Rye Patch GOLD CORP.

Management Discussion and Analysis

Date of Report

Rye Patch Gold Corp. ("Rye Patch" or the "Company") is a resource company focused on the operation, acquisition, exploration and development, of precious metal resource properties in Nevada, United States of America. On July 28, 2016, the Company completed its acquisition of Florida Canyon Mining, Inc. ("Florida Canyon"), Standard Gold Mining, Inc. ("Standard Mine") and Dirt, Inc., (the "Florida Canyon Group"). With the acquisition, the Company acquired two producing properties in Florida Canyon and Standard Mine. The Company holds several other projects in Nevada that range from exploration properties to early development properties. The Company operates through its wholly owned subsidiaries, Rye Patch Gold US Inc. ("Rye Patch US") and Rye Patch Mining Us Inc. ("Rye Patch Mining"), Florida Canyon Mining Inc., Standard Gold Mining Inc. and RP Dirt Inc.. This Management's Discussion and Analysis ("MD&A") is prepared as of November 29, 2016 and should be read in conjunction with the Company's unaudited condensed consolidated interim financial statements for the three and nine month periods ended September 30, 2016 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 condensed consolidated interim 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, operating costs, 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 re-start of mining operations at the Florida Canyon Mine, development of its mineral properties or the completion of further exploration programs in accordance with its 2016 development and 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.

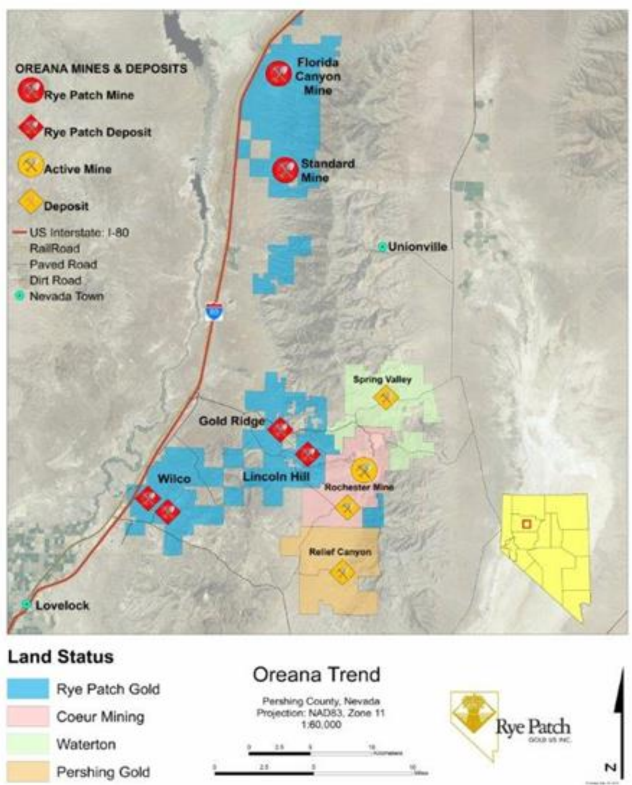
Additional Information

Additional information relating to the Company, including the Company's news releases and technical reports, is available on SEDAR at www.sedar.com and on the Company's website at www.ryepatchgold.com.

Mr. William Howald, AIPG Certified Professional Geologist #11041, Rye Patch Gold's CEO and President, is a Qualified Person as defined under National Instrument 43-101. He has reviewed and approved the contents of this Management Discussion and Analysis.

Outlook

On July 29, 2016 the Company announced the completion of its acquisition of the Florida Canyon gold mine (the "Acquisition") located in Pershing County, Nevada, the release of escrowed funds and conversion of subscription receipts under its Cdn$49.1 million private placement (news release June 16, 2016), and its signing of a USD$27 million credit facility agreement with Macquarie Bank Limited for the redevelopment of the mine. The impact of this transaction on the Company's financial statements is provided in Note 4 of the unaudited condensed consolidated interim financial statements for the period ended September 30, 2016.



