RATHDOWNEY RESOURCES LTD.

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2018 AND 2017

(Expressed in Canadian dollar, unless otherwise stated)

(Unaudited)

Notice to Reader

In accordance with subsection 4.3(3) of National Instrument 51-102, management of the Company advises that the Company's auditors have not performed a review of these interim financial statements.

Rathdowney Resources Ltd.
Condensed Consolidated Interim Statements of Financial Position
(Expressed in Canadian dollar)

		September 30, 2018 (Unaudited)		December 31, 2017
ASSETS				
Current assets				
Cash (note 4)	$	209,397	$	981,572
Amounts receivable and other assets (note 5)		102,966		182,943
Total current assets		312,363		1,164,515
Non-current assets				
Equipment (note 3)		11,317		23,511
Mineral property interest		3,000		3,000
Available-for-sale financial assets (note 6)		550,000		1,320,000
Total non-current assets		564,317		1,346,511
Total assets	$	876,680	$	2,511,026
LIABILITIES AND SHAREHOLDERS' EQUITY / DEFICIENCY				
Current liabilities				
Amounts payable and other liabilities	$	243,774	$	153,378
Balance payable to related parties (note 10)		4,922,934		3,046,274
Loans payable (note 7)		435,552		–
Total current liabilities		5,602,260		3,199,652
Shareholders' deficiency				
Share capital (note 8)		57,111,483		57,111,483
Reserves		7,576,590		8,282,522
Accumulated deficit		(69,413,653)		(66,082,631)
Total shareholders' deficiency		(4,725,580)		(688,626)
Total liabilities and shareholders' deficiency	$	876,680	$	2,511,026

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

/s/ Rene Carrier

Rene Carrier
Director

/s/ David Copeland

David Copeland
Director

Rathdowney Resources Ltd.

Condensed Consolidated Interim Statements of Comprehensive Loss

(Unaudited – Expressed in Canadian dollar)

	Three months ended Septembre 30		Nine months ended September 30	
	2018	2017	2018	2017
Expenses				
Exploration	$ 354,674	$ 836,756	$ 1,568,797	$ 2,030,126
Engineering	27,077	145,883	412,987	424,570
Geological	6,043	64,309	94,287	121,546
Site activities	164,536	153,225	517,751	566,134
Sustainability	153,341	406,714	491,849	749,554
Travel	3,677	66,625	51,923	168,322
Administration	485,042	445,660	1,682,850	1,588,036
Legal, accounting and audit	7,348	13,143	82,853	78,876
Office and administration	324,897	344,947	1,080,541	1,076,191
Shareholder communications	129,426	44,113	433,191	275,131
Travel	22,121	42,646	66,239	136,609
Trust and filing	1,250	811	20,026	21,229
Share-based payments (note 9)	–	18,774	52,533	1,825,786
Exploration	–	957	–	467,183
Administration	–	17,817	52,533	1,358,603
Loss before the following:	839,716	1,301,190	3,304,180	5,443,948
Interest income	(569)	(847)	(3,637)	(12,227)
Finance expenses	10,268	–	11,552	11,393
Foreign exchange loss	7,740	59,422	18,927	81,865
Loss before income tax	857,155	1,359,765	3,331,022	5,524,979
Income tax expense	–	–	–	–
Loss for the period	$ 857,155	$ 1,359,765	$ 3,331,022	$ 5,524,979
Other comprehensive loss (income)				
Items that may in future be reclassified to profit or loss:				
Net change in fair value of AFS financial assets (note 6)	$ 110,000	$ –	$ 770,000	$ (220,000)
Foreign currency translation adjustment	(682,984)	(8,682)	(11,535)	(5,022)
Total other comprehensive loss (income)	$ (572,984)	$ (8,682)	$ 758,465	$ (225,022)
Total comprehensive loss	$ 284,171	$ 1,351,083	$ 4,089,487	$ 5,299,957
Basic and diluted loss per share	$ 0.01	$ 0.01	$ 0.02	$ 0.04
Weighted average number of common shares outstanding	161,701,178	161,300,782	161,701,178	154,410,196

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

Rathdowney Resources Ltd.
Condensed Consolidated Interim Statements of Cash Flows
(Unaudited – Expressed in Canadian dollar)

