

# Foran Mining Corporation

## MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE THREE MONTHS ENDED DECEMBER 31, 2006

This Management's Discussion and Analysis ("MD&A") should be read in conjunction with the Company's Audited Consolidated Financial Statements and the notes thereto for the three months ended December 31, 2006.

This MD&A has been prepared as of February 26, 2007.

Management's discussion and analysis of financial condition and results of operations contains forward-looking statements. By their nature, these statements involve risk and uncertainties, many of which are beyond the Company's control, which could cause actual results to 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.

Additional information regarding the Company, including copies of the Company's continuous disclosure materials is available through the SEDAR website at [www.sedar.com](http://www.sedar.com)

### **Nature of Business**

Foran Mining Corporation was incorporated under the laws of British Columbia on June 21, 1989 and is a reporting issuer in British Columbia, Alberta, Ontario, New Brunswick, Nova Scotia and Newfoundland. The Company's stock are traded on the TSX Venture Exchange under the symbol "FOM". The Company's principle business activities include the acquisition and exploration of mineral properties with the objective of the discovery of economically recoverable mineral reserves for development of a producing mine operation.

### **OVERALL PERFORMANCE**

During the period ended December 31, 2006 the Company's operations were funded through the remaining proceeds of a private placement held in July 2006. The sale of surplus assets also contributed to operating cash.

### **MCILVENNA BAY, SASKATCHEWAN**

McIlvenna Bay is a Joint Venture property of which the Company owns 75% and is the sole operator.

In October 2006, the Company engaged Scott Wilson Roscoe Postle and Associates to prepare a Technical Report compliant with NI 43-101 on the McIlvenna Bay property, which stated that the property is "a Cu-Zn volcanogenic massive sulphide deposit which is at the advanced exploration stage". The report, which is available on the Company's web site and SEDAR, concluded that "a significant mineral resource had been estimated for the McIlvenna Bay property. Indicated resources total 6,671,000t at a grade of 0.83% Cu, 6.51% Zn and 26.0 g/t Ag. Inferred resources total 6,000,000t at a grade of .83% Cu, 5.89% Zn and 24.8 g/t Ag." As a result of the recommendations outlined in the

Scott Wilson Roscoe Postle report, the Company announced on December 5, 2006 that a 9,250 m drill program will be conducted at the McIlvenna Bay property pending suitable ice conditions.

Upon completion of the proposed drill program the current mineral resource estimate will be updated and a preliminary assessment/scoping study will be carried out. Contingent on the results of a preliminary assessment, a Phase 2 drilling program will be considered to acquire mineralized material for metallurgical test work.

The Company will fund these exploration programs through equity financing of flow-through funds.

The Company has engaged Toll Cross Securities Inc. to provide financial advisory services for the development of a going forward strategy. Management continues to work closely with Toll Cross and are currently reviewing several alternatives for the future development of the Company.

In December 2006 BBS Aircraft Inc. agreed to accept shares of the common stock of the Company as payment in full of an outstanding loan agreement dated October 1, 2004. On December 20, 2006 the Company announced that it would issue 26,587,670 shares at a deemed issue price of \$0.20 per share to satisfy the total loan payable, including accumulated interest, in the amount of \$5,317,533.88. The share issue was approved by the Company's shareholders at a special shareholders meeting held June 7, 2006.

A private placement, announced on January 17, 2007, for the issue of 851,064 flow-through shares at an issue price of \$0.235 per share closed February 21, 2007. Gross proceeds of \$200,000 have been used for qualified Canadian Exploration Expenditures on the Hanson, Bigstone and Balsam properties which are part of the Saskatchewan Project. Toll Cross Securities Inc acted as agent for the offering and will receive a commission equal to 7% of the gross proceeds along with 59,575 agent options having an exercise price of \$0.185 per share expiring July 31, 2008. The Company did not proceed with the balance of the private placement for general working capital but has, instead, negotiated with Toll Cross Securities Inc., a Debenture for \$125,000 cash bearing interest of 10% per annum dated January 30, 2007 and maturing on January 30, 2008.

In February 2007, the Company completed a transfer of all of its rights, title and interest in the rail bed road, located in the Snow Lake area of Manitoba, back to the company it was originally purchased from for a price of \$ 115,000.

## **RESULTS OF OPERATIONS**

For the three month period ended December 31, 2006, the Company incurred a loss before income taxes of \$201,217 (2005 - \$297,844). The losses recorded for the period are a result of accrued interest payable for a convertible loan, wages and benefits and the cost of cleaning up exploration sites that the Company has no further interest in. Operating expenses were funded through equity financing and the sale of surplus assets.

