

**RHYOLITE RESOURCES LTD.  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE THREE MONTHS ENDED MARCH 31, 2021**

**BACKGROUND**

This management discussion and analysis ("MD&A") of financial position and results of operations of Rhyolite Resources Ltd. ("Rhyolite" or the "Company") is prepared as at May 26, 2021 and should be read in conjunction with the condensed interim consolidated financial statements and notes thereto for the three months ended March 31, 2021, the audited consolidated financial statements and notes thereto for the period ended December 31, 2020 and the MD&A for the period ended December 31, 2020.

The unaudited condensed interim consolidated financial statements for the three months ended March 31, 2021, and comparative information presented therein, have been prepared in accordance with International Financial Reporting Standard ("IFRS") and with International Accounting Standard 34, "Interim Financial Reporting", as issued by the International Accounting Standards Board ("IASB") and Interpretations of the International Financial Reporting Interpretations Committee ("IFRIC").

All dollar figures included therein and in the following MD&A are quoted in Canadian dollars. Additional information relevant to the Company's activities can be found on SEDAR at [www.sedar.com](http://www.sedar.com).

**FORWARD-LOOKING STATEMENTS**

This MD&A includes "forward-looking statements" and "forward-looking information" within the meaning of Canadian securities legislation. All statements included in this MD&A, other than statements of historical fact, are forward-looking statements. When used in this MD&A, words such as "may", "would", "could", "will", "intend", "expect", "believe", "plan", "anticipate", "estimate", "scheduled", "forecast", "predict", "foresee" and other similar terminology, or sentences/statements that certain actions, events or results "may", "could", "would", "might" or "will" be taken, occur or be achieved are intended to identify forward-looking statements, which, by their very nature, are not guarantees of the Company's future operational or financial performance. These statements reflect Rhyolite's current expectations regarding future events, performance and results, and are accurate only at the time of this MD&A, and may be superseded by more current information.

Forward-looking statements also involve known and unknown risks, uncertainties and other factors, which may cause the actual results, performance or achievements of Rhyolite or its mineral projects to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements or information.

In making such statements, Rhyolite has made assumptions regarding, among other things: general business and economic conditions; the availability of additional exploration and mineral project financing; the supply and demand for, inventories of, and the level and volatility of the prices of metals; relationships with strategic partners; changes in regulations; political factors; the accuracy of the Company's interpretation of exploration results; the geology, grade and continuity of the Company's mineral deposits; the availability of equipment, skilled labour and services needed for the exploration and development of mineral properties; currency fluctuations; and impact of the COVID-19 pandemic.

Although the forward-looking statements or information contained in this MD&A are based upon what management of Rhyolite believes are reasonable assumptions, Rhyolite cannot assure investors that actual results will be consistent with these forward-looking statements. They should not be read as guarantees of future performance or results. A number of factors could cause actual results to differ materially from the results discussed in the forward-looking statements, including, but not limited to: the factors discussed below and under "Risks and Uncertainties"; unanticipated changes in general business and economic conditions or conditions in the financial markets; fluctuations in the price of metals; stock market volatility; the availability of exploration capital and financing generally; changes in national and local government legislation; changes to taxation; changes in interest or currency exchange rates; loss of key personnel; inaccurate geological

assumptions; actual exploration results, interpretation of metallurgical characteristics of the mineralization, changes in project parameters as plans continue to be refined, future metal prices; competition; unavailability of materials and equipment; government action or delays in the receipt of permits or government approvals; industrial disturbances; and unanticipated events related to health, safety and environmental matters, including unknown impacts related to potential business disruptions stemming from the COVID-19 pandemic or another infectious illness.

Forward-looking information is designed to help readers understand management's current views of the Company's near and longer-term prospects, and it may not be appropriate for other purposes. Rhyolite will not update any forward-looking statements or forward-looking information unless required to by applicable securities laws.

The forward-looking statements contained herein are based on information available and are made as of May 26, 2021.

## **COMPANY OVERVIEW**

Rhyolite is an exploration company with claims to the Paxson Gold Property located in the State of Alaska and has joint ventures to earn up to 80% and 70% in the Brothers Project and Suku Passi Project respectively in Suriname. The Company is listed on the TSX Venture Exchange ("TSX-V") under the symbol "RYE".

