Condensed Interim Consolidated Financial Statements

RHYOLITE RESOURCES LTD.

For the six months ended December 31, 2014

(Expressed in Canadian Dollars - Unaudited)

Management's Comments on Unaudited Condensed Interim Financial Statements

The accompanying unaudited condensed interim consolidated financial statements of Rhyolite Resources Ltd. (the "Company") for the six months ended December 31, 2014 have been prepared by management and approved by the Board of Directors of the Company.

These financial statements have not been reviewed by the Company's external auditors.

Rhyolite Resources Ltd.

Condensed Interim Consolidated Statements of Financial Position

(Expressed in Canadian dollars - unaudited)

	December 31, 2014	June 30, 2014
ASSETS		
Current assets:		
Cash	$ 826,554	$ 878,509
Amounts receivable (Note 5)	1,426	889
Total current assets	827,980	879,398
Exploration and evaluation assets (Note 4)	44,615	44,615
Total assets	$ 872,595	$ 924,013
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable and accrued liabilities (Notes 6 and 8)	$ 4,813	$ 16,953
Total liabilities	4,813	16,953
Shareholders' equity:		
Share capital (Note 7)	3,584,781	3,584,781
Equity reserves (Note 7)	70,632	70,632
Deficit	(2,787,631)	(2,748,353)
Total shareholders' equity	867,782	907,060
Total liabilities and shareholder's equity	$ 872,595	$ 924,013

Basis of presentation (Note 2)

See accompanying notes to the condensed interim consolidated financial statements.

Rhyolite Resources Ltd.

Condensed Interim Consolidated Statements of Changes in Equity

(Expressed in Canadian dollars - unaudited)

	Number of shares	Share capital	Equity Reserves	Deficit	Total Equity
Balance, July 1, 2013	27,491,450	$ 3,584,781	$ 70,632	$(2,669,924)	$ 985,489
Loss for the period	-	-	-	(33,325)	(33,325)
Balance, December 31, 2013	27,491,450	3,584,781	70,632	(2,703,249)	952,164
Loss for the period	-	-	-	(45,104)	(45,104)
Balance, June 30, 2014	27,491,450	3,584,781	70,632	(2,748,353)	907,060
Loss for the period	-	-	-	(39,278)	(39,278)
Balance, December 31, 2014	27,491,450	$ 3,584,781	$ 70,632	$(2,787,631)	$ 867,782

See accompanying notes to the condensed interim consolidated financial statements.

Rhyolite Resources Ltd.

Condensed Interim Consolidated Statements of Comprehensive Loss

(Expressed in Canadian dollars - unaudited)

	Three Months Ended December 31, 2014	Three Months Ended December 31, 2013	Six Months Ended December 31, 2014	Six Months Ended December 31, 2013
Exploration expenses (Note 4)	$ 3,955	$ 1,151	$ 3,955	$ 3,477
General and administration expenses:				
Accounting and legal	4,326	1,618	8,726	3,868
Foreign exchange loss	87	19	87	73
Interest income	(1,713)	(1,878)	(3,469)	(3,800)
Investor relations	180	180	360	405
Office and sundry	318	362	817	737
Office administration and facilities (Note 8)	12,000	12,000	24,000	24,000
Transfer agent, listing and filing fees	811	647	4,802	4,565
Total general and administration expenses	16,009	12,948	35,323	29,848
Loss and comprehensive loss for the period	$ 19,964	$ 14,099	$ 39,278	$ 33,325
Basic and diluted loss per share (Note 7)	$ 0.00	$ 0.00	$ 0.00	$ 0.00
Weighted average number of common shares outstanding	27,491,450	27,491,450	27,491,450	27,491,450

See accompanying notes to the condensed consolidated interim financial statements.

Rhyolite Resources Ltd.

