



Consolidated Financial Statements

For the year ended

December 31, 2023

(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 statement of financial position as at December 31, 2023, and the consolidated statements of changes in equity, loss and comprehensive loss, and cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2023, and its financial performance and its cash flows for the year then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board (IFRS).

Basis for Opinion

We conducted our audit 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 audit is sufficient and appropriate to provide a basis for our opinion.

Other Matters

The consolidated financial statements of Rhyolite Resources Ltd. for the year ended December 31, 2022 were audited by another auditor who expressed an unmodified opinion on those statements on April 28, 2023.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We have determined that there are no key audit matters to communicate in our auditor's report.

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.

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 Accounting Standards, 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:

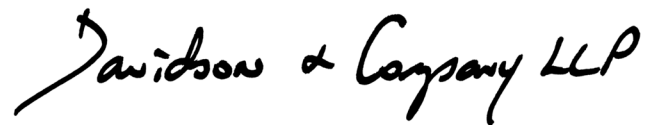
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of 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.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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

A handwritten signature in black ink that reads "Davidson & Company LLP". The signature is written in a cursive, flowing style.

Vancouver, Canada

Chartered Professional Accountants

March 25, 2024

Rhyolite Resources Ltd.**Consolidated Statements of Financial Position**

As at December 31, 2023 and December 31, 2022

	Note	December 31, 2023 \$	December 31, 2022 \$
Assets			
Current assets			
Cash and cash equivalents	3	6,492,055	8,531,185
Restricted cash	3	-	280,000
Amounts receivable	4	3,521	109,197
Prepaid expenses and deposits		-	23,986
Assets held for sale	16	-	361,548
		6,495,576	9,305,916
Non-current assets			
Property and equipment	5	1,388	57,062
Right of use asset	6	-	232,976
		1,388	290,038
Total assets		6,496,964	9,595,954
Liabilities and shareholders' equity			
Current liabilities			
Accounts payable and accrued liabilities	8,11	74,843	2,158,183
Lease liability - current	6	-	49,531
		74,843	2,207,714
Non-current liabilities			
Lease liability	6	-	199,297
Total liabilities		74,843	2,407,011
Shareholders' equity			
Share capital	9	39,909,036	40,315,837
Equity reserves	9	78,329	78,329
Accumulated other comprehensive income		401,449	401,449
Deficit		(33,966,693)	(33,606,672)
Total shareholders' equity		6,422,121	7,188,943
Total liabilities and shareholders' equity		6,496,964	9,595,954
Nature of operations and going concern	1		

Approved on behalf of the Board of Directors on March 25, 2024:

"Richard Graham"

Director

"Michael G. Leskovec"

Director

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

Rhyolite Resources Ltd.**Consolidated Statements of Changes in Equity**

For the years ended December 31, 2023 and December 31, 2022

	Number of common shares #	Share capital \$	Equity reserves \$	Accumulated other comprehensive income \$	Deficit \$	Total shareholders' equity \$
January 1, 2022	116,590,221	39,152,872	1,168,349	-	(12,613,694)	27,707,527
Share-based payments	-	-	9,980	-	-	9,980
Escrow shares released	-	1,100,000	(1,100,000)	-	-	-
Shares issued for joint venture earn-in (note 9)	95,032	62,965	-	-	-	62,965
Unrealized foreign exchange gain	-	-	-	401,449	-	401,449
Loss for the year	-	-	-	-	(20,992,978)	(20,992,978)
December 31, 2022	116,685,253	40,315,837	78,329	401,449	(33,606,672)	7,188,943
January 1, 2023	116,685,253	40,315,837	78,329	401,449	(33,606,672)	7,188,943
Escrowed shares returned to treasury for cancellation (note 9)	(9,500,000)	(406,801)	-	-	-	(406,801)
Loss for the year	-	-	-	-	(360,021)	(360,021)
December 31, 2023	107,185,253	39,909,036	78,329	401,449	(33,966,693)	6,422,121

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

Rhyolite Resources Ltd.

Consolidated Statements of Loss and Comprehensive Loss

For the years ended December 31,

	Note	2023 \$	2022 \$
Expenses			
Compliance and regulatory		22,964	33,284
Consulting fees	11,12	141,127	280,005
Depreciation - property and equipment	5	10,278	27,438
Depreciation - right of use asset	6	38,829	58,244
General and administrative		104,215	389,969
Insurance		20,438	46,289
Investor relations		10,563	17,995
Professional fees	11	213,110	407,309
Salaries and benefits (recovery)	11	(55,388)	3,218,063
Share-based payments	9,11	-	9,980
Loss from operating expenses		(506,136)	(4,488,576)
Foreign exchange loss		(8,237)	(7,412)
Interest cost on lease liability	6	(15,653)	(27,214)
Loss on write-off of equipment	5	(45,396)	(50,216)
Gain on disposal of equipment	5	1,418	-
Gain on sales tax recovery	4	47,006	-
Gain on settlement of payables		26,241	-
Loss on lease termination	6	(143,387)	-
Interest income		284,123	170,376
Impairment of investment in joint ventures	7	-	(13,588,187)
Share of loss in joint ventures	7	-	(359,024)
Loss for the year from continuing operations		(360,021)	(18,350,253)
Discontinued operations	16	-	(2,642,725)
Loss for the year		(360,021)	(20,992,978)
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Unrealized gain on foreign exchange translation		-	401,449
Comprehensive loss for the year		(360,021)	(20,591,529)
Loss per share			
Weighted average number of common shares outstanding			
- basic #	10	108,356,486	116,657,405
- diluted #	10	108,356,486	116,657,405
Basic loss per share \$	10	(0.00)	(0.18)
Diluted loss per share \$	10	(0.00)	(0.18)

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

Rhyolite Resources Ltd.

