



(An Exploration Stage Company)

CONDENSED INTERIM FINANCIAL STATEMENTS

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

Nine Month Ended September 30, 2015 and 2014

Corporate Head Office

2300-1177 West Hastings Street
Vancouver, British Columbia
Canada
V6E 2K3
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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)

September 30, 2015 and 2014

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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)

| | September 30, 2015 | December 31, 2014 |
|---|-----------------------|----------------------|
| | | (Audited) |
| ASSETS | | |
| Current assets | | |
| Cash and cash equivalents | \$ 5,607,790 | \$ 15,587,381 |
| Accounts receivable | 20,698 | 6,258 |
| Input tax credits receivable | 480,682 | 140,994 |
| Refundable tax credit | - | 248,126 |
| Marketable securities (Note 3) | 277,325 | 152,778 |
| Prepaid expenses (Note 8) | 210,260 | 151,012 |
| | 6,596,755 | 16,286,549 |
| Property, plant and equipment (Note 4) | 6,794 | 5,336 |
| Exploration and evaluation assets (Note 5) | 49,281,356 | 40,712,432 |
| | \$ 55,884,905 | \$ 57,004,317 |
| LIABILITIES AND SHAREHOLDERS' EQUITY | | |
| Current liabilities | | |
| Accounts payable and accrued liabilities | \$ 748,056 | \$ 452,507 |
| Other liabilities (Note 9) | 342,260 | 3,768,262 |
| | 1,090,316 | 4,220,769 |
| Deferred income tax liability | 4,261,117 | 4,261,117 |
| | 5,351,433 | 8,481,886 |
| Shareholders' equity | | |
| Capital stock (Note 6) | 64,253,566 | 64,253,566 |
| Share-based payment reserve | 7,499,768 | 7,425,315 |
| Warrant reserve | 297 | 297 |
| Accumulated other comprehensive loss (Note 3) | (11,985) | - |
| Deficit | (21,208,174) | (23,156,747) |
| | 50,533,472 | 48,522,431 |
| | \$ 55,884,905 | \$ 57,004,317 |

Approved on behalf of the Directors:

"Graeme Currie" Director
Graeme Currie

"Lawrence W. Talbot" Director
Lawrence W. Talbot

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 September 30 | | Nine months ended September 30 | |
|---|--|--------------------|---|-----------------------|
| | 2015 | 2014 | 2015 | 2014 |
| Expenses | | | | |
| Consulting fees (Note 8) | \$ 12,360 | \$ 27,000 | \$ 45,080 | \$ 49,750 |
| Depreciation | 358 | 333 | 983 | 1,000 |
| Filing and transfer agent's fees | 17,391 | 20,706 | 95,619 | 111,710 |
| Office and miscellaneous | 34,394 | 32,791 | 138,359 | 98,835 |
| Professional fees | 36,642 | 41,212 | 121,803 | 101,925 |
| Rent | 28,459 | 21,325 | 84,195 | 64,676 |
| Salaries and benefits (Note 8) | 141,450 | 129,285 | 422,769 | 386,500 |
| Share-based payments (Notes 7 and 8) | 63,153 | - | 74,453 | 1,787,329 |
| Shareholder communication | 174,009 | 149,366 | 540,984 | 462,694 |
| Travel and related costs | 14,282 | 43,520 | 61,932 | 106,008 |
| Loss before other items | (522,498) | (465,538) | (1,586,177) | (3,170,427) |
| Other items | | | | |
| Interest income | 32,388 | 27,683 | 105,727 | 69,560 |
| Gain on sale of marketable securities | 2,745 | - | 2,745 | - |
| Impairment losses on marketable securities | (15,278) | (15,278) | (15,278) | (722,724) |
| Foreign exchange gain (loss) | 14,442 | 1,895 | 15,554 | 5,303 |
| Loss before income taxes | (488,201) | (451,238) | (1,477,429) | (3,818,288) |
| Deferred income tax recovery (Note 9) | 1,550,277 | 890,888 | 3,426,002 | 1,422,380 |
| Net income (loss) for the period | 1,062,076 | 439,650 | 1,948,573 | (2,395,908) |
| Other comprehensive income (loss) | | | | |
| Items that may be reclassified subsequently to net income | | | | |
| Fair value adjustment on marketable securities (Note 3) | (131,985) | (15,278) | (11,985) | (213,889) |
| Transfer to losses on impairment of marketable securities | - | 15,278 | - | 722,724 |
| Comprehensive income (loss) for the period | \$ 930,091 | \$ 439,650 | \$ 1,936,588 | \$ (1,887,073) |
| Basic and diluted income (loss) per share | \$ 0.01 | \$ (0.00) | \$ 0.02 | \$ (0.02) |
| Weighted average number of shares outstanding | 110,381,521 | 102,486,734 | 110,381,521 | 99,884,499 |

