



**Rye Patch**  
GOLD CORP.

# Management Discussion and Analysis

## Date of Report

Rye Patch Gold Corp. (“Rye Patch” or the “Company”) is an exploration stage company and is engaged principally in the acquisition, exploration, and development of mineral properties in Nevada, United States of America through its wholly owned subsidiary, Rye Patch Gold US Inc. (“Rye Patch US”). This Management’s Discussion and Analysis (“MD&A”) is prepared as of May 30, 2016 and should be read in conjunction with the Company’s audited consolidated financial statements for the year ended December 31, 2015 and supporting notes, which have been prepared in accordance with International Financial Reporting Standards (“IFRS”) issued by the International Accounting Standards Board (“IASB”) and interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”). All currency references are expressed in Canadian dollars unless otherwise specifically indicated.

## Management’s Responsibility for Financial Statements

Management is responsible for the preparation and integrity of the condensed consolidated interim financial statements, including the maintenance of appropriate information systems, procedures and internal controls. Management also ensures that information used internally or disclosed externally, including the consolidated financial statements and MD&A, is complete and reliable.

## Forward-Looking Statements

This MD&A contains forward-looking statements within the meaning of applicable Canadian securities legislation. Such forward-looking statements concern the Company’s anticipated results and developments in the Company’s operations in future periods, the price of gold, the estimation of resources, planned exploration and development of its properties, sources of funds, including expected returns from the Rochester Mine 3.4% net smelter returns royalty (the “Rochester Mine Royalty”), plans related to its business and other matters that may occur in the future.

Forward-looking statements are necessarily based upon a number of estimates and assumptions that, while considered reasonable by the Company, are inherently subject to significant business, economic and competitive uncertainties and contingencies and include assumptions as to the Company’s resource estimates, the price of gold and silver, the continued operation of the Rochester Mine by Coeur Mining, Inc. (“Coeur”) in accordance with Coeur’s public statements, the achievement of the Rochester Mine production as stated and forecast by Coeur and the uninterrupted payment of the Rochester Mine Royalty. Known and unknown factors could cause actual results to differ materially from those projected in the forward-looking statements. Such factors include, but are not limited to:

- Fluctuations in the currency markets such as Canadian dollar and U.S. dollar;
- Fluctuations in the prices of gold and silver and other minerals;
- Changes in government legislation, taxation, controls, regulations and political or economic developments in Canada and the United States;
- Risks associated with mining activities;
- The speculative nature of exploration, including the risk of obtaining necessary licenses and permits, and quantities or grades of mineral resources;
- The nature of mineral exploration and mining and the uncertain commercial viability of certain mineral deposits;
- The Company’s lack of operating revenues;
- The Company’s ability to obtain necessary financing to fund the development of its mineral properties or the completion of further exploration programs in accordance with its 2015 exploration program; and
- The cash flow projected to be received from the Company’s Rochester Mine Royalty as projected in its cash flow model.



This is not an exhaustive list of the factors that may affect the Company's forward-looking statements. Many of these uncertainties and contingencies can affect the Company's actual results and could cause actual results to differ materially from those expressed or implied in any forward-looking statements made by, or on behalf of, the Company.

Any forward-looking statement speaks only as of the date on which it is made and, except as may be required by applicable securities laws, the Company disclaims any intent or obligation to update any forward-looking statement, whether as a result of new information, future events or results or otherwise. Although the Company believes that the assumptions inherent in the forward-looking statements are reasonable, forward-looking statements are not guarantees of future performance and accordingly, undue reliance should not be put on such statements due to their inherent uncertainty.

## Additional Information

Additional information relating to the Company, including the Company's news releases and technical reports, is available on SEDAR at [www.sedar.com](http://www.sedar.com) and on the Company's website at [www.ryepatchgold.com](http://www.ryepatchgold.com).

## Outlook

On May 25, 2016 the Company announced a proposed transaction and financing that would result in Rye Patch Gold becoming a gold producer within one year and substantially adding to its resource base. The transaction includes a major acquisition (the "Acquisition") in conjunction with raising project debt and equity financing. The Company has signed a definitive agreement (the "Acquisition Agreement") to acquire 100% ownership of the Florida Canyon gold mine (with the Standard gold mine) located in Pershing County Nevada for total consideration of US\$23 million. The Company has also arranged a US\$27 million credit facility (the "Credit Facility") with Macquarie Bank Limited ("Macquarie Bank") to fund the proposed redevelopment of the Florida Canyon mine. Concurrently, The Company engaged Macquarie Capital Markets Canada Ltd. ("Macquarie Capital") and Canaccord Genuity Corp. ("Canaccord Genuity") with regard to a proposed equity financing to fund the cash portion of the purchase consideration.

### Florida Canyon Mine and Proposed Redevelopment

The Florida Canyon gold mine has been in continuous production since 1986 and is currently producing gold from its existing leach pad facilities. The Company proposes to redevelop the mine and construct a new heap leach pad and waste storage facility and to mine a planned expansion of the Florida Canyon ore body.

Mine Development Associates ("MDA") has completed a Preliminary Economic Assessment dated effective March 16, 2016 (the "PEA") of the Florida Canyon gold mine. The PEA was completed based on a US\$1,000 per ounce gold price for the first two years and a US\$1,150 per ounce gold price for remaining life of mine.

### PEA and Acquisition Highlights:

- Average production of 75,000 ounces of gold per year for 8 years;
- US\$1,000 gold price for years 1 to 2 and US\$1,150 gold price used for years 3 to 8;
- Pre-tax NPV (7.5%) is US\$65.43million, with a 41.4% IRR;
- Cash Cost per gold ounce is calculated at US\$759 per ounce;
- Fully permitted expansion;
- US\$27 million Credit Facility in place;
- Significant synergies with existing Oreana Trend assets; and
- Tremendous exploration and further development potential.

All mining and ancillary equipment required to operate the Florida Canyon mine is in place together with a team of expert low-grade, low-cost operators with a successful 30-year mining history.

<b>PEA Sensitivity Analysis (AFTER TAX)</b>				
<b>% of Base Case</b>	<b>NPV<sub>7.5%</sub> (US\$mm)</b>	<b>IRR (%)</b>	<b>Gold Price Yr 1 &amp; 2 \$/oz Au</b>	<b>Gold Price Yr 3 - 8 \$/oz Au</b>
100%	\$45.845	34.4%	\$1,000	\$1,150
110%	\$80.194	53.8%	\$1,100	\$1,265
120%	\$114.543	73.4%	\$1,200	\$1,380

This is a unique and transformational opportunity with excellent synergies with the Company's existing projects at Lincoln Hill, Gold Ridge and Wilco projects located 30 kilometres to the south. Upon closing Rye Patch will have created a new and exciting company with anticipated initial production of 75,000 ounces gold a year and an expanding resource base of 3 million ounces of Measured and Indicated Resources. This will position the company initially as a junior producer in a superior jurisdiction with a solid foundation for growth of production profile and resource base.

In the short term, the company will focus on returning Florida Canyon to full, profitable production. Thereafter, the company will focus initially on exploration in and around the current Florida Canyon mine, advancing permitting and resource expansion drilling at Lincoln Hill and Gold Ridge advancing these projects toward production. In the medium term the company will expand its efforts to explore various targets in the district along the structure between the projects and develop the sulphide potential beneath the Florida Canyon Mine and Wilco resource project.

Rye Patch US continues to receive quarterly royalty payments from Coeur Mining's Rochester mine, totalling \$6.09 million for the year. The Company began receiving payments from its Net Smelter Royalty ("NSR") in 2014. Approximately US\$3.7 million was recorded as income during 2014, US\$6.1 million during 2015 and the royalty is anticipated to continue into 2018.

The company continues its on-going evaluation of quality mine, property and corporate opportunities that may represent further value creation opportunities.

## **Company Overview**

### **Operations**

With completion of the Acquisition of the Florida Canyon mine and its successful return to full production, Rye Patch will become a junior gold producer that has a healthy pipeline of development and exploration stage assets, located in the politically stable and mining friendly state of Nevada, United States of America

William C. Howald, President & CEO, currently leads a technical team that has played major roles in the discovery of over 100 million ounces of gold and has held senior positions in developing and operating large heap leach operations, including a number in Nevada. In addition, upon closing of the Acquisition, Rye Patch will inherit a long tenured mining team who are experts in running low-grade heap leach operations.

### **Florida Canyon Mine Location and Background**

The Florida Canyon mine is located half way between Lovelock and Winnemucca, Nevada, and approximately 30 kilometres north of the Company's Wilco, Lincoln Hill and Gold Ridge projects. The mine sits immediately adjacent to Interstate 80 and is located approximately 210 kilometres northeast of Reno, Nevada.



Currently, the mine is producing from its existing leach pad facilities. The Company proposes to construct a new heap leach pad and waste storage facility to complete a planned layback of the exiting pit area. Production from the new heap leach pad is expected within six months and production growing toward 75,000 ounce of gold per annum three months later. The expansion is fully permitted and the Credit Facility from Macquarie Bank will be used for the build out.

Rye Patch expects to have cash flow from a producing mine and from its existing NSR royalty along with a pipeline of advanced-projects to ensure future growth. Significant operational synergies exist with Florida Canyon and the nearby Lincoln Hill and Wilco resource projects. Oxide resources at Lincoln Hill and Wilco represent additional volume that could contribute to increasing future gold output. The infrastructure at Florida Canyon is capable of reducing capital and costs for the Lincoln Hill and Wilco projects by utilizing the existing assay lab, carbon stripping plant, refinery, and management; thereby, potentially reducing the timeline to production for these assets.

**Preliminary Economic Assessment on Florida Canyon Mine**

Table 1 summarizes the base case production and financial parameters used in the PEA.

