

FORAN MINING CORPORATION

FINANCIAL STATEMENTS

SIX MONTHS ENDED MARCH 31, 2006 and 2005

(Unaudited - Prepared by Management)

NOTICE OF NO AUDITOR REVIEW

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

The Company's independent auditors have not performed a review of these 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
SIX MONTHS ENDED MARCH 31, 2006 and 2005

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FORAN MINING CORPORATION

CONSOLIDATED BALANCE SHEET AS AT MARCH 31, 2006 and 2005 (Unaudited – Prepared by Management)

	Six Months March 31, 2006	Six Months March 31, 2005
ASSETS		
Current Assets		
Cash	\$ 19,098	1,252,520
Short-term investments	-	10,138
Accounts receivable	12,806	116,776
Prepaid Expenses	8,286	163,969
Deposits	50,000	145,000
	<u>90,190</u>	<u>1,688,403</u>
Other Asset (Note 3)	500,000	500,000
Investment in partnership (Note 4)	1	1
Mineral properties (Note 5)	455,574	8,296,840
Capital Assets (Note 6)	1,556,618	2,525,918
Long-term Deposits	50,000	-
	<u>\$ 2,652,383</u>	<u>\$ 13,011,162</u>
LIABILITIES		
Current Liabilities		
Accounts payable and accrued liabilities	\$ 416,147	\$ 640,263
Convertible loan (Note 7)	4,683,500	3,000,000
Current Portion of Long-term Debt	6,835	6,833
	<u>5,106,482</u>	<u>3,647,096</u>
Long-term Debt (Note 8)	19,389	33,059
	<u>5,125,871</u>	<u>3,680,155</u>
Contingencies (Note 9)		
SHAREHOLDERS' DEFICIENCY		
Share Capital (Note 10)	27,293,481	27,859,031
Equity portion of convertible loan (Note 7)	117,500	-
Contributed surplus	5,586	5,586
Deficit	(29,890,055)	(18,533,610)
	<u>(2,473,488)</u>	<u>9,331,007</u>
	<u>\$ 2,652,383</u>	<u>\$ 13,011,162</u>

APPROVED ON BEHALF OF THE BOARD:

Director _____

Director _____

See accompanying notes to consolidated financial statements.

FORAN MINING CORPORATION
CONSOLIDATED STATEMENT OF OPERATIONS AND DEFICIT
SIX MONTHS ENDED MARCH 31 2006 AND 2005

(Unaudited – prepared by Management)

	Three Months March 31, 2006	Three Months March 31, 2005	Six Months March 31, 2006	Six Months March 31, 2005
REVENUE				
Interest Income	-	2,951	128	7,682
Total Revenue	<u>-</u>	<u>(2,951)</u>	<u>128</u>	<u>7,682</u>
 EXPENDITURES- Administrative				
Administration	55,763	68,617	101,610	133,861
Agency Fees	20,499	20,739	25,802	36,193
Amortization	4,984	134,034	11,134	192,327
Interest & Bank Charges	71,112	23,192	140,845	22,690
Professional fees	191,149	45,290	237,278	55,173
Rent	5,775	11,300	19,052	22,600
Repairs & maintenance	2,164	1,926	60,324	5,494
Wages & benefits	39,332	122,724	92,705	220,727
	<u>390,778</u>	<u>427,822</u>	<u>688,750</u>	<u>689,065</u>
Loss before the under-noted Write-down (Recovery) of mineral properties	(390,778)	(430,773)	(688,622)	(681,383)
Gain on Disposal of Assets (Note 3)	20,759	-	20,759	(818)
	<u>7,799</u>	<u>-</u>	<u>5,319</u>	<u>-</u>
LOSS FOR THE PERIOD	(362,220)	(430,773)	(662,544)	(682,201)
Deficit, beginning of period	<u>(29,527,835)</u>	<u>(18,102,838)</u>	<u>(29,227,511)</u>	<u>(17,851,410)</u>
DEFICIT END OF PERIOD \$	<u>(29,890,055)</u>	<u>(18,533,611)</u>	<u>(29,890,055)</u>	<u>(18,533,611)</u>
Basic and fully diluted loss per share	\$ (0.01)	(0.00)	(0.01)	(0.01)
Weighted average number of shares outstanding	<u>60,536,726</u>			

See accompanying notes to consolidated financial statements.

