RHYOLITE RESOURCES LTD.
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2018

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 September 18, 2018 and should be read in conjunction with the audited consolidated financial statements as at June 30, 2018 and for the year then ended and the related notes. Those consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS").

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

Certain statements contained in the following MD&A 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.

Company Overview

Rhyolite is an exploration company with 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". The Company has approximately $1,400,000 in cash of which it expects to allocate up to $500,000 towards the evaluation of potential commercial acquisition targets with the remainder being allocated to the continued exploration of the Paxson property and general working capital.

Paxson Gold Property

The Company holds mineral claims acquired through an internal staking program, in the Paxson Gold Property located in the eastern Alaska Range, southwest of Tok, Alaska. During the year ended June 30, 2018, Rhyolite maintained its mineral claims and compiled geological data of the Paxson Gold Property for review by potential property partners.

In recent years, the Company has not undertaken significant exploration of the Paxson Gold Property except for claim and permitting maintenance, as well as basic geological work. To fund the next phase of the exploration of this property, the Company seeks an operating partner.

Exploration data has been reviewed, verified and compiled by Richard A. Graham, P. Geol., a director of Rhyolite, who is a "qualified person" for the purpose of National Instrument 43-101, Standards of Disclosure for Mineral Projects.

Selected Annual Information

As at June 30,	**2018**	2017	2016
	$	$	$
Total assets	**1,496,596**	1,592,010	308,071
Total long-term liabilities	**-**	-	-

For the year ended June 30,	**2018**	2017	2016
	$	$	$
Exploration expenses	**11,464**	39,621	5,229
General and administrative expenses	**64,706**	84,838	300,937
Net loss for the year	**76,170**	124,459	306,166
Basic and diluted loss per share	**(0.00)**	(0.00)	(0.01)
Dividends per share	**Nil**	Nil	Nil

Financial Review

Rhyolite is a resource development and production company without operating revenues. It is the Company's accounting policy to expense exploration and development expenditures incurred prior to the determination of the feasibility of mining operations. Mineral property acquisition costs, which include option payments, are capitalized as exploration and evaluation assets.

General and administrative expenses are typically incurred for management services and office facilities, accounting and legal services, transfer agent, listing and filing fees, and other costs required as a publicly-traded company. In the year ended June 30, 2016, the Company also incurred expenses for salaries, consulting, travel and additional office overhead in connection with the unsuccessful pursuit of oil and gas assets. This initiative was terminated in the year ended June 30, 2016, resulting in a decrease in general and administrative expenses and net losses for the years ended June 30, 2018 and 2017.

Net assets as at June 30, 2018 and 2017 were higher than those as at June 30, 2016 as a result of a brokered private placement of common shares in March 2017.

Results of Operations including Fourth Quarter Results

The following table sets forth selected data for the periods indicated:

	Three Months Ended June 30,		**Year Ended June 30,**	
	2018	2017	**2018**	2017
	$	$	**$**	$
Exploration expenses	**-**	30,029	**11,464**	39,621
General and administrative expenses:				
Office administration and facilities	**12,000**	12,000	**48,000**	48,000
Transfer agent, listing and filing fees	**2,167**	581	**15,286**	14,344
Accounting and legal services	**12,354**	12,346	**14,169**	16,633
Shareholder information	**797**	180	**1,426**	2,492
Office supplies and services	**(300)**	514	**1,326**	1,756
Foreign exchange (gain) loss	**(1)**	350	**352**	350
Interest income	**(4,549)**	(1,971)	**(15,853)**	(2,937)
Consulting	**-**	4,200	**-**	4,200
Loss for the period	**22,468**	58,229	**76,170**	124,459
Basic and diluted loss per share	**0.00**	0.00	**0.00**	0.00

Year ended June 30, 2018

The Company reported a loss of $76,170 for the year ended June 30, 2018, compared with a loss of $124,459 for the year ended June 30, 2017. The higher net loss in 2017 was primarily the result of $28,157 in additional exploration expenditures incurred for geological data compilation that did not occur in 2018. Additionally, funds raised in a March 2017 brokered private placement were available to the Company for the entire year ended June 30, 2018 compared with a partial period of the year ended June 30, 2017. As a result, interest income increased to $15,853 for the year ended June 30, 2018 compared with $2,937 for the year ended June 30, 2017.

