



**(An Exploration Stage Company)**

**CONDENSED INTERIM FINANCIAL STATEMENTS**

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

**Three Months Ended March 31, 2016 and 2015**

**Corporate Head Office**

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

## **NOTICE OF NO AUDITOR REVIEW OF INTERIM 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 interim 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 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 Financial Statements.

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

**March 31, 2016 and 2015**

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**BALMORAL RESOURCES LTD.**

(An Exploration Stage Company)

**CONDENSED INTERIM STATEMENTS OF FINANCIAL POSITION**

(Unaudited – Prepared by Management)

(Expressed in Canadian Dollars)

	<b>March 31, 2016</b>	<b>December 31, 2015</b>
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	\$ 8,096,319	\$ 9,173,010
Accounts receivable	400,404	19,427
Input tax credits receivable	132,143	190,971
Marketable securities (Note 3)	198,278	200,947
Prepaid expenses (Note 7)	172,199	141,243
	8,999,343	9,725,598
<b>Property, plant and equipment</b>	13,733	6,436
<b>Exploration and evaluation assets (Note 4)</b>	50,772,801	50,067,859
	\$ 59,785,877	\$ 59,799,893
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities (Note 7)	\$ 572,108	\$ 241,254
Other liabilities (Note 8)	1,475,166	1,820,585
	2,047,274	2,061,839
<b>Deferred income tax liability</b>	6,167,035	6,019,543
	8,214,309	8,081,382
<b>Shareholders' equity</b>		
Capital stock (Note 5)	67,488,730	67,488,730
Share-based payment reserve	8,104,004	7,529,553
Warrant reserve	297	297
Accumulated other comprehensive gain (loss) (Note 3)	73,361	(20,490)
Deficit	(24,094,824)	(23,279,579)
	51,571,568	51,718,511
	\$ 59,785,877	\$ 59,799,893

**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 financial statements

**BALMORAL RESOURCES LTD.**

(An Exploration Stage Company)

**CONDENSED INTERIM STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME (LOSS)**

(Unaudited – Prepared by Management)

(Expressed in Canadian Dollars)

Three Months Ended March 31

	2016	2015
<b>EXPENSES</b>		
Consulting fees (Note 7)	\$ 12,360	\$ 20,360
Depreciation	573	267
Filing and transfer agent's fees	83,482	55,457
Office and miscellaneous	45,072	44,478
Professional fees	37,416	31,245
Rent	30,862	26,234
Salaries and benefits (Note 7)	141,802	132,321
Share-based payments (Notes 6 and 7)	574,451	-
Shareholder communication	126,193	204,822
Travel and related costs	7,707	41,622
<b>Loss before other items</b>	<b>(1,059,918)</b>	<b>(556,806)</b>
<b>Other items</b>		
Interest income	20,873	47,712
Gain on sale of marketable securities	32,076	-
Foreign exchange loss	(6,202)	(354)
<b>Loss before income taxes</b>	<b>(1,013,171)</b>	<b>(509,448)</b>
<b>Deferred income tax recovery</b> (Note 8)	<b>197,926</b>	<b>1,128,816</b>
<b>Net income (loss) for the period</b>	<b>(815,245)</b>	<b>619,368</b>
<b>Other comprehensive income (loss)</b>		
Items that may be reclassified subsequently to net income:		
Fair value adjustment on marketable securities (Note 3)	93,851	90,556
<b>Comprehensive income (loss) for the period</b>	<b>\$ (721,394)</b>	<b>\$ 709,924</b>
<b>Basic and diluted earnings ( loss) per share</b>		
Basic	\$ (0.01)	\$ 0.01
Diluted	\$ (0.01)	\$ 0.01
<b>Weighted average number of common shares outstanding</b>		
Basic	117,629,167	110,381,521
Diluted	117,629,167	112,168,124

