



(An Exploration Stage Company)

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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

Three Months Ended March 31, 2020 and 2019

Corporate Head Office

1750-700 West Pender Street
Vancouver, British Columbia
Canada
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**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)

March 31, 2020 and 2019

<u>INDEX</u>	<u>Page</u>
Condensed Interim Consolidated Financial Statements	
Condensed Interim Consolidated Statements of Financial Position	1
Condensed Interim Consolidated Statements of Operations and Comprehensive Loss	2
Condensed Interim Consolidated Statements of Changes in Equity	3
Condensed Interim Consolidated Statements of Cash Flows	4
Notes to Condensed Interim Consolidated Financial Statements	5-17

BALMORAL RESOURCES LTD.

(An Exploration Stage Company)

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(Unaudited – Prepared by Management)

(Expressed in Canadian Dollars)

	Notes	March 31, 2020	December 31, 2019
ASSETS			
Current assets			
Cash and cash equivalents		\$ 7,899,023	\$ 8,984,807
Accounts receivable		9,158	4,512
Input tax credits receivable		184,774	37,443
Marketable securities	4	511,200	668,710
Prepaid expenses		147,144	142,426
		8,751,299	9,837,898
Property, plant and equipment		73,481	69,159
Right-of-use assets		530,091	581,890
Exploration and evaluation assets	5	69,581,736	68,557,998
		\$ 78,936,607	\$ 79,046,945
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Accounts payable and accrued liabilities	8	\$ 1,106,480	\$ 287,207
Lease liabilities		193,478	193,625
Flow-through share premium liability	9	359,202	586,379
		1,659,160	1,067,211
Asset retirement obligation	5(i)(a)	100,000	100,000
Lease liabilities		350,730	398,587
Deferred income tax liability		9,428,594	9,503,971
		11,538,484	11,069,769
Shareholders' equity			
Capital stock	6	90,041,951	89,866,030
Deferred share units	7	88,000	55,000
Share-based compensation reserve		10,542,446	9,705,401
Warrant reserve		94,480	95,699
Deficit		(33,368,754)	(31,744,954)
		67,398,123	67,977,176
		\$ 78,936,607	\$ 79,046,945

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 interim condensed 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 March 31

	Notes	2020	2019
EXPENSES			
Consulting fees	8	\$ 20,250	\$ 15,000
Depreciation		55,189	38,544
Filing and transfer agent's fees		29,642	79,291
Office and miscellaneous		23,176	21,927
Professional fees		1,071,816	49,397
Property evaluations		-	2,932
Salaries and benefits	8	173,805	168,739
Share-based compensation	7, 8	910,802	-
Shareholder communication		60,325	27,623
Travel and related costs		8,136	611
Loss before other items		(2,353,141)	(404,064)
Other items			
Interest income (expense)		18,240	(9,119)
Gain on sale of marketable securities	4	560,926	169,545
Fair value adjustment on marketable securities	4	(151,760)	4,117
Foreign exchange loss		(619)	(452)
Loss before income taxes		(1,926,354)	(239,973)
Deferred income tax recovery		302,554	120,814
Net loss and comprehensive loss for the period		\$ (1,623,800)	\$ (119,159)
Basic and diluted loss per share		\$ (0.01)	\$ (0.00)
Weighted average number of common shares outstanding		178,522,947	140,503,273

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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	Deferred share units	Share-based compensation reserve	Warrant reserve	Deficit	Total shareholders' equity
Balance, December 31, 2018	138,570,776	81,648,214	-	9,450,252	297	(31,301,278)	59,797,485
Shares issued for cash:							
Private placements	9,998,179	1,790,904	-	-	-	-	1,790,904
Allocation of value to flow-through share premium	-	(469,391)	-	-	-	-	(469,391)
Allocation of proceeds to warrants	-	(29,187)	-	-	-	-	(29,187)
Share issuance costs	-	(164,077)	-	10,364	29,187	-	(124,526)
Net loss for the period	-	-	-	-	-	(119,159)	(119,159)
Balance, March 31, 2019	148,568,955	\$ 82,776,463	\$ -	\$ 9,460,616	\$ 29,484	\$ (31,420,437)	\$ 60,846,126
Balance, December 31, 2019	177,862,672	89,866,030	55,000	9,705,401	95,699	(31,744,954)	67,977,176
Shares issued for cash:							
Exercise of warrants, including reallocation of warrant reserve (Note 6)	170,369	43,811	-	-	(1,219)	-	42,592
Exercise of stock options, including reallocation of share-based compensation reserve (Note 6)	540,000	137,957	-	(40,757)	-	-	97,200
Share issuance costs	-	(5,847)	-	-	-	-	(5,847)
Share-based compensation (Note 7)	-	-	33,000	877,802	-	-	910,802
Net loss for the period	-	-	-	-	-	(1,623,800)	(1,623,800)
Balance, March 31, 2020	178,573,041	\$ 90,041,951	\$ 88,000	\$ 10,542,446	\$ 94,480	\$ (33,368,754)	\$ 67,398,123

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BALMORAL RESOURCES LTD.

