



**Rye Patch**  
GOLD CORP.

*(An Exploration Stage Company)*

**CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

**(Unaudited)**

**For The Nine Months Ended September 30, 2014**

#### **NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS**

**Under National Instrument 51-102, Part 4, subsection 4.3(3) (a), if an auditor has not performed a review of the interim financial statements; they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor. The Company's independent auditor has not performed a review of these financial statements in accordance with standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.**

# Rye Patch Gold Corp.

(An exploration stage company)

## Condensed Consolidated Interim Statements of Financial Position

(Expressed in Canadian Dollars - unaudited)

As at	September 30, 2014	December 31, 2013
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	\$ 5,602,190	\$ 7,917,188
Accounts receivable (note 4)	1,212,693	7,250
Prepaid expenses	66,359	49,909
Deposits	10,766	10,650
	<b>6,892,008</b>	<b>7,984,997</b>
<b>Non-current assets</b>		
Property and equipment (note 5)	45,146	42,140
Mineral properties (note 6)	3,889,936	3,331,196
Reclamation bond (note 7)	255,043	228,440
	<b>4,190,125</b>	<b>3,601,776</b>
<b>TOTAL ASSETS</b>	<b>\$ 11,082,133</b>	<b>\$ 11,586,773</b>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities	\$ 244,914	\$ 216,890
Provisions for reclamation (note 8)	87,017	83,413
Due to related parties (note 11)	37,165	37,188
	<b>369,096</b>	<b>337,491</b>
<b>Non-current liabilities</b>		
Deferred revenue (note 6(a))	12,495	11,977
<b>TOTAL LIABILITIES</b>	<b>381,591</b>	<b>349,468</b>
<b>EQUITY</b>		
Share capital (note 9)	31,700,768	31,700,768
Foreign currency translation adjustment	485,717	157,417
Reserves	4,782,859	4,613,407
Deficit	(26,268,802)	(25,234,287)
<b>TOTAL EQUITY</b>	<b>10,700,542</b>	<b>11,237,305</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>\$ 11,082,133</b>	<b>\$ 11,586,773</b>

Continuing operations and going concern (note 1)

Commitments and contingencies (note 12)

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

They are signed on the Company's behalf by:

APPROVED BY THE BOARD:

/s/ Jonathan Challis Director

/s/ William C. Howald Director

# Rye Patch Gold Corp.

(An exploration stage company)

## Condensed Consolidated Interim Statements of Comprehensive Loss (Expressed in Canadian Dollars - unaudited)

	For the three months ended		For the nine months ended	
	September 30, 2014	September 30, 2013	September 30, 2014	September 30, 2013
<b>ROYALTY INCOME (note 4)</b>	\$ 1,176,883	\$ -	\$ 2,850,788	\$ -
<b>MINERAL PROPERTY OPERATIONS</b>				
Exploration costs (note 6)	599,753	304,526	2,176,532	585,348
<b>EXPENSES</b>				
Accounting and audit (note 11)	70,685	38,064	159,749	103,272
Depreciation (note 5)	4,683	2,985	11,120	8,892
Insurance	8,152	7,994	21,471	21,342
Investor relations	32,175	32,371	85,279	138,966
Legal fees (note 11)	34,034	19,066	84,954	286,820
Management fees (note 11)	124,784	734,224	472,340	872,364
Office and administration	59,080	46,604	231,940	183,709
Rent	37,840	42,668	117,438	134,484
Share-based payments (note 9)	93,245	109,359	169,452	294,689
Travel	11,729	13,178	37,926	33,405
Transfer agent and filing fees	8,645	7,918	40,954	45,513
Wages and bonuses	196,793	317,484	305,311	429,772
	681,845	1,371,915	1,737,934	2,553,228
<b>OTHER INCOME (EXPENSE)</b>				
Interest income	5,722	15,748	27,846	20,087
Other revenue	810	25,135	4,647	37,649
Currency exchange (loss) gain	1,317	(3,468)	(3,330)	(7,803)
Gain on disposal of mineral properties	-	-	-	10,202,442
Impairment	-	(789,705)	-	(789,705)
	7,849	(752,290)	29,163	9,462,670
<b>NET INCOME (LOSS) FOR THE PERIOD</b>	\$ (96,866)	\$ (2,428,731)	\$ (1,034,515)	\$ 6,324,094
<b>OTHER COMPREHENSIVE INCOME</b>				
Foreign currency translation adjustment	350,733	(205,809)	328,300	84,367
<b>TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE PERIOD</b>	\$ 253,867	\$ (2,634,540)	\$ (706,215)	\$ 6,408,461

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

## Rye Patch Gold Corp.

(An exploration stage company)

### Condensed Consolidated Interim Statements of Changes in Shareholders' Equity

(Expressed in Canadian Dollars - unaudited)

	Share capital		Reserves				Foreign currency translation adjustment	Deficit	Total
	Number of shares	Amount	Warrants	Equity settled employee benefits	Agent's options	Total			
<b>Balance at December 31, 2013</b>	<b>146,446,746</b>	<b>31,700,768</b>	<b>1,875,998</b>	<b>2,487,616</b>	<b>249,793</b>	<b>4,613,407</b>	<b>157,417</b>	<b>(25,234,287)</b>	<b>11,237,305</b>
Share-based payments	-	-	-	169,452	-	169,452	-	-	169,452
Net comprehensive loss for the period	-	-	-	-	-	-	328,300	(1,034,515)	(706,215)
<b>Balance at September 30, 2014</b>	<b>146,446,746</b>	<b>\$ 31,700,768</b>	<b>\$ 1,875,998</b>	<b>\$ 2,657,068</b>	<b>\$ 249,793</b>	<b>\$ 4,782,859</b>	<b>\$ 485,717</b>	<b>\$ (26,268,802)</b>	<b>\$ 10,700,542</b>
<b>Balance at December 31, 2012</b>	<b>146,336,746</b>	<b>31,651,264</b>	<b>1,875,998</b>	<b>2,107,508</b>	<b>249,793</b>	<b>4,233,299</b>	<b>(234,088)</b>	<b>(29,220,665)</b>	<b>6,429,810</b>
Shares issued for									
Exercise of options	110,000	49,504	-	(22,504)	-	(22,504)	-	-	27,000
Share-based payments	-	-	-	294,689	-	294,689	-	-	294,689
Net comprehensive income for the period	-	-	-	-	-	-	84,367	6,324,094	6,408,461
<b>Balance at September 30, 2013</b>	<b>146,446,746</b>	<b>\$ 31,700,768</b>	<b>\$ 1,875,998</b>	<b>\$ 2,379,693</b>	<b>\$ 249,793</b>	<b>\$ 4,505,484</b>	<b>\$ (149,721)</b>	<b>\$ (22,896,571)</b>	<b>\$ 13,159,960</b>

