



RHYOLITE
RESOURCES LTD.

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

**As at and for the three months ended
March 31, 2021 and 2020**

(Unaudited and expressed in Canadian Dollars)

RHYOLITE RESOURCES LTD.

NOTICE OF NO AUDITOR REVIEW OF CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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

The accompanying unaudited condensed interim consolidated financial statements of the Company have been prepared by management and approved by the Audit Committee and the Board of Directors of the Company.

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

RHYOLITE RESOURCES LTD.

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(Unaudited and expressed in Canadian dollars)

	March 31, 2021	December 31, 2020
ASSETS		
Current assets:		
Cash	\$ 5,994,912	\$ 6,419,246
Amounts receivable (Note 5)	4,776	20,607
Prepaid expenses and deposits (Note 6)	35,231	191,250
Total current assets	6,034,919	6,631,103
Property, plant and equipment (Note 7)	6,261	-
Investment in joint ventures (Note 8)	7,329,842	3,312,412
Total assets	\$ 13,371,022	\$ 9,943,515
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable and accrued liabilities (Notes 9)	\$ 756,480	\$ 74,452
Total liabilities	756,480	74,452
Shareholders' equity:		
Share capital (Note 10)	21,015,291	18,499,096
Equity reserves (Note 10)	82,510	111,205
Deficit	(8,483,259)	(8,741,238)
Total shareholders' equity	12,614,542	9,869,063
Total liabilities and shareholder's equity	\$ 13,371,022	\$ 9,943,515

Basis of presentation (Note 2)

Subsequent events (Note 14)

On behalf of the Board of Directors:

/s/ Tony Chedraoui

Tony Chedraoui, Director

/s/ Michael G. Leskovec

Michael G. Leskovec, Director

RHYOLITE RESOURCES LTD.

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME

(Unaudited and expressed in Canadian dollars)

	Three months ended	
	March 31,	
	2021	2020
Operating Expenses		
Office administration and facilities (Note 11)	\$ 32,500	\$ 12,000
Compliance and regulatory	25,638	6,226
Professional fees	240,988	-
Insurance	2,838	-
Salaries and benefits	54,774	-
Office supplies and services	4,504	313
Investor relations	4,273	180
Operating Loss	365,515	18,719
Other		
Gain on derivative instrument (Note 8)	(630,000)	-
Foreign exchange loss	7,408	-
Interest income	(902)	(9,885)
(Income) loss and comprehensive (income) loss for the period	\$ (257,979)	\$ 8,834
Basic and diluted (earnings) loss per share	\$ (0.00)	\$ 0.00
Weighted average number of common shares outstanding		
Basic	82,883,766	52,047,200
Diluted	82,983,766	52,047,200

RHYOLITE RESOURCES LTD.CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited and expressed in Canadian dollars)

	Three months ended	
	March 31,	
	2021	2020
Cash (used in) provided by:		
Operating activities:		
Income (loss) for the period	\$ 257,979	\$ (8,834)
Adjusted for:		
Derivative gain (Note 8)	(630,000)	-
Unrealized foreign exchange loss	4,104	-
Changes in non-cash working capital balances:		
Amounts receivable and prepaid deposits	171,850	643
Accounts payable and accrued liabilities	53,278	(2,726)
Net cash used in operating activities	(142,789)	(10,917)
Investing activities:		
Acquisition of property, plant and equipment	(6,261)	-
Investment in joint ventures (Note 8)	(308,680)	-
Net cash used in investing activities	(314,941)	-
Financing activities:		
Exercise of stock options	37,500	-
Net cash provided by financing activities	37,500	-
Change in cash for the period	(420,230)	(10,917)
Effect of changes in foreign exchange rates on cash	(4,104)	-
Cash, beginning of period	6,419,246	2,603,153
Cash, end of period	\$ 5,994,912	\$ 2,592,236
Supplemental Cash Flow Information		
Shares issued to acquire equity-accounted investee (Note 8)	\$ 3,080,000	\$ -
Transfer of fair value of options and warrants exercised	28,695	122,763

RHYOLITE RESOURCES LTD.