This is a unique and transformational opportunity with excellent operational synergies with the Company's existing projects at Lincoln Hill, Gold Ridge and Wilco located 30 kilometres to the south. The acquisition of the Florida Canyon Mine by Rye Patch has created a new and exciting company with anticipated annualized production of 75,000 ounces of gold a year and an expanding resource base of 3.2 million gold and gold equivalent ounces of Measured and Indicated resources. The immediate focus is achieving commercial production at Florida Canyon in early 2017. From this solid foundation the Company can steadily and organically grow both production and resources around the existing operations. Initially work will concentrate along the mine trend and then expand throughout the district within the Company's 180 square kilometre (701 square mile) land package, southward toward the Lincoln Hill, Gold Ridge and Wilco Projects along the Oreana trend. There is, in due course, an interesting opportunity to explore a significant sulphide resource beneath the Florida Canyon oxide deposit.

Rye Patch US continues to earn quarterly royalty payments from Coeur Mining's Rochester mine, totalling $4.6 million in the current period ($6.1 million for the full year ended December 31, 2015). 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

Florida Canyon Mine – Acquisition completed

On July 28, 2016, the Company completed the acquisition of a 100% interest in the Florida Canyon Group consisting of Florida Canyon, Standard Mine and Dirt, Inc. for a total purchase price of $38,457,232 (US $29,140,890). The purchase price consisted of the acquisition of all of the issued and outstanding shares of Florida Canyon, Standard Mine and Dirt, Inc. for consideration of cash, common shares of the Company and contingent consideration in the form of US$5,000,000 in any combination of cash, equity or equity instruments and 15,000,000 share purchase warrants.

The acquisition is a business combination and has been accounted for in accordance with the measurement and recognition provisions of IFRS 3. IFRS 3 requires that the purchase consideration be allocated to the assets acquired and liabilities assumed in a business combination based upon their estimated fair values at the date of acquisition.

The purchase price has been preliminarily allocated to the underlying assets acquired and liabilities assumed based upon their estimated fair values at the date of acquisition. Fair values are determined based on third party appraisals, discounted cash flow models, and quoted market prices, as deemed appropriate. This allocation is preliminary in nature as the Company is in the process of finalizing certain fair value assumptions and current and future income tax impacts related to mineral interests, property, plant and equipment, inventory, the reclamation provision and this allocation may require adjustment in future periods. Acquisition costs, in the form of advisory, legal and other professional fees, associated with the transaction to acquire the Florida Canyon Group of $715,596 were expensed as incurred.

The following table shows the preliminary allocation of the purchase price to assets acquired and liabilities assumed, based on estimates of fair value, including a summary of the identifiable classes of consideration transferred, and amounts by category of assets acquired and liabilities assumed at the acquisition date:

Cash payment	$	19,795,500
Cash payment based on working capital adjustment		1,878,062
20,000,000 common shares issued (1)		8,000,000
Contingent consideration (2)		8,783,670
Consideration	**$**	**38,457,232**
Cash and cash equivalents	$	376,327
Accounts receivable		405,338
Prepaid expense		2,241,313
Inventory		13,567,999
Property, plant and equipment		14,015,336
Mineral property interests		32,737,088
Reclamation bonds		21,965,769
Accounts payable and accrued liabilities		(4,360,063)
Royalty payable		(38,815)
Notes payable (3)		(3,439,381)
Loans payable		(1,952,884)
Provision for reclamation		(37,060,795)
Net identifiable assets acquired	**$**	**38,457,232**

(1) The common shares were valued at the closing price of our shares on the Toronto Venture Exchange on July 28, 2016, $0.40.

(2) Contingent consideration consists of 15,000,000 common share warrants and a US$5,000,000 payment due 60 days after commercial production. The US$5,000,000 payment was present valued using a credit-adjusted risk free rate. The common share purchase warrants have a life of two years from the date of grant and have an exercise price of US$0.50. Refer to note 5 for complete details on the valuation of the contingent consideration.

(3) Repaid on the date of acquisition

Florida Canyon Mine - Re-Start of gold production, progress to date

Progress at site has been swift and controlled.

Since the Acquisition at the end of July 2016, followed by a three week interval for bonding, a noteworthy 70% completion has been achieved in the first three months. The project remains on-track for the first gold pour late December 2016/early January 2017, with project completion by the end of March and commercial production declared thereafter. To date US$24 million has been invested and committed to the project costs, representing an estimated 70% of the costs to achieve first gold pour and 55% of the costs to full project completion.

