Fundamental Research Corp.

Investment Analysis for Intelligent Investors

Siddharth Rajeev, B.Tech, MBA
Analyst

Vincent Weber, B.Sc.
Research Associate

Kevin Liu, BBA, B.Sc.
Research Associate

January 26, 2009

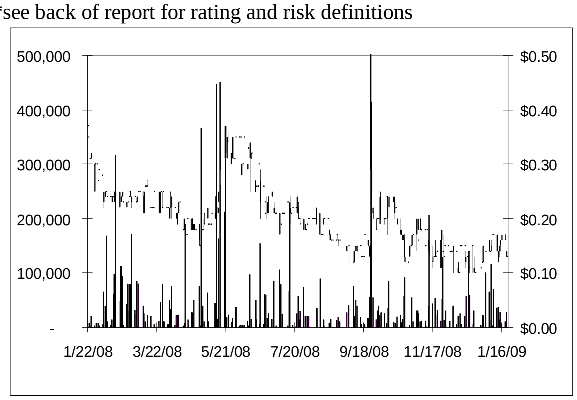
Rye Patch Gold Corp. (TSXV: RPM) – Continued Drilling Success at Wilco/Jessup

Sector/Industry: Junior Mining **www.ryepatchgold.com**

Market Data (as of January 23, 2009)

Current Price	**C$0.13**
Fair Value	**C$0.45 (↓)**
Rating*	**BUY**
Risk*	**5 (Highly Spec)**
52 Week Range	C$0.10 – C$0.39
Shares O/S	34.01 mm
Market Cap	C$4.42 mm
Current Yield	N/A
P/E	N/A
P/B	1.20
YoY Return	-58.1%
YoY TSXV	-65.2%

*see back of report for rating and risk definitions



Investment Highlights

- The company is working to earn 100% interest in the Wilco property and holds 100% interest in the Jessup property.
- Tier 1 status on the TSX Venture Exchange has been achieved after only 15 months as a public company.
- Phase II drilling intersected 38.1 meters grading 2.61 g/t Au in new target at Wilco.
- Phase I drilling intersected 45.6 meters grading 1.58 g/t Au and 7.6 meters grading 9.19 g/t Au at Jessup
- In December 2008, the company closed the first tranche of a proposed $0.60 million private placement to raise $0.27 million.
- Based on our discussion with management, the company has about $0.75 million in cash, which management expects to last for the next 4 to 5 months.
- We believe the company has made some progress since our initiating report in October 2008. However, we have lowered our valuation on the company because of share dilution (as a result of the recently completed financing) and a drop in working capital.

Key Financial Data (FYE - December 31)

(C $)	**2006**	**2007**	**2008 9 mo**
Cash	574,443	2,447,983	1,745,937
Working Capital	598,460	2,491,824	1,129,346
Mineral Assets	599,992	2,177,279	2,414,730
Total Assets	1,330,914	4,888,934	4,447,560
Net Loss	(394,543)	(2,578,359)	(2,729,077)
EPS	(0.03)	(0.13)	(0.09)

Rye Patch Gold Corp. is a junior exploration company focusing its exploration and development in the prolific gold belts of Nevada, USA. The company's flagship property is the Wilco Project, located 160km Northeast of Reno, Nevada.

Company Overview

Rye Patch Gold Corp. is a junior exploration company focusing its exploration and development in the prolific gold belts of Nevada, USA. The company's flagship property is the Wilco project, located 160 km Northeast of Reno, Nevada. The company is working to earn 100% interest in the Wilco property, holds 100% interest in the Jessup property and retains exploration rights to two other Nevada gold properties: the Lincoln Hill/Gold Ridge Project and the Keystone South Project. The table below shows the resource estimates of the company's gold projects in Nevada.

