
RUPERT RESOURCES LTD.

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE THREE MONTHS ENDED

MAY 31, 2018

(EXPRESSED IN CANADIAN DOLLARS)

(UNAUDITED)

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying unaudited condensed interim consolidated financial statements of Rupert Resources Ltd. (the "Company") are the responsibility of management and the Board of Directors.

The unaudited condensed interim consolidated financial statements have been prepared by management, on behalf of the Board of Directors, in accordance with the accounting policies disclosed in the notes to the unaudited condensed interim consolidated financial statements. Where necessary, management has made informed judgments and estimates in accounting for transactions which were not complete at the statement of financial position date. In the opinion of management, the unaudited condensed interim consolidated financial statements have been prepared within acceptable limits of materiality and are in accordance with International Accounting Standard 34 - Interim Financial Reporting using accounting policies consistent with International Financial Reporting Standards appropriate in the circumstances.

Management has established processes, which are in place to provide it sufficient knowledge to support management representations that it has exercised reasonable diligence that (i) the unaudited condensed interim consolidated financial statements do not contain any untrue statement of material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it is made, as of the date of, and for the periods presented by, the unaudited condensed interim consolidated financial statements; and (ii) the unaudited condensed interim consolidated financial statements fairly present in all material respects the financial condition, financial performance and cash flows of the Company, as of the date of and for the years presented by the unaudited condensed interim consolidated financial statements.

The Board of Directors is responsible for reviewing and approving the unaudited condensed interim consolidated financial statements together with other financial information of the Company and for ensuring that management fulfills its financial reporting responsibilities. An Audit Committee assists the Board of Directors in fulfilling this responsibility. The Audit Committee meets with management to review the financial reporting process and the unaudited condensed interim consolidated financial statements together with other financial information of the Company. The Audit Committee reports its findings to the Board of Directors for its consideration in approving the unaudited condensed interim consolidated financial statements together with other financial information of the Company for issuance to the shareholders.

Management recognizes its responsibility for conducting the Company's affairs in compliance with established financial standards, and applicable laws and regulations, and for maintaining proper standards of conduct for its activities.

NOTICE TO READER

The accompanying unaudited condensed interim consolidated financial statements of the Company have been prepared by and are the responsibility of management. The unaudited condensed interim consolidated financial statements have not been reviewed by the Company's auditors.

Rupert Resources Ltd.**Condensed Consolidated Interim Statements of Financial Position****(Expressed in Canadian Dollars)****(Unaudited)**

As at	May 31, 2018	February 28, 2018
ASSETS		
Current assets		
Cash and cash equivalents (note 3)	\$ 6,176,736	\$ 5,487,407
Marketable securities (note 4)	138	192
Prepays and sundry receivables (note 5)	122,879	152,578
	6,299,753	5,640,177
Non-current assets		
Restricted cash (note 6)	1,199,930	1,237,437
Buildings and equipment (note 7)	2,672,981	2,689,033
Exploration and evaluation assets (note 8)	17,814,115	11,877,704
	\$ 27,986,779	\$ 21,444,351
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Amounts payable and accrued liabilities (notes 9 and 15)	\$ 919,145	\$ 1,084,014
Non-current liabilities		
Asset retirement obligation (note 10)	920,397	949,167
Convertible debentures (note 11)	6,686,787	6,384,880
	8,526,329	8,418,061
Shareholders' Equity		
Share capital (note 12)	46,297,909	36,106,781
Shares to be issued (note 18)	-	2,465,951
Contributed surplus (note 12)	4,123,368	3,707,511
Cumulative translation adjustment	372,911	818,385
Equity portion of convertible debentures (note 11)	1,716,066	1,716,066
Deficit	(33,049,804)	(31,788,404)
	19,460,450	13,026,290
Total liabilities and shareholders' equity	\$ 27,986,779	\$ 21,444,351

Nature of Operations (note 1)**Commitments and Contingencies** (note 17)**Subsequent Event** (note 18)

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

Rupert Resources Ltd.