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

# Rye Patch Gold Corp.

(An exploration stage company)

## Condensed Consolidated Interim Statements of Cash Flows

(Expressed in Canadian Dollars - unaudited)

	For the nine months ended	
	September 30, 2014	September 30, 2013
<b>Cash flows provided from (used by):</b>		
<b>OPERATING ACTIVITIES</b>		
Net income (loss) for the period	\$ (1,034,515)	\$ 6,324,094
Adjustments for items not affecting cash:		
Depreciation	11,120	8,892
Share-based payments	169,452	294,689
Gain on disposal of mineral properties	-	(10,202,442)
Impairment of mineral properties	-	789,705
	<b>(853,943)</b>	<b>(2,785,062)</b>
Net changes in non-cash working capital items:		
Accounts receivable	(1,181,501)	68,572
Prepaid expenses	(15,759)	3,385
Accounts payable and accrued liabilities	22,257	(424,599)
Due to related parties	(878)	(5,925)
<b>Net cash flows (used in) operating activities</b>	<b>(2,029,824)</b>	<b>(3,143,629)</b>
<b>FINANCING ACTIVITIES</b>		
Proceeds from share issuance, net of share issue costs	-	27,000
<b>Net cash flows from financing activities</b>	<b>-</b>	<b>27,000</b>
<b>INVESTING ACTIVITIES</b>		
Purchase of property and equipment	(13,111)	-
Mineral properties	(406,590)	(464,611)
Reclamation bond	(16,528)	-
Proceeds of the disposal of mineral properties	-	10,504,000
<b>Net cash flows from (used in) investing activities</b>	<b>(436,229)</b>	<b>10,039,389</b>
Effects of currency exchange rate changes on cash and cash equivalents	151,055	(85,374)
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(2,314,998)</b>	<b>6,837,386</b>
<b>Cash and cash equivalents, beginning of period</b>	<b>7,917,188</b>	<b>1,867,832</b>
<b>Cash and cash equivalents, end of period</b>	<b>\$ 5,602,190</b>	<b>\$ 8,705,218</b>
<b>Cash and cash equivalents consist of :</b>		
Cash	3,187,821	4,890,823
Short-term deposits	2,414,369	3,814,395
	<b>\$ 5,602,190</b>	<b>\$ 8,705,218</b>
<b>Supplementary cash flow information</b>		
Cash paid during the period for interest	\$ -	\$ -
Cash paid during the period for income taxes	\$ -	\$ -
Interest received	\$ 27,846	\$ 20,087
<b>Non-cash activities</b>		
Transfer of reserve amounts upon exercise of warrants and options	\$ -	\$ 22,504

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

# Rye Patch Gold Corp.

(An exploration stage company)

## Notes to the Condensed Consolidated Interim Financial Statements

For the nine months ended September 30, 2014

(Expressed in Canadian Dollars - unaudited)

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### 1. CONTINUING OPERATIONS AND GOING CONCERN

The Company was incorporated under the British Columbia Business Corporations Act on April 13, 2006 and its head office is located at Suite 1740 – 1177 West Hastings Street, Vancouver, British Columbia. The Company is an exploration stage company, and its wholly owned subsidiary, Rye Patch Gold US Inc., is engaged principally in the acquisition and exploration of mineral properties in the State of Nevada, United States of America. The recovery of the Company's investment in its mineral properties is dependent upon the future discovery, development and sale of minerals, and the ability to raise sufficient capital to finance these activities, or the proceeds from the sale of these properties.

These unaudited consolidated interim financial statements have been prepared on the basis that the Company is a going concern. This assumes that the Company will continue operations for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of business. The ability of the Company to continue as a going concern is dependent on obtaining additional financing through the issuance of debt or common shares. There is a risk that additional financing will not be available on a timely basis or on terms acceptable to the Company. These unaudited consolidated interim financial statements do not reflect the adjustments or reclassifications that would be necessary if the Company was unable to continue operations.

### 2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PRESENTATION

These financial statements were authorized for issue on November 21, 2014 by the directors of the Company.

#### **Statement of compliance to International Financial Reporting Standards**

These condensed consolidated interim financial statements of the Company 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"). These financial statements comply with International Accounting Standard 34, Interim Financial Reporting ("IAS 34").

#### **Basis of presentation**

These unaudited interim condensed consolidated financial statements include the accounts of the Company and its subsidiaries. This interim financial report does not include all of the information required of a full annual financial report and is intended to provide users with an update in relation to events and transactions that are significant to an understanding of the changes in financial position and performance of the Company since the end of the last annual reporting period. It is therefore recommended that this financial report be read in conjunction with the annual financial statements of the Company for the year ended December 31, 2013. However, this interim financial report provides selected significant disclosures that are required in the annual financial statements under IFRS.

Certain amounts in prior periods have been reclassified to conform to the current period presentation.

# Rye Patch Gold Corp.

(An exploration stage company)

## Notes to the Condensed Consolidated Interim Financial Statements

For the nine months ended September 30, 2014

(Expressed in Canadian Dollars - unaudited)

### 2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PRESENTATION (continued)

#### **Basis of presentation (continued)**

These unaudited interim condensed consolidated financial statements follow the same accounting policies and methods of application as the annual audited consolidated financial statements for the year ended December 31, 2013, with the exception of the following new accounting standard and amendments which the Company adopted and are effective for the Company's interim and annual consolidated financial statements commencing January 1, 2014.