(An Exploration Stage Company)

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited – Prepared by Management)

(Expressed in Canadian Dollars)

Three Months Ended March 31,

	Notes	2020	2019
OPERATING ACTIVITIES			
Net loss for the period		\$ (1,623,800)	\$ (119,159)
Items not affecting cash:			
Depreciation		55,189	38,544
Share-based compensation	7	910,802	-
Gain on sale of marketable securities	4	(560,926)	(169,545)
Fair value adjustment on marketable securities	4	151,760	(4,117)
Deferred income tax recovery		(302,554)	(120,814)
Changes in non-cash working capital items:			
Accounts receivable		(1,954)	(3,969)
Input tax credits receivable		(147,331)	253,307
Prepaid expenses		(4,718)	17,248
Accounts payable and accrued liabilities		831,411	93,402
Net cash used in operating activities		(692,121)	(15,103)
FINANCING ACTIVITIES			
Shares issued for cash	6	139,792	1,790,904
Share issuance costs	6	(5,847)	(153,713)
Lease liabilities payments		(48,004)	(47,707)
Net cash provided by financing activities		85,941	1,589,484
INVESTING ACTIVITIES			
Investment in, advances to and expenditures on exploration and evaluation assets	5	(1,038,568)	(354,684)
Cash received from sale of marketable securities, net of commissions	4	666,676	245,125
Purchase of property, plant and equipment		(7,712)	-
Purchase of marketable securities	4	(100,000)	-
Net cash used in investing activities		(479,604)	(109,559)
Increase (decrease) in cash and cash equivalents		(1,085,784)	1,464,822
Cash and cash equivalents, beginning of the period		8,984,807	1,299,534
Cash and cash equivalents, end of the period		\$ 7,899,023	\$ 2,764,356
Cash and cash equivalents consist of the following:			
Cash		\$ 586,315	\$ 2,078,932
Term deposits		7,312,708	685,424
		\$ 7,899,023	\$ 2,764,356
Supplemental cash flow information			
Accounts receivable related to exploration and evaluation assets		\$ -	\$ 62,589
Accounts payable related to exploration and evaluation assets		\$ 215,778	\$ 233,085
Refundable tax credit for exploration and evaluation assets		\$ -	\$ (1,586,817)
Agents' warrants issued for finder's fees		\$ -	\$ 10,364

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BALMORAL RESOURCES LTD.

(An Exploration Stage Company)

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited – Prepared by Management)

(Expressed in Canadian Dollars)

Three Months Ended March 31, 2020 and 2019

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 base metal properties in Canada. The principal focus of the Company’s exploration activities are the properties comprising its Detour Gold Trend Project in Quebec.

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.

On March 2, 2020, the Company entered into Arrangement Agreement whereby, subject to the approval of the Company’s shareholders and receipt of certain regulatory and legal approvals, the issued and outstanding shares of the Company will be acquired by Wallbridge Mining Company Limited (“Wallbridge”) (Note 3). In the interim, the Company intends to rely on its existing cash reserves and should the proposed transaction not proceed will 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.

In addition, the COVID-19 pandemic has created a dramatic slowdown in the global economy. The duration of the COVID-19 outbreak and the resultant travel restrictions, social distancing, government response actions, business closures and business disruptions, are all having an impact on the Company’s operations and access to capital. On March 24, 2020, following orders from the Provincial governments of Quebec and Ontario, the Company suspended, until further notice, all its exploration activities in both provinces. All exploration activities remain suspended at the time of preparation. There can be no assurance that the Company will not be further impacted by adverse consequences of the COVID-19 pandemic, which may include reduced resource prices, share prices and financial liquidity and thereby severely limit the financing capital available in the mineral exploration sector as well as impair access to supplies, contractors and affect the Company’s ability to retain its staff and management.

