RHYOLITE
RESOURCES LTD.

CONSOLIDATED FINANCIAL STATEMENTS

As at and for the six months ended
December 31, 2020 and
the year ended June 30, 2020

(Expressed in Canadian Dollars)

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of
Rhyolite Resources Ltd.

Opinion

We have audited the accompanying consolidated financial statements of Rhyolite Resources Ltd. (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2020 and June 30, 2020, and the consolidated statements of loss and comprehensive loss, changes in shareholders' equity, and cash flows for the period from July 1, 2020 to December 31, 2020 and the year ended June 30, 2020, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2020 and June 30, 2020, and its financial performance and its cash flows for the period from July 1, 2020 to December 31, 2020, and the year ended June 30, 2020 in accordance with International Financial Reporting Standards ("IFRS").

Basis for Opinion

We conducted our audits in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our opinion.

Other Information

Management is responsible for the other information. The other information obtained at the date of this auditor's report includes Management's Discussion and Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Glenn Parchomchuk.

Davidson & Company LLP

Vancouver, Canada

Chartered Professional Accountants

April 20, 2021

RHYOLITE RESOURCES LTD.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Expressed in Canadian dollars)

	December 31, 2020	June 30, 2020 (Revised) (Note 4)
ASSETS		
Current assets:		
Cash	**$ 6,419,246**	$ 2,579,446
Amounts receivable (Note 7)	**20,607**	671
Prepaid expenses and deposits (Note 8)	**191,250**	-
Total current assets	**6,631,103**	2,580,117
Investment in associate (Note 9)	**3,312,412**	-
Total assets	**$ 9,943,515**	$ 2,580,117
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable and accrued liabilities (Notes 10)	**$ 74,452**	$ 16,477
Total liabilities	**74,452**	16,477
Shareholders' equity:		
Share capital (Note 11)	**18,499,096**	6,244,992
Equity reserves (Note 11)	**111,205**	122,683
Deficit (Note 4)	**(8,741,238)**	(3,804,035)
Total shareholders' equity	**9,869,063**	2,563,640
Total liabilities and shareholder's equity	**$ 9,943,515**	$ 2,580,117

Basis of presentation (Note 2)
Subsequent events (Note 16)

On behalf of the Board of Directors:

/s/ Tony Chedraoui
Tony Chedraoui, Director

/s/ Michael G. Leskovec
Michael G. Leskovec, Director

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

RHYOLITE RESOURCES LTD.
CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
(Expressed in Canadian dollars)

	6-Months Ended December 31, 2020	Year Ended June 30, 2020
Exploration expenses (Note 6)	**$ 9,412**	$ 12,518
Loss on derivative instrument (Note 9)	**4,663,970**	-
General and administration expenses:		
Office administration and facilities (Note 12)	**31,000**	48,000
Transfer agent, listing and filing fees	**27,488**	13,081
Accounting and legal	**63,149**	16,181
Consulting fees	**95,700**	-
Salaries and benefits	**28,240**	-
Office supplies and services	**2,299**	1,322
Shareholder information	**7,419**	1,353
Foreign exchange loss	**12,389**	351
Interest income	**(3,863)**	(34,174)
Total general and administration expenses	**263,821**	46,114
Loss and comprehensive loss for the period	**$ 4,937,203**	$ 58,632
Basic and diluted loss per share	**$ 0.08**	$ 0.00
Weighted average number of common shares outstanding	**60,241,695**	52,047,200

RHYOLITE RESOURCES LTD.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Expressed in Canadian dollars)

	6-Months Ended December 31, 2020	Year Ended June 30, 2020
Cash (used in) provided by:		
Operating activities:		
Loss for the period	$ (4,937,203)	$ (58,632)
Adjusted for:		
Derivative loss (Note 9)	4,663,970	-
Interest income	(3,863)	(34,174)
Changes in non-cash working capital balances:		
Amounts receivable and prepaid deposits	(211,186)	296
Accounts payable and accrued liabilities	57,975	(3,303)
Net cash used in operating activities	(430,307)	(95,813)
Financing activities:		
Issuance of shares, net of issue cost	4,454,343	-
Exercise of stock options	15,000	-
Net cash provided by financing activities	4,469,343	-
Investing activities:		
Interest income	3,863	34,174
Investment in associate	(203,099)	-
Net cash used in investing activities	(199,236)	34,174
Change in cash for the period	3,839,800	(61,639)
Cash, beginning of period	2,579,446	2,641,085
Cash, end of period	$ 6,419,246	$ 2,579,446
Supplemental Cash Flow Information		
Shares issued to acquire equity-accounted investee (Note 9)	$ 3,109,313	$ -
Transfer of fair value of options exercised	11,478	-

