



## CORPORATE UPDATE March 28, 2018

### BALMORAL RESOURCES LTD. (T-BAR) \$0.30

**RATING: BUY**  
(unchanged)

**TARGET: \$0.50**  
(decreased, previously \$1.05)

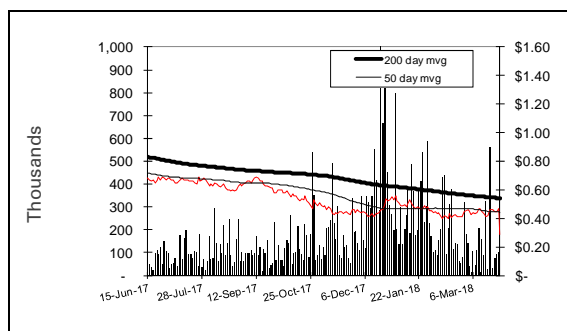
## That Was a Rather Long Wait

- ▶ **EVENT:** Balmoral announced a disappointing maiden resource estimate for its Martiniere Gold property in Quebec, tabling open-pit indicated resources of 431,000oz @ 1.96g/t and inferred resources of 11,000oz @ 2.5g/t gold. Lesser underground resources were also compiled with indicated ounces of 159,000oz @ 4.54g/t and inferred of 43,000oz @ 5.75g/t gold.
- ▶ **DISCUSSION:** The maiden resource is rather disappointing considering the extensive exploration efforts put forth by Balmoral across the Martiniere gold systems. The estimate was compiled from 490 drill holes spanning ~92,000m of drilling.
- ▶ Despite the extensive success hitting mineralization at depth, over 93% of the resource is contained within the upper 350m of the system leaving an abundance of material uncategorized and privy to future resource inclusion. Balmoral has hit mineralization at over 650m depth and remains open.
- ▶ In its 2018 winter drilling, Balmoral intends to focus on expanding the gold system on multiple fronts especially since several recent discoveries were left out of the estimate.
- ▶ **IMPACT: Negative. Considering the extensive exploration efforts and various hits of mineralization, we had anticipated a >1Moz resource at first pass with upside to 2Moz.**
- ▶ **OUTLOOK:** Balmoral is currently in the midst of a \$6.5M winter drill program that will initially focus on several near-surface gold discoveries before moving drill rigs to Bug South for expansion drilling.
- ▶ With resources of only 644,000oz, Martiniere has a long way to go to become an attractive gold project to advance. With a 1Moz threshold, at depth resource inclusion will be required to reach a critical mass and we look forward to deeper drilling results.
- ▶ **RECOMMENDATION/VALUATION:** Based on our downward revised target resource of 1.25Moz, and a sum of the parts NAV estimate with its Grasset project, we are decreasing our target from **\$1.05/sh to \$0.50/sh and maintain our BUY rating**. Shares of Balmoral have a **SPECULATIVE** risk rating.

**Philip Ker, P.Geo, MBA**  
pker@pifinancial.com 647.789.2407

### Company Statistics

Risk:	SPECULATIVE
52-week High/ Low:	\$0.86/\$0.28
Shares Outstanding:	139M basic 149M fd
Market Capitalization (C\$):	\$42M
3-Month Avg. Daily Volume:	313K
Working Capital (C\$ est):	\$9M
Long Term Debt (C\$ est):	\$0M
Enterprise Value (C\$):	\$32M
CEO:	Darin Wagner



### Corporate Information

Balmoral is a Canadian exploration and development company focused on creating shareholder value through the acquisition, aggressive exploration and development of high-grade, high value base and precious metal assets in the major mining districts of Canada. Balmoral's current focus is a portfolio of advanced and early stage gold and nickel-copper-PGE discoveries located in the Canadian provinces of Quebec and Ontario, mainly within the prolific Abitibi greenstone belt.

