



(An Exploration Stage Company)

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

**(Unaudited – Prepared by Management)
(Expressed in Canadian Dollars)**

Nine Months Ended September 30, 2018 and 2017

Corporate Head Office

1750-700 West Pender Street
Vancouver, British Columbia
Canada
V6C 1G8
Tel: 604-638-3664

**NOTICE OF NO AUDITOR REVIEW OF CONDENSED INTERIM CONSOLIDATED
FINANCIAL STATEMENTS**

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a) continuous disclosure requirement, if any auditor has not performed a review of the condensed interim consolidated financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed interim consolidated financial statements have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of these Condensed Interim Consolidated Financial Statements.

BALMORAL RESOURCES LTD.
(An Exploration Stage Company)
CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited – Prepared by Management)
(Expressed in Canadian Dollars)

September 30, 2018 and 2017

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BALMORAL RESOURCES LTD.

(An Exploration Stage Company)

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(Unaudited – Prepared by Management)

(Expressed in Canadian Dollars)

| | September 30, 2018 | December 31, 2017 |
|---|-----------------------|----------------------|
| ASSETS | | |
| Current assets | | |
| Cash and cash equivalents | \$ 3,875,861 | \$ 9,531,239 |
| Accounts receivable | 12,526 | 6,563 |
| Input tax credits receivable | 214,989 | 102,358 |
| Refundable tax credit | 944,984 | 251,394 |
| Marketable securities (Note 3) | 491,994 | 355,228 |
| Prepaid expenses | 144,422 | 150,934 |
| | 5,684,776 | 10,397,716 |
| Property, plant and equipment | 88,622 | 49,704 |
| Exploration and evaluation assets (Note 4) | 65,399,511 | 61,606,695 |
| | \$ 71,172,909 | \$ 72,054,115 |
| LIABILITIES AND SHAREHOLDERS' EQUITY | | |
| Current liabilities | | |
| Accounts payable and accrued liabilities | \$ 606,951 | \$ 247,699 |
| Flow-through share premium liability (Note 8) | 332,968 | 1,074,335 |
| | 939,919 | 1,322,034 |
| Asset retirement obligation (Note 4(i)(a)) | 100,000 | 100,000 |
| Deferred income tax liability | 9,209,439 | 8,475,691 |
| | 10,249,358 | 9,897,725 |
| Shareholders' equity | | |
| Capital stock (Note 5) | 81,648,214 | 81,645,402 |
| Share-based payment reserve | 9,450,252 | 9,210,276 |
| Warrant reserve | 297 | 297 |
| Accumulated other comprehensive income (Note 3) | 372,041 | 193,286 |
| Deficit | (30,547,253) | (28,892,871) |
| | 60,923,551 | 62,156,390 |
| | \$ 71,172,909 | \$ 72,054,115 |

Approved on behalf of the Directors:

"Bryan Disher" Director
Bryan Disher

"Graeme Currie" Director
Graeme Currie

The accompanying notes are an integral part of these condensed interim consolidated financial statements

BALMORAL RESOURCES LTD.

(An Exploration Stage Company)

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS

(Unaudited – Prepared by Management)

(Expressed in Canadian Dollars)

