



ANNUAL INFORMATION FORM

For the Year Ended December 31, 2016

March 31, 2017

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INTRODUCTORY NOTES

In this annual information form (“**Annual Information Form**”), references to “**Red Eagle**”, the “**Company**”, “**we**”, “**us**” or “**our**” refers to Red Eagle Mining Corporation and its subsidiaries, collectively, unless the context otherwise requires. All information contained in this Annual Information Form is as at December 31, 2016, unless otherwise stated, being the date of the most recently completed financial year of the Company.

The Company’s audited financial statements and management’s discussion and analysis (“**MD&A**”) have been filed with Canadian securities regulatory authorities and are available electronically under the Company’s profile on SEDAR at www.sedar.com. The Company’s financial statements and all financial information in this Annual Information Form have been prepared in accordance with International Financial Reporting Standards (“**IFRS**”) as issued by the International Accounting Standards Board.

Cautionary Note Regarding Forward-Looking Statements

This Annual Information Form contains “forward-looking information” and “forward-looking statements” within the meaning of applicable securities laws (together, “**forward-looking information**”) concerning the Company’s projects, capital, anticipated financial performance, business prospects and strategies and other general matters. All statements in this Annual Information Form, other than statements of historical fact, that address events, results, outcomes or developments that Red Eagle reasonably expects to occur is forward-looking information. These statements are subject to certain risks and uncertainties that could cause actual results to differ materially from those included in the forward-looking information. The use of words such as “intend”, “anticipate”, “continue”, “estimate”, “expect”, “may”, “will”, “project”, “should”, “believe” and similar expressions are intended to identify forward-looking information. Any statements that express or involve discussions with respect to predictions, expectations, beliefs, plans, projections, objectives, assumptions or future events or performance are not statements of historical fact and may constitute forward-looking information. Statements relating to Mineral Resources are also forward-looking information, as they involve the implied assessment, based on certain estimates and assumptions that the Mineral Resources and Mineral Reserves described can be profitably produced in the future. There is no certainty that it will be commercially viable to produce any portion of the Mineral Resources or Mineral Reserves.

Forward-looking information in this Annual Information Form include those under the headings “General Developments of the Business”, “Description of the Business” and “Mineral Properties”, and include, among others, statements with respect to: expectations regarding the potential mineralization, geological merit and economic feasibility of the Company’s projects, including the Santa Rosa Gold Project; the Company’s goals for the continued development of the Santa Rosa Gold Project towards the operation stage, and regarding raising capital and planned activities for 2017 and beyond at the Company’s projects, including further development and planned exploration activities and expenses, if any; expectations with respect to the refinancing of the Company’s existing indebtedness, including the Credit Facility (as defined herein); the results of the Santa Rosa Feasibility Study, including Mineral Reserve and Mineral Resource estimates, ore grade, operating parameters and expected mine life, production, costs, and project economics; costs and targeting timing for commissioning and full production (and other activities) related to the Santa Rosa Gold Project; proposed plans for advancing our projects, and estimated costs associated therewith, including drilling and other mineral exploitation and exploration work; expectations regarding the continuity of mineral deposits, including in relation to adjacent or other properties (including producing or past-producing properties) that are in the vicinity or same region as Red Eagle’s projects; statements with respect to receipts from gold production and as to the future price of gold and other metals; timing and completion of geological studies and reports; receipt and timing of exploration and exploitation permits and other third party approvals; government regulation of mineral exploration and development operations in Colombia; and expectations regarding any environmental, social or local community issues in Colombia that may affect Red Eagle’s planned or future exploration and development programs, including the impact of complying with existing and proposed environmental laws and regulations.

All forward-looking information in this Annual Information Form is based on the opinions and estimates of management as of the date such statements are made and are subject to important risk factors and uncertainties, many of which are beyond Red Eagle’s ability to control or predict. Certain material assumptions regarding such forward-looking information are discussed in this Annual Information Form, Red Eagle’s annual and quarterly MD&A and Technical Reports as filed on Red Eagle’s profile on SEDAR at www.sedar.com. In addition to, and subject to, such

assumptions discussed in more detail elsewhere, the forward-looking information in this Annual Information Form is subject to the following assumptions: (1) that general business and economic conditions will not change in a material adverse manner; (2) continuing demand for, and stable or improving price of, gold; (3) political and legal developments in Colombia, or any other jurisdiction in which we may in the future operate, being consistent with Red Eagle's current expectations; (4) receipt of regulatory and governmental approvals, permits and renewals in a timely manner; (5) that we will not experience any material accident, labour dispute or failure of plant or equipment or other material disruption in the Company's planned exploration or development programs; (6) the availability of financing for development and exploration activities on reasonable terms; (7) the exchange rate between the Canadian dollar, Colombian peso and United States dollar being approximately consistent with current levels; (8) prices for diesel, natural gas, fuel oil, electricity and other key supplies being approximately consistent with expectations; (9) our ability to procure equipment and operating supplies and materials in sufficient quantities and on a timely basis; (10) the proposed development of the Santa Rosa Gold Project will be viable operationally and economically and proceed as expected; (11) that planned drilling at our mineral properties will be completed and that the results of such drilling will be sufficient to expand the existing resources consistent with management's expectations; (12) that the estimates of the Mineral Resources and Mineral Reserves at the Santa Rosa Gold Project are within reasonable bounds of accuracy (including with respect to size, grade and recovery) and the geological, operational and price assumptions on which these are based; (13) the ability to realize estimated Mineral Resources and Mineral Reserves as included in the Santa Rosa Report, realization of the Company's expectations that the Santa Rosa Gold Project will be profitable with positive economics from mining, recoveries, grades and annual production, and the accuracy of the parameters and assumptions underlying the Mineral Resource estimates, Mineral Reserve estimates and financing analysis; (14) that the Company's current exploration and development programs and objectives can be achieved; (15) competition; and (16) our ability to attract and retain key skilled personnel and directors.

In addition, there are risks and hazards associated with the business of mineral exploration, development and mining, including environmental events and hazards, industrial accidents, unusual or unexpected formations, pressures, cave-ins, flooding and gold bullion losses (and the risk of inadequate insurance or inability to obtain insurance to cover these risks) as well as those risks included under "Risk Factors" in this Annual Information Form and other disclosure documents filed on and available on Red Eagle's profile on SEDAR at www.sedar.com. Forward-looking information does not guarantee future performance, these statements and information are only predictions based on current information and knowledge, some of which may be attributed to third party industry sources. Actual future events or results may differ materially. Undue reliance should not be placed on such forward-looking information, as there can be no assurance that the plans, intentions or expectations upon which they are based will occur. By its nature, forward-looking information involves numerous assumptions, known and unknown risks and uncertainties, both general and specific, that contribute to the possibility that the predictions, forecasts, projections and other forward-looking information will not be realized. All of the forward-looking information contained in this Annual Information Form are qualified by these cautionary statements. Red Eagle expressly disclaims any intention or obligation to update or revise any forward-looking statements whether as a result of new information, events or otherwise, except in accordance with applicable securities laws.

Cautionary Note to United States Investors Concerning Estimates of Measured, Indicated and Inferred Resources

The Mineral Resource and Mineral Reserve estimates contained in this Annual Information Form have been prepared in accordance with the requirements of Canadian securities laws, which differ from the requirements of United States securities laws and uses terms that are not recognized by the United States Securities and Exchange Commission ("SEC"). The terms "Mineral Reserve", "Proven Mineral Reserve" and "Probable Mineral Reserve" are Canadian mining terms as defined in accordance with the Canadian Institute of Mining, Metallurgy and Petroleum ("CIM") – Definition Standards adopted by CIM Council on May 10, 2014 (the "CIM Definition Standards") which were incorporated by reference in the Canadian Securities Administrators' National Instrument 43-101 Standards of Disclosure for Mineral Projects ("NI 43-101"). These definitions differ from the definitions in SEC Industry Guide 7 ("SEC Industry Guide 7") under United States securities laws. Under SEC Industry Guide 7 standards, a "final" or "bankable" feasibility study is required to report reserves or cash flow analysis to designate reserves and the primary environmental analysis or report must be filed with the appropriate governmental authority.

In addition, the terms "Mineral Resource", "Measured Mineral Resource", "Indicated Mineral Resource" and "Inferred Mineral Resource" are defined in and required to be disclosed by NI 43-101; however, these terms are not

defined terms under SEC Industry Guide 7 and are normally not permitted to be used in reports and registration statements filed with the SEC. As such, certain information contained in this Annual Information Form concerning descriptions of mineralization and resources under Canadian standards is not comparable to similar information made public by United States companies subject to the reporting and disclosure requirements of the SEC. United States investors are cautioned not to assume that any part or all of mineral deposits in these categories will ever be converted into reserves. “Inferred Mineral Resources” have a great amount of uncertainty as to their existence and their economic and legal feasibility. A significant amount of exploration must be completed in order to determine whether an Inferred Mineral Resource may be upgraded to a higher category. Under United States standards, mineralization may not be classified as a “Reserve” unless the determination has been made that the mineralization could be economically and legally produced or extracted at the time the reserve estimation is made. Readers are cautioned not to assume that all or any part of the measured or indicated Mineral Resources will ever be converted into Mineral Reserves. In addition, the definitions of “Proven Mineral Reserves” and “Probable Mineral Reserves” under CIM standards differ in certain respects from the standards of the United States Securities and Exchange Commission.

Accordingly, information contained in this Annual Information Form containing descriptions of our mineral deposits may not be comparable to similar information made public by United States companies subject to the reporting and disclosure requirements under the United States federal securities laws and the rules and regulations thereunder.

Currency and Exchange Rate Information

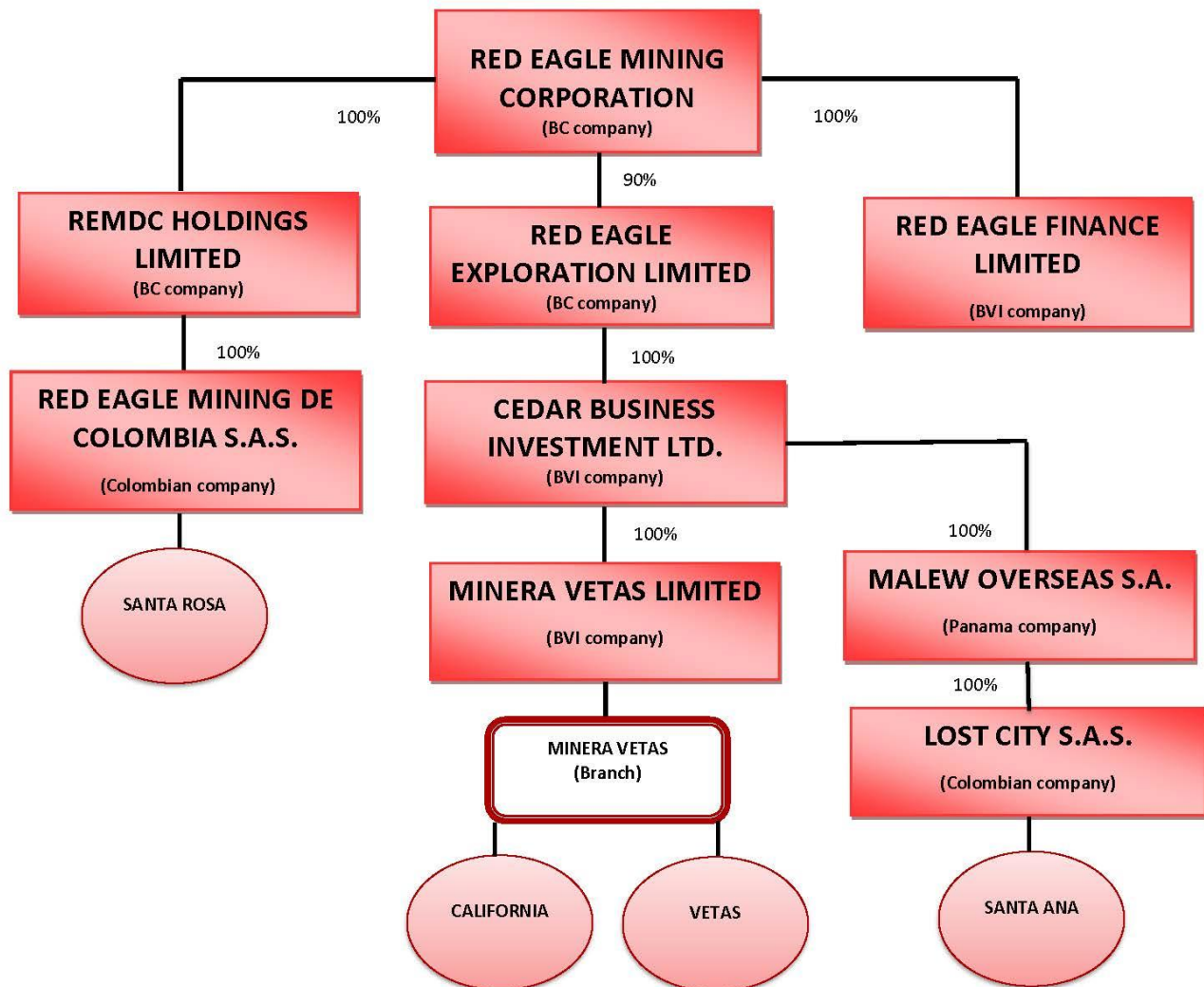
All dollar amounts referenced in this Annual Information Form are in Canadian dollars unless otherwise indicated. References in this Annual Information Form to “C\$” or “\$” are to the lawful currency of Canada, references to “pesos” are to the lawful currency of Colombia, and references to “US\$” are to the lawful currency of the United States. On March 31, 2017, the noon rate of exchange for one Canadian dollar in United States dollars as reported by the Bank of Canada was C\$1.00 = US\$0.7506. As of the same date, based on cross rates with the Canadian dollar, one Colombian peso was equal to US\$0.000347.

CORPORATE STRUCTURE

The Company was incorporated pursuant to the *Business Corporation Act* (British Columbia) (“**BCBCA**”) on January 4, 2010.

The head and registered office of the Company is Suite 2348, 666 Burrard Street, Vancouver, British Columbia, V6C 2X8, Canada. The Company also has a regional office at Calle 7 Sur No. 42 – 70, Ed. Forum Office # 1903, Medellín, Colombia.