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**BALMORAL RESOURCES LTD.**  
(An Exploration Stage Company)  
**CONDENSED INTERIM STATEMENTS 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
<b>Balance at December 31, 2014</b>	<b>110,381,521</b>	<b>64,253,566</b>	<b>7,425,315</b>	<b>297</b>	<b>-</b>	<b>(23,156,747)</b>	<b>48,522,431</b>
Net income for the period	-	-	-	-	-	619,368	619,368
Fair value adjustment on marketable securities	-	-	-	-	90,556	-	90,556
<b>Balance at March 31, 2015</b>	<b>110,381,521</b>	<b>\$ 64,253,566</b>	<b>\$ 7,425,315</b>	<b>\$ 297</b>	<b>\$ 90,556</b>	<b>\$ (22,537,379)</b>	<b>\$ 49,232,355</b>
Shares issued for cash:							
Private placements	7,247,646	5,435,735	-	-	-	-	5,435,735
Allocation of value to flow-through premium	-	(1,847,912)	-	-	-	-	(1,847,912)
Share issuance costs	-	(352,659)	-	-	-	-	(352,659)
Share-based payments	-	-	104,238	-	-	-	104,238
Net loss for the period	-	-	-	-	-	(742,200)	(742,200)
Fair value adjustment on marketable securities	-	-	-	-	(111,046)	-	(111,046)
<b>Balance at December 31, 2015</b>	<b>117,629,167</b>	<b>67,488,730</b>	<b>7,529,553</b>	<b>297</b>	<b>(20,490)</b>	<b>(23,279,579)</b>	<b>51,718,511</b>
Share-based payments	-	-	574,451	-	-	-	574,451
Fair value adjustment on marketable securities	-	-	-	-	93,851	-	93,851
Net loss for the period	-	-	-	-	-	(815,245)	(815,245)
<b>Balance at March 31, 2016</b>	<b>117,629,167</b>	<b>\$ 67,488,730</b>	<b>\$ 8,104,004</b>	<b>\$ 297</b>	<b>\$ 73,361</b>	<b>\$ (24,094,824)</b>	<b>\$ 51,571,568</b>

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**BALMORAL RESOURCES LTD.**  
(An Exploration Stage Company)  
**CONDENSED INTERIM STATEMENTS OF CASH FLOWS**  
(Unaudited – Prepared by Management)  
(Expressed in Canadian Dollars)  
Three Months Ended March 31

	<b>2016</b>	<b>2015</b>
<b>OPERATING ACTIVITIES</b>		
Net income (loss) for the period	\$ (815,245)	\$ 619,368
Items not affecting cash:		
Depreciation	573	267
Share-based payments	574,451	-
Gain on sale of marketable securities	(32,076)	-
Deferred income tax recovery	(197,926)	(1,128,816)
Changes in non-cash working capital items:		
Accounts receivable	-	(2,139)
Input tax credits receivable	58,828	(190,560)
Prepaid expenses	(30,956)	(12,601)
Accounts payable and accrued liabilities	(24,739)	2,091,044
<b>Net cash provided by (used in) operating activities</b>	<b>(467,090)</b>	<b>1,376,563</b>
<b>FINANCING ACTIVITIES</b>		
Shares issued for cash	-	-
Share issuance costs	-	-
<b>Net cash provided by financing activities</b>	<b>-</b>	<b>-</b>
<b>INVESTING ACTIVITIES</b>		
Investment in, advances in and expenditures on exploration and evaluation assets	(730,327)	(4,630,942)
Cash received from sale of marketable securities	128,596	-
Purchase of property, plant and equipment	(7,870)	-
<b>Net cash used in investing activities</b>	<b>(609,601)</b>	<b>(4,630,942)</b>
<b>Decrease in cash and cash equivalents</b>	<b>(1,076,691)</b>	<b>(3,254,379)</b>
<b>Cash and cash equivalents, beginning of the period</b>	<b>9,173,010</b>	<b>15,587,381</b>
<b>Cash and cash equivalents, end of the period</b>	<b>\$ 8,096,319</b>	<b>\$ 12,333,002</b>
<b>Cash and cash equivalents consist of the following:</b>		
Cash	\$ 564,657	\$ 968,391
Term deposits	7,531,662	11,364,611
	<b>\$ 8,096,319</b>	<b>\$ 12,333,002</b>
<b>Supplemental cash flow information</b>		
Accounts receivable related to exploration and evaluation assets	\$ 404	\$ 895
Accounts payable related to exploration and evaluation assets	\$ 488,647	\$ 924,100
Refundable tax credit for exploration and evaluation assets	\$ -	\$ 248,126
Common shares issued for property acquisition (Notes 4(a) and (e))	\$ -	\$ 190,000