	Nine months ended September 30	
	2018	2017
Cash flows from (used in) operating activities:		
Loss for the period	$ (3,331,022)	$ (5,524,979)
Adjustments for:		
Amortization (note 3)	12,194	3,569
Equity-settled share based payments	52,533	1,825,786
Finance expenses	11,552	11,393
Interest income	(3,637)	(12,227)
	(3,258,380)	(3,696,458)
Amounts receivable and other assets	79,977	(81,997)
Amounts payable and other liabilities	90,396	(132,986)
Balance payable to related parties	1,876,660	229,641
	(1,211,347)	(3,681,800)
Income taxes paid	–	–
Cash used in operating activities	(1,211,347)	(3,681,800)
Cash flows from investing activities:		
Acquisition of equipment (note 3)	–	(1,866)
Interest received	3,637	12,227
Cash provided by investing activities	3,637	10,361
Cash flows from financing activities:		
Loan (repayments) and proceeds (note 7)	424,000	(478,727)
Net proceeds from private placement allocated to shares (note 8)	–	3,049,917
Net proceeds from private placement allocated to warrants (note 8)	–	1,725,235
Proceeds from the exercise of warrants	–	234,990
Proceeds from options exercised (note 9)	–	10,500
Cash provided by financing activities	424,000	4,541,915
Increase (decrease) in cash	(783,710)	870,476
Effect of exchange rate fluctuations	11,535	5,022
	(772,175)	875,498
Cash, beginning of period	981,572	1,561,314
Cash, end of period	$ 209,397	$ 2,436,812

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

Rathdowney Resources Ltd.

Condensed Consolidated Interim Statements of Changes in Equity (Deficiency)

(Unaudited – Expressed in Canadian dollar)

	Notes	Share capital			Reserves				
		Number of shares	Amount	Accumulated deficit	Investment revaluation reserve	Foreign currency translation reserve	Share purchase warrants reserve	Equity settled employees benefits reserve	Total shareholders' equity (Deficiency)
Balance at January 1, 2017		133,268,856	$ 53,732,495	$ (59,113,228)	$ 790,000	$ 119,573	$ 952,407	$ 2,487,765	$ (1,030,988)
Common shares issued upon exercise of warrants	7	1,382,293	318,571	–	–	–	(83,581)	–	234,990
Common shares issued upon exercise of options	9	42,000	10,500	–	–	–	–	–	10,500
Private placement, net of issuance costs	8(b)	27,008,029	3,049,917	–	–	–	–	–	3,049,917
Issuance of share purchase warrants pursuant to the private placement, net of issuance cost	8(b)	–	–	–	–	–	1,725,235	–	1,725,235
Equity settled share-based payments	9	–	–	–	–	–	–	1,825,786	1,825,786
Other comprehensive income for the period		–	–	–	220,000	5,022	–	–	225,022
Loss for the period		–	–	(5,524,979)	–	–	–	–	(5,524,979)
Balance at September 30, 2017		161,701,178	$ 57,111,483	$ (64,638,207)	$ 1,010,000	$ 124,595	$ 2,594,061	$ 4,313,551	$ 515,483
Balance at January 1, 2018		161,701,178	$ 57,111,483	$ (66,082,631)	$ 1,120,000	$ 149,173	$ 2,594,061	$ 4,419,288	$ (688,626)
Equity settled share-based payments	9	–	–	–	–	–	–	52,533	52,533
Other comprehensive income for the period		–	–	–	(770,000)	11,535	–	–	(758,465)
Loss for the period		–	–	(3,331,022)	–	–	–	–	(3,331,022)
Balance at September 30, 2018		161,701,178	$ 57,111,483	$ (69,413,653)	$ 350,000	$ 160,708	$ 2,594,061	$ 4,471,821	$ (4,725,580)

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

1. Nature of Operations and Going Concern

Rathdowney Resources Ltd. ("Rathdowney" or the "Company") is a public company incorporated on April 3, 2008 under the laws of the Province of British Columbia, Canada. The address of the Company's corporate office is 15th Floor, 1040 West Georgia Street, Vancouver, BC, Canada V6E 4H1.

The condensed consolidated financial statements (the "Financial Statements") of the Company as at and for the three and nine months ended September 30, 2018 comprise the Company and its subsidiaries (together referred to as the "Group" and individually as "Group entities"). Rathdowney Resources Ltd. is the ultimate legal parent entity of the Group.

The Group is in the process of exploring its mineral property interests and has not yet determined whether its mineral property interests contain economically recoverable mineral reserves. The Group's continuing operations are entirely dependent upon the existence of economically recoverable mineral reserves, the ability of the Group to obtain the necessary financing to continue the exploration and development of its mineral property interests and to obtain the permits necessary to mine, and on future profitable production or proceeds from the disposition of its mineral property interests. General market conditions for junior exploration companies have resulted in depressed equity prices.