The Company has successfully completed its first and second drawdowns of its credit facility with Macquarie bank for a total of US$13.2 million. Remaining construction and project ramp up costs are funded by a combination of the credit facility, gold and silver sales and royalty income. The Project remains fully funded through to completion.
Progress to date – Major components:

- The crusher move is complete and all long lead items have arrived;
- Stock-piling of ore has commenced;
- Pregnant and barren ponds are complete;
- Plastic liner is rolling across the lower 1/3 of the leach pad;
- First and second drawdown of credit facility achieved; and
- Project is on budget and is fully funded.

Mining
Mining commenced on November 1, 2016 with the first blast from the 5620 bench in the Jasperoid Hill pit. Ore is being stock piled awaiting the completion of the crusher.

Crusher
The crusher is set with all concrete, wiring and dust abatement equipment complete along with a new 12-metre (40 feet) high retaining wall. The final items including a large dump hopper and new radial arm stacker have been received and are undergoing final fitment. Once testing is complete, the crusher will commence preparation of the over liner material and ore for the new heap leach pad. At full production, the crusher will deliver 545,500 tonnes (600,000 tons) of crushed material to the heap leach pad on a monthly basis – 6.54 million tonnes (7.2 million tons) per annum.

Leach Pad
Pregnant and barren solution ponds have been lined and are undergoing testing. The lower 100-metres of the leach pad has been compacted with two levels of clay each measuring 15-centimetres thick, and laying of the plastic liner has commenced. The project remains on schedule to start loading the lower portion of the new leach pad at the end of November.

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.

The mine is currently producing from its existing leach pad facilities. The Mine restart consists of the construction of a new heap leach pad and waste storage facility to complete a planned layback of the existing oxide orebody. Production from the new heap leach pad is expected to grow through the first quarter of 2017 toward commercial production of 75,000 ounce of gold per annum in H1 of 2017. The expansion and operation is fully permitted.

Once the Florida Canyon Mine is returned to commercial production, Rye Patch will benefit from the 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 the Florida Canyon Mine and Rye Patch's 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 an additional 2.0 million ounces of measured and indicated gold and gold equivalent.

Florida Canyon Mine – Preliminary Economic Analysis (“PEA”)

Mine Development Associates (“MDA”) 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.

PEA Sensitivity Analysis (AFTER TAX)				
% of Base Case	**$NPV_{7.5\%}$**	**IRR (%)**	**Gold Price Yr 1 & 2 $/oz Au**	**Gold Price After Yr 2 $/oz Au**
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

Summary of Base Case Assumptions PEA	
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%

MDA used the following resources, in the form of a resource block model for determining the mineable gold in the PEA. The mineral resources has 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. Sulfide resources were restricted to an Inferred only classification.

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
Measured + Indicated	84,202.1	0.013	1,126.6

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
Total Inferred Resource	7,465.8	0.050	396.4

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.

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 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:

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

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 venders 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.

Lincoln Hill Resource Project – Driving toward production

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

Lincoln Hill Resource Project - 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

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%

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.

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 [2]	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 & Au Equivalent Ounces [3]	Contained Ag & Ag Equivalent Ounces [3]
	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	**568,940**	28,447,000
Total Inferred Resource		20,822	0.38	15.36	0.69	255,000	8,163,000	**418,260**	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 Standard Mine located on the Florida Canyon property approximately 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.

Independence Hill

The Independence Hill target is located less than one kilometre south of the Lincoln Hill resource and represents the strike extension of the Lincoln Hill ore body. 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 – A Sleeping Giant

The Wilco property is located 160 kilometres northeast of Reno, Nevada and is close to the Lincoln Hill project along the southern extent of 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.

Wilco (2)	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 & Au Equivalent Ounces (3)	Contained Ag & Ag Equivalent Ounces (3)
	Measured	25,115	0.41	3.81	0.48	328,000	1,393,000	355,860	17,793,000
	Indicated	89,028	0.33	3.11	0.39	950,000	8,911,000	1,128,220	56,411,000
	Inferred	52,599	0.32	3.61	0.39	541,000	6,100,000	663,000	33,150,000
Total M + I Resource		114,143	0.35	3.26	0.41	1,278,000	10,304,000	1,484,080	74,204,000
Total Inferred Resource		52,599	0.32	3.61	0.39	541,000	6,100,000	663,000	33,150,000

(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 September 27, 2012, National Instrument 43-101 Wilco Project Technical report (see www.sedar.com)

(3) Wilco, Lincoln Hill, and Jessup Resource includes Au equivalent ounces (Aueq.); where Aueq. = (Au g/t) + (Ag g/t / 50); and Ageq. = (Ag g/t) +(Au g/t * 50).