| | Three months ended September 30 | | Nine months ended September 30 | |
|---|------------------------------------|---------------------|-----------------------------------|-----------------------|
| | 2018 | 2017 | 2018 | 2017 |
| EXPENSES | | | | |
| Consulting fees (Note 7) | \$ 15,000 | \$ 15,053 | \$ 56,365 | \$ 54,303 |
| Depreciation | 3,422 | 2,409 | 10,264 | 6,727 |
| Filing and transfer agent's fees | 9,177 | 23,246 | 87,912 | 124,364 |
| Office and miscellaneous | 33,749 | 51,854 | 153,166 | 135,833 |
| Professional fees | 64,199 | 173,574 | 192,061 | 313,740 |
| Property Evaluations | 32,755 | - | 73,617 | - |
| Rent | 33,855 | 28,521 | 99,317 | 86,391 |
| Salaries and benefits (Note 7) | 162,436 | 153,564 | 672,359 | 496,006 |
| Share-based payments (Notes 6 and 7) | 239,976 | - | 239,976 | 1,110,659 |
| Shareholder communication | 34,358 | 53,503 | 187,738 | 384,380 |
| Travel and related costs | 1,322 | 44,916 | 28,286 | 55,746 |
| Loss before other items | (630,249) | (546,640) | (1,801,061) | (2,768,149) |
| Other items | | | | |
| Interest income | 18,113 | 12,020 | 67,847 | 45,178 |
| Gain on sale of marketable securities (Note 3) | 71,896 | - | 71,896 | 13,255 |
| Foreign exchange loss | (1,284) | (23) | (684) | (4,325) |
| Loss before income taxes | (541,524) | (534,643) | (1,662,002) | (2,714,041) |
| Deferred income tax recovery (expense) (Note 8) | (59,678) | (1,395) | 7,620 | (286,220) |
| Net loss for the period | (601,202) | (536,038) | (1,654,382) | (3,000,261) |
| Other comprehensive income (loss) | | | | |
| Items that may be reclassified subsequently to net loss: | | | | |
| Fair value adjustment on marketable securities (Note 3) | 276,218 | 22,716 | 178,755 | 4,498 |
| Comprehensive loss for the period | \$ (324,984) | \$ (513,322) | \$ (1,475,627) | \$ (2,995,763) |
| Basic and diluted loss per share | \$ (0.00) | \$ (0.00) | \$ (0.01) | \$ (0.02) |
| Weighted average number of common shares outstanding | | | | |
| Basic | 138,530,993 | 126,577,500 | 138,517,589 | 125,862,561 |

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BALMORAL RESOURCES LTD.

(An Exploration Stage Company)

CONDENSED INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(Unaudited – Prepared by Management)

(Expressed in Canadian Dollars)

| | Number of shares | Capital stock | Share-based payment reserve | Warrant reserve | Accumulated other comprehensive income (loss) | Deficit | Total shareholders' equity |
|--|---------------------|----------------------|-----------------------------------|--------------------|--|------------------------|----------------------------------|
| Balance, December 31, 2016 | 125,499,167 | \$ 74,017,786 | \$ 8,099,617 | \$ 297 | \$ 140,056 | \$ (24,332,232) | \$ 57,925,524 |
| Shares issued for cash: | | | | | | | |
| Private placements | 9,563,333 | 7,520,200 | - | - | - | - | 7,520,200 |
| Allocation of value to flow- through premium | - | (1,439,000) | - | - | - | - | (1,439,000) |
| Share issuance costs | - | (405,886) | - | - | - | - | (405,886) |
| Share-based payments (Note 6) | - | - | 1,110,659 | - | - | - | 1,110,659 |
| Net loss for the period | - | - | - | - | - | (3,000,261) | (3,000,261) |
| Fair value adjustment on marketable securities | - | - | - | - | 4,498 | - | 4,498 |
| Balance, September 30, 2017 | 135,062,500 | \$ 79,693,100 | \$ 9,210,276 | \$ 297 | \$ 144,554 | \$ (27,332,493) | \$ 61,715,734 |
| Balance, December 31, 2017 | 138,510,776 | 81,645,402 | 9,210,276 | 297 | 193,286 | (28,892,871) | 62,156,390 |
| Shares issued for property acquisition (Note 5) | 60,000 | 9,000 | - | - | - | - | 9,000 |
| Share issuance costs | - | (6,188) | - | - | - | - | (6,188) |
| Net loss for the period | - | - | - | - | - | (1,654,382) | (1,654,382) |
| Fair value adjustment on marketable securities | - | - | - | - | 178,755 | - | 178,755 |
| Balance, September 30, 2018 | 138,570,776 | \$ 81,648,214 | \$ 9,450,252 | \$ 297 | \$ 372,041 | \$ (30,547,253) | \$ 60,923,551 |

The accompanying notes are an integral part of these condensed interim consolidated financial statements

BALMORAL RESOURCES LTD.