Property	Resource Category1	Tons (X 1,000)	Gold Grade opt	Silver Grade opt	Contained Gold Ounces	Contained Silver Ounces	Contained Gold & Gold Equiv. Ounces3
Wilco2	Measured	8,091	0.018	NC	146,701	NC	146,701
	Indicated	32,950	0.015	NC	478,816	NC	478,816
	Inferred	99,978	0.011	NC	1,124,776	NC	1,124,776
Jessup2	Measured	0	0	0	0	0	0
	Indicated	5,423	0.022	0.31	120,000	1,655,000	154,000
	Inferred	1,265	0.017	0.23	22,000	286,000	27,000
Total Measured Resources					**146,701**	**0**	**146,701**
Total Indicated Resources					**598,816**	**1,655,000**	**632,816**
Total Inferred Resources					**1,146,776**	**286,000**	**1,151,776**

Source: Rye Patch

TSX Venture Exchange Status: On November 4, 2008, the company announced that it had achieved Tier 1 status on the TSX Venture Exchange after only 15 months as a public company.

Wilco

At the release of our initiating report, 3,540 meters of the proposed 10,000 meter phase II drilling program had been completed on the Wilco property. Phase II has now been completed totaling 9,841 meters in 39 reverse circulation drill holes. A number of assay results have been released. Results from the Wilco property are very much in line with previous intercepts with many assays returning grades between one and two grams a tonne over intervals ranging from 15 to 40 meters. Step out drilling at Section line has extended the gold zone to the west.

In addition, two drill holes WR-081, and WR-087, were drilled at a **new target**, the North Basin. Both holes resulted in positive gold intercepts of slightly higher grade than at Section Line and the Colado Resource area (see results below). At this time, the company has defined the North Basin target to cover an area of approximately 500 meters north-south by 300 meters east-west.

Hole WR-082 was drilled at the Colado Resource intersecting quartz stockwork alteration at the same stratigraphic position as holes WR-081 and WR-087. **WR-082 is located approximately 1.6 km north of WR-081, and WR-087, but the similar geology and stratigraphic position of mineralization indicates that wide spread mineralization could potentially underlie the entire North Basin target area.**

We expect the company will continue to work to expand known resources on the Wilco property including a follow up program that is being planned for the North Basin Target.

Table 1 summarizes some highlights of phase II drilling on Wilco.

Table 1: Wilco Drilling Highlights

Drill hole	Target	Au g/t	Hole Interval (m)	From (m)	To (m)
WR-061	Section Line	1.34	18.3	271.3	289.6
WR-062	Section Line	1.41	15.2	260.6	275.8
WR-068	South-Pit	1.3	15.2	77.7	93
WR-073	Section Line	1.51	21.3	157	178.3
WR-074	Section Line	1.95	16.8	137.2	153.9
WR-081	North Basin	1.95	36.6	341.4	378
Including		4.80	3	353.6	356.6
Including		3.67	9.1	359.7	368.8
WR-082	Colado Resource	2.71	10.7	57.9	68.6
WR-082	Colado Resource	0.45	4.6	134.1	138.7
WR-087	North Basin	2.81	4.6	137.2	141.7
WR-087	North Basin	2.61	38.1	350.5	388.6
Including		14.26	4.5	353.6	358.1

Source: Rye Patch

Jessup

At the release of our initiating report, the company had mobilized drilling equipment to the Jessup property to commence a 3,000 meter phase 1 drill program. This program was expanded and has been completed totaling 5,120 meters in 45 reverse circulation drill holes.

This was the first drilling Rye Patch has completed on the Jessup property and the phase I program was designed to test targets identified by exploration field work. Observations of initial results would seem to indicate relatively near surface gold/silver mineralization at the San Jascinto property. The company states that the deposit remains open to the northeast and along the southern margin.

Results from the North Jessup property indicate it is also a near surface deposit with bulk tonnage potential and noticeably elevated levels of silver. The oxide portion of the North Jessup deposit remains open in the northwest and southeast directions.