- **Revenue recognition**

Royalty and interest income is recognized to the extent it is probable that the economic benefits will flow to the Company and the amount of revenue can be reliably measured. Royalty income is recognized on an accrual basis in accordance with the substance of the relevant agreement. Interest income is recognized on an accrual basis using the effective interest method.

- **IAS 32 (Amendment) Financial Instruments: Presentation ("IAS 32")**

IAS 32 was amended to clarify that an entity currently has a legally enforceable right to set-off financial assets and liabilities if that right is (1) not contingent on a future event; and (2) enforceable both in the normal course of business and in the event of default, insolvency or bankruptcy of the entity and all counterparties. The adoption of the new standard did not have significant impacts to the consolidated statement of loss and comprehensive loss.

### 3. NEW ACCOUNTING STANDARDS

#### **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 7: Amended to require additional disclosures on transition from IAS 39 and IFRS 9, effective for annual periods beginning on or after January 1, 2015
- IFRS 9: New standard that replaced IAS 39 for classification and measurement
- IFRS 14: Regulatory deferral accounts, effective for annual periods beginning on or after January 1, 2016

## **Rye Patch Gold Corp.**

*(An exploration stage company)*

### **Notes to the Condensed Consolidated Interim Financial Statements**

**For the nine months ended September 30, 2014**

**(Expressed in Canadian Dollars - unaudited)**

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#### **4. ROYALTY INCOME**

On June 25, 2013, the Company and Coeur Rochester Inc., a wholly owned subsidiary of Coeur Mining Inc. ("Coeur"), reached a settlement on the disputed LH and OG unpatented lode mining claims at the Rochester mine. The Company and Coeur engaged in the legal dispute over title to certain LH and OG unpatented lode mining claims covering portions of the Rochester and Packard mine areas. In settlement of the legal dispute, the Company conveyed all of the disputed LH and OG unpatented lode mining claims (comprising 386 of the 410 LH claims and all three OG claims) to Coeur in return for the following:

- CRI made a cash payment to the Company in the sum of US Ten Million Dollars (US\$10,000,000.00);
- CRI granted to Rye Patch Gold US Inc., a production royalty equal to 3.4% of the gross revenue, less refining costs, of gold and silver produced and sold from the Rochester Mine (the "NSR"); and
- Conveyed all of CRI's right, title and interest in the Blue Bird patented lode mining claim located near Lincoln Hill.

The NSR will be effective as of January 1, 2014 and will terminate after 39.4 million silver equivalent ounces have been produced and sold from the Rochester Mine. Silver equivalent will be determined by converting sales of gold to the equivalent number of ounces of silver based on actual prices of gold and silver at the time of sale. The NSR is non-assignable except to an affiliate controlled by the Company; however, from and after January 1, 2014, the NSR may be assigned (i) in a single-asset transaction, (ii) for cash consideration, (iii) upon at least 30 days' advance notice to CRI and (iv) to a company whose principal business is the acquisition, holding or management of precious metals production royalties and streams. CRI shall have a right of first refusal to acquire the NSR on the same terms as any proposed permitted sale of the NSR by the Company.

The NSR will be paid quarterly, and is fully leveraged to the price of gold and silver.

During the nine months ended September 30, 2014, the Company accrued \$2,850,788 (US\$2,607,156) as royalty income (September 30, 2013 - \$nil).

The accounts receivable balance relating to royalty income as at September 30, 2014 was \$1,205,149 (US\$1,080,270). This amount was received subsequent to September 30, 2014.

# Rye Patch Gold Corp.

(An exploration stage company)

## Notes to the Condensed Consolidated Interim Financial Statements

For the nine months ended September 30, 2014

(Expressed in Canadian Dollars - unaudited)

### 5. PROPERTY AND EQUIPMENT

	Computer equipment	Computer software	Exploration equipment	Leasehold improvements	Office furniture and equipment	Total
<b>Cost</b>						
As at December 31, 2013	\$ 47,536	\$ 7,851	\$ 3,622	\$ 25,254	\$ 83,525	\$ 167,788
Additions	5,632	7,479	-	-	-	13,111
Currency translation adjustment	1,094	490	156	-	1,835	3,575
<b>Balance as at September 30, 2014</b>	<b>\$ 54,262</b>	<b>\$ 15,820</b>	<b>\$ 3,778</b>	<b>\$ 25,254</b>	<b>\$ 85,360</b>	<b>\$ 184,474</b>
<b>Depreciation</b>						
As at December 31, 2013	\$ (36,964)	\$ (7,851)	\$ (2,013)	\$ (21,464)	\$ (57,356)	\$ (125,648)
Charged for the period	(4,197)	(2,137)	(246)	(568)	(3,972)	(11,120)
Currency translation adjustment	(820)	(381)	(91)	-	(1,268)	(2,560)
<b>Balance as at September 30, 2014</b>	<b>\$ (41,981)</b>	<b>\$ (10,369)</b>	<b>\$ (2,350)</b>	<b>\$ (22,032)</b>	<b>\$ (62,596)</b>	<b>\$ (139,328)</b>
<b>Net book value</b>						
As at December 31, 2013	\$ 10,572	\$ -	\$ 1,609	\$ 3,790	\$ 26,169	\$ 42,140
<b>As at September 30, 2014</b>	<b>\$ 12,281</b>	<b>\$ 5,451</b>	<b>\$ 1,428</b>	<b>\$ 3,222</b>	<b>\$ 22,764</b>	<b>\$ 45,146</b>

# Rye Patch Gold Corp.

(An exploration stage company)

## Notes to the Condensed Consolidated Interim Financial Statements

For the nine months ended September 30, 2014

(Expressed in Canadian Dollars - unaudited)

