



**RHYOLITE
RESOURCES**

MANAGEMENT'S DISCUSSION AND ANALYSIS

**For the three and nine months ended
September 30, 2021 and 2020**

BACKGROUND

This management discussion and analysis (“MD&A”) of financial position and results of operations of Rhyolite Resources Ltd. (“Rhyolite” or the “Company”) is prepared as at November 17, 2021 and should be read in conjunction with the condensed interim consolidated financial statements and notes thereto for the three and nine months ended September 30, 2021, the audited consolidated financial statements and notes thereto for the period ended December 31, 2020 and the MD&A for the period ended December 31, 2020.

The unaudited condensed interim consolidated financial statements for the three and nine months ended September 30, 2021, 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”).

All dollar figures included therein and in the following MD&A 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

This MD&A includes “forward-looking statements” and “forward-looking information” within the meaning of Canadian securities legislation. All statements included in this MD&A, other than statements of historical fact, are forward-looking statements. When used in this MD&A, words such as “may”, “would”, “could”, “will”, “intend”, “expect”, “believe”, “plan”, “anticipate”, “estimate”, “scheduled”, “forecast”, “predict”, “foresee” and other similar terminology, or sentences/statements that certain actions, events or results “may”, “could”, “would”, “might” or “will” be taken, occur or be achieved are intended to identify forward-looking statements, which, by their very nature, are not guarantees of the Company’s future operational or financial performance. These statements reflect Rhyolite’s current expectations regarding future events, performance, and results, and are accurate only at the time of this MD&A and may be superseded by more current information.

Forward-looking statements also involve known and unknown risks, uncertainties, and other factors, which may cause the actual results, performance or achievements of Rhyolite or its mineral projects to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements or information.

In making such statements, Rhyolite has made assumptions regarding, among other things: general business and economic conditions; the availability of additional exploration and mineral project financing; the supply and demand for, inventories of, and the level and volatility of the prices of metals; relationships with strategic partners; changes in regulations; political factors; the accuracy of the Company’s interpretation of exploration results; the geology, grade and continuity of the Company’s mineral deposits; the availability of equipment, skilled labour and services needed for the exploration and development of mineral properties; the exploitation and development of the Company’s Muckahi Mining System; currency fluctuations; and impact of the COVID-19 pandemic.

Although the forward-looking statements or information contained in this MD&A are based upon what management of Rhyolite believes are reasonable assumptions, Rhyolite cannot assure investors that actual results will be consistent with these forward-looking statements. They should not be read as guarantees of

future performance or results. A number of factors could cause actual results to differ materially from the results discussed in the forward-looking statements, including, but not limited to: the factors discussed below and under "Risks and Uncertainties"; unanticipated changes in general business and economic conditions or conditions in the financial markets; fluctuations in the price of metals; stock market volatility; the availability of exploration capital and financing generally; changes in national and local government legislation; changes to taxation; changes in interest or currency exchange rates; loss of key personnel; inaccurate geological assumptions; actual exploration results, interpretation of metallurgical characteristics of the mineralization, changes in project parameters as plans continue to be refined, future metal prices; the ability to identify projects suitable for deployment and implementation of the Muckahi Mining System; competition; unavailability of materials and equipment; government action or delays in the receipt of permits or government approvals; industrial disturbances; and unanticipated events related to health, safety and environmental matters, including unknown impacts related to potential business disruptions stemming from the COVID-19 pandemic or another infectious illness.

Forward-looking information is designed to help readers understand management's current views of the Company's near and longer-term prospects, and it may not be appropriate for other purposes. Rhyolite will not update any forward-looking statements or forward-looking information unless required to by applicable securities laws.

The forward-looking statements contained herein are based on information available and are made as of November 17, 2021.

