



RED EAGLE MINING CORPORATION

Unaudited interim condensed consolidated financial statements

Three and six months ended June 30, 2016

RED EAGLE MINING CORPORATION
Consolidated statements of financial position
(expressed in Canadian dollars)

As at	Notes	June 30, 2016	December 31, 2015
ASSETS			
Current assets			
Cash and cash equivalents		\$ 18,963,164	\$ 10,347,916
Other financial assets	5	130,000	130,000
Amounts receivable		153,750	359,860
Prepaid expenses		727,564	609,854
		19,974,478	11,447,630
Non-current assets			
Other financial assets	5	999,663	884,456
VAT and other receivables	11	3,554,994	1,182,257
Deposits, mill equipment and suppliers		1,771,084	10,034,677
Property, plant and equipment	6	77,678,870	20,551,389
Mineral properties	7	16,269,450	15,984,047
Deferred debt costs	10	836,593	2,498,230
		101,110,654	51,135,056
Total assets		\$ 121,085,132	\$ 62,582,686
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities		\$ 16,284,872	\$ 8,552,760
Mineral property obligations	7	1,448,905	4,431,635
Current portion of long-term debt	10	1,972,681	-
		19,706,458	12,984,395
Non-current liabilities			
Mineral property obligations	7	962,666	366,146
Long-term debt	10	56,785,847	19,580,925
Reclamation provision	9	2,220,312	641,964
		59,968,825	20,589,035
Total liabilities		79,675,283	33,573,430
SHAREHOLDERS' EQUITY			
	12		
Share capital		\$ 79,137,695	\$ 65,684,900
Warrants reserve		1,120,922	1,212,537
Share option reserve		2,675,504	2,457,213
Foreign exchange reserve		(1,311,669)	(1,040,603)
Deficit		(43,881,991)	(45,159,151)
		\$ 37,740,461	\$ 23,154,896
Non-controlling interests		3,669,388	5,854,360
Total shareholders' equity		41,409,849	29,009,256
Total liabilities and shareholders' equity		\$ 121,085,132	\$ 62,582,686
Commitments and contingencies	14		
Subsequent events	16		

On behalf of the Board of Directors:

(signed) "Jeffrey Mason"
Director

(signed) "Ian Slater"
Director

The accompanying notes are an integral part of these unaudited interim condensed consolidated financial statements.

RED EAGLE MINING CORPORATION
Consolidated statements of loss and comprehensive loss
(expressed in Canadian dollars)

		For the three months ended:		For the six months ended:	
	Notes	June 30, 2016	June 30, 2015	June 30, 2016	June 30, 2015
Expenses					
Mineral property exploration costs	7	\$ 395,786	\$ -	\$ 800,639	\$ 1,960,655
Office and administration		642,952	577,442	1,391,016	797,167
Salaries and benefits		415,788	432,951	1,008,753	584,703
Professional fees		106,791	110,778	306,654	250,684
Relations and business development		244,122	103,684	372,047	242,909
VAT recovery	11	-	(740,175)	-	(740,175)
		1,805,439	484,680	3,879,109	3,095,943
Other expenses (income)					
Foreign exchange (gain) loss and other		(1,146,708)	89,724	(3,017,882)	287,269
Interest and other (income) expense		(26,113)	6,250	(29,787)	7,166
Loss before tax		632,618	580,654	831,440	3,390,378
Deferred tax recovery		-	-	-	(3,970)
Net loss		\$ 632,618	\$ 580,654	\$ 831,440	\$ 3,386,408
OTHER COMPREHENSIVE LOSS (OCL)					
<i>OCL to be classified to profit and loss in subsequent periods:</i>					
Foreign currency translation difference for foreign operations		157,605	110,366	271,066	99,687
Total comprehensive loss		\$ 790,223	\$ 691,020	\$ 1,102,506	\$ 3,486,095
Net loss attributable to:					
Equity holders of the parent		385,268	580,654	293,918	3,386,408
Non-controlling interest		247,350	-	537,522	-
		\$ 632,618	\$ 580,654	\$ 831,440	\$ 3,386,408
Total comprehensive loss attributable to:					
Equity holders of the parent		542,873	691,020	564,984	3,486,095
Non-controlling interest		247,350	-	537,522	-
		\$ 790,223	\$ 691,020	\$ 1,102,506	\$ 3,486,095
Basic and diluted loss per share attributable to ordinary equity holders of the parent					
		\$ 0.00	\$ 0.01	\$ 0.00	\$ 0.04
Weighted average number of common shares outstanding					
		213,427,582	92,404,341	198,993,791	84,489,670