Condensed Interim Consolidated Statements of Cash Flows

(Expressed in Canadian dollars - unaudited)

	Six Months Ended December 31, 2014	2013
Cash (used in) provided by:		
Operating activities:		
Loss for the period	$ (39,278)	$ (33,325)
Non-operating income:		
Interest income	(3,469)	(3,800)
Changes in non-cash working capital balances:		
Amounts receivable	(537)	(263)
Accounts payable and accrued liabilities	(12,140)	(14,770)
Net cash used in operating activities	(55,424)	(52,158)
Investing activities:		
Interest income	3,469	3,800
Net cash provided by investing activities	3,469	3,800
Change in cash for the period	(51,955)	(48,358)
Cash, beginning of period	878,509	959,488
Cash, end of period	$ 826,554	$ 911,130

There were no non-cash transactions during the six months ended December 31, 2014 and 2013.

See accompanying notes to the condensed interim consolidated financial statements.

1. NATURE OF OPERATIONS

Rhyolite Resources Ltd. (the "Company") was incorporated under the *Business Corporations Act* (Alberta) on April 6, 2006. Its principal business activities include the acquisition and exploration of mineral properties. The Company's registered office address is Suite 1900, 520 – 3rd Avenue SW, Calgary, AB, and its principal place of business is Suite 1703, 595 Burrard Street, Vancouver, BC.

These unaudited condensed interim consolidated financial statements were authorized for issuance by the Audit Committee and Board of Directors on February 12, 2015.

2. BASIS OF PRESENTATION

Statement of Compliance

These unaudited condensed interim consolidated financial statements, including comparative periods, have been prepared in accordance with International Financial Reporting Standards ("IFRS") and in accordance with International Accounting Standard ("IAS") 34 *"Interim Financial Reporting"*, as issued by the International Accounting Standards Board ("IASB"), and Interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"). These financial statements should be read in conjunction with the Company's audited consolidated financial statements for the year ended June 30, 2014.

Basis of Measurement

These condensed interim consolidated financial statements have been prepared on a historical cost basis except for financial instruments classified as financial instruments at fair value through profit or loss, which are stated at their fair value. In addition, these financial statements have been prepared using the accrual basis of accounting.

These condensed interim consolidated financial statements are presented in Canadian dollars, which is also the functional currency of the Company and its subsidiaries.

Going Concern

These condensed interim consolidated financial statements have been prepared on the assumption that the Company will realize its assets and discharge its liabilities in the normal course of business rather than through a process of forced liquidation. The Company has incurred losses since inception. Its ability to continue as a going concern depends upon whether it develops profitable operations and continues to raise adequate financing. Management is actively targeting sources of additional financing which would assure continuation of the Company's operations and exploration programs. In order for the Company to meet its liabilities as they come due and to continue its operations, the Company is solely dependent upon its ability to generate such financing.

There can be no assurance that the Company will be able to raise the funds necessary to continue future operations. Should the Company be unable to realize its assets and discharge its liabilities in the normal course of business, the net realizable value of its assets may be materially less than the amounts recorded on the statements of financial position. The financial statements do not include adjustments to amounts and classifications of assets and liabilities that might be necessary should the Company be unable to continue operations.

(Expressed in Canadian dollars - Unaudited)

2. BASIS OF PRESENTATION (cont'd...)

Continuance of Operations (cont'd...)

Adverse financial market conditions and volatility increase the uncertainty of the Company's ability to continue as a going concern given the need to both curtail expenditures and to raise additional funds. The Company is experiencing, and has experienced, negative operating cash flows. The Company will continue to search for new or alternate sources of financing but anticipates that the current market conditions may impact the ability to source such funds. However, management believes that the Company has sufficient working capital to meet its projected minimum financial obligations for the next fiscal year.

3. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

These condensed interim consolidated financial statements have been prepared according to the same accounting policies and are subject to the same areas of judgement, measurement estimates and uncertainties as those disclosed in Note 3 of the Company's audited financial statements for the year ended June 30, 2014.

4. EXPLORATION AND EVALUATION ASSETS - MINERAL PROPERTIES

Paxson Gold Property, Alaska, U.S.

