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**RUPERT RESOURCES LTD.**

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE THREE MONTHS ENDED

MAY 31, 2017 AND 2016

(EXPRESSED IN CANADIAN DOLLARS)  
(UNAUDITED)

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## **MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING**

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

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

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

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

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

## **NOTICE TO READER**

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

# Rupert Resources Ltd.

## Condensed Consolidated Interim Statements of Financial Position

(Expressed in Canadian Dollars)

(Unaudited)

| As at  | May 31,<br>2017      | February 28,<br>2017 |
|--|----------------------|----------------------|
| <b>ASSETS</b>  |                      |                      |
| <b>Current assets</b>                                    |                      |                      |
| Cash and cash equivalents (note 3)                       | \$ 10,535,987        | \$ 14,239,421        |
| Marketable securities (note 4)                           | 42                   | 48                   |
| Prepays and sundry receivables (note 5)                  | 41,509               | 445,371              |
|  | <b>10,577,538</b>    | <b>14,684,840</b>    |
| <b>Non-current assets</b>                                |                      |                      |
| Restricted cash (note 6)                                 | 1,155,428            | 902,055              |
| Buildings and equipment (note 7)                         | 2,437,153            | 1,453,714            |
| Exploration and evaluation assets (note 8)               | 6,644,651            | 3,993,397            |
|  | <b>\$ 20,814,770</b> | <b>\$ 21,034,006</b> |
| <b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>              |                      |                      |
| <b>Current liabilities</b>                               |                      |                      |
| Amounts payable and accrued liabilities (notes 9 and 15) | \$ 1,282,323         | \$ 1,498,523         |
| <b>Non-current liabilities</b>                           |                      |                      |
| Asset retirement obligation (note 10)                    | 920,397              | 853,753              |
| Convertible debentures (note 11)                         | 5,929,692            | 5,661,968            |
|  | <b>8,132,412</b>     | <b>8,014,244</b>     |
| <b>Shareholders' Equity</b>                              |                      |                      |
| Share capital (note 12)                                  | 36,064,281           | 36,034,997           |
| Contributed surplus                                      | 1,733,729            | 1,152,940            |
| Warrants   | -                    | 6,619                |
| Cumulative translation adjustment                        | 331,419              | (108,301)            |
| Equity portion of convertible debentures (note 11)       | 1,716,066            | 1,716,066            |
| Deficit  | (27,163,137)         | (25,782,559)         |
|  | <b>12,682,358</b>    | <b>13,019,762</b>    |
| <b>Total liabilities and shareholders' equity</b>        | <b>\$ 20,814,770</b> | <b>\$ 21,034,006</b> |

Nature of Operations and Going Concern (note 1)

Commitments and Contingencies (note 17)

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

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**Rupert Resources Ltd.**

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

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| <b>Three Months Ended May 31,</b>   | <b>2017</b>           | <b>2016</b>         |
|---|-----------------------|---------------------|
| <b>Operating expenses</b>   |                       |                     |
| General and administrative expenses (note 13)   | \$ 532,039            | \$ 211,086          |
| Share-based payments (note 12)  | 580,789               | 132,023             |
| <b>Loss before other items</b>  | <b>(1,112,828)</b>    | <b>(343,109)</b>    |
| Depreciation  | (20)                  | (28)                |
| Unrealized gain (loss) on marketable securities   | (6)                   | 6                   |
| Accretion and interest expense (note 11)  | (267,724)             | -                   |
| <b>Net loss for the period</b>  | <b>(1,380,578)</b>    | <b>(343,131)</b>    |
| <b>Other comprehensive loss</b>   |                       |                     |
| Item that will be reclassified subsequently to income                                     |                       |                     |
| Exchange differences on translating foreign operations                                    | 331,419               | -                   |
| <b>Net loss and comprehensive loss for the period</b>                                     | <b>\$ (1,049,159)</b> | <b>\$ (343,131)</b> |
| <b>Basic and diluted net loss per share (note 14)</b>                                     | <b>\$ (0.01)</b>      | <b>\$ (0.00)</b>    |
| <b>Weighted average number of common shares outstanding - basic and diluted (note 14)</b> | <b>100,952,915</b>    | <b>70,821,492</b>   |

