

RHYOLITE RESOURCES LTD.
INTERIM MD&A – QUARTERLY HIGHLIGHTS
FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2020

Background

This Management Discussion and Analysis – Quarterly Highlights (“Quarterly Highlights”) for Rhyolite Resources Ltd. (“Rhyolite” or the “Company”) is prepared as at November 9, 2020 and should be read in conjunction with the Company’s unaudited condensed interim consolidated financial statements for the three months ended September 30, 2020 and its audited consolidated financial statements for the year ended June 30, 2020.

The unaudited condensed interim consolidated financial statements for the three months ended September 30, 2020, and comparative information presented therein, have been prepared in accordance with International Financial Reporting Standard (“IFRS”) and with International Accounting Standard 34, “Interim Financial Reporting”, as issued by the International Accounting Standards Board (“IASB”) and Interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”).

All dollar figures included therein and in the Quarterly Highlights are quoted in Canadian dollars. Additional information relevant to the Company’s activities, including the Brothers Project and Private Placement described under “Recent Company Developments” herein, can be found on SEDAR at www.sedar.com.

Forward-Looking Statements

Certain statements contained in the following Quarterly Highlights constitute forward-looking statements. Such forward-looking statements include, but are not limited to statements regarding the Company’s plans for the Brothers Project, the Paxson Project, its ability to raise sufficient financing for exploration and evaluation activities, and its financial statement risks. These forward-looking statements involve known and unknown risks, uncertainties and other factors such as, but not limited to exploration results, metals prices and general equity and market conditions. The outcomes of these factors may cause the actual results, performance or achievements of the company to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Readers are cautioned not to place undue reliance on these forward-looking statements.

COVID-19 Pandemic

On March 11, 2020, the World Health Organization declared the COVID-19 coronavirus outbreak a pandemic, which continues to spread globally. Without significant commercial operations, the COVID-19 pandemic has not had a significant impact on the Company’s routine operations or on the carrying value of its assets. However, the pandemic’s effect on the Company’s future operations with respect to the Brothers Project and Private Placement described under “Recent Company Developments” herein is unknown.

Recent Company Developments

Brothers Project

On October 30, 2020, the Company acquired all the outstanding share capital of 2777662 Ontario Corp. (“ONCorp”), a privately-held arms-length company which holds an option to acquire an 80% interest in the Brothers Project in Suriname in exchange for 15,546,566 common shares in the Company (the “Transaction”). Upon closing of the Transaction, the Company assumed ONCorp’s option to earn up to an 80% interest in the Brothers Project, which is exercisable by completing the following:

- US\$200,000 cash payment within six months of the closing of the Transaction for a 20% interest in the Project, US\$100,000 of which has been paid by the Company.
- Drill 3,000 metres with minimum committed work capital of US\$1 million within 18 months of the closing of the Transaction and make a US\$300,000 cash payment for a 40% interest.
- Drill an additional 10,000 metres with minimum committed work capital of US\$3.5 million within 42 months of the closing of the Transaction, and make a US\$400,000 cash payment for a 60% interest. If the Company does not earn a 60% interest in the Project, it will return the shares earned to date.
- Deliver a preliminary economic assessment (“PEA”) within 66 months of closing of the Transaction and payment of US\$500,000 for a 70% interest.
- Deliver a feasibility study and payment of US\$1.25 million, for an 80% interest.
- Upon commencement of commercial production at Brothers, make a US\$2.5 million cash payment.
- Upon closing of the Transaction, the Company is entitled to purchase a 0.5% net smelter return royalty for US\$2 million.

Private Placement

On November 4, 2020, the Company announced it was conducting a non-brokered private placement (the “Private Placement”) of up to 15,000,000 common shares at a price of \$0.30 per share for gross proceeds of up to \$4,500,000. A cash commission may be payable equal to 6.0% of the gross proceeds of the total number of common shares sold to the subscribers of the Private Placement located by eligible finders. The net proceeds of the Private Placement will be used for the Brothers Project, the Paxson Project, to finance potential acquisitions of new properties and for general working capital. Closing of the Private Placement is subject to the receipt of all applicable regulatory approvals and all securities issued will be subject to a four-month-and-one-day statutory hold period in accordance with applicable securities laws.

Analysis of the Company's Financial Performance and Condition

Prior to its participation in the Brothers Project, Rhyolite was an exploration company with its sole mineral property interest being claims staked on the Paxson Gold Project (the "Paxson Project") located in the State of Alaska. As the Paxson Project is an exploration-stage property, the Company has no operating revenues and in recent years the Company has not undertaken significant exploration activities. As a result, exploration expenditures have typically been limited to maintenance of mineral claims and its operating expenses typically comprise costs for management and administrative services as well as transfer agent, listing, filing, legal and audit fees incurred as a publicly-listed company on the TSX Venture Exchange ("TSX-V").

Following the Company's acquisition of an option to earn an interest in the Brothers Project, it is expected that its future cost structure will change commensurate with increased operational and administrative activity, but the impact of this acquisition was not felt during the three months ended September 30, 2020.

Three Months Ended September 30, 2020

The Company incurred a net loss of \$11,876 for the three months ended September 30, 2020, compared to a \$5,068 loss for the three months ended September 30, 2019. The increased net loss for the three months ended September 30, 2020 is primarily owing to a \$9,487 reduction in interest income earned on the Company's cash balance resulting from decreases in interest rates. This decreased income was partly offset by a \$2,863 decrease in exploration expenses related to the Paxson Project.

Other significant items affecting net loss for the three months ended September 30, 2020 included a \$12,000 expense for office administration and facilities provided by a related party and \$1,107 for transfer agent, listing and filing fees. Owing to the Company's negligible operating activities, these charges were comparable with those for the three months ended September 30, 2019.

Financial Position as at September 30, 2020

As at September 30, 2020, the Company had cash of \$2,564,654, amounts receivable of \$855 and liabilities of \$13,745. In addition to the net proceeds anticipated from the Private Placement, the \$2,551,764 in net working capital as at September 30, 2020 is sufficient to fund the Company's operations for at least the next 12 months including routine general and administrative expenses, anticipated option payments for the Brothers Project and the maintenance of the Paxson Project.

The Company's cash as at September 30, 2020 is \$14,792 lower than that as at June 30, 2020 as a result of and administrative activities for the three-month interim period, partly offset by interest income.

Related Party Transactions

The Company is party to a corporate service agreement with Earlston Management Corp. ("Earlston"), a company a company that provides key management services to the Company. The Company pays Earlston a fee of \$4,000 per month and out-of-pocket costs for standard management and office services. Earlston also provides occasional consulting, project management or other support services which are billed separately from the standard rate. The Company incurred a \$12,000 expense for office administration and facilities provided by Earlston for the three months ended September 30, 2020 (2019 - \$12,000).

Accounts payable and accrued liabilities as at September 30, 2020 includes \$4,308 (June 30, 2020 - \$4,306) in amounts owing to Earlston.