Condensed Consolidated Interim Statements of Loss and Comprehensive Loss
(Expressed in Canadian Dollars)
(Unaudited)

	Three Months Ended	
	May 31,	
	2018	2017
Operating expenses		
General and administrative expenses (note 13)	\$ 544,068	\$ 532,039
Share-based payments (note 12)	415,857	580,789
Loss before other items	(959,925)	(1,112,828)
Depreciation	(14)	(20)
Unrealized gain (loss) on marketable securities	(54)	(6)
Accretion and interest expense (note 11)	(301,907)	(267,724)
Other Income	500	-
Net loss for the period	(1,261,400)	(1,380,578)
Other comprehensive loss		
Item that will be reclassified subsequently to income		
Exchange differences on translating foreign operations	(445,474)	331,419
Net loss and comprehensive loss for the period	\$ (1,706,874)	\$ (1,049,159)
Basic and diluted net loss per share (note 14)	\$ (0.01)	\$ (0.01)
Weighted average number of common shares outstanding - basic and diluted (note 14)	107,284,997	100,952,915

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

Rupert Resources Ltd.**Condensed Consolidated Interim Statements of Cash Flows****(Expressed in Canadian Dollars)****(Unaudited)**

Three Months Ended May 31,	2018	2017
Operating activities		
Net loss for the period	\$ (1,261,400)	\$ (1,380,578)
Adjustments for:		
Share-based payments - vesting of Black-Scholes value of options granted	415,857	580,789
Unrealized gain (loss) on marketable securities	54	6
Depreciation	14	20
Exchange differences on translating foreign operations	(70,931)	439,720
Accretion expense - convertible debentures	301,907	267,724
Changes in non-cash working capital items:		
Prepays and sundry receivables	29,699	403,862
Amounts payable and accrued liabilities	(164,869)	(216,200)
	(749,669)	95,343
Financing activities		
Proceeds from exercise of warrants	-	22,664
Proceeds from private placement	2,434,049	-
Share issuance costs	(113,685)	-
	2,320,364	22,664
Investing activities		
Expenditure on exploration and evaluation assets	(896,010)	(2,651,254)
Deposits for restricted cash	37,507	(253,373)
Purchase of buildings and equipment	(22,863)	(916,814)
	(881,366)	(3,821,441)
Net change in cash	689,329	(3,703,434)
Cash, beginning of period	5,487,407	14,239,421
Cash, end of period	\$ 6,176,736	\$ 10,535,987

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

Rupert Resources Ltd.

Condensed Consolidated Interim Statements of Changes in Capital (Expressed in Canadian Dollars) (Unaudited)

	Share Capital	Shares to be issued	Cumulative Translation Adjustment	Contributed Surplus	Warrants	Convertible Debentures	Deficit	Total
Balance, February 28, 2018	\$ 36,106,781	\$ 2,465,951	\$ 818,385	\$ 3,707,511	\$ -	\$ 1,716,066	\$(31,788,404)	\$ 13,026,290
Private placement	4,786,315	(2,465,951)	-	-	-	-	-	2,320,364
Share-based payments (notes 12 and 15)	-	-	-	415,857	-	-	-	415,857
Shares issued for property acquisition	5,404,813	-	-	-	-	-	-	5,404,813
Net loss and comprehensive loss for the period	-	-	(445,474)	-	-	-	(1,261,400)	(1,706,874)
Balance, May 31, 2018	\$ 46,297,909	\$ -	\$ 372,911	\$ 4,123,368	\$ -	\$ 1,716,066	\$(33,049,804)	\$ 19,460,450
Balance, February 28, 2017	\$ 36,034,997	\$ -	\$ (108,301)	\$ 1,152,940	\$ 6,619	\$ 1,716,066	\$(25,782,559)	\$ 13,019,762
Warrants exercised	29,284	-	-	-	(6,619)	-	-	22,665
Share-based payments (notes 12 and 15)	-	-	-	580,789	-	-	-	580,789
Net loss and comprehensive loss for the period	-	-	439,720	-	-	-	(1,380,578)	(940,858)
Balance, May 31, 2017	\$ 36,064,281	\$ -	\$ 331,419	\$ 1,733,729	\$ -	\$ 1,716,066	\$(27,163,137)	\$ 12,682,358

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

Rupert Resources Ltd.

Notes to Condensed Consolidated Interim Financial Statements

Three Months Ended May 31, 2018

(Expressed in Canadian Dollars)

(Unaudited)

1. Nature of Operations

Rupert Resources Ltd. (the "Company" or "Rupert") is a company incorporated under the laws of the Province of British Columbia. The Company is currently seeking out viable mineral exploration and evaluation opportunities and has two primary projects located in Ontario and Finland. The business of exploring for minerals involves a high degree of risk and there can be no assurance that planned exploration programs will result in profitable mining operations. The Company's primary office is The Canadian Venture Building, 82 Richmond St East, Suite 202, Toronto, Ontario M5C 1P1.

The unaudited condensed interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") with the assumption that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. The Company has incurred ongoing losses and has a cumulative deficit of \$33,049,804 as at May 31, 2018 (February 28, 2018 - \$31,788,404).

