Condensed Interim Consolidated Financial Statements

RHYOLITE RESOURCES LTD.

For the nine months ended March 31, 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 nine months ended March 31, 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)

	March 31, 2020	June 30, 2019
ASSETS		
Current assets:		
Cash	**$ 2,592,236**	$ 2,641,085
Amounts receivable (Note 5)	**935**	967
Total current assets	**2,593,171**	2,642,052
Exploration and evaluation assets (Note 4)	**44,615**	44,615
Total assets	**$ 2,637,786**	$ 2,686,667
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable and accrued liabilities (Notes 6 and 8)	**$ 5,139**	$ 19,780
Total liabilities	**5,139**	19,780
Shareholders' equity:		
Share capital (Note 7)	**6,244,992**	6,244,992
Equity reserves (Note 7)	**122,683**	122,683
Deficit	**(3,735,028)**	(3,700,788)
Total shareholders' equity	**2,632,647**	2,666,887
Total liabilities and shareholder's equity	**$ 2,637,786**	$ 2,686,667

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, 2018	43,537,700	$ 4,850,804	$ 245,446	$ (3,616,142)	$ 1,480,108
Exercise of warrants	8,509,500	1,399,188	(122,763)	-	1,276,425
Share issuance costs	-	(5,000)	-	-	(5,000)
Loss for the period	-	-	-	(47,621)	(47,621)
Balance, March 31, 2019	52,047,200	6,244,992	122,683	(3,663,763)	2,703,912
Loss for the period	-	-	-	(37,025)	(37,025)
Balance, June 30, 2019	52,047,200	6,244,992	122,683	(3,700,788)	2,666,887
Loss for the period	-	-	-	(34,240)	(34,240)
Balance, March 31, 2020	**52,047,200**	**$ 6,244,992**	**$ 122,683**	**$ (3,735,028)**	**$ 2,632,647**

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 March 31, 2020	Three Months Ended March 31, 2019	Nine Months Ended March 31, 2020	Nine Months Ended March 31, 2019
Exploration expenses (Note 4)	**$ -**	$ -	**$ 12,518**	$ 8,785
General and administration expenses:				
Office administration and facilities (Note 8)	**12,000**	12,000	**36,000**	36,000
Transfer agent, listing and filing fees	**6,226**	6,875	**12,489**	13,196
Office supplies and services	**313**	3,035	**1,018**	3,870
Shareholder information	**180**	180	**1,173**	1,142
Interest income	**(9,885)**	(6,553)	**(33,092)**	(17,978)
Accounting and legal	**-**	-	**3,783**	2,495
Foreign exchange loss	**-**	-	**351**	111
Total general and administration expenses	**8,834**	15,537	**21,722**	38,836
Loss and comprehensive loss for the period	**$ 8,834**	$ 15,537	**$ 34,240**	$ 47,621
Basic and diluted loss per share (Note 7)	**$ 0.00**	$ 0.00	**$ 0.00**	$ 0.00
Weighted average number of common shares outstanding	**52,047,200**	44,202,225	**52,047,200**	43,755,975

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)

	Nine Months Ended December 31, 2020	2019
Cash (used in) provided by:		
Operating activities:		
Loss for the period	**$ (34,240)**	$ (47,621)
Non-operating income:		
Interest income	**(33,092)**	(17,978)
Changes in non-cash working capital balances:		
Amounts receivable	**32**	(611)
Accounts payable and accrued liabilities	**(14,641)**	(11,417)
Net cash used in operating activities	**(81,941)**	(77,627)
Investing activities:		
Interest income	**33,092**	17,978
Net cash provided by investing activities	**33,092**	17,978
Financing activities:		
Proceeds from exercise of warrants	**-**	1,276,425
Share issuance costs	**-**	(5,000)
Net cash provided by financing activities	**-**	1,271,425
Change in cash for the period	**(48,849)**	1,211,776
Cash, beginning of period	**2,641,085**	1,451,233
Cash, end of period	**$ 2,592,236**	$ 2,663,009

Supplemental cash flow information:

During the nine months ended March 31, 2019, the Company transferred $122,763 from equity reserves to share capital, representing the previously-recorded fair value of warrants exercised in the period. There were no other non-cash investing or financing activities during the nine months ended March 31, 2020 or 2019.