The following chart illustrates the Company’s subsidiaries (collectively, the “**Subsidiaries**”), together with the governing law of each company and the percentage of voting securities Red Eagle beneficially owns, controls or directs, as well as the material mineral properties as at the date of this Annual Information Form:



GENERAL DEVELOPMENT OF THE BUSINESS

Red Eagle is a gold producer with an experienced mine development team, which declared commercial production at its San Ramon deposit in Colombia (the “**San Ramon Gold Mine**”) at the end of the first quarter of 2017. Management is focused on building shareholder value through discovering and developing gold projects with low costs and low technical risks in Colombia, a jurisdiction with prolific historic production but until recently limited modern exploration. Red Eagle owns 100% of the Santa Rosa Gold Project where the San Ramon Gold Mine has commenced commercial production, located in the Department of Antioquia, Colombia (the “**Santa Rosa Gold Project**”). The Santa Rosa Gold Project is currently the Company's primary focus and is the host of the San Ramon Gold Mine.

As at the date of this Annual Information Form, Red Eagle also owns 90% of the issued and outstanding common shares of Red Eagle Exploration Limited (formerly CB Gold Inc.) (“**Red Eagle Exploration**”). Red Eagle Exploration is actively consolidating high grade precious metal deposits in Colombia and currently has the following development projects:

- 100% interest in the California gold project in Santander, Colombia (the “**California Gold Project**”)
- 100% interest in the Vetas gold project in Santander, Colombia (the “**Vetas Gold Project**”)
- 100% interest in the Santa Ana silver project in the historic Mariquita Silver district of Colombia (the “**Santa Ana Silver Project**”)

Recent Developments

During the fourth quarter of 2016, construction and commissioning of the mill at the San Ramon Gold Mine was completed with first gold poured in November 2016. The processing facility has reached a steady operating throughput capability and underground mining is progressing with the opening up of additional ore development headings. The Company declared commercial production at the end of the first quarter of 2017.

On February 14, 2017, Red Eagle Exploration through its wholly owned subsidiary, Minera Vetas, entered into six strategic mining title purchase agreements for an aggregate 126 hectares in the prolific California-Vetas Gold District located in Santander, Colombia which comprise the California Gold Project. The aggregate purchase price consisted of (i) US\$5,683,764 in cash, (ii) US\$7,561,746 which is payable in common shares of Red Eagle Exploration, and (iii) an additional payment due three years from the date of title transfer equivalent to 1.5% of the value of gold and silver Measured and Indicated resources included in a NI 43-101 Technical Report. Initial payments of US\$345,127 and 2,180,985 common shares of Red Eagle Exploration were paid upon closing. The remaining balance of (i) and (ii) are due over a two year period subsequent to title transfer.

On February 15, 2017, Red Eagle Exploration announced that it had amended the acquisition agreements dated October 20, 2010, for the San Bartolo and San Antonio properties, which together with other properties held by Red Eagle Exploration collectively comprise the Vetas Gold Project. A portion of the properties were affected by the delineation of the Paramo boundaries and the outstanding amount payable was reduced proportionately. As final payment, Red Eagle Exploration agreed to issue 4,550,000 common shares in Red Eagle Exploration and pay US\$500,000 in cash with respect to the San Bartolo property, and issue 116,700 common shares in Red Eagle Exploration with respect to the San Antonio property.

On February 21, 2017, the Company completed a bought deal financing by way of short form prospectus for gross proceeds of \$17,250,000, consisting of 23,000,000 Red Eagle common shares (“**Common Shares**”) at a price of \$0.75 per share. Upon closing of the financing 264,515,121 Common Shares of the Company were issued and outstanding.

On March 6, 2017, CB Gold Inc. changed its name to Red Eagle Exploration Limited and began trading on the TSX Venture Exchange (“**TSX-V**”) under the new symbol “XR”.

On March 14, 2017, Red Eagle Exploration through its wholly owned subsidiary, Minera Vetas, entered into a further two exploitation mining concessions for an additional 124 hectares in the prolific California-Vetas Gold District. These two concessions are adjacent to the strategic block of six concessions comprising the California Gold Project referenced above. The purchase price consisted of (i) US\$3,746,625 in cash, (ii) US\$3,746,625 which is payable in common shares of Red Eagle Exploration and (iii) an additional payment due three years from the date of title transfer equivalent to 1.5% of the value of gold and silver Measured and Indicated resources included in a NI 43-101 Technical Report. Initial payments of US\$62,444 and 520,367 common shares of Red Eagle Exploration were paid upon closing. The remaining balance of (i) and (ii) are due over a two year period subsequent to title transfer.

As at the date of this Annual Information Form, the Company currently holds 331,053,614 common shares of Red Eagle Exploration, representing a 90% interest in Red Eagle Exploration.

Three Year History and Significant Acquisitions

2014

On June 3, 2014, the Company entered into an agreement with AngloGold Ashanti Colombia S.A. (“**AGAC**”) pursuant to which the Company agreed to acquire 100% of certain contiguous mineral exploration rights totaling 1,673 ha within the Santa Rosa Gold Project in consideration for the payment of US\$375,000 over three years and the grant to AGAC of a 2% net smelter return (“**NSR**”) royalty on the properties acquired.

On September 19, 2014, the Company announced the results of a positive feasibility study for the San Ramon Gold Mine. See “Mineral Properties” below.

2015

On March 10, 2015, the Company announced that the Environmental License for the Santa Rosa Gold Project had been formally granted in full without conditions. This was the final permit required for construction and mining of the San Ramon Gold Mine for the life of the mine.

On March 24, 2015, the Company executed a US\$60,000,000 credit facility agreement with Orion Fund JV Limited (“**Orion**”) and LMM, which was then amended and restated on July 14 and December 29, 2015 (the “**Credit Facility**”). The Credit Facility has the following key terms:

- (a) a five-year term with a principal holiday and capitalized interest for 18 months from the first advance, which occurred in November 2015;
- (b) principal repayments commencing in May 2017 in forty-two equal amortization payments;
- (c) advances bear interest at the higher of LIBOR +7.5% or 1% +7.5%;
- (d) a production payment of US\$30 per ounce is payable only on the first 405,000 ounces of gold produced over the life of mine for a total payment equal to \$12,150,000; and
- (e) a 2.5% cash fee on each advance drawdown.

The funds under the Credit Facility have been used for construction of the San Ramon Gold Mine on the Santa Rosa Gold Project. Amounts outstanding under the Credit Facility are secured against all of the Company’s property and assets. As at December 31, 2016, the Company had drawn down the full amount of the Credit Facility.

On June 30, 2015, the Company commenced a share exchange takeover bid to acquire all of the issued and outstanding common shares of Red Eagle Exploration. Readers should note that at the time of the Company’s takeover bid, Red Eagle Exploration was named CB Gold Inc. and its common shares were trading on the TSX-V under the symbol “CBJ”. The Company proceeded to acquire Red Eagle Exploration shares through a series of share exchange transactions and open market purchases, such that as at December 31, 2015, the Company held 107,527,972 Red Eagle

Exploration common shares, representing a 51% interest in Red Eagle Exploration. On November 6, 2015, all directors and officers of Red Eagle Exploration resigned, and the Company as controlling shareholder of Red Eagle Exploration appointed Tim Petterson, Jay Sujir and Ian Slater as the Board of Directors of Red Eagle Exploration, whereupon Ian Slater was appointed Chief Executive Officer and Chui Wong was appointed Chief Financial Officer of Red Eagle Exploration.

2016

On May 11, 2016, the Company acquired 16,933,333 units of Red Eagle Exploration at a price of \$0.075 per unit for total subscription proceeds of \$1,270,000. Each unit consisted of one common share and one warrant, with each warrant exercisable into one Red Eagle Exploration share at a price of \$0.10 per share for a period of five years. Subsequent to completion of the financing, the Company held an aggregate of 248,033,377 Red Eagle Exploration shares.

In April 2016, Red Eagle 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 the private placement, Liberty Metals and Mining Holdings LLC (“LMM”) elected to exercise its participation right and purchased 9,500,000 shares. As at December 31, 2016, LMM held approximately 17.9% of the Company’s issued Common Shares.

On July 14, 2016, Red Eagle 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.

On August 9, 2016, Red Eagle Exploration purchased 100% of the Santa Ana Silver Project from Condor Precious Metals Inc. The purchase price consisted of (i) \$250,000 in cash, (ii) 8,095,238 Red Eagle Exploration shares and (iii) a 2% **NSR** royalty over the Santa Ana Silver Project. Red Eagle Exploration has a right of first refusal on any sale of the royalty and may purchase 1% at any time for \$500,000.

On October 28, 2016, Red Eagle appointed PricewaterhouseCoopers LLP as its new auditors.

On November 2, 2016, Red Eagle acquired an additional 83,020,237 common shares of Red Eagle Exploration from Batero Gold Corp. in exchange for 7,428,126 Common Shares of the Company. As at December 31, 2016, the Company held an aggregate of 331,053,614 shares of Red Eagle Exploration, representing 92% of the issued and outstanding Red Eagle Exploration shares.

On November 4, 2016, the Company graduated from the TSX-V to the TSX Exchange (“**TSX**”) and the Company’s common shares began trading on the Exchange under the new symbol “R”. The Common Shares were delisted from the TSX-V as a result of the graduation to the TSX.

On November 7, 2016, the Company announced that it had poured first gold at the Santa Rosa Gold Project.

DESCRIPTION OF THE BUSINESS

The Company is in the business of the acquisition, exploration and development of mineral properties. The Company currently has interests in those mineral properties referred to in “General Development of the Business” above and in “Mineral Projects” below. Our current focus is on the operation of the San Ramon Gold Mine, as more particularly described under “Mineral Properties” and “Mining Operations” below.

Red Eagle is continually working to maximize shareholder value by maintaining an attractive risk profile and enhancing growth potential in a safe and an environmentally and socially responsible manner.

Stage of Development

The Company is a gold and silver company that is focused on building shareholder value through acquiring, developing and operating gold and silver projects with low costs and low technical risks in Colombia, a jurisdiction with prolific historic production but until recently limited modern exploration. The Company's primary project is the San Ramon Gold Mine and mill. The Company declared commercial production at the end of the first quarter of 2017 and expects to advance to positive cash flows from operations in Q2. Readers should note that during the ramp-up to commercial production, the Company has been feeding lower grade ore to the mill to ensure operating efficiency as the Company continues to work toward optimization. Although Red Eagle expects positive cash flows from operations in Q2 2017, there is no guarantee that the Company will achieve positive cash flows, expected cash cost of production, or production targets, during the optimization phase after commercial production. See "Risk Factors – Cashflow" and "Risk Factors – Exploration, Development and Operating Risks".

Specialized Skill and Knowledge

All aspects of the Company's business require specialized skills and knowledge. Such required areas of specialized skills and knowledge include geology, drilling, mine planning, metallurgy, engineering, construction, technological, community and public relations, regulatory compliance, accounting and law. Much of the specialized skill and knowledge is provided by the Company's management and operations team. The Company also retains outside consultants for additional specialized skills and knowledge as required. Red Eagle believes that it can locate and retain employees and contractors with such skills and knowledge.

All of the current members of the Red Eagle Board of Directors (the "**Board**") have served as directors of the Company since January 2010, with the exceptions of Robert Pease and Stephen Dixon who were appointed in April 2011 and August 2015, respectively. As such, the majority of Red Eagle's Board have had a minimum of 5 years of experience in conducting business in Colombia. In addition, Red Eagle's Chief Executive Officer, Vice President Exploration and the Chair of the Technical and Sustainability Committee each visit the Company's regional Colombian office and the Santa Rosa Gold Project site quarterly. Red Eagle's Chief Financial Officer and Vice President & General Counsel also each visit the Company's regional Colombian office and to the Santa Rosa Gold Project site at least bi-annually. The Red Eagle Board and the Board's Technical and Sustainability Committee also conduct an annual site visit to the Santa Rosa Gold Project. The Company's General Manager and Country Manager are both based in Colombia on a full time basis.

The majority of the directors and executive officers of Red Eagle have some familiarity with the legal and regulatory requirements of Colombia through their history working with us and their previous experience working and conducting business in Colombia or other regions of South America. Moreover, the Company's officers and directors are advised by our Colombian legal counsel of any new developments in the Colombian legal regime and any new requirements that come into being from time to time, such that management is apprised of relevant material legal and political developments in Colombia as they pertain to and affect our business and operations.

As a result of their experience in Colombia and other regions of South America, Red Eagle's management and operations team have a strong understanding of and appreciation for local business culture and practices. We have also retained employees and consultants with specialist skills to assist and monitor community relations. These individuals in turn impart their knowledge of the local businesses, culture and practices to directors, officers and other employees of Red Eagle.

Competitive Conditions

The precious metal mineral exploration and mining business is competitive. We compete with numerous other companies and individuals in the search for and the acquisition of attractive mineral properties. Our ability to acquire mineral properties in the future will depend on our ability to continue to develop and operate the Santa Rosa Gold Project, and on our ability to select and acquire suitable producing properties or prospects for development or mineral exploration. Red Eagle also competes for financing with other resource companies, most of which have greater financial resources and/or more advanced properties. There can be no assurance that additional capital or other types of financing will be available if needed or that, if available, the terms of such financing will be favourable to Red Eagle. See "Risk Factors – Dependence on Future Financing".

In addition, we also compete with our competitors over sourcing raw materials and supplies used in connection with our mining projects, as well as for skilled workers. See “Risk Factors – Availability of Supplies” and “Risk Factors – Availability of Key Executives and Other Personnel”.

Principal Product

Red Eagle’s principal product is gold and silver produced from the San Ramon Gold Mine. 100% of the Company’s operating revenue will be derived from sales of gold and silver, by-products and possibly other metals. Gold generally requires refining or smelting to become a marketable metal, but due to the availability of alternative refineries and smelters, the Company is not dependent on the services on any one refiner or smelter. The Company will sell its produced gold and silver to gold offtake firms at prevailing market prices. As a result, the Company is not dependent on any particular purchaser with regard to the sale of the gold and silver that it has produced or expects to produce in the future.

Employees

The Company’s business is administered principally from its head office in Vancouver, British Columbia, Canada. The Company also has a regional office in Medellín, Colombia. As at December 31, 2016, Red Eagle had approximately 193 full-time employees and no part-time employees. The Company also relies upon consultants to carry on many of our activities. The Company is dependent on the services of key executives and a small number of highly skilled and experienced executives as well as on the services provided by its underground mining contractor and personnel.

