RHYOLITE RESOURCES

CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2021, six months ended December 31, 2020, and year ended June 30, 2020

(Expressed in Canadian Dollars)

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INDEPENDENT AUDITORS' REPORT

To the Shareholders of Rhyolite Resources Ltd.

Opinion

We have audited the consolidated financial statements of Rhyolite Resources Ltd. (the Entity), which comprise:

- the consolidated statement of financial position as at December 31, 2021
- the consolidated statement of loss and comprehensive loss for the year then ended
- the consolidated statement of cash flows for the year then ended
- the consolidated statement of changes in shareholders' equity for the year then ended
- and notes to the consolidated financial statements, including a summary of significant accounting policies.

(hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of the Entity as at December 31, 2021, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (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 "***Auditors' Responsibilities for the Audit of the Financial Statements***" section of our auditors' report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the 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 is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 2 in the financial statements, which indicates that going concern is dependent on the Entity's ability to obtain adequate equity or debt financing, or, alternatively, dispose of its non-core properties on an advantageous basis.

As stated in Note 2 in the financial statements, these events or conditions, along with other matters as set forth in Note 2 to the financial statements, indicate that a material uncertainty exists that casts significant doubt about the Entity's ability to continue as a going concern.

Our opinion is not modified in respect of this matter.

Other Matter – Comparative Information

The consolidated financial statements for the six months ended December 31, 2020 and year ended June 30, 2020 were audited by another auditor who expressed an unmodified opinion on those financial statements on April 20, 2021 and October 14, 2020 respectively.

Other Information

Management is responsible for the other information. Other information comprises:

- the information included in Management's Discussion and Analysis filed with the relevant Canadian Securities Commissions.

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

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit and remain alert for indications that the other information appears to be materially misstated.

We obtained the information included in Management's Discussion and Analysis filed with the relevant Canadian Securities Commissions as at the date of this auditors' report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in the auditors' report.

We have nothing to report in this regard.

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

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

In preparing the financial statements, management is responsible for assessing the Entity'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 Entity or to cease operations, or has no realistic alternative but to do so.

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

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 the 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 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 Entity'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 Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the 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 auditors' report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- 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.
- Provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

The engagement partner on the audit resulting in this auditors' report is Pieter Fourie.

Toronto, Canada
April 7, 2022

RHYOLITE RESOURCES LTD.
Consolidated Statements of Financial Position
(Expressed in Canadian dollars)

	December 31, 2021	December 31, 2020	June 30, 2020
ASSETS			
Current assets			
Cash and cash equivalents	**$ 19,060,773**	$ 6,419,246	$ 2,579,446
Amounts receivable (Note 5)	**65,935**	20,607	671
Prepaid expenses and deposits (Note 6)	**81,446**	191,250	-
	19,208,154	6,631,103	2,580,117
Non-current assets			
Property, plant and equipment	**61,553**	-	-
Investment in joint ventures (Note 7)	**9,012,285**	3,312,412	-
Total assets	**$ 28,281,992**	$ 9,943,515	$ 2,580,117
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Accounts payable and accrued liabilities (Note 8)	**$ 574,465**	$ 74,452	$ 16,477
	574,465	74,452	16,477
Shareholders' equity			
Share capital (Note 9)	**39,152,872**	18,499,096	6,244,992
Equity reserves (Note 9)	**1,168,349**	111,205	122,683
Deficit	**(12,613,694)**	(8,741,238)	(3,804,035)
	27,707,527	9,869,063	2,563,640
Total liabilities and shareholders' equity	**$ 28,281,992**	$ 9,943,515	$ 2,580,117

Basis of preparation (Note 2)
Going concern (Note 2)
Related party transaction (Note 10)
Subsequent event (Note 7)

Approved on behalf of the Board of Directors:

/s/ Tony Chedraoui   */s/ Michael G. Leskovec*

Tony Chedraoui, Director   Michael G. Leskovec, Director

RHYOLITE RESOURCES LTD.
Consolidated Statements of Loss and Comprehensive Loss
(Expressed in Canadian dollars)

	Year Ended December 31, 2021	6-Months Ended December 31, 2020	Year Ended June 30, 2020
Operating expenses			
Exploration expenses	**$ -**	$ 9,412	$ 12,518
Office administration and facilities (Note 10)	**113,750**	31,000	48,000
Compliance and regulatory	**74,142**	27,488	13,081
Professional fees	**1,127,872**	158,849	16,181
Insurance	**28,375**	-	-
Salaries and benefits	**656,012**	28,240	-
Muckahi licence and trademark (Note 9)	**1,100,000**	-	-
Shared-based payment (Note 9)	**1,097,317**	-	-
Office supplies and services	**46,122**	2,299	1,322
Investor relations	**27,246**	7,419	1,353
Amortization	**3,028**	-	-
	4,273,864	264,707	92,455
Other expense (income)			
(Gain)/ Loss on derivative instrument (Note 9)	**(630,000)**	4,663,970	-
Share of loss in joint ventures (Note 7)	**227,193**	-	-
Foreign exchange loss	**10,131**	12,389	351
Interest income	**(8,732)**	(3,863)	(34,174)
Loss and comprehensive loss for the period	**$ 3,872,456**	$ 4,937,203	$ 58,632
Basic and diluted loss per share	**$ 0.04**	$ 0.08	$ 0.00
Weighted average number of common shares outstanding	**88,852,710**	60,241,695	52,047,200

RHYOLITE RESOURCES LTD.

