cash of $144,552 used in operating activities consisted of net income of $69,437 and a net change in non-cash working capital items of $95,301, offset by a total of $309,290 for items not involving cash.

The cash of $258,029 provided by financing activities consisted of the Company receiving $284,850 in proceeds pursuant to the exercise of 2,115,000 stock options with a weighted average exercise price of $0.13, partially offset by lease liability payments of $26,821 relating to the Company's office lease.

### SUMMARY OF QUARTERLY RESULTS

| | Q1, 2020 | Q4, 2019 | Q3, 2019 | Q2, 2019 |
|---|---|---|---|---|
| | $ | $ | $ | $ |
| Net income (loss) for the period | 69,437 | (555,143) | (256,448) | (337,307) |
| Basic and diluted loss per share | 0.00 | (0.00) | (0.00) | (0.00) |

| | Q1, 2019 | Q4, 2018 | Q3, 2018 | Q2, 2018 |
|---|---|---|---|---|
| | $ | $ | $ | $ |
| Net income (loss) for the period | (522,005) | (508,726) | 831,427 | (144,061) |
| Basic and diluted income (loss) per share | (0.00) | (0.00) | 0.01 | (0.00) |

With the exception of Q1, 2020 (net income of $69,437) and Q3, 2018 (net income of $831,427), the Company's operating results for the last eight quarters ranged from a net loss of $555,143 in Q4, 2019 to a net loss of $144,061 in Q2, 2018.

**SUMMARY OF QUARTERLY RESULTS** (continued)

The net income of $69,437 in Q1, 2020 consisted of expenses before other items of $376,681 with the most significant being salaries and benefits of $159,995 and share-based payments expense of $50,870. Other items, which more than offset the expenses, consisted of an unrealized gain of $445,768 on the revaluation of deferred share units and interest income of $350. As noted in '*Results of Operations*' above, the majority of the unrealized gain of $445,768 on the revaluation of deferred share units was a result of the Company's stock decreasing from $0.28 per share at December 31, 2019 to $0.095 per share at March 31, 2020.

The net income of $831,427 in Q3, 2018 consisted of expenses before other items of $552,654 with the most significant being salaries and benefits of $223,617 and share-based payments expense of $106,103. Other items, which more than offset the expenses, consisted of other income of $1,087,146, an unrealized gain of $272,448 on the revaluation of deferred share units and interest income of $24,487. Other income was a result of the Company incurring the remaining qualifying expenditures in relation to the private placements of flow-through shares that were completed in June and July 2018.

## LIQUIDITY AND CAPITAL RESOURCES

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 that 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.

The Company does not currently own or have an interest in any producing mineral properties and does not derive any revenues from operations. Operational activities have been funded through private placements and stock option exercises. At March 31, 2020, the Company had a working capital deficiency of $206,152 (December 31, 2019: working capital of $136,324). As noted in '*Financial Condition*' above, the Company completed a non-brokered private placement issuing 7,100,000 units at a price of $0.10 per unit for gross proceeds of $710,000.

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. A material uncertainty exists that may cast significant doubt about the Company's ability to continue as a going concern. The Company has no bank debt or banking credit facilities in place.

## OFF-BALANCE SHEET ARRANGEMENTS

The Company does not have any off-balance sheet arrangements.

## RELATED PARTY TRANSACTIONS

Under IAS, a related party transaction is a transfer of resources, services or obligations between an issuer and a party related to the issuer or its Executive Directors or Officers. Under Multilateral Instrument 61-101 *Protection of Minority Security Holders in Special Transactions*, a related party transaction is a transaction between the issuer and a related party of the issuer at the time the transaction is agreed to as a consequence of which the issuer directly or indirectly enters into specified transactions, including a purchase or sale of assets, issuing securities or subscribing for securities, borrowing or lending money, and forgiving debts or liabilities.

*Key management compensation*

Key management personnel at the Company are the Directors and Officers of the Company. Key management personnel, or their related parties, may hold positions in other entities that result in them having control or significant influence over the financial or operating policies of those entities. These transactions are in the normal course of operations and are measured at their exchange amount, which is the amount agreed upon by the transacting parties.

**a) Related Party Transactions**

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

| | | 2020 | 2019 |
|---|---|---|---|
| | | $ | $ |
| Short-term benefits | 1 | 187,869 | 191,863 |
| Share-based payments expense | 2 | 44,624 | 165,233 |
| Directors' fees | 3 | 15,000 | 15,000 |
| Total | | 247,493 | 372,096 |

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

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

3 Directors' fees consisted exclusively of DSUs awarded to the independent directors.

**b)** During the three months ended March 31, 2020, the Company was charged $4,477 (2019: $4,243) 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 income (loss) and comprehensive income (loss). At March 31, 2020, accounts payable and accrued liabilities included an amount of $6,396 (December 31, 2019: $6,396) for this expense.