FORAN MINING CORPORATION

CONSOLIDATED STATEMENT OF CASH FLOW SIX MONTHS ENDED MARCH 31, 2006 and 2005 (Unaudited – Prepared by Management)

	Three Months March 31, 2006	Three Months March 31, 2005	Six Months March 31, 2006	Six Months March 31, 2005
Cash flows from operating activities				
Loss for the period	(362,220)	(430,773)	(662,544)	(682,200)
Items not affecting cash				
Amortization	4,984	134,034	11,134	192,327
Write-down (Recovery) of mineral properties	(20,759)	-	(20,759)	858
Write-down (Recovery) of assets	(7,799)	-	(5,319)	-
	(385,794)	(296,739)	(677,488)	(489,015)
Net changes in non-cash working capital items				
Related to operations:				
Accounts receivable	9,859	149,799	3,226	73,730
Prepaid and deposits	43,485	(168,065)	55,174	(161,792)
Accounts payable and accrued liabilities	152,351	470,585	58,841	495,782
Cash provided by (used in) operating activities	(180,099)	155,580	(560,247)	(81,295)
INVESTING ACTIVITIES				
Mineral property expenditures	(5,525)	(866,946)	(11,480)	(1,371,656)
Property, plant and equipment	97,257	(1,435,975)	139,258	(2,394,354)
Other Asset Investment	-	(500,000)	-	(500,000)
Cash used in investing activities	91,732	(2,802,921)	127,778	(4,266,010)
FINANCING ACTIVITIES				
Proceeds from issuance of debt	101,000	1,900,000	401,000	3,000,000
Repayment of long-term debt	(3,417)	(3,417)	(6,835)	(6,834)
Proceeds from issuance of shares		500,000	0	2,023,425
Cash provided by financing activities	97,583	2,396,583	394,165	5,016,591
INCREASE IN FUNDS	9,216	(250,758)	(38,304)	669,286
Cash and cash equivalents at beginning of period	9,882	1,513,416	57,402	593,372
CASH AND CASH EQUIVALENTS AT END OF PERIOD	\$ 19,098	1,262,658	19,098	1,262,658

Cash and cash equivalents consist of cash on hand and balance with banks, and investments in money market instruments. Cash and cash equivalents included in the cash flow statement comprise the following balance sheet amounts:

Cash	<u>\$ 19,098</u>	<u>\$1,262,658</u>
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See accompanying notes to consolidated financial statements.

FORAN MINING CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SIX MONTHS ENDED MARCH 31, 2006 and 2005
(Unaudited – Prepared by Management)

1 Nature and continuation of operations

The Company was incorporated under the laws of British Columbia and its principal business activities include the acquisition and exploration of mineral properties.

These consolidated financial statements have been prepared on the basis of generally accepted accounting principles as applicable to a going concern, which contemplates the realization of assets and discharge of liabilities in the normal course of business for the foreseeable future.

The Company has incurred significant operating losses 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, future production or proceeds from the disposition thereof and to achieve a favorable outcome of its contingencies (Note 9).

2. Significant accounting policies

These consolidated financial statements have been prepared to reflect the following significant accounting policies:

Basis of presentation

These consolidated financial statements include the accounts of the Company and its wholly owned subsidiary, 623133 Saskatchewan Ltd. All inter-company transactions and balances have been eliminated upon consolidation.

Investment in partnership

The Company's investment in a partnership is accounted for by the cost basis of accounting and is recorded at the lower of cost and net realizable value.

