

Condensed Interim Consolidated Financial Statements

RHYOLITE RESOURCES LTD.

For the three months ended September 30, 2020

(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, 2020 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, 2020	June 30, 2020
ASSETS		
Current assets:		
Cash	\$ 2,564,654	\$ 2,579,446
Amounts receivable (Note 5)	855	671
Total current assets	2,565,509	2,580,117
Exploration and evaluation assets (Note 4)	44,615	44,615
Total assets	\$ 2,610,124	\$ 2,624,732
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable and accrued liabilities (Notes 6 and 8)	\$ 13,745	\$ 16,477
Total liabilities	13,745	16,477
Shareholders' equity:		
Share capital (Note 7)	6,244,992	6,244,992
Equity reserves (Note 7)	122,683	122,683
Deficit	(3,771,296)	(3,759,420)
Total shareholders' equity	2,596,379	2,608,255
Total liabilities and shareholder's equity	\$ 2,610,124	\$ 2,624,732

Basis of presentation (Note 2)

Events subsequent to the reporting date (Note 11)

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, 2019	52,047,200	\$ 6,244,992	\$ 122,683	\$ (3,700,788)	\$ 2,666,887
Loss for the period	-	-	-	(5,068)	(5,068)
Balance, September 30, 2019	52,047,200	6,244,992	122,683	(3,705,856)	2,661,819
Loss for the period	-	-	-	(53,564)	(53,564)
Balance, June 30, 2020	52,047,200	6,244,992	122,683	(3,759,420)	2,608,255
Loss for the period	-	-	-	(11,876)	(11,876)
Balance, September 30, 2020	52,047,200	\$ 6,244,992	\$ 122,683	\$ (3,771,296)	\$ 2,596,379

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,	
	2020	2019
Exploration expenses (Note 4)	\$ -	\$ 2,863
General and administration expenses:		
Office administration and facilities (Note 8)	\$ 12,000	\$ 12,000
Transfer agent, listing and filing fees	1,107	667
Accounting and legal	398	522
Office supplies and services	345	398
Shareholder information	180	180
Foreign exchange loss	-	79
Interest income	(2,154)	(11,641)
Total general and administration expenses	11,876	2,205
Loss and comprehensive loss for the period	\$ 11,876	\$ 5,068
Basic and diluted loss per share (Note 7)	\$ 0.00	\$ 0.00
Weighted average number of common shares outstanding	52,047,200	52,047,200

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,	
	2020	2019
Cash (used in) provided by:		
Operating activities:		
Loss for the period	\$ (11,876)	\$ (5,068)
Non-operating income:		
Interest income	(2,154)	(11,641)
Changes in non-cash working capital balances:		
Amounts receivable	(184)	70
Accounts payable and accrued liabilities	(2,732)	(2,749)
Net cash used in operating activities	(16,946)	(19,388)
Investing activities:		
Interest income	2,154	11,641
Net cash provided by investing activities	2,154	11,641
Change in cash for the period	(14,792)	(7,747)
Cash, beginning of period	2,579,446	2,641,085
Cash, end of period	\$ 2,564,654	\$ 2,633,338

Supplemental cash flow information:

There were no non-cash investing or financing activities during the three months ended September 30, 2019 and 2020.

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, 2020

(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 including the Paxson Project (Note 4) and an option, acquired after the September 30, 2020 reporting date of these unaudited condensed interim consolidated financial statements, to earn up to an 80% interest in the Brothers Project (Note 11).

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 9, 2020.

COVID-19 Pandemic

On March 11, 2020, the World Health Organization declared the COVID-19 coronavirus outbreak a pandemic, which continues to spread globally. Without significant commercial operations, the COVID-19 pandemic has not had a significant impact on the Company’s routine operations or on the carrying value of its assets. However, the pandemic’s effect on the Company’s future operations with respect to the Brothers Project and Private Placement (Note 11) is unknown.

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, 2020.

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.

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

For the three months ended September 30, 2020

(Expressed in Canadian dollars - Unaudited)

3. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

With the exception of changes to accounting policies as a result of amendments to IFRS, 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, 2020.

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 (the "Paxson Project"). As of September 30, 2020, the Company has incurred staking costs of \$44,615 (June 30, 2020 - \$44,615) in acquiring these claims. Additionally, in the three months ended September 30, 2020, the Company recognized \$nil (2019 - \$2,863) in exploration expenses on the Paxson Project.

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 three months ended September 30, 2020 or the year ended June 30, 2020.