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 May 11, 2020.

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, 2019.

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

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, 2019.

Recent changes to IFRS

Effective July 1, 2019, the Company adopted IFRS 16 Leases which replaces the previous leases standard, IAS 17 Leases. IFRS 16 eliminates the classification of leases as either operating leases or finance leases as is required by IAS 17 and, instead, introduces a single lessee accounting model. The adoption of IFRS 16 did not result in any changes to the Company's financial reporting including any restatement of amounts previously reported.

(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 March 31, 2020, the Company has incurred staking costs of $44,615 (June 30, 2019 - $44,615) in acquiring these claims. Exploration expenses on the Company's mineral properties are as follows:

		Nine Months Ended March 31, 2020		Nine Months Ended March 31, 2019
Exploration and evaluation expenses:				
Permit and filing fees	**$**	**8,494**	$	7,030
Management fees		**3,486**		727
Field expenses		**538**		1,028
	$	**12,518**	$	8,785

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, 2020 or the year ended June 30, 2019, and changes to the number of common shares outstanding are as follows:

	Number of Shares		**Assigned Value**
Outstanding, June 30, 2018	43,537,700	$	4,850,804
Shares issued on exercise of warrants	8,509,500		1,399,188
Share issuance costs	-		(5,000)
Outstanding, June 30, 2019 and March 31, 2020	**52,047,200**	**$**	**6,244,992**

(Expressed in Canadian dollars - Unaudited)

7. SHAREHOLDERS' EQUITY (cont'd…)

Authorized share capital (cont'd…)

In the year ended June 30, 2019, the Company issued a total of 8,509,500 common shares were issued on the exercise of warrants. Total proceeds on from these issuances was $1,276,425 and an additional $122,425 was reclassified from equity reserves to share capital. The Company incurred costs of $5,000 related to the exercise of warrants in the year ended June 30, 2019.

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 nine months ended March 31, 2020 or the year ended June 30, 2019 and the following incentive stock options were outstanding and exercisable at March 31, 2020:

Expiry date	Exercise Price	Number of Options Outstanding	Number of Options Exercisable
May 16, 2021	$ 0.15	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. Warrant transactions for the nine months ended March 31, 2020 and the year ended June 30, 2019 are summarized as follows:

	Number of Warrants	Weighted Average Exercise Price	Weighted Average Fair Value per Warrant
Outstanding, June 30, 2018	9,313,750	$ 0.15	$ 0.01
Warrants exercised	(8,509,500)	0.15	0.01
Warrants expired	(804,250)	0.15	0.01
Outstanding, June 30, 2019 and March 31, 2020	**-**	**$ -**	**$ -**

(Expressed in Canadian dollars - Unaudited)

7. SHAREHOLDERS' EQUITY (cont'd…)

Per share amounts

Weighted average per share amounts for the three and nine months ended March 31, 2020 and 2019 are calculated as follows:

	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019	**Nine Months Ended March 31, 2020**	Nine Months Ended March 31, 2019
Numerator				
Net Loss	**$ 8,834**	$ 15,537	**$ 34,240**	$ 47,621
Denominator				
Weighted average number of common shares outstanding, basic and diluted	**52,047,200**	44,202,225	**52,047,200**	43,755,975
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 nine months ended March 31, 2020 and 2019 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 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 $36,000 expense for office administration and facilities provided by Earlston for the nine months ended March 31, 2020 (2019 – $36,000).

Accounts payable and accrued liabilities as at March 31, 2020 includes $4,306 (June 30, 2019 - $4,306) in amounts owing to Earlston.

9. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

As at March 31, 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 March 31, 2020, the fair value of cash held by the Company was based on Level 1 of the fair value hierarchy.

9. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (cont'd…)

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 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 may be required to meet long-term requirements. As at March 31, 2020, the Company had a cash balance of $2,592,236 to settle current liabilities of $5,139. All of the Company's financial liabilities have contractual maturities of 30 days or are due on demand and subject to normal trade terms.

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 nine months ended March 31, 2020. The Company is not subject to any externally imposed capital requirements.