Consolidated Statements of Cash Flows

For the years ended December 31,

	Note	2023 \$	2022 \$
Operating activities			
Loss for the year		(360,021)	(20,992,978)
Adjustments for non-cash items:			
Impairment of investment in joint ventures		-	13,588,187
Share of loss in joint ventures		-	359,024
Depreciation - property and equipment		10,278	27,438
Depreciation - right of use asset		38,829	58,244
Share-based payments		-	9,980
Interest cost on lease liability		15,653	27,214
Loss on write-off of equipment		45,396	50,216
Gain on settlement of payables		(26,241)	-
Net change in non-cash working capital items	13	(1,996,320)	1,538,516
		(2,272,426)	(5,334,159)
Financing activities			
Payment of lease liability		(32,469)	(42,392)
Interest cost on lease liability		(15,653)	(27,214)
		(48,122)	(69,606)
Investing activities			
Acquisition of property and equipment		-	(89,852)
Acquisition of asset held for sale	16	-	(361,548)
Purchase of GICs	3	-	(280,000)
Proceeds from redemption of GICs	3	280,000	-
Proceeds from disposal of equipment	5	1,418	-
Investment in joint ventures		-	(4,394,423)
		281,418	(5,125,823)
Net decrease in cash and cash equivalents		(2,039,130)	(10,529,588)
Cash and cash equivalents, beginning of year		8,531,185	19,060,773
Cash and cash equivalents, end of year		6,492,055	8,531,185
Supplemental cash flow information	13		
Cash flows used in discontinued operations	16		

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

Rhyolite Resources Ltd.

Notes to the Consolidated Financial Statements

For the years ended December 31, 2023 and December 31, 2022

1. Nature of operations and going concern

Rhyolite Resources Ltd. (the “Company” or “Rhyolite”) was incorporated under the Business Corporations Act (Alberta) on April 6, 2006. The Company’s principal business includes the acquisition, exploration and development of mineral properties. As at December 31, 2022, the Company had suspended the development of its Muckahi Mining System and on February 14, 2023, transferred the ownership of its subsidiary, Muckahi Inc., to its former Chief Executive Officer, Mr. Fred Stanford (“Mr. Stanford”), as described in note 16. Further, the Company suspended spending on its joint venture exploration projects in Suriname and on March 21, 2023, gave written notice to terminate the Suku Passi N.V. and Bob’s Resources N.V. Joint Venture and Earn-in Agreements (“Suku Passi Project”), see note 7. The Company is in the process of assessing alternative projects for investments.

The Company’s registered office address is Suite 1703, 595 Burrard Street, Vancouver, BC. The Company’s common shares are listed on the TSX Venture Exchange under the symbol “RYE”.

These consolidated financial statements (the “financial statements”) have been prepared on a historical cost basis and are presented in Canadian dollars except when otherwise indicated. They have been prepared on a going concern basis on the assumption that the Company will be able to realize its assets and discharge its liabilities in the normal course of operations as they come due. As at December 31, 2023, the Company had working capital of \$6,420,733 (December 31, 2022 - \$7,098,202), including cash and cash equivalents of \$6,492,055 (December 31, 2022 - \$8,531,185). During the year ended December 31, 2023, the Company reported comprehensive loss of \$360,021 (2022 – \$20,591,529), and as at year end, has an accumulated deficit of \$33,966,693 (December 31, 2022 - \$33,606,672).

As a result of the disposition of Muckahi Inc., and the decision to suspend spending on its historical joint venture exploration projects in Suriname, the Company is in the process of assessing alternative projects for investments. Depending on the size and nature of potential projects, the Company may need to obtain additional financing, which will be determined when the nature of any such project is more clearly defined.

Management has assessed that its overall working capital is sufficient for the Company to continue as a going concern beyond one year. If the going concern assumption were not appropriate for these financial statements, it could be necessary to restate the Company’s assets and liabilities on a liquidation basis.

2. Material accounting policies

(a) Basis of presentation

These financial statements have been prepared in accordance with IFRS Accounting Standards (“IFRS”), as issued by the International Accounting Standard Board (“IASB”) and interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”). These financial statements were approved and authorized for issuance by Company’s Board of Directors on March 25, 2024.

These financial statements have been prepared on a historical cost basis, except for financial instruments which are measured at fair value. In addition, these financial statements have been prepared using the accrual basis of accounting, except for cash flow information. All amounts on these financial statements are presented in Canadian dollars which is the functional currency of the Company and its subsidiaries.

Rhyolite Resources Ltd.

Notes to the Consolidated Financial Statements

For the years ended December 31, 2023 and December 31, 2022

2. Material accounting policies (continued)

(b) Basis of consolidation

These financial statements include the accounts of the Company and its subsidiaries, which are entities controlled by the Company. 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.

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

	Jurisdiction	Nature of Operations	Equity Interest	
			December 31, 2023	December 31, 2022
2777662 Ontario Ltd.	Canada	Holding Company	100%	100%
2765798 Ontario Ltd.	Canada	Holding Company	100%	100%
Muckahi Inc.	Canada	Holding Company	N/A	100%
Suriname Exploration & Mining Company NV (SEMC)	Suriname	Holding Company	100%	100%

The Company did not renew the Paxson Resources (USA) Inc. license upon its expiration on December 31, 2021. Paxson Resources Ltd. and Paxson Resources (USA) Inc. (both of which were former wholly-owned subsidiaries) were dissolved on April 25, 2022 and February 15, 2022 respectively.

On February 14, 2023, the Company completed a transaction with the Company's former Chief Executive Officer ("CEO") where the Company transferred the ownership of its wholly-owned subsidiary, Muckahi Inc. to Mr. Stanford as part of a settlement transaction announced in December 2022 (note 16).

All inter-company balances and transactions have been eliminated.

(c) 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 income (losses) and other comprehensive income (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 income or losses of its investees are recognized in the Company's consolidated statements of income (loss) and comprehensive income (loss).

The investment in joint ventures is evaluated at each reporting period by management for indicators that carrying value is impaired and may not be recoverable.

During the fourth quarter of 2022, the Company suspended spending on all of its Suriname joint venture projects due to the expiration of the Brothers' exploitation license and the high milestone payments required for the Suku Passi Project. The Company had recognized impairment losses on all three projects (see note 7 for more detail) and terminated the joint venture agreements for the Suku Passi Project.

As of December 31, 2023, the Company has the following investment in joint ventures:

	Location of project	Equity interest	Mining properties
Prosperous Gold Resources Ltd.	Suriname	40%	Brothers
Suku Passi N.V.	Suriname	0%	Suku Passi
Bob's Resources N.V.	Suriname	0%	Bob's

2. Material accounting policies (continued)**(d) Functional currency and presentation currency**

The financial statements are presented in Canadian dollars, the functional and presentation currency of the Company and its subsidiaries.