### 6. MINERAL PROPERTIES

	Wilco-Newmont Property (Note 6a)	Gold Ridge Property (Note 6b)	Lincoln Hill Property (Note 6c)	Garden Gate Property (Note 6d)	Others (Note 6e)	Total
<b>Acquisition costs</b>						
Cumulative acquisition costs as at December 31, 2013	\$ 1,248,971	\$ 254,256	\$ 1,065,860	\$ 391,572	\$ 370,537	\$ 3,331,196
<b>During the period:</b>						
Holding costs	55,992	89,081	25,760	30,058	118,001	318,892
Land status	1,114	230	366	198	5,703	7,611
Lease obligations	49,205	-	30,882	-	-	80,087
<b>Total acquisition costs for the period</b>	<b>106,311</b>	<b>89,311</b>	<b>57,008</b>	<b>30,256</b>	<b>123,704</b>	<b>406,590</b>
Foreign currency translation adjustment	56,110	12,794	47,203	17,529	18,514	152,150
Cumulative acquisition costs as at September 30, 2014	\$ 1,411,392	\$ 356,361	\$ 1,170,071	\$ 439,357	\$ 512,755	\$ 3,889,936
<b>Exploration expenditures (recovery) charged to operations</b>						
Cumulative exploration expenditures on active properties charged to operations as at December 31, 2013	\$ 5,672,804	\$ 722,265	\$ 3,243,981	\$ 3,569,255	\$ 4,719,589	\$ 17,927,894
<b>During the period:</b>						
Assays	64,728	15,187	64,577	37,322	30	181,844
Drilling	225,127	47,299	259,636	806,817	45,846	1,384,725
Geochemical	-	-	-	385	-	385
Geological	95,700	44,199	94,418	20,654	43,495	298,466
Legal	1,665	-	-	-	1,949	3,614
Travel and overhead	33,719	2,836	28,930	25,277	7,990	98,752
Wages and salaries	71,963	5,786	52,143	42,337	36,517	208,746
<b>Total exploration expenditures charged to operations during the period</b>	<b>492,902</b>	<b>115,307</b>	<b>499,704</b>	<b>932,792</b>	<b>135,827</b>	<b>2,176,532</b>
Cumulative exploration expenditures on active properties charged to operations as at September 30, 2014	\$ 6,165,706	\$ 837,572	\$ 3,743,685	\$ 4,502,047	\$ 4,855,416	\$ 20,104,426

# Rye Patch Gold Corp.

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## Notes to the Condensed Consolidated Interim Financial Statements

For the nine months ended September 30, 2014

(Expressed in Canadian Dollars - unaudited)

### 6. MINERAL PROPERTIES (continued)

#### a) Wilco - Newmont Property

On December 15, 2005, North American Diversified Resources Corporation ("NADR") and Newmont Mining Corporation ("Newmont"), the lessor of the property, entered into a Mining Lease and Sublease agreement (the "Agreement") on the Wilco Property claims in Pershing County, Nevada. On April 20, 2006, NADR assigned its rights and interests under the Agreement to the Company. In consideration of this assignment, the Company issued 4,500,000 shares to NADR and 500,000 shares to a third party identified by NADR. These shares were valued at \$500,000. Neither party was related to the Company at the time of the acquisition. The Company also paid NADR US\$150,000.

The Company completed its obligations to make minimum exploration expenditures of US \$3,000,000 on this property and earned its 100% interest in the property by December 31, 2009.

Beginning on December 15, 2011, the sixth anniversary of the Agreement, and each anniversary date thereafter, the Company is also obligated to pay Newmont, an annual rent of US\$84,714 in cash within 30 days of each anniversary date, if at least US\$500,000 was not spent on the property in the preceding anniversary year. This annual rent will fluctuate with the Consumer Price Index. In 2013, the Company paid Newmont US\$86,493, which consisted of the annual rent adjusted for fluctuations in the Consumer Price Index.

The Company is also obligated to pay the owner of certain mining claims a net smelter return ("NSR") of between 2% and 5% (calculated based on the monthly price of gold), and advanced royalty payments of US\$15,000 annually until 2010, and US\$20,000 every year thereafter (paid up to date). Newmont may enter into a joint venture agreement with the Company at any time up to the date that is 120 days after the Company delivers a feasibility study to Newmont. If a joint venture commences, Newmont has the option of spending US\$15,000,000 on the property by the 8th anniversary date of this agreement (Phase I Earn-In Expenditures). Newmont's initial interest in the joint venture will be 60%, and the Company's interest will be 40%, if Newmont makes the required expenditures. Newmont will earn an additional 10% interest if it notifies the Company within 90 days of completing the Phase 1 Earn-in Expenditures, and by spending an additional US\$5,000,000. If a joint venture commences, the Company will not be required to make any further minimum expenditures on the property. If Newmont does not exercise the joint venture option, 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, then Newmont will sell its interest in the property to the Company for US\$2,000,000, which may be partially payable in shares of the Company, at the discretion of the Company. Newmont's interest in the property will then be reduced to an NSR of 2% to 5%, calculated on a sliding scale depending on the price of gold at the time of production, in respect of gold, silver and platinum group metals production and a 3.5% NSR in respect of all other mineral production. The Newmont NSR will be offset by any other existing underlying NSRs, to a minimum of 2%. A portion of the property is also subject to a 2% NSR payable to Western States Minerals Corporation.

The Company may terminate the Agreement at any time upon 60 days' notice. Newmont may terminate the agreement on 60 days' notice if the Company defaults on any of its obligations.

In December 2006, the Company acquired additional mining claims to add to the Wilco-Newmont property, by way of staking. The Company owns 100% of these new claims. In October 2010, the Company staked an additional 6.5 square kilometers along the Oreana trend.