COMPANY OVERVIEW

Rhyolite is a mining company focused on the acquisition, exploration, and development of mineral properties. The Company owns a license to the Muckahi Mining System ("Muckahi" or "MMS"), an automatable transportation system for underground hard rock mines with the potential to reduce mine build and sustaining capital expenditures, mine operating costs, and underground greenhouse gas emissions. The Company's strategy is to become a vertically integrated mining company focused on the development of mining assets amenable to the innovative Muckahi Mining System.

The Company is also advancing two gold exploration projects, the Brothers and Suku Passi projects (including both the Suku Passi and Bob's concessions), in Suriname through joint venture earn-in agreements and has claims to the Paxson Gold Property located in the State of Alaska. The Company is listed on the TSX Venture Exchange ("TSX-V") under the symbol "RYE".

CORPORATE UPDATE

On September 7, 2021, the Company announced the appointment of Fred Stanford as Chief Executive Officer and Director. Mr. Stanford is a mining executive with 40 years of experience in the mining industry. Prior to joining Rhyolite, Mr. Stanford served as President and CEO of Torex Gold Resources Inc. ("Torex Gold") from 2009 to 2020, and as Executive Chairman from mid-2020 to mid-2021. Fred brings a long track record of success in company building, operations, and productive environmental, social and governance (ESG) relationships. Fred also led the development of the innovative Muckahi Mining System for underground hard rock mines. Muckahi has the potential to reduce underground mining capital expenditures by up to 30%, mining operating expenses by up to 30%, time between investment and revenue by up to 80%, and greenhouse gas emissions from underground mines by up to 95%.

Rhyolite's original greenfield exploration strategy has been expanded to include the development of mining assets that are particularly amenable to the benefits of Muckahi. The Company will seek to acquire the assets that it develops. When ownership is not practical, other commercial arrangements will be made. With the advantages of Muckahi being equally applicable to the mining of any metal that is extracted from an underground hard rock mine, Rhyolite will be 'metal agnostic' as it seeks high-return mining assets for acquisition and development. This will include assets containing the much needed 'battery metals' required for future increased electrification as the world transitions away from fossil fuels.

Muckahi Mining System and Muckahi Transaction

Rather than the conventional approach of using rubber-tired equipment that operates on the floor of tunnels, the Muckahi Mining System uses equipment that operates on an overhead monorail to excavate tunnels and perform all transport functions. The monorail network can be salvaged and reused as mining retreats from mined out areas. There are several advantages to the use of a monorail network. These benefits include the ability to operate in tunnels that are four times steeper than those used for rubber-tired equipment. A tunnel that is four times steep is only ¼ the length to achieve the same elevation change. This results in a significant cost saving and reduction in the length of time required to access mineral deposits. Other benefits include smaller tunnels, and two-way traffic in tunnels for efficient and predictable logistics. Up to a 95% reduction in underground greenhouse gas emissions is also possible since the Muckahi equipment is all electric. Automation is also relatively straightforward due to the monorail eliminating the need to steer, which adds significant complexity to automating underground rubber-tired equipment where GPS is not available because it does not penetrate through the rock. For more information about the Muckahi Mining System, including a descriptive video, visit the Rhyolite website at www.rhyoliteresources.com.

The Muckahi Mining System (including improvements) are currently owned by Torex Gold and are licensed to Muckahi Inc. ("Muckahi Co"), a company which was controlled by Mr. Stanford. Mr. Stanford has transferred all the shares of Muckahi Co to the Company in consideration for 9.5 million common shares of the Company (the "Muckahi Transaction"). Concurrent with the Muckahi Transaction, Mr. Stanford joined the Company as Chief Executive Officer and Director. Of the 9.5 million shares issued as consideration, 1.0 million common shares were delivered to Mr. Stanford on September 20, 2021, the closing date of the Muckahi Transaction (the "Closing Date"), and the remaining 8.5 million common shares were deposited in escrow. The escrowed shares will be released from escrow to Mr. Stanford in tranches (1.0 million; 2.0 million; 2.0 million; and 3.5 million, respectively) over a four-year period, on each succeeding 12-month anniversary of the Closing Date, conditional upon Mr. Stanford remaining involved with the Company in any capacity other than as a shareholder as at each anniversary date.

