



**RHYOLITE**  
RESOURCES LTD.

**CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

**As at and for the three and six months ended  
June 30, 2021 and 2020**

(Unaudited and expressed in Canadian Dollars)

## **RHYOLITE RESOURCES LTD.**

### **NOTICE OF NO AUDITOR REVIEW OF CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

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

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

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

**RHYOLITE RESOURCES LTD.**

## CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(Unaudited and expressed in Canadian dollars)

	June 30, 2021	December 31, 2020
<b>ASSETS</b>		
Current assets		
Cash	\$ 4,553,124	\$ 6,419,246
Amounts receivable (Note 5)	18,434	20,607
Prepaid expenses and deposits (Note 6)	37,106	191,250
	<b>4,608,664</b>	<b>6,631,103</b>
Non-current assets		
Property, plant and equipment	8,612	-
Investment in joint ventures (Note 7)	7,809,245	3,312,412
	<b>7,817,857</b>	<b>3,312,412</b>
<b>Total assets</b>	<b>\$ 12,426,521</b>	<b>\$ 9,943,515</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
Current liabilities		
Accounts payable and accrued liabilities (Note 8)	\$ 137,990	\$ 74,452
	<b>137,990</b>	<b>74,452</b>
Shareholders' equity		
Share capital (Note 9)	21,041,769	18,499,096
Equity reserves (Note 9)	71,032	111,205
Deficit	(8,824,270)	(8,741,238)
	<b>12,288,531</b>	<b>9,869,063</b>
<b>Total liabilities and shareholders' equity</b>	<b>\$ 12,426,521</b>	<b>\$ 9,943,515</b>

Basis of presentation (Note 2)

On behalf of the Board of Directors:

*/s/ Tony Chedraoui*\_\_\_\_\_  
Tony Chedraoui, Director*/s/ Michael G. Leskovec*\_\_\_\_\_  
Michael G. Leskovec, Director

**RHYOLITE RESOURCES LTD.**

## CONDENSED INTERIM CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS

(Unaudited and expressed in Canadian dollars)

	Three months ended		Six months ended	
	June 30,		June 30,	
	2021	2020	2021	2020
<b>Operating expenses</b>				
Office administration and facilities (Note 10)	\$ 37,500	\$ 12,000	\$ 70,000	\$ 24,000
Compliance and regulatory	10,614	592	36,252	6,818
Professional fees	195,632	12,398	436,620	12,398
Insurance	8,512	-	11,350	-
Salaries and benefits	66,346	-	121,120	-
Office supplies and services	4,255	304	8,759	617
Investor relations	2,999	180	7,272	360
Amortization	532	-	532	-
	<b>326,390</b>	<b>25,474</b>	<b>691,905</b>	<b>44,193</b>
<b>Other expense (income)</b>				
Gain on derivative instrument (Note 7)	-	-	(630,000)	-
Share of loss in joint ventures (Note 7)	12,561	-	12,561	-
Foreign exchange loss	5,078	-	12,486	-
Interest income	(3,018)	(1,082)	(3,920)	(10,967)
<b>Loss and comprehensive loss for the period</b>	<b>\$ 341,011</b>	<b>\$ 24,392</b>	<b>\$ 83,032</b>	<b>\$ 33,226</b>
<b>Basic and diluted loss per share</b>	<b>\$ 0.00</b>	<b>\$ 0.00</b>	<b>\$ 0.00</b>	<b>\$ 0.00</b>
<b>Weighted average number of common shares outstanding</b>	<b>86,518,491</b>	<b>52,047,200</b>	<b>84,711,169</b>	<b>52,047,200</b>

