TSX: BAR
OTCQX: BALMF
BALMORAL
RESOURCES

(An Exploration Stage Company)

CONDENSED INTERIM FINANCIAL STATEMENTS

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

Nine Months Ended September 30, 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)

September 30, 2016 and 2015

INDEX **Page**

Condensed Interim Financial Statements

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

	September 30, 2016	December 31, 2015
ASSETS		
Current assets		
Cash and cash equivalents	$ 11,306,491	$ 9,173,010
Accounts receivable	142,472	19,427
Input tax credits receivable	404,370	190,971
Marketable securities (Note 3)	556,302	200,947
Prepaid expenses	156,861	141,243
	12,566,496	9,725,598
Property, plant and equipment	41,560	6,436
Exploration and evaluation assets (Note 4)	54,138,011	50,067,859
	$ 66,746,067	$ 59,799,893
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Accounts payable and accrued liabilities	$ 1,388,885	$ 241,254
Other liabilities (Note 8)	847,349	1,820,585
	2,236,234	2,061,839
Deferred income tax liability	6,518,694	6,019,543
	8,754,928	8,081,382
Shareholders' equity		
Capital stock (Note 5)	73,851,340	67,488,730
Share-based payment reserve	7,916,342	7,529,553
Warrant reserve	297	297
Accumulated other comprehensive gain (loss) (Note 3)	261,027	(20,490)
Deficit	(24,037,867)	(23,279,579)
	57,991,139	51,718,511
	$ 66,746,067	$ 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 September 30 2016	Three months ended September 30 2015	Nine months ended September 30 2016	Nine months ended September 30 2015
Expenses				
Consulting fees (Note 7)	$ 12,360	$ 12,360	$ 37,080	$ 45,080
Depreciation	1,459	358	3,416	983
Filing and transfer agent's fees	35,179	17,391	135,703	95,619
Office and miscellaneous	48,809	34,394	153,867	138,359
Professional fees	98,285	36,642	170,007	121,803
Rent	32,204	28,459	108,914	84,195
Salaries and benefits (Note 7)	130,734	141,450	407,861	422,769
Share-based payments (Notes 6 and 7)	11,189	63,153	600,256	74,453
Shareholder communication	129,878	174,009	373,455	540,984
Travel and related costs	2,880	14,282	25,539	61,932
Loss before other items	(502,977)	(522,498)	(2,016,098)	(1,586,177)
Other items				
Interest income	28,259	32,388	66,995	105,727
Gain (loss) on sale of marketable securities	(47,690)	2,745	18,651	2,745
Impairment losses on marketable securities	-	(15,278)	-	(15,278)
Foreign exchange gain (loss)	(428)	14,442	(6,047)	15,554
Loss before income taxes	(522,836)	(488,201)	(1,936,499)	(1,477,429)
Deferred income tax recovery (Note 8)	492,172	1,550,277	1,178,211	3,426,002
Net income (loss) for the period	(30,664)	1,062,076	(758,288)	1,948,573
Other comprehensive income (loss)				
Items that may be reclassified subsequently to net income				
Fair value adjustment on marketable securities (Note 3)	132,065	(131,985)	281,517	(11,985)
Comprehensive income (loss) for the period	$ 101,401	$ 930,091	$ (477,771)	$ 1,936,588
Basic and diluted income (loss) per share				
Basic	$ 0.00	$ 0.01	$ (0.01)	$ 0.02
Diluted	$ 0.00	$ 0.01	$ (0.01)	$ 0.02
Weighted average number of common shares outstanding				
Basic	125,267,971	110,381,521	120,256,795	110,381,521
Diluted	127,422,820	110,381,521	122,411,643	110,381,521

