



RATHDOWNEY RESOURCES LTD.

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

(Expressed in Canadian dollars, unless otherwise stated)

Independent Auditor's Report

To the Shareholders of Rathdowney Resources Ltd.,

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Rathdowney Resources Ltd. (the "Company"), which comprise the consolidated balance sheets as at December 31, 2018, and the consolidated statements of loss and comprehensive loss, changes in equity and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects the consolidated financial position of the Company as at December 31, 2018, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

We conducted our audits in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 in the consolidated financial statements, which indicates that the Company is dependent upon its ability to alleviate its working capital deficiency by obtaining adequate, or restructured, financing or by otherwise developing profitable operations in the future. These conditions indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other Matter

The consolidated financial statements of Rathdowney Resources Ltd. as at and for the year ended December 31, 2017 were audited by another auditor, which expressed an unmodified opinion on those statements in its report to the shareholders dated April 26, 2018.

Other Information

Management is responsible for the other information. The other information comprises the information included in "Management's Discussion and Analysis", but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information, and in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audits or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure, and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audits.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is James D. Gray.

A handwritten signature in black ink that reads "De Visser Gray LLP". The signature is written in a cursive, flowing style.

CHARTERED PROFESSIONAL ACCOUNTANTS

Vancouver, BC, Canada
April 26, 2019

Rathdowney Resources Ltd.

Consolidated Balance Sheets

Expressed in Canadian Dollars

	December 31, 2018	December 31, 2017
ASSETS		
Current assets		
Cash (note 4)	\$ 35,855	\$ 981,572
Amounts receivable and other assets (note 5)	140,878	182,943
Total current assets	176,733	1,164,515
Non-current assets		
Equipment (note 3)	10,680	23,511
Mineral property interest	3,000	3,000
Marketable securities (note 6)	330,000	1,320,000
Total non-current assets	343,680	1,346,511
Total assets	\$ 520,413	\$ 2,511,026
LIABILITIES AND SHAREHOLDERS' DEFICIENCY		
Current liabilities		
Amounts payable and other liabilities	\$ 191,087	\$ 153,378
Balance payable to related parties (note 10)	5,394,795	3,046,274
Total current liabilities	5,585,882	3,199,652
Non-current liabilities		
Loans payable (note 7)	753,509	–
Total non-current liabilities	753,509	–
Total liabilities	6,339,391	3,199,652
Shareholders' deficiency		
Share capital (note 8)	57,111,483	57,111,483
Reserves	3,186,052	8,282,522
Accumulated deficit	(66,116,513)	(66,082,631)
Total shareholders' deficiency	(5,818,978)	(688,626)
Total liabilities and shareholders' deficiency	\$ 520,413	\$ 2,511,026

Nature of operations and going concern (note 1)

Commitments (note 16)

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

/s/ Rene Carrier

/s/ David Copeland

Rene Carrier
Director

David Copeland
Director

Rathdowney Resources Ltd.

Consolidated Statements of Loss and Comprehensive Loss

(Expressed in Canadian dollar)

	Years ended December 31,	
	2018	2017
Expenses		
Exploration	\$ 2,067,747	\$ 2,803,867
Engineering	422,533	675,075
Geological	165,870	158,310
Property fees and assessments	151	–
Site activities	648,503	841,235
Sustainability	774,737	925,423
Travel	55,953	203,824
Administration	2,017,032	2,138,387
Legal, accounting and audit	91,609	86,845
Office and administration	1,324,678	1,377,754
Shareholder communications	509,401	450,511
Travel	71,318	201,681
Trust and filing	20,026	21,596
Share-based payments (note 9)	76,832	1,931,523
Exploration	–	467,183
Administration	76,832	1,464,340
Loss before the following:	4,161,611	6,873,777
Interest income	(4,986)	(12,227)
Finance expenses (note 7)	29,309	11,393
Foreign exchange loss	47,948	96,460
Loss before income tax	4,233,882	6,969,403
Income tax expense	–	–
Loss for the year	\$ 4,233,882	\$ 6,969,403
Other comprehensive loss (income)		
Items that may not be reclassified subsequently to profit or loss:		
Net change in fair value of marketable securities (note 6)	\$ 990,000	\$ (330,000)
Foreign currency translation adjustment	(16,698)	(29,600)
Total other comprehensive loss (income)	\$ 973,302	\$ (359,600)
Total comprehensive loss	\$ 5,207,184	\$ 6,609,803
Basic and diluted loss per share	\$ 0.03	\$ 0.04
Weighted average number of common shares outstanding	161,701,178	156,247,923

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

Rathdowney Resources Ltd.