Results represent the resource estimate well with high silver values reflecting the portion of silver ounces that were translated into gold equivalent ounces in the resource calculation. Another positive of drilling is that Rye Patch Management estimates approximately 94% of the significant gold and silver mineralization was intersected in oxidized volcanic formations lending to increased probability that the gold and silver mineralization is oxidized. Table 2 summarizes some highlights of phase I drilling on Jessup.

Table 2: Jessup Drilling Highlights

Drillhole	Target	Au g/t	Ag g/t	Hole Interval (m)	From (m)	To (m)
JR-08-002	San Jascinto	1.58	20.57	45.7	42.7	88.4
Including		5.86	20.57	3	62.5	65.5
Including		3.7	123.44	4.6	73.2	77.7
JR-08-012	San Jascinto	1.3	6.76	16.8	61	77.7
JR-08-012	San Jascinto	0.93	74.72	13.7	83.8	97.5
Including		1.68	172.99	4.6	88.4	93
JR-08-018	North Jessup	0.55	24.62	16.8	13.7	30.5
JR-08-039	North Jessup	9.19	26.44	7.6	35.1	42.7
JR-08-040	North Jessup	1.3	61.72	13.7	12.2	13.7
Including		9.16	404.62	1.5	12.2	13.7

Source: Rye Patch

Outlook on Gold and Silver

We have not made any changes to our long-term outlook on gold and silver prices since our previous report in October 2008. We have maintained our long-term forecast at US$600/oz for gold, and US$11/oz for silver.

Financials

At the end of September 2008, the company had cash and working capital of $1.75 million and $1.13 million, respectively. RPM reported a net loss of $2.73 million (EPS: -$0.09) for the 9-month period ended September 2008. We estimate the company had a burn rate (including exploration expenses) of $0.23 million per month for the 9-month period ended September 2008. The following table shows the company's cash position and liquidity ratios.

(in C$)	**2006**	**2007**	**2008 (9 mo)**
Working Capital	598,460	2,491,824	1,129,346
Current Ratio	13.7	27.5	2.5
LT Debts/ Assets	-	-	-
Burn Rate Per Month (incl. exploration costs)	(44,845)	(256,577)	(231,069)
Cash from financing activities	1,112,586	4,997,931	1,416,672

Subsequent Financings: On December 15, 2008, the company announced a non-brokered private placement of up to 5 million units (at a unit price of $0.12) for gross proceeds of up to $0.6 million. Each unit consists of one common share and one warrant (exercise price of $0.15 for a term of two years). On December 31, 2008, the company announced the closing of the first tranche which raised $0.27 million by issuing 2.25 million units. Insiders subscribed to about 49% of the issued units. The company has yet to announce the status of the remaining portion of the private placement.

Stock Options and Warrants: At the end of September 2008, the company had 2.26 million outstanding warrants (with exercise prices ranging from $0.75 to $1.00), and 2.26 million outstanding options (exercise prices ranging from $0.40 to $0.50). None of the options and warrants are currently in the money.

Conclusion: Based on our discussion with management, the company currently has about $0.75 million in cash, which we believe will be sufficient to fund the company's projects and working capital for at least 3 months if the company continues to burn at $0.23 million per months (9 month burn rate). However, management expects its current cash to last for the next 4 to 5 months; which implies the company is currently cutting its burn rate to conserve cash.

Valuation

We have not made any significant changes to our valuation models. Our Discounted Cash Flow (DCF) and real options valuation models gave revised fair values of $0.35 per share (down from $0.44 per share) and $0.34 per share (down from $0.47 per share), respectively. The valuation dropped primarily due to share dilution (as a result of the recently completed financing) and due to a drop in working capital.

The following table shows the sensitivity of our DCF valuation to changes in our long-term gold price forecast and discount rate assumptions.

Sensitivity **Gold Prices (US$/oz)** **Discount Rate**	**$500**	**$600**	**$700**	**$800**	**$900**	**$1,000**
8.00%	0.13	0.52	0.91	1.30	1.69	2.07
10.00%	0.08	0.42	0.75	1.08	1.42	1.75
11.49%	0.05	0.35	0.65	0.95	1.25	1.54
15.00%	-0.01	0.23	0.46	0.70	0.93	1.16

Our comparables valuation dropped from $0.76 to $0.60 per share due to share dilution, and a slight drop in the average EV/Resource ratio from $40/oz to $38/oz.

