

FORAN MINING CORPORATION

FINANCIAL STATEMENTS

THREE MONTHS ENDED DECEMBER 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
THREE MONTHS ENDED DECEMBER 31, 2006 and 2005

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FORAN MINING CORPORATION
CONSOLIDATED BALANCE SHEET
AS AT DECEMBER 31, 2006 and 2005
(Unaudited – Prepared by Management)

	Three Months December 31, <u>2006</u>	Year End September 30 <u>2005</u>
<u>ASSETS</u>		
Current Assets		
Cash	\$ 19,637	\$ 231,083
Accounts receivable	47,106	20,386
Deposits	3,181	3,181
Prepaid expenses	<u>23,222</u>	<u>18,087</u>
	93,146	272,737
Portfolio investment (Note 3)	500,000	500,000
Mineral properties (Note 4)	2,553,787	2,492,474
Capital assets (Note 5)	42,857	45,417
Capital assets held for sale (Note 6)	1,474,059	1,489,915
Long-term deposits	<u>50,000</u>	<u>50,000</u>
	<u>\$ 4,713,849</u>	<u>\$ 4,850,543</u>
<u>LIABILITIES</u>		
Current Liabilities		
Accounts payable and accrued liabilities	\$ 147,103	\$ 570,772
Convertible loan (Note 7)	-	4,683,500
Current portion of long-term debt	<u>10,252</u>	<u>13,669</u>
	157,355	5,267,941
Long-term debt (Note 8)	<u>5,720</u>	<u>5,721</u>
	<u>163,075</u>	<u>5,273,662</u>
Contingency (Note 9)		
<u>SHAREHOLDERS' DEFICIENCY</u>		
Share Capital (Note 10)	35,387,947	30,293,481
Equity portion of convertible loan (Note 7)	-	117,500
Contributed surplus	78,397	78,397
Deficit	<u>(30,915,570)</u>	<u>(30,716,497)</u>
	4,550,774	(423,119)
	<u>\$ 4,713,849</u>	<u>\$ 4,850,543</u>
Nature and continuance of operations (Note 1)		
Approved by the Board		
Director _____	Director _____	

FORAN MINING CORPORATION
CONSOLIDATED STATEMENT OF LOSS AND DEFICIT
THREE MONTHS ENDED DECEMBER 31, 2006 and 2005
(Unaudited – Prepared by Management)

	Three Months December 31, <u>2006</u>	Three Months December 31 <u>2005</u>
Interest income	\$ <u>747</u>	\$ <u>128</u>
Expenses		
Administration	23,915	44,887
Agency fees	1,725	5,303
Amortization	3,244	6,150
Interest and bank charges	73,229	69,733
Professional fees	21,448	46,129
Rent	13,362	13,277
Repairs and maintenance	22,280	59,120
Wages and benefits	<u>42,760</u>	<u>53,373</u>
	<u>201,963</u>	<u>297,972</u>
Loss before the under noted items	<u>(201,217)</u>	<u>(297,844)</u>
Write-down of mineral properties	-	-
Write-down of capital assets	-	-
Gain on disposal of capital assets	2,143	
Gain on disposal of investments	-	(2,480)
Other income	-	-
LOSS FOR THE PERIOD	<u>(199,073)</u>	<u>(300,324)</u>
Deficit, beginning of period	\$(30,716,497)	\$(29,227,511)
Deficit, end of period	<u>\$(30,915,570)</u>	<u>\$(29,527,835)</u>
Basic and fully diluted loss per share	<u>\$ (0.001)</u>	<u>\$ (0.01)</u>
Weighted average number of shares outstanding	<u>106,443,462</u>	<u>58,081,335</u>

FORAN MINING CORPORATION
THREE MONTHS ENDED DECEMBER 31, 2006 and 2005
(Unaudited – Prepared by Management)

FORAN MINING CORPORATION
CONSOLIDATED STATEMENT OF CASH FLOW
THREE MONTHS ENDED DECEMBER 31, 2006 and 2005
(Unaudited – Prepared by Management)