The costs of professional fees in the amount of \$ 21,448 (2005 - 46,129), is primarily due to the September 30, 2006 year end audit and have decreased significantly with the settlement of all litigation proceedings. Interest and Bank Charges amounted to \$ 73,229 (2005 - 69,733) as a result of accumulated interest on the convertible loan which has now been satisfied. Repairs and Maintenance \$22,280 (2005 - 59,120) results from the need to air-lift equipment from the Bouchard Lake area and will continue to decrease as the Company finalizes site clean-up and restoration. Rent \$13,362 (2005 - 13,277) is a result of office space and warehouse facilities which house the Company's assets available

for sale. Wages and benefits \$ 42,760 (2005 – 53,373) have decreased slightly due to the inactivity of exploration. Administration expenses \$ 23,915 (2005 – 44,887) include insurance expenses for the company’s properties and equipment, land management and consulting fees together with the cost of normal day to day operations. Interest Income of \$ 747 is a result of funds on deposit.

During the three month period ended December 31, 2006 the Company, while keeping all claims in good standing, was primarily focused on the development of a drill program which will be conducted on the McIlvenna Bay properties and to implement an EM Survey for the Hanson, Bigstone and Balsam properties which form a part of the Saskatchewan projects.

### SUMMARY OF QUARTERLY RESULTS

	<b>2006 December 31</b>	<b>2006 September 30</b>	<b>2006 June 30</b>	<b>2006 March 31</b>
Total Revenues – including interest	747	23,826	-	-
(Loss)Income before extraordinary items	(201,217)	(557,353)	(269,088)	(362,219)
Basic loss per share before extraordinary items	(0.001)	(0.02)	(0.02)	(0.01)
Diluted loss per share before extraordinary items	(0.001)	(0.02)	(0.02)	(0.01)
(Loss)Income for the year	(199,073)	(1,488,985)	(931,632)	(662,544)
Basic loss per share	(0.001)	(0.02)	(0.02)	(0.01)
Diluted loss per share	(0.001)	(0.02)	(0.02)	(0.01)

	<b>2005 December 31</b>	<b>2005 September 30</b>	<b>2005 June 30</b>	<b>2005 March 31</b>
Total Revenues	128	12,865	12,102	7,682
(Loss)Income before extraordinary items	(300,324)	(10,142,641)	(551,261)	(430,772)
Basic loss per share before extraordinary items	(0.01)	(0.20)	(0.01)	(0.01)
Diluted loss per share before extraordinary items	(0.004)	(0.20)	(0.01)	(0.01)
(Loss)Income for the year	(300,324)	(11,376,102)	(1,233,461)	(682,200)
Basic loss per share	(0.01)	(0.20)	(0.020)	(0.010)
Diluted loss per share	(0.004)	(0.20)	(0.020)	(0.010)

### LIQUIDITY

The Company does not currently own or have an interest in any producing mineral properties and does not derive any revenues from operations. The Company’s activities have been funded through equity financing and a short term loan from a non arms length party. Further exploration is conditional on the Company’s ability to raise funds through a private placement for future operations. There can be no assurance that the Company will be able to do so and if funds are not available or other sources of finance cannot be raised, the Company would be forced to curtail its activities to a level for which funding is available.

### CAPITAL RESOURCES

As at December 31, 2006 the Company had \$19,637 in cash. Use of funds during the quarter totalled approximately \$ 61,313 for mineral properties; approximately \$ 150,000 for operating expenses and share issue costs. These activities were funded through the use of the remaining cash received from equity financing which took place in the previous fiscal year. Cash on hand at February 26, 2007 was \$153,061.

## **RELATED PARTY TRANSACTIONS**

During the period the Company paid an aggregate \$ 3,180 for rent to a company owned and controlled by a director.

## **OUTLOOK**

Going forward, the Company will carry out a drill program for the McIlvenna Bay property which was announced on December 5, 2006. The Company continues to maintain its property portfolio in Saskatchewan and Manitoba and are currently looking at exploration possibilities on properties that have been identified as having favourable potential.

## **FINANCIAL INSTRUMENTS**

The Company's financial instruments consist of cash, receivables, accounts payable, long and short term loans and accrued liabilities. Unless otherwise noted, it is management's opinion that the Company is not exposed to significant interest, currency or credit risks arising from these financial instruments. The fair value of these financial instruments approximates their carrying values, unless otherwise noted.

## **DISCLOSURE OF OUTSTANDING SHARE DATA**

The Company is authorized to issue unlimited common shares without par value. As of February 26, 2007 there were 105,219,526 shares outstanding. There were 2,075,000 options outstanding with various exercise prices and expiry dates and can be exercised into one common share for every stock option. The Company has a total of 59,575 share purchase warrants outstanding with an exercise price of \$0.185 and expiry date of July 30, 2008. These warrants can be converted into 1 common share per warrant.

## **EVALUATION AND EFFECTIVENESS OF DISCLOSURE CONTROLS AND PROCEDURES**

The Corporation has established and maintains disclosure controls and procedures over financial reporting. The certifying officers have evaluated the effectiveness of the issuer's disclosure controls and procedures as of December 31, 2006 and have concluded that such procedures are adequate and effective to ensure accurate and complete disclosures in annual filings. Management is aware that internal control weaknesses have been identified in respect to segregation of duties and a risk of management override of controls and procedures which is inherently due to the small size of the issuer.