



(An Exploration Stage Company)

CONDENSED INTERIM FINANCIAL STATEMENTS

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

Three Months Ended March 31, 2018 and 2017

Corporate Head Office

1750-700 West Pender Street
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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)

March 31, 2018 and 2017

<u>INDEX</u>	<u>Page</u>
Condensed Interim Financial Statements	
Condensed Interim Statements of Financial Position	1
Condensed Interim Statements of Operations and Comprehensive Loss	2
Condensed Interim Statements of Changes in Equity	3
Condensed Interim Statements of Cash Flows	4
Notes to Condensed Interim Financial Statements	5-12

BALMORAL RESOURCES LTD.

(An Exploration Stage Company)

CONDENSED INTERIM STATEMENTS OF FINANCIAL POSITION

(Unaudited – Prepared by Management)

(Expressed in Canadian Dollars)

	March 31, 2018	December 31, 2017
ASSETS		
Current assets		
Cash and cash equivalents	\$ 7,126,247	\$ 9,531,239
Accounts receivable	38,852	6,563
Input tax credits receivable	220,463	102,358
Refundable tax credit	251,394	251,394
Marketable securities (Note 3)	246,957	355,228
Prepaid expenses	176,452	150,934
	8,060,365	10,397,716
Property, plant and equipment	95,465	49,704
Exploration and evaluation assets (Note 4)	63,505,180	61,606,695
	\$ 71,661,010	\$ 72,054,115
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Accounts payable and accrued liabilities	\$ 520,556	\$ 247,699
Flow-through share premium liability (Note 8)	853,975	1,074,335
	1,374,531	1,322,034
Asset retirement obligation (Note 4(i)(a))	100,000	100,000
Deferred income tax liability	8,750,791	8,475,691
	10,225,322	9,897,725
Shareholders' equity		
Capital stock (Note 5)	81,645,402	81,645,402
Share-based payment reserve	9,210,276	9,210,276
Warrant reserve	297	297
Accumulated other comprehensive income (Note 3)	85,015	193,286
Deficit	(29,505,302)	(28,892,871)
	61,435,688	62,156,390
	\$ 71,661,010	\$ 72,054,115

Approved on behalf of the Directors:

"Bryan Disher" Director
Bryan Disher

"Graeme Currie" Director
Graeme Currie

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

BALMORAL RESOURCES LTD.

(An Exploration Stage Company)

CONDENSED INTERIM STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS

(Unaudited – Prepared by Management)

(Expressed in Canadian Dollars)

Three Months Ended March 31

	2018	2017
EXPENSES		
Consulting fees (Note 7)	\$ 25,537	\$ 21,380
Depreciation	3,421	2,159
Filing and transfer agent's fees	68,355	85,178
Office and miscellaneous	47,884	48,376
Professional fees	57,143	76,015
Property evaluations	3,690	-
Rent	31,815	29,350
Salaries and benefits (Note 7)	274,352	192,058
Share-based payments (Notes 6 and 7)	-	1,110,659
Shareholder communication	66,071	130,978
Travel and related costs	8,208	4,766
Loss before other items	(586,476)	(1,700,919)
Other items		
Interest income	28,736	19,200
Gain on sale of marketable securities	-	13,255
Foreign exchange loss	48	(2,191)
Loss before income taxes	(557,692)	(1,670,655)
Deferred income tax expense (Note8)	(54,739)	(130,661)
Net loss for the period	(612,431)	(1,801,316)
Other comprehensive income		
Items that may be reclassified subsequently to net loss:		
Fair value adjustment on marketable securities (Note 3)	(108,271)	18,606
Comprehensive income (loss) for the period	\$ (720,702)	\$ (1,782,710)
Basic and diluted loss per share	\$ (0.00)	\$ (0.01)
Weighted average number of common shares outstanding		
Basic	138,510,776	125,499,167

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BALMORAL RESOURCES LTD.