The accompanying notes are an integral part of these financial statements

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 loss | Deficit | Total shareholders' equity |
|--|---------------------|-------------------|-----------------------------------|--------------------|---|---------------------|----------------------------------|
| Balance, December 31, 2013 | 98,111,469 | 52,682,398 | 5,632,050 | 125,150 | (508,835) | (18,836,218) | 39,094,545 |
| Shares issued for cash: | | | | | | | |
| Private placements | 2,580,000 | 4,515,000 | - | - | - | - | 4,515,000 |
| Allocation of value to flow- through premium | - | (954,600) | - | - | - | - | (954,600) |
| Exercise of warrants | 1,946,943 | 1,460,207 | - | - | - | - | 1,460,207 |
| Exercise of options | 227,300 | 157,665 | - | - | - | - | 157,665 |
| Property acquisition (Note 5(e)) | 117,000 | 211,750 | - | - | - | - | 211,750 |
| Share issuance costs | - | (548,162) | 95,496 | - | - | - | (452,666) |
| Reallocation on exercise of warrants | - | 20,210 | (20,210) | - | - | - | - |
| Reallocation on exercise of options | - | 95,721 | (95,721) | - | - | - | - |
| Share-based payments | - | - | 1,787,329 | - | - | - | 1,787,329 |
| Net loss for the period | - | - | - | - | - | (2,395,908) | (2,395,908) |
| Fair value adjustment on marketable securities | - | - | - | - | (213,889) | - | (213,889) |
| Transfer to losses on impairment of marketable securities | - | - | - | - | 722,724 | - | 722,724 |
| Balance, September 30, 2014 | 102,982,712 | 57,640,189 | 7,398,944 | 125,150 | - | (21,232,126) | \$ 43,932,157 |

The accompanying notes are an integral part of these financial statements

BALMORAL RESOURCES LTD.

(An Exploration Stage Company)

CONDENSED INTERIM STATEMENTS OF CHANGES IN EQUITY (Cont'd)

(Unaudited – Prepared by Management)

(Expressed in Canadian Dollars)

| | Number of shares | Capital stock | Share-based payment reserve | Warrant reserve | Accumulated other comprehensive loss | Deficit | Total shareholders' equity |
|--|---------------------|----------------------|-----------------------------------|--------------------|---|------------------------|----------------------------------|
| Balance, September 30, 2014 | 102,982,712 | 57,640,189 | 7,398,944 | 125,150 | - | (21,232,126) | \$ 43,932,157 |
| Shares issued for cash: | | | | | | | |
| Private placements | 5,900,000 | 10,030,000 | - | - | - | - | 10,030,000 |
| Allocation of value to flow- through premium | - | (4,071,000) | - | - | - | - | (4,071,000) |
| Exercise of warrants | 1,198,809 | 899,107 | - | - | - | - | 899,107 |
| Exercise of options | 300,000 | 180,000 | - | - | - | - | 180,000 |
| Share issuance costs | - | (663,797) | 47,221 | - | - | - | (616,576) |
| Reallocation on exercise of warrants | - | 125,721 | (868) | (124,853) | - | - | - |
| Reallocation on exercise of options | - | 113,346 | (113,346) | - | - | - | - |
| Share-based payments | - | - | 93,364 | - | - | - | 93,364 |
| Net loss for the period | - | - | - | - | - | (1,924,621) | (1,924,621) |
| Fair value adjustment on marketable securities | - | - | - | - | (91,666) | - | (91,666) |
| Transfer to losses on impairment of marketable securities | - | - | - | - | 91,666 | - | 91,666 |
| Balance, December 31, 2014 | 110,381,521 | 64,253,566 | 7,425,315 | 297 | - | (23,156,747) | 48,522,431 |
| Share-based payments | - | - | 74,453 | - | - | - | 74,453 |
| Net income for the period | - | - | - | - | - | 1,948,573 | 1,948,573 |
| Fair value adjustment on marketable securities | - | - | - | - | (11,985) | - | (11,985) |
| Balance, September 30, 2015 | 110,381,521 | \$ 64,253,566 | \$ 7,499,768 | \$ 297 | \$ (11,985) | \$ (21,208,174) | \$ 50,533,472 |

The accompanying notes are an integral part of these financial statements

BALMORAL RESOURCES LTD.

