
RHYS RESOURCES LTD.
FINANCIAL STATEMENTS
For the nine-months ended September 30, 2015
(Expressed in Canadian Dollars)

Notice to Reader

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the condensed interim consolidated financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed interim consolidated financial statements have been prepared by and are the responsibility of the management.

The Company's independent auditor has not performed a review of these financial statements in accordance with the standards established by the Canadian Institute of Chartered Accountants for a review of condensed interim consolidated financial statements by an entity's auditor.

RHYS RESOURCES LTD.
STATEMENTS OF FINANCIAL POSITION
Unaudited (Expressed in Canadian Dollars)

	September 30, 2015	December 31, 2014
	<u>\$</u>	<u>\$</u>
ASSETS		
Current		
Cash	144,863	208,193
Receivables	3,639	2,214
Prepaid expenses	<u>23,573</u>	<u>13,597</u>
	172,075	224,004
LIABILITIES		
Current		
Accounts payable and accrued liabilities (Note 3)	<u>23,079</u>	<u>30,850</u>
Shareholders' equity		
Share capital (Note 4)	4,047,381	4,022,381
Reserves (Note 4)	1,099,448	1,099,448
Deficit	<u>(4,997,833)</u>	<u>(4,928,675)</u>
	<u>148,996</u>	<u>193,154</u>
	172,075	224,004

NATURE OF OPERATIONS AND GOING CONCERN (Note 1)

Approved and authorized on behalf of the Board:

"Robert Bailey"
Director

"Kiki Smith"
Director

The accompanying notes are an integral part of these financial statements

RHYS RESOURCES LTD.
STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
Unaudited (Expressed in Canadian Dollars)

	Three Months Ended		Nine Months Ended	
	September 30 2015	September 30 2014	September 30 2015	September 30 2014
Expenses				
Consulting fees	-	\$ 1,050	-	\$ 16,950
Office and miscellaneous	3,762	11,896	11,523	30,532
Professional fees	3,309	5,993	8,731	12,792
Project investigation costs & depreciation	10,773	3,196	32,461	6,804
Rent	3,000	7,122	9,000	17,515
Shareholder liaison and filing fees	1,050	1,866	5,429	21,006
Transfer agent	507	3,479	2,013	6,207
Loss from operations	(22,401)	(34,602)	(69,158)	(111,806)
Loss and comprehensive loss for the period	(22,401)	(34,602)	(69,158)	(111,806)
Loss per common share, basic and diluted	\$ (0.00)	\$ (0.00)	\$ (0.00)	\$ (0.01)
Weighted average common shares outstanding, basic and diluted	16,925,534	15,909,333	16,693,192	14,021,073

The accompanying notes are an integral part of these financial statements

RHYS RESOURCES LTD.
STATEMENTS OF CASH FLOWS
Unaudited (Expressed in Canadian Dollars)

	For the nine-months ended September 30	
	2015	2014
	\$	\$
Cash flows used in operating activities		
Loss for the period	(69,157)	(111,806)
Items not affecting cash:		
Depreciation	-	6,804
Changes in non-cash working capital items:		
Increase in receivables	(1,425)	2,557
Increase in prepaid expenses	(9,995)	(3,850)
Increase (decrease) in accounts payable and accrued liabilities	(7,753)	(11,371)
	<u>(88,330)</u>	<u>(117,666)</u>
Investing activities		
Purchase of equipment	-	(46,494)
	<u>-</u>	<u>(46,494)</u>
Financing activities		
Shares issued on exercise of warrants	25,000	-
Shares issued for private placement	-	308,000
Share issue costs for private placement	-	(13,089)
	<u>25,000</u>	<u>294,911</u>
Net change in cash	(63,330)	130,751
Cash, beginning of period	<u>208,193</u>	<u>244,650</u>
Cash, end of period	144,863	375,401

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

RHYS RESOURCES LTD.
STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
 Unaudited (Expressed in Canadian Dollars)

	Number of Shares Issued	Capital Stock	Reserves	Deficit	Total Shareholders' Equity
		\$	\$	\$	\$
Balance at December 31, 2013	10,265,534	3,727,471	1,099,448	(4,592,029)	234,890
Shares issued – private placement	6,160,000	308,000	-	-	308,000
Share issue costs	-	(13,089)	-	-	(13,089)
Loss and comprehensive loss	-	-	-	(111,806)	(111,806)
Balance at September 30, 2014	16,425,534	4,022,381	1,099,448	(4,703,835)	422,848
Balance at December 31, 2014	16,425,534	4,022,381	1,099,448	(4,928,675)	193,154
Shares issued - exercise of warrants	500,000	25,000	-	-	25,000
Loss and comprehensive loss	-	-	-	(69,158)	(69,158)
Balance at September 30, 2015	16,925,534	4,047,381	1,099,448	(4,997,833)	148,996

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

RHYS RESOURCES LTD.