(An Exploration Stage Company)

CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY

(Unaudited – Prepared by Management)

(Expressed in Canadian Dollars)

	Number of shares	Capital stock	Share-based payment reserve	Warrant reserve	Accumulated other comprehensive income (loss)	Deficit	Total shareholders' equity
Balance, December 31, 2016	125,499,167	\$ 74,017,786	\$ 8,099,617	\$ 297	\$ 140,056	\$ (24,332,232)	\$ 57,925,524
Share-based payments (Note 6)	-	-	1,110,659	-	-	-	1,110,659
Net loss for the period	-	-	-	-	-	(1,801,316)	(1,801,316)
Fair value adjustment on marketable securities	-	-	-	-	18,606	-	18,606
Balance, March 31, 2017	125,499,167	74,017,786	9,210,276	297	158,662	(26,133,548)	57,253,473
Shares issued for cash:							
Private placement	13,011,609	9,520,200	-	-	-	-	9,520,200
Allocation of value to flow- through share premium	-	(1,439,000)	-	-	-	-	(1,439,000)
Share issuance costs	-	(453,584)	-	-	-	-	(453,584)
Net loss for the year	-	-	-	-	-	(2,759,323)	(2,759,323)
Fair value adjustment on marketable securities	-	-	-	-	34,624	-	34,624
Balance, December 31, 2017	138,510,776	81,645,402	9,210,276	297	193,286	(28,892,871)	62,156,390
Net loss for the period	-	-	-	-	-	(612,431)	(612,431)
Fair value adjustment on marketable securities	-	-	-	-	(108,271)	-	(108,271)
Balance, March 31, 2018	138,510,776	\$ 81,645,402	\$ 9,210,276	\$ 297	\$ 85,015	\$ (29,505,302)	\$ 61,435,688

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

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

	2018	2017
OPERATING ACTIVITIES		
Net loss for the period	\$ (612,431)	\$ (1,801,316)
Items not affecting cash:		
Depreciation	3,421	2,159
Share-based compensation (Note 6)	-	1,110,659
Gain on sale of marketable securities	-	(13,255)
Deferred income tax expense (recovery)	54,739	130,661
Changes in non-cash working capital items:		
Accounts receivable	(9,719)	(2,594)
Input tax credits receivable	(118,105)	62,152
Prepaid expenses	(25,518)	(63,394)
Accounts payable and accrued liabilities	(84,941)	(20,682)
Net cash used in operating activities	(792,554)	(595,610)
INVESTING ACTIVITIES		
Investment in, advances to and expenditures on exploration and evaluation assets	(1,563,256)	(913,099)
Cash received from sale of marketable securities, net of commissions	-	50,558
Purchase of property, plant and equipment	(49,182)	(14,133)
Net cash used in investing activities	(1,612,438)	(876,674)
Decrease in cash and cash equivalents	(2,404,992)	(1,472,284)
Cash and cash equivalents, beginning of the period	9,531,239	10,559,915
Cash and cash equivalents, end of the period	\$ 7,126,247	\$ 9,087,631
Cash and cash equivalents consist of the following:		
Cash	\$ 1,073,800	\$ 1,046,467
Term deposits	6,052,447	8,041,164
	\$ 7,126,247	\$ 9,087,631
Supplemental cash flow information		
Accounts receivable related to exploration and evaluation assets	\$ 19,519	\$ 404
Accounts payable related to exploration and evaluation assets	\$ 1,285,337	\$ 488,647

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BALMORAL RESOURCES LTD.

(An Exploration Stage Company)

NOTES TO CONDENSED INTERIM FINANCIAL STATEMENTS

(Unaudited – Prepared by Management)

(Expressed in Canadian Dollars)

Three Months Ended March 31, 2018 and 2017

1. NATURE AND CONTINUANCE OF OPERATIONS

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

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

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

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

These 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 financial statements do not include any adjustments that may result from the inability to secure future financing, such a situation would have a material adverse effect on the Company’s business, results of operations and financial condition.

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

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

BALMORAL RESOURCES LTD.

(An Exploration Stage Company)

NOTES TO CONDENSED INTERIM FINANCIAL STATEMENTS

(Unaudited – Prepared by Management)

(Expressed in Canadian Dollars)

Three Months Ended March 31, 2018 and 2017

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

Except as set out below, the accounting policies, estimates and judgments, 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 pronouncement became effective on January 1, 2018 and was adopted by the Company from that date on a prospective basis. The adoption of this pronouncement had no effect on the Company's reported results.

IFRS 9 Financial Instruments

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

(c) Approval of financial statements

The Board of Directors approved these condensed interim financial statements for issue on May 9, 2018.

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

As at March 31, 2018 and December 31, 2017 the Company held 2,601,555 common shares of GTA with a fair value of \$104,062 (December 31, 2017 - \$117,070). The Company classifies these shares as available-for-sale. The fair value adjustment on these securities for the period ended March 31, 2018 was an unrealized loss of \$13,008, which was recorded as other comprehensive income.