Consolidated Statements of Cash Flows

(Expressed in Canadian dollars)

	Year Ended December 31, 2021	6-Months Ended December 31, 2020	Year Ended June 30, 2020
Cash (used in) provided by:			
Operating activities:			
Loss for the period	**$ (3,872,456)**	$ (4,937,203)	$ (58,632)
Adjusted for:			
(Gain)/ Loss on derivative instrument (Note 9)	**(630,000)**	4,663,970	-
Share of loss in joint ventures	**227,193**		
Amortization	**3,028**	-	-
Muckahi licence and trademark (Note 9)	**1,100,000**	-	-
Shared-based payment (Note 9)	**1,097,317**	-	-
Changes in non-cash working capital balances:			
Amounts receivable and prepaid deposits	**64,476**	(211,186)	296
Accounts payable and accrued liabilities	**255,959**	57,975	(3,303)
	(1,754,483)	(426,444)	(61,639)
Investing activities:			
Acquisition of property, plant and equipment	**(64,581)**	-	-
Investment in joint ventures (Note 7)	**(2,603,012)**	(203,099)	-
	(2,667,593)	(203,099)	-
Financing activities:			
Issuance of shares, net of issue cost (Note 9)	**17,011,103**	4,454,343	-
Exercise of stock options	**52,500**	15,000	-
	17,063,603	**4,469,343**	**-**
Change in cash for the period	**12,641,527**	3,839,800	(61,639)
Cash, beginning of period	**6,419,246**	2,579,446	2,641,085
Cash, end of period	**$ 19,060,773**	$ 6,419,246	$ 2,579,446

RHYOLITE RESOURCES LTD.

Consolidated Statements of Changes in Shareholders' Equity
(Expressed in Canadian dollars)

	Number of shares	Share capital	Equity Reserves	Deficit	Total Equity
Balance, June 30, 2019	52,047,200	$ 6,244,992	$ 122,683	$ (3,745,403)	$ 2,622,272
Loss for the year	-	-	-	(58,632)	(58,632)
Balance, June 30, 2020	52,047,200	6,244,992	122,683	(3,804,035)	2,563,640
Loss for the period	-	-	-	(4,937,203)	(4,937,203)
Exercise of stock options - cash proceeds	100,000	15,000	-	-	15,000
Fair value of stock options exercised	-	11,478	(11,478)	-	-
Shares issued for private placement (Note 9)	15,000,000	4,500,000	-	-	4,500,000
Shares issued for acquisition of subsidiary	15,546,566	7,773,283	-	-	7,773,283
Share issuance cost	-	(45,657)	-	-	(45,657)
Balance, December 31, 2020	82,693,766	18,499,096	111,205	(8,741,238)	9,869,063
Loss for the year	**-**	**-**	**-**	**(3,872,456)**	**(3,872,456)**
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 private placement (Note 9)	**20,546,455**	**18,080,880**	**-**		**18,080,880**
Share issuance cost	**-**	**(1,069,777)**	**-**	**-**	**(1,069,777)**
Shares issued for acquisition of joint ventures (Note 9)	**3,500,000**	**2,450,000**	**-**	**-**	**2,450,000**
Shares issued for acquisition of Muckahi Inc. (Note 9)	**9,500,000**	**1,100,000**	**9,350,000**	**-**	**10,450,000**
Grant date fair value of escrow shares (Note 9)	**-**	**-**	**(9,350,000)**	**-**	**(9,350,000)**
Share-based payment (Note 9)	**-**	**-**	**1,097,317**	**-**	**1,097,317**
Balance, December 31, 2021	**116,590,221**	**39,152,872**	**1,168,349**	**(12,613,694)**	**27,707,527**

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

1. NATURE OF OPERATIONS

Rhyolite Resources Ltd. (the "Company" or "Rhyolite") was incorporated under the *Business Corporations Act* (Alberta) on April 6, 2006. The Company's principal business activities include the acquisition, exploration and development of mineral properties. The Company's registered office address is Suite 1900, 520 – 3rd Avenue SW, Calgary. The Company's common shares are listed on the Toronto Stock Venture Exchange under the symbol "RYE".