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

RHYOLITE RESOURCES LTD.
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
(Expressed in Canadian dollars)

	Number of shares	Share capital	Equity Reserves	Deficit	Total Equity
Balance, June 30, 2019 (Revised - Note 4)	52,047,200	$ 6,244,992	$ 122,683	$ (3,745,403)	$ 2,622,272
Loss for the year	-	-	-	(58,632)	(58,632)
Balance, June 30, 2020 (Revised - Note 4)	52,047,200	6,244,992	122,683	(3,804,035)	2,563,640
Loss for the period	**-**	**-**	**-**	**(4,937,203)**	**(4,937,203)**
Exercise of stock options - cash proceeds	**100,000**	**15,000**	**-**	**-**	**15,000**
Fair value of stock options exercised	**-**	**11,478**	**(11,478)**	**-**	**-**
Shares issued for private placement	**15,000,000**	**4,500,000**	**-**	**-**	**4,500,000**
Shares issued for acquisition of subsidiary	**15,546,566**	**7,773,283**	**-**	**-**	**7,773,283**
Share issuance cost	**-**	**(45,657)**	**-**	**-**	**(45,657)**
Balance, December 31, 2020	**82,693,766**	**$ 18,499,096**	**$ 111,205**	**$ (8,741,238)**	**$ 9,869,063**

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

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 an 80% interest in the Brothers 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 November 2020, the Company's Board of Directors resolved to change the Company's fiscal year-end from June 30th to December 31st, effective immediately. The notice for the year-end change required under National Instrument 51-102 has been filed under the Company's profile at www.sedar.com

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 PRESENTATION

a) Statement of Compliance

These consolidated financial statements, including comparative periods, have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB"), and Interpretations of the International Financial Reporting Interpretations Committee ("IFRIC").

These consolidated financial statements were authorized for issuance by the Board of Directors on April 20, 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) Continuance 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 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.

(Expressed in Canadian dollars)

3. SIGNIFICANT ACCOUNTING POLICIES

a) 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:

			Equity Interest	
	Jurisdiction	Nature of Operations	6-months ended December 31, 2020	Year ended June 30, 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%	0%

All inter-company balances and transactions have been eliminated.

b) Investment in Associates

An associate is an entity over which the Company has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those decisions. The Company is presumed to have significant influence if it holds, directly or indirectly, 20% or more of the voting power of the investee, unless it can be clearly demonstrated that the Company does not have significant influence. The Company may have significant influence if it holds, directly or indirectly, less than 20% of the voting power of the investee if such influence can be clearly demonstrated.

The Company accounts for its investment in associate using the equity method. Under the equity method, the Company's investment in associate 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 associate, after any adjustments necessary to give effect to uniform accounting policies, any other movement in the associate's reserves, and for impairment losses after the initial recognition date. The Company's share of the associate's losses that are in excess of its investment are recognized only to the extent that the Company has incurred legal or constructive obligations or made payments on behalf of the associate. The Company's share of earnings or losses of its associate are recognized in net earnings during the period. Dividends and repayment of capital received from the associate are accounted for as a reduction in the carrying amount of the Company's investment. Unrealized gains and losses between the Company and its associate are recognized only to the extent of unrelated investors' interests in the associate. Intercompany balances and interest expense and income arising on loans and borrowings between the Company and its associate are not eliminated.

At the end of each reporting period, the Company assesses whether there is any objective evidence that an investment in an associate is impaired. Objective evidence includes observable data indicating there is a measurable decrease in the estimated future cash flows of the investee's operations. When there is objective evidence that an investment is impaired, the carrying amount of such investment is compared to its recoverable amount, being the higher of its fair value less costs of disposal ("FVLCD") and value-in-use ("VIU"). If the recoverable amount of an investment is less than its carrying amount, the carrying amount is reduced to its recoverable amount and an impairment loss, being the excess of carrying amount over the recoverable amount, is recognized in the period in which the relevant circumstances are identified. When an impairment loss reverses in a subsequent period, the carrying amount of the investment is increased to the revised estimate of recoverable amount to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had an impairment loss not been previously recognized. A reversal of an impairment loss is recognized in net earnings/loss in the period in which the reversal occurs.

The consolidated financial statements include the following investments in associate:

	Jurisdiction	Location of Project	Equity Interest	Mining Properties
Prosperous Gold Resources Ltd.	BVI	Suriname	0%	Brothers project

c) Functional currency and foreign currency translation

The functional currency is the currency of the primary economic environment in which an entity operates and may differ from the currency in which the entity enters transactions. The Company has determined that its functional currency is the Canadian dollar. Transactions in currencies other than the functional currency are translated to the functional currency at exchange rates prevailing on the dates of the transactions. Monetary assets and liabilities that are denominated in currencies other than the functional currency are translated to the functional currency using the exchange rate prevailing on the date of the statement of financial position while non-monetary assets and liabilities are translated at historical rates.