The functional currency for each of the Company's joint arrangements is the US dollar, which is the currency of the primary economic environment in which it operates.

Operations with transactions in currencies other than the entity's functional currency are recognized at the rates of exchange prevailing at the date of the transaction as follows:

- Monetary assets and liabilities are translated at current rates of exchange with the resulting gains or losses recognized in the consolidated statements of loss and comprehensive loss;
- Non-monetary items are translated at historical exchange rates; and
- Revenue and expense items are translated at the average rates of exchange prevailing during the year, except depletion, depreciation and amortization, which are translated at the rates of exchange applicable to the related assets, with any gains or losses recognized in the consolidated statements of loss and comprehensive loss.

The assets and liabilities of the Company's foreign operations are translated into Canadian dollars at exchange rates at the reporting date for each period, equity items are translated at the historical rate on the date of the transaction and income and expenses are translated at the rate on the date of the transaction. The resulting exchange differences are recognized in other comprehensive income and accumulated separately in equity in the accumulated other comprehensive gain.

On the disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation, recognized in other comprehensive income and included in the accumulated other comprehensive income, is reclassified from equity to profit or loss when the income or loss on disposal is recognized.

(e) Discontinued operation

A discontinued operation is a component of the Company's business, the operations and cash flows of which can be clearly distinguished from the rest of the Company and which:

- Represents a separate major line of business or geographic area of operations;
- Is part of a single coordinated plan to dispose of a separate major line of business or geographic area of operations; or
- Is a subsidiary acquired exclusively with a view to resale.

Classification as a discontinued operation occurs at the earlier of disposal or when the operation meets the criteria to be classified as held-for-sale. When an operation is classified as a discontinued operation, the comparative consolidated statement of loss and comprehensive loss is re-presented as if the operation had been discontinued from the start of the comparative year.

(f) Assets held for sale

Non-current assets are classified as held for sale if it is highly probable that they will be recovered primarily through sale rather than through continuing use. Such assets are generally measured at the lower of their carrying amount and fair value less costs to sell. Impairment losses on initial classification as held for sale or held for distribution and subsequent gains and losses on re-measurement are recognized in the consolidated statements of loss and comprehensive loss. Once classified as held for sale, intangible assets and property and equipment are no longer amortized or depreciated.

(g) 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.

2. Material accounting policies (continued)**(h) 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. The Company's financial liabilities include accounts payable and accrued liabilities. 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 year 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 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.

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 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.

2. Material accounting policies (continued)**(h) Financial instruments (continued)***Derecognition of financial assets and liabilities*

A financial asset is derecognized 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 derecognized when the associated obligation is discharged, cancelled, 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 recognized in net loss.

(i) Property and equipment

Property and equipment are recorded at historical cost less accumulated depreciation and accumulated impairment losses. The cost of an item of property and equipment comprises its 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 incurred subsequently are included in the carrying amount of the asset or recognized as a separate asset if it is probable that future economic benefits associated with the expenditure will flow to the Company and the cost can be measure reliably. Repairs and maintenance are recognized as an expense to the consolidated statements of loss and comprehensive loss in the year in which they are incurred.

The cost of property 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
Leasehold improvements	Term of lease

Material residual value estimates and estimates of useful life are updated as required, but at least annually. Should the asset life or depreciation rates differ from the initial estimate, an adjustment would be made in the consolidated statements of loss and comprehensive loss on a prospective basis.

Gains or losses arising on the disposal of property and equipment are determined as the difference between the disposal proceeds and the carrying amount of the property and equipment and are recognized in consolidated statements of loss and comprehensive loss.

(j) Exploration expenditures

Acquisition costs for exploration and evaluation assets and exploration expenditures, net of recoveries, are expensed 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 agreements.

2. Material accounting policies (continued)**(k) Impairment of non-financial assets**

At the end of each reporting year, the Company's assets are reviewed to determine whether there is any indication that those assets may be impaired. If such indication exists, the recoverable amount of the asset is estimated to determine the extent of the impairment, if any. In order to determine an asset's recoverable amount, assets are grouped at the lowest level for which there are separately identifiable cash flows (cash generating units or "CGU"). The recoverable amount is the higher of fair value less costs to sell and value in use. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in the consolidated statements of loss and comprehensive loss for the year.

The net investment in an associate or joint venture is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the net investment (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows from the net investment that can be reliably estimated. The entire carrying amount of the investment is tested for impairment in accordance with IAS 36 as a single asset, by comparing its recoverable amount with its carrying amount if there is indication that the net investment may be impaired. The recoverable amount of an investment in a joint venture is assessed for each individual joint venture unless the joint venture does not generate cash flows independently.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but to an amount that does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in the consolidated statements of loss and comprehensive loss.

(l) Share capital

Common shares are classified as equity. Incremental costs directly attributable to the issuance of common shares and share options are recognized as a deduction from equity, net of any tax effect.

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.

(m) Share-based payments

The Company may grant equity instruments 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.

Equity instruments granted to Directors, Officers and employees are measured at their fair values determined on their grant date. For stock options the grant date fair value is estimated 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 payment 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.

2. Material accounting policies (continued)**(m) Share-based payments (continued)**

The Company recognizes the goods or services received or acquired in a share-based payment transaction when it obtains the goods or as the services are received. The Company would recognize a corresponding increase in equity if the goods or services were received in an equity-settled share-based payment transaction, or a liability if the goods or services were acquired in a cash-settled share-based payment transaction.

For equity-settled share-based payment transactions, the Company would measure the goods or services received, and the corresponding increase in equity, directly, at the fair value of the goods or services received, unless that fair value cannot be estimated reliably. If the Company cannot estimate reliably the fair value of the goods or services received, the Company would measure their value, and the corresponding increase in equity, indirectly, by reference to the fair value of the equity instruments granted.

(n) Income taxes

Income tax expense is composed of current and deferred tax. Current and deferred tax are recognized in income or loss except to the extent that they relate to business combination, or items recognized directly in equity.

Current tax expense is based on the results of operations for the year 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 year, 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 year that the change occurs unless the original entry was recorded to equity.