No substantial exploration work was completed on the Wilco property during the year; however, with the acquisition of the Florida Canyon project, it is clear that Wilco shares some of the same robust geologic ore controls as Florida Canyon. 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.

Garden Gate Pass – Cortez Trend Player

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 along the same geologic environment in the trend. To date, Rye Patch US has completed twelve drillholes on the project. The Company has been refining the drill targets and believes they pose some of the best exploration opportunities along this world-class gold trend. No immediate work is planned for this property as the company focuses its efforts and financial resources on the Florida Canyon Mine restart.

Finance

Private Placement $49.1 million

On June 16, 2016 the Company completed a private placement of 223,247,242 subscription receipts of the Company ("Subscription Receipts") at Cdn$0.22 per Subscription Receipt for gross proceeds of Cdn$49,114,393 (the "Offering"). The private placement was completed through a syndicate of agents (the "Agents") co-led by Macquarie Capital Markets Canada Ltd. and Canaccord Genuity Corp. (the "Lead Agents"), and including Dundee Securities Ltd. and GMP Securities L.P., and included the exercise of an over-allotment option granted to the Agents.

The net proceeds from the Offering was used to finance, in part, the acquisition of 100% ownership of the Florida Canyon gold mine, the balance to be used for certain working capital and corporate requirements needed to restart the Florida Canyon gold mine.

Immediately prior to the completion of the Acquisition of the Florida Canyon Mine, the escrowed proceeds from the Company's Cdn$49.1 million private placement of subscription receipts ("Subscription Receipts") were released following satisfaction of the escrow release conditions. In addition, the Subscription Receipts were converted on an one-for-one basis into 223,247,242 common shares of the Company. The common shares are subject to a hold period expiring on October 17, 2016.

Upon conversion of the Subscription Receipts, the Company paid the balance of the 5% agents' commission and also issued a total of 11,162,362 agents' warrants (the "Agents' Warrants") to Macquarie Capital Markets Canada Ltd., Canaccord Genuity Corp., Dundee Securities Ltd. and GMP Securities L.P. Each Agents' Warrant is exercisable for one common share of the Company for a two-year term from date of issue at an exercise price of Cdn$0.22 per common share. The Agents' Warrants, and the common shares underlying the Agents' Warrants, are subject to a four-month hold period expiring November 29, 2016.

Macquarie Bank Credit Facility

Also immediately prior to the completion of the Acquisition, the Company entered into a credit agreement (the "Credit Agreement") with Macquarie Bank Limited ("Macquarie Bank") for a US$27 million credit facility (the "Credit Facility") for the Company's wholly owned U.S. subsidiary, Rye Patch Mining U.S. Inc. ("Rye Patch U.S."). The Credit Facility in combination with the aforementioned equity financing is expected to be sufficient to fund complete the restart of the Florida Canyon gold mine.

The Credit Facility will bear interest at LIBOR plus 8% per annum and includes a hedging provision of 150,000 ounces deliverable over five years at USD$1276 an ounce. 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. Rye Patch U.S.'s obligations under the Credit Facility will be guaranteed by the Company and certain material subsidiaries. In addition, Macquarie Bank will have 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 as well as shares of the subsidiary companies that hold the property and assets.

Upon the signing of the Credit Agreement, Rye Patch issued to Macquarie Bank 16,224,545 warrants, each warrant being exercisable for one common share of the Company for a five-year term from date of issue at an exercise price of $0.22 per common share. The warrants, and the common shares underlying the warrants, are subject to a four-month hold period expiring November 29, 2016.

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 current period, the Company earned royalty income of $2.84 million of which $1.45 million was received subsequent to the period 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 currently a mineral exploration and development company and is exposed to a number of risks and uncertainties that are common to the industry. With the acquisition of the Florida Canyon Mine after the period end and once commercial production is achieved, certain risks and uncertainties will more closely reflect those of a mining rather than a development company. Our overall risk management strategy seeks to reduce potential adverse effects on our financial performance. Risk management is carried out under policies approved by our Board of Directors. The following is a summary of certain risk factors which have or are reasonably likely to have an effect on the Company's condensed consolidated interim financial statements and financial condition. In addition to those stated below, other risks are also discussed elsewhere in this document.