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**Condensed Consolidated Interim Statements of Deficit**  
**(Expressed in Canadian Dollars)**  
**(Unaudited)**

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| <b>Three Months Ended May 31,</b>                     | <b>2017</b>            | <b>2016</b>            |
|---|------------------------|------------------------|
| <b>Balance, beginning of period</b>                   | <b>\$ (25,782,559)</b> | <b>\$ (23,387,779)</b> |
| <b>Net loss and comprehensive loss for the period</b> | <b>(1,380,578)</b>     | <b>(343,131)</b>       |
| <b>Balance, end of period</b>                         | <b>\$ (27,163,137)</b> | <b>\$ (23,730,910)</b> |

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

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

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| <b>Three Months Ended May 31,</b>  | <b>2017</b>          | <b>2016</b>       |
|--|----------------------|-------------------|
| <b>Operating activities</b>  |                      |                   |
| Net loss for the period  | \$ (1,380,578)       | \$ (343,131)      |
| Adjustments for:   |                      |                   |
| Share-based payments - vesting of Black-Scholes value of options granted | 580,789              | 132,023           |
| Unrealized gain (loss) on marketable securities                          | 6                    | (6)               |
| Depreciation   | 20                   | 28                |
| Exchange differences on translating foreign operations                   | 439,720              | -                 |
| Accretion expense - convertible debentures                               | 267,724              | -                 |
| Changes in non-cash working capital items:                               |                      |                   |
| Prepays and sundry receivables   | 403,862              | (26,348)          |
| Amounts payable and accrued liabilities                                  | (216,200)            | 122,390           |
|  | <b>95,343</b>        | <b>(115,044)</b>  |
| <b>Financing activities</b>  |                      |                   |
| Proceeds from exercise of warrants                                       | 22,664               | 385,331           |
| Proceeds from exercise of options  | -                    | 4,800             |
| Proceeds from private placement  | -                    | 535,000           |
| Share issuance costs   | -                    | (2,808)           |
|  | <b>22,664</b>        | <b>922,323</b>    |
| <b>Investing activities</b>  |                      |                   |
| Expenditure on exploration and evaluation assets                         | (2,651,254)          | (122,584)         |
| Deposits for restricted cash   | (253,373)            | -                 |
| Purchase of buildings and equipment                                      | (916,814)            | -                 |
|  | <b>(3,821,441)</b>   | <b>(122,584)</b>  |
| <b>Net change in cash</b>  | <b>(3,703,434)</b>   | <b>684,695</b>    |
| <b>Cash, beginning of period</b>   | <b>14,239,421</b>    | <b>12,651</b>     |
| <b>Cash, end of period</b>   | <b>\$ 10,535,987</b> | <b>\$ 697,346</b> |