Table1: Summary of Base Case Assumptions	
Gold Price (USD\$)	\$1,000 (yrs 1&2) \$1,150 (yr 3 to 8)
Average Annual Gold Production (ounces)	75,000
Pre-Production Capital Costs (USD\$)	\$25.2 M
LOM Sustaining Capital (USD\$)	\$23.9 M
Strip Ratio	1.47:1
Pre-Production Period (years)	0.5
Mine Life (years)	8
Cash Cost per Gold Ounce (USD\$)	\$759
PRE-TAX	
Life of Mine NPV at 5% Discount Rate (USD\$)	\$79.3 M
Internal Rate of Return	41.5%
AFTER-TAX	
Life of Mine NPV at 5% Discount Rate (USD\$)	\$56.4 M
Internal Rate of Return	34.4%

*The Company cautions that the PEA is preliminary in nature in that it is based on Inferred Mineral Resources which are considered too speculative geologically to have the economic considerations applied to them that would enable them to be characterized as mineral reserves, and there is no certainty that the PEA will be realized. Mineral resources that are not mineral reserves do not have demonstrated economic viability.*

**PEA Overview**

MDA prepared the PEA as an open-pit mining project based solely on the Measured and Indicated Resources reported in the March 16, 2016 PEA. Caterpillar 992 and 993 Wheel loaders and 785 trucks will be used to mine the ore body. Material would then be transported and processed through a two-stage crusher and crushed to 38 mm (-1.5 inches). The ore will be placed on the newly constructed heap leach facility using 777 Caterpillar trucks. Metal would be recovered onsite and sold as gold-silver doré. All necessary mine infrastructure and equipment is on the mine site.

The average annual production is 7.9-million tonnes at a contained gold grade of 0.46 grams per tonne. Based on gold recovery, the mine will produce and sell an average of 75,000 ounces of gold annually for an eight-year period.

### Mineral Resources

In March 2016, MDA completed a National Instrument 43-101-compliant PEA report for the Florida Canyon mine titled “Technical Report - Preliminary Economic Assessment for the Florida Canyon Mine, Pershing County, Nevada USA. In their analysis, MDA reported mineral resources at a cut-off grade of 0.006 oz Au/ton (0.2 grams of gold/tonne) for oxide material and 0.034 oz Au/ton (1.16 grams of gold/tonne) for sulfide material (Tables 3.1 and 3.2). Sulfide resources were restricted to an Inferred only classification. These reported resources, in the form of the resource block model, were used as the basis for determining mineable gold in the PEA.

**Table 3.1: Florida Canyon March 16, 2016 Measured and Indicated Oxide Resources**

(0.006 oz Au/ton cut-off grade)

Item	Tons X (000's)	oz Au/t	Ounces Au X (000's)
Measured	79,635.4	0.013	1,035.3
Indicated	4,566.7	0.02	91.3
<b>Measured + Indicated</b>	<b>84,202.1</b>	<b>0.013</b>	<b>1,126.6</b>

**Table 3.2: Florida Canyon March 16, 2016 Inferred Resources**

(0.006 oz Au/ton oxide and 0.034 oz Au/ton sulfide cut-off grades)

Item	Inferred		
	Tons X (000's)	oz Au/t	Ounces Au X (000's)
Oxide	350.8	0.015	5.3
Sulfide	7,115.0	0.055	391.1
<b>Total Inferred Resource</b>	<b>7,465.8</b>	<b>0.050</b>	<b>396.4</b>

The current resources at Florida Canyon are based on a grade block model produced by Reserva International LLC (“Reserva”) in 2009. The oxide and sulphide resources were re-calculated in 2012 using a change in resource cut-off grade and an updated topographic surface. The current Measured, Indicated, and Inferred oxide resources were recalculated for this report based on an updated December, 2014 topographic surface and a \$1200 gold price, and are restricted to that material above the 0.006oz Au/ton cut-off grade that occurs inside an optimized pit using the PEA estimated costs and process recoveries.

Florida Canyon drill hole spacing is generally 100ft x 100ft (30m x 30m) or less, and the gold domains are based on 20ft (9.1m) drill hole composites generated from capped sample interval gold assay values. The polygons were drawn enclosing two or more pierce points of the grade being modelled in a manner consistent with the orientation of mineralized bodies at Florida Canyon based on experience. These polygons were assigned a rock code based on the grade and location (Main or RTE) and validated for preparation of a block model.

The bench interpretations were used to code the drill composites and model blocks to each particular domain using the 50% majority-rule. The full block model has been re-interpolated using the new gold domain definitions, the complete drill hole data set through February 2009, and revised variography. A three-dimensional block model was built using Gemcom software by Mr. Tim Carew, P. Geo., principal of Reserva International LLC. The 2009 block model contains 333 columns, 261 rows, and 135 levels; the model block size is 30ft x 30ft x 20ft (9.1m x 9.1m x 6.1m) vertically.

The Measured oxide resource for Florida Canyon is classified as those model blocks defined by at least five composites within one-half the distance of the variogram range, and use a maximum of two composites per drill hole. This implies a minimum of three drill holes is also required.



The Indicated oxide resource for Florida Canyon is classified as those model blocks defined by at least three composites within the full distance of the variogram range, and use a maximum of two composites per drill hole. This implies a minimum of two drill holes is also required.

MDA did not audit the sulfide model as it is not part of the current mining plan. Some material modelled as sulfides were included in the optimized pit, but were treated as waste in the mine schedule.

***Mineral resources are not mineral reserves and do not have demonstrated economic viability.***

### **Mine Planning**

A PEA provides a basis to estimate project operating and capital costs and establish a projection of the potential mineable resource including measured, indicated and inferred categories as permitted under National Instrument 43-101. A Whittle pit optimization was performed using estimates of operating costs typical of operating surface mines using heap leach processing in northern Nevada and using metallurgical recovery based on 30 years of recovery history and column leach test work performed on material from the Florida Canyon mine. The ultimate pit shell was determined using a gold price of US\$1,150 per ounce and only the Measured and Indicated oxide resources shown above in Table 3.1 were used for production scheduling.

No inferred material was used in the financial modelling. The strip ratio for the economic pit is 1.47 tons of waste for every one ton of ore.

### **Metallurgy**

The Florida Canyon mine has been in continuous operation since 1986, and a total of 2.2875Mozs of gold have been produced from the operation. For the 30-year period, gold recoveries have reached an average of 68.3% on a combination of crushed and run-of-mine ("ROM") material (recovery of 50% for ROM and 71% for crush). The Company's PEA contemplates placing only crushed material on the new heap leach pad, thereby increasing the average recovery from 68% to 71.1%. Approximately 63.8 million tons (57.9 million tonnes) of new ore will be sent to the new SHLP, and 93.7 million tons (85 million tonnes) of waste will be stored in the new South Waste Rock Storage Facility. The ore material will be placed on the SHLP at a rate of 7.2 million tons (6.5 million tonnes) per annum and will be the basis for recovering metals from the Property. The crushed material gold recovery is expected at 71.1% of total placed. Recovery is expected over 30 to 45 day period, on a declining curve, from the date placed on the pad.

### **Capital Costs**

Each capital item has an associated quote or bid to substantiate the cost. The capital required to build the expansion includes US\$5.834M for mining equipment and deferred maintenance, US\$2.735M for a crusher move and upgrade, US\$7.208M for new leach pad, pond and piping construction, US\$3.781M for contingency and US\$0.9M for miscellaneous. The total capital requirement is US\$28.985 million including contingency.

### **Operating Costs**

Operating cost assumptions were based on similar scale surface mining operations using heap leach processing in northern Nevada, and process cost estimates for key consumables are based on the available metallurgical test data, power consumption data and prevailing costs for key materials in similar Nevada mining operations. Operating cost per ton of material processed are summarized as follows:

**Table 4: PEA Pit Optimization Parameters**

Item	Item	Value (dollar amounts in US\$)
Mining Cost	Rock	\$1.35 to \$1.65 per ton depending on location
Mining Cost	Fill	\$1.35 per ton
Processing Cost	Crushing and Pad Placement	\$1.10 per ton processed
Processing Cost	Leaching	\$2.60 per ton processed
Processing Cost	G & A Cost	\$0.50 per ton processed
Process Recovery		68%
Minimum Grade		0.006 ounce per ton
Gold Price		\$1150 per ounce of gold
Royalty		5.75%
Selling Cost		\$5.00 per ounce sold
Interamp Pit Slope	Rock	45 degrees
Interamp Pit Slope	Fill	37 degrees

### Economic Analysis

MDA chose US\$1,000 per ounce for gold in years one and two, and US\$1,150 per ounce for gold for years 3 through 8 as the base case economic scenario. The base case pre-tax economic results for the metal price assumptions are as follows:

**Table 5: Pre Tax Projected Economic Results**

	Base Case (dollar amounts in US\$)
<b>Gold Price</b>	\$1,000 (yrs 1&2); \$1,150 (yr 3 to LOM)
Net Cash Flow	\$117.2 million
NPV @ 5% Discount Rate	\$79.3 million
Internal Rate of Return	41.5%
Operating Costs per Ounce of Gold Produced (Life-of-Mine)	\$759

### Infrastructure

Everything needed for a mine is on the mine site. The Florida Canyon mine is adjacent to a major transportation and services corridor. The mine is within one mile of Interstate 80, the Union Pacific Railroad, and NV Energy transmission lines. All requirements for energy, water and process materials are available, and services are established. Nevada has a large, well-established gold mining industry. Services, supplies, manpower, housing, equipment and vendors are readily available within the state.

The existing waste rock storage facilities are in the process of closure and have been reclaimed, and the existing leach pad is at capacity

A new 300 acre (121.4 hectare) heap leach facility (SHLP) is fully permitted. The SHLP is divided into three cells each covering 100 acres (40.5 hectares). The first cell will be constructed with initial production anticipated in late 2016. The pad location and attendant facilities are fully permitted.

The process facilities consist of five sets of carbon in columns with a maximum capacity of 9,000 gpm. An ARD plant, carbon acid wash, an elution and stripping circuit, electrowinning and refinery circuit, carbon handling and regeneration circuit and an assay lab with a metallurgical lab are on site. The facility has the capacity to produce over 180,000 ounces of gold per year.

A crusher and an agglomeration and conveyor plant are presently located at the Standard Mine. The crusher and associated facilities will be moved and upgraded. The crusher capacity will be increased from 5.0M tons (4.5M tonnes) per annum to 7.2M tons (6.5M tonnes) per annum. A new lime silo for lime storage and dosing ore will be constructed.

