RHYOLITE RESOURCES

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the year ended December 31, 2021, six months ended December 31, 2020, and year ended June 30, 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 of April 7, 2022 and should be read in conjunction with the Company's consolidated financial statements for the year ended December 31, 2021. Those consolidated financial statements are prepared in accordance with International Financial Reporting Standard as issued by the International Accounting Standards Board ("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

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regarding future events, performance, and results, and are accurate only at the time of this MD&A and may be superseded by more current information.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 April 7, 2022.

COMPANY OVERVIEW

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 ("Muckahi" or "MMS").

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. The Company is listed on the TSX Venture Exchange ("TSX-V") under the symbol "RYE".

CORPORATE UPDATE

Private Placement Financing

On December 21, 2021, the Company completed a "bought deal" brokered private placement of 16,000,000 common shares (the "Common Shares") of the Company at a price of C$0.88 per Common Share (the "Offering Price") for gross proceeds of approximately C$14million (the "Bought Deal Private Placement"). BMO Capital Markets ("BMO") acted as the sole underwriter in respect of the Bought Deal Private Placement and received a cash commission equal to 6.0% of the gross proceeds thereon.

Rhyolite also closed a non-brokered private placement of approximately C$4 million at a price per Common Share equal to the Offering Price (the "Non-Brokered Private Placement", and together with the Bought Deal Private Placement, the "Offering"). No finders fees or commissions were paid in connection with the Non-Brokered Private Placement.

The Company intends to use the net proceeds of the Offering for furthering engineering work on Muckahi equipment, procurement related to Muckahi equipment, exploration in Suriname, and corporate purposes.

Management and Corporate Strategy

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. Mr. Stanford brings a long track record of success in company building, operations, and productive environmental, social and governance (ESG) relationships. Mr. Stanford also led the development of the innovative Muckahi Mining System for underground hard rock mines.

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.

For more information about the Muckahi Mining System, including a descriptive video, visit the Rhyolite website at www.rhyoliteresources.com.

Muckahi Transaction

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 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” or “Suku Passi”) 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:

<u>Suku Passi concession</u>

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 December 31, 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. As of March 21, 2022, the Company has paid US$400,000 and met the exploration expenditure commitment.
- 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.

<u>Bob's Pit concession</u>

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 21st in 2022, 2023, 2024, 2025, and 2026. As of April 7, 2022, the Company has met the 2022 commitments.

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.

JOINT VENTURE EXPLORATION UPDATE

At the Brothers Project, the Company commenced a 3,000-meter diamond drilling campaign in December 2021 to test several areas where small-scale miners had been successful. The program was completed in March 2022 with 3,074 meters drilled. The samples collected were sent to a local lab in Suriname for processing with some results still pending as of date of this report. When the remaining results are received and analysed, the complete set of results will be press released. These results will inform the targeting decisions for the next exploration season.

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 Company is planning to expand the Lidar survey to other areas within the concession in 2022. An integrated exploration program will be carried out during 2022. Activities planned include panning, auger sampling, geologic mapping, trenching, geophysical work, IP, RC drilling to be followed by a core drilling program in the summer dry season. A field 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 ANNUAL INFORMATION

	December 31, 2021	December 31, 2020(1)	June 30, 2020(2)
Total assets	$ 28,281,992	$ 9,943,515	$ 2,580,117
Net loss for the period	3,872,456	4,937,203	58,632
Loss per share - basic and diluted	0.04	0.08	0.00
Dividends paid	-	-	-

(1) In November 2020, the Company changed its fiscal year-end from June 30th to December 31st. The net loss figures in the table represent loss for the six-month period ended December 31, 2020, and the years ended December 31, 2021 and June 30, 2020.

(2) 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 June 30, 2020 comparatives.

Rhyolite, at its current stage, does not have operating revenues. The increase in total assets for the year ended December 31, 2021 is mainly due to the acquisition of 2765798 Ontario Ltd. and the Offering. The increase in total assets for the six-month period ended December 31, 2020 is mainly due to the acquisition of 2777662 Ontario Ltd. and the November 2020 private placement.

in March, 2021, the Company acquired all the outstanding share capital of 2765798 Ontario Ltd. ("ONCorp"), which holds an option to earn a 70% interest in the Joint Venture Companies. The Joint Venture Companies together own 100% of the Suku Passi Project in Suriname.

