



Research Update

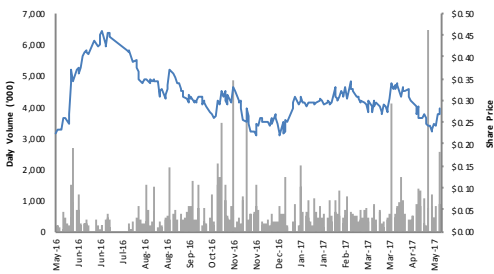
May 18, 2017

Rating: BUY (unchanged)
Price Target: \$0.75 (unchanged)
Last Price: \$0.28
Ticker: RPM-V

Market Data

Target return (incl. dist.):	167.9%
Distribution/yield:	\$0 / 0%
Units outstanding (M, FD):	387.3
Market capitalization (\$M):	108
Net Asset Value (NAV) (\$):	0.76
52-week range (\$):	0.22 - 0.47
Last fiscal year ended:	Dec. 31, 2016
Average weekly volume:	3,148,382
Currency (unless otherwise indicated):	CAD

Forecasts	F17E	F18E	F19E
EPS (\$)	(0.01)	0.04	0.04
<i>Previous</i>	n/c	n/c	n/c
CFPS (\$)	(0.01)	0.05	0.06
<i>Previous</i>	n/c	n/c	n/c



Company Profile

Rye Patch Gold Corp. is a junior gold and silver mining and development company in central Nevada, US. Rye Patch's Florida Canyon mine is expected to start commercial production soon, with cash flow from the project funding development of the Lincoln Hill and Wilco projects.

George Topping | george.topping@iagto.ca | 1.647.943.7617

Associate: Alex MacIsaac | alex.macisaac@iagto.ca | 1.647.943.7620

Commissioning Progressing Well in Spite of the Weather

Event

This week, Rye Patch Gold held an analyst day and invited us down to tour its facilities at the now producing Florida Canyon mine (see Exhibits 1 & 2).

Highlights

- Mining Now Progressing Well:** Commissioning ahead of our schedule in spite of bad weather (light rain at the site during the visit) and minor mechanical problems with truck engine failure and conveyor belt breakdowns. We believe the mine is producing ~130oz/day, a level at which operating financial breakeven is achieved. It is on schedule for Q3 commercial production (see Exhibit 3), ahead of the late Q4 commissioning we conservatively forecast. Commercial production comes when the mine achieves a consistent 60% of the 75Koz p.a. the mine is rated at for Phase 1. We capitalize production until then, and may revise once we see the monthly production build-up figures.
- Operating Costs per Tonne are also Tracking Slightly Lower than the PEA:** Lower prices for diesel and reagents for the plant are helpful, as are qualified and experienced staff. Rye patch has had success in attracting operators and managers from Newmont and Barrick, among others. Downhill trucking makes hauling quick and cheap. Pit walls are currently at 52° compared to the 45° used in the PEA, making for less waste stripping. The geometry and quick recovery is what makes the mine viable. Minimal capex is required for Florida Canyon build-up as additional equipment will likely be leased, and the plant already has capacity to 200Koz pa.
- Tons and Grade Reconciliation in Line:** Overall, slightly higher tons are offsetting slightly lower grade such that the resource estimates are tracking to within ~2%. Irrigation commenced in April of the same ore type that had been mined for 30 years and leached on pads 300 feet high, so the resource and metallurgy is well understood.
- Exploration Stepped up from Cash Flow:** The plan is to spend \$3M, \$5M and \$7M in 2017, 2018 and 2019 respectively. Drilling will target near mill material as well as infill and expand the known resource. Future drilling will pierce the underlying sulphides to expand on the previous drilling of 2.5g/t from 260 holes. Management believes there could be ~3Moz of sulphides.

Valuation

We use a long-term gold price of US\$1,600/oz, and have accordingly adjusted costs higher (see Exhibit 4). We use a 7% discount for the Florida Canyon Mine, and a 10% discount for the Lincoln Hill Mine (start production in 2019) and the Wilco Mine (start production in 2022) to reach our NPV valuation of \$0.75/sh.

Bottom Line

With cash flow from the commencement of operations, management can begin exploring an area that is ripe for further expansion. We expect permits for drilling Lincoln Hill by mid-year. We rate RPM as Buy with a 12-month target price of \$0.75.