(An Exploration Stage Company)

CONDENSED INTERIM STATEMENTS OF CASH FLOWS

(Unaudited – Prepared by Management)

(Expressed in Canadian Dollars)

Nine Months Ended September 30

| | 2015 | 2014 |
|--|---------------------|---------------------|
| OPERATING ACTIVITIES | | |
| Net income (loss) for the period | \$ 1,948,573 | \$ (2,395,908) |
| Items not affecting cash: | | |
| Depreciation | 983 | 1,000 |
| Share-based payments | 74,453 | 1,787,329 |
| Realized gain on sale of marketable securities | (2,745) | - |
| Impairment losses on marketable securities | 15,278 | 722,724 |
| Deferred income tax expense (recovery) | (3,426,002) | (1,422,380) |
| Changes in non-cash working capital items: | | |
| Accounts receivable | 565 | (527) |
| Input tax credits receivable | (339,688) | (79,419) |
| Refundable tax credit | 198,500 | - |
| Prepaid expenses | (59,248) | (34,700) |
| Accounts payable and accrued liabilities | (159,047) | (231,040) |
| Net cash flows used in operating activities | (1,748,378) | (1,652,921) |
| FINANCING ACTIVITIES | | |
| Shares issued for cash | - | 6,132,872 |
| Share issuance costs | - | (452,666) |
| Net cash flows provided by financing activities | - | 5,680,206 |
| INVESTING ACTIVITIES | | |
| Investment in and expenditures on exploration and evaluation assets | (8,269,707) | (6,900,346) |
| Advances in and expenditures on exploration and evaluation assets | (2,441) | - |
| Cash received from sale of marketable securities | 40,935 | - |
| Net cash flows used in investing activities | (8,231,213) | (6,900,346) |
| Increase (decrease) in cash and cash equivalents | (9,979,591) | (2,873,061) |
| Cash and cash equivalents, beginning of the period | 15,587,381 | 10,141,937 |
| Cash and cash equivalents, end of the period | \$ 5,607,790 | \$ 7,268,876 |
| Cash and cash equivalents consist of the following: | | |
| Cash | \$ 1,354,951 | \$ 746,074 |
| Term deposits | 4,252,839 | 6,522,802 |
| | \$ 5,607,790 | \$ 7,268,876 |
| Supplemental cash flow information | | |
| Accounts receivable related to exploration and evaluation assets | \$ 20,698 | \$ 2,227 |
| Accounts payable related to exploration and evaluation assets | \$ 711,105 | \$ 776,451 |
| Refundable tax credit for exploration and evaluation assets | \$ 248,126 | \$ - |
| Marketable securities received for property option (Notes 5(a) and (e)) | \$ 190,000 | \$ - |
| Common shares issued for property acquisition | \$ - | \$ 211,750 |
| Agent warrants issued for finder's fees | \$ - | \$ 95,496 |

The accompanying notes are an integral part of these financial statements

BALMORAL RESOURCES LTD.

(An Exploration Stage Company)

NOTES TO CONDENSED INTERIM FINANCIAL STATEMENTS

(Unaudited – Prepared by Management)

(Expressed in Canadian Dollars)

Nine Months Ended September 30, 2015 and 2014

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, exploration and development of mineral properties. The address of its head office is 2300 – 1177 West Hastings Street, Vancouver, British Columbia, Canada V6E 2K3. 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”.

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.

The Company had an income of \$1,948,573 for the nine months ended September 30, 2015 (2014 – a loss of \$2,395,908). 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 September 30, 2015 of \$5,848,699 (December 31, 2014 - \$15,834,042) and a deficit of \$21,208,174 (December 31, 2014 - \$23,156,747). On October 28, 2015, the Company closed a non-brokered flow-through private placement by issuing 6,047,646 flow-through common shares at a price of \$0.75 per flow-through share for gross proceeds of \$4,535,734 (Note 10 (a)). The funds provide sufficient funding for operations for the ensuing year.