To date, the Company has not experienced any difficulty in obtaining the services required to successfully pursue our business activities. Generally, management believes that labour relations are good at all of its locations. There remains demand for highly skilled and experienced workers in our industry despite the ongoing volatility in the resource industry. See “Risk Factors – Availability of Supplies” and “Risk Factors – Availability of Key Executives and Other Personnel”.

Environmental Protection Requirements

Our current mining, exploration and development activities are subject to various Colombian laws and regulations relating to the protection of the environment, including requirements for closure and reclamation of mining properties. Specific statutory and regulatory requirements and standards must be met throughout the exploration, development and operation stages of a mining property with regard to air quality, water quality, fisheries and wildlife protection, solid and hazardous waste management and disposal, noise, land use and reclamation. Details and quantification of the Company’s reclamation and closure costs obligations are set out in note 10 of the Company’s audited consolidated financial statements for the year ended December 31, 2016. We have estimated a discounted closure cost for the San Ramon Gold Mine based on work done as at December 31, 2016 of \$2,025 million.

See “Environmental Protection and Sustainability Practices” below for further details regarding environmental matters.

Foreign Operations

Red Eagle conducts our mining operations in Colombia, and, as such, is exposed to various levels of political, economic and other risks and uncertainties associated with operating in a foreign jurisdiction. There are currently no restrictions or conditions that have been imposed by the government of Colombia on the Company’s ability to operate in Colombia. Red Eagle has satisfied itself that it has all current required permits, business licenses and other regulatory approvals to carry out its business in Colombia under the oversight of qualified persons, within the meaning of NI 43-101, who have completed a review of the Santa Rosa Gold Project, and through various consultants, including our Colombian legal counsel, who were engaged by Red Eagle in connection with the Company’s permitting, licensing and regulatory approval application process.

Any changes in regulations or shifts in political attitudes in the local department and/or in Colombia are beyond the control of the Company and may adversely affect our business. Red Eagle may be affected in varying degrees by such factors as government regulations (or changes thereto) with respect to restrictions on production, export controls, income taxes, expropriation of property, repatriation of profits, environmental legislation, land use, water use, land claims of local people, mine safety regulations, corruption, political unrest, timely reimbursement by the government of refundable value added taxes and refundable income taxes, uncertainty with respect to the rule of law and the integrity of court systems, and security issues. The effect of these factors cannot be accurately predicted. See “Risk Factors – Foreign Operations”.

Environmental Protection and Sustainability Practices

The Company believes that achieving superior environmental performance through the application of sound environmental programs is essential to our long-term success. To this end, we seek to conduct our activities in accordance with the highest environmental standards by complying in all material respects with all environmental laws, policies and regulations, and keeping the environmental impacts of our operations to a minimum. The Company continues to strictly adhere to the terms of its Environmental License and the associated Environmental Management Plan. The Environmental Agency, along with local committees, have maintained a strict monitoring program as the Santa Rosa Gold Project has progressed with visits at least monthly. The Company has received positive inspection reports from all of these inspections. Red Eagle is dedicated to the protection of the environments and communities in which we operate for present and future generations, and are committed to rectifying or rehabilitating any impacts that necessarily occur as part of our mining operations.

Corporate Social Responsibility

Red Eagle is committed to the highest standards of openness, accountability and corporate social responsibility. At all times, we aim to conduct our business in a socially responsible and ethical manner, to protect the environment and the safety of our people, to support human rights, and to actively engage, learn from, respect and support the host communities and cultures within which we operate.

The Company considers our ability to make a lasting and positive contribution toward sustainable development a key driver to achieving a productive and profitable business. Red Eagle aims to achieve these objectives through the implementation of the safety-first work practices that protect the health and well-being of our people and host communities as well as industry best practices in the areas of environmental stewardship and community engagement and development.

Red Eagle believes that the health and safety of our employees is fundamental to the success of our business. We are committed to identifying and eliminating hazardous conditions and practices in the workplace. At Red Eagle we have implemented the following practices to assist our employees in achieving our goals:

- Providing the necessary expertise, resources and training to maintain a safe and healthy work environment;
- Promoting employee involvement and accountability in the pursuit of safety and health excellence;
- Investigating all accidents and implementing appropriate remedial actions;
- Maintaining open communications on health and safety issues;
- Requiring all employees and contractors to be aware of, and complying with, the Company’s safety and health regulations; and
- Developing a top-down culture of safety and wellness not just for employees, but extending to all our stakeholders, including the communities in which we operate.

Red Eagle is committed to the sustainable development of Santa Rosa de Osos and its surrounding municipalities, which constitute the Santa Rosa Gold Project Area of Direct Influence (“**ADI**”) and Area of Indirect Influence (“**AI**”). To this end, we have implemented social programs targeting education, culture, sports, healthcare while strengthening

local institutions and promoting sustainable businesses across diverse sectors and including all community stakeholders.

Red Eagle's corporate social responsibility objectives also include promoting and protecting the welfare of our employees through safety-first work practices, upholding fair employment practices and encouraging a diverse workforce, where people are treated with respect and are supported to realize their full potential. Red Eagle believes that people are one of our most valuable assets and we strive to create a culture of inclusiveness that begins at the top and is reflected in its general human resources practices and through the implementation of policies which recognize and reward employee performance.

We aim to improve education levels within our ADI and AII with primary and secondary education certification programs. The part-time attendance school targets adults and youths, who never had the opportunity to conclude their primary and secondary studies. In 2015 and 2016, 80 students partook in the program and 14 adults have graduated from high school within these two years.

In order to increase computer literacy across our ADI and AII, in 2015, Red Eagle also launched a computer education program. The three-level course carried out in the schools La Cejita, San Isidro, Las Ánimas, Hoyorrico y San José de la Ahumada. During 2015 and 2016, 401 participants of all ages have benefited from the course. In today's world, technology is synonymous with higher standards of living and progress. Technology also plays a significant role as a means of communication, which in turn can impact the quality of learning in school. By leveraging the high-speed internet installed by Red Eagle Mining, the schools within our ADI and AII have all benefited from free high-speed WIFI access and connectivity. During 2015 and 2016, over 500 people have directly benefited from our rural school connectivity initiative. In conjunction with Santa Rosa de Osos and SENA, Red Eagle has also developed and implemented a gastronomy program which seeks to provide rural men and women with the skills to seek formal employment while also promoting healthy food preparation and family-oriented dining. In 2016, 211 men and women were studying basic Colombian and international cuisine in our program.

Red Eagle believes that sports and recreation are integral to the development of well-rounded members of society. As such, together with the Municipal Secretary of Sports, we actively promote sports and constructive leisure time activities within the AOI. Red Eagle has also focused its commitment to culture and tradition by promoting various celebrations of artistic, cultural and historical significance to Santa Rosa de Osos. Red Eagle Mining in partnership with the Municipality of Santa Rosa de Osos has improved a variety of community infrastructure including the construction of sport facilities, playgrounds, improvement of roads & water supply and refurbishing churches.

Red Eagle is dedicated to establishing relationships with host communities based on mutual benefit, cooperating through multipartite participation between, at least community and municipality and active engagement with host communities to contribute to their sustainability. Red Eagle promotes understanding of, and respect for, traditional values, customs and culture. Red Eagle aims to foster open communication and has diligently carried out a continuous open-door communication process with all stakeholders within the ADI and AII. The continuity of our communication approach has been a defining characteristic of our approach. We believe that by thoroughly understanding the people, their histories, and their needs and aspirations, Red Eagle can engage in a meaningful and sustainable development and operation process.

Our Corporate Governance, Compensation and Nominating Committee of the Board is responsible for overseeing the Company's Corporate Social practices and related policies, including in respect to assessments and auditing of performance.

Anti-Bribery and Anti-Corruption Policy

The Company's anti-bribery and anti-corruption policy (the "**Anti-Bribery and Anti-Corruption Policy**") outlines the requirements that must be fulfilled by all our employees, officers and directors, as well as by any third party working for or acting on our behalf. These requirements include prohibitions against bribing government officials, making facilitation payments and commercial bribery.

The Company's Anti-Bribery and Anti-Corruption Policy also provides employees with clarity regarding: books and records transparency; giving gifts to government officials; making political or charitable contributions; third party

oversight and due diligence; internal controls; and, management's responsibility to promote an ethical tone from the top and create awareness of the policy.

MINERAL PROPERTIES

The Company is in the mining industry and 100% of its operating revenue will be derived from the sale of gold and silver. Red Eagle's material mineral property is the Santa Rosa Gold Project which is located in the Department of Antioquia, Colombia. The San Ramon Gold Mine is part of the larger Santa Rosa Gold Project.

CIM Standards Definitions

The estimated Mineral Resources for the San Ramon Gold Mine have been calculated in accordance with the CIM Standards.

The term "Mineral Resource" a concentration or occurrence of solid material of economic interest in or on the Earth's crust in such form, grade or quality and quantity that there are reasonable prospects for eventual economic extraction. The location, quantity, grade or quality, continuity and other geological characteristics of a Mineral Resource are known, estimated or interpreted from specific geological evidence and knowledge, including sampling. Mineral Resources are sub-divided, in order of increasing geological confidence, into Inferred, Indicated and Measured categories.

The term "Inferred Mineral Resource" is that part of a Mineral Resource for which quantity and grade or quality can be estimated on the basis of limited geological evidence and sampling. Geological evidence is sufficient to imply but not verify geological and grade or quality continuity. The estimate is based on limited information and sampling gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes.

The term "Indicated Mineral Resource" is that part of a Mineral Resource for which quantity, grade or quality, densities, shape and physical characteristics are estimated with sufficient confidence to allow the application of Modifying Factors in sufficient detail to support a mine planning and evaluation of the economic viability of the deposit. The estimate is based on detailed and reliable exploration and testing information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes that are spaced closely enough for geological and grade continuity to be reasonably assumed.

The term "Measured Mineral Resource" is that part of a Mineral Resource for which quantity, grade or quality, densities, shape, physical characteristics are estimated with confidence sufficient to allow the application of Modifying Factors, to support detailed mine planning and final evaluation of the economic viability of the deposit. The estimate is based on detailed and reliable exploration, sampling and testing information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes that are spaced closely enough to confirm both geological and grade continuity.

The Term "Modifying Factors" are considerations used to convert Mineral Resources to Mineral Reserves. These include, but are not restricted to, mining, processing, metallurgical, infrastructure, economic, marketing, legal, environmental, social and governmental factors.

The term "Mineral Reserve" is the economically mineable part of a Measured or Indicated Mineral Resource. It includes diluting materials and allowances for losses, which may occur when the material is mined or extracted and is defined by studies at Pre-Feasibility or Feasibility level as appropriate that include application of Modifying Factors. Such studies demonstrate that, at the time of reporting, extraction could reasonably be justified.

The term "Probable Mineral Reserve" is the economically mineable part of an Indicated, and in some circumstances a Measured Mineral Resource. The confidence in the Modifying Factors applying to a Probable Mineral Reserve is lower than that applying to a Proven Mineral Reserve. A supporting study must include adequate information on mining, processing, metallurgical, economic, and other relevant factors that demonstrate, at the time of reporting, that economic extraction can be justified.

The term “Proven Mineral Reserve” is the economically mineable part of a Measured Mineral Resource. A Proven Mineral Reserve implies a high degree of confidence in the Modifying Factors. A supporting study must include adequate information on mining, processing, metallurgical, economic, and other relevant factors that demonstrate, at the time of reporting, that economic extraction is justified.

Santa Rosa Gold Project

Stefan Gueorguiev, P.Eng., Thomas L. Dyer, P.E., Michael S. Lindholm, C.P.G., W. Joseph Schlitt, Ph.D., P.Eng. and Terry Eldridge, P.Eng. prepared a technical report in accordance with NI 43-101 “Amended NI 43-101 Technical Report, Feasibility Study of the Santa Rosa Gold Project” (the “**Santa Rosa Report**”), dated October 27, 2014.

The Santa Rosa Report includes the Feasibility Study which was completed by:

- Lycopodium Minerals Canada Ltd. (“**LMC**”) for the process design, plant infrastructure, capital and operating cost estimates, and economic analysis;
- Mine Development Associates (“**MDA**”) for geology, resource, mining and reserves, as well as mining capital and operating costs;
- Hydrometal Inc. (“**Hydrometal**”) for metallurgical test work management, largely undertaken at McClelland Laboratory Services (“**MLS**”) in Sparks, Nevada; and
- Golder Associates South America Ltd. (“**Golder**”) for the design of the dry waste management facility, and geotechnical and hydrogeological aspects of the project.

Unless otherwise denoted, all costs referred to in the Santa Rosa Report are quoted in Q3 2014 United States dollars.

The effective date of the Mineral Resource estimate is August 5, 2013. The effective date of the Feasibility Study is October 6, 2014.

The following summary is derived in part from the Santa Rosa Report, readers should consult the full text of the Santa Rosa Report to obtain further particulars regarding the Santa Rosa Gold Project. The complete text of the Santa Rosa Report is available for review on our profile on SEDAR at www.sedar.com. Certain capitalized terms in this section not otherwise defined have the meanings ascribed to them in the Santa Rosa Report.

Please refer to the “General Development of the Business”, including “Three Year History and Recent Acquisitions”, above for the most up-to-date information on the Santa Rosa Gold Project. The summary below refers to information provided in the Santa Rosa Report as of October 27, 2014 and was current at the time of this publication date.

Project Description, Location and Access

The Santa Rosa Gold Project is an intrusive hosted structurally-controlled quartz stockwork system located within the prolific Antioquia Batholith near the town of Santa Rosa de Osos and lies 73 kilometres (“**km**”) northeast of the Department’s capital, Medellín, in northern Colombia. The Santa Rosa Gold Project covers a total area of approximately 9,306 hectares (“**ha**”) and consists of 10 concession contracts, and 11 concession-contract applications for which the technical studies have been approved and free areas have been declared.

The San Ramon Gold Mine (a single shear zone within the Santa Rosa Gold Project) lies in the southeastern part of concession B7560005, it trends east-west, dips 70° to the north, extends over 2 km, is up to 50 metres in width and is mineralized from surface.

The Santa Rosa Gold Project is accessible from Medellín via a paved highway for about 65 km, then via an unpaved road for approximately 8 km.

Red Eagle holds a 100% interest in the Santa Rosa Gold Project subject to the following royalty obligations.