The accompanying notes are an integral part of these unaudited interim condensed consolidated 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						Non- controlling interest	Total
		Share capital	Warrants	Share option reserve	Foreign exchange reserve	Deficit	Total		
Balance as at December 31, 2014	73,932,714	\$ 37,163,964	\$ 122,153	\$ 1,082,453	\$ (310,142)	\$ (38,826,730)	\$ (768,302)	\$ -	\$ (768,302)
Shares issued (Note 12)	18,471,627	5,886,318	-	-	-	-	5,886,318	-	5,886,318
Share option based payments (Note 12)	-	-	-	501,274	-	-	501,274	-	501,274
Expiry of share options (Note 12)	-	-	-	(20,114)	-	20,114	-	-	-
Expiry of warrants (Note 12)	-	-	(26,568)	-	-	26,568	-	-	-
Tax charge on expiry of warrants	-	-	(3,970)	-	-	-	(3,970)	-	(3,970)
Total comprehensive loss	-	-	-	-	(99,687)	(3,386,408)	(3,486,095)	-	(3,486,095)
Balance as at June 30, 2015	92,404,341	\$ 43,050,282	\$ 91,615	\$ 1,563,613	\$ (409,829)	\$ (42,166,456)	\$ 2,129,225	\$ -	\$ 2,129,225
Balance as at December 31, 2015	181,429,252	\$ 65,684,900	\$ 1,212,537	\$ 2,457,213	\$ (1,040,603)	\$ (45,159,151)	\$ 23,154,896	\$ 5,854,360	\$ 29,009,256
Shares issued (Note 12)	38,301,117	13,452,795	-	(36,817)	-	-	13,415,978	-	13,415,978
Share option based payments (Note 12)	-	-	-	255,108	-	-	255,108	-	255,108
Warrants exercised (Note 12)	-	-	(91,615)	-	-	-	(91,615)	-	(91,615)
Total comprehensive loss	-	-	-	-	(271,066)	(293,918)	(564,984)	(537,522)	(1,102,506)
Acquisition of non-controlling interests	-	-	-	-	-	1,571,078	1,571,078	(1,647,450)	(76,372)
Balance as at June 30, 2016	219,730,369	\$ 79,137,695	\$ 1,120,922	\$ 2,675,504	\$ (1,311,669)	\$ (43,881,991)	\$ 37,740,461	\$ 3,669,388	\$ 41,409,849

The accompanying notes are an integral part of these unaudited interim condensed consolidated financial statements.

RED EAGLE MINING CORPORATION
Consolidated statements of cash flows
(expressed in Canadian dollars)

For the six months ended	Notes	June 30, 2016	June 30, 2015
OPERATING ACTIVITIES			
Net loss		\$ (831,440)	\$ (3,386,408)
<i>Adjustments for items not affecting cash:</i>			
Share based payments	12	220,540	501,274
Depreciation	6	206,432	86,106
Accretion expense	7,9	41,165	1,925
Foreign exchange gain		(2,589,530)	(50,613)
VAT recovery		-	(740,175)
Deferred tax recovery		-	(3,970)
		(2,952,833)	(3,591,861)
<i>Net changes in non-cash working capital items:</i>			
Amounts receivable and other assets		94,037	(550,535)
Prepaid expenses		(192,354)	(166,996)
Accounts payable and accrued liabilities		(1,127,409)	1,908,910
Net cash outflows from operating activities		(4,178,559)	(2,400,482)
FINANCING ACTIVITIES			
Issuance of common shares, net of share issue costs		11,718,033	5,886,318
Long-term debt, net of deferred debt costs		40,100,240	(360,417)
Contribution to non-controlling interest		635,612	-
Net cash inflows from financing activities		52,453,885	5,525,901
INVESTING ACTIVITIES			
Purchase of equipment and capitalized costs		(33,678,263)	(15,255)
Payment of mineral property obligations		(856,917)	(2,860,066)
Acquisition of subsidiary		(711,984)	-
Non-current tax credit receivable		(2,263,776)	-
Net cash outflows from investing activities		(37,510,940)	(2,875,321)
Net foreign exchange differences		(2,149,138)	112,263
Net increase in cash and cash equivalents		8,615,248	362,361
Cash and cash equivalents, beginning of period		10,347,916	427,290
Cash and cash equivalents, end of period		\$ 18,963,164	\$ 789,651

The accompanying notes are an integral part of these unaudited interim condensed consolidated financial statements.

RED EAGLE MINING CORPORATION

Notes to the unaudited interim condensed consolidated financial statements for the three and six months ended June 30, 2016

(amounts are in Canadian dollars, unless otherwise stated)

1. CORPORATE INFORMATION AND CONTINUANCE OF OPERATIONS

Red Eagle Mining Corporation ("Red Eagle" or the "Company") 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 2348 - 666 Burrard Street, Vancouver, British Columbia, Canada, V6C 2X8.

The Company is primarily engaged in the development and construction of the San Ramon Gold Mine and Mill, along with other exploration activities. The Company is considered to be in the 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 development assets is dependent on the existence of economically recoverable reserves, maintaining the necessary permits to operate a mine, managing the financing to complete development and future profitable production. These unaudited interim condensed consolidated financial statements have been prepared on the basis of accounting principles applicable to a going concern that 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, along with a debt credit facility (*Note 10*) to continue operating for the ensuing twelve months. These unaudited interim condensed 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 unaudited interim condensed consolidated financial statements.