## Company Snapshot

### BALMORAL RESOURCES LTD. (TSX-BAR)

BAR-T	\$0.30
Rating	Buy
Risk	SPECULATIVE
Target Price	\$0.50
Projected Total Return	67%

What's Changed?	New	Old
Rating	n/c	Buy
Target (\$/Sh)	\$0.50	\$1.05
Risk	n/c	SPECULATIVE

Valuation (\$/sh)	\$/sh
Grasset	\$0.32
Bug Lake	\$0.18
Various Assets	\$0.05
Working Capital	\$0.03
Corp Adjustments	\$(0.15)
Other	\$(0.04)
ff. NAV (US\$/sh)	\$0.39
ff. NAV (C\$/sh)	\$0.49
P/NAV (x)	0.61
Target Multiple	1.0x

#### Market Data (C\$)

Shares O/S (MM)	139
Shares O/S F.D. (MM)	149
52-Week High (\$)	\$0.86
52-Week Low (\$)	\$0.28
Market Cap (\$MM)	\$42
Working Capital (\$MM)	\$9
Long Term Debt (\$MM)	\$0
Enterprise Value (\$MM)	\$32
Fiscal Year End	Dec. 31

Resources	Tonnes (M)	Grade (% Ni)	Grade (% Cu)	Grade (g/t Pt)	Grade (g/t Pd)
Grasset	3.5	1.56	0.170	0.34	0.84

Martiniere	Tonnes (M)	Grade (Au)	Ounces (Au)
Indicated O/P	6.8	1.96	431,000
Indicated UG	1.1	4.54	159,000
Inferred O/P	0.1	2.50	11,000
Inferred UG	0.2	5.75	43,000

#### Management

Darin Wagner - President & CEO  
Peggy Wu - CFO  
Richard Mann - VP Exploration

#### Key Shareholders

M&G Investment Management - 4.42%  
AGF Investments - 0.62%  
U.S. Global - 0.40%  
Marquest - 0.30%

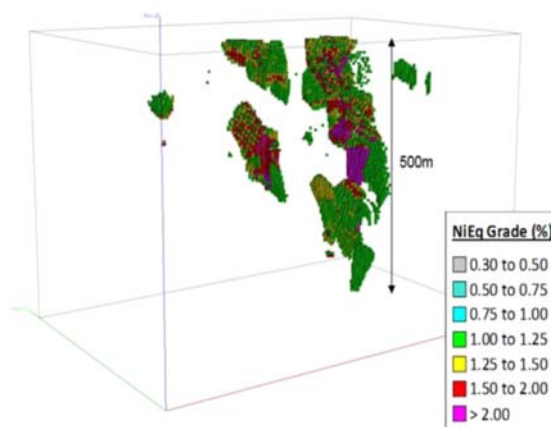
Source: Thomson Eikon

Forecast	Units	2015	2016	2017E	2018E	2019E
Ni Price - Assumption	US\$/lb	8.16	6.82	7.66	5.38	4.35
Copper Price - Assumption	US\$/lb	3.61	3.33	3.11	2.50	2.21
Platinum Price - Assumption	US\$/oz	1,553	1,487	1,385	1,056	988
Palladium Price - Assumption	US\$/oz	645	727	803	692	614
Foreign Exchange Rate	US\$/C\$	1.00	0.97	0.91	0.78	0.76

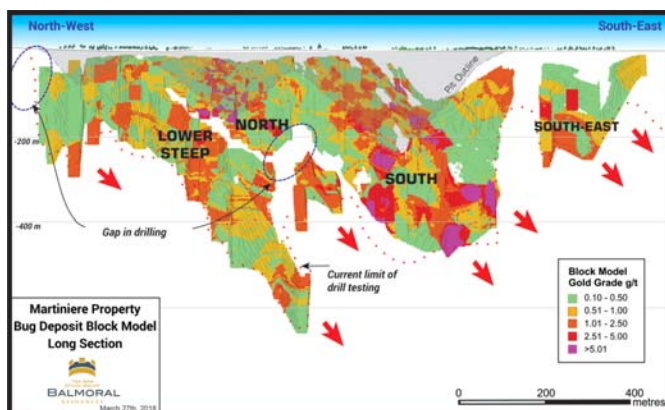
Revenue	C\$M	-	-	-	-	-
Net Income	C\$M	(0)	(5)	(5)	(7)	(7)
Cash Flow from Operations	\$M	(2)	(2)	(1)	(7)	(7)