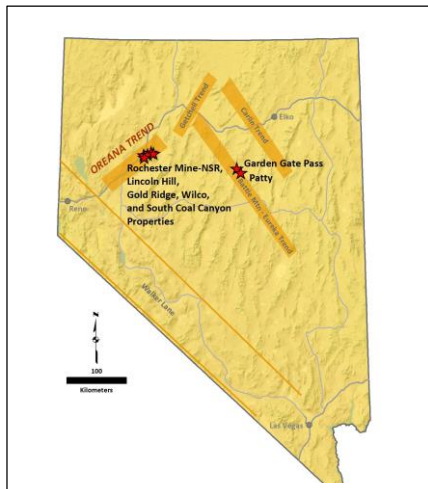
Ancillary facilities include a maintenance shop with offices. The maintenance shop has two bays with room to work on four Cat 785 haul trucks within the bays. An administration building includes offices, meeting rooms, and a training room. There is an assay laboratory with a metallurgical lab, a technical services office for the geological staff, a security office and guard shack, and lay down yards.

### National Instrument 43-101 Disclosure

The Florida Canyon mine PEA was prepared by Mine Development Associates under the direction of Neil B. Prenn, PE, and incorporates the work of a number of industry-leading consultants, all of which are Qualified Persons (as defined under National Instrument 43-101) and are independent of Rye Patch.

## Rye Patch Gold current projects

The Company's activities are focused on two geological trends:



### Oreana Trend

Lincoln Hill Resource Project:

- ~ Lincoln Hill – gold/silver resource
- ~ Gold Ridge - exploration drilling
- ~ Independence Hill - exploration drilling

Wilco Resource project

### Cortez Trend

- ~ Garden Gate Pass - exploration drilling
- ~ Patty - exploration drilling

In May 2014, the Company completed its first Preliminary Economic Analysis “PEA” on its 100% owned Lincoln Hill project and is summarized below with ownership details provided in Note 6 of the consolidated financial statements for the period ended March 31, 2016. Following receipt of the PEA the company entered into an Environmental Assessment process, covering two priority areas inclusive of 1,977 acres of Bureau of Land Management (“BLM”) land and 672 acres of private land. The goal of applying for the EA is to enable Rye Patch US to complete its in-fill, development, metallurgical and exploration drilling programs, and gather base line data for future permitting. During and subsequent to the period, the Rye Patch US has continued to work diligently generating and supplying the requisite information. The process is on-going but taking longer than originally anticipated due to the volume of information requested by the BLM.

The Cortez trend is an exciting exploration area that has tremendous upside potential. Since 1991, over 50 million ounces of gold have been discovered, mined and processed along the trend, with Barrick’s 15-plus million ounce Goldrush deposit illustrating the potential and the prize. The Company’s Garden Gate Pass property abuts the Goldrush discovery, and the Patty project sits to the south along the same geologic environment in the trend. The Company has been refining the drill targets and believes they pose some of the best exploration opportunities along this world-class gold trend.

## Lincoln Hill Resource Project – Driving Toward Production

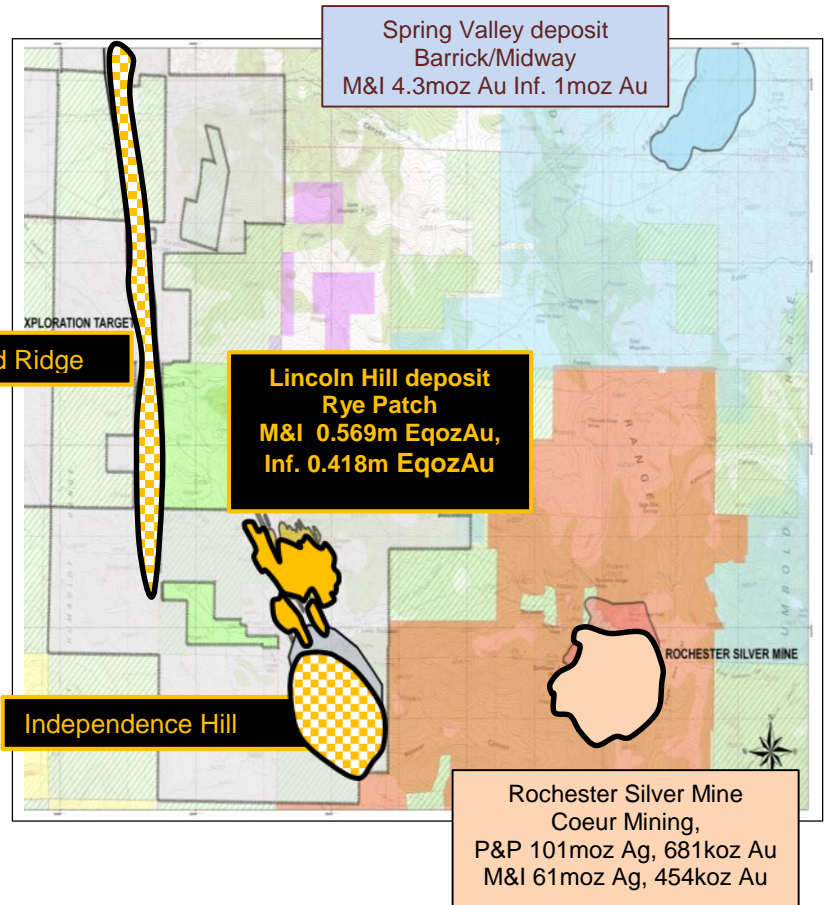
### Preliminary Economic Assessment, May 2014

A simple heap leach, modest scale mine demonstrating robust economics as follows:

- ~ NPV(5%) - US\$64.2 million
- ~ 76.5% IRR, using \$1,350 Au oz, \$22 Ag oz
- ~ Pit shell used US\$775 Au oz, \$13.56 Ag oz
- ~ Low capital expenditures - \$26 million.
- ~ Cash cost US\$575 (EqAu oz)
- ~ Full cost US\$758 (EqAu oz)
- ~ Heap leach process easily scalable as the project grows.
- ~ ROM with 64% recovery for gold and 59% recovery for silver

Potential for resource expansion:

- ~ Infill and expansion drilling at Lincoln Hill
- ~ Gold Ridge exploration, 4.5 kms of strike, recent drilling was 100% success rate, including 20m sections grading 1.24EqAu oz/tonnes.
- ~ Independence Hill, on strike with Lincoln Hill, and proximal to old mine workings.



Gold and Silver Price Sensitivity (in US\$)			
Au Price	Ag Price	Pre-Tax NPV (5%)	IRR
\$1,250	\$20	\$51.5	63.7%
\$1,350	\$22	\$64.2	76.5%
\$1,450	\$25	\$78.6	90.7%

The Company cautions that the PEA is preliminary in nature in that it is based on Inferred Mineral Resources which are considered too speculative geologically to have the economic considerations applied to them that would enable them to be characterized as mineral reserves, and there is no certainty that the PEA will be realized. Mineral resources that are not mineral reserves do not have demonstrated economic viability.

## Resource Estimate - National Instrument 43-101 Compliant

Lincoln Hill <sup>(2)</sup>	Resource category	Tonnes (X 1,000)	Gold Grade (g/t)	Silver Grade (g/t)	Gold Equivalent Grade (g/t)	Contained Gold Ounces	Contained Silver Ounces	Contained Au & Ag Equivalent Ounces <sup>(3)</sup>	Contained Ag & Ag Equivalent Ounces <sup>(3)</sup>
	Measured	4,211	0.43	11.76	0.67	58,000	1,592,000	89,840	4,492,000
	Indicated	25,100	0.38	10.73	0.60	306,000	8,655,000	479,100	23,955,000
	Inferred	20,822	0.38	15.36	0.69	255,000	8,163,000	418,260	20,913,000
Total M + I Resource		29,311	0.39	10.88	0.61	364,000	8,656,592	<b>568,940</b>	28,447,000
Total Inferred Resource		20,822	0.38	15.36	0.69	255,000	8,163,000	<b>418,260</b>	20,913,000

(1) All resources on 100% basis. Metallurgical recoveries and net smelter returns are assumed to be 100% unless indicated. Conforms to NI43- 101 resource definitions;  
(2) Based on Rye Patch Gold's July 2, 2014, National Instrument 43-101 Lincoln Hill Preliminary Economic Assessment Technical report (see www.sedar.com)  
(3) Wilco and Lincoln Hill Resources includes Au equivalent ounces (Aueq.); where Aueq. = (Au g/t) + (Ag g/t / 50); and Ageq. = (Ag g/t) +(Au g/t \* 50).

Mineral resources are not mineral reserves and do not have demonstrated economic viability.

### Metallurgy

During the first quarter of 2016, the company announced (news release March 9, 2016) the initial results for the Phase-2, feasibility-level metallurgical test program for Lincoln Hill Project. The program included 18 bottle-roll tests and studies on specific gravity, work index, and abrasion. Acid Based Accounting (ABA) studies and column testing are continuing. Highlights are as follows:

- A total of 6 composites at three different feed sizes were analysed, and results indicate that gold and silver recoveries are size dependent;
- The results suggest that Rochester-like gold and silver recoveries are achievable with a crushing circuit.
- Gold recoveries for the larger sized material can be improved through increased leach time; and
- Additional work, Phase-3, will be completed to identify the optimum heap leach feed size.

The gold recoveries show a positive trend with smaller feed size. The bottle roll results varied from 94.1% to 82.4% for 75µm feed size, and from 57.1% to 29.4% passing for the 50mm size. Silver recoveries showed the same increase in recovery with smaller feed size and varied from 90.9% to 76.7% for 75µm to 39.2% to 13.5% for the 50mm size fraction. Recoveries can be improved for the larger sized material by increasing the leach time and cyanide concentration for silver. The data indicate that silver liberation from smaller feed sizes on Lincoln Hill material behaves similar to the adjacent Rochester mine.

The metal recoveries from this latest testing show a marked improvement from those used for the 2014, PEA which used recoveries for run-of-mine rather than crushed material. The PEA documented a run-of-mine gold recovery of 64% and a silver recovery of 59%.



