BALMORAL RESOURCES LTD.

Management Discussion and Analysis

For the year ended December 31, 2017

INTRODUCTION

This Management Discussion & Analysis ("MD&A") for Balmoral Resources Ltd. (the "Company" or "Balmoral") for the year ended December 31, 2017 has been prepared by management in accordance with the requirements of National Instrument 51-102 as of March 22, 2018, and compares its financial results for the year ended December 31, 2017 to the previous year. This MD&A provides a detailed analysis of the business of Balmoral and should be read in conjunction with the Company's audited financial statements and the accompanying notes for the years ended December 31, 2017 and 2016 as filed on the SEDAR website at (www.sedar.com). The Company's reporting currency is the Canadian dollar and all monetary amounts in this MD&A are expressed in Canadian dollars unless otherwise stated. The Company reports its financial position, results of operations and cash flows in accordance with International Financial Reporting Standards.

Caution Regarding Forward Looking Statements

This MD&A contains forward-looking statements and forward-looking information (collectively, "forward-looking statements") within the meaning of applicable Canadian and US securities legislation. These statements relate to future events or the future activities or performance of the Company. All statements, other than statements of historical fact are forward-looking statements. Forward-looking statements are typically identified by words such as: believe, expect, anticipate, intend, estimate, postulate and similar expressions, or which by their nature refer to future events. These forward looking statements include, but are not limited to, statements concerning:

- the Company's strategies and objectives, both generally and in respect of its specific mineral properties;
- the timing of decisions regarding the timing and costs of exploration programs with respect to, and the issuance of the necessary permits and authorizations required for, the Company's exploration programs;
- the timing and cost of planned exploration programs of the Company and the timing of the receipt of results there from;
- the proposed use of the proceeds from the Company's equity financings;
- the Company's future cash requirements;
- general business and economic conditions;
- the Company's ability to meet its financial obligations as they come due, and to be able to raise the necessary funds to continue operations;
- the Company's expectation that its joint venture partners will contribute the required expenditures, in accordance with existing joint venture agreements;

Although the Company believes that such statements are reasonable, it can give no assurance that such expectations will prove to be correct. Inherent in forward looking statements are risks and uncertainties beyond the Company's ability to predict or control, including, but not limited to, risks related to the Company's inability to identify one or more economic deposits on its properties, variations in the nature, quality and quantity of any mineral deposits that may be located, variations in the market price of any mineral products the Company may produce or plan to produce, the Company's inability to obtain any necessary permits, consents or authorizations required for its activities, to produce minerals from its properties successfully or profitably, to continue its projected growth, to raise the necessary capital or to be fully able to implement its business strategies, and other risks identified herein under "Risk Factors".

The Company cautions investors that any forward-looking statements by the Company are not guarantees of future performance, and that actual results are likely to differ, and may differ materially, from those expressed or implied by forward looking statements contained in this MD&A. Such statements are based on a number of assumptions which may prove incorrect, including, but not limited to, assumptions about:

- general business and economic conditions;
- the timing of the receipt of regulatory and governmental approvals, permits and authorizations necessary to implement and carry on the Company's planned exploration programs and those of its joint venture partners (where applicable);
- conditions in the financial markets generally, and with respect to the prospects for junior exploration and development companies specifically;
- the Company's ability to secure the necessary consulting, drilling and related services and supplies on favorable terms;
- the Company's ability to attract and retain key staff;
- the nature and location of the Company's mineral exploration projects, and the timing of the ability to commence and complete the planned exploration programs;
- the anticipated terms of the consents, permits and authorizations necessary to carry out the planned exploration programs and the Company's ability to comply with such terms on a cost-effective basis;
- the ongoing relations of the Company with the regulators responsible for overseeing the Company's operations in Ontario and Quebec;
- the metallurgy and recovery characteristics of samples from certain of the Company's mineral properties are reflective of the deposit as a whole
- the ability of the Company to convert mineral resources contained on its properties to mineral reserves; and
- the ability of the Company's joint venture partners to raise the funding required for them to advance the properties in which the Company has interests, as applicable.

These forward looking statements are made as of the date hereof and the Company does not intend and does not assume any obligation, to update these forward looking statements, except as required by applicable law. For the reasons set forth above, investors should not attribute undue certainty to or place undue reliance on forward-looking statements.

Historical results of operations and trends that may be inferred from the following discussion and analysis may not necessarily indicate future results from operations. In particular, the volatile state of the global securities markets may cause significant reductions in the price of the Company's securities and render it difficult or impossible for the Company to raise the funds necessary to continue operations. See "Risk Factors – Insufficient Financial Resources/Share Price Volatility".

Caution Regarding Adjacent or Similar Mineral Properties

This MD&A contains information with respect to adjacent or similar mineral properties in respect of which the Company has no interest or rights to explore or mine. The Company advises US investors that the mining guidelines of the US Securities and Exchange Commission (the "SEC") set forth in the SEC's Industry Guide 7 ("SEC Industry Guide 7") strictly prohibit information of this type in documents filed with the SEC. **Readers are cautioned that the Company has no interest in or right to acquire any interest in any such properties, and that mineral deposits on adjacent or similar properties, and any production therefore or economics with respect thereto, are not indicative of mineral deposits on the Company's properties or the potential production from, or cost or economics of, any future mining of any of the Company's mineral properties**.

All of the Company's public disclosure filings, including its most recent material change reports, press releases and other information, may be accessed via www.sedar.com and readers are urged to review these materials, including the technical reports filed with respect to the Company's mineral properties.

DATE

This MD&A reflects information available as at March 22, 2018.

OVERALL PERFORMANCE

Financings

On September 15, 2017, the Company closed a brokered private placement of flow-through common shares and raised gross proceeds of $4,061,200 through the issuance of 5,720,000 National flow-through common shares at a price of $0.71 per share.

On September 29, 2017, the Company closed a non-brokered private placement of flow-through common shares and raised gross proceeds of $3,459,000 through the issuance of 3,843,333 Quebec flow-through common shares at a price of $0.90 per share.

On October 10, 2017, the Company closed a non-brokered private placement of common shares and raised gross proceeds of $2,000,000 through the issuance of 3,448,276 common shares at a price of $0.58 per share.

Mineral Properties

During the year ended December 31, 2017, the Company incurred $6,637,856 in exploration and evaluation expenditures on the Martiniere Property, $398,075 in exploration and evaluation expenditures on the Grasset Property and $1,070,420 in exploration and evaluation expenditures on the Detour East Property in Quebec. In addition, the company incurred $98,964 in exploration and evaluation expenditures on the Fenelon Property and received a total of $72,156 in cost recoveries, mainly due to the rental of the Fenelon camp to Wallbridge Mining Ltd. The Company incurred $16,679 in exploration and evaluation expenditures on the N2 Property. A total of $47,973 was incurred in exploration and evaluation expenditures on the Other Properties during the year ended December 31, 2017. As at December 31, 2017, the Company recorded a provision of $100,000 for environmental rehabilitation of the Fenelon and Martiniere camps.

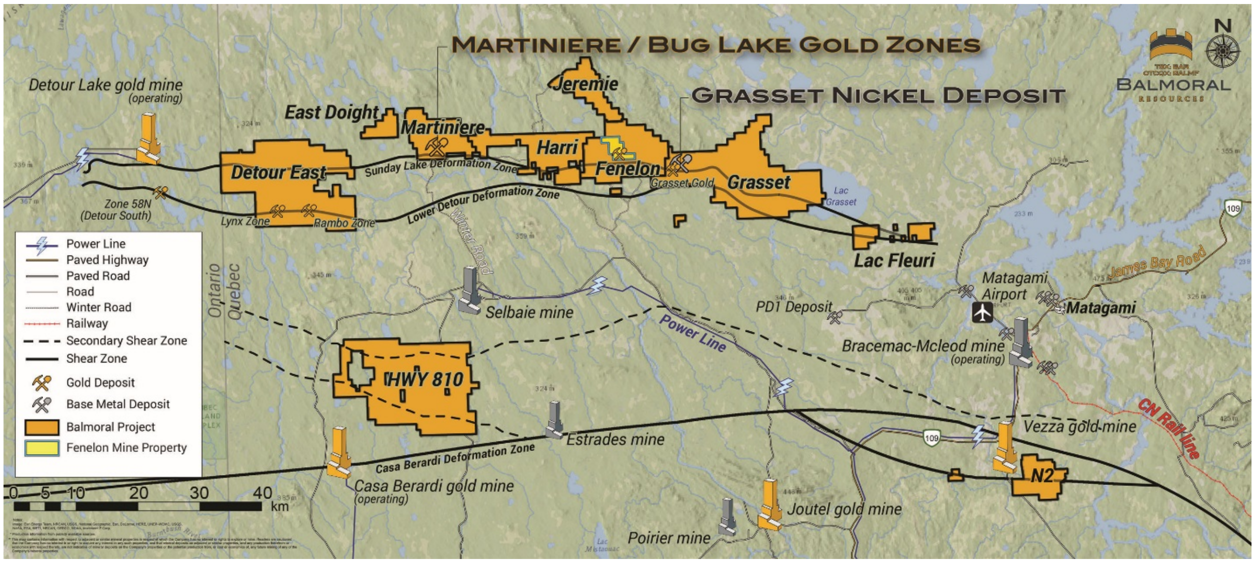

Figure 1: Map of the Detour Gold Trend Properties

<u>Detour Gold Trend Project, Quebec</u>

The Company's exploration focus remains on the properties comprising its Detour Gold Trend Project (see Figure 1, above). The Project encompasses over 700 square kilometres of mineral claims located along and adjacent to the Sunday Lake (Detour) Deformation Zone. The Sunday Lake Deformation Zone hosts the Detour Gold mine on adjacent ground in Ontario, one of the largest gold mines in Canada.