EPS	\$/sh	(0.00)	(0.04)	(0.03)	(0.06)	(0.05)
CFPS	\$/sh	(0.02)	(0.02)	(0.01)	(0.06)	(0.05)

#### Grasset Block Model



#### Martiniere Block Model LongSection





### Exhibit 1: Martiniere Resource Summary

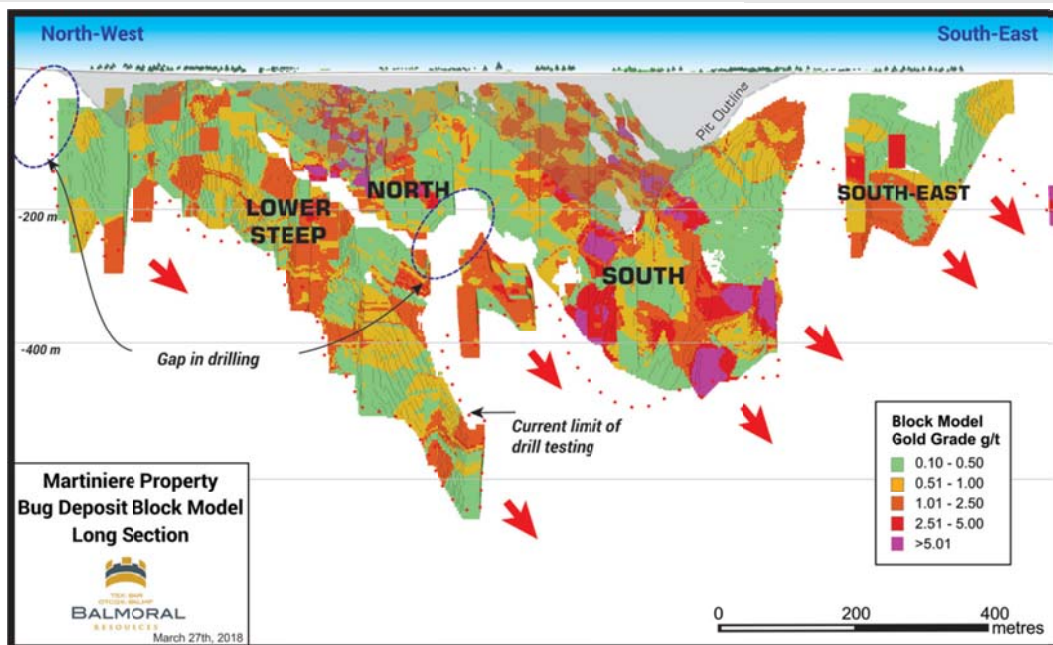
MARTINIERE GOLD SYSTEM			
BASE CASE - INDICATED MINERAL RESOURCE			
Gold Cut-Off Grade g/t	Tonnage tonnes	Average Gold Grade g/t	Contained Gold oz
CONSTRAINED OPEN PIT @ \$1300 US/oz			
0.5	6,827,000	1.96	431,000
UNDERGROUND			
2.5	1,092,000	4.54	159,000

MARTINIERE GOLD SYSTEM			
BASE CASE - INFERRED MINERAL RESOURCE			
Gold Cut-Off Grade g/t	Tonnage tonnes	Average Gold Grade g/t	Contained Gold oz
CONSTRAINED OPEN PIT @ \$1300 US/oz			
0.5	132,000	2.50	11,000
UNDERGROUND			
2.5	231,000	5.75	43,000

Source: Company Reports

### Exhibit 2: Bug Deposit Block Model Long Section



Source: Company Reports

### Recommendation/Valuation

Given significant exploration success over the years that had returned wide intervals of high-grade mineralization, we had been anticipating the project to table a much more attractive resource at first pass that would support a property wide 2Moz resource estimate. However, with the less



than stellar resource estimate now tabled, Balmoral will have to focus on deeper and more costly drilling to incorporate mineralized zones into the resource from the 350 to >650m depths.