Consolidated Statements of Cash Flows

Expressed in Canadian Dollars

	Years ended December 31,	
	2018	2017
Cash flows used in operating activities:		
Loss for the year	\$ (4,233,882)	\$ (6,969,403)
Adjustments for:		
Amortization (note 3)	12,831	4,970
Equity-settled share based payments	76,832	1,931,523
Finance expenses on Loans (note 7)	29,309	11,393
Interest income	(4,986)	(12,227)
	(4,119,896)	(5,033,744)
Change in amounts receivable and other assets	42,065	(50,954)
Change in amounts payable and other liabilities	37,709	(111,240)
Change in balance payable to related parties	2,348,521	35,949
	(1,691,601)	(5,159,989)
Income taxes paid	-	-
Cash used in operating activities	(1,691,601)	(5,159,989)
Cash flows from investing activities:		
Acquisition of equipment (note 3)	-	(3,495)
Interest received	4,986	12,227
Cash provided by investing activities	4,986	8,732
Cash flows from financing activities:		
Loan (repayments) and proceeds (note 7)	724,200	(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	724,200	4,541,915
Decrease in cash	(962,415)	(609,342)
Effect of exchange rate fluctuations	16,698	29,600
	(945,717)	(579,742)
Cash, beginning of year	981,572	1,561,314
Cash, end of year	\$ 35,855	\$ 981,572

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

Rathdowney Resources Ltd.
Consolidated Statements of Changes in Deficiency

Expressed in Canadian Dollars

	Notes	Share capital		Accumulated deficit	Reserves			Equity settled employees benefits reserve	Total shareholders' deficiency
		Number of shares	Amount		Investment revaluation reserve	Foreign currency translation reserve	Share purchase warrants reserve		
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	8	1,382,293	234,990	-	-	-	-	-	234,990
Common shares issued upon exercise of options	9	42,000	10,500	-	-	-	-	-	10,500
Issuance of common shares pursuant to private placements, net of issuance costs	8	27,008,029	3,049,917	-	-	-	-	-	3,049,917
Issuance of share purchase warrants pursuant to the private placements, net of issuance cost	8	-	-	-	-	-	1,725,235	-	1,725,235
Fair value and costs allocated to share capital on exercise of warrants		-	83,581	-	-	-	(83,581)	-	-
Equity settled share-based payments	9	-	-	-	-	-	-	1,931,523	1,931,523
Other comprehensive income for the year		-	-	-	330,000	29,600	-	-	359,600
Loss for the year		-	-	(6,969,403)	-	-	-	-	(6,969,403)
Balance at December 31, 2017		161,701,178	\$ 57,111,483	\$ (66,082,631)	\$ 1,120,000	\$ 149,173	\$ 2,594,061	\$ 4,419,288	\$ (688,626)
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)
Effect of change in accounting policy for IFRS 9	2(c)	-	-	4,200,000	(4,200,000)	-	-	-	-
Balance at January 1, 2018 - as restated		161,701,178	57,111,483	(61,882,631)	(3,080,000)	149,173	2,594,061	4,419,288	(688,626)
Equity settled share-based payments	9	-	-	-	-	-	-	76,832	76,832
Other comprehensive income for the year		-	-	-	(990,000)	16,698	-	-	(973,302)
Loss for the year		-	-	(4,233,882)	-	-	-	-	(4,233,882)
Balance at December 31, 2018		161,701,178	\$ 57,111,483	\$ (66,116,513)	\$ (4,070,000)	\$ 165,871	\$ 2,594,061	\$ 4,496,120	\$ (5,818,978)

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

Rathdowney Resources Ltd.

Notes to the Consolidated Financial Statements
For the years ended December 31, 2018 and 2017
(Expressed in Canadian dollar, unless otherwise stated)

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 consolidated financial statements (the "Financial Statements") of the Company as at and for the year ended December 31, 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 December 31, 2018, the Group had cash of \$35,855 (December 31, 2017 – \$981,572), a working capital deficit and a shareholders' deficiency. Of the total current liabilities of the Group at December 31, 2018, \$5,394,795 (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 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

The accounting policies set out below have been applied consistently to all periods presented in these Financial Statements. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with those used by the Group.

Rathdowney Resources Ltd.

Notes to the Consolidated Financial Statements

For the years ended December 31, 2018 and 2017

(Expressed in Canadian dollar, unless otherwise stated)

(a) *Statement of compliance*

These Financial Statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and interpretations issued by the IFRS Interpretations Committee ("IFRIC") that are effective for the Group's reporting for the year ended December 31, 2018.

These Financial Statements were authorized for issuance on April 23, 2019 by the Board of Directors.

(b) *Basis of preparation*

These Financial Statements have been prepared on the historical cost basis, except for marketable securities which are measured at fair value. In addition, these Financial Statements have been prepared using the accrual basis of accounting, except for cash flow information. The accounting policies set out below have been applied consistently to all periods presented in these Financial Statements

(c) *Changes in Accounting Standards*

New and amended IFRS standards that are effective for the current year

Financial Instruments

On January 1, 2018, the Group adopted IFRS 9, *Financial Instruments* ("IFRS 9") which replaced IAS 39, *Financial Instruments: Recognition and Measurement* ("IAS 39"). IFRS 9 provides a revised model for recognition and measurement of financial instruments and a single, forward-looking 'expected loss' impairment model. IFRS 9 became effective for annual periods beginning on or after January 1, 2018.

IFRS 9 did not impact the Group's classification and measurement of its financial instruments except for equity investments as described below. There have been no changes to the carrying value of the Group's financial instruments at the transition date. The Group has taken an exemption not to restate comparatives for prior periods with respect to the classification and measurement requirements of IFRS 9. Accordingly, comparative information as at and for the year ended December 31, 2017 is presented under IAS 39.