(b) Wallbridge Mining Company Limited

As at March 31, 2018 and December 31, 2017 the Company held 2,381,575 common shares of Wallbridge with a fair value at March 31, 2018 of \$142,895 (December 31, 2017 - \$238,158). The unrealized loss of \$95,263 was recorded as other comprehensive loss.

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(An Exploration Stage Company)

NOTES TO CONDENSED INTERIM FINANCIAL STATEMENTS

(Unaudited – Prepared by Management)

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Three Months Ended March 31, 2018 and 2017

4. EXPLORATION AND EVALUATION ASSETS

	Fenelon (Note 4(i)(a))	N2 (Note 4(ii)(a))	Martiniere (Note 4(i)(a))	Northshore (Note 4(iii)(a))	Detour East (Note 4(i)(b))	Grasset (Note 4(i)(c))	Others (Note 4(ii)(b))	Total
Balance, December 31, 2017	\$ 2,115,212	\$ 1,460,408	\$ 36,423,019	\$ 406,510	\$ 5,175,839	\$ 14,786,331	\$ 1,239,376	\$ 61,606,695
Acquisition costs								
Cash payments	-	-	-	-	-	-	-	-
Share issuances	-	-	-	-	-	-	-	-
Total acquisition costs	-	-	-	-	-	-	-	-
Deferred exploration costs:								
Assays	-	-	80,284	-	-	-	-	80,284
Claims management	257	257	257	257	257	257	2,059	3,601
Drilling	14,726	2,174	1,201,017	-	16,105	21,791	9,041	1,264,854
Engineering	-	-	7,250	-	-	-	-	7,250
Geology	5,851	-	9,749	-	2,220	-	2,632	20,452
Geophysics	-	-	82,987	-	-	-	411,835	494,822
Project management	6,872	-	18,858	-	-	3,215	156	29,101
Property payments	(454)	841	1,987	-	8,497	-	320	11,191
Total deferred exploration costs	27,252	3,272	1,402,389	257	27,079	25,263	426,043	1,911,555
Total expenditures for the period	27,252	3,272	1,402,389	257	27,079	25,263	426,043	1,911,555
Cost recoveries	(13,070)	-	-	-	-	-	-	(13,070)
Balance, March 31, 2018	\$ 2,129,394	\$ 1,463,680	\$ 37,825,408	\$ 406,767	\$ 5,202,918	\$ 14,811,594	\$ 1,665,419	\$ 63,505,180

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NOTES TO CONDENSED INTERIM FINANCIAL STATEMENTS

(Unaudited – Prepared by Management)

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Three Months Ended March 31, 2018 and 2017

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

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

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

In October 2016, the Company sold its Fenelon Mine Property, which comprised approximately 10% of its broader Fenelon Property prior to the sale, to Wallbridge. The Company retains a 1% NSR royalty on all future production from the Fenelon Mine property

The Company recovered \$13,070 from the renting of the camp and storage at Fenelon.

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

(b) Detour East, Quebec

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

There is a NSR 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.

(ii). Properties along the Casa Beradi Fault Zone, Quebec**(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.

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NOTES TO CONDENSED INTERIM FINANCIAL STATEMENTS

(Unaudited – Prepared by Management)

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Three Months Ended March 31, 2018 and 2017

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

The Company owns a 100% interest in the Hwy 810 Property, acquired by staking, which is located proximal to the producing Casa Berardi gold mine.

(iii). Ontario, Thunder Bay Mining Division**(a) Northshore, Ontario**

As at March 31, 2018, the Company owns a 48.6% interest in the Northshore Property along with a similar interest in certain surface rights attached to the property. The Northshore Property mineral rights are underlain by a sliding-scale NSR to a third-party, which is adjusted to the contained number of ounces of gold outlined in a pre-production resource estimate.

On July 24, 2011, the Company and GTA entered into an option agreement (the “Option Agreement”) whereby GTA was granted the exclusive right to acquire up to a 70% interest in the Northshore Property.

On July 14, 2014, GTA delivered a first option vesting notice to the Company and subsequently advised the Company that it would not be proceeding with a second option, which had been granted under the terms of the Option Agreement. Consequently a 51%/49% participatory contractual arrangement (joint venture) was formed with respect to the Northshore Property with GTA as the majority holder and project operator. Currently the property interests are approximately 54% to GTA and 46% to Balmoral. As the Company does not have joint control over the operations, but retains an 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

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

An unlimited number of common shares without par value.

Share issuances

There were no share issuances during the period ended March 31, 2018.

BALMORAL RESOURCES LTD.