The business of mineral exploration involves a high degree of risk and there can be no assurance that exploration programs will result in profitable mining operations. 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 exploration of its exploration and evaluation assets.

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. 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**

The accompanying condensed interim financial statements have been prepared in accordance with the *International Financial Reporting Standards* (“IFRS”), as issued by the *International Accounting Standards Board* (“IASB”) applicable to the preparation of interim financial statements, including International Accounting Standard (“IAS”) 34, “*Interim Financial Reporting*”. The accounting policies, methods of computation and presentation applied in these condensed interim financial statements are consistent with those of the previous financial year.

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(An Exploration Stage Company)

NOTES TO CONDENSED INTERIM FINANCIAL STATEMENTS

(Unaudited – Prepared by Management)

(Expressed in Canadian Dollars)

Nine Months Ended September 30, 2015 and 2014

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**(b) Approval of financial statements**

The Board of Directors approved these condensed interim financial statements on November 16, 2015.

3. MARKETABLE SECURITIES

As at September 30, 2015, the Company held 3,055,555 (December 31, 2014 - 3,055,555) common shares of GTA Resources and Mining Inc. with a fair value of \$137,450 (December 31, 2014 - \$152,778). The Company classified these shares as available-for-sale. Fair value adjustments for the period ended September 30, 2015 amounted to impairment loss on marketable securities in profit or loss of \$15,278.

On February 26, 2015, the Company received 1,000,000 common shares of Wealth Minerals Ltd. ("Wealth") with fair value of \$190,000 as a first option payment as part of an option agreement whereby Wealth may earn an initial 51% interest in the N1 and N2 Properties (Note 5 (a)). During the nine months ended September 30, 2015, the Company sold 201,000 common shares of Wealth for an average price of \$0.208 per share for gross proceeds of \$41,800, a realized net gain of \$2,745. As at September 30, 2015, the Company held 799,000 (December 31, 2014 - Nil) common shares of Wealth with a fair value of \$139,825 (December 31, 2014 - \$Nil). The Company classified these shares as available-for-sale. Fair value adjustments for the period ended September 30, 2015 amounted to unrealized loss of \$11,985, recorded as other comprehensive loss. Subsequent to September 30, 2015, the Company sold 91,000 shares of Wealth for an average price of \$0.208 per share for gross proceeds of \$18,938 and a realized net gain of \$1,253.

4. PROPERTY, PLANT AND EQUIPMENT

| | Office Equipment | Vehicle | Computer | Total |
|------------------------------------|---------------------|----------|----------|-----------|
| Cost | | | | |
| Balance, December 31, 2014 | \$ 1,681 | \$ 9,698 | \$ - | \$ 11,379 |
| Addition for the period | - | - | 2,441 | 2,441 |
| Balance, September 30, 2015 | \$ 1,681 | \$ 9,698 | \$ 2,441 | \$ 13,820 |
| Depreciation | | | | |
| Balance, December 31, 2014 | \$ 1,062 | \$ 4,981 | \$ - | \$ 6,043 |
| Depreciation for the period | 92 | 707 | 184 | 983 |
| Balance, September 30, 2015 | \$ 1,154 | \$ 5,688 | \$ 184 | \$ 7,026 |
| Carrying amounts | | | | |
| At September 30, 2015 | \$ 527 | \$ 4,010 | \$ 2,257 | \$ 6,794 |
| At December 31, 2014 | \$ 619 | \$ 4,717 | \$ - | \$ 5,336 |

BALMORAL RESOURCES LTD.

(An Exploration Stage Company)

NOTES TO CONDENSED INTERIM FINANCIAL STATEMENTS

(Unaudited – Prepared by Management)

(Expressed in Canadian Dollars)