In December, 2021, the Company closed a private placement of 20,546,455 common shares at a price of $0.88 per share for gross proceeds of $18,0080,880, which further increased the Company's total assets for the year ended 31, 2021.

The decrease in net loss for the year ended December 31, 2021 is mainly due to a gain recognized on the derivative instrument issued to acquire ONCorp of $630,000 (2020 – Loss of $4,663,970); partially offset by Muckahi license and trademark cost of $1,100,000 (2020 – Nil); share-based payment of $1,097,318 (2020 – Nil); higher professional fees of 969,024; and higher salaries and benefits of $627,772.

SELECTED QUARTERLY INFORMATION

The following table provides information for the eight fiscal quarters ended December 31, 2021:

	December 31, 2021	**September 30, 2021**	**June 30, 2021**	**March 31, 2021**
Gain on derivative instrument	-	-	-	(630,000)
Corporate expenses	1,950,310	1,624,482	328,450	372,021
Share of loss in joint ventures	145,062	69,570	12,561	-
Net loss (income)	2,095,372	1,694,052	341,011	(257,979)
Loss (income) per share - basic and diluted	0.04	0.02	0.00	(0.00)
Total assets	28,281,992	12,091,001	12,426,521	13,371,022
Total liabilities	574,465	289,787	137,990	756,480
Shareholders' equity	27,707,527	11,801,214	12,288,531	12,614,542

	December 31, 2020(1)	**September 30, 2020(1)**	**June 30, 2020(1)**	**March 31, 2020(1)**
Exploration expenses	$ 9,412	$ -	$ -	$ -
Loss on derivative instrument	4,663,970	-	-	-
Corporate expenses	251,945	11,876	24,392	8,834
Net loss	4,925,327	11,876	24,392	8,834
Loss per share - basic and diluted	0.08	0.00	0.00	0.00
Total assets	9,943,515	2,565,509	2,580,117	2,593,171
Total liabilities	74,452	13,745	16,477	5,139
Shareholders' equity	9,869,063	2,551,764	2,563,640	2,588,032

(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 expenses

The exploration expenses 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 December 31, 2021. The Company did not renew the Paxson license upon its expiration on December 31, 2021. The claims were voluntarily dropped and no further costs will be incurred for the Paxson project.

(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 opposed 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.

Corporate expenses

Corporate 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 five 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 Co, a company controlled by Mr. 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 $1.10 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 December 31, 2021 and September 30, 2021, the Company recognized $981,963 and $106,735 respectively as share-based compensation from the Escrow Shares.

Higher corporate expenses in the quarter ended December 31, 2021 is also attributable to higher professional fees related to consulting fees for joint venture acquisition and Muckahi engineering costs, as well as higher salaries and benefits for additional personnel added during the quarter.

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 five most recent quarters is mainly due to the acquisition of 2777662 Ontario Ltd., 2765798 Ontario Ltd., and the December 2021 private placement where the Company raised $18,080,880.

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 twelve months ended December 31, 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	-	3,080,000	3,080,000
Earn-in payments	125,790	754,100	879,890
Earn-in expenditures	1,444,756	522,420	1,967,176
Share of loss in joint venture	(227,193)	-	(227,193)
Balance - December 31, 2021	**$ 4,655,765**	**$4,356,520**	**$ 9,012,285**

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. The increase in balance for the quarter ended December 31, 2021 is due to higher volume of transactions during the period. The accounts payable balance fluctuates depending on the Company's payment cycle.