### *Paxson Gold Property*

The Company holds mineral claims acquired through an internal staking program, in the Paxson Gold Property located in the eastern Alaska Range, southwest of Tok, Alaska. During the three-month period ended March 31, 2021, Rhyolite maintained its mineral claims and compiled geological data of the Paxson Gold Property for review by potential property partners.

In recent years, the Company has not undertaken significant exploration at the Paxson Gold Property except for claim and permitting maintenance as well as basic geological work. The Company is seeking an operating partner to fund the next phase of exploration of this property.

Exploration data for the Paxson Gold Property has been reviewed, verified and compiled by Richard A. Graham, P. Geol., a director of Rhyolite, who is a "qualified person" for the purpose of National Instrument 43-101, Standards of Disclosure for Mineral Projects.

### *Brothers Project*

On October 30, 2020, the Company completed the acquisition of 2777662 Ontario Ltd., 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 "Brothers Transaction"). Upon closing of the Brothers Transaction, the Company assumed 2777662 Ontario Ltd.'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 Brothers Transaction for a 20% interest in the Project. As of the date of this report, US\$200,000 has been paid by the Company.
- Drill 3,000 meters with minimum committed work capital of US\$1 million within 18 months of the closing of the Brothers Transaction and cash payment of US\$300,000 for a 40% interest.
- Drill an additional 10,000 meters with minimum committed work capital of US\$3.5 million within 42 months of the closing of the Brothers 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 Brothers Transaction and cash payment of US\$500,000 for a 70% interest.

- Deliver a feasibility study and cash payment of US\$1.25 million within 84 months of closing of the Brothers Transaction for a 75% interest.
- Within 5 business days after completion of a feasibility study, make a US\$2.5 million cash payment for an 80% interest.

The 96-square-kilometre Brothers Concession (the "Brothers Project" or "Brothers") is considered one of the more prospective projects on the Guiana Shield in Suriname. Mining and alluvial mining has occurred on the concession since 2009. Brothers is accessible by road and is located approximately 45 kilometres from Newmont's Merian Mine. Brothers is within the same general mineralized lithologic and structural setting as IAMGOLD's Rosebel Gold Mine and Newmont's Merian Mine.

The greenstone belt of the Guiana Shield is estimated to host approximately 110 million ounces of gold from Venezuela to Brazil.<sup>1</sup> The greenstone belt is part of the Trans-Amazonian orogenic cycle which represents a major deformational event centred around two billion years ago. The rocks of the Trans-Amazonian orogenic cycle and equivalent are a major source of gold production and resources in both South America and Africa, which were linked together prior to the opening of the Atlantic Ocean.

At Brothers, gold is associated with quartz veins that contain tourmaline and iron sulfides. Surrounding rocks are bleached or altered granitic rocks or felsic dikes or both. The vein sets appear to be brittle deformation with minimal shearing or ductile deformation. In the sedimentary rocks within a major shear zone are a second geologic setting that appears to contain potential gold deposits on the Brothers Concession.

#### *Suku Passi Project*

On March 31, 2021, the Company completed the acquisition of 2765798 Ontario Ltd. ("ONCorp"), a privately-held arms-length company which consolidated the Suku Passi Concession and the Bob's Pit Concession (together the "Suku Passi Project, "SP Project" or "Suku Passi") in Suriname and holds an option to acquire a 70% interest in the Suku Passi Project. Under the terms of the purchase agreement, Rhyolite issued 3,500,000 common shares (the "Consideration") in consideration for all the outstanding share capital of ONCorp (the "Suku Passi Transaction").

Upon closing of the Suku Passi Transaction, Rhyolite assumed ONCorp's right to earn up to a 70% interest in the SP Project. The right is exercisable by completing the following:

#### Suku Passi concession

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"). As of the date of this report, US\$400,000 has been paid by the Company.
- 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

---

<sup>1</sup> Source: Bardoux, M., Moroney, M., and Robert, F., 2018. *Gold mineralization in the Guiana Shield, Guiana and Suriname, South America: a field trip to the 14th biennial Society for Geology Applied to Mineral Deposits (SGA) meeting; Geological Survey of Canada, Open File 8351, 28 p.* <https://doi.org/10.4095/306546>.