The Company acquired its initial interest in the properties between late 2010 and late 2012, has from time to time added to, reduced, or adjusted its property holdings and has been systematically exploring them since that time. At present, the Company's principal focus is on the continued expansion and delineation of a number of gold deposits on its Martiniere Property, centrally located within the Detour Gold Trend Project. As well the Company continues to monitor the improving nickel market and the opportunity to further advance the Grasset nickel-copper-cobalt-PGE ("Ni-Cu-Co-PGE") deposit and nearby nickel and gold discoveries. The Company continues to conduct early stage exploration throughout the Detour Gold Trend Project targeting mainly gold discovery opportunities.

<u>Martiniere Property, Quebec</u>

The Martiniere Property is centered approximately 50 kilometres east of the Detour Lake Gold mine in Ontario and central to the Detour Gold Trend Project. The property consists of 314 mining claims (approximately 8,281.4 hectares) situated in the Townships of La Martiniere, Martigny, and Lanouiller, Quebec. In January of 2013, the Company completed the purchase of a 100% interest in the Martiniere Property from Cyprus Canada Inc. ("Cyprus Canada") and granted a 2% NSR on a portion of the property to Cyprus Canada, including the claims overlying the majority of the known gold occurrences on the property, as required by the pre-existing acquisition agreement.

The Martiniere Property hosts four known gold deposits (Martiniere West, Bug North, Bug Lower Steep and Bug South) and several other occurrences which have been discovered and delineated by the Company since 2011. At the current time the Company is principally focused on the delineation of the deposits and occurrences along the Bug Gold Trend which was discovered in 2013. Gold mineralization along the Bug Gold Trend is localized along a roughly north-south oriented fault system which can be traced for approximately 2,000 metres. Drilling to date has demonstrated both very broad, near surface zones of gold mineralization and well defined high-grade (>3 g/t to > 100 g/t intercepts) central cores to each of the deposits (see the Company's public disclosure record). Drilling has now intersected significant gold mineralization for approximately 2,000 metres along strike and to vertical depths of 740 metres along the Trend. Delineation drilling is currently on-going.

An initial resource estimate is anticipated from the four known deposits during the last week of March 2018.

In June of 2016 the Company announced the commencement of a 20,000 metre summer/fall diamond drill program with the Bug Gold Trend deposits as its primary focus. Initial results from the program indicated a rapid broadening of the Bug South deposit at shallow depths including an intercept of 115.45 metres grading 1.40 g/t gold (see NR 16-19, Sept 7, 2016). Drilling throughout the summer and fall continued to expand the Bug South deposit vertically and down plunge.

The Bug South deposit remained the focus of additional expansion and delineation drilling during the winter and summer 2017 drill programs which extended the deposit down plunge and indicated good continuity to the broader zones of gold mineralization seen in the near surface. Exploration drilling on the broader Martiniere Property resulted in a number of new gold discoveries including the Horsefly Zone, located 500 metres east of the Bug North deposit which returned a discovery intercept of 10.51 g/t gold over 5.80 metres at less than 150 metres vertical depth.

Drilling during the summer/fall of 2017 focused on expanding both the Bug South deposit to depth and expanding several new discoveries, including the Horsefly Zone. The Company announced initial results from the summer program in September which included the discovery of a northwest extension (NW Zone) to the Bug Gold Trend beyond the limits of previous drill testing. As well the Company announced the strongest results to date from the now more than 1,000 metre long Lac du Doigt gold discovery with an intercept of 26.33 metres grading 0.73 g/t gold, including a high grade core of 2.21 metres grading 7.05 g/t gold.

As at December 31, 2017, the Company estimates that the fair value of the liability of the asset retirement as a result of environmental rehabilitation is $50,000 for the Martiniere Property.

Grasset Property, Quebec

The Grasset Property, whose western margin is located approximately 40 kilometres east of the Martiniere gold deposits, was initially acquired by staking in November of 2010. Drilling on the Grasset Property in April of 2011 led to the discovery of the Grasset Gold Zone which returned 33.00 metres grading 1.66 g/t gold, including two higher grade intervals of 4.04 metres grading 6.15 g/t gold and 5.00 metres grading 4.18 g/t gold. Following this discovery, the Company significantly expanded the size of the Grasset Property and completed additional testing in 2011 and 2012. Drilling in 2012 led to the discovery of nickel-copper-cobalt-platinum-palladium mineralization associated with the Grasset Ultramafic Complex ("GUC"). Following geophysical work to follow up this discovery in 2013, drilling in early 2014 discovered the Grasset Ni-Cu-Co-PGE deposit.

The Company moved into delineation drilling of the Grasset deposit in 2015 and in March of 2016 published the initial resource estimate for the deposit (comprised of the H1 and H3 Zones). The base case resource estimate for the Grasset deposit is:

Table 1: Base Case Current Resource Estimate

> 1.00 % NiEq		Tonnes (t)	NiEq (%)	Ni (%)	Cu (%)	Co (%)	Pt (g/t)	Pd (g/t)	Contained NiEq (lbs)	Contained Ni (lbs)	Contained Cu (lbs)	Contained Co (lbs)	Contained Pt (oz)	Contained Pd (oz)
INDICATED	Horizon 1	35,900	1.09	0.98	0.11	0.03	0.16	0.38	865,800	772,600	84,100	22,700	200	400
	Horizon 3	3,416,600	1.80	1.57	0.17	0.03	0.34	0.85	135,413,200	118,316,800	13,148,000	2,317,600	37,700	93,000
	Total Indicated	**3,452,500**	**1.79**	**1.56**	**0.17**	**0.03**	**0.34**	**0.84**	**136,279,000**	**119,089,400**	**13,232,100**	**2,340,300**	**37,900**	**93,400**
INFERRED	Horizon 1	4,700	1.08	0.96	0.11	0.03	0.17	0.39	111,500	99,400	11,700	3,100	100	100
	Horizon 3	86,400	1.20	1.06	0.11	0.02	0.20	0.48	2,282,400	2,027,600	217,100	45,900	600	1,300
	Total Inferred	**91,100**	**1.19**	**1.06**	**0.11**	**0.02**	**0.20**	**0.48**	**2,393,900**	**2,126,900**	**228,700**	**49,000**	**600**	**1,400**

The current mineral resource estimate is based on results from 111 diamond drill holes (39,999 metres) completed by the Company between the 2014 discovery and late 2015. As indicated below, the base case current resource is reported above a 1.00% NiEq* (see Notes 7 and 8 below) cutoff grade after incorporation of estimates for mining recoveries, mining dilution, milling recoveries, smelting and refining charges and certain penalties, as well as estimated operating costs based on those associated with mines currently operating in the local region.

Tables 2a and 2b (below) provide an analysis of the volumetric resources at a range of cut-off grades for the combined H3 and H1 zones as calculated by the Qualified Persons. The Base Case Current Resource (>1.00% NiEq* cut-off) is highlighted for comparison.

Table 2a: Indicated Resource at Range of Cut-Off Values

Resource Class	Cut-off (NiEq %)	Tonnes	Ni Equivalent (%)	Ni %	Cu %	Co %	Pt g/t	Pd g/t	Contained Ni EQ (lbs)
INDICATED	> 2.00	777,500	3.17	2.73	0.28	0.05	0.60	1.46	54,258,700
	> 1.50	1,687,100	2.39	2.07	0.23	0.04	0.47	1.15	88,953,700
	> 1.40	1,974,400	2.25	1.96	0.22	0.04	0.44	1.08	98,121,800
	> 1.30	2,297,400	2.13	1.85	0.21	0.03	0.41	1.02	107,743,200
	> 1.20	2,552,800	2.04	1.78	0.20	0.03	0.40	0.97	114,784,300
	> 1.10	2,865,400	1.94	1.69	0.19	0.03	0.37	0.92	122,685,900
	> 1.00	3,452,500	1.79	1.56	0.17	0.03	0.34	0.84	136,279,000
	> 0.90	4,038,600	1.67	1.46	0.16	0.03	0.32	0.78	148,552,200
	> 0.80	4,767,200	1.54	1.35	0.15	0.03	0.29	0.72	162,149,200
	> 0.70	5,880,300	1.39	1.22	0.13	0.03	0.26	0.64	180,435,200
	> 0.60	7,300,800	1.25	1.10	0.12	0.02	0.23	0.57	200,708,100
	> 0.50	9,434,000	1.09	0.96	0.10	0.02	0.20	0.49	226,557,400
	> 0.40	12,521,700	0.93	0.82	0.09	0.02	0.16	0.40	256,760,200
	> 0.30	15,564,000	0.82	0.72	0.07	0.02	0.14	0.34	280,494,000

Table 2b: Inferred Resource at Range of Cut-Off Values

Resource Class	Cut-off (NiEq %)	Tonnes	Ni Equivalent (%)	Ni %	Cu %	Co %	Pt g/t	Pd g/t	Contained Ni EQ (lbs)
INFERRED	> 2.00	200	2.27	1.98	0.32	0.04	0.43	0.79	7,700
	> 1.50	200	2.03	1.78	0.30	0.03	0.37	0.65	10,200
	> 1.40	6,800	1.45	1.28	0.15	0.03	0.24	0.57	218,000
	> 1.30	22,500	1.38	1.23	0.14	0.03	0.23	0.56	685,600
	> 1.20	43,600	1.32	1.17	0.13	0.03	0.22	0.52	1,268,500
	> 1.10	55,500	1.28	1.14	0.12	0.03	0.21	0.51	1,568,500
	> 1.00	91,100	1.19	1.06	0.11	0.02	0.20	0.48	2,393,900
	> 0.90	122,900	1.13	1.00	0.11	0.02	0.18	0.43	3,052,300
	> 0.80	178,200	1.04	0.93	0.11	0.02	0.17	0.39	4,084,300
	> 0.70	259,300	0.95	0.84	0.09	0.02	0.16	0.36	5,411,200
	> 0.60	414,600	0.83	0.74	0.08	0.02	0.14	0.32	7,589,600
	> 0.50	788,700	0.69	0.62	0.07	0.02	0.11	0.26	12,029,700
	> 0.40	1,912,200	0.54	0.48	0.05	0.01	0.08	0.18	22,622,300
	> 0.30	2,999,400	0.47	0.43	0.04	0.01	0.06	0.15	31,316,700

Resource Estimate Assumptions and Notes:

1. The Independent and Qualified Persons (QPs) for the Mineral Resource Estimate, as defined by National Instrument 43-101, are Pierre-Luc Richard, P.Geo., M.Sc., and Carl Pelletier, P.Geo., B.Sc., both of InnovExplo Inc. The effective date of the estimate is January 12, 2016
2. These mineral resources are not mineral reserves as they do not have demonstrated economic viability.
3. While the results are presented undiluted and in situ, the reported mineral resources are considered to have reasonable prospects for eventual economic extraction.
4. The estimate includes two mineralized zones (Horizon 1 and Horizon 3).
5. Resources were compiled at NiEq cut-off grades of 0.30%, 0.40%, 0.50%, 0.60%, 0.70%, 0.80%, 0.90%, 1.00%, 1.10%, 1.20%, 1.30%, 1.40%, 1.50% and 2.00%. The official resource potential is reported at a 1.00% NiEq cut-off grade.
6. Cut-off calculations used (Canadian dollars): Mining= $48.00; Maintenance= $6.00; G&A= $10.00, Processing= $22.00. Total operating costs amount to $86.00. A dilution factor of 7.5% was also applied to the cut-off grade calculation.
7. $NiEq = [[(Ni_{Grade(\%)} \times Ni_{CR(\%)} \times Ni_{Payable(\%)} \times Ni_{Price(\$)}) + (Cu_{Grade(\%)} \times Cu_{CR(\%)} \times Cu_{Payable(\%)} \times Cu_{Price(\$)}) + (Co_{Grade(\%)} \times Co_{CR(\%)} \times Co_{Payable(\%)} \times Co_{Price(\$)})] \times 2205 + [(Pt_{Grade(g/t)} \times Pt_{CR(\%)} \times Pt_{Payable(\%)} \times Pt_{Price(\$)}) + (Pd_{Grade(g/t)} \times Pd_{CR(\%)} \times Pd_{Payable(\%)} \times Pd_{Price(\$)})] / 31.1035 - Cr_{Penalty(\$)}] / (Ni_{Payable(\%)} \times Ni_{CR(\%)} \times Ni_{Price(\$)} \times 2205)$; where CR(%) is a variable concentrate recovery ratio derived from metallurgical balance study, and Payable(%) is applied on concentrates. Note that a minimum deduction of 0.20% Co was applied on concentrate.
8. NiEq calculations used: USD/CAD exchange rate of 1.14, Nickel price of US$6.56/lb, Copper price of US$2.97/lb, Cobalt price of US$13.00/lb, Platinum price of US$1,302.30/oz, and Palladium price of US$737.20/oz (These are 3-year trailing averages calculated at the effective date); Payable of 70% for Nickel, 75% for Copper, 75% for Cobalt (minimum deduction of 0.20%), 45% for Platinum, and 45% for Palladium applied on expected concentrate based on analysis of available smelting and refining cost parameters
9. Cut-off and NiEq calculations would have to be re-evaluated in light of future prevailing market conditions (metal prices, exchange rate, smelting terms, and mining costs).
10. Density values were estimated for all lithological units from measured samples. Density values for the Horizon 1 and Horizon 3 (H1 and H3) mineralized zones were interpolated from measured and calculated density databases. The calculated database is derived for a selection of metals (Ni, Fe, Co) yielding the best correlation with the measured database.
11. The resource was estimated using GEMS v.6.7. The estimate is based on 111 diamond drill holes (39,999.43 m). A minimum true thickness of 3.0 m was applied, using the grade of the adjacent material when assayed, or a value of zero when not assayed.
12. High grade capping was done on raw assay data and established on a per zone basis for Nickel (15.00%), Copper (5.00%), Platinum (5.00g/t) and Palladium (8.00g/t). Capping grade selection is supported by statistical analysis.
13. Compositing was done on drill hole sections falling within the mineralized zones (composite = 1.0 m).
14. Resources were evaluated from drill holes using a 3-pass ID2 interpolation method in a block model (block size = 5 x 5 x 5 m).
15. The mineral resources presented herein are categorized as Indicated and Inferred based on drill spacing, geological and grade continuity. Based on the nature of the mineralization, a maximum distance to the closest composite of 50 m was used for Indicated resources. The average distance to the nearest composite is 22.9 m for the Indicated resources and 53.6 m for the Inferred resources.
16. Ounce (troy) = metric tonnes x grade / 31.10348. Calculations used metric units (metres, tonnes and g/t). Metal contents are presented in ounces and pounds.
17. The number of metric tons was rounded to the nearest hundred. Any discrepancies in the totals are due to rounding effects
18. The quantity and grade of reported Inferred resources in this Mineral Resource Estimate are uncertain in nature, and there has been insufficient exploration to define these Inferred resources as Indicated or Measured, and it is uncertain if further exploration will result in upgrading them to these categories.
19. CIM definitions and guidelines for mineral resources have been followed.
20. The QPs are not aware of any known environmental, permitting, legal, title-related, taxation, socio-political or marketing issues, or any other relevant issue that could materially affect the Mineral Resource Estimate.

The Independent and Qualified Persons for the Mineral Resource Estimate, as defined by NI 43-101, are Mr. Pierre-Luc Richard, P.Geo., M.Sc. and Mr. Carl Pelletier, P.Geo., M.Sc. of InnovExplo Inc.

The Company also released the results from preliminary metallurgical work on the Grasset deposit in 2015. The metallurgical studies show the sulphide mineralization comprising the H3 Zone exhibits excellent recovery characteristics (86.5% for nickel, 94% for copper and 89% for palladium) and that a very simple mill flow-sheet is capable of producing a good quality bulk nickel concentrate with each of nickel, copper, cobalt, platinum and palladium reporting to the concentrate in potentially payable quantities.

Given the very depressed state of the nickel market at the time, the Company suspended work on the Grasset deposit and on nickel related exploration in the surrounding area following a small winter 2016 drill program. The Company continues to monitor the nickel market and will look to return to more active exploration in the greater Grasset area once the nickel market has improved and stabilized.

During the year ended December 31, 2017, the Company incurred exploration expenditures of $398,075 on the Grasset Property as a result of testing of four targets on the south-eastern portion of the property for gold mineralization. Drilling did not return any material results but did intersect a high strain corridor in a previously untested area of the property which enhances the prospects for gold mineralization.

Fenelon Property, Quebec

The Fenelon Property is located 73 kilometres WNW (292°) from the town of Matagami, 155 kilometres north of the town of Amos (Québec). It is located east of the Martiniere Property and adjoins the Grasset Property. Gold mineralization on the Fenelon Property is associated with a series of silicified shear veins and silica-albite shear zones commonly within or immediately adjacent to mafic to ultramafic intrusions which form part of the GUC, host to the Grasset Ni-Cu-Co-PGE deposit on the adjacent Grasset Property.

In January 2013, the Company completed the acquisition of a 100% interest in the Fenelon Property from Cyprus Canada and granted a 1% NSR on the property in favour of Cyprus Canada.

A sub-section of the broader Fenelon Property representing roughly 10% of the broader Fenelon Property (the "Fenelon Mine Property") which hosts the Discovery Gold Zone was sold by the Company in 2016 to Wallbridge Mining Company Limited for $3.5 million in cash and 2,381,575 common shares of Wallbridge having a fair value of $200,000 at the time of issue. The Company retained a 1% NSR on all future mineral production from the Fenelon Mine Property.

During the year ended December 31, 2017, the Company incurred exploration expenditures of $98,964 on the Fenelon Property mainly related to staff time reviewing exploration opportunities. As at December 31, 2017, the Company estimates that the fair value of the liability of the asset retirement as a result of environmental rehabilitee is $50,000 for the Fenelon Property.

Detour East (Massicotte) Property, Quebec

The Detour East Property covers over 20 kilometres of the Sunday/Detour Lake and Lower Detour Lake Deformation Zones stretching east from the Quebec-Ontario border. The property consists of 539 mining claims (approximately 21,172.71 hectares) held 100% by the Company and an additional 18 mining claims (approximately 997.54 hectares) in which the Company holds a 63% joint venture interest and is the project operator. The Detour East Property is located immediately east of the Detour Gold Mine.

There is a NSR of 2%, which relates to the entirety of the property, payable to a former property owner, which may be purchased by the Company at any time for $1,000,000 for the first 50% of the NSR interest and $2,000,000 for the remainder.

The Company located drill core from a number of historic drill holes completed on the Detour East Property has taken control of them and transported them to the Fenelon camp. Detailed re-logging of these holes was partially completed during the spring of 2016. The Company completed a six hole diamond drill program on the property during the third quarter of 2016 and announced that it had extended the historic

Lynx gold zone on the property with an intercept of 14.25 metres grading 0.91 g/t gold including a higher grade interval of 1.58 metres grading 5.53 g/t gold. It also completed an extensive geophysical program (induced polarization survey) within the northeast quadrant of the property during the same quarter in preparation for 2017 drill testing.

During the recently completed summer/fall drill program the Company completed 15 drill holes totaling 4,695 metres on a variety of grassroots targets located on the northern half of the Detour East Property. While drilling intersected several broad corridors of deformation associated with local alteration and veining only minor gold mineralization was intersected in two holes.

During the year ended December 31, 2017, the Company incurred a total of $1,070,420 in exploration and evaluation expenditures on the Detour East Property.

Northshore Property, Ontario

The Northshore Property is located 4 kilometres south of the town of Schreiber in Ontario and approximately 70 kilometres west along the Trans-Canada Highway from the Hemlo gold deposit in the Schreiber-Hemlo greenstone belt. The property consists of two unpatented and 5 patented mineral claims (approximately 322.26 hectares) situated in the Township of Priske, Thunder Bay Mining Division, Ontario. Certain of the mineral claims on the Northshore Property have attached patented surface rights which form part of the Northshore Property.

Gold mineralization at Northshore is located in a highly fractured series of felsic intrusive rocks. High grade gold mineralization has been identified along several vein systems on the property, which include the Audney, Caly, Gino and former producing Northshore vein systems. The Audney and Caly veins are part of a broader zone of gold mineralization referred to as the Afric Zone which encompasses several high-grade veins and broad zones of strongly anomalous gold values located between them. The Afric Zone is the current focus of exploration on the Northshore Property with expansion of the high-grade vein systems a secondary priority.