Suku Passi Transaction

On March 31, 2021, the Company completed the acquisition of 2765798 Ontario Ltd. ("ONCorp"), 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. Under the terms of the purchase agreement, Rhyolite issued 3,500,000 common shares in consideration to the shareholders of ONCorp (the "Vendors") for all the outstanding share capital of ONCorp (the "Suku Passi Transaction").

Upon closing of the Suku Passi Transaction, Rhyolite assumed ONCorp's right to earn up to a 70% interest in the Suku Passi Project. The right is 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 September 30, 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.
- 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 September 30, 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 September 30, 2021, the Company has paid US\$100,000.
- Cash payment of US\$150,000, share payment of US\$50,000 and exploration expenditure of US\$200,000 by each March 21 in 2022, 2023, 2024, 2025, and 2026.

For an additional 19% interest:

- Deliver a PFS and cash payment of US\$750,000 by March 21, 2029.

The 335-square-kilometre land package held in five concessions consolidates for the first time, the Suku Passi and Bob's concessions on the Guiana Shield in Suriname. The Suku Passi Project is accessible by road and is located approximately 20 kilometers from IAMGOLD's Rosebel Mine.

EXPLORATION UPDATE

At the Brothers Project, the Company completed a Lidar survey during the first half of 2021 to provide up to date ground and elevation control in preparation for its drilling campaign. The initial drilling program of 3,000 meters will commence in the fourth quarter of 2021. During the three months ended September 30, 2021, the Company focused on activities to be drill-ready, including building a camp, preparation for core storage and fuel storage. The initial drilling program will focus on testing two of the areas of small-scale mining where activities were more extensive. In addition, a number of new targets based on geologic mapping and sampling of exposures of small-scale miners are being developed. To date, 676 channel samples (including historical sampling) and 560 grab samples (including historical sampling) have been collected.

Limited ridgecrest auger sampling to depths of three meters supports extending gold trends beyond the workings. Structural interpretation of airborne magnetic data and field descriptions and measurements have better defined and prioritized gold trends and targets.

At the Suku Passi project, the Company completed a Lidar survey of the southern portion of Suku Passi and an airborne magnetic and radiometric survey in the first half of 2021. The results of the airborne magnetic and radiometric survey have been received. The Company's team of geologists are working on geophysical modelling and geologic and structural interpretation. The Company also plans to conduct auger sampling to extend on the prior sampling done by the concession holder. A primitive camp is being built at site to support the planned field work.

The technical information in this MD&A pertaining to Brothers and Suku Passi has been reviewed, verified, and approved by Dr. Dennis LaPoint, PhD who is a Qualified Person (QP) under National Instrument 43-101 "Standards of Disclosure for Mineral Projects". Dr. LaPoint is not considered to be independent for the purposes of National Instrument 43-101.

SELECTED QUARTERLY INFORMATION

The following table provides information for the eight fiscal quarters ended September 30, 2021:

	September 30, 2021	June 30, 2021	March 31, 2021	December 31, 2020
Exploration and evaluation expenditures	\$ -	\$ -	\$ -	\$ 9,412
(Gain) loss on derivative instrument	-	-	(630,000)	4,663,970
General and administrative expenses	1,624,482	328,450	372,021	251,945
Share of loss in joint ventures	69,570	12,561	-	-
Net loss (income)	1,694,052	341,011	(257,979)	4,925,327
Loss (income) per share - basic and diluted	0.02	0.00	(0.00)	0.08
Total assets	12,091,001	12,426,521	13,371,022	9,943,515
Total liabilities	289,787	137,990	756,480	74,452
Shareholders' equity	11,801,214	12,288,531	12,614,542	9,869,063