2. BASIS OF PRESENTATION AND STATEMENT OF COMPLIANCE

The unaudited interim condensed consolidated financial statements of the Company have been prepared in accordance with International Accounting Standard ("IAS") 34 "Interim financial reporting" and accordingly they do not contain all information and disclosures required for complete financial statements in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). Therefore, they should be read in conjunction with the Company's consolidated financial statements for the year ended December 31, 2015, which have been prepared in accordance with IFRS as issued by the IASB. The accounting policies adopted in the preparation of these unaudited interim condensed consolidated financial statements are consistent with those followed in the preparation of the Company's consolidated financial statements for the year ended December 31, 2015, except for the adoption of the new standards as discussed in *Note 3*. Additionally, effective April 1, 2015, the Company commenced capitalization of all direct costs related to the development of mineral properties, because the technical feasibility and commercial viability of the project had been established.

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

Certain figures in the comparative consolidated financial statements have been reclassified, as previously presented, to conform to the presentation of these current consolidated financial statements.

The unaudited interim condensed consolidated financial statements of Red Eagle Mining Corporation and all of its subsidiaries (the "Company") for the three and six months ended June 30, 2016 were authorized for issue on August 29, 2016 in accordance with a resolution of the audit committee, to whom the authority covering interim and not annual financial statements was delegated by a resolution of the board of directors.

RED EAGLE MINING CORPORATION

Notes to the unaudited interim condensed consolidated financial statements for the three and six months ended June 30, 2016

(amounts are in Canadian dollars, unless otherwise stated)

2. BASIS OF PRESENTATION AND STATEMENT OF COMPLIANCE (CONTINUED)

Basis of consolidation

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

- REMDC Holdings Limited, a company incorporated in Canada (holding interest – 100%);
- Red Eagle Mining de Colombia S.A.S., a company incorporated in Colombia (holding interest – 100%);
- Red Eagle Finance Limited, a company incorporated in the British Virgin Islands (holding interest – 100%); and
- CB Gold Inc. (“CB Gold”), a company incorporated in Canada, and its subsidiaries (holding interest – 71% (2015: 51%)).

3. RECENTLY ADOPTED ACCOUNTING STANDARDS

The following accounting standards were adopted effective January 1, 2016:

IAS 1 Disclosure Initiative – Amendments to IAS 1

The amendments to IAS 1 Presentation of Financial Statements clarify, rather than significantly change, existing IAS 1 requirements. The amendments clarify:

- The materiality requirements in IAS 1;
- That specific line items in the statement(s) of profit or loss and other comprehensive income (loss) and the statement of financial position may be disaggregated;
- That entities have flexibility as to the order in which they present the notes to financial statements; and
- That the share of other comprehensive income (loss) of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss.

Furthermore, the amendments clarify the requirements that apply when additional subtotals are presented in the statement of financial position and the statement(s) of profit or loss and other comprehensive income (loss).

The adoption of this standard did not have a material impact on the interim condensed consolidated financial statements.

4. STANDARDS ISSUED BUT NOT YET EFFECTIVE

The following accounting standards and interpretations have been issued but not yet effective:

IFRS 15 Revenue from Contracts with Customers

In May 2014, the IASB issued IFRS 15, Revenue from Contracts with Customers (“IFRS 15”). The standard replaces IAS 11, Construction Contracts, IAS 18, Revenue, IFRIC 13, Customer Loyalty Programmes, IFRIC 15, Agreements for the Construction of Real Estate, IFRIC 18 Transfer of Assets From Customers and SIC 31 Revenue – Barter Transactions Involving Advertising Services. IFRS 15 establishes principles for reporting the nature, amount, timing, and uncertainty of revenue and cash flows arising from an entity’s contract with customers. This standard is effective for annual periods beginning on or after January 1, 2018, and permits early adoption.

IFRS 9 Financial Instruments

In July 2014, the IASB issued the final version of IFRS 9, Financial Instruments (“IFRS 9”) which will replace IAS 39, Financial Instruments (“IAS 39”). This standard is effective for annual periods beginning on or after January 1, 2018, and permits early adoption. IFRS 9 provides a revised model for recognition and measurement of financial instruments with two classification categories: amortized cost and fair value. As well, under the new standard a single impairment method is required, replacing the multiple impairment methods in IAS 39. IFRS 9 also includes a substantially reformed approach to hedge accounting that aligns accounting more closely with risk management.

RED EAGLE MINING CORPORATION

Notes to the unaudited interim condensed consolidated financial statements for the three and six months ended June 30, 2016

(amounts are in Canadian dollars, unless otherwise stated)

4. STANDARDS ISSUED BUT NOT YET EFFECTIVE (CONTINUED)

Standards and interpretations issued but not yet effective (continued)

IFRS 16 Leases

In January 2016, the IASB issued IFRS 16, Leases ("IFRS 16"). This standard is effective for annual periods beginning on or after January 1, 2019, and permits early adoption provided that IFRS 15 is also adopted. The objective of IFRS 16 is to bring all leases on-balance sheet for lessees. IFRS 16 requires lessees to recognize a "right of use" asset and liability calculated using a prescribed methodology.