**RELATED PARTY TRANSACTIONS** (continued)

**c)** At March 31, 2020, the Company owed a total of 2,653,364 DSUs (December 31, 2019: 2,425,799) with a fair value of $284,188 (December 31, 2019: $683,706) to key management personnel, which is included in the condensed consolidated interim statement of financial position.

**d)** At March 31, 2020, the Company had a receivable of $8,734 (December 31, 2019: $11,367) from a related party through common management for reimbursement of salaries and wages.

**PROPOSED TRANSACTIONS**

As of the date of this report, there were no proposed transactions.

**CRITICAL ACCOUNTING POLICIES AND ESTIMATES**

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.

*Flow-through share private placements*

As an incentive to complete private placements, the Company may issue common shares, which by agreement are designated as flow-through shares. Such agreements require the Company to spend the funds from these placements on qualified exploration expenditures and renounce the expenditures and income tax benefits to the flow-through shareholders, resulting in no exploration deductions for tax purposes to the Company. The shares are usually issued at a premium to the trading price of the Company's shares. The premium is a reflection of the value of the income tax benefits that the Company must pass on to the flow-through shareholders. On issue, share capital is increased only by the non-flow-through share equivalent value. Any premium is recorded as a flow-through share premium liability.

**CRITICAL ACCOUNTING POLICIES AND ESTIMATES** (continued)

i) Critical accounting estimates (continued)

*Right-of-use asset*

The Company uses estimation in determining the incremental borrowing rate used to measure the lease liability, specific to the asset, underlying currency and geographic location. Where the rate implicit in the lease is not readily determinable, the discount rate of the lease obligations are estimated using a discount rate similar to the Company's specific borrowing rate. This rate represents the rate that the Company would incur to obtain the funds necessary to purchase the asset of a similar value, with similar payment terms and security in a similar environment.

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.

*Right-of-use asset*

The Company applies judgement in determining whether the contract contains an identified asset, whether they have the right to control the asset, and the lease term. The lease term is based on considering facts and circumstances, both qualitative and quantitative that can create an economic incentive to exercise renewal options. Management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not to exercise a termination option.

*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 to be tested for such impairment.

**CRITICAL ACCOUNTING POLICIES AND ESTIMATES** (continued)

ii) Critical accounting judgments (continued)

*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.

*Estimated useful lives and related rates of depreciation of plant and equipment*

The Company estimates depreciation rates and selects methods used to allocate depreciable amounts of plant and equipment in a systematic basis over their estimated useful lives. Technical obsolescence of plant and equipment could significantly impact estimated residual useful lives and in turn carrying values being over or understated.

A detailed summary of all of the Company's significant accounting policies is included in Note 3 to the consolidated financial statements for the year ended December 31, 2019.

**FINANCIAL INSTRUMENTS**

The Company's financial instruments are exposed to certain financial risks which are discussed in detail in Note 10 of the Company's condensed consolidated interim financial statements for the three months ended March 31, 2020.

## OTHER MD&A REQUIREMENTS

### ADDITIONAL DISCLOSURE FOR VENTURE ISSUERS WITHOUT SIGNIFICANT REVENUE

General and administration expenses for the three months ended March 31 were as follows:

| | 2020 | 2019 |
|---|---|---|
| | $ | $ |
| Consulting | 34,487 | 39,842 |
| Depreciation | 36,631 | 38,970 |
| Directors' fees | 15,000 | 15,000 |
| Investor relations | 27,037 | 84,789 |
| Office and administration | 27,889 | 39,954 |
| Professional fees | 13,560 | 17,049 |
| Salaries and benefits | 159,995 | 160,286 |
| Share-based payments expense | 50,870 | 171,290 |
| Transfer agent, regulatory and filing fees | 10,389 | 23,151 |
| Travel and accomodation | 823 | 2,435 |
| | 376,681 | 592,766 |

## DISCLOSURE OF OUTSTANDING SHARE DATA

The Company is authorized to issue an unlimited number of common shares without par value.

As at the date of this report, there were 139,939,451 common shares issued and outstanding, 7,293,333 stock options outstanding and 3,550,000 warrants outstanding.

## RISKS AND UNCERTAINTIES

The principal risk faced in the advanced exploration stage is the ability to raise the funds required to further assess the viability of a mineral deposit. This phase requires high expenditures to determine if a deposit may be profitable to mine. The Company does not operate any producing properties and as such, is dependent on the ability to raise funds. Although the Company believes it has sufficient access to financial markets to support its intended work plan, failure to do so would result in future work being suspended. 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.