No Revenues from Operations, Rochester Mine NSR

To date, the Company has not recorded any revenues from its operations, apart from nominal residual leaching at Florida Canyon and Standard Mine, nor has the Company commenced commercial production on any of its properties. The Company has sufficient project funding to complete the restart of the Florida Canyon Mine. The Company's corporate strategy is to return the Florida Canyon Mine to commercial production, then apply internally generate cashflows to expand both production and resources at Florida Canyon, Lincoln Hill and Wilco. Use of additional sources of external funding may be considered where it is advantageous to accelerate a particular program, invest in new assets or repay outstanding debt.

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 execution of the mine pan, progress of on-going exploration and development, new property acquisitions, the results of consultants' analyses and recommendations, the rate at which any operating losses may be 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 one source of funds, without which the Company would need to seek alternative funding sources to augment its current funding strategy. 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

The operations of Rye Patch Gold's U.S. subsidiaries are subject to environmental regulations which can make operations expensive or prohibit them altogether. They are 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 any of the Rye Patch subsidiaries has purchased insurance for environmental risks because it is not generally available at a reasonable price.

All of Rye Patch Gold U.S. subsidiaries' mining, 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 the companies to obtain permits for its activities. The companies must update and review their permits from to time, and are 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 operations 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 September 30, 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 period ended September 30, 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

As at:	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:

	For the three months ended			
	September 30, 2016	June 30, 2016	March 31, 2016	December 31, 2015
Income (loss) from mining operations	$ (2,118,191)	$ -	$ -	$ -
Royalty Income	1,744,187	1,744,187	1,379,854	1,289,041
Interest and Other income	392,059	8,726	3,279	11,036
Net income (loss)	(1,344,561)	(1,344,561)	(406,048)	(402,706)
Earnings (loss) per share:				
Basic	$ (0.00)	$ (0.00)	$ (0.00)	$ (0.00)
Diluted	$ (0.00)	$ (0.00)	$ (0.00)	$ (0.00)

	For the three months ended			
	September 30, 2015	June 30, 2015	March 31, 2015	December 31, 2014
Royalty Income	$ 1,473,184	$ 1,491,389	$ 1,836,684	$ 1,286,206
Interest and miscellaneous income	9,728	6,266	12,304	28,313
Net income (loss)	497,501	(693,023)	887,336	43,104
Earnings (loss) per share:				
Basic	$ -	$ (0.00)	$ 0.01	$ 0.00
Diluted	$ -	$ (0.00)	$ 0.01	$ 0.00

The expenses incurred by the Company are typical of junior mining and 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 nine months ended September 30, 2016 compared to the nine months ended September 30, 2015:

The Company recorded net loss of $1,344,561 for the nine months ended September 30, 2016; compared to net income of $497,501 for the nine months ended September 30, 2015. For the first time the results include two months of operations from the residual leach operations at the Florida Canyon and Standard Gold Mines, which currently operate at a loss. Exploration expenditures were down $1.8 million for the period as the Company reserved its treasury for the acquisition of the Florida Canyon Mine, $715,000 of which allocated to business acquisition costs. Other significant changes include a write off of mineral properties of $871,000 as the Company concluded not to pursue its Patty project. Other increases in expenditures of note include; Share-based payments being significantly higher due to the granting of stock options and Accounting, tax and audit and legal being higher reflecting the material increase in those categories before, during and after the acquisition date. All other expenditures were largely comparable to the same period last year.

Changes in items capital in nature included the following:

Additions to Property, Plant and Equipment relating to the acquisition of the Florida Canyon mine were $14 million included in Mine Development, Machinery and land with a further addition of $2.7 million in Construction in Progress following the completion of the acquisition as the new leach pad progressed. Further information is provided in note 7 of the unaudited condensed consolidated interim financial statements.

Mineral properties increased by $33 million due to the acquisition of the Florida Canyon Properties. Further information is provided in note 8 of the unaudited condensed consolidated interim financial statements.

Reclamation Bonds increased significantly with $22 million being acquired with the Florida Canyon Mine and a further $5 million for bonds being placed subsequent to acquisition as required for the development of the new leach pad at Florida Canyon. Further information is provided in note 9 of the unaudited condensed consolidated interim financial statements.