	September 30, 2020 ⁽¹⁾	June 30, 2020 ⁽¹⁾	March 31, 2020 ⁽¹⁾	December 31, 2019 ⁽¹⁾
Exploration and evaluation expenditures	\$ -	\$ -	\$ -	\$ 9,655
Loss on derivative instrument	-	-	-	-
General and administrative expenses	11,876	24,392	8,834	10,683
Share of loss in joint ventures	-	-	-	-
Net loss	11,876	24,392	8,834	20,338
Loss per share - basic and diluted	0.00	0.00	0.00	0.00
Total assets	2,565,509	2,580,117	2,593,171	2,604,731
Total liabilities	13,745	16,477	5,139	7,865
Shareholders' equity	2,551,764	2,563,640	2,588,032	2,596,866

(1) During the period ended December 31, 2020, the Company changed its accounting policy from capitalizing exploration and evaluation acquisition costs to expensing such costs in the period the costs are incurred. The Company has applied the change in accounting policy on a retrospective basis and has therefore revised its prior period comparatives.

The changes in the Company's financial results on a quarter-by-quarter basis are primarily due to fluctuations in the level of activity of the Company's exploration and evaluation programs, project acquisitions, and administration. The Company is a mineral exploration and development company and does not currently generate operating revenue.

Exploration and evaluation expenditures

The exploration and evaluation expenditures mainly represent costs incurred to maintain the license of the Paxson Gold Property, which has been in care and maintenance state during the eight quarters ended September 30, 2021. The Paxson license will expire on December 31, 2021. The Company does not intend to renew the license upon its expiration.

Gain/loss on derivative instrument

On March 21, 2021, Rhyolite entered into a definitive share purchase agreement with the shareholders of 2765798 Ontario Ltd. ("ONCorp") to acquire all the outstanding share capital of ONCorp with the intention to assume ONCorp's options to earn a 70% interest in Suku Passi N.V. and Bob's Resources N.V. (the "Joint Venture Companies"). The Joint Venture Companies together own 100% of the Suku Passi Project in Suriname. The Suku Passi Transaction was completed on March 31, 2021.

The acquisition of ONCorp was accounted for as an asset acquisition as oppose 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 has 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 shares on a future date, upon closing of the Suku Passi Transaction, with the value of the shares unknown at the time of signing.

Gain on derivative instrument for the quarter ended March 31, 2021, represents the change in value of the 3,500,000 shares issued to acquire 2765798 Ontario Ltd. in March 2021. When the Company became a party to the share purchase agreement on March 21, 2021, the Company's shares were valued at \$0.88 per share. When the Company issued the shares on March 31, 2021 upon closing of the Suku Passi Transaction, the Company's shares were valued at \$0.70 per share. The change in value was recognized as gain on derivative instrument for the period.

The Company completed a similar transaction in the fourth quarter of 2020 to acquire the earn-in option to the Brothers Project in Suriname. Loss on derivative instrument for the quarter ended December 31, 2020 represents the change in value of the 15,546,566 shares issued to acquire 2777662 Ontario Ltd. in October 2020. When the Company became a party to the share purchase agreement on October 13, 2020, the Company's shares were valued at \$0.20 per share. When the Company issued the shares on October 30, 2020, upon closing of the Brothers Transaction, the Company's shares were valued at \$0.50 per share. The change in value was recognized as loss on derivative instrument for the period.

General and administrative expenses

General and administrative expenses fluctuate based on corporate activity. Prior to the acquisition of 2777662 Ontario Ltd. in October 2020, the Company was in a care and maintenance state with minimal corporate and exploration activities. During the four most recent quarters, the Company has increased corporate administrative costs commensurate with the Company's increased activities during the periods with the Brothers Transaction, the Suku Passi Transaction, and the Muckahi Transaction.

In the third quarter of 2021, the Company acquired Muckahi Inc., a company controlled by Mr. Fred Stanford that holds a license and the associated trademark (the "License") to the Muckahi Mining System. 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. Concurrent with the Muckahi Transaction, Mr. Stanford joined the Company as Chief Executive Officer and Director.