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

In March 2020, the World Health Organization declared the COVID-19 coronavirus outbreak a pandemic, which continues to have significant impact on the global economy. It is not possible for the Company to predict the duration or magnitude of the adverse results of the outbreak. Although the Company has experienced operational delays during 2021 due to supply chain disruption and safeguarding all personnel during the pandemic, the Company was able to complete the committed exploration activities in accordance with joint venture agreements as well as raising the capital in December 2021 as planned.

2. BASIS OF PREPARATION

a) Statement of Compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standard Board ("IASB"). These consolidated financial statements were approved and authorised for issuance by Company's board of directors on April 7, 2022.

Certain prior year figures have been reclassified to conform to the presentation of the current year.

b) Basis of Measurement

These consolidated financial statements have been prepared on a historical cost basis except for certain 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 consolidated financial statements are presented in Canadian dollars, which is also the functional currency of the Company and its subsidiaries.

c) Continuance of operations and going concern

These consolidated 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. The Company had working capital of $18.6 million, including cash and cash equivalents of $19.1 million as at December 31, 2021. During the year, the Company reported a net loss of $3.9 million. As disclosed in note 9, the Company completed a private placement in December 31, 2021 with aggregate gross proceeds of $18.1 million.

(Expressed in Canadian dollars)

The Company plans to develop the Muckahi Mining System ("Muckahi") and to identify a suitable project for the application of Muckahi. The Company also continues to fund its commitments under the joint venture agreements (Note 7), which extend beyond the end of 2022. The Company will require additional financing in order to fund its operations, meet its planned investment in Muckahi and meet the cash payment and exploration expenditure commitments under the joint venture agreements.

Continuance as a going concern is dependent upon the Company's ability to obtain adequate equity or debt financing, or, alternatively, dispose of its non- core properties on an advantageous basis, among other things. During 2021, the Company was successful in raising funds through equity offerings. While the Company has been successful in the past in obtaining financing for its operations, there is no assurance that it will be able to obtain adequate financing in the future, and as a result a material uncertainty exists that casts significant doubt about the Company's ability to continue as a going concern.

The ability to raise additional financing to meet its financial obligations and execute its business plans, described above, are significant judgments in these financial statements. These financial statements do not reflect any adjustments to the carrying values or the classification of assets and liabilities and reported expenses that would be necessary should the Company be unable to continue as a going concern. Such adjustments could be material.

3. SIGNIFICANT ACCOUNTING POLICIES

a) Basis of consolidation

These consolidated financial statements include the accounts of the Company and its subsidiaries, which are entities controlled by the Company. Subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. Where the Company's interest in a subsidiary is less than 100%, the interest attributable to non-controlling shareholders is recognized as non-controlling interest.

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

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

All inter-company balances and transactions have been eliminated.

b) 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.

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

c) Functional currency and presentation currency

The consolidated 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 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 period, 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.

d) Segmented information

The accounting policies of the segments are the same as those described throughout the notes to the financial statements and are measured in a manner consistent with that of the consolidated financial statements. The Company has determined the Muckahi Mining System segment to be reportable segment based on qualitative and quantitative considerations in accordance with IFRS 8 *Reportable Segments.*

When determining its reportable segments, the Company considers qualitative factors, such as operations that offer distinct products and services and are considered to be significant by the Chief Operating Decision

Maker, identified as the senior executive team. The Company also considers quantitative thresholds when determining reportable segments, such as earnings (loss) or assets are greater than 10% of the total consolidated net earnings (loss), or assets of all the reportable segments, respectively.

e) 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.

f) 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 and derivative contracts. The Company classifies its financial instruments in the following categories:

i. Financial Assets at Amortized Cost

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

ii. Financial Liabilities at Amortized Cost

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

iii. Financial Assets and Liabilities at FVTPL

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

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

Fair value hierarchy

Financial instruments measured at fair value are classified into of the three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are as follows:

- Level 1 - Unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability either directly or indirectly; and
- Level 3 – Inputs that are not based on observable market data (unobservable inputs).

Impairment of financial assets

A loss allowance for expected credit losses is recognized for financial assets measured at amortized cost. At each statement of financial position date, on a forward-looking basis, the Company assesses the expected credit losses associated with its financial assets carried at amortized cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

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

Derecognition of financial assets and liabilities

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

A financial liability is derecognised when the associated obligation is discharged, 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 recognised in net loss.

Derivative instruments and hedge accounting derivative instruments

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

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

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

g) Property, plant and equipment

Property, plant and equipment are recorded at historical cost less accumulated depreciation and accumulated impairment losses. The cost of an item of property, plant 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 period in which they are incurred.

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

Vehicle	4 years
Computer hardware and software	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, plant and equipment are determined as the difference between the disposal proceeds and the carrying amount of the property, plant and equipment and are recognized in Consolidated Statements of Loss and Comprehensive Loss.

h) Exploration expenses

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.