(An Exploration Stage Company)

NOTES TO CONDENSED INTERIM FINANCIAL STATEMENTS

(Unaudited – Prepared by Management)

(Expressed in Canadian Dollars)

Three Months Ended March 31, 2018 and 2017

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

Stock option transactions are summarized as follows:

	Period ended March 31, 2018		Year Ended December 31, 2017	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Balance, beginning of the period	10,331,950	\$ 0.74	7,897,700	\$ 0.73
Granted	-	\$ -	2,434,250	\$ 0.78
Expired	(1,807,700)	\$ (1.05)	-	-
Balance, end of the period	8,524,250	\$ 0.67	10,331,950	\$ 0.74

The weighted average remaining contractual life of options outstanding at March 31, 2018 was 1.32 (December 31, 2017 – 1.25) years.

Stock options outstanding and exercisable are as follows:

Expiry date	March 31, 2018			December 31, 2017		
	Exercise price	Options outstanding	Options exercisable	Exercise price	Options outstanding	Options exercisable
February 6, 2018	-	-	-	\$ 1.05	1,807,700	1,807,700
January 23, 2019	\$ 0.60	2,855,000	2,855,000	\$ 0.60	2,855,000	2,855,000
February 5, 2019	\$ 0.61	300,000	300,000	\$ 0.61	300,000	300,000
December 23, 2019	\$ 0.90	150,000	150,000	\$ 0.90	150,000	150,000
June 18, 2020	\$ 0.77	360,000	360,000	\$ 0.77	360,000	360,000
March 14, 2021	\$ 0.60	1,900,000	1,900,000	\$ 0.60	1,900,000	1,900,000
November 7, 2021	\$ 0.90	175,000	175,000	\$ 0.90	175,000	175,000
December 23, 2021	\$ 0.70	350,000	350,000	\$ 0.70	350,000	350,000
March 2, 2022	\$ 0.78	2,434,250	2,434,250	\$ 0.78	2,434,250	2,434,250
		8,524,250	8,524,250		10,331,950	10,331,950

(b) Share-based payments

Share-based payment expense for the three months ended March 31, 2018 totalled \$Nil (2017 - \$1,110,659). The weighted average fair value of stock options granted was estimated at \$Nil (2017 - \$0.45) at the grant date using the Black-Scholes option pricing model and the following assumptions:

BALMORAL RESOURCES LTD.

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NOTES TO CONDENSED INTERIM FINANCIAL STATEMENTS

(Unaudited – Prepared by Management)

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Three Months Ended March 31, 2018 and 2017

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

For the three months ended March 31,	2018	2017
Risk-free interest rate	N/A	1.17%
Expected life of options	N/A	5 years
Expected annualized volatility	N/A	71%
Expected dividend yield	N/A	0.0%
Forfeiture rate	N/A	0.0%
Share price	N/A	\$0.78

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

7. RELATED PARTY TRANSACTIONS AND BALANCES

During the periods ended March 31, 2018 and 2017, the Company had the following transactions with related parties:

Key management compensation

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

	Period ended March 31, 2018	Period ended March 31, 2017
Short-term benefits (included in consulting fees and salaries and benefits and capitalized to mineral properties)	\$ 256,267	\$ 204,300
Share-based payments	-	677,189
	\$ 256,267	\$ 881,489

8. FLOW-THROUGH SHARE PREMIUM LIABILITY

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

Balance, December 31, 2016	\$ 593,282
Liability incurred on flow-through shares issued September 15, 2017	860,692
Liability incurred on flow-through shares issued September 29, 2017	578,308
Settlement of flow-through share liability on incurring expenditures	(957,947)
Balance, December 31, 2017	\$ 1,074,335
Settlement of flow-through share liability on incurring expenditures	(220,360)
Balance, March 31, 2018	\$ 853,975

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NOTES TO CONDENSED INTERIM FINANCIAL STATEMENTS

(Unaudited – Prepared by Management)

(Expressed in Canadian Dollars)

Three Months Ended March 31, 2018 and 2017

8. FLOW-THROUGH SHARE PREMIUM LIABILITY (Continued)

During the period ended March 31, 2018, the Company incurred \$1,770,010 of qualified flow-through funded exploration expenditures, which fulfilled its commitment under the flow-through financing September 29, 2017 and partially fulfilled its commitment under the flow-through financing on September 15, 2017, subject to audit, if any. As at March 31, 2018, approximately \$4,030,000 remains to be incurred on qualifying expenditures during fiscal 2018. The Company intends to fulfill its flow-through commitments within the given time constraints.