	Three Months December 31, <u>2006</u>	Three Months December 31 <u>2005</u>
Cash flows from operating activities		
Net loss	\$ (201,217)	\$ (300,324)
Items not affecting cash		
Amortization	3,244	6,150
Gain on disposal of capital assets	-	-
Write-down of mineral properties	-	-
Loss on sale of assets	-	2,480
Net changes in non-cash working capital items related to operations:		
Accounts receivable	(26,049)	(6,633)
Prepaid and deposits	(5,135)	11,689
Accounts payable and accrued liabilities	<u>(424,341)</u>	<u>(93,511)</u>
	<u>(653,498)</u>	<u>(380,149)</u>
Cash flows from investing activities		
Mineral property expenditures	(61,313)	(5,955)
Purchase of property plant and equipment	<u>17,315</u>	<u>42,001</u>
	<u>(43,998)</u>	<u>36,046</u>
Cash flows from financing activities		
Proceeds from issuance of Debt	-	300,000
Repayment of convertible loan	(4,801,000)	
Share issue cost	(27,088)	
Issue shares for debt	5,317,554	
Repayment of long-term debt	<u>(3,417)</u>	<u>(3,417)</u>
	<u>486,049</u>	<u>296,583</u>
Net increase (decrease) in cash during the period	(211,447)	(47,520)
Cash, beginning of year	<u>231,084</u>	<u>57,402</u>
Cash, end of period	<u>\$ 19,637</u>	<u>\$ 9,882</u>
Cash	<u>\$ 19,637</u>	<u>\$ 9,882</u>

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FORAN MINING CORPORATION
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1. Nature and continuation of operations

Foran Mining Corporation ("The Company" or "Foran") 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 Canadian 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 is in the development stage and 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. There are no assurances that the Company will be successful in achieving these goals. These consolidated financial statements do not include adjustments to the amounts and classifications of assets and liabilities that might be necessary should the Company be unable to continue as a going concern.

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. The Company's 75% interest in the McIlvenna Saskatchewan Joint Venture is accounted for as a subsidiary since the Company exercises control over the entity through its 75% voting interest. All significant inter-company transactions and balances have been eliminated upon consolidation.

Capital assets

Capital assets are recorded at cost. Capital assets held for sale are reported separate from capital assets in use. Amortization is provided to in-use capital assets 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%
Railbed road	0%
Trailers	25%

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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 a permanent impairment in their value, with the associated write-down being charged to operations. When options are granted on mineral properties or mineral properties are sold, proceeds are credited to the cost of the property, if no future capital expenditure is required and proceeds exceed costs, the excess proceeds are reported as a gain.

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 carry forwards and tax pools in excess of book value available for deduction.

Non-monetary transactions

Non-monetary transactions are measured at the more reliably measurable of the fair value of the asset given up or the fair value of the asset received.

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Stock-based compensation plan

Effective January 1, 2004, the company adopted revised CICA Handbook Section 3870, "Accounting for Stock Based Compensation and Other Stock-Based Payments". The revision of Section 3870 requires that when stock options or other stock-based compensation awards ("Incentives") are granted, a fair value be calculated and assigned to these Incentives and the calculated value be recognized in the financial statements in the period the Incentives vest with the recipient. This revision effectively requires companies to expense the fair value of stock-based compensation as options are granted and vesting occurs. No subsequent recovery of these expensed amounts is recognized if previously expensed stock-based compensation Incentives expire unexercised. Previously, no compensation expense was recognized when options were granted to employees, officers and directors ("Grantees") and any consideration paid to Grantees upon excesses of these stock options was credited to share capital.

The Company uses the Black Scholes option pricing method to determine the fair value of these Incentives.

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 stock based compensation expenses; 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. Portfolio investment

During the fiscal year ended September 30, 2005 Foran made a \$500,000 payment to Copper Reef (1973) Limited (the "other company"). As at December 31, 2006 Foran owns 5,750,000 common voting shares of the other company. Foran does not exercise significant influence over the other company, therefore, the investment is recorded using the cost method.