**RHYOLITE RESOURCES LTD.**

## CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited and expressed in Canadian dollars)

	Three months ended		Six months ended	
	June 30,		June 30,	
	2021	2020	2021	2020
Cash (used in) provided by:				
<b>Operating activities:</b>				
Loss for the period	\$ (341,011)	\$ (24,392)	\$ (83,032)	\$ (33,226)
Adjusted for:				
Derivative gain (Note 7)	-	-	(630,000)	-
Share of loss in joint ventures	12,561	-	12,561	-
Amortization	532	-	532	-
Unrealized foreign exchange gain	(10,889)	-	(6,785)	-
Changes in non-cash working capital balances:				
Amounts receivable and prepaid deposits	(15,533)	264	156,317	907
Accounts payable and accrued liabilities	10,260	11,338	63,538	8,612
	<b>(344,080)</b>	<b>(12,790)</b>	<b>(486,869)</b>	<b>(23,707)</b>
<b>Investing activities:</b>				
Acquisition of property, plant and equipment	(2,883)	-	(9,144)	-
Investment in joint ventures (Note 7)	(1,120,714)	-	(1,429,394)	-
	<b>(1,123,597)</b>	<b>-</b>	<b>(1,438,538)</b>	<b>-</b>
<b>Financing activities:</b>				
Exercise of stock options	15,000	-	52,500	-
	<b>15,000</b>	<b>-</b>	<b>52,500</b>	<b>-</b>
Change in cash for the period	(1,452,677)	(12,790)	(1,872,907)	(23,707)
Effect of changes in foreign exchange rates on cash	10,889	-	6,785	-
Cash, beginning of period	5,994,912	2,592,236	6,419,246	2,603,153
<b>Cash, end of period</b>	<b>\$ 4,553,124</b>	<b>\$ 2,579,446</b>	<b>\$ 4,553,124</b>	<b>\$ 2,579,446</b>
<b>Supplemental Cash Flow Information</b>				
Shares issued to acquire equity-accounted investee (Note 7)	\$ -	\$ -	\$ 3,080,000	\$ -
Transfer of fair value of options exercised	11,478	-	40,173	-

**RHYOLITE RESOURCES LTD.**

## CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

(Unaudited and expressed in Canadian dollars)

	Number of shares	Share capital	Equity Reserves	Deficit	Total Equity
<b>Balance at December 31, 2020</b>	<b>82,693,766</b>	<b>\$ 18,499,096</b>	<b>\$ 111,205</b>	<b>\$ (8,741,238)</b>	<b>\$ 9,869,063</b>
Loss for the period	-	-	-	(83,032)	(83,032)
Exercise of stock options - cash proceeds	350,000	52,500	-	-	52,500
Fair value of stock options exercised	-	40,173	(40,173)	-	-
Shares issued for acquisition of joint ventures	3,500,000	2,450,000	-	-	2,450,000
<b>Balance, June 30, 2021</b>	<b>86,543,766</b>	<b>\$ 21,041,769</b>	<b>\$ 71,032</b>	<b>\$ (8,824,270)</b>	<b>\$ 12,288,531</b>
<b>Balance at December 31, 2019 (Revised - Note 3)</b>	52,047,200	6,244,992	122,683	(3,770,809)	2,596,866
Loss for the period	-	-	-	(33,226)	(33,226)
<b>Balance, June 30, 2020</b>	52,047,200	\$ 6,244,992	\$ 122,683	\$ (3,804,035)	\$ 2,563,640

# **RHYOLITE RESOURCES LTD.**

## NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the three and six months ended June 30, 2021 and 2020

(Unaudited and expressed in Canadian dollars)

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### **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, an option to earn up to 80% in the Brothers Project and an option to earn up to 70% in the Suku Passi Project in Suriname.

The Company's registered office address is Suite 1900, 520 – 3<sup>rd</sup> Avenue SW, Calgary.

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

### **2. BASIS OF PREPARATION**

#### **a) Statement of Compliance**

These unaudited condensed consolidated interim financial statements ("consolidated interim financial statements") as at and for the three and six months ended June 30, 2021, have been prepared in accordance with International Accounting Standards ("IAS") 34, Interim Financial Reporting, and do not include all of the information required for annual consolidated financial statements. Accordingly, certain information and disclosures normally included in annual financial statements prepared in accordance with International Financial Reporting Standards ("IFRS") have been omitted or condensed.

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

These consolidated interim financial statements were authorized for issue in accordance with a resolution of the board of directors of the Company on August 19, 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.

## RHYOLITE RESOURCES LTD.

### NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the three and six months ended June 30, 2021 and 2020

(Unaudited and expressed in Canadian dollars)

#### c) Continuation of operations

These consolidated financial statements have been prepared using International Financial Reporting Standards (“IFRS”) applicable to a going concern, which assumes that the Company will continue in operations for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of business.

#### d) Basis of consolidation

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

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

	Jurisdiction	Nature of Operations	Equity Interest	
			June 30, 2021	December 31, 2020
Paxson Resources Ltd.	Alberta, Canada	Holding company	100%	100%
Paxson Resources (USA) Inc.	Alaska, USA	Exploration	100%	100%
2777662 Ontario Ltd.	Ontario, Canada	Holding company	100%	100%
2765798 Ontario Ltd.	Ontario, Canada	Holding company	100%	0%

All inter-company balances and transactions have been eliminated.