(An Exploration Stage Company)

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited – Prepared by Management)

(Expressed in Canadian Dollars)

| | Nine months ended September 30, 2018 | Nine months ended September 30, 2017 |
|--|---|---|
| OPERATING ACTIVITIES | | |
| Net loss for the period | \$ (1,654,382) | \$ (3,000,261) |
| Items not affecting cash: | | |
| Depreciation | 10,264 | 6,727 |
| Share-based compensation (Note 6) | 239,976 | 1,110,659 |
| Gain on sale of marketable securities | (71,896) | (13,255) |
| Deferred income tax expense (recovery) | (7,620) | 286,220 |
| Changes in non-cash working capital items: | | |
| Accounts receivable | 1,155 | (950) |
| Input tax credits receivable | (112,631) | (46,282) |
| Prepaid expenses | 6,512 | 6,402 |
| Accounts payable and accrued liabilities | (81,112) | 78,559 |
| Net cash used in operating activities | (1,669,734) | (1,572,181) |
| FINANCING ACTIVITIES | | |
| Shares issued for cash | - | 7,520,200 |
| Share issuance costs (Note 5) | (6,188) | (405,886) |
| Net cash provided by financing activities | (6,188) | 7,114,314 |
| INVESTING ACTIVITIES | | |
| Investment in, advances to and expenditures on exploration and evaluation assets | (4,044,159) | (6,396,254) |
| Cash received from sale of marketable securities, net of commissions | 113,885 | 50,558 |
| Purchase of property, plant and equipment | (49,182) | (18,572) |
| Net cash used in investing activities | (3,979,456) | (6,364,268) |
| Decrease in cash and cash equivalents | (5,655,378) | (822,135) |
| Cash and cash equivalents, beginning of the period | 9,531,239 | 10,559,915 |
| Cash and cash equivalents, end of the period | \$ 3,875,861 | \$ 9,737,780 |
| Cash and cash equivalents consist of the following: | | |
| Cash | \$ 537,848 | \$ 3,727,753 |
| Term deposits | 3,338,013 | 6,010,027 |
| | \$ 3,875,861 | \$ 9,737,780 |
| Supplemental cash flow information | | |
| Accounts receivable related to exploration and evaluation assets | \$ 6,294 | \$ 36,667 |
| Accounts payable related to exploration and evaluation assets | \$ 640,897 | \$ 815,717 |
| Refundable tax credit for exploration and evaluation assets | \$ (693,590) | \$ (268,817) |
| Shares issued for property option payments (Note 5) | \$ 9,000 | \$ - |

The accompanying notes are an integral part of these condensed interim consolidated financial statements

BALMORAL RESOURCES LTD.

(An Exploration Stage Company)

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited – Prepared by Management)

(Expressed in Canadian Dollars)

Nine Months Ended September 30, 2018 and 2017

1. NATURE AND CONTINUANCE OF OPERATIONS

Balmoral Resources Ltd. (the “Company” or “Balmoral”) is incorporated under the laws of British Columbia, Canada, and is primarily engaged in the acquisition and exploration of mineral properties. The address of its head office is 1750 – 700 West Pender Street, Vancouver, British Columbia, Canada V6C 1G8. The Company is a publicly-traded company listed on the Toronto Stock Exchange (“TSX”) under the symbol “BAR”, on the OTCQX market in the United States under the symbol “BALMF” and on the Frankfurt Stock Exchange under the symbol “BOR”.

Balmoral is an exploration stage company focused on the acquisition and exploration of gold and other precious and base metal properties in Canada. The principal focus of the Company’s exploration activities is the properties comprising its Detour Trend Project in Quebec. The Project encompasses over 700 square kilometres of mineral claims located along and adjacent to the Sunday Lake (Detour) Deformation Zone.

The Company has not yet determined whether its properties contain mineral reserves that are economically recoverable. The continued operations of the Company and the recoverability of the amounts capitalized as exploration and evaluation assets is dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete the exploration and development of such properties and future profitable production or proceeds from the disposition of the properties.