The Santa Rosa Gold Project is subject to a government-imposed royalty on gold and silver production that is effectively 3.2%. LMM also hold a 3% NSR royalty on four concession contracts, being B7560005, B7171005, H5791005, and H5790005, respectively, and two concession contract applications numbered LDM-08061 and LKA-08004. In respect to the LMM royalty over the B7560005 concession, Red Eagle has a right to buy back 1% of the LMM Royalty for US\$8,333,333 for a period of two years from the date it achieves first gold production. In addition, Bullet Holdings Corp. (“**Bullet**”) and AGAC also hold non-overlapping 1.5% and 2% NSR royalties, respectively, on the concession contracts and applications that Red Eagle acquired from each and still holds. See “General Developments of the Business – Three Year History and Significant Acquisitions”. The Bullet and AGAC royalties do not apply to the concession in which the San Ramon Gold Mine is located, being the B7560005 concession.

History

The gold potential of the Santa Rosa area was recognized around the year 1600, with gold production from upland placers reaching a peak in the 18th century and mining from high-grade oxide ores peaking in the 1940s. Based on the existence of the extensive abandoned mine workings, past gold production appears to have been significant, but actual historic gold production is unknown. Although small-scale mining by artisanal miners continues some distance outside the San Ramon Gold Mine resource area, the first known modern mineral exploration activity was begun by Red Eagle in July 2010.

Geology and Mineralization

The northwestern margin of South America, including the Santa Rosa Gold Project area, is comprised of a mosaic of Paleozoic and younger autochthonous and allochthonous terranes that were accreted to the South American continent. Subduction-related magmatic arcs now represented by plutonic batholiths, sub-volcanic intrusions, and associated volcanic rocks, were superimposed on these terranes during the Jurassic, Cretaceous, Eocene to late Miocene, and Late Miocene to recent periods.

The Santa Rosa Gold Project is located within the Cajamarca-Valdivia terrane that includes a metamorphic basement complex and the Antioquia Batholith. Lower greenschist- to lower amphibolite-grade metasedimentary units and oceanic ophiolitic volcanic and intrusive rocks were accreted to the continental margin in the Ordovician-Silurian periods. These rocks were overlapped by volcanic-sedimentary units during the Mesozoic. During the Cretaceous period, both the Paleozoic basement rocks and Mesozoic volcanic-sedimentary units were intruded by the Antioquia quartz-diorite, diorite, and granodiorite batholith.

Monotonous diorite and quartz diorite (granodiorite) dominate the geology of the project area, with isolated roof pendants of amphibolites and metasedimentary rocks, as well as dikes of microdiorite and dacite porphyries. Red-brown saprolite is widespread and often deep (up to 50 metres (“**m**”). Soils are generally about 50 centimetres thick and rarely up to 2 m. Schistose fault-zone mylonite was observed at several locations in outcrop and adits.

Hypogene gold mineralization within the Santa Rosa Gold Project is generally associated with the shear zones developed in homogeneous diorite country rock, with higher grades occurring in sulfide-mineralized quartz veins. Exploration by Red Eagle has identified a strongly mineralized shear zone (San Ramon shear zone) trending about east-west and containing mineralized quartz veins, sheeted veins, and anastomosing vein networks. Besides gold, the mineralization contains some silver, significant quantities of sphalerite, and minor amounts of galena. Sulfides range from 1% to 5% but can reach 10%, and there appears to be a direct correlation between sulfide content and gold grade. The upper portions of the mineralized shear zone are oxidized and heavily weathered to saprolite. Historically, gold has been extracted on the property from these saprolitic, as well as colluvial, gold deposits, by artisanal miners from underground workings and from hydraulically mined areas known locally as “*baticiones*.”

Metallurgical Testing and Mineral Processing

In 2014, the metallurgical program for the Feasibility Study was oriented towards samples that reflected the range of head grades expected in the underground operation, namely 2 to 9 grams (“**g**”) gold per tonne (“**Au/t**”). The program was conducted by MLS in Sparks, Nevada. Three process options were tested in detail:

- Whole ore cyanide leaching of finely ground ore in an agitated leach circuit;
- Initial gravity concentration of the coarse gold, followed by grinding and agitated cyanide leaching of the combined gravity tailings; and
- A fairly coarse primary grind (P_{80} of 125 microns), followed by flotation of the sulfides. The resulting rougher concentrate is then reground to a P_{80} of 20 microns, blended back into the flotation tailings, and the combined product is cyanide leached in an agitated circuit.

All three routes were capable of recovering between 93% to 96% of the gold. However, the flotation-combined leach route has been selected as the preferred option, achieving optimum gold recovery. This approach requires the least fine grinding (lowest grinding costs) and will recover an average of 96% of the gold over the life of the operation. An estimated 69 % of the contained silver will also be recovered, contributing to project revenue, though not included in this economic analysis.

Reagent consumptions in the float-combined leach process are as low as or lower than they are in the other processes. Cyanide consumption averages 0.39 kilograms of sodium cyanide per tonne of ore and lime consumption averages 1.6 kilograms (“**kg**”) per tonne of ore.

Additional test work is still underway. This includes cyanide destruction (detox) tests using SO_2 / air, initial liquid / solid separation tests and carbon loading tests.

Mineral Resource Estimate

The two resource estimates performed for Red Eagle at the San Ramon Gold Mine have defined an east-west-trending, shear zone-hosted gold deposit that extends over approximately 2,000 m of strike length and that predominantly dips 70° to the north and is open at depth. A significant outcome of Red Eagle’s most recent work is the further development of a comprehensive geologic model, now based on 238 core holes totalling 45,609 m, which provided the basis of the most recent resource estimate update (two additional geotechnical / hydrogeological holes encountered mineralization but are not included in the estimate because they were drilled after the effective date of the Mineral Resource estimate). Approximately 75% of the resource is Measured and Indicated, with the remainder Inferred; classification is primarily a function of drill-spacing. The upgraded classification in the current resource is the result of increased drill density with substantial infill drilling, as well as improvements in quality assurance and quality control procedures, additional metallurgical test work, and more comprehensive density and geotechnical data. The reported estimate, presented in Table 1.1 below, was performed using inverse distance to the third and fourth power for estimation of low and higher grade domains, respectively. MDA reports resources at cut-offs that are reasonable for deposits of this nature given anticipated mining methods and plant processing costs, while also considering economic conditions, because of the regulatory requirements that a resource exists “in such form and quantity and of such a grade or quality that it has reasonable prospects for economic extraction”.

The initial Mineral Resource in 2012 (as reported in January 2013) was reported at a single cut-off grade of 0.3g Au/t. A subsequent resource in 2013 (as reported in September 2013) was reported as a combination of open-pit-mineable material at a cut-off grade of 0.3g Au/t and underground-mineable material at a cut-off of 1.2g Au/t. The current Mineral Resource estimate on which this study is based is the same as the one reported in September 2013 but is reported at a cut-off grade for only underground mining of 1.2g Au/t. The current resource estimate also includes a small addition on land not formerly controlled by Red Eagle. The change in reporting cut-off was rendered appropriate because the mining scenario has been determined to be by underground methods. Because of the change in cut-off, the resource tabulation summarized in Table 1.1 below cannot be directly compared to the initial 2012 resource estimate or the subsequent 2013 Mineral Resource estimate.

Table 1.1: Estimated Mineral Resources

Total Measured

Cut-off g Au/t	Tonnes	g Au/t	oz Au
1.20	678,000	4.270	93,000

Total Indicated

Cut-off g Au/t	Tonnes	g Au/t	oz Au
1.20	3,475,000	3.46	386,000

Total Measured & Indicated

Cut-off g Au/t	Tonnes	g Au/t	oz Au
1.20	4,153,000	3.59	479,000

Total Inferred

Cut-off g Au/t	Tonnes	g Au/t	oz Au
1.20	1,524,000	2.72	133,000

Mineral Reserve Estimate

Mineral Reserves estimates were developed using the resource modelled high-grade domains along with undiluted grade estimates. The high-grade domains were used as a basis for stope designs. To build up the mineable Mineral Reserves, the following steps were performed:

- Expand the high-grade resource estimation domain polygons to a minimum mining width of 2.5 m resulting in mid-block, level-plan polygons that represent potential stopes;
- Estimate diluted stope grades using only Measured and Indicated undiluted grade estimates from both high and low-grade estimation domains;
- Apply economic parameters to calculate net value for each block;
- Revise stope polygons to remove negative value blocks where possible;
- Resources inside of each stope polygon were summarized and the economic value for each stope was calculated;
- Stope polygons with negative values were either modified or eliminated;
- Centreline development was refined to access each stoping area;

- Stope economics were reassessed to include an allocation of development costs required to mine each stope;
- Final refinement or elimination of stope polygons was completed; and
- Solids of the final stope polygons were created and resources inside of each solid were summarized.

Measured and Indicated Resources above and below the economic cut-off grade (oxide 1.96g Au/t, transition 2.14 g Au/t, and sulfide 2.00 g Au/t) were summarized within each stope solid. The average minimum width is 3.0 m. The Mineral Reserves are shown in Table 1.2 below:

Table 1.2 Total Proven and Probable Reserves by Material Type

	Oxide			Mixed			Sulfide			Total Proven and Probable		
	K Tonnes	g Au/t	K Ozs Au	K Tonnes	g Au/t	K Ozs Au	K Tonnes	g Au/t	K Ozs Au	K Tonnes	g Au/t	K Ozs Au
Proven	11	4.60	2	3	3.12	0	415	5.99	80	429	5.93	82
Probable	63	3.91	8	17	4.37	2	1,915	5.08	313	1,995	5.04	323
Proven & Probable	74	4.01	10	20	4.20	3	2,331	5.24	393	2,425	5.20	405

Dilution by Measured and Indicated blocks included material below the mining cut-off grade, but above the Mineral Resource cut-off grades. This dilution totals 188,000 t of material grading 1.60 g Au/t and is part of the Proven and Probable Reserves.

The stope solids include material that is classified as Inferred Resource or was not estimated, and while the tonnage of this material is included as dilution, no additional metal content is included. This dilution totals 334,000 t of material at zero grade and is not part of the Proven and Probable Reserves as presented above in Table 1.2.

On an overall tonnage basis, the total dilution included is approximately 23%.

The diluted Proven and Probable Reserves are based on the same resources model that was used in the Preliminary Economic Assessment of October, 2013 (the “**2013 PEA**”), with minor changes due to subsequent additional land to the east of concession B7560005. The changes consider the original diluted material processed from the 2013 PEA, removal of Inferred material, changes to design, and expansion of the minimum mining width to include external dilution. The comparison is shown in Table 1.3.

Table 1.3 Changes from PEA Material Processed to Reserves

	Tonnes	g Au/t	Ozs Au
PEA Material Processed	3,642,000	4.76	557,300
Remove Inferred	(832,000)	4.16	(111,200)
Change due to Design	(540,000)	4.26	(73,900)
Add External Dilution	489,000	2.09	32,900
Final Diluted Reserve	2,759,000	4.57	405,100

MINING OPERATIONS

Mining Methods

The San Ramon Gold Mine has been planned as an underground mining operation.

Due to the experience and capabilities found in prospective Colombian contract miners, Red Eagle elected to use a contract mining group. A contract will be issued for a five-year term, with an option to extend, and with Red Eagle retaining the right to take over the contract at any time should it prefer.

Development included construction of a decline (which serves as the access), main haulage drifts, and attack ramps. Underground ventilation required ventilation shafts to the surface along with raises between levels.

The mining method selected is Mechanized Shrinkage with Delayed Fill (“**MSDF**”). The method is similar to mechanized cut and fill but uses breast blasting of the back between lifts. Then, rather than mucking of ore and backfilling immediately, the MSDF method leaves the ore in place in the stope, only removing enough material from the stope to remove swell (similar to shrinkage stoping but removing the swell from the top instead of the bottom). Access to the stope is provided by establishing an attack ramp. For each lift, the attack ramp back is blasted to establish access for the subsequent lift. Support is placed in the stope as needed during the drilling and blasting cycle of each lift. Once enough lifts have been drilled and blasted, the ore will be mucked out completely. The last cycle of mining for MSDF stopes is backfilling of the stope from the bottom up, progressively backfilling the attack ramp as well.

Backfill is to be used as required, but not all stopes will be fully backfilled. The backfill will consist of filtered tailings and development waste rock. Tailings will be placed in a single lift, and once the lift of tailings is placed, then a lift of waste rock from development will be placed on top of the tailings. The amount of waste placed on top of the tailings will be sufficient to allow equipment to drive on top of the backfill. It has been assumed that 60% tailings and 40% development waste rock will be a suitable mixture of tailings to waste to stabilize the fill.

The benefits to using MSDF instead of cut-and-fill mining are:

- Because ore is being slashed from the stope back and dropped on ore, dilution and ore loss during mucking are greatly reduced;
- Because MSDF slashing techniques are used for the bulk of the stope, the powder factor required is reduced in comparison to cut-and-fill mining;
- Leaving mined ore in the stope helps to maintain stability of the hanging wall and footwall until the ore is mucked out;
- If development of MSDF stopes is maintained ahead of ore requirements, underground stockpiles of ore will be available that can be delivered as required to the mill;
- Most of the fill only requires enough strength for equipment to be operated on top of it to deliver more fill, which reduces cement requirements and costs; and
- The method can easily be converted to cut-and-fill techniques where ground conditions become weak.

Geotechnical

A geotechnical analysis of the San Ramon Gold Mine and country rock characteristics was undertaken by Golder. The conclusions to this study were that the quality for the hanging and foot walls is expected to be good to very good with minimal support requirements for 20 m spans or less. Occasional support in the form of bolting and shotcrete may be needed, particularly when the openings encounter a dyke or weak zone. Conversely, for development along the poor-quality shear zone, bolting and reinforcement will be required at all stages of development.

Hydrological

Two water well drill and pump tests were undertaken to investigate water presence on both the granodiorite country rock (within an identified fault zone), and the San Ramon Gold Mine shear zone. The information gained from the two water wells confirmed that the granodiorite country rock yields insignificant flows and has low conductivity, and the shear zone similarly yields low flows and has low conductivity, with inflow rates ranging from 0.2 to 2 litres per second (“L/sec”). The mine design for pumping has been conservatively sized for an initial inflow of 5 L/sec, rising to 10 L/sec as the operations increase with depth.

Development and Production Schedules

A significant amount of detail was incorporated into the scheduling of both the mine development and stope production. Each area (totalling 106) and the development necessary to access the areas, was incorporated into a monthly schedule for the mine life.

