



Condensed Interim Consolidated Financial Statements

For the nine months ended

September 30, 2023

Unaudited – Prepared by Management

(Expressed in Canadian Dollars)

RHYOLITE RESOURCES LTD.

NOTICE OF NO AUDITOR REVIEW OF CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

Rhyolite Resources Ltd.**Condensed Interim Consolidated Statements of Financial Position
Unaudited – Prepared by Management**

As at September 30, 2023 and December 31, 2022

	Note	September 30, 2023 \$	December 31, 2022 \$
Assets			
Current assets			
Cash and cash equivalents	3	6,118,517	8,531,185
Restricted cash	3	280,000	280,000
Amounts receivable	4	100,986	109,197
Prepaid expenses and deposits		-	23,986
Assets held for sale	15	-	361,548
		6,499,503	9,305,916
Non-current assets			
Property and equipment	5	1,586	57,062
Right of use asset	6	-	232,976
		1,586	290,038
Total assets		6,501,089	9,595,954
Liabilities and shareholders' equity			
Current liabilities			
Accounts payable and accrued liabilities	8,11	53,944	2,158,183
Lease liability - current	6	-	49,531
		53,944	2,207,714
Non-current liabilities			
Lease liability	6	-	199,297
Total liabilities		53,944	2,407,011
Shareholders' equity			
Share capital	9	38,115,837	40,315,837
Equity reserves	9	78,329	78,329
Accumulated other comprehensive income		401,449	401,449
Deficit		(32,148,470)	(33,606,672)
Total shareholders' equity		6,447,145	7,188,943
Total liabilities and shareholders' equity		6,501,089	9,595,954
Nature of operations and going concern	1		

Approved on behalf of the Board of Directors on October 19, 2023:

"Richard Graham"

Director

"Michael G. Leskovec"

Director

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

Rhyolite Resources Ltd.**Condensed Interim Consolidated Statements of Changes in Equity****Unaudited – Prepared by Management**

For the nine months ended September 30, 2023 and September 30, 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	-	-	2,882,412	-	-	2,882,412
Escrow shares released	-	1,100,000	(1,100,000)	-	-	-
Shares issued for joint venture earn-in	95,032	62,965	-	-	-	62,965
Loss and comprehensive loss for the period	-	-	-	-	(6,838,573)	(6,838,573)
September 30, 2022	116,685,253	40,315,837	2,950,761	-	(19,452,267)	23,814,331
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)	(2,200,000)	-	-	-	(2,200,000)
Income and comprehensive income for the period	-	-	-	-	1,458,202	1,458,202
September 30, 2023	107,185,253	38,115,837	78,329	401,449	(32,148,470)	6,447,145

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

Rhyolite Resources Ltd.

Condensed Interim Consolidated Statements of Income (Loss) and Comprehensive Income (Loss) Unaudited – Prepared by Management

For the three and nine months ended September 30,

	Note	Three months ended September 30,		Nine months ended September 30,	
		2023	2022	2023	2022
		\$	\$	\$	\$
Expenses					
Compliance and regulatory		4,669	3,763	22,080	31,518
Consulting fees	11,12	37,500	58,904	100,175	191,700
Depreciation - property and equipment	5	2,570	7,690	10,080	19,950
Depreciation - right of use asset	6	9,707	14,561	38,829	43,683
General and administrative		14,860	77,287	103,673	276,317
Insurance		1,183	12,261	20,438	34,028
Investor relations		3,973	5,089	10,553	15,714
Professional fees	11	18,247	10,231	149,421	109,296
Salaries and benefits (recovery)	11	(20,846)	554,007	(55,388)	1,394,402
Share-based payments	9	-	951,826	-	2,882,412
Loss from operating expenses		(71,863)	(1,695,619)	(399,861)	(4,999,020)
Foreign exchange gain (loss)		-	14,411	(8,237)	(15,733)
Interest cost on lease liability	6	(3,710)	(6,674)	(15,653)	(20,809)
Loss on write-off of equipment	5	(45,396)	-	(45,396)	-
Gain on disposal of equipment	5	1,418	-	1,418	-
Gain on sales tax recovery		-	-	47,006	-
Gain on settlement of payables		-	-	26,241	-
Loss on lease termination	6	(143,387)	-	(143,387)	-
Interest income		69,522	63,481	202,872	108,510
Gain on deconsolidation of subsidiary	9,15	-	-	1,793,199	-
Share of loss in joint ventures		-	(74,566)	-	(351,877)
Income (loss) for the period from continuing operations		(193,416)	(1,698,967)	1,458,202	(5,278,929)
Discontinued operations	15	-	(687,445)	-	(1,559,644)
Income (loss) and comprehensive income (loss) for the period		(193,416)	(2,386,412)	1,458,202	(6,838,573)
Earnings (loss) per share					
Weighted average number of common shares outstanding					
- basic #	10	107,185,253	116,685,253	108,751,187	116,657,405
- diluted #	10	107,185,253	116,685,253	108,751,187	116,657,405
Basic earnings (loss) per share \$	10	(0.00)	(0.02)	0.01	(0.06)
Diluted earnings (loss) per share \$	10	(0.00)	(0.02)	0.01	(0.06)