For the three months ended September 30, 2016 compared to the three months ended September 30, 2015:

The Company recorded net loss of $1,344,561 for the three months ended September 30, 2016; compared to net gain of $497,501 for the nine months ended September 30, 2015. For the first time the results include two months of operations from the residual leach operations at the Florida Canyon and Standard Gold Mines, which currently operate at a loss. Exploration expenditures were reduced to nominal levels for the period as the Company focused on the restart of the Florida Canyon Mine. Transaction costs of $715,596 of business were incurred in the quarter. Other increases in expenditures related to Share-based payments, Accounting, tax and audit and legal as discussed for the nine month period above. All other expenditures were largely comparable to the same period last year.

Changes in items capital in nature are described above as those relating to the Florida Canyon all occurred within the three months ended September 31, 2016

Liquidity

As of September 30, 2016, the Company had cash and cash equivalents of $11,236,327 compared to $3,578,769 as of December 31, 2015. The Company had working capital of $17,374,101 at September 30, 2016 (December 31, 2015 - $4,684,807).

During the period ended September 30, 2016, the Company had net inflows from investing activities of $46 million from one equity financing. It had cash outflow of $8.5 million from operations and invested $28.2 million principally on the acquisition of, and subsequent further investment in, the Florida Canyon Group (see "Results of Operations").

During the period the Company completed a $49.1 million equity financing and secured a USD$27 million credit facility with Macquarie Bank. In addition, the company received net smelter returns ("NSR") production royalty of $4.6 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 between Coeur and the Company. Combined, the Company's current treasury, credit facility and anticipated royalty income and gold sales, are expected to be sufficient to fund the restart of the Florida Canyon Mine, corporate expenditures and other planned exploration and resource definition work through 2016 and into 2017. Thereafter, it is anticipated that operations will be largely funded by cash flows from the Florida Canyon Mine. If funding in excess of this is required for an expenditure short fall, additional asset investments or accelerated pay down of debt, then further equity and debt financing may be required. There is no certainty that further equity and debt financing will be available to the company in any amount, on a timely basis, or terms acceptable to the company.

Mining development and 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

Macquarie Bank Credit Facility

The Company entered into a credit agreement (the "Credit Agreement") with Macquarie Bank Limited ("Macquarie Bank") for a US$27 million credit facility (the "Credit Facility") for the Company's wholly owned U.S. subsidiary, Rye Patch Mining U.S. Inc. ("Rye Patch U.S."). The Credit Facility in is to be used to fund the restart of the Florida Canyon gold mine.

The Credit Facility will bear interest at LIBOR plus 8% per annum and includes a hedging provision of 150,000 ounces deliverable over five years at USD$1,276 an ounce. 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. Subsequent to the period end the Company completed drawdowns under the facility for a total of USD$13.2 million. The Company is in compliance with all externally-imposed financial covenants in relation to the USD$27 million Macquarie Bank credit facility.

The Company also 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.

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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 September 30, 2016	At the date of this MD&A
Common shares	387,295,488	387,295,488

As at September 30, 2016, 14,625,000 share purchase options were outstanding, which would result in common shares outstanding on a fully diluted basis.

Share Purchase Options

As at September 30, 2016, the Company had options outstanding as follows.

Expiry date	Options outstanding	Options exercisable	Exercise price		Estimated grant date fair value	Weighted average remaining contractual life (in years)
August 21, 2019	460,000	460,000	0.20		92,552	2.89
January 18, 2022	1,280,000	1,280,000	0.60		870,854	5.30
July 12, 2023	1,150,000	1,150,000	0.20		195,881	6.78
July 22, 2024	485,000	485,000	0.27		93,646	7.81
September 16, 2024	150,000	150,000	0.27		22,158	7.97
March 1, 2025	200,000	150,000	0.15		28,520	8.42
August 28, 2025	900,000	450,000	0.16		141,700	8.92
August 28, 2026	10,000,000	-	0.50		3,248,000	9.92
	14,625,000	**4,125,000**	**0.44**	**$**	**4,693,311**	**8.88**

Warrants

As at September 30, 2016, the Company had warrants outstanding as follows.