Exchange gains and losses arising from the translation of foreign currency-denominated transactions or balances are recorded as a component of net loss in the period in which they occur.

d) Cash and cash equivalents

Cash and cash equivalents comprise demand deposits held with banks and short-term highly liquid investments that are readily convertible into known amounts of cash with original terms of three months or less. The Company's cash and cash equivalents are held in banks in Canada.

e) Financial instruments

Financial assets and liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument. The Company's financial assets include cash and cash equivalents and amounts receivable. Cash and cash equivalents include cash and other highly liquid investments, such as term deposits with major financial institutions, which have a term to maturity of three months or less at the time of acquisition and are readily convertible to specified amounts of cash. The Company's financial liabilities include accounts payable and accrued liabilities and derivative contracts. The Company classifies its financial instruments in the following categories:

i. Financial Assets at Amortized Cost

Assets that are held for collection of contractual cash flows include cash and cash equivalents and amounts receivable and are measured at amortized cost. The Company's intent is to hold these financial assets until there is a need to utilize the cash and cash equivalents. Cash and cash equivalents and amounts receivable are recognized initially at fair value, net of any transaction costs incurred, and subsequently measured at amortized cost. Financial assets are reviewed at each period end for impairment.

ii. Financial Liabilities at Amortized Cost

Financial liabilities are measured at amortized cost using the effective interest method, unless they are required to be measured at fair value through profit or loss ("FVTPL"), or the Company has opted to measure them at FVTPL. Accounts payable and accrued liabilities are recognized initially at fair value, net of any transaction costs incurred, and subsequently at amortized cost using the effective interest method.

iii. Financial assets at FVTOCI

On initial recognition of an equity investment that is not held for trading, an irrevocable election is available to measure the investment at fair value upon initial recognition plus directly attributable transaction costs and at each period end, changes in fair value are recognized in other comprehensive income ("OCI") with no reclassification to the consolidated statements of loss. The election is available on an investment-by-investment basis.

iv. Financial Assets and Liabilities at FVTPL

Financial assets and liabilities at FVTPL are assets and liabilities that include derivative contracts. Financial assets and liabilities at FVTPL are initially recognized at fair value with changes to fair value recognized in the Consolidated Statements of Loss and Comprehensive Loss.

Financial assets and liabilities are classified as current if receipt or payment is expected within 12 months and in the case of liabilities when the Company does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period. Otherwise, they are presented as non-current.

Fair values

The fair value of quoted investments is determined by reference to market prices at the close of business on the statement of financial position date. Where there is no active market, fair value is determined using valuation techniques. These include using recent arm's length market transactions; reference to the current market value of another instrument, which is substantially the same; discounted cash flow analysis; and pricing models.

Financial instruments that are measured at fair value subsequent to initial recognition are grouped into a hierarchy based on the degree to which the fair value is observable as follows:

- Level 1 fair value measurements are quoted prices (unadjusted) in active markets for identical assets or liabilities;

- Level 2 fair value measurements are those derived from inputs other than quoted prices included within 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 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Impairment of financial assets

A loss allowance for expected credit losses is recognized for financial assets measured at amortized cost. At each statement of financial position date, on a forward-looking basis, the Company assesses the expected credit losses associated with its financial assets carried at amortized cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. The impairment model does not apply to investment in equity instruments.

The expected credit losses are required to be measured through a loss allowance at an amount equal to the 12-month expected credit losses (expected credit losses that result from those default events on the financial instrument that are possible within 12 months after the reporting date) or full lifetime expected credit losses (expected credit losses that result from all possible default events over the life of the financial instrument). A loss allowance for full lifetime expected credit losses is required for a financial instrument if the credit risk of that financial instrument has increased significantly since initial recognition.

Derecognition of financial assets and liabilities

A financial asset is derecognised when either the rights to receive cash flows from the asset have expired or the Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party. If neither the rights to receive cash flows from the asset have expired nor the Company has transferred its rights to receive cash flows from the asset, the Company will assess whether it has relinquished control of the asset or not. If the Company does not control the asset then derecognition is appropriate.

A financial liability is derecognised when the associated obligation is discharged, canceled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in net loss.

Derivative instruments and hedge accounting derivative instruments

The Company may enter into derivative instruments to mitigate economic exposures to commodity price, interest rates and currency exchange rate fluctuations. Unless the derivative instruments qualify for hedge accounting, and management undertakes appropriate steps to designate them as such, they are designated as FVTPL and measured at fair value with realized gains or losses arising from changes in the fair value recorded in the Consolidated Statements of Loss and Comprehensive Loss in the period they occur. Fair values for derivative instruments classified as FVTPL are determined using valuation techniques. The valuations use assumptions based on prevailing market conditions on the reporting date.