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**BALMORAL RESOURCES LTD.**

(An Exploration Stage Company)

**NOTES TO CONDENSED INTERIM FINANCIAL STATEMENTS**

(Unaudited – Prepared by Management)

(Expressed in Canadian Dollars)

Three Months Ended March 31, 2016 and 2015

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**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. To date, the Company has not earned significant revenues and is considered to be in the exploration stage. 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”.

The Company incurred a loss of \$815,245 for the three months ended March 31, 2016 (2015 – net income of \$619,368). The Company has working capital (which includes short term tax recoveries and publicly traded shares and excludes other liabilities related to flow-through share obligations) as at March 31, 2016 of \$8,427,235 (December 31, 2015 - \$9,484,344) and a deficit of \$24,094,824 (December 31, 2015 - \$23,279,579).

The business of mining and exploration involves a high degree of risk and there can be no assurance that exploration programs will result in profitable mining operations. Management believes the Company has sufficient cash to meet its requirements for administrative overhead, to conduct due diligence on exploration and evaluation acquisition targets, and to conduct planned exploration of its exploration and evaluation assets for the year ending December 31, 2016. In order for the Company to maintain its currently held properties and fund its currently anticipated general and administrative costs and planned exploration expenditures for the fiscal year ending December 31, 2017, the Company will require additional financing.

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 raise additional funding later in 2016 and continue relying upon the issuance of securities to raise finance for its future activities. However, there can be no assurance that such financing will be available on a timely basis under terms acceptable to the Company.

These condensed interim 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 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 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 interim 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, 2015.



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**BALMORAL RESOURCES LTD.**

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**NOTES TO CONDENSED INTERIM FINANCIAL STATEMENTS**

(Unaudited – Prepared by Management)

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**2. SIGNIFICANT ACCOUNTING POLICIES (Continued)****(b) Significant accounting policies**

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

The following accounting pronouncements became effective on January 1, 2016 and were adopted by the Company from that date on a prospective basis. The adoption of these pronouncements had no effect on the Company's reported results.

*Accounting for Acquisitions of Interests in Joint Operations (Amendments to IFRS 11)*

Amended IFRS 11 *Joint Arrangements* to require an acquirer of an interest in a joint operation in which the activity constitutes a business (as defined in IFRS 3 Business Combinations) to:

- apply all of the business combinations accounting principles in IFRS 3 and other IFRS, except for those principles that conflict with the guidance in IFRS 11
- disclose the information required by IFRS 3 and other IFRS for business combinations.

The amendments apply both to the initial acquisition of an interest in joint operation, and the acquisition of an additional interest in a joint operation (in the latter case, previously held interests are not remeasured). The amendments apply prospectively to acquisitions of interests in joint operations in which the activities of the joint operations constitute businesses, as defined in IFRS 3, for those acquisitions occurring from the beginning of the first period in which the amendments apply. Amounts recognized for acquisitions of interests in joint operations occurring in prior periods are not adjusted.

*Clarification of Acceptable Methods of Depreciation and Amortization (Amendments to IAS 16 and IAS 38)*

Amended IAS 16 *Property, Plant and Equipment* and IAS 38 *Intangible Assets* to:

- clarify that a depreciation method that is based on revenue that is generated by an activity that includes the use of an asset is not appropriate for property, plant and equipment
- introduce a rebuttable presumption that an amortization method that is based on the revenue generated by an activity that includes the use of an intangible asset is inappropriate, which can only be overcome in limited circumstances where the intangible asset is expressed as a measure of revenue, or when it can be demonstrated that revenue and the consumption of the economic benefits of the intangible asset are highly correlated
- add guidance that expected future reductions in the selling price of an item that was produced using an asset could indicate the expectation of technological or commercial obsolescence of the asset, which, in turn, might reflect a reduction of the future economic benefits embodied in the asset.