(Expressed in Canadian dollars)

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 cost 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 June 30, 2020 comparatives as follows:

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

i) Impairment of non-financial assets

At the end of each reporting period, 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 in order 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 period.

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.

j) 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.

k) Share-based payment

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.

The Company recognises 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 recognise 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.

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

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

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

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

m) Loss per share

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

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

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

n) Reclamation provision

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

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

As at December 31, 2021 and 2020, and June 30, 2020, the Company has no known environmental reclamation commitments.

o) Accounting Pronouncements

Recent accounting pronouncements issued but not yet effective:

Amendments to IAS 16, Property, Plant and Equipment ("IAS 16")

Amendments to IAS 16 were issued by the International Accounting Standards Board in May 2020. The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the cost of producing those items, in profit or loss. The amendments are effective for annual periods beginning on or after January 1, 2022, early adoption permitted. The amendments apply retrospectively, but only to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented in the financial statements in which an entity first applies the amendments. The Company does not expect a significant impact to the financial statements as a result of the adoption effective January 1, 2022.

Amendments to IAS 12, Income taxes - Deferred tax related to assets and liabilities arising from a single transaction

In May 2021, the IASB published a narrow scope amendment to IAS 12 Income taxes ("IAS 12"). In September 2021, IAS 12 was revised to reflect this amendment. The amendment narrowed the scope of the recognition exemption so that it no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences such as deferred taxes on leases and decommissioning obligations. The amendment is effective for annual periods beginning on or after January 1, 2023, and applied retrospectively. The Company does not expect a significant impact to the financial statements as a result of the adoption effective January 1, 2023.

Amendments to IAS 1, Presentation of Financial Statements ("IAS 1") - Classification of Liabilities as Current or Non-current

Amendment to IAS 1 is effective for annual periods beginning on or after 1 January 2023. The narrow-scope amendments to IAS 1 clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the expectations of the entity or events after the reporting date (e.g. the receipt of a waiver or a breach of covenant). The amendments also clarify what IAS 1 means when it refers to the 'settlement' of a liability. The amendments could affect the classification of liabilities, particularly for entities that previously considered management's intentions to determine classification and for some liabilities that can be converted into equity. The Company does not expect a significant impact to the financial statements as a result of the adoption effective January 1, 2023.

Disclosure of Accounting Policy (Amendments to IAS 1 and IFRS Practice Statement 2)

The Board has recently issued amendments to IAS 1 Presentation of Financial Statements and an update to IFRS Practice Statement 2 Making Materiality Judgements to help companies provide useful accounting policy disclosures. The key amendments to IAS 1 include:

- requiring companies to disclose their material accounting policies rather than their significant accounting policies;
- clarifying that accounting policies related to immaterial transactions, other events or conditions are themselves immaterial and as such need not be disclosed; and
- clarifying that not all accounting policies that relate to material transactions, other events or conditions are themselves material to a company's financial statements.

The Board also amended IFRS Practice Statement 2 to include guidance and two additional examples on the application of materiality to accounting policy disclosures. The extent of the impact of adoption of these amendments has not yet been determined.

4. 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.

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 subsidiaries and joint arrangements

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

(Expressed in Canadian dollars)

Significant judgements, estimates and assumptions are applied for the following:

- accounting for the acquisition of 2765798 Ontario Ltd. ("ONCorp"), refer to Note 7 and 9 for details
- accounting for the investment in the Suku Passi and Bob's joint ventures, refer to Note 7 and 9 for details; and
- accounting for the Muckahi transaction, refer to Note 9 for details.

ii. Determination of functional currency

The functional currency of the Company and its subsidiaries is the Canadian dollar. The functional currency of the Company's joint ventures is the US dollar. The functional currency of each of the Company's subsidiaries and joint ventures is the currency of the primary economic environment in which the entity operates. Determination of the functional currency may involve certain judgments to determine the primary economic environment and the Company reconsiders the functional currency of its entities if there is a change in events and conditions which determined the primary economic environment. Refer to Note 3(c) for details.

iii. Going Concern

Judgement is applied in assessing if there are events and uncertainties that cast a significant doubt about the Company's ability to continue as a going concern. Refer to Note 2(c) for details.

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

	December 31, 2021	December 31, 2020	June 30, 2020
Prepaid financial advisory fees	**$ -**	$ 180,000	$ -
Prepaid subscription fee	**36,986**	-	-
Prepaid rent	**24,907**	-	-
Other prepaid expenses and deposits	**19,553**	11,250	-
Balance	**$ 81,446**	$ 191,250	$ -

(Expressed in Canadian dollars)

7. INVESTMENT IN JOINT VENTURES

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:

		Amount
Brothers Project		
Balance - June 30, 2020	$	-
Acquisition cost		3,109,313
Earn-in payments		133,340
Earn-in exploration expenditures		69,759
Balance - December 31, 2020	$	3,312,412
Earn-in payments		125,790
Earn-in exploration expenditures		1,444,756
Share of loss in joint venture		(227,193)
Total Brothers - December 31, 2021	$	4,655,765
Suku Passi Project (Suku Passi and Bob's Concessions)		
Balance - December 31, 2020	$	-
Acquisition cost		3,080,000
Earn-in payments		754,100
Earn-in exploration expenditures		522,420
Total Suku Passi - December 31, 2021	$	4,356,520
Total Investment in Joint Ventures - December 31, 2021	**$**	**9,012,285**

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.

