RHYS RESOURCES LTD.

CONDENSED INTERIM FINANCIAL STATEMENTS

For the six-months ended June, 2016

(Unaudited - Expressed in Canadian Dollars)

NOTICE OF NO AUDITOR REVIEW OF
CONDENSED INTERIM FINANCIAL STATEMENTS

The accompanying unaudited condensed interim financial statements for Rhys Resources Ltd. for the six-month period ended June 30, 2016 have been prepared by and are the responsibility of the Company's management.

The auditor of Rhys Resources Ltd. has not performed a review of the unaudited condensed interim financial statements for the six-month period ended June 30, 2106.

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

	June 30, 2016	December 31, 2015
	$	**$**
ASSETS		
Current		
Cash	86,790	138,776
Receivables	6,316	4,149
Prepaid expenses	300	12,503
	93,407	
Exploration and evaluation assets (Note 4)	21,314	-
	114,721	**155,428**
LIABILITIES		
Current		
Accounts payable and accrued liabilities (Note 5)	46,222	37,252
Shareholders' equity		
Share capital (Note 6)	4,047,381	4,047,381
Reserves (Note 6)	1,101,663	1,099,448
Deficit	(5,080,545)	(5,028,653)
	68,499	118,176
	114,721	**155,428**

NATURE OF OPERATIONS AND GOING CONCERN (Note 1)

Approved and authorized on behalf of the Board:

"Mark Vanry"	"Kiki Smith"
Director	*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		Six Months Ended	
	June 30 2016	**June 30 2015**	**June 30 2016**	**June 30 2015**
Expenses	$	$	$	$
Consulting fees	2,360	-	2,360	-
Interest and bank charges	74	121	183	198
Office and miscellaneous	4,063	4,572	10,087	7,563
Professional fees	4,036	4,205	7,786	5,422
Project investigation costs & depreciation	-	4,534	12,203	21,688
Rent	3,000	3,000	6,000	6,000
Shareholder liaison and filing fees	5,304	3,129	6,910	4,379
Share-based payments	2,215	-	2,215	-
Transfer agent	608	671	4,148	1,506
Loss from operations	(21,660)	(20,232)	(51,892)	(46,756)
Loss and comprehensive loss for the period	(21,660)	(20,232)	(51,892)	(46,756)
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	16,728,905	16,925,534	16,576,372

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 six-months ended June 30,	
	2016	**2015**
	$	**$**
Cash flows used in operating activities		
Loss for the year	(51,892)	(46,756)
Items not affecting cash		
Share-based payments	2,215	-
Changes in non-cash working capital items:		
Decrease (increase) in receivables	(2,167)	779
Decrease (increase) in prepaid expenses	12,202	(22,757)
Increase in accounts payable and accrued liabilities	8,970	(18,959)
	(30,672)	(87,693)
Cash used in investing activities		
Purchase of exploration and evaluation assts	(21,314)	-
Cash provided by financing activities		
Shares issued on exercise of warrants	-	25,000
Decrease in cash for the period	(51,986)	(62,693)
Cash, beginning of period	138,776	208,193
Cash, end of period	**86,790**	**145,500**

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, 2014	**16,425,534**	**4,022,381**	**1,099,448**	**(4,928,675)**	**193,154**
Shares issued for exercise of warrants	**500,000**	**25,000**			25,000
Loss and comprehensive loss	-	-	-	(46,756)	(46,756)
Balance at June 30, 2015	**16,925,534**	**4,047,381**	**1,099,448**	**(4,975,431)**	**171,398**
Balance at December 31, 2015	**16,925,534**	**4,047,381**	**1,099,448**	**(5,028,653)**	**118,176**
Share-based payments	-	-	**2,215**	-	2,215
Loss and comprehensive loss	-	-	-	(51,892)	(51,892)
Balance at June 30, 2016	**16,925,534**	**4,047,381**	**1,101,663**	**(5,080,545)**	**68,499**

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

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

As at June 30, 2016, the Company had an accumulated deficit of $5,080,545 (December 31, 2015 - $5,028,653) and working capital of $47,185 (December 31, 2015 - $118,176). These material uncertainties may cast significant doubt on the Company's ability to continue as a going concern.