Embedded derivatives identified in non-derivative instrument contracts are recognized separately unless they are considered to be closely related to the host contract. All derivative instruments, including embedded derivatives that are separated from their host contracts, are recorded in the Consolidated Statements of Financial Position at fair value and mark-to-market adjustments on these instruments are included in the Consolidated Statements of Loss and Comprehensive Loss.

Derivative instruments are classified as current or non-current assets or liabilities, depending on their maturity dates.

f) Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and any provision for impairment. Cost includes the purchase price, any directly attributable costs of bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management, and the present value of the estimated costs of decommissioning and restoration, if applicable. Costs relating to major upgrades are included in property, plant and equipment if it is probable that future economic benefits associated with the expenditure will flow to the Company.

The cost of property, plant and equipment, less their residual value (if any), is depreciated over the estimated useful life of the asset on a straight-line basis:

- Computer equipment 3 years
- Office equipment and furniture 5 years
- Vehicle 4 years
- Machinery and equipment 5 years

Material residual value estimates and estimates of useful life are updated as required, but at least annually.

Gains or losses arising on the disposal of equipment are determined as the difference between the disposal proceeds and the carrying amount of the equipment and are recognized in profit or loss within 'other income' or 'other expenses', respectively.

g) Exploration and evaluation costs

Acquisition costs for exploration and evaluation assets and exploration expenditures, net of recoveries, are charged to operations as incurred. Acquisition costs may include cash consideration, the value of common shares issued based on fair values, and the fair value of share purchase warrants and options issued based on amounts determined using the Black- Scholes option pricing model, for mineral property interests pursuant to the terms of the agreement.

After a property is determined by management to be commercially feasible, development expenditures on the property are capitalized.

The costs related to a property from which there is production, together with the costs of production equipment, will be depleted and amortized using the unit-of-production method.

Environmental expenditures that relate to current operations are expensed or capitalized as appropriate. Expenditures that relate to an existing condition caused by past operations and which do not contribute to current or future revenue generation are expensed. Liabilities are recorded when environmental assessments and/or remedial efforts are probable, and the costs can be reasonably estimated. Generally, the timing of these accruals coincides with the earlier of completion of a feasibility study or the Company's commitment to a plan of action based on the then known facts.

h) Impairment of non-financial assets

Impairment tests on non-financial assets are performed whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. Where the carrying value of an asset exceeds its recoverable amount, which is the higher of value in use and fair value less costs to dispose, the asset is written down accordingly. This is determined on an asset-by-asset basis, unless the asset does not generate cash flows that are largely independent of those from other assets or groups of assets. If this is the case, individual assets are grouped together into a cash-generating unit ("CGU") and the impairment test is carried out on the asset's CGU, which is the lowest group of assets in which the asset belongs for which there are separately identifiable cash inflows that are largely independent of the cash inflows from other assets.

An impairment loss is charged to profit or loss. An assessment is made at each reporting date as to whether there is any indication of impairment or a change in events or circumstances relating to a previously recognized impairment. If such indication exists, the Company makes an estimate of the recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's or CGU's recoverable amount since the last impairment loss was recognized. If this is the case, the carrying amount of the asset or CGU is increased to its newly determined recoverable amount. The increased amount cannot exceed the carrying amount that would have been determined, net of depreciation and amortization, had no impairment loss been recognized for the asset or CGU in prior years.

i) Share capital

Financial instruments issued by the Company are classified as equity only to the extent that they do not meet the definition of a financial liability or financial asset. Common shares are classified as equity. Transaction costs directly attributable to the issue of common shares and share options are recognized as a deduction from equity, net of any tax effects.

The Company has adopted a residual value method with respect to the measurement of shares and warrants issued as private placement units. The residual value method first allocates value to the more easily measurable component based on fair value and then the residual value, if any, to the less easily measurable component. The Company considers the fair value of common shares issued in a private placement to be the more easily measurable component and the common shares are valued at their fair value, as determined by the closing quoted bid price on the issue date. The balance, if any, is allocated to the attached warrants. Any value attributed to the warrants is recorded as equity reserves.

j) Share-based compensation

The Company may grant stock options to acquire common shares of the Company to directors, officers, employees and consultants. An individual is classified as an employee when the individual is an employee for legal or tax purposes or provides services similar to those performed by an employee.

Stock options granted to directors, officers and employees are measured at their fair values determined on their grant date, using the Black-Scholes option pricing model, and are recognized as an expense over the vesting periods of the options. Options granted to consultants or other non-insiders are measured at the fair value of goods or services received from these parties, or at their Black-Scholes fair values if the fair value of goods or services received cannot be measured. A corresponding increase is recorded to equity reserves for share-based compensation recorded.