RESULTS OF OPERATIONS

	Three months ended		Year Ended	6-Months Ended
	December 31, 2021	December 31, 2020	**December 31, 2021**	December 31, 2020
Operating expenses				
Exploration expenses	**$ -**	$ 9,412	**$ -**	$ 9,412
Office administration and facilities	**6,250**	19,000	**113,750**	31,000
Compliance and regulatory	**3,686**	26,381	**74,142**	27,488
Professional fees	**511,800**	158,451	**1,127,872**	158,849
Insurance	**8,514**	-	**28,375**	-
Salaries and benefits	**390,011**	28,240	**656,012**	28,240
Muckahi licence and trademark	**-**	-	**1,100,000**	-
Share-based payment	**990,582**	-	**1,097,317**	-
Office supplies and services	**28,428**	1,954	**46,122**	2,299
Investor relations	**8,376**	7,239	**27,246**	7,419
Amortization	**1,714**	-	**3,028**	-
	1,949,361	250,677	**4,273,864**	264,707
Other expense (income)				
(Gain)/ Loss on derivative instrument	-	4,663,970	**(630,000)**	4,663,970
Share of loss in joint ventures	**145,062**	-	**227,193**	-
Foreign exchange gain (loss)	**3,129**	12,389	**10,131**	12,389
Interest income	**(2,180)**	(1,709)	**(8,732)**	(3,863)
Loss and comprehensive loss for the period	**$ 2,095,372**	$ 4,925,327	**$ 3,872,456**	$ 4,937,203

Operating expenses increased for the three and twelve months ended December 31, 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 third quarter. Prior to the acquisition of the Brothers options in October 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.

Fourth Quarter Results – Three months ended December 31, 2021 ("Q4 2021") compared to the three months ended December 31, 2020 ("Q4 2020")

Professional fees

Professional fees include legal, consulting, engineering, accounting, and tax advisory costs. The increase in professional fees in Q4 2021 compared to Q4 2020 is primarily due to Muckahi engineering costs of $267,000 and an increase in consulting fees of $126,000 related to the acquisition of Brothers and Suku Passi projects. The increase in other professional services reflect the increased corporate activities in Q4 2021 compared to same period in 2020.

Salaries and benefits

The increase in salaries and benefits in Q4 2021 compared to Q4 2020 represent the addition of full-time employees at the corporate level to meet the increased corporate activities. In Q4 2020, the Company had minimal full-time staff as most of the corporate services were outsourced.

Share-based payment

In Q4 2021, the Company recognized $981,963 in share-based compensation from Escrow Shares issued to Mr. Stanford in connection with the Muckahi Transaction in accordance with IFRS 2, *Share-based payment* and the vesting condition. The Company also issued stock options to certain employees during Q4 2021. The value of the stock options was estimated using the Black-Scholes option pricing model. The estimated fair value is expensed over the vesting period. There were no such transactions in Q4 2020.

Loss on derivative instrument

Loss on derivative instrument in Q4 2020 represents the change in value of 15,546,566 Rhyolite 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 the 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. In Q4 2021, no such transaction occurred.

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' Q4 2021 loss in the Company's Statement of Loss and Comprehensive Loss during the period.

Year-end Results – 12 months ended December 31, 2021 ("YTD 2021") compared to the six months ended December 31, 2020 ("YTD 2020")

Professional fees

Professional fees include legal, consulting, engineering, accounting, and tax advisory costs. The increase in professional fees of $969,000 in YTD 2021 compared to YTD 2020 primarily relates to: (i) an increase in consulting fees of $337,000 attributable to a financial advisory fee paid to a financial advisor and fees related to the Brothers and Suku Passi option acquisition; (ii) Muckahi engineering costs of $267,000; (iii) an increase in legal fees of $223,000; and (iv) an increase in accounting and tax services of $140,000. 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 minimal full-time staff as most of the corporate services were outsourced.

Muckahi license and trademark

The Company expensed the $1.1 million related to the 1.0 million unconditional shares issued to Mr. Stanford in accordance with IFRS 2, *Share-based payment* 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 $1.10 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.

Share-based payment

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. During the year, the Company recognized $1,089,000 as share-based compensation from the Escrow Shares. The Company also issued stock options to certain employees during Q4 2021. The value of the stock options was estimated using the Black-Scholes option pricing model. The estimated fair value is expensed over the vesting period. There were no such transactions in YTD 2020.

Gain/ (Loss) on derivative instrument

Gain on derivative instrument for year ended December 31, 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 year.

Loss on derivative instrument for the period ended December 31, 2020 represents the change in value of 15,546,566 Rhyolite shares issued to acquire ONCorp 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 the 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.

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 year.