Capital Assets

Property, plant and equipment are recorded at cost. Amortization is provided on a declining balance basis over the estimated useful life of the asset. Annual Amortization rates are as follows:

Automobiles	30%
Buildings	25%
Buildings (shop)	25%
Computer and survey equipment	30%
Equipment	30%
Furniture and fixtures	20%
Mine rescue trailer and equipment	25%
Rail bed Road	0%
Trailers	25%

FORAN MINING CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SIX MONTHS ENDED MARCH 31, 2006 and 2005
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2. Significant accounting policies (continued)

Mineral Properties

The Company capitalizes mineral property acquisition costs and exploration and development expenditures on a property-by-property basis. These costs will be amortized over the estimated productive lives of the properties upon commencement of production using the unit-of-production method, or written down to their estimated fair value if the properties are abandoned, allowed to lapse, there is little prospect of further work being carried out by the Company or there has been permanent impairment in their value, with the associated write-down being charged to operations.

Mineral property acquisition costs include the cash consideration paid and the fair value of common shares issued, based on the trading price of the shares on the date of the agreement to issue the shares.

The amounts shown for mineral properties represent costs incurred to date, less recoveries and write-downs, and do not necessarily reflect present or future values.

Income taxes

The Company uses the asset and liability method of accounting for income taxes. Under this method, future tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases (temporary differences), and losses carried forward. Future tax assets and liabilities are measured using substantively enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. A valuation allowance is recorded against any future tax asset if it is more likely than not that the asset will not be realized. The effect on future tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the date of substantive enactment.

The Company finances a portion of its exploration activities through the use of flow-through shares. The Company records the tax cost of expenditures renounced to subscribers on the date the deductions are renounced to the subscribers. Share capital is reduced and future income tax liabilities are increased by the estimated tax benefits renounced by the Company to the subscribers, except to the extent that the Company has unrecorded loss carryforwards and tax pools in excess of book value available for deduction.

Stock-based compensation

The Company grants stock options under a fixed stock option plan in accordance with the TSX Venture Exchange ("TSX-V") policies and accounts for stock options using the fair value method. Fair value is measured at the grant date using the Black-Scholes valuation model with compensation expense and equity recognized over the vesting period of the options granted. During the period \$nil (2004, - \$5,586) of compensation and equity has been recognized. Consideration paid by directors and employees to exercise their stock options is recorded as share capital.

Loss per share

Basic per share amounts are calculated using the weighted average number of shares outstanding during the year. Diluted per share amounts are calculated based on the treasury-stock method, which assumes that any proceeds received on exercise of options and warrants would be used to purchase common shares at the average market price during the period. The weighted average number of shares outstanding is then adjusted by the change.

FORAN MINING CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SIX MONTHS ENDED MARCH 31, 2006 and 2005
(Unaudited – Prepared by Management)

2. Significant accounting policies (Continued)

Foreign currency translation

Monetary items denominated in a foreign currency are translated into Canadian dollars at exchange rates prevailing at the balance sheet date. Non-monetary items are translated at exchange rates prevailing when the assets were acquired or obligations incurred. Foreign currency denominated revenue and expense items are translated at exchange rates prevailing at the transaction date. Exchange gains and losses are recognized in operations.

Measurement uncertainty

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period.

Significant areas requiring the use of management estimates include impairment of mineral properties, impairment of capital assets, useful lives for amortization of capital assets, reclamation and environmental obligations, and contingencies reported in the notes to the financial statements. Financial results as determined by actual events could differ from those estimates.

3. Other asset

The Company has made a \$500,000 payment to Copper Reef (1973) Limited (“Copper Reef”) with respect to an assignment agreement on the Hanson Lake mineral property.

In January 2005, the Company entered into an option agreement to acquire a 100% interest in the Hanson Lake mineral property located in Saskatchewan. Total consideration consists of paying \$1,006,500 to Cameco Corporation (“Cameco”) and \$493,500 to BHP Billiton (“Billiton”) on or before January 25, 2005, \$1,342,000 to Cameco and \$658,000 to Billiton on or before May 31, 2006, or issuing Foran Mining Corporation common shares worth \$2,013,000 to Cameco and \$987,000 to Billiton on or before May 31, 2006. Should the Company elect to satisfy the May 31, 2006 payment through the issuance of shares rather than by way of cash payment, the share price shall be calculated using the average trading price of the Company’s common shares on the TSX for the first fifteen (15) trading days in May of 2006. The shares issued to Cameco and Billiton shall be freely tradable and shall not be subject to any form of statutory or Exchange-imposed hold period or trading prohibition.