A summary of significant changes in IFRS 9 is as follows:

- IFRS 9 uses a single approach to determine whether a financial asset is classified and measured at amortized cost or fair value. The classification and measurement of financial assets is based on the Group's business model for managing its financial assets and whether the contractual cash flows represent solely payments for principal and interest. IFRS 9 eliminates the previous IAS 39 categories for financial assets of *held to maturity*, *loans and receivables* and *available-for-sale*. The change did not impact the carrying amounts of any of the Group's financial assets on the transition date.

Rathdowney Resources Ltd.

Notes to the Consolidated Financial Statements

For the years ended December 31, 2018 and 2017

(Expressed in Canadian dollar, unless otherwise stated)

- In respect to financial liabilities, IFRS 9 retains most of IAS 39's requirements for classification and measurement of financial liabilities.
- The Group designated its marketable securities as financial assets at fair value through other comprehensive income ("FVTOCI"), and will continue to be recorded at fair value. Subsequent changes in fair value however, will only be recognized in other comprehensive income (loss) and will not be transferred into income (loss) upon disposition. Accordingly, on January 1, 2018, the Group reclassified \$4,200,000 of impairment losses recognized in prior years on its marketable securities that it continues to own, from opening deficit to the investment revaluation reserve in accumulated other comprehensive income (loss). With the adoption of IFRS 9, the net change in fair value of marketable securities, including realized and unrealized gains and losses, if any, is now presented as an item that will not be reclassified subsequently to net income (loss) in the Consolidated Statements Loss and Comprehensive Loss.

Other

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

- IFRS 15, *Revenue from Contracts with Customers* ("IFRS 15")
IFRS 15 which supersedes IAS 18, *Revenue* ("IAS 18"), establishes a single five-step model framework for determining the nature, amount, timing and uncertainty of revenue and cash flows arising from a contract with a customer. IFRS 15 is effective for annual periods beginning on or after January 1, 2018.
IFRS 15 requires entities to recognize revenue when 'control' of goods or services transfers to the customer whereas IAS 18 required entities to recognize revenue when the 'risks and rewards' of the goods or services transfer to the customer.
- Annual Improvements to IFRS standards 2014-2016 Cycle

The standard and annual improvements did not have an impact on the Financial Statements.

(d) *Basis of consolidation*

These consolidated financial statements include the accounts of the Group and the subsidiaries that it controls. Control is achieved when the Group is exposed to, or has rights to, variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Intercompany balances and transactions, including any unrealized income and expenses arising from intercompany transactions, are eliminated upon consolidation.

At December 31, 2018, the Company had ownership interests in the following subsidiaries:

Rathdowney Resources Ltd.

Notes to the Consolidated Financial Statements

For the years ended December 31, 2018 and 2017

(Expressed in Canadian dollar, unless otherwise stated)

Name of Subsidiary	Place of Incorporation	Principal Activity	Ownership Interest
Mayfly Resources Limited	Republic of Ireland	Mineral exploration company and holds interest in Exploration and Discovery Limited	100 %
Exploration and Discovery Limited	Republic of Ireland	Mineral exploration company	100 %
Rathdowney Resources (Luxembourg) S.à r.l.	Grand Duchy of Luxembourg	Holds interest in Rathdowney Polska Sp. z o.o	100 %
Rathdowney Polska Sp. z o.o	Republic of Poland	Mineral exploration company	100 %

(e) Property, plant, and equipment

Property, plant and equipment ("PPE") are carried at cost, less accumulated depreciation and any accumulated impairment losses.

The cost of an item of PPE consists of the purchase price, any costs directly attributable to bringing the asset to the location and condition necessary for its intended use, and an initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located. Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates.

Depreciation is provided at rates calculated to write off the cost of property, plant and equipment, less their estimated residual value, using the declining balance method at various rates ranging from 14% to 30% per annum.

An item of PPE is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the item. Any gain or loss arising on disposal of the asset, determined as the difference between the net disposal proceeds and the carrying amount of the asset, is recognized in profit or loss.

Where an item of plant and equipment consists of major components with different useful lives, the components are accounted for as separate items of plant and equipment. Expenditures incurred to replace a component of an item of PPE that is accounted for separately, including major inspection and overhaul expenditures, are capitalized.

Depreciation methods, residual values and estimated useful lives are reviewed at least annually and adjusted if appropriate.

Rathdowney Resources Ltd.

Notes to the Consolidated Financial Statements

For the years ended December 31, 2018 and 2017

(Expressed in Canadian dollar, unless otherwise stated)

(f) Impairment of non-financial assets

At each reporting date, the carrying amounts of the Group's assets are reviewed to determine whether there is any indication of impairment. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any.

The recoverable amount is the greater of fair value less costs to sell, and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in profit or loss. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash generating unit to which the asset belongs.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash generating unit) is increased to the revised estimate of its recoverable amount to a maximum of the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. Such reversals of impairment losses are recognized in profit or loss.

(g) Share capital and warrants

Common shares and warrants (notes 8) are classified as equity. Transaction costs directly attributable to the issue of common shares and warrants are recognized as a deduction from equity, net of any tax effects. Where units comprising of common shares and warrants are issued (note 8), the proceeds and any transaction costs are apportioned between the common shares and warrants according to their relative fair values.

Upon conversion of the warrants into common shares, the carrying amount, net of a pro rata share of the transaction costs, is transferred to common share capital.

(h) Financial Instruments

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"). 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 classification of financial assets is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics.

Classification of financial assets

Amortized cost

Rathdowney Resources Ltd.