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

## Rupert Resources Ltd.

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

|   | Share Capital      |                      | Cumulative<br>Translation<br>Adjustment | Contributed<br>Surplus | Warrants         | Convertible<br>Debentures | Deficit               | Total                |
|---|--------------------|----------------------|---|------------------------|------------------|---------------------------|-----------------------|----------------------|
|   | Number             | Amount               |   |                        |                  |                           |                       |                      |
| Balance, February 28, 2017                        | 100,737,215        | \$ 36,034,997        | \$ (108,301)                            | \$ 1,152,940           | \$ 6,619         | \$ 1,716,066              | \$(25,782,559)        | \$ 13,019,762        |
| Warrants exercised                                | 377,777            | 29,284               | -                                       | -                      | (6,619)          | -                         | -                     | 22,665               |
| Share-based payments (notes 12<br>and 15)         | -                  | -                    | -                                       | 580,789                | -                | -                         | -                     | 580,789              |
| Net loss and comprehensive loss for the<br>period | -                  | -                    | 439,720                                 | -                      | -                | -                         | (1,380,578)           | (940,858)            |
| <b>Balance, May 31, 2017</b>                      | <b>101,114,992</b> | <b>\$ 36,064,281</b> | <b>\$ 331,419</b>                       | <b>\$ 1,733,729</b>    | <b>\$ -</b>      | <b>\$ 1,716,066</b>       | <b>\$(27,163,137)</b> | <b>\$ 12,682,358</b> |
| Balance, February 29, 2016                        | 58,317,137         | \$ 23,370,816        | \$ -                                    | \$ 175,135             | \$ -             | \$ -                      | \$(23,387,779)        | \$ 158,172           |
| Private placement                                 | 11,777,774         | 324,410              | -                                       | -                      | 207,782          | -                         | -                     | 532,192              |
| Warrants exercised                                | 6,406,347          | 497,772              | -                                       | -                      | (112,440)        | -                         | -                     | 385,332              |
| Stock options exercised                           | 60,000             | 8,874                | -                                       | (4,074)                | -                | -                         | -                     | 4,800                |
| Share-based payments                              | -                  | -                    | -                                       | 132,023                | -                | -                         | -                     | 132,023              |
| Net loss for the period                           | -                  | -                    | -                                       | -                      | -                | -                         | (343,131)             | (343,131)            |
| <b>Balance, May 31, 2016</b>                      | <b>76,561,258</b>  | <b>\$ 24,201,872</b> | <b>\$ -</b>                             | <b>\$ 303,084</b>      | <b>\$ 95,342</b> | <b>\$ -</b>               | <b>\$(23,730,910)</b> | <b>\$ 869,388</b>    |

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

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# Rupert Resources Ltd.

## Notes to Condensed Consolidated Interim Financial Statements

Three Months Ended May 31, 2017

(Expressed in Canadian Dollars)

(Unaudited)

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### 1. Nature of Operations and Going Concern

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

The unaudited condensed consolidated interim financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") with the assumption that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. The Company has incurred ongoing losses and has a cumulative deficit of \$27,163,137 as at May 31, 2017 (February 28, 2017 - \$25,782,559). The continuing operations of the Company are dependent upon its ability to continue to raise adequate financing and to commence profitable operations in the future and repay its liabilities arising from normal business operations as they become due. These material uncertainties may cast significant doubt upon the Company's ability to continue as a going concern.

The Company's outstanding common shares trade on the TSX Venture Exchange under the symbol RUP. As at May 31, 2017, an investor of the Company, Alan Brimacombe, controls 19,291,300 common shares of the Company or approximately 20.00% of the total common shares outstanding. To the knowledge of directors and officers of Rupert, the remainder of the Company's outstanding common shares are widely held. These holdings can change at any time at the discretion of the owner.

In June 2016, Company incorporated a wholly owned subsidiary, Rupert Finland Oy.

### 2. Significant Accounting Policies

#### (a) Statement of Compliance

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

The policies applied in these unaudited condensed consolidated interim financial statements are based on IFRS issued and outstanding as of July 27, 2017, the date the Board of Directors approved the statements. The same accounting policies and methods of computation are followed in these unaudited condensed consolidated interim financial statements as compared with the most recent annual financial statements as at and for the year ended February 28, 2017, except as noted below. Any subsequent changes to IFRS that are given effect in the Company's annual financial statements for the year ending February 28, 2018 could result in restatement of these unaudited condensed consolidated interim financial statements.

#### (b) New Accounting Policies

IAS 7 Amendment - Statement of Cash Flows ("IAS 7") requires an entity to present a statement of cash flows as an integral part of its primary financial statements. Cash flows are classified and presented into operating activities (either using the "direct" or "indirect" method), investing activities and financing activities, with the latter two categories generally presented on a gross basis. The amendments require additional disclosures with respect to changes in liabilities arising from financing activities. At March 1, 2017, the Company adopted IAS 7 Amendment and there was no material impact on the Company's unaudited condensed consolidated interim financial statements.

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# Rupert Resources Ltd.

