

Condensed Interim Consolidated Financial Statements

RHYOLITE RESOURCES LTD.

For the three months ended September 30, 2017

(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 three months ended September 30, 2017 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)

	September 30, 2017	June 30, 2017
ASSETS		
Current assets:		
Cash	\$ 1,540,099	\$ 1,546,217
Amounts receivable (Note 5)	995	1,178
Total current assets	1,541,094	1,547,395
Exploration and evaluation assets (Note 4)	44,615	44,615
Total assets	\$ 1,585,709	\$ 1,592,010
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable and accrued liabilities (Notes 6 and 8)	\$ 28,098	\$ 16,704
Total liabilities	28,098	16,704
Shareholders' equity:		
Share capital (Note 7)	4,865,497	4,865,497
Equity reserves (Note 7)	249,781	249,781
Deficit	(3,557,667)	(3,539,972)
Total shareholders' equity	1,557,611	1,575,306
Total liabilities and shareholder's equity	\$ 1,585,709	\$ 1,592,010

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, June 30, 2016	27,491,450	\$3,584,781	\$ 122,284	\$ (3,415,513)	\$ 291,552
Loss for the period	-	-	-	(14,238)	(14,238)
Balance, September 30, 2016	27,491,450	3,584,781	122,284	(3,429,751)	277,314
Private placement of common shares	16,000,000	1,600,000	-	-	1,600,000
Share issuance costs	-	(319,284)	127,497	-	(191,787)
Loss for the period	-	-	-	(110,221)	(110,221)
Balance, June 30, 2017	43,491,450	4,865,497	249,781	(3,539,972)	1,575,306
Loss for the period	-	-	-	(17,695)	(17,695)
Balance, September 30, 2017	43,491,450	\$4,865,497	\$ 249,781	\$ (3,557,667)	\$ 1,557,611

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 September 30,	
	2017	2016
General and administration expenses:		
Office administration and facilities (Note 8)	\$ 12,000	\$ 12,000
Accounting and legal	3,834	(1,544)
Transfer agent, listing and filing fees	3,554	3,035
Office supplies and services	708	246
Shareholder information	629	826
Interest income	(3,030)	(325)
Total general and administration expenses	17,695	14,238
Loss and comprehensive loss for the period	\$ 17,695	\$ 14,238
Basic and diluted loss per share (Note 7)	\$ 0.00	\$ 0.00
Weighted average number of common shares outstanding	43,491,450	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)

	Three Months Ended September 30,	
	2017	2016
Cash (used in) provided by:		
Operating activities:		
Loss for the period	\$ (17,695)	\$ (14,238)
Non-operating income:		
Interest income	(3,030)	(325)
Changes in non-cash working capital balances:		
Amounts receivable	183	(325)
Accounts payable and accrued liabilities	11,394	(1,520)
<u>Net cash used in operating activities</u>	<u>(9,148)</u>	<u>(16,408)</u>
Investing activities:		
Interest income	3,030	325
<u>Net cash provided by investing activities</u>	<u>3,030</u>	<u>325</u>
Change in cash for the period	(6,118)	(16,083)
<u>Cash, beginning of period</u>	<u>1,546,217</u>	<u>262,787</u>
<u>Cash, end of period</u>	<u>\$ 1,540,099</u>	<u>\$ 246,704</u>

There were no non-cash investing or financing activities during the three months ended September 30, 2017 and 2016.

See accompanying notes to the condensed interim consolidated financial statements.

RHYOLITE RESOURCES LTD.**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

For the three months ended September 30, 2017

(Expressed in Canadian dollars - Unaudited)

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 November 27, 2017.

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, 2017.

Basis of Measurement

These condensed interim consolidated financial statements have been prepared on a historical cost basis except for financial instruments classified as 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, except for cash flow information.

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. As such, these condensed interim consolidated 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. While management believes that the Company has sufficient working capital to meet its projected financial obligations in the short-term, which includes the next fiscal year, its ability to operate as a going concern in the longer-term requires it enter into profitable operations or to raise additional financing.

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, 2017.

RHYOLITE RESOURCES LTD.**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

For the three months ended September 30, 2017

(Expressed in Canadian dollars - Unaudited)

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 September 30, 2017, the Company has incurred staking costs of \$44,615 (June 30, 2017 - \$44,615) in acquiring these claims.

Title to mineral properties may be based on uncertain conveyance histories and therefore involves an inherent risk that title to the Company's mineral properties may be contested. The Company has investigated title to all of its mineral properties and, to the best of its knowledge, title to all of its properties is in good standing. Further, the Company has not been notified of any challenge to the validity of its claims.

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 relate to amounts owing for management, consulting and other professional services, including services provided by a related party (Note 8). 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.

No preferred shares were issued and outstanding during the nine months ended March 31, 2017 or the year ended June 30, 2016, and changes to the number of common shares outstanding are as follows:

	Number of Shares	Assigned Value
Outstanding, June 30, 2016	27,491,450	\$ 3,584,781
Private placement, net of share issuance costs	16,000,000	1,260,418
Outstanding, June 30, 2017 and September 30, 2017	43,491,450	\$ 4,845,199

On March 27, 2017, the Company completed a brokered private placement of 16,000,000 units ("Units") at a price of \$0.10 per unit for gross proceeds of \$1,600,000. Each Unit consisted of one common share ("Unit Share") and a one-half share purchase warrant ("Unit Warrant"). Each full Unit Warrant entitles the holder to acquire one additional common share of the Company at a price of \$0.15 per share on or before March 27, 2019. All proceeds from the private placement, net of share issuance costs, is attributed to the Unit Shares, with no value being attributed to the Unit Warrants.