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 (the "Escrow Shares"), 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 statement of loss and comprehensive loss as share-based compensation and in the statement 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. For the three months ended September 30, 2021, the Company recognized \$106,735 as share-based compensation from the Escrow Shares.

Total assets, equity, and liabilities

The fluctuations in total assets and shareholders' equity generally reflect the timing and receipt of equity financing which increased cash resources in certain periods, while continued funding of the Company's operations decreased cash resources.

The increase in total assets and shareholders' equity for the four most recent quarters is mainly due to the acquisition of 2777662 Ontario Ltd., 2765798 Ontario Ltd., and the November 2020 private placement where the Company raised \$4,500,000.

The investments in the Brothers Project and Suku Passi Project are accounted for using the equity method. Under the equity method, the investment in joint ventures is initially recognized at cost and the carrying amount is increased or decreased to recognize the Company's share of the profit or loss of the investee after the date of acquisition.

For the nine months ended September 30, 2021, the Company has accumulated the following costs for its equity-accounted-investee:

	Brothers Project	Suku Passi Project	Total
Balance - December 31, 2020	\$ 3,312,412	\$ -	\$ 3,312,412
Acquisition cost - Rhyolite's shares issued to acquire ONCorp	-	3,080,000	3,080,000
Earn-in payments	125,790	754,100	879,890
Earn-in expenditures	598,591	373,730	972,321
Share of loss in joint venture	(82,131)	-	(82,131)
Balance - September 30, 2021	\$ 3,954,662	\$ 4,207,830	\$ 8,162,492
Earn-in status (% of ownership)	20%	0%	

Earn-in cash payments represent cash payments made to the concession holders based on the schedule set out in the joint venture agreements. Earn-in expenditures represent exploration expenditures the Company

incurred to fulfil its funding requirement based on the joint venture agreements. Both earn-in payments and earn-in expenditures are added to the investment cost base as they are incurred.

Total liabilities mainly represent the Company's trade payables and the balance fluctuates based on the Company's payment cycle. The balance increased for the quarter ended March 31, 2021 due to the accrual of initial cash payment of US\$500,000 owing to the Vendors of the Suku Passi Project accrued upon closing of the Suku Passi Transaction on March 31, 2021. The amount was subsequently paid in the second quarter of 2021.

RESULTS OF OPERATIONS

	Three months ended September 30,		Nine months ended September 30,	
	2021	2020	2021	2020
Operating expenses				
Office administration and facilities	\$ 37,500	\$ 12,000	\$ 107,500	\$ 36,000
Compliance and regulatory	34,204	1,107	70,456	7,925
Professional fees	179,452	398	616,072	12,796
Insurance	8,511	-	19,861	-
Salaries and benefits	144,881	-	266,001	-
Muckahi acquisition cost	1,206,735	-	1,206,735	-
Office supplies and services	8,935	345	17,694	962
Investor relations	11,598	180	18,870	540
Amortization	782	-	1,314	-
	1,632,598	14,030	2,324,503	58,223
Other expense (income)				
Gain on derivative instrument	-	-	(630,000)	-
Share of loss in joint ventures	69,570	-	82,131	-
Foreign exchange (gain) loss	(5,484)	-	7,002	-
Interest income	(2,632)	(2,154)	(6,552)	(13,121)
Loss and comprehensive loss for the period	\$1,694,052	\$ 11,876	\$1,777,084	\$ 45,102
Basic and diluted loss per share	\$ 0.02	\$ 0.00	\$ 0.02	\$ 0.00
Weighted average number of common shares outstanding	87,576,375	52,047,200	85,676,733	52,047,200

Operating expenses increased for the three and nine months ended September 30, 2021 compared to the same periods in 2020 due to increased corporate activities since the acquisition of the Brothers and Suku Passi options and activities related to the acquisition of Muckahi Inc. in the most recent quarter. During the three and nine months ended September 30, 2020, the Company had limited activities; therefore, had negligible operating activities and only incurred minimum required expenditures to maintain the license of the Paxon Gold Project and to meet regulatory requirements of a public entity.