## Notes to Condensed Consolidated Interim Financial Statements

Three Months Ended May 31, 2017

(Expressed in Canadian Dollars)

(Unaudited)

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### 2. Significant Accounting Policies (continued)

#### (c) Future Accounting Pronouncements

IFRS 9 - Financial Instruments ("IFRS 9") was issued by the IASB in November 2009 with additions in October 2010 and May 2013 and will replace IAS 39 - Financial Instruments: Recognition and Measurement ("IAS 39"). IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9, except that an entity choosing to measure a financial liability at fair value will present the portion of any change in its fair value due to changes in the entity's own credit risk in other comprehensive income, rather than within profit or loss. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. IFRS 9 is effective for annual periods beginning on or after January 1, 2018. Earlier adoption is permitted. The Company is currently assessing the impact of this pronouncement.

In January 2016, the IASB issued IFRS 16, Leases ("IFRS 16"). IFRS 16 is effective for periods beginning on or after January 1, 2019, with early adoption permitted. IFRS 16 eliminates the current dual model for lessees, which distinguishes between on-balance sheet finance leases and off-balance sheet operating leases. Instead, there is a single, on-balance sheet accounting model that is similar to current finance lease accounting.

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

### 3. Cash and Cash Equivalents

|  | As at<br>May 31,<br>2017 | As at<br>February 28,<br>2016 |
|--|--------------------------|-------------------------------|
| Cash   | \$ 10,435,987            | \$ 14,239,421                 |
| Guaranteed investment certificates ("GIC's") | 100,000                  | \$ -                          |
| Total  | \$ 10,535,987            | \$ 14,239,421                 |

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

### 4. Marketable Securities

|   | As at<br>May 31,<br>2017 | As at<br>February 28,<br>2016 |
|---|--------------------------|-------------------------------|
| Cuba Ventures Corp. - 1,200 common shares | \$ 42                    | \$ 48                         |



# Rupert Resources Ltd.

## Notes to Condensed Consolidated Interim Financial Statements

Three Months Ended May 31, 2017

(Expressed in Canadian Dollars)

(Unaudited)

### 5. Prepaids and Amounts Receivable

|   | As at<br>May 31,<br>2017 | As at<br>February 28,<br>2016 |
|---|--------------------------|-------------------------------|
| Prepaid expenses and sundry receivables | \$ 16,528                | \$ 5,508                      |
| Sales tax receivable                    | 24,981                   | 1,060                         |
|   | <b>\$ 41,509</b>         | <b>\$ 6,568</b>               |

### 6. Restricted cash

In connection with the acquisition of the Pahtavaara Gold Mine, the Company purchased environmental bonds of EURO640,000 (on July 10, 201) and EURO120,000 (on March 24, 2017) , with the sole purpose of settling the future restoration obligations of the mine. The bonds are not interest-bearing and have no maturity date. This cash is not available for general corporate purposes.

### 7. Buildings and equipment

|                                       | Computers       | Equipment<br>and<br>Machinery | Buildings         | Vehicles          | Office<br>Furniture | Total              |
|---------------------------------------|-----------------|-------------------------------|-------------------|-------------------|---------------------|--------------------|
| At February 28, 2017                  |                 |                               |                   |                   |                     |                    |
| Cost                                  | \$ 6,969        | \$ 442,502                    | \$ 902,334        | \$ 100,009        | \$ 2,898            | \$1,454,712        |
| Accumulated depreciation              | (998)           | -                             | -                 | -                 | -                   | (998)              |
| Net book value at February 28, 2017   | \$ 5,971        | \$ 442,502                    | \$ 902,334        | \$ 100,009        | \$ 2,898            | \$1,453,714        |
| At February 28, 2017                  | \$ 5,971        | \$ 442,502                    | \$ 902,334        | \$ 100,009        | \$ 2,898            | \$1,453,714        |
| Additions                             | 446             | 904,543                       | 70,437            | 7,807             | 226                 | 983,459            |
| Depreciation                          | (20)            | -                             | -                 | -                 | -                   | (20)               |
| <b>At May 31, 2017</b>                | <b>\$ 6,397</b> | <b>\$1,347,045</b>            | <b>\$ 972,771</b> | <b>\$ 107,816</b> | <b>\$ 3,124</b>     | <b>\$2,437,153</b> |
| At May 31, 2017                       |                 |                               |                   |                   |                     |                    |
| Cost                                  | \$ 7,415        | \$1,347,045                   | \$ 972,771        | \$ 107,816        | \$ 3,124            | \$2,438,171        |
| Accumulated depreciation              | (1,018)         | -                             | -                 | -                 | -                   | (1,018)            |
| <b>Net book value at May 31, 2017</b> | <b>\$ 6,397</b> | <b>\$1,347,045</b>            | <b>\$ 972,771</b> | <b>\$ 107,816</b> | <b>\$ 3,124</b>     | <b>\$2,437,153</b> |