The Company acquired through an internal staking program certain mineral claims in the eastern Alaska Range, southwest of Tok, Alaska. As of December 31, 2014, the Company has incurred staking costs of $44,615 (June 30, 2014 - $44,615) in acquiring these claims.

During the six months ended December 31, 2014 and 2013, the exploration expenses on the Company's mineral properties are as follows:

	Six Months Ended December 31, 2014	Six Months Ended December 31, 2013
Exploration expenses:		
Accommodation and meals	$ 738	$ 682
Analytical	-	318
Management fees	469	109
Permit and filing fees	2,748	2,368
Total exploration expenses	$ 3,955	$ 3,477

Title to mineral properties involves certain inherent risks due to the difficulties of determining the validity of certain claims as well as the potential for problems arising from the frequently ambiguous conveyance history characteristic of many mineral properties. The Company has investigated title to all of its mineral properties and, to the best of its knowledge, title to all of its properties are in good standing.

(Expressed in Canadian dollars - Unaudited)

5. AMOUNTS RECEIVABLE

The Company's amounts receivable arise primarily from the refund of sales taxes from Canadian taxation authorities.

6. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities of the Company are due to service providers, mainly including management fees, professional fees and consulting fees. All payables and accrued liabilities for the Company fall due within the next 12 months.

7. SHAREHOLDERS' EQUITY

Authorized share capital

Unlimited common shares, without par value.
Unlimited preferred shares issuable in series, without par value.

Share issuances

As at December 31, 2014, the Company had 27,491,450 (June 30, 2014 – 27,491,450) common shares outstanding.

There were no shares issued during the six months ended December 31, 2014 or the year ended June 30, 2014.

Stock options

The Company adopted an incentive stock option plan (the "Option Plan") which provides that the Board of Directors of the Company may from time to time, in its discretion, and in accordance with the requirements of the TSX-Venture Exchange (the "Exchange"), grant to directors, officers, employees and technical consultants to the Company, non-transferable options to purchase common shares, provided that the number of common shares reserved for issuance will not exceed 10% of the issued and outstanding common shares. Such options will be exercisable for a period of up to five years from the date of grant. Vesting terms are determined by the Board of Directors at the time of grant.

No stock options were granted during the six months ended December 31, 2014 or the year ended June 30, 2014.

Stock option transactions are summarized as follows:

	Number of Options	Weighted Average Exercise Price
Balance, June 30, 2013	600,000	$ 0.25
Expired	(500,000)	0.25
Balance, June 30, 2014 and December 31, 2014	100,000	$ 0.25
Exercisable at December 31, 2014	100,000	$ 0.25

(Expressed in Canadian dollars - Unaudited)

7. SHAREHOLDERS' EQUITY (cont'd...)

Stock options (cont'd...)

As at December 31, 2014, the following incentive stock options are outstanding and exercisable:

Number of Options	Exercise Price	Expiry Date
100,000	$ 0.25	January 25, 2016

Warrants

The Company may grant warrants on a stand-alone basis, to agents or brokers as compensation for facilitating financing. Alternatively, warrants may be included with the Company's shares into share units which are sold to raise funds. No warrants have been issued in the six months ended December 31, 2014 or in the year ended June 30, 2014. There were no warrants outstanding as of June 30, 2014 or December 31, 2014.

Per share amounts

Weighted average per share amounts for the three and six months ended December 31, 2014 and 2013 are calculated as follows:

	Three Months Ended December 31, 2014	Three Months Ended December 31, 2013	Six Months Ended December 31, 2014	Six Months Ended December 31, 2013
Numerator				
Net Loss	$ 19,964	$ 14,099	$ 39,278	$ 33,325
Denominator				
Weighted average number of common shares outstanding, basic and diluted	27,491,450	27,491,450	27,491,450	27,491,450
Loss per common share, basic and diluted	$(0.00)	$(0.00)	$(0.00)	$(0.00)

Diluted weighted average number of common shares outstanding for the three and six months ended December 31, 2014 and 2013 excludes the impact of stock options outstanding. These items have been excluded from the calculation of diluted loss per share, as their inclusion is anti-dilutive in periods when a loss is incurred.