Table 1.4 below shows the development schedule over the life of the San Ramon Gold Mine.

Table 1.4 Mine Development Summary

	Units	Yr -1	Yr 1	Yr 2	Yr 3	Yr 4	Yr 5	Yr 6	Yr 7	Yr 8	Total
Portal (Portal costs are in Capital)	m	30	-	-	-	-	-	-	-	-	30
Sublevel Ramp	m	484	1,810	2,557	576	795	1,954	370	820	1,738	11,104
Haulage Drift	m	-	302	155	-	704	173	153	109	218	1,813
Main Ramp	m	1,106	640	365	365	365	366	730	444	-	4,381
Ventilation Drift	m	8	53	106	-	96	24	8	43	46	383
Ventilation Raise	m	-	171	200	-	147	-	63	57	177	815
Attack Ramp	m	-	938	239	2,696	1,634	1,098	721	610	1,184	9,120
Total	m	1,627	3,914	3,622	3,637	3,742	3,614	2,044	2,084	3,362	27,646
Sublevel Ramp	Tonnes	24,494	91,643	129,465	29,143	40,247	98,918	18,753	41,489	87,999	562,152
Haulage Drift	Tonnes	-	15,290	7,823	-	35,633	8,739	7,746	5,538	11,030	91,798
Main Ramp	Tonnes	57,497	32,400	18,478	18,478	18,478	18,529	36,956	22,486	-	223,303
Ventilation Drift	Tonnes	392	2,677	5,373	-	4,878	1,209	392	2,178	2,308	19,406
Ventilation Raise	Tonnes	-	3,018	3,529	-	2,604	-	1,106	1,014	3,130	14,400
Attack Ramp	Tonnes	-	14,658	3,740	42,125	25,536	17,150	11,260	9,534	18,494	142,497
Total	Tonnes	82,384	159,686	168,408	89,746	127,376	144,545	76,213	82,239	122,960	1,053,556

Table 1.4 above shows a total of almost 28 km of development drifts over the mine life, and averaging 3.5 km per year. The main decline will eventually be 4.4 km in length at a 14% gradient.

Table 1.5 shows the production schedule over the life of the San Ramon Gold Mine.

Table 1.5 **Production Schedule**

<i>Mine Production Schedule</i>		Yr -1	Yr 1	Yr 2	Yr 3	Yr 4	Yr 5	Yr 6	Yr 7	Yr 8	Total
Oxide	K Tonnes	0	15	-	0	1	21	22	8	8	75
	g Au/t	2.60	5.12	-	1.75	3.47	4.07	4.20	2.68	2.29	3.96
	K ozs Au	0	2	-	0	0	3	3	1	1	10
Mixed	K Tonnes	-	6	0	1	1	1	1	9	0	20
	g Au/t	-	6.55	2.40	3.63	3.59	3.58	3.40	2.86	2.13	4.16
	K ozs Au	-	1	0	0	0	0	0	1	0	3
Sulfide	K Tonnes	9	298	320	321	318	295	293	304	193	2,351
	g Au/t	3.65	6.96	7.58	5.03	4.63	5.41	3.64	3.12	5.11	5.20
	K ozs Au	1.0	66.8	78.0	51.9	47.3	51.2	34.3	30.5	31.8	393
Total	K Tonnes	9	319	320	322	320	317	317	321	201	2,446
	g Au/t	3.63	6.87	7.58	5.02	4.62	5.31	3.68	3.10	5.00	5.15
	K ozs Au	1.0	70.5	78.0	52.0	47.5	54.1	37.5	32.1	32.3	405
Internal Waste	K Tonnes	1	40	40	38	40	44	43	39	27	312
Total Diluted Material Mined	K Tonnes	10	359	360	360	360	361	360	360	228	2,759
	g Au/t	3.13	6.11	6.74	4.49	4.11	4.67	3.24	2.77	4.42	4.57
	K ozs Au	1.0	70.5	78.0	52.0	47.5	54.1	37.5	32.1	32.3	405
Total	K Tonnes	-	352	360	360	360	361	360	360	245	2,759
	g Au/t	-	6.21	6.74	4.49	4.11	4.67	3.24	2.77	4.25	4.57
	K ozs Au	-	70	78	52	48	54	37	32	34	405
	K Ozs Rec Net Rec	- 0%	68 96%	75 97%	50 95%	45 95%	52 96%	36 95%	30 95%	32 96%	388 96%

Metallurgical recoveries and the resulting gold production from the process plant are also shown in the above Table 1.5. A total of 143,000 ounces (“oz”) are produced in the first two (2) years.

Recovery Methods

Based on the metallurgical test work LMC selected an overall process plant flowsheet which includes grinding and flotation followed by concentrate regrinding. The flotation tailings and reground concentrate are together leached in a carbon in leach (“CIL”) circuit. Cyanide in the CIL tailings will be detoxified using the SO₂ / Air process prior to the tailings being filtered. Part of the filtered tailings will be dry stacked in a dry waste management facility (“DWMF”), the balance will be used as backfill in the mine. Filtrate will be recycled back to the process plant to minimise the raw water requirement.

The process plant for the Santa Rosa Gold Project is based on a robust metallurgical flowsheet designed for optimum recovery with minimum operating costs. The flowsheet is based upon unit operations that are well proven in industry.

The key project and ore specific criteria that the plant design must meet are:

- The plant is designed for an initial throughput of 360,000 tonnes per annum (“tpa”) with provision for future expansion to at least 720,000 tpa;
- Test work shows that the ore is of medium hardness with average head grades over the life of the project of 4.57 gold per tonne (“g/t”) for gold and 8.5 g/t for silver;
- Mechanical availability for the process plant of 91.3%;
- A level of automation to reduce the technical complexity of the plant with manual operation where practical;
- Equipment selection for reliability and ease of maintenance; and
- Layout for ease of access to all equipment for operating and maintenance requirements whilst maintaining a compact footprint that will minimise construction costs.

The process plant design incorporates the following unit process operations:

- Primary crushing with a single toggle jaw crusher (1,100 x 700 millimetres (“**mm**”)) to produce a crushed product size of 80% passing (P_{80}) 100 - 120 mm;
- A crushed ore surge bin (30 m³) with a nominal capacity of 1-hour process plant feed of 45 t;
- Single stage SAG mill (5.0 diameter x 3.5 m – 1,200 kilowatts (“**kW**”)) in closed circuit with cyclones to produce a P_{80} grind size of 125 micron (“**µm**”);
- Rougher scavenger flotation (6 x 8 m³ conventional cells) to produce a sulphides / gold concentrate;
- Tower mill (150 kW) for regrind of the concentrate to a P_{80} grind size of 15 - 20 µm;
- Pre-leach thickener (10.3 m) to minimise CIL tankage and reduce overall reagent consumption;
- A hybrid CIL circuit incorporating one leach tank and six adsorption tanks (430 m³ each) with 48 h total residence time;
- A 2 tonne Anglo American Research Laboratories’ (“**AARL**”) elution circuit with electrowinning and smelting to produce gold doré bars;
- Cyanide destruction using the SO₂ / Air process (120 minute retention); and
- Tailings pressure filtration (445 m² filter area) to 16% moisture content.

The level of instrumentation and control has been selected to provide a basic regulatory control to maintain steady operation with minimal process excursions. Following industry practice for similar size plants, a supervisory control and data acquisition (“**SCADA**”) and programmable logic controller (“**PLC**”) architecture was selected for the plant wide process control system. It is a reliable and low cost approach.

Raw water for the Santa Rosa Gold Project is diverted from the spring source and catchment area of the La Veta creek to a three-day capacity storage pond located east of the plant site. Additionally, seasonal precipitation plus surplus water from the La Veta creek system is collected in the seepage collection pond, which will be pumped back to the process water storage tank at the plant. The seepage collection pond will have a constant overflow to sustain the minimum flow rate requirement for the La Veta creek (7.2 m³/h). Raw water is used to feed the potable and stripping water treatment plants as well as reagent mixing, and gland water.

For a year with an average rainfall the runoff entering the Santa Rosa Gold Project site will be on average between 22 to 44 m³/h. The estimated plant raw water make-up requirement will be approximately 14 m³/h. The underground mining operation is assumed self-sustainable from recycled underground inflows.

Infrastructure

The Santa Rosa Gold Project consists of an underground decline accessed mine, processing plant, and plant infrastructure. As part of this Feasibility Study, a site plan was developed for the project site. Major plant infrastructure consists of the following:

- Main access road from the concession gate to portal pad;
- 44 kilovolts (“**kV**”) power transmission line from engineered precision machining (“**EPM**”) substation (8.9 km long);
- 44 kV switch yard;
- Main switch room;
- Reagents switch room;

- Mine services and filter plant switch room;
- DWMF;
- Sedimentation pond;
- Seepage pond;
- Monitoring pond;
- Event pond;
- Reagent storage building;
- Plant administration building;
- Assay and metallurgical laboratory;
- Plant workshop and main warehouse building; and
- Mine truck shop / warehouse buildings.

The process plant site is bounded by the underground mining area to the south, the La Veta creek valley to the east, and the ridge line separating the San Francisco valley from the La Veta creek valley to the north and west. The topographic relief in the project area is moderate with gentle to relatively steep-sided valleys and hills. Elevations range between 2,300 m and 2,500 m above sea level.

The following factors were considered when developing the site plan layout:

- Minimizing the environmental impact and visibility;
- Reduced haul truck travel distance from the mine portal area to the run of mine (“**ROM**”) pad / primary crusher;
- Usage of existing access roads;
- Equalizing cut and fill material to avoid fill import or excessive cut to waste;
- Ensuring all heavy equipment foundations are supported on native undisturbed soil with sufficient load bearing capacity;
- Optimized ore flow through the process plant;
- Compact plant layout to reduce overall footprint, which minimizes electrical cabling, piping and service roads thus reducing capital costs; and
- Locating the filter presses as close as possible to the mine portal and the DWMF.

The major building structures were made of structural steel with uninsulated roof and wall cladding. The building foundations consist of cast in-situ conventional reinforced concrete footings. Secondary buildings are of pre-engineered, pre-fabricated, or portable module type, where applicable. The ancillary buildings require varying degrees of air conditioning and ventilation. The process plant facility is entirely outdoors, and only the main control room, the electrical switch rooms, and the laboratory building is air conditioned. The gold room is totally enclosed and ventilated. Fire protection, lightning protection and smoke detection were considered for various buildings.

It was recommended that the Santa Rosa Gold Project process plant will be supplied by a 44 kV overhead power line coming from an existing EPM substation located approximately 9 km south of the plant site at Rio Grande. Readers are referred to Figure 18.3 in the full text of the Santa Rosa Report which shows the EPM power substation and plant site with the proposed route for the new 44 kV power line. The overhead power line and associated infrastructure will have sufficient capacity for the planned expansion (10 megawatts (“**MW**”)).

The stepped down 4.16 kV power will be distributed to the plant switch rooms (load centres) using 5 kV cables installed as a combination of cable trays and direct buried. The main switch room will supply power for equipment located in the milling, feed preparation, and flotation areas. The reagents switch room will supply power to leaching, desorption, gold room, and reagents areas. The plant administration building and the plant workshop and main warehouse will be fed from separate 4.16 kV lines and their dedicated 4,160 / 480 volts (“V”) transformers.

A 4.16 kV direct buried cable will supply power to the 4.16 kV mine services switchgear, which will feed the mine area operation, ventilation fans, and the filter plant switch room. It was recommended that the mine area operation and ventilation fans will be fed via underground 4.16 kV lines. Each line will be protected by a 4.16 kV feeder breaker. The step-down transformers and their protection at the destination will be supplied by the mining contractor and ventilation supplier. A dedicated feeder breaker will supply power via an oil filled outdoor 4,160 / 480 V, 500 kVA transformer to the filter plant switch room.

Colombia is serviced directly, or through trans-shipment, by ample carriers of all modes, and it has the supporting infrastructure to receive major project cargo from offshore. Highway No. 25 from Medellín through Santa Rosa de Osos is a major transport route to Caribbean ports.

The Santa Rosa Gold Project involves the delivery of major equipment from various parts of the world, including Asia, North America and Europe. For this project, marine and truck transportation services has been utilized, individually or in combination. Off-site laydown areas, marshalling areas and project warehousing have been identified in the Medellín and Santa Rosa de Osos areas.

There is adequate road access to the site from the ports of Barranquilla and Buenaventura.

Capital Cost Estimate

Overall Capital Costs

The capital cost estimate includes all the direct and indirect costs and appropriate project estimating contingencies for all the facilities required to bring the Santa Rosa Gold Project into production, as defined by this Feasibility Study.

Mine capital has been minimized by employing a mining contractor for all mining activity. The largest portion of the capital cost estimate is attributed to development costs, which have been based on contractor quotations. Ventilation equipment quotations have been received from vendors. Other minor equipment capital costs have been assumed based on InfoMine estimation guides.

In the process plant capital, all equipment and material are assumed to be new. The labour rate build up is based on the statutory laws governing benefits to workers in effect in Colombia at the time of the estimate. Colombian import tariffs have been applied. The estimate does not include any allowances for escalation, exchange rate fluctuations or project risks. The capital cost estimate has a predicted accuracy of +/- 15%.

The total estimated cost of the overall project (mine plus process plant) is US\$69.90 million. This total has been compiled as shown in Table 1.6 below.

Table 1.6 Santa Rosa Gold Project Overall Capital Cost Estimate (US\$M)

Main Area	Supply Cost	Installation Cost +Freight & Taxes	Total Cost
Construction Indirects	2.12	0.79	2.91
Treatment Plant	15.51	8.68	24.19
Reagents & Plant Services	3.22	1.56	4.78
Infrastructure	2.07	0.64	2.71
Mining	9.64	0.04	9.68
Construction Management Costs	5.70	0.41	6.11
Owner's Costs	8.50	0.00	8.50
Working Capital	4.02	0.00	4.02
Subtotal			62.90
Contingencies			7.00
Grand Total			69.90

Mine Capital Costs

Mining capital has been minimized by employing a mining contractor for all mining activity. The mining contractor is being required to provide the mining equipment, and the cost of the equipment will be amortized into the mining cost. Mining capital includes development capital, pre-production mining costs, and other mine capital that is comprised of portal collar work, contractor mobilization, and mine surface facilities.