## Rupert Resources Ltd.

### Notes to Condensed Consolidated Interim Financial Statements

Three Months Ended May 31, 2017

(Expressed in Canadian Dollars)

(Unaudited)

#### 8. Exploration and Evaluation Assets

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

|   | Gold Centre<br>Property | Pahtavaara<br>Gold Mine | Total               |
|---|-------------------------|-------------------------|---------------------|
| Balance, February 28, 2017              | \$ 185,945              | \$ 3,807,452            | \$ 3,993,397        |
| <u>Acquisition Costs</u>                |                         |                         |                     |
| Claim staking                           | -                       | 45,698                  | 45,698              |
| Licenses and permits                    | -                       | 3,460                   | 3,460               |
|   | \$ 185,945              | \$ 3,856,610            | \$ 4,042,555        |
| <u>Exploration and Evaluation Costs</u> |                         |                         |                     |
| Assays                                  | \$ -                    | \$ 248,472              | \$ 248,472          |
| Geological consulting                   | -                       | 122,721                 | 122,721             |
| Consulting                              | -                       | 16,523                  | 16,523              |
| Geophysics                              | -                       | 17,643                  | 17,643              |
| Drilling                                | -                       | 1,367,857               | 1,367,857           |
| Equipment rental                        | -                       | 21,195                  | 21,195              |
| Transportation                          | -                       | 9,059                   | 9,059               |
| Fuel                                    | -                       | 6,598                   | 6,598               |
| Utilities                               | -                       | 267,839                 | 267,839             |
| Equipment                               | -                       | 7,677                   | 7,677               |
| Salary                                  | -                       | 505,993                 | 505,993             |
| Surveying                               | -                       | 10,519                  | 10,519              |
| <b>Balance, May 31, 2017</b>            | <b>\$ 185,945</b>       | <b>\$ 6,458,706</b>     | <b>\$ 6,644,651</b> |
| Balance, February 29, 2016              | \$ 185,945              | \$ -                    | \$ 185,945          |
| Geological                              | -                       | 54,490                  | 54,490              |
| Property acquisition                    | -                       | 67,685                  | 67,685              |
| Fees and licenses                       | -                       | 409                     | 409                 |
| May 31, 2016                            | \$ 185,945              | \$ 122,584              | \$ 308,529          |

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## Rupert Resources Ltd.

### Notes to Condensed Consolidated Interim Financial Statements

Three Months Ended May 31, 2017

(Expressed in Canadian Dollars)

(Unaudited)

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#### 8. Exploration and Evaluation Assets (continued)

##### Pahtavaara Gold Mine

On August 30, 2016, the Company exercised the option with the bankruptcy estate of Lapland Goldminers Oy to acquire the Pahtavaara gold mine, mill and exploration permits and concessions that represent a 124km<sup>2</sup> land package in Finland in the Central Lapland Greenstone Belt. The purchase price for the acquisition is US\$2,500,000, structured as a US\$500,000 cash payment which was made upon the completion of the acquisition in November 2016 and a 1.5% production royalty, capped at US\$2,000,000, payable on go-forward revenues generated when gold production resumes. The Company accounted for the acquisition as a business combination. The production royalty, which is considered contingent consideration, was valued at \$nil on the date of acquisition and as at February 28, 2018. The purchase price allocation is set out as follows:

|                               |                   |
|-------------------------------|-------------------|
| Cash paid                     | <u>\$ 660,479</u> |
| Allocation of purchase price: |                   |
| Plant, property and equipment | \$ 1,453,453      |
| Mining property               | 60,779            |
| Asset retirement obligation   | <u>(853,753)</u>  |
| Total                         | <u>\$ 660,479</u> |