After interpreting the resource and plans moving forward, we have decreased our in-situ resource target from 2Moz to 1.25Moz and have amended our valuation based on the forward looking resource. After the recent valuation pull back, Balmoral is currently trading in-line with its peers under its new resource. We highlight that under our 1.25Moz outlook, Balmoral trades significantly below its peers at only \$16/oz versus the group average of \$37/oz.

### Exhibit 3: Peer Group Comparison (EV/oz)

	Ticker	Region	Price (C\$/sh)	Market Cap (C\$M)	EV (C\$M)	AuEQ M+I+I (Mbz)	EV/oz AuEq (US\$/oz)
Pure Gold Mining Inc	PGMV	Ontario	0.56	129.7	108.6	1.83	47.6
Eastmain Resources Inc	ER.TO	Quebec	0.21	43.3	28.7	1.68	13.6
ATAC Resources Ltd	ATC.V	Yukon	0.52	75.4	57.1	0.68	66.7
Treasury Metals Inc	TML.TO	Ontario	0.52	64.0	63.3	1.52	33.4
Almaden Minerals Ltd	AMMTO	Mexico	1.03	103.5	83.0	2.43	27.3
Marathon Gold Corp	MOZ.TO	Nfld	0.97	141.6	121.0	2.86	33.9
Auryn Resources Inc	AUG.TO	Nunavut	1.71	146.8	119.2	3.01	31.7
Sabina Gold & Silver Corp	SBB.TO	Nunavut	1.48	372.7	340.6	7.18	37.9
West Kirkland Mining Inc	WKMV	Nevada	0.06	20.7	20.0	0.68	23.5
Probe Metals Inc	PRB.V	Quebec	1.29	121.2	89.3	1.40	50.9
Nighthawk Gold Corp	NHK.TO	NWT	0.68	128.3	97.2	2.10	37.0
Balmoral Resources Ltd	BAR.TO	Quebec	0.29	39.5	26.3	0.64	32.7
<b>Balmoral Resources Ltd. (PI Estimate)</b>						<b>1.25</b>	<b>16.9</b>
						<b>Average=</b>	36.6
						<b>Median=</b>	33.9

Source: PI Financial

Although Balmoral is trading in-line with its peer group, investors would receive the option on the Grasset project which we value as a project advancing into a production scenario. However, given the uncertainty with that project's current advancement rate and adequate capital being applied to economic studies and permitting advancement, we have increased our discount rate from 5% to 8% and maintain our 0.8x NAV multiple for Grasset. As a result of the reduced outlook for Grasset and the weaker than expected resource for Martinierre, **we have decreased our target price from \$1.05/sh to \$0.50/sh and maintain our BUY rating for Balmoral Resources.**



#### Exhibit 4: NAVPS Breakdown

Assets	Discount			Value (\$US)	\$/Share
	Interest	Rate	Multiple		
Grasset	100%	8%	0.8	\$88.4	\$0.32
Martiniere 1.25Moz @ \$40/oz	100%	-	-	\$50.0	\$0.18
Other				\$15.0	\$0.05
Working Capital				\$7.3	\$0.03
2018 Exploration				-\$10.0	-\$0.04
ITM Options				\$0.0	\$0.00
Assumed Interest & G&A				(\$41.3)	-\$0.15
<b>Net Asset Value (\$US)</b>				<b>\$109.3</b>	<b>\$0.39</b>
<b>Net Asset Value (\$C)</b>				<b>\$136.6</b>	<b>\$0.49</b>
<b>Basic Shares Outstanding (M)</b>				138.5	
Assumed Share Dilution (M)				140.0	
Warrants & Options (M)				10.3	
<b>Shares Fully Diluted (million)</b>				<b>288.8</b>	

Source: PI Financial

## Disclosure Fact Sheet

### Ratings

**BUY** : recommendation: stock is expected to appreciate from its current price level at least 10-20% in the next 12 months.