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 return to normal operations in 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 of the Company to resume normal operations or to secure future financing, such a situation would have a material adverse effect on the Company’s business, results of operations and financial condition.

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NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited – Prepared by Management)

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Three Months Ended March 31, 2020 and 2019

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, 2019.

(b) Basis of consolidation

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

(c) Significant accounting policies

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.

(d) Approval of financial statements

The Board of Directors approved these condensed interim consolidated financial statements for issue on April 30, 2020.

3. ARRANGEMENT AGREEMENT WITH WALLBRIDGE

On March 2, 2020, the Company and Wallbridge announced that they had entered into a definitive Arrangement Agreement whereby Wallbridge will, among other things, acquire all of the issued and outstanding shares of the Company, in an all-stock transaction, pursuant to a plan of arrangement (the “Transaction”).

Under the terms of the Arrangement Agreement, and subject to the approval of the shareholders of the Company at a Special Meeting of the shareholders to be held on May 7, 2020 and certain regulatory and legal approvals, all of the issued and outstanding shares of the Company will be exchanged at a ratio of 0.71 of a Wallbridge common share for each 1.0 common share of the Company.

The benefits of the Transaction are outlined in the Company’s March 2, 2020 news release and additional details concerning the Arrangement Agreement and the Transaction are detailed in the Company’s Management Information Circular which was mailed to shareholders on March 27, 2020 and which is available for reference on the Company’s website at www.balmoralresources.com or under the Company’s profile on SEDAR at www.sedar.com

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NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited – Prepared by Management)

(Expressed in Canadian Dollars)

Three Months Ended March 31, 2020 and 2019

4. MARKETABLE SECURITIES**Ely Gold Royalties Inc. (“Ely Gold”)**

As at December 31, 2019, the Company held 670,000 common shares of Ely Gold with a fair value of \$308,200 and 1,000,000 Ely Gold warrants with a fair value of \$360,510. On January 23, 2020, the Company exercised all the outstanding Ely Gold warrants, acquiring 1,000,000 common shares of Ely Gold at \$0.10 per share. During the period ended March 31, 2020, the Company sold 950,000 common shares of Ely Gold for an average price of \$0.71 per share for gross proceeds of \$674,020, less commissions of \$7,344, and realized a gain of \$560,926. An unrealized loss on the Company’s holdings of Ely Gold shares and warrants of \$151,760 for the period ended March 31, 2020 was recorded through profit and loss. As at March 31, 2020, the Company held 720,000 common shares of Ely Gold with a fair value of \$511,200.

Subsequent to March 31, 2020, the Company sold an additional 428,500 common shares of Ely Gold for an average price of \$0.86 per share for gross proceeds of \$370,460 less commissions of \$4,035, and realized a gain of \$320,004.

BALMORAL RESOURCES LTD.

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NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited – Prepared by Management)

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Three Months Ended March 31, 2020 and 2019

5. EXPLORATION AND EVALUATION ASSETS

	Fenelon (Note 5(i)(a))	N2 (Note 5(ii)(a))	Martiniere (Note 5(i)(a))	Detour East (Note 5(i)(b))	Grasset (Note 5(i)(c))	Ontario Properties (Note 5(iii))	Others (Note 5(ii)(b) & 5(ii)(c))	Total
Balance, December 31, 2019	\$ 3,944,373	\$ 1,567,108	\$ 38,126,197	\$ 5,696,670	\$ 15,913,134	\$ 921,141	\$ 2,389,375	\$ 68,557,998
Deferred exploration costs:								
Claims management	279	278	279	279	278	1,114	1,393	3,900
Community Relations	-	500	-	-	-	-	-	500
Drilling	759,984	-	6,391	(251)	(251)	-	(34)	765,839
Geology	1,370	500	-	-	-	-	3,511	5,381
Geophysics	214,985	(11)	(11)	-	-	2,161	912	218,036
Project management	1,183	639	4,640	639	1,183	2,558	3,195	14,037
Property payments	5,332	-	-	32,210	-	370	633	38,545
Total deferred exploration costs	983,133	1,906	11,299	32,877	1,210	6,203	9,610	1,046,238
Total expenditures for the period	983,133	1,906	11,299	32,877	1,210	6,203	9,610	1,046,238
Cost recoveries	(22,500)	-	-	-	-	-	-	(22,500)
Balance, March 31, 2020	\$ 4,905,006	\$ 1,569,014	\$ 38,137,496	\$ 5,729,547	\$ 15,914,344	\$ 927,344	\$ 2,398,985	\$ 69,581,736

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(An Exploration Stage Company)

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited – Prepared by Management)

(Expressed in Canadian Dollars)

Three Months Ended March 31, 2020 and 2019

5. EXPLORATION AND EVALUATION ASSETS (Continued)**(i). Detour Gold Trend Project, 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% on the majority of the Martiniere property and between 1% and 1.6% for portions of the Fenelon Property, the latter royalties having been reduced as a result of the Company’s re-acquisition of a 2% NSR interest pertaining to certain claims within the Fenelon Property during 2019. Buyout provisions exist for a portion of the Fenelon royalties.

