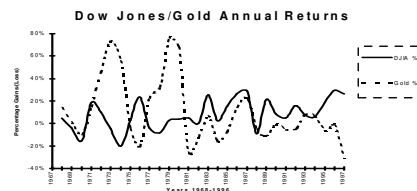




Gold

Energy & Tech Stocks



Weekly Hotline Message

(Now in our 37th Year)

April 6, 2018

Update & Review:

Balmoral Resources Ltd.

Balmoral Resources Ltd. (Toronto-BAR/USOTC-BALMF; 138.5 million shares @ US\$0.22 = US\$30.5 million market cap) – This is certainly



not a stock chart I like to highlight, given that I added this stock to my list at about US\$1.00 more than six years ago. Talk about a miserable selection! The latest decline took place after the company came out with what I think is a pretty decent maiden resource on its Martiniere Gold Project located along the Detour Gold Trend in western Quebec. In addition to the emerging Martiniere Gold Deposit, the company holds a 100% interest in the very substantial Grasset Nickel-Copper-Cobalt Deposit located along the same trend line just east of the Martiniere Project. Unless

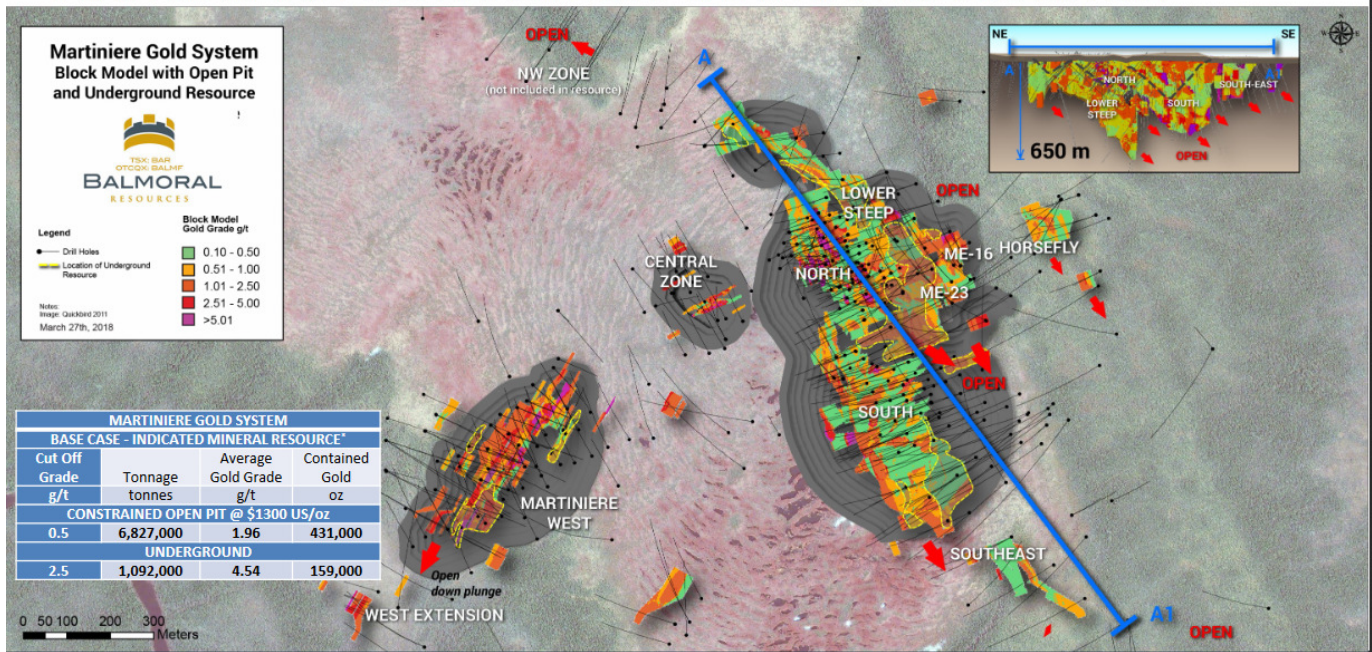
forthcoming is a total wipeout of western civilization, it's difficult for me to see how there is much downside for this stock from here on the basis of the Grasset Project alone. But let's take a look at what the company has on its Martiniere Project now that it has come out with a maiden gold resource.

Following is a summary for both the indicated as well as inferred resource for the Martiniere Project.