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 income (loss)		Deficit		Total shareholders' equity
Balance at December 31, 2015	**117,629,167**	**$**	**67,488,730**	**$**	**7,529,553**	**$**	**297**	**$**	**(20,490)**	**$**	**(23,279,579)**	**$**	**51,718,511**
Shares issued for cash:													
Private placements	7,120,000		7,129,751		-		-		-		-		7,129,751
Allocation of value to flow-through premium	-		(864,151)		-		-		-		-		(864,151)
Exercise of options, including reallocation of share-based payment reserve	565,000		552,467		(213,467)		-		-		-		339,000
Share issuance costs	-		(455,457)		-		-		-		-		(455,457)
Share-based payments	-		-		600,256		-		-		-		600,256
Fair value adjustment on marketable securities	-		-		-		-		281,517		-		281,517
Net loss for the period	-		-		-		-		-		(758,288)		(758,288)
Balance at September 30, 2016	**125,314,167**	**$**	**73,851,340**	**$**	**7,916,342**	**$**	**297**	**$**	**261,027**	**$**	**(24,037,867)**	**$**	**57,991,139**

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

	2016	2015
OPERATING ACTIVITIES		
Net income (loss) for the period	$ (758,288)	$ 1,948,573
Items not affecting cash:		
Depreciation	3,416	983
Share-based payments	600,256	74,453
Gain on sale of marketable securities	(18,651)	(2,745)
Impairment losses on marketable securities	-	15,278
Deferred income tax recovery	(1,338,236)	(3,426,002)
Changes in non-cash working capital items:		
Accounts receivable	(9,138)	565
Input tax credits receivable	(213,399)	(339,688)
Refundable tax credit	-	198,500
Prepaid expenses	(15,618)	(59,248)
Accounts payable and accrued liabilities	1,793	(159,047)
Net cash used in operating activities	(1,747,865)	(1,748,378)
FINANCING ACTIVITIES		
Shares issued for cash	7,468,751	-
Share issuance costs	(455,457)	-
Net cash provided by financing activities	7,013,294	-
INVESTING ACTIVITIES		
Investment in, advances and expenditures on exploration and evaluation assets	(4,371,554)	(8,272,148)
Cash received from sale of marketable securities	278,146	40,935
Cash received from sale of property	1,000,000	-
Purchase of property, plant and equipment	(38,540)	-
Net cash used in investing activities	(3,131,948)	(8,231,213)
Increase (decrease) in cash and cash equivalents	2,133,481	(9,979,591)
Cash and cash equivalents, beginning of the period	9,173,010	15,587,381
Cash and cash equivalents, end of the period	$ 11,306,491	$ 5,607,790
Cash and cash equivalents consist of the following:		
Cash	$ 1,096,111	$ 1,354,951
Term deposits	10,210,380	4,252,839
	$ 11,306,491	$ 5,607,790
Supplemental cash flow information		
Accounts receivable related to exploration and evaluation assets	$ 133,334	$ 20,698
Accounts payable related to exploration and evaluation assets	$ 1,278,893	$ 711,105
Refundable tax credit for exploration and evaluation assets	$ -	$ 248,126
Marketable securities received for property option (Notes 3(b) and 4(a)	$ 133,333	$ 190,000
Marketable securities received for property sale (Notes 3(c) and 4(a))	$ 200,000	$ -

The accompanying notes are an integral part of these financial statements

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 $758,288 for the nine months ended September 30, 2016. 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, 2016 of $11,177,315 and a deficit of $24,037,867.

On June 30, 2016 the Company closed a bought deal flow-through private placement for gross proceeds of $7,129,751 through the issuance of 4,714,163 National flow-through common shares at a price of $0.90 per share and 2,405,837 Quebec flow-through common shares at a price of $1.20 per share. The Company also received $339,000 from the exercise of 565,000 stock options during the period ended September 30, 2016 (Note 5).

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 through the year ending December 31, 2017.

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

These condensed interim 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. 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.

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.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Approval of financial statements

The Board of Directors approved these condensed interim financial statements for issue on November 10, 2016.

3. MARKETABLE SECURITIES

(a) GTA Resources and Mining Inc.