These Financial Statements have been prepared on a going concern basis which contemplates the realization of assets and discharge of liabilities in the normal course of business for the foreseeable future. As at September 30, 2018, the Group had cash of $209,397 (December 31, 2017 - $981,572), a working capital and a shareholders' deficiency. Of the total current liabilities of the Group at September 30, 2018 $4,922,934 (December 31, 2017, $3,046,274) is payable to related parties (note 10).

These material uncertainties cast significant doubt on the ability of the Group to continue as a going concern.

Management believes that it is able to maintain its core mineral rights in good standing for the next 12 month period. The Group is continually seeking opportunities for additional funding and has reasonable expectation that it will succeed in raising additional funds when necessary. However, there can be no assurance that the Group will obtain the required additional financial resources or achieve positive cash flows. If the Group is unable to obtain adequate additional financing, it will need to curtail its expenditures further, until additional funds can be raised through financing activities.

These Interim Financial Statements do not include any adjustments to the amounts and classification of assets and liabilities that may be necessary should the Group be unable to continue as a going concern.

2. Significant Accounting Policies

These Interim Financial Statements have been prepared in accordance with IAS 34, *Interim Financial Reporting* ("IAS 34"). Accordingly, these Interim Financial Statements do not include all of the information and footnotes required by International Financial Reporting Standards ("IFRS") for complete financial statements for year-end reporting purposes. These

Interim Financial Statements should be read in conjunction with the financial statements of the Company as at and for the year ended December 31, 2017 which were prepared in accordance with IFRS and are publicly available at www.sedar.com. Results for the period ended September 30, 2018, are not necessarily indicative of future results.

The preparation of Interim Financial Statements in conformity with IAS 34 requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. Actual results may differ from such estimates. There was no change in the use of estimates and judgments during the current period as compared to those described in note 2 of the Company's Consolidated Financial Statements for the year ended December 31, 2017.

These Interim Financial Statements were authorized by the Audit Committee of the Company on November 29, 2018 for issuance.

The accounting policies used in the preparation of these Interim Financial Statements are consistent with those used in the audited consolidated financial statements of the Company for the year ended December 31, 2017, except for the adoption of the amendments, interpretations, revised and new standards.

(a) *Changes in Significant Accounting Policy*

IFRS 9, Financial Instruments ("IFS 9")

The Group has adopted IFRS 9 effective January 1, 2018. There have been no changes to the carrying value of the Group's assets or liabilities as a result of the new accounting standard. The Group has taken an exemption not to restate comparative for prior periods with respect to the classification and measurement requirements of IFRS 9. Accordingly, comparative information for 2017 is presented under IAS 39, *Financial Instruments: Recognition and Measurement* ("IAS 39").

Classification and measurement of financial assets

IFRS 9 largely retains the existing requirements in IAS 39 for the classification and measurement of financial liabilities. However, it eliminates the previous IAS 39 categories for financial assets of *held to maturity*, *loans and receivables* and *available-for-sale*.

The adoption of IFRS 9 has not had a significant effect on the Group's accounting policies related to financial liabilities. The impact of IFRS 9 on the classification and measurement of financial assets is set out below.

Under IFRS 9, on initial recognition, a financial asset is classified as measured at: amortized cost; Fair Value through Other Comprehensive Income ("FVTOCI") (debt / equity investment); or Fair Value through Profit or Loss ("FVTPL"). The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics.

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

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt investment is measured at FVTOCI if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income ("OCI"). This election is made on an investment-by-investment basis.

All financial assets not classified as measured at amortised cost or FVTOCI as described above are measured at FVTPL. This includes all derivative financial assets. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVTOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

A financial asset (unless it is a trade receivable without a significant financing component that is initially measured at the transaction price) is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition.

The following accounting policies apply to the subsequent measurement of financial assets.

Financial assets at FVTPL	These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss.
Financial assets at amortised cost	These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses (see below). Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.
Debt investments at FVTOCI	These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.
Equity investments at FVTOCI	These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to profit or loss.

(Unaudited – Expressed in Canadian dollar, unless otherwise stated)

The following table explains the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for each class of the Group's financial assets as at 1 January 2018:

Financial assets	Note	**Original classification under IAS 39**	**New classification under IFRS 9**
Marketable securities	1	Available-for-sale	FVTOCI–equity instrument
Restricted cash		Loans and receivables	Amortised cost
Amounts receivable		Loans and receivables	Amortised cost
Cash and cash equivalents		Loans and receivables	Amortised cost

Notes
1. The Group has marketable securities designated as at FVTOCI. The change in fair value on these equity instruments continues to be accumulated in the investment revaluation reserve within equity.