## Rye Patch Gold Corp.

(An exploration stage company)

### Notes to the Condensed Consolidated Interim Financial Statements

For the nine months ended September 30, 2014

(Expressed in Canadian Dollars - unaudited)

#### 6. MINERAL PROPERTIES (continued)

##### a) Wilco - Newmont Property (continued)

On March 21, 2007, the Company signed a letter agreement with H&M Mining, Inc. to lease one of the mining claims in Pershing County, Nevada. The initial lease is for 20 years, subject to the Company's option to extend the lease for a further two 20 year periods. An NSR of 1% to 3%, depending on the price of gold at the time of production, is payable in respect of mineral production. All minimum payments made, and NSRs paid, can be applied to the option purchase price of US\$1,000,000. The Company is obligated to make the following minimum payments pursuant to the agreement:

	US\$ Amount	
Initial payment	\$10,000	Paid
By March 21, 2008	\$15,000	Paid
By March 21, 2009	\$20,000	Paid
By March 21, 2010	\$25,000	Paid
By March 21, 2011	\$40,000	Paid
By March 21, 2012 and every year thereafter	\$40,000	Paid up to date

On June 30, 2010, the Company entered into a geothermal lease agreement with Wilco Energy LLC, a non-related company, to lease to Wilco Energy LLC the geothermal rights on a portion of the property for US\$34,100 (received) as an initial rental payment for 2010-2012 and US\$22,400 for 2013 and 2014. Wilco Energy defaulted on their 2014 payment which was due on or before June 30, 2014. Wilco Energy did not cure the default; therefore, the June 30, 2010 Agreement with Wilco Energy has been terminated.

On March 16, 2011, the Company entered into a three year sand and gravel lease agreement with EP Minerals, LLC to lease a portion of the property for exploring for, developing, mining, processing and transporting sand and gravel. The annual rental payments are US\$2,000, and the lease is in good standing.

##### b) Gold Ridge Property

In November 2006, the Company acquired, through staking, an area of lode mining claims in Pershing County, Nevada. In April 2009, the Company acquired, through staking, an additional area of lode mining claims. The Company owns 100% of these claims.

During the year ended December 31, 2013, the Company decided not to continue exploration of the Red Hill Anomaly on the Gold Ridge Property but maintained the claims. As a result, the Company recorded an impairment provision of \$140,317 to write-off the carrying value relating to the Red Hill Anomaly during the year ended December 31, 2013 (December 31, 2012 – \$nil).

## Rye Patch Gold Corp.

(An exploration stage company)

### Notes to the Condensed Consolidated Interim Financial Statements

For the nine months ended September 30, 2014

(Expressed in Canadian Dollars - unaudited)

#### 6. MINERAL PROPERTIES (continued)

##### c) Lincoln Hill Property

On November 7, 2007, the Company entered into a Mining Lease agreement with Mountain Gold Exploration, Inc. ("MGE") and Lane Griffin (collectively, the "Lessors") on Lincoln Hill property. The property is comprised of one patented lode claim and unpatented mining claims. The lease is for 20 years, renewable on certain conditions.

The Company is required to make the following advanced royalty payments to the Lessors to be credited towards the Lessors' NSR:

	US\$ Amount	Number of shares	
On signing the LOI Agreement	50,000	100,000	Paid and issued
November 2008	60,000	100,000	Paid and issued
November 2009	65,000	100,000	Paid and issued
November 2010	70,000	150,000	Paid and issued
November 2011	75,000	150,000	Paid and issued
November 2012	80,000	150,000	Paid and issued
Each year thereafter	80,000	-	Paid to date

In addition, the Company is required to make the following minimum exploration expenditures:

	US\$ Amount	
By November 2008	100,000	Requirement met
By November 2009	200,000	Requirement met
By November 2010	300,000	Requirement met
By November 2011	500,000	Requirement met
By November 2012	1,000,000	Requirement met

The Lessors retain a 4% NSR on the property, 1% of which the Company may purchase for US\$1 million during the first seven years of the lease, and an additional 1% NSR which may be purchased for US\$3 million during the first 10 years of the lease. The Lessors also reserve the right to explore for and mine certain other minerals on the property.

## Rye Patch Gold Corp.

(An exploration stage company)

### Notes to the Condensed Consolidated Interim Financial Statements

For the nine months ended September 30, 2014

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#### 6. MINERAL PROPERTIES (continued)

##### c) Lincoln Hill Property (continued)

On September 8, 2009, the Company signed an agreement to acquire additional mining claims in Pershing County, Nevada, for a total of US\$41,000 payable as follows:

	US\$ Amount	
Initial payment	3,000	Paid
By September 8, 2010	5,000	Paid
By September 8, 2011	7,500	Paid
By September 8, 2012	10,000	Paid
By September 8, 2013	15,500	Paid in full

On September 10, 2013, the Company completed the payments totalling US\$41,000 to the lessor and acquired the Raven et al claims. A Grant Bargain and Deed was signed and recorded transferring the ownership of the claims and granting a 4% net smelter return to the Grantor.

In addition, the Company reimbursed the current property holders US\$1,000 for the 2009 - 2010 claim maintenance fees.

On October 21, 2011, the Company entered into a lease agreement with Nevada Land and Resource Company, LLC for three parcels of land in Pershing County, Nevada, totalling approximately 2.1 square kilometers for five years ending September 30, 2016. The underlying lease obligations are US\$9,500 annually until September 30, 2016.

##### d) Garden Gate Pass Property

On October 1, 2010, the Company acquired the Garden Gate Pass property from Pyramid Lake LLC ("Pyramid Lake"). The project consists of unpatented lode claims and is located 12 kilometres (7 miles) south-southeast of Barrick Gold's Cortez Hills mine.

The Company is required to make the following advanced royalty payments:

	US\$ Amount	
Initial payment	40,000	Paid
By October 1, 2011	50,000	Paid
By October 1, 2012	55,000	Paid
By October 1, 2013 and every year to 2017	60,000	Paid
By October 1, 2018 and every year thereafter	100,000	

The Company controls 100% of the property subject to annual advance royalty payments and a 2% NSR payable to Pyramid Lake.