Most of the equipment and supplies that supports the mine is being purchased and installed by the contractor with reimbursement by Red Eagle Mining. The exception is some equipment that Red Eagle will purchase from other vendors. This includes primary and auxiliary ventilation fans, dewatering pumps, compressors, substation, and electrical switching gear.

The total capital is shown in Table 1.7 below. Pre-production capital and pre-production expensed costs are included in the initial capital. Total initial mine capital is US\$9.44 million, which includes pre-production costs of ore mined and stockpiled prior to the start of production. Mining costs that are normally expensed are included in the initial mine capital and include development cost for mining attack ramps to stoping areas during the pre-production period along with delineation drilling. Development metres have a contingency of 10% applied to the design to allow for unaccounted for (miscellaneous) development.

Table 1.7 shows the mining capital costs.

Table 1.7 **Total Mine Capital (US\$M)**

Item	Yr -1	Yr 1	Yr 2	Yr 3	Yr 4	Yr 5	Yr 6	Yr 7	Yr 8	Total
Mine Capital Summary										
Mine Development	3.50	5.26	5.98	1.70	3.75	4.42	2.33	2.59	3.90	33.45
Initial Delineation Drilling	0.43	0	0	0	0	0	0	0	0	0.43
Pre-Production	2.97	0	0	0	0	0	0	0	0	2.96
Contractor Capital	0.78	0	0	0	0	0	0	0	0.02	0.80
Departmental Capital	1.77	1.21	0.34	0.22	0.53	0.34	0.24	0.04	0.01	4.68
Total Mining Capital	9.44	6.47	6.32	1.92	4.28	4.76	2.57	2.63	3.93	42.32
Total Mining Capital										
Initial Capital	9.44	0	0	0	0	0	0	0	0	9.44
Sustaining Capital	0	6.47	6.32	1.92	4.28	4.76	2.57	2.63	3.93	32.88
Total Capital	9.44	6.47	6.32	1.92	4.28	4.76	2.57	2.63	3.93	42.32

Plant and Site Infrastructure Capital Costs

Major plant and site infrastructure included in the capital costs consists of the following:

- Process plant;
- 44 kV power line and switch yard;
- Access road;
- Ponds;
- Ancillary buildings; and
- DWMF.

The total estimated cost of the process plant is US\$59.25 million as shown in Table 1.8 below. This total excludes the initial mining capital investment of US\$9.44 million.

Table 1.8 **Process Plant Estimated Total Installed Costs (US\$M)**

Main Area	Supply Cost	Installation Cost + Freight and Taxes	Total Cost
Construction Indirects	2.12	0.79	2.91
Treatment Plant	15.51	8.68	24.19
Reagents & Plant Services	3.22	1.56	4.78
Infrastructure	2.07	0.64	2.71
Construction Management Costs	5.70	0.41	6.11
Owner's Costs	8.50	0.00	8.50
Working Capital	4.02	0.00	4.02
Subtotal			53.22
Contingencies			6.03
Grand Total			59.25

Contingency is an integral part of an estimate and has been applied to all parts of the estimate, direct costs, indirect costs, owner's costs, etc. The average contingency for the process plant capital costs is 11.2%.

Operating Cost Estimate

Mine Operating Costs

Mine operating costs have been estimated based on first principle operating parameters and costing parameters using hourly equipment and personnel rates provided by contractor quotations. Note that operating costs estimated during pre-production have been included in the capital costs, but have been estimated in the same manner. Mine operating costs are shown in Table 1.9 below.

Electrical and fuel consumption rates were determined using InfoMine estimation guides. Owner operated equipment cost estimates included ventilation and dewatering costs, which were estimated using hourly rates from InfoMine. Electrical and fuel costs have been assumed to be US\$0.11 per kilowatt per hour (“**kWH**”) and US\$1.10/L, respectively. This is based on Red Eagle's input and research.

The overall average mine operating cost is estimated to be US\$37.36 per tonne, or US\$265.61 per ounce of gold (“**Au/oz**”) produced.

The accuracy of the mine operating cost estimate is expected to be within $\pm 15\%$.

Table 1.9 **Mine Operating Cost**

Mine Production Costs	Units	Yr 1	Yr 2	Yr 3	Yr 4	Yr 5	Yr 6	Yr 7	Yr 8	Total
Drilling	K USD	960	962	962	962	965	962	962	609	7,346
Blasting	K USD	1,615	1,619	1,619	1,619	1,623	1,619	1,619	1,038	12,369
LHD Haulage to Muck Bays	K USD	788	813	835	783	782	745	715	453	5,915
LHD Loading	K USD	170	170	170	170	171	170	170	141	1,332
Haulage to Surface	K USD	673	915	977	893	890	877	1,028	938	7,192
Ground Support	K USD	1,196	1,199	1,199	1,199	1,202	1,199	1,199	759	9,153
Backfill	K USD	796	914	930	909	898	924	889	685	6,945
Expensed Development	K USD	1,636	418	4,703	2,851	1,915	1,257	1,064	2,065	15,908
Mine Support Services	K USD	358	357	357	357	358	357	357	298	2,801
Delineation Drilling Sampling	K USD	1,483	992	726	727	726	726	726	309	6,414
Ventilation	K USD	579	527	533	526	528	525	518	402	4,138
Dewatering	K USD	80	86	85	104	104	104	102	59	725
Mine General Services	K USD	982	982	982	982	982	982	982	818	7,688
Subtotal Mine Cost	K USD	11,318	9,953	14,078	12,082	11,144	10,448	10,331	8,573	87,927
Contractor Fixed Cost	K USD	1,931	1,931	1,931	1,931	1,931	1,931	1,931	1,609	15,128
Total Mine Cost	K USD	13,249	11,884	16,010	14,013	13,075	12,379	12,263	10,182	103,055
Total Mine Cost	US\$/t	36.70	33.01	44.47	38.93	36.22	34.39	34.06	43.94	37.36

Plant Operating Costs

The operating cost estimate includes five major categories as defined below:

- Process plant labour;
- Operating consumables;
- Power;
- Maintenance; and
- General and administration.

Operating costs have been developed using the plant parameters specified in the process design criteria. The operating cost estimate includes all the cost items relevant to processing the ore by crushing and grinding, flotation, CIL, electrowinning and smelting to produce gold doré. The operating costs listed by major category are presented in Table 1.10 below.

The process plant operating cost was determined to be US\$24.11 per tonne of ore processed or US\$171.48 per ounce of gold produced. With inclusion of G&A costs of US\$9.68 per tonne, the total annual operating cost is US\$33.80 per tonne of ore processed or US\$240.35 per Au/oz produced.

Table 1.10 Summary of Process Operating Cost Estimate at nominal duty of 360,000 tpa

Cost Category	Total Cost			Distribution %
	US\$/y	US\$/t ore	US\$/oz Au	
Process Plant				
Process Plant Labour	2,122,822	5.90	41.94	17%
Operating Consumables	2,958,244	8.22	58.44	24%
Power	2,654,988	7.37	52.45	22%
Maintenance	944,027	2.62	18.65	8%
Subtotal - Process Plant	8,680,082	24.11	171.48	71%
General & Administration	3,486,559	9.68	68.88	29%
Total	12,166,641	33.80	240.35	100%

Economic Analysis

An economic analysis was developed for the Santa Rosa Gold Project using the production schedule along with capital and operating costs as described in Section 21. The analysis uses fully diluted Proven and Probable reserves. The generated cash-flow model was carried out on a pre-tax and post-tax basis.

Net gross revenues were estimated using a US\$1,300 per ounce gold price with revenue deductions for royalties, refining, transportation and insurance costs. Cash cost calculations use the total operating cost plus royalties divided by the payable gold ounces. Total costs are calculated using the total costs (operating and capital) plus royalties and taxes divided by the payable gold ounces.

The cash-flow model calculates the Net Present Value (“NPV”) based on a discounted rate of 0% (undiscounted), 5% and 8%. The base case considers the NPV at 5%. The Internal Rate of Return (“IRR”) on total investment and the payback period were also calculated.

A sensitivity analysis was also conducted on parameters that are deemed to have the biggest impact on the Santa Rosa Gold Project financial performance (capital cost, operating cost and gold selling price). The financial results are summarised in Table 1.11 below.

Table 1.11 **Financial Performance Indicators**

Item	Units	Pre-Tax	Post-Tax
NPV @ 0%	K USD	171,763	131,501
NPV @ 5%	K USD	136,895	103,678
NPV @ 8%	K USD	119,921	90,027
IRR	%	64.4%	52.6%
Payback	Years	1.3	1.3
Cash Costs	US\$/t ore	83.78	
Total Costs	US\$/t ore	94.24	107.27
Cash Costs	US\$/oz Au	596.12	
Total Costs	US\$/oz Au	670.56	763.30

Conclusions and Recommendations

Geology and Mineral Resource

The Santa Rosa Gold Project is located within the Cajamarca-Valdivia terrane that includes a metamorphic basement complex and the Antioquia batholith. Typically, structures within the Antioquia batholith trend northwest-southeast. These structures are interpreted to be the cause of the formation of San Ramon deposit shear zone which, under dilation has received quartz, precious metals and sulphide mineralisation. Although mineralisation in the shear zone is pervasive, there are distinct high grade domains that can be followed consistently along the known east-west strike length of the deposit.

The current resource estimate on which this Feasibility Study is based was reported in August 2013 but is now reported at a different cut-off grade 1.2 g Au/t. The change in reporting cut-off was appropriate because the mining scenario has been determined to be by underground methods. The current resource estimate also includes a small addition on land not formerly controlled by Red Eagle Mining.

The following recommendations were proposed and have been implemented by the Company:

- Further exploration drilling is required to test the current Inferred resource, and to test the expansion of the deposit with depth and plunge to the east; and
- Detailed delineation drilling will be necessary for ore zone definition and stope design prior to mining. The delineation drill pattern should be a closely spaced as practically possible, and initially, no greater than a 10 m by 10 m pattern.

Mining and Mineral Reserves

Mineral reserves were developed using the resource modelled high-grade domains along with undiluted grade estimates. The high-grade domains were used as a basis for stope designs. Measured and Indicated resources above and below the economic cut-off grades (oxide 1.96 g Au/t, transition 2.14 g Au/t, and sulfide 2.00 g Au/t) were determined for the stope solids. Initial stope designs were created with a 2.0 m minimum width, but then expanded to include a 2.5 m width to account for external wall dilution or selvedge. Dilution with Measured and Indicated material was added at modelled grades; waste and Inferred dilution material was added at zero grade. The average minimum width is 3 meters.

A mining method was developed that was considered suitable to the geometry of the stope solids, and the geotechnical characteristics of the shear zone containing the high-grade domains. The method developed was MSDF. This method has the advantages of:

- dilution and ore loss during mucking are greatly reduced;
- the powder factor required is reduced in comparison to the similar method of cut-and-fill mining;
- leaving mined ore in the stope maintains wall stability until the ore is mucked out;
- underground stockpiles of ore will be available that can be delivered as required to the mill; and
- easy to convert to cut-and-fill techniques where ground conditions become weak.

Life of mine production schedules were created based on required development and the designed stopes. The schedules were done on a monthly basis and include productivity from contractor quotations. These schedules were used for first principle cost evaluation and economic analysis.

Reserves have been classified in order of increasing confidence into Proven and Probable categories to be in compliance with the CIM Standards and therefore NI 43-101.

The following recommendations were proposed and have been implemented or are in the process of being implemented by the Company:

- Maximum support design for the decline portal and the upper section of the decline in saprolite and schist is recommended. The decline is the only access into the deposit and must remain stable for the life of the mine. Special support attention may also be necessary when advancing from the schistose rock through to granodiorite;
- The Feasibility Study assumes mining contractors will be used to offset mining capital. Proposals were received as part of the mining study, and several discussions have been underway with multiple mining contractors. These negotiations need to be completed with the goal of developing a working partnership with the contractor that will promote productivity and safety while maintaining costs at a minimum;
- Mining contractors in the area are very experienced in underground construction and development, but are less experienced in mine production. Red Eagle Mining has decided to bring in a team of experienced mining experts to help train the contract miners. To make this strategy successful, these mining experts need to be sourced;
- Management of dilution and ore loss will be the key to the success of the underground operations. This will require planning and implementation of a delineation program and the procedures to be used. Red Eagle Mining should determine the procedures and work flow required to ensure a successful program of delineation for stopes. This includes how drill planning is done, how drilling results are tracked, establishment of quality control protocols and procedures, modelling of results, inclusion into detailed stope designs, and reconciliation of planned and actual mining; and
- Explosives are supplied by the Colombian Government and are long lead orders. Negotiations with the contractor need to be completed and orders placed to ensure that explosive products are available when required.

Metallurgical Test work and Recovery Methods

Metallurgical laboratory test work achieved the desired quality and demonstrated that by using the designed process flowsheet it is possible to economically recover gold from the San Ramon deposit.

Based on the metallurgical test work LMC selected an overall process plant flowsheet which includes grinding and flotation followed by concentrate regrinding. The flotation tailings and reground concentrate are leached in a CIL circuit. Cyanide in the CIL tailings will be detoxified using the SO₂ / Air process prior to the tailings being filtered. Part of the filtered tailings will be stacked in a dry waste management facility; the balance will be used as backfill in the mine. Filtrate will be recycled back to the process plant to minimise the raw water requirement.

The process plant for the Santa Rosa Gold Project is based on a robust metallurgical flowsheet designed for optimum recovery with minimum operating costs. The flowsheet is based upon unit operations that are well proven in industry.

To compliment the results of the Feasibility Study, additional metallurgical test work was recommended and implemented as follows:

- Bulk flotation test work to generate 10 to 20 kg of flotation concentrate using a 100 to 200 kg sample. It is recommended that the sample is extracted from the existing Hilo Azul underground cross cut, which intersects the full width of the shear zone in sulphides;
- Regrind test work should be undertaken by the selected equipment vendor using the flotation concentrate. This test work will confirm the size of the regrind equipment, refine the operating cost estimate and will facilitate process guarantees upon purchase of the equipment;
- The bulk flotation tail and reground product should be collected after testing. The samples should be sent for vendor thickening and filtration test work to facilitate process guarantees upon purchase of the equipment;
- Given the lower cyanide consumption and lower final cyanide concentration in the coast down tests, further testing is recommended to optimize the cyanide concentration and dosage schedule during the leach step; and
- A single test with separate leaching of the reground concentrate and flotation tails increased gold recovery by more than 1% over the combined leach. Therefore, it is recommended that the test be repeated to confirm the improved recovery. If this is confirmed, then a value-added exercise should be undertaken to determine if the separate leach approach offers a significant improvement in the process.