Nine Months Ended September 30, 2015 and 2014

5. EXPLORATION AND EVALUATION ASSETS

| | Fenelon (Note 5(a)) | N2 (Note 5(a)) | Martiniere (Note 5(a)) | Northshore (Note 5(b)) | Detour East (Note 5(c)) | Grasset (Note 5(d)) | Others (Note 5(e)) | Total |
|--|-------------------------------|--------------------------|----------------------------------|----------------------------------|-----------------------------------|-------------------------------|------------------------------|---------------|
| Balance, December 31, 2014 | \$ 4,601,217 | \$ 1,916,860 | \$ 21,944,438 | \$ 389,784 | \$ 3,293,799 | \$ 7,603,089 | \$ 963,245 | \$ 40,712,432 |
| Acquisition costs | | | | | | | | |
| Cash payments | - | - | - | - | - | 1,050 | 221 | 1,271 |
| Share issuances | - | - | - | - | - | - | - | - |
| Total acquisition costs | - | - | - | - | - | 1,050 | 221 | 1,271 |
| Deferred exploration costs: | | | | | | | | |
| Camp | 163,900 | 1,455 | 392,180 | 6,349 | - | 904,584 | 32,513 | 1,500,981 |
| Drilling and analysis | 280,524 | - | 1,286,534 | - | - | 2,805,417 | 149,919 | 4,522,394 |
| Land maintenance and tenure | 10,873 | 773 | 5,390 | 2,707 | 7,938 | 4,003 | 17,840 | 49,524 |
| Personnel and geology | 355,042 | 4,649 | 640,374 | 900 | 9,856 | 1,584,946 | 39,361 | 2,635,128 |
| Total deferred exploration costs | 810,339 | 6,877 | 2,324,478 | 9,956 | 17,794 | 5,298,950 | 239,633 | 8,708,027 |
| Total expenditures for the period | 810,339 | 6,877 | 2,324,478 | 9,956 | 17,794 | 5,300,000 | 239,854 | 8,709,298 |
| Cost recoveries | - | (95,000) | - | - | - | - | (95,000) | (190,000) |
| QC mining tax credit | 849 | 47 | 16,921 | - | 157 | 30,814 | 838 | 49,626 |
| Balance, September 30, 2015 | \$ 5,412,405 | \$ 1,828,784 | \$ 24,285,837 | \$ 399,740 | \$ 3,311,750 | \$ 12,933,903 | \$ 1,108,937 | \$ 49,281,356 |

BALMORAL RESOURCES LTD.

(An Exploration Stage Company)

NOTES TO CONDENSED INTERIM FINANCIAL STATEMENTS

(Unaudited – Prepared by Management)

(Expressed in Canadian Dollars)

Nine Months Ended September 30, 2015 and 2014

5. 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 will be granted an option to earn an initial 51% interest in the Project by completing \$2,200,000 dollars in exploration on the Project over three years, including a minimum of \$1,200,000 in drilling, and issuing 3,000,000 common shares to the Company. Under a second option, Wealth may earn an additional 24% interest in the Project (for an aggregate 75% interest) through additional expenditures of \$2,800,000 (for total aggregate expenditures of \$5,500,000) and making cash payments of \$600,000 to the Company. The Company currently holds a 100% interest in the Project. Wealth received final approval from the TSX Venture Exchange on February 25, 2015 and issued 1,000,000 common shares to the Company on February 26, 2015 (Note 3).

(b) Northshore, Ontario

As at September 30, 2015 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* (“NI 43-101”) 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 \$395,145, the carrying value of the Northshore Property.

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NOTES TO CONDENSED INTERIM FINANCIAL STATEMENTS

(Unaudited – Prepared by Management)

(Expressed in Canadian Dollars)

Nine Months Ended September 30, 2015 and 2014

5. 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.

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 of 50% of the NSR interest and \$2,000,000 for the second 50% of the NSR interest.

(d) Grasset, Quebec

The Company acquired a 100% interest by staking a group of mineral claims located east of the Company's Fenelon Project (Note 5(a)). During the nine months ended September 30, 2015, the Company acquired additional claims at Grasset Property for staking fees of \$1,050. During the year ended December 31, 2014, the Company acquired claims for staking fees of \$2,683. There are no underlying royalties on the Grasset Property.

(e) Others, Quebec*Harri*

The Company acquired by staking and holds a 100% interest in, with no underlying royalties, a group of mineral claims that connect the Company's Martiniere and Fenelon Properties (Note 5(a)).

Doigt

The Company acquired by staking and holds a 100% interest in, with no underlying royalties, a group of mineral claims located northwest of the Company's Martiniere Property (Note 5(a)).

N1

The Company acquired by staking and holds a 100% interest in, with no underlying royalties, a group of mineral claims located just west of the Company's N2 Property (Note 5(a)).

On February 2, 2015, the Company agreed to option its N1 and N2 (Note 5(a)) Properties to Wealth.

Lac Fleuri and Nantel

During the nine months ended September 30, 2015, the Company acquired additional claims for staking fees of \$221. During the year ended December 31, 2014, the Company acquired by staking and holds a 100% interest in, with no underlying royalties, two groups of claims located east of the Company's Grasset Property (Note 5(d)) for staking fees of \$328.