## Adding Resources around Lincoln Hill

### Gold Ridge

The property is located 1.5 kilometres to the west of Lincoln Hill resource. Exploration drilling in 2014 and 2016 have identified an approximate 4.5 kilometres long north-south orientated structural zone associated with a fold and thrust system. The 2014 campaign identified an initial 500 metre long stretch of mineralization including notable drill results in drillholes GR-017 that returned 1.24 g/t AuEq (0.67 g/t Au, 28.5 g/t Ag) over 19.8 metres from the hinge zone of the anticline, and GR-025 that tested the east limb and returned 1.54 g/t AuEq (1.3 g/t Au, 12.2 g/t Ag) over 10.7 metres, ending in mineralization (news release dated September 15, 2014)

As reported on January 6, 2016, the fall 2015, drill program focused along a 2.2 kilometre stretch of the structural zone testing the limbs and axial zone of the anticline with 18 of the 24 drillholes that intersecting significant mineralization. A total of 2,420 metres (7,940 feet) was complete, highlights include: drillhole GR-027 tested the west side in the southern portion of the anticline and cut 1.16 g/t AuEq. over 42.7m including 3.28 g/t AuEq over 7.6m; and drillhole GR-032 tested the west limb in the northern portion of the anticline and intercepted 0.91 g/t AuEq over 18.3m with the drillhole ending in mineralization;

The style of mineralization appears similar to and along strike with the Florida Canyon mine located 16 kilometres to the north. The folded sediments host gold and silver mineralization along the axial plane of the anticline and within low-angle structural zones (thrust faults). The mineralization is open to the north and south with a follow-up drill program planned as part of the larger Plan of Operations permit that is in progress.

Two target areas are showing good potential and continuity along the zone. The northern target has a strike length of 800 metres and is characterized by outcrops of jasperoid breccia with fragments of quartz vein and jasperoid in an iron rich matrix.

The South target area is approximately 1.5 kilometres south of the North area and has a surface exposure of 500 metres, where four drillholes intersected significant gold and silver mineralization. Drillhole GR-027 cut 42.7 metres grading 1.16 g/t AuEq starting at shallow depths. Limited drilling has been completed on the South target area, and, the zone is open to the south and north.

Geologically, the mineralized intervals encountered are within the oxide zone. However, no metallurgical test work has been completed yet.

### Independence Hill

The Independence Hill target is located less than one kilometre south of the Lincoln Hill resource. Mapping, sampling and drilling in 2014, identified this area as an extension of the Lincoln Hill resource trend and an important new target area, notable drillhole results include LR-112 that returned 4.18g/t Au and 20.6 g/t Ag over 13.7 metres, including 34.35 g/t Au and 143 g/t Ag over 1.5 metres at the Looney zone. Also, LR-108 returned 0.62 g/t Au and 9.7 g/t Ag over 22.9 metres, including 3.16 g/t Au and 10.2 g/t Ag over 3 metres at the Octopus zone (news release dated November 24, 2014).

A follow-up drill program is planned as part of the larger Plan of Operations permit that is in progress.

### Panther Canyon

Rye Patch US staked 119 unpatented lode claims covering the historic Rye Patch mine located 13 kilometres north of Gold Ridge and 6 kilometres south of Florida Canyon's Standard Gold mine operation along a major north-south structural zone in Pershing County, Nevada. The new project is called Panther Canyon.



On the new claims, the mineralized gold-silver zone has been traced in outcrop and occupies a north-south trending structural corridor that extends for 2.7 kilometres in length and 120 to 300 metres (400 to 1,000 feet) in width along a major thrust fault. Mineralization on the south end of the new claims is silver dominated and progressively becomes enriched in gold from the south to the north where historic surface grab samples range from 1.25 to 3.44 g/t (0.04 to 0.11 opt) gold within the mineralized zone. The gold and silver zonation is probably related to the Rocky Canyon intrusive complex located immediately to the south. A swarm of intrusive dikes and sills is focused proximal to the general thrust zone as at the nearby Florida Canyon and Standard Mines. The style of mineralization and structural setting look very similar to the Gold Ridge property located to the south, and the Florida Canyon mine located to the north.

## **Wilco Resource**

The Wilco property is located 160 kilometres northeast of Reno, Nevada and is close to the Lincoln Hill project along the Oreana Trend. The project is subject to a back-in right by Newmont Mining Corporation. Further ownership details are provided in note 6 of the condensed consolidated interim financial statements for the three months ended March 31, 2016. The project currently contains two gold resources, Section Line and Colado -- the subject of the June 2012 resource estimate. The 2014 drilling campaign successfully tested the "Gap" target that lies between Section line and Colado and identified higher grade mineralization in Colado. The drill results were provided in a news release dated October 15, 2014.

No substantial exploration work was completed on the Wilco property during 2015 or the quarter. As a result of the Company not meeting its 2015 annual Work Commitment obligation, a rental fee totalling US\$85,858 was paid to Newmont Mining Corporation in January 2016. The amount was accrued for as at December 31, 2015.

## **Garden Gate Pass**

The Garden Gate Pass project is located along the prolific Cortez trend in east-central Nevada. To date, Rye Patch US has completed twelve drillholes on the project. As a result of reconciling 2012 and 2014 drilling information (see April 29, 2014, news release) with seismic data, the Company has refined its targets, identifying a disrupted zone beneath an anticline structure. The structural architecture on the seismic profile is significant because it is similar to the published geometry of the adjacent Goldrush deposit, owned by Barrick.

Permits are in place and a drilling program will be completed pending other priorities.

## **Finance**

### **Macquarie Bank Credit Facility**

To fund the proposed restart of the Florida Canyon gold mine, the Company has arranged the Macquarie Bank US\$27 million Credit Facility. The Credit Facility will bear interest at LIBOR plus 8% per annum and includes a hedging provision. Repayment of the Credit Facility will be amortized over the first four years of production following the restart of the Florida Canyon mine, subject to earlier mandatory prepayment from certain levels of any excess free cash flow from the mine, with the final repayment date being no later than [December 31, 2020]

In connection with the Credit Facility, Rye Patch is to issue Macquarie Bank warrants for the purchase of such number of common shares of Rye Patch that is equivalent to 10% of the Credit Facility amount for a five-year term at an exercise price equal to the lesser of (a) a premium of 25% to the volume weighted average price of the shares traded on the TSX Venture Exchange ("TSX-V") for the 20 days preceding the issue date of the warrants, and (b) the most recent placement price. The Credit Facility is subject to customary fees and covenants.

The Florida Canyon and Standard Gold mines will be wholly owned subsidiaries of Rye Patch Mining US Inc. which is a wholly owned subsidiary of Rye Patch Gold Corp. Rye Patch Mining U.S.'s obligations under the Credit Facility will be guaranteed by



the Company and certain material subsidiaries. In addition, Macquarie Bank will be taking a first ranking security interest over all of the properties and assets of the Company and its material subsidiaries, including the Florida Canyon mine property and assets and the shares of the companies that hold the property and assets

## Rochester Mine Royalty

As described in detail in note 4 of the audited consolidated financial statements for the year ended December 31, 2015, the Company and Coeur Rochester Inc. settled a dispute over certain mineral claims, and as a result, Rye Patch US retained a 3.4% Net Smelter Return ("NSR") on production from the Rochester Mine located in Pershing County, Nevada, United States of America.

The royalty is capped at 39.4 million silver equivalent ounces. Payment on the royalty commenced January 1, 2014, and is payable quarterly. During the year, the Company had royalty income of \$6.09 million of which \$1.34 million was received subsequent to the year end.

On August 10, 2015, Rye Patch US unable to resolve a payment dispute directly with Coeur Mining and filed a demand for arbitration on the Q1 2014 NSR. The Company retained Pricewaterhousecoopers LLP to perform an audit of the 2014 royalty calculation and payments. Based on the results, the arbitration calls into question the exclusion of US\$9.2 million of revenue from gold and silver produced and sold in January 2014. The Company contends that the payment of the 3.4% royalty for 2014 was deficient in the amount of US\$313,242. The process is continuing.

## Risks and Uncertainties

The Company is a mineral exploration and development company and is exposed to a number of risks and uncertainties that are common to the industry. The following is a summary of certain risk factors which have or are reasonably likely to have an effect on the Company's consolidated financial statements and financial condition. In addition to those stated below, other risks are also discussed elsewhere in this document.

### No Revenues from Operations, Dependence on Rochester Mine NSR

To date, the Company has not recorded any revenues from its operations nor has the Company commenced commercial production on any of its properties. The Company does not have the financial capability to develop its properties into mines or enter into commercial production on its own. The Company's current corporate strategy is to acquire and develop a sizeable portfolio of resource projects with sufficient economic potential in order to leverage a merger, buy-out, joint venture or other transaction with an industry major or other strategic partner (a "Transaction"). The Company expects to continue to incur losses until a Transaction is realized. There can be no assurance that the Company will be successful in entering into any Transaction.

The acquisition, exploration and development of the Company's properties requires the commitment of substantial financial resources. There can be no assurance that the Company will be profitable in the future. The Company's operating expenses and capital expenditures may increase in subsequent years as needed consultants, personnel and equipment associated with advancing exploration and development of its properties are added. The amounts and timing of expenditures will depend on the progress of on-going exploration and development, new property acquisitions, the results of consultants' analyses and recommendations, the rate at which operating losses are incurred, the execution of any joint venture agreements with strategic partners and other factors, many of which are beyond the Company's control.

The Rochester Mine NSR royalty is a significant source of funds, without which the Company would need to seek alternative funding sources in order to carry out its current work programs. There is no assurance that the Company's cash flow model for the NSR will perform as expected. The Company has no control over production at the Rochester Mine and is wholly



dependent on Coeur's continued operation of the Rochester Mine to fund the NSR royalty. Any cessation of production would have a material negative impact on the Company's ability to continue its operations.

#### No Proven or Probable Reserves

Currently, Rye Patch Gold US Inc. does not have any proven or probable reserves on any of its properties. No assurance can be given that minerals will be discovered in sufficient quantities to justify commercial operations. Whether a mineral deposit will be commercially viable depends on a number of factors, some of which include: the particular attributes of the deposit, such as size, grade and proximity to infrastructure; metal prices, which are highly cyclical; and government regulations, including regulations relating to prices, taxes, royalties, land tenure, land use, importing and exporting of minerals and environmental protection. If Rye Patch Gold US Inc. is unable to upgrade its resources to proven and probable reserves in sufficient quantities to justify commercial operations, it would make it more difficult for the Company to realize its corporate strategy, and the Company's financial condition and results of operations could be adversely affected.