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4. Mineral properties

Three Months ended December 31, 2006

	Balance September 30, <u>2006</u>	Acquisition Costs and <u>License Fees</u>	Net Exploration and Development <u>Expenditures</u>	Recovery from <u>Disposition</u>	Balance December 31, <u>2006</u>
Kisseynew, MB	\$ 1	\$ -	\$ -	\$ -	\$ 1
McIlvenna, SK Saskatchewan Project	2,029,509	440	60,874	-	2,090,823
Manitoba Project	210,212	-	-	-	210,212
Other	252,751	-	-	-	252,751
	<u>1</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1</u>
	<u>\$ 2,492,474</u>	<u>\$ 440</u>	<u>\$ 60,874</u>	<u>\$ -</u>	<u>\$ 2,553,788</u>

Three Months ended December 31, 2005

	Balance September 30, 2005	Acquisition costs and license fees	Exploration and development expenditures	Recoveries, MEAP Grant, and Write-offs and Recoveries	Balance December 31, 2005
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	1,960	3,215	-	239,048
Other	<u>1</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1</u>
	<u>\$ 444,093</u>	<u>\$ 2,740</u>	<u>\$ 3,215</u>	<u>\$ -</u>	<u>\$ 450,049</u>

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Details of the exploration and development expenditures incurred during each period ended December 31, 2006 and 2005 for the Company's major properties are as follows:
Mineral properties (cont'd)

Three Months Ended December 31, 2006

	<u>McIlvenna Bay, SK</u>
Assaying, sampling, line cutting and mapping	\$ 83
Geological consulting	7,080
Helicopter	-
Site visit, report and insurance	46,894
Small tool purchase/repair	188
Travel, accommodation and field	803
Administration	<u>5,826</u>
	<u>\$ 60,874</u>

Three Months ended December 31, 2005

	<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>

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a) McIlvenna, Saskatchewan

In January 2005, the Company entered into an option agreement to acquire a 100% interest in the McIlvenna 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. The Company could have elected to satisfy the May 31, 2006 payment through the issuance of shares rather than by way of cash payment, the share price would have been 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 would have been freely tradable and not be subject to any form of statutory or Exchange-imposed hold period or trading prohibition.

In January 2005, Foran entered into an agreement to conditionally assign to another company all of its rights and interest in the property option agreement for the McIlvenna Saskatchewan property. In a letter dated January 24, 2005, Cameco and Billiton conditionally consented to the assignment. The initial consideration consists of the other company funding the payment of \$1,500,000 to Cameco and Billiton. The other company also agreed to issue 5,500,000 common shares to Foran, with an additional 2,500,000 issued at a price of \$0.20 per unit, for a total of \$500,000. Foran believed that the conditions had not been satisfied. By notice made July 19, 2005, the company filed a Demand for Arbitration to rescind the Assignment Agreement entered into in January 2005 with the other company. In January 2005 required payments of \$1,006,500 and \$493,500 made to Cameco and Billiton respectively were made by the other company.

In May 2006 the arbitration was settled. The Settlement Agreement with the other company resulted in Foran holding a 75% joint venture interest in the McIlvenna, Saskatchewan property, acting as the operator of exploration projects, owning 5,750,000 common shares of the other company, giving up licenses on a number of other mineral properties, and giving up the 2,500,000 shares previously issued by the other company for \$0.20 per share. In May 2006, Foran made the last required payments of \$1,342,000 and \$658,000 to Cameco and Billiton respectively.

If any venturer does not make cash payments within 30 days of the Company invoicing a cash call, they will give up a proportion of its interest in McIlvenna Saskatchewan based on a pro-rated calculation. If any venturer's interest drops below 10%, they will give up their remaining interest and be assigned a net tonnage royalty of 0.75 cents per tonne on all ores hauled to the surface from the property.

Cameco and Billiton hold a 1% royalty interest in the property. Foran has the option to purchase from Cameco and Billiton the royalty interest for \$1,000,000.

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b) 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%.