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

(Unaudited and expressed in Canadian dollars)

	Number of shares	Share capital	Equity Reserves	Deficit	Total Equity
Balance at December 31, 2020	82,693,766	\$ 18,499,096	\$ 111,205	\$ (8,741,238)	\$ 9,869,063
Income for the period	-	-	-	257,979	257,979
Exercise of stock options - cash proceeds	250,000	37,500	-	-	37,500
Fair value of stock options exercised	-	28,695	(28,695)	-	-
Shares issued for acquisition of joint ventures	3,500,000	2,450,000	-	-	2,450,000
Balance, March 31, 2021	86,443,766	\$ 21,015,291	\$ 82,510	\$ (8,483,259)	\$ 12,614,542
Balance at December 31, 2019 (Revised - Note 3)	52,047,200	6,244,992	122,683	(3,770,809)	2,596,866
Loss for the period	-	-	-	(8,834)	(8,834)
Balance, March 31, 2020	52,047,200	\$ 6,244,992	\$ 122,683	\$ (3,779,643)	\$ 2,588,032

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

RHYOLITE RESOURCES LTD.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended March 31, 2021 and 2020

(Unaudited and expressed in Canadian dollars)

1. NATURE OF OPERATIONS

Rhyolite Resources Ltd. (the "Company" or "Rhyolite") was incorporated under the *Business Corporations Act* (Alberta) on April 6, 2006. Its principal business activities include the acquisition, exploration and development of mineral properties including the 100%-owned Paxson Project in Alaska and an option to earn up to 80% in the Brothers Project and an option to earn up to 70% in the Suku Passi and Bob's Project (the "Suku Passi Project") in Suriname.

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.

In March 2020, the World Health Organization declared the COVID-19 coronavirus outbreak a pandemic, which continues to have significant impact on the global economy. It is not possible for the Company to predict the duration or magnitude of the adverse results of the outbreak and its effects on the Company's ability to raise capital or conduct exploration activities. There are travel restrictions and health and safety concerns in all areas in which the Company operates, including Canada, Suriname, and the USA that may prohibit or delay exploration programs from proceeding. Operations will depend on obtaining necessary field supplies, contractor services and safeguarding all personnel during the outbreak, which may be prohibitive or too costly.

2. BASIS OF PREPARATION

a) Statement of Compliance

These unaudited condensed consolidated interim financial statements ("consolidated interim financial statements") as at and for the three months ended March 31, 2021, have been prepared in accordance with International Accounting Standards ("IAS") 34, Interim Financial Reporting, and do not include all of the information required for annual consolidated financial statements. Accordingly, certain information and disclosures normally included in annual financial statements prepared in accordance with International Financial Reporting Standards ("IFRS") have been omitted or condensed.

These consolidated interim financial statements should be read in conjunction with the Company's audited annual consolidated financial statements and related notes as at and for the year ended December 31, 2020.

These consolidated interim financial statements were authorized for issue in accordance with a resolution of the board of directors of the Company on May 26, 2021.

b) Basis of Measurement

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

c) Continuation of operations

These consolidated financial statements have been prepared in accordance with IFRS 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 consolidated financial statements do not include adjustments to amounts and classifications of assets and liabilities that might be necessary should the

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

For the three months ended March 31, 2021 and 2020

(Unaudited and expressed in Canadian dollars)

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.

d) Basis of consolidation

These consolidated financial statements include the accounts of the Company and its subsidiaries, which are entities controlled by the Company. Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from the entity's activities. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. Where the Company's interest in a subsidiary is less than 100%, the interest attributable to non-controlling shareholders is recognized as non-controlling interest.

The consolidated financial statements include the financial statements of Rhyolite Resources Ltd. and its subsidiaries listed below:

	Jurisdiction	Nature of Operations	Equity Interest	
			March 31, 2021	December 31, 2020
Paxson Resources Ltd.	Alberta, Canada	Holding company	100%	100%
Paxson Resources (USA) Inc.	Alaska, USA	Exploration	100%	100%
2777662 Ontario Ltd.	Ontario, Canada	Holding company	100%	100%
2765798 Ontario Ltd.	Ontario, Canada	Holding company	100%	0%

All inter-company balances and transactions have been eliminated.

e) Investment in joint ventures

The Company accounts for its investment in joint ventures using the equity method. Under the equity method, the Company's investment in joint ventures is initially recognized at cost and subsequently increased or decreased to recognize the Company's share of net earnings/loss and other comprehensive earnings/loss of the investees, after any adjustments necessary to give effect to uniform accounting policies, any other movement in the investees' reserves, and for impairment losses after the initial recognition date. The Company's share of earnings or losses of its investees are recognized in net earnings during the period.

