

**RHYOLITE RESOURCES LTD.**  
**INTERIM MD&A – QUARTERLY HIGHLIGHTS**  
**FOR THE NINE MONTHS ENDED MARCH 31, 2017**

**Background**

This Management Discussion and Analysis – Quarterly Highlights (“Quarterly Highlights”) for Rhyolite Resources Ltd. (“Rhyolite” or the “Company”) is prepared as at May 23, 2017 and should be read in conjunction with the unaudited condensed interim consolidated financial statements for the nine months ended March 31, 2017 and in conjunction with the audited consolidated financial statements as at June 30, 2016 and for the year then ended.

The unaudited condensed interim consolidated financial statements for the nine months ended March 31, 2017, and comparative information presented therein, have been prepared in accordance with International Financial Reporting Standard (“IFRS”) and with International Accounting Standard 34, “Interim Financial Reporting”, as issued by the International Accounting Standards Board (“IASB”) and Interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”).

All dollar figures included therein and in the Quarterly Highlights are quoted in Canadian dollars. Additional information relevant to the Company’s activities can be found on SEDAR at [www.sedar.com](http://www.sedar.com).

**Forward-Looking Statements**

Certain statements contained in the following Quarterly Highlights constitute forward-looking statements. Such forward-looking statements include, but are not limited to statements regarding the Company’s plans for the Paxson Gold Property, its ability to raise sufficient financing for exploration and evaluation activities, and its financial statement risks. These forward-looking statements involve a number of known and unknown risks, uncertainties and other factors such as, but not limited to exploration results, gold prices and general equity and market conditions. The outcomes of these factors may cause the actual results, performance or achievements of the company to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Readers are cautioned not to place undue reliance on these forward-looking statements.

**Brokered Private Placement**

On March 27, 2017, the Company closed a brokered private placement of \$16,000,000 units (“Units”) at a price of \$0.10 per unit for gross proceeds of \$1,600,000. Each Unit consists of one common share (“Unit Share”) and a one-half share purchase warrant (“Unit Warrant”). Each full Warrant entitles the holder to acquire one additional common share of the Company at a price of \$0.15 per share on or before March 27, 2019. Issuance costs incurred to complete the private placement included \$212,085 in cash costs for agent’s commissions, stock exchange fees, and amounts paid to a related party for support services, as well as \$127,497 for 1,360,000 additional warrants (the “Agent’s Warrants”) to the agent who facilitated the private placement.

The Company intends to use the net proceeds of the placement as follows:

- Up to \$500,000 for the evaluation of potential acquisition targets and project investigations; and
- \$887,915 for general corporate purposes and future working capital.

### **Analysis of the Company's Financial Performance and Condition**

In January 2015 the Company implemented a strategy to pursue new exploration opportunities in an expanded geographic region and, to facilitate this strategy, hired a new Chief Executive Officer, engaged business development and geological consultants, and rented an office in the United Kingdom. In October 2015, the Company determined that this strategy was unsuccessful resulting in the resignation of the CEO - who was succeeded by Richard Graham, a director of the Company - and the termination of the consulting and office services, with a renewed effort to preserve the Company's remaining cash.

Following the change to the Company's strategy in October 2015, salary, consulting and office costs incurred to pursue new exploration opportunities have been largely eliminated and, as a result, the Company's loss and comprehensive loss decreased from \$229,893 (\$0.01 per share) for the nine months ended March 31, 2016 to \$66,230 (\$0.00 per share) for the same period of 2017. Significant expenses for the nine months ended March 31, 2017 included \$36,000 for office administration and facilities (2016 - \$36,000), \$13,763 for transfer agent, exchange listing and filing fees (2016 - \$13,763) and \$9,592 for claim renewal and other exploration expenses related to the Paxson Gold Property.

The \$24,489 loss for the three months ended March 31, 2017 was comparable with the \$19,208 loss incurred for the three months ended March 31, 2016, as a result of the cost-containment strategy being implemented for the entirety of both periods. The losses for both the three months ended March 31, 2017 and 2016 were primarily owing to expenses for office administration and facilities, accounting and legal fees, as well as transfer agent, listing and filing fees. These costs are consistent with previous periods and were incurred to maintain a basic level of operations as a publicly-traded entity and it is expected that they will be reflective of future periods until the Company becomes commercially active or engages in a significant investigation of a potential business combination of acquisition.

As at March 31, 2017, the Company had cash of \$1,617,963 and liabilities of \$52,236. During the nine months ended March 31, 2017, the Company raised proceeds of \$1,387,915 from the March 27, 2017 private placement, net of cash issuance costs, and it spent \$33,705, primarily on office administration and facilities incurred with a related party and for the renewal of the Paxson Gold Property claims.

## **Liquidity and Expense Structure**

Following the March 27, 2017 private placement it is anticipated that the Company will incur expenses for the investigation of potential acquisition targets that have not been incurred in recent quarters, and \$500,000 of the private placement proceeds has been allocated for such expenses. However, until an attractive potential target is identified, the Company will continue operating as a publicly-traded entity with minimal levels of operating overhead with general and administrative costs remaining consistent with those incurred in the three and nine months ended March 31, 2017. In light of this level of activity, the Company's current cash balance will be sufficient to maintain operations for the next 12 months.

## **Related Party Transactions**

The Company is party to a corporate service agreement with Earlston Management Corp. ("Earlston"), a company a company related that provides key management services to the Company. The Company pays Earlston a fee of \$4,000 per month and Earlston is reimbursed for expenses incurred in the performance of its services. An expense for office administration and facilities of \$36,000 the nine months ended March 31, 2017 (2016 - \$36,000), has been reported for services provided by Earlston. Additionally, the Company incurred a \$25,000 charge for services provided by Earlston in connection with a private placement (Note 7) in the nine months ended March 31, 2017 (2016 - \$nil), which has been recorded as a reduction in share capital. Accounts payable and accrued liabilities as at March 31, 2017 includes \$30,741 (June 30, 2016 - \$4,307) in amounts owing to Earlston.