

February 11, 2015

## Rye Patch Gold Corp. (TSXV:RPM)

### 2015 Budget – RPM Continues its Focus on High Potential Targets

#### Event:

- Rye Patch recently provided guidance on its anticipated capital spend in 2015. The company also provided details on corporate development and G&A expenses expected in 2015.
- The 2015 budget for G&A is \$0.8m. Another \$0.3m is earmarked for project generation and corporate development. \$0.3m is expected to be spent on investor relations.
- Rye Patch intends to progress the Lincoln Hill project to feasibility in 18 months. Approximately 7,500 m of drilling is planned in 2015. Drilling will focus on the existing resource and the Independence Hill and Gold Ridge targets. Rye Patch hopes to further expand and upgrade the resource – drilling is expected to start this fall.
- In the first half of 2015, Rye Patch will be drilling the Garden Gate Pass and Patty projects. The company has reconciled 2012 and 2014 drilling with seismic data and has identified refined targets. One target is a disrupted zone beneath an anticline structure – the structural architecture evident is similar to the Goldrush deposit.
- At Patty, drilling will look to expand on the 2012 results and target new discoveries. One target is thought to have the structural architecture that is the optimal setting for a Carlin-style deposit.

#### Impact/ Implications:

- Positive – Rye Patch has dedicated a large part of 2015's \$5m budget to advancing the Lincoln Hill, Garden Gate Pass and Patty projects. The company is clearly focusing on the projects where it believes the most value can be added and has identified some exciting targets. The royalty settlement with Coeur Mining has created a cash balance and royalty stream which permits Rye Patch the flexibility to advance its properties without equity financing.

#### Recommendation:

- We reiterate our Buy rating and are increasing our target price from C\$0.28 to C\$0.31. Our target is based on an approximate 0.5x multiple to our NAV6% estimate for Rye Patch.

**Stock Rating:**

**Buy**

*Prior:*

*Unchanged*

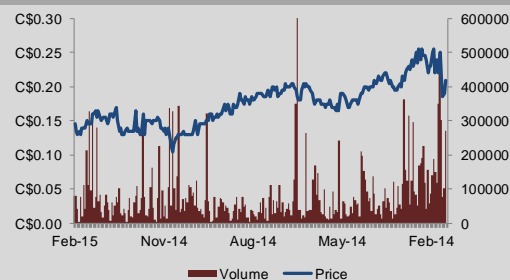
**Risk Rating:**

**High**

One Year Target Price	C\$0.31
Prior Target Price	C\$0.28
Return to Target	114%

(US\$m except where otherwise noted)

Ticker	TSXV:RPM
Date	2/11/2015
Share Price	C\$0.15
52 Week High/Low	C\$0.255/C\$0.105
Shares Outstanding (millions basic/f.d.)	146.4/146.4
Market Cap (millions)	C\$21.2
Net Debt	-\$6.1
Cash & Cash Equivalents	\$6.1
Debt	\$0.0
Total Enterprise Value	\$11.4
NAV <sub>0%</sub> per share	\$0.78
NAV <sub>6%</sub> per share	\$0.49
P/NAV <sub>0%</sub>	0.1
P/NAV <sub>6%</sub>	0.2



#### Project Details

Name	Wilco, Lincoln Hill, Patty, Rochester Royalty
Location	Pershing County, Nevada
Stage	Pre-feasibility
NI 43-101	Yes

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Rye Patch recently provided the market with guidance on its anticipated capital spend in 2015. The company also provided details regarding its expectations for corporate development and G&A expenses in 2015.

Rye Patch noted in its press release that it had approximately \$6m in its treasury and expected royalty payments of around \$1.2m each quarter.

The 2015 budget for G&A is \$0.784m. Another \$0.284m is earmarked for project generation and corporate development. \$0.271m is expected to be spent on investor relations. Approximately \$0.174m will be spent maintaining the Wilco, X Claims and South Coal Canyon properties.

At Lincoln Hill, the development budget for 2015 is \$2.4m. Over the next 18 months, Rye Patch intends to progress the Lincoln Hill project to the feasibility level. A PEA on the project was completed last year and the drilling budget for 2015 is approximately one half of the 15,000 m that is planned in total. Drilling will focus on the existing Lincoln Hill resource as well as the Independence Hill and Gold Ridge targets. Rye Patch hopes the program will add to the resource and convert existing resources into Measured and Indicated. The company is in the process of permitting for 200 acres of disturbance that will allow for drilling to commence this fall.

For Garden Gate Pass and Patty, the company has budgeted \$1.1m in capex. In the first half of 2015, Rye Patch will be drilling both the Garden Gate Pass and Patty projects. Rye Patch believes these properties lie on the strike extension of Barrick's 15m oz Goldrush deposit. The company has reconciled 2012 and 2014 drilling with seismic data and has identified refined targets among which is a disrupted zone beneath an anticline structure – it's believed that the structural architecture evident on the seismic profile is similar to the known geometry of the Goldrush deposit.

At Patty, drilling will look to expand on the 2012 results and target new discoveries. Rye Patch has identified two priority targets at the property. One of the targets, named Indian Creek, is thought to be a sedimentary debris-flow breccia that was deposited along the trace of a major basement fault. Structural architecture such as this is the ideal setting for a Carlin-style deposit.

### **Conclusion**

Positive – Rye Patch has dedicated a large part (~75%) of 2015's \$5m budget to advancing the Lincoln Hill, Garden Gate Pass and Patty projects. The company is clearly focusing on the projects where it believes the most value can be added and has identified some exciting targets. The royalty settlement with Coeur Mining has created a cash balance and royalty stream which permits Rye Patch with the flexibility to advance its properties without equity financing.