## Rye Patch Gold Corp.

(An exploration stage company)

### Notes to the Condensed Consolidated Interim Financial Statements

For the nine months ended September 30, 2014

(Expressed in Canadian Dollars - unaudited)

#### 6. MINERAL PROPERTIES (continued)

##### e) Others

###### Patty Property

On October 18, 2011, the Company entered into an agreement with Barrick Gold, US Gold Corp and Chapleau Resources ("the Patty Joint Venture") for the Patty project located in Eureka County, Nevada. The Patty project consists of 616 unpatented lode claims covering 53.1 square kilometres and is located immediately south of the Company's 100% owned Garden Gate Pass project. Under the terms of this agreement, the Company has the right to earn a 60% undivided interest in the Patty project by spending US\$5 million over a five year period, of which the first year's expenditure of US\$500,000 is committed. In addition, the Company reimbursed the Patty Joint Venture US\$93,120 of lease payments and one half of federal claim rental fees paid by the Patty Joint Venture in 2011.

After completion of the earn-in amount by the Company and within 90 days of this completion, the Patty Joint Venture will have the right to back in to a 60% interest by expending US\$15 million over a five year period, of which one-third will be paid in cash to the Company. After the completion of this back-in the Company will control 40% of the mineral property. The Patty Joint Venture is required to spend a minimum of US\$500,000 annually on the property until the commencement of production.

The core Damale claims retain a 3% NSR and an annual 1,500 metre drill commitment, except for 2012, which requires a 3,300 metre drill commitment to be completed by December 31, 2012. On September 5, 2014, the Barrick Group renegotiated the underlying lease agreement with the Damale group. No changes to the Company's commitments were made; however, a favourable change to the annual 1,500 metre drill commitment was agreed. An annual work requirement of US\$125,000 ("Damale work commitment") replaces the annual footage (meterage) drill commitment. The Damale work commitment is to be completed within each calendar year until commercial production is achieved.

Rye Patch Gold US Inc. has completed its first and second year Work Commitment obligation of US\$500,000 in 2012 and US\$700,000 in 2013. From October 18, 2011, to September 30, 2014, Rye Patch completed US\$2,081,442 in expenditures on the Patty project. As a result of permitting delays with the Bureau of Land Management (BLM), Rye Patch is unlikely to drill on the Patty project this year. On November 4, 2014, Rye Patch Gold US Inc. signed a waiver with the Barrick Group to defer the remaining 2014 Work Commitment of US\$118,558 to the 2015 Work Commitment obligation.

###### South Coal Canyon

In December 2010, the Company acquired, through staking, the South Coal Canyon property in Pershing County, Nevada. The property is an early-stage exploration project located south of Wilco.

###### X Claims

In January 2012, the Company acquired, through staking, the X Claims property in Pershing County, Nevada. The property is an early-stage exploration project located between Rochester on the north and the Relief mine to the south.

#### 7. RECLAMATION BOND

As of September 30, 2014, the Company had deposited US\$228,615 (December 31, 2013 - US\$213,615) as reclamation bonds 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.

## Rye Patch Gold Corp.

(An exploration stage company)

### Notes to the Condensed Consolidated Interim Financial Statements

For the nine months ended September 30, 2014

(Expressed in Canadian Dollars - unaudited)

#### 8. PROVISIONS FOR RECLAMATION

As at September 30, 2014 and December 31, 2013, the present values of the expected future reclamation expenditures relating to exploration and evaluation activities that have occurred to date were \$87,017 (US\$78,000) and \$83,413 (US\$78,000), respectively. Future reclamation expenditures are expected to be made within the next one to two years.

#### 9. SHARE CAPITAL AND RESERVES

##### Authorized share capital

Unlimited number of common shares without par value.

Unlimited number of preferred shares without par value.

##### Issued share capital

At September 30, 2014, there were 146,446,746 issued and fully paid common shares (December 31, 2013 – 146,446,746).

##### During the nine months ended September 30, 2013

- 110,000 options were exercised for proceeds of \$27,000. A fair value of \$22,504 was transferred to share capital from reserves in connection with this exercise.

##### Share purchase warrants

##### During the nine months ended September 30, 2014

- 2,727,285 warrants with an expiry date of August 20, 2014 expired unexercised.
- 1,000,000 warrants with an expiry date of August 23, 2014 expired unexercised.
- 170,866 warrants with an expiry date of August 28, 2014 expired unexercised.

During the nine months ended September 30, 2013, no warrants were granted or exercised.

The changes in share purchase warrants during the nine months ended September 30, 2014 were as follows:

	Number outstanding	Weighted average exercise price
Balance, December 31, 2013	3,898,151	\$ 0.75
Expired	(3,898,151)	0.75
Balance, September 30, 2014	-	\$ -

## Rye Patch Gold Corp.

(An exploration stage company)

### Notes to the Condensed Consolidated Interim Financial Statements

For the nine months ended September 30, 2014

(Expressed in Canadian Dollars - unaudited)

#### 9. SHARE CAPITAL AND RESERVES (continued)

##### Share purchase options

Effective September 5, 2006, the Company adopted a share purchase option plan. Under this plan, the Company may grant options of up to 10% of its outstanding common shares to its directors, officers, employees and consultants. The exercise price of the share purchase options will be no less than the closing price of the shares on the TSX Venture Exchange (the "Exchange") on the business day immediately before the date of granting of the option, unless the Exchange permits discounts, or allows some other minimum exercise price.

##### During the nine months ended September 30, 2014

- 900,000 options granted to an employee and consultant of the Company were cancelled.
- On July 23, 2014, the Company granted stock options to its directors, officers, employees and consultants to purchase up to an aggregate of 690,000 common shares of the Company. The stock options are exercisable for a term of ten years at an exercise price of \$0.27 per common share. Vesting will occur over a period of two years, with an initial 25% of the stock options vesting on the sixth month immediately after the date of grant, followed by an additional 25% of the stock options every six months thereafter until fully vested.
- On August 21, 2014, the Company extended the expiry date of 300,000 options which originally expired on August 21, 2014 to December 31, 2014 and 460,000 options which originally expired on August 21, 2014 to August 21, 2019.
- On September 16, 2014, the Company granted stock options to a director to purchase up to an aggregate of 150,000 common shares of the Company. The stock options are exercisable for a term of ten years at an exercise price of \$0.27 per common share. Vesting will occur over a period of two years, with an initial 25% of the stock options vesting on the sixth month immediately after the date of grant, followed by an additional 25% of the stock options every six months thereafter until fully vested.