Brothers Project

In October 2020, the Company acquired 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 by April 12, 2021 for a 20% interest in the project. As of December 31, 2021, the Company has paid US$200,000 and has earned 20% interest in the Brothers Project.
- Drill 3,000 meters with minimum exploration expenditure of US$1,000,000 and cash payment of US$300,000 by April 12, 2022 for an additional 20% interest.
- Drill an additional 10,000 meters with minimum exploration expenditure of US$3,500,000 and cash payment of US$400,000 by April 12, 2024 for an additional 20% 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") and cash payment of US$500,000 by April 12, 2026 for an additional 10% interest.
- Deliver a feasibility study and cash payment of US$1,250,000 by October 12, 2027 for an additional 5% interest.
- Within 5 business days after completion of a feasibility study, make a US$2,500,000 cash payment for the final 5% interest.

Suku Passi Project (Suku Passi and Bob's Concessions)

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 company which holds the options (the "Options") to acquire a 70% interest in Suku Passi N.V. and Bob's Resources N.V. (the "Joint Venture Companies"). The Joint Venture Companies own 100% of the Suku Passi concession and the Bob's Pit concession (together the "Suku Passi Project") in Suriname. The Vendors received 3,500,000 common shares (the "Consideration Shares") of the Company in consideration for all the outstanding share capital of ONCorp.

The options held by ONCorp are exercisable by completing the following:

Suku Passi Concession

- For a 51% interest:
    - Initial cash payment of US$400,000 and issuance of the Consideration Shares to the Vendors within 4 weeks from March 21, 2021. As of December 31, 2021, the Company has paid US$400,000 and issued the Consideration Shares.
    - Cash payment of US$400,000 and exploration expenditure of US$500,000 by March 21, 2022. As of March 21, 2022, the Company has paid US$400,000 and met the exploration expenditure commitment.
    - Cash payment of US$300,000, share payment of US$100,000 and exploration expenditure of US$1,000,000 by March 21, 2023.
    - Cash payment of US$300,000, share payment of US$100,000 and exploration expenditure of US$1,500,000 by March 21, 2024.
    - Cash payment of US$300,000, share payment of US$100,000 and exploration expenditure of US$2,000,000 by March 21, 2025.
- For an additional 19% interest:
    - Cash payment of US$300,000, share payment of US$100,000 and exploration expenditure of US$2,500,000 by March 21, 2026.
    - Deliver a pre-feasibility study ("PFS") and cash payment of US$2,500,000 by March 21, 2029.

Bob's Pit Concession

- For a 51% interest:
    - Initial cash payment of US$100,000 and issuance of the Consideration Shares to the Vendors within 4 weeks from March 21, 2021. As of December 31, 2021, the Company has paid US$100,000 and issued the Consideration Shares.
    - Cash payment of US$100,000 by September 21, 2021. As of December 31, 2021, the Company has paid US$100,000.
    - Cash payment of US$150,000, share payment of US$50,000 and exploration expenditures of US$200,000 by each March 21st in 2022, 2023, 2024, 2025, and 2026. As of April 7, 2022, the Company has met the 2022 commitments.
- For an additional 19% interest:
    - Deliver a PFS and cash payment of US$750,000 by March 21, 2029.

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 approval requirement stipulated by the joint venture agreements.

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 Joint Arrangements* and *IAS 28 Investment in Associates and Joint Ventures.*

(Expressed in Canadian dollars)

The following table summarises the financial information of Brothers and Suku Passi project as included in its own financial statements:

Brothers Project	**December 31, 2021**	December 31, 2020
Non-current assets	**$ 33,605**	$ 8,912
Current assets	**121,521**	-
Net assets	**$ 155,126**	$ -
Reconilition of Share of Loss		
Loss	**$ (1,298,542)**	$ (60,847)
Elimination of pre earn-in loss	**162,578**	60,847
Adjusted loss	**$ (1,135,964)**	$ -
Company's share of loss (20%)	**$ (227,193)**	$ -

Suku Passi Project (Suku Passi and Bob's Concessions)	**December 31, 2021**
Non-current assets	**$ 30,794**
Current assets	**25,390**
Net assets	**$ 56,184**

8. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	December 31, 2021	December 31, 2020	June 30, 2020
Accounts payable	**$ 519,911**	$ 66,434	$ 12,171
Accrued liabilities	**54,554**	-	-
Due to related party (Note 10)	**-**	8,018	4,306
	$ 574,465	$ 74,452	$ 16,477

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

9. SHAREHOLDERS' EQUITY

Share Capital and Equity Reserves

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 year ended December 31, 2021, six months ended December 31, 2020, or year ended June 30, 2020.