During the year ended September 30, 2006 the Company sold, as part of an arbitration settlement agreement, 13 Manitoba properties. The properties sold had a combined book value of nil. The remaining 16 properties total more than 30,000 hectares.

c) 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.

During the period ended September 30, 2005, the Company wrote-off accumulated costs relevant to these claims and no further exploration has been scheduled.

5. Capital assets

	December 31, 2006			2005
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Automobiles	\$ 58,835	\$ 34,964	\$ 23,871	\$ 42,949
Buildings	-	-	-	1,164,597
Buildings (shop)	-	-	-	35,000
Computer and survey equipment	27,161	16,231	10,930	25,817
Equipment	-	-	-	119,845
Furniture and fixtures	13,153	5,097	8,056	9,891
Mine rescue trailer and equipment	-	-	-	57,464
Railbed road	-	-	-	115,000
Trailers	-	-	-	59,739
	\$ 99,149	\$ 56,292	\$ 42,857	\$ 1,630,302

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The Company has pledged \$25,000 of buildings to the Manitoba government as mine closure security.

At December 31, 2006 the Company is attempting to sell some of the capital assets as they are no longer in use. These are reported as Capital assets available for sale.

6. Capital assets held for sale

At December 31, 2006 the Company intends to sell the following capital assets that are no longer in-use. The following assets are measured at the lower of cost less accumulated amortization and net recoverable amount.

	December 31, 2006			2005
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Buildings	\$ 2,463,539	\$ 1,302,190	\$ 1,161,349	\$ -
Buildings (shop)	103,219	68,219	35,000	-
Equipment	237,690	118,863	118,827	-
Trailers	69,055	25,172	43,883	-
Rail bed road	115,000	-	115,000	-
	\$ 2,988,503	\$ 1,514,444	\$ 1,474,059	\$ -

7. Convertible loan

In the year ended September 30, 2005, the Company entered into an agreement with BBS Aircraft Inc. ("BBS"), a company controlled by shareholders 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 December 31, 2006, the Company received loan proceeds of \$4,801,000 (2005 - \$4,400,000). 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. On December 23, 2005, the Company issued 2,350,000 Class A common shares to BBS in addition to repayment of the loan provided. The 2,350,000 shares issued are reported as costs of debt during the year ended September 30, 2006.

At December 31, 2006, the Company accrued interest of \$516,534 (2005 - \$159,826) with respect to this loan. BBS has forgiven \$117,300 in interest as at December 31, 2006.

At a Special Shareholders meeting held June 7, 2006, a shares for debt arrangement was approved by the shareholders, to pay in full the total amount of the loan payable including accumulated interest. On December 31, 2006 the Company issued 26,587,670 common shares with a deemed price of \$0.20 per share to BBS Aircraft Inc. for payment in full of the outstanding debt. BBS Aircraft now holds 30.1% of the outstanding share capital of the Company.

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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	\$ 19,390	\$ 33,059
Less current portion	<u>13,669</u>	<u>13,669</u>
	<u>\$ 5,721</u>	<u>\$ 19,390</u>

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

2007	\$ 13,669
2008	5,721

9. Contingency

The company is contingently liable for any liabilities that may occur associated with Foran's investment in partnership where the liability originated during the time Foran held an interest in the partnership.

10. Share capital

Authorized an unlimited amount of common shares,
without par value
Issued

	<u>Common Shares</u>	<u>Share Capital</u>
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 cost	-	(586,800)
Balance, September 30, 2005	58,055,792	27,293,481
Issued for cash - private placement (Note 14i)	16,875,000	2,700,000
Issued for loan - bonus shares (Note 9)	2,350,000	117,500
Share issue costs	-	(13,500)
Balance, September 30, 2006	77,280,792	\$ 30,097,481
Issued for debt	26,587,670	5,317,554
Share issue costs	-	(27,088)
Balance, December 31, 2006	103,868,462	\$ 35,387,947

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Stock options

The Company's Board of Directors approved the adoption of a stock option plan in accordance with the policies of the TSX Venture Exchange. The Board of Directors is authorized to grant options to directors, officers, consultants or employees. The maximum number of options that may be granted must not exceed 20% of the common shares outstanding at the time of the grant. The minimum vesting provisions are over an 18 month period with equal amounts vesting on a quarterly basis. A summary of the status of the Company's stock option plan and changes during the periods ended December 31, 2006 and 2005 is presented below.