8. RELATED PARTY TRANSACTIONS

The Company is party to a corporate service agreement with Ionic Management Corp. ("Ionic"), a company with directors in common, whereby Ionic provides to the Company various administrative and related corporate services. Under the terms of the agreement, the Company pays Ionic a fee of $4,000 per month and Ionic is reimbursed for expenses incurred in the performance of its services. During the six months ended December 31, 2014, expenses incurred with Ionic include $24,000 (2013 - $24,000) for office facilities and administrative services, of which $4,315 is included in accounts payable and accrued liabilities as at December 31, 2014 (June 30, 2014 - $4,311).

9. SEGMENTED INFORMATION

The Company has one reportable operating segment, being the acquisition and exploration of mineral properties in the United States of America.

10. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

As at December 31, 2014, the Company's financial instruments comprise cash and accounts payable and accrued liabilities. The fair values of accounts payable and accrued liabilities approximate their carrying values due to their short-term maturity. Fair values of financial instruments are classified in a fair value hierarchy based on the inputs used to determine fair values. The levels of the fair value hierarchy are as follows:

Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;
Level 2 – Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
Level 3 – Inputs that are not based on observable market data (unobservable inputs).

As at December 31, 2014, the fair value of cash held by the Company was based on Level 1 of the fair value hierarchy.

The Company's risk exposures and the impact on the Company's financial instruments are summarized below:

Credit risk

Credit risk is the risk of an unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations. The Company's credit risk is primarily attributable to its cash holdings. The Company limits exposure to credit risk by maintaining its cash with large financial institutions.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company ensures there is sufficient capital in order to meet short-term business requirements, after taking into account cash flows from operations and the Company's holdings of cash. The Company believes that these sources are sufficient to cover the likely short-term cash requirements, but that further funding will be required to meet long-term requirements. As at December 31, 2014, the Company had a cash balance of $826,554 to settle current liabilities of $4,813. All of the Company's financial liabilities have contractual maturities of 30 days or are due on demand and are subject to normal trade terms.

10. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (cont'd...)

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.

i. Interest rate risk

Interest rate risk arises from changes in market rates of interest that could adversely affect the Company. The Company currently has no interest-bearing financial instruments other than cash, so its exposure to interest rate risk is insignificant.

ii. Foreign currency risk

Foreign currency risk is the risk that the settlement or reporting of balances or transactions denominated in currencies other than the Canadian dollar are adversely affected by fluctuations in the exchange rates between such currencies and the Canadian dollar. The Company incurs certain exploration expenditures in US dollars, and these transactions are reported in Canadian dollars and ultimately settled through the conversion of Canadian dollars. Although current US dollar denominated transactions and balances are not significant, thereby reducing foreign currency risk, fluctuations between the US and Canadian dollar exchange rate could have an adverse effect on the Company's future operations or reported results.

iii. Commodity and equity price risks

The Company is not a producing entity so is not directly exposed to fluctuations in commodity prices. The Company is exposed to price risk with respect to equity prices. Equity price risk is defined as the potentially adverse impact on the Company's ability to obtain equity financing due to movements in individual equity prices or general movements in the level of the stock market. The Company closely monitors individual equity movements, and the stock market to determine the appropriate course of action to be taken by the Company.

11. CAPITAL MANAGEMENT

The Company defines capital that it manages as its shareholders' equity. It manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support the acquisition, exploration and development of mineral properties. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business.

The properties in which the Company currently has an interest are in the exploration stage; as such the Company is dependent upon external financings to fund activities. In order to carry out planned exploration and pay for administrative costs, the Company will spend its existing working capital and will attempt to raise additional funds as needed.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

The Company's capital management objectives, policies and processes have not been changed over the period presented. The Company is not subject to any externally imposed capital requirements.