Expiry date	Warrants outstanding	Exercise price		Estimated grant date fair value	Weighted average remaining contractual life (in years)
July 28, 2018	11,162,362	0.22		2,822,961	1.82
July 28, 2021	16,224,545	0.22		5,040,966	4.83
	27,386,907	**0.22**	**$**	**7,863,927**	**3.60**

Transactions with Related Parties

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

		Equity ownership as at	
Name	**Country of incorporation**	**September 30, 2016**	**December 31, 2015**
Rye Patch Gold US Inc.	United States of America	100%	100%
Rye Patch Mining US Inc.	United States of America	100%	-
Florida Canyon Mining, Inc.	United States of America	100%	-
Standard Gold Mining, Inc.	United States of America	100%	-
RP Dirt, 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 Kalef LLP Business Lawyers	Legal fees

The Company incurred 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		For the nine months ended	
	September 30, 2016	**September 30, 2015**	**September 30, 2016**	**September 30, 2015**
Accounting and audit (1)	$ -	$ -	$ -	$ 43,212
Legal fees (2)	257,372	3,541	626,476	51,311
Management fees (3)	58,918	48,519	177,746	289,191
Directors fees	-	105,000	-	105,000
Office and administration (3)	15,839	9,180	43,103	35,837
	$ 332,129	**$ 166,240**	**$ 847,325**	**$ 524,551**

(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. Of the $626,476 fees incurred during the nine months ended September 30, 2016, $146,153 were expensed to legal fees and the remaining were capitalized to deferred costs as they related the Credit Facility. As at September 30, 2016, $263,079 (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. In addition, the Company paid for office and administrative services to the same company. As at September 30, 2016 $18,267 (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.

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Key management personnel compensation

The remuneration of directors and other members of key management personnel during the three and nine months ended September 30, 2016 and 2015 were as follows:

	For the three months ended		For the nine months ended	
	September 30, 2016	September 30, 2015	**September 30, 2016**	September 30, 2015
Salaries and management fees	**$ 83,917**	$ 124,784	**$ 252,743**	$ 435,853
Directors fees	**-**	105,000		105,000
Share-based payments - management (i)	**109,034**	13,141	**132,008**	71,124
Share-based payments - directors (i)	**106,076**	7,245	**119,702**	33,237
	$ 299,027	$ 108,921	**$ 504,453**	$ 198,910

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

Commitments and contingencies

a) 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.

f) Gold and silver produced by FCMI are subject to a 2.5% net smelter return royalty (“NSR”). Certain gold produced by SGMI is subject to a 1% NSR. Royalty expense is recorded at the time of sale of gold and silver production, measured using the applicable royalty percentage.

Events after reporting period

Following September 30, 2016, the Company completed its first and second drawdowns of its Credit Facility for a total of US$13.2 million.

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 loans and receivables and their carrying value approximates fair value as they are cash or they are readily convertible into cash in the normal course. Accounts receivable and reclamation bonds are classified as loans and receivables. Their carrying values approximate 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. Loans payable have been classified as other financial liabilities measured at amortized cost. The fair value of loans payables approximates their carrying values as the interest rates are based on the market rates. Contingent consideration has been classified as fair value through profit and loss at inceptions and re-valued at the balance sheet date. The fair value of the consideration initially recorded at its fair value and is then re-valued at each reporting date, with changes in the fair value reported as charges or credits to profit or loss.

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, 2016, cash and cash equivalents of $11,236,327 have been measured and recognized in the condensed consolidated interim statement of financial position using Level 1 inputs (December 31, 2015 - $3,578,769). At September 30, 2016, contingent consideration of $7,737,472 have been measured and recognized in the consolidated statement of financial position using Level 2 and 3 inputs (Note 5).

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.

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 condensed consolidated interim 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, Australian and United States of America financial institutions. Accounts receivable consist of refundable excise taxes due from the Federal Government of Canada, accrued interest, accounts receivable from the sale of gold and silver and royalty receivable from Coeur which has been received subsequent to year end. 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.

i. Trade credit risk

The Company does not extend credit on its sales of gold and silver. Payment is required upon delivery.

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 $1,492,639 (December 31, 2015 - $1,349,190). Accounts receivable do not arise on gold and silver sales as they are fully paid upon delivery.

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, 2016 and December 31, 2015 the Company had no financial assets that were derivative financial instruments.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet is 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 $920,000 (December 31, 2015 - $392,100).

The Company does not invest in derivatives to mitigate this risk.

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, 2016, 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. As part of the Company's Credit Facility the Company has entered into forward contracts for the sale of 150,000.