FINANCIAL CONDITION, LIQUIDITY AND CAPITAL RESOURCES

As of December 31, 2021, the Company had consolidated cash of approximately $19.1 million (December 31, 2020 - $6.4 million) to apply against short-term business requirements and current liabilities of $574,465 (December 31, 2020 - $74,452).

The Company plans to develop the Muckahi Mining System ("Muckahi") and to identify a suitable project for the application of Muckahi. The Company also continues to fund its commitments under the joint venture agreements, which extend beyond the end of 2022. The Company will require additional financing in order to fund its operations, meet its planned investment in Muckahi and meet the cash payment and exploration expenditure commitments under the joint venture agreements.

Continuance as a going concern is dependent upon the 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 2021, 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, and as a result, a material uncertainty exists that casts significant doubt about the Company's ability to continue as a going concern.

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. Although the Company has experienced operational delays during 2021 due to supply chain disruption and safeguarding all personnel during the pandemic, the Company was able to complete the committed exploration activities in accordance with joint venture agreements as well as raising the capital in December 2021 as planned.

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 $4,000 per month (up until October 2020), $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 $6,250 and $113,750 in office administration and facilities expenditures provided by Earlston for the three and twelve months ended December 31, 2021 respectively (2020 – $19,000 and $31,000 respectively). The service agreement was terminated in October 2021.

Accounts payable as at December 31, 2021 includes $Nil (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 twelve months ended December 31, 2021 and three and six months ended December 31, 2020, key management compensation comprises:

	Three months ended December 31, 2021	Three months ended December 31, 2020	Year ended December 31, 2021	6-months ended December 31, 2020
Earlston	**$ 6,250**	$ 19,000	**$ 113,750**	$ 31,000
Salaries and benefits	**305,000**	25,000	**525,685**	25,000
Muckahi licence and trademark	**-**	-	**1,100,000**	-
Share-based payment	**990,582**	-	**1,097,317**	-
Total	**$ 1,301,832**	$ 44,000	**$ 2,836,752**	$ 56,000

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 twelve months ended December 31, 2021, the Company recognized $981,963 and $1,088,699 respectively as share-based compensation related to the escrow 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 Company plans to develop the Muckahi Mining System and to identify a suitable project for the application of Muckahi. The Company also continues to fund its commitments under the joint venture agreements, which extend beyond the end of 2022. The Company will require additional financing in order to fund its operations, meet its planned investment in Muckahi and meet the cash payment and exploration expenditure commitments under the joint venture agreements.

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 year ended December 31, 2021.

FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

As at December 31, 2021 and 2020, and June 30, 2020, the Company's financial instruments comprise cash, amounts receivable and accounts payable and accrued liabilities. Fair values of financial instruments measured at fair value through profit or loss are classified in a fair value hierarchy based on the inputs used to determine fair values.

As of December 31, 2021 and 2020, and June 30, 2020, the fair values of the Company's financial instruments approximate their carrying values due to their short-term maturity. 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 and amounts receivable. 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. The Company's amounts receivable consists of sales tax refundable from the Canada Revenue Agency and is not subject to significant credit risk.

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 to meet short-term operating requirements after considering cash flows from operations and the Company's holdings of cash. The Company believes that these sources are sufficient to cover the cash requirements within the next 12 months, but that additional funding may be required to meet longer-term requirements. As at December 31, 2021, the Company had a cash balance of $19,060,773 to settle current liabilities of $574,465. 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 reports its financial results in Canadian dollars but also undertakes transactions in various foreign currencies, mainly the US dollar. As the exchange rates between the Canadian dollar and these foreign currencies fluctuate, the Company experiences foreign exchange gains and losses. The Company has cash and accounts payable and accrued liabilities that are denominated in foreign currencies, which are subject to currency risk.

The carrying amounts of the Company's US dollar denominated monetary assets and liabilities translated to Canadian dollar as at December 31, 2021 and 2020, and June 30, 2020 are as follows:

		December 31, 2021		December 31, 2020		June 30, 2020
Cash and cash equivalents	**$**	**334,300**	$	627,655	$	-
Accounts payable and accrued liabilities		**(374,828)**		(21,539)		-
	$	**(40,528)**	$	606,116	$	-

As at December 31, 2021, a 10% depreciation or appreciation of applicable foreign currencies against the Canadian dollar would result in an approximate $4,100 decrease or increase in the Company's comprehensive loss (December 31, 2020 - $60,600 and June 30, 2020 - Nil).