The Company's outstanding common shares trade on the TSX Venture Exchange under the symbol RUP. As at May 31, 2018, an investor of the Company, Alan Brimacombe, controlled 20,076,300 common shares of the Company or approximately 17.98% of the total common shares outstanding. To the knowledge of directors and officers of Rupert, the remainder of the Company's outstanding common shares are widely held. These holdings can change at any time at the discretion of the owner.

In June 2016, Company incorporated a wholly owned subsidiary, Rupert Finland Oy and on May 15, 2018 the Company acquired Northern Aspect Resources Ltd. ("NARL") (note 8).

2. Significant Accounting Policies

(a) Statement of Compliance

These unaudited condensed interim consolidated financial statements have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting. Accordingly, they do not include all of the information required for full annual financial statements required by IFRS as issued by IASB and interpretations issued by IFRIC.

The policies applied in these unaudited condensed interim consolidated financial statements are based on IFRS issued and outstanding as of July 27, 2018, the date the Board of Directors approved the statements. The same accounting policies and methods of computation are followed in these unaudited condensed interim consolidated financial statements as compared with the most recent annual financial statements as at and for the year ended February 28, 2018, except as noted below. Any subsequent changes to IFRS that are given effect in the Company's annual financial statements for the year ending February 28, 2019 could result in restatement of these unaudited condensed interim consolidated financial statements.

(b) New Accounting Policies

IFRS 9 - Financial Instruments ("IFRS 9")

On July 24, 2014, the IASB issued the completed IFRS 9, Financial Instruments, (IFRS 9 (2014) to come into effect on January 1, 2018 with early adoption permitted.

IFRS 9 (2014) includes finalized guidance on the classification and measurement of financial assets. Under IFRS 9, financial assets are classified and measured either at amortized cost, fair value through other comprehensive income ("FVOCI") or fair value through profit or loss ("FVTPL") based on the business model in which they are held and the characteristics of their contractual cash flows. IFRS 9 largely retains the existing requirements in IAS 39 Financial Instruments: recognition and measurement, for the classification and measurement of financial liabilities.

Rupert Resources Ltd.

Notes to Condensed Consolidated Interim Financial Statements

Three Months Ended May 31, 2018

(Expressed in Canadian Dollars)

(Unaudited)

2. Significant Accounting Policies (continued)

(c) New Accounting Policies (continued)

IFRS 9 - Financial Instruments ("IFRS 9") (continued)

The Company adopted IFRS 9 in its consolidated financial statements on March 1, 2018. Due to the nature of its financial instruments, the adoption of IFRS 9 had no impact on the opening accumulated deficit balance on March 1, 2018. The impact on the classification and measurement of its financial instruments is set out below.

All financial assets not classified at amortized cost or FVOCI are measured at FVTPL. On initial recognition, the Company can irrevocably designate a financial asset at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated at FVTPL:

- ◆ It is held within a business model whose objective is to hold the financial asset to collect the contractual cash flows associated with the financial asset instead of selling the financial asset for a profit or loss;
- ◆ Its contractual terms give rise to cash flows that are solely payments of principal and interest.

All financial instruments are initially recognized at fair value on the consolidated statement of financial position. Subsequent measurement of financial instruments is based on their classification. Financial assets and liabilities classified at FVTPL are measured at fair value with changes in those fair values recognized in the consolidated statement of loss and comprehensive loss for the year. Financial assets classified at amortized cost and financial liabilities are measured at amortized cost using the effective interest method.

The following table summarizes the classification and measurement changes under IFRS 9 for each financial instrument:

Classification	IAS 39	IFRS 9
Cash and cash equivalents	Fair value through profit and loss ("FVTPL")	Amortized cost
Amounts receivable	Loans and receivables (amortized cost)	Amortized cost
Other receivables	Loans and receivables (amortized cost)	Amortized cost
Restricted cash	Loans and receivables (amortized cost)	Amortized cost
Marketable securities	Fair value through profit and loss ("FVTPL")	FVTPL
Accounts payable and accrued liabilities	Other financial liabilities (amortized cost)	Amortized cost
Convertible debentures	Other financial liabilities (amortized cost)	Amortized cost

The original carrying value of the Company's financial instruments under IAS 39 has not changed under IFRS 9.