Notes to the Financial Statements

For the period ended September 30, 2015Unaudited (Expressed in Canadian Dollars)

1. NATURE OF OPERATIONS AND GOING CONCERN

Rhys Resources Ltd.'s ("the Company") main activities include the identification and assessment of potential exploration and evaluation asset acquisitions. The Company trades on the NEX Board of the TSX Venture Exchange ("TSX-V") under the symbol RYS.H. The Company's head office is located at Suite 912-1112 West Pender St. Vancouver, B.C. V6E 2S1

These financial statements have been prepared on a going-concern basis which assumes the Company will be able to realize its assets and discharge its liabilities and commitments in the normal course of business for the foreseeable future. The continuing operations of the Company are dependent upon its ability to continue to raise adequate financing.

These financial statements do not reflect adjustments to the carrying value of assets and liabilities, the reported expenses and balance sheet classifications used that would be necessary if the going concern assumption were not appropriate.

As at September 30, 2015, the Company had an accumulated deficit of \$4,997,833 (December 31, 2014 - \$4,928,675) and a working capital of \$148,996 (December 31, 2014 - \$193,154). The Company estimates it has sufficient working capital to continue operations for the next year.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following is a summary of significant accounting policies used in the preparation of these financial statements.

Statement of compliance

These financial statements, including comparatives, have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and Interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC").

These financial statements were authorized by the audit committee and board of directors of the Company on November 30, 2015.

Basis of presentation

The financial statements of the Company have been prepared on an accrual basis and are based on historical costs, except for certain financial assets 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.

Functional currency

The functional currency of an entity is the currency of the primary economic environment in which the entity operates. The functional currency of the Company is the Canadian dollar. The reporting currency of the Company is the Canadian dollar.

Use of estimates

The preparation of financial statements in conformity with IFRS requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported revenues and expenses during the year.

Although management uses historical experience and its best knowledge of the amount, events or actions to form the basis for judgments and estimates, actual results may differ from these estimates.

RHYS RESOURCES LTD.

Notes to the Financial Statements

For the period ended September 30, 2015Unaudited (Expressed in Canadian Dollars)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**Use of estimates (continued)**

The most significant account that requires estimates as the basis for determining the stated amount is deferred income taxes.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in material adjustments is as follows:

Income taxes

In assessing the probability of realizing income tax assets, management makes estimates related to expectation of future taxable income, applicable tax opportunities, expected timing of reversals of existing temporary differences and the likelihood that tax positions taken will be sustained upon examination by applicable tax authorities. In making its assessments, management gives additional weight to positive and negative evidence that can be objectively verified.

Share capital

Common shares are classified as equity. Transaction costs directly attributable to the issue of common shares and share options are recognized as a deduction from equity, net of any tax effects. Costs related to issuances not completed will be recorded as deferred financing costs if the completion of the transaction is considered likely; otherwise they are expensed as incurred.

Basic and diluted loss per share

Basic earnings (loss) per share is computed by dividing net earnings (loss) available to common shareholders by the weighted average number of shares outstanding during the reporting period. Diluted earnings (loss) per share is computed similarly to basic earnings (loss) per share except that the weighted average shares outstanding are increased to include additional shares for the assumed exercise of stock options and warrants, if dilutive. The number of additional shares is calculated by assuming that outstanding stock options and warrants were exercised and that the proceeds from such exercises were used to acquire common stock at the average market price during the reporting periods. For the years presented, this calculation proved to be anti-dilutive.

Warrants issued in equity financing transactions

The Company engages in equity financing transactions to obtain the funds necessary to continue operations and explore and evaluate exploration and evaluation assets. These equity financing transactions may involve issuance of common shares or units. Each unit comprises a certain number of common shares and a certain number of warrants. Depending on the terms and conditions of each equity financing transaction, the warrants are exercisable into additional common shares at a price prior to expiry as stipulated by the transaction. Warrants that are part of units are assigned a value based on the residual value, if any, and included in reserves.

Warrants that are issued as payment for agency fee or other transactions costs are accounted for as share-based payments.

Share-based compensation

The Company accounts for all grants of options to employees, non-employees and directors in accordance with the fair value method for accounting for share-based compensation. Share-based compensation awards are calculated using the Black-Scholes option pricing model.

RHYS RESOURCES LTD.