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

Rhyolite Resources Ltd.**Condensed Interim Consolidated Statements of Cash Flows****Unaudited – Prepared by Management**

For the nine months ended September 30,

	Note	2023 \$	2022 \$
Operating activities			
Income (loss) for the period		1,458,202	(6,838,573)
Adjustments for non-cash items:			
Depreciation - property and equipment		10,080	19,950
Depreciation - right of use asset		38,829	43,683
Share-based payments		-	2,882,412
Interest cost on lease liability		15,653	20,809
Loss on write-off of equipment		45,396	-
Gain on settlement of payables		(26,241)	-
Gain on deconsolidation of subsidiary		(1,793,199)	-
Share of loss in joint ventures		-	351,877
Net change in non-cash working capital items	13	(2,114,684)	(272,931)
		(2,365,964)	(3,792,773)
Financing activities			
Payment of lease liability		(32,469)	(31,395)
Interest cost on lease liability		(15,653)	(20,809)
		(48,122)	(52,204)
Investing activities			
Acquisition of property and equipment		-	(64,694)
Proceeds from disposal of equipment		1,418	-
Investment in joint ventures		-	(3,561,150)
		1,418	(3,625,844)
Net decrease in cash and cash equivalents		(2,412,668)	(7,470,821)
Cash and cash equivalents, beginning of period		8,531,185	19,060,773
Cash and cash equivalents, end of period		6,118,517	11,589,952

Supplemental cash flow information

13

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

Rhyolite Resources Ltd.

Notes to the Condensed Interim Consolidated Financial Statements Unaudited – Prepared by Management

For the nine months ended September 30, 2023 and September 30, 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 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 15. 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. The Company’s common shares are listed on the TSX Venture Exchange under the symbol “RYE”.

These condensed interim 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 September 30, 2023, the Company had working capital of \$6,445,559 (December 31, 2022 - \$7,098,202), including cash and cash equivalents of \$6,118,517 (December 31, 2022 - \$8,531,185). During the nine months ended September 30, 2023, the Company reported comprehensive income of \$1,458,202 (2022 – comprehensive loss of \$6,838,573), and as at period end, has an accumulated deficit of \$32,148,470 (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. Significant accounting policies

(a) Basis of presentation

These financial statements have been prepared in conformity with International Accounting Standard (“IAS”) 34, Interim Financial Reporting, using the same accounting policies as detailed in the Company’s annual audited consolidated financial statements for the year ended December 31, 2022, and do not include all the information required for full annual financial statements in accordance with International Financial Reporting Standards (“IFRS”), as issued by the International Accounting Standards Board (“IASB”) and interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”). It is suggested that these financial statements be read in conjunction with the annual audited consolidated financial statements.

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.

(b) Significant accounting policies

The accounting policies, estimates and critical judgments, methods of computation and presentation applied in these financial statements are consistent with those of the most recent annual audited consolidated financial statements and are those the Company expects to adopt in its financial statements for the year ended December 31, 2023. Accordingly, these financial statements should be read in conjunction with the Company’s most recent annual audited consolidated financial statements.