(d) Future Accounting Pronouncements

IFRS 16 - Leases ("IFRS 16") was issued on January 13, 2016 to require lessees to recognize assets and liabilities for most leases. For lessors, there is little change to the existing accounting in IAS17 - Leases. The IAS issued its standard as part of a joint project with the Financial Accounting Standards Board ("FASB"). The new standard will be effective for annual periods beginning on or after January 1, 2019. The Company is still in the process of assessing the impact of this pronouncement on the unaudited condensed interim consolidated financial statements

There are no other relevant IFRS or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Company.

Rupert Resources Ltd.

Notes to Condensed Consolidated Interim Financial Statements

Three Months Ended May 31, 2018

(Expressed in Canadian Dollars)

(Unaudited)

3. Cash and Cash Equivalents

	As at May 31, 2018	As at February 28, 2017
Cash	\$ 6,076,736	\$ 5,387,407
Guaranteed investment certificates ("GIC's")	100,000	100,000
Total	\$ 6,176,736	\$ 5,487,407

The GIC's earn interest at 0.5%, mature one year from the date of purchase and provide security for the Company's credit cards.

4. Marketable Securities

	As at May 31, 2018	As at February 28, 2017
Cuba Ventures Corp. - 1,200 common shares	\$ 138	\$ 192

5. Prepaids and Amounts Receivable

	As at May 31, 2018	As at February 28, 2017
Prepaid expenses and sundry receivables	\$ 82,198	\$ 43,424
Accounts receivable	15,164	-
Sales tax receivable	25,517	109,154
	\$ 122,879	\$ 152,578

Rupert Resources Ltd.

Notes to Condensed Consolidated Interim Financial Statements

Three Months Ended May 31, 2018

(Expressed in Canadian Dollars)

(Unaudited)

6. Restricted cash

In connection with the acquisition of the Pahtavaara Gold Mine, the Company purchased environmental bonds of EURO640,000 in July of 2016. In March 2017 and October 2017, the Company purchased additional environmental bonds of EURO30,000 and EURO60,000. The sole purpose of these bonds is for settling the future restoration obligations of the Pahtavaara Gold Mine (note 10). The bonds are not interest-bearing and have no maturity date. This cash is not available for general corporate purposes.

In March 2017, the Company paid a EURO 60,000 deposit with a utility company to protect them against the risk of default.

7. Buildings and equipment

	Computers	Equipment and Machinery	Buildings	Vehicles	Office Furniture	Total
Three months ended May 31, 2017						
At February 28, 2017	\$ 5,971	\$ 442,502	\$ 902,334	\$ 100,009	\$ 2,898	\$1,453,714
Additions	446	904,543	70,437	7,807	226	983,459
Depreciation	(20)	-	-	-	-	(20)
	\$ 6,397	\$1,347,045	\$ 972,771	\$ 107,816	\$ 3,124	\$2,437,153
At May 31, 2017						
Cost	\$ 7,415	\$1,347,045	\$ 972,771	\$ 107,816	\$ 3,124	\$2,438,171
Accumulated depreciation	(1,018)	-	-	-	-	(1,018)
Net book value at May 31, 2017	\$ 6,397	\$1,347,045	\$ 972,771	\$ 107,816	\$ 3,124	\$2,437,153
Three months ended May 31, 2018						
At February 28, 2018	\$ 6,531	\$1,564,917	\$1,003,178	\$ 111,186	\$ 3,221	\$2,689,033
Additions	-	22,863	-	42,599	-	65,462
Foreign exchange differences	(192)	(47,434)	(30,407)	(3,370)	(97)	(81,500)
Depreciation	(14)	-	-	-	-	(14)
At May 31, 2018	\$ 6,325	\$1,540,346	\$ 972,771	\$ 150,415	\$ 3,124	\$2,672,981
At May 31, 2018						
Cost	\$ 7,415	\$1,540,346	\$ 972,771	\$ 150,415	\$ 3,124	\$2,674,071
Accumulated depreciation	(1,090)	-	-	-	-	(1,090)
Net book value at May 31, 2018	\$ 6,325	\$1,540,346	\$ 972,771	\$ 150,415	\$ 3,124	\$2,672,981

Depreciation has not been charged on buildings and equipment pending a decision by the Board of the Company on recommencement of production at the Pahtavaara mine.

Rupert Resources Ltd.

