RED EAGLE MINING CORPORATION

Consolidated Financial Statements

For the year ended December 31, 2014

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INDEPENDENT AUDITORS' REPORT

To the Shareholders of
Red Eagle Mining Corporation

We have audited the accompanying consolidated financial statements of **Red Eagle Mining Corporation**, which comprise the consolidated statements of financial position as at December 31, 2014 and 2013, and the consolidated statements of loss and comprehensive loss, changes in equity and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of **Red Eagle Mining Corporation** as at December 31, 2014 and 2013, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Ernst & Young LLP

Vancouver, Canada
April 29, 2015

Chartered Accountants

RED EAGLE MINING CORPORATION

Consolidated statements of financial position

(expressed in Canadian dollars)

As at	Notes	December 31, 2014	December 31, 2013
ASSETS			
Current assets			
Cash and cash equivalents		$ 427,290	$ 4,118,484
Other financial assets	5	160,000	160,000
Amounts receivable		84,216	48,391
Prepaid expenses		133,412	162,576
		804,918	**4,489,451**
Non-current assets			
Equipment	6	267,101	439,266
Mineral properties	7	412,775	649,651
		679,876	**1,088,917**
Total assets		**$ 1,484,794**	**$ 5,578,368**
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities		$ 469,201	$ 597,950
Mineral property obligations	7	639,485	1,539,980
		1,108,686	**2,137,930**
Non-current liabilities			
Mineral property obligations	7	1,144,410	-
		1,144,410	**-**
Total liabilities		**2,253,096**	**2,137,930**
SHAREHOLDERS' EQUITY	8		
Share capital		$ 37,163,964	$ 32,665,403
Warrants reserve		122,153	122,153
Share option reserve		1,082,453	2,775,301
Foreign exchange reserve		(310,142)	(111,194)
Deficit		(38,826,730)	(32,203,324)
		(768,302)	**3,248,339**
Non-controlling interest		-	192,099
Total shareholders' equity		**$ (768,302)**	**$ 3,440,438**
Total shareholders' equity and liabilities		**$ 1,484,794**	**$ 5,578,368**
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On behalf of the Board of Directors:

(signed) "Jeffrey Mason"
Director

(signed) "Ian Slater"
Director

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

RED EAGLE MINING CORPORATION

Consolidated statements of loss and comprehensive loss

(expressed in Canadian dollars)

For the year ended	Notes	December 31, 2014	December 31, 2013
Expenses			
Mineral property exploration costs	7	$ 6,180,760	$ 9,245,818
Office and administration		999,597	733,445
Salaries and benefits		741,596	472,881
Relations and business development		442,483	545,583
Professional fees		251,706	208,010
		8,616,142	**11,205,737**
Other expenses (income)			
Foreign exchange loss		222,235	337,678
Loss from disposal of subsidiaries		172,499	-
Interest		(67,746)	(127,128)
Gain on sale of royalty		-	(1,415,704)
Loss before tax		**8,943,130**	**10,000,583**
Deferred tax recovery	9	-	(217,000)
Net loss for the year		**$ 8,943,130**	**$ 9,783,583**
OTHER COMPREHENSIVE LOSS (OCL)			
OCL to be classified to profit and loss in subsequent periods:			
Foreign currency translation difference for foreign operations		233,596	86,691
Total comprehensive loss for the year		**$ 9,176,726**	**$ 9,870,274**
Net loss attributable to:			
Equity holders of the parent		8,765,388	9,734,786
Non-controlling		177,742	48,797
		$ 8,943,130	**$ 9,783,583**
Total comprehensive loss attributable to:			
Equity holders of the parent		8,990,988	9,822,163
Non-controlling		185,738	48,111
		$ 9,176,726	**$ 9,870,274**
Basic and diluted loss per share attributable to ordinary equity holders of the parent		$ 0.13	$ 0.17
Weighted average number of common shares outstanding		69,771,550	58,619,873

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

RED EAGLE MINING CORPORATION
Consolidated statements of changes in equity
(expressed in Canadian dollars)

	Number of shares	Attributable to equity holders of the parent: Share capital	Warrants	Share option reserve	Foreign exchange reserve	Deficit	Total	Non-controlling interest	Total
Balance as at December 31, 2012 *(Note 3)*	**58,567,818**	**$ 32,643,403**	**$ 1,809,291**	**$ 2,646,904**	**$ (23,817)**	**$ (23,964,811)**	**$ 13,110,970**	**$ 238,847**	**$ 13,349,817**
Shares issued under the option agreement (*Note 8*)	100,000	22,000	-	-	-	-	22,000	-	22,000
Share option based payments (*Note 8*)	-	-	-	155,895	-	-	155,895	-	155,895
Expiry of warrants	-	-	(1,470,138)	-	-	1,470,138	-	-	-
Tax charge on expiry of warrants *Note 8*)	-	-	(217,000)	-	-	-	(217,000)	-	(217,000)
Unexercised share options	-	-	-	(27,498)	-	27,498	-	-	-
Total comprehensive loss for the year	-	-	-	-	(87,377)	(9,734,786)	(9,822,163)	(48,111)	(9,870,274)
Funding of NCI net of dilutions	-	-	-	-	-	(1,363)	(1,363)	1,363	-
Balance, December 31, 2013	**58,667,818**	**$ 32,665,403**	**$ 122,153**	**$ 2,775,301**	**$ (111,194)**	**$ (32,203,324)**	**$ 3,248,339**	**$ 192,099**	**$ 3,440,438**
Shares issued (*Note 8*)	15,164,896	4,470,561	-	-	-	-	4,470,561	-	4,470,561
Shares issued under the options agreement *(Note 8)*	100,000	28,000	-	-	-	-	28,000	-	28,000
Share option based payments (*Note 8*)	-	-	-	449,134	-	-	449,134	-	449,134
Unexercised share options	-	-	-	(2,141,982)	-	2,141,982	-	-	-
Total comprehensive loss for the year	-	-	-	-	(225,600)	(8,765,388)	(8,990,988)	(185,738)	(9,176,726)
Disposal of subsidiary		-	-	-	26,652	-	26,652	(6,361)	20,291
Balance, December 31, 2014	**73,932,714**	**$ 37,163,964**	**$ 122,153**	**$ 1,082,453**	**$ (310,142)**	**$ (38,826,730)**	**$ (768,302)**	**$ -**	**$ (768,302)**

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

RED EAGLE MINING CORPORATION

Consolidated statements of cash flows

(expressed in Canadian dollars)

For the year ended	Notes	December 31, 2014	December 31, 2013
OPERATING ACTIVITIES			
Net loss for the year		**$ (8,943,130)**	**$ (9,783,583)**
Adjustments for items not affecting cash:			
Share option based payments		449,134	155,895
Loss from disposal of subsidiaries		172,499	-
Depreciation		127,001	148,846
Foreign exchange loss		260,354	404,852
Deferred tax recovery		-	(217,000)
Gain on sale of royalty		-	(1,415,704)
		(7,934,142)	**(10,706,694)**
Net changes in non-cash working capital items:			
Amounts receivable		(78,759)	74,456
Prepaid expenses		21,864	375,211
Accounts payable and accrued liabilities		210,786	(237,919)
Net cash flows used in operating activities		**(7,780,251)**	**(10,494,946)**
FINANCING ACTIVITIES			
Issuance of common shares, net of share issue cost		4,470,561	-
Net cash flows provided by financing activities		**4,470,561**	**-**
INVESTING ACTIVITES			
Acquisition of mineral properties		(327,519)	(5,136,947)
Cash balance of disposed subsidiaries		(40,864)	-
Purchase of equipment		(4,609)	(98,701)
Proceeds from sale of royalty		-	4,166,666
Purchase of short-term investments		-	(160,000)
Net cash flows used in investing activities		**(372,992)**	**(1,228,982)**
Net foreign exchange differences		(8,512)	(51,559)
Net decrease in cash and cash equivalents		**(3,691,194)**	**(11,775,487)**
Cash and cash equivalents, beginning of the year		4,118,484	15,893,971
Cash and cash equivalents, end of the year		**$ 427,290**	**$ 4,118,484**

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

1. CORPORATE INFORMATION AND CONTINUANCE OF OPERATIONS

The consolidated financial statements of Red Eagle Mining Corporation and all of its subsidiaries (the "Company") for the year ended December 31, 2014 were authorised for issue in accordance with a resolution of the board of directors on April 29, 2015.