On October 10, 2018, the Company sold the 1% NSR royalty it held on the adjacent Fenelon Mine property to Ely Gold in exchange for \$500,000 plus 1,000,000 common shares and 1,000,000 common share purchase warrants of Ely Gold (Note 4). In connection with the sale, the Company paid legal fees of \$21,026. To date the Company has realized an additional \$1,168,684 in net proceeds from the sale of its Ely Gold shares and warrants.

The Company recovered \$22,500 from Wallbridge for the rental of the camp and storage at Fenelon during the period ended March 31, 2020.

As at March 31, 2020, the Company estimates that the fair value of the potential asset retirement liability for its share of the environmental rehabilitation is \$50,000 for the Fenelon camp site and \$50,000 for Martiniere (December 31, 2019 - \$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 which would be the responsibility of the Company. Due to the early stage of the Company’s 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 acquired through staking. The Grasset property is located immediately east of and adjoins the Fenelon Property. There are no underlying royalties on the Grasset Property.

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NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited – Prepared by Management)

(Expressed in Canadian Dollars)

Three Months Ended March 31, 2020 and 2019

5. EXPLORATION AND EVALUATION ASSETS (Continued)**(ii). Other Quebec Properties****(a) N2, Quebec**

The Company owns a 100% interest in the N2 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.

(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 810 property hosts both gold and base metal targets.

(c) RUM

The Company owns a 100% interest in six properties in the Lac Rocher Nickel 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. The RUM Properties were acquired by staking and thus there are no royalties payable or third-party encumbrances.

Also included in Other Quebec Properties are the Harri, Nantel, and Jeremie properties, which were acquired by staking or purchase agreements, which the Company owns a 100% interest in and which are all part of the Detour Gold Trend Project.

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

As at March 31, 2020, the Company owns an approximate 44% 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 Resources and Mining Inc. (“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.

BALMORAL RESOURCES LTD.

(An Exploration Stage Company)

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited – Prepared by Management)

(Expressed in Canadian Dollars)

Three Months Ended March 31, 2020 and 2019

5. EXPLORATION AND EVALUATION ASSETS (Continued)**(iii). Ontario, Properties (Continued)****(a) Northshore, Ontario (Continued)**

In March of 2019 GTA sold its mineral property holdings to CBLT Inc., a Company with the same management as GTA, such that the current property interests are approximately 56% to CBLT and 44% to Balmoral.

(b) Gargoyle, Goblin and Ghost, Ontario

On August 31, 2018, the Company entered into an option 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 option agreement by the TSX \$20,000 and 60,000 common shares (paid and issued)
- August 31, 2019: \$30,000 and 80,000 common shares (paid and issued)
- August 31, 2020: \$40,000 and 100,000 common shares*
- August 31, 2021: \$50,000 and 150,000 common shares*

*The common shares of the Company to be issued will be adjusted by the ratio of 0.71 of a Wallbridge common share for each 1.0 common share of the Company. (Note 3)

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 \$1,000,000. The Company also has a right of first refusal on the sale of the remaining NSR interest.

During the year ended December 31, 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. Neither the Goblin or Ghost properties are subject to the terms and conditions of the Gargoyle Agreement and thus are 100% owned by the Company and free of royalty interests.

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

An unlimited number of common shares without par value.

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NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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Three Months Ended March 31, 2020 and 2019

6. CAPITAL STOCK (Continued)**(a) Common shares (Continued)****Share issuances (Continued)****Share issuances**

During the period ended March 31, 2020:

- (a) The Company issued 540,000 common shares at \$0.18 per share pursuant to the exercise of stock options granted on September 7, 2018 and April 12, 2019 for gross proceeds of \$97,200 and reclassified \$40,757 related to these options from share-based payment reserve to capital stock.
- (b) The Company issued 170,369 common shares at \$0.25 per share pursuant to the exercise of share purchase warrants issued on March 15, 2019 for gross proceeds of \$42,592 and reclassified \$1,219 related to these warrants from warrant reserve to capital stock.