#### 9. Amounts Payable and Accrued Liabilities

|                     | <b>As at<br/>May 31,<br/>2017</b> | As at<br>February 29,<br>2017 |
|---------------------|-----------------------------------|-------------------------------|
| Trade payables      | <b>\$ 1,100,540</b>               | \$ 1,000,411                  |
| Accrued liabilities | <b>181,783</b>                    | 498,112                       |
|                     | <b><u>\$ 1,282,323</u></b>        | <u>\$ 1,498,523</u>           |

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**Rupert Resources Ltd.**  
**Notes to Condensed Consolidated Interim Financial Statements**  
**Three Months Ended May 31, 2017**  
**(Expressed in Canadian Dollars)**  
**(Unaudited)**

**10. Asset retirement obligation**

|                               |                   |
|-------------------------------|-------------------|
| Balance - February 29, 2016   | \$ -              |
| Balance - February 28, 2017   | \$ 853,753        |
| Add: accretion for the period | 66,644            |
| <b>Balance - May 31, 2017</b> | <b>\$ 920,397</b> |

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

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

These obligations are expected to be settled at the end of the mine life.

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

**11. Convertible Debentures**

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

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

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

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## Rupert Resources Ltd.

### Notes to Condensed Consolidated Interim Financial Statements

Three Months Ended May 31, 2017

(Expressed in Canadian Dollars)

(Unaudited)

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## 12. Share Capital and Reserves

### Authorized Share Capital

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

### Issued Share Capital

As at May 31, 2017, the issued share capital amounted to \$36,064,281. There were the following changes in issued share capital for the three months ended May 31, 2017:

|                                  | <b>Number of<br/>Common Shares</b> | <b>Amount</b>        |
|----------------------------------|------------------------------------|----------------------|
| Balance, February 28, 2017       | 100,737,215                        | \$ 36,034,997        |
| Warrants exercised               | 377,777                            | 29,284               |
| <b>Balance, May 31, 2017</b>     | <b>101,114,992</b>                 | <b>\$ 36,064,281</b> |
| Balance, February 29, 2016       | 58,317,137                         | \$ 23,370,816        |
| Private placement <sup>(1)</sup> | 11,777,774                         | 327,218              |
| Warrants exercised               | 6,406,347                          | 497,772              |
| Stock options exercised          | 60,000                             | 8,874                |
| Share issue costs                | -                                  | (2,808)              |
| <b>Balance, May 31, 2016</b>     | <b>76,561,258</b>                  | <b>\$ 24,201,872</b> |

<sup>(1)</sup> On March 3, 2016, the Company completed a non-brokered private placement of 11,111,108 units (the "Unit") and 666,666 units (the "Additional Unit"), at a price of \$0.045 and \$0.0525 per unit, respectively. Each Unit and Additional Unit consists of one common share in the capital of the Company and one common share purchase warrant. Each Unit and Additional Unit warrant entitles the holder to acquire one common share of the Company until September 5, 2017, at an exercise price of \$0.06 with a Unit warrant and \$0.07 with an Additional Unit warrant.

The fair value of the Unit and Additional Unit warrants at issue date was \$194,656 and \$13,125, respectively, as calculated using a relative fair value method based on the Black-Scholes option pricing model with the following assumptions: a 18 months expected average life; share price of \$0.08; 130% expected volatility; risk free interest rate of 0.51%; and an expected dividend yield of 0%. Volatility is calculated based on the changes in historical stock prices over the expected life of the warrants.