(o) Earnings (loss) per share

The Company presents basic and diluted earnings (loss) per share ("EPS") data for its common shares. Basic EPS is calculated by dividing the profit or loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the year, adjusted for own shares held. Diluted EPS is determined by dividing the profit or loss attributable to common shareholders by the weighted average number of common shares outstanding, adjusted for own shares held and for the effects of all potential dilutive common shares related to outstanding stock options and warrants issued by the Company for the years presented, except if their inclusion proves to be anti-dilutive.

(p) Significant accounting judgments, estimates and assumptions

The preparation of these consolidated financial statements requires management to make judgements, estimates and assumptions that affect the measurements of assets, liabilities, 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.

2. Material accounting policies (continued)**(p) Significant accounting judgments, estimates and assumptions (continued)**

The areas that require management to make significant judgements, estimates and assumptions in applying the Company's accounting policies in determining carrying values include, but are not limited to:

i. Determination of control of 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.

ii. Impairment of investment in joint ventures

The net investment in an associate or joint venture is reviewed regularly for conditions that suggest potential indications of impairment. This review requires significant judgment. Factors considered in the assessment of asset impairment include, but are not limited to: whether there has been significant financial difficulty of the associate or joint venture; whether there has been a breach of contract; whether the Company, for economic or legal reasons relating to its associate's or joint venture's financial difficulty, has granted to the associate or joint venture a concession that the Company would not otherwise consider; whether it is becoming probable that the associate or joint venture will enter bankruptcy or other financial reorganization; whether there has been disappearance of an active market for the net investment because of financial difficulties of the associate or joint venture; whether there has been information about significant changes with an adverse effect that have taken place in the technological, market, economic or legal environment in which the associate or joint venture operates and indicates that the cost of the investment in the equity instrument may not be recovered; and whether there has been a significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

During the fourth quarter of 2022, the Company suspended spending on all of its Suriname joint venture projects due to the expiry of the exploitation license for the Brothers project and the high earn-in payments required for the Suku Passi Project. During the year ended December 31, 2023, the Company officially terminated the joint venture agreements for the Suku Passi Project. The Company has identified these as impairment indicators and had recognized impairment losses on all three projects as at December 31, 2022. No impairment losses were recognized during the year ended December 31, 2023.

(q) New accounting policies

Certain pronouncements have been issued by the IASB or IFRIC that are effective for accounting periods beginning on or after January 1, 2023.

- i. Classification of liabilities as current or non-current (amendment to IAS 1);
- ii. Disclosure of accounting policy amendments (amendment to IAS 1);
- iii. Property, plant, and equipment – proceeds before intended use (amendment to IAS 16); and
- iv. Annual improvement to IFRS standards – 2018 to 2020.

With the exception of changing the Company's accounting policies from "significant" to "material", the Company has reviewed all other updates and determined that many of these updates are not applicable to or consequential to the Company and have been excluded from discussion within these material accounting policies.

(r) Standards issued but not yet effective

Certain pronouncements have been issued by the IASB or IFRIC that are effective for accounting periods beginning on or after January 1, 2024. The Company has reviewed these updates and determined that none of these updates are applicable or consequential to the Company and have been excluded from discussion within these material accounting policies.

Rhyolite Resources Ltd.**Notes to the Consolidated Financial Statements**

For the years ended December 31, 2023 and December 31, 2022

3. Cash and cash equivalents

Cash and cash equivalents consist of the following:

	December 31, 2023	December 31, 2022
	\$	\$
Bank and broker balances	640,225	8,531,185
Cashable investment certificates	5,851,830	-
	6,492,055	8,531,185

As at December 31, 2022, the Company's restricted cash related to amounts invested in GICs as financial assurance on the Company's corporate credit cards and office lease. These GICs were redeemed during the year ended December 31, 2023.

4. Amounts receivable

Receivables consist of the following:

	December 31, 2023	December 31, 2022
	\$	\$
Sales tax recoverable	3,521	109,197
	3,521	109,197

During the year ended December 31, 2023, the Company recovered sales tax totaling \$47,006 (2022 - \$nil).

Rhyolite Resources Ltd.**Notes to the Consolidated Financial Statements**

For the years ended December 31, 2023 and December 31, 2022

5. Property and equipment

	Computer Equipment \$	Office equipment and furniture \$	Leasehold improvements \$	Equipment \$	Total \$
<u>Cost</u>					
January 1, 2022	31,962	12,191	4,226	-	48,379
Additions	43,678	35,360	10,814	361,548	451,400
Write-offs and other adjustments	(48,822)	(1,394)	(487)	-	(50,703)
Reclassification to assets held for sale	-	-	-	(361,548)	(361,548)
December 31, 2022	26,818	46,157	14,553	-	87,528
<u>Accumulated depreciation</u>					
January 1, 2022	2,546	482	-	-	3,028
Depreciation	16,350	8,283	2,805	-	27,438
December 31, 2022	18,896	8,765	2,805	-	30,466
<u>Cost</u>					
January 1, 2023	26,818	46,157	14,553	-	87,528
Disposals	(17,761)	-	-	-	(17,761)
Write-off	(6,678)	(46,157)	(14,553)	-	(67,388)
December 31, 2023	2,379	-	-	-	2,379
<u>Accumulated depreciation</u>					
January 1, 2023	18,896	8,765	2,805	-	30,466
Depreciation	2,277	6,061	1,940	-	10,278
Disposals	(17,761)	-	-	-	(17,761)
Write-off	(2,421)	(14,826)	(4,745)	-	(21,992)
December 31, 2023	991	-	-	-	991
<u>Net book value</u>					
December 31, 2022	7,922	37,392	11,748	-	57,062
December 31, 2023	1,388	-	-	-	1,388

During the year ended December 31, 2023, the Company wrote-off certain computer equipment, all remaining office equipment and furniture, as well as its remaining leasehold improvement costs in connection with the termination of an office lease (note 6). The Company recognized a loss on write-off of equipment in the amount of \$45,396 (2022 - \$50,216).

During the year ended December 31, 2023, the Company disposed of certain fully-depreciated equipment and in doing so, recognized a gain on disposal of \$1,418 (2022 - \$nil).