On July 24, 2011, the Company entered into an Option Agreement with GTA Resources and Mining Inc. (“GTA”), pursuant to which GTA had the exclusive right to acquire up to a 70% interest in the Northshore Property. On July 14, 2014, GTA delivered a First Option vesting notice to the Company and subsequently advised the Company that it would not be proceeding with a Second Option which had been granted under the terms of the Option Agreement. Consequently, a 51%/49% participatory joint venture was formed between GTA and the Company, with GTA as the majority holder and project operator.

During the quarter ended December 31, 2016, GTA, as operator, resumed drill testing on the Northshore Property under a $300,000 budget. Balmoral declined to participate in this phase of exploration. Initial drill results from the summer 2016 program included high-grade intercepts of 23.73 g/t gold over 9.00 metres and 4.06 g/t gold over 23.00 metres from testing of the Audney and Caly vein systems. The Company also reported results of initial metallurgical testing of material from the Afric Zone and Audney Vein with results from standard bottle roll tests showing peak gold recoveries of 96.3% and 99.5% respectively.

A phase two 2016 drill program (15 holes, 930 metres) was also completed to try to expand the Afric Zone in the near surface with results including narrow high-grade gold intercepts of 27.90 and 25.80 g/t gold over 1.0 metre each.

As a result of its election not to participate in the most recent programs Balmoral currently holds an approximate 46% interest in the Northshore Property. The Company currently holds 2,601,555 common shares of GTA for investment purposes. Balmoral reviews its holdings in GTA from time to time, and may increase or decrease its position as future circumstances dictate. The Company has received a 6 month work proposal from GTA (Oct 2017 to April 2018) totaling $13,300 and will not be participating. No significant work is currently planned on the property.

N2 Property

The N2 Property is located approximately 100 kilometres south of the Company's Detour Trend Project, and approximately 25 kilometres south of Mattagami, Quebec. The N2 Property occurs along the regional scale Casa-Berardi fault corridor which is known to host significant gold mineralization on a number of nearby properties, including the Vezza gold mine which the N2 property flanks to the east.

On February 2, 2015, the Company agreed to option its N1 and N2 Properties to a Vancouver based and TSXV-listed company, Wealth Minerals Ltd. ("Wealth"). Under the terms of the Option/Joint Venture Agreement, Wealth was given two options to earn up to a 70% interest in the properties. Wealth issued 1,000,000 common shares to the Company on February 26, 2015, 317,000 of which were sold by the Company during 2015.

Wealth failed to meet its Year 1 obligations under the Option/Joint Venture Agreement and the Agreement was terminated effective February 25, 2016 and the Company and Wealth entered into a Termination Agreement under which Wealth paid the Company a sum of $266,667 in cash and 148,477 common shares of Wealth, an equivalent of $133,333. Wealth retains no interest in the properties.

During 2016 the Company sold its remaining 683,000 shares of the original one million Wealth shares for gross proceeds of $198,591 and the Company also sold 106,700 of the Wealth shares it received under the Termination Agreement for gross proceeds of $125,194.

During the year ended December 31, 2017, the Company sold the remaining 41,777 Wealth shares for gross proceeds of $51,263.

The Company is currently compiling historic information from the property and may initiate exploration activities on the property in 2018 for the first time since its acquisition.

Qualified Person and QA/QC

Mr. Darin Wagner, M.Sc., P.Geo. (Ontario, B.C., Restricted Permit - Quebec), a qualified person as defined by NI 43-101, has reviewed the scientific and technical information that forms the basis for the disclosure regarding the Company's Detour Gold Trend Project and Northshore Properties in this MD&A and has approved the disclosure herein. Mr. Wagner is not independent of the Company, as he is the CEO and President and holds common shares and incentive stock options.

RISK FACTORS

The Company is in the business of acquiring, exploring and, if warranted, developing and exploiting natural resource properties, in the Provinces of Ontario and Quebec, Canada. Due to the nature of the Company's proposed business and the present stage of exploration of its mineral properties (which are all early stage exploration properties), the following risk factors, among others, will apply:

Resource Exploration and Development is Generally a Speculative Business: Resource exploration and development is a speculative business and involves a high degree of risk, including, among other things, unprofitable efforts resulting not only from the failure to discover mineral deposits but from finding mineral deposits which, though present, are insufficient in size or grade to return a profit from production. The marketability of natural resources that may be acquired or discovered by the Company will be affected by numerous factors beyond the control of the Company. These factors include market fluctuations, the proximity and capacity of natural resource markets, government regulations, including regulations relating to prices, taxes, royalties, land use, importing and exporting of minerals and environmental protection. The exact effect of these factors cannot be accurately predicted, but the combination of these factors may result in the Company not receiving an adequate return on invested capital. **Other than the mineral resource**

estimate discussed above for the Grasset Property, there are no other resource estimates which the Company recognizes as current on any of the Company's other properties, and there are no known mineral reserves, on any of the Company's properties. The vast majority of exploration projects do not result in the discovery of commercially mineable deposits of ore. Substantial expenditures are required to establish ore reserves through drilling and metallurgical and other testing techniques, determine metal content and metallurgical recovery processes to extract metal from the ore, and construct, renovate or expand mining and processing facilities. No assurance can be given that any level of recovery of ore reserves will be realized or that any identified mineral deposit, even if it is established to contain an estimated resource, will ever qualify as a commercial mineable ore body which can be legally and economically exploited.

Fluctuation of Metal Prices: Even if commercial quantities of mineral deposits are discovered by the Company, there is no guarantee that a profitable market will exist for the sale of the metals produced. Factors beyond the control of the Company may affect the marketability of any substances discovered. The prices of various metals have experienced significant movement over short periods of time, and are affected by numerous factors beyond the control of the Company, including international economic and political trends, expectations of inflation, currency exchange fluctuations, interest rates and global or regional consumption patterns, speculative activities and increased production due to improved mining and production methods. The supply of and demand for metals are affected by various factors, including political events, economic conditions and production costs in major producing regions. There can be no assurance that the price of any commodities will be such that any of the properties in which the Company has, or has the right to acquire, an interest may be mined at a profit.

Permits and Licenses: The operations of the Company will require licenses and permits from various governmental authorities. There can be no assurance that the Company will be able to obtain all necessary licenses and permits that may be required to carry out exploration, development and mining operations at its projects, on reasonable terms or at all. Delays or a failure to obtain such licenses and permits or a failure to comply with the terms of any such licenses and permits that the Company does obtain, could have a material adverse effect on the Company.

Surface Rights and Access: Although the Company acquires the rights to some or all of the minerals in the ground subject to the mineral tenures that it acquires, or has a right to acquire, in most cases it does not thereby acquire any rights to, or ownership of, the surface to the areas covered by its mineral tenures. In such cases, applicable mining laws usually provide for rights of access to the surface for the purpose of carrying on mining activities, however, the enforcement of such rights through the courts can be costly and time consuming. It is necessary to negotiate surface access or to purchase the surface rights if long-term access is required. There can be no guarantee that, despite having the right at law to access the surface and carry on mining activities, the Company will be able to negotiate satisfactory agreements with any such existing landowners/occupiers for such access or purchase of such surface rights, and therefore it may be unable to carry out planned mining activities. In addition, in circumstances where such access is denied, or no agreement can be reached, the Company may need to rely on the assistance of local officials or the courts in such jurisdiction the outcomes of which cannot be predicted with any certainty. The inability of the Company to secure surface access or purchase required surface rights could materially and adversely affect the timing, cost or overall ability of the Company to develop any mineral deposits it may locate.

No Assurance of Profitability: The Company has no history of production or earnings and due to the nature of its business there can be no assurance that the Company will be profitable. The Company has not paid dividends on its shares since incorporation and does not anticipate doing so in the foreseeable future. All of the Company's properties are in the exploration stage and the Company has not defined or delineated any proven or probable reserves on any of its properties. None of the Company's properties are currently under development. Continued exploration of its existing properties and the future development of any properties found to be economically feasible, will require significant funds. The only present source of funds available to the Company is through the sale of its equity shares, short-term, high-cost borrowing or the sale or optioning of a portion of its interest in its mineral properties. Even if the results of exploration are encouraging, the Company may not have sufficient funds to conduct the further exploration that may be necessary to determine whether or not a commercially mineable deposit exists. While the Company may generate additional working capital through further equity offerings, short-term borrowing or through the sale or possible syndication of its properties, there is no assurance that any such funds will be available on favourable terms, or at all. At present, it is impossible to determine what amounts of additional funds, if any, may be required. Failure to raise such additional capital could put the continued viability of the Company at risk.

Uninsured or Uninsurable Risks: Exploration, development and mining operations involve various hazards, including environmental hazards, industrial accidents, metallurgical and other processing problems, unusual or unexpected rock formations, structural cave-ins or slides, flooding, fires, metal losses and periodic interruptions due to inclement or hazardous weather conditions. These risks could result in damage to or destruction of mineral properties, facilities or other property, personal injury, environmental damage, delays in operations, increased cost of operations, monetary losses and possible legal liability. The Company may not be able to obtain insurance to cover these risks at economically feasible premiums or at all. The Company may elect not to insure where premium costs are disproportionate to the Company's perception of the relevant risks. The payment of such insurance premiums and of such liabilities would reduce the funds available for exploration and production activities.

Government Regulation: Any exploration, development or mining operations carried on by the Company will be subject to government legislation, policies and controls relating to prospecting, development, production, environmental and wildlife protection, mining taxes and labour standards. The Company cannot predict whether or not such legislation, policies or controls, as presently in effect, will remain so, and any changes therein (for example, significant new royalties or taxes), which are completely outside the control of the Company, may materially adversely affect the ability of the Company to continue its planned business within any such jurisdictions.