The Company does not generate cash flows from operations to fund its activities, and therefore relies principally upon the issuance of securities for financing. Future capital requirements will depend on many factors including the Company’s ability to execute its business plan. The Company intends to continue relying upon the issuance of securities to finance its future activities but there can be no assurance that such financing will be available on a timely basis under terms acceptable to the Company.

These condensed interim consolidated financial statements have been prepared on the basis of accounting principles applicable to a going concern, which assumes that the Company will be able to continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities and commitments in the normal course of business. Although these condensed interim consolidated financial statements do not include any adjustments that may result from the inability to secure future financing, such a situation would have a material adverse effect on the Company’s business, results of operations and financial condition.

2. SIGNIFICANT ACCOUNTING POLICIES**(a) Basis of presentation**

These condensed interim consolidated financial statements have been prepared in accordance with *International Financial Reporting Standards* (“IFRS”), as issued by the *International Accounting Standards Board* (“IASB”), applicable to the preparation of interim financial statements, including IAS 34, *Interim Financial Reporting*. These condensed interim consolidated financial statements do not include all information required for a complete set of IFRS statements. However selected notes are included to explain events and transactions that are significant to an understanding of the changes in the Company’s financial position and performance since the last annual financial statements as at and for the year ended December 31, 2017.

BALMORAL RESOURCES LTD.

(An Exploration Stage Company)

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited – Prepared by Management)

(Expressed in Canadian Dollars)

Nine Months Ended September 30, 2018 and 2017

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)**(b) Basis of consolidation**

These condensed interim consolidated financial statements include the accounts of the Company and its wholly-owned integrated subsidiaries, 1177712 B.C. Ltd. All significant intercompany balances and transactions have been eliminated upon consolidation.

(c) Significant accounting policies

Except as set out below, the accounting policies, estimates and judgments, methods of computation and presentation applied in these condensed interim consolidated financial statements are consistent with those of the previous financial year. Accordingly, the condensed interim consolidated financial statements should be read in conjunction with the Company's most recent annual financial statements.

The following accounting pronouncement became effective on January 1, 2018 and was adopted by the Company from that date on a prospective basis. The adoption of this pronouncement had no effect on the Company's reported results.

IFRS 9 Financial Instruments

IFRS 9 replaced IAS 39 *Financial Instruments: Recognition and Measurement* and IFRIC 9 *Reassessment of Embedded Derivatives*. This new standard supersedes the requirements of earlier versions of IFRS 9.

(d) Approval of financial statements

The Board of Directors approved these condensed interim consolidated financial statements for issue on November 2, 2018.

3. MARKETABLE SECURITIES**(a) GTA Resources and Mining Inc.**

As at September 30, 2018 and December 31, 2017 the Company held 2,601,555 common shares of GTA with a fair value of \$78,048 (December 31, 2017 - \$117,070). The Company classifies these shares as available-for-sale. The fair value adjustment on these securities for the period ended September 30, 2018 was an unrealized loss of \$39,023, which was recorded as other comprehensive loss.

(b) Wallbridge Mining Company Limited

As at September 30, 2018 the Company held 1,881,575 (December 31, 2017 - 2,381,575) common shares of Wallbridge with a fair value at September 30, 2018 of \$413,946 (December 31, 2017 - \$238,158). During the third quarter of 2018, the Company sold 500,000 of these shares for an average price of \$0.23 per share for gross proceeds of \$115,000 less commissions of \$1,115, and realized a gain of \$71,896. The fair value adjustments on these securities was an unrealized gain of \$217,778, which was recorded as other comprehensive income.

Subsequent to September 30, 2018, the Company sold an additional 400,000 common shares of Wallbridge for an average price of \$0.31 per share for gross proceeds of \$122,000 less commissions of \$1,230, and a realized gain of \$87,179.