Third Quarter Results – Three months ended September 30, 2021 (“Q3 2021”) compared to the three months ended September 30, 2020 (“Q3 2020”)

Office administration and facilities

Office administration and facilities costs in Q3 2021 increased by \$25,500 compared to Q3 2020 mainly due to the increase in fees paid to Earlston Management Corp. (“Earlston”). Earlston is a consulting company that provided key management services to the Company. In Q3 2021, the Company paid a monthly fee of \$12,500 to Earlston compared to a monthly fee of \$4,000 for the same period last year.

Compliance and regulatory

Compliance and regulatory costs include fees paid to the TSX-V and the Company’s transfer agent, Computershare, for public company related compliance and listing fees. The increase of \$33,000 in Q3 2021 compared to Q3 2020 is mainly attributable to a filing fee of \$30,000 associated with the acquisition of Muckahi Inc. in September 2021.

Professional fees

Professional fees include legal, consulting, accounting, and tax advisory costs. The increase in professional fees of \$179,000 in Q3 2021 compared to Q3 2020 is mainly attributable to an increase in legal fees of \$119,000 associated with the acquisition of Muckahi Inc. and review and audit fees of \$40,000. The increase in professional services reflect the increased corporate activities in Q3 2021 compared to same period in 2020.

Salaries and benefits

The increase in salaries and benefits in Q3 2021 compared to Q3 2020 represent the addition of full-time employees at the corporate level to meet the increased corporate activities. In Q3 2020, the Company had no full-time staff as all corporate services were outsourced.

Muckahi acquisition cost

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.

The 8.5 million Escrow Shares issued in the Muckahi Transaction are treated as an equity-settled share-based payment in accordance with *IFRS 2 Share-based Payment* for future services of Mr. Stanford. For the three months ended September 30, 2021, the Company recognized \$106,735 as share-based compensation from the Escrow Shares.

Share of loss in joint ventures

The Company earned its 20% ownership in the Brothers joint venture project in April 2021. The investment in joint venture has been accounted for using the equity method; therefore, the Company recognized its 20% of Brothers' Q3 2021 loss in the Company's Statement of Loss and Comprehensive Loss during the period.

Year-to-Date Results – Nine months ended September 30, 2021 (“YTD 2021”) compared to the nine months ended September 30, 2020 (“YTD 2020”)

Office administration and facilities

Office administration and facilities costs in YTD 2021 increased by \$71,500 compared to YTD 2020 mainly due to the increase in fees paid to Earlston. For YTD 2021, the Company paid a monthly fee of \$7,000 in January 2021 and \$12,500 from February 2021 onward to Earlston compared to a monthly fee of \$4,000 for the nine months ended September 30, 2020.

Compliance and regulatory

Compliance and regulatory costs include fees paid to the TSX-V and the Company's transfer agent, Computershare, for public company related compliance and listing fees. The increase of \$63,000 in YTD 2021 compared to YTD 2020 is mainly attributable to filing fees of \$11,000 and \$30,000 related to the acquisition of 2765798 Ontario Ltd. and Muckahi Inc. respectively. The Company also paid a higher sustaining fees in YTD 2021 due to increased share capital.

Professional fees

Professional fees include legal, consulting, accounting, and tax advisory costs. The increase in professional fees of \$603,000 in YTD 2021 compared to YTD 2020 mainly relates to an increase in legal fees of \$250,000, a financial advisory fee of \$180,000 paid to the Company's financial advisor, increase in consulting, accounting and tax services of \$186,000. The increase in professional services reflect the increased corporate activities in YTD 2021 compared to the same period in 2020.