Red Eagle Mining Corporation was incorporated under the *Business Corporations Act* in British Columbia, Canada on January 4, 2010.

The address and domicile of the Company's registered office and its principal place of business is Suite 920 - 1030 West Georgia Street, Vancouver, British Columbia, Canada, V6E 2Y3.

The Company is primarily engaged in the exploration, development and permitting of its mineral properties. The Company is considered to be in the exploration and development stage given that its mineral properties are not yet in production and, to date, have not earned any significant revenues. The recoverability of amounts shown for exploration and evaluation assets is dependent on the existence of economically recoverable reserves, obtaining and maintaining the necessary permits to operate a mine, obtaining the financing to complete development and future profitable production. These consolidated financial statements have been prepared on the basis of accounting principles applicable to a going concern which assumes that the Company will realize its assets and discharge its liabilities in the normal course of business. Management has carried out an assessment of the going concern assumption and has concluded that the Company has sufficient cash and cash equivalents to continue operating for the ensuing twelve months. These consolidated financial statements do not give effect to any adjustment, which would be necessary should the Company be unable to continue as a going concern and, therefore, be required to realize its assets and discharge its liabilities in other than the normal course of business and at amounts different than those reflected in the consolidated financial statements.

2. BASIS OF PRESENTATION

The consolidated financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

The consolidated financial statements have been prepared on a historical cost basis and are presented in Canadian dollars.

Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company as at December 31, 2014. The Company is the ultimate parent of the consolidated group of companies.

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Company obtains control, and continue to be consolidated until the date when such control ceases. The Company controls an investee if, and only if, the Company has all of the following:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee);
- Exposure, or rights, to variable returns from its involvement with the investee; and
- The ability to use its power over the investee to affect its returns.

When the Company has less than a majority of the voting, or similar, rights of an investee, it considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement(s) with the other vote holders of the investee;
- Rights arising from other contractual arrangements; and
- The Company's voting rights and potential voting rights.

(amounts are in Canadian dollars, unless otherwise stated)

2. BASIS OF PRESENTATION (CONTINUED)

Basis of consolidation (continued)

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Company gains control until the date the Company ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Company and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Company's accounting policies. All intercompany assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Company are eliminated in full on consolidation.The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies. All intra-Company balances, transactions, unrealised gains and losses resulting from intra-Company transactions and dividends are eliminated in full. Where the ownership of a subsidiary is less than 100%, and therefore a non-controlling interest exists, any losses of that subsidiary are attributed to the non-controlling interest even if that results in a deficit balance.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Company loses control over a subsidiary, it:

- Derecognises the assets (including goodwill) and liabilities of the subsidiary;
- Derecognises the carrying amount of any non-controlling interest;
- Derecognises the cumulative translation differences recorded in equity;
- Recognises the fair value of the consideration received;
- Recognises the fair value of any investment retained;
- Recognises any surplus or deficit in the statement of profit or loss and other comprehensive income; and
- Reclassifies the parent's share of components previously recognised in OCI to profit or loss or retained earnings, as appropriate, as would be required if the Company had directly disposed of the related assets or liabilities.

These consolidated financial statements comprise the accounts of the Company and the following subsidiaries of the Company:

- Red Eagle Mining de Colombia Limited, a company incorporated in Canada (holding interest - 100%);
- REMDC Holdings Limited, a company incorporated in Canada (holding interest – 100%); and
- Red Eagle Finance Limited, a company incorporated in British Virgin Islands (holding interest – 100%).

As Red Eagle Mining terminated its option agreement with Miranda Gold Corp. on the Pavo Real Project, the Company's 70% interest in Rovira Mining Limited was transferred to Miranda Gold Colombia I Ltd. on December 31, 2014 for no consideration. These financial statements include the results of Rovira Mining Limited until December 31, 2014. As at December 31, 2014, the Company had no ownership of Rovira Mining Limited. The following is a summary of financial position of Rovira Mining Limited at the date of transfer:

	Carrying value	
Cash and cash equivalents	$	40,864
Receivables and other current assets		59,811
Mineral property		485,669
Payables and other current liabilities		(340,485)
Net assets	**$**	**245,859**
Loss on disposal (70% interest)	$	172,499
Cash outflow on transfer	$	(40,864)

2. BASIS OF PRESENTATION (CONTINUED)

Basis of consolidation (continued)

Red Eagle Mining de Colombia Limited has a branch located in Colombia.

REMDC Holdings Limited and Red Eagle Finance Limited were incorporated in October and December of 2014, respectively.

3. PRINCIPAL OF ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of the financial statements are set out below.

a) Foreign currency translation

Functional and presentation currency
Items included in the financial statements of each of the Company's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The functional currency of the Company and its subsidiaries is the Canadian dollar. The functional currency of the subsidiaries' branches is the Colombian peso. The consolidated financial statements are presented in Canadian dollars.

Transactions and balances
Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in net loss.

Statements of comprehensive loss and cash flows for entities whose functional currency is different to the presentation currency are translated into the Company's presentation currency at average exchange rates for the year while their statements of financial position are translated at the year-end exchange rates. Exchange differences arising from the translation are taken to the foreign exchange reserve within equity and recorded as a component of other comprehensive income (loss). On disposal of a foreign entity, such exchange differences are transferred out of this reserve and are recognised in net loss as part of the gain or loss on sale.

b) Equipment

Items of equipment are initially recognized at cost. As well as the purchase price, cost includes directly attributable costs and the estimated present value of any future costs of dismantling and removing items. The corresponding liability is recognized within provisions. All items of equipment are subsequently carried at depreciated cost less impairment losses, if any.

Depreciation is provided on all items of equipment to write off the carrying value of items over their expected useful economic lives. It is applied using the declining balance method at the following rates:

- Computer Hardware – 30% per annum
- Software – 100% per annum
- Field Equipment – 30% per annum
- Office Equipment – 20% per annum
- Vehicles – 30% per annum

Material residual value estimates and estimates of useful life are updated as required, but at least annually.

c) Operating leases

Operating lease payments are recognised as an operating expense in profit or loss on a straight-line basis over the lease term.

3. PRINCIPAL OF ACCOUNTING POLICIES (CONTINUED)

d) Mineral properties

All direct costs including the option payments related to the acquisition of mineral property interests are capitalized into mineral property assets on a property by property basis. Exploration costs, net of incidental revenues, are charged to operations in the period incurred until such time as it has been determined that a property has economically recoverable reserves, in which case subsequent exploration costs and the costs incurred to develop a property are capitalized into "mineral properties". On the commencement of commercial production, depletion of each mining property will be provided on a units-of production basis using estimated reserves as the depletion base.

Costs incurred prior to the acquisition of a mineral property are charged to the statement of comprehensive loss as incurred under the heading, evaluation of projects. The Company records any gain on the sale of a net smelter royalty over mineral properties as a reduction in the carrying amount of the mineral property, with any residual gain (over and above the mineral property carrying value) recorded in the statement of comprehensive loss.

e) Impairment of non-financial assets

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of a) an asset's or cash-generating unit's (CGU) fair value less costs to sell and b) its value in use, determined for each individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the asset is tested as part of a larger CGU. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators.

The Company bases its impairment calculation on budgets and forecast calculations which are prepared separately for each of the Company's cash-generating units to which the individual assets are allocated.

Impairment losses of continuing operations, including impairment of inventories, are recognised in comprehensive loss in those expense categories consistent with the function of the impaired asset.

f) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, deposits held on call with banks, highly liquid investments that are readily convertible into known amount of cash and which are subject to insignificant risk of changes in value, net of bank overdrafts, which are repayable on demand. Cash and cash equivalents normally have a term to maturity of three months or less from the date of acquisition.

3. PRINCIPAL OF ACCOUNTING POLICIES (CONTINUED)

g) Financial instruments

Financial assets

Initial recognition and measurement
All financial assets are initially recorded at fair value and designated upon inception into one of the following four categories: held to maturity, available for sale, loans and receivables or fair value through profit or loss (“FVTPL”). All financial assets are recognised initially at fair value plus transaction costs, except in the case of financial assets recorded at fair value through profit or loss.

Subsequent measurement
The subsequent measurement of financial assets depends on their classification as described below:

- Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss.
- Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.
- Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments or fixed maturities that the Company has the positive intention and ability to hold them to maturity.
- Equity investments classified as available-for-sale are those that are neither classified as held for trading nor designated at fair value through profit or loss.