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

#### Bob's Pit concession

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"). As of the date of this report, US\$100,000 has been paid by the Company.
- Cash payment of US\$100,000 within 6 months of the Bob's Agreement Date
- 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:

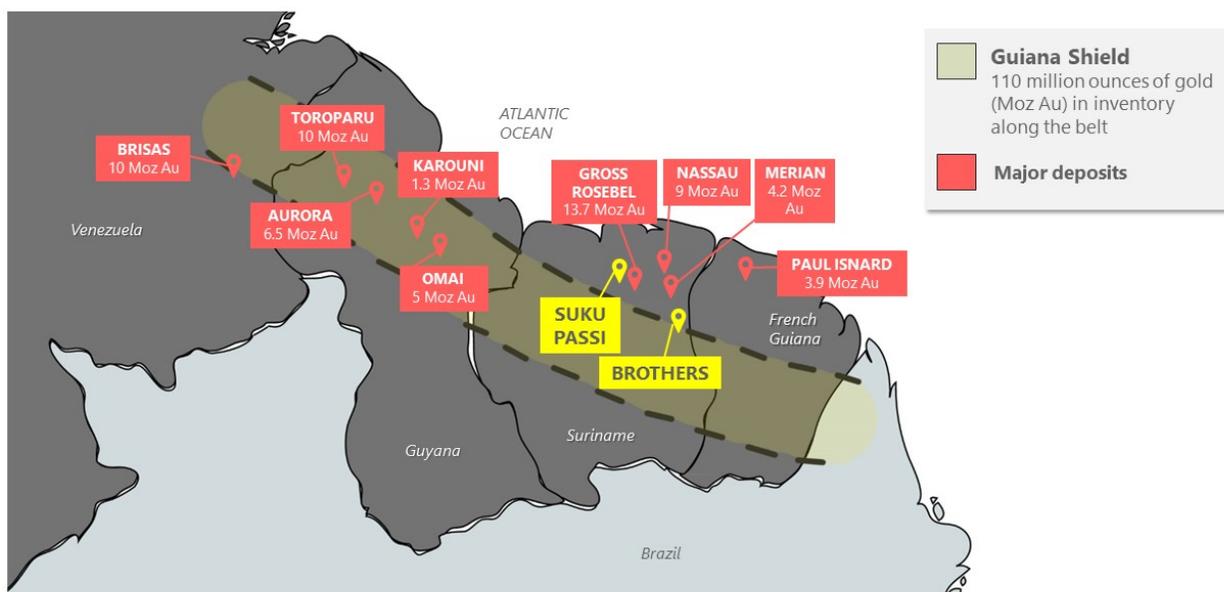
- Deliver a PFS and cash payment of US\$750,000 within 96 months of the Bob's Agreement Date

The 335-square-kilometre land package held in five concessions consolidates for the first time the Suku Passi and Bob's concessions on the Guiana Shield in Suriname. The Suku Passi Project is accessible by road and is located approximately 20 kilometers from IAMGOLD's world-class Rosebel Mine.

The Suku Passi and Bob's mineralization extend to the north-northwest based on structural trends, small-scale mining, geophysical interpretation and auger data.

The mineralized zone is similar to the Rosebel mines and is defined by multiple quartz veins of varying grade and thickness within a siliceous altered rock. Based on channel and grab samples, the mineralized zone seen in the Suku Passi Pit is at least 30 meters in width and is open at depth and along strike in both directions. At the adjoining Bob's Pit, one channel sample panel of 17 meters in width averaged 9.5 grams per tonne and an adjoining panel was 32 meters of 2 grams per tonne. The panels appear to be a sequence of tension veins. In both pits, only small-scale mining with sluice boxes took place and the mining stopped when sap-rock was encountered due to the harder rock encountered.

Grab and channel sampling present a compelling case for the gold potential of Suku Passi. A total of 219 rock chip samples were collected with 19 samples having values greater than 1,000 parts per billion and a high value of 25.5 grams. At Bob's Pit, a total of 276 channel samples were also collected which returned significant gold values. Rhyolite will test around known mineralization exposed in the Suku Passi and Bob's pits, and conduct an airborne geophysical survey and Lidar survey. Drilling is expected to start in the long dry season after initial exploration and expansion of geophysical interpretation, geologic mapping, auger sampling and trenching.



Source: Guyana Goldstrike; locations are approximate

Brothers and Suku Passi are located on the prolific Guiana Shield.

## EXPLORATION UPDATE

During the first quarter of 2021, the Company completed a Lidar survey to assess ground control in preparation for its drilling campaign at the Brothers Project. The information is being processed and compiled. New inversions were completed for geophysical interpretation and the Company is assessing the potential of conducting IP. The Company also carried out field work including sampling areas of small-scale mining and defining areas for ridge crest auger sampling and mapping of the surficial cover.