#### Uncertainty of Resource Estimates

Although the mineral resource figures included herein have been carefully prepared, reviewed or verified by independent qualified persons (within the meaning of NI 43-101), these are estimates only and no assurance can be given that any particular level of recovery of gold or silver from resources will in fact be realized or that an identified mineral deposit will ever qualify as a commercially mineable (or viable) ore body which can be economically exploited. Mineral resources which are not mineral reserves do not have demonstrated economic viability. Any material change in the quantity of mineralization, grade or stripping ratio, or the gold or silver price may affect the economic viability of Rye Patch Gold US Inc.'s properties. In addition, there can be no assurance that gold/silver recoveries or other metal recoveries in small-scale laboratory tests will be duplicated in larger scale tests under on-site conditions or during production. Until mineral resources are actually mined and processed, the quantity of mineral and resource grades must be considered as estimates only.

#### Additional Funding Requirements

In order to maintain the Rye Patch Gold US Inc.'s interests in its properties, Rye Patch Gold US Inc. is required to make certain payments to third parties. In addition, future property acquisitions and further exploration on, and development of, Rye Patch Gold US Inc.'s existing mineral resource properties will require additional capital. Rye Patch Gold US Inc. will also require sufficient capital in order to defend its title to mineral properties. In order to meet these obligations, the Company will require additional financing from time to time. There is no guarantee that such funds will be available. The failure to obtain such financing on a timely basis may cause the Company to postpone development plans, alter its corporate strategy, forfeit rights under various agreements or proceedings or reduce or terminate operations. If additional financing is raised through the issuance of equity or convertible debt securities of the Company, the interests of shareholders in the net assets of the Company may be diluted.

#### Title to Properties

Approximately 80% of Rye Patch Gold US Inc.'s mineral rights consist of "unpatented" mining claims created and maintained in accordance with the U.S. General Mining Law of 1872. Unpatented mining claims are unique U.S. property interests, and are generally considered to be subject to greater title risk than other real property interests because the validity of unpatented mining claims is often uncertain. This uncertainty arises, in part, out of the complex federal and state laws and regulations that supplement the U.S. General Mining Law of 1872. Also, unpatented mining claims are always subject to possible challenges by third parties or contests by the federal government. The validity of an unpatented mining claim, in terms of both its location and its maintenance, is dependent on strict compliance with a complex body of federal and state statutory and decisional law. In addition, there are few public records that definitively control the issues of validity and ownership of unpatented mining claims.



In recent years, the U.S. Congress has considered a number of proposed amendments to the General Mining Law. Although no such legislation has been adopted to date, there can be no assurance that such legislation will not be adopted in the future. If ever adopted, such legislation could, among other things, impose royalties on production from currently unpatented mining claims located on federal lands. If such legislation is ever adopted, it could have an adverse impact on earnings from the Company's operations, and it could reduce estimates of Rye Patch Gold US Inc.'s present resources and the amount of the Rye Patch Gold US Inc.'s future exploration and development activity on federal lands.

The acquisition of title to resource properties is a very detailed and time-consuming process. Title to, and the area of, resource claims may be disputed and additional amounts may be paid to surface rights owners in connection with any development of mining activity. Although the Company believes it has taken reasonable measures to ensure proper title to its properties, there is no guarantee that title to such properties will not be challenged or impaired.

There may be valid challenges to the title of Rye Patch Gold US Inc.'s properties which, if successful, could impair the Company's development and/or operations.

#### Acquisition Strategy

As part of the Company's business strategy, it has sought and will continue to seek new mining and development opportunities in the mining industry. In pursuit of such opportunities, it may fail to select appropriate acquisition candidates, negotiate appropriate acquisition terms, conduct sufficient due diligence to determine all related liabilities or to negotiate favourable financing terms. Acquiring additional properties could place increased pressure on the Company's cash flow if such acquisitions involve cash consideration or the assumption of obligations requiring cash payments. The Company may encounter difficulties in transitioning the business, including issues with the integration of the acquired businesses or its personnel, into the Company. The Company cannot assure that it can complete any acquisition or business arrangement that it pursues, or is pursuing, on favourable terms, or that any acquisitions or business arrangements completed will ultimately benefit its business.

#### Exploration and Mining Risks

Resource exploration, development, and operations are highly speculative, characterized by a number of significant risks, which even a combination of careful evaluation, experience and knowledge may not eliminate – a combination including, among other things, unprofitable efforts resulting not only from the failure to discover mineral deposits but from finding mineral deposits which, though present, are insufficient in quantity and quality to return a profit from production. Few properties that are explored are ultimately developed into producing mines. Unusual or unexpected formations, formation pressures, fires, power outages, labour disruptions, flooding, explosions, cave-ins, landslides and the inability to obtain suitable or adequate machinery, equipment or labour are other risks involved in the operation of mines and the conduct of exploration programs. The Company has relied and may continue to rely upon consultants and others for exploration, development and operating expertise. Substantial expenditures are required to establish mineral reserves through drilling, to develop metallurgical processes to extract the metal from mineral resources and, in the case of new properties, to develop the mining and processing facilities and infrastructure at any site chosen for mining.

The Company believes it has carefully evaluated and will continue to carefully evaluate the political and economic environment when considering properties for acquisition. There can be no assurance that additional significant restrictions will not be placed on the Company's properties or its operations. Such restrictions may have a materially adverse effect on the Company's business and results of operation.

Although Rye Patch US currently maintains all required permits in order to carry out its current drilling programs, Rye Patch US cannot be certain that it will receive the necessary permits on acceptable terms or at all, in order to conduct further exploration and to develop its properties. The failure to obtain such permits, or delays in obtaining such permits, could adversely affect the operations of the Company. Government approvals, approval of indigenous people and permits are currently and may in the future be required in connection with the operations of the Company. To the extent such approvals



are required and not obtained, the Company may be curtailed or prohibited from continuing its operations or from proceeding with planned exploration or development of mineral properties.

#### Third Party Discretion

The Wilco Property is the one of the Company's exploration projects. Successful development of the property will depend, among other things, on the availability of financing for the capital expenditures necessary to develop the property. Pursuant to the terms of the Company's agreement with Newmont, Newmont can earn a 60% interest in the Wilco Property by completing US\$15 million in expenditures on the property by the 8th anniversary of the date that the Company and Newmont enter into a joint venture agreement (at Newmont's election) in respect of the Wilco Property. The Wilco agreement permits Newmont to choose not to form a joint venture with the Company for any reason. If Newmont elects not to form the joint venture, the exploration and development of the Wilco Property could be delayed, and the Company would need to divert capital resources from other projects and/or seek alternative sources of outside capital. Outside capital may not be available on acceptable terms or at all. Internal resources, either alone or together with any available outside capital, may not be adequate to finance the exploration and development of the Wilco Property.

In addition, if Newmont chooses not to form a joint venture with the Company, or elects not to complete the US\$15 million in expenditures within the stipulated time frame, Newmont may cause the Company to purchase all of Newmont's interest in the Wilco Property for the aggregate purchase price of US\$2 million (of which US\$1 million may be payable, at the sole discretion of the Company, in shares of the Company).

If, under the above circumstances, the Company does not have adequate financing to complete the buy-out of Newmont's interest, or to fund further exploration and development of the Wilco Property, its financial condition and results of operations would be adversely affected.

#### Regulatory Requirements

Mining operations, development and exploration activities are subject to extensive laws and regulations governing prospecting, development, production, exports, taxes, labour standards, occupational health, waste disposal, environmental protection and remediation, protection of endangered and protected species, mine safety, toxic substances and other matters. Changes in these regulations or in their application are beyond the control of the Company and could adversely affect the Company's operations, business and results of operations. Failure to comply with the conditions set out in any permit or failure to comply with the applicable statutes and regulations may result in orders to cease or curtail operations or to install additional equipment. The Company may be required to compensate those suffering loss or damage by reason of its exploration activities.

Although the Company's management believes that Rye Patch US's exploration and development activities are currently carried out in accordance with all applicable rules and regulations, no assurance can be given that new rules and regulations will not be enacted or that existing rules and regulations will not be applied in a manner which could limit or curtail production or development.

#### Environmental Matters

All of Rye Patch US's operations are subject to environmental regulations which can make operations expensive or prohibit them altogether. Rye Patch US is subject to potential risks and liabilities associated with pollution of the environment and the disposal of waste products that could occur as a result of its mineral exploration and development.

To the extent the Company is subject to environmental liabilities, the payment of such liabilities or the costs that it may incur to remedy environmental pollution would reduce funds otherwise available to it and could have a material adverse effect on



the Company. If the Company is unable to fully remedy an environmental problem, it might be required to suspend operations or enter into interim compliance measures pending completion of the required remedy. The potential exposure may be significant and could have a material adverse effect on the Company. Neither the Company nor Rye Patch US has purchased insurance for environmental risks (including potential liability for pollution or other hazards as a result of the disposal of waste products occurring from exploration) because it is not generally available at a reasonable price.

All of Rye Patch US's exploration and development activities are subject to regulation under one or more of the various state and federal environmental laws and regulations. Many of the regulations require Rye Patch US to obtain permits for its activities. Rye Patch US must update and review its permits from time to time, and is subject to environmental impact analyses and public review processes prior to approval of the additional activities. Environmental legislation and regulations are evolving in a manner which will require stricter standards. It is possible that future changes in applicable laws, regulations and permits or changes in their enforcement or regulatory interpretation could have a significant impact on some portion of the Company's business, causing those activities to be economically re-evaluated at that time. Those risks include, but are not limited to, the risk that regulatory authorities may increase bonding requirements beyond the financial capability of the Company or its subsidiaries. Inasmuch as posting of bonding in accordance with regulatory determinations is a condition to the right to operate under all material operating permits, increases in bonding requirements could prevent operations even if the Company and its subsidiaries were in full compliance with all substantive environmental laws.