When stock options are exercised, the cash proceeds along with the related amount previously recorded as equity reserves are recorded as share capital. When the right to receive options is forfeited before the options have vested, any expense previously recorded is reversed.

k) Income taxes

Income tax expense comprises current and deferred tax and is recognized in profit or loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

Current tax expense is based on the results of operations for the period as adjusted for items that are not taxable or not deductible. Current tax is calculated using tax rates and laws that were enacted or substantively enacted at the end of the reporting period. Provisions are established where appropriate on the basis of amounts expected to be paid to tax authorities.

Deferred tax is recognized using the liability method, providing for temporary differences arising between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is calculated using tax rates and laws that have been enacted or substantively enacted at the end of the reporting period, and which are expected to apply when the related deferred tax asset is realized or the deferred tax liability is settled.

Deferred tax assets are recognized to the extent that it is probable that future taxable income will be available against which the temporary differences can be utilized. The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient future taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

The effect of a change in enacted or substantively enacted income tax rates on deferred income tax assets and liabilities is recognized in profit or loss in the period that the change occurs unless the original entry was recorded to equity.

l) (Loss) earnings per share

Basic (loss) earnings per share is computed by dividing the net loss or income applicable to common shares of the Company by the weighted average number of common shares outstanding for the relevant period.

Diluted (loss) earnings per share is determined by adjusting the earnings or loss attributable to common shareholders and the weighted average number of common shares outstanding for the effects of dilutive instruments, which includes stock options and common share purchase warrants, as if their dilutive effect was at the beginning of the period. The calculation of the diluted number of common shares assumes that proceeds received from the exercise of “in-the-money” stock options and common share purchase warrants are used to purchase common shares of the Company at their average market price for the period.

In periods that the Company reports a net loss, per share amounts are not presented on a diluted basis as the result would be anti-dilutive.

m) Reclamation provision

The Company recognizes a provision for environmental reclamation of its mineral properties in the period in which the Company becomes legally or constructively liable for future reclamation expenditures. The reclamation provision is initially measured as the present value of future expected reclamation cash flows, discounted using the risk-free interest rate prevailing at the time the liability is incurred, and a corresponding amount is recorded in the carrying value of the related mineral property.

Subsequent to initial measurement, the provision is re-measured using the risk-free interest rate prevailing on each reporting date. Changes to the carrying value of the provision for changes to the discount rate, or for changes to the timing and amount of expected future reclamation cash flows are recorded as an adjustment to the carrying value of the related mineral property. Changes to the carrying value of the provision from the accretion of its discounted value are recorded as a financing expense.

As at December 31 and June 30, 2020, the Company has no known environmental reclamation commitments.

n) Comparative figures

Certain of the figures in the comparative financial statements have been reclassified to conform with the current year’s presentation.

4. 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 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.

(Expressed in Canadian dollars)

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.

The Company has applied the change in accounting policy on a retrospective basis and has therefore adjusted its June 30, 2020 comparatives as follows:

As at June 30, 2020	**As previously reported**	**Adjustment**	**Restated Balance**
Assets			
Mineral properties	$ 44,615	$ (44,615)	$ -
Total assets	2,624,732	(44,615)	2,580,117
Equity			
Deficit	$ 3,759,420	$ 44,615	$ 3,804,035
Total equity	2,608,255	(44,615)	2,563,640

New accounting standards and interpretations

Amendments to IFRS 16, Leases (effective for annual reporting periods beginning on or after June 1, 2020) allows lessees not to account for rent concessions as lease modifications if they arise as a direct consequence of COVID-19. Lessees applying the practical expedient will be required to disclose whether it has been applied to all eligible contracts, or, if not, information about the nature of the contracts to which the practical expedient has been applied. Furthermore, the lessees will be required to apply the practical expedient retrospectively, recognizing the cumulative effect of applying the amendment as an adjustment to the opening retained earnings (or other component of equity, as appropriate) at the beginning of the annual reporting period in which the lessee first applies the amendment. These amendments did not impact the Company's consolidated financial statements or disclosure at the time of adoption.

Standards, amendments and interpretations issued but not yet applied

Amendments to IAS 1, Presentation of Financial Statements (effective January 1, 2023) clarifies the presentation of liabilities in the statement of financial position. The classification of liabilities as current or non-current is based on contractual rights that are in existence at the end of the reporting period and is unaffected by expectations about whether an entity will exercise its right to defer settlement. A liability not due over the next twelve months is classified as non-current even if management intends or expects to settle the liability within twelve months. The amendment also introduces a definition of 'settlement' to make clear that settlement refers to the transfer of cash, equity instruments, other assets, or services to the counterparty. Management is currently assessing the impact of this amendment.

