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Analyst Note

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Balmoral Resources Ltd. (BAR-T)

Searching for gold: Bug Lake South and near Grasset along the Sunday Lake

Event: Initial 2016 winter drill results at Bug Lake and gold targets proximal to Grasset, Québec Detour Gold Trend.

Impact: Mildly positive. Drill results in the southern portion of the Bug Lake system show complexity, but suggest fertile gold zones that remain open. More work warranted this summer.

Analysis

- **On May 11, 2016, Balmoral provided initial drill results from the winter 2016 drilling campaign on Bug Lake, Martinière property, Quebec Detour Trend.** Balmoral reported diamond drill results from 3 holes (11 holes recently completed) in the heart of the southern section of the Bug Lake NNW-SSE trending zone and 3 holes in the Grasset area (9 holes completed). Results continue to demonstrate the complexity of the mineralized system at Bug Lake but also confirm the high-grade gold nature of mineralization within the Upper Bug Lake and Hanging Wall Zones. Recall the Martinière property forms part of the Balmoral's ~700km² Detour Trend Project and is located ~40km west of Balmoral's Grasset Ni-Cu-PGE deposit (see March 15, 2016 Analyst Note).

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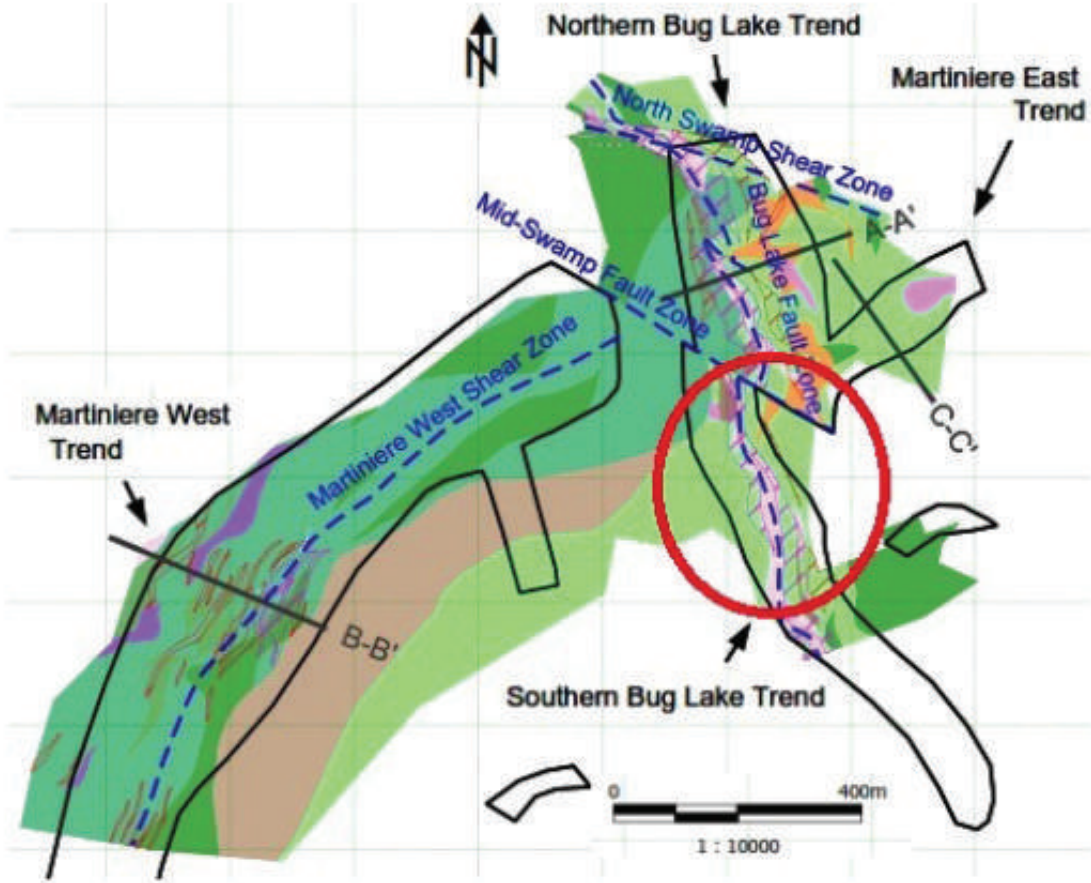
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- **The infill drilling focused on an area ~75m long x 150m in the central southern segment of the Bug Lake Gold Trend and succeeded in confirming grades and thicknesses.** Recall the Bug Lake Trend is the most significant of the three gold-bearing trends discovered to date on the Martinière Property (Martinière West, Bug Lake, Martinière East) and consists of up to ~4 anastomosing pinch and swell gold-bearing zones that are centered around the NNW-SSE Bug Lake Fault Zone (BLFZ) and Bug Lake porphyry (see Exhibits 1 and 2). These 4 principal zones of high-grade gold mineralization are (from east to west), the Hanging Wall (HW), Upper Bug Lake (UBL), Lower Bug Lake (LBL), and Footwall (FW) sub-zones. The BLFZ is interpreted to be an early and frequently re-activated N-S striking, steeply to moderately east-dipping fault zone that has been traced with a strike length of ~1280m and to a true vertical depth of ~400m. It has a sigmoid (or “steep -ramp-flat - steep”) morphology in the northern segment. Drill results of the winter 2016 campaign come from the southern part of the BLFZ and have high grade gold within the Upper Bug Lake and Hanging Wall. Results from the first 3 holes confirm and expand on a series of high-grade gold intercepts from the previous widely spaced drilling along this portion of the Bug Lake Trend. Drill results are highlighted by intercepts of 12.56m @ 14.08 g/t Au (including 0.85m @ 199 g/t Au) (DDH MDE-16-205), as well as on the same section 4.47m @ 11.55 g/t Au (DDH MDE-16-203) and 15.42m @ 3.31 g/t Au (including 5.3m @ 6.08 g/t Au) in DDH MDE-16-204 at a vertical depth of only 45m below surface. All mineralized zones remain open to depth.
- **The Bug Lake Gold Trend also remains open to the south toward the Sunday Lake Deformation Zone.** Gold mineralization occurs in several discrete zones which collectively span widths of 30 to over 120m centered on the BLFZ. Continued expansion and delineation work along the trend, and throughout the broader Martinière gold system, should be the primary focus through the remainder of 2016. A fully funded, summer-fall, 20,000m diamond drill program (\$4M) is anticipated to commence before July 2016. This confirmation infill drilling of 3 holes (with results from 8 additional holes drilled along the Bug Lake Gold Trend still pending) has an average grade x thickness of ~20.3 g/t Au x m (estimated true thickness). The Bug Lake Footwall Zone discovered in 2012, is now notable, beyond its exceptionally high gold grades, for its local thickness and robustness. We estimate a 361,000oz Au endowment.
- **Sunday Lake Deformation Zone remains poorly explored.** Winter drilling on the Grasset Property tested two gold targets lateral to, and above, discovery hole GR-15-89 which returned 3.8m @ 10.04 g/t Au back in September 2015 (see September 9, 2015 Analyst Note). Indeed, anomalous gold mineralization with grades above 9 g/t Au had been encountered proximal to the Grasset Ni-Cu-PGE system within the hanging wall volcanics, largely parallel to the regional Sunday Lake Deformation Zone (see Exhibit 3). Holes GR-16-100 and GR-16-101 were drilled to delineate the gold bearing shear zone and intersected a sequence of strongly deformed, sericite altered, and variably qtz-carbonate veined volcanic rocks returning anomalous gold mineralization over more than 6m widths. Hole GRX-16-23 drilled 1.7km east of the Grasset deposit, along the projected strike of the Sunday Lake Deformation Zone (SLDZ), intersected the northern contact of the zone returning anomalous gold mineralization within a deformed porphyry intrusion. There is very little drill testing of the SLDZ for several kilometres to the east within the confines of the Grasset Property. This additional evidence of gold mineralization on the Grasset Property adds to a growing list of gold opportunities along the Québec Detour Trend. Short-term share price catalysts are additional drill results from Bug Lake and grass-root exploration holes. Other later catalysts could include a potential maiden NI 43-101 mineral resource estimate by Q4/2016 on Bug Lake following summer drilling.