For options outstanding at December 31, 2006 and 2005, weighted average exercise prices are as follows:

	2006		2006	
	Average Options	Price	Average Options	Price
Outstanding, beginning of year	2,915,000	0.18	690,000	\$ 0.35
Options granted	-		2,675,000	0.15
Options exercised	-	-	-	-
Expired or forfeited	(340,000)	0.37	(450,000)	0.28
	<u>\$ 2,575,000</u>	<u>0.13</u>	<u>\$ 2,915,000</u>	<u>0.18</u>

Options Price Per Share	Number Outstanding	Weighted Average Remaining Life
\$0.10	975,000	3.76
\$0.18	<u>1,600,000</u>	<u>4.54</u>
	<u>2,575,000</u>	<u>4.24</u>

Share purchase warrants

There were no outstanding share purchase warrants at December 31, 2006.

11. 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>2006</u>	<u>2005</u>
Future income tax assets		
Capital assets	\$ 631,169	\$ 625,600
Loss carried forward	151,264	4,619
Mineral properties	<u>7,416,513</u>	<u>7,337,756</u>
	8,198,946	7,967,975
Valuation allowance	<u>8,198,946</u>	<u>7,967,975</u>
Net future income tax asset	<u>\$ -</u>	<u>\$ -</u>

As at September 30, 2006, the Company has non capital losses carried forward in Canada of approximately \$398,475 (2005 - \$11,808) that begins to expire 2011. Mineral property expenses of \$21,450,841 (2005 - \$18,757,047) are available to be carried forward indefinitely. Partnership

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income accounted for on the cost basis is \$Nil (2005 - \$Nil), whereas allocated partnership income for income tax purposes is \$1,061,736 (2005 - \$3,147,843).

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

	<u>2006</u>	<u>2005</u>
Loss for the year before taxes	<u>\$ 1,488,985</u>	<u>\$ 11,962,902</u>
Expected income tax expense (recovery)	\$ (582,491)	\$ (4,679,886)
Capital assets differences	7,615	550,076
Resource properties differences	(66,188)	3,298,472
Partnership income subject to tax	415,351	1,231,436
Non deductible interest expense	45,966	-
Non-deductible stock based compensation	28,483	-
Recognized benefits of non-capital losses	-	(400,098)
Valuation allowance	<u>151,264</u>	<u>-</u>
Actual income tax expense (recovery)	<u>\$ -</u>	<u>\$ -</u>

12. Related party transactions

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

- a) During the period, the Company paid and accrued \$3,000 (2005 - \$4,815) for office rent to a related party.

The above transaction is in the normal course of operations and measured at the exchange amount which approximates fair value and is the amount of consideration established and agreed to by the related parties.

13. Financial instruments

Fair value of financial instruments

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

The carrying amount of the long-term debt approximates its fair value because the debt carries no interest.

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 no effect on the fair value of the long-term debt.

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14. Subsequent events

Subsequent to the period ended December 31, 2006 the Company closed a private placement issuing 851,065 flow-through shares at \$0.235 per share. The proceeds from the private placement are being used for qualified Canadian Exploration Expenditures on the Hanson, Bigstone and Balsam properties which are part of the Saskatchewan properties. Toll Cross Securities Inc acted as agent for the offering and has received a commission equal to 7% of the aggregate gross proceeds of \$200,000 and broker warrants entitling it to purchase, at \$0.18 per common share, an amount of shares equal to 7% of the number of flow-through shares sold. The broker warrants expire July 31, 2008.

Subsequent to the period end, stock-option holders exercised 500,000 options for 500,000 common shares of the Company.

15. Comparative figures

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