The Company does not enter into any financial instruments to hedge currency risk, but the Company monitors its foreign exchange exposure.

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 116,590,221 common shares and 30,000 stock options outstanding.

OFF-BALANCE SHEET ARRANGEMENTS

During the year ended December 31, 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 and 4 of its audited consolidated financial statements for the year ended December 31, 2021.

NEW ACCOUNTING STANDARDS AND INTERPRETATIONS

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 Company does not expect a significant impact to the financial statements as a result of the adoption effective January 1, 2022.

In May 2021, the IASB published a narrow scope amendment to IAS 12 Income taxes (“IAS 12”). In September 2021, IAS 12 was revised to reflect this amendment. The amendment narrowed the scope of the recognition exemption so that it no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences such as deferred taxes on leases and decommissioning obligations. The amendment is effective for annual periods beginning on or after January 1, 2023, and applied retrospectively. The Company does not expect a significant impact to the financial statements as a result of the adoption effective January 1, 2023.

Amendment to IAS 1 is effective for annual periods beginning on or after 1 January 2023. The narrow-scope amendments to IAS 1 clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the expectations of the entity or events after the reporting date (e.g. the receipt of a waiver or a breach of covenant). The amendments also clarify what IAS 1 means when it refers to the ‘settlement’ of a liability. The amendments could affect the classification of liabilities, particularly for entities that previously considered management’s intentions to determine classification and for some liabilities that can be converted into equity. The Company does not expect a significant impact to the financial statements as a result of the adoption effective January 1, 2023.

The IASB has recently issued amendments to IAS 1 Presentation of Financial Statements and an update to IFRS Practice Statement 2 Making Materiality Judgements to help companies provide useful accounting policy disclosures. The key amendments to IAS 1 include:

- requiring companies to disclose their material accounting policies rather than their significant accounting policies;
- clarifying that accounting policies related to immaterial transactions, other events or conditions are themselves immaterial and as such need not be disclosed; and
- clarifying that not all accounting policies that relate to material transactions, other events or conditions are themselves material to a company’s financial statements.

The IASB also amended IFRS Practice Statement 2 to include guidance and two additional examples on the application of materiality to accounting policy disclosures. The extent of the impact of adoption of these amendments has not yet been determined.

Internal Control Over Financial Reporting

The Chief Executive Officer and Chief Financial Officer of the Company are responsible for designing internal controls over financial reporting or causing them to be designed under their supervision in order to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. There was no change in the Company's internal controls over financial reporting that occurred during the year ended December 31, 2021 that has materially affected, or is reasonably likely to materially affect, the Company's internal controls over financial reporting.

Disclosure controls and procedures have been designed to provide reasonable assurance that all relevant information required to be disclosed by the Company is accumulated and communicated to senior management as appropriate to allow timely decisions regarding required disclosure. The Company's management believe that any internal controls over financial reporting and disclosure controls and procedures, no matter how well designed, can have inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance that the objectives of the control system are met.

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 and development activities 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 described below, prior to making any investment in the Company's common shares.

The risks below 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.

Mineral Property Exploration and Mining Risks

The business of mineral deposit exploration and extraction involves a high degree of risk. Few properties that are explored ultimately become producing mines. At present, the Company's properties do not have a known commercial ore deposit. The main operating risks include: securing adequate funding to maintain and advance exploration properties; ensuring ownership of and access to mineral properties by confirmation that option agreements, claims and leases are in good standing; and obtaining permits for drilling and other exploration activities.

Title to Mineral Property Risks

The Company does not maintain insurance against title. Title on mineral properties and mining rights involves certain inherent risks due to the difficulties of determining the validity of certain claims as well as the potential for problems arising from the frequently ambiguous conveyance history of many mining properties. The Company has diligently investigated and continues to diligently investigate and validate title to its mineral claims; however, this should not be construed as a guarantee of title. The Company cannot give any assurance that title to properties it acquired will not be challenged or impugned and cannot guarantee that the Company will have or acquire valid title to these mineral properties.