Other expenses for the year ended June 30, 2018 were incurred for management and corporate services, transfer agent services, listing and filing fees, and other costs incurred as a publicly-listed entity. These costs were incurred at levels consistent with those for the year ended June 30, 2017.

Fourth Quarter Results

During the three months ended June 30, 2017, the Company incurred a loss of $58,229 compared with a loss of $22,468 in the same period in 2018. The net loss for 2017 included exploration and consulting expenses incurred for the compilation of geological data for the Paxson Gold Property which were not incurred in 2018, resulting in the decreased net loss. Other expenses incurred in the three months ended June 30, 2018 were comparable with those incurred for the three months ended June 30, 2017.

Quarterly Information

	General and Administrative Expenses (1)	Exploration Expenses	Net Loss	Basic & Diluted Loss per Share
	$	$	$	$
Q4 – June 30, 2018	22,468	-	22,468	(0.00)
Q3 – March 31, 2018	15,171	-	15,171	(0.00)
Q2 – December 31, 2017	9,372	11,464	20,836	(0.00)
Q1 – September 30, 2017	17,695	-	17,695	(0.00)
Q4 – June 30, 2017	28,200	30,029	58,229	(0.00)
Q3 – March 31, 2017	23,987	502	24,489	(0.00)
Q2 – December 31, 2016	18,413	9,090	27,503	(0.00)
Q1 – September 30, 2016	14,238	-	14,238	(0.00)

Explanatory Notes:

(1) General and administrative expenses typically include costs for: office administration and facilities; accounting and legal services; transfer agent, listing and filing activities; and investor relations. Generally these expenses are consistent from quarter to quarter, although there are some for the accrual of audit fees and for costs incurred for the Company's annual general meeting, typically in the fourth and first fiscal quarters, respectively.

Financial Condition including Cash Flows, Liquidity and Capital Resources

At June 30, 2018, the Company's working capital was $1,435,493 compared with working capital of $1,530,691 at June 30, 2017. Cash as at June 30, 2018 was $1,451,233, compared with $1,546,217 at June 30, 2017. The decrease in cash is the result of $91,809 in operating expenditures and $25,966 in share issuance costs related to a March 2017 private placement. These expenditures were partially offset by $15,853 in interest income earned on the Company's cash balance and $6,938 in proceeds from the exercise of warrants.

The Company has no contractual commitments for future mineral property exploration expenditures. The Company has not pledged any of its assets as security for loans, or otherwise and is not subject to any debt covenants. While management believes that the Company has sufficient working capital to meet its projected operating and exploration activities beyond the next fiscal year, longer-term financing would be eventually be required if the Company does not enter into revenue-generating commercial operations either from the Paxson Gold Property or other activities.

Related Party Transactions

The Company is party to a corporate service agreement with Earlston Management Corp. ("Earlston"), 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. For the year ended June 30, 2018, the expense for office administration and facilities includes $48,000 (2017 - $48,000) and consulting expense includes $nil (2017 - $4,200) for services provided by Earlston. Additionally, in the year ended June 30, 2017, the Company paid Earlston $25,000 for services rendered in connection with a private placement, which has been included in issuance costs.

Accounts payable and accrued liabilities as at June 30, 2018 includes $4,320 (June 30, 2017 - $4,307) for amounts owing to Earlston.

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 Paxson Gold Property is an exploration-stage project and, as a result, the Company is dependent upon external financings to fund activities. In order to carry out planned exploration and pay for administrative costs, the Company will spend its existing working capital and will attempt to raise additional funds as needed.