In addition to metallurgical test work the following modelling and value engineering assessments were recommended and implemented:

- Value engineering assessment of the inclusion of a tail thickener to recover cyanide should be undertaken. The current design minimises capital rather than operating cost; and
- Given the closed-circuit nature of the flowsheet it is recommended that a more detailed mass and chemical modelling of the circuit be undertaken including both the plant and site water system to better define the chemistry of circulating loads and the final effluent.

Project Infrastructure

Site infrastructure facilities in support of the mining and processing of the San Ramon deposit have been developed to take into consideration the local topographic features, water courses and access. The level of the detail and planning is commensurate with that normally associated with Feasibility Study level.

There is adequate space for the intended facilities and there are no known adverse conditions that could affect the design and construction of the required project infrastructure. The layouts of equipment and building sizes including auxiliary buildings, maintenance facilities, and power supply infrastructure will be compatible with other similar size projects.

The current level of infrastructure design incorporates all necessary facilities to protect the environment including water treatment, sewage disposal, surface water catchment, retention ponds and recirculation systems.

Due to the reduction in the project site footprint and process plant relocation late in the Feasibility Study, an extension to the completed geotechnical program needs to be undertaken for the equipment and building foundations in the current location of the plant site to supplement the drilling done as part of this Feasibility Study. The program must be completed prior to the start of detailed engineering.

Environmental Studies, Permitting, and Social and Community Impact

Red Eagle has obtained the necessary Environmental License in order to start construction activities at the Project site. The social program of information and workshops that have been running for over two years should continue through the duration of operations. The corporate policy of Red Eagle Mining is to remain transparent to all communities and stakeholders in the region.

Red Eagle Mining has a number of sustainable programs planned that will positively develop the social environment. This will be achieved by the existing commitment to maximize the recruitment of local personnel during both construction and operations. It is estimated that at least 150 people will benefit from direct employment and at least another 500 will benefit indirectly. Local suppliers of goods and support services to the mine will be able to develop their businesses through increased opportunities. Education and training programs will raise the skills level of the workers in the area. Culturally the local communities are willing to accept change and have a high potential and desire to improve and benefit themselves.

The project footprint lies within an area owned by a single landowner and therefore there is limited effect on land or property tenure.

There are no impacts related to displacement of the local population and any impacts on their way of life are minimal and management plans are in place to mitigate these. The remote location of the project in relation to the local communities and population assists in minimizing any potential impacts.

Main Conclusion

The Feasibility Study for the Santa Rosa Gold Project was completed in sufficient detail to refine the economics to a +/-15% level of accuracy and outline the issues facing the project going forward. The Project economics were sufficiently robust to warrant moving to the next phase of detailed engineering and construction. The estimated cost for the entire mine development and process plant and infrastructure construction up to, and including start-up and commissioning was US\$69.90 million (excluding value-added tax (“VAT”) to be paid, but reclaimed in the first year of production).

Planned Exploration

The Company's objectives for the Santa Rosa Gold Project are set out in the Santa Rosa Report. The Company plans on conducting exploration activities at the San Ramon Gold Project as set out in the Santa Rosa Report, including drill testing the extent of mineralization at depth and to the east of existing drilling, which if successful could significantly increase the life of mine. The Company also plans to conduct regional exploration including drilling other targets at the Santa Rosa Gold Project that have been identified through anomalous potassium from radiometric surveys, anomalous gold from geochemistry programs and extensive mapping and sampling of thousands of historic adits. If a second economic deposit is discovered and subsequently developed it would increase the feed available for the Santa Rosa mill, permitting growth in annual production.

RISK FACTORS

The operations of Red Eagle are speculative due to the high-risk nature of our business activities. The principal risk factors outlined below are not the only risks and uncertainties not presently known by management of the Company or that management currently believes are immaterial could affect the Company, its business and prospects. Additional risk factors could materially affect the Company's future operating results and could cause actual events to differ materially from those described in our forward-looking statements.

Commodity Prices

The Company's business is strongly affected by the world market price of gold. Global metal prices fluctuate widely and are affected by numerous factors beyond the Company's control, including global demand and production levels; political and economic conditions; producer hedging activities; speculative activities; inflation; interest rates; central bank lending, sales and purchases of gold; the strength of, and confidence in, the U.S. dollar, the currency in which the price of gold is generally quoted; and currency exchange rates.

The price of gold has fluctuated widely in recent years, and future sustained gold price declines could cause continued development of, and commercial production from, our projects to be uneconomic. Depending on the price of gold, the Company's cash flow from mining operations may be insufficient to meet its operating needs and capital expenditures, and as a result the Company could experience losses and/or may curtail or suspend some or all of its exploration, development, construction and mining activities or otherwise revise its mine plans, and exploration, development and construction plans, and could lose its interest in, or be forced to sell, some or all of its properties. Further, if forced to use significantly lower gold prices for Mineral Reserve calculations and the San Ramon Gold Mine life-of-mine could result in material write-downs in our mining properties and increased amortization, reclamation and closure charges.

In addition to adversely affecting our Mineral Reserve estimates for the San Ramon Gold Mine and our financial condition, declining commodity prices could impact operations by requiring a reassessment of the feasibility of our projects, including the Santa Rosa Gold Project. Such a reassessment may be the result of a management decision or may be required under financing arrangements related to a particular project. Even if such project is ultimately determined to be economically viable, the need to conduct such a reassessment may cause substantial delays or may interrupt operations until the reassessment can be completed.

Future Production Estimates

Forecasts of future gold production are estimates based on interpretation and assumptions, and actual production may be less than estimated. Red Eagle has prepared estimates of future production from its San Ramon Gold Mine. The Company's production forecasts are based on full production being achieved. The Company's ability to achieve and maintain its estimated full production rates at the San Ramon Gold Mine is subject to a number of risks and uncertainties. These production estimates are dependent on, among other things, the accuracy of Mineral Reserve and Mineral Resource estimates, the accuracy of assumptions regarding ore grades and recovery rates, ground conditions, physical characteristics of ores, such as hardness and the presence or absence of particular metallurgical characteristics, and the accuracy of estimated rates and costs of mining and processing. The actual production may vary from our estimates for a variety of reasons, including, risks and hazards associated with mining; natural phenomena, such as inclement weather conditions, water availability, floods, and earthquakes; and unexpected labor shortages, strikes, local community opposition or blockades. See "Risks - Operating Risks" below. The failure of the Company to achieve its estimated production at the San Ramon Gold Mine could have a material adverse effect on the Company's operations and financial condition.

Foreign Operations

Red Eagle's mineral properties are all located in Colombia. Although Colombia has a long-standing tradition respecting the rule of law, which has been bolstered in recent years by the present government's policies and programs, no assurances can be given that our plans and operations will not be adversely affected by future developments in Colombia. Operations in Colombia are exposed to various levels of social, political, economic, legal and fiscal risks and uncertainties. Such risks and uncertainties include expropriation; extreme fluctuations in currency exchange rates; high rates of inflation; labour unrest; the risks of war or civil unrest; renegotiation or nullification of existing

concessions, licenses, permits and contracts; ability of governments to unilaterally alter agreements; government imposed supply laws; surface land access issues; illegal mining; changes in taxation policies; restrictions on foreign exchange and repatriation; and changing political conditions, currency controls and governmental regulations that favour or require the awarding of contracts to local contractors or require foreign contractors to employ citizens of, or purchase supplies from within the region. The government in Colombia faces ongoing problems of inflation, unemployment and inequitable income distribution. While the Colombian economy has experienced growth in recent years, there is no guarantee that such growth will continue in the future, at similar rates, or at all. If the growth in Colombia's economy stagnates or suffers a recession, the Company's development and exploration efforts may be adversely affected.

Further, Colombia has in the past experienced a difficult security environment. In particular, various illegal groups that may be active in and around regions in which the Company has or may have operations may pose a credible threat of terrorism, extortion and kidnapping, which could have an adverse effect on the Company's operations in such regions. Colombia is also home to South America's largest and longest running insurgency and large swaths of the countryside are under guerrilla influence. In addition, Colombia experiences narcotics-related violence and civil unrest in certain areas of the country. Such instability may require the Company to suspend operations on its properties. In the event that continued operations in these regions compromise the Company's security or business principles, the Company may withdraw from these regions on a temporary or permanent basis, which, in turn, could have a material adverse impact on the Company's operations and financial condition.

The occurrence of the various factors and uncertainties related to the economic and political risks of operating in foreign jurisdictions cannot be accurately predicted and could have a material adverse effect on our operations or profitability. Additionally, the perception of Colombia's status as a developing country may also hinder the Company's ability to access capital markets in a timely or cost effective manner.

Costs and Costs Estimates

We have prepared estimates of operating costs and capital costs in respect to the Santa Rosa Gold Project. Our estimated costs are dependent on a number of factors, including the exchange rate between the United States dollar, the Canadian dollar and the Colombian peso, smelting and refining charges, penalty elements in concentrates, royalties, the price of gold and by-product metals, the cost of inputs used in mining operations and events that impact estimated production levels.

However, despite our best efforts to budget and estimate such operating costs and capital costs, including any targeted cost reductions, as a result of the substantial expenditures involved in the development of mineral projects and the fluctuation of costs over time, development projects and operating mines are often prone to material cost overruns. Our actual costs may vary from estimates for a variety of reasons, including changing waste-to-ore ratios, ore grade metallurgy, labour and other input costs, commodity prices, general inflationary pressures and currency exchange rates, as well as those identified under "Risks Factors – Exploration, Development and Operating Risks" below. Failure to achieve our estimated costs could have an adverse impact on Red Eagle's business, results of operations and financial condition.

Volatility in the Market Price of the Company's Securities

The Company's common shares are listed on the TSX, the OTCQX and the BVL. Securities of mining companies have experienced substantial volatility in the past, often based on factors unrelated to the financial performance or prospects of the companies involved. These factors include macroeconomic developments in North America and globally, currency fluctuations and market perceptions of the attractiveness of particular industries. The price of Red Eagle Common Shares are also likely to be significantly affected by short-term changes in gold prices, by the Company's financial condition or results of operations as reflected in its quarterly financial statements and by other operational and regulatory matters. As a result of any of these factors, the market price of Red Eagle's Common Shares at any given point in time may not accurately reflect our long-term value.

Regulation, Permits and Licenses

Mining activities are subject to extensive laws and regulations governing prospecting, development, production, exports, taxes, labor standards, occupational health and safety, water disposal, toxic substances, explosives, management of natural resources, environmental management and protection, mine safety, dealings with native groups, historic and cultural preservation and other matters. Although our mining and processing operations and exploration and development activities are currently carried out in accordance with all applicable rules and regulations, no assurance can be given that new rules and regulations will not be enacted or that existing rules and regulations will not be applied in a manner which could limit or curtail production or development. Amendments to current laws and regulations governing operations and activities of mining and milling or more stringent implementation thereof could have a material adverse impact on us. In addition, changes to laws regarding mining royalties or taxes, or other elements of a country's fiscal regime, may adversely affect our costs of operations and financial results.

Additionally, Red Eagle may also be required to obtain certain other property rights to access, or use, certain of its properties in order to proceed with mining activities. There can be no assurance that all licenses, permits or property rights which the Company may require for any exploration or development of mining operations will be obtainable on reasonable terms or in a timely manner, or at all, that such terms will not be adversely changed, that required extensions will be granted, or that the issuance of such licenses, permits or property rights will not be challenged by third parties. Delays in obtaining or a failure to obtain such licenses, permits or property rights or extension thereto, challenges to the issuance of such licenses, permits or property rights, whether successful or unsuccessful, changes to the terms of such licenses, permits or property rights, or a failure to comply with the terms of any such licenses, permits or property rights that Red Eagle has obtained, could have a material adverse effect on the Company by delaying or preventing or making more expensive exploration, development and/or production.

The process for establishing and preserving mining title and other mineral rights in Colombia is complex, and may be the subject of dispute with regulators. Changes to current laws, regulations and permits governing operations and activities of mining companies, including environmental laws and regulations which are evolving in Colombia, or more stringent enforcement thereof, could have a material adverse impact on the Company and increase costs, affect Red Eagle's ability to expand or transfer existing operations or require the Company to abandon or delay the development of new mineral properties.

There is risk that the decisions of the Colombian judicial system relating to preservation of the Paramos, Colombian's high-altitude ecosystem, as well as changes to or interpretations of other existing or future applicable laws and regulations relating thereto, may have a material adverse effect on or otherwise impact the Company's mineral tenure, mining rights and development plans for our mining properties.

Good Title to the Company's Mineral Properties

The Company will not maintain insurance against title. Title on mineral properties and mining rights involves certain inherent risks due to the difficulties of determining the validity of certain claims as well as the potential for problems arising from the frequently ambiguous conveyance history of many mining properties. Red Eagle has, with the assistance of our Colombian legal counsel, diligently investigated title to our mineral claims; however, this should not be construed as a guarantee of title. The Company will continue to diligently investigate and seek to confirm title to mineral concessions which we hold either directly or through equity holding interests in its subsidiaries. The Company cannot give any assurance that title to properties it acquired individually or through historical share acquisitions will not be impugned and cannot guarantee that the Company will have or acquire valid title to these mining properties. Failure by Red Eagle to retain title to properties which comprise its projects could have a material adverse effect on the Company and the value of its Common Shares.

Risks Associated with Potential Acquisitions

We may evaluate opportunities to acquire additional mining assets and businesses. These acquisitions may be material in size, may change the scale of the Company's business and may expose the Company to new geographic, political, operating, financial and geological risks. Red Eagle's success in its acquisition activities depends on its ability to identify suitable acquisition targets, acquire them on acceptable terms and integrate their operations successfully with those of the Company. Ultimately, any future acquisitions would be accompanied by risks. We may need additional

capital to finance any such acquisitions. Debt financing related to acquisition would expose the Company to the risk of leverage, while equity financing may cause existing shareholders to suffer dilution. There is a limited supply of desirable mineral lands available for claim staking, lease or other acquisition in the areas where the Company contemplates conducting exploration activities. Red Eagle may be at a disadvantage in its efforts to acquire quality mining properties as it must compete with individuals and companies which in many cases have greater financial resources and larger technical staffs than the Company.