Notes to the Consolidated Financial Statements

For the years ended December 31, 2018 and 2017

(Expressed in Canadian dollar, unless otherwise stated)

For a financial asset to be measured at amortized cost, it need to meet 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.

The Group's financial assets at amortized cost comprise of amounts receivable and cash and cash equivalents.

Fair value through other comprehensive income ("FVTOCI")

For a debt investment to be measured at FVTOCI, it needs to meet 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.

Equity instruments at FVTOCI

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

The Group's marketable securities have been designated as at FVTOCI.

Fair Value through profit or loss ("FVTPL")

All financial assets not classified as measured at amortized cost or FVTOCI 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 amortized cost or at FVTOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

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 amortized cost	These assets are subsequently measured at amortized cost using the effective interest method. The amortized 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.

Rathdowney Resources Ltd.

Notes to the Consolidated Financial Statements

For the years ended December 31, 2018 and 2017

(Expressed in Canadian dollar, unless otherwise stated)

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.

Financial assets are impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial assets, the estimated future cash flows of the investments have been impacted. For marketable securities classified as FVTOCI, a significant or prolonged decline in the fair value of the securities below their cost is considered to be objective evidence of impairment.

(i) *Exploration and evaluation expenditures*

Exploration and evaluation expenditures

Exploration and evaluation expenditures are expenditures incurred by the Group in connection with the exploration for and evaluation of mineral resources before the technical feasibility and commercial viability of extracting a mineral resource are demonstrable.

Exploration and evaluation expenditures are expensed as incurred. Acquisition costs are capitalized as mineral property interests.

Exploration and evaluation expenditures include the cash consideration and the estimated fair market value of common shares on the date of issuance or as otherwise provided under the relevant agreements.

Costs for properties for which the Group does not possess unrestricted ownership and exploration rights, such as option agreements, are expensed in the period incurred or until a feasibility study has determined that the property is capable of commercial production.

Administrative expenditures related to exploration activities are expensed in the period incurred.

Mineral property interests

Expenditures incurred by the Group in connection with the exploration for and evaluation of mineral resources after the technical feasibility and commercial viability of extracting a mineral resource are demonstrable are capitalized. Such amounts are then amortized over the estimated useful life of the property following the commencement of commercial production, or are written off if the property is sold, allowed to lapse or abandoned, or when an impairment has been determined to have occurred.

Rathdowney Resources Ltd.

Notes to the Consolidated Financial Statements

For the years ended December 31, 2018 and 2017

(Expressed in Canadian dollar, unless otherwise stated)

Impairment of mineral property interests

Mineral property interests are assessed for impairment if (i) sufficient data exists to determine technical feasibility and commercial viability, or (ii) facts and circumstances suggest that the carrying amount exceeds the recoverable amount.

Once the technical feasibility and commercial viability of the extraction of mineral resources in an area of interest are demonstrable, mineral property interests attributable to that area of interest are first tested for impairment and then reclassified to mineral property and development assets within property, plant and equipment.

Recoverability of the carrying amount of mineral property interests is dependent upon successful development and commercial exploitation, or alternatively, the sale of such mineral property interests.

(j) Share-based payments

(i) Share purchase options granted to the Group's employees and consultants

Share-based payments to employees and others providing similar services are measured at the fair value of the instruments at the grant date. The fair value determined at the grant date is charged to operations over the vesting period, based on the Company's estimate of equity instruments that will eventually vest. The Group revises the estimate on each reporting date and the effect of the change is recognized in profit or loss.

Share-based payment transactions with other parties are measured at the fair value of the goods or services received, except where the fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the service.

(ii) Deferred Share Unit ("DSU") Plan

The Company adopted and operates a DSU plan for its non-executive directors. The Company determines whether to account for DSUs as equity-settled or cash-settled based on the terms of the contractual arrangement. The fair value of DSUs granted is recognized as an employee expense with a corresponding increase in the Equity Reserve if deemed equity-settled or a liability is raised if cash-settled at grant date.

The fair value is estimated using the quoted market price of the Company's common shares at grant date and expensed over the vesting period as share-based compensation in the statement of loss and comprehensive loss until they are fully vested. If the DSUs are cash-settled, the expense and liability are adjusted each reporting period for changes in the quoted market price of the Company's common shares.

(k) Rehabilitation and site restoration

An obligation to incur rehabilitation and site restoration costs arises when environmental disturbance is caused by the exploration, development or ongoing production of a mineral property interest. Such costs arising from the decommissioning of plant and other site preparation work, discounted to their net present value, are provided for and capitalized at

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the start of each project, as soon as the obligation to incur such costs arises. These costs are charged against earnings over the life of the operation.

The Group has no material rehabilitation and site restoration costs, as the disturbance to date has been minimal.

(l) Income tax

Income tax expense on the profit or loss for the periods presented comprises current and deferred tax. Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

Current tax

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the reporting date, and adjusted for taxes payable in respect of previous years.

Deferred tax

Deferred tax is determined using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

The following temporary differences are not provided for: (i) goodwill not deductible for tax purposes, (ii) the initial recognition of assets or liabilities that affect neither accounting nor taxable profit, and (iii) differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

(m) Foreign currencies

The functional and presentation currency of the Company and its subsidiaries is the Canadian Dollar.