Jeremie

During the year ended December 31, 2014, the Company acquired by staking a 100% undivided interest in the Jeremie Property located north of the Fenelon Property (Note 5(a)) for \$5,648.

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NOTES TO CONDENSED INTERIM FINANCIAL STATEMENTS

(Unaudited – Prepared by Management)

(Expressed in Canadian Dollars)

Nine Months Ended September 30, 2015 and 2014

5. EXPLORATION AND EVALUATION ASSETS (Continued)**(e) Others, Quebec (Continued)***Jeremie South*

On July 31, 2014, the Company acquired a 100% interest in the Jeremie South Property by completing the following property acquisition agreements:

i. Jeremie (ABE) Property Agreement

The Company acquired a 100% interest in the Jeremie (ABE) Property from ABE Resources Inc. ("ABE") through the issuance of 60,000 common shares of the Company fair valued at \$109,200 or \$1.82 per common share on July 30, 2014 and the granting to ABE of a 1% NSR royalty on the 17 claims which comprise the property.

At any time, the Company will have the right to purchase from ABE 50% of ABE's 1% NSR interest for \$500,000 and shall have a right of first refusal on the sale or transfer of ABE's royalty interest.

In addition, the Company purchased an existing 2% NSR interest in the property from two underlying vendors through the issuance of 30,000 common shares fair valued at \$54,600 or \$1.82 per common share on July 30, 2014.

ii. Jeremie 5 Property

The Company acquired a 100% interest in the Jeremie 5 Property from an arm's length individual through the issuance of 20,000 common shares of the Company fair valued \$36,400 or \$1.82 per common share on July 30, 2014 and the granting to the individual a 1% NSR royalty on the claims which comprise the property.

At any time, the Company will have the right to purchase from the individual 50% of the individual's 1% NSR interest for \$1,000,000 and shall have a right of first refusal on the sale or transfer of the individual's royalty interest.

iii. Jeremie 8 Property

The Company acquired a 100% interest in the Jeremie 8 Property from an arm's length individual through the issuance of 7,000 common shares of the Company fair valued at \$11,550 or \$1.65 per common share on August 29, 2014 and the granting to the individual a 1% NSR royalty on the claims which comprise the property.

At any time, the Company will have the right to purchase from the individual 50% of the individual's 1% NSR interest for \$1,000,000 and shall have a right of first refusal on the sale or transfer of the individual's royalty interest.

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6. 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 September 30, 2015.

(b) Warrants

The following common share purchase warrants entitle the holders thereof to purchase one common share for each common share purchase warrant. Warrant transactions are summarized as follows:

| | September 30, 2015 | | December 31, 2014 | |
|----------------------------------|---------------------------|---------------------------------|--------------------------|---------------------------------|
| | Number of warrants | Weighted average exercise price | Number of warrants | Weighted average exercise price |
| Balance, beginning of the period | 390,800 | \$ 1.37 | 3,152,002 | \$ 0.75 |
| Issued | - | \$ - | 390,800 | \$ 1.37 |
| Exercised | - | \$ - | (3,145,752) | \$ 0.75 |
| Expired | - | \$ - | (6,250) | \$ 0.75 |
| Balance, end of the period | 390,800 | \$ 1.37 | 390,800 | \$ 1.37 |

The weighted average remaining contractual life of warrants outstanding at September 30, 2015 was 0.35 (December 31, 2014 – 1.10) year.

As at September 30, 2015 and December 31, 2014, the Company had outstanding warrants as follows:

| Expiry date | September 30, 2015 | | December 31, 2014 | |
|--|---------------------------|--------------------|--------------------------|--------------------|
| | Exercise price | Number of warrants | Exercise price | Number of warrants |
| June 20, 2016 (agent warrants) | \$ 1.25 | 154,800 | \$ 1.25 | 154,800 |
| November 6, 2015 (agent warrants) (Note 10 (b)) | \$ 1.45 | 236,000 | \$ 1.45 | 236,000 |
| | | 390,800 | | 390,800 |

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

Stock option transactions are summarized as follows:

| | September 30, 2015 | | December 31, 2014 | |
|----------------------------------|---------------------------|---------------------------------|--------------------------|---------------------------------|
| | Number of options | Weighted average exercise price | Number of options | Weighted average exercise price |
| Balance, beginning of the period | 7,932,700 | \$ 0.81 | 3,720,000 | \$ 1.10 |
| Granted | 360,000 | \$ 0.77 | 4,850,000 | \$ 0.61 |
| Expired | (870,000) | \$ (0.88) | (110,000) | \$ (1.06) |
| Exercised | - | \$ - | (527,300) | \$ (0.64) |
| Balance, end of the period | 7,422,700 | \$ 0.78 | 7,932,700 | \$ 0.81 |

The weighted average remaining contractual life of options outstanding at September 30, 2015 was 2.85 (December 31, 2014 - 3.48) years.