*Equity Method in Separate Financial Statements (Amendments to IAS 27)*

Amended IAS 27 *Separate Financial Statements* to permit investments in subsidiaries, joint ventures and associates to be optionally accounted for using the equity method in separate financial statements.

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Three Months Ended March 31, 2016 and 2015

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**2. SIGNIFICANT ACCOUNTING POLICIES (Continued)****(c) Approval of financial statements**

The Board of Directors approved these condensed interim financial statements for issue on May 13, 2016.

**3. MARKETABLE SECURITIES**

As at March 31, 2016 the Company held 3,055,555 (December 31, 2015 - 3,055,555) common shares of GTA Resources and Mining Inc. with a fair value of \$152,778 (December 31, 2015 - \$91,667). The Company classified these shares as available-for-sale. Fair value adjustment for the period ended March 31, 2016 was an unrealized gain of \$61,111, which was recorded as other comprehensive income.

On February 26, 2015 the Company received 1,000,000 common shares of Wealth Minerals Ltd. (“Wealth”) with a fair value of \$190,000 as a first payment under an option agreement in the Company’s N1 and N2 Properties (Note 5 (a)). During the three months ended March 31, 2016 the Company sold 508,000 (December 31, 2015 – 317,000) of these common shares for an average price of \$0.26 (December 31, 2015 - \$0.21) for gross proceeds of \$130,236 (December 31, 2015 - \$65,113) and a realized gain of \$32,076 (December 31, 2015 - \$3,528). As at March 31, 2016, the Company held 175,000 (December 31, 2015 - 683,000) common shares of Wealth with a fair value of \$45,500 (December 31, 2015 - \$109,280) and classified these shares as available-for-sale. Fair value adjustments for the period ended March 31, 2016 amounted to an unrealized gain of \$32,740, which was recorded as other comprehensive income. Subsequent to March 31, 2016, the Company sold the balance of 175,000 shares of Wealth for an average price of \$0.39 per share for gross proceeds of \$68,355.

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(Unaudited – Prepared by Management)

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**4. EXPLORATION AND EVALUATION ASSETS**

	<b>Fenelon</b> (Note 4(a))	<b>N2</b> (Note 4(a))	<b>Martiniere</b> (Note 4(a))	<b>Northshore</b> (Note 4(b))	<b>Detour East</b> (Note 4(c))	<b>Grasset</b>	<b>Others</b>	<b>Total</b>
<b>Balance at December 31, 2015</b>	\$ 5,448,029	\$ 1,829,675	\$ 24,397,323	\$ 400,049	\$ 3,334,626	\$ 13,534,841	\$ 1,123,316	\$ 50,067,859
Acquisition costs								
Cash payments	-	-	-	-	835	-	-	835
Share issuances	-	-	-	-	-	-	-	-
<b>Total acquisition costs</b>	-	-	-	-	835	-	-	835
Deferred exploration costs:								
Assays	-	-	-	-	-	14,387	-	\$14,387
Claims management	4,256	327	3,624	327	14,257	1,775	4,450	29,016
Drilling	96,655	1,501	304,347	-	469	566,473	1,718	971,163
Engineering	-	-	-	-	-	44,131	-	44,131
Geology	616	-	7,179	-	-	14,528	-	22,323
Geophysics	-	-	61,212	-	-	-	-	61,212
Project management	-	-	1,355	-	-	1,355	-	2,710
<b>Total deferred exploration costs</b>	101,527	1,828	377,717	327	14,726	642,649	6,168	1,144,942
<b>Total expenditures for the period</b>	101,527	1,828	377,717	327	15,561	642,649	6,168	1,145,777
Cost recoveries (Note 4(a))	-	(400,000)	-	-	-	-	-	(400,000)
Quebec mineral exploration tax credit	(4,615)	(1,923)	(22,010)	(391)	(3,304)	(7,626)	(966)	(40,835)
<b>Balance at March 31, 2016</b>	\$ 5,544,941	\$ 1,429,580	\$ 24,753,030	\$ 399,985	\$ 3,346,883	\$ 14,169,864	\$ 1,128,518	\$ 50,772,801

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**4. EXPLORATION AND EVALUATION ASSETS (Continued)****(a) Fenelon, N2 and Martiniere, Quebec**

The Company owns 100% interests in each of the Fenelon, N2 and Martiniere Properties.