Financial assets classified as FVTPL are measured at fair value with unrealized gains and losses recognized through profit and loss.

Financial assets classified as loans and receivables and held to maturity are measured at amortized cost using the effective interest method less any allowance for impairment. The effective interest method is a method of calculating the amortized cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period.

Financial assets classified as available for sale are measured at fair value with unrealized gains and losses recognized in other comprehensive income (loss) except for losses in value that are considered other than temporary or a significant or prolonged decline in the fair value of that investment below its cost.

Transactions costs associated with FVTPL financial assets are expensed as incurred, while transaction costs associated with all other financial assets are included in the initial carrying amount of the asset.

Financial liabilities

Initial recognition and measurement
All financial liabilities are initially designated upon inception as FVTPL, loans and borrowings or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are initially recognized at fair value, plus, in the case of loans and borrowings, directly attributable transaction costs.

Subsequent measurement
After initial recognition, loans and borrowings are subsequently measured at amortized cost using the effective interest method. The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

3. PRINCIPAL OF ACCOUNTING POLICIES (CONTINUED)

g) Financial instruments (continued)

Financial liabilities (continued)

Financial liabilities classified as FVTPL include financial liabilities held for trading and financial liabilities designated upon initial recognition as FVTPL. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Transaction costs on financial liabilities classified as FVTPL are expensed as incurred.

At the end of each reporting period subsequent to initial recognition, financial liabilities at FVTPL are measured at fair value, with changes in fair value recognized directly in comprehensive loss in the period in which they arise. The net gain or loss recognized in comprehensive loss excludes any interest paid on the financial liabilities.

Impairment of financial assets

The Company assesses at the end of each reporting period whether a financial asset is impaired.

Assets carried at amortized cost

If there is objective evidence that an impairment loss on assets carried at amortized cost has been incurred, the amount of the loss is measured as the difference between the assets' carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The carrying amount of the asset is then reduced by the amount of the impairment. The amount of the loss is recognized in comprehensive loss. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed to the extent that the carrying value of the asset does not exceed what the amortized cost would have been had the impairment not been recognized. Any subsequent reversal of an impairment loss is recognized in comprehensive loss.

In relation to trade and other receivables, a provision for impairment is made and an impairment loss is recognized in profit and loss when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor) that the Company will not be able to collect all of the amounts due under the original terms of the invoice. The carrying amount of the receivable is reduced through use of an allowance account. Impaired debts are written off against the allowance account when they are assessed as uncollectible.

Available for sale

If an available for sale asset is impaired, an amount comprising the difference between its cost and its current fair value, less any impairment loss previously recognized in comprehensive loss, is transferred from equity to comprehensive loss. In the case of equity investments, objective evidence would include a significant or prolonged decline in the fair value of the investment below its cost. Reversals in respect of equity instruments classified as available-for-sale are not recognized in comprehensive loss.

De-recognition of financial assets and liabilities

A financial asset (or, where applicable a part of a financial asset or part of a Company of similar financial assets) is derecognised when:

- The rights to receive cash flows from the asset have expired; or
- The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

3. PRINCIPAL OF ACCOUNTING POLICIES (CONTINUED)

De-recognition of financial assets and liabilities (continued)

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the statement of comprehensive loss.

h) Taxation

Tax expense recognized in comprehensive loss comprises the sum of deferred tax and current tax not recognized directly in equity.

Deferred income tax is provided using the balance sheet method on temporary differences at the reporting date between the carrying amounts of assets and liabilities and their tax bases.

Deferred tax assets and liabilities are calculated, without discounting, at tax rates that are expected to apply to their respective period of realization or settlement, provided they are enacted or substantively enacted by the end of the reporting period.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- When the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss, or
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised, except:

- When the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future.

Deferred tax assets and liabilities are offset only when the Company has a legally enforceable right to set off current tax assets and liabilities and the deferred income taxes related to the same taxable entity and the same taxation authority.

Changes in deferred tax assets or liabilities are recognized as a component of tax income or expense in comprehensive loss, except where they relate to items that are recognized in other comprehensive income or directly in equity, in which case the related deferred tax is also recognized in other comprehensive income or equity, respectively.

i) Share-based payments

The Company grants share purchase options to employees, directors, consultants and other service providers, accounting for them using the fair value method in accordance with IFRS 2. Under this method, the compensation cost of options is estimated at fair value at the grant date and charged to earnings over the vesting period, with the offsetting credit recorded as an increase recorded in equity. If the share options are exercised, the proceeds are credited to share capital and the fair value at the date of grant is reclassified from the share option reserve to share capital. When options granted have graded vesting, each tranche is separately valued and amortized over its vesting period.

3. PRINCIPAL OF ACCOUNTING POLICIES (CONTINUED)

i) Share based payments (continued)

No expense is recognised for awards that do not ultimately vest, except for equity-settled transactions for which vesting is conditional upon a market or non-vesting condition. These are treated as vesting irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

When the terms of an equity-settled transaction award are modified, the minimum expense recognised is the expense as if the terms had not been modified, if the original terms of the award are met. An additional expense is recognised for any modification that increases the total fair value of the share-based payment transaction, or is otherwise beneficial to the employee as measured at the date of modification.

When an equity-settled award is cancelled, it is treated as if it vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the entity or the employee are not met. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

j) Loss per share

Basic loss per share is calculated using the weighted-average number of common shares outstanding during the year. The Company uses the treasury share method to compute the dilutive effect of options, warrants and similar instruments. Under this method, the dilutive effect on earnings per share is recognized on the use of the proceeds that could be obtained upon exercise of options, warrants and similar instruments. It assumes that the proceeds would be used to purchase common shares at the average market price during the year or period.

k) Reclamation provision

Provisions are recognized when the Company has a present obligation (legal or constructive) because of a past event, it is probable that an outflow of resources embodying economic benefits and a reliable estimate can be made of the amount of the obligation. The Company records a reclamation provision for the legal and constructive obligations to restore exploration, development, mining and other operations in the period in which the obligation is incurred. When the liability is initially recognized the present value of the estimated costs is capitalized by increasing the carrying amount of the related mining assist to the extent it was incurred in the development and construction of a mine. Any reclamation provision that arises through the production of inventory is expensed when the inventory item is included in cost of goods sold. The provision is reviewed at each reporting date and all changes to the liability, including changes in discount rate, are recorded as a change to the mining asset to which it relates. Over time the discount is unwound through finance costs in the statement of comprehensive loss. Any remediation that takes place in the same period as the obligation being incurred is recorded directly in the statement of comprehensive loss, as it is incurred.

l) Fair value measurement

The Company measures derivatives at fair value at each balance-sheet date and, for the purposes of impairment testing, uses fair value less costs of disposal to determine the recoverable amount of some of its non-financial assets. Also, fair values of financial instruments measured at amortised cost are disclosed in *Note 15*. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability; or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

3. PRINCIPAL OF ACCOUNTING POLICIES (CONTINUED)

l) Fair value measurement (continued)

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs. All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described, as follows, based on the lowest-level input that is significant to the fair value measurement as a whole:

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 — Valuation techniques for which the lowest-level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 — Valuation techniques for which the lowest-level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest-level input that is significant to the fair value measurement as a whole) at the end of each reporting period. Management determines the policies and procedures for both recurring fair value measurement, such as derivatives, and non-recurring measurement, such as impairment tests.

At each reporting date, management analyses the movements in the values of assets and liabilities, which are required to be re-measured or reassessed as per the Company's accounting policies. For this analysis, management verifies the major inputs applied in the latest valuation by agreeing the information in the valuation computation to contracts and other relevant documents.

Management also compares the changes in the fair value of each asset and liability with relevant external sources to determine whether the change is reasonable. On an annual basis, management presents the valuation results to the audit committee and the Company's independent auditors. This includes a discussion of the major assumptions used in the valuations. For the purpose of fair value disclosures, the Company has determined classes of assets and liabilities based on the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

m) Management judgments and key sources of estimation uncertainty

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities and disclosure of contingent assets at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Information about significant judgments, estimates and assumptions that have the most significant effect on recognition and measurement of assets, liabilities, income and expenses are discussed below.