Transactions in currencies other than the functional currency are recorded at the rates of exchange prevailing on dates of transactions. At the end of each reporting period, monetary assets and liabilities that are denominated in foreign currencies are translated at the rates prevailing at that date. Non-monetary assets and liabilities carried at fair value that are denominated in foreign currencies are translated at rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

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(n) Earnings (loss) per share

The Company presents basic and diluted loss per share ("LPS") data for its common shares. Basic LPS is calculated by dividing the loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. Diluted LPS is determined by adjusting the profit or loss attributable to common shareholders and the weighted average number of common shares outstanding for the effects of all dilutive potential common shares.

(o) Significant accounting estimates and judgments

The preparation of the consolidated financial statements in conformity with IFRS 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 these estimates.

The impacts of such estimates are pervasive throughout the consolidated financial statements, and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and future periods if the revision affects both current and future periods. These estimates are based on historical experience, current and future economic conditions and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Specific areas where significant estimates or judgments exist are:

Estimates:

- inputs used in accounting for share-based payments and warrants (notes 8 and 9);
- unrecognized deferred tax asset for temporary differences (note 13); and
- depreciation rates for equipment (note 3).

Judgments:

- objective evidence of impairment of marketable securities (note 6); and
- functional currency of the Company and its subsidiaries (note 2(m))
- going concern (note 1)

(p) 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")

IFRS 16 which replaces IAS 17, *Leases*, applies a control model to the identification of leases, distinguishing between a lease and a service contract on the basis of whether the customer controls the asset. Control is considered to exist if the customer has the right to obtain substantially all of the economic benefits from the use of an identified asset and the

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right to direct the use of that asset. For those assets determined to meet the definition of a lease, IFRS 16 introduces significant changes to the accounting by lessees, introducing a single, on-balance sheet accounting model requiring the recognition of right-of-use assets ("ROU assets") and lease liabilities for all leases, with limited exceptions for short-term leases (twelve months or less) or leases of low value assets. Lessor accounting remains similar to current accounting practice.

IFRS 16 prescribes the accounting policies and disclosures applicable to leases, both for lessees and lessors.

The Group will adopt IFRS 16 at the effective date being January 1, 2019 and has elected to apply the modified retrospective approach in which comparatives are not restated and ROU assets are measured at amounts equal to the associated lease liabilities. The Group has also elected to apply the available exemptions permitted by IFRS 16 to recognize a lease expense on a straight line basis for short-term leases (twelve months or less) and low value assets. The Group has also elected to apply the practical expedient whereby leases whose term ends within 12 months of the date of initial application would be accounted for in the same way as short term leases.

Upon the adoption of IFRS 16, the Group has not quantified the impact on its financial statements.

3. Equipment

Year ended December 31, 2018	Computer Equipment	Fittings & Equipment	Total
Cost			
Balance at January 1, 2018	\$ 79,095	\$ 20,665	\$ 99,760
Acquisition of assets	-	-	-
Balance at December 31, 2018	\$ 79,095	\$ 20,665	\$ 99,760
Accumulated depreciation			
Balance at January 1, 2018	\$ 66,073	\$ 10,176	\$ 76,249
Charge for the period	11,332	1,499	12,831
Balance at December 31, 2018	\$ 77,405	\$ 11,675	\$ 89,080
Carrying amount			
Balance at December 31, 2018	\$ 1,690	\$ 8,990	\$ 10,680

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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 year and has been classified as exploration expenses – site activities.

4. Cash

The components of cash are as follows:

	December 31, 2018	December 31, 2017
Cash held in business accounts	\$ 35,855	\$ 981,572

5. Amounts Receivable and Other Assets

	December 31, 2018	December 31, 2017
Government tax receivable	\$ 121,785	\$ 160,453
Deposits and advances	2,011	928
Prepaid expenses	17,082	21,562
Total	\$ 140,878	\$ 182,943

6. Marketable Securities

	December 31, 2018	December 31, 2017
Common shares in Heatherdale Resources Ltd.	\$ 330,000	\$ 1,320,000

At December 31, 2018 and December 31, 2017, the Group's marketable securities consist of common shares of Heatherdale Resources Ltd. ("Heatherdale"), a Canadian public company.

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7. Loans Payable

(a) Loans 2018

During the year ended December 31, 2018, the Company entered into unsecured loan agreements with certain of its directors for an aggregate principal sum of \$624,200. The loans are unsecured, bear interest at a rate of 15% per annum, non-compounding, and are due at the earliest of two years, the completion by the Company of one or more equity financings or due on the occurrence of a default. Interest is due at the time the loans are repaid.

The aggregate amount of the loans increased by \$597,000 subsequent to the year ended December 31, 2018 (note 17).

In July 2018, the Company entered into an unsecured loan agreement (the "Original Loan") with an unrelated party (the "Original Lender") amounting to \$100,000. The Original Loan bearing interest at a rate of 15% per annum, non-compounding, and was due at the earliest of two years, the completion by the Company of one or more equity financings or due on the occurrence of a default. Interest was due at the time the loans are repaid.

In connection with the Original Loan, the Company issued a loan bonus in the form of 833,333 share-purchase warrants, each entitling the holder to acquire one common share of the Company for two years at an exercise price of \$0.12 per share.