**NEUTRAL** : recommendation: stock is expected to trade in a narrow range from its current price level in the next 12 months.

**SELL** : recommendation: stock is expected to decline from its current price level at least 10-20% in the next 12 months.

**U/R** : Under Review

**N/R** : No Rating

**TENDER**: Investors are guided to tender to the terms of the takeover offer.

Analyst recommendations and targets are based on the stock's expected return over a 12-month period or may be based on the company achieving specific fundamental results. Under certain circumstances, and at the discretion of the analyst, a recommendation may be applied for a shorter time period. The basis for the variability in the expected percentage change for a recommendation, relates to the differences in the risk ratings applied to individual stocks. For instance stocks that are rated Speculative must be expected to appreciate at the high end of the range of 10-20% over a 12-month period.

### Price Volatility / Risk

**SPECULATIVE** : The Company has no established operating revenue, and/or balance sheet or cash flow concerns exist. Typically low public float or lack of liquidity exists. Rated for risk tolerant investors only.

**ABOVE AVERAGE** : Revenue and earnings predictability may not be established. Balance sheet or cash flow concerns may exist. Stock may exhibit low liquidity.

**AVERAGE** : Average revenue and earnings predictability has been established; no significant cash flow/balance sheet concerns are foreseeable over the next 12 months. Reasonable liquidity exists. Price Volatility/Risk analysis while broad based includes the risks associated with a company's balance sheet, variability of revenue or earnings, industry or sector risks, and liquidity risk.

### Analyst Certification

I, Philip Ker, hereby certify that all of the views expressed in this report accurately reflect my personal views about the subject securities or issuers. I also certify that no part of my compensation was, is, or will be, directly or indirectly related to the specific recommendations or views expressed in this report. I am the research analyst primarily responsible for preparing this report.

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4) PI Financial Corp. and/or its affiliates expect to receive or intend to seek compensation for investment banking services from the subject company.	4) Yes
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9) Company has partially funded previous analyst visits to its projects.	9) Yes
10) Additional disclosure:	10) No

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The attached summarizes PI's analysts review of the material operations of the attached company(s).

Analyst	Company	Type of Review	Operations / Project	Date
Philip Ker	Balmoral Resources Ltd.	Update w/Management	Grasset/Martiniere	3/18

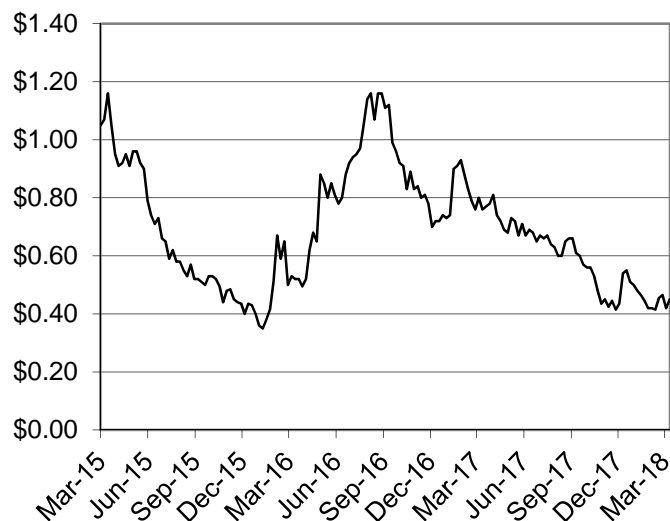
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Recommendations	Number of Recommendations	Percentage
BUY	62	89.86%
NEUTRAL	4	5.80%
SELL	0	0.00%
TENDER	3	4.35%
U/R	0	0.00%
N/R	0	0.00%
TOTAL	69	

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For reports that cover more than six subject companies, the reader is referred to our corporate web site for information regarding stock ratings and target changes. [www.pifinancial.com](http://www.pifinancial.com) (Research: Research and Conflict Disclosure).