At Suku Passi, initial sampling and mapping was conducted on this newly acquired project. The Company has entered into a geophysical contract to conduct airborne magnetic and radiometric survey at the Suku Passi Project. A Lidar survey of the southern portion was completed during the quarter. The result is being processed and information is being compiled.

The Company is also working on camp planning to develop camps suitable for upcoming drilling campaigns and drilling logistics at both Brothers and Suku Passi.

The technical information in this MD&A pertaining to Brothers and Suku Passi has been reviewed, verified and approved by Dr. Dennis LaPoint, PhD who is a Qualified Person (QP) under National Instrument 43-101 "Standards of Disclosure for Mineral Projects". Dr. LaPoint is not considered to be independent for the purposes of National Instrument 43-101.

## SELECTED QUARTERLY INFORMATION

The following table provides information for the eight fiscal quarters ended March 31, 2021:

	March 31, 2021	December 31, 2020	September 30, 2020 <sup>(1)</sup>	June 30, 2020 <sup>(1)</sup>
Exploration and evaluation expenditures	\$ -	\$ 9,412	\$ -	\$ -
(Gain) loss on derivative instrument	(630,000)	4,663,970	-	-
General and administrative expenses	372,021	251,945	11,876	24,392
Net (income) loss	(257,979)	4,925,327	11,876	24,392
(Income) loss per share - basic and diluted	(0.00)	0.08	0.00	0.00
Total assets	13,371,022	9,943,515	2,565,509	2,580,117
Total liabilities	756,480	74,452	13,745	16,477
Shareholders' equity	12,614,542	9,869,063	2,551,764	2,563,640

	March 31, 2020 <sup>(1)</sup>	December 31, 2019 <sup>(1)</sup>	September 30, 2019 <sup>(1)</sup>	June 30, 2019 <sup>(1)</sup>
Exploration and evaluation expenditures	\$ -	\$ 9,655	\$ 2,863	\$ 21,715
Loss on derivative instrument	-	-	-	-
General and administrative expenses	8,834	10,683	2,205	15,310
Net Loss	8,834	20,338	5,068	37,025
Loss per share - basic and diluted	0.00	0.00	0.00	0.00
Total assets	2,593,171	2,604,731	2,634,235	2,642,052
Total liabilities	5,139	7,865	17,031	19,780
Shareholders' equity	2,588,032	2,596,866	2,617,204	2,622,272

(1) During the period ended December 31, 2020, the Company changed its accounting policy from capitalizing exploration and evaluation acquisition costs to expensing such costs in the period the costs are incurred. The Company has applied the change in accounting policy on a retrospective basis and has therefore revised its prior period comparatives.

The changes in the Company's financial results on a quarter-by-quarter basis are primarily due to fluctuations in the level of activity of the Company's exploration and evaluation programs, project acquisitions and administration. The Company is a mineral exploration and development company and does not currently generate operating revenue.

### Exploration and evaluation expenditures

The exploration and evaluation expenditures mainly represent costs incurred to maintain the license of the Paxson Gold Property. The project is in care and maintenance state during the eight quarters ended March 31, 2021. The higher costs incurred in the quarter ended June 30, 2019 represent travel costs to the Paxson Gold Property which was a one-time occurrence.

### Gain/loss on derivative instrument

On March 21, 2021, Rhyolite entered into a definitive share purchase agreement with the shareholders of 2765798 Ontario Ltd. ("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 Joint Venture Companies together own 100% of the Suku Passi Project in Suriname. The Suku Passi Transaction was completed on March 31, 2021.

The acquisition of ONCorp 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 Suku Passi Transaction, with the value of the shares unknown at the time of signing.

Gain on derivative instrument for the quarter ended March 31, 2021 represents the change in value of the 3,500,000 Rhyolite shares issued to acquire 2765798 Ontario Ltd. in March 2021. When the Company became a party to the share purchase agreement on March 21, 2021, the Company's shares were valued at \$0.88 per share. When the Company issued the shares on March 31, 2021 upon closing of the Suku Passi Transaction, the Company's shares were valued at \$0.70 per share. The change in value was recognized as gain on derivative instrument for the period.