Beginning in 2018, agreements that include bonus warrants are considered to be a compound financial instrument with the liability and equity components (which the warrants representing the latter component) being classified separately in the consolidated balance sheets on the date of issuance. The fair value of the liability component is determined first, with the residual value, if any, being allocated to the equity component. At the time of issuance, the fair value of the liability component was determined not to be materially different from the loan proceeds. Accordingly, no amount has been allocated to the equity component.

In November 2018, The Original Lender transferred its rights under the loan, including all interest accrued thereto, to Hunter Dickinson Services Inc. (note 10), which modified the term of the loan whereby the loan was rendered interest free immediately following the assignment.

(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.

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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 year ended December 31, 2018 and December 31, 2017 is as follows:

	December 31, 2018	December 31, 2017
Balance at the beginning of the year	\$ -	\$ 467,791
Cash proceeds from the Loans during the year	724,200	-
Interest on Loans accrued during the year	29,309	10,936
Repayment of loans during the year	-	(478,727)
Total	\$ 753,509	\$ -

8. Capital and Reserves

(a) Authorized share capital

At December 31, 2018 and 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

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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 December 31, 2017, the Company incurred a total of \$591,340 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 was allocated to share capital and \$2,228,145 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 December 31, 2017, 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*

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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 December 31, 2017, 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%.

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(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:

		Year ended December 31, 2018				
Exercise price per common share (\$)	Expiry date	Beginning balance	Issued	Exercised	Expired	Ending balance
Warrants issued pursuant to Loans ¹						
0.12	July 9, 2020	–	833,333	–	–	833,333
Warrants issued pursuant to financings ²						
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 11, 2019 ³	7,190,000	–	–	–	7,190,000
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
		42,092,764	–	–	7,894,735	34,198,029
		42,092,764	833,333	–	7,894,735	35,031,362

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		Year ended December 31, 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 ³	7,190,000	-	-	-	7,190,000
0.24	September 15, 2019	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
		15,084,735	27,008,029	-	-	42,092,764
		17,055,262	27,008,029	1,382,293	588,234	42,092,764

Note to previous tables:

1. The Company issued 833,333 Warrants pursuant to a loan (note 7(a)).
2. The Company issued Warrants pursuant to the August 2016, September 2016, February 2017, June 2017 and July 2017 Private Placement financings (note 8(b)).
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.

9. Equity-Settled Share-Based Payments

(a) Share Purchase Option compensation plan

The Company has a share purchase option plan approved by the Board of Directors (the "Board") that allows it to grant options, subject to regulatory terms and approval, to the Company's officers, directors, employees and service providers. The share purchase option plan (the "Rolling Option Plan") is based on the maximum number of eligible shares equaling a rolling percentage of up to 10% of the Company's outstanding common shares, at any given time. Pursuant to the Rolling Option Plan, if outstanding share purchase options are exercised or expire, or the number of issued and outstanding common shares of the Company increases, then the number of share purchase options available to grant under the plan increases proportionately. The exercise price of each share purchase option is set by the Board at the time of grant. Share purchase options can have a maximum term of ten years and typically terminate 90 days following the termination of the optionee's employment or

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engagement. Vesting is at the discretion of the Board at the time the share purchase options are granted.

The following reconciles the Company's share purchase options ("Options") issued pursuant to the Company's Rolling Option Plan outstanding for the years ended December 31, 2018 and 2017:

	2018		2017	
	Number of	Weighted average exercise price (\$/Option)	Number of	Weighted average exercise price (\$/Option)
Continuity of Options	Options		Options	
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	(64,000)	0.33	(24,000)	0.33
Ending Balance	9,649,000	\$ 0.32	9,713,000	\$ 0.32

There were nil share purchase options exercised during the year ended December 31, 2018 (2017 – 42,000).

For options granted during the year ended December 31, 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:

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.

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Share purchase options outstanding at December 31, 2018 and 2017 are:

Exercise price	December 31, 2018		
	Number of share purchase options outstanding	Weighted average remaining contractual life (years)	Number exercisable
\$ 0.25	1,415,000	0.27	1,415,000
\$ 0.27	180,000	0.75	180,000
\$ 0.32	200,000	0.75	200,000
\$ 0.33	7,854,000	2.71	7,854,000
	9,649,000	2.28	9,649,000

Exercise price	December 31, 2017		
	Number of share purchase options outstanding	Weighted average remaining contractual life (years)	Number exercisable
\$ 0.25	1,415,000	1.27	1,415,000
\$ 0.27	180,000	1.75	180,000
\$ 0.32	200,000	1.75	200,000
\$ 0.33	7,918,000	3.70	7,818,000
	9,713,000	3.27	9,613,000

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

The Company has a DSU plan 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 DSUs, 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 are representative of Common Shares of the Company on a 1:1 basis and 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.

During the year ended December 31, 2018, the Company granted 571,963 (2017 - 535,851) DSUs with an aggregate fair market value of \$72,900 (2017 - \$97,200) at the date of grant which is recorded as share-based payment in the Consolidated Statements of Loss and Comprehensive Loss with a corresponding increase in the equity-settled share payment reserve in equity.

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DSUs outstanding:

	December 31, 2018	December 31, 2017
Beginning Balance	535,851	-
Granted	571,963	535,851
Ending Balance	1,107,814	535,851

At December 31, 2018, the portion of total equity-settled share payment reserve related to the issuance of DSUs was \$170,100 (2017 - \$97,200).