Commodity Price Risk

The Company is exposed to commodity price risk. Declines in the market price of gold, base metals and other minerals may adversely affect the Company's ability to raise capital in order to fund its ongoing operations. Commodity price declines could also reduce the amount the Company would receive on the disposition of its mineral property to a third party.

Financing and Share Price Fluctuation Risks

The Company has limited financial resources, has no source of operating cash flow and has no assurance that additional funding will be available to it for further exploration and development of its projects. Further exploration and development of the Company's projects may be dependent upon the Company's ability to obtain financing through equity or debt financing or other means. Failure to obtain this financing could result in delay or indefinite postponement of further exploration and development of its projects which could result in the loss of its property.

Securities markets have at times in the past experienced a high degree of price and volume volatility, and the market price of securities of many companies, particularly those considered to be exploration stage companies such as the Company, have experienced wide fluctuations in share prices which have not necessarily been related to their operating performance, underlying asset values or prospects. There can be no assurance that these kinds of share price fluctuations will not occur in the future, and if they do occur, how severe the impact may be on the Company's ability to raise additional funds through equity issues.

Political, Economic and Currency Risks

The Company's property interests and proposed exploration activities in the United States and Suriname are subject to political, economic and other uncertainties, including the risk of expropriation, nationalization, renegotiation or nullification of existing contracts, mining licenses and permits or other agreements, changes in laws or taxation policies, currency exchange restrictions, and changing political conditions and international monetary fluctuations. Future government actions concerning the economy, taxation, or the operation and regulation of nationally important facilities such as mines, could have a significant effect on the Company.

The Company's equity financings are sourced in Canadian dollars and the Company incurs expenditures in Canadian dollars, US dollars and Surinamese dollars. At this time there are no currency hedges in place. Therefore, a weakening of the Canadian dollar against the US dollar or Surinamese dollar could have an adverse effect on the Company's operations.

Foreign Operations

Rhyolite operates in foreign countries, including the United States and Suriname, where there are added risks and uncertainties. Risks of foreign operations include political unrest, labour disputes and unrest, invalidation of governmental orders and permits, corruption, organized crime, theft, war, civil disturbances and terrorist actions, arbitrary changes in law or policies of particular countries (including nationalization of mines), trade disputes, foreign taxation, price controls, delays in obtaining or renewing or the inability to obtain or renew necessary environmental permits, opposition to mining from environmental or other non-governmental organizations, social perception impacting our social license to operate, limitations on foreign ownership, limitations on the repatriation of earnings, limitations on mineral exports and increased financing costs. There can be no assurance that changes in the government or laws, or changes in the regulatory environment for mining companies, or for non-domiciled companies, will not be made, that would adversely affect Rhyolite's business, financial condition, results of operations and prospects.

Russo-Ukrainian War

The continued escalation of the Russo-Ukrainian War has resulted in significant volatility in commodity prices and global markets and an increased risk of cybersecurity and information technology attacks. The ongoing war has caused foreign governments, including Canada and the United States, to impose economic sanctions on Russia. While the Company does not operate in Russia and its operational activities are not currently impacted by sanctions, continued volatility could impact the Company's ability to obtain necessary financing and market liquidity. Expansion of the war outside of the Ukraine may adversely impact global markets and commodity prices as well as the ability of the Company to secure the necessary employees and resources to sustain planned operations.

Illegal Miners/Mineral Extraction by Third Parties without Title

Artisanal and illegal miners are present at the Company's joint venture Brothers and Suku Passi projects in Suriname. As the Company further explores and advances mining projects towards production, the Company must enter into discussions with illegal miners operating at these projects. There is a risk that such illegal miners may oppose the Company's operations and this may result in a disruption to the planned development and/or to mining and processing operations; all of which may have an adverse effect on the Company. Illegal miners that operate at Brothers and Suku Passi likely do not meet proper health and safety standards. Accidents may occur and may range from minor to serious, including death.

Regulatory Risks

The mining industry in Suriname and the United States is subject to extensive controls and regulations imposed by various levels of government. All current legislation is a matter of public record and the Company will be unable to predict what additional legislation or amendments may be enacted. Amendments to current laws, regulations and permits governing operations and activities of mining companies, including environmental laws and regulations which are evolving in Suriname and the United States, or more stringent implementation thereof, could cause increases in expenditures and costs, and could affect the Company's ability to expand existing operations or require the Company to abandon or delay the development of its properties.