Global Financial Conditions: Market events and conditions, including disruptions in the Canadian, United States and international credit markets and other financial systems and the continued volatility of the Canadian, United States and global economic conditions, could, among other things, impede access to capital or increase the cost of capital, which would have an adverse effect on the Company's ability to fund its working capital and other capital requirements. Notwithstanding various actions by the U.S. and foreign governments, concerns about the general condition of the capital markets, financial instruments, banks, investment banks, insurers and other financial institutions continue to be volatile and unpredictable. In addition, general economic indicators have deteriorated, including low levels of consumer sentiment and limited economic growth on a global basis. These disruptions in the current credit and financial markets have had, and could continue to have a material adverse impact on a number of financial institutions and have limited access to capital and credit for many companies, particularly junior resource enterprises such as the Company. These disruptions could, among other things, make it more difficult for the Company to obtain, or increase its cost of obtaining, capital and financing for its operations. The Company's access to additional capital may not be available on terms acceptable to the Company or at all.

Insufficient Financial Resources: The Company does not presently have sufficient financial resources to undertake by itself the exploration and development of all of its assets. Future property acquisitions and the future exploration/development of the Company's properties will therefore depend upon the Company's ability to obtain financing through the joint venturing of projects, private placement financing, public/private financing, short or long term borrowings or other means. There is no assurance that the Company will be successful in obtaining the required financing. Failure to raise the required funds could result in the Company losing, or being required to dispose of, its interest in its properties.

Financing Risks: The Company has limited financial resources, has no source of operating cash flow and has no assurance that additional funding will be available to it for further exploration and development of its projects or to fulfil its obligations under any applicable agreements. There can be no assurance that it will be able to obtain adequate financing in the future or that the terms of such financing will be favourable.

Failure to obtain such additional financing could result in delay or indefinite postponement of further exploration and development of its projects with the possible loss of such properties.

Dilution to the Company's Existing Shareholders: The Company will require additional financing in the future. The Company may issue securities on less than favourable terms to raise sufficient capital to fund its business plan. Any transaction involving the issuance of equity securities or securities convertible into common shares would result in dilution, possibly substantial, to present and prospective holders of common shares.

Increased Costs: Management anticipates that costs at the Company's projects will frequently be subject to variation from one year to the next due to a number of factors, such as the results of ongoing exploration activities (positive or negative), changes in the nature of mineralization encountered, and revisions to exploration programs, if any, in response to the foregoing. In addition, exploration program costs are affected by the price of commodities such as fuel, rubber and electricity and the availability (or otherwise) of consultants and drilling contractors. Increases in the prices of such commodities or a scarcity of consultants or drilling contractors could cause the costs of exploration programs to increase significantly over those budgeted. A material increase in costs for any significant exploration program could have a significant effect on the Company's operating funds and ability to continue its planned exploration programs.

Dependence Upon Others and Key Personnel: The success of the Company's operations will depend upon numerous factors, many of which are beyond the Company's control, including (i) the ability of the Company to enter into strategic alliances through a combination of one or more joint ventures, mergers or acquisition transactions; and (ii) the ability to attract and retain current or additional key personnel in exploration, mine development, sales, marketing, technical support and finance. These and other factors will require the use of outside suppliers as well as the talents and efforts of the Company. There can be no assurance of success with any or all of these factors on which the Company's operations will depend. The Company has relied and may continue to rely, upon consultants and others for operating expertise.

Share Price Volatility: In recent years, the securities markets in the United States and Canada have experienced an increasingly high level of price and volume volatility, and the market price of securities of many companies, particularly those considered exploration or development stage companies, have experienced wide fluctuations in price which have not necessarily been related to the operating performance, underlying asset values or prospects of such companies. There can be no assurance that significant fluctuations in the trading price of the Company's common shares will not occur, or that such fluctuations will not materially adversely impact on the Company's ability to raise equity funding without significant dilution to its existing shareholders, or at all.

Exploration and Mining Risks: Fires, power outages, labour disruptions, flooding, explosions, cave-ins, landslides and the inability to obtain suitable or adequate machinery, equipment or labour are other risks involved in the operation of mines and the conduct of exploration programs. Substantial expenditures are required to establish reserves through drilling, to develop metallurgical processes, to develop the mining and processing facilities and infrastructure at any site chosen for mining. Although substantial benefits may be derived from the discovery of a major mineralized deposit, no assurance can be given that minerals will be discovered in sufficient quantities to justify commercial operations or that funds required for development can be obtained on a timely basis. The economics of developing mineral properties is affected by many factors including the cost of operations, variations of the grade of ore mined, fluctuations in the price of gold or other minerals produced, costs of processing equipment and such other factors as government regulations, including regulations relating to royalties, allowable production, importing and exporting of minerals and environmental protection. In addition, the grade of mineralization ultimately mined may differ from that indicated by drilling results and such differences could be material. Short term factors, such as the need for orderly development of ore bodies or the processing of new or different grades, may have an adverse effect on mining operations and on the results of operations. There can be no assurance that minerals recovered in small scale laboratory tests will be duplicated in large scale tests under on-site conditions or in production scale operations. Material changes in geological resources, grades, stripping ratios or recovery rates may affect the economic viability of projects.

Environmental Restrictions: The activities of the Company are subject to environmental regulations promulgated by government agencies in different countries from time to time. Environmental legislation generally provides for restrictions and prohibitions on spills, releases or emissions into the air, discharges into water, management of waste, management of hazardous substances, protection of natural resources, antiquities and endangered species and reclamation of lands disturbed by mining operations. Certain types of operations require the submission and approval of environmental impact assessments. Environmental legislation is evolving in a manner which means stricter standards, and enforcement, fines and penalties for non-compliance are more stringent. 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 a potential to reduce the profitability of operations.

Regulatory Requirements: The activities of the Company are subject to extensive regulations governing various matters, including environmental protection, management and use of toxic substances and explosives, management of natural resources, exploration, development of mines, production and post-closure reclamation, exports, price controls, taxation, regulations concerning business dealings with indigenous peoples, labour standards on occupational health and safety, including mine safety, and historic and cultural preservation and regulations governing the practice of geology and engineering. Failure to comply with applicable laws and regulations may result in civil or criminal fines or penalties, enforcement actions thereunder, including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed, and may include corrective measures requiring capital expenditures, installation of additional equipment, or remedial actions, any of which could result in the Company incurring significant expenditures. The Company may also be required to compensate those suffering loss or damage by reason of a breach of such laws, regulations or permitting requirements. It is also possible that future laws and regulations, or more stringent enforcement of current laws and regulations by governmental authorities, could cause additional expense, capital expenditures, restrictions on or suspension of the Company's operations and delays in the exploration and development of the Company's properties.

Limited Experience with Development-Stage Mining Operations: The Company has limited experience in placing resource properties into production, and its ability to do so will be dependent upon using the services of appropriately experienced personnel or entering into agreements with other major resource companies that can provide such expertise. There can be no assurance that the Company will have available to it the necessary expertise when and if it places its resource properties into production.

Mineral resources are not mineral reserves and there is no assurance that any mineral resources will ultimately be reclassified as proven or probable reserves. Mineral resources which are not mineral reserves have not demonstrated economic viability.

***Mining Industry is Intensely Competitive*:** The Company's business of the acquisition, exploration and development of mineral properties is intensely competitive. The Company may be at a competitive disadvantage in acquiring additional mining properties because it must compete with other individuals and companies, many of which have greater financial resources, operational experience and technical capabilities than the Company. The Company may also encounter increasing competition from other mining companies in efforts to hire experienced mining professionals. Increased competition could adversely affect the Company's ability to attract necessary capital funding or acquire suitable producing properties or prospects for mineral exploration in the future.

Title Matters: The Company cannot guarantee title (whether of the Company or of any underlying vendor(s) from whom the Company may be acquiring its interest). Title to mineral properties may be subject to unregistered prior agreements or transfers, and may also be affected by undetected defects or the rights of indigenous peoples. The process of acquiring exploration concessions involves an application process and, until title to an exploration concession is actually granted, there can be no assurance that an exploration concession which has been applied for will be granted (especially as it is not always possible to determine if there are prior applications over the same ground).

***The Company may be a "passive foreign investment company" under the U.S. Internal Revenue Code, which may result in material adverse U.S. federal income tax consequences to investors in the Company's common shares that are U.S. taxpayers*:** Investors in the Company's common shares that are U.S. taxpayers should be aware that the Company believes that it has been in prior years, and expects it will be in the current year a "passive foreign investment company" under Section 1297(a) of the U.S. Internal Revenue Code (a "PFIC"). If the Company is or becomes a PFIC, generally any gain recognized on the sale of the Common Shares and any "excess distributions" (as specifically defined) paid on the Common Shares must be rateably allocated to each day in a U.S. taxpayer's holding period for the Common Shares. The amount of any such gain or excess distribution allocated to prior years of such U.S. taxpayer's holding period for the Common Shares generally will be subject to U.S. federal income tax at the highest tax applicable to ordinary income in each such prior year, and the U.S. taxpayer will be required to pay interest on the resulting tax liability for each such prior year, calculated as if such tax liability had been due in each such prior year.

Alternatively, a U.S. taxpayer that makes a "qualified electing fund" (a "QEF") election with respect to the Company generally will be subject to U.S. federal income tax on such U.S. taxpayer's pro rata share of the Company's "net capital gain" and "ordinary earnings" (as specifically defined and calculated under U.S. federal income tax rules), regardless of whether such amounts are actually distributed by the Company. U.S. taxpayers should be aware, however, that there can be no assurance that the Company will satisfy record keeping requirements under the QEF rules or that the Company will supply U.S. taxpayers with required information under the QEF rules, in event that the Company is a PFIC and a U.S. taxpayer wishes to make a QEF election. As a second alternative, a U.S. taxpayer may make a "mark-to-market election" if the Company is a PFIC and its common shares are "marketable stock" (as specifically defined). A U.S. taxpayer that makes a mark-to-market election generally will include in gross income, for each taxable year in which the Company is a PFIC, an amount equal to the excess, if any, of (a) the fair market value of the common shares as of the close of such taxable year over (b) such U.S. taxpayer's adjusted tax basis in the common shares.