#### e) Investment in joint ventures

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



## RHYOLITE RESOURCES LTD.

### NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the three and six months ended June 30, 2021 and 2020

(Unaudited and expressed in Canadian dollars)

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

	Location of Project	Equity Interest	Mining Properties
Prosperous Gold Resources Ltd.	Suriname	20%	Brothers
Suku Passi N.V.	Suriname	0%	Suku Passi
Bob's Resources N.V.	Suriname	0%	Bob's

#### f) Significant accounting judgments, estimates and assumptions

The preparation of consolidated interim financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities, and contingent liabilities as at the date of the consolidated interim financial statements and reported amounts of revenues and expenses during the three and six months ended June 30, 2021. Estimates and assumptions are continuously evaluated and are based on management's experience and other factors, including expectations of future events which are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

##### Determination of joint control

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

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

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

## RHYOLITE RESOURCES LTD.

### NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

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

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

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

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

## **RHYOLITE RESOURCES LTD.**

### NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the three and six months ended June 30, 2021 and 2020

(Unaudited and expressed in Canadian dollars)

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#### **New accounting standards issued but not yet effective**

The following new accounting standards were not yet effective for the three and six months ended June 30, 2021 and have not been applied in preparing these consolidated interim financial statements.

##### IAS 16, Property, Plant and Equipment

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

#### **4. EXPLORATION PROJECTS**

##### **Paxson Gold Property, Alaska, U.S.**

The Company acquired through an internal staking program certain mineral claims in the eastern Alaska Range, southwest of Tok, Alaska (the "Paxson Project"). For the three and six months ended June 30, 2021 and 2020, the Company incurred \$Nil in exploration and evaluation expenditures on the Paxson Project.

##### **Brothers Project**

The Company has an option to earn up to an 80% interest in the Brothers Project in Suriname. 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 June 30, 2021, the Company has paid US\$200,000 and has earned 20% interest in the Brothers Project.
- Drill 3,000 meters with minimum committed work capital of US\$1,000,000 within 18 months of the closing of the Transaction and cash payment of US\$300,000 for a 40% interest.
- Drill an additional 10,000 meters with minimum committed work capital of US\$3,500,000 within 42 months of the closing of the Transaction, and cash payment of US\$400,000 for a 60% interest. If the Company does not earn a 60% interest in the Project, it will return the shares earned to date.
- Deliver a preliminary economic assessment ("PEA") within 66 months of closing of the Transaction and cash payment of US\$500,000 for a 70% interest.
- Deliver a feasibility study and cash payment of US\$1,250,000 within 84 months of closing of the Transaction for a 75% interest.

## **RHYOLITE RESOURCES LTD.**

### NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the three and six months ended June 30, 2021 and 2020

(Unaudited and expressed in Canadian dollars)

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- 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 and the Company's share of the joint venture's loss is detailed in Note 7.

#### **Suku Passi Concession**

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

- For a 51% interest:
  - Initial cash payment of US\$400,000 and issuance of the Consideration shares to the Vendors within 4 weeks from the date of the Suku Passi Joint Venture and Earn-in Agreement (the "SP Agreement Date"). As of June 30, 2021, the Company has paid US\$400,000.
  - Cash payment of US\$400,000 and committed work capital of US\$500,000 within 12 months of the SP Agreement Date
  - Cash payment of US\$300,000, share payment of US\$100,000 and committed work capital of US\$1,000,000 within 24 months of the SP Agreement Date
  - Cash payment of US\$300,000, share payment of US\$100,000 and committed work capital of US\$1,500,000 within 36 months of the SP Agreement Date
  - Cash payment of US\$300,000, share payment of US\$100,000 and committed work capital of US\$2,000,000 within 48 months of the SP Agreement Date
- For a 70% interest:
  - Cash payment of US\$300,000, share payment of US\$100,000 and committed work capital of US\$2,500,000 within 60 months of the SP Agreement Date
  - Deliver a pre-feasibility study ("PFS") and cash payment of US\$2,500,000 within 96 months of the SP Agreement Date

The investment in the Suku Passi Concession is accounted for using the equity method. The accumulated investment is detailed in Note 7.

#### **Bob's Pit Concession**

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

- For a 51% interest:
  - Initial cash payment of US\$100,000 and issuance of the Consideration shares to the Vendors within 4 weeks from the date of the Bob's Joint Venture and Earn-in Agreement (the "Bob's Agreement Date"). As of June 30, 2021, the Company has paid US\$100,000.
  - Cash payment of US\$100,000 within 6 months of the Bob's Agreement Date

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For the three and six months ended June 30, 2021 and 2020

(Unaudited and expressed in Canadian dollars)

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

The investment in the Bob's Pit Concession is accounted for using the equity method. The accumulated investment is detailed in Note 7.