The consolidated financial statements include the following investments in joint ventures:

	Location of Project	Equity Interest	Mining Properties
Prosperous Gold Resources Ltd.	Suriname	0%	Brothers
Suku Passi N.V.	Suriname	0%	Suku Passi
Bob's Resources N.V.	Suriname	0%	Bob's

f) Significant accounting judgments, estimates and assumptions

The preparation of consolidated interim financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities and contingent liabilities as at the date of the consolidated interim financial statements and reported amounts of revenues and expenses during the three months ended March 31, 2021. Estimates and assumptions are continuously evaluated and are based on management's experience and other factors, including expectations of future events which are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

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

For the three months ended March 31, 2021 and 2020

(Unaudited and expressed in Canadian dollars)

Determination of joint control

Judgment is required to determine when the Company has joint control of joint arrangements. This requires an assessment of the relevant activities of the investees, being those that significantly affect the investees' returns, including operating and capital expenditure decision-making, financing of the investees, and the appointment, remuneration and termination of key management personnel; and when the decisions in relation to those activities are under the control of the Company or require unanimous consent from the investors. Judgment is also required when determining the classification of a joint arrangement as a joint venture or a joint operation through an evaluation of the rights and obligations arising from the arrangement. Changes to the Company's access to those rights and obligations may change the classification of that joint arrangement.

On March 31, 2021, the Company completed the acquisition (the "Transaction") of all of the outstanding share capital of 2765798 Ontario Ltd. ("ONCorp"), pursuant to the terms of a definitive share purchase agreement entered into on March 21, 2021 with each of the shareholders (collectively the "Vendors") of ONCorp. ONCorp is a privately held arms-length company which holds an option to acquire a 70% interest in Suku Passi N.V. and Bob's Resources N.V. (the "Joint Venture Companies"). Suku Passi N.V. and Bob's Resources N.V. own 100% of the Suku Passi concession and the Bob's Pit concession (together the "Suku Passi Project") in Suriname.

At the time of acquisition, the Company concluded that ONCorp has joint control over the Joint Venture Companies with the other Joint Venture Companies' owners (the "other owners") upon consideration of the following significant factors: (i) ONCorp is entitled to three appointees on the Joint Venture Companies' boards each comprises 5 directors; however, ONCorp has not appointed any directors to the respective boards; (ii) due to the lack of a simple majority of ONCorp-nominated directors, the strategic and operational decisions require consent of both ONCorp and the other owners to achieve the 70.1% approval requirement stipulated by the joint venture agreements.

The Company further concluded that the Suku Passi and Bob's joint arrangements are joint ventures and not joint operations as the parties to the joint arrangements do not share the obligations for liabilities and are not joint operators. ONCorp is responsible for funding the earn-in expenditures of the Joint Venture Companies, including all costs relating to statutory filings and license maintenance, and ONCorp is the sole operator of the Suku Passi Project. The parties to these joint arrangements have joint control of the joint ventures and have rights to the net assets of the arrangements.

Based on the above, the Company accounted for ONCorp's investment in the Suku Passi Project using the equity method as joint ventures under IFRS 11 and IAS 28.

3. CHANGES IN ACCOUNTING POLICIES AND NEW ACCOUNTING STANDARDS AND INTERPRETATIONS

These consolidated interim financial statements have been prepared following the same accounting policies and methods of computation as the audited annual consolidated financial statements for the year ended December 31, 2020.

During the period ended December 31, 2020, the Company has changed its accounting policy from capitalizing exploration and evaluation asset acquisition costs to expensing such costs in the period the costs are incurred. The Company believes that expensing exploration and evaluation acquisition costs as incurred provides more reliable and relevant financial information to the users of its financial statements. While IFRS 6, Exploration for and Evaluation of Mineral Resources allows either treatment, given the challenges in valuing early-stage exploration assets, management believes capitalizing these costs do not provide the investors relevant information that would assist them in making a determination of the valuation of the underlying property.

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

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Under the new policy, the cost of acquiring prospective properties and exploration rights are expensed until it has been established that a mineral property is technically feasible and commercially viable as supported by a National Instrument 43-101 – Standards of Disclosure for Mineral Projects feasibility study and a mine development decision has been made by the Company. Thereafter, the Company will capitalize expenditures subsequently incurred to develop the mine, prior to the start of mining operations in accordance with IAS 16 – Property, Plant and Equipment.