10. Related Party Transactions

The components of balance payable to related parties, other than loans payable (note 7), are as follows:

	December 31, 2018	December 31, 2017
Key management personnel (note 10(a))	\$ 1,225,113	\$ 667,564
Hunter Dickinson Services Inc. (note 10(b))	4,169,682	2,378,710
Total	\$ 5,394,795	\$ 3,046,274

(a) Key management personnel

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

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

	Year ended December 31,	
	2018	2017
Employee benefits:		
Amounts paid and payable to HDSI for services of KMP employed by HDSI	\$ 817,437	\$ 1,046,149
Amounts paid and payable to KMP or to an entity owned by a KMP	1,454,898	774,397
	2,272,335	1,820,546
Share-based payments	72,900	1,052,890
Total	\$ 2,345,235	\$ 2,873,436
Other amounts:		
Office rent paid	\$ 3,088	\$ 2,929

Short-term employee benefits include salaries, directors 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

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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.

Transactions with HDSI for the year ended December 31, 2018 and 2017 were as follows:

	Years ended December 31,	
Transactions with HDSI	2018	2017
Services rendered by HDSI:		
Technical	\$ 397,316	\$ 821,886
Engineering	184,000	411,660
Environmental and community relations	99,840	213,770
Geological	56,276	60,866
Site Activities	57,200	135,590
General and administrative	1,284,785	1,369,171
Management, financial & administration	1,192,483	1,215,062
Shareholder communication	92,302	154,109
Total	\$ 1,682,101	\$ 2,191,057
Reimbursement of third party expenses	\$ 103,095	\$ 275,491
Conferences and travel	52,922	210,000
Insurance	43,183	47,002
Office supplies and other	6,990	18,489

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(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). David Copeland, and Lena Brommeland, who are directors of the Company, are also directors of Heatherdale.

11. Financial Risk Management

(a) *Overview*

The Group has exposure to credit risk, liquidity risk and market risk from its use of financial instruments.

The Board has overall responsibility for the establishment and oversight of the Group's risk management framework. The Board is responsible for developing and monitoring the Group's risk management policies.

The Group's risk management policies are established to identify and analyze the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

There were no changes in the Group's approach to financial risk management from the previous year.

The Board oversees how management monitors compliance with the Group's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Group.

(b) *Credit risk*

Credit risk is the risk of potential loss to the Group if the counterparty to a financial instrument fails to meet its contractual obligations. The Group's credit risk is primarily attributable to its liquid financial assets, including cash and cash equivalents, and amounts receivable and other assets. The carrying values of those liquid assets represent the maximum exposure to credit risk.

Cash

The Group limits its exposure to credit risk by only investing with top tier and high-credit quality financial institutions in business and savings accounts, which are available on demand by the Group.

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(c) Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they become due. In the management of liquidity risk, the Group maintains a balance between continuity of funding and the flexibility through the use of borrowings. Management closely monitors the liquidity position and expects to have adequate sources of funding to finance the Group's projects and operations. The directors of the Group are of the opinion that, taking into account the Group's cash reserves and external financial resources, the Group has sufficient working capital for its current obligations.

The Groups financial liabilities are comprised of amounts payable and other liabilities and balances payable to related parties, which are due within 12 months of the reporting date, and loans payable, which are due more than 12 months from the reporting date. The carrying amounts of the Group's financial liabilities represent the Group's contractual obligations.

(d) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices, will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

Interest Rate Risk

The Group is subject to cash flow interest rate risk with respect to its investments in cash equivalents.

The Group's financial assets bearing variable interest rates are available on demand.

The Group does not enter into interest rate derivatives.

Sensitivity analysis

A hypothetical 10 basis point decrease in interest rates with regards to the Group's monetary financial assets and liabilities would increase net loss for the year ended December 31, 2018 by approximately \$3,819 (2017 – approximately \$2,497).

Currency Risk

In the normal course of business, the Group entities enter into transactions for the purchase of supplies and services, and raise equity financing denominated in currencies other than their respective functional currencies. As a result, the Group is subject to foreign exchange risk from fluctuations in foreign exchange rates. The Group has not entered into any derivative or other financial instruments to mitigate this foreign exchange risk.

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The Group's exposure to foreign currency risk was as follows:

CAD equivalent	December 31, 2018		
	EUR	PLN	USD
Cash	\$ 1,924	\$ 32,988	\$ 35
Amounts receivable and other assets	1,427	99,970	-
Amounts payable and other liabilities	(21,790)	(124,524)	(11)
Balance payable to related parties	(16,422)	(14,387)	-
Net exposure	\$ (34,861)	\$ (5,953)	\$ 24

CAD equivalent	December 31, 2017		
	EUR	PLN	USD
Cash	\$ 25,862	\$ 146,182	\$ 640,534
Amounts receivable and other assets	2,228	81,802	-
Amounts payable and other liabilities	(27,629)	(95,229) ¹	-
Balance payable to related parties	-	(16,166)	-
Net exposure	\$ 461	\$ 116,589	\$ 640,534

1. Amounts have been revised to correct a disclosure error in 2017. There was no impact on loss and loss per share.

A ten percent increase of the Canadian dollar against the Euro ("EUR"), Polish zloty ("PLN") and US dollar ("USD") during the year ended December 31, 2018 would have increased net loss by approximately \$2,705 (2017 – decreased net loss by approximately \$75,758). This analysis assumes that all other variables, including interest rates, remain constant.