Notes to the Financial Statements

For the period ended September 30, 2015Unaudited (Expressed in Canadian Dollars)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**Share-based compensation (continued)**

Compensation expense is recognized immediately for past services and pro-rata for future services over the options vesting period. A corresponding increase in reserves is recorded when stock options are expensed. When stock options are exercised, share capital is credited by the sum of the consideration paid and the related portion of share-based compensation previously recorded in reserves.

Share-based compensation to non-employees, who are not providing similar services to employees, are measured at the grant date by using the fair value of the goods or services received or the fair value of the equity instruments issued, if it is determined the fair value of the goods or services received cannot be reliably measured, and are recorded at the date the goods or services are received.

Financial instrumentsFinancial assets

The Company classifies its financial assets into one of the following categories as follows:

Fair value through profit or loss - This category comprises derivatives and financial assets acquired principally for the purpose of selling or repurchasing in the near term. They are carried at fair value with changes in fair value recognized in profit or loss. The Company classifies cash as fair value through profit or loss.

Loans and receivables - These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are carried at amortized cost using the effective interest method less any provision for impairment. The Company classifies its receivables as loans and receivables.

Held-to-maturity investments - These assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Company's management has the positive intention and ability to hold to maturity. These assets are measured at amortized cost using the effective interest method less any provision for impairment.

Available-for-sale - Non-derivative financial assets not included in the above categories are classified as available-for-sale. They are carried at fair value with changes in fair value recognized in other comprehensive income (loss). Where a decline in the fair value of an available-for-sale financial asset constitutes objective evidence of impairment, the amount of the loss is removed from accumulated other comprehensive income (loss) and recognized in profit or loss.

All financial assets except those measured at fair value through profit or loss are subject to review for impairment at least at each reporting date. Financial assets are impaired when there is objective evidence of impairment as a result of one or more events that have occurred after initial recognition of the asset and that event has an impact on the estimated future cash flows of the financial asset or the group of financial assets.

Financial liabilities

The Company classifies its financial liabilities into one of two categories as follows:

Fair value through profit or loss - This category comprises derivatives and financial liabilities incurred principally for the purpose of selling or repurchasing in the near term. They are carried at fair value with changes in fair value recognized in profit or loss.

Other financial liabilities - This category consists of liabilities carried at amortized cost using the effective interest method, and includes accounts payable and accrued liabilities.

For the years presented, the Company did not have any derivative financial assets or liabilities.

RHYS RESOURCES LTD.

Notes to the Financial Statements

For the period ended September 30, 2015Unaudited (Expressed in Canadian Dollars)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**Income taxes**Current income tax:

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date, in the country where the Company operates and generates taxable income.

Current income tax relating to items recognized directly in other comprehensive income or equity is recognized in other comprehensive income or equity and not in profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred income tax:

Deferred income tax is based on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. The carrying amount of deferred income tax assets is reviewed at the end of each reporting period and recognized only to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred income tax assets and deferred income tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

Adoption of new and revised accounting standards and interpretations

The following standards have been published and are effective for annual periods beginning after January 1, 2015:

- (a) IFRS 9, *Financial Instruments*, replaces the guidance in IAS 39, *Financial Instruments: Recognition and Measurement*, and includes requirements for recognition and measurement, impairment, derecognition and general hedge accounting. The standard is effective for annual periods beginning on or after January 1, 2018, with earlier application permitted. The Company does not intend to early adopt IFRS 9 in its financial statements for the year ending December 31, 2015. Management is assessing the impact of this standard.
- (b) IFRS 15, *Revenue from Contracts with Customers*, establishes principles that an entity shall apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from a contract with a customer. The standard is effective for annual periods beginning on or after January 1, 2018, with earlier application permitted. The Company does not intend to early adopt IFRS 15 in its financial statements for the year ending December 31, 2015. Management is assessing the impact of this standard.

3. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	September 30, 2015	December 31, 2014
	\$	\$
Accounts payable	23,079	20,850
Accrued liabilities	-	10,000
	23,079	30,850

RHYS RESOURCES LTD.

Notes to the Financial Statements

For the period ended September 30, 2015Unaudited (Expressed in Canadian Dollars)

4. SHARE CAPITAL AND RESERVES**Authorized share capital**

Unlimited number of common shares without par value.

Issued share capital*Issued during the nine-months ended September 30, 2015:*

During May 2015, 500,000 common shares were issued pursuant to the exercise of warrants for proceeds of \$25,000.

Issued during fiscal 2014:

On April 11, 2014 the Company completed a non-brokered private placement offering of units of the Company at a price of \$0.05 per unit. Under the offering, the Company issued an aggregate 5,060,000 units for gross proceeds of \$253,000. Each unit is comprised of one common share and one transferable share purchase warrant, each warrant entitling the holder to purchase one additional common share of the Company at \$0.05 per share until April 11, 2015.