The Company has applied the change in accounting policy on a retrospective basis and has therefore adjusted its December 31, 2019 comparatives as follows:

As at December 31, 2019	As previously reported	Adjustment	Restated Balance
Assets			
Mineral properties	\$ 44,615	\$ (44,615)	\$ -
Total assets	2,649,346	(44,615)	2,604,731
Equity			
Deficit	\$ 3,726,194	\$ 44,615	\$ 3,770,809
Total equity	2,641,481	(44,615)	2,596,866

New accounting standards issued but not yet effective

The following new accounting standards were not yet effective for the three months ended March 31, 2021 and have not been applied in preparing these consolidated interim financial statements.

IAS 16, Property, Plant and Equipment

The International Accounting Standards Board ("IASB") issued an amendment to IAS 16, Property, Plant and Equipment to prohibit deducting from property, plant and equipment amounts received from selling items produced while preparing an asset for its intended use. Instead, sales proceeds and related costs must be recognized in profit or loss. The amendment will require companies to distinguish between costs associated with producing and selling items before the item of property, plant and equipment is available for use and costs associated with making the item of property, plant and equipment available for its intended use. The amendment is effective for annual periods beginning on or after January 1, 2022, with earlier application permitted. The extent of the impact of adoption of this standard has not yet been determined.

4. EXPLORATION PROJECTS**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 (the "Paxson Project"). For the three months ended March 31, 2021 and 2020, the Company incurred \$Nil in exploration and evaluation expenditures on the Paxson Project:

Brothers Project

The Company has an option to earn up to an 80% interest in the Brothers Project in Suriname (Note 8). The option is exercisable by completing the following:

- US\$200,000 cash payment within six months of the closing of the Transaction for a 20% interest in the Project. As of December 31, 2020, US\$100,000 has been paid by the Company.
- Drill 3,000 meters with minimum committed work capital of US\$1,000,000 within 18 months of the closing of the Transaction and cash payment of US\$300,000 for a 40% interest.

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

For the three months ended March 31, 2021 and 2020

(Unaudited and expressed in Canadian dollars)

-
- Drill an additional 10,000 meters with minimum committed work capital of US\$3,500,000 within 42 months of the closing of the Transaction, and cash payment of US\$400,000 for a 60% interest. If the Company does not earn a 60% interest in the Project, it will return the shares earned to date.
 - Deliver a preliminary economic assessment ("PEA") within 66 months of closing of the Transaction and cash payment of US\$500,000 for a 70% interest.
 - Deliver a feasibility study and cash payment of US\$1,250,000 within 84 months of closing of the Transaction for a 75% interest.
 - Within 5 business days after completion of a feasibility study, make a US\$2,500,000 cash payment for an 80% interest.

The investment in the Brothers Project is accounted for using the equity method. The accumulated investment is detailed in Note 8.

Suku Passi Concession

The Company has an option to earn up to a 70% interest in the Suku Passi Concession in Suriname (Note 8). The option is exercisable by completing the following:

- For a 51% interest:
 - Initial cash payment of US\$400,000 and issuance of the Consideration shares to the Vendors within 4 weeks from the date of the Suku Passi Joint Venture and Earn-in Agreement (the "SP Agreement Date")
 - Cash payment of US\$400,000 and committed work capital of US\$500,000 within 12 months of the SP Agreement Date
 - Cash payment of US\$300,000, share payment of US\$100,000 and committed work capital of US\$1,000,000 within 24 months of the SP Agreement Date
 - Cash payment of US\$300,000, share payment of US\$100,000 and committed work capital of US\$1,500,000 within 36 months of the SP Agreement Date
 - Cash payment of US\$300,000, share payment of US\$100,000 and committed work capital of US\$2,000,000 within 48 months of the SP Agreement Date
- For a 70% interest:
 - Cash payment of US\$300,000, share payment of US\$100,000 and committed work capital of US\$2,500,000 within 60 months of the SP Agreement Date
 - Deliver a pre-feasibility study ("PFS") and cash payment of US\$2,500,000 within 96 months of the SP Agreement Date

The investment in the Suku Passi Concession is accounted for using the equity method. The accumulated investment is detailed in Note 8.