The Company will evaluate the impact of adopting the above accounting pronouncements in its financial statements in future periods.

5. OTHER FINANCIAL ASSETS

Other financial assets consist of a guaranteed investment certificate ("GIC") with a Canadian chartered bank amounting to \$130,000 (2015: \$130,000), classified as current, and deposits of \$999,663 (2015: \$884,456), classified as non-current, of which \$915,828 relates to the Empresas Publicas de Medellin, E.S.P., electrical installation contract in the Company and \$83,835 relates to deposits in CB Gold.

6. PROPERTY, PLANT AND EQUIPMENT

	Construction work-in-progress		Santa Rosa		
	Mill	Mine	Mineral property	Other equipment	Total
Cost					
Balance, December 31, 2015	\$ 13,131,465	\$ 1,712,871	\$ 4,719,906	\$ 1,863,483	\$ 21,427,725
Additions	-	-	-	1,284,041	1,284,041
Capitalized costs	40,612,967	10,057,662	1,697,510	-	52,368,139
Reclamation costs (Note 9)	-	-	1,487,127	-	1,487,127
Foreign currency translation	1,603,737	388,575	153,131	60,248	2,205,691
Balance, June 30, 2016	\$ 55,348,169	\$12,159,108	\$ 8,057,674	\$ 3,207,772	\$ 78,772,723
Accumulated depreciation					
Balance, December 31, 2015	\$ -	\$ -	\$ -	\$ (876,336)	\$ (876,336)
Depreciation charged	-	-	-	(206,432)	(206,432)
Foreign currency translation	-	-	-	(11,085)	(11,085)
Balance, June 30, 2016	\$ -	\$ -	\$ -	\$ (1,093,853)	\$ (1,093,853)
Net book value, December 31, 2015	\$ 13,131,465	\$ 1,712,871	\$ 4,719,906	\$ 987,147	\$ 20,551,389
Net book value, June 30, 2016	\$ 55,348,169	\$12,159,108	\$ 8,057,674	\$ 2,113,919	\$ 77,678,870

RED EAGLE MINING CORPORATION

Notes to the unaudited interim condensed consolidated financial statements for the three and six months ended June 30, 2016

(amounts are in Canadian dollars, unless otherwise stated)

7. MINERAL PROPERTIES

Santa Rosa

- a) On April 15, 2011, the Company acquired 100% of the Santa Rosa Gold Project in Antioquia, Colombia, for US \$9,600,000 (\$9,988,676), which has been paid in full. 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 (\$962,666) is due upon title transfer, which is expected after 2016.
- b) 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, ("LMM") a 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. The Company has the option to repurchase a 1% royalty for \$8,333,333 at any time during the first two years of commercial gold production.
- c) 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. LMM's royalty does not cover these new properties.
- d) 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)	100,000
March 18, 2016 (paid)	125,000
March 18, 2017	125,000
	375,000

As at June 30, 2016 the mineral property obligation relating to this acquisition was \$161,398 which represents the discounted value of the US \$125,000 remaining to be paid. The Company has recorded an interest expense of \$1,253 relating to the unwinding of the discount on the obligation in the six months ended June 30, 2016.

Vetas

On October 8, 2015, the Company acquired a controlling interest in CB Gold, which owns the Vetas Gold Project.

The following is a summary of the movements to Vetas mineral properties during the six months ended June 30, 2016:

Balance, December 31, 2015	\$	15,984,047
Additions		285,403
Balance as at June 30, 2016	\$	16,269,450

At June 30, 2016, pursuant to the Acquisition and Option Agreement for CB Gold's San Bartolo property, and following the Resolution 2090 of December 19, 2014 issued by the Ministry of Environment and Territorial Development, and the National Government delimitation of the Paramo Jurisdicciones-Santurbán-Berlín, the Company accrued the balance owing in mineral property obligation of \$1,287,507 in the unaudited interim condensed consolidated statement of financial position.

RED EAGLE MINING CORPORATION

Notes to the unaudited interim condensed consolidated financial statements for the three and six months ended June 30, 2016

(amounts are in Canadian dollars, unless otherwise stated)

7. MINERAL PROPERTIES (CONTINUED)

During the six months ended June 30, 2016, CB Gold settled the following property obligations:

- i) The Real Minera property is subject to a one-time royalty payment of US \$5 per ounce of measured and indicated mineral resources as disclosed and published in one or more technical reports to be prepared in accordance with NI 43-101. The terms of the royalty payment with Real Minera were renegotiated by CB Gold in December 2015 and was paid on January 15, 2016, which included a cash settlement of US \$50,000 and 2,843,206 Red Eagle common shares. CB Gold issued 17,550,654 common shares to the Company as compensation on January 15, 2016.
- ii) On January 15, 2016, CB Gold paid US \$150,000 for the San Alfonso property.
- iii) CB Gold renegotiated the acquisition price for the La Triada property, which was paid on February 29, 2016, which included a cash settlement of US \$300,000 and 2,219,816 Red Eagle common shares. CB Gold issued 13,702,562 common shares to the Company as compensation on March 4, 2016.