On November 25, 2020, the Company completed a non-brokered private placement of 15,000,000 common shares at a price of $0.30 per share for gross proceeds of $4,500,000 (the "Private Placement"). The net proceeds of the Private Placement were used for the Brothers Project, the Paxson Project, to finance potential acquisitions of new properties and for general working capital. All securities issued in connection with the Private Placement were subject to a statutory hold period until March 26, 2021 in accordance with applicable securities laws. No commissions or finders' fees were paid in connection with the Private Placement.

On December 21, 2021, the Company completed a brokered private placement of 16,000,000 common shares at a price of $0.88 per share for gross proceeds of $14,080,000 (the "Bought Deal Private Placement"). BMO Capital Markets ("BMO") acted as the sole underwriter in respect of the Bought Deal Private Placement and received a cash commission equal to 6.0% of the gross proceeds thereon.

On December 21, 2021, the Company also completed a non-brokered private placement of 4,546,455 common shares at a price of $0.88 per share for gross proceeds of $4,000,880 (the "Non-Brokered Private Placement", together with the Bought Deal Private Placement, the "Offering"). No commissions or finders' fees were paid in connection with the Non-Brokered Private Placement.

The Company incurred $1,069,777 in share issue costs in connection with the Offering. All securities issued in connection with the Offering are subject to a statutory hold period until April 22, 2022 in accordance with applicable securities laws.

Acquisition of ONCorp

On March 31, 2021, the Company issued 3.5 million common shares to acquire all the outstanding share capital of 2765798 Ontario Ltd. pursuant to the terms of a definitive share purchase agreement entered into on March 21, 2021 with each of the shareholders of ONCorp. (Note 7).

The acquisition of ONCorp was accounted for as an asset acquisition as opposed to a business combination 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 between the agreement date and Transaction closing date values was recognized as gain on derivative instrument in the Company's Consolidated Statements of Loss and Comprehensive Loss for the period.

Acquisition of Muckahi Inc.

On September 20, 2021, the Company issued 9.5 million common shares to acquire all the outstanding share capital of Muckahi Inc. (the "Muckahi Transaction"), a company controlled by Mr. Fred 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 Chief Executive Officer and Director.

Mr. Stanford received 9.5 million common shares of Rhyolite in consideration, of which, 1.0 million common shares were delivered to Mr. Stanford upon closing of the Muckahi Transaction, and the remaining 8.5 million 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 million on September 20, 2022
- 2 million on September 20, 2023
- 2 million on September 20, 2024
- 3.5 million on September 20, 2025

The acquisition of Muckahi Inc. did not meet the definition of a business in accordance with *IFRS 3 Business Combinations*.

The Company expensed the $1.1 million related to the 1.0 million unconditional shares issued to Mr. Stanford in accordance with IFRS 2 after concluding most of the value of the transaction related to Mr. Stanford's know-how of the MMS. Such know-how did not meet the definition of an asset in accordance with IFRS. The Company's shares closed at $1.1 per share on the TSXV on the Muckahi Transaction closing date, which was determined to be the measurement date in accordance with IFRS 2 and was used to measure the expense.

For the remaining 8.5 million shares issued but deposited in escrow, since the release of these shares is conditional upon Mr. Stanford fulfilling certain service conditions to the Company, the shares in escrow are considered to be a separate equity-settled employee share-based payment transaction in accordance with IFRS 2 for future services of Mr. Stanford. The Escrow Shares were valued at its grant date fair value of $9,350,000 using the TSXV closing price on September 20, 2021. The grant date fair value will be recognized in the Consolidated Statements of Loss and Comprehensive Loss as share-based payment and in the Consolidated Statements of Financial Position as other equity reserve over the escrow period, the period during which all the release conditions are to be satisfied. When the shares are released from escrow, the amount recorded in other equity reserve will be reclassified to share capital. During the year, the Company recognized $1,088,699 (2020 – Nil) as share-based payment compensation from the Escrow Shares.

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.

(Expressed in Canadian dollars)

A summary of changes in the number of Options issued by the Company is as follows:

	Number of Options	Weighted Average Exercise Price
Balance - June 30, 2020	450,000	$ 0.15
Exercised	(100,000)	$ 0.15
Balance - December 31, 2020	350,000	$ 0.15
Exercised	(350,000)	$ 0.15
Granted	30,000	$ 1.00
Balance - December 31, 2021	**30,000**	**$ 1.00**

The weighted average fair value of the share purchase options granted during the year ended December 31, 2021, has been estimated to be $0.73 using the Black-Scholes option-pricing model with the following weighted average assumptions: exercise price $1.00, risk free interest rate 1.56%, expected life 5 years, annualized volatility 96.7%, and dividend rate 0%.