Bob's Pit Concession

The Company has an option to earn up to a 70% interest in the Bob's Pit Concession in Suriname (Note 8). The option is exercisable by completing the following:

- For a 51% interest:
 - Initial cash payment of US\$100,000 and issuance of the Consideration shares to the Vendors within 4 weeks from the date of the Bob's Joint Venture and Earn-in Agreement (the "Bob's Agreement Date")
 - Cash payment of US\$100,000 within 6 months of the Bob's Agreement Date

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

For the three months ended March 31, 2021 and 2020

(Unaudited and expressed in Canadian dollars)

- Cash payment of US\$150,000, share payment of US\$50,000 and committed work capital of US\$200,000 on or prior to each of the 12-month, 24-month, 36-month, 48-month and 60-month anniversary of the Bob's Agreement Date
- For a 70% interest:
 - Deliver a PFS and cash payment of US\$750,000 within 96 months of the Bob's Agreement Date

5. AMOUNTS RECEIVABLE

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

6. PREPAID EXPENSES

	March 31, 2021	December 31, 2020
Prepaid financial advisory fees	\$ -	\$ 180,000
Prepaid insurance	31,213	-
Other prepaid expenses	4,018	11,250
Total	\$ 35,231	\$ 191,250

7. PROPERTY, PLANT AND EQUIPMENT

	Computer Equipment	Office Furniture	Total
Cost			
Balance - December 31, 2020	\$ -	\$ -	\$ -
Additions	2,499	3,762	6,261
Balance - March 31, 2021	2,499	3,762	6,261
Accumulated amortization			
Balance - December 31, 2020	-	-	-
Change for the period	-	-	-
Balance - March 31, 2021	-	-	-
Net book value			
Balance - March 31, 2021	\$ 2,499	\$ 3,762	\$ 6,261

8. INVESTMENT IN JOINT VENTURES**Brothers Project**

The Company has an option to earn up to an 80% interest in Prosperous Gold Resources Ltd. ("Brothers JV Co") from Mega Bond International Investment Ltd. Brothers JV Co owns 100% of the Brothers Project through its subsidiary The Brothers Goldmining N.V. in Suriname. For the period ended March 31, 2021, the Company continued to account for its investment in Brothers JV Co using the equity method. The earn-in expenditures and milestone cash payments incurred during the period are as follows:

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

For the three months ended March 31, 2021 and 2020

(Unaudited and expressed in Canadian dollars)

	Brothers Project
Balance - December 31, 2020	\$ 3,312,412
Earn-in expenditures	171,404
Balance - March 31, 2021	\$ 3,483,816

Suku Passi Project

On March 31, 2021, the Company completed the acquisition of 2765798 Ontario Ltd. (“ONCorp”) pursuant to the terms of a definitive share purchase agreement entered into on March 21, 2021 with each of the shareholders of ONCorp. ONCorp is a privately held arms-length company which holds the options to acquire a 70% interest in the Joint Venture Companies which own the Suku Passi Project in Suriname. The Vendors received 3,500,000 common shares of the Company in consideration for all of the outstanding share capital of ONCorp.

ONCorp’s Investment in the Joint Venture Companies

Under the terms of the joint venture agreements between ONCorp and the Joint Venture Companies, ONCorp has the right to earn a 70% interest in the Joint Venture Companies upon completion of the milestones as described in Note 4. As ONCorp has joint control over the Joint Venture Companies with the other owners and as the parties to the joint arrangements have rights to the net assets of the arrangements (see Note 2(f)), ONCorp accounts for its investments in the Suku Passi Project as joint ventures using the equity method.

Rhyolite’s acquisition of ONCorp

Concurrent with ONCorp signing the joint venture agreements with the Joint Venture Companies, on March 21, 2021, Rhyolite entered into a definitive share purchase agreement with the shareholders of ONCorp to acquire all of the outstanding share capital of ONCorp with the intention to assume ONCorp’s options to earn a 70% interest in the Joint Venture Companies.

The acquisition of ONCorp (the “Transaction”) was accounted for as an asset acquisition as the activities of ONCorp did not meet the definition of a business under *IFRS 3 Business Combinations*. The options to earn a 70% interest in the Joint Venture Companies were the only assets of ONCorp. The Company has acquired ONCorp’s equity-accounted investees and therefore, applied *IFRS 9 Financial Instruments* to account for the acquisition of the financial asset. When the Company became party to the share purchase agreement on March 21, 2021, the agreement was accounted for as a derivative instrument as the Company was committed to deliver a fixed number of Rhyolite’s shares on a future date, upon closing of the Transaction, with the value of the shares unknown at the time of signing.