(b) Amendments, Interpretations, Revised and New Standards Adopted by the Group

The Group also adopted the following standard and annual improvements that became effective January 1, 2018:

- IFRS 15, *Revenue from Contracts with Customers*
- IFRS 9, *Financial Instruments (note 2(a))*
- Annual Improvements *to IFRS standards 2014-2016 Cycle*

The standard and annual improvements had no material effect on the Financial Statements.

(c) Accounting Standards, Amendments and Revised Standards Not Yet Effective

Effective for annual periods commencing on or after January 1, 2019

- IFRS 16, *Leases* ("IFRS 16") and revised IAS 17, *Leases* ("IAS 17").

  The IASB issued IFRS 16 and revised IAS 17 in January 2016. IFRS 16 specifies how to recognize, measure, present and disclose leases. IFRS 16 provides a single lessee accounting model, requiring the recognition of assets and liabilities for all leases, unless the term of the lease is twelve months or less or the underlying asset has a low value. Lessor accounting however remains unchanged from IAS 17 and the distinction between operating and finance leases is retained. IAS 17, as revised, now prescribes the accounting policies and disclosures applicable to leases, both for lessees and lessors.

The Group is currently evaluating the impact that IFRS 16 may have on its financial statements.

(Unaudited – Expressed in Canadian dollar, unless otherwise stated)

3. Equipment

Nine months ended September 30, 2018		Computer Equipment		Fittings & Equipment		Total
Cost						
Balance at January 1, 2018	$	79,095	$	20,665	$	99,760
Acquisition of assets		–		–		–
Balance at September 30, 2018	$	79,095	$	20,665	$	99,760
Accumulated depreciation						
Balance at January 1, 2018	$	66,073	$	10,176	$	76,249
Charge for the period		11,070		1,124		12,194
Balance at September 30, 2018	$	77,143	$	11,300	$	88,443
Carrying amount						
Balance at September 30, 2018	$	1,952	$	9,365	$	11,317

Year ended December 31, 2017		Computer Equipment		Fittings & Equipment		Total
Cost						
Balance at January 1, 2017	$	75,600	$	20,665	$	96,265
Acquisition of assets		3,495		–		3,495
Balance at December 31, 2017	$	79,095	$	20,665	$	99,760
Accumulated depreciation						
Balance at January 1, 2017	$	62,745	$	8,534	$	71,279
Charge for the period		3,328		1,642		4,970
Balance at December 31, 2017	$	66,073	$	10,176	$	76,249
Carrying amount						
Balance at December 31, 2017	$	13,022	$	10,489	$	23,511

Depreciation has been included in the loss for the period and has been classified as exploration expenses – site activities.

(Unaudited – Expressed in Canadian dollar, unless otherwise stated)

4. Cash

The components of cash are as follows:

	September 30, 2018	December 31, 2017
Cash held in business accounts	$ 209,397	$ 981,572

5. Amounts Receivable and Other Assets

	September 30, 2018	December 31, 2017
Value-added taxes refundable	$ 61,827	$ 160,453
Deposits and advances	14,124	928
Prepaid expenses	27,015	21,562
Total	$ 102,966	$ 182,943

6. Available-For-Sale Financial Assets

	September 30, 2018	December 31, 2017
Common shares in Heatherdale Resources Ltd.	$ 550,000	$ 1,320,000

At September 30, 2018 and December 31, 2017, the Group's available-for-sale financial assets consist of common shares of Heatherdale Resources Ltd. ("Heatherdale"), a Canadian public company.

7. Loans Payable

(a) Loans 2018

During the period ended September 30, 2018, the Company entered into certain unsecured loan agreements with one of its directors for an aggregate value of $324,000.

In July 2018, the Company entered into an unsecured loan agreement with an unrelated party (the "Lender") amounting to $100,000. Pursuant to the Loan, The Company issued the Lender 833,333 of its share purchase warrants each entitling the holder to acquire one common share of the Company at a price of $0.12 per share on or before July 9, 2020

The Loans bear interest at a rate of 15% per annum, are unsecured and repayable in two years, the completion by the Company of one or more equity financings or earlier on the occurrence of a default.

(Unaudited – Expressed in Canadian dollar, unless otherwise stated)

The Loan amount increased by $35,200 subsequent to the period ending September 30, 2018 (see note 13)

(b) Loans 2017

During the year ended December 31, 2016, the Company entered into two unsecured loan agreements (together referred to as the "Loans") with certain of its directors and an unrelated party (the "Lenders").