Stock options outstanding and exercisable are as follows:

| Expiry date | September 30, 2015 | | | December 31, 2014 | | |
|-------------------|---------------------------|---------------------|---------------------|--------------------------|---------------------|---------------------|
| | Exercise price | Options outstanding | Options exercisable | Exercise price | Options outstanding | Options exercisable |
| June 6, 2016 | \$ 1.25 | 695,000 | 695,000 | \$ 1.25 | 855,000 | 855,000 |
| February 6, 2018 | \$ 1.05 | 2,397,700 | 2,397,700 | \$ 1.05 | 2,707,700 | 2,707,700 |
| January 23, 2019 | \$ 0.60 | 3,520,000 | 3,520,000 | \$ 0.60 | 3,920,000 | 3,920,000 |
| 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 | 90,000 | \$ - | - | - |
| | | 7,422,700 | 7,152,700 | | 7,932,700 | 7,932,700 |

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

Share-based payment expenses for the nine months ended September 30, 2015 totalled \$74,453 (2014 - \$1,787,329). The fair value of stock options was determined using the Black-Scholes option pricing model based on the following assumptions:

| For the nine months ended | 2015 | 2014 |
|--------------------------------|---------|---------|
| Risk-free interest rate | 0.96% | 1.60% |
| Expected life of options | 5 years | 5 years |
| Expected annualized volatility | 75% | 78% |
| Expected dividend yield | 0.0% | 0.0% |
| Forfeiture rate | 0.0% | 0.0% |

The weighted average fair value of options at measurement date is \$0.45 (2014 - \$0.37).

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

8. RELATED PARTY TRANSACTIONS AND BALANCES

During the periods ended September 30, 2015 and 2014, the Company entered into 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:

| | 2015 | 2014 |
|---|------------|--------------|
| Short-term benefits (included in consulting fees and salaries and benefits) | \$ 509,734 | \$ 375,892 |
| Share-based payments | 74,453 | 1,273,496 |
| | \$ 584,187 | \$ 1,649,388 |

Transactions with other related parties

Amount due to a related party of \$Nil (December 31, 2014 - \$1,678) is due to officers of the Company for reimbursement of expenses and included in accounts payable and accrued liabilities. The amount is non-interest-bearing with no fixed terms of repayment.

A short-term advance of \$4,570 (December 31, 2014 - \$11,064) to key management for travel is included in prepaid expenses. The amount is non-interest-bearing with no fixed terms of repayment.

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9. 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 include 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:

Flow-through shares

| | |
|--|--------------|
| Balance, December 31, 2013 | 467,780 |
| Liability incurred on flow-through shares issued June 20, 2014 | 954,600 |
| Liability incurred on flow-through shares issued November 6, 2014 | 4,071,000 |
| Settlement of flow-through share liability on incurring expenditures | (1,725,118) |
| Balance, December 31, 2014 | \$ 3,768,262 |
| Settlement of flow-through share liability on incurring expenditures | (3,426,002) |
| Balance, September 30, 2015 | \$ 342,260 |

During the nine months ended September 30, 2015, the Company incurred \$8,440,873 of qualified flow-through funded exploration expenditures, which partially fulfilled its commitment to the flow-through share financing on November 6, 2014. As at September 30, 2015, approximately \$843,250 remains to be incurred on qualifying expenditures during fiscal 2015.

10. SUBSEQUENT EVENTS

- (a) On October 28, 2015, the Company closed a non-brokered flow-through private placement raising gross proceeds of \$4,535,734 through the issuance of 6,047,646 flow-through shares of the Company priced at \$0.75 per flow-through share. The Company paid certain finders cash commissions totaling \$268,544.
- (b) On November 6, 2015, 236,000 warrants at a price of \$1.45 per warrant expired.