

RHYOLITE RESOURCES LTD.
INTERIM MD&A – QUARTERLY HIGHLIGHTS
FOR THE NINE MONTHS ENDED MARCH 31, 2018

Background

This Management Discussion and Analysis – Quarterly Highlights (“Quarterly Highlights”) for Rhyolite Resources Ltd. (“Rhyolite” or the “Company”) is prepared as at May 30, 2018 and should be read in conjunction with the unaudited condensed interim consolidated financial statements for the nine months ended March 31, 2018 and in conjunction with the audited consolidated financial statements as at June 30, 2017 and for the year then ended.

The unaudited condensed interim consolidated financial statements for the six months ended December 31, 2017, 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”). These costs are typically similar from quarter to quarter and, until

the Company acquires new exploration assets or increases its exploration of Paxson, are not expected to change significantly in the next 12 months.

The Company incurred a net loss of \$15,171 for the three months ended March 31, 2018, compared to a \$23,987 loss for the three months ended March 31, 2017. The decrease in net loss is partly attributed to certain legal work performed in 2017 and which was not performed in 2018, resulting in a \$3,236 decrease in accounting and legal expenses for the three months ended March 31, 2018 compared with the previous year. Additionally, there was a \$4,002 increase in interest income for the three months ended March 31, 2018 from that in 2017 owing to an increase in the Company's cash balance following a March 2017 financing.

Other significant items affecting net loss for the three months ended March 31, 2018 included \$12,000 for office administration and facilities provided by a related party and \$6,959 for transfer agent, listing and filing fees. Consistent with the Company's negligible operating activities, these charges were comparable with those for the three months ended March 31, 2017.

For the nine months ended March 31, 2018, the Company incurred a net loss of \$53,702, compared with \$66,230 for the same period in 2017. The decrease in net loss is primarily the result of a \$10,338 increase in interest income and decreases in legal and shareholder communications expenses owing to the timing of services provided in connection with the Company's annual general meeting. The effect of these items was partly offset by a \$1,872 increase in claim maintenance fees for Paxson. Other significant charges for the nine months ended March 31, 2018 included \$36,000 for office administration and facilities and \$13,119 for transfer agent, listing and filing fees. Reflecting the Company's current level of operations, these charges were consistent with those incurred in the nine months ended March 31, 2017.

As at March 31, 2018, the Company had cash of \$1,460,197, amounts receivable of \$2,243 and liabilities of \$4,479. The \$1,457,961 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, 2018 is \$86,020 less than that as at June 30, 2017. The decrease is a result of \$78,296 in expenditures for operating activities for the nine-month interim period and \$25,967 in legal expenditures related to a March 2017 financing, partly offset by \$11,304 in interest income and \$6,939 in proceeds from the exercise of warrants.

Related Party Transactions

The Company is party to a corporate service agreement with Earlston Management Corp. ("Earlston"), a company a company related that provides key management services to the Company. The Company pays Earlston a fee of \$4,000 per month and Earlston is reimbursed for expenses incurred in the performance of its services. An expense for office administration and facilities of \$36,000 the nine months ended March 31, 2018 (2017 - \$36,000) has been reported for services provided by Earlston. Accounts payable and accrued liabilities as at March 31, 2018 includes \$4,308 (June 30, 2017 - \$4,307) in amounts owing to Earlston.