The 1st Loans were entered into in January 2016, with loan agreements amounting to $310,000 with certain directors and $25,000 with an unrelated party for a total amount of $335,000.

The 1st Loans bear interest at a rate of 15% per annum, are unsecured and were repayable in February 2017 or earlier on the occurrence of a default with the option to extend the term for an additional six months.

Pursuant to the Loans, Rathdowney has issued to the Lenders 1,970,527 of its share purchase warrants (the "Warrants"), each entitling the holder to acquire one common share of Rathdowney at a price of $0.17 per share on or before January 18, 2017.

The fair value of the Warrants was determined as $119,148 ($0.06 per Warrant) using the Black Scholes option pricing model based on the following assumptions: risk-free rate of 0.32%; expected volatility of 92%; expected life of 1 year; share price of $0.17 and dividend yield of nil. The fair value of the Warrants to the Lenders was recognized as reserve within shareholders' deficiency and the corresponding amount was recorded as financing cost.

The 2nd Loan was entered into in May 2016, with a loan agreement with one of the Company directors totaling $78,000 which bears interest at a rate of 18% per annum. The Loan is unsecured and was repayable in February 2017 or earlier on the occurrence of a default with the option to extend the term for an additional six months.

In January 2017 1,382,293 Warrants were exercised and in February 2017 the Loans were settled in full.

The continuity of the Loans during the period ended September 30, 2018 is as follows:

	September 30, 2018	December 31, 2017
Balance at the beginning of the period	$ –	$ 467,791
Loans received	424,000	–
Interest on Loans accrued during the year	11,552	10,936
Repayment of loans during the year	–	(478,727)
Total	$ 435,552	$ –

8. Capital and Reserves

(a) Authorized share capital

At September 30, 2018 and December 31, 2017, the authorized share capital was comprised of an unlimited number of common shares without par value.

(b) Private Placement March 2017

In March 2017, the Company completed a non-brokered private placement (the "Private Placement") of 36,461,592 units ("Unit") of the Company at a price of $0.19 per Unit (the "Issue Price") for proceeds of up to approximately $6.9 million.

Each Unit consists of one common share in the capital of the Company (a "Share") and one common share purchase warrant (a "Warrant"). Each Warrant entitles the holder to purchase one additional Share (a "Warrant Share") at a price of $0.24 per Warrant Share for a period of two years from the date of closing of the placement.

The first tranche of the Private Placement comprising of 7,190,000 Units was completed on August 19, 2016 for gross proceeds of $1,366,041.

The second tranche of 7,894,735 Units was completed on September 16, 2016 for gross proceeds of $1,500,000.

The final tranche of 21,376,857 Units was completed in March 2017 for gross proceeds of $4,061,603.

As of the reporting date, the Company incurred a total of $591,340 (2017 - $299,108 and 2016 - $292,232) in issuance costs related to regulatory and legal fees. The Company apportioned the gross proceeds and issuance costs between share capital and warrants based on the relative fair values of the common shares and warrants on date of issue.

Accordingly, net proceeds of $4,108,156 (2017 - $2,367,606 and 2016 - $1,740,550) was allocated to share capital and $2,228,145 (2017 - $1,394,886 and 2016 - $833,259) to Warrants in proportion to their relative fair values determined as follows:

- the fair value of the common shares was determined with reference to the quoted market price on the date of issuance; and
- the fair value of the Warrants was determined using the Black Scholes Options Pricing model and based on the following weighted average valuation inputs: Exercise price – $0.24; Valuation date share price – $0.20 to $0.30; Expected volatility – 103% to 109%; Risk free rate – 0.56% to 0.79%; Remaining life – 2 year; and Dividend yield – nil%.

(c) Private Placement June 2017

In June 2017, the Company completed a non-brokered private placement of 2,999,999 Units of the Company at a price of $0.19 per Unit for proceeds of up to approximately $570,000.

Each Unit consists of one common share in the capital of the Company (a "Share") and one common share purchase warrant (a "Warrant"). Each Warrant entitles the holder to purchase one additional Share (a "Warrant Share") at a price of $0.24 per Warrant Share for a period of two years from the date of closing of the placement.

As of the reporting date, the Company incurred a total of $28,891 in issuance costs related to regulatory and legal fees. The Company apportioned the gross proceeds and issuance costs between share capital and warrants based on the relative fair values of the common shares and warrants on date of issue.