Rhyolite Resources Ltd.**Notes to the Consolidated Financial Statements**

For the years ended December 31, 2023 and December 31, 2022

6. Right of use asset and lease liability

	Building \$
Cost	
January 1, 2022	-
Additions	291,220
December 31, 2022	291,220
Accumulated depreciation	
January 1, 2022	-
Depreciation	58,244
December 31, 2022	58,244
Cost	
January 1, 2023	291,220
Derecognized on lease termination	(291,220)
December 31, 2023	-
Accumulated depreciation	
January 1, 2023	58,244
Depreciation	38,829
Derecognized on lease termination	(97,073)
December 31, 2023	-
Net book value	
December 31, 2022	232,976
December 31, 2023	-

During the year ended December 31, 2023, the Company recognized \$15,653 (2022 - \$27,214) in interest costs on the lease liability.

During the year ended December 31, 2023, the Company terminated its office lease. Accordingly, the Company derecognized both the right-of-use asset as well as the lease liability. In connection with the termination of the lease, the Company incurred termination fees in the amount of \$165,598, resulting in an overall net loss on termination in the amount of \$143,387.

The present value of remaining lease obligation (excluding finance costs) are as follows:

	December 31, 2023 \$	December 31, 2022 \$
Current portion	-	49,531
Non-current portion	-	199,297
	-	248,828

The undiscounted lease payments (including finance costs) are as follows:

	December 31, 2023 \$	December 31, 2022 \$
Less than a year	-	72,184
Between one and five years	-	232,020
	-	304,204

Rhyolite Resources Ltd.

Notes to the Consolidated Financial Statements

For the years ended December 31, 2023 and December 31, 2022

7. Investment in joint ventures and impairment charges

During the year ended December 31, 2022, the Company suspended all operations in Suriname due to the expiry of the exploitation license for the Brothers Project and high earn-in option payments associated with the Suku Passi Project (which includes the Bob's concession). No expenditure is planned for the Brothers Project until the license has been renewed. The Brothers Project option is held by 2777662 Ontario Ltd.

During the year ended December 31, 2023, the Company terminated the joint venture agreements for the Suku Passi Project due to the high earn-in option payments associated with the Suku Passi Project. The Company no longer has any right or obligations regarding the Suku Passi and Bob's concessions. The Company identified these matters as indicators of impairment that suggested the carrying amounts of the Brothers Project and Suku Passi Project exceed their recoverable amounts and an impairment test was performed as at December 31, 2022.

The estimated recoverable amounts of the Brothers Project CGU and Suku Passi Project CGU as at December 31, 2022 were determined on the basis of fair value less cost of disposal. Both the Brothers Project and Suku Passi Project are early-stage exploration projects with no underlying resource statement or mine plan to allow for traditional valuation techniques such as a discounted cash flow analysis or an in-situ valuation based on metal content. The fair value, therefore, was determined as the amount that would be obtained from the sale of the assets in an arm's length transaction between knowledgeable and willing parties. As at December 31, 2022, the Company had not received any offer or bid for either of its joint venture investments, as a result, the recoverable amounts for both CGUs were determined to be \$nil. The Company recorded an impairment loss of \$13,588,187 for both the Brothers Project and Suku Passi Project during the year ended December 31, 2022 to reduce the carrying amount of these investments to \$Nil.

A summary of the Company's investment in the Brothers Project and the Suku Passi Project (including both the Suku Passi and Bob's concessions) is presented as follows:

Brothers Project	Amount (\$)
Balance - December 31, 2021	4,655,765
Earn-in payments	378,510
Earn-in exploration expenditures	1,210,675
Share of loss in joint venture (1)	(359,024)
Foreign exchange gain on translation	401,449
Impairment of investment	(6,287,375)
Balance - December 31, 2022 and December 31, 2023	-

(1) On April 12, 2022, the Company increased its interest in Brothers for an additional 20% pursuant to the minimum exploration expenditure of US\$1,000,000 and an earn-in cash payment of US\$300,000, in accordance with the JV Agreement. The Company recognized the earn-in payments and exploration expenditures at cost by increasing the carrying amount of the investment and recognized the share of 40% of Brother's loss in accordance with IAS 28 *Investments in Associates and Joint Ventures*.

Suku Passi Project (Suku Pasi and Bob's Concessions)	Amount (\$)
Balance - December 31, 2021	4,372,722
Earn-in payments	692,615
Earn-in exploration expenditures	2,172,510
Shares issued for joint-venture earn-in	62,965
Impairment of investment (1)	(7,300,812)
Balance - December 31, 2022 and December 31, 2023	-

(1) The impairment on investment for the Suku Passi Project is net of a foreign exchange gain on translation amounting to \$433,008 and the reclassification of the same amount previously recorded in accumulated other comprehensive gain ("AOCI"). As a result of the Company's decision to suspend further payments on the Suku Passi Project and to cancel the earn-in agreements, the foreign exchange gain on translation in AOCI was reclassified to profit and loss and included in the impairment of investment.

Rhyolite Resources Ltd.

Notes to the Consolidated Financial Statements

For the years ended December 31, 2023 and December 31, 2022

7. Investment in joint ventures and impairment charges (continued)

Pursuant to the Suku Passi Joint Venture and Earn-in Agreement and Bob's Resources Joint Venture and Earn-In Agreement (together, the "Agreements"), 2765798 Ontario Ltd. had the right to acquire an up to 70% equity interest in Suku Passi N.V. and Bob's Resources N.V. On March 21, 2023, 2765798 Ontario Ltd., as a wholly owned subsidiary of Rhyolite Resources Ltd., gave written notice to terminate the Suku Passi N.V. and Bob's Resources N.V. Joint Venture and Earn-in Agreements.

2765798 Ontario Ltd. transferred the shares held in Suku Passi and Bob's Resources (as defined in the Agreements) back to the owners, without any representation or warranty and without any liability on its part, in exchange for a USD \$1.00 cash payment.

2765798 Ontario Ltd. no longer has any right to or obligations regarding the Agreements.

Earn-in payments represent cash payments made to the concession holders based on the schedule set out in the joint venture agreements. Earn-in exploration expenditures represent exploration expenditures the Company incurred to fulfil its funding requirement, and obtain additional interest in the joint ventures, based on the joint venture agreements.

As at December 31, 2023, the Company has \$nil (December 31, 2022 – \$59,887) in accounts payable and accrued liabilities related to joint venture operations.