As of December 31, 2021, the Company has the following stock options outstanding:

Expiry Date	Exercise Price	Number of Options Outstanding	Number of Options Exercisable
November 17, 2026	$ 1.00	30,000	10,000

During the year ended December 31, 2021, the Company recognized $8,618 (December 31, 2020 and June 30, 2020 - $Nil) as share-based payment expense in connection with the stock options.

The outstanding stock options are excluded from the loss per share calculation as they are anti-dilutive.

10. RELATED PARTY TRANSACTIONS

The Company had a corporate service agreement with Earlston Management Corp. (“Earlston”), a company that provided key management services to the Company and shared key management personnel with the Company. The Company paid Earlston a fee of $4,000 per month (up until October 2020), 7,500 per month (from November 2020 to January 2021) and $12,500 per month (from February 2021 to October 2021) and out-of-pocket costs for standard management and office services. During the year, the Company incurred office administration and facilities expenditures provided by Earlston of $113,750 (six months ended December 31, 2020 - $31,000, and year ended June 30, 2020 - $48,000). The service agreement was terminated in October 2021.

Accounts payable as at December 31, 2021 includes $Nil (December 31, 2020 - $8,018 and June 30, 2020 - $4,306) in amounts owing to Earlston.

(Expressed in Canadian dollars)

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. Key management compensation comprises as follows:

		Year Ended December 31, 2021		6-Months Ended December 31, 2020		Year Ended June 30, 2020
Earlston	**$**	**113,750**	$	31,000	$	48,000
Salaries and benefits		**525,685**		25,000		-
Muckahi licence and trademark		**1,100,000**		-		-
Share-based payment		**1,097,317**		-		-
Total	**$**	**2,836,752**	$	56,000	$	48,000

On September 8, 2022, Mr. Stanford was appointed as Chief Executive Officer concurrent with the acquisition of Muckahi Inc. As part of the Muckahi Transaction Mr. Stanford received 9.5 million common shares of Rhyolite in consideration, of which 1.0 million common shares were delivered to Mr. Stanford upon closing of the Muckahi Transaction, and the remaining 8.5 million common shares were deposited in escrow 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. Refer to Note 9 for details related to the acquisition of Muckahi Inc. During the year, the Company recognized $1,088,699 as share-based payment related to the shares issued to Mr. Stanford in the Muckahi Transaction.

11. PROFESSIONAL FEES

		Year Ended December 31, 2021		6-Months Ended December 31, 2020		Year Ended June 30, 2020
Consulting	**$**	**432,957**	$	95,700	$	-
Legal		**273,143**		49,371		2,488
Muckahi Engineering		**267,525**		-		-
Other		**154,247**		13,778		13,693
Total	**$**	**1,127,872**	$	158,849	$	16,181

12. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

As at December 31, 2021 and 2020, and June 30, 2020, the Company's financial instruments comprise cash, amounts receivable and accounts payable and accrued liabilities. Fair values of financial instruments measured at FVTPL are classified in a fair value hierarchy based on the inputs used to determine fair values.

As of December 31, 2021 and 2020, and June 30, 2020, the fair values of the Company's financial instruments approximate their carrying values due to their short-term maturity.

The Company's risk exposures and the impact on the Company's financial instruments are summarized below:

Credit risk

Credit risk is the risk of an unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations. The Company's credit risk is primarily attributable to its cash and amounts receivable. The Company limits exposure to credit risk by maintaining its cash with large financial institutions. The Company does not have cash that is invested in asset backed commercial paper. The Company's amounts receivable consists of sales tax refundable from the Canada Revenue Agency and is not subject to significant credit risk.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company ensures there is sufficient capital to meet short-term operating requirements after considering cash flows from operations and the Company's holdings of cash. The Company believes that these sources are sufficient to cover the cash requirements within the next 12 months, but that additional funding may be required to meet longer-term requirements. As at December 31, 2021, the Company had a cash and cash equivalent balance of $19,060,773 to settle current liabilities of $574,465. The Company's financial liabilities have contractual maturities of 30 days or are due on demand and subject to normal trade terms.

Market risk

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

i. Interest rate risk

Interest rate risk arises from changes in market rates of interest that could adversely affect the Company. The Company currently has no interest-bearing financial instruments other than cash, so its exposure to interest rate risk is insignificant.

ii. Foreign currency risk

Foreign currency risk is the risk that is related to the fluctuation of foreign exchange rates. The Company reports its financial results in Canadian dollars but also undertakes transactions in various foreign currencies, mainly the US dollar. As the exchange rates between the Canadian dollar and these foreign currencies fluctuate, the Company experiences foreign exchange gains and losses. The Company has cash and accounts payable and accrued liabilities that are denominated in foreign currencies, which are subject to currency risk.