Impairment

The Company assesses each cash-generating unit annually to determine whether any indication of impairment exists. Where an indicator of impairment exists, an estimate of the recoverable amount is made, which is considered to be the higher of the fair value less costs to sell and value in use. These assessments require the use of estimates and assumptions such as long-term commodity prices, discount rates, future capital requirements, exploration potential and operating performance. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. Fair value for mineral assets is generally determined as the present value of estimated future cash flows arising from the continued use of the asset, which includes estimates such as the cost of future expansion plans and eventual disposal, using assumptions that an independent market participant may take into account. Cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Management has assessed its cash-generating units as being each mineral property, which is the lowest level for which cash inflows are largely independent of those of other assets.

(amounts are in Canadian dollars, unless otherwise stated)

3. PRINCIPAL OF ACCOUNTING POLICIES (CONTINUED)

m) Management judgments and key sources of estimation uncertainty (continued)

Fair value of share based awards

Management uses valuation techniques in measuring the fair value of share options granted. The fair value is determined using the Black Scholes option pricing model and is subject to a number of variables. These are disclosed in *Note 9.* Changes to these assumptions could have a material impact on the Company's financial statements.

n) Comparative financial statements

The comparative consolidated financial statements have been reclassified from the ones previously presented to conform to the presentation of the current consolidated financial statements.

The table below summarises reclassifications:

	Warrants	Share option reserve	Deficit	Total
December 31, 2012				
As presented previously	1,909,316	2,754,623	(24,172,555)	(19,508,616)
Reclassifications	(100,025)	(107,719)	207,744	-
As presented currently	**$ 1,809,291**	**$ 2,646,904**	**$ (23,964,811)**	**$ (19,508,616)**
December 31, 2013				
As presented previously	1,692,316	2,910,518	(33,908,704)	(29,305,870)
Reclassifications	(1,570,163)	(135,217)	1,705,380	-
As presented currently	**$ 122,153**	**$ 2,775,301**	**$ (32,203,324)**	**$ (29,305,870)**

4. NEW AND AMENDED STANDARDS AND INTERPRETATIONS

The accounting policies adopted in the preparation of the consolidated financial statements for the year ended December 31, 2014 are consistent with those followed in the preparation of the Company's consolidated financial statements for the year ended December 31, 2013 except for the adoption of new standards and interpretations as of January 1, 2014 noted below:

Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27)
These amendments provide an exception to the consolidation requirement for entities that meet the definition of an investment entity under IFRS 10 *Consolidated Financial Statements* and must be applied retrospectively, subject to certain transition relief. The exception to consolidation requires investment entities to account for subsidiaries at fair value through profit or loss. These amendments have no impact on the Company's consolidated financial statements.

Offsetting Financial Assets and Financial Liabilities – Amendments to IAS 32
These amendments clarify the meaning of "currently has a legally enforceable right to set-off" and the criteria for non-simultaneous settlement mechanisms of clearinghouses to qualify for offsetting and is applied retrospectively. These amendments have no impact on the Company's consolidated financial statements, since the Company has no offsetting arrangements.

Novation of Derivatives and Continuation of Hedge Accounting – Amendments to IAS 39
These amendments provide relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria and retrospective application is required. These amendments have no impact on the Company's consolidated financial statements as the Company has no derivatives during the current or prior periods.

4. NEW AND AMENDED STANDARDS AND INTERPRETATIONS (CONTINUED)

IFRIC 21 Levies
IFRIC 21 clarifies that an entity recognises a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. For a levy that is triggered upon reaching a minimum threshold, the interpretation clarifies that no liability should be anticipated before the specified minimum threshold is reached. Retrospective application is required for IFRIC 21. This interpretation has no impact on the Company's consolidated financial statements as it has applied the recognition principles under IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* consistent with the requirements of IFRIC 21 in prior years.

Annual Improvements 2010-2012 Cycle
In the 2010-2012 annual improvements cycle, the IASB issued seven amendments to six standards, which included an amendment to IFRS 13 *Fair Value Measurement*. The amendment to IFRS 13 is effective immediately and, thus, for periods beginning at January 1, 2014 and it clarifies in the Basis for Conclusions that short-term receivables and payables with no stated interest rates can be measured at invoice amounts when the effect of discounting is immaterial. This amendment to IFRS 13 has no impact on the Company's consolidated financial statements.

Annual Improvements 2011-2013 Cycle
In the 2011-2013 annual improvements cycle, the IASB issued four amendments to four standards, which included an amendment to IFRS 1 *First-time Adoption of International Financial Reporting Standards*. The amendment to IFRS 1 is effective immediately and, thus, for periods beginning at January 1, 2014 and clarifies in the Basis for Conclusions that an entity may choose to apply either a current standard or a new standard that is not yet mandatory, but permits early application, provided either standard is applied consistently throughout the periods presented in the entity's first IFRS financial statements. This amendment to IFRS 1 has no impact on the Company's consolidated financial statements, since the Company is an existing IFRS preparer.

Standards and interpretations issued but not yet effective

Standards and interpretations issued but not yet effective up to the date of issuance of the consolidated financial statements or not yet adopted by the Company early are listed below. The Company intends to adopt those standards when they become effective.

IFRS 9 Financial Instruments
In July 2014, the IASB issued the final version of IFRS 9 *Financial Instruments*, which reflects all phases of the financial instruments project and replaces IAS 39 *Financial Instruments: Recognition and Measurement* and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. IFRS 9 is effective for annual periods beginning on or after January 1, 2018 with early application permitted. Retrospective application is required, but comparative information is not compulsory. Early application of previous versions of IFRS 9 (2009, 2010 and 2013) is permitted if the date of initial application is before February 1, 2015. The adoption of IFRS 9 will have an immaterial effect on the Company's consolidated financial statements.

Amendments to IAS 19 Defined Benefit Plans: Employee Contributions
IAS 19 requires an entity to consider contributions from employees or third parties when accounting for defined benefit plans. Where the contributions are linked to service, they should be attributed to periods of service as a negative benefit. These amendments clarify that, if the amount of the contributions is independent of the number of years of service, an entity is permitted to recognise such contributions as a reduction in the service cost in the period in which the service is rendered, instead of allocating the contributions to the periods of service. This amendment is effective for annual periods beginning on or after July 1, 2014. The Company does not expect that this amendment would be relevant to the Company, since the Company has no defined benefit plans.

4. NEW AND AMENDED STANDARDS AND INTERPRETATIONS (CONTINUED)

Standards and interpretations issued but not yet effective (continued)

IFRS 2 Share-based Payment
This improvement is applied prospectively and clarifies various issues relating to the definitions of performance and service conditions, which are vesting conditions, including:

- A performance condition must contain a service condition;
- A performance target must be met while the counterparty is rendering service;
- A performance target may relate to the operations or activities of an entity, or to those of another entity in the same group;
- A performance condition may be a market or non-market condition; and
- If the counterparty, regardless of the reason, ceases to provide service during the vesting period, the service condition is not satisfied.

It is expected, that these amendments will have minor affect the consolidated financial position and consolidated financial results of the Company.

IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets
The amendment is applied retrospectively and clarifies in IAS 16 and IAS 38 that the asset may be revalued by reference to observable data on either the gross or the net carrying amount. In addition, the accumulated depreciation or amortisation is the difference between the gross and carrying amounts of the asset. It is expected that these amendments will not impact on the consolidated financial position or consolidated financial results of the Company.

IAS 24 Related Party Disclosures
The amendment is applied retrospectively and clarifies that a management entity (an entity that provides key management personnel services) is a related party subject to the related party disclosures. In addition, an entity that uses a management entity is required to disclose the expenses incurred for management services.

IFRS 13 Fair Value Measurement
The amendment is applied prospectively and clarifies that the portfolio exception in IFRS 13 can be applied not only to financial assets and financial liabilities, but also to other contracts within the scope of IFRS 9 (or IAS 39, as applicable).

IFRS 15 Revenue from Contracts with Customers
IFRS 15 was issued in May 2014 and establishes a new five-step model that will apply to revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15 provide a more structured approach to measuring and recognising revenue.

The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under IFRS. Either a full or modified retrospective application is required for annual periods beginning on or after January 1, 2017 with early adoption permitted. The Company is currently assessing the impact of IFRS 15 and plans to adopt the new standard on the required effective date.