#### 5. AMOUNTS RECEIVABLE

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

#### 6. PREPAID EXPENSES AND DEPOSITS

	June 30, 2021	December 31, 2020
Prepaid financial advisory fees	\$ -	\$ 180,000
Prepaid insurance	22,700	-
Other prepaid expenses and deposits	14,406	11,250
Total	\$ 37,106	\$ 191,250

#### 7. INVESTMENT IN JOINT VENTURES

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement. The Company accounts for its investment in joint ventures using the equity method. Under the equity method, the Company's investment in joint ventures is initially recognized at cost and subsequently increased or decreased to recognize the Company's share of net earnings/losses and other comprehensive earnings/losses of the investees, after any adjustments necessary to give effect to uniform accounting policies, any other movement in the investees' reserves, and for impairment losses after the initial recognition date. The Company's share of earnings or losses of its investees are recognized as share of loss in joint ventures in the Company's Statement of Loss and Comprehensive Loss during the period.

##### Brothers Project

The following is a summary of the Company's investment in the Brothers Project as of June 30, 2021:

## RHYOLITE RESOURCES LTD.

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For the three and six months ended June 30, 2021 and 2020

(Unaudited and expressed in Canadian dollars)

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	<b>Brothers Project</b>
Balance - December 31, 2020	\$ 3,312,412
Earn-in cash payment	125,790
Earn-in expenditures	322,915
Share of loss in joint venture	(12,561)
<b>Balance - June 30, 2021</b>	<b>\$ 3,748,556</b>

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#### **Suku Passi Project (combined Suku Passi and Bob's Pit concessions)**

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

#### ONCorp's Investment in the Joint Venture Companies

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

#### Rhyolite's acquisition of ONCorp

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

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

The Company's shares closed at \$0.88 per share on March 21, 2021; therefore, the Consideration was valued at \$3,080,000 on the agreement date. On March 31, 2021, the Transaction closed, and the Company delivered 3,500,000 shares to the Vendors. Rhyolite's shares closed on the TSXV at \$0.70 per share, resulting in a total Consideration of \$2,450,000 on the closing date. The difference of \$630,000

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between the agreement date and Transaction closing date values was recognized as gain on derivative instrument in the Company's Statement of Loss and Comprehensive Loss for the period.

The following is a summary of the Company's investment in the Suku Passi Project as of June 30, 2021:

	<b>Suku Passi Project</b>
Balance - December 31, 2020	\$ -
Acquisition cost - Rhyolite's shares issued to acquire ONCorp	3,080,000
Earn-in payment	627,490
Earn-in expenditures	353,199
<b>Balance - June 30, 2021</b>	<b>\$ 4,060,689</b>

#### 8. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities relate to amounts owing for project development, management, consulting and other professional services, including services provided by a related party (Note 10). All payables and accrued liabilities for the Company fall due within the next 12 months.

	<b>June 30,</b>	<b>December 31,</b>
	<b>2021</b>	<b>2020</b>
Accounts payable	\$ 112,258	\$ 66,434
Due to related party (Note 10)	25,732	8,018
<b>Balance - June 30, 2021</b>	<b>\$ 137,990</b>	<b>\$ 74,452</b>

#### 9. SHAREHOLDERS' EQUITY

##### Authorized share capital

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

No preferred shares were issued and outstanding during the three and six month period ended June 30, 2021.

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

##### 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

## RHYOLITE RESOURCES LTD.

### NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the three and six months ended June 30, 2021 and 2020

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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 June 30, 2021, there is no stock option outstanding. A summary of changes in the number of Options issued by the Company for the period ended June 30, 2021 is as follows:

	Number of Options	Weighted Average Exercise Price
Balance - December 31, 2020	350,000	\$ 0.15
Exercised	(350,000)	\$ 0.15
<b>Balance - June 30, 2021</b>	<b>-</b>	

#### 10. RELATED PARTY TRANSACTIONS

The Company has a corporate service agreement with Earlston Management Corp. ("Earlston"), a company that provides key management services to the Company. The Company pays Earlston a fee of \$7,500 per month (from November 2020 to January 2021) and \$12,500 per month (from February 2021 onward) and out-of-pocket costs for standard management and office services. Earlston also provides occasional consulting, project management or other support services which are billed separately from the standard rate. The Company incurred \$37,500 and \$70,000 in office administration and facilities expenditures provided by Earlston for the three and six months ended June 30, 2021 respectively (2020 – \$12,000 and \$24,000 respectively).

Accounts payable as at June 30, 2021 includes \$25,732 (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 June 30,		Six months ended June 30,	
	2021	2020	2021	2020
Salaries and benefits	\$ 50,000	\$ -	\$ 100,000	\$ -



## **RHYOLITE RESOURCES LTD.**

### **NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

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#### **11. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT**

As at June 30, 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.

#### **12. COMPARATIVE FIGURES**

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