In January 2005, the Company entered into an agreement to conditionally assign to Copper Reef all of its rights and interests in the property option agreement for the Hanson Lake mineral property. In a letter dated January 24, 2005, Cameco and Billiton conditionally consented to the assignment. The Company believes that the conditions have not been satisfied. The initial consideration consists of Copper Reef funding the payment of \$1,500,000 to Cameco and Billiton. Copper Reef also agreed to issue 5,500,000 common shares to the Company, with an additional 2,500,000 units issued at a price of \$0.20 per unit, for a total of \$500,000. By notice made July 19, 2005, the Company filed a Demand for Arbitration and seeks rescission of the Assignment Agreement.

FORAN MINING CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SIX MONTHS ENDED MARCH 31, 2006 and 2005
(Unaudited – Prepared by Management)

4. Investment in partnership

During the year ended September 30, 2003, the Company, with two other companies, formed a general partnership which acquired an interest in the 1999 Investment Co. Limited Partnership.

During the year ended September 30, 2003, the Company received a cash distribution of \$281,156 (less a finder's fee of \$8,430) from the general partnership which represents the aggregate amount of cash the Company expects to receive from this investment. No cash distributions were received by the Company in the years ended September 30, 2005 and 2004.

5. Mineral Properties

Six Months ended March 31, 2006

	Balance September 30, 2005	Acquisition costs and license fees	Exploration and development expenditures	Recoveries, MEAP Grant, and Write-offs and Recoveries	Balance March 31, 2006
Kisseynew, MB	\$ 1	\$ -	\$ -	\$ -	\$ 1
Sewell Lake, MB	1	-	-	-	1
Morton Lake, MB	1	-	-	-	1
McIlvenna, SK	0	781	-	-	781
Otter Lake, MB	1	-	-	-	1
Kaskattama, MB	1	-	-	-	1
North Star Gold, MB	1	-	-	-	1
Jupiter, MB	1	-	-	-	1
Kettle River, MB	-	-	-	-	-
Gold Rock, MB	-	-	-	-	-
Sask Project	210,212	-	-	-	210,212
Man Project	233,873	7,485	3,215	-	244,573
Other	1	-	-	-	1
	<u>\$ 444,093</u>	<u>\$ 8,266</u>	<u>\$ 3,215</u>	<u>\$ -</u>	<u>\$ 455,574</u>

Six Months ended March 31, 2005

	Balance September 30, 2004	Acquisition costs and license fees	Exploration and development expenditures	Recoveries, MEAP Grant, and Write-offs and Recoveries	Balance March 31, 2005
Kisseynew, MB	\$ 1	\$ -	\$ -	\$ -	\$ 1
Sewell Lake, MB	1	-	583	(583)	1
Morton Lake, MB	1	-	-	-	1
McIlvenna, SK	1	-	275	(275)	1
Otter Lake, MB	137,025	-	4,836	(12,869)	128,992
Kaskattama, MB	745,190	-	72,492	-	817,682
North Star Gold, MB	5,358,182	-	1,135,549	(27,947)	6,465,784
Jupiter, MB	75,317	-	25,716	-	101,033
Kettle River, MB	5,359	-	-	-	5,359
Gold Rock, MB	28,843	10,750	3,212	-	42,805
Sask Project	149,823	20,975	38,415	-	209,213
Man Project	225,440	-	-	-	225,440
Other	200,000	-	528	-	200,528
	<u>\$ 6,925,183</u>	<u>\$ 31,725</u>	<u>\$ 1,281,606</u>	<u>\$ (41,674)</u>	<u>\$ 8,196,840</u>

FORAN MINING CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SIX MONTHS ENDED MARCH 31, 2006 and 2005
(Unaudited – Prepared by Management)

5. Mineral properties (continued)

Details of the exploration and development expenditures incurred during each of the six months ended March 31, 2006 and 2005 for the Company's major properties are as follows:

	Six Months ended March 31, 2006	
	<u>Manitoba Project</u>	<u>Total</u>
Airborne Geophysical and Geological surveys	-	-
Assaying, sampling, line cutting And mapping	-	-
Drilling	-	-
Geological consulting	-	-
Engineering services	-	-
Environmental impact	-	-
Helicopter/Staking	3,215	3,215
Propane, fuel and diesel	-	-
Site visit, report and insurance	-	-
Road work, blasting, loading and hauling	-	-
Travel, accommodation and field	-	-
Truck and equipment rental	-	-
	<u>\$ 3,215</u>	<u>\$ 3,215</u>

	Six Months ended March 31, 2005				<u>Total</u>
	<u>North Star Gold</u>	<u>Kaskattama</u>	<u>Jupiter</u>	<u>Other</u>	
Airborne Geophysical and geological surveys	27,650	48,000	3,800	11,650	91,100
Assaying, sampling, line cutting and mapping	92,688	9,715	12,493	90	114,986
Drilling	240,153	8,177	-	-	248,330
Geological consulting	110,325	5,457	2,145	-	117,926
Engineering services	61,406	-	-	-	61,406
Environmental impact	86,037	-	-	-	86,037
Helicopter	3,430	-	12,409	-	15,839
Propane, fuel and diesel	148,434	-	-	-	148,434
Site visit, report and insurance	7,811	-	5,434	13,024	26,269
Small Tool Purchase/Repair	49,094	-	-	-	49,094
Road work, blasting, loading and hauling	93,686	-	-	-	93,686
Travel, accommodation and field	37,636	1,143	1,844	10,676	51,299
Truck and equipment rental	79,976	-	-	-	79,976
Camp Maintenance	68,500	-	-	-	68,500
Security Costs	28,724	-	-	-	28,724
	<u>\$ 1,135,549</u>	<u>72,492</u>	<u>25,716</u>	<u>47,849</u>	<u>\$ 1,281,606</u>

FORAN MINING CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SIX MONTHS ENDED MARCH 31, 2006 and 2005
(Unaudited – Prepared by Management)

5. Mineral properties (continued)

a) Jupiter, Manitoba

In April 2003, the Company entered into an agreement to acquire a 100% interest in the Jupiter mineral claims adjacent to North Star Gold mineral claims for \$10,000 with an additional \$15,000 due April 10, 2006, issue 100,000 common shares over a four-year period, and complete a work commitment of \$150,000 by April 10, 2006. The Company has the option to purchase 2% net smelter returns for \$1,000,000. As of the period ended March 31, 2006, 75,000 common shares have been issued valued at \$33,750, and work of \$73,750 has been expended on exploration.

In May 2006 the Company renegotiated the Option Agreement to extend the terms of obligation from April 10, 2006 to April 10, 2007.

b) Gold Rock, Manitoba

In December 2003, the Company acquired an option to purchase 100% interest in the Gold Rock mining lease located in the North Star Lake area of Manitoba for \$15,000 cash, with an additional \$5,000 due November 1, 2005 and \$10,000 due November 1, 2006. The Company has the option to purchase 2% net smelter returns for \$1,000,000 and the optionor will retain a 25% net profit interest in the first 25 feet below surface of vein material currently documented. As of March 31, 2006, the Company has issued 50,000 shares valued at \$21,500 and paid \$15,000.

In March 2006, the Company entered into a new option agreement for \$50,000 in exploration expenditures being incurred before July 15, 2007 and in the event that exploration has not commenced by this date, \$50,000 will be paid by August 15, 2007 to the optionor with the exploration expenditure to be completed by January 31, 2008. Additional consideration to the optionor includes a 10% Net Profit Interest payable on the first 20 feet of currently documented vein material below surface and a royalty in the amount of 2% of Net Smelter Returns. The Company may purchase 75% of the optionor's NSR at any time for the total sum of \$750,000, leaving the optionor a 0.5% NSR.

c) Saskatchewan and Manitoba Projects

On November 21, 2003, the TSX-V accepted for filing the Purchase Agreement dated November 11, 2003, for 100% of Aur Resource Inc.'s interest in 29 Mining Claim Groups located in the Flin Flon, Snow Lake and Lynn Lake areas of Manitoba and Saskatchewan.