Notes to Condensed Consolidated Interim Financial Statements

Three Months Ended May 31, 2018

(Expressed in Canadian Dollars)

(Unaudited)

8. Exploration and Evaluation Assets

The Company's exploration and evaluation assets consist of the following:

	Osikonmaki Property	Hirsikangas Property	Gold Centre Property	Pahtavaara Gold Mine	Total
Balance, February 28, 2018	\$ -	\$ -	\$ 185,945	\$ 11,691,759	\$ 11,877,704
<u>Acquisition Costs</u>					
Acquisition of NARL	3,046,386	2,075,743	-	-	5,122,129
Licenses and permits	11	1,386	-	48,631	50,028
	\$ 3,046,397	\$ 2,077,129	\$ 185,945	\$ 11,740,390	\$ 17,049,861
<u>Exploration and Evaluation Costs</u>					
Assays	\$ -	\$ -	\$ -	\$ 189,141	\$ 189,141
Geological consulting	-	-	-	220,488	220,488
Geophysics	-	-	-	3,505	3,505
Drilling	-	196,395	-	26,206	222,601
Equipment rental	-	-	-	8,302	8,302
Transportation	-	-	-	4,849	4,849
Fuel	-	-	-	5,222	5,222
Utilities	-	-	-	59,998	59,998
Salary	-	25,955	-	369,644	395,599
Foreign exchange differences	(2,824)	(8,995)	-	(333,632)	(345,451)
Balance, May 31, 2018	\$ 3,043,573	\$ 2,290,484	\$ 185,945	\$ 12,294,113	\$ 17,814,115

Rupert Resources Ltd.

Notes to Condensed Consolidated Interim Financial Statements

Three Months Ended May 31, 2018

(Expressed in Canadian Dollars)

(Unaudited)

8. Exploration and Evaluation Assets (continued)

	Osikonmaki Property	Hirsikangas Property	Gold Centre Property	Pahtavaara Gold Mine	Total
Balance, February 28, 2017	\$ -	\$ -	\$ 185,945	\$ 3,807,452	\$ 3,993,397
<u>Acquisition Costs</u>					
Claim staking	-	-	-	45,698	45,698
Licenses and permits	-	-	-	3,460	3,460
	\$ -	\$ -	\$ 185,945	\$ 3,856,610	\$ 4,042,555
<u>Exploration and Evaluation Costs</u>					
Assays	\$ -	\$ -	\$ -	\$ 248,472	\$ 248,472
Geological consulting	-	-	-	122,721	122,721
Consulting	-	-	-	16,523	16,523
Geophysics	-	-	-	17,643	17,643
Drilling	-	-	-	1,367,857	1,367,857
Equipment rental	-	-	-	21,195	21,195
Transportation	-	-	-	9,059	9,059
Fuel	-	-	-	6,598	6,598
Utilities	-	-	-	267,839	267,839
Equipment	-	-	-	7,677	7,677
Salaries	-	-	-	505,993	505,993
Surveying	-	-	-	10,519	10,519
Balance, May 31, 2017	\$ -	\$ -	\$ 185,945	\$ 6,458,706	\$ 6,644,651

Northern Aspect Resources Ltd ("NARL")

On March 20, 2018 the Company entered into a binding, definitive share exchange agreement with Northern Aspect Resources Ltd and all of the shareholders of NARL to acquire all of the issued and outstanding securities in NARL (the "**NARL transaction**"), subject to certain conditions, including inter alia, definitive approval from the TSX-V. On May 15, 2018, the Company received definitive approval from the TSX-V to acquire all the issued and outstanding securities of NARL and that it had completed the NARL transaction through issue of 4,913,466 consideration shares of which directors and officers of the Company received 860,000 shares.

The transaction does not constitute a business combination as NARL does not meet the definition of a business under IFRS 3, Business Combinations. As a result, the transaction is accounted for as an acquisition of assets.

Given that the mineral properties, Osikonmaki and Hirsikangas, acquire as part of the NARL transaction, were still in the exploration and evaluation stage, it was not possible to measure the fair value. Therefore the acquisition has been measured using the fair value of the consideration transferred. The excess of the consideration transferred over the fair value of the other net assets and liabilities has been allocated to the mineral properties.

Rupert Resources Ltd.

Notes to Condensed Consolidated Interim Financial Statements

Three Months Ended May 31, 2018

(Expressed in Canadian Dollars)

(Unaudited)

8. Exploration and Evaluation Assets (continued)

Northern Aspect Resources Ltd (continued)

The purchase price allocation is set out as follows:

Issuance of 4,913,466 common shares ⁽¹⁾	<u>\$ 5,404,813</u>
Allocation of purchase price:	
Cash	\$ 356,890
Prepaid and other receivables	60,850
Equipment	43,568
Mining property	5,122,129
Accounts payable and accrued liabilities	<u>(178,624)</u>
Total	<u>\$ 5,404,813</u>

(1) The value of the common shares was based on the fair value of the shares on date of issuance.