The Company's mineral property obligations are comprised of outstanding payables to the following parties:

As at	June 30, 2016	December 31, 2015
Santa Rosa		
Individuals – (Note 7(a))	\$ 962,666	\$ 1,026,306
AngloGold Ashanti Colombia S.A. – (Note 7(d))	161,398	342,994
Vetas	<u>1,287,507</u>	<u>3,428,481</u>
Total mineral property obligations	2,411,571	4,797,781
Non-current portion of mineral property obligations	(962,666)	(366,146)
Current portion of mineral property obligations	\$ 1,448,905	\$ 4,431,635

The following are changes in mineral property obligations during the six months ended June 30, 2016 and twelve months ended December 31, 2015:

	2016	2015
Balance as at January 1,	\$ 4,797,781	\$ 1,783,895
Vetas	(2,140,974)	3,428,481
Repayments – Santa Rosa	(160,667)	(710,400)
Foreign exchange translation (gain) loss	(85,822)	292,252
Accretion expense	1,253	3,553
Balance as at June 30, 2016 and December 31, 2015	\$ 2,411,571	\$ 4,797,781

The following is a summary of the Santa Rosa and Vetas exploration costs:

For the six months ended June 30, 2016	Santa Rosa	Vetas	Total
Salaries and consulting	\$ 101,306	\$ 213,451	\$ 314,757
Geological and geochemical	-	148,256	148,256
Legal and office administration	2,482	129,928	132,410
License and permits	-	111,113	111,113
Travel and transportation	8,586	29,790	38,376
Field and camp	-	23,763	23,763
Depreciation	-	13,120	13,120
Assays and sampling	7,699	-	7,699
Concession fees	6,131	-	6,131
Environmental	4,888	126	5,014
Total exploration costs	\$ 131,092	\$ 669,547	\$ 800,639

RED EAGLE MINING CORPORATION**Notes to the unaudited interim condensed consolidated financial statements
for the three and six months ended June 30, 2016***(amounts are in Canadian dollars, unless otherwise stated)***7. MINERAL PROPERTIES (CONTINUED)**

The summary of the Santa Rosa and Vetás exploration costs (continued):

For the six months ended June 30, 2015	Santa Rosa	Vetas	Total
Salaries and consulting	\$ 627,740	\$ -	\$ 627,740
Geological and geochemical	298,791	-	298,791
Legal and office administration	87,283	-	87,283
Travel and transportation	69,596	-	69,596
Field and camp	638,641	-	638,641
Depreciation	67,990	-	67,990
Assays and sampling	7,866	-	7,866
Concession fees	8,490	-	8,490
Technical studies	81,438	-	81,438
Metallurgical	38,940	-	38,940
Training	33,880	-	33,880
Total exploration costs	\$ 1,960,655	\$ -	\$ 1,960,655

8. ACQUISITION OF CB GOLD INC.

On October 8, 2015, the Company acquired a controlling interest in CB Gold. For the six month period ended June 30, 2016, the Company acquired an additional interest in CB Gold in a combination of private placements, market purchases, and share exchanges as follows:

a) Private Placements

- The Company purchased 51,670,500 CB Gold common shares at a price of \$0.05 per share on January 11, 2016 for a gross investment of \$2,583,525 (US \$1,850,000),
- The Company purchased 32,791,100 CB Gold common shares at a price of \$0.05 per share on January 27, 2016 for a gross investment of \$1,639,555 (US \$1,150,000),
- The Company purchased 16,933,333 units at a price of \$0.075 on May 11, 2016 for gross investments of \$1,270,000 (US \$ 1,000,000), with each unit consisting of one CB Gold common share and one share purchase warrant, with each warrant exercisable into one share at \$0.10 per share for a period of five years. CB Gold has the right to call the warrants after one year from the date of issuance.

b) Market Purchases

On April 20, 2016, the Company purchased 7,857,256 common shares of CB Gold on the market at \$0.09 per share.

c) Share Exchange

The Company also issued 2,843,206 common shares on January 15, 2016 and 2,219,816 common shares on February 29, 2016 to settle CB Gold's Vetás Gold Project mineral property obligations in exchange for CB Gold common shares of 17,550,654 on January 15, 2016 and 13,702,562 on March 4, 2016.

As at June 30, 2016, the Company owns 248,033,377 common shares of CB Gold (equivalent to a 71% interest). The following table summarizes the CB Gold financial information, included in the unaudited interim condensed consolidated financial statements:

	June 30, 2016
Total assets	\$ 23,875,108
Total liabilities	1,930,829
Net loss	1,516,368

RED EAGLE MINING CORPORATION**Notes to the unaudited interim condensed consolidated financial statements
for the three and six months ended June 30, 2016***(amounts are in Canadian dollars, unless otherwise stated)***9. RECLAMATION PROVISION**

The Company has provided for future reclamation costs associated with the San Ramon Gold Mine held by Red Eagle and the Vetás Gold Project held by CB Gold. The reclamation costs have been calculated to reflect the amount of expected future net cash outflows discounted to present value, for the future reclamation of disturbances incurred as at June 30, 2016. The reclamation provision has been recorded using a discount rate of approximately 7.6% and an inflation factor of approximately 8.6% for the San Ramon Gold Mine and Vetás Gold Project.