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NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited – Prepared by Management)

(Expressed in Canadian Dollars)

Nine Months Ended September 30, 2018 and 2017

4. EXPLORATION AND EVALUATION ASSETS

| | Fenelon (Note 4(i)(a)) | N2 (Note 4(ii)(a)) | Martiniere (Note 4(i)(a)) | Detour East (Note 4(i)(b)) | Grasset (Note 4(i)(c)) | Ontario Properties (Note 4(iii)) | Others (Notes 4(ii)(b) & 4(ii)(c)) | Total |
|------------------------------------|---------------------------|-----------------------|------------------------------|-------------------------------|---------------------------|--|--|---------------|
| Balance, December 31, 2017 | \$ 2,115,212 | \$ 1,460,408 | \$ 36,423,019 | \$ 5,175,839 | \$ 14,786,331 | \$ 406,510 | \$ 1,239,376 | \$ 61,606,695 |
| Acquisition costs | | | | | | | | |
| Cash payments | - | - | - | - | - | 54,650 | 8,644 | 63,294 |
| Share issuances | - | - | - | - | - | 9,000 | - | 9,000 |
| Total acquisition costs | - | - | - | - | - | 63,650 | 8,644 | 72,294 |
| Deferred exploration costs: | | | | | | | | |
| Assays | - | - | 82,684 | - | - | - | - | 82,684 |
| Claims management | 846 | 846 | 846 | 846 | 846 | 1,252 | 5,323 | 10,805 |
| Drilling | 167,957 | 10,961 | 2,235,863 | 430,350 | 218,054 | - | 24,361 | 3,087,546 |
| Engineering | - | - | 7,250 | - | - | - | - | 7,250 |
| Geochemistry | - | - | 18,824 | - | - | 522 | - | 19,346 |
| Geology | 9,116 | - | 111,415 | 4,719 | - | 1,731 | 6,289 | 133,270 |
| Geophysics | - | 67,704 | 89,882 | 635 | 2,632 | 137,720 | 716,650 | 1,015,223 |
| Maps & Data | - | - | 536 | - | - | - | 500 | 1,036 |
| Project management | 6,929 | - | 46,641 | - | 9,135 | - | 156 | 62,861 |
| Property payments | - | 841 | 9,101 | 8,497 | 4,550 | (454) | 29,844 | 52,379 |
| Total deferred exploration costs | 184,848 | 80,352 | 2,603,042 | 445,047 | 235,217 | 140,771 | 783,123 | 4,472,400 |
| Total expenditures for the period | 184,848 | 80,352 | 2,603,042 | 445,047 | 235,217 | 204,421 | 791,767 | 4,544,694 |
| Cost recoveries | (44,210) | - | - | - | - | - | - | (44,210) |
| Mining Tax Credits | (24,663) | (2,008) | (550,915) | (39,923) | (84,939) | - | (5,220) | (707,668) |
| Balance, September 30, 2018 | \$ 2,231,187 | \$ 1,538,752 | \$ 38,475,146 | \$ 5,580,963 | \$ 14,936,609 | \$ 610,931 | \$ 2,025,923 | \$ 65,399,511 |

BALMORAL RESOURCES LTD.

(An Exploration Stage Company)

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited – Prepared by Management)

(Expressed in Canadian Dollars)

Nine Months Ended September 30, 2018 and 2017

4. EXPLORATION AND EVALUATION ASSETS (Continued)**(i). Properties along the Sunday Lake Deformation Zone, Quebec****(a) Fenelon and Martiniere, Quebec**

The Company owns 100% interests in each of the Fenelon and Martiniere properties.

There are certain net smelter return (“NSR”) royalties on the properties in favour of former property owners and payable on commencement of commercial production: 2% at Martiniere, and between 2% and 4% for Fenelon. Buyout provisions exist for certain portions of these royalties.

In October 2016, the Company sold its Fenelon Mine Property, which comprised approximately 10% of its broader Fenelon Property prior to the sale, to Wallbridge. The Company retained a 1% NSR royalty on all future production from the Fenelon Mine property and entered into an agreement to sell this royalty subsequent to the current quarter end (Note 9(b))

The Company recovered \$44,210 from the renting of the camp and storage at Fenelon during the nine months ended September 30, 2018.