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of these consolidated financial statements requires management to make judgements, estimates and assumptions that affect the measurements of assets, liabilities, revenues, expenses and certain disclosures reported in these financial statements. Although these estimates are based on management's expectations for the likely outcome, timing and amounts of events or transactions, actual results may differ from these expectations and the corresponding amounts and disclosures reported in these financial statements. The most significant areas of judgements and estimates made by management are as follows:

i. Reclamation provision

The Company records a reclamation provision for the discounted present value of expected future expenditures, if any, required to environmentally reclaim its mineral properties. The measurement of this provision, if one exists, is based on estimates for the amounts and timing of future cash flows. Differences between actual cash flows and those estimated could result in the reclamation provision being over or understated.

ii. Determination of control of subsidiaries and joint arrangements

Judgment is required to determine when the Company has control of subsidiaries or joint control of joint arrangements. This requires an assessment of the relevant activities of the investee, being those that significantly affect the investee's returns, including operating and capital expenditure decision-making, financing of the investee, 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.

In October 2020, the Company acquired 2777662 Ontario Ltd. ("ONCorp"). ONCorp is a privately held arms-length company which holds an option to acquire an 80% interest in Prosperous Gold Resources Ltd. ("JV Co") from Mega Bond International Investment Ltd. At the time of acquisition, the Company concluded that ONCorp has significant influence over JV Co upon consideration of the following significant factors: (i) ONCorp has two appointees on JV Co's Board which comprise 5 directors; (ii) ONCorp participates in establishing objectives, policies and strategies of the JV Co and its subsidiary; (iii) ONCorp is the Manager and Operator of the Brothers Project with overall responsibility to manage and carry out all exploration programs. Any exploration program relating to the JV earn-in would be approved by ONCorp in its sole discretion.

iii. Determination of functional currency

In accordance with IAS 21, The Effects of Changes in Foreign Exchange Rates, the Company has determined that its functional currency is the Canadian dollar (Note 3(b)).

The functional currency of each of the Company's subsidiaries is the currency of the primary economic environment in which the entity operates.

Determination of the functional currency may involve certain judgments to determine the primary economic environment and the Company reconsiders the functional currency of its entities if there is a change in events and conditions which determined the primary economic environment.

iv. Determination of useful lives of property, plant and equipment and the related depreciation

Depreciation expenses are allocated based on estimated lives. Should the asset life or depreciation rates differ from the initial estimate, an adjustment would be made in the consolidated statement of loss and comprehensive loss on a prospective basis.

(Expressed in Canadian dollars)

v. Fair valuation of stock options

Management uses the Black-Scholes option pricing model to determine the fair value of equity-settled share-based payments. This model requires assumptions regarding the expected future price volatility of the Company's common shares, expected life of options, future risk-free interest rates and the dividend yield of the Company's common shares. Consequently, there is significant measurement uncertainty in the stock-based compensation expense reported.

vi. Income taxes

Tax provisions are recognized to the extent that it is probable that there will be a future outflow of funds to a taxation authority. Such provisions often require judgment on the treatment of certain taxation matters that may not have been reported to or assessed by the taxation authority at the date of these financial statements. Differences in judgment by the taxation authority could result in changes to actual taxes payable by the Company.

Deferred tax assets are recognized to the extent that it is probable that certain taxable losses or deferred expenditures will be utilized by the Company to reduce future taxes payable. The amount of deferred tax assets recognized, if any, is based on objective evidence that the Company will generate sufficient future taxable income to utilize these deferred assets, as well as the expected future tax rates that will apply to these assets. Changes to the Company's ability to generate sufficient taxable income or changes to enacted tax rates could result in the write-down of deferred tax assets, or the recognition of new deferred tax assets.

6. 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"). As of December 31, 2020, the accumulated staking costs of $44,615 (June 30, 2020 - $44,615) in acquiring these claims have been reclassed to opening deficit as 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 (Note 4). For the six months ended December 31, 2020 and the year ended June 30, 2020, the Company incurred the following exploration and evaluation expenditures on the Paxon Project:

Paxon Project	**6-Months Ended December 31, 2020**	Year Ended June 30, 2020
Permit and filing fees	**$ 9,030**	$ 8,494
Management fees	**322**	3,486
Field expenses	**60**	538
Total	**$ 9,412**	$ 12,518

Brothers Project

The Company has an option to earn up to an 80% interest in the Brothers Project in Suriname (Note 9). 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.

(Expressed in Canadian dollars)

- Drill 3,000 metres 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.
- Drill an additional 10,000 metres 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 9.

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.