(Expressed in Canadian dollars)

The carrying amounts of the Company's US dollar denominated monetary assets and liabilities translated to Canadian dollar as at December 31, 2021 and 2020, and June 30, 2020 are as follows:

	December 31, 2021	December 31, 2020	June 30, 2020
Cash and cash equivalents	**$ 334,300**	$ 627,655	$ -
Accounts payable and accrued liabilities	**(374,828)**	(21,539)	-
	$ (40,528)	$ 606,116	$ -

As at December 31, 2021, a 10% depreciation or appreciation of applicable foreign currencies against the Canadian dollar would result in an approximate $4,100 decrease or increase in the Company's comprehensive loss (December 31, 2020 - $60,600 and June 30, 2020 - Nil).

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

iii. Price risk

The Company holds no marketable securities or non-cash assets that are classified as financial instruments and, consequently, has no exposure to the price fluctuations of such instruments.

13. CAPITAL MANAGEMENT

The Company defines capital that it manages as its shareholders' equity. It manages and adjusts its capital structure based on the funds available to the Company, in order to support the acquisition, exploration and development of mineral properties. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business.

The Company plans to develop the Muckahi Mining System and to identify a suitable project for the application of Muckahi. The Company also continues to fund its commitments under the joint venture agreements (Note 7), which extend beyond the end of 2022. The Company will require additional financing in order to fund its operations, meet its planned investment in Muckahi and meet the cash payment and exploration expenditure commitments under the joint venture agreements.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

The Company's capital management objectives, policies and processes have not changed in the year ended December 31, 2021. The Company is not subject to any externally imposed capital requirements.

(Expressed in Canadian dollars)

14. INCOME TAXES

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

	Year Ended December 31, 2021	6-Months Ended December 31, 2020	Year Ended June 30, 2020
Loss for the year	**$ (3,872,456)**	$ (4,937,203)	$ (58,632)
Expected income tax (recovery)	**(1,026,000)**	(1,333,000)	(16,000)
Impact of foreign tax rates	**-**	32,000	(24,000)
Permanent differences	**476,000**	1,259,000	-
Share issue cost	**-**	(12,000)	-
Adjustment to prior years provision versus statutory tax returns and expiry of non-capital losses	**-**	14,000	-
Change in unrecognized deductible temporary differences	**550,000**	40,000	40,000
	$ -	$ -	$ -

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

	December 31, 2021	December 31, 2020	June 30, 2020
Canadian tax losses (expiring in 2024-2040)	**$ 4,447,000**	$ 1,142,000	$ 1,107,000
Canadian capital losses (no expiry)	**457,000**	62,000	62,000
Share issue costs	**892,000**	19,000	14,000
Investments	**114,000**	-	
Property, plant & equipment	**271,000**	-	-
	6,181,000	1,223,000	1,183,000
Unrecognized deferred tax assets	**(6,181,000)**	(1,223,000)	(1,183,000)
	$ -	$ -	$ -

15. SEGMENTED INFORMATION

When determining its reportable segments, the Company considers qualitative factors, such as operations that offer distinct products and services and are considered to be significant by the Chief Operating Decision Maker, identified as the senior executive team. The Company also considers quantitative thresholds when determining reportable segments, such as if earnings (loss) or assets are greater than 10% of the total consolidated net earnings (loss), or assets of all the reportable segments, respectively. The reported loss from operations for the year ended December 31, 2021, six months ended December 31, 2020, and year ended June 30, 2020 for each segment is as follows:

(Expressed in Canadian dollars)

	Muckahi Mining System			Corporate and Other			Total		
	Year Ended December 31, 2021	6-Months Ended December 31, 2020	Year Ended June 30, 2020	**Year Ended December 31, 2021**	6-Months Ended December 31, 2020	Year Ended June 30, 2020	**Year Ended December 31, 2021**	6-Months Ended December 31, 2020	Year Ended June 30, 2020
Muckahi licence and trademark	**$ 1,100,000**	$ -	$ -	**$ -**	$ -	$ -	**$ 1,100,000**	$ -	$ -
Sahare-based payment	**-**	-	-	**1,097,317**	-	-	**1,097,317**	-	-
Professional fees	**267,525**	-	-	**860,347**	-	-	**1,127,872**	-	-
Other	**-**	-	-	**948,675**	264,707	92,455	**948,675**	264,707	92,455
Loss from operations	**$ 1,367,525**	$ -	$ -	**$ 2,906,339**	$ 264,707	$ 92,455	**$ 4,273,864**	$ 264,707	$ 92,455

For the Muckahi Mining System segment, as of December 31, 2021, the Company had no asset (December 31, 2020 and June 30, 2020 - $Nil) and $27,039 in current liabilities (December 31, 2020 and June 30, 2020 - $Nil).