## Rupert Resources Ltd.

### Notes to Condensed Consolidated Interim Financial Statements

Three Months Ended May 31, 2017

(Expressed in Canadian Dollars)

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## 12. Share Capital and Reserves (continued)

### Stock Options

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

The following table reflects the continuity of stock options for the three months ended May 31, 2017 and May 31, 2016:

|                              | Number of<br>Stock Options | Weighted Average<br>Exercise Price (\$) |
|------------------------------|----------------------------|---|
| Balance, February 28, 2017   | 6,165,000                  | 0.30                                    |
| Granted <sup>(1)(2)</sup>    | 2,450,000                  | 1.11                                    |
| <b>Balance, May 31, 2017</b> | <b>8,615,000</b>           | <b>0.30</b>                             |
| Balance, February 29, 2016   | 2,300,000                  | 0.09                                    |
| Exercised                    | (60,000)                   | 0.08                                    |
| Granted <sup>(3)</sup>       | 3,740,000                  | 0.175                                   |
| Balance, May 31, 2016        | 5,980,000                  | 0.14                                    |

<sup>(1)</sup> On April 18, 2017, the Company granted 200,000 stock options at a price of \$1.08 per share, expiring on April 18, 2022. The fair value of these options at the date of grant was estimated using the Black-Scholes option pricing model with the following assumptions: a five year expected average life; share price of \$1.32; 122% expected volatility; risk-free interest rate of 0.98%; and an expected dividend yield of 0%. Volatility is calculated based on the changes in historical stock prices over the expected life of the options. The fair value assigned to these options was \$223,800. The options will vest 1/4 on July 18, 2017, 1/4 on October 18, 2017, 1/4 on January 18, 2018 and 1/4 on April 18, 2018.

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

<sup>(3)</sup> On March 24, 2016, the Company granted 3,740,000 stock options at a price of \$0.175 per share, expiring on March 24, 2021. The fair value of these options at the date of grant was estimated using the Black-Scholes option pricing model with the following assumptions: a five year expected average life; share price of \$0.28; 133% expected volatility; risk-free interest rate of 0.73%; and an expected dividend yield of 0%. Volatility is calculated based on the changes in historical stock prices over the expected life of the options. The fair value assigned to these options was \$935,000. The options will vest 1/2 on each of the 12 and 24 month anniversaries of the date of grant.

For the three months ended May 31, 2017, the impact on share-based compensation was \$580,789 (three months ended May 31, 2016 - \$132,023).

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## Rupert Resources Ltd.

### Notes to Condensed Consolidated Interim Financial Statements

Three Months Ended May 31, 2017

(Expressed in Canadian Dollars)

(Unaudited)

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#### 12. Share Capital and Reserves (continued)

##### Stock Options (continued)

The following table reflects the actual stock options issued and outstanding as of May 31, 2017:

| <b>Expiry Date</b> | <b>Exercise Price (\$)</b> | <b>Remaining Contractual Life (years)</b> | <b>Number of Options Outstanding</b> | <b>Number of Options Vested (exercisable)</b> | <b>Number of Options Unvested</b> |
|--------------------|----------------------------|---|--------------------------------------|---|-----------------------------------|
| January 10, 2019   | 0.08                       | 1.61                                      | 500,000                              | 500,000                                       | -                                 |
| May 20, 2019       | 0.18                       | 1.97                                      | 250,000                              | 250,000                                       | -                                 |
| March 24, 2021     | 0.175                      | 3.82                                      | 3,740,000                            | 1,870,000                                     | 1,870,000                         |
| June 10, 2021      | 0.56                       | 4.03                                      | 825,000                              | -   | 825,000                           |
| November 9, 2021   | 0.76                       | 4.45                                      | 850,000                              | -   | 850,000                           |
| April 22, 2022     | 1.01                       | 4.88                                      | 2,250,000                            | -   | 2,250,000                         |
| April 22, 2022     | 1.08                       | 4.88                                      | 200,000                              | -   | 200,000                           |
|                    | <b>0.30</b>                | <b>3.93</b>                               | <b>8,615,000</b>                     | <b>2,620,000</b>                              | <b>5,995,000</b>                  |

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##### Warrants

The following table reflects the continuity of warrants for the three months ended May 31, 2017 and May 31, 2016:

|                              | <b>Number of Warrants</b> | <b>Weighted Average Exercise Price (\$)</b> |
|------------------------------|---------------------------|---|
| Balance, February 28, 2017   | 377,777                   | 0.06  |
| Exercised                    | (377,777)                 | 0.06  |
| <b>Balance, May 31, 2017</b> | <b>-</b>                  | <b>-</b>                                    |
| Balance, February 29, 2016   | -                         |   |
| Exercised                    | (6,406,347)               | 0.06  |
| Granted                      | 11,777,774                | 0.06  |
| Balance, May 31, 2016        | 5,371,427                 | 0.06  |

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## Rupert Resources Ltd.