Rhyolite Resources Ltd.**Notes to the Condensed Interim Consolidated Financial Statements****Unaudited – Prepared by Management**

For the nine months ended September 30, 2023 and September 30, 2022

2. Significant accounting policies (continued)**(c) 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	
			September 30, 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%
SEMC	Canada	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 15).

All inter-company balances and transactions have been eliminated.

(d) 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 condensed interim 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. The Company's impairment policy is more specifically discussed in the accounting policies included in the most recent audited consolidated financial statements.

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 September 30, 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

Rhyolite Resources Ltd.**Notes to the Condensed Interim Consolidated Financial Statements****Unaudited – Prepared by Management**

For the nine months ended September 30, 2023 and September 30, 2022

2. Significant accounting policies (continued)**(e) Newly adopted standards and interpretations**

Certain pronouncements have been issued by the IASB or IFRIC that are effective for accounting periods beginning on or after January 1, 2023. The Company has reviewed these updates and determined that none are applicable or consequential to the Company and have been excluded from discussion within these significant accounting policies.

3. Cash and cash equivalents

Cash and cash equivalents consist of the following:

	September 30, 2023	December 31, 2022
	\$	\$
Bank and broker balances	339,878	8,531,185
Cashable investment certificates	5,778,639	-
	6,118,517	8,531,185

Restricted cash relates to amounts invested in GIC as financial assurance on the Company's corporate credit cards and office lease.

4. Amounts receivable

Receivables consist of the following:

	September 30, 2023	December 31, 2022
	\$	\$
Sales tax recoverable	89,729	109,197
Other receivables	11,257	-
	100,986	109,197

As at September 30, 2023, other receivables consists of \$11,257 owed from a former employee of the Company for recoverable severance costs.

During the nine months ended September 30, 2023, the Company recovered sales tax totaling \$47,006 (2022 - \$nil).

Rhyolite Resources Ltd.**Notes to the Condensed Interim Consolidated Financial Statements****Unaudited – Prepared by Management**

For the nine months ended September 30, 2023 and September 30, 2022

5. Property and equipment

	Computer Equipment \$	Office equipment and furniture \$	Leasehold improvement \$	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)
September 30, 2023	2,379	-	-	-	2,379
<u>Accumulated depreciation</u>					
January 1, 2023	18,896	8,765	2,805	-	30,466
Depreciation	2,079	6,061	1,940	-	10,080
Disposals	(17,761)	-	-	-	(17,761)
Write-off	(2,421)	(14,826)	(4,745)	-	(21,992)
September 30, 2023	793	-	-	-	793
<u>Net book value</u>					
December 31, 2022	7,922	37,392	11,748	-	57,062
September 30, 2023	1,586	-	-	-	1,586

During the nine months ended September 30, 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 - \$nil).

During the nine months ended September 30, 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 Condensed Interim Consolidated Financial Statements****Unaudited – Prepared by Management**

For the nine months ended September 30, 2023 and September 30, 2022

6. Right of use asset and lease liability

	Building \$
<u>Cost</u>	
January 1, 2022	-
Additions	291,220
December 31, 2022	291,220
<u>Accumulated depreciation</u>	
January 1, 2022	-
Depreciation	58,244
December 31, 2022	58,244
<u>Cost</u>	
January 1, 2023	291,220
Derecognized on lease termination	(291,220)
September 30, 2023	-
<u>Accumulated depreciation</u>	
January 1, 2023	58,244
Depreciation	38,829
Derecognized on lease termination	(97,073)
September 30, 2023	-
<u>Carrying amounts</u>	
December 31, 2022	232,976
September 30, 2023	-

During the nine months ended September 30, 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:

	September 30, 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:

	September 30, 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 Condensed Interim Consolidated Financial Statements****Unaudited – Prepared by Management**

For the nine months ended September 30, 2023 and September 30, 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.