4. NEW AND AMENDED STANDARDS AND INTERPRETATIONS (CONTINUED)

Standards and interpretations issued but not yet effective (continued)

Amendments to IFRS 11 Joint Arrangements: Accounting for Acquisitions of Interests
The amendments to IFRS 11 require that a joint operator accounting for the acquisition of an interest in a joint operation, in which the activity of the joint operation constitutes a business must apply the relevant IFRS 3 principles for business combinations accounting. The amendments also clarify that a previously held interest in a joint operation is not remeasured on the acquisition of an additional interest in the same joint operation while joint control is retained. In addition, a scope exclusion has been added to IFRS 11 to specify that the amendments do not apply when the parties sharing joint control, including the reporting entity, are under common control of the same ultimate controlling party.

The amendments apply to both the acquisition of the initial interest in a joint operation and the acquisition of any additional interests in the same joint operation and are prospectively effective for annual periods beginning on or after January 1, 2016, with early adoption permitted. These amendments are not expected to have any impact on the consolidated financial statements of the Company.

Amendments to IAS 16 and IAS 38 Clarification of Acceptable Methods of Depreciation and Amortisation
The amendments clarify the principle in IAS 16 and IAS 38 that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets. The amendments are effective prospectively for annual periods beginning on or after January 1, 2016 with early adoption permitted. These amendments are not expected to have impact to the Company's consolidated financial statements.

Amendments to IAS 27 Equity Method in Separate Financial Statements
The amendments will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. Entities already applying IFRS and electing to change to the equity method in its separate financial statements will have to apply that change retrospectively. For first-time adopters of IFRS electing to use the equity method in its separate financial statements, they will be required to apply this method from the date of transition to IFRS. The amendments are effective for annual periods beginning on or after January 1, 2016, with early adoption permitted. These amendments are not expected to have any impact on the Company's consolidated financial statements.

(amounts are in Canadian dollars, unless otherwise stated)

5. OTHER FINANCIAL ASSETS

Other financial assets consist of a one year guaranteed investment certificate ("GIC") of $160,000 placed with the Royal Bank of Canada maturing in February 2015 at 0.8% per annum. The GIC is held as collateral for the Company's corporate credit cards.

6. EQUIPMENT

The following are details of equipment in 2014 and 2013:

	Computer hardware	Field equipment	Office equipment	Software	Vehicles	Total
Cost						
Balance, January 1, 2013	**$ 81,923**	**$ 182,053**	**$ 123,586**	**$ 69,556**	**$ 365,694**	**$ 822,812**
Additions	5,248	21,289	43,314	28,850	-	98,701
Foreign currency translation	(1,016)	(2,386)	(1,580)	(568)	(5,731)	(11,281)
Balance, December 31, 2013	**86,155**	**200,956**	**165,320**	**97,838**	**359,963**	**910,232**
Additions	15,987	-	-	4,027	2,219	22,233
Disposal	-	(18,574)	(2,256)	-	(83,439)	(104,269)
Foreign currency translation	(11,164)	(11,581)	(20,113)	-	(31,666)	(74,524)
Balance, December 31, 2014	**$ 90,978**	**$ 170,801**	**$ 142,951**	**$ 101,865**	**$ 247,077**	**$ 753,672**
Accumulated depreciation						
Balance, January 1, 2013	**$ (25,610)**	**$ (54,784)**	**$ (22,963)**	**$ (61,079)**	**$ (160,873)**	**$ (325,309)**
Depreciation charged	(16,981)	(27,927)	(23,205)	(16,792)	(63,941)	(148,846)
Foreign currency translation	251	510	176	528	1,724	3,189
Balance, December 31, 2013	**(42,340)**	**(82,201)**	**(45,992)**	**(77,343)**	**(223,090)**	**(470,966)**
Depreciation charged	(15,338)	(2,457)	(41,363)	(11,502)	(56,341)	(127,001)
Disposal	-	2,050	1,156	-	64,633	67,839
Foreign currency translation	11,914	(3,191)	14,468	-	20,366	43,557
Balance, December 31, 2014	**$ (45,764)**	**$ (85,799)**	**$ (71,731)**	**$ (88,845)**	**$ (194,432)**	**$ (486,571)**
Net book value, December 31, 2013	**$ 43,815**	**$ 118,755**	**$ 119,328**	**$ 20,495**	**$ 136,873**	**$ 439,266**
Net book value, December 31, 2014	**$ 45,214**	**$ 85,002**	**$ 71,220**	**$ 13,020**	**$ 52,645**	**$ 267,101**

7. MINERAL PROPERTIES

Santa Rosa

On April 15, 2011, the Company acquired 100% of the Santa Rosa Gold Project in Antioquia, Colombia, for US $9,600,000. Of this, US $9,150,000 ($9,402,956) has been paid with the remaining US $450,000 ($523,215) due on June 25, 2015. The Company also agreed to acquire certain adjacent concession contracts for US$780,000, of which US$40,000 ($40,600) has been paid and US$740,000 ($860,398) is due upon title transfer, which is expected after 2015. As at December 31, 2014 the outstanding balance relating to these acquisitions was US $1,190,000 ($1,383,613).

On October 22, 2012, concurrent with a private placement financing, the Company completed the sale of a 2% NSR royalty over the Santa Rosa property to Liberty Metals and Mining Holdings LLC, ("Liberty") a 19.9% common shareholder of the Company, for gross proceeds of $8,333,333. The Company had the option to sell an additional 1% royalty for $4,166,667 at any time until December 31, 2013 and on December 20, 2013, the Company exercised this option. These transactions were recorded as a credit to the mineral property asset class, reducing the value of the property to nil and the excess was reflected as a gain of $1,415,704 in the statement of comprehensive loss. The Company has the option to repurchase a 1% royalty for $8,333,333 at any time during the first two years of gold production. Liberty also has a participation right to maintain a 19.9% ownership interest in the Company.

(amounts are in Canadian dollars, unless otherwise stated)

7. MINERAL PROPERTIES (CONTINUED)

Santa Rosa (continued)

On October 24, 2012, the Company executed a purchase agreement with Bullet Holdings Corp. to acquire mineral concession contracts totaling 35,910 hectares adjacent to the Company's Santa Rosa Gold Project. The consideration for the transaction was the issuance of 905,000 common shares, reimbursement of current year concession fees and the granting of a 1.5% NSR royalty over the properties acquired. Liberty's royalty does not cover these new properties.

On May 28, 2014, the Company executed a purchase agreement with AngloGold Ashanti Colombia S.A. ("AGAC"), to acquire 100% of contiguous mineral concession contracts totaling 1,673 hectares within the Company's Santa Rosa Gold Project. In consideration for the property, the Company has agreed to pay US$375,000 to AGAC and grant AGAC a 2% net smelter return royalty over the properties acquired. The cash payments completed and to be made, are as follows:

	US $
Within 10 days of execution of contract (paid)	25,000
Upon title transfer (paid April 2015)	100,000
March 18, 2016	125,000
March 18, 2017	125,000
	375,000

The Company paid the initial US $25,000 and has recorded the balance as a provision, discounted at the risk free rate of 1%. The fair value of total payments is $397,548 representing the initial $26,150 (US $25,000) and $371,398 relating to the outstanding US $342,268 (nominal value is US $350,000), and this has been recorded as an increase in capitalized mineral properties. As at December 31, 2014 the mineral property obligation relating to this acquisition was $400,282, which represents the discounted value of the US$350,000 remaining to be paid. The Company has recorded an interest expense of $2,217 relating to the unwinding of the discount on the obligation in 2014.

Pavo Real

As Red Eagle Mining terminated its option agreement with Miranda Gold Corp. on the Pavo Real Project, the Company's 70% interest in Rovira Mining Limited was transferred to Miranda Gold Colombia I Ltd. on December 31, 2014 for no consideration. The Pavo Real Project was dropped as exploration results to date did not merit further work and the Company is focused on developing the Santa Rosa Gold Project.