7. AMOUNTS RECEIVABLE

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

8. PREPAID EXPENSES AND DEPOSITS

		December 31, 2020		June 30, 2020
Prepaid financial advisory fees	**$**	**180,000**	$	-
Other prepaid expenses		**11,250**		-
Total	**$**	**191,250**	$	-

9. INVESTMENT IN ASSOCIATE

On October 30, 2020, the Company completed the acquisition of 2777662 Ontario Ltd. ("ONCorp") pursuant to the terms of a definitive share purchase agreement entered into on October 13, 2020 with each of the shareholders (collectively the "Vendors") of ONCorp (the "Transaction"). ONCorp is a privately held arms-length company which holds an option to acquire an 80% interest in Prosperous Gold Resources Ltd. ("JV Co") from Mega Bond International Investment Ltd. ("Mega Bond"). JV Co owns 100% of the Brothers Project through its subsidiary The Brothers Goldmining N.V. ("Brothers") in Suriname. The Vendors received 15,546,566 common shares of the Company in consideration for all of the outstanding share capital of ONCorp.

<u>Investment in JV Co</u>

Under the terms of the joint venture agreement between ONCorp and Mega Bond, ONCorp has the right to earn an 80% interest in JV Co. upon completion of the milestones as described in Note 6. As ONCorp is earning into the shares of another entity, ONCorp applied *IAS 28 Investments in Associates and Joint Ventures* to account for the investment in JV Co. When ONCorp entered into the joint venture agreement on October 12, 2020, ONCorp does not own directly or indirectly 20 percent or more of the voting power of JV

(Expressed in Canadian dollars)

Co; however, ONCorp has two appointees on JV Co's Board which comprise 5 directors. ONCorp participates in establishing objectives, policies and strategies of the JV Co and its subsidiary. ONCorp is also the Manager and Operator of the Brothers Project with overall responsibility to manage and carry out all exploration programs. Any exploration program relating to the JV earn-in would be approved by ONCorp in its sole discretion. Based on the assessment, management concluded that ONCorp has significant influence over JV Co and its subsidiary from the inception of the joint venture and therefore, should account for its investment in JV Co using the equity method from the beginning of the earn-in period.

Rhyolite's acquisition of ONCorp

Concurrent with ONCorp signing the joint venture agreement with Mega Bond, on October 13, 2020, 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 option to earn an 80% in JV Co.

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 option to earn an 80% interest in the JV Co was the only asset of ONCorp. The Company has acquired an equity-accounted investee 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 October 13, 2020, 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 $0.20 per share on October 13, 2020; therefore, the Consideration was valued at $3,109,313 on the agreement date. On October 30, 2020, the Transaction closed and the Company delivered 15,546,566 shares to the Vendors. Rhyolite's shares closed on the TSXV at $0.50 per share, resulting in a total Consideration of $7,773,283 on the closing date. The difference of $4,663,970 between the agreement date and Transaction closing date values was recognized as loss on derivative instrument in the Company's Statement of Loss and Comprehensive Loss for the period.

Accumulated investment in associate

Under the equity method, the investment in associate 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.

As of December 31, 2020, the Company has accumulated the following investments on its equity-accounted-investee:

Brothers Project	**December 31, 2020**
Acquisition cost	**$ 3,109,313**
Earn-in cash payment	**133,340**
Mapping and sampling	**8,937**
Assay	**2,094**
Consulting fees	**28,093**
Professional fees	**21,376**
Field equipment	**9,259**
Total	**$ 3,312,412**

(Expressed in Canadian dollars)

The Company's share of JV Co's profit or loss is recognized in the Company's profit or loss. For the period ended December 31, 2020, the Company owned 0% of the JV Co. and has recognized $Nil as its share of JV Co's profit or loss in its Statements of Loss and Comprehensive Loss.

10. 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 11). All payables and accrued liabilities for the Company fall due within the next 12 months.

11. 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 six months ended December 31, 2020 or the year ended June 30, 2020.

On October 30, 2020, the Company issued 15,546,566 common shares to acquire all the outstanding share capital of 2777662 Ontario Ltd. (Note 8).

On November 25, 2020, the Company completed a non-brokered private placement of 15,000,000 common shares at a price of $0.30 per share for gross proceeds of $4,500,000 (the "Private Placement"). 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. All securities issued in connection with the Private Placement are subject to a statutory hold period until March 26, 2021 in accordance with applicable securities laws. No commissions or finders' fees were paid in connection with the Private Placement.

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.

As at December 31, 2020, 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	350,000	350,000

(Expressed in Canadian dollars)

A summary of changes in the number of Options issued by the Company for the period ended December 31, 2020 and year ended June 30, 2020 is as follows:

	Number of Options	**Weighted Average Exercise Price**
Balance - June 30, 2019 and 2020	450,000	$ 0.15
Exercised	(100,000)	$ 0.15
Balance - December 31, 2020	350,000	$ 0.15

12. 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 $4,000 per month (from July to October 2020) and $7,500 per month (from November to December 2020) 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 $31,000 in office administration and facilities expenditures provided by Earlston for the six months ended December 31, 2020 (year ended June 30, 2020 – $48,000).