#### Gold and Silver Price Volatility

The Company's prospects will be significantly affected by changes in the gold and silver prices. Gold and silver prices can fluctuate widely and is affected by numerous factors beyond the Company's control, including industrial and jewellery demand, inflation and expectations with respect to the rate of inflation, the strength of the U.S. dollar and of other currencies, interest rates, gold sales by central banks, forward sales by producers, global or regional political or economic events, global and regional supply and demand, and production and cost levels in major gold-producing regions such as South Africa. In addition, gold and silver prices are sometimes subject to rapid short-term changes because of speculative activities. The supply of gold and silver consists of a combination of new production from mining and existing stocks of bullion and fabricated gold held by governments, public and private financial institutions, industrial organizations and private individuals. As the amounts produced in any single year constitute a small portion of the total potential supply of gold and silver, typical variations in current production do not necessarily have a significant impact on the supply of gold and silver or its price. If gold and silver prices should decline and remain at low market levels for a sustained period, the Company could determine that it is not economically feasible to commence or continue activities.

#### Foreign Currency Risks

The Company uses the Canadian dollar as its measurement and reporting currency, and therefore fluctuations in exchange rates between the Canadian dollar and other currencies may affect the results of operations and financial position of the Company. The Company does not currently have any foreign currency or commercial risk hedges in place. The Company raises a significant portion of its equity financings in Canadian dollars while foreign operations are predominately conducted in US dollars, except local salaries and expenses which are paid in Canadian dollars. Fluctuations in the exchange rates between the Canadian dollar and US dollar may have a favourable or unfavourable impact on the Company's financial condition.

#### Competition

The Company's business is intensely competitive and the Company competes with other mining companies, many of which have greater resources and experience. Competition in the precious metals mining industry is primarily for mineral rich properties which can be developed and can produce economically; the technical expertise to find, develop, and operate such properties; the labour to operate the properties; and the capital for the purpose of funding such properties. Many competitors not only explore for and mine precious metals, but conduct refining and marketing operations on a world-wide basis. Such competition may result in the Company being unable to acquire desired properties, to recruit or retain qualified employees or to acquire the capital necessary to fund its operations and develop its properties. The Company's inability to



compete with other mining companies for these resources would have a material adverse effect on the Company's results of operation and business.

#### Ability to Attract and Retain Qualified Personnel

Recruiting and retaining qualified personnel is critical to the Company's success. The number of persons skilled in the acquisition, exploration and development of mining properties is limited and competition for such persons is intense. As the Company's business activity grows, additional key financial, administrative and mining personnel as well as additional operations staff will be required. Although the Company believes it will be successful in attracting, training and retaining qualified personnel, there can be no assurance of such success. If the Company is not successful in attracting, training and retaining qualified personnel, the efficiency of operations could be affected.

#### Enforcement of Legal Rights

In the event of a dispute arising at the Company's foreign operations, the Company may be subject to the exclusive jurisdiction of foreign courts or may not be successful in subjecting foreign persons to the jurisdictions of courts in Canada. The Company may also be hindered or prevented from enforcing its rights with respect to a governmental entity or instrumentality because of the doctrine of sovereign immunity.

#### Insurance

Where considered practical to do so the Company maintains insurance against risks in the operation of its business and in amounts which it believes to be reasonable. Such insurance, however, contains exclusions and limitations on coverage. There can be no assurance that such insurance will continue to be available, will be available at economically acceptable premiums or will be adequate to cover any resulting liability. In some cases, coverage is not available or considered too expensive relative to the perceived risk.

#### Conflicts of Interest

The Company's directors and officers may serve as directors or officers of other natural resource companies or they may have significant shareholdings in other resource companies and, to the extent that such other companies may participate in ventures in which the Company may participate, the directors of the Company may have a conflict of interest in negotiating and concluding terms respecting the extent of such participation. In the event that such a conflict of interest arises at a meeting of the Company's directors, a director who has such a conflict will abstain from voting for or against the approval of such participation or such terms. In accordance with the laws of British Columbia, the directors of the Company are required to act honestly, in good faith and in the best interests of the Company.

In order to limit situations where the directors and officers may be in direct competition with the Company, any acquisition by, any opportunity to acquire an interest made available to, or any director or officer of the Company in any mineral property located within the State of Nevada, USA, must be fully disclosed to the Board and be made available to the Company. Despite the foregoing, conflicts of interest may still arise as a result of the directors and officers of the Company also holding positions as directors or officers of other companies which are in the business of mineral exploration and development.

#### General Economic Conditions

The unprecedented events in global financial markets during the last few years have had a profound effect on the global economy. Many industries, including the gold and silver mining industry, are affected by these market conditions. Some of the key effects of the current financial market turmoil include contraction in credit markets resulting in a widening of credit risk, devaluations and high volatility in global equity, commodity, foreign exchange and precious metal markets, and a lack of market liquidity. A continued or worsened slowdown in the financial markets or other economic conditions, including but not limited to, consumer spending, employment rates, business conditions, inflation, fuel and energy costs, consumer debt levels,



lack of available credit, the state of the financial markets, interest rates, and tax rates may adversely affect the Company's growth. These factors could have a material adverse effect on the Company's financial condition and financial performance.

#### Current Market Events and Conditions

In recent years, the U.S. credit markets experienced serious disruption due to a deterioration in residential property values, defaults and delinquencies in the residential mortgage market (particularly, sub-prime and non-prime mortgages) and a decline in the credit quality of mortgage backed securities. In 2010 through to 2013, this was compounded by the sovereign debt crisis in Europe. As a result, general economic conditions have deteriorated, including declining consumer sentiment, increased unemployment, declining economic growth and uncertainty about corporate earnings. These unprecedented disruptions in the credit and financial markets have had a significant material adverse effect on a number of financial institutions and have limited access to capital and credit for many companies. These disruptions could, among other things, make it more difficult for the Company to obtain, or increase its cost of obtaining, capital and financing for its operations. The Company's access to additional capital may not be available on terms acceptable to it or at all.

#### Lack of Dividends

No dividends on the Company's common shares have been paid to date. The Company currently has no earnings and plans to retain its cash resources for the future operation and development of its business. Payment of any future dividends, if any, will be at the discretion of the Board of Directors after taking into account many factors, including the Company's operating results, financial condition, and current and anticipated cash needs.

## Impairment of Long-lived Assets

The Company completed an impairment analysis as at March 31, 2016, which considered the indicators of impairment in accordance with IAS 36, "Impairment of Assets". Management concluded that no impairment charge was required during the year ended March 31, 2016 because:

- There have been no significant changes in the legal factors or climate that affects the value of the properties;
- All property rights remain in good standing;
- There have been no significant changes in the projections for the properties;
- Exploration results continue to be positive; and
- The Company intends to continue its exploration and development plans on its properties.

## Contractual Obligations

There have been no material changes in the Company's contractual obligations during the year that are outside of the ordinary course of the Company's business.



## Results of Operations

### Selected Annual Information

	For the year ended		
	December 31, 2015	December 31, 2014	December 31, 2013
Royalty income	\$ 6,090,298	\$ 4,136,994	\$ -
Operating expenses	2,373,068	2,372,382	2,978,927
Interest and miscellaneous income	39,334	60,806	68,890
Net (loss) income	798,702	(991,411)	3,986,378
Loss and comprehensive (loss) income	2,408,460	(299,769)	4,377,883
Earnings (loss) per share			
- Basic	\$ 0.01	\$ (0.01)	\$ 0.03
- Diluted	\$ 0.01	\$ (0.01)	\$ 0.03

<i>As at:</i>	December 31, 2015	December 31, 2014	December 31, 2013
Working capital	\$ 4,576,855	\$ 6,411,573	\$ 7,647,506
Total assets	13,802,561	11,622,922	11,586,773
Total liabilities	501,423	479,699	349,468
Share capital	31,314,265	31,700,768	31,700,768
Deficit	25,426,996	26,225,698	25,234,287

### Summary of Quarterly Results

The following is a summary of the Company's financial results for the past eight quarters:

	Three months ended			
	March 31, 2016	December 31, 2015	September 30, 2015	June 30, 2015
Royalty income	\$ 1,379,854	\$ 1,289,041	\$ 1,473,184	\$ 1,491,389
Interest income and other revenue	3,279	11,036	9,728	6,266
Net income (loss)	(406,048)	(402,706)	497,501	(693,023)
Earnings (loss) per share				
- Basic	\$ -	\$ -	\$ -	\$ -
- Diluted	\$ -	\$ -	\$ -	\$ -

	Three months ended			
	March 31, 2015	December 31, 2014	September 30, 2014	June 30, 2014
Royalty income	\$ 1,836,684	\$ 1,286,206	\$ 1,176,883	\$ 1,140,702
Interest income and other revenue	12,304	28,313	6,532	15,365
Net income (loss)	887,336	43,104	(96,866)	101,601
Earnings (loss) per share				
- Basic	\$ 0.01	\$ -	\$ -	\$ -
- Diluted	\$ 0.01	\$ -	\$ -	\$ -

The expenses incurred by the Company are typical of junior exploration companies that do not have established mineral reserves. Expenses are not incurred evenly over the quarters as a result of non-recurring activities or events.



**For the three months ended March 31, 2016 compared to the three months ended March 31, 2015:**

The Company recorded net loss of \$406,048 for the three months ended March 31, 2016; compared to net income of \$887,336 for the three months ended March 31, 2015. The decrease in net income is primarily due to the write-off the costs related to the Patty property. The Company decided to terminate its agreement related to this property. Wages and bonuses increased from \$82,081 for the three months ended March 31, 2015 to \$106,632 for the same period in 2016. The increase was the result of having a CFO for the complete quarter in 2016. Legal fees increased to \$34,128 for the three months ended March 31, 2016 as compared with \$14,882 for the same period in 2015. The cost increases were partially offset with decreases in accounting and audit fees as well as office and administrative expenses. Office and administrative services decreased from \$137,189 for the three months ended March 31, 2015 to \$41,308 for the three months ended March 31, 2016. The decrease was mainly due to the Company's focus on completing the Florida Mine Acquisition and reducing costs in areas such as corporate development. Accounting and audit fees decreased from \$45,970 for the three months ended March 31, 2015 to \$19,500 for the three months ended March 31, 2016. This was the result of the Company hiring a full time CFO in March of 2015 and as a result not relying on an accounting firm for CFO services. Other expenses remained consistent between periods.