During the nine months ended September 30, 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. As of the date of approval of the financial statements, 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 September 30, 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 September 30, 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 Condensed Interim Consolidated Financial Statements****Unaudited – Prepared by Management**

For the nine months ended September 30, 2023 and September 30, 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 Inc. 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 Inc., 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 Inc. 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 Ontario Inc. 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 September 30, 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:

	September 30, 2023	December 31, 2022
	\$	\$
Accounts payable	53,944	172,289
Accrued liabilities	-	1,985,894
	53,944	2,158,183

As of September 30, 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 September 30, 2023.

Transactions for the issue of share capital during the nine months ended September 30, 2023:

On February 14, 2023, 9,500,000 escrowed common shares were returned to treasury for cancellation. The Company reversed the initial value on issuance of \$2,200,000 in connection with the return to treasury. See additional details below in the Equity Reserves section and note 15.

Transactions for the issue of share capital during the nine months ended September 30, 2022:

During the nine months ended September 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 Condensed Interim Consolidated Financial Statements****Unaudited – Prepared by Management**

For the nine months ended September 30, 2023 and September 30, 2022

9. Share capital (continued)**Stock options (continued)**

A summary of the status of the Company's stock options as at September 30, 2023 and December 31, 2022 and changes during the period/year then ended is as follows:

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

During the nine months ended September 30, 2023, the Company recognized share-based payments expense of \$nil (2022 – \$2,882,412), 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 nine months ended September 30, 2023 and September 30, 2022.

Equity reservesAcquisition 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* as value for acquiring Mr. Stanford's know-how of the MMS.

Rhyolite Resources Ltd.**Notes to the Condensed Interim Consolidated Financial Statements****Unaudited – Prepared by Management**

For the nine months ended September 30, 2023 and September 30, 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 income (loss) and comprehensive income (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 nine months ended September 30, 2023.

On February 14, 2023 (note 15), 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. The Company recognized a gain on deconsolidation of Muckahi Inc. in the amount of \$1,793,199 (note 15).

10. Earnings (loss) per share

The calculation of basic and diluted earnings (loss) per share for the nine months ended September 30, 2023 and September 30, 2022, is based on the following:

	September 30, 2023	September 30, 2022
Income (loss) for the period	\$ 1,458,202	\$ (6,838,573)
Weighted average number of common shares outstanding - basic	108,751,187	116,657,405
Dilutive effect of stock options	-	-
Weighted average number of common shares outstanding - diluted	108,751,187	116,657,405
Basic earnings (loss) per share \$	0.01	(0.06)
Diluted earnings (loss) per share \$	0.01	(0.06)

The calculation of basic earnings per share for the nine months ended September 30, 2023 was based on the income for the period, and the weighted average number of common shares outstanding. The calculation of diluted earnings per share reflects the potential dilution of common share equivalents, such as outstanding stock options, in the weighted average number of common shares outstanding, if dilutive. As at and for the nine months ended September 30, 2023, none of the outstanding stock options had a dilutive impact.

The calculation of basic loss per share for the three months ended September 30, 2023 was based on the loss attributable to common shareholders of \$193,416 (2022 - \$2,386,412), and a weighted average number of common shares outstanding of 107,185,253 (2022 - 116,685,253).

All options outstanding as at September 30, 2023 and September 30, 2022, were excluded from the diluted weighted average number of common shares calculation for the three months ended September 30, 2023 and September 30, 2022, 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 nine months ended September 30, 2023 and September 30, 2022.

Rhyolite Resources Ltd.**Notes to the Condensed Interim Consolidated Financial Statements****Unaudited – Prepared by Management**

For the nine months ended September 30, 2023 and September 30, 2022

11. Related party payables and transactions (continued)

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 nine months ended September 30, 2023, 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 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 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 rate of \$3,000 per month, plus amounts for non-routine services (the "DBM Agreement").