The Company’s shares closed at \$0.88 per share on March 21, 2021; therefore, the Consideration was valued at \$3,080,000 on the agreement date. On March 31, 2021, the Transaction closed and the Company delivered 3,500,000 shares to the Vendors. Rhyolite’s shares closed on the TSXV at \$0.70 per share, resulting in a total Consideration of \$2,450,000 on the closing date. The difference of \$630,000 between the agreement date and Transaction closing date values was recognized as gain on derivative instrument in the Company’s Statement of Income and Comprehensive Income for the period.

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

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(Unaudited and expressed in Canadian dollars)

Accumulated investment in joint ventures

As of March 31, 2021, the Company has accumulated the following investments in its joint ventures:

	Suku Passi Project
Balance - December 31, 2020	\$ -
Acquisition cost - Rhyolite's shares issued to acquire ONCorp	3,080,000
Earn-in payment (Note 9)	628,750
Earn-in expenditures	137,276
Balance - March 31, 2021	\$ 3,846,026

9. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities relate to amounts owing for project development, management, consulting and other professional services, including services provided by a related party (Note 11). All payables and accrued liabilities for the Company fall due within the next 12 months. A breakdown of the Company's accounts payable and accrued liabilities as of March 31, 2021 is as follows:

	March 31, 2021	December 31, 2020
Accounts payable	\$ 114,482	\$ 66,434
Accrued liabilities - Earn-in cash payment for Suku Passi Project (Note 8)	628,750	-
Due to related party (Note 11)	13,248	8,018
Balance - March 31, 2021	\$ 756,480	\$ 74,452

10. SHAREHOLDERS' EQUITY**Authorized share capital**

The Company is authorized to issue an unlimited number of common shares without par value and an unlimited number of preferred shares in series without par value.

No preferred shares were issued and outstanding during the three-month period ended March 31, 2021 or the six-month period ended December 31, 2020.

On March 31, 2021, the Company issued 3,500,000 common shares to acquire all the outstanding share capital of 2765798 Ontario Ltd. (Note 8).

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 consultants of 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.

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

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As at March 31, 2021, options held by directors, officers, employees and consultants are as follows:

Expiry Date	Exercise Price	Number of Options Outstanding	Number of Options Exercisable
May 16, 2021	\$ 0.15	100,000	100,000

A summary of changes in the number of Options issued by the Company for the period ended March 31, 2021 is as follows:

	Number of Options	Weighted Average Exercise Price
Balance - December 31, 2020	350,000	\$ 0.15
Exercised	(250,000)	\$ 0.15
Balance - March 31, 2021	100,000	\$ 0.15

11. RELATED PARTY TRANSACTIONS

The Company is party to a corporate service agreement with Earlston Management Corp. ("Earlston"), a company that provides key management services to the Company. The Company pays Earlston a fee of \$7,500 per month (from November 2020 to January 2021) and \$12,500 per month (from February 2021 onward) and out-of-pocket costs for standard management and office services. Earlston also provides occasional consulting, project management or other support services which are billed separately from the standard rate. The Company incurred \$32,500 in office administration and facilities expenditures provided by Earlston for the three months ended March 31, 2021 (2020 – \$12,000).

Accounts payable and accrued liabilities as at March 31, 2021 includes \$13,248 (December 31, 2020 - \$8,018) in amounts owing to Earlston.

Key Management Compensation

Key management personnel are persons responsible for planning, directing and controlling the activities of an entity, and include certain directors and officers.

	Three months ended March 31,	
	2021	2020
Salaries and benefits	\$ 50,000	\$ -

12. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

As at March 31, 2021, 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.

13. CAPITAL MANAGEMENT

The Company defines capital that it manages as its shareholders' equity. It manages and adjusts its capital structure based on the funds available to the Company, in order to support the acquisition, exploration and

RHYOLITE RESOURCES LTD.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended March 31, 2021 and 2020

(Unaudited and expressed in Canadian dollars)

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 March 31, 2021. The Company is not subject to any externally imposed capital requirements.

14. COMPARATIVE FIGURES

Certain of the comparative figures have been reclassified to conform to the current period's presentation.