There were no changes to the number of common shares outstanding during the three months ended September 30, 2020 or the year ended June 30, 2020. On September 30, 2020, during the three months then ended and during the entire year ended June 30, 2020, there were 52,047,200 common shares with an assigned value of \$6,244,992.

As further described in Note 11, on October 30, 2020, the Company issued 15,546,566 common shares to acquire all the outstanding share capital in 2777662 Ontario Inc. Also described in Note 11, on November 4, 2020, the Company announced a non-brokered private placement for the issuance of up to 15,000,000 common shares at a price of \$0.30 per share.

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

For the three months ended September 30, 2020

(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.

There were no changes to the number of stock options outstanding during the three months ended September 30, 2020 or the year ended June 30, 2020 and the following incentive stock options were outstanding and exercisable on September 30, 2020:

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

Per share amounts

Weighted average per share amounts for the three months ended September 30, 2020 and 2019 are calculated as follows:

	Three Months Ended September 30, 2020	Three Months Ended September 30, 2019
Numerator		
Net Loss	\$ 11,876	\$ 5,068
Denominator		
Weighted average number of common shares outstanding, basic and diluted	52,047,200	52,047,200
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, 2020 and 2019 exclude the impact of stock options outstanding as their inclusion is anti-dilutive in periods when a loss is incurred.

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

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8. RELATED PARTY TRANSACTIONS

The Company is party to a corporate service agreement with Earlston Management Corp. ("Earlston"), a company a company that provides key management services to the Company. The Company pays Earlston a fee of \$4,000 per month 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 a \$12,000 expense for office administration and facilities provided by Earlston for the three months ended September 30, 2020 (2019 – \$12,000).

Accounts payable and accrued liabilities as at September 30, 2020 includes \$4,308 (June 30, 2020 - \$4,306) in amounts owing to Earlston.

9. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

As at September 30, 2020, 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, 2020, 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 consists 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 to meet short-term operating 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 these likely short-term cash requirements, but that additional funding may be required to meet long-term requirements. As at September 30, 2020, the Company had a cash balance of \$2,564,654 to settle current liabilities of \$13,745. 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

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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. While foreign exchange risks have not been significant in recent years as the Company has not incurred significant foreign-denominated expenses, it is expected that this risk will become more significant as the Company incurs expenditures in relation to the Brothers Project in Suriname (Note 11).

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 and adjusts its capital structure 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, 2020. The Company is not subject to any externally imposed capital requirements.

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

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11. EVENTS SUBSEQUENT TO THE REPORTING DATE*Brothers Project*

On October 30, 2020, the Company acquired all the outstanding share capital of 2777662 Ontario Corp. (“ONCorp”), a privately-held arms-length company which holds an option to acquire an 80% interest in the Brothers Project in Suriname in exchange for 15,546,566 common shares in the Company (the “Transaction”). Upon closing of the Transaction, the Company assumed ONCorp’s option to earn up to an 80% interest in the Brothers Project, which 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, US\$100,000 of which has been paid by the Company.
- Drill 3,000 metres with minimum committed work capital of US\$1 million within 18 months of the closing of the Transaction and make a US\$300,000 cash payment for a 40% interest.
- Drill an additional 10,000 metres with minimum committed work capital of US\$3.5 million within 42 months of the closing of the Transaction, and make a US\$400,000 cash payment 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 payment of US\$500,000 for a 70% interest.
- Deliver a feasibility study and payment of US\$1.25 million, for an 80% interest.
- Upon commencement of commercial production at Brothers, make a US\$2.5 million cash payment.
- Upon closing of the Transaction, the Company is entitled to purchase a 0.5% net smelter return royalty for US\$2 million.

Private Placement

On November 4, 2020, the Company announced it was conducting a non-brokered private placement (the “Private Placement”) of up to 15,000,000 common shares at a price of \$0.30 per share for gross proceeds of up to \$4,500,000. A cash commission may be payable equal to 6.0% of the gross proceeds of the total number of common shares sold to the subscribers of the Private Placement located by eligible finders. The net proceeds of the Private Placement will be used for the Brothers Project, the Paxson Project, to finance potential acquisitions of new properties and for general working capital. Closing of the Private Placement is subject to the receipt of all applicable regulatory approvals and all securities issued will be subject to a four-month-and-one-day statutory hold period in accordance with applicable securities laws.

When available, additional information on the Brothers Project and the Private Placement will be accessible on the Company’s profile on www.sedar.com.