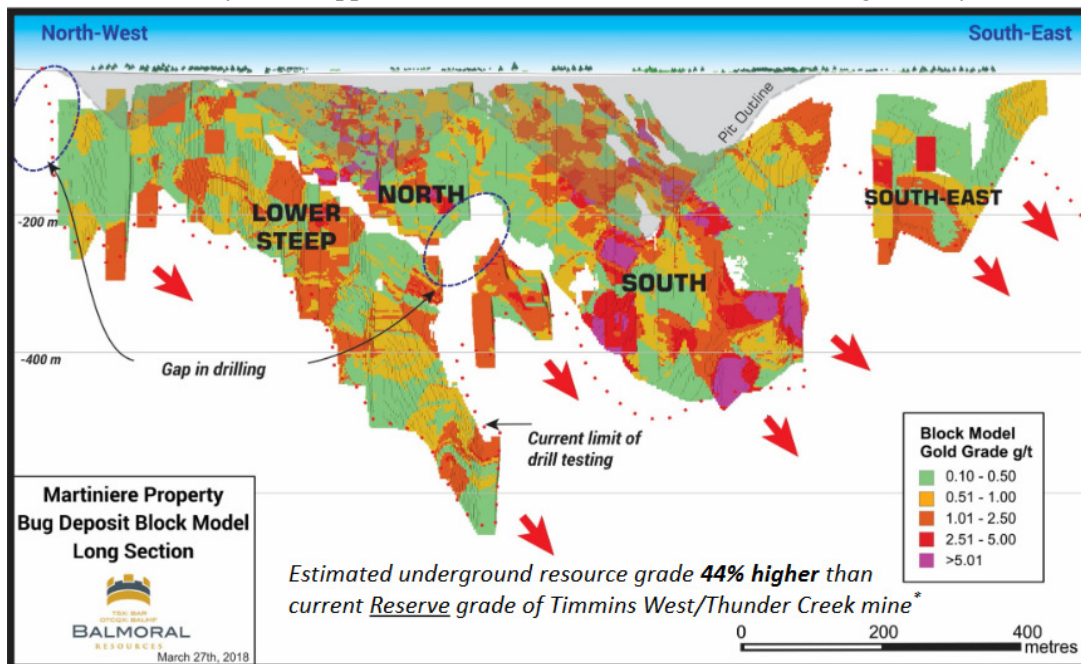
In the indicated category, an open-pit resource of 431,000 ounces from material grading 1.96 g/t was outlined. A 0.5 g/t cutoff grade was applied. With this grade being approximately twice the grade at the very large Detour Gold Mine along the same trend to the west on the other side of the Quebec/Ontario border, I believe this open-pit resource, which can grow considerably larger, provides a good starting point for possible underground mining in the future. Indeed, some early work has outlined another 11,000 ounces of open-pit potential in the inferred category. This material grades 2.5 g/t with a 0.5 g/t cutoff grade.

The maiden indicated underground resource totals 159,000 ounces and averages a grade of 4.54 g/t gold with a 2.5 g/t cutoff. Another 43,000 ounces grading an average of 5.75 g/t was reported from underground.

MARTINIERE GOLD SYSTEM: INITIAL RESOURCE



You can see from the illustration above, the pit constrained resource that gold mineralization extends to a depth of 350 meters. The key in the upper left corner of the illustration shows the grades by color code. Judging by the shape



grade color code, it looks to be of a higher grade.

The light gray area in the illustration on your left shows the pit constrained area of the deposit. The dotted red line shows the current limit of testing and the red arrows show where the deposit is open at depth. The illustration also points out that there are gaps in the drilling down to the 350-meter level that need to be filled in. But most importantly, the deposit is open to depth dipping toward the southeast. And as management likes to point out, the grade resource of this deposit is 44% higher than the Timmins West/Thunder Creek Mine owned by Tahoe Resources and produced 167,000 ounces in 2017.

Certainly Balmoral has a distance to go to catch up with Tahoe's Timmins West Project. That project has reserves of 654,000 ounces grading 3.15 g/t and a 923,000 ounce resource grading 3.9 g/t. But Balmoral has a good start with a high grade (for open pit) resource of 431,000 ounces grading a whisker under 2 g/t. And it has an underground resource of 159,000 ounces of gold grading 4.54 g/t. Its open-pit grade twice as high as the giant Detour Gold mine and its early underground grade is considerably higher than the Timmins West. And from drilling by Balmoral, we know mineralized extends to a depth of at least 650 meters or at least 300 meters below the current resource calculation.

So there is a great deal of potential to outline some serious gold mineralization at depth, but as the company's President Darin Wagner noted in his March 27 press release, there is also a lot of potential to expand open-pit gold mineralization, starting with the Bug South Deposit, which was discovered only in 2016, and several other near-surface discoveries made since then. With an average open-pit grade of nearly 2 g/t gold, it would seem to me the company is off to a great start in that regard, whether the markets are paying attention or not.