As at September 30, 2016 the Company held 2,601,555 (December 31, 2015 - 3,055,555) common shares of GTA Resources and Mining Inc. with a fair value of $195,117 (December 31, 2015 - $91,667). During the nine months ended September 30, 2016 the Company sold 454,000 of these shares for an average price of $0.18 for gross proceeds of $83,201 and realized a loss of $47,689. The Company classifies these shares as available-for-sale. The fair value adjustment on these securities for the period ended September 30, 2016 was an unrealized gain of $233,175, which was recorded as other comprehensive income.

(b) Wealth Minerals Ltd.

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 4 (a)). During the year ended December 31, 2015 the Company sold 317,000 of these shares for an average price of $0.21 per share, realizing gross proceeds of $65,113 and a gain of $3,528. During the six months ended June 30, 2016, the Company sold the remaining 683,000 of these shares for an average price of $0.29 for gross proceeds of $198,591 and realized a gain of $66,340.

On July 13, 2016 the Company received an additional 148,477 common shares of Wealth in settlement of the second instalment of $133,333 pursuant to the Termination Agreement relating to the N1 and N2 properties (Note 4(a)). The Company classifies these shares as available-for-sale. The fair value adjustment on these securities for the period ended September 30, 2016 was an unrealized gain of $73.050, which was recorded as other comprehensive income. As at September 30, 2016 the Company held 148,477 (December 31, 2015 – 683,000) common shares of Wealth with a fair value of $206,383 (December 31, 2015 - $109,280).

(c) Wallbridge Mining Company Limited

On May 25, 2016, the Company received 2,381,575 common shares of Wallbridge Mining Company Limited ("Wallbridge") with a fair value on that date of $200,000 as a first payment under a Letter of Intent to purchase the Company's Fenelon Mine Property (Note 4(a)). The Company classified these shares as available-for-sale. As at September 30, 2016, the Company continued to hold 2,381,575 common shares of Wallbridge with a fair value at that date of $154,802. The unrealized loss of $45,198 was recorded as other comprehensive income.

(Expressed in Canadian Dollars)

4. EXPLORATION AND EVALUATION ASSETS

	Fenelon (Note 4(a))	**N2** (Note 4(a))	**Martiniere** (Note 4(a))	**Northshore** (Note 4(b))	**Detour East** (Note 4(c))	**Grasset** (Note 4(d))	**Others**	**Total**
Balance at December 31, 2015	$ 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	-	-	-	-	1,014	-	29,000	30,014
Share issuances	-	-	-	-	-	-	-	-
Total acquisition costs	-	-	-	-	1,014	-	29,000	30,014
Deferred exploration costs:								
Assays	-	-	-	-	-	23,795	-	23,795
Claims management	982	982	4,872	982	2,708	982	4,910	16,418
Community relations	3,000	-	-	-	-	-	-	3,000
Drilling	194,505	9,835	4,245,460	3,050	63,642	704,258	14,594	5,235,344
Engineering	-	-	-	-	-	44,131	-	44,131
Geology	616	-	24,130	-	2,690	16,796	-	44,232
Geophysics	-	-	133,879	-	134,829	4,075	-	272,783
Project management	-	-	7,064	-	26	4,066	-	11,156
Property payments	17,873	-	3,536	-	15,455	10,364	3,231	50,459
Total deferred exploration costs	216,976	10,817	4,418,941	4,032	219,350	808,467	22,735	5,701,318
Total expenditures for the period	216,976	10,817	4,418,941	4,032	220,364	808,467	51,735	5,731,332
Cost recoveries	(1,200,000)	(400,000)	-	-	-	-	-	(1,600,000)
Quebec mineral exploration tax credit	(6,430)	(1,939)	(27,235)	(391)	(3,391)	(20,283)	(1,511)	(61,180)
Balance at September 30, 2016	$ 4,458,575	$ 1,438,553	$ 28,789,029	$ 403,690	$ 3,551,599	$ 14,323,025	$ 1,173,540	$ 54,138,011

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 in favour of former property owners and payable on commencement of commercial production: 2% at Martiniere, between 2% and 4% for Fenelon, and 1% to 5% on the N2 Property. Buyout provisions exist for certain portions of these royalties.