Exhibit 1: Florida Canyon Heap Leach Facilities



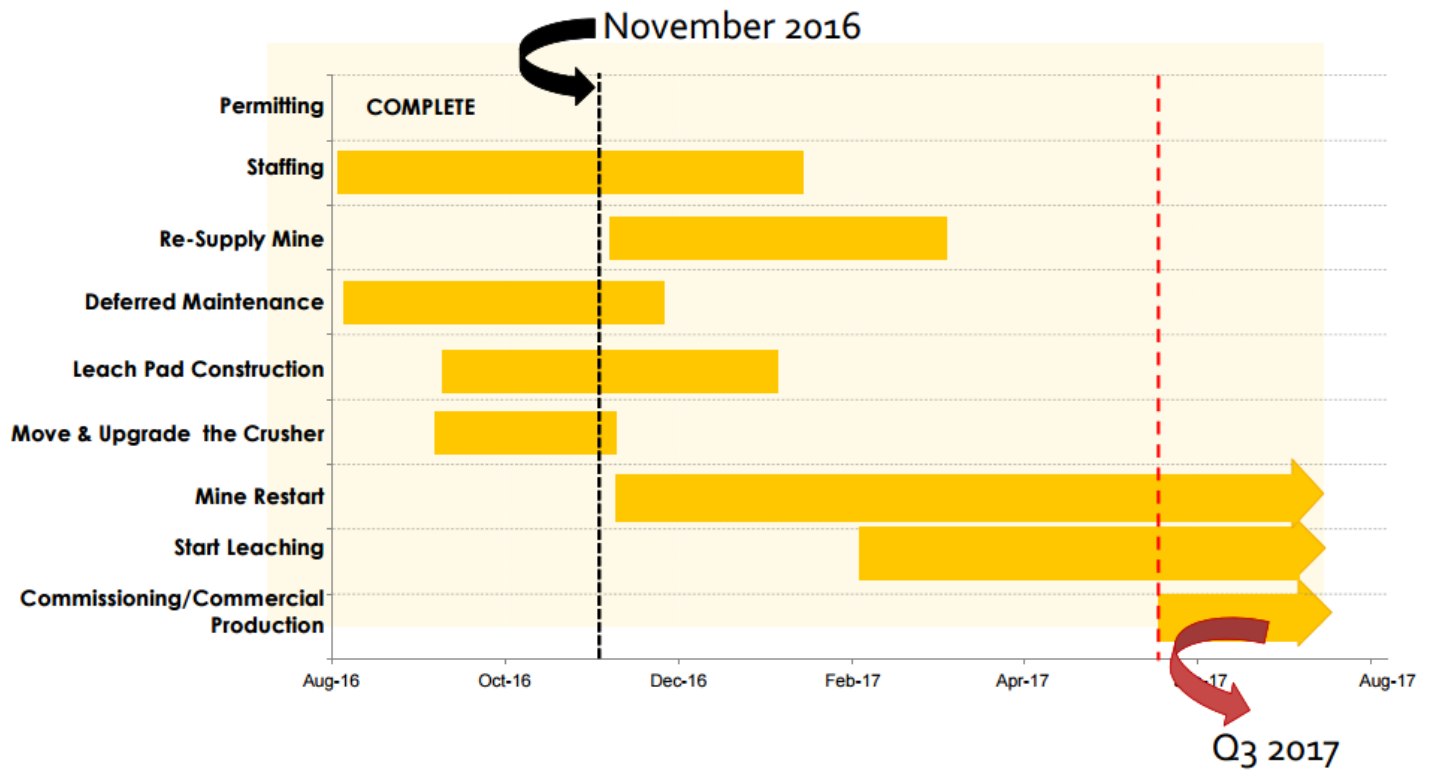
Source: iA Securities

Exhibit 2: Heap Leach Close-up



Source: iA Securities

Exhibit 3: Rye Patch Timeline



Source: Rye Patch Gold Corp.

Exhibit 4: Florida Canyon Production Parameters

	Florida Canyon PEA	iA Assumptions
Mine Type	Heap Leach	Heap Leach
Mine Life (Years)	8.5	21
M&I Resource (Koz)	1,127	1,127
Ore Grade (g/t)	0.45	0.45
Strip Ratio (Waste:Ore)	1.47:1	2.1:1
Au Recovery Rate (%)	71	70
LOM Gold Production (Koz)	613	1,359
Annual Production (Koz)	77	65
Cash Costs (US\$/oz)	759	1,008
AISC (US\$/oz)	887	1,049
Initial Capex (M US\$)	28.9	28.9
Payback (After Tax) (Years)	3	3
NPV(5%) (After Tax) (M US\$)	56.4	260.7
IRR (%)	34	48
Assumed Long Term Gold Price (US\$/oz)	1,150	1,600

Sources: iA Securities, Rye Patch Gold Corp.

Investment Recommendation Rating System

- Strong Buy:** Expected to provide a substantial return over the next 12 months, with a lower level of risk than comparable investments.
- Buy:** Expected to provide a reasonably positive return over the next 12 months.
- Speculative Buy:** Expected to provide a positive return over the next 12 months, but with a high level of risk, or based on a future uncertain event.
- Hold:** Expected to remain in a trading range near the current share price for the next 12 months.
- Sell:** Expected to deliver a negative return over the next 12 months.
- Under Review:** Currently available information is inadequate to provide an investment rating.
- Tender:** Investors should tender their shares to the current offer.

Company related disclosures:

Issuer Company	Ticker	Applicable Disclosures
Rye Patch Gold Corp.	RPM-V	7, 9

See legend of Disclosures on next page.

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