Accounts payable and accrued liabilities as at December 31, 2020 includes $8,018 (June 30, 2020 - $4,306) 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.

	6-Months Ended December 31, 2020	Year Ended June 30, 2020
Salaries and benefits	**$ 25,000**	$ -

13. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

As at December 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 December 31, 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 December 31, 2020, the Company had a cash balance of $6,419,246 to settle current liabilities of $74,452. 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 reports its financial results in Canadian dollars but also undertakes transactions in various foreign currencies, mainly the US dollar. As the exchange rates between the Canadian dollar and these foreign currencies fluctuate, the Company experiences foreign exchange gains and losses. The Company has cash and accounts payable and accrued liabilities that are denominated in foreign currencies, which are subject to currency risk.

(Expressed in Canadian dollars)

The carrying amounts of the Company's foreign currency denominated monetary assets and liabilities as at December 31, 2020 and June 30, 2020 are as follows:

		December 31, 2020		June 30, 2020
Cash and cash equivalents	**$**	**627,655**	$	-
Accounts payable and accrued liabilities		**(21,539)**		-
	$	**606,116**	$	-

As at December 31, 2020, a 10% depreciation or appreciation of applicable foreign currencies against the Canadian dollar would result in an approximate $60,600 decrease or increase in the Company's comprehensive loss (June 30, 2020 - $Nil).

The Company does not enter into any financial instruments to hedge currency risk, but the Company monitors its foreign exchange exposure.

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.

14. 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 six months ended December 31, 2020. The Company is not subject to any externally imposed capital requirements.

(Expressed in Canadian dollars)

15. INCOME TAXES

A reconciliation of income taxes at statutory rates with the reported taxes is as follows:

	December 31, 2020	June 30, 2020
Loss for the year	**$ (4,937,203)**	$ (58,632)
Expected income tax (recovery)	**(1,333,000)**	(16,000)
Change in statutory, foreign tax, foreign exchange rates and other	**32,000**	(24,000)
Permanent differences	**1,259,000**	-
Share issue cost	**(12,000)**	-
Adjustment to prior years provision versus statutory tax returns and expiry of non-capital losses	**14,000**	-
Change in unrecognized deductible temporary differences	**40,000**	40,000
	$ -	$ -

The significant components of the Company's deferred tax assets that have not been included on the consolidated statement of financial position are as follows:

	December 31, 2020	June 30, 2020
Deferred tax assets (liabilities)		
Exploration and evaluation assets	**$ 3,000**	$ 18,000
Share issue costs	**19,000**	14,000
Allowable capital losses	**62,000**	62,000
Non-capital losses	**1,139,000**	1,089,000
	1,223,000	1,183,000
Unrecognized deferred tax assets	**(1,223,000)**	(1,183,000)
	$ -	$ -

The significant components of the Company's temporary differences, unused tax credits and unused tax losses that have not been included on the consolidated statement of financial position are as follows:

	December 31, 2020	Expiry Date Range	June 30, 2020	Expiry Date Range
Temporary Differences				
Exploration and evaluation assets	**$ 11,000**	**No expiry date**	$ 63,000	No expiry date
Share issue costs	**71,000**	**No expiry date**	52,000	2040 to 2043
Allowable capital losses	**229,000**	**No expiry date**	229,000	No expiry date
Non-capital losses	**4,129,000**	**2024 to indefinite**	3,954,000	2027 to 2040

16. SUBSEQUENT EVENT

Acquisition of 2765798 Ontario Ltd.

On March 31, 2021, the Company completed the acquisition of 2765798 Ontario Ltd. ("New ONCorp"), pursuant to the terms of a definitive share purchase agreement entered into with each of the shareholders (collectively, the "SP Vendors") of New ONCorp. New ONCorp is a privately-held arms-length company which holds an option to acquire an 70% interest in the Suku Passi Project (the "Project") in Suriname.

The SP Vendors received 3,500,000 common shares (the "Consideration") of Rhyolite in consideration for all of the outstanding share capital of New ONCorp (the "March 2021 Transaction").

Upon closing of the March 2021 Transaction, Rhyolite assumed New ONCorp's right to earn up to a 70% interest in the Project, which 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 SP 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

Bob’s Pit concession

For a 51% interest:

- Initial cash payment of US$100,000 and issuance of the Consideration shares to the SP 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
- 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

<u>Exercise of Stock Options</u>

Subsequent to the year-end, 250,000 stock options were exercised at an exercise price of $0.15 per share.