8. Accounts payable and accrued liabilities

Accounts payable and accrued liabilities consist of the following:

	December 31, 2023	December 31, 2022
	\$	\$
Accounts payable	24,843	172,289
Accrued liabilities	50,000	1,985,894
	74,843	2,158,183

As of December 31, 2023, the Company has accrued \$nil of severance for employees terminated in December 2022 (December 31, 2022 - \$1,584,672). All payables and accrued liabilities for the Company fall due within the next 12 months.

9. 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 have been issued from incorporation to December 31, 2023.

Transactions for the issue of share capital during the year ended December 31, 2023:

On February 14, 2023, 9,500,000 escrowed common shares were returned to treasury for cancellation. The Company reversed a value of \$406,801 in connection with the return to treasury. See additional details below in the Equity Reserves section and note 16.

Transactions for the issue of share capital during the year ended December 31, 2022:

On March 30, 2022, the Company issued 95,032 common shares at a fair value of \$62,965 in connection with a joint venture earn-in agreement.

Stock options

The Company has 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.

Rhyolite Resources Ltd.

Notes to the Consolidated Financial Statements

For the years ended December 31, 2023 and December 31, 2022

9. Share capital (continued)

Stock options (continued)

A summary of the status of the Company's stock options as at December 31, 2023 and December 31, 2022 and changes during the years then ended is as follows:

	Year ended December 31, 2023		Year ended December 31, 2022	
	Options #	Weighted average exercise price \$	Options #	Weighted average exercise price \$
Options outstanding, beginning of year	-	-	30,000	1.00
Expired	-	-	(30,000)	1.00
Options outstanding, end of year	-	-	-	-

During the year ended December 31, 2023, the Company recognized share-based payments expense of \$nil (2022 – \$9,980), which is presented as an operating expense and includes only options that vested during the period.

There were no options granted, cancelled, or expired during the year ended December 31, 2023.

Equity reserves

Acquisition of ONCorp

On March 31, 2021, the Company issued 3,500,000 common shares to acquire all the outstanding share capital of 2765798 Ontario Ltd. ("2765798 ONT") pursuant to the terms of a definitive share purchase agreement entered into on March 21, 2021 with each of the shareholders of ONCorp. ONCorp held the option to earn up to a 70% interest in the Suku Passi and Bob's projects in Suriname. The Company acquired ONCorp's equity-accounted investees and therefore applied IFRS 9 *Financial Instruments* to account for the acquisition of the financial asset.

On March 21, 2023, 2765798 ONT, as a wholly owned subsidiary of the Company, gave written notice to terminate the Suku Passi N.V. and Bob's Resources N.V. Joint Venture and Earn-in Agreements (the "Agreements").

2765798 ONT transferred the "Shares" as defined in the Agreements, to the Suku Passi and Bob's Owners without any representation or warranty and without any liability on its part in exchange for a USD \$1.00 cash payment.

2765798 ONT no longer has any right to or obligations regarding the Agreements.

Acquisition of Muckahi Inc.

On September 20, 2021, the Company issued 9,500,000 common shares to acquire all the outstanding share capital of Muckahi Inc. (the "Muckahi Transaction"), a company controlled by Mr. Stanford that holds a license and the associated trademark to the Muckahi Mining System ("MMS"). Concurrent with the Muckahi Transaction, Mr. Stanford joined the Company as CEO and Director.

Mr. Stanford received 9,500,000 common shares of the Company as consideration, of which, 1,000,000 common shares were delivered to Mr. Stanford upon closing of the Muckahi Transaction, and the remaining 8,500,000 common shares were deposited in escrow (the "Escrow Shares") to be released to Mr. Stanford in tranches over a four-year period conditional upon Mr. Stanford remaining involved with the Company in any capacity other than as a shareholder as at each anniversary date. The Escrow Shares are to be released as follows:

- 1,000,000 on September 20, 2022;
- 2,000,000 on September 20, 2023;
- 2,000,000 on September 20, 2024; and
- 3,500,000 on September 20, 2025.

The Company expensed the \$1,100,000 related to the 1,000,000 unconditional shares issued to Mr. Stanford in accordance with IFRS 2 *Share-based Payment* ("IFRS 2") as value for acquiring Mr. Stanford's know-how of the MMS.

Rhyolite Resources Ltd.

Notes to the Consolidated Financial Statements

For the years ended December 31, 2023 and December 31, 2022

9. Share capital (continued)

Equity reserves (continued)

For the remaining 8,500,000 shares issued but deposited in escrow, since the release of these shares was conditional upon Mr. Stanford fulfilling certain service conditions to the Company, these shares were considered to be a separate equity-settled employee share-based payment transaction in accordance with IFRS 2 for future services of Mr. Stanford. The grant date fair value of the escrow shares was to be recognized in the consolidated statements of loss and comprehensive loss as share-based payment over the escrow period. On September 20, 2022, 1,000,000 shares were released from escrow due to the shares vesting in accordance with vesting conditions, and the Company recorded a charge of \$1,100,000 to share capital (from equity reserves).

On December 15, 2022, Mr. Stanford resigned from his role as CEO and Director of the Company. As a result, the remaining 7,500,000 escrow shares will no longer be released, hence, the share-based payments of \$2,872,432 previously recognized for these escrow shares were reversed in December 2022. The 7,500,000 escrow shares were returned to the Company and cancelled during the year ended December 31, 2023.

On February 14, 2023 (note 16), in connection with Mr. Stanford's settlement announced in December 2022, the Company closed the transaction with Mr. Stanford, where the Company transferred the ownership of its wholly owned subsidiary, Muckahi Inc. to Mr. Stanford. In return, Mr. Stanford returned to treasury 2,000,000 shares previously issued to him. These shares were cancelled along with the 7,500,000 escrow shares that did not vest.

10. Loss per share

The calculation of basic and diluted loss per share for the year ended December 31, 2023 is based on the loss attributable to common shareholders of \$360,021 (2022 - \$20,992,978) and a weighted average number of common shares outstanding of 108,356,486 (2022 - 116,657,405).

All stock options and warrants were excluded from the diluted weighted average number of shares calculation, as their effect would have been anti-dilutive.