On February 2, 2015 the Company agreed to option a partial interest in its N1 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 common shares of Wealth and making cash payments to the Company. The Company received 1,000,000 common shares on February 26, 2015 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 would pay to the Company a sum of $400,000 in cash or common shares of Wealth, at Wealth's option, in three equal instalments. The first instalment was paid in cash on April 1 and the second in shares on July 1 (Note 3(b)). The final instalment was received in cash on October 1, 2016. The Company holds a 100% interest in the Project and Wealth maintains no interest in the Project.

On May 24, 2016 the Company entered into a Letter of Intent (the "LOI") to sell its Fenelon Mine Property, which comprises approximately 10% of its broader Fenelon Property, to Wallbridge. Under the terms of the LOI, the Company received an immediate payment of 2,381,575 common shares of Wallbridge (Note 3(c)) with a deemed value of $200,000 and was to receive cash payments totalling $3,500,0000 in three instalments on or before September 21, 2016. The agreement was subsequently amended to defer the timing of the cash payments. During the quarter ended September 30, 2016 the Company received cash payments of $1,000,000 and on October 18, 2016 the Company received the final payment of $2,500,000 (Note 9 (b)). The Company retains a 1% NSR royalty on all future production from the property.

(b) Northshore, Ontario

As at September 30, 2016 the Company owns a 48.6% interest in the Northshore Property along with a similar interest in certain surface rights attached to the property. The Northshore Property mineral rights are underlain by a sliding-scale NSR to a third-party, which is adjusted to the contained number of ounces of gold outlined in a pre-production resource estimate.

On July 24, 2011 the Company and GTA entered into an option agreement 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) 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 $403,690, the carrying value of the Northshore Property.

(Expressed in Canadian Dollars)

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. and for which the Company is the operator. During the nine months ended September 30, 2016 the Company acquired additional claims for staking fees of $1,014.

There is a NSR 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 for $1,000,000 for the first 50% of the NSR interest and $2,000,000 for the remainder.

(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 4(a)). There are no underlying royalties on the Grasset Property. Given the very depressed state of the nickel market the Company suspended work on the Grasset deposit and in the surrounding area following a small winter 2016 drill program.

5. CAPITAL STOCK

(a) Common shares

Authorized

An unlimited number of common shares without par value.

Share issuances

During the period ended September 30, 2016:

a. On June 30, 2016 the Company closed a bought deal private placement of flow-through common shares and raised gross proceeds of $7,129,751 through the issuance of 4,714,163 National flow-through common shares at a price of $0.90 per share and 2,405,837 Quebec flow-through common shares at a price of $1.20 per share.

   In connection with the placement, the Company paid finders' cash commission of $427,785 and $187,697 in share issuance costs.

b. The Company issued 565,000 common shares at $0.60 per share pursuant to the exercise of stock options granted on January 23, 2014 and reclassified $213,467 related to these options from share-based payment reserve to capital stock.

(b) Warrants

The Company had outstanding warrants as follows:

	September 30, 2016		December 31, 2015	
Expiry date	Exercise price	Number of warrants	Exercise price	Number of warrants
September 30, 2016 (agent warrants)	$ -	-	$ 1.25	154,800

(Expressed in Canadian Dollars)

6. SHARE-BASED PAYMENTS

(a) Stock options

Stock option transactions are summarized as follows:

	Period ended September 30, 2016		**Year ended 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	(1,275,000)	$ (1.13)	(870,000)	$ (0.88)
Exercised	(565,000)	$ 0.60	-	$ -
Balance, end of the period	7,617,700	$ 0.72	7,422,700	$ 0.78

The weighted average remaining contractual life of options outstanding at September 30, 2016 was 2.74 years (December 31, 2015 – 2.6 years).