The properties included 29 property claim groups totaling more than 50,000 hectares, all associated data files, airborne data for over 70 airborne EM surveys, as well as office and warehouse equipment, furnishings and supplies.

The purchase gave the Company control of 21 sulphide zones, at least eight gold deposits/zones and provided numerous developed drill targets, most of which are designed to extend known zones.

The Company has committed, through previous mineral property ownership agreements associated with the Saskatchewan and Manitoba projects, to pay various net smelting and net profits interest royalty fees. The net smelting fees range from 0% - 2% and the net profits interest royalty fees range from 0% - 15%.

FORAN MINING CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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(Unaudited – Prepared by Management)

5. Mineral properties (continued)

d) Other Properties

In March 1998, the Company entered into an agreement with two companies, controlled by two parties who subsequently became directors and officers of the Company, to acquire a group of mineral property interests and underlying royalty rights in the Flin Flon Greenstone Belt in Manitoba and Saskatchewan. The Company acquired a 100% interest in 20 mineral claims in Manitoba known as the Big Island property, as well as a 65% to 100% interest in seven other claim groups in Manitoba and Saskatchewan. As consideration, the Company issued 3,000,000 common shares of the Company in fiscal 1999.

6. Capital Assets

	<u>March 31, 2006</u>		<u>March 31, 2005</u>	
	<u>Cost</u>	<u>Amortization</u>	<u>Cost</u>	<u>Amortization</u>
Automotive Equipment	76,490	36,718	\$ 108,011	\$ 32,298
Buildings	331,409	170,060	307,628	11,958
Building (Shop)	103,219	68,219	103,219	8,874
Computer and survey equipment	34,476	17,966	143,238	82,891
Equipment	239,144	119,299	227,195	21,151
Furniture and fixtures	13,153	3,750	26,232	7,734
Mill building and equipment	2,132,130	1,132,130	1,778,164	113,888
Mine rescue trailer & equipment	0	0	69,550	4,144
Rail bed road	115,000	0	0	0
Trailers	88,315	28,576	66,146	20,527
	<u>\$ 3,133,336</u>	<u>\$ 1,576,718</u>	<u>\$ 2,829,383</u>	<u>\$ 303,465</u>
Net Book Value	<u>\$ 1,556,618</u>		<u>\$ 2,525,918</u>	

7. Convertible loan

In October 2004 the Company entered into an agreement with BBS Aircraft Inc. (“BBS”), a company controlled by a director of the Company, in which the Company would borrow up to \$5,000,000 for the purchase of a mill and for the development of the Company’s North Star mineral property location. As at March 31, 2006, the Company received loan proceeds of \$4,801,000 and accrued interest in the amount of \$299,522. The loan bears interest at a rate of the greater of 6% and the Royal Bank of Canada prime rate plus 2% per annum, is secured by a grid promissory note, security agreement and a registered financing statement in the personal property registry in the province of Manitoba, as well as an assignment of all insurance policies covering the Company’s property given as security under the security agreement. The repayment terms include an annual payment of 75% of the Company’s after-tax profits of the North Star mineral property. In addition to the above, the Company issued on December 31, 2005 2,350,000 Class A common shares to BBS.

FORAN MINING CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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7. Convertible Loan (continued)

In the event that the loan and any accrued interest remain unpaid after December 31, 2006 and at the request of BBS, the Company, subject to regulatory approval, will issue common shares (at the current share price of the common shares at the time of the request) for debt for any amount outstanding under the loan agreement.

The convertible loan is presented in its component parts in the financial statements, measured at their respective fair values at the time of issue. The debt component has been calculated as the present value of the required interest and principal payments at the time the loan was issued. The difference between the debt component and the face value of the loan is classified as equity.