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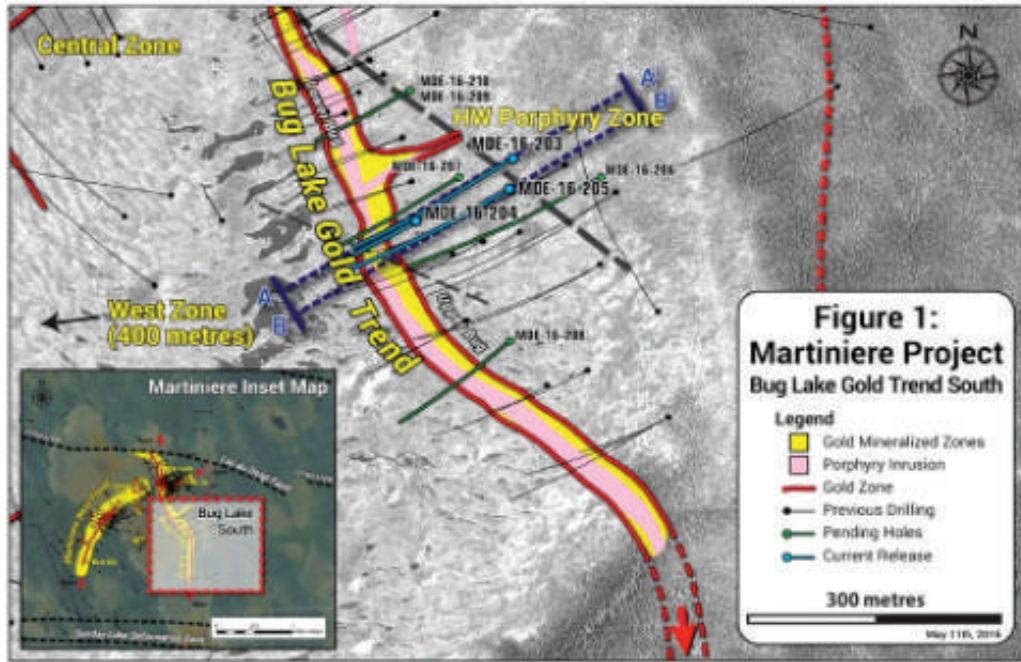
Exhibit 1: Gold Zones on Balmoral's Martinière Property