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 been changed over the period presented. The Company is not subject to any externally imposed capital requirements.

Financial Instruments and Risk Management

As at June 30, 2018, the Company's financial instruments comprise cash and accounts payable and accrued liabilities. The fair values of 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. The levels of the fair value hierarchy are as follows:

Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;
Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
Level 3 – Inputs that are not based on observable market data (unobservable inputs).

As at June 30, 2018, the fair value of cash held by the Company was based on Level 1 of the fair value hierarchy.

Risks to the Company's financial instruments and their potential impact on the Company's financial instruments are summarized below:

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. The Company limits exposure to credit risk by maintaining its cash with large financial institutions. The Company does not have cash that is invested in asset-backed commercial paper.

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 in order to meet short-term business requirements, after taking into account cash flows from operations and the Company's holdings of cash. The Company believes that these sources are sufficient to cover the likely short-term cash requirements, but that further funding or net income from operating activities will be required to meet long-term requirements. As at June 30, 2018, the Company had a cash balance of $1,451,233 to settle current liabilities of $16,488. All of the Company's financial liabilities have contractual maturities of 30 days or are due on demand and subject to normal trade terms.

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, 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 has exploration and evaluation activities in United States and costs related to this activity are typically incurred in US dollars while funds are typically raised by the parent company in Canadian dollars. The Company does not anticipate a large exploration program at this time and, as a result, is not exposed to significant foreign currency risk.

iii. Price risk

The Company holds no marketable securities or non-cash assets that are classified as financial instruments and, consequently, has no exposure to the price fluctuations of such instruments.

Outstanding Share Data

As of the date of this MD&A, the Company has 43,537,700 common shares, 450,000 stock options and 9,313,750 warrants outstanding.

Off-Balance Sheet Arrangements

The Company has no off-balance sheet arrangements.

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 year ended June 30, 2018.

Future Accounting Standards and Interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for the June 30, 2018 reporting period. These standards are not expected to have a significant impact on the Company's financial statements:

i. IFRS 9, Financial Instruments

The IASB intends to replace IAS 39 – "Financial Instruments: Recognition and Measurement" in its entirety with IFRS 9 in three main phases. IFRS 9 will be the new standard for the financial reporting of financial instruments that is principles-based and less complex than IAS 39. IFRS 9 requires that all financial assets be measured at amortized cost or at fair value based on the Company's business model for managing financial assets and the contractual cash flow characteristics of the financial assets. Financial liabilities are measured at amortized cost except for financial liabilities classified as at fair value through profit or loss, financial guarantees and certain other exceptions. IFRS 9 can currently be adopted voluntarily, but is mandatory for years beginning on or after January 1, 2018.

ii. IFRS 16, Leases

In January 2016, the IASB issued IFRS 16 Leases which replaces the previous leases standard, IAS 17 Leases. IFRS 16 eliminates the classification of leases as either operating leases or finance leases as is required by IAS 17 and, instead, introduces a single lessee accounting model. Lessors continue to classify leases as operating leases or finance leases, and account for those two types of leases differently. IFRS 16 is effective for periods beginning on or after January 1, 2019.

Risks and Uncertainties

Exploration of mineral properties involves a high degree of risk and the successful achievement of a profitable operation cannot be assured. Costs of finding and evaluating an ore body are substantial, and may take several years to complete. The Company must overcome many risks associated with an early stage exploration property. Outstanding items to be completed include, but are not limited to, identification and quantification of a commercially viable ore body, confirmation of the Company's interest in the underlying claims and leases, completion of a feasibility study, funding of all costs related to a commercial operating venture, completion of the permitting process, detailed engineering and the procurement of a processing plant, and constructing a facility to support the property. Construction and operational risks including, but not limited to, equipment and plant performance, metallurgical, environmental, cost estimation accuracy, and workforce performance and dependability will all affect the profitability of an operating property.

External financing, primarily through the issuance of common shares will be required to fund future activities. There can be no assurance that such financings will be successful in the future.

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.