Financial assets and liabilities consist of cash and cash equivalents, accounts receivable, investments, accounts payable and accrued liabilities and deferred share units. It is Management's opinion that the Company is not exposed to significant interest or credit risks arising from these financial assets and liabilities.

**RISKS AND UNCERTAINTIES** (continued)

The Company's activities involve the application for licenses and permits from government authorities and such activities are governed by various laws and regulations that cover the protection of the environment, land use, exploration, development, co-ordination of operations and infrastructure with third parties engaged in other activities on the lands, taxes, labour standards, occupational health, waste disposal, safety and other matters. Environmental legislation in Canada provides restrictions and prohibitions on spills and various substances produced in association with certain exploration activities which would result in environmental pollution. A breach of such legislation may result in imposition of fines and penalties. In addition, certain types of activities require the submission and approval of environmental impact statements. Environmental legislation is evolving in a direction of higher standards and enforcement, and higher fines and penalties for non-compliance. Environmental assessments of proposed projects carry a heightened degree of responsibility for companies and directors, officers and employees. The cost of compliance with changes in governmental regulations has the potential to reduce the profitability of future operations.

The Company believes that it is in compliance with all material laws and regulations which currently apply to its activities. There can be no absolute assurance, however, that all permits which the Company may require for exploration activities and land use will be obtainable on reasonable terms or on a timely basis, or that such laws and regulations will not have an adverse effect on any exploration projects that the Company may undertake.

Mineral exploration involves many risks, which even a combination of experience, knowledge and careful evaluation may not be able to overcome. Operations within the Company will be subject to all the hazards and risks normally incidental to exploration, development and production of minerals, any of which could result in work stoppages, damage to property, and possible environmental damage. Unusual or unexpected formations, formation pressures, fires, power outages, labour disruption, impaired access to site, legal or regulatory changes, flooding, explosions, cave-ins, landslides, weather conditions and the inability to obtain suitable or adequate machinery, equipment or labour are other risks involved in extraction operations and the conduct of exploration programs. The Company's exploration activities will be subject to the availability of third party contractors and equipment. There are also physical risks to the exploration personnel. If any of the Company's properties are found to have commercial quantities of mineralization, the Company could be subject to additional risks respecting any development and production activities.

All of the properties in which the Company has an interest are in the exploration stage and are currently without reserves. Development of these mineral properties will only follow upon obtaining satisfactory exploration results, receipt of positive engineering studies, access to adequate funding, community support and all necessary permits, licenses and approvals. Mineral exploration and development involves a high degree of risk and few properties which are explored are ultimately developed into producing mines. Substantial expenditures are required to establish reserves through drilling and to develop the mining and processing facilities and the infrastructure at any site chosen for mining. The Company has not completed a feasibility study on any of its properties and there is no assurance that these mineral exploration and development activities will result in any discoveries of commercial mineral deposits. The long-term profitability of the Company's operations will be in part directly related to the cost and success of its exploration programs, which may be affected by a number of factors beyond the Company's control.

**RISKS AND UNCERTAINTIES** (continued)

Factors beyond the control of the Company may affect the market price of minerals produced and the marketability of any ore or minerals discovered at and extracted from the Company's properties. Metal prices are subject to significant fluctuation and are affected by numerous factors beyond the Company's control including international economic, financial and political events, global or regional supply and demand patterns and speculative activities. The effect of these factors on the Company's operations cannot accurately be predicted.

COVID-19 (the coronavirus) has threatened a slowdown in the global economy as well as caused volatility in the global financial markets. While the full impact of COVID-19 on the global economy is uncertain, rapid spread of COVID-19 may have an adverse effect on the Company's financing capabilities. The extent to which COVID-19 may impact the Company's business will depend on future developments such as the geographic spread of the disease, the duration of the outbreak, travel restrictions and social distancing, business closures or business disruptions, and the effectiveness of actions taken in Canada, the United States and other countries to contain and treat the disease. Although it is not possible to reliably estimate the length or severity of these developments and their financial impact to the date of approval of these consolidated financial statements, the Company's stock price has declined in excess of 50% since year-end. Should the stock prices remain at or below currently prevailing levels for an extended period, this could have a further significant adverse impact on the Company's financial position and results of operations for future periods.

**DIRECTORS & OFFICERS**

As of the date of this MD&A, the Company's directors and officers were as follows:

Patrick Soares – President, CEO and Director
Darren Morcombe – Executive Chairman of the Board
Maurice Tagami – Director, Chair of the Governance and Corporate Compensation Committee and Chair of the Environmental, Health & Safety Committee
David Petroff – Director, Chair of the Audit & Risk Committee
Tim Thiessen – CFO and Corporate Secretary
Roger March – VP Exploration