## Mineral Property Expenditures

The mineral property acquisitions/disposals for the Company for the three months ended March 31, 2016 and the year ended December 31, 2015:

	Oreana Trend			Cortez Trend		Others (Notes 6e and 6f)	Total
	Lincoln Hill Property (Note 6a)	Gold Ridge Property (Note 6a)	Wilco - Newmont (Note 6b)	Garden Gate (Note 6c)	Patty (Note 6d)		
<b>Acquisition costs</b>							
<b>Cumulative acquisition costs as at December 31, 2015</b>	\$ 2,445,040	\$ 1,266,831	\$ 2,074,589	\$ 760,877	\$ 878,153	\$ 182,826	\$ 7,608,316
<b>During the period:</b>							
Acquisition costs	1,288	-	-	-	-	-	1,288
Lease obligations	(899)	(899)	54,964	-	-	-	53,166
Staking costs	3,172	-	-	-	-	-	3,172
<b>Total acquisition costs for the period</b>	<b>3,561</b>	<b>(899)</b>	<b>54,964</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>57,626</b>
<b>Write-off of mineral property intereststs</b>	-	-	-	-	(871,871)	-	(871,871)
<b>Foreign currency translation adjustment</b>	<b>(150,788)</b>	<b>(78,029)</b>	<b>(130,879)</b>	<b>(46,895)</b>	<b>(6,282)</b>	<b>(11,267)</b>	<b>(424,140)</b>
<b>Balance as at March 31, 2016</b>	<b>\$ 2,297,813</b>	<b>\$ 1,187,903</b>	<b>\$ 1,998,674</b>	<b>\$ 713,982</b>	<b>\$ -</b>	<b>\$ 171,559</b>	<b>\$ 6,369,931</b>
<b>Acquisition costs</b>							
<b>Cumulative acquisition costs as at December 31, 2014</b>	\$ 1,312,486	\$ 431,160	\$ 1,494,235	\$ 527,669	\$ 595,810	\$ 63,602	\$ 4,424,962
<b>During the year:</b>							
Acquisition costs	664,799	562,946	33,049	6,323	144	39,348	1,306,609
Holding costs	29,574	118,969	52,307	34,531	128,069	17,897	381,347
Permitting and licenses	237	81	41	-	-	-	359
Lease obligations	112,069	-	183,222	75,370	25,123	-	395,784
Staking costs	-	2,003	-	4,288	-	39,984	46,275
<b>Total acquisition costs for the year</b>	<b>806,679</b>	<b>683,999</b>	<b>268,619</b>	<b>120,512</b>	<b>153,336</b>	<b>97,229</b>	<b>2,130,374</b>
<b>Foreign currency translation adjustment</b>	<b>325,875</b>	<b>151,672</b>	<b>311,735</b>	<b>112,696</b>	<b>129,007</b>	<b>21,995</b>	<b>1,052,980</b>
<b>Balance as at December 31, 2015</b>	<b>\$ 2,445,040</b>	<b>\$ 1,266,831</b>	<b>\$ 2,074,589</b>	<b>\$ 760,877</b>	<b>\$ 878,153</b>	<b>\$ 182,826</b>	<b>\$ 7,608,316</b>



The mineral property expenditures for the three months ended March 31, 2016 and 2015 are as follows:

	Oreana Trend			Cortez Trend		Others (Notes 6e and 6f)	Total
	Lincoln Hill Property (Note 6a)	Gold Ridge Property (Note 6a)	Wilco - Newmont (Note 6b)	Garden Gate (Note 6c)	Patty (Note 6d)		
<b>Expenditures (recovery) charged to operations for the three months ended March 31, 2016</b>							
<b>During the period:</b>							
<b>Exploration Expenditures</b>							
Communication costs	\$ 80	\$ 132	\$ -	\$ -	\$ -	\$ 691	\$ 903
Property office expenses	855	826	854	9	27	-	2,571
Drilling	(3,676)	328	-	615	-	-	(2,733)
Geological costs	40,997	50,460	8,855	7,646	11,143	23,226	142,327
Property investigations & generative	-	-	-	-	-	229,930	229,930
<b>Total Exploration Expenses</b>	<b>38,256</b>	<b>51,746</b>	<b>9,709</b>	<b>8,270</b>	<b>11,170</b>	<b>253,847</b>	<b>372,998</b>
<b>Development Expenditures</b>							
Drilling - metallurgical testing	328	-	-	-	-	-	328
Approval & permits	12,518	428	9,905	-	979	-	23,830
Metallurgy, mine processing & engineering	67,233	-	-	-	-	-	67,233
<b>Total Development Expenditures</b>	<b>80,079</b>	<b>428</b>	<b>9,905</b>	<b>-</b>	<b>979</b>	<b>-</b>	<b>91,391</b>
<b>Total expenditures charged to operations during the period</b>	<b>\$ 118,335</b>	<b>\$ 52,174</b>	<b>\$ 19,614</b>	<b>\$ 8,270</b>	<b>\$ 12,149</b>	<b>\$ 253,847</b>	<b>\$ 464,389</b>
<b>Expenditures (recovery) charged to operations for the three months ended March 31, 2015</b>							
<b>During the period:</b>							
<b>Exploration Expenditures</b>							
Assays & sampling	\$ 1,134	\$ 244	\$ -	\$ -	\$ -	\$ 11,799	\$ 13,177
Geological costs	27,523	14,001	47,957	5,671	19,153	91,196	205,501
Geophysical costs	10,239	-	-	-	-	-	10,239
Legal costs	11,386	93	-	-	186	-	11,665
Property investigations & generative	-	-	-	-	-	-	-
<b>Total Exploration Expenses</b>	<b>50,282</b>	<b>14,338</b>	<b>47,957</b>	<b>5,671</b>	<b>19,339</b>	<b>102,995</b>	<b>240,582</b>
<b>Development Expenditures</b>							
Drilling - metallurgical testing	2,630	-	-	-	-	1,340	3,970
Approval & permits	208,061	28,920	90,903	192	11,900	-	339,976
<b>Total Development Expenditures</b>	<b>210,691</b>	<b>28,920</b>	<b>90,903</b>	<b>-</b>	<b>11,900</b>	<b>1,340</b>	<b>343,946</b>
<b>Total expenditures charged to operations during the period</b>	<b>\$ 260,973</b>	<b>\$ 43,258</b>	<b>\$ 138,860</b>	<b>\$ 5,671</b>	<b>\$ 31,239</b>	<b>\$ 104,335</b>	<b>\$ 584,528</b>



## Liquidity

As of March 31, 2016, the Company had cash and cash equivalents of \$3,632,299 compared to \$3,578,769 as of December 31, 2015. The Company had working capital of \$4,806,730 at March 31, 2016 (December 31, 2015 - \$4,576,855).

During the period ended March 31, 2016, the Company generated \$260,326 cash inflow from operating activities and incurred a total of \$57,626 in acquisition and holding costs and \$464,389 of exploration expenditures spent on its properties, (see "Results of Operations").

During and subsequent to the period end the Company received net smelter returns ("NSR") production royalty of \$2.69 million from Coeur Rochester Inc. ("Coeur"), a wholly owned subsidiary of Coeur Mining Inc. The royalty income resulted from the settlement on June 25, 2013 on the disputed LH and OG unpatented lode mining claims at the Rochester Mine between Coeur and the Company. The Company's current treasury and anticipated royalty income will allow continuing exploration efforts and resource definition work through 2016. If market conditions prevail or improve, the Company will make adjustments to budgets accordingly.

Historically, the Company's capital resources have been limited to the amount raised from the sale of equity. The Company has relied upon the sale of equity securities for cash required for exploration and development purposes, for acquisitions, and to fund the administration of the Company. Since the Company does not expect to generate any revenues in the near future aside from the NSR from Coeur, it will continue to rely primarily upon sales of its equity to raise capital. There can be no assurance that equity financing will always be available to the Company in any amount, on a timely basis or terms acceptable to the Company. Mining exploration is a capital-intensive business and there may be many years between initial exploration and any prospect of revenues. This nature of the mining business increases risks of insufficient capital resources above the risk level of many other businesses.

## Capital Resources

The Company has obligations pursuant to option agreements it has entered into. While the Company has no contractual obligation to satisfy these obligations, it would forfeit any interest it may have earned to that date. Detailed terms of those agreements and the obligations are included in the audited consolidated financial statements. More specifically, at the year end the Company had met its minimum exploration expenditure commitment with respect to the Wilco-Newmont property and its to-date advance royalty payment with respect to the Lincoln Hill property. The Company's other property related commitments are payments to be made in cash and/or shares. The Company has sufficient funds to meet these obligations.

## Disclosure of Outstanding Share Data

### Common Shares

Authorized: unlimited number of common shares without par value and an unlimited number of preferred shares without par value.

	Issued and Outstanding	
	At March 31, 2016	At the date of this MD&A
Common shares	143,838,246	143,838,246

As at March 31, 2016, 5,500,000 share purchase options were outstanding, which would result in common shares outstanding on a fully diluted basis. As at May 30, 2016, 5,060,000 share purchase options were outstanding, which would result in common shares outstanding on a fully diluted basis.



## Share Purchase Options

As at March 31, 2016, the Company had options outstanding as follows. There are no warrants outstanding.

Expiry date	Options outstanding	Options exercisable	Exercise price	Estimated grant date fair value	Weighted average remaining contractual life (in years)
* May 25, 2016	440,000	440,000	\$ 0.35	\$ 115,808	0.15
August 21, 2019	460,000	460,000	0.20	92,552	3.39
January 18, 2022	1,405,000	1,405,000	0.60	870,854	5.81
July 12, 2023	1,250,000	1,250,000	0.20	195,881	7.28
July 22, 2024	595,000	446,250	0.27	93,646	8.32
September 16, 2024	150,000	112,500	0.27	22,158	8.47
March 1, 2025	200,000	100,000	0.15	28,520	8.92
August 28, 2025	1,000,000	250,000	0.16	141,700	9.42
	<b>5,500,000</b>	<b>4,463,750</b>		<b>\$ 1,561,119</b>	<b>6.60</b>

\*- The share options expired subsequent to March 31, 2016.