Issuance costs incurred to complete the private placement included \$191,787 in cash costs for agent's commissions, stock exchange fees, and administrative fees. In addition to cash costs, the Company issued 1,360,000 additional warrants (the "Agent's Warrants") with a fair value of \$127,497 to the agent who facilitated the private placement.

RHYOLITE RESOURCES LTD.**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

For the three months ended September 30, 2017

(Expressed in Canadian dollars - Unaudited)

7. SHAREHOLDERS' EQUITY (cont'd...)**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 Exchange requirements, 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 5 years from the date of grant. Vesting terms are determined by the Board of Directors at the time of grant.

Stock option transactions for the three months ended September 30, 2017 and the year ended June 30, 2017 are summarized as follows:

	Number of Options	Weighted Average Exercise Price
Outstanding, June 30, 2016	475,000	\$ 0.15
Expired	(25,000)	0.15
Outstanding, June 30, 2017 and September 30, 2017	450,000	\$ 0.15

The following incentive stock options were outstanding and exercisable at March 31, 2017:

Expiry date	Exercise Price	Number of Options Outstanding	Number of Options Exercisable
May 16, 2021	\$ 0.15	450,000	450,000
		450,000	450,000

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 as a component of share units issued for financing. Stock option transactions for the three months ended September 30, 2017 and the year ended June 30, 2017 are summarized as follows:

	Number of Warrants	Weighted Average Exercise Price	Assigned Fair Value per Warrant
Outstanding, June 2016	-	\$ -	\$ -
Unit Warrants issued	8,000,000	0.15	-
Agent's Warrants issued	1,360,000	0.15	0.09
Outstanding, June 30, 2017 and September 30, 2017	9,360,000	\$ 0.15	0.01

RHYOLITE RESOURCES LTD.**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

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

The fair value Agent's Warrants is calculated using the Black-Scholes option pricing model. The weighted average assumptions used in the pricing model for Agent's Warrants are as follows:

	For the Three Months Ended September, 2017	For the Year Ended June 30, 2017
Risk-free interest rate	N/A	0.73%
Dividend yield	N/A	-
Expected stock price volatility	N/A	94%
Expected forfeiture rate	N/A	-
Expected life	N/A	2 years

The following warrants were outstanding and exercisable at September 30, 2017:

Expiry date	Exercise Price	Number of Warrants Outstanding
March 27, 2019	\$ 0.15	9,360,000

Per share amounts

Weighted average per share amounts for the three months ended September 30, 2017 and 2016 are calculated as follows:

	Three Months Ended September 30, 2017	Three Months Ended September 30, 2016
Numerator		
Net Loss	\$ 17,695	\$ 14,238
Denominator		
Weighted average number of common shares outstanding, basic and diluted	43,491,450	27,491,450
Loss per common share, basic and diluted	\$(0.00)	\$(0.00)

Diluted weighted average number of common shares outstanding for the three months ended September 30, 2017 and 2016 exclude the impact of stock options and warrants outstanding 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 Earlston Management Corp. ("Earlston"), a company a company related that provides key management services to the Company. The Company pays Earlston a fee of \$4,000 per month and Earlston is reimbursed for expenses incurred in the performance of its services. An expense for office administration and facilities of \$12,000 the three months ended September 30, 2017 (2016 - \$12,000) has been reported for services provided by Earlston. Accounts payable and accrued liabilities as at September 30, 2017 includes \$11,362 (June 30, 2017 - \$4,307) in amounts owing to Earlston.

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9. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

As at September 30, 2017, the Company's financial instruments comprise cash, amounts receivable and accounts payable and accrued liabilities. The fair values of amounts receivable and 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 September 30, 2017, 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 and amounts receivable. The Company limits exposure to credit risk by maintaining its cash with large financial institutions. The Company does not have cash that is invested in asset backed commercial paper. The Company's amounts receivable consist of sales tax refundable from the Canada Revenue Agency and is not subject to significant credit risk.

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 September 30, 2017, the Company had a cash balance of \$1,540,099 to settle current liabilities of \$28,098. All of the Company's financial liabilities have contractual maturities of 30 days or are due on demand and subject to normal trade terms.

RHYOLITE RESOURCES LTD.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended September 30, 2017

(Expressed in Canadian dollars - Unaudited)

9. 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 is related to the fluctuation of foreign exchange rates. The Company has exploration and evaluation activities in Alaska, USA and costs related to this activity are typically incurred in US dollars while funds are typically raised by the parent company in Canadian dollars. The Company does not anticipate a large exploration program at this time and, as a result, is not exposed to significant foreign currency risk.

iii. Price risk

The Company holds no marketable securities or non-cash assets that are classified as financial instruments and, consequently, has no exposure to the price fluctuations of such instruments.

10. 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 changed in the three months ended September 30, 2017. The Company is not subject to any externally imposed capital requirements.