11. Related party payables and transactions

A number of key management personnel and Directors hold positions in other entities that result in their having control or significant influence over the financial or operating policies of these entities. There were no loans to key management personnel or Directors, or entities over which they have control or significant influence during the years ended December 31, 2023 and December 31, 2022.

Key management personnel and Directors receive no salaries, non-cash benefits (other than incentive stock options), or other remuneration directly from the Company, other than noted below, and there are no contracts with them that cannot be terminated without penalty on thirty days advance notice. Key management personnel and Directors participate in the Company's stock option plan.

During the years ended December 31, 2023 and December 31, 2022, there were no options granted to Officers and Directors.

On February 15, 2023, and as amended on March 20, 2023, the Company entered into a Consulting Agreement (the "RG Agreement") with Richard Graham for the provision of services as the Company's CEO and as a Director. Pursuant to the RG Agreement, the Company pays a base fee of \$7,500 per month and out-of-pocket costs for standard management and office services. The Company may terminate the RG Agreement at any time by providing one month's written notice.

On March 20, 2023, the Company entered into a Corporate Service Agreement (the "CS Agreement") with Earlston Management Corp. ("Earlston"), a company that provides key management services to the Company and shared key management personnel with the Company. Pursuant to the CS Agreement, the Company pays Earlston a base fee of \$5,000 per month and out-of-pocket costs for standard management and office services, for an initial term of 2 years. The term shall be automatically renewed on an annual basis unless written notice is provided by either the Company or Earlston prior to 60 days of the anniversary date of the CS Agreement.

On May 5, 2023, Quinn Martin replaced Cybill Tsung as the Company's CFO. He is a principal of Donaldson Brohman Martin CPA, Inc. ("DBM CPA"), a firm in which he has significant influence. DBM CPA provides the Company with accounting and tax services, at a standard base rate of \$3,000 per month, plus amounts for non-routine services (the "DBM Agreement").

Rhyolite Resources Ltd.

Notes to the Consolidated Financial Statements

For the years ended December 31, 2023 and December 31, 2022

11. Related party payables and transactions (continued)

On December 15, 2022, Mr. Stanford resigned from his role as CEO and Director of the Company following the Board of Director's decision to cease further development of the MMS (note 9). In connection with his resignation, the Company agreed to make a cash payment of \$420,000 to Mr. Stanford, which was accrued at December 31, 2022 and paid during the year ended December 31, 2023.

On February 14, 2023, in connection with Mr. Stanford's settlement announced in December 2022, the Company closed the transaction with Mr. Stanford, where the Company transferred the ownership of its wholly owned subsidiary, Muckahi Inc. to Mr. Stanford (note 16). In return, Mr. Stanford returned to treasury 2,000,000 shares previously issued to him. These shares were cancelled along with the 7,500,000 escrow shares that did not vest (note 9).

Key management compensation

Key management personnel are persons responsible for planning, directing, and controlling the activities of an entity, and includes Directors and Executive Officers. Key management compensation comprises as follows:

	Transactions year ended December 31, 2023 \$	Transactions year ended December 31, 2022 \$	Balances outstanding December 31, 2023 \$	Balances outstanding December 31, 2022 \$
Richard Graham	83,452	-	11,500	-
Earlston	50,000	-	5,250	-
DBM CPA	41,000	-	6,825	-
Salaries and benefits	125,384	1,522,567	-	420,000
Share-based payments	-	9,980	-	-
	299,836	1,532,547	23,575	420,000

All related party balances are unsecured and are due within thirty days without interest.

(a) Consulting fees

- Includes the charges from the Company's CEO pursuant to the RG Agreement.
- Includes the charges from Earlston pursuant to the CS Agreement.

(b) Professional fees

- Includes the charges from DBM CPA pursuant to the DBM Agreement.

(c) Salaries and benefits

- Includes salaries and benefits associated with the Company's former CFO, Cybill Tsung (2022 details also the Company's former CEO, Mr. Stanford).

(d) Share-based payments

- Includes the fair value of stock options granted/vesting to key management.

12. Consulting fees

Consulting fees consist of the following:

	December 31, 2023 \$	December 31, 2022 \$
Muckahi Engineering (1)	-	1,413,704
Richard Graham	83,452	-
Earlston	50,000	-
Other	7,675	280,005
	141,127	1,693,709

(1) Comparative details include amounts reclassified as discontinued operations.

Rhyolite Resources Ltd.

Notes to the Consolidated Financial Statements

For the years ended December 31, 2023 and December 31, 2022

13. Supplemental cash flow information

Changes in non-cash operating working capital during the years ended December 31, 2023 and December 31, 2022 were comprised of the following:

	December 31, 2023 \$	December 31, 2022 \$
Amounts receivable	58,875	14,685
Prepaid expenses and deposits	12,595	-
Accounts payable and accrued liabilities	(2,067,790)	1,523,831
Net change	(1,996,320)	1,538,516

The Company incurred non-cash financing activities during the years ended December 31, 2023 and December 31, 2022 as follows:

	December 31, 2023 \$	December 31, 2022 \$
Non-cash financing activities:		
Return of common shares to treasury	406,801	-
	406,801	-

There were no non-cash investing activities during the years ended December 31, 2023 and December 31, 2022.

There were no amounts paid for income taxes or interest during the years ended December 31, 2023 and December 31, 2022.

14. Financial risk management

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.

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 during the year ended December 31, 2023. The Company is not subject to any externally imposed capital requirements.

As of December 31, 2022 and December 31, 2023, the Company has suspended the development of its MMS and on February 14, 2023, transferred the ownership of its Muckahi Inc. to Mr. Stanford as described in note 16. The Company also suspended spending on its joint venture exploration projects in Suriname and on March 21, 2023, gave written notice to terminate the Suku Passi N.V. and Bob's Resources N.V. Joint Venture and Earn-in Agreements, see note 7.

The Company is in the process of assessing alternative projects for investments. Depending on the size and nature of potential projects, the Company may need to obtain additional financing.

Financial instruments - fair value

The Company's financial instruments consist of cash and cash equivalents and accounts payable and accrued liabilities.

The carrying value of cash and cash equivalents, and accounts payable and accrued liabilities approximate their fair value because of the short-term nature of these instruments.

14. Financial risk management (continued)**Financial instruments - fair value** (continued)

Financial instruments measured at fair value on the consolidated statements of financial position are summarized into the following fair value hierarchy levels:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: 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).