There are certain net smelter return (“NSR”) royalties on the properties - 2% at Martiniere, between 2% and 4% for Fenelon and 1% to 5% on the N2 Property - in favour of former property owners with said royalties payable on commencement of commercial production. Buyout provisions exist for certain portions of said royalties.

On February 2, 2015, the Company agreed to option a partial interest in its N1 (Note 5(e)) and N2 Properties (the “Project”) to Wealth. Under the terms of the Option Agreement, Wealth would have been granted an option to earn up to a 75% interest in the Project by completing certain exploration on the Project and issuing 3,000,000 of common shares of Wealth and cash payments to the Company. Wealth issued 1,000,000 common shares to the Company on February 26, 2015 (Note 3) as its initial payment under the Option Agreement. The Option Agreement was terminated on February 25, 2016 when the Company and Wealth entered into a Termination Agreement under which Wealth will pay to the Company a sum of \$400,000 in cash or common shares of Wealth, at Wealth’s option, in three equal payments (April 1 (received in cash), July 1 and October 1, 2016). Wealth will also be responsible for making any payments required which come due prior to August 25, 2016 to maintain the two properties in good standing. The Company currently holds a 100% interest in the Project and Wealth maintains no interest in the Properties.

**(b) Northshore, Ontario**

As at March 31, 2016 the Company owns a 49% interest in the Northshore Property along with certain surface rights attached to the property. The Northshore Property mineral rights are underlain by a sliding-scale NSR royalty to a third-party (Autotrac Limited), 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 whereby GTA was granted the exclusive right to acquire up to a 70% interest in the Northshore Property.

Under the terms of the Option Agreement, GTA was granted a First Option to earn an initial 51% interest in the Northshore Property by making cash payments to the Company of \$50,000 (received), issuing in favour of Balmoral 2,500,000 common shares of GTA (received) and incurring a minimum of \$2,500,000 in eligible exploration expenditures (incurred) on the property over a three-year period from the date of receipt of regulatory approval, including the production of a National Instrument 43-101 *Standards of Disclosure for Mineral Projects* technical report.

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. As a consequence, a 51%/49% participatory contractual arrangement has now been formed with respect to the Northshore Property with GTA as the majority holder and project operator. As the Company does not have joint control over the operations, but retains a 49% undivided 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 at \$399,985, the carrying value of the Northshore Property.

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**4. EXPLORATION AND EVALUATION ASSETS (Continued)****(c) 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. for which the Company is the operator. During the three months ended March 31, 2016, the Company acquired additional claims for staking fees of \$835.

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 by the Company at any time, at a cost of \$1,000,000 for the first 50% of the NSR interest and \$2,000,000 for the remaining 50% of the NSR interest.

**5. CAPITAL STOCK****(a) Common shares****Authorized**

An unlimited number of common shares without par value.

**Share issuances**

There were no share issuances during the period ended March 31, 2016.

**(b) Warrants**

The Company had outstanding warrants as follows:

Expiry date	March 31, 2016		December 31, 2015	
	Exercise price	Number of warrants	Exercise price	Number of warrants
June 20, 2016 (agent warrants)	\$ 1.25	154,800	\$ 1.25	154,800

Each warrant entitles the holder thereof to purchase one common share for each common share purchase warrant. The weighted average remaining contractual life of warrants outstanding at March 31, 2016 was 0.22 years (December 31, 2015 – 0.47 years).

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**NOTES TO CONDENSED INTERIM FINANCIAL STATEMENTS**

(Unaudited – Prepared by Management)

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Three Months Ended March 31, 2016 and 2015

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

Stock option transactions are summarized as follows:

	March 31, 2016		December 31, 2015	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Balance, beginning of the period	7,422,700	\$ 0.78	7,932,700	\$ 0.81
Granted	2,035,000	\$ 0.60	360,000	\$ 0.77
Expired	-	\$ -	(870,000)	\$ (0.88)
Exercised	-	\$ -	-	\$ -
Balance, end of the period	9,457,700	\$ 0.61	7,422,700	\$ 0.78

The weighted average remaining contractual life of options outstanding at March 31, 2016 was 2.91 years (December 31, 2015 – 2.6 years).