### Notes to Condensed Consolidated Interim Financial Statements

Three Months Ended May 31, 2017

(Expressed in Canadian Dollars)

(Unaudited)

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#### 13. General and Administrative Expenses

| Three Months Ended May 31,                      | 2017              | 2016              |
|---|-------------------|-------------------|
| Consulting                                      | \$ 9,375          | \$ 3,851          |
| Office and sundry                               | 163,255           | 7,561             |
| Professional fees                               | 55,942            | 45,040            |
| Investigation of prospective property interests | 93                | 17,651            |
| Regulatory fees                                 | 11,692            | 147               |
| Salaries and benefits (note 15)                 | 124,446           | 39,300            |
| Shareholder communications                      | 255               | 305               |
| Transfer agent                                  | 22,406            | 6,917             |
| Travel  | 144,575           | 90,314            |
|   | <b>\$ 532,039</b> | <b>\$ 211,086</b> |

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#### 14. Net Loss Per Common Share

The calculation of basic and diluted loss per share for the three months ended May 31, 2017 was based on the loss attributable to common shareholders of \$1,380,578 (three months ended May 31, 2016 - \$343,131) and the weighted average number of common shares outstanding of 100,952,915 for the three months ended May 31, 2017 (three months ended May 31, 2016 - 70,821,492). Diluted loss per share did not include the effect of 8,615,000 stock options (three months ended May 31, 2016 - 2,300,000) as they are anti-dilutive.



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## Rupert Resources Ltd.

### Notes to Condensed Consolidated Interim Financial Statements

Three Months Ended May 31, 2017

(Expressed in Canadian Dollars)

(Unaudited)

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#### 15. Related Party Transactions

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

| Three Months Ended May 31,                     | 2017       | 2016      |
|--|------------|-----------|
| Remuneration paid to Executive Chairman (1)(2) | \$ 66,426  | \$ 39,300 |
| Share-based payments - Black-Scholes value     | \$ 328,115 | \$ 51,680 |
| Marrelli Support Services Inc.(3)              | \$ 7,968   | \$ 5,705  |

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

(2) The Company entered into an agreement with the Executive Chairman of the Company to pay him a monthly consulting fee of US\$10,000 effective March 1, 2016, the monthly fee was increased to US\$16,000 on January 1, 2017. During the three months ended May 31, 2017, \$66,426 (three months ended May 31, 2016 - \$39,300) was expensed as salaries and benefits. As at May 31, 2017, the Executive Chairman was owed \$39,929 for salaries and reimbursable expenses (February 28, 2017 - \$29,218) and this amount was included in amounts payable and accrued liabilities.

(3) On July 1, 2012, Rupert entered into an accounting support services agreement with Marrelli Support Services Inc. ("MSSI") where under MSSI provided, beginning July 1, 2012, certain accounting support services. On October 22, 2012, in connection with such agreement with Marrelli Support, Rupert retained Mr. Robert D. B. Suttie, Vice President of Marrelli Support, as its Chief Financial Officer. During the three months ended May 31, 2017, \$7,968 (three months ended May 31, 2016 - \$5,705) was expensed with respect to the services provided. As at May 31, 2017, Marrelli Support was owed \$4,835 (February 28, 2017 - \$5,203). These amounts are included in amounts payable and accrued liabilities.

(4) During the three months ended May 31, 2017, legal fees and reimbursements of \$22,831 (three months ended May 31, 2016 - \$nil) were paid to a legal firm of which the Company's Corporate Secretary is a partner. Included in accounts payable and accrued liabilities is \$22,881 (February 28, 2017 - \$29,042) pertaining to these fees and ancillary expense reimbursements.

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

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

#### 16. Segment Information

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

#### 17. Commitments and Contingencies

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

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