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The Company does not have any financial instruments that are measured at fair value.

Financial instruments - risk

The Company's financial instruments are exposed to certain financial risks, including credit risk, liquidity risk, and market risk (which includes interest rate risk and foreign currency risk).

(a) 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 cash equivalents and amounts receivable. The Company limits exposure to credit risk by maintaining its cash and cash equivalents with large financial institutions. The Company does not have cash that is invested in asset backed commercial paper. The Company's amounts receivable typically consists of sales tax refundable from the Canada Revenue Agency and is not subject to significant credit risk.

(b) 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 considering cash flows from operations and the Company's holdings of cash and cash equivalents. The Company believes that these sources are sufficient to cover the cash requirements within the next 12 months. As at December 31, 2023, the Company had a cash and cash equivalents balance of \$6,492,055 to settle current liabilities of \$74,843. The Company's financial liabilities have contractual maturities of 30 days or are due on demand and subject to normal trade terms.

(c) Market risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, and foreign exchange rates.

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 and cash equivalents, 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 cash equivalents, and accounts payable and accrued liabilities that are denominated in foreign currencies, which are subject to currency risk.

As at December 31, 2023, a 10% depreciation or appreciation of applicable foreign currencies against the Canadian dollar would result in an \$4,500 decrease or increase in the Company's comprehensive income (loss) (2022 - \$23,000).

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

Rhyolite Resources Ltd.**Notes to the Consolidated Financial Statements**

For the years ended December 31, 2023 and December 31, 2022

15. Income taxes

Income tax (recovery) expense varies from the amount that would be computed from applying the combined federal and provincial income tax rate to loss before income taxes as follows:

	December 31, 2023	December 31, 2022
	\$	\$
Loss for the year before income taxes	(360,021)	(20,992,978)
Statutory Canadian corporate tax rate	27.00%	27.00%
Anticipated income tax (recovery) expense	(97,000)	(5,563,000)
Change in tax resulting from:		
Non-deductible expenses and other	2,283,000	1,899,000
Losses not recognized	(2,186,000)	3,664,000
Income tax (recovery) expense	-	-

The significant components of the Company's unrecognized deferred income tax assets are as follows:

	December 31, 2023	December 31, 2022
	\$	\$
Leases	-	249,000
Capital loss carry forwards (no expiry)	229,000	229,000
Canadian non-capital loss carry forwards (expiring in 2024 - 2043)	10,809,000	10,226,000
Share issue costs (expiring 2044 - 2045)	432,000	665,000
Investments (no expiry)	-	6,886,000
Property and equipment (no expiry)	44,000	1,495,000
Tax benefits unrecognized	(11,514,000)	(19,750,000)
Net deferred tax assets	-	-

Income tax attributes are subject to review, and potential adjustments, by tax authorities.

16. Discontinued operations and assets held for sale

In December 2022, the Board of Directors elected to cease further development of the MMS (note 1) in an effort to preserve cash for the Company. The Company reached a settlement with Mr. Fred Stanford in December 2022, who had concurrently resigned as the CEO and a Director of the Company. In connection with his resignation, the Company agreed to make a cash payment to Mr. Stanford (accrued as at December 31, 2022) (note 11) and transfer ownership of its wholly-owned subsidiary, Muckahi Inc., to Mr. Stanford in settlement of any remaining obligations owing (completed during the year ended December 31, 2023). Muckahi Inc. controls a license and associated intellectual property, related to the MMS. The Company also agreed to transfer the batteries it acquired during the year ended December 31, 2022, for the MMS prototype to Muckahi Inc. This was completed during the year ended December 31, 2023.

The Company will retain a royalty which entitles the Company to receive 10% of the gross revenue generated by any party from the use of the MMS (the "Royalty"), until such time as the Company has received \$10,000,000. No value has been assigned to the Royalty as at the disposal date of as at December 31, 2023.

As of December 31, 2022, the transfer of batteries from the Company to Muckahi Inc., the transfer of ownership of Muckahi Inc., and the grant of the Royalty, remained subject to finalization of definitive documentation and the receipt of any required regulatory approvals. The Company considered the transfer of the batteries and ownership of Muckahi Inc. highly probable at December 31, 2022; therefore, classified the batteries as held for sale and the Muckahi segment as a discontinued operation in accordance with IFRS 5.

The MMS segment was not previously classified as held-for-sale or as a discontinued operation. The comparative consolidated statement of loss and comprehensive loss has been re-presented to show the discontinued operation separately from continuing operations.

Rhyolite Resources Ltd.**Notes to the Consolidated Financial Statements**

For the years ended December 31, 2023 and December 31, 2022

16. Discontinued operations and assets held for sale (continued)

Assets held for sale:

	December 31, 2023	December 31, 2022
	\$	\$
Equipment	-	361,548
Assets held for sale	-	361,548

Results of discontinued operations:

	December 31, 2023	December 31, 2022
	\$	\$
Consulting fees	-	1,413,704
Salaries, benefits, and severance	-	1,229,021
Loss from discontinued operations	-	2,642,725

Cash flows used in discontinued operations:

	December 31, 2023	December 31, 2022
	\$	\$
Net cash used in operating activities	-	1,999,237
Net cash used in investing activities	-	361,548
Net cash flows for the year	-	2,360,785

On January 25, 2023, the Company completed the sale of the batteries to its wholly owned subsidiary, Muckahi Inc. for \$360,001 (the "Purchase Price"). The Purchase Price was satisfied through the issuance of 360,002,000 class A common shares of Muckahi Inc.

On February 14, 2023, the Company transferred the ownership of its wholly-owned subsidiary, Muckahi Inc., to Mr. Stanford. Upon closing of the transaction, a total of 9,500,000 common shares were returned to treasury and cancelled. Of the 9,500,000 shares, 2,000,000 shares were issued to Mr. Stanford and 7,500,000 shares were deposited in escrow and never vested (note 9).

A summary of the accounts of Muckahi Inc. that were deconsolidated as of February 14, 2023, is as follows:

	February 14, 2023
	\$
Sales tax receivable	46,801
Equipment	360,000
Net assets deconsolidated	406,801
Return of shares to treasury	406,801
Gain (loss) on deconsolidation	-