### Balmoral Resources Ltd. (Initiated Coverage: August 11/15)

Date	Rating Change	Target Change	Share Price
Mar 28/18	Buy	\$1.05 to \$0.50	\$0.30
Dec 12/16	Neutral to Buy	\$1.05	\$0.80
Aug 22/16	Neutral	\$0.80 to \$1.05	\$1.14
Apr 29/16	Buy to Neutral	\$0.80	\$0.70
Sep 2/15	Buy	\$1.00 to \$0.80	\$0.52
Aug 11/15	Buy	\$1.00	\$0.59



## Capital Markets Group

### Managing Director, SVP Capital Markets

**Jeremiah Katz**  
604.664.2916

### Managing Director, Head of Research

**Bob Gibson**, B.Comm, CFA  
416.883.9047

### Managing Director, Head of Institutional Sales & Trading

**Jim Danis**, B.Sc. (Hons.)  
604.718.7551

### Managing Director, Head of Investment Banking

**Dan Barnholden**, MBA  
604.664.3638

#### Research Analysts

##### Consumer Products

Bob Gibson, B.Comm, CFA  
416.883.9047

##### Mining

Chris Thompson, P. Geo  
Head of Mining Research  
604.718.7549

Philip Ker, PGeo, MBA  
647.789.2407

Brian Szeto, MA, CFA  
647.789.2415

Gary Sidhu, B.Sc., MBA  
604.718.7544

##### Special Situations

Jason Zandberg, B.BA, CFA  
604.718.7541

##### Industrials

Devin Schilling, CFA  
604.718.7557

##### Technology

David Kwan, CFA  
604.718.7528

##### Research Associates

Neehal Upadhyaya, BAFM, MAcc  
416.775.5107

Justin Stevens, EIT  
604.718.7542

### Marketing and Publishing

Michelle Kwok  
604.664.2724

#### Institutional Sales

##### Vancouver

Jim Danis, B.Sc. (Hons.)  
604.718.7551

Jeremiah Katz  
604.664.2916

David Goguen, CFA  
604.664.2963

Doug Melton, FCSI  
604.718.7532

Brodie Dunlop  
604.718.7533

##### Toronto

Jose Estevez, CFA  
416.883.9042

John McBride  
416.883.9045

#### Institutional Trading

##### Vancouver

Darren Ricci  
604.664.2998 or 800.667.6124 (US)  
or 877.682.7233 (CDN)

Adam Dell, CFA  
604.718.7517 or 888.525.8811

##### Toronto

Stephen Pynn  
416.883.9048

#### Investment Banking

##### Mining

Dan Barnholden, MBA  
604.664.3638

Russell Mills, CFA, MFin  
647.789.2405

Tim Graham, B.Comm  
604.664.3656

Jim Locke, CFA  
604.664.2670

##### Technology

Blake Corbet, BA  
604.664.2967

Joel Kitsul, CFA  
604.718.7510

##### Diversified Industries

Grant Hughes, CFA, MFin  
647.789.2417

##### Equity Capital Markets/Syndication

Tim Johnston  
416.775.5112

Trina Wang  
604.664.3637

##### Investment Banking Analyst

Cameron Dowle  
604.718.7516

## PI Financial Corp.

[www.pifinancial.com](http://www.pifinancial.com)

### Head Office

Suite 1900, 666 Burrard Street  
Vancouver, BC V6C 3N1  
ph: 604.664.2900 fx: 604.664.2666

### Toronto Office

Suite 3401, 40 King Street West  
Toronto, ON M5H 3Y2  
ph: 416.883.9040 fx: 647.789.2401

### Calgary Office

Suite 1560, 300 5<sup>th</sup> Avenue SW  
Calgary, AB T2P 3C4  
ph: 403.543.2900 fx: 403.543.2800

For a complete list of branch office locations and contact information, please go to [www.pifinancialcorp.com](http://www.pifinancialcorp.com)

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