##### During the nine months ended September 30, 2013

- 110,000 options were exercised for proceeds of \$27,000.
- 300,000 options granted to an employee and consultant of the Company were cancelled.
- 340,000 options with expiry date of June 10, 2013 expired unexercised.
- On July 12, 2013, The Company granted 1,670,000 options with an exercise price of \$0.20 to its officers, directors, employees and consultants. The options are exercisable for a period of ten years. A quarter of the options granted vest six months from the date of grant and a quarter will vest every six months thereafter.

# Rye Patch Gold Corp.

(An exploration stage company)

## Notes to the Condensed Consolidated Interim Financial Statements

For the nine months ended September 30, 2014

(Expressed in Canadian Dollars - unaudited)

### 9. SHARE CAPITAL AND RESERVES (continued)

#### Share purchase options (continued)

The changes in share purchase options during the nine months ended September 30, 2014 were as follows:

	Number outstanding	Weighted average exercise price
Balance, December 31, 2013	5,950,000	\$ 0.39
Granted	840,000	0.27
Expired	(825,000)	0.43
Forfeited	(75,000)	0.20
Balance, September 30, 2014	5,890,000	\$ 0.37

The following summarizes information about stock options outstanding and exercisable at September 30, 2014:

Expiry date	Options outstanding	Options exercisable	Exercise price	Estimated grant date fair value	Weighted average remaining contractual life (in years)
December 31, 2014	300,000	300,000	\$ 0.20	\$ 64,690	0.25
May 25, 2016	540,000	540,000	0.35	174,414	1.65
September 12, 2016	100,000	100,000	0.45	31,259	1.95
August 21, 2019	460,000	460,000	0.20	143,625	4.89
January 18, 2022	2,080,000	2,080,000	0.60	1,382,209	7.31
July 12, 2023	1,570,000	785,000	0.20	261,697	8.79
July 22, 2024	690,000	-	0.27	108,598	9.82
September 16, 2024	150,000	-	0.27	22,158	9.97
	5,890,000	4,265,000	\$	2,188,650	6.91

The estimated fair value of the options granted during the nine months ended September 30, 2014 and 2013 was calculated using the Black-Scholes Option Pricing Model with the following assumptions:

	For the nine months ended	
	September 30, 2014	September 30, 2013
Risk-free interest rate	1.89%	2.19%
Expected annual volatility	89%	94%
Expected life	10.00	10.00
Expected dividend yield	-	-
Weighted average share price	\$ 0.19	\$ 0.18
Weighted average exercise price	\$ 0.27	\$ 0.20
Weighted average grant date fair value per option	\$ 0.16	\$ 0.16

During the nine months ended September 30, 2014, the Company recorded share-based payments expense of \$169,452 (September 30, 2013 – \$294,689).

## Rye Patch Gold Corp.

(An exploration stage company)

### Notes to the Condensed Consolidated Interim Financial Statements

For the nine months ended September 30, 2014

(Expressed in Canadian Dollars - unaudited)

#### 10. LOSS PER SHARE

	For the three months ended		For the nine months ended	
	September 30, 2014	September 30, 2013	September 30, 2014	September 30, 2013
<b>Basic earnings (loss) per share:</b>				
Net income (loss) for the period	\$ (96,866)	\$ (2,428,731)	\$ (1,034,515)	\$ 6,324,094
Weighted average number of common shares outstanding	146,446,746	146,446,746	146,446,746	146,381,299
<b>Basic earnings (loss) per share:</b>	<b>\$ -</b>	<b>\$ (0.02)</b>	<b>\$ (0.01)</b>	<b>\$ 0.04</b>
<b>Diluted earnings (loss) per share:</b>				
Net income (loss) for the period	\$ (96,866)	\$ (2,428,731)	\$ (1,034,515)	\$ 6,324,094
Weighted average number of common shares outstanding	146,446,746	146,713,461	146,446,746	146,648,014
<b>Diluted earnings (loss) per share:</b>	<b>\$ -</b>	<b>\$ (0.02)</b>	<b>\$ (0.01)</b>	<b>\$ 0.04</b>

#### 11. RELATED PARTY TRANSACTIONS

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	
		September 30, 2014	December 31, 2013
Rye Patch Gold US Inc.	United States of America	100%	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
Blue Dolphin Enterprises Ltd.	Management fees
Quantum Advisory Partners LLP	Accounting and audit
Koffman Kalef 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.

## Rye Patch Gold Corp.

(An exploration stage company)

### Notes to the Condensed Consolidated Interim Financial Statements

For the nine months ended September 30, 2014

(Expressed in Canadian Dollars - unaudited)

#### 11. RELATED PARTY TRANSACTIONS (continued)

The Company's related party expenses are as follows:

	For the nine months ended	
	September 30, 2014	September 30, 2013
Accounting and audit <sup>(1)</sup>	\$ 104,144	\$ 104,144
Legal fees <sup>(2)</sup>	78,031	130,658
Management fees <sup>(3)(4)</sup>	472,340	872,364
Office and administration <sup>(3)</sup>	49,861	47,044
	\$ 704,376	\$ 1,154,210

- (1) The Company paid \$104,144 (September 30, 2013 - \$71,240) for accounting services to Quantum Advisory Partners LLP whose incorporated partner is the Company's Chief Financial Officer. As at September 30, 2014, \$10,920 (December 31, 2013 - \$7,644) was owed to this company.
- (2) The Company paid \$78,031 (September 30, 2013 - \$130,658) for legal and corporate secretary services to Koffman Kalef LLP Business Lawyers in which the Company's Corporate Secretary is a partner. As at September 30, 2014, \$15,544 (December 31, 2013 - \$1,000) was owed to this firm.
- (3) The Company paid \$431,765 (September 30, 2013 - \$487,579) for management fees to Tanadog Management and Technical Services Inc. which is controlled by its President. Included in the management fees was a bonus payment of \$219,144 upon the initial royalty income inclusion. In addition, the Company paid \$49,861 (September 30, 2013 - \$47,044) for administrative services included in office and administrative expenses. As at September 30, 2014, \$10,701 (December 31, 2013 - \$28,544) was owed to this company.