Insured and Uninsured Risks

In the course of exploration, development and production of mineral properties, the Company is subject to a number of hazards and risks in general, including adverse environmental conditions, operational accidents, labor disputes, unusual or unexpected geological conditions, changes in the regulatory environment and natural phenomena such as inclement weather conditions, floods, and earthquakes. Such occurrences could result in damage to the Company's properties or facilities and equipment, personal injury or death, environmental damage to properties of the Company or others, delays, monetary losses and possible legal liability.

Although the Company may maintain insurance to protect against certain risks in such amounts as it considers reasonable, its insurance may not cover all the potential risks associated with its operations. The Company may also be unable to maintain insurance to cover these risks at economically feasible premiums or for other reasons. Should such liabilities arise, they could reduce or eliminate future profitability and result in increased costs, have a material adverse effect on the Company's results and could cause a decline in the value of the securities of the Company.

Exploration and Development

Exploring and developing natural resource projects bears a high potential for all manner of risks. Additionally, few exploration projects successfully achieve development due to factors that cannot be predicted or foreseen. Moreover, even one such factor may result in the economic viability of a project being detrimentally impacted, such that it is neither feasible nor practical to proceed. Natural resource exploration involves many risks, which even a combination of experience, knowledge and careful evaluation may not be able to overcome. Operations in which the Company has a direct or indirect interest will be subject to all the hazards and risks normally incidental to exploration, development and production of natural resources, any of which could result in work stoppages, damage to property, and possible environmental damage. If any of the Company's exploration programs are successful, there is a degree of uncertainty attributable to the calculation of resources and corresponding grades and in the analysis of the economic viability of future mine development and mineral extraction. In addition, the ability of the Company to commercially develop the MMS is dependent on identifying a viable project. There is no guarantee that the Company will be able to identify such a project or acquire an interest in such a project on commercially reasonable terms.

Environmental Risks

The activities of the Company are subject to environmental regulations issued and enforced by government agencies. Environmental legislation is evolving in a manner that will require stricter standards and enforcement and involve increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects, and a heightened degree of responsibility for companies and their officers, directors and employees. There can be no assurance that future changes in environmental regulation, if any, will not adversely affect the Company's operations. Environmental hazards may exist on properties in which the Company holds interests which are unknown to the Company at present.

Competition

The Company competes with many companies and individuals that have substantially greater financial and technical resources than the Company for the acquisition and development of its projects as well as for the recruitment and retention of qualified employees.

Climatic conditions or changes in climate over time can affect exploration, development and future mining activities

The potential physical impacts of climate change on the Company's exploration projects is highly uncertain and are particular to the geographic circumstances. These may include changes in rainfall and storm patterns and intensities, water shortages, changing sea levels and changing temperatures. Climate change is an international concern and as a result poses the risk of changes in government policy including introducing climate change legislation and treaties at all levels of government that could result in increased costs. The trend towards more stringent regulations and carbon-pricing mechanisms aimed at reducing the effects of climate change could impact the Company's decision to pursue future opportunities, or maintain our existing exploration programs, which could have an adverse effect on our business.

Limited Operating History

The Company has no history of generating profits. The Company expects to continue to incur losses unless and until such time as it develops its properties and commences mining operations. The development of the properties will require the commitment of substantial financial resources. The amount and timing of expenditures will depend on a number of factors, some of which are beyond the Company's control, including the progress of ongoing exploration, studies and development, the results of consultant analysis and recommendations, the rate at which operating losses are incurred and the execution of any further joint venture agreements with strategic parties, if any. There can be no assurance that the Company will generate operating revenues or profits in the future.

Conflicts of Interest

Certain directors and officers of the Company are also directors, officers and/or shareholders of other companies that are similarly engaged in the business of natural resource exploration, development and production. Such associations may give rise to conflicts of interest from time to time. The directors of the Company are required by law to act honestly and in good faith with a view to the best interests of the Company and to disclose any interest which they may have in any project or opportunity of the Company. If a conflict of interest arises at a meeting of the Board, any director in a conflict is required under the Business Corporations Act (British Columbia) to disclose their interest.