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 nine months ended September 30, 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 15). 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 nine months ended September 30, 2023 \$	Transactions nine months ended September 30, 2022 \$	Balances outstanding September 30, 2023 \$	Balances outstanding December 31, 2022 \$
Richard Graham	57,500	-	7,875	-
Earlston	35,000	-	5,299	-
DBM CPA	28,500	-	3,150	-
Salaries and benefits	125,384	802,500	-	420,000
Share-based payments	-	2,882,412	-	-
	246,384	3,684,912	16,324	420,000

Rhyolite Resources Ltd.**Notes to the Condensed Interim Consolidated Financial Statements**
Unaudited – Prepared by Management

For the nine months ended September 30, 2023 and September 30, 2022

11. Related party payables and transactions (continued)

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:

	September 30, 2023	September 30, 2022
	\$	\$
Muckahi Engineering (1)	-	1,019,960
Richard Graham	57,500	-
Earlston	35,000	-
Other	7,675	191,700
	100,175	1,211,660

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

13. Supplemental cash flow information

Changes in non-cash operating working capital during the nine months ended September 30, 2023 and September 30, 2022 were comprised of the following:

	September 30, 2023	September 30, 2022
	\$	\$
Amounts receivable	(38,590)	2,893
Prepaid expenses and deposits	12,595	-
Accounts payable and accrued liabilities	(2,088,689)	(275,824)
Net change	(2,114,684)	(272,931)

The Company incurred non-cash financing activities during the nine months ended September 30, 2023, and September 30, 2022 as follows:

	September 30, 2023	September 30, 2022
	\$	\$
Non-cash financing activities:		
Return of common shares to treasury	2,200,000	-
	2,200,000	-

There were no non-cash investing activities during the nine months ended September 30, 2023, and September 30, 2022.

There were no amounts paid for income taxes or interest during the nine months ended September 30, 2023, and September 30, 2022.

Rhyolite Resources Ltd.**Notes to the Condensed Interim Consolidated Financial Statements****Unaudited – Prepared by Management**

For the nine months ended September 30, 2023 and September 30, 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 nine months ended September 30, 2023. The Company is not subject to any externally imposed capital requirements.

As of December 31, 2022 and September 30, 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 15. 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, other receivables, and accounts payable and accrued liabilities.

The carrying value of other receivables, and accounts payable and accrued liabilities approximated their fair value because of the short-term nature of these instruments.

Financial instruments measured at fair value on the condensed interim 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. As at September 30, 2023, the Company has other amounts receivable owing from a former employee. Management has assessed the credit risk to be low associated with this receivable.

Rhyolite Resources Ltd.**Notes to the Condensed Interim Consolidated Financial Statements****Unaudited – Prepared by Management**

For the nine months ended September 30, 2023 and September 30, 2022

14. Financial risk management (continued)**Financial instruments - risk** (continued)**(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 September 30, 2023, the Company had a cash and cash equivalents balance of \$6,118,517 to settle current liabilities of \$53,944. 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, 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 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 September 30, 2023, a 10% depreciation or appreciation of applicable foreign currencies against the Canadian dollar would result in an \$4,400 decrease or increase in the Company's comprehensive income (loss).

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

15. 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 nine months ended September 30, 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 nine months ended September 30, 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 September 30, 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.

Rhyolite Resources Ltd.**Notes to the Condensed Interim Consolidated Financial Statements****Unaudited – Prepared by Management**

For the nine months ended September 30, 2023 and September 30, 2022

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

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

Assets held for sale:

	September 30, 2023	December 31, 2022
	\$	\$
Equipment	-	361,548
Assets held for sale	-	361,548

Results of discontinued operations:

	Three months ended		Nine months ended	
	September 30, 2023	September 30, 2022	September 30, 2023	September 30, 2022
	\$	\$	\$	\$
Consulting fees	-	478,179	-	1,019,960
Salaries and benefits	-	209,266	-	539,684
Loss from discontinued operations	-	687,445	-	1,559,644

Cash flows used in discontinued operations for the nine months ended September 30:

	September 30, 2023	September 30, 2022
	\$	\$
Net cash used in operating activities	-	1,559,644
Net cash flows for the period	-	1,559,644

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 360,001,000 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	2,200,000
Gain on deconsolidation	1,793,199