The Company completed a similar transaction in the fourth quarter of 2020 to acquire the options to the Brothers Project in Suriname. Loss on derivative instrument for the quarter ended December 31, 2020 represents the change in value of the 15,546,566 Rhyolite shares issued to acquire 2777662 Ontario Ltd. in October 2020. When the Company became a party to the share purchase agreement on October 13, 2020, the Company's shares were valued at \$0.20 per share. When the Company issued the shares on October 30, 2020 upon closing of the Brothers Transaction, the Company's shares were valued at \$0.50 per share. The change in value was recognized as loss on derivative instrument for the period.

#### General and administrative expenses

General and administrative expenses fluctuate based on corporate activity. Prior to the acquisition of 2777662 Ontario Ltd. in October 2020, the Company was in care and maintenance state with minimal corporate and exploration activities. During the two most recent quarters, the Company has increased administration costs, listing and filing fees, professional fees, and salaries and benefits commensurate with the Company's increased activities during the period with the Brothers Transaction and the Suku Passi Transaction.

#### Total assets, equity and liabilities

The fluctuations in total assets and shareholders' equity generally reflect the timing and receipt of equity financing which increased cash resources in certain periods, while continued funding of the Company's operations decreased cash resources.

The increase in total assets and shareholders' equity for the two most recent quarters is mainly due to the acquisition of 2777662 Ontario Ltd. and 2765798 Ontario Ltd., and the November 2020 private placement where the Company raised \$4,500,000.

The investment in the Brothers Project and Suku Passi Project is accounted for using the equity method. Under the equity method, the investment in associates is initially recognized at cost and the carrying amount is increased or decreased to recognize the Company's share of the profit or loss of the investee after the date of acquisition. For the three-months ended March 31, 2021, the Company has accumulated the following costs for its equity-accounted-investee:

	<b>Brothers Project</b>	<b>Suku Passi Project</b>	<b>Total</b>
Balance - December 31, 2020	\$ 3,312,412	\$ -	\$ 3,312,412
Acquisition cost - Rhyolite's shares issued to acquire ONCorp	-	3,080,000	3,080,000
Earn-in payment (Note 9)	-	628,750	628,750
Earn-in expenditures	171,404	137,276	308,680
<b>Balance - March 31, 2021</b>	<b>\$ 3,483,816</b>	<b>\$ 3,846,026</b>	<b>\$ 7,329,842</b>

Total liabilities mainly represent the Company's trade payables. The balance increased during the quarter ended March 31, 2021 due to initial cash payment of US\$500,000 (\$628,750) owing to the Vendors of the Suku Passi Project became due upon closing of the Suku Passi Transaction on March 31, 2021.

## RESULTS OF OPERATIONS

	Three months ended	
	2021	March 31, 2020
Operating Expenses		
Office administration and facilities	\$ 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	(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

### First Quarter Results – Three months ended March 31, 2021 compared to the three months ended March 31, 2020

General and administration expenses increased for the quarter ended March 31, 2021 compared to the same quarter in 2020 due to the addition of Brothers Project in the fourth quarter of 2020 and the acquisition of Suku Passi Project in the first quarter of 2021. The operations of the joint venture projects resulted in increased management and corporate services, transfer agent services, listing and filing fees, professional fees, and personnel costs. Professional fees for the three-months ended March 31, 2021 include \$180,000 financial advisory fees paid to the Company's financial advisor. Before the acquisition of the options, the Company had negligible operating activities and only incurred minimum required expenditures to remain a publicly-listed entity.

Gain on derivative instrument for the quarter ended March 31, 2021 represents the change in value of the 3,500,000 Rhyolite shares issued to acquire 2765798 Ontario Ltd. in March 2021. When the Company became a party to the share purchase agreement on March 21, 2021, the Company's shares were valued at \$0.88 per share. When the Company issued the shares on March 31, 2021 upon closing of the Suku Passi Transaction, the Company's shares were valued at \$0.70 per share. The change in value was recognized as gain on derivative instrument for the period.

Interest income decreased in the quarter ended March 31, 2021 compared to the same quarter in 2020 mainly due to decrease in benchmark interest rates earned on cash balances.

## FINANCIAL CONDITION, LIQUIDITY AND CAPITAL RESOURCES

At March 31, 2021, the Company had cash and cash equivalents of approximately \$6.0 million (December 31, 2020 - \$6.4 million) to apply against short-term business requirements and current liabilities of \$756,480 (December 31, 2020 - \$74,452).