Stock options outstanding and exercisable are as follows:

Expiry date	March 31, 2016			December 31, 2015		
	Exercise price	Options outstanding	Options exercisable	Exercise price	Options outstanding	Options exercisable
June 6, 2016	\$ 1.25	695,000	695,000	\$ 1.25	695,000	695,000
February 6, 2018	\$ 1.05	2,397,700	2,397,700	\$ 1.05	2,397,700	2,397,700
January 23, 2019	\$ 0.60	3,520,000	3,520,000	\$ 0.60	3,520,000	3,520,000
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	180,000	\$ 0.77	360,000	90,000
March 14, 2021	\$ 0.60	2,035,000	2,035,000	\$ -	-	-
		9,457,700	9,277,700		7,422,700	7,152,700

On April 17, 2016, 120,000 stock options at an exercise price of \$1.05 per share and 50,000 stock options at an exercise price of \$0.60 per share expired unexercised.

**(b) Share-based payments**

Share-based payment expenses for the options granted in the three months ended March 31, 2016 totalled \$574,451 (2015 - \$Nil). The weighted average fair value of stock options granted was estimated at \$0.27 at the grant date using the Black-Scholes option pricing model and the following assumptions:

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**BALMORAL RESOURCES LTD.**

(An Exploration Stage Company)

**NOTES TO CONDENSED INTERIM FINANCIAL STATEMENTS**

(Unaudited – Prepared by Management)

(Expressed in Canadian Dollars)

Three Months Ended March 31, 2016 and 2015

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

<b>For the three months ended</b>	<b>2016</b>	<b>2015</b>
Risk-free interest rate	0.78%	-
Expected life of options	5 years	-
Expected annualized volatility	71%	-
Expected dividend yield	0.0%	-
Forfeiture rate	0.0%	-

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**7. RELATED PARTY TRANSACTIONS AND BALANCES**

During the periods ended March 31, 2016 and 2015 the Company had the following transactions with related parties:

**Key management compensation**

Key management consists of senior officers and directors of the Company:

	<b>2016</b>	<b>2015</b>
Short-term benefits (included in consulting fees and salaries and benefits)*	\$ 178,001	\$ 156,642
Share-based payments	379,084	-
	<b>\$ 557,085</b>	<b>\$ 156,642</b>

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**8. OTHER LIABILITIES**

On issuance, the Company allocates the amount received for flow-through shares as i) capital stock and ii) a flow-through share premium, equal to the estimated premium if any, investors pay for the flow-through feature, which is recognized as a liability. Upon qualifying expenses being incurred, the Company derecognizes the liability and recognizes a deferred tax recovery in income for the amount of tax reduction renounced to the shareholders. Other liabilities includes the portion of the premium on flow-through shares that, at period-end, has not been used to incur qualifying exploration expenditures. The following is a continuity schedule of the liability portion of the flow-through share issuances:

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**8. OTHER LIABILITIES (Continued)****Flow-through shares**

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<b>Balance, December 31, 2014</b>	\$	3,768,262
Liability incurred on flow-through shares issued October 28, 2015		1,511,912
Liability incurred on flow-through shares issued November 18, 2015		336,000
Settlement of flow-through share liability on incurring expenditures		(3,795,589)
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<b>Balance, December 31, 2015</b>	\$	1,820,585
Settlement of flow-through share liability by incurring eligible expenditures		(345,419)
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<b>Balance, March 31, 2016</b>	\$	1,475,166

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During the three months ended March 31, 2016, the Company incurred \$1,036,255 of qualified flow-through funded exploration expenditures, which partially fulfilled its commitment to the flow-through share financing on October 28, 2015. As at March 31, 2016, approximately \$4,317,499 remains to be incurred on qualifying expenditures during fiscal 2016.