The following are the changes to mineral property in 2014 and 2013:

	Santa Rosa	Pavo Real	Total
Balance, December 31, 2012	**$ 2,771,728**	**$ 557,028**	**$ 3,328,756**
Acquisition cost	36,513	95,445	131,958
Sale of 1% royalty	(2,750,962)	-	(2,750,962)
Foreign currency translation	(57,279)	(2,822)	(60,101)
Balance, December 31, 2013	**-**	**649,651**	**649,651**
Acquisition cost	415,610	112,524	528,134
Foreign currency translation	(2,835)	107,804	104,969
Disposal of subsidiaries	-	(869,979)	(869,979)
Balance, December 31, 2014	**$ 412,775**	**$ -**	**$ 412,775**

(amounts are in Canadian dollars, unless otherwise stated)

7. MINERAL PROPERTIES (CONTINUED)

Mineral property obligations represent the Company's outstanding payables to the following parties:

As at	December 31, 2014		December 31, 2013	
Santa Rosa				
Individuals	$	1,383,613	$	1,539,980
AngloGold Ashanti Colombia S.A.		400,282		-
Total obligations		**1,783,895**		**1,539,980**
Non-current portion of obligations		(1,144,410)		-
Current obligations	**$**	**639,485**	**$**	**1,539,980**

The following are changes in mineral property obligations during 2014 and 2013:

	2014		2013	
Balance, as at January 1,	**$**	**1,539,980**	**$**	**6,198,750**
Acquisition		371,398		-
Repayments		(283,307)		(5,063,622)
Foreign exchange translation loss		153,607		404,852
Interest charge		2,217		-
Balance, as at December 31,	**$**	**1,783,895**	**$**	**1,539,980**

Following is a summary of the Santa Rosa and Pavo Real exploration costs:

For the year ended December 31, 2014	Santa Rosa		Pavo Real		Total	
Salaries and consulting	$	1,457,745	$	22,626	$	1,480,371
Field and camp		1,005,067		398,066		1,403,133
Technical studies		1,045,851		-		1,045,851
Legal and office administration		645,835		28,262		674,097
Geological and geochemical		549,463		4,934		554,397
Metallurgical testwork		318,447		-		318,447
Travel and transportation		242,832		27,863		270,695
Drilling		212,309		-		212,309
Depreciation		112,651		5,223		117,874
Concession fees		73,793		6,616		80,409
Assays and sampling		6,001		13,824		19,825
License and permits		3,352		-		3,352
	$	**5,673,346**	**$**	**507,414**	**$**	**6,180,760**
Cumulative costs as at December 31, 2014	**$**	**27,527,872**	**$**	**5,424,853**	**$**	**32,952,725**

(amounts are in Canadian dollars, unless otherwise stated)

7. MINERAL PROPERTIES (CONTINUED)

For the year ended December 31, 2013	Santa Rosa	Pavo Real	Total
Salaries and consulting	$ 2,679,864	$ 38,859	$ 2,718,723
Field and camp	1,082,769	55,614	1,138,383
Technical studies	1,071,136	-	1,071,136
Legal and office administration	464,757	88,944	553,701
Geological and geochemical	28,988	-	28,988
Metallurgical testwork	328,912	-	328,912
Travel and transportation	373,532	346	373,878
Drilling	2,326,940	-	2,326,940
Depreciation	116,307	32,437	148,744
Concession fees	16,115	37,174	53,289
Assays and sampling	288,428	7,152	295,580
License and permits	97,056	-	97,056
Hydrology	110,488	-	110,488
	$ 8,985,292	**$ 260,526**	**$ 9,245,818**
Cumulative costs as at December 31, 2013	**$ 21,854,526**	**$ 4,917,439**	**$ 26,771,965**

8. SHARE CAPITAL

a) Authorized share capital

Unlimited number of common shares without par value.

b) Issued during the year ended December 31, 2014

On April 9, 2014, the Company completed an equity financing for the sale of 12,121,212 common shares at $0.33 per share for gross proceeds of $4,000,000. Concurrently, the Company's largest shareholder, Liberty Metals and Mining Holdings LLC, exercised their participation rights in order to maintain their pro rata 19.9% equity interest in the Company. As a result, the Company issued 3,011,387 common shares at $0.33 per share, 7,453 at $0.42 per share and 24,844 at $0.28 per share for gross proceeds of $1,003,844. The Company incurred share issue costs of $533,285.

On June 24, 2014, the Company issued 100,000 common shares in accordance with the Pavo Real option agreement for an ascribed value of $28,000.

c) Issued during the year ended December 31, 2013

On June 24, 2013, the Company issued 100,000 common shares in accordance with the Pavo Real option agreement for an ascribed value of $22,000.

(amounts are in Canadian dollars, unless otherwise stated)

8. SHARE CAPITAL (CONTINUED)

d) Warrants

No warrants were issued during 2014 and 2013.

On June 28, 2013, 6,581,883 warrants expired unexercised. The expiry of these warrants created a taxable capital gain and the Company recorded a $217,000 tax charge in equity, which has been offset by a deferred tax recovery.

The following summarizes the movements in outstanding warrants during the years ended December 31, 2014 and 2013:

For the year ended	Number of outstanding warrants		Weighted average exercise price
Balance, December 31, 2012	**11,081,883**	**$**	**0.97**
Expired	(6,581,883)		1.47
Balance, December 31, 2013 and 2014	**4,500,000**	**$**	**0.25**

The following summarizes the share purchase warrants outstanding at December 31, 2014:

Expiry date	Warrants outstanding		Weighted average exercise price	Weighted average remaining contractual life (years)
February 12, 2015	1,125,000	$	0.25	0.12
June 28, 2016	3,375,000		0.25	1.49
	4,500,000	**$**	**0.25**	**1.15**

On November 6, 2014, the Company extended the expiry date of 3,375,000 warrants from February 12, 2015 to June 28, 2016. The remaining 1,125,000 warrants expired on February 12, 2015.

e) Options and Share Purchase Option Plan

On April 27, 2011, the Board of Directors adopted an incentive stock option plan (the "Option Plan") which provides that the Board of Directors of the Company may from time to time, in its discretion, and in accordance with (TSX-V) regulations, grant to directors, officers, employees and service providers to the Company, non-transferable options to purchase common shares, provided that the number of common shares reserved for issuance will not exceed 10% of the issued and outstanding common shares at the time of grant. Such options will be exercisable for a period of up to 5 years from the date of grant. Vesting terms will be determined at the time of grant by the Board of Directors.

(amounts are in Canadian dollars, unless otherwise stated)

8. SHARE CAPITAL (CONTINUED)

e) Options and Share Purchase Option Plan (continued)

A summary of the status of options granted under the option plan as at December 31, 2014 and 2013, and the changes for the years then ended are as follows:

	Number of outstanding	Weighted average exercise price	Weighted average measurement date fair value
Outstanding, December 31, 2012	**5,465,000**	**$ 0.91**	$ 0.54
Expired	(250,000)	0.50	0.34
Outstanding, December 31, 2013	**5,215,000**	**0.93**	**0.53**
Granted	2,180,000	0.33	0.31
Cancelled	(2,860,000)	1.24	0.72
Expired	(150,000)	0.78	0.44
Forfeited	(37,500)	0.33	0.31
Outstanding, December 31, 2014	**4,347,500**	**$ 0.44**	**$ 0.19**

- On April 9, 2014, the Company granted 2,180,000 share purchase options to directors, officers, employees and a consultant at a price of $0.33 exercisable for a period of 5 years and vesting in tranches over 18 months.
- On May 1, 2014, the Company cancelled a total of 2,700,000 share purchase options with an exercise price of $1.25 and 160,000 options at an exercise price of $1.00.
- On March 9, 2014, 100,000 share purchase options that had been granted to a director expired unexercised following his resignation in December 2013. In addition, 50,000 options expired unexercised following the departure of an employee.

The following summarizes information about share options outstanding and exercisable at December 31, 2014:

Expiry date	Options outstanding	Options exercisable	Exercise price	Weighted average remaining contractual life (years)
December 6, 2017	2,205,000	2,205,000	$ 0.55	2.93
April 9, 2019	2,142,500	1,827,500	0.33	4.27
	4,347,500	**4,032,500**	**$ 0.44**	**3.59**

The Company has calculated the fair value of options granted using the Black-Scholes option valuation model with the following variables:

Grant date	April 9, 2014	December 6, 2012
Share price on measurement date	$ 0.31	$ 0.46
Exercise price	$ 0.33	$ 0.55
Risk free interest rate	1.15% - 1.71%	1.08% - 1.26%
Expected annual volatility	100-117%	100%
Expected life (years)	2.5 - 5.0	2.5 - 5.0
Expected dividends (yield)	0%	0%
Fair value at measurement date	**$ 0.18 - 0.23**	**$ 0.25 - 0.33**

8. SHARE CAPITAL (CONTINUED)

e) Options and Share Purchase Option Plan (continued)

Volatility is estimated based on actual volatility for the Company since its initial public offering and a review of comparable exploration stage Colombia focused TSXV listed companies.