The Grasset Ni-Cu-Co-PGE Deposit

In reviewing this story this past week, I came to believe that Balmoral is a very undervalued stock. To put its valuation in perspective, it may be constructive to compare it to the valuation of Garibaldi (Toronto-GGI). Garibaldi has a market cap of around C\$270 million, or approximately US\$210 million, compared to Balmoral's US\$30 million.

Garibaldi has a couple of promising precious metals exploration projects in Mexico but they are early stage and not anywhere nearly as advanced as Balmoral's Mart

Garibaldi - E&L / Nickel Mountain

Attributable Market Value @ C\$4.00 / share:

C\$400M

2. Resource¹ – Historical
Internal, Non 43-101 Compliant
(1966 - Silver Standard)

Category	Cut-off	Tonnes (000s)	NiEq (%)	Ni (%)	Cu (%)	Au g/t	Ag g/t
Measured	n/a	1,734	1.32	0.80	0.62	0.34	6.8
Indicated	n/a	1,194	1.32	0.80	0.62	0.34	6.8
M&I	n/a	2,928	1.32	0.80	0.62	0.34	6.8

Metallurgical Recoveries:
Unknown

Concentrate Grades:
Unknown

Tenor (current, assayed):
Nickel: up to 4.60%² (float)
Copper: up to 3.53%³ (trench)

Balmoral – Grasset

Attributable Market Value @ C\$0.55 / share:

C\$0

2. Resource – Current
Independent, 43-101 Compliant
(2016 - Balmoral)

Indicated Resources^{1,2}

Cut-off NiEq %	Tonnes (000s)	Ni Eq (%)	Ni (%)	Co (%)	Cu (%)	Pt (g/t)	Pd (g/t)
>1.10	2,865	2.05	1.69	0.03	0.19	0.37	0.92
>1.00	3,452	1.89	1.56	0.03	0.17	0.34	0.84
>0.90	4,038	1.77	1.46	0.03	0.16	0.32	0.78
>0.80	4,767	1.63	1.35	0.03	0.15	0.29	0.72
>0.70	5,880	1.47	1.22	0.03	0.13	0.26	0.64

Metallurgical Recoveries²
(Simple, conventional flowsheet):
Nickel: 86.0 to 87.3%,
Copper: 93.5 to 94.4%
Palladium: 89%

Concentrate Grades:
Nickel: 13.4 to 13.8%,
Copper: 1.79 to 1.97%
Pt+Pd+Au: 10.15 to 10.61 g/t

iniere Project. But the real contrast in detecting relative value is apparent in comparing Garibaldi's Nickel Project located in the rugged terrain of northern B.C. to that of Balmoral's Grasset Project located in a very accessible and infrastructure friendly Quebec.

First, a 43-101 resource has been calculated at Grasset, while at this stage the Garibaldi project has only a historical (1966) resource. True, Garibaldi has done some drilling of its own with some very strong numbers. But the fact is that Balmoral not only has a compliant resource but also, by all measures at this point in time, the nickel-equivalent grades are much higher for its Grasset Deposit than for the Nickel Mountain Deposit owned by Garibaldi. For example,

with a similar amount of tonnage (2,865,000 tonnes at Grasset and 2,928,000 tonnes at Nickel Mountain), the nickel-equivalent average for Grasset is 2.05%, compared to 1.32% at Nickel Mountain. In fact, you could go down to a 0.7% NiEq cutoff, which would increase the Grasset Deposit to 5,880,000 tonnes with a 1.47% NiEq grade versus the 1.32% for Nickel Mountain.

This is not to rain on Garibaldi's party. No doubt the prominence of Eric Sprott in this deal has something to do with the market's willingness to pay up. And I admit I have not looked very closely at Garibaldi at this point in time. It could be that it may get much, much larger. I note also there are some gold and silver values but they are not more valuable, I daresay, than the platinum and palladium values at Grasset.

I expect to talk to management in the near future for an update, which I was unable to do on short notice this past week. If some of my readers have an objection to my view, I would love to hear from you. But unless you do not buy Michael Oliver's view that commodities are still in the early stages of a bull market, then I think you have to take the Grasset Project seriously. But even if you don't, Balmoral's lowly US\$30 million market cap is more than justified in my view by the Martinier Project alone, which I think is off to a very good start, and both projects have infrastructure advantages that will most certainly result in higher capital costs for Nickel Mountain if and when a production decision is encountered.

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