9. Amounts Payable and Accrued Liabilities

	As at May 31, 2018	As at February 28, 2017
Trade payables	\$ 156,343	\$ 386,606
Accrued liabilities	762,802	697,408
	\$ 919,145	\$ 1,084,014

10. Asset retirement obligation

Balance, February 28, 2018	\$ 949,167
Foreign exchange adjustment	(28,770)
Balance, May 31, 2018	\$ 920,397
Balance, February 28, 2017	853,753
Foreign exchange adjustment	66,644
Balance, May 31, 2017	\$ 920,397

On August 30, 2016, as part of the acquisition of the Pahtavaara Gold Mine, the Company recognized obligations for future site restoration. Although the ultimate amount of the future site restoration is uncertain, the fair value of the obligation was based on information currently available, including disturbances made to date, closure plans and applicable regulations. The amounts and timing of the closure plans will vary depending on a number of factors including alternative mine plans.

The total undiscounted amount of estimated future cash flows required to settle obligations related to the Pahtavaara were EURO640,000 (\$920,397). The estimated future cash flows have been discounted using the Finland 10 year government bond yield, at the time the liability was estimated, at 0.483%.

These obligations are expected to be settled at the end of the mine life which is estimated to be 10 years.

Refer to note 6 for assets pledged and restricted for the purposes of settling future site restoration obligations.

Rupert Resources Ltd.

Notes to Condensed Consolidated Interim Financial Statements

Three Months Ended May 31, 2018

(Expressed in Canadian Dollars)

(Unaudited)

11. Convertible Debentures

On September 6, 2016, the Company issued unsecured convertible debentures with a total principal amount of \$7,707,500. Total transaction costs of \$72,015 were incurred on the issuance. The debentures were to mature on September 6, 2019 and bore interest at an annual rate of 5%, payable on a semi-annual basis. The convertible debentures will be convertible into common shares of the Company at the option of the holder prior to maturity, at a price of \$0.95 per common share.

After 12 months after the issue date of the convertible debentures, the Company has the option to repay the principal amounts of the convertible debentures in common shares provided certain circumstances are met, including that the 30 trading day volume weighted average price of the common shares is equal to or greater than 170% of the conversion price of \$0.95.

The Company used the residual value method to allocate the principal amount of the convertible debentures between the liability and equity components. The Company valued the debt component of the convertible debentures by calculating the present value of the principal and interest payments, discounted at a rate of 18%, being management's best estimate of the rate that a non-convertible debenture with similar terms would bear. The equity conversion feature of the convertible debentures comprise the value of the conversion option, being the difference between the face value of the convertible debentures and the liability element calculated above. Based on this calculation, the liability component was \$5,300,700 (\$5,350,695 net of transaction costs) and the residual equity component was \$1,716,066. Net accretion charges attributable to the convertible debentures for the three months ended May 31, 2018 was \$301,907 (2017 - \$267,724). This amount is added to the liability component on the statements of financial position and is included in accretion expense on the statements of loss and comprehensive loss.

Balance, February 28, 2018	\$ 6,384,880
Add: accretion for the period	301,907
Balance - May 31, 2018	\$ 6,686,787
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Balance - February 28, 2017	\$ 5,661,968
Add: accretion for the period	267,724
Balance - May 31, 2017	\$ 5,929,692

Rupert Resources Ltd.

Notes to Condensed Consolidated Interim Financial Statements
Three Months Ended May 31, 2018
(Expressed in Canadian Dollars)
(Unaudited)

12. Share Capital and Reserves

Authorized Share Capital

The authorized share capital of the Company is an unlimited number of common shares without par value and an unlimited number of preferred shares without par value. All issued shares, consisting only of common shares are fully paid.

Issued Share Capital

As at May 31, 2018, the issued share capital amounted to \$46,297,909. There were the following changes in issued share capital for the three months ended May 31, 2018:

	Number of Common Shares	Amount
Balance, February 28, 2018	101,214,992	\$ 36,106,781
Private placement ⁽¹⁾	5,903,615	4,900,000
Share issue costs	-	(113,685)
Shares issued for NARL acquisition (note 8)	4,913,466	5,404,813
Shares cancelled ⁽²⁾	(352,500)	-
Balance, May 31, 2018	111,679,573	\$ 46,297,909
Balance, February 28, 2017	100,737,215	\$ 36,034,997
Warrants exercised	3,777,777	29,284
Balance, May 31, 2017	104,514,992	\$ 36,064,281

⁽¹⁾ On March 02, 2018, the Company closed a non-brokered private placement and has issued 5,903,615 common shares of the Company at a price of \$0.83 per Common Share for gross proceeds of \$4,900,000. The Company intends to use the proceeds for its continued exploration program of the Pahtavaara project, advance the Hirsikangas and Osikonmaki projects, and for general corporate purposes. The securities issued in connection with the Private Placement are subject to a four month hold period. The Company has agreed to pay cash finder's fees in respect of certain sales under the Private Placement: (i) to Smaller Capital Company, \$50,000, (ii) to Haywood Securities Inc., \$32,000, and (iii) to Canaccord Genuity Limited, \$4,000.