The following is a summary of the reclamation provision as at June 30, 2016 and December 31, 2015:

	June 30, 2016	December 31, 2015
San Ramon Gold Mine	\$ 1,862,411	\$ 284,149
Vetas Gold Project	357,901	357,815
	<u>\$ 2,220,312</u>	<u>\$ 641,964</u>

The following are changes in reclamation provision during the six months ended June 30, 2016:

San Ramon Gold Mine	
Balance, December 31, 2015	\$ 284,149
Change in estimate	1,487,127
Accretion expense	25,742
Foreign exchange translation loss	65,393
Balance, June 30, 2016	<u>\$ 1,862,411</u>
Vetas Gold Project	
Balance, December 31, 2015	\$ 357,815
Change in estimate	(11,833)
Accretion expense	14,170
Foreign exchange translation gain	(2,251)
Balance, June 30, 2016	<u>\$ 357,901</u>

10. LONG-TERM DEBT

As at	June 30, 2016	December 31, 2015
Credit Facility	\$ 59,958,317	\$ 20,664,810
Deferred debt costs	(3,528,063)	(1,281,091)
Total long-term debt, net of deferred debt costs	56,430,254	19,383,719
Accrued interest	2,328,274	197,206
Total long-term debt	58,758,528	19,580,925
Non-current portion of long-term debt	(56,785,847)	(19,580,925)
Current portion of long-term debt	\$ 1,972,681	\$ -

RED EAGLE MINING CORPORATION

Notes to the unaudited interim condensed consolidated financial statements for the three and six months ended June 30, 2016

(amounts are in Canadian dollars, unless otherwise stated)

10. LONG-TERM DEBT (CONTINUED)

In March 2015, and amended and restated in July 2015 and December 2015, the Company executed a US \$60,000,000 credit facility with Orion Mine Finance ("Orion") and Liberty Metals and Mining. The credit facility has the following key terms:

- A five year term with a principal holiday and capitalized interest for 18 months from the first advance, which occurred in November 2015;
- Principal repayments commencing on May 1, 2017 in forty-two equal amortization payments;
- Advances bear interest at the higher of LIBOR or 1%, +7.5%;
- A Production Payment of US \$30 per ounce is payable on the first and only 405,000 ounces of gold produced for a total payment of US \$12,150,000;
- A 2.5% fee on each advance drawdown; and
- Granting of 5,000,000 warrants to Orion to purchase shares of the Company exercisable for a five year term, expiring on July 16, 2020, which was granted on July 16, 2015 at an exercise price of \$0.275.

Amounts outstanding under the credit facility, are secured against all of the Company's property and assets.

Pursuant to the terms of the credit facility, the Company is required to maintain the following financial covenants:

- a) at all times commencing 12 months after the Commercial Production Start Date, Debt Service Coverage Ratio on a rolling four Fiscal Quarter basis of at least 1.5:1;
- b) at all times, after the Commercial Production Start Date, EBITDA to Interest Coverage Ratio on a rolling four Fiscal Quarter basis of at least 5:1; and
- c) at all times, after the Commercial Production Start Date, Debt to EBITDA Ratio on a rolling four Fiscal Quarter of no greater than 2:1

As at June 30, 2016, the Company had \$58,540,500 (US \$45,000,000) drawn on the credit facility. Accrued interest incurred of \$2,328,274 was capitalized to Property, Plant and Equipment and will be amortized on a units of production basis over the life of mine, upon commencement of commercial production. As at June 30, 2016, the Company incurred \$4,901,421 of costs (\$1,120,922 related to the fair value of warrants granted on July 16, 2015) in order to execute the credit facility, with \$836,593 recorded as deferred debt costs representing the portion relating to the undrawn credit facility and \$4,064,828 netted against long-term debt, representing the portion of the drawn credit facility, of which \$536,765 was amortized to Property, Plant and Equipment and the remaining \$3,528,063 will be amortized over the remaining life of the debt on an effective interest basis. Subsequent to June 30, 2016, the Company drew down the final US \$15,000,000 for a total amount of US \$60,000,000 drawn on the credit facility to fund capital construction expenditures on the San Ramon Gold Mine and Mill.

11. VAT AND OTHER RECEIVABLES

As at	June 30, 2016	December 31, 2015
VAT credits receivable	\$ 3,541,295	\$ 1,167,907
Other receivables	13,699	14,350
	<u>\$ 3,554,994</u>	<u>\$ 1,182,257</u>

As at June 30, 2016, the Company recognized value added tax ("VAT") credits receivable of \$3,541,295 representing the cumulative amount of VAT paid to the Colombian Government. These VAT credits are recoverable when the Company commences production. These amounts are classified as long-term as the Company does not expect to fully recover them in the next year.