The Company's management services contract is renewable automatically for consecutive one year terms, at US\$160,000 per year. Fees payable on termination of services is 1.5 times the annual rate and fees payable on change of control is 3 times the annual rate.

- (4) The Company paid \$40,575 (September 30, 2013 - \$384,785) in management fees to Blue Dolphin Enterprises Ltd. which is controlled by its former Chairman.

#### Key management personnel compensation

The remuneration of directors and other members of key management personnel during the nine months ended September 30, 2014 and 2013 were as follows:

	For the nine months ended	
	September 30, 2014	September 30, 2013
Salaries and management fees <sup>(1)</sup>	\$ 669,395	\$ 1,074,261
Directors' fees	-	200,000
Share-based payments - management <sup>(2)</sup>	71,124	156,768
Share-based payments - directors <sup>(2)</sup>	33,237	54,206
	\$ 773,756	\$ 1,485,235

- i. Salaries, fees and directors' fees include consulting fees disclosed in Note 11.
- ii. Share-based payments are the fair value of options granted to key management personnel and directors.

## Rye Patch Gold Corp.

(An exploration stage company)

### Notes to the Condensed Consolidated Interim Financial Statements

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(Expressed in Canadian Dollars - unaudited)

#### 12. 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 September 30, 2018, and in Reno, Nevada, for total rent of US\$27,000 until May 31, 2014. The Reno lease was renewed for an additional three years with an option to terminate after one year (May 31, 2015).
- 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, 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 geologic service contract at US\$650 per day from January 1, 2014 until December 31, 2014.
- d) The Company entered into an engineering service contract at US\$600 per day from February 26, 2014 until December 31, 2014.
- e) The Company entered into a geographic information systems service contract at US\$70 per hour from June 1, 2014 until December 31, 2014.
- f) The Company entered into agreements to lease vehicles from a company controlled by its President. Minimum lease payments total \$12,000 for fiscal year 2014.

#### 13. OPERATING SEGMENT INFORMATION

The Company operates in one industry segment within two geographical areas, Canada and the state of Nevada in the United States of America. The mineral properties are located solely in the Nevada segment.

The following table shows the assets and liabilities as at September 30, 2014 and December 31, 2013 and the net loss for the nine months ended September 30, 2014 and 2013 attributable to each geographical segment:

	Canada	United States	Total
<b>As at September 30, 2014</b>			
Evaluation and exploration assets	\$ -	\$ 3,889,936	\$ 3,889,936
Other assets	2,653,743	4,538,454	7,192,197
Liabilities	(149,048)	(232,543)	(381,591)
	<b>\$ 2,504,695</b>	<b>\$ 8,195,847</b>	<b>\$ 10,700,542</b>
<b>As at December 31, 2013</b>			
Evaluation and exploration assets	\$ -	\$ 3,331,196	\$ 3,331,196
Other assets	3,951,934	4,303,643	8,255,577
Liabilities	(77,136)	(272,332)	(349,468)
	<b>\$ 3,874,798</b>	<b>\$ 7,362,507</b>	<b>\$ 11,237,305</b>
<b>Net income (loss):</b>			
For the nine months ended September 30, 2014	\$ (1,346,439)	\$ 311,924	\$ (1,034,515)
For the nine months ended September 30, 2013	(2,193,545)	8,517,639	6,324,094

# Rye Patch Gold Corp.

*(An exploration stage company)*

## Notes to the Condensed Consolidated Interim Financial Statements

For the nine months ended September 30, 2014

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### 14. MANAGEMENT OF CAPITAL

The Company's shareholders' equity is considered to be its capital. The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to pursue the development of its mineral properties and to maintain a flexible capital structure which optimizes the costs of capital at an acceptable risk level.

The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust its capital structure, the Company may attempt to issue new shares, issue new debt, acquire or dispose of assets or adjust the amount of cash and cash equivalents.

In order to facilitate the management of its capital requirements, the Company prepares expenditure budgets that are updated as necessary depending on various factors, including successful capital deployment and general industry conditions.

In order to maximize ongoing development efforts, the Company does not pay out dividends.

The Company expects its current capital resources will be sufficient to carry out its exploration plans and operations through 2014. There are no external restrictions on the Company's capital.

### 15. 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. Amounts receivable are classified as loans and receivables. Deposits are classified as held-to-maturity. Their carrying value approximates fair value 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 September 30, 2014, cash and cash equivalents of \$5,602,190 have been measured and recognized in the balance sheet using Level 1 inputs (December 31, 2013 - \$7,917,188). At September 30, 2014 and December 31, 2013, there were no financial assets or liabilities measured and recognized in the balance sheet 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.

# Rye Patch Gold Corp.

(An exploration stage company)

## Notes to the Condensed Consolidated Interim Financial Statements

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### 15. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

#### **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 and interest earned. 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 and royalty income. The maximum exposure is \$1,212,693.

#### **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 September 30, 2014, the Company had no derivative financial instruments.

#### **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.

#### **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 \$434,295.

The Company does not invest in derivatives to mitigate these risks.

# Rye Patch Gold Corp.

*(An exploration stage company)*

## Notes to the Condensed Consolidated Interim Financial Statements

For the nine months ended September 30, 2014

(Expressed in Canadian Dollars - unaudited)

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### 15. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

#### **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 September 30, 2014, the Company was not exposed to interest rate risk.

#### **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.