	Company	**EV/Resources**
1	Lake Shore Gold Corp	73.14
2	Midway Gold Corp.	68.50
3	Harvest Gold Corp.	40.93
4	Golden Band Resources Inc.	36.79
5	Skygold Ventures Inc.	23.78
6	Coral Gold Resources Ltd.	12.84
7	Rye Patch Gold Corp.	11.85
	Average	**38.26**
	Fair Value	**$0.60**

Note: 1) We have updated our list of comparables, and 2) EV was calculated based on 12 month average share prices

Conclusions & Rating

Based on our revised valuation models and review of the company's progress since our initiating report in October 2008, we reiterate our BUY rating on the company, but lower our fair value estimate to $0.45 per share.

Risks

The following risks, though not exhaustive, may cause our estimates to differ from actual results:

- The value of the company is dependent on commodity prices. Several different entities have explored these properties in the past with no further action. The implication being that these properties are only now economically viable based on the high prices of the target ores.
- The success of drilling, project development and resource expansion are important long-term success factors for its early projects.
- The company is currently subject to delays that are affecting the entire mining industry and possibly imposing cost overruns; however, the existing infrastructure, accessibility and a positive mining attitude in Nevada will positively impact the company's long-term valuation.
- The company will have to raise money this year which will likely result in dilution and would be difficult in the current environment.

We rate the company's shares a RISK of 5 (Highly Speculative).

Fundamental Research Corp. Equity Rating Scale:
Buy – Annual expected rate of return exceeds 12% or the expected return is commensurate with risk
Hold – Annual expected rate of return is between 5% and 12%
Sell – Annual expected rate of return is below 5% or the expected return is not commensurate with risk
Suspended or Rating N/A— Coverage and ratings suspended until more information can be obtained from the company regarding recent events.

Fundamental Research Corp. Risk Rating Scale:
1 (Low Risk) - The company operates in an industry where it has a strong position (for example a monopoly, high market share etc.) or operates in a regulated industry. The future outlook is stable or positive for the industry. The company generates positive free cash flow and has a history of profitability. The capital structure is conservative with little or no debt.

2 (Below Average Risk) - The company operates in an industry where the fundamentals and outlook are positive. The industry and company are relatively less sensitive to systematic risk than companies with a Risk Rating of 3. The company has a history of profitability and has demonstrated its ability to generate positive free cash flows (though current free cash flow may be negative due to capital investment). The company's capital structure is conservative with little to modest use of debt.

3 (Average Risk) - The company operates in an industry that has average sensitivity to systematic risk. The industry may be cyclical. Profits and cash flow are sensitive to economic factors although the company has demonstrated its ability to generate positive earnings and cash flow. Debt use is in line with industry averages, and coverage ratios are sufficient.

4 (Speculative) - The company has little or no history of generating earnings or cash flow. Debt use is higher. These companies may be in start-up mode or in a turnaround situation. These companies should be considered speculative.

5 (Highly Speculative) - The company has no history of generating earnings or cash flow. They may operate in a new industry with new, and unproven products. Products may be at the development stage, testing, or seeking regulatory approval. These companies may run into liquidity issues, and may rely on external funding. These stocks are considered highly speculative.