2. BASIS OF PREPARATION AND STATEMENT OF COMPLIANCE

These condensed interim financial statements have been prepared in accordance with *IAS 34 – Interim financial reporting* (International Account Standard) which is in accordance with International Financial Reporting Standards ("IFRS"). They do not include all of the information required for full annual financial statements and should be read in conjunction with the financial statements of the Company for the year ended December 31, 2015. These condensed interim financial statements have been prepared on a going concern basis, under the historical cost convention, except for certain financial assets and financial liabilities which are measured at fair value.

The going concern basis of accounting assumes the Company will continue to realize the value of its assets and discharge its liabilities and other obligations in the ordinary course of business. Should the Company be required to realize the value of its assets in other than the ordinary course of business, the net realizable value of its assets may be materially less than the amounts shown in the financial statements. These financial statements do not include any adjustments to the amounts and classifications of assets and liabilities that may be necessary should the Company be unable to repay its liabilities and meet its other obligations in the ordinary course of business or to continue operations.

There have been no significant changes to the Company's accounting policies from those disclosed in the financial statements for the years ended December 31, 2015. There have also been no significant changes in judgements or estimates from those disclosed in the financial statements for the years ended December 30, 2015.

3. NEW ACCOUNTING STANDARDS

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, 2018:

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 has not adopted IFRS 9 in its financial statements for the period ending June 30, 2016. Management is assessing the impact of this standard.

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 has not adopted IFRS 15 in its financial statements for the period ending June 30, 2016. Management is assessing the impact of this standard.

(Unaudited - Expressed in Canadian Dollars)

4. EXPLORATION AND EVALUATION ASSETS

Exploration and evaluation assets consist of the company's exploration projects, which are pending the determination of Proved and Probable reserves.

	$
Balance December 31, 2015 and 2014	**Nil**
Acquisition	**21,314**
Balance June 30, 2016	**21,314**

5. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	June 30, 2016	December 31, 2015
	$	$
Accounts payable	46,222	28,502
Accrued liabilities	-	8,750
	46,222	**37,252**

6. SHARE CAPITAL AND RESERVES

Authorized share capital

Unlimited number of common shares without par value.

Issued share capital

No shares were issued during the six-months ended June 30, 2016.

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

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.

During the six months ended June 30, 2016, the Company granted 650,000 incentive stock options with a fair value of $15,588 using the Black-Scholes option pricing model. The Company expensed $12,215 as share-based compensation which was the value of stock options vested during the period.

The fair value of options granted is estimated on the grant date using the Black-Scholes option pricing model using the following variables:

	For the six-months ended June 30	
	2016	2015
Risk-free interest rate	**0.68%**	-
Expected option life in years	**5-years**	-
Expected stock price volatility	**125.8%**	-
Expected forfeiture rate	**0%**	-

(Unaudited - Expressed in Canadian Dollars)

6. SHARE CAPITAL AND RESERVES (cont'd)

A summary of stock options activities are as follows:

	Number of options	Weighted average exercise price
		$
Outstanding at December 31, 2015 and 2014	Nil	Nil
Granted	650,000	0.05
Outstanding at June 30, 2016	650,000	0.05

The Company has outstanding options entitling the holder to purchase an aggregate of common shares at June 30, 2016 as follows:

Exercise Price	Number Outstanding and Exercisable	Expiry Date
$		
0.05	650,000	May 12, 2021

Warrants

As at June 30, 2016 and December 31, 2015 the Company had no warrants outstanding.

Warrant transactions for the year ending December 31, 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, December 31, 2015 and June 30, 2016	Nil	$ 0.00

7. RELATED PARTY TRANSACTIONS

The Company entered into the following transactions with related parties during the six-months ended June 30, 2016:

a) Paid or accrued rent of $6,000 (2015 - $6,000) to a company related by a significant shareholder;

b) Paid or accrued professional fees of $7,500 (2015 - $4,500) and administration fees included in "office and miscellaneous" of $7,500 (2015 - $4,500) to a company related by a significant shareholder; and

Key management personnel did not receive any compensation for the six-month period ending June 30, 2016 or 2015 (includes officers and directors of the Company):

Included in accounts payable and accrued liabilities are amounts owing to related parties of $38,904 (December 31, 2015 - $23,625).

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.

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 June 30, 2016, 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 six-months ended June 30, 2016. The Company is not subject to externally imposed capital requirements.