Due to the extreme complexity of the PFIC rules and the potentially materially adverse consequence to a shareholder that is a U.S. taxpayer of the Company being a PFIC, it is critical that each shareholder that is a U.S. taxpayer consult with that shareholder's U.S. tax adviser before undertaking any transactions in the Company's common shares.

SELECTED ANNUAL INFORMATION

The Company's financial statements for the years ended December 31, 2017 and 2016 (the "Financial Statements") have been prepared in accordance with International Financial Reporting Standards ("IFRS"). The following table provides a brief summary of the Company's financial operations for the years ended December 31, 2017, 2016 and 2015. For more detailed information, refer to the Financial Statements.

	Years Ended December 31, 2017	2016	2015
Total revenues (interest)	$ 76,156	$ 91,354	$ 124,408
Loss before other items	$ (3,267,576)	$ (2,834,941)	$ (2,124,217)
Net loss	$ (4,560,639)	$ (1,052,653)	$ (122,832)
Basic and diluted loss per share	$ (0.03)	$ (0.01)	$ 0.00
Total assets	$ 72,054,115	$ 65,007,614	$ 59,799,893
Total non-current liability	$ 8,575,691	$ 6,300,080	$ 6,019,543
Weighted average common shares outstanding – Basic and diluted	128,965,579	121,556,653	111,603,157

During the year ended December 31, 2015, the Company raised gross proceeds of $5,435,735. During the year ended December 31, 2016, the Company raised gross proceeds of $7,129,751. In addition, 750,000 stock options were exercised at a price of $0.60 per share during the year ended December 31, 2016. In 2017 the Company raised gross proceeds of $9,520,200. As at December 31, 2017, approximately $5,800,000 remained to be incurred on qualifying flow-through expenditures during 2018 in respect of the 2017 flow-through financings. Fluctuations in the balance of the Company's term deposits, reflecting the timing and quantum of financings and amounts and timing of expenditures on exploration, led to a decrease in interest revenue to $76,156 in 2017 compared to 2016 and a decrease in interest revenue to $91,354 in 2016 compared to 2015.

The fluctuations in the Company's loss before other items over the three years were mainly due to changes in share-based compensation (2017 - $1,110,659, 2016 - $838,977, 2015 - $104,238). In 2017, 2,434,250 stock options were granted at a weighted average exercise price of $0.78. In addition, 25% of the 360,000 stock options granted in 2015 vested during the year ended December 31, 2017. In 2016, 2,560,000 stock options were granted at a weighted average exercise price of $0.63 and 50% of the 360,000 stock options granted in 2015 vested during the year. In 2015, only 90,000 of the 360,000 stock options granted at a weighted average exercise price of $0.77 vested during the year. Salaries and benefits were higher in 2017 and 2016 ($665,013 and $659,226 respectively) compared to $555,813 in 2015 as a result of year-end bonuses paid in 2016 as well as hiring of new staff in both years. Professional fees varied between the three years (2017 - $431,743, 2016 - $265,077, 2015 - $149,294) with the higher expenditures in 2017 and 2016 mainly related to legal costs associated with the Ordre des Geologues du Quebec ("OGQ") matter which was resolved during the year ended December 31, 2017. There were no such items in 2015.

Deferred income tax recovery/expense is another key factor affecting the net loss in the three years (2017 - expense of $1,377,031, 2016 - recovery of $1,650,892, 2015 - recovery of $1,913,256). There were also impairment losses on marketable securities in 2015 of $61,111 compared to $Nil in 2016 and 2017.

Total assets increased from 2015 through 2017 mainly due to the Company's active exploration activities resulting in a balance of $61,506,695 in exploration and evaluation assets in 2017 compared to $53,583,755 in 2016 and $50,067,859 in 2015.

During the year ended December 31, 2017, the Company recorded a provision of $100,000 for environmental rehabilitation, which increased total assets and decreased total non-current liability.

SUMMARY OF QUARTERLY RESULTS

The following selected financial information is a summary of quarterly results taken from the Company's unaudited quarterly financial statements.

Description	December 31, 2017	September 30, 2017	June 30, 2017	March 31, 2017
Total assets	$ 72,054,115	$ 71,375,759	$ 64,139,955	$ 65,689,316
Working capital	$ 9,075,682	$ 8,572,638	$ 5,852,245	$ 8,172,458
Adjusted working capital*	$ 10,150,017	$ 9,811,172	$ 5,965,185	$ 8,481,793
Net income (loss) for the period	$ (1,560,378)	$ (536,038)	$ (662,907)	$ (1,801,316)
Income (Loss) per share	$ 0.00	$ 0.00	$ (0.01)	$ (0.01)

Description	December 31, 2016	September 30, 2016	June 30, 2016	March 31, 2016
Total assets	$ 65,007,614	$ 66,746,067	$ 66,326,738	$ 59,785,877
Working capital	$ 10,601,748	$ 10,330,262	$ 11,741,608	$ 6,952,069
Adjusted working capital*	$ 11,195,030	$ 11,177,611	$ 13,673,498	$ 8,427,235
Net income (loss) for the period	$ (294,365)	$ (30,664)	$ 87,621	$ (815,245)
Income (Loss) per share	$ 0.00	$ 0.00	$ 0.00	$ (0.01)

* Includes short term tax recoveries and available-for-sale publicly traded shares but excludes flow-through share premium liability.

Total assets in Q4 2017 increased by 678,356 compared to Q3 2017 and total assets in Q3 2017 increased by $7,235,804 compared to Q2 2017 mainly due to the three private placements which closed in September 2017 and October 2017, providing net proceeds of $8,907,248. Total assets were further increased in Q4 2017 as a result of recording of a provision of $100,000 for environmental rehabilitation in Q4 2017 and none in Q3 2017.

Net assets decreased by $699,731 in Q2 2017 compared to Q1 2017 reflecting the Company's loss for the quarter. Cash and cash equivalents decreased by $3,476,644 in the quarter; $592,221 of the cash decrease is from operating activities and $2,895,423 of cash expenditures is for exploration and evaluation expenditures. Net assets increased by $672,051 in Q1 2017 compared to Q4 2016, reflecting the comprehensive loss for the quarter $1,782,710 less the non-cash share-based compensation charge of $1,110,659. Cash and cash equivalents decreased by $1,472,284; $595,610 of the cash decrease a result of operating activities and $913,099 of cash expenditures on exploration and evaluation. Marketable securities decreased by $18,697 due to the sale of the remainder of the Wealth common shares.

Total assets decreased by $1,738,453 in Q4 2016 compared to Q3 2016 mainly due to a decrease in current assets of $1,182,738. Cash and cash equivalents decreased by $746,576 due to general and administrative expenses offset by $111,000 received from the exercise of stock options. Marketable securities decreased by $217,001 due to the sale of some of the Wealth common shares and the decline in market value of the common shares in Wealth, GTA and Wallbridge that the Company held as at December 31, 2016.

Total assets increased by $419,329 in Q3 2016 compared to Q2 2016 mainly due to an increase in cash and cash equivalents from net proceeds of $121,048 from the exercise of stock options, a positive effect on cash and cash equivalents as a result of general and administrative expenditures of $490,329 offset by an increase in accounts payable and accrued liabilities of $677,864.

Total assets increased by $6,540,861 in Q2 2016 compared to Q1 2016 mainly from the net proceeds of $6,543,222 from a flow-through financing and $189,000 from the exercise of stock options, offset by a decrease in cash and cash equivalents as a result of general and administrative expenditures of $437,203 and an increase in accounts payable and accrued liabilities of $138,913.

Working capital increased by $503,044 in Q4 2017 compared to Q3 2017 and $2,720,393 in Q3 2017 compared to Q2 2017 because of the financings in September and October 2017, offset by expenditures on exploration and evaluation activities and general administrative expenses.

Working capital decreased by $2,320,213 in Q2 2017 compared to Q1 2017. This decrease was mainly due to $581,221 of cash and cash equivalents used on operating expenditures and $2,895,423 of cash used on exploration and evaluation expenditures, offset by a decrease in accounts payable of $1,003,796 because of reduced Q2 exploration and evaluation activities and a decrease in the Company's flow-through share liability premium as the result of the Company making qualifying exploration expenditures.

Working capital decreased by $2,429,290 in Q1 2017 compared to Q4 2016. This decrease principally reflects $595,610 of cash and cash equivalents used in operating activities, a further $913,099 of cash expended on exploration and evaluation, and an increase in accounts payable of $1,223,094 related to the Company's exploration and evaluation activities in the quarter, offset by a reduction of $283,947 in the Company's flow-through share liability premium as a result of the Company making qualifying exploration expenditures.

Working capital increased by $271,486 in Q4 2016 compared to Q3 2016 mainly due to a decrease of accounts payable and accrued liabilities of $1,200,157 and a decrease in the flow-through share premium liability of $254,067, offset by decreases in current assets totaling $1,182,738. Although the Company received $2,500,000 of the total $3,500,000 cash payments from the sale of the Fenelon Mine Property in Q4 2016, due to expenditures of cash and cash equivalents on exploration and evaluation activities and general administrative expenses, overall cash and cash equivalents decreased in Q4 2016 compared to Q3 2016 There was also a decrease in the value of marketable securities from the sale of additional Wealth shares during Q4 2016 and the decrease in the fair value of all three marketable securities at December 31, 2016.

Working capital decreased by $1,411,346 in Q3 2016 compared to Q2 2016 principally due to expenditures on exploration and evaluation activities and general administrative expenses.

Working capital increased by $4,789,539 in Q2 2016 compared to Q1 2016 due to the flow-through financing and the exercise of stock options during the quarter, offset by expenditures on exploration and evaluation activities and general administrative expenses.

Quarterly fluctuations in net loss for Q4 2017, the increase in net loss of $1,024,340 in Q4 2017 compared to Q3 2016 was mainly due to the increase in deferred income tax expenses of $1,089,416 as a result of the flow-through share issuances in Q4 and an increase in professional fees of $55,571 due to the OGQ matter.

Net loss in Q3 2017 decreased by $126,869 compared to Q2 mainly due to the decrease in deferred income tax expense in the quarter of $152,769 as a result of less qualifying exploration expenses in Q3.