Accordingly, net proceeds of $355,060 was allocated to share capital and $186,049 to Warrants in proportion to their relative fair values determined as follows:

- the fair value of the common shares was determined with reference to the quoted market price on the date of issuance; and

the fair value of the Warrants was determined using the Black Scholes Options Pricing model and based on the following weighted average valuation inputs: Exercise price – $0.24; Valuation date share price – $0.20 to $0.21; Expected volatility – 108%; Risk free rate – 0.89% to 0.91%; Remaining life – 2 year; and Dividend yield – nil%.

(d) Private Placement July 2017

In July 2017, the Company completed a non-brokered private placement of 2,631,173 Units of the Company at a price of $0.19 per Unit for proceeds of $499,922.

Each Unit consists of one common share in the capital of the Company (a "Share") and one common share purchase warrant (a "Warrant"). Each Warrant entitles the holder to purchase one additional Share (a "Warrant Share") at a price of $0.24 per Warrant Share for a period of two years from the date of closing of the placement.

As of the reporting date, the Company incurred a total of $28,373 in issuance costs related to regulatory and legal fees. The Company apportioned the gross proceeds and issuance costs between share capital and warrants based on the relative fair values of the common shares and warrants on date of issue.

Accordingly, net proceeds of $327,248 was allocated to share capital and $144,301 to Warrants in proportion to their relative fair values determined as follows:

- the fair value of the common shares was determined with reference to the quoted market price on the date of issuance; and
- the fair value of the Warrants was determined using the Black Scholes Options Pricing model and based on the following weighted average valuation inputs: Exercise price – $0.24; Valuation date share price – $0.14; Expected volatility – 109%; Risk free rate – 1.19%; Remaining life – 2 year; and Dividend yield – nil%.

(e) Share purchase Warrants

The following summarizes share purchase warrants (each warrant redeemable for one common share) at the beginning and end of the period:

(Unaudited – Expressed in Canadian dollar, unless otherwise stated)

		Nine months ended September 30, 2018				
Exercise price per common share ($)	Expiry date	Beginning balance	Issued	Exercised	Expired	Ending balance
Warrants issued pursuant to financings [2]						
0.24	February 11, 2019[3]	7,190,000	–	–	–	7,190,000
0.24	September 15, 2018	7,894,735	–	–	(7,894,735)	–
0.24	January 13, 2019	5,263,159	–	–	–	5,263,159
0.24	February 17, 2019	5,999,732	–	–	–	5,999,732
0.24	February 27, 2019	10,113,966	–	–	–	10,113,966
0.24	June 16, 2019	1,578,946	–	–	–	1,578,946
0.24	June 20, 2019	1,421,053	–	–	–	1,421,053
0.24	July 14, 2019	2,631,173	–	–	–	2,631,173
0.12[4]	July 09, 2020	–	833,333	–	–	833,333
Total		42,092,764	833,333	–	(7,894,735)	35,031,362
Grand Total		42,092,764	833,333	–	(7,894,735)	35,031,362

		Nine months ended September 30, 2017				
Exercise price per common share ($)	Expiry date	Beginning balance	Issued	Exercised	Expired	Ending balance
Warrants issued pursuant to Loans [1]						
0.17	January 18, 2017	1,970,527	–	(1,382,293)	(588,234)	–
Warrants issued pursuant to financings [2]						
0.24	August 11, 2018	7,190,000	–	–	–	7,190,000
0.24	September 15, 2018	7,894,735	–	–	–	7,894,735
0.24	January 13, 2019	–	5,263,159	–	–	5,263,159
0.24	February 17, 2019	–	5,999,732	–	–	5,999,732
0.24	February 27, 2019	–	10,113,966	–	–	10,113,966
0.24	June 16, 2019	–	1,578,946	–	–	1,578,946
0.24	June 20, 2019	–	1,421,053	–	–	1,421,053
0.24	July 14,2019	–	2,631,173	–	–	2,631,173
Total		15,084,735	27,008,029	–	–	42,092,764

(Unaudited – Expressed in Canadian dollar, unless otherwise stated)

Grand Total	17,055,262	27,008,029	(1,382,293)	(588,234)	42,092,764

Note to previous tables:

1. The Company issued Warrants pursuant to the Loans received in January 2016 (note 7).
2. The Company issued Warrants pursuant to the August 2016, September 2016, February 2017 and June 2017 Private Placement financings (note 8).
3. In August 2018, the TSX Venture Exchange approved the extension in the expiry date of the warrants from August 11, 2018 to February 11, 2019.
4. The Company issued Warrants to the Loans received in July 2018. (note 7)