## Transactions with Related Parties

The financial statements include the accounts of Rye Patch Gold Corp. and its subsidiaries as listed in the following table:

Name	Country of incorporation	Equity ownership as at	
		March 31, 2016	December 31, 2015
Rye Patch Gold US Inc.	United States of America	100%	100%
RyePatch Mining US Inc.	United States of America	100%	-

Balances and transactions between the Company and its subsidiaries have been eliminated on consolidation and are not disclosed in this note. Details of the transactions between the Company and other related parties are disclosed below. The Company's related parties consist of companies owned directly or indirectly, by directors and key management as follows:

Name	Nature of transactions
Tanadog Management and Technical Services Inc.	Management fees
Quantum Advisory Partners LLP	Accounting and audit
Koffman kalaf LLP Business Lawyers	Legal fees

The Company incurred the fees and expenses in the normal course of operations in connection with companies owned by directors and key management. Expenses have been measured at the exchange amount which is the amount of consideration established and agreed to by the related parties.

The Company's related party expenses are as follows:

	For the three months ended	
	March 31, 2016	March 31, 2015
Accounting and audit <sup>(1)</sup>	\$ -	\$ 31,720
Legal fees <sup>(2)</sup>	<b>34,128</b>	12,974
Management fees <sup>(3)</sup>	<b>61,259</b>	50,191
Office and administration <sup>(3)</sup>	<b>14,923</b>	14,881
	<b>\$ 110,310</b>	<b>\$ 109,766</b>

(1) The Company paid for accounting services to Quantum Advisory Partners LLP whose incorporated partner was the Company's Chief Financial Officer until March 1, 2015.

- (2) The Company paid for legal and corporate secretary services fees to Koffman Kalef LLP Business Lawyers in which the Company's Corporate Secretary is a partner. As at March 31, 2016, \$1,050 (December 31, 2015 - \$nil) was owed to this firm.
- (3) The Company paid for management fees to Tanadog Management and Technical Services Inc. which is controlled by its President. The Company paid for office and administrative services to the same company. As at March 31, 2016, \$12,273 (December 31, 2015 - \$50,125) was owed to this company.

The Company's management services contract is renewable automatically for consecutive one year terms, at US\$180,000 per year. Fees payable on termination of services is one and a half times the annual rate and fees payable on change of control is three times the annual rate.

### Key management personnel compensation

The remuneration of directors and other members of key management personnel during the years ended March 31, 2016 and 2015 were as follows:

#### Key management personnel compensation

	For the three months ended	
	March 31, 2016	March 31, 2015
Salaries and management fees	\$ 86,258	\$ 66,858
Director fees	-	-
Share-based payments - management <sup>(i)</sup>	14,132	12,919
Share-based payments - directors <sup>(i)</sup>	8,585	10,212
	\$ 108,975	\$ 89,989

Share-based payments are the fair value of options granted to key management personnel and directors.

### Commitments and contingencies

- a) The Company has commitments under operating leases for its premises in Vancouver, British Columbia, for an approximate minimum annual rent of \$77,152 until August 31, 2016. The Reno office lease was renewed for an additional three years ending June 30, 2017. The monthly rent is US\$5,400 and is adjusted annually by the consumer price index.
- b) As disclosed in Note 6(a), if Newmont does not exercise the joint venture option by the 120th day of receipt of a feasibility study from the Company, or elects not to proceed with the joint venture after the joint venture agreement is signed, or fails to complete the Phase 1 Earn-in Expenditures, it will be obligated to sell its interest in the Wilco – Newmont property to the Company for US\$2,000,000, which may be partially payable in shares at the discretion of the Company.
- c) The Company entered into a geographic information systems service contract at US\$70 per hour from January 1, 2016 until December 31, 2016.
- d) The Company entered into agreements to lease vehicles from a company controlled by its President. The monthly lease payments total US\$4,800 per month with terms of 12 and 36 months.
- e) The Company entered into a consulting agreement for project evaluation and mine engineering services at US\$150 per hour from January 4, 2016 until December 31, 2016.

## Events after reporting period

The following events occurred after the three months ended March 31, 2016:

1. On May 25, 2016, 440,000 share purchase options expired unexercised.
2. On May 25, 2016, The Company announced that it had signed a definitive agreement (the "Acquisition Agreement") to acquire 100% ownership of the Florida Canyon gold mine (with the Standard gold mine) located in Pershing County, Nevada, for total consideration payable in cash and shares of US\$23 million, including contingent payments and subject to adjustment for outstanding liabilities. The Company has also signed a commitment letter for a US\$27 million credit facility (the "Credit Facility") with Macquarie Bank Limited ("Macquarie Bank") to fund the proposed redevelopment of the Florida Canyon mine. The Company has engaged Macquarie Capital Markets Canada Ltd. ("Macquarie Capital") and Canaccord Genuity Corp. ("Canaccord Genuity") with regard to a proposed equity financing to fund the purchase consideration. Closing of the acquisition is anticipated to occur on or before June 30, 2016, subject to regulatory approvals and satisfying conditions of closing under the Acquisition Agreement.

## Off-balance sheet arrangements

There are no off-balance sheet arrangements as at the date of the MD&A.

## Financial instruments and risk management

In accordance with IFRS, financial instruments are classified into one of the five following categories: held-for-trading, held-to-maturity investments, loans and receivables, available-for-sale financial assets and other financial liabilities. Cash and cash equivalents are designated as held-for-trading and their carrying value approximates fair value as they are cash or they are readily convertible into cash in the normal course of business. Amounts receivable and reclamation bonds are classified as loans and receivables. Deposits are classified as held-to-maturity. Their carrying values approximate fair values due to their limited time to maturity and ability to convert them to cash in the normal course of business. Accounts payable and accrued liabilities and due to related parties are classified as other financial liabilities. Their carrying values also approximate fair value due to their short term maturities.

IFRS 13 establishes a fair value hierarchy that reflects the significance of inputs used in making fair value measurements as follows:

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

The Company has determined the estimated fair values of its financial instruments based upon appropriate valuation methodologies. At March 31, 2016, cash and cash equivalents of \$3,632,299 (December 31, 2015 - \$3,578,769) have been measured and recognized in the condensed consolidated interim statements of financial position using Level 1 inputs. At March 31, 2016 and December 31, 2015, there were no financial assets or liabilities measured and recognized in the consolidated statements of financial position at fair value that would be categorized as Level 2 and 3 in the fair value hierarchy above.

The Company's operations consist of the acquisition, exploration and development of mineral resource properties in North America. The Company examines the various financial risks to which it is exposed and assesses the impact and likelihood of being affected by these risks, which may include credit risk, liquidity risk, currency risk, interest rate risk and other price risks. When material, these risks are also reviewed and monitored by the Board of Directors.

a) Credit risk

Counterparty credit risk is the risk that the financial benefits of a contract with a specific counterparty will be lost if the counterparty defaults on its obligations under the contract. This includes any cash amounts owed to the Company by that counterparty, less any amounts owed to the counterparty by the Company where a legal right of offset exists and also includes the fair values of contracts with individual counterparties which are recorded in the financial statements. The Company manages this risk by only entering into contracts with counterparties who have sufficient financial strength to minimize the risk of a financial default. The Company's cash and cash equivalents are held with large Canadian financial institutions. Accounts receivable consist mostly of refundable excise taxes due from the Federal Government of Canada, royalty receivable and interest receivable. Reclamation bonds are amounts deposited with the Bureau of Land Management of the United States Department of the Interior and the Department of Conservation & Natural Resources of the State of Nevada. As such, the Company considers this risk to be minimal.

i. Trade credit risk

The Company is in the exploration stage and has not yet commenced commercial production. Therefore, the Company is not exposed to significant trade credit risk.

ii. Accounts receivable

The Company's accounts receivable balance consists of excise taxes refundable from the Federal Government of Canada, royalty receivable and interest receivable. The maximum exposure is \$1,310,767 (December 31, 2015 - \$1,349,190).

iii. Cash and cash equivalents

In order to manage credit and liquidity risk to minimize the likelihood of a loss, the Company invests only in highly rated investment grade instruments that have maturities of three months or less. Monetary limits are also established based on the type of investment, the counterparty and the credit rating

iv. Derivative financial instruments

As at March 31, 2016 and December 31, 2015, the Company had no derivative financial instruments.

b) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they come due. The Company has in place a planning and budgeting process to help determine the funds required to support the Company's normal operating requirements and its exploration and development plans. The annual budget is approved by the Board of Directors. The Company ensures, through the management of its available cash and the issue of shares, that there are sufficient cash balances to meet its short-term business requirements. Accounts payable and accrued liabilities and amounts due to related parties are due on demand.

c) Currency risk

Currency risk is the risk of loss due to fluctuation of foreign exchange rates and the effects of these fluctuations on foreign currency denominated monetary assets and liabilities. The Company's mineral property interests in the United States subject the Company to foreign currency fluctuations which may adversely affect the Company's financial position, results of operations and cash flows. The Company is affected by changes in exchange rates between the Canadian dollar and US dollar.



A change in the value of the US dollar by 10% relative to the Canadian dollar would affect the Company's US dollar monetary assets and liabilities by approximately \$443,614 (December 31, 2015 - \$392,100). The Company does not invest in derivatives to mitigate these risks.

d) Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows from a financial instrument will fluctuate because of changes to market interest rates. The Company limits its exposure to interest rate risk by investing only in short term investments at major Canadian financial institutions. As at March 31, 2016, the Company was not exposed to interest rate risk.

e) Commodity price risk

The ability of the Company to develop its mineral properties and the future profitability of the Company will be directly related to the market price of gold.

## Changes in Accounting Policies

The Company prepared the condensed consolidated interim financial statements for the period ended March 31, 2016 following the same accounting policies and methods of application as the annual audited consolidated financial statements for the year ended December 31, 2015, as new or amended accounting standards did not impact the Company's consolidated financial statements.

## Future Accounting Pronouncements

### **New standards and interpretations not yet adopted**

Certain new standards, interpretations, amendments and improvements to existing standards were issued by the IASB or IFRIC that are mandatory for accounting periods beginning on or after January 1, 2015. Updates which are not applicable or are not consequential to the Company have been excluded thereof. The following have not yet been adopted by the Company and are being evaluated to determine their impact:

IFRS 9: New standard that replaces IAS 39 for classification and measurement, effective for annual periods beginning on or after January 1, 2018

IFRS 16: New standard that replaces IAS 17 with a new approach to lease accounting that requires a lessee to recognize assets and liabilities for the rights and obligations created by leases, effective for annual periods beginning on or after January 1, 2019