RHYOLITE RESOURCES LTD.
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

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 October 14, 2020 and should be read in conjunction with the audited consolidated financial statements as at June 30, 2020 and 2019 and for the years 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 enter into new business operations, 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 over $2,500,000 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, 2020, 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.

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 broader capital markets may hinder the Company's ability to identify and enter into new commercial activities.

Share Purchase Agreement

On October 13, 2020, the Company entered into a definitive share purchase agreement (the "Agreement") with each of the (collectively, the "Vendors") of 2777662 Ontario Corp ("ONCorp") to acquire all of the outstanding share capital of ONCorp. ONCorp is a privately-held arms-length company which holds an option to acquire an 80% interest in the Brothers Project in Suriname. Pursuant to the terms of the Agreement, the Company will issue 15,546,566 common shares to the Vendors in consideration for all of the outstanding share capital of ONCorp (the "Transaction"). Upon closing of the Transaction, the Company shall assume ONCorp's right to earn up to an 80% interest in the Brothers Project, which right 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.
- 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.

The Transaction is expected to close by October 30, 2020, but is subject to regulatory approval.

Additional information on the Transaction and the Brothers Project is available on the Company's profile on www.sedar.com.

Selected Annual Information

As at June 30,	**2020**	2019	2018
	$	$	$
Total assets	**2,624,732**	2,686,667	1,496,596
Total long-term liabilities	**-**	-	-

For the year ended June 30,	**2020**	2019	2018
	$	$	$
Exploration expenses	**12,518**	30,500	11,464
General and administrative expenses	**46,114**	54,146	64,706
Net loss for the year	**58,632**	84,646	76,170
Basic and diluted loss per share	**(0.00)**	(0.00)	(0.00)
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 corporate administration and office facilities, accounting and legal services, transfer agent, listing and filing fees, and other costs required as a publicly-traded company. Commensurate with the Company's nominal level exploration activities in recent years, these costs reflect a base level of costs incurred as a publicly-listed entity and have been consistent in years including and subsequent to the year ended June 30, 2018. Partly offsetting these costs is interest income earned on the Company's cash balance which increased in the year ended June 30, 2019 as a result of the exercise of warrants.

Net assets as at June 30, 2020 were $58,632 lower than those as at June 30, 2019 as a result of the net loss for the year. Net assets as at June 30, 2019 were higher than those at June 30, 2018 as a result of $1,271,425 in net cash proceeds received from the exercise of warrants during the year ended June 30, 2019.

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,	
	2020	2019	**2020**	2019
	$	$	**$**	$
Exploration expenses	**-**	21,715	**12,518**	30,500
General and administrative expenses:				
Office administration and facilities	**12,000**	12,000	**48,000**	48,000
Accounting and legal services	**12,398**	12,378	**16,181**	14,873
Transfer agent, listing and filing fees	**592**	1,649	**13,081**	14,845
Shareholder information	**180**	180	**1,353**	1,322
Office supplies and services	**304**	426	**1,322**	4,296
Foreign exchange loss	**-**	260	**351**	371
Interest income	**(1,082)**	(11,583)	**(34,174)**	(29,561)
Loss for the period	**24,392**	37,025	**58,632**	84,646
Basic and diluted loss per share	**0.00**	0.00	**0.00**	0.00

Year ended June 30, 2020

The Company reported a loss of $58,632 for the year ended June 30, 2020, compared with a loss of $84,646 for the year ended June 30, 2019. The higher net loss in 2019 was the result of increased exploration expenditures owing primarily to travel to the Paxson Gold Property in 2019 that did not occur in 2020. Additionally, interest income increased by $4,613 for the year ended June 30, 2020 owing to a higher average cash balance during the year following an exercise of warrants in the year ended June 30, 2019.

Other expenses for the year ended June 30, 2020 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, 2019.

Fourth Quarter Results

During the three months ended June 30, 2020, the Company incurred a loss of $24,392 compared with a loss of $37,025 in the same period in 2019. The decreased net loss is the result of 2019 exploration expenses, primarily for travel to the Paxson Gold Property, of $21,715 that did not recur in 2020. Partly offsetting the effect of this cost decrease was a $10,501 decrease in interest income for the three months ended June 30, 2020 compared with the same period in 2019 following a decrease in benchmark interest rates earned on cash balances. Other expenses incurred in the three months ended June 30, 2020 were comparable with those incurred for the three months ended June 30, 2019.

Quarterly Information

	General and Administrative Expenses (1)	Exploration Expenses	Net Loss	Basic & Diluted Loss per Share
	$	$	$	$
Q4 – June 30, 2020	24,392	-	24,392	(0.00)
Q3 – March 31, 2020	8,834	-	8,834	(0.00)
Q2 – December 31, 2019	10,683	9,655	20,338	(0.00)
Q1 – September 30, 2019	2,205	2,863	5,068	(0.00)
Q4 – June 30, 2019	15,310	21,715	37,025	(0.00)
Q3 – March 31, 2019	15,537	-	15,537	(0.00)
Q2 – December 31, 2018	11,887	8,785	20,672	(0.00)
Q1 – September 30, 2018	11,412	-	11,412	(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, 2020, the Company's working capital was $2,563,640 compared with $2,622,272 at June 30, 2019. The decrease in working capital is the result of expenditures for exploration and general and administrative items, partly offset by interest income during the year ended June 30, 2020.

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. As a result, management believes that the Company has sufficient working capital to meet its projected operating and exploration activities beyond the next fiscal year, and to pursue other operating 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, 2020, the expense for office administration and facilities includes $48,000 (2019 - $48,000) for services provided by Earlston. Additionally, in the year ended June 30, 2019, the Company paid Earlston $5,000 for services rendered in connection with the exercise of warrants, which has been included in share issuance costs.

Accounts payable and accrued liabilities as at June 30, 2020 includes $4,306 (June 30, 2019 - $4,306) 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, pay for general and administrative costs and pursue new business operations, 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, 2020, 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).

Financial instruments measured at fair value on the statement of financial position as at June 30, 2020 are summarized in the levels of the fair value hierarchy as follows:

	Level 1	**Level 2**	**Level 3**
	$	**$**	**$**
Cash	2,579,446	-	-

The Company's risk exposures and the 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, 2020, the Company had a cash balance of $2,579,446 to settle current liabilities of $16,477. 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 52,047,200 common shares and 450,000 stock options 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, 2020.

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.