Exchange rates used:

CAD	Average for the year		As at December 31	
	2018	2017	2018	2017
EUR 1	\$ 1.5306	\$ 1.4646	\$ 1.5640	\$ 1.5091
USD 1	1.2984	1.2980	1.3641	1.2573
PLN 1	0.3587	0.3454	0.3647	0.3615

Price risk

Equity price risk is defined as the potential adverse impact on the Group's earnings due to movements in individual equity prices or general movements in the level of the stock market. The Group is exposed to equity price fluctuations on its marketable securities in Heatherdale (note 6).

A hypothetical 10% adverse change in stock price of publicly-traded equity securities held by the Group at December 31, 2018 would have resulted in a loss of fair value of approximately \$ 33,000 (2017 – \$ 132,000). This analysis assumes that all other variables remain constant.

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(e) Capital management

The Group's policy is to maintain a strong capital base to sustain future development of the business.

The capital structure of the Group consists of net assets (total cash and cash equivalents offset by total current liabilities) and equity of the Group (comprising issued capital, reserves and accumulated deficit).

There were no changes in the Group's approach to capital management from the previous year.

The Group is not subject to any externally imposed capital requirements.

(f) Fair value

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

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;

Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and

Level 3 – Inputs that are not based on observable market data.

The Group's marketable securities are classified under Level 1 of the hierarchy.

12. Employees Benefits Expenses

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

	2018	2017
Exploration and evaluation	\$ 1,028,899	\$ 1,907,218
General administration	1,540,170	2,924,632
Total	\$ 2,569,069	\$ 4,831,850

13. Taxation

(a) Provision for current tax

No provision has been made for current income taxes, as the Group has no taxable income.

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Reconciliation of effective tax rate	2018	2017
(Loss) for the year	\$ (4,233,882)	\$ (6,969,403)
Total income tax expense	-	-
(Loss) excluding income tax	\$ (4,233,882)	\$ (6,969,403)
Income tax (recovery) using the Company's domestic tax rate	\$ (1,143,000)	\$ (1,812,000)
Effect of tax rates in foreign jurisdictions	(101,000)	(279,000)
Permanent differences and other	229,000	828,000
Expired losses	972,000	2,131,000
Difference in statutory tax rates	39,000	(34,000)
Change in prior year tax estimate and other	-	(1,000)
Change in unrecognized temporary differences	4,000	(833,000)
	\$ -	\$ -

The Group's domestic tax rate for the year was 27% (2017 – 26%) and the effective tax rate was nil % (2017 – nil %).

(b) Provision for deferred tax

As at December 31, 2018, the Group had unused non-capital tax loss carry forwards of approximately \$ 9,463,000 (2017 – \$ 8,922,000) in Canada and approximately \$ 21,328,000 (2017 – \$ 22,686,000) in Ireland and Poland.

Recognized deferred tax assets and liabilities

	2018	2017
Deferred income tax assets		
Unused tax losses	\$ 876,686	\$ 684,627
Other	-	-
	\$ 876,686	\$ 684,627
Deferred income tax liabilities		
Unrealized foreign exchange	\$ (874,197)	\$ (680,905)
Equipment and other	(2,489)	(3,722)
	\$ (876,686)	\$ (684,627)
Deferred income tax assets (liabilities), net	\$ -	\$ -

As of December 31, 2018 the Group had the following temporary differences in respect of which no deferred tax asset was recognized:

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Expiry	Polish Tax Losses	Irish Tax Losses	Other Tax Losses	Other deductible temporary differences
One to five years	\$ 12,146,000	\$ –	\$ –	\$ 331,000
After five years	–	–	9,463,000	–
No expiry date	–	9,182,000	2,284,000	4,070,000
Total	\$ 12,146,000	\$ 9,182,000	\$ 11,747,000	\$ 4,401,000

As future taxable profits of the Group are uncertain, no deferred tax asset has been recognized. Should the Group realize taxable profits in the future, deferred tax assets may be recognized at that time.

14. Loss Per Share

The weighted average number of shares used in the calculation of basic and diluted loss per share for the year ended December 31, 2018 was 161,701,178 (December 31, 2017 – 156,247,923).

The weighted average number of shares is based on the weighted average number of shares of the Company outstanding during that period.

None of the outstanding share purchase options at December 31, 2018 and 2017 (note 9) were included in loss per share for 2018 and 2017 due to their anti-dilutive nature.

15. Operating Segments

The Group operates in a single reportable operating segment – the acquisition, exploration and development of mineral properties. All of the Group's non-current assets are held in Canada and Europe.

16. Operating Lease Agreements

Non-cancelable operating leases relate to the Group's offices with lease terms of between one to two years.

	2018	2017
Minimum lease payments	\$ 41,374	\$ 39,897

	December 31, 2018	December 31, 2017
Non-cancellable operating lease commitments		
Not later than 1 year	\$ 12,069	\$ 11,953

Rathdowney Resources Ltd.

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17 Events After the Reporting Date

Subsequent to December 31, 2018 the Company entered into certain unsecured loan agreements (together referred to as the "Subsequent Loans") with certain of its directors amounting to \$597,000.

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