Stock options outstanding and exercisable are as follows:

	September 30, 2016			**December 31, 2015**		
Expiry date	Exercise price	Options outstanding	Options exercisable	Exercise price	Options outstanding	Options exercisable
June 6, 2016	$ -	-	-	$ 1.25	695,000	695,000
February 6, 2018	$ 1.05	1,867,700	1,867,700	$ 1.05	2,397,700	2,397,700
January 23, 2019 (Note 9(c))	$ 0.60	2,905,000	2,905,000	$ 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	270,000	$ 0.77	360,000	90,000
March 14, 2021	$ 0.60	2,035,000	2,035,000	$ -	-	-
		7,617,700	7,527,700		7,422,700	7,152,700

(b) Share-based payments

Share-based payment expenses for the options granted in the nine months ended September 30, 2016 totalled $600,256 (2015 - $74,453). 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:

(Expressed in Canadian Dollars)

6. SHARE-BASED PAYMENTS (Continued)

(b) Share-based payments (Continued)

For the six months ended	2016	2015
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%	-

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

7. RELATED PARTY TRANSACTIONS AND BALANCES

During the periods ended September 30, 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:

	2016	2015
Short-term benefits (included in consulting fees and salaries and benefits)	$ 542,217	$ 509,734
Share-based payments	417,125	74,453
	$ 959,342	$ 584,187

8. OTHER LIABILITIES

On issuance, the Company allocates the amount received for flow-through shares between i) capital stock and ii) flow-through share premium, being an amount equal to the estimated premium, if any, investors pay for the flow-through feature. The flow-through share premium 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 consists of 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:

(Expressed in Canadian Dollars)

8. OTHER LIABILITIES (Continued)

Flow-through shares

Balance, December 31, 2014	$	3,768,262
Liability related to flow-through shares issued October 28, 2015		1,511,912
Liability related to flow-through shares issued November 18, 2015		336,000
Settlement of flow-through share liability on incurring qualifying expenditures		(3,795,589)
Balance, December 31, 2015	$	1,820,585
Liability related to flow-through shares issued June 30, 2016		864,151
Settlement of flow-through share liability on incurring qualifying expenditures		(1,837,387)
Balance, September 30, 2016	$	847,349

During the nine months ended September 30, 2016, the Company incurred $5,478,348 of qualified flow-through funded exploration expenditures, which fulfilled its commitment to the flow-through share financing on October 28, 2015 and November 18, 2015 and partially fulfilled its commitment to the flow-through financing on June 30, 2016. As at September 30, 2016, approximately $7,005,157 remains to be incurred on qualifying expenditures during fiscal 2017.

9. OTHER ITEMS

(a) On June 30, 2016, the Company and the Company's President and CEO received 52 co-jointed statements of offence issued by the Ordre des Geologues du Quebec under Code des Professions pertaining to the use of certain Professional Geoscientists and registered Geologists in Training in preparation of 5 separate reports submitted by the Company to the Government of Quebec and signed by the Company's President. The fine sought against the Company is $156,000 ($3,000 per offence) plus any court fees if granted by the court. The Company and the Company's President have recorded not guilty pleas and will vigorously defend themselves against the allegations, and

(b) On October 18, 2016, the Company received the final payment of $2,500,00 from Wallbridge pursuant to the agreement to sell the Fenelon Property (Note 4(a)),

(c) On October 24, 2016, 50,000 stock options were exercised at a price of $0.60 per share,

(d) On October 30, 2016, 60,000 stock options exercisable at a price of $1.05 per share expired unexercised.

(e) On November 7, 2016, the Company granted 175,000 stock options at an exercise price of $0.90 per share and an expiry date of November 7, 2021.

(f) On November 10, 2016, 135,000 stock options were exercised at a price of $0.60 per share