As at September 30, 2018, the Company estimates that the fair value of the asset retirement liability for environmental rehabilitation is \$50,000 for Fenelon and \$50,000 for Martiniere (December 31, 2017 - \$50,000 for Fenelon and \$50,000 for Martiniere). The fair value of the liability was determined to be equal to the estimated reclamation costs. Due to the early stage of the projects, and that extractive activities have not yet begun, the Company is unable to predict with any precision the timing of the cash flow related to the reclamation activities.

(b) Detour East, Quebec

The Company owns a 100% interest in the Detour East Property, except for 18 claims which are in a 63%/37% participatory joint venture with Encana Corp. and for which the Company is the operator.

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

(c) Grasset, Quebec

The Company owns a 100% interest in the Grasset Property. The Grasset property is located immediately east of and adjoins the Fenelon Property. There are no underlying royalties on the Grasset Property.

(ii). Other Quebec Properties**(a) N2, Quebec**

The Company owns a 100% interest in the N2 gold property.

There are NSR royalties of 1% to 5% on the property in favour of former property owners and payable on commencement of commercial production. Buyout provisions exist for certain portions of these royalties.

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Nine Months Ended September 30, 2018 and 2017

4. EXPLORATION AND EVALUATION ASSETS (Continued)**(ii) Properties along the Casa Berardi Fault Zone, Quebec (Continued)****(b) Hwy 810**

The Company owns a 100% interest in the Hwy 810 Property, which is located proximal to the producing Casa Berardi gold mine approximately 70 kilometres south of the Detour Gold Trend Project. The property was acquired by staking and there are no royalties or other encumbrances on the property. The Hwy 801 property hosts both gold and base metal targets.

(c) RUM

During the period ended September 30, 2018, the Company acquired by staking four properties in the Lac Rocher District in Quebec (the “RUM” properties). The RUM properties cover mafic/ultramafic intrusions of the Lac Rocher suite and are being explored for their nickel-copper-cobalt-PGE potential

(iii). Ontario Properties**(a) Northshore, Ontario**

As at September 30, 2018, the Company owns a 48.6% interest in the Northshore Property along with a similar interest in certain surface rights attached to the property. The Northshore Property mineral rights are underlain by a sliding-scale NSR royalty to a third-party, which is adjusted to the contained number of ounces of gold outlined in a pre-production resource estimate.

On July 24, 2011, the Company and GTA entered into an option agreement (the “Option Agreement”) whereby GTA was granted 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 contractual arrangement (joint venture) was formed with respect to the Northshore Property with GTA as the majority holder and project operator. Currently the property interests are approximately 54% to GTA and 46% to Balmoral. As the Company does not have joint control over the operations, but retains an interest to the property, the Company accounted for the disposal of its Northshore Property and the acquisition of this interest in Northshore by recognizing its share of the assets under the arrangement

(b) Gargoyle, Goblin and Ghost, Ontario

On August 31, 2018, the Company entered into an Option Agreement (the “Gargoyle Agreement”) to acquire a 100% interest in the Gargoyle Property in Ontario which it can exercise by making cash and share payments of \$140,000 and issuing 390,000 common shares, at its option, as outlined below:

- Within 10 days of the approval of the Gargoyle Agreement by the TSX \$20,000 and 60,000 common shares (paid and issued)
- 1st anniversary of the Gargoyle Agreement: \$30,000 and 80,000 common shares
- 2nd anniversary of the Gargoyle Agreement: \$40,000 and 100,000 common shares
- 3rd anniversary of the Gargoyle Agreement: \$50,000 and 150,000 common shares

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Nine Months Ended September 30, 2018 and 2017

4. EXPLORATION AND EVALUATION ASSETS (Continued)

(iii) Ontario Properties (Continued)

(b) Gargoyle, Goblin and Ghost, Ontario (Continued)

The Company may accelerate the payment schedule. Upon full payment of the cash and shares set out above, the Company will grant a 2% NSR royalty to the vendor, half of which the Company may repurchase at any time for the sum of \$1,000,000. The Company also has a right of first refusal on the sale of the remaining NSR interest.