On May 9, 2014 the Company completed a non-brokered private placement offering of units of the Company at a price of \$0.05 per unit. Under this offering, the Company issued an aggregate 1,100,000 units for gross proceeds of \$55,000. Each unit is comprised of one common share and one transferable share purchase warrant, each warrant entitling the holder to purchase one additional common share of the Company at \$0.05 per share until May 9, 2015.

Stock option plan

The Company has a stock option plan that provides for the issuance of options to directors, officers, employees and consultants of the Company to purchase common shares. The maximum aggregate number of plan shares that may be reserved for issuance under the Plan at any point in time is 10% of the outstanding shares at the time. Vesting is determined at the discretion of the Board of Directors.

As at September 30, 2015 and December 31, 2014, there were no stock options issued or outstanding.

Warrants

As at September 30, 2015 the Company had no warrants outstanding.

Warrant transactions for the nine-month period ending September 30, 2015 are summarized as follows:

	Number of Warrants	Weighted Average Exercise Price
Balance, December 31, 2014	6,160,000	\$ 0.05
Expired	5,660,000	0.05
Exercised	500,000	0.05
Balance, September 30, 2015	Nil	\$ 0.00

RHYS RESOURCES LTD.

Notes to the Financial Statements

For the period ended September 30, 2015Unaudited (Expressed in Canadian Dollars)

5. RELATED PARTY TRANSACTIONS

The Company entered into the following transactions with related parties during the nine-months ended September 30, 2015:

- a) Paid or accrued rent of \$9,000 (2014 - \$17,515) to a company related by a significant shareholder;
- b) Paid or accrued professional fees of \$6,750 (2014 - \$11,250) and administration fees included in “office and miscellaneous” of \$6,750 (2014 - \$11,250) to a company related by a significant shareholder; and
- c) Paid or accrued consulting fees of \$nil (2014 - \$15,000) to a company related by a significant shareholder.

Summary of key management personnel compensation (includes officers and directors of the Company):

	2015	2014
	\$	\$
Office and administration	Nil	9,000
	Nil	9,000

Included in accounts payable and accrued liabilities are amounts owing to related parties of \$18,349 (December 31, 2014 - \$6,005).

8. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

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 Company’s financial instruments consist of cash, receivables and accounts payable and accrued liabilities. The fair value of these financial instruments approximates their carrying values because of the short-term nature of these instruments. Cash is measured at fair value using level 1 inputs.

Financial risk factors

The Company is exposed to a variety of financial risks by virtue of its activities including currency, credit, interest rate, liquidity and price risk.

Credit risk

The Company is exposed to industry credit risks arising from its cash holdings and receivables. The Company manages credit risk by placing cash with major Canadian financial institutions. The Company’s receivables consist of sales tax recoverable due from the Federal Government of Canada. Management believes that credit risk related to these amounts is nominal.

RHYS RESOURCES LTD.

Notes to the Financial Statements

For the period ended September 30, 2015Unaudited (Expressed in Canadian Dollars)

Liquidity risk

Liquidity risk is the risk that the Company will not have sufficient funds to meet its financial obligations when they are due. To manage liquidity risk, the Company reviews additional sources of capital and financing to continue its operations and discharge its commitments as they become due.

Market risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and commodity and equity prices.

(a) Interest rate risk

The Company has cash balances only.

(b) Foreign currency risk

As at September 30, 2015, the Company did not have any balances in foreign currencies.

(c) Price risk

The Company has limited exposure to price risk with respect to commodity and equity prices. Equity price risk is defined as the potential adverse impact on the Company's earnings due to movements in individual equity prices or general movements in the level of the stock market. Commodity price risk is defined as the potential adverse impact on earnings and economic value due to commodity price movements and volatilities.

9. CAPITAL MANAGEMENT

The Company considers its equity as capital. The Company's objective when managing capital is to fund its operations and corporate overhead costs, meet obligations as they come due, and to maintain a flexible capital structure, which optimizes the cost of capital at an acceptable risk. The Company has no earnings and therefore it must finance its activities and corporate overhead costs by the sale of common shares or loans.

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares, issue new debt, or acquire or dispose of assets. In order to maximize ongoing development efforts, the Company does not pay out dividends.

Given its objectives, the Company determines the amount of capital to be raised and retained based on the scope of operating activities and potential acquisitions management's assessment of the expected availability of acceptably priced capital in future periods.

There were no changes in the Company's approach to capital management during the period ended June 30, 2015. The Company is not subject to externally imposed capital requirements.