We've incorporated Rye Patch's guidance in our forecasts for 2015 – our EPS and CFPS estimates for the year have not been materially impacted. We reiterate our Buy rating and are increasing our target price from C\$0.28 to C\$0.31. Our target is based on an approximate 0.5x multiple to our NAV6% estimate of \$0.49/sh for Rye Patch. The increase in target is a result of the CAD (target price denomination) depreciating against the USD (NAV estimate denomination) since we last published.

<b>Rye Patch Gold Corp.</b>		<b>RPM CN C\$0.15</b>				<b>Rating: BUY</b>		<b>Target: C\$0.31/sh</b>			
<b>Metal Prices</b>		<b>2013</b>	<b>2014e</b>	<b>2015e</b>	<b>2016e</b>	<b>Balance Sheet</b>					
Gold Price	\$/oz	1384	1273	1225	1225		<b>2013</b>	<b>2014e</b>	<b>2015e</b>	<b>2016e</b>	
Silver Price	\$/oz	24.20	19.22	17.00	17.00	Working Capital	\$m	8	6	6	4
<b>Operating Statistics</b>		<b>2013</b>	<b>2014e</b>	<b>2015e</b>	<b>2016e</b>	Long-Term Debt	\$m	-	-	-	70
Annual Production (Au)	Koz	0	3	4	4	Net Debt	\$m	(8)	(6)	(6)	65
Total Cash Cost (Au)	\$/oz	0	0	0	0	Total S/H Equity	\$m	11	10	11	9
Production Growth	Δ	nmf	nmf	0	0	<b>Financials</b>					
<b>Profit &amp; Loss</b>		<b>2013</b>	<b>2014e</b>	<b>2015e</b>	<b>2016e</b>	EPS (adj)	\$/sh	0.03	(0.01)	0.00	(0.02)
Revenue	\$m	8	4	4	5	CFPS (adj)	\$/sh	(0.03)	(0.01)	0.00	(0.02)
Operating Margin	\$m	-	4	4	5	NAV 0%	\$m	115			
EBITDA	\$m	4	(1)	1	(0)		\$/sh	0.78			
G&A/Exploration/R&D	\$m	4	5	4	5	NAV 6%	\$m	72			
Net Interest Expense	\$m	(0)	-	-	3		\$/sh	0.49			
Pre-Tax Earnings	\$m	4	(1)	1	(3)	<b>Valuation</b>					
Tax Expense	\$m	-	-	0	(1)	P/E	x	4.2	nmf	29.6	nmf
Reported Earnings	\$m	4	(1)	1	(2)	P/CF	x	nmf	nmf	29.6	nmf
Adjusted Earnings	\$m	4	(1)	1	(2)	EV/EBITDA	x	2.3	nmf	17.9	nmf
Shares Outstanding	m	146	146	146	146	P/NAV 0%	x	0.1			
Fully-Diluted Shares	m	147	146	146	146	P/NAV 6%	x	0.2			
<b>Cashflow Analysis</b>		<b>2013</b>	<b>2014e</b>	<b>2015e</b>	<b>2016e</b>	<b>Company Statistics</b>					
Cashflow from Operations	\$m	(4)	(1)	1	(2)	Potential Return:		113.8%			
Cashflow from Investments	\$m	10	(1)	(1)	(69)	52 Week High	∞\$/sh	0.26			
Cashflow from Financings	\$m	0	0	0	70	52 Week Low	∞\$/sh	0.11			
Net Chg in Cash/Debt	\$m	6	(1)	(1)	(1)	30-Day Average Volume	m	0.100			
						Current Book Value:	\$m	9.6			
						Market Cap:	C\$m	212			
<b>Last Updated: 2/11/2015</b>											
<b>NAV Sensitivity</b>						<b>Financial Sensitivity</b>					
		<b>0% Discount</b>		<b>6% Discount</b>				<b>EPS</b>		<b>CFPS</b>	
		<b>M \$</b>	<b>\$/sh</b>	<b>M \$</b>	<b>\$/sh</b>			<b>2016e</b>	<b>2017e</b>	<b>2016e</b>	<b>2017e</b>
<b>\$ 1,000</b>	\$/oz	48.5	0.33	28.4	0.19	<b>\$ 1,000</b>	\$/oz	(0.01)	(0.06)	(0.01)	0.05
<b>\$ 1,100</b>	\$/oz	87.3	0.60	54.4	0.37	<b>\$ 1,100</b>	\$/oz	(0.01)	(0.02)	(0.01)	0.09
<b>\$ 1,200</b>	\$/oz	124.0	0.85	78.7	0.54	<b>\$ 1,200</b>	\$/oz	(0.01)	0.02	(0.01)	0.13
<b>\$ 1,300</b>	\$/oz	160.6	1.10	102.8	0.70	<b>\$ 1,300</b>	\$/oz	(0.01)	0.06	(0.01)	0.16
<b>\$ 1,400</b>	\$/oz	197.2	1.35	126.7	0.87	<b>\$ 1,400</b>	\$/oz	(0.01)	0.10	(0.01)	0.20
<b>\$ 1,500</b>	\$/oz	233.8	1.60	150.6	1.03	<b>\$ 1,500</b>	\$/oz	(0.01)	0.13	(0.01)	0.24

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**Ratings Distributions:**  
(as of Feb 06, 2015)

Buy:	70%
Speculative Buy:	0%
Hold:	30%
Reduce:	0%
Sell:	0%
Restricted:	0%
Tender:	0%

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