During the period ended September 30, 2018, the Company expanded the Gargoyle Property by staking another 697 claims and acquiring two new properties nearby, Goblin and Ghost. Each of the properties was acquired for its nickel-copper-cobalt-PGE potential.

5. CAPITAL STOCK

(a) Common shares

Authorized

An unlimited number of common shares without par value.

Share issuances

On August 31, 2018, the Company issued 60,000 common shares at a deemed value of \$0.15 per common share pursuant to the Gargoyle Agreement (Note 4(iii)(b)). In connection with the issuance of common shares, the Company paid \$6,188 in share issuance costs.

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NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited – Prepared by Management)

(Expressed in Canadian Dollars)

Nine Months Ended September 30, 2018 and 2017

6. SHARE-BASED PAYMENTS**(a) Stock options**

Stock option transactions are summarized as follows:

| | Period ended September 30, 2018 | | Year Ended December 31, 2017 | |
|----------------------------------|------------------------------------|--|---------------------------------|--|
| | Number of options | Weighted average exercise price | Number of options | Weighted average exercise price |
| Balance, beginning of the period | 10,331,950 | \$ 0.74 | 7,897,700 | \$ 0.73 |
| Granted | 2,805,000 | \$ 0.18 | 2,434,250 | \$ 0.78 |
| Expired | (2,497,700) | \$ (0.95) | - | - |
| Balance, end of the period | 10,639,250 | \$ 0.50 | 10,331,950 | \$ 0.74 |

The weighted average remaining contractual life of options outstanding at September 30, 2018 was 2.73 (December 31, 2017 – 1.25) years.

Stock options outstanding and exercisable are as follows:

| Expiry date | September 30, 2018 | | | December 31, 2017 | | |
|------------------------------|--------------------|------------------------|------------------------|-------------------|------------------------|------------------------|
| | Exercise price | Options outstanding | Options exercisable | Exercise price | Options outstanding | Options exercisable |
| February 6, 2018 | - | - | - | \$ 1.05 | 1,807,700 | 1,807,700 |
| January 23, 2019 (Note 9) | \$ 0.60 | 2,555,000 | 2,555,000 | \$ 0.60 | 2,855,000 | 2,855,000 |
| February 5, 2019 | \$ 0.61 | 300,000 | 300,000 | \$ 0.61 | 300,000 | 300,000 |
| December 23, 2019 | \$ 0.90 | 150,000 | 150,000 | \$ 0.90 | 150,000 | 150,000 |
| June 18, 2020 | \$ 0.77 | 360,000 | 360,000 | \$ 0.77 | 360,000 | 360,000 |
| March 14, 2021 | \$ 0.60 | 1,810,000 | 1,810,000 | \$ 0.60 | 1,900,000 | 1,900,000 |
| November 7, 2021 | \$ 0.90 | 175,000 | 175,000 | \$ 0.90 | 175,000 | 175,000 |
| December 23, 2021 | \$ 0.70 | 350,000 | 350,000 | \$ 0.70 | 350,000 | 350,000 |
| March 2, 2022 (Note 9) | \$ 0.78 | 2,134,250 | 2,134,250 | \$ 0.78 | 2,434,250 | 2,434,250 |
| September 7, 2023 | \$ 0.18 | 2,805,000 | 2,805,000 | - | - | - |
| | | 10,639,250 | 10,639,250 | | 10,331,950 | 10,331,950 |

(b) Share-based payments

Share-based payment expense for the three and nine months ended September 30, 2018 totalled \$239,976 (three months ended September 30, 2018 - \$Nil, nine months ended September 30, 2017 - \$1,110,659). The weighted average fair value of stock options granted in 2018 was estimated at \$0.09 (2017 - \$0.45) at the grant date using the Black-Scholes option pricing model and the following assumptions:

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6. SHARE-BASED PAYMENTS (Continued)**(b) Share-based payments (Continued)**

| For the nine months ended September 30, | 2018 | 2017 |
|--|-------------|-------------|
| Risk-free interest rate | 2.21% | 1.17% |
| Expected life of options | 5 years | 5 years |
| Expected annualized volatility | 69% | 71% |
| Expected dividend yield | 0.0% | 0.0% |
| Forfeiture rate | 0.0% | 0.0% |
| Share price | \$0.18 | \$0.78 |

Expected volatility is based on historical price volatility over the expected life of the option.