Salaries and benefits

The increase in salaries and benefits in YTD 2021 compared to YTD 2020 represent the addition of full-time staff at the corporate level to meet the increased corporate activities. In YTD 2020, the Company had no full-time staff as all corporate services were outsourced.

Muckahi acquisition cost

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.

The 8.5 million Escrow Shares issued in the Muckahi Transaction are treated as an equity-settled share-based payment in accordance with *IFRS 2 Share-based Payment* for future services of Mr. Stanford. For the three months ended September 30, 2021, the Company recognized \$106,735 as share-based compensation from the Escrow Shares.

Gain on derivative instrument

Gain on derivative instrument for YTD 2021 represents the change in value of the 3,500,000 Rhyolite shares issued to acquire 2765798 Ontario Ltd. in March 2021. When the Company became a party to the share purchase agreement on March 21, 2021, the Company's shares were valued at \$0.88 per share. When the Company issued the shares on March 31, 2021 upon closing of the Suku Passi Transaction, the Company's shares were valued at \$0.70 per share. The change in value was recognized as gain on derivative instrument for the period.

Share of loss in joint ventures

The Company earned its 20% ownership in the Brothers joint venture project in April 2021. The investment in joint venture has been accounted for using the equity method; therefore, the Company recognized its 20% of Brothers' YTD 2021 loss in the Company's Statement of Loss and Comprehensive Loss during the period.

FINANCIAL CONDITION, LIQUIDITY AND CAPITAL RESOURCES

As of September 30, 2021, the Company had consolidated cash of approximately \$3.8 million (December 31, 2020 - \$6.4 million) to apply against short-term business requirements and current liabilities of \$290,000 (December 31, 2020 - \$74,452).

As at September 30, 2021, the Company does not have sufficient liquidity on hand to fund its operations and to meet its joint venture earn-in commitments for the next twelve months and will require further financing to meet its financial obligations and execute on its business plans.

Continuance as a going concern is dependent upon a 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 2020, 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. These uncertainties cast significant doubt upon the going concern assumption.

In addition, the spread of COVID-19 globally has caused and continues to cause considerable disruptions to the world economy, including financial markets and commodity prices and could adversely impact the Company's ability to carry out plans to obtain additional financing. It is not possible for the Company to predict the duration or magnitude of the adverse results of the outbreak and its effects on the Company's ability to raise capital or conduct exploration activities.

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 \$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. The Company incurred \$37,500 and \$107,500 in office administration and facilities expenditures provided by Earlston for the three and nine months ended September 30, 2021 respectively (2020 – \$12,000 and \$36,000 respectively). The service agreement was terminated in October 2021.

Accounts payable as at September 30, 2021 includes \$26,357 (December 31, 2020 - \$8,018) in amounts owing to Earlston.

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. For the three and nine months ended September 30, 2021 and 2020, key management compensation comprises:

	Three months ended September 30,		Nine months ended September 30,	
	2021	2020	2021	2020
Salaries and benefits	\$ 120,685	\$ -	\$ 220,685	\$ -
Muckahi acquisition cost	1,206,735	-	1,206,735	-
Total	\$ 1,327,420	\$ -	\$ 1,427,420	\$ -

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. For the three and nine months ended September 30, 2021, the Company recognized \$1.2 million as share-based compensation related to the shares issued to Mr. Stanford in the Muckahi Transaction.

CAPITAL MANAGEMENT

The Company defines its capital as its shareholders’ equity. It manages its capital structure and makes adjustments to it, 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 properties in which the Company currently has interests are in the exploration stage, as a result, in the long-term, the Company will be dependent upon external financings to fund future activities. The Company

will seek to raise additional amounts as needed by way of equity financing or debt to carry out its planned corporate development and exploration programs and to pay for general administrative costs.

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 investment policy is to hold cash in interest-bearing bank accounts or highly liquid short-term interest-bearing investments with maturities of one year or less and which can be liquidated at any time without penalties. The Company is not subject to externally imposed capital requirements and does not have exposure to asset-backed commercial paper or similar products. There have been no changes to the Company's approach to capital management during the period ended September 30, 2021.

FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

As at September 30, 2021, the Company's financial instruments comprise cash, amounts receivable and accounts payable and accrued liabilities. The fair values of amounts receivable and accounts payable and accrued liabilities approximate their carrying values due to their short-term maturity. Fair values of financial instruments are classified in a fair value hierarchy based on the inputs used to determine fair values.

OUTSTANDING SHARE DATA

As of the date of this MD&A, the Company has 96,043,766 common shares and 30,000 stock options outstanding.

OFF-BALANCE SHEET ARRANGEMENTS

During the period ended September 30, 2021, the Company was not a party to any off-balance sheet arrangements that have, or are reasonably likely to have, a current or future effect on the results of operations, financial condition, capital expenditures, liquidity or capital resources of the Company.

PROPOSED TRANSACTIONS

There are no proposed transactions that have not been disclosed herein.

USE OF ESTIMATES

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from those estimates. Estimates are reviewed on an ongoing basis based on historical experience and other factors that are considered to be relevant under the circumstances. Revisions to estimates on the resulting effects of the carrying amounts of the Company's assets and liabilities are accounted for prospectively.

All of the Company's significant accounting policies and estimates are included in Note 3 of its audited consolidated financial statements for the six month period ended December 31, 2020 and Note 2 and 3 of its unaudited condensed interim consolidated financial statements for the three and nine months ended

September 30, 2021.

CHANGES IN ACCOUNTING POLICIES AND NEW ACCOUNTING STANDARDS AND INTERPRETATIONS

The consolidated interim financial statements have been prepared following the same accounting policies and methods of computation as the audited annual consolidated financial statements for the year ended December 31, 2020.

Standards, amendments and interpretations issued but not yet applied

The International Accounting Standards Board ("IASB") issued an amendment to IAS 16, Property, Plant and Equipment to prohibit deducting from property, plant and equipment amounts received from selling items produced while preparing an asset for its intended use. Instead, sales proceeds and related costs must be recognized in profit or loss. The amendment will require companies to distinguish between costs associated with producing and selling items before the item of property, plant and equipment is available for use and costs associated with making the item of property, plant and equipment available for its intended use. The amendment is effective for annual periods beginning on or after January 1, 2022, with earlier application permitted. The extent of the impact of adoption of this standard has not yet been determined.

OTHER DATA

Additional information related to the Company is available for viewing under the Company's profile at www.sedar.com.

CORPORATE GOVERNANCE

The Company's Board of Directors follows recommended corporate governance guidelines for public companies to ensure transparency and accountability to shareholders. The Audit Committee of the Company fulfills its role of ensuring the integrity of the reported information through its review of the interim and audited annual financial statements prior to their submission to the Board of Directors for approval. The Audit Committee, comprised of three directors, all of whom are independent, meets with management of the Company on a quarterly basis to review the financial statements, including the MD&A, and to discuss other financial, operating and internal control matters as required.

RISKS AND UNCERTAINTIES

The Company is engaged in mineral exploration activities and development and deployment of the Muckahi Mining System which, by nature, are speculative. Due to the high-risk nature of the Company's business and the present stage of the Company's various projects, an investment in the Company's common shares should be considered a highly speculative investment that involves significant financial risks, and prospective investors should carefully consider all of the information disclosed in this MD&A and the Company's other public disclosures, including the risks disclosed in the "Risks and Uncertainties" section of the Company's MD&A for the year ended December 31, 2020, prior to making any investment in the Company's common shares. The risks disclosed in the "Risks and Uncertainties" section of the Company's MD&A for the year ended December 31, 2020 do not necessarily comprise all of the risks faced by the Company. Additional risks not currently known to the Company, or that the Company currently considers immaterial, may also

adversely affect the Company's business, result of operations, financial results, prospects and price of common shares.