The expense for the year ended December 31, 2014 was $449,134 (2013: $155,895) and has been recorded in the statement of comprehensive loss as follows:

For the year ended December 31, 2014	Canada	Santa Rosa	Total
Office and administration	$ 170,666	$ -	$ 170,666
Mineral property exploration cost	-	133,082	133,082
Salaries and benefits	134,826	-	134,826
Investor relations	10,560	-	10,560
	$ 316,052	**$ 133,082**	**$ 449,134**

For the year ended December 31, 2013	Canada	Santa Rosa	Total
Office and administration	$ 29,029	$ -	$ 29,029
Mineral property exploration cost	-	72,669	72,669
Salaries and benefits	47,734	-	47,734
Investor relations	6,463	-	6,463
	$ 83,226	**$ 72,669**	**$ 155,895**

Amounts recorded as mineral property expenditures are all sub-categorized as salaries and consulting fees.

f) Reserves

Stock Option Reserve
Share option based payments are recognized in the Stock option reserve until exercised. Upon exercise, common shares are issued from treasury and the amount in share option reserve is reclassified into share capital, adjusted for any consideration paid. Expired, forfeited or cancelled options are reclassified to deficit.

Warrants Reserve
The fair value of warrants issued is recognized in the Warrants reserve until exercised. Upon exercise, common shares are issued from treasury and the amount in Warrants reserve is reclassified into share capital, adjusted for any consideration paid.

Foreign Exchange Reserve
The exchange difference recognized on translating foreign operations from their functional currency (Colombian Peso) into the presentation currency (Canadian dollars) is recorded within other comprehensive income and recognized in the Foreign Exchange Reserve.

(amounts are in Canadian dollars, unless otherwise stated)

9. INCOME TAX

The Companies in Canada are subject to Canadian federal and provincial tax for the estimated assessable profit for the year ended December 31, 2014 at a rate of 26%. The Company had no assessable profit in Canada for the year ended December 31, 2014.

The Company's branches in Colombia are subject to tax for the period ended December 31, 2014 and for the year ended December 31, 2013 at a rate of 34%. No Colombian tax was provided for as the Company had no assessable profit arising in or derived from Colombia in the period ended December 31, 2014 or the year ended December 31, 2013.

The tax expense for the Company can be reconciled to the net loss for the period per the consolidated statement of comprehensive loss as follows:

For the year ended	December 31, 2014		December 31, 2013	
Net loss for the period	**$**	**8,943,130**	**$**	**10,000,583**
Statutory tax rate		26.00%		25.75%
Recovery tax at the statutory rate	**$**	**2,325,214**	**$**	**2,575,150**
Tax effect of tax losses and temporary differences not recognized and disposed		(1,995,389)		(2,235,081)
Non-deductible expenses		(289,166)		(337,528)
Other		(40,659)		(33,690)
Net impact of change in tax rate		-		248,149
Income tax recovery	**$**	**-**	**$**	**217,000**

The applicable federal and provincial statutory income tax rate used for the 2014 and 2013 reconciliations above is the corporate tax rate payable by corporate entities in the province of British Columbia, Canada, on taxable profits. The rate increased on April 1, 2013, from 25% to 26% due to an increase in the British Columbia provincial income tax rate of 1%.

During the year ended December 31, 2013, the Company recorded a deferred tax expense to equity of $217,000 related to the tax effect of the expiry of warrants recorded in equity. As a result of this charge, the Company recognized an offsetting deferred tax recovery in comprehensive loss.

On December 23, 2014, Colombia introduced a tax reform under which the rate of income tax in Colombia will be 39% for 2015, 40% for 2016, 42% for 2017 and 43% for 2018. For 2019 and onwards, the rate will reduce back to the 2014 rate of 34%.

The Company's deductible temporary differences, unused tax losses and unused tax credits for which no deferred tax assets have been recognized are as follows:

For the year ended	December 31, 2014		December 31, 2013	
Deductible temporary differences				
Mineral properties	$	24,036,154	$	23,458,325
Non-capital loss carry forward		8,956,426		6,459,039
Capital loss carry forward		4,148,002		-
Share issue cost		863,430		822,904
Equipment and other		499,864		458,371
Other		104,817		5,282
Total deductible temporary differences	**$**	**38,608,693**	**$**	**31,203,921**

(amounts are in Canadian dollars, unless otherwise stated)

9. INCOME TAX (CONTINUED)

At December 31, 2014, the Company has unrecognized non-capital losses for Canadian income tax purposes of approximately $8,956,426 that may be used to offset future Canadian taxable income and will expire as follows:

	December 31, 2014	
2029	$	542,834
2030		869,671
2031		1,279,303
2032		1,928,129
2033		1,589,385
2034		2,747,104
	$	**8,956,426**

10. RELATED PARTY TRANSACTIONS

The Company's executive management received the following salaries and benefits:

	December 31, 2014		December 31, 2013	
Short-term employee salaries and benefits	$	615,125	$	422,600
Share option based payments		121,728		56,806
	$	**736,853**	**$**	**479,406**

The following table provides outstanding balances and the total amount of transactions, which have been entered into by the Company with related parties during the years ended December 31, 2014 and 2013:

	December 31, 2014		December 31, 2013	
Purchases during the year				
Rent, salary and related costs recharged from a company controlled by certain directors in common	$	650,000	$	650,000
Legal fees to a partnership in which one of the directors of the Company is a partner	$	46,801	$	48,670
Amounts owed to				
A partnership in which one of the directors of the Company is a partner	$	19,558	$	22,718
Salaries and consulting services	$	15,821	$	-

As Red Eagle Mining terminated its Option Agreement with Miranda Gold Colombia I Ltd. (a company with two directors in common) on the Pavo Real Project, the Company's 70% interest in Rovira Mining Ltd. was transferred to Miranda Gold Colombia I Ltd. on December 31, 2014 for no consideration.

The sale of the 1% royalty to Liberty in December 2013 was a transaction between the Company and a 19.9% shareholder, Liberty.

Related party transactions are measured at the amounts agreed upon by the parties.

(amounts are in Canadian dollars, unless otherwise stated)

11. SEGMENT INFORMATION

The Company has one operating segment, which is the exploration and development of mineral properties. The Company's net assets are distributed in two geographic regions, Canada and Colombia, as follows:

As at December 31, 2014	Canada	Colombia	Total
Cash and cash equivalents	$ 117,146	$ 310,144	$ 427,290
Other financial assets	160,000	-	160,000
Amounts receivable	42,691	41,525	84,216
Prepaid expenses	116,608	16,804	133,412
Equipment	13,306	253,795	267,101
Mineral properties	371,398	41,377	412,775
Other non-current assets	-	-	-
	821,149	**663,645**	**1,484,794**
Accounts payable	(282,361)	(186,840)	(469,201)
Mineral properties obligations	(1,783,895)	-	(1,783,895)
	$ (1,245,107)	**$ 476,805**	**$ (768,302)**
Net loss for 2014	**$ 4,199,394**	**$ 4,958,533**	**$ 9,157,927**

As at December 31, 2013	Canada	Colombia	Total
Cash and cash equivalents	$ 4,023,426	$ 95,058	$ 4,118,484
Other financial assets	160,000	-	160,000
Amounts receivable	30,618	17,773	48,391
Prepaid expenses	88,835	73,741	162,576
Equipment	24,373	414,893	439,266
Mineral properties	-	649,651	649,651
	4,327,252	**1,251,116**	**5,578,368**
Accounts payable	(323,861)	(274,089)	(597,950)
Mineral properties obligations	(1,539,980)	-	(1,539,980)
	$ 2,463,411	**$ 977,027**	**$ 3,440,438**
Net loss for 2013	**$ 2,024,449**	**$ 7,759,134**	**$ 9,783,583**

12. COMMITMENTS

The Company has a number of short term operating leases and equipment rental leases. The total minimum lease payments under these contracts are as follows:

	Less than 1 year	More than 1 year
Office and camp rental	$ 130,771	$ -
Equipment rental	8,035	-
	$ 138,806	**$ -**

The Company has to make certain cash payments in order to meet the terms of the mineral property acquisition agreements as described *(Note 7)*.