In connection with the issuance of common shares, the Company paid \$5,847 in share issuance costs.

(b) Warrants

The following common share purchase warrants entitle the holders thereof to purchase one common share for each common share purchase warrant.

	Period ended March 31, 2020		Year Ended December 31, 2019	
	Number of warrants	Weighted average exercise price	Number of warrants	Weighted average exercise price
Balance, beginning of the period	8,245,702	\$ 0.28	-	\$ -
Issued	-	\$ -	8,245,702	\$ 0.28
Exercised	(170,369)	\$ (0.25)	-	\$ -
Balance, end of the period	8,075,333	\$ 0.28	8,245,702	\$ 0.28

The weighted average remaining contractual life of warrants outstanding at March 31, 2020 was 0.91 years (December 31, 2019 – 1.15 years).

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NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited – Prepared by Management)

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Three Months Ended March 31, 2020 and 2019

6. CAPITAL STOCK (Continued)**(b) Warrants (Continued)**

The Company had outstanding warrants as follows:

Expiry date	March 31, 2020		December 31, 2019	
	Exercise price	Number of warrants	Exercise price	Number of warrants
September 15, 2020	\$ 0.25	1,303,287	\$ 0.25	1,473,656
October 11, 2020	\$ 0.25	1,216,427	\$ 0.25	1,216,427
April 25, 2021	\$ 0.30	424,484	\$ 0.30	424,484
May 8, 2021	\$ 0.30	5,131,135	\$ 0.30	5,131,135
		8,075,333		8,245,702

The Company uses the fair value method for determining fair value for all warrants issued during the period. The fair value of warrants issued was determined using the Black-Scholes option pricing model based on the following assumptions:

For the three months ended March 31,	2020	2019
Risk-free interest rate	N/A	1.62%
Expected life of agent warrants and compensation warrants	N/A	1.5 years
Expected annualized volatility	N/A	82%
Expected dividend yield	N/A	0.0%
Forfeiture rate	N/A	0.0%

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

Stock option transactions are summarized as follows:

	Period ended March 31, 2020		Year Ended December 31, 2019	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Balance, beginning of the period	11,337,500	\$ 0.38	10,515,000	\$ 0.54
Granted	3,075,000	\$ 0.47	4,545,000	\$ 0.18
Expired	-	\$ -	(3,722,500)	\$ (0.60)
Exercised	(540,000)	\$ (0.18)	-	\$ -
Balance, end of the period	13,872,500	\$ 0.41	11,337,500	\$ 0.38

BALMORAL RESOURCES LTD.

(An Exploration Stage Company)

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited – Prepared by Management)

(Expressed in Canadian Dollars)

Three Months Ended March 31, 2020 and 2019

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

The weighted average remaining contractual life of options outstanding at March 31, 2020 was 2.25 years (December 31, 2019 – 3.18 years).

Stock options outstanding and exercisable are as follows:

Expiry date	March 31, 2020			December 31, 2019		
	Exercise price	Options outstanding	Options exercisable	Exercise price	Options outstanding	Options exercisable
June 18, 2020	\$ 0.77	360,000	360,000	\$ 0.77	360,000	360,000
March 14, 2021	\$ 0.60	1,490,000	1,490,000	\$ 0.60	1,490,000	1,490,000
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	\$ 0.78	1,812,500	1,812,500	\$ 0.78	1,812,500	1,812,500
September 7, 2023	\$ 0.18	2,250,000	2,250,000	\$ 0.18	2,605,000	2,605,000
April 12, 2024	\$ 0.18	4,360,000	4,360,000	\$ 0.18	4,545,000	4,545,000
January 30, 2025	\$ 0.47	3,075,000	3,075,000	\$ -	-	-
		13,872,500	13,872,500		11,337,500	11,337,500

(b) Deferred share units

On June 21, 2019 the shareholders approved the establishment of the Deferred Share Unit (“DSU”) Plan, which became effective on July 26, 2019. Under the DSU Plan, directors who are not employees of the Company or any affiliate may elect to receive some or all their annual cash remuneration in the form of DSUs. Each DSU entitles the director to receive payment after the end of the director’s term in the form of one common share of the Company, therefore the DSU Plan is considered an equity-settled share-based compensation plan.