\$2,465,951 was received prior to February 28, 2018 and as at that date was included in shares to be issued.

⁽²⁾ On March 15, 2018, the Company cancelled 352,500 common shares for no consideration. The shares had been held in escrow, and in accordance with the escrow agreement, have now been cancelled.

Rupert Resources Ltd.

Notes to Condensed Consolidated Interim Financial Statements

Three Months Ended May 31, 2018

(Expressed in Canadian Dollars)

(Unaudited)

12. Share Capital and Reserves (continued)

Stock Options

The Company has an incentive stock option plan in place under which it is authorized to grant options to directors and employees to acquire up to 10% of the Company's issued and outstanding common shares. Under the plan, the exercise price of each option may not be less than the market price of the Company's stock as calculated on the date of grant less the applicable discount. The options can be granted for a maximum term of 5 years and vesting periods are determined by the Board of Directors.

The following table reflects the continuity of stock options for the three months ended May 31, 2018 and May 31, 2017:

	Number of Stock Options	Weighted Average Exercise Price (\$)
Balance, February 28, 2018 and May 31, 2018	8,315,000	0.49
Balance, February 28, 2017	6,165,000	0.30
Granted ⁽¹⁾⁽²⁾	2,450,000	1.11
Balance, May 31, 2017	8,615,000	0.50

⁽¹⁾ On April 18, 2017, the Company granted 200,000 stock options at a price of \$1.08 per share, expiring on April 18, 2019. The fair value of these options at the date of grant was estimated using the Black-Scholes option pricing model with the following assumptions: a five year expected average life; share price of \$1.32; 122% expected volatility; risk-free interest rate of 0.98%; and an expected dividend yield of 0%. Volatility is calculated based on the changes in historical stock prices over the expected life of the options. The fair value assigned to these options was \$223,800. The options will vest 1/4 on July 18, 2017, 1/4 on October 18, 2017, 1/4 on January 18, 2018 and 1/4 on April 18, 2018. These options expired on November 8, 2017.

⁽²⁾ On April 18, 2017, the Company granted 2,250,000 stock options at a price of \$1.01 per share, expiring on April 18, 2022. The fair value of these options at the date of grant was estimated using the Black-Scholes option pricing model with the following assumptions: a five year expected average life; share price of \$1.32; 122% expected volatility; risk-free interest rate of 0.98%; and an expected dividend yield of 0%. Volatility is calculated based on the changes in historical stock prices over the expected life of the options. The fair value assigned to these options was \$2,533,500. The options will vest 1/2 on each of the 12 and 24 month anniversaries of the date of grant.

For the three months ended May 31, 2018, the impact on share-based compensation was \$415,857 (three months ended May 31, 2017 - \$580,789).

The following table reflects the actual stock options issued and outstanding as of May 31, 2018:

Expiry Date	Exercise Price (\$)	Remaining Contractual Life (years)	Number of Options Outstanding	Number of Options Vested (exercisable)	Number of Options Unvested
January 10, 2019	0.08	0.61	500,000	500,000	-
May 20, 2019	0.18	0.97	250,000	250,000	-
March 24, 2021	0.175	2.82	3,640,000	3,640,000	-
June 10, 2021	0.56	3.03	825,000	412,500	412,500
November 9, 2021	0.76	3.45	850,000	425,000	425,000
April 22, 2022	1.01	3.88	2,250,000	1,125,000	1,125,000
	0.49	3.00	8,315,000	6,352,500	1,962,500

Rupert Resources Ltd.