9. Equity-Settled Share-Based Payments

The following reconciles the Group's share purchase options ("options") issued pursuant to the Group's incentive plan outstanding for the nine months ended September 30, 2018 and 2017:

	2018		2017	
Continuity of options	Number of options	Weighted average exercise price ($/option)	Number of options	Weighted average exercise price ($/option)
Beginning Balance	9,713,000	$ 0.32	2,896,425	$ 0.26
Granted	–	–	7,942,000	0.33
Expired	–	–	(1,059,425)	0.33
Exercised	–	–	(42,000)	0.25
Cancelled	(32,000)	0.33	(12,000)	0.33
Ending Balance	9,681,000	$ 0.32	9,725,000	$ 0.32

There were no share purchase options exercised in during the nine months ended September 30, 2018 (2017 – 42,000).

No options were granted for the nine months ended September 30, 2018. For options granted in the nine months ended September 30, 2017 the weighted average fair value for the 3 year options was estimated at $0.21 per option while the 5 year options was estimated at $0.24 per option and was based on the Black-Scholes option pricing model using the following weighted average assumptions:

(Unaudited – Expressed in Canadian dollar, unless otherwise stated)

Assumptions for 2017 Grants	3 Year Options	5 Year Options
Risk-free interest rate	0.91%	1.17%
Expected life	3.0 years	5.0 years
Expected volatility [1]	101.7%	95.9%
Grant date share price	$0.33	$0.33
Expected dividend yield	Nil	Nil

Note:
1. Expected volatility is based on the historical and implied volatility of the Company's common share price on the TSX.V

Share purchase options outstanding at September 30, 2018 and 2017 are:

	September 30, 2018		
Exercise price	Number of share purchase options outstanding	Weighted average remaining contractual life (years)	Number exercisable
$ 0.25	1,415,000	0.52	1,415,000
$ 0.27	180,000	1.01	180,000
$ 0.32	200,000	1.01	200,000
$ 0.33	7,886,000	2.96	7.886,000
	9,681,000		9,681,000

	September 30, 2017		
Exercise price	Number of share purchase options outstanding	Weighted average remaining contractual life (years)	Number exercisable
$ 0.25	1,415,000	1.52	1,415,000
$ 0.27	180,000	2.01	180,000
$ 0.32	200,000	2.01	200,000
$ 0.33	7,930,000	3.95	7,730,000
	9,725,000		9,525,000

(a) *Deferred Share Units ("DSUs")*

The Company has a DSU plan which was approved by the Company's shareholders in November 2015 which allows the Board, at its discretion, to award DSUs to non-executive directors for services rendered to the Company and also provides that non-executive directors may elect to receive up to 100% of their annual compensation in DSUs. The aggregate number of DSUs outstanding pursuant to the Plan from time to time shall not exceed 2,000,000 Shares unless and until such number is increased in the manner provided for in the plan. The maximum number of Shares issuable pursuant to all Security Based Compensation Arrangements, at any time, including all Shares, options or other rights to purchase or otherwise acquire Shares that are granted to Insiders shall not exceed 10% of the total number of outstanding Shares. DSUs are payable when the non-executive director ceases to be a director including in the event of death. DSUs may be settled in Shares issued from treasury, by the delivery to the former director of Shares purchased by the Company in the open market, payment in cash, or any combination thereof, at the discretion of the Company.

(Unaudited – Expressed in Canadian dollar, unless otherwise stated)

During the nine months ended September 2018 the Company granted 351,054 DSUs with an aggregate fair market value of $48,600 at the date of grant that is recorded as share-based payment in the statement of loss with a corresponding increase in the equity-settled share payment reserve in equity. There were no DSU's granted during the nine months ended September 30, 2017.

Subsequent to September 30, 2018, the Company granted 220,909 DSUs with an aggregate fair market value of $24,300 (see note 13)

The following summarizes the changes in the Company's DSUs:

Number of DSUs	Nine months ended September 30, 2018	Nine months ended September 30, 2017
Outstanding – beginning balance	535,851	–
Granted	351,054	–
Exercised	–	–
Forfeited	–	–
Outstanding – ending balance	886,905	–
Vested – ending balance	886,905	–

10. Related Party Transactions

The components of balance payable to related parties are as follows:

	September 30, 2018	December 31, 2017
Key management personnel (note 10(a))	$ 1,060,187	$ 667,564
Hunter Dickinson Services Inc. (note 10(b))	3,862,747	2,378,710
Total	$ 4,922,934	$ 3,046,274

(a) Key management personnel

Key management personnel ("KMP") consist of directors and officers of Rathdowney and its material subsidiaries.