8. Long-term debt

	<u>2006</u>	<u>2005</u>
Ford Motor Credit Corporation loan bearing interest at 0% with monthly installments of \$1,139, secured by specific equipment, due February 2008	\$ 33,059	\$ 46,727
Less current portion	6,835	6,834
Less portion paid to March 31, 2006	<u>6,834</u>	<u>6,834</u>
	<u>\$ 19,390</u>	<u>\$ 33,059</u>

Principal payments due in each of the next three years are as follows:

2006	\$	13,669
2007		13,669
2008		5,721

9. Contingencies

- a) The former CEO of Foran Mining Corporation and a company owned by the former CEO of the Company (“the Party”) attempted to commence arbitration proceedings against Foran Mining Corporation. The Party is seeking \$16,000 for services rendered per an Exploration Management Agreement. The Former CEO of the Company is also seeking unspecified damages associated with the termination of the Exploration Management Agreement. The Company has not agreed to resolve the dispute by arbitration and no further action has been taken. The Company’s position is that no amount is owed to any member of the Party. The outcome of the arbitration proceeding and the statement of claim by the former CEO are undeterminable and no amounts have been recorded in the financial statements.
- b) Copper Reef commenced arbitration proceedings against the Company seeking to enforce certain provisions of the Assignment Agreement associated with the Hanson Lake mineral property (see Note 3). The Company wishes to rescind the aforementioned agreement. If the agreement is rescinded, then the Company would be obligated to pay Copper Reef \$1,500,000 as repayment of the first option payment made for the Hanson Lake mineral property, also the \$500,000 paid to Copper Reef in the current year would be repaid to the Company. The outcome of the arbitration proceeding is undeterminable and the only amount recognized in the financial statements is the \$500,000 that the Company paid to Copper Reef.

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9. Contingencies (continued)

- c) The Company has issued a statement of claim against the former CEO of the Company with respect to breach of fiduciary duty. The former CEO of the Company is possibly claiming wrongful or constructive dismissal as noted in his affidavit with respect to the statement of claim noted above. The likelihood of loss or gain from the above statement of claim and affidavit are undeterminable and no amounts have been recorded in the financial statements.

10. Share Capital

Authorized an unlimited amount of common shares, without par value

Issued

	Common Shares	Share Capital
Balance, September 30, 2003	38,003,960	\$ 18,884,395
Issued for cash - private placement	8,218,500	4,910,360
Issued for stock options	2,000	900
Issued for cash - warrants	5,751,166	1,630,951
Issued for mineral properties	950,000	409,000
Balance, September 30, 2004	52,925,626	25,835,606
Issued for cash - private placement	5,000,166	2,000,075
Issued for stock options	50,000	10,000
Issued for mineral properties	80,000	34,600
Share issue costs	-	(586,800)
Balance, September 30, 2005	58,055,792	\$ 27,293,481
Issued for convertible loan equity	2,350,000	0
Balance, March 31, 2006	60,405,792	\$ 27,293,481

Share purchase warrants

The continuity of share purchase warrants for the six months ended March 31, 2005 is as follows:

<u>Expiry Date</u>	<u>Exercise Price</u>	Balance				<u>Expired</u>	Balance
		September 30, 2004	Issued	Exercised	-		March 31, 2005
December 18/05	0.80	5,284,000	-	-	-	5,284,000	
January 6, 2006	0.45	3,333,500	-	-	-	3,333,500	
		8,617,500	-	-	-	8,617,500	

The continuity of share purchase warrants for the six months ended March 31, 2006 is as follows:

<u>Expiry Date</u>	<u>Exercise Price</u>	Balance				<u>Expired</u>	Balance
		September 30, 2005	Issued	Exercised	-		March 31, 2006
December 18/05	0.80	5,284,000	-	-	5,284,000	0	
January 6, 2006	0.45	3,333,500	-	-	3,333,500	0	
		8,617,500	-	-	8,617,500	0	

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10. Share Capital (continued)

Stock Options

A summary of the status of the Company's stock option plan and changes during the periods ended March 31, 2006 and 2005 is presented below:

	2006		2005	
	Number of options	Weighted average exercise price	Number of options	Weighted Average exercise price
Outstanding, beginning of Period	690,000	\$ 0.35	1,915,000	\$ 0.41
Granted	1,075,000	0.10	000	0.00
Exercised	000	0	000	0.00
Expired or forfeited	200,000	0	000	0.00
Outstanding, end of period	1,565,000	0.20	1,915,000	\$ 0.41

The following table provides details of stock options outstanding at March 31, 2006:

	Number outstanding	Remaining life (years)
\$0.10 options	1,075,000	4.50
\$0.54 options	150,000	0.92
\$0.38 options	90,000	0.61
\$0.34 options	250,000	0.31
	1,565,000	1.59

11. Related party transactions

In addition to related party transactions already disclosed, the Company entered into the following transactions with related parties:

- a) During the six month period ended March 31, 2006 the Company paid and accrued \$ 9,630 (2005 – \$5,000) for office rent to a related party.
- b) During the six month period ended March 31, 2006 the Company paid and accrued \$ 5,369 (2005 – nil) for professional services.
- c) During the six month period ended March 31, 2006 the Company paid and accrued \$3,402 (2005 – \$88,132) for fuel and removal of tanks from North Star and Snow Lake sites.

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12. Income taxes

Future income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Significant components of the Company's future tax assets and liabilities are as follows:

	<u>2005</u>	<u>2004</u>
Future income tax assets		
Accounting amortization in excess of tax	\$ 1,599,184	\$ 199,242
Loss carried forward	11,808	1,022,746
Mineral properties	<u>18,757,047</u>	<u>18,361,547</u>
	<u>20,368,039</u>	<u>19,583,535</u>
Future income tax liabilities		
Valuation allowance	<u>20,368,039</u>	<u>19,583,535</u>
Net future income tax asset	<u>\$ -</u>	<u>\$ -</u>

As at September 30, 2005, the Company has non capital losses carried forward in Canada of approximately \$11,808 (2004 - \$1,022,746) that will expire 2009. The mineral property expenses of \$18,757,047 (2004 - \$18,361,547) are available to be carried forward indefinitely.

Partnership income accounted for on the cost basis is \$Nil (2004- \$Nil), whereas allocated partnership income for income tax purposes is \$3,147,843 (2004 - \$1,619,979).

A reconciliation of income taxes at Canadian statutory rates with the reported income taxes is as follows:

	<u>2005</u>	<u>2004</u>
Loss for the year before taxes	<u>\$ 11,962,902</u>	<u>\$ 614,967</u>
Expected income tax expense (recovery)	<u>\$ (4,679,886)</u>	<u>\$ (240,575)</u>
Write-down of capital assets	550,076	-
Write down of resource properties	3,595,466	3,445
Partnership income subject to tax	1,231,436	685,283
Recognized resource expenditures	(296,994)	-
Recognized benefits of non-capital losses	<u>(400,098)</u>	<u>(448,153)</u>
	\$ -	\$ -

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13. Financial instruments

Fair value of financial instruments

The carrying amounts of cash, accounts receivable and accounts payable and accrued liabilities approximate their fair values due to the short-term maturity of those instruments.

Interest rate risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. A change in market interest rates will have a direct effect on the fair value of the long-term debt.

14. Comparative figures

Certain comparative figures have been reclassified to conform to the current year's presentation.

15. Subsequent events

On May 24, 2006 the Company announced that it has reached settlement in its disputes with Copper Reef Mines (1973) Ltd., M'Ore Exploration, and Stephen Leo Masson. Under the settlement agreement, Foran will make the final payment of \$2,000,000 for the McIlvenna Bay Project which is due on or before May 31, 2006. The Company will give Copper Reef a 25% interest in the claims, retain 75% for itself and has entered into a joint venture agreement with Copper Reef in which Foran is the operator. Foran will retain approximately 25% of shares in Copper Reef and is able to maintain that percentage through participation in future Copper Reef fund raising. All existing litigation, arbitration or other suits or proceedings between the Company and Copper Reef, M'Ore Exploration and Stephen Leo Masson have been terminated.