Changes in Accounting Policies

These unaudited condensed consolidated interim financial statements follow the same accounting policies and methods of application as the annual audited consolidated financial statements for the year ended December 31, 2015, with the exception of the following new accounting standards resulting from the acquisition of the Florida Canyon Group:

Revenue Recognition

Our primary source of revenue is from the sale of gold doré. Revenue is recognized in the condensed consolidated interim financial statements when the following conditions are met:

- the significant risks and rewards of ownership have passed to the customer;
- neither continuing managerial involvement, to the degree usually associated with ownership, nor effective control over the good sold, has been retained;
- the amount of revenue can be measured reliably; it is probable that economic benefits associated with the sale will flow to us; and
- the costs incurred or to be incurred in respect of the sale can be measured reliably.

Revenue from the sale of gold doré or bullion is typically recognized on the trade settlement date when funds are received.

Accounting estimates and judgments

The preparation of these condensed consolidated interim financial statements requires management to make estimates and judgments and form assumptions that affect the reported amounts and other disclosures in these condensed consolidated interim financial statements. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions and conditions.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and further periods if the review affects both current and future periods.

Critical accounting estimates are estimates and assumptions made by management that may result in material adjustments to the carrying amount of assets and liabilities within the next financial year. Critical accounting judgments are accounting policies that have been identified as being complex or involving subjective judgments or assessments. Critical accounting estimates and judgments include in the condensed consolidated interim financial statements are consistent with those applied and disclosed in the audited consolidated financial statements for the year ended December 31, 2015 except as outlined below:

(i) Business Combination – Acquisition of Florida Canyon Group

Judgment is required to determine whether we acquired a business under the definition of IFRS 3, Business combinations ("IFRS 3"), and also the acquisition date when we obtained control over the acquiree, which was the date that consideration is transferred and when we assumed the assets and liabilities of the acquiree. The valuation of certain consideration requires significant management estimates and judgement, especially as it relates to contingent consideration with respect to the likelihood, timing and valuation of the contingent consideration.

Business combinations are accounted for using the acquisition method whereby identifiable assets acquired and liabilities assumed, including contingent liabilities, are recorded at their fair values at the date of acquisition. The valuation of certain assets and liabilities requires significant management estimates and judgment. Property, plant and equipment requires judgment over the appropriate fair value methodology to appraise the assets and various assumptions around estimated useful lives and current replacement costs. The mineral property assets valuations are based upon estimates of Mineral Reserves and Mineral Resources used in the life of mine plan, as well as estimates of future metal prices, production, costs, and economic assumptions around inflation rates and discount rates. The inventory valuation requires estimates of the quantity on the leach pads and costs to convert inventory into saleable form. The reclamation provision requires an estimate of the magnitude and timing of future cash flows and economic assumptions around inflation and discount rates.

(ii) Forward Contracts – Own Use

Contracts to buy or sell a non-financial item, such as a commodity, that can be settled net in cash or another financial instrument, fall under the scope of IAS 39 and are accounted for as derivatives and marked to market through the statement of loss and comprehensive loss. However, certain criteria exist whereby a contract may fall under an 'own use' exemption, and exempt from the requirements of IAS 39. The determination of the Company's accounting for its gold forward sales contracts (Note 14) requires judgment to determine whether the contracts meet the requirements of 'own use'.

An 'Own Use' contract is a contract that was entered into and continues to be held for the purpose of the delivery of a non-financial item in accordance with the Company's expected purchase, sale or usage requirements. In the case of the Company's gold forward sales contracts, the Company plans to settle the hedging contracts through the delivery of its own gold production, and therefore, these contracts result in the physical delivery of a commodity, and as per the Company's Credit Facility (Note 14), there is a specified schedule whereby the Company will be required to deliver a set number of ounces. Given the Company's current production levels and expected production levels based on the Company's current life of mine plan, that the production of ore will be sufficient to fulfill the physical delivery requirements of the hedge contracts based on the agreed schedule within the Credit Facility

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

IFRS 15: The IASB has replaced IAS 18, Revenue in its entirety with IFRS 15, Revenue from contracts with customers ("IFRS 15") which is intended to establish a new control-based revenue recognition model and change the basis for deciding whether revenue is to be recognized over time or at a point in time. IFRS 15 is effective for annual periods commencing on or after January 1, 2017. We are currently evaluating the impact the standard is expected to have on our consolidated financial statements.