Net loss in Q2 2017 was $1,138,409 less than the $1,801,316 loss reported for Q1 2017. This was mainly due to a change in share-based compensation expense (Q2 2017 - $Nil, Q1 2017 - $1,110,659) arising from the grant of 2,434,250 stock options in Q1.

The increased net loss in Q1 2017 compared to Q4 2016 is mainly due to the share-based compensation expense of $1,110,659 in Q1 2017.

The increased net loss in Q4 2016 compared to Q3 2016 was due to share-based compensation expense of $238,721 from grants of 525,000 stock options during Q4 2016.

The increased net loss in Q3 2016 compared to Q2 2016 was mainly due to an increase in professional fees (Q3 2016 - $98,285, Q2 2016 $34,306) related to legal advice on the OGQ matter. The Company also incurred losses on marketable securities of $47,690 in Q3 compared to losses of $34,265 in Q2.

Net income in Q2 2016 was $87,621 compared to a Q1 2016 loss of $815,245. The change was principally due to changes in: deferred income tax recovery (Q2 2016 - $488,113, Q1 2016 - $197,926), share-based compensation expense (Q2 2016 - $14,616, Q1 2016 - $574,451) and Part XII.6 tax of $44,289 relating to flow-through expenditures.

RESULTS OF OPERATIONS

Year ended December 31, 2017 compared to year ended December 31, 2016

During the year ended December 31, 2017, the Company had a net loss of $4,560,639 (2016 - $1,052,653). The net loss is comprised of general administrative expenses of $3,267,576 (2016 - $2,834,941) and foreign exchange losses of $5,443 (2016 - $6,362), net of interest income of $76,156 (2016 - $91,354), gain on sale of marketable securities of $13,255 (2016 - $46,404), and deferred income tax expense of $1,377,031 (2016 - recovery of $1,650,892).

Share-based compensation increased to $1,110,659 from $838,977 in the comparative fiscal year as 2,434,250 stock options were granted in 2017 at a weighted average fair value of $0.45 resulting in a share-based compensation charge of $1,107,084. In addition, 25% of the 360,000 stock options granted in June 2015 vested during the current year resulting in a further share-based compensation charge of $3,575.

Professional fees increased from $265,077 to $431,743 in the current year mainly due to legal fees associated with the OGQ matter which was settled for $66,056 during the current year.

Rent decreased from $139,115 to $114,911 and office and miscellaneous expenses decreased from $194,257 to $181,127 because the Company moved to its new office location on May 1, 2016 but continued to pay rent for the months of May and June 2016 at the old office location as part of the lease termination for the old office. In connection with the move, the Company also incurred initial set-up costs and initial purchases of office supplies which contributed to higher office and miscellaneous expenditures in the prior year.

Travel and related costs increased from $32,145 to $63,788 as a result of the Board of Directors site visit to the properties in August 2017 and an increase in marketing activities.

The Company received $76,156 (2016 - $91,354) in interest income from its GICs in the current fiscal year, and had a net gain of $13,255 from selling the remainder of the Wealth common shares. In 2016 the Company sold 789,700 Wealth common shares for a gain of $94,093 and 454,000 GTA common shares for a loss of $47,689.

During the year ended December 31, 2017, the Company incurred $6,841,837 of qualified flow-through funded exploration expenditures, which fulfilled its commitment to the flow-through financing closed on June 30, 2016 and partially fulfilled its commitment to the flow-through financing closed on September 15, 2017, subject to audit, if any. As at December 31 2017, approximately $5,800,000 of qualifying expenditures remain to be incurred by December 2018. The Company expects to fully meet this obligation.

Three months ended December 31, 2017 compared to three months ended December 31, 2016

During the three months ended December 31, 2017, the Company had a net loss of $1,560,378 (2016 - $294,365). The net loss is comprised of general administrative expenses of $499,427 (2016 - $818,843) and foreign exchange losses of $1,118 (2016 - $315) net of interest income of $30,978 (2016 - $24,359), gain on sale of marketable securities of $Nil (2016 - $27,753), and deferred income tax expense of $1,090,811 (2016 - recovery of $472,681).

Share-based compensation was $Nil in 2017 compared to $238,721 in the comparative fiscal period. No stock options were granted in either the three months ended December 31, 2017 or 2016 but there was a charge in 2016 because of vesting of the 360,000 stock options granted in June 2015.

Consulting fees decreased from $31,260 to $16,701 reflecting fees paid to the CFO for additional services provided in 2016, whereas there were no similar services in 2017.

Professional fees increased from $95,070 to $118,003 in the current period mainly due to legal fees incurred related to the OGQ matter and the settlement.

Salaries and benefits decreased from $251,365 to $169,007. Bonuses were paid in December 2016 whereas none were paid in December 2017. This was partially offset by an increase in fees paid to members of the Board of Directors and an increase in the number of employees during the current period compared to the prior period.

Shareholder communication decreased from $108,306 to $92,663 mainly due to timing of roadshows. In 2017 more expenditures were incurred in Q3 2017 and less in Q4 2017 whereas in 2016 more expenditures were incurred in Q4 instead of Q3.

The Company received $30,978 (2016 - $24,359) in interest income from its GICs in the current period, and had income of $Nil on marketable securities (2016 - $25,753) from selling 106,700 Wealth common shares in the prior period.

LIQUIDITY AND CAPITAL RESOURCES

The Company has no revenue generating operations from which it can internally generate funds. To date, the Company's operations have been predominantly financed by the sale of its equity securities by way of private placements and the exercise of incentive stock options and share purchase warrants. In addition, the Company can and has raised funds through the sale of interests in its mineral properties. This situation is unlikely to change until such time as the Company can develop a bankable feasibility study on one of its projects. When acquiring an interest in mineral properties through purchase or option the Company will sometimes issue common shares to the vendor or optionee of the property as partial or full consideration in order to conserve its cash.

The Company had working capital of $9,075,682 at December 31, 2017, which includes cash and cash equivalents of $9,531,239, short term tax recoveries and available-for-sale publicly traded shares in other companies. This compares to working capital of $10,601,748, including cash and cash equivalents of $10,559,915 at December 31, 2016.

The Company expects that it will operate at a loss for the foreseeable future but believes that its cash and cash equivalents as at the date of this MD&A are sufficient for the Company's currently planned operating needs of approximately $8.8 million until December 31, 2018, including budgeted exploration and development activities of approximately $6.5 million. While the Company does not believe it will require additional financing in 2018 to fund its anticipated general and administrative costs and planned exploration expenditures for the fiscal year ended December 31, 2018, should financing be available in that time-frame the Company could potentially increase its activities.

The Company has no exposure to any asset-backed commercial paper. All of the Company's cash reserves are on deposit with a major Canadian chartered bank. The Company does not believe that the credit, liquidity or market risks with respect thereto have increased as a result of current market conditions. However, to achieve greater security for the preservation of its capital, the Company has, of necessity, been required to accept lower rates of interest which has also lowered its potential interest income.

RELATED PARTY TRANSACTIONS

During the year ended December 31, 2017, the Company had the following transactions with related parties and paid or accrued the following amounts, excluding share-based compensation expenses, in connection therewith:

Name	Relationship	Purpose of Transaction	Three Months Ended December 31, 2017	Year Ended December 31, 2017
Darin Wagner	President and CEO	Salaries and benefits	$ 70,000	$ 280,000
Blue Pegasus Consulting Inc.	Company controlled by the CFO	Financial Consulting Services (included in Consulting Fees)	$ 14,175	$ 54,338
Richard Mann	Vice President, Exploration	Salaries and benefits	$ 50,000	$ 200,000
John Foulkes	Vice President, Corporate Development	Salaries and benefits	$ 37,125	$ 148,500
Lawrence W. Talbot	Director	Directors Fees (included in Salaries and benefits)	$ 8,250	$ 33,000
Graeme Currie	Director	Directors Fees (included in Salaries and benefits)	$ 7,000	$ 28,000
Daniel Maclnnis	Director	Directors Fees (included in Salaries and benefits)	$ 9,500	$ 38,000
Bryan Disher	Director	Directors Fees (included in Salaries and benefits)	$ 8,250	$ 33,000

During the year ended December 31, 2017 the following stock options were granted to reporting insiders.

Name	Relationship	Grant Date	Number Granted	Exercise Price
Darin Wagner	President and CEO	March 2, 2017	445,500	$ 0.78
Peggy Wu	CFO	March 2, 2017	148,500	$ 0.78
Richard Mann	Vice President, Exploration	March 2, 2017	247,500	$ 0.78
John Foulkes	Vice President, Corporate Development	March 2, 2017	247,500	$ 0.78
Lawrence W Talbot	Director	March 2, 2017	100,000	$ 0.78
Graeme Currie	Director	March 2, 2017	100,000	$ 0.78
Daniel Maclnnis	Director	March 2, 2017	100,000	$ 0.78
Bryan Disher	Director	March 2, 2017	100,000	$ 0.78

The foregoing incentive stock options have a term of 5 years and are not subject to vesting provisions.

During the three months ended December 31, 2017, no stock options were granted to insiders.

OFF BALANCE SHEET ARRANGEMENTS

The Company has no off -Balance Sheet arrangements.

EVALUATION OF DISCLOSURE CONTROLS AND PROCEDURES

Disclosure controls and procedures are controls and other procedures that are designed to provide reasonable assurance that all relevant information required to be disclosed in the Company's reports filed or submitted as part of the Company's continuous disclosure requirements is gathered and reported to senior management, including the Company's Chief Executive Officer and Chief Financial Officer, on a timely basis so that appropriate decisions can be made regarding public disclosure and such information can be recorded, processed, summarized and reported within the time periods specified by applicable regulatory authorities.

Management of the Company, with the participation of the Chief Executive Officer and the Chief Financial Officer, has evaluated the effectiveness of the Company's disclosure controls and procedures as at December 31, 2017 as required by Canadian securities laws. Based on that evaluation, the Chief Executive Officer and the Chief Financial Officer have concluded that the disclosure controls and procedures were effective as of December 31, 2017. However, Management and the Board recognize that no matter how well designed the Company's control systems are, such controls can only provide reasonable assurance, not absolute assurance, of detecting, preventing and deterring errors.