(Unaudited – Expressed in Canadian dollar, unless otherwise stated)

Transactions with key management personnel, other than interest accrued on loans payable (note 7), were as follows:

	Three months ended September 30		Nine months ended September 30	
	2018	2017	2018	2017
Employee benefits:				
Amounts paid and payable to HDSI for services of KMP employed by HDSI	$ 203,613	$ 281,614	$ 626,644	$ 810,030
Payments to KMP or to an entity owned by a KMP	178,758	222,175	549,691	726,329
	382,371	503,789	1,176,335	1,536,359
Share-based payments	–	1,722	48,600	840,016
Total	$ 382,371	$ 505,511	$ 1,224,935	$ 2,376,375
Other amounts:				
Office rent paid	$ 761	$ 696	$ 2,307	$ 2,181

Short-term employee benefits include salaries, director's fees and amounts paid to HDSI (note 10 (b)) for services provided to the Company and its subsidiaries by HDSI personnel who serve as executive directors and officers for the Company. Certain key management personnel are paid through private companies controlled by them, which provide technical or administrative services to the Company at market rates.

(b) *Entities with significant influence over the Group*

The Company's management believes that certain entities have the power to participate in the financial or operating policies of the Group. Several directors and other key management personnel of those entities, who are close business associates, are also key management personnel of the Group.

Hunter Dickinson Services Inc. ("HDSI")

HDSI is a private company with certain directors and other key management personnel in common with the Company. David Copeland who is a director of the Company, is also a director of HDSI.

Pursuant to an agreement dated July 2, 2010, HDSI provides geological, corporate development, corporate communications, administrative and management services to the Company at annually agreed rates. HDSI also incurs third party costs on behalf of the Company.

(Unaudited – Expressed in Canadian dollar, unless otherwise stated)

Transactions with HDSI were as follows:

	Three months ended September 30,		Nine months ended September 30,	
Transactions with HDSI	2018	2017	2018	2017
Services rendered by HDSI:				
Technical	$ 58,300	$ 247,464	$ 327,344	$ 622,606
Engineering	11,500	112,000	184,000	297,500
Environmental and community relations	34,320	85,670	85,280	172,170
Geological	2,080	15,864	20,364	41,786
Site Activities	10,400	33,930	37,700	111,150
General and administrative	331,682	290,718	1,054,667	1,001,551
Management, financial & administration	312,559	287,078	969,184	915,415
Shareholder communication	19,123	3,640	85,483	86,136
Total	$ 389,982	$ 538,182	$ 1,382,011	$ 1,624,157
Reimbursement of third party expenses	$ 29,988	$ 108,922	$ 110,866	$ 248,489
Conferences and travel	12,007	91,626	49,041	187,525
Insurance	13,540	15,692	43,183	47,002
Office supplies and other	4,441	1,604	18,642	13,962

(c) *Other*

Heatherdale Resources Ltd. ("Heatherdale")

Heatherdale is a public company listed on the TSX Venture Exchange, and has certain directors in common with the Company (note 6). As of September 30, 2018, David Copeland, Rene Carrier and Lena Brommeland, who are directors of the Company, are also directors of Heatherdale.

Loan Agreement

The Company entered into several loan agreements with one of its directors (note 7)

(Unaudited – Expressed in Canadian dollar, unless otherwise stated)

11. Employees Benefits Expenses

The amount of employees' salaries and benefits (including share-based payments) included within various expenses are:

	Three months ended September 30		Nine months ended September 30	
	2018	2017	2018	2017
Exploration	$ 220,425	$ 152,090	$ 801,154	$ 793,050
Administration	376,627	323,014	1,253,178	2,467,895
Total	$ 597,052	$ 475,104	$2,054,332	$ 3,260,945

12. Fair Value

At September 30, 2018 and December 31, 2017, Company's available-for-sale financial assets were carried at fair value based on unadjusted quoted prices in active markets, which is level 1 of the fair value hierarchy (note 6).

At September 30, 2018 and December 31, 2017, the carrying values of the Company's financial assets and financial liabilities approximate their fair values.

13. Subsequent Event

In October 2018, the Company granted 220,909 DSUs with an aggregate fair market value of $24,300.

In November 2018 the Company entered into certain unsecured loan agreements (together referred to as the "Loans") with one of its directors amounting to $35,200.

The Loans bear interest at a rate of 15% per annum, are unsecured and repayable in two years, the completion by the Company of one or more equity financings or earlier on the occurrence of a default.