7. RELATED PARTY TRANSACTIONS AND BALANCES

During the periods ended September 30, 2018 and 2017, the Company had the following transactions with related parties:

Key management compensation

Key management consists of senior officers and directors of the Company; their compensation is as follows:

| For the nine months ended September 30, | 2018 | 2017 |
|---|-------------|--------------|
| Short-term benefits (included in consulting fees and salaries and benefits and capitalized to mineral properties) | \$ 742,267 | \$ 610,538 |
| Share-based payments | 153,140 | 680,764 |
| | \$ 895,407 | \$ 1,291,302 |

| For the three months ended September 30, | 2018 | 2017 |
|---|-------------|-------------|
| Short-term benefits (included in consulting fees and salaries and benefits and capitalized to mineral properties) | \$ 278,000 | \$ 204,300 |
| Share-based payments | 153,140 | - |
| | \$ 431,140 | \$ 204,300 |

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8. FLOW-THROUGH SHARE PREMIUM LIABILITY

The following is a continuity schedule of the liability portion of the Company's flow-through share issuances:

| | | |
|--|----|-----------|
| Balance, December 31, 2016 | \$ | 593,282 |
| Liability incurred on flow-through shares issued September 15, 2017 | | 860,692 |
| Liability incurred on flow-through shares issued September 29, 2017 | | 578,308 |
| Settlement of flow-through share liability on incurring expenditures | | (957,947) |
| Balance, December 31, 2017 | \$ | 1,074,335 |
| Settlement of flow-through share liability on incurring expenditures | | (741,367) |
| Balance, September 30, 2018 | \$ | 332,968 |

During the period ended September 30, 2018, the Company incurred \$4,228,396 of qualified flow-through funded exploration expenditures, which fulfilled its commitment under the flow-through financing of September 29, 2017 and partially fulfilled its commitment under the flow-through financing on September 15, 2017, subject to audit, if any. As at September 30, 2018, approximately \$1,600,000 remains to be incurred on qualifying expenditures during fiscal 2018. The Company intends to fulfill its flow-through commitments within the given time constraints.

9. SUBSEQUENT EVENT

- (a) On October 15, 2018, 50,000 stock options exercisable at a price of \$0.60 per option and 74,250 stock options exercisable at a price of \$0.78 per option expired unexercised.
- (b) On October 10, 2018, the Company entered into a letter agreement to sell the 1% NSR royalty the Company currently holds on the Fenelon Mine property in Quebec. The Company will sell its rights and interests in the royalty to Ely Gold Royalties Inc. ("Ely Gold") in exchange for an immediate cash payment of \$500,000 (received), as well as 1,000,000 common shares and 1,000,000 common share purchase warrants of Ely Gold. The proposed transaction was approved by the TSXV on October 26, 2018 and completed on November 2, 2018.
- (c) On October 17, 2018, GTA announced it had signed a letter of intent (the "Sale Agreement") to sell all its mining assets to CBLT Inc. ("CBLT"), a non-arm's length party with the same management as GTA, for \$1,050,000, to be paid in 35,000,000 treasury shares of CBLT. Assuming GTA closes the Sale Agreement, GTA has indicated that its current intention is to declare and pay a dividend in specie at that time of the CBLT shares to the GTA shareholders such that every GTA shareholder would receive a pro rata portion of the 35,000,000 shares to be issued by CBLT under the Sale Agreement. As at September 30, 2018, Balmoral owns 2,601,555 common shares of GTA (Note 3(a)).