RED EAGLE MINING CORPORATION**Notes to the unaudited interim condensed consolidated financial statements
for the three and six months ended June 30, 2016***(amounts are in Canadian dollars, unless otherwise stated)***12. SHARE CAPITAL****a) Authorized share capital**

Unlimited number of common and preferred shares (nil outstanding) without par value.

b) Issued during the six months ended June 30, 2016

During the six months ended June 30, 2016, the Company issued 5,063,022 common shares of the Company in exchange for 31,253,216 common shares of CB Gold. Refer to *Note 7(Vetas)* and *Note 8*.

In April 2016, the Company completed a private placement, in two tranches, for gross proceeds of \$11,281,476, consisting of 29,688,095 common shares at a price of \$0.38 per share. As part of this private placement, LMM elected to exercise its participation right and purchased 9,500,000 shares resulting in LMM's ownership interest in Red Eagle Mining increasing from 18.0% to 19.9%.

c) Issued during the six months ended June 30, 2015

During the six months ended June 30, 2015, the Company issued 18,471,627 common shares at \$0.33 per share for gross proceeds of \$6,095,636 in two tranches to Orion.

d) Warrants

The following summarizes the movements in outstanding warrants during the six months ended June 30, 2016:

For the year ended	Number of outstanding warrants	Weighted average exercise price
Balance, December 31, 2015	8,375,000	\$ 0.26
Exercised	(3,375,000)	0.25
Balance, June 30, 2016	5,000,000	\$ 0.275

During the six months ended June 30, 2016, 3,375,000 share purchase warrants of the Company were exercised into 3,375,000 common shares at a price of \$0.25 per share for total consideration received of \$843,750.

The following summarizes the share purchase warrants outstanding as at June 30, 2016:

Expiry date	Warrants outstanding	Weighted average exercise price	Weighted average remaining contractual life (years)
July 16, 2020	5,000,000	0.275	4.05
	5,000,000	\$ 0.275	4.05

No warrants were issued or exercised during the six months ended June 30, 2015.

On February 12, 2015, 1,125,000 warrants expired unexercised.

RED EAGLE MINING CORPORATION

Notes to the unaudited interim condensed consolidated financial statements for the three and six months ended June 30, 2016

(amounts are in Canadian dollars, unless otherwise stated)

12. SHARE CAPITAL (CONTINUED)

e) Options and Share Purchase Option Plan

A summary of the options granted under the option plan as at June 30, 2016, and the changes for the six months then ended are as follows:

	Number of outstanding	Weighted average exercise price	Weighted average measurement date fair value
Outstanding, December 31, 2015	14,365,000	\$ 0.33	\$ 0.19
Granted	1,225,000	0.58	0.28
Exercised	(175,000)	0.42	0.23
Forfeited	(425,000)	0.49	0.24
Outstanding, June 30, 2016	14,990,000	\$ 0.34	\$ 0.19

During the six months ended June 30, 2015, no options were exercised or cancelled except for the expiration of 87,500 options on March 9, 2015.

On May 6, 2015, the Company announced the grant of 3,160,000 share purchase options exercisable at a price of \$0.33 until May 6, 2020 to directors, officers and employees.

The following summarizes information about share purchase options outstanding and exercisable as at June 30, 2016:

Expiry date	Options outstanding	Options exercisable	Exercise price	Weighted average remaining contractual life (years)
December 6, 2017	1,845,000	1,845,000	\$ 0.55	1.44
April 9, 2019	1,930,000	1,930,000	0.33	2.78
May 6, 2020	3,090,000	2,892,500	0.33	3.85
October 7, 2020	7,200,000	6,325,000	0.275	4.27
February 24, 2021	250,000	62,500	0.375	4.66
April 22, 2021	275,000	275,000	0.57	4.81
June 14, 2021	400,000	100,000	0.71	4.96
	14,990,000	13,430,000	\$ 0.35	3.68

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

Grant date	February 24, 2016	April 22, 2016	June 14, 2016
Share price on measurement date	\$ 0.35	\$ 0.57	\$ 0.71
Exercise price	\$ 0.375	\$ 0.57	\$ 0.71
Risk free interest rate	0.49% - 0.64%	0.70% - 0.89%	0.52% - 0.57%
Expected annual volatility	79.55%	78.68%	79.86%
Expected life (years)	2.5 - 5.0	2.5 - 5.0	2.5 - 5.0
Expected dividends (yield)	0%	0%	0%
Fair value per option at measurement date	\$ 0.18 - 0.24	\$ 0.27 - 0.36	\$ 0.34-0.45

RED EAGLE MINING CORPORATION**Notes to the unaudited interim condensed consolidated financial statements
for the three and six months ended June 30, 2016***(amounts are in Canadian dollars, unless otherwise stated)***12. SHARE CAPITAL (CONTINUED)****e) Options and Share Purchase Option Plan (continued)**

Volatility is estimated based on actual volatility for the Company and a review of comparable development stage focused TSX-V listed companies.

