

RHYOLITE RESOURCES LTD.
INTERIM MD&A – QUARTERLY HIGHLIGHTS
FOR THE NINE MONTHS ENDED MARCH 31, 2020

Background

This Management Discussion and Analysis – Quarterly Highlights (“Quarterly Highlights”) for Rhyolite Resources Ltd. (“Rhyolite” or the “Company”) is prepared as at May 11, 2020 and should be read in conjunction with the unaudited condensed interim consolidated financial statements for the nine months ended March 31, 2020 and in conjunction with the audited consolidated financial statements as at June 30, 2019 and for the year then ended.

The unaudited condensed interim consolidated financial statements for the nine months ended March 31, 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 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 Paxson Gold Property, its ability to raise sufficient financing for exploration and evaluation activities, and its financial statement risks. These forward-looking statements involve a number of known and unknown risks, uncertainties and other factors such as, but not limited to exploration results, gold 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.

Analysis of the Company’s Financial Performance and Condition

Rhyolite is an exploration company with claims to the Paxson Gold Property (“Paxson”) located in the State of Alaska. Currently, the Company is not undertaking significant exploration activities at Paxson and related expenses are typically limited to on-going charges for the maintenance of mineral claims. As Paxson is an exploration-stage property, the Company has no operating revenues and, in addition to maintenance costs of its mineral claims, 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”). Until the Company acquires new exploration assets or increases its

exploration of Paxson, these costs are incurred consistently from quarter to quarter and are not expected to change significantly in the next 12 months.

Three Months Ended March 31, 2020

The Company incurred a net loss of \$8,834 for the three months ended March 31, 2020, compared to a \$15,537 loss for the three months ended March 31, 2019. Compared with the same period of the prior year, the net loss for the three months ended March 31, 2020 reflects a \$3,332 increase in interest income earned on a greater average cash balance following the exercise of warrants in the three months ended March 31, 2019. Additionally, the Company's expense for office supplies and services was \$2,722 higher in the three months ended March 31, 2019 compared with the same period in 2020 owing to late-filing penalty for certain income tax information.

Other significant items affecting net loss for the three months ended March 31, 2020 included a \$12,000 expense for office administration and facilities provided by a related party and \$6,226 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 March 31, 2019.

Nine Months Ended March 31, 2020

The Company incurred a net loss of \$34,240 for the nine months ended March 31, 2020, compared to a \$47,621 loss for the nine months ended March 31, 2019. The decrease in net loss in 2020 is primarily owing to an \$15,114 increase in interest income is a result of a greater average cash balance following the exercise of warrants in the nine months ended March 31, 2019.

Other significant items affecting net loss for the nine months ended March 31, 2020 included a \$36,000 expense for office administration and facilities provided by a related party, \$12,518 for exploration expenses and \$12,489 for transfer agent, listing and filing fees. Owing to the Company's negligible operating activities, these charges were comparable with those for the nine months ended March 31, 2019.

Financial Position as at March 31, 2020

As at March 31, 2020, the Company had cash of \$2,603,153, amounts receivable of \$1,578 and liabilities of \$7,865. The \$2,596,866 in net working capital is sufficient to fund the Company's operations for at least the next 12 months and, in addition to funding routine general and administrative expenses and the maintenance of Paxson mineral claims, may be used to pursue opportunities to enter new businesses or to acquire new assets.

The Company's cash as at March 31, 2020 is \$48,849 lower than that as at June 30, 2019 as a result of expenditures for exploration, as well as general and administrative activities for the nine-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 \$36,000 expense for office administration and facilities provided by Earlston for the nine months ended March 31, 2020 (2019 - \$36,000).

Accounts payable and accrued liabilities as at March 31, 2020 includes \$4,306 (June 30, 2019 - \$4,306) in amounts owing to Earlston.