EVALUATION OF INTERNAL CONTROLS OVER FINANCIAL REPORTING

Internal controls over financial reporting means a process designed by, or under the supervision of, the Company's certifying officers, and effected by the Company's board of directors, management and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS and include those policies and procedures that:

- pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and disposition of assets of the Company;
- are designed to provide reasonable assurance that transactions are recorded as necessary to permit preparation of the financial statements in accordance with IFRS and that receipts and expenditures of the Company are being made only in accordance with authorization of management and directors of the Company; and
- are designed to provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of assets that could have a material effect on the annual financial statements or interim financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Projections of any evaluation of effectiveness to future periods are subject to the risks that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies and procedures may deteriorate.

The Company's management, including the Chief Executive Officer and the Chief Financial Officer, have evaluated the effectiveness of the Company's internal controls over financial reporting as of December 31, 2017. This evaluation was based on the framework in Internal Control – Integrated Framework issued by the Committee of the Sponsoring Organizations of the Treadway Commission.

Based on the assessment, management concluded that the Company's internal control over financial reporting was effective as of December 31, 2017.

CHANGES IN INTERNAL CONTROLS OVER FINANCIAL REPORTING

The Chief Executive Officer and Chief Financial Officer have concluded that there has been no change in the Company's internal control over financial reporting during the period beginning on January 1, 2017 and ended on December 31, 2017.

PROPOSED TRANSACTION

As at the date of this MD&A there are no proposed transactions, not otherwise reported herein, where the Board of Directors or senior management believes that confirmation of the decision by the board is probable or with which the board and senior management have decided to proceed.

CRITICAL ACCOUNTING ESTIMATES

The preparation of financial statements requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of expenses during the reporting year. Actual outcomes could differ from these estimates. These financial statements include estimates which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the financial statements, and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and future years if the revision affects both current and future years. These estimates are based on historical experience, current and future economic conditions, and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

<u>Critical accounting estimates</u>

Information about assumptions and estimation uncertainties that have a significant risk of resulting in material adjustments are as follows:

Assumptions used in the calculation of the fair value assigned to share-based compensation

The Black-Scholes option pricing models require the input of subjective assumptions, including expected price volatility, interest rate and forfeiture rate. Changes in the input assumptions can materially affect the fair value estimate and the Company's equity reserves.

Income taxes

In assessing the probability of realizing income tax assets, management makes estimates related to expectations of future taxable income, applicable tax opportunities, expected timing of reversals of existing temporary differences and the likelihood that tax positions taken will be sustained upon examination by applicable tax authorities.

Provisions for environmental rehabilitation

The Company assesses its provisions for environmental rehabilitation on an annual basis or when new material information becomes available. Provisions for environmental rehabilitation require management to make estimates of the future costs of the work required to comply with legal or constructive obligations. Actual costs incurred may differ from the amounts estimated. Future changes to environmental laws and regulations could change the extent of work required to be performed, which could materially impact the amounts provided for environmental rehabilitation.

<u>Critical accounting judgments</u>

Critical accounting judgments exercised in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements are as follows:

Refundable tax credits and flow-through expenditures

The Company is entitled to refundable input tax credits and tax credits on qualified resource expenditures incurred in Canada. Management's judgment is applied in determining whether expenditures are eligible for claiming such credits.

The Company is also required to spend proceeds received from the issuance of flow-through shares on qualifying resource expenditures. Management’s judgment is applied in determining whether qualified expenditures have been incurred. Differences in judgment between management and regulatory authorities could materially increase the flow-through premium liability and flow-through expenditure commitment.

Evaluation of the nature of interests in undivided assets

Management has determined that the contractual arrangement with GTA Resources and Mining Inc. (“GTA”) does not meet the definition of a joint operation under IFRS 11 Joint Arrangements, as the Company and GTA do not share joint control. However, as the Company retains a 48% undivided interest on the Northshore Property the Company has accounted for this interest by recognizing its share of the assets, liabilities and expenditures under the arrangement.

Valuation of exploration and evaluation assets

The application of the Company’s accounting policy for exploration and evaluation assets and expenditures requires judgment to determine whether future economic benefits are likely, from either future exploitation or sale, or whether activities have not reached a stage that permits a reasonable assessment of the existence of reserves. Resource exploration is a speculative business and involves a high degree of risk. There is no certainty that the expenditures made by the Company in the exploration of its property interests will result in discoveries of commercial quantities of minerals. Exploration for mineral deposits involves risks which even a combination of professional evaluation and management experience may not eliminate. Significant expenditures are required to locate and estimate ore reserves, and further the development of a property. Capital expenditures to bring a property to a commercial production stage are also significant. There is no assurance the Company has, or will have, commercially viable ore bodies and there is no assurance that the Company will be able to arrange sufficient financing to bring ore bodies into production. For the fiscal years ended December 31, 2017 and 2016, there were no indicators of impairment on the Company’s exploration and evaluation assets, or the Company’s other assets.

NEW ACCOUNTING PRONOUNCEMENTS

The IASB has issued pronouncements effective for accounting periods beginning on or after January 1, 2018. The Company is currently assessing the impact of these standards on the consolidated financial statements, but has not yet determined the extent of that impact, if any. Only those standards which management believes may impact the Company are discussed below:

IFRS 9 Financial Instruments

IFRS 9 will replace IAS 39 *Financial Instruments: Recognition and Measurement* and IFRIC 9 *Reassessment of Embedded Derivatives*. The final version of this new standard supersedes the requirements of earlier versions of IFRS 9.

The main features introduced by this new standard compared with predecessor IFRS are as follows:

- Classification and measurement of financial assets:

  Debt instruments are classified and measured on the basis of the entity's business model for managing the asset and its contractual cash flow characteristics as either: “amortized cost”, “fair value through other comprehensive income”, or “fair value through profit or loss” (default). Equity instruments are classified and measured as “fair value through profit or loss” unless upon initial recognition elected to be classified as “fair value through other comprehensive income”.

- Classification and measurement of financial liabilities:

  When an entity elects to measure a financial liability at fair value, gains or losses due to changes in the entity’s own credit risk is recognized in other comprehensive income (as opposed to previously profit or loss). This change may be adopted early in isolation of the remainder of IFRS 9.

- Impairment of financial assets:

  An expected credit loss impairment model replaced the incurred loss model and is applied to financial assets at “amortized cost” or “fair value through other comprehensive income”, lease receivables, contract assets or loan commitments and financial guarantee contracts. An entity recognizes twelve-month expected credit losses if the credit risk of a financial instrument has not increased significantly since initial recognition and lifetime expected credit losses otherwise.

- Hedge accounting:

  Hedge accounting remains a choice, however, is now available for a broader range of hedging strategies. Voluntary termination of a hedging relationship is no longer permitted. Effectiveness testing now needs to be performed prospectively only. Entities may elect to continue to applying IAS 39 hedge accounting on adoption of IFRS 9 (until the IASB has completed its separate project on the accounting for open portfolios and macro hedging).

The final version of this new standard is effective for the Company’s annual periods beginning on January 1, 2018. The Company has assessed that IFRS 9 will not have a significant impact.

IFRS 16 Leases

IFRS 16 specifies how an IFRS reporter will recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16’s approach to lessor accounting substantially unchanged from its predecessor, IAS 17 *Leases*.

IFRS 16 is applicable to the Company’s annual periods beginning on January 1, 2019.

RISK MANAGEMENT, CAPITAL MANAGEMENT AND FINANCIAL INSTRUMENTS

The Company manages its capital structure and makes adjustments to it based on the funds available to the Company in order to support future business opportunities. The Company defines its capital as shareholders’ equity. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to manage its capital to be able to sustain the future development of the Company's business.

The Company currently has no regular source of revenues, and therefore is dependent upon external financings to fund activities. In order to pursue exploration activities and pay for administrative costs, the Company will spend its existing working capital and raise additional funds as needed. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. There were no changes in the Company's approach to capital management during the year ended December 31, 2017. The Company is not subject to externally imposed capital requirements.

The Company classified its cash and cash equivalents as financial assets at fair value through profit or loss; accounts receivable as loans and receivables; marketable securities as available for sale; share purchase warrants as held-for-trading; and accounts payable and accrued liabilities as other financial liabilities. The carrying values of accounts receivable and accounts payable and accrued liabilities approximate their fair values due to the short term to maturity of these financial instruments.

DISCLOSURE OF OUTSTANDING SHARE DATA

(a) Authorized and Issued capital stock:

As at December 31, 2017 and March 22, 2018

Authorized	Issued	Amount
An unlimited number of common shares without par value	138,510,776	$ 81,645,402

(b) Options Outstanding:

As at December 31, 2017

Number	Exercise Price	Expiry Date
1,807,700	$ 1.05	February 6, 2018
2,855,000	$ 0.60	January 23, 2019
300,000	$ 0.61	February 5, 2019
150,000	$ 0.90	December 23, 2019
360,000	$ 0.77	June 18, 2020
1,900,000	$ 0.60	March 14, 2021
175,000	$ 0.90	November 7, 2021
350,000	$ 0.70	December 23, 2021
2,434,250	$ 0.78	March 22, 2022
10,331,950		

As at March 22, 2018

Number	Exercise Price	Expiry Date
2,855,000	$ 0.60	January 23, 2019
300,000	$ 0.61	February 5, 2019
150,000	$ 0.90	December 23, 2019
360,000	$ 0.77	June 18, 2020
1,900,000	$ 0.60	March 14, 2021
175,000	$ 0.90	November 7, 2021
350,000	$ 0.70	December 23, 2021
2,434,250	$ 0.78	March 22, 2022
8,524,250		

ADDITIONAL SOURCES OF INFORMATION

Additional disclosures pertaining to the Company, including its most recent interim unaudited and audited financial statements, management information circular, material change reports, press releases and other information, are available on the SEDAR website at www.sedar.com or on the Company's website at www.balmoralresources.com.