The non-employee directors elected to receive all their annual cash compensation for 2019 subsequent to the adoption of the DSU Plan in the form of DSUs. At the end of each quarter the Company issues to the directors the number of DSUs equal to the cash compensation foregone for the quarter calculated using the weighted average trading price of a common share of the Company for the last five trading days on the TSX. The Company recognizes share-based compensation equal to the amount of directors’ fees settled in DSUs, and increases shareholders’ equity by an equal amount.

The aggregate number of common shares issuable under this DSU Plan is 3,020,036 common shares. Certain insider restrictions and annual dollar limits per director exist. Dividends, if any, otherwise payable on the common shares represented by the DSUs are converted into additional DSUs based on the fair market value on the date on which any such dividends would be paid.

Share-based compensation for DSUs issued for services provided for the three months ended March 31, 2020 totalled \$33,000. There were no DSUs issued for the period ended March 31, 2019.

BALMORAL RESOURCES LTD.

(An Exploration Stage Company)

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited – Prepared by Management)

(Expressed in Canadian Dollars)

Three Months Ended March 31, 2020 and 2019

7. SHARE-BASED PAYMENTS (Continued)**(b) Deferred share units (Continued)**

The following is a summary of the changes in the number of DSUs issued and outstanding:

	Period ended March 31, 2020		Year Ended December 31, 2019	
	Number of units	Weighted fair value	Number of units	Weighted fair value
Balance, beginning of the period	183,494	\$ 0.50	-	\$ -
Units issued	90,656	\$ 0.36	183,494	\$ 0.50
Balance, end of the period	274,150	\$ 0.32	183,494	\$ 0.50

(c) Share-based payments

Share-based compensation for stock options granted in the three months ended March 31, 2020 totalled \$877,802 (2019 - \$nil). The weighted average fair value of stock options granted in 2020 was estimated at \$0.29 per option (2019 - \$nil) at the grant date using the Black-Scholes option pricing model and the following assumptions:

For the three months ended March 31,	2020	2019
Risk-free interest rate	1.34%	N/A
Expected life of options	5 years	N/A
Expected annualized volatility	74%	N/A
Expected dividend yield	0.0%	N/A
Forfeiture rate	0.0%	N/A
Share price	\$0.47	N/A

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

BALMORAL RESOURCES LTD.

(An Exploration Stage Company)

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited – Prepared by Management)

(Expressed in Canadian Dollars)

Three Months Ended March 31, 2020 and 2019

8. RELATED PARTY TRANSACTIONS AND BALANCES

During the three-month periods ended March 31, 2020 and 2019, 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:

	2020	2019
Short-term benefits (included in consulting fees and salaries and benefits and capitalized to mineral properties)*	\$ 115,000	\$ 158,000
Share-based compensation	445,324	-
	<u>\$ 560,324</u>	<u>\$ 158,000</u>

*Included in the table above are consulting fees of \$15,000 (2019 - \$15,000) paid to Blue Pegasus Consulting Inc, a company controlled by the CFO.

Transactions with other related parties

As at March 31, 2020, \$8,614 (December 31, 2019 - \$13,970) is due to officers of the Company for reimbursement of expenses and is included in accounts payable and accrued liabilities. The amount is non-interest-bearing with no fixed terms of repayment.

9. 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, 2018	\$	-
Liability incurred on flow-through shares issued March 15, 2019		469,391
Liability incurred on flow-through shares issued October 25, 2019		414,302
Liability incurred on flow-through shares issued December 30, 2019		223,250
Settlement of flow-through share liability on incurring expenditures		(520,564)
Balance, December 31, 2019	\$	586,379
Settlement of flow-through share liability on incurring expenditures		(227,177)
Balance, March 31, 2020	\$	359,202

BALMORAL RESOURCES LTD.

(An Exploration Stage Company)

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited – Prepared by Management)

(Expressed in Canadian Dollars)

Three Months Ended March 31, 2020 and 2019

9. FLOW-THROUGH SHARE PREMIUM LIABILITY (Continued)

During the three-month period ended March 31, 2020, the Company incurred \$951,460 of qualified flow-through funded exploration expenditure, which, subject to audit, partially fulfilled its commitment under the flow-through share financings on October 25, 2019. As at March 31, 2020, approximately \$5,285,000 remains to be incurred on qualifying expenditures during 2020. The Company intends to fulfill its flow-through commitments within the given time constraints, subject to restrictions and constraints resulting from government actions related to the COVID-19 pandemic.