Disclaimers and Disclosure
The opinions expressed in this report are the true opinions of the analyst about this company and industry. Any "forward looking statements" are our best estimates and opinions based upon information that is publicly available and that we believe to be correct, but we have not independently verified with respect to truth or correctness. There is no guarantee that our forecasts will materialize. Actual results will likely vary. The analyst and Fundamental Research Corp. "FRC" does not own any shares of the subject company, does not make a market or offer shares for sale of the subject company, and does not have any investment banking business with the subject company. Fees of less than $30,000 have been paid by RPM to FRC. The purpose of the fee is to subsidize the high costs of research and monitoring. FRC takes steps to ensure independence including setting fees in advance and utilizing analysts who must abide by CFA Institute Code of Ethics and Standards of Professional Conduct. Additionally, analysts may not trade in any security under coverage. Our full editorial control of all research, timing of release of the reports, and release of liability for negative reports are protected contractually. To further ensure independence, RPM has agreed to a minimum coverage term including an initial report and three updates. Coverage can not be unilaterally terminated. Distribution procedure: our reports are distributed first to our web-based subscribers on the date shown on this report then made available to delayed access users through various other channels for a limited time. The performance of FRC's research is ranked by Investars. Full rankings and are available at www.investars.com.

The distribution of FRC's ratings are as follows: BUY (73%), HOLD (9%), SELL (4%), SUSPEND (14%).
To subscribe for real-time access to research, visit http://www.researchfrc.com/subscription.htm for subscription options.

This report contains "forward looking" statements. Forward-looking statements regarding the Company and/or stock's performance inherently involve risks and uncertainties that could cause actual results to differ from such forward-looking statements. Factors that would cause or contribute to such differences include, but are not limited to, continued acceptance of the Company's products/services in the marketplace; acceptance in the marketplace of the Company's new product lines/services; competitive factors; new product/service introductions by others; technological changes; dependence on suppliers; systematic market risks and other risks discussed in the Company's periodic report filings, including interim reports, annual reports, and annual information forms filed with the various securities regulators. By making these forward looking statements, Fundamental Research Corp. and the analyst/author of this report undertakes no obligation to update these statements for revisions or changes after the date of this report. A report initiating coverage will most often be updated quarterly while a report issuing a rating may have no further or less frequent updates because the subject company is likely to be in earlier stages where nothing material may occur quarter to quarter.
Fundamental Research Corp DOES NOT MAKE ANY WARRANTIES, EXPRESSED OR IMPLIED, AS TO RESULTS TO BE OBTAINED FROM USING THIS INFORMATION AND MAKES NO EXPRESS OR IMPLIED WARRANTIES OR FITNESS FOR A PARTICULAR USE. ANYONE USING THIS REPORT ASSUMES FULL RESPONSIBILITY FOR WHATEVER RESULTS THEY OBTAIN FROM WHATEVER USE THE INFORMATION WAS PUT TO. ALWAYS TALK TO YOUR FINANCIAL ADVISOR BEFORE YOU INVEST. WHETHER A STOCK SHOULD BE INCLUDED IN A PORTFOLIO DEPENDS ON ONE'S RISK TOLERANCE, OBJECTIVES, SITUATION, RETURN ON OTHER ASSETS, ETC. ONLY YOUR INVESTMENT ADVISOR WHO KNOWS YOUR UNIQUE CIRCUMSTANCES CAN MAKE A PROPER RECOMMENDATION AS TO THE MERIT OF ANY PARTICULAR SECURITY FOR INCLUSION IN YOUR PORTFOLIO. This REPORT is solely for informative purposes and is not a solicitation or an offer to buy or sell any security. It is not intended as being a complete description of the company, industry, securities or developments referred to in the material. Any forecasts contained in this report were independently prepared unless otherwise stated, and HAVE NOT BEEN endorsed by the Management of the company which is the subject of this report. Additional information is available upon request. THIS REPORT IS COPYRIGHT. YOU MAY NOT REDISTRIBUTE THIS REPORT WITHOUT OUR PERMISSION. Please give proper credit, including citing Fundamental Research Corp and/or the analyst, when quoting information from this report.

Fundamental Research Corp is registered with the British Columbia Securities Commission as a Securities Adviser which is not in any way an endorsement from the BCSC. The information contained in this report is intended to be viewed only in jurisdictions where it may be legally viewed and is not intended for use by any person or entity in any jurisdiction where such use would be contrary to local regulations or which would require any registration requirement within such jurisdiction.