(amounts are in Canadian dollars, unless otherwise stated)

13. CAPITAL MANAGEMENT

The Company's capital consists of common shares and all other equity reserves attributable to shareholders of the Company. The Company's objective when managing capital is to safeguard the entity's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders.

The Company sets the amount of capital in proportion to risk. The Company manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may return capital to shareholders, issue new shares, or sell assets to reduce debt. In addition the Company is cognizant of the impact of diluting equity shareholders and so considers this when planning the timing and amount of equity financings or other changes to the group's capital structure.

14. SUPLEMENTARY CASH FLOW INFORMATION

For the year ended	December 31, 2014		December 31, 2013	
Non-cash transactions:				
Shares issued for mineral property	$	28,000	$	22,000
Accrued royalty sale cost		-		11,433
	$	**28,000**	**$**	**33,433**

15. FINANCIAL INSTRUMENTS

The Company has designated its cash and cash equivalents and receivables as loans and receivables; short-term investments as held-for-trading and accounts payable as other financial liabilities.

a) Fair value

Management assessed that the fair values of cash and other financial assets, amounts receivable and payable and other current liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments.

The IFRS establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities and the lowest priority to unobservable inputs. The three levels of the fair value hierarchy are as follows:

- Level 1: Unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2: Inputs other than quoted prices that are observable for the asset or liability either directly (i.e., as prices) or indirectly (i.e., derived from prices); and
- Level 3: Inputs that are not based on observable market data.

The Company currently has no financial instruments measured at fair value:

The Company uses the Bank of Canada prime rate in assessing the fair value of level 2 instruments.

The following table discloses the carrying value, which approximates fair value for mineral property obligations as at December 31, 2014 and 2013

As at	December 31, 2014		December 31, 2013	
Level 3				
Mineral property obligations	$	1,783,895	$	1,539,980

15. FINANCIAL INSTRUMENTS (CONTINUED)

b) Financial risk management

Credit risk

The Company is exposed to credit risk with respect to its cash and cash equivalents and other financial assets. Other financial assets are short term investments that have been placed on deposit with major Canadian financial institutions. All cash and cash equivalents are on deposit with major Canadian or Colombian financial institutions. The short term investment recorded as other financial assets is a GIC with a 12 month maturity that has been placed on deposit with a major Canadian institution.

The risk arises from the non-performance of counterparties of contractual financial obligations. The Company manages credit risk, in respect of cash and cash equivalents, by purchasing highly liquid, short-term investment-grade securities held at major Canadian financial institutions.

Concentration of credit risk with respect to the Company's cash, cash equivalents and short term investments is mitigated since the amounts are held at several major Canadian financial institutions. The Company's concentration of credit risk and maximum exposure thereto is as follows:

As at	December 31, 2014	December 31, 2013
Held at major Canadian financial institutions		
- cash and cash equivalents	$ 117,146	$ 4,023,426
- other financial assets	160,000	160,000
	$ 277,146	**$ 4,183,426**
Held at major Colombian financial institutions		
- cash and cash equivalents	310,144	95,058
	$ 587,290	**$ 4,278,484**

The credit risk associated with cash and cash equivalents and other financial assets is minimized by ensuring the majority of these Canadian financial assets are held with major Canadian financial institutions with strong investment-grade ratings by a primary rating agency. The amounts held in Colombia are with a major Colombian financial institution.

Interest rate risk

The Company is not exposed to significant interest rate risk.

Foreign currency risk

The Company is exposed to currency risk to the extent that monetary assets and liabilities held by the Company are not denominated in Canadian dollars. The Company has not entered into any foreign currency contracts to mitigate this risk.

Certain of the Company's cash and cash equivalents, amounts receivable and accounts payable and accrued liabilities are in Colombian Peso ("COP"), while mineral property obligations are in US dollars; therefore, COP and US dollar amounts are subject to fluctuation against the Canadian dollar (CAD).

The Company had the following balances in foreign currency as at December 31, 2014:

As at December 31, 2014	USD	COP	Equivalent in CAD
Cash and cash equivalents	9,582	626,859,823	$ 321,285
Amounts receivable	-	117,895,404	58,329
Non-current assets	-	1,454,103,246	719,429
Accounts payable and accrued liabilities	-	(546,430,237)	(270,352)
Mineral properties obligations	(1,534,269)	-	(1,783,895)
	(1,524,687)	**1,652,428,236**	**$ (955,204)**

(amounts are in Canadian dollars, unless otherwise stated)

15. FINANCIAL INSTRUMENTS (CONTINUED)

b) Financial risk management (continued)

Foreign currency risk (continued)

As at December 31, 2013	USD	COP	Equivalent in CAD
Cash and cash equivalents	-	171,232,084	$ 95,058
Amounts receivable	-	32,016,580	17,774
Accounts payable and accrued liabilities	-	(440,285,397)	(244,420)
Mineral properties obligations	(1,440,000)	-	(1,539,980)
	(1,440,000)	**(237,036,733)**	**$ (1,671,568)**

The following table demonstrates the sensitivity to a reasonably possible change in the exchange rates of Canadian dollar for US dollar and Colombian peso, with all other variables held constant, of the Company's profit before income tax (due to changes in the fair value of monetary assets and liabilities).

	Year-end exchange rate	Appreciation of $ by	Weakness in $ by
US dollar		*5%*	*5%*
2014: exchange rate ($ vs US$1)	1.163	1.105	1.221
2014: profit and loss impact	-	88,638	(88,637)
		5%	*5%*
2013: exchange rate ($ vs US$1)	1.069	1.016	1.122
2013: profit and loss impact	-	76,968	(76,968)
Colombian peso		*15%*	*15%*
2014: exchange rate ($1 vs COP)	2,021.19	2,324.37	1,718.01
2014: profit and loss impact	-	(106,637)	144,274
		15%	*15%*
2013: exchange rate ($1 vs COP)	1,801.35	2,071.55	1,531.15
2013: profit and loss impact	-	17,163	(23,222)

The Company also has transactional currency exposures. Such exposures arise from purchases in currencies other than the respective functional currencies, typically the US dollar. The Company manages this risk by matching receipts and payments in the same currency and monitoring.

Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices, other than those arising from interest rate risk or currency risk. The Company is not exposed to significant other price risk.

(amounts are in Canadian dollars, unless otherwise stated)

15. FINANCIAL INSTRUMENTS (CONTINUED)

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company anticipates that there is sufficient capital and liquidity to meet liabilities when due.

As at December 31, 2014	On demand	Up to 1 year	More than one year	Total
Accounts payable and accrued liabilities	$ 469,201	$ -	$ -	$ 469,201
Mineral properties obligations	-	639,485	1,151,073	1,790,558
	$ 469,201	**$ 639,485**	**$ 1,151,073**	**$ 2,259,759**

16. SUBSEQUENT EVENTS

On February 3, 2015, the Company completed a US $1,000,000 financing with Orion Mine Finance ("Orion") through a private placement of 3,831,515 common shares at $0.33 per common share.

On February 12, 2015, 1,125,000 warrants expired unexercised *(Note 8 (d))*.

On March 25, 2015, a construction financing agreement with Orion was executed. The financing includes a private placement (the "Private Placement") of common shares and a secured US $60,000,000 credit facility (the "Credit Facility").

Pursuant to the Private Placement, the Company issued 14,640,112 common shares at $0.33 per share for proceeds of US $3,807,421. As a result, Orion has become a 19.9% holder of the issued and outstanding shares of the Company. Under the terms of the subscription agreement, so long as Orion owns at least 15% of the issued and outstanding shares, Orion shall have the right to appoint a director to the board of Red Eagle Mining Corporation and so long as Orion owns at least 5% of the issued and outstanding shares, Orion shall have the right to participate in any future equity financings in order to maintain Orion's then current equity ownership in the Company.

The Credit Facility includes the following key terms:

- Draw down of the Credit Facility is subject to the Company completing an additional equity financing of at least US $15,000,000;
- The Credit Facility will have a five year term with a principal holiday and capitalized interest for up to 18 months from the first advance;
- Advances under the Credit Facility will bear interest at LIBOR +7.5%;
- A Production Payment of US $30 per ounce produced is payable on the first 405,000 ounces of gold produced;
- Granting of 5,000,000 warrants to purchase Shares to Orion exercisable for a five year term at a strike price determined in the context of the Equity Financing; and

Amounts outstanding under the Credit Facility will be secured against all of Red Eagle Mining Corporation's property and assets.