As of March 31, 2021, the Company believed that it had adequate resources to maintain its minimum near-term obligations, including joint venture earn-in expenditures and general corporate activities, based on its cash position, and the ability to pursue additional sources of financing, including equity placements.

The Company currently has no source of operating cash flow and has no assurance that additional funding will be available to it for additional exploration and development programs at its properties, or to enable the Company to fulfil its obligations under any applicable agreements. The ability of the Company to continue as a going concern is dependent on its ability to obtain additional sources of financing to successfully explore and evaluate its mineral properties and, ultimately, to achieve profitable operations. Failure to obtain such additional financing could result in delay or indefinite postponement of further exploration of the Company's properties and the possible loss of title to such properties. In addition, the spread of COVID-19 globally has caused and continues to cause considerable disruptions to the world economy, including financial markets and commodity prices and could adversely impact the Company's ability to carry out plans to obtain additional financing. 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.

## 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 \$12,500 per month (from February to March 2021) and \$7,500 per month (in January 2021) 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	\$ -

## CAPITAL MANAGEMENT

The Company defines its capital 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 interests are in the exploration stage, as a result, the Company is dependent upon external financings to fund activities. The Company will seek to raise additional amounts as needed by way of equity financing or debt to carry out its planned corporate development and exploration programs and to pay for general administrative costs.

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 investment policy is to hold cash in interest-bearing bank accounts or highly liquid short-term interest-bearing investments with maturities of one year or less and which can be liquidated at any time without penalties. The Company is not subject to externally imposed capital requirements and does not have exposure to asset-backed commercial paper or similar products. There have been no changes to the Company's approach to capital management during the period ended March 31, 2021.

## **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.

## **OUTSTANDING SHARE DATA**

As of the date of this MD&A, the Company has 86,543,766 common shares and no stock options outstanding.

## **OFF-BALANCE SHEET ARRANGEMENTS**

During the period ended March 31, 2021, the Company was not a party to any off-balance sheet arrangements that have, or are reasonably likely to have, a current or future effect on the results of operations, financial condition, capital expenditures, liquidity or capital resources of the Company.

## **PROPOSED TRANSACTIONS**

There are no proposed transactions that have not been disclosed herein.

## **USE OF ESTIMATES**

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from those estimates. Estimates are reviewed on an ongoing basis based on historical experience and other factors that are considered to be relevant under the circumstances. Revisions to estimates on the resulting effects of the carrying amounts of the Company's assets and liabilities are accounted for prospectively.

All of the Company's significant accounting policies and estimates are included in Note 3 of its audited consolidated financial statements for the six month period ended December 31, 2020.

## **CHANGES IN ACCOUNTING POLICIES AND NEW ACCOUNTING STANDARDS AND INTERPRETATIONS**

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 E&E 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.

Under the new policy, the cost of acquiring prospective properties and exploration rights is 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.

### **Standards, amendments and interpretations issued but not yet applied**

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.

### **OTHER DATA**

Additional information related to the Company is available for viewing under the Company's profile at [www.sedar.com](http://www.sedar.com).

### **CORPORATE GOVERNANCE**

The Company's Board of Directors follows recommended corporate governance guidelines for public companies to ensure transparency and accountability to shareholders. The Audit Committee of the Company fulfills its role of ensuring the integrity of the reported information through its review of the interim and audited annual financial statements prior to their submission to the Board of Directors for approval. The Audit Committee, comprised of three directors, all of whom are independent, meets with management of the Company on a quarterly basis to review the financial statements, including the MD&A, and to discuss other financial, operating and internal control matters as required.

### **RISKS AND UNCERTAINTIES**

The Company is engaged in mineral exploration and development activities which, by nature, are speculative. Due to the high-risk nature of the Company's business and the present stage of the Company's various projects, an investment in the Company's common shares should be considered a highly speculative investment that involves significant financial risks, and prospective investors should carefully consider all of the information disclosed in this MD&A and the Company's other public disclosures, including the risks disclosed in the "Risks and Uncertainties" section of the Company's MD&A for the year ended December 31, 2020, prior to making any investment in the Company's common shares. The risks disclosed in the "Risks and Uncertainties" section of the Company's MD&A for the year ended December 31, 2020 do not necessarily comprise all of the risks faced by the Company. Additional risks not currently known to the Company, or that the Company currently considers immaterial, may also adversely affect the Company's business, result of operations, financial results, prospects and price of common shares.