Source: modified from Balmoral Resources Ltd.



Exhibit 2: Southern Bug Lake Zones (plan view and sections)

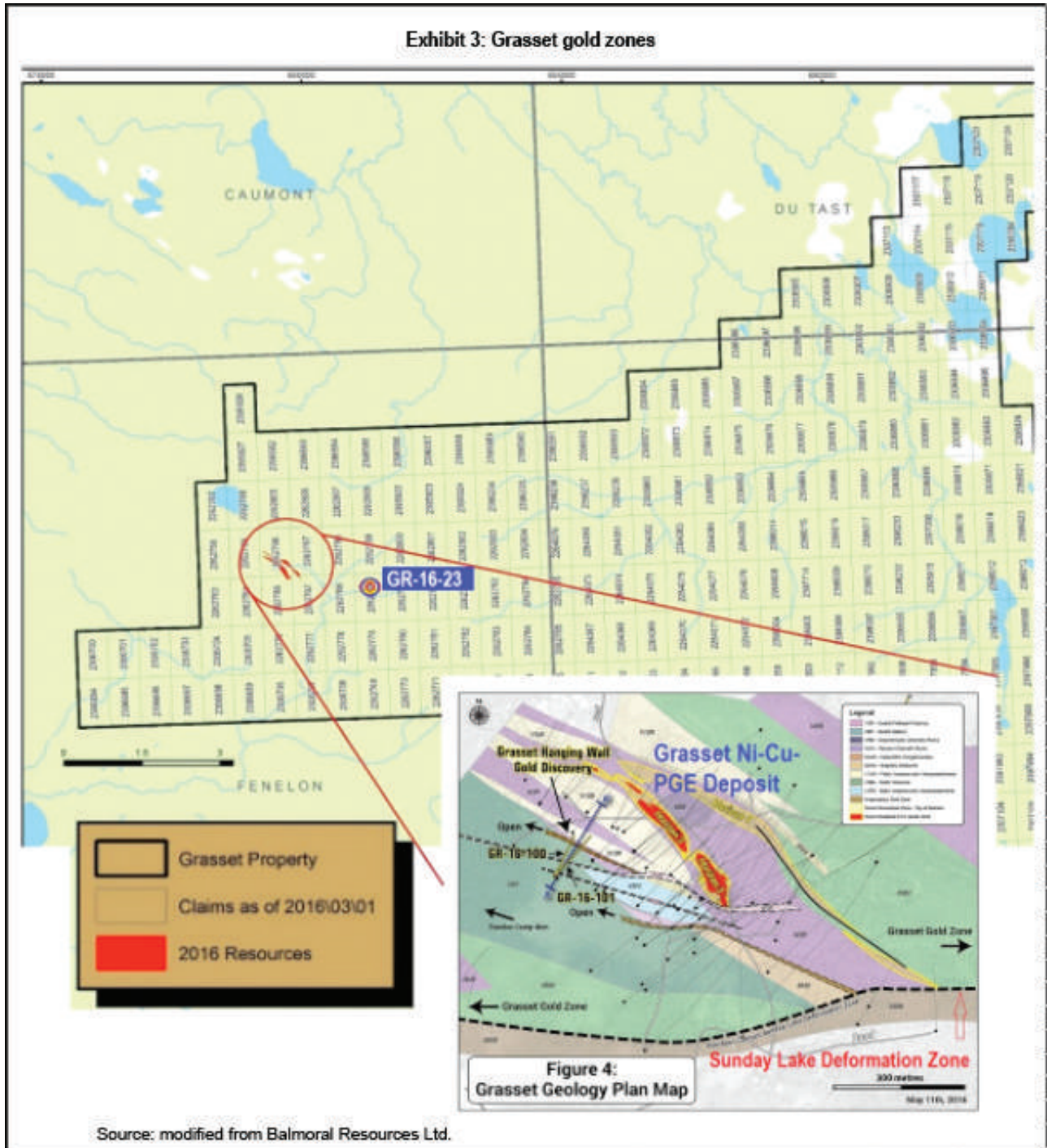


Source: modified from Balmoral Resources Ltd.



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Exhibit 3: Grasset gold zones



Source: modified from Balmoral Resources Ltd.