Notes to Condensed Consolidated Interim Financial Statements

Three Months Ended May 31, 2018

(Expressed in Canadian Dollars)

(Unaudited)

12. Share Capital and Reserves (continued)

Warrants

The following table reflects the continuity of warrants for the three months ended May 31, 2018 and May 31, 2017:

	Number of Warrants	Weighted Average Exercise Price (\$)
Balance, February 28, 2017	377,777	0.06
Exercised	(377,777)	0.06
Balance, May 31, 2017, February 28, 2018 and May 31, 2018	-	0.00

13. General and Administrative Expenses

	Three Months Ended May 31,	
	2018	2017
Consulting	\$ 4,557	\$ 9,375
Office and sundry	168,355	163,255
Professional fees	50,263	55,942
Investigation of prospective property interests	17	93
Regulatory fees	12,042	11,692
Salaries and benefits (note 15)	186,622	124,446
Shareholder communications	170	255
Transfer agent	24,867	22,406
Travel	97,175	144,575
	\$ 544,068	\$ 532,039

14. Net Loss Per Common Share

The calculation of basic and diluted loss per share for the three months ended May 31, 2018 was based on the loss attributable to common shareholders of \$1,261,400 (three months ended May 31, 2017 - \$1,380,578) and the weighted average number of common shares outstanding of 107,284,997 for the three months ended May 31, 2018 (three months ended May 31, 2017 - 100,952,915). Diluted loss per share did not include the effect of 8,315,000 stock options (three months ended May 31, 2017 - 8,615,000) as they are anti-dilutive.

Rupert Resources Ltd.

Notes to Condensed Consolidated Interim Financial Statements

Three Months Ended May 31, 2018

(Expressed in Canadian Dollars)

(Unaudited)

15. Related Party Transactions

Remuneration of directors and key management personnel of the Company was as follows:

	Three Months Ended May 31,	
	2018	2017
Remuneration paid to Executive Chairman ⁽¹⁾⁽²⁾	\$ -	\$ 66,426
Remuneration paid to CEO ⁽³⁾	86,020	-
Remuneration paid to CFO ⁽⁴⁾	31,119	-
Share-based payments - Black-Scholes value	319,810	328,115
Marrelli Support Services Inc. ⁽⁵⁾	8,018	7,968

(1) The Board of Directors do not have employment or services contracts with the Company.

(2) The Company entered into an agreement with the Executive Chairman of the Company to pay him a monthly consulting fee of US\$16,000 from January 1, 2017. The Executive Chairman ceased to receive a monthly fee from the Company from January 1, 2018. During the three months ended May 31, 2018, (three months ended May 31, 2017 - \$66,426) was expensed as salaries and benefits.

(3) The Company entered into an agreement with the Chief Executive Officer of the Company to pay him a monthly base salary of GBP15,454. During the three months ended May 31, 2018, \$86,020 (three months ended May 31, 2017 - \$nil) was expensed as salaries. As at May 31, 2018, the Chief Executive Officer was owed \$488 for salaries and reimbursable expenses (February 28, 2018 - \$118) and this amount was included in amounts payable and accrued liabilities.

(4) The Company entered into an agreement with the Chief Financial Officer of the Company to pay him a monthly base salary of GBP5,833. During the three months ended May 31, 2018, \$31,119 (three months ended May 31, 2017 - \$nil) was expensed as salaries. As at May 31, 2018, the Chief Financial Officer was owed \$nil for salaries and reimbursable expenses (February 28, 2018 - \$973) and this amount was included in amounts payable and accrued liabilities.

(5) The Company entered into an accounting support services agreement with MSSSI where under MSSSI provided, certain accounting support services. A director and former officer of the Company, Mr. Robert D. B. Suttie is Vice President of MSSSI. During the three months ended May 31, 2018, \$8,018 (three months ended May 31, 2017 - \$7,968) was expensed with respect to the services provided. As at May 31, 2018, MSSSI was owed \$1,841 (February 28, 2018 - \$5,773). These amounts are included in amounts payable and accrued liabilities.

The above noted transactions are in the normal course of business and are measured at the exchange amount, as agreed to by the parties, and approved by the Board of Directors.

Amounts due to related parties are non-interest bearing, unsecured and due on demand.

Rupert Resources Ltd.

Notes to Condensed Consolidated Interim Financial Statements

Three Months Ended May 31, 2018

(Expressed in Canadian Dollars)

(Unaudited)

16. Segment Information

The Company operates in one reportable operating segment, being the acquisition and exploration of mineral properties in Finland.

17. Commitments and Contingencies

The Company's operations are subject to government environmental protection legislation. Environmental consequences are difficult to identify in terms of results, timetable and impact.

At this time, to management's best knowledge, the Company's operations are in compliance with current laws and regulations.

18. Subsequent Event

- On June 25, 2018, the Executive-Chairman, Mr. Brian Hinchcliffe, has resigned from the Board and the Company appointed Mr. Gunnar Nilsson as Non-Executive Chairman of the Company.