The total share based payments for the six months ended June 30, 2016 was \$255,108 (2015: \$501,274), of which \$34,568 (2015: \$143,892) has been capitalized to Property, plant and equipment and \$220,540 (2015: \$345,232) has been recorded in the statement of comprehensive loss. On the exercise of 175,000 share purchase options, \$36,817 has been recorded as a reduction of share option reserve.

13. RELATED PARTY TRANSACTIONS

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

For the six months ended	June 30, 2016	June 30, 2015
Short-term employee salaries and benefits	\$ 783,767	\$ 691,677
Share option based payments	98,440	192,516
	\$ 882,207	\$ 884,193

The following table provides outstanding balances and the total amount of transactions by the Company with related parties during the six month periods ended June 30, 2016 and 2015:

For the six months ended	June 30, 2016	June 30, 2015
Purchases during the three months		
Rent, salary and related costs recharged from a company controlled by certain directors in common	\$ 800,000	\$ 325,000
Legal fees to Farris, Vaughan, Wills & Murphy LLP (previously Anfield Sujir Kennedy & Durno LLP) in which one of the directors is a partner	\$ 168,853	\$ 266,327
Mine development costs by Stracon GyM in which a director of the Company, is the CEO and a shareholder	\$ 7,899,733	\$ -
As at	June 30, 2016	December 31, 2015
Amounts owed to		
Farris, Vaughan, Wills & Murphy LLP (previously Anfield Sujir Kennedy & Durno LLP) in which one of the directors is a partner	\$ 68,127	\$ 332,738
Stracon GyM in which a director is the CEO and a shareholder	\$ 3,171,931	\$ 1,071,949
Amounts due from		
A company controlled by certain directors in common for reimbursement of expenses	\$ 26,086	\$ 106,109

Related party transactions are in the normal course of business and measured at the amounts agreed upon by the parties.

RED EAGLE MINING CORPORATION**Notes to the unaudited interim condensed consolidated financial statements
for the three and six months ended June 30, 2016***(amounts are in Canadian dollars, unless otherwise stated)***14. COMMITMENTS AND CONTINGENCIES**

The Company has commitments related to capital expenditures for the development and construction of the San Ramon Gold Mine and Mill and certain operational commitments as at June 30, 2016 as follows:

	Less than 1 year	1 - 5 years	More than 5 years	Total
Capital	\$ 4,209,310	\$ -	\$ -	\$ 4,209,310
Operational	4,225,450	6,354,421	2,880,896	13,460,767
	\$ 8,434,760	\$ 6,354,421	\$ 2,880,896	\$ 17,670,077

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

The Company may be involved in various claims or legal proceedings arising in the ordinary course of business. The Company does not believe that adverse decisions in any pending or threatened proceedings related to any matter, will have a material impact on the financial condition or future results of operations of the Company.

15. FINANCIAL INSTRUMENTS

The Company has designated its cash and cash equivalents and amounts receivable as loans and receivables; short-term investments as held-for-trading and accounts payable as other financial liabilities. There has been no change to the designations of financial instruments during the six months ended June 30, 2016.

Fair value

Management assessed that the fair values of cash and cash equivalents 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.

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 following table discloses the carrying value of mineral property obligations, reclamation provision and long-term debt as at June 30, 2016 and December 31, 2015. The carrying value of mineral property obligations and reclamation provision approximates fair value. The fair value of long-term debt is approximately \$57,650,643.

As at	June 30, 2016	December 31, 2015
<i>Level 3</i>		
Mineral property obligations	\$ 2,411,571	\$ 4,797,781
Reclamation provision	\$ 2,220,312	\$ 641,964
<i>Level 2</i>		
Long-term debt	\$ 58,758,528	\$ 19,580,925

RED EAGLE MINING CORPORATION**Notes to the unaudited interim condensed consolidated financial statements
for the three and six months ended June 30, 2016**

(amounts are in Canadian dollars, unless otherwise stated)

16. SUBSEQUENT EVENTS

a) Stock Options

- On July 8, 2016, the Company granted 300,000 share purchase options exercisable at a price of \$0.77 per share until July 8, 2021 to a new director.
- On July 24, 2016, 75,000 share purchase options that had been granted to an employee expired unexercised following his departure.
- On August 18, 2016, the Company granted 150,000 share purchase options exercisable at a price of \$0.86 per share until August 18, 2021 to an employee.
- During July and August 2016, 335,000 share purchase options were exercised into 335,000 common shares for total consideration received of \$171,675.

b) Private Placement

On July 14, 2016, the Company completed a private placement for gross proceeds of \$9,223,638, consisting of 13,176,626 common shares at a price of \$0.70 per share. Proceeds will be used for exploration drilling of the Santa Rosa Gold Project. The shares are subject to a four month hold period from the date of issuance.

c) CB Gold Update

On August 10, 2016, the Company's controlled public subsidiary, CB Gold, purchased 100% of the Santa Ana Silver Project from Condor Precious Metals Inc. for consideration of (i) \$250,000, (ii) 8,095,238 shares of CB Gold (\$850,000 at \$0.105 per share) and (iii) a 2% NSR royalty. CB Gold has a right of first refusal on any sale of the royalty and may purchase 1% at any time for \$500,000.