We cannot provide assurance that we can complete any acquisition or business arrangement that we pursue, or are pursuing, on favourable terms, or that any acquisitions or business arrangements completed will ultimately benefit our business. Furthermore, there can be no assurance that we would be successful in overcoming the risks identified above or any other problems encountered in connection with such acquisitions.

Cash Flows

Red Eagle's ability to generate positive operating cash flow will depend upon a number of factors, including, among others, the worldwide market price of gold, the quantity of gold available for sale, the timing of the receipt of funds from the sale of gold sold by the Company, and successful operations at the San Ramon Gold Mine.

Exploration, Development and Operating Risks

Mining exploration and operations generally involve a high degree of risk. Red Eagle's business is subject to all the hazards and risks normally encountered in the exploration, development and production of gold including unusual and unexpected ground conditions or geologic formations, seismic activity, rock bursts, rock slides, cave-ins, slope or pit wall failures, flooding, fire, metal losses, periodic interruption due to inclement or hazardous weather conditions and other conditions that would impact the drilling and removal of material, any of which could result in reduced production, damage to, or destruction of, mines and other producing facilities, damage to life or property, environmental damage and possible legal liability.

Exploration for minerals is highly speculative in nature, involves many risks and frequently is unsuccessful. There is no assurance that any exploration activities of Red Eagle will result in the development of an economically viable mine project. Substantial expenditures are required to establish Mineral Resources and Mineral Reserves through drilling, to develop metallurgical processes to extract the metal from Mineral Resources, and in the case of new properties, to develop the mining and processing facilities and infrastructure at any site chosen for mining. Assuming discovery of an economic ore body, depending on the type of mining operation involved, several years may elapse from the initial phases of drilling until commercial operations are commenced and during such time the economic feasibility of production may change.

The on-going development of the San Ramon Gold Mine will continue to include the construction and operation of the underground mine, its processing plants and related infrastructure. As a result, Red Eagle is and will continue to be subject to all of the risks associated with establishing a new mining operation, including risks relating to the availability and cost of skilled labour, mining equipment, fuel, power, materials and other supplies; the ability to obtain all necessary governmental approvals and permits; potential opposition from non-governmental organizations, environmental groups or local residents; and the availability of funds to finance construction and development activities. Cost estimates may increase as more detailed engineering work is completed on a project. It is common for new mining operations to experience unexpected costs, problems and delays during construction, development, and mine start-up.

In addition, production may be adversely impacted by operational problems or other equipment, or industrial accidents, as well as other potential issues such as actual ore mined varying from estimates of grade or tonnage, dilution, block cave performance and metallurgical or other characteristics, interruptions in electrical power or water, shortages of required inputs, labour shortages or strikes, restrictions or regulations imposed by government agencies or changes in the regulatory environment. In addition, short-term operating factors, such as the need for orderly development of the ore bodies or the processing of new or different ore grades, may cause a mining operation to be unprofitable in any particular accounting period.

The occurrence of one or more of these events may result in the death of, or personal injury to, employees, other personnel or third parties, the loss of mining equipment, damage to or destruction of mineral properties or production facilities, monetary losses, deferral or unanticipated fluctuations in production, suspension, curtailment or termination of operations, environmental damage and potential legal liabilities, any of which may adversely affect Red Eagle's business, reputation, results of operations and financial condition.

Uncertainty in the Estimation of Mineral Resource and Mineral Reserves

The figures for Mineral Resources and Mineral Reserves presented herein in respect of the San Ramon Gold Mine are estimates only and no assurance can be given that the anticipated tonnage and grades will be achieved. The grade of Mineral Resources actually recovered, if any, may differ from the estimated grade of the Mineral Resources. Such figures have been determined based upon assumed metal prices and operating costs. Mineral Reserve and Mineral Resource estimates may be materially affected by environmental, permitting, legal, title, taxation, socio-political, marketing and other risks and relevant issues. There are numerous uncertainties inherent in estimating Mineral Reserves and Mineral Resources, including many factors beyond the Company's control. Such estimation is a subjective process, and the accuracy of any Mineral Reserve or Mineral Resource estimate is a function of the quantity and quality of available data, the nature of the ore body and of the assumptions made and judgments used in engineering and geological interpretation. Mineral Resources and Mineral Reserves should not be interpreted as assurances of mine life or of the profitability of current or future operations. These estimates may require adjustments or downward revisions based upon further exploration or development work, drilling or actual production experience. Any material reductions in estimates of Mineral Reserves and Mineral Resources, or of our ability to extract these Mineral Reserves, could have a material adverse effect on our results of operations and financial condition.

Mineral Resources are not Mineral Reserves and have a greater degree of uncertainty as to their existence and feasibility. There is no assurance that Mineral Resources will be upgraded to proven or probable Mineral Reserves. See also "Introductory Notes – Cautionary Note to United States Investors Concerning Estimates of Measured, Indicated and Inferred Resources".

Uncertainties and Risks Relating to Feasibility Studies

Feasibility studies, such as that included in the Santa Rosa Report, are used to determine the economic viability of a deposit. However, there is no certainty that the Santa Rosa Report will be realized. While the Santa Rosa Report is based on the best information available to the Company, it cannot be certain that actual costs will not significantly exceed estimated costs. While the Company incorporates what we believe is an appropriate contingency factor in cost estimates to account for this uncertainty, there can be no assurance that our determined contingency factor is adequate. Many factors are involved in the determination of the economic viability of a mineral deposit, including the actualization of satisfactory Mineral Reserve estimates, the level of estimated metallurgical recoveries, capital and operating cost estimates and estimates relating to future precious metal prices. Mineral Resource estimates are based on the assay results of many intervals from many drill holes and the interpolation of those results between holes may also be materially affected by metallurgical, environmental, permitting, legal, title, socio-economic factors, marketing, political and other factors.

In addition, the mining operations at the Santa Rosa Gold Project is dependent on a number of factors, including, but not limited to, the acquisition and/or delineation of economically recoverable mineralisation, favourable geological conditions, maintaining the necessary approvals from all relevant authorities and parties, weather patterns, unanticipated technical and operational difficulties encountered in extraction and production activities, mechanical failure of operating plant and equipment, shortages or increases in the price of consumables and equipment, cost overruns, access to the required level of funding and contracting risks relating to third parties providing essential services to the Company. As a result, the actual operating results from the San Ramon Mine may differ from those anticipated in the Santa Rosa Report. There is no certainty that metallurgical recoveries obtained in bench scale or pilot plant scale tests will be achieved in commercial operations. Capital and operating cost estimates are based upon many factors, including anticipated tonnage and grades of ore to be mined and processed, the configuration of the ore body, ground and mining conditions, expected recovery rates of the metals from the ore and anticipated environmental and regulatory compliance costs. Each of these factors involves uncertainties, and as a result, Red Eagle cannot give any assurance that the Santa Rosa Report results, as reported, will not be subject to change and revisions. In addition,

no assurance can be given that Red Eagle will achieve commercial viability through the development or mining of the Santa Rosa Gold Project.

Competition

The Company faces competition from a number of large established companies with which have greater financial resources and technical facilities for the acquisition of mineral concessions, claims, leases and other mineral interests as well as for the recruitment and retention of qualified employees. Our ability to locate and increase resources and reserves in the future will depend not only on our ability to explore and develop our present mineral properties, but also on our ability to select, acquire and develop suitable future properties or prospects. As a result of this competition, the Company may be unable to identify, maintain or acquire attractive mining properties on acceptable terms or at all. Consequently, our prospects, revenues, operations and financial condition could be materially adversely affected.

Dependence upon Key Management and Other Personnel and Availability of Supplies

Red Eagle is dependent upon a number of our key management personnel. Red Eagle's ability to manage our operations will depend in large part on the efforts of these highly skilled individuals. Our success is, and will continue to be to a significant extent, dependent on the expertise and experience of the directors and management team, and the loss of one or more of such persons could have a material adverse effect on the Company.

Certain raw materials and supplies used in connection with our operations are obtained from a sole or limited group of suppliers. An increase in global demand for such resources and a corresponding decrease in the supplier's inventory will likely cause unanticipated cost increases, an inability to obtain adequate supplies and delays in delivery times, thereby impacting operating costs, capital expenditures and our production schedule. Although we make efforts to ensure that we have contingency plan in place, if a supplier is unable to adequately meet our operating needs over a significant period of time this could have a material adverse effect on our business, results of operations and financial condition.

In addition, Red Eagle's future drilling activities, if any, may require significant investment in additional personnel and capital equipment. Given the current level of demand for equipment and experienced personnel within the mining industry, there can be no assurance that the Company will be able to acquire the necessary resources to successfully implement its business plan.

Conflicts of Interest

Certain directors and/or officers of Red Eagle also serve as directors and/or officers of other companies involved in natural resource exploration, development and mining operations and consequently there exists the possibility for such directors to be in a position of conflict. Any decision made by any of such directors and/or officer will be made in accordance with their duties and obligations to deal fairly and in good faith with a view to the best interests of the Company and its shareholders. In addition, each director is required to declare and refrain from voting on any matter in which such director may have a conflict of interest in accordance with the procedures set forth in the *Canada Business Corporations Act* and other applicable laws.

Infrastructure

Mining, processing, development and exploration activities depend, to one degree or another, on adequate infrastructure. Reliable roads, bridges, power sources and water supply are important determinants, which effect capital and operating costs. Unusual or infrequent weather phenomena, terrorism, sabotage, community, government or other interference in the maintenance or provision of such infrastructure could adversely affect the Red Eagle's operations, financial condition and results of operations.

Management believes that the infrastructure weaknesses in Colombia are comparable to those in many other remote mining locations in other parts of the world.

Uncertainty of Additional Funding

The Company's activities do have scope for flexibility in terms of the amount and timing of expenditure, and expenditures may be adjusted accordingly. Further operations will require additional capital and will depend on the Company's ability to obtain financing through debt, equity, or other means. Red Eagle's ability to meet our obligations and maintain operations is contingent upon successful completion of additional financing arrangements. Although we have been successful in raising funds to date, there is no assurance that the Company will be successful in obtaining the required financing or refinancing its existing financing in the future or that such financing or refinancing will be available on terms acceptable to the Company. In addition, any future financing may also be dilutive to existing shareholders of Red Eagle.

Indebtedness

The Credit Facility entered into by the Company to fund its development of San Ramon Gold Mine includes several covenants that impose significant operating and financial restrictions on Red Eagle and limit the Company's ability to undertake certain actions without the consent of Orion. As a result of these restrictions, the Company may be limited in how it conducts our business, be unable to raise additional debt or equity financing to operate during general economic or business downturns, or be unable to compete effectively or to take advantage of new business opportunities. These restrictions may affect Red Eagle's ability to grow in accordance with its business strategies. In addition, the Company's financial results and indebtedness could adversely affect the availability and terms of any future financings. In addition, the restrictive covenants in the Credit Facility require the Company to maintain specified financial ratios and satisfy other financial condition tests. The Company's ability to maintain such ratios and pass such tests may be impacted by factors beyond the control of Red Eagle. A breach of the covenants or restrictions under the Credit Facility could result in an event of default thereunder. Such a default may allow the lenders to accelerate the debt, and may permits the lenders to terminate all commitments to extend further credit under the Credit Facility. In addition, if the Company were unable to repay the amounts due and payable under the Credit Facility, those lenders could realize against the collateral granted to them to secure such indebtedness. The Company may not have sufficient assets to repay any indebtedness and Red Eagle could be forced into bankruptcy, liquidation or restricting proceedings. See "General Development of the Business – Three Year History and Significant Acquisitions."

Uninsured Risks

The mining industry is subject to significant risks that could result in damage to, or destruction of, without limitation, mineral properties or producing facilities, personal injury or death, environmental damage, delays in mining, monetary losses and possible litigious suits. Where we consider it feasible to do so, Red Eagle maintains insurance in amounts that it believes to be reasonable. Such insurance, however, contains exclusions and limitations on coverage. Accordingly, the Company's insurance policies may not provide coverage for all losses related to its business operations. The occurrence of losses, liabilities or damage not covered by such insurance policies could have a material adverse effect on the Company's profitability, results of operations and financial condition.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. Red Eagle reported a net loss of \$9,209,000 for the year ended December 31, 2016 and as at December 31, 2016 had a working capital deficiency of \$34,472,265 (December 31, 2015: (\$1,536,765)) with cash and cash equivalents of \$5,642,254 (December 31, 2015: \$10,347,916). Under the Company's debt facility agreements, \$18,250,499 is due within twelve months of the balance sheet date.

We endeavor to ensure that we will have sufficient liquidity in order to meet short to medium-term business requirements and all financial obligations as those obligations become due. Historically, sufficient liquidity has been provided through external financing initiatives. The Company is currently in the start-up phase at the San Ramon Gold Mine and mill. The Company's ability to continue operations in the normal course of business is dependent upon establishing positive cash flows from production at the San Ramon Gold Mine and mill. For working capital and exploration purposes, the Company completed a bought deal financing in February 2017 for gross proceeds of \$17,250,000 consisting of 23,000,000 common shares at a price of \$0.75 per share. Management has evaluated cash

requirements based on current best estimates of cash inflows from gold sales and outflows for operating costs, administrative costs and debt service and expects to have sufficient cash and cash equivalents available to continue operating for the ensuing twelve months. In the event of operational delays, cost overruns and/or decreases in gold or silver prices, Red Eagle may require additional financing. Such funds may be secured by debt refinancing and/or equity financing. There is no assurance that financing of sufficient amounts or on terms acceptable to the Company will be available if required.

Corruption and Bribery Laws

Red Eagle's operations are governed by, and involve interactions with, many levels of government in numerous countries. We are required to comply with anti-corruption and anti-bribery laws, including the Criminal Code, and the Canadian *Corruption of Foreign Public Officials Act*, as well as similar laws in the countries in which the Corporation conducts its business. In recent years, there has been a general increase in both the frequency of enforcement and the severity of penalties under such laws, resulting in greater scrutiny and punishment to companies convicted of violating anti-corruption and anti-bribery laws. Furthermore, a company may be found liable for violations by not only its employees, but also by its contractors and third party agents. Although the Company has adopted steps to mitigate such risks, including the implementation of training programs, internal monitoring, reviews and audits, and policies to ensure compliance with such laws, such measures may not always be effective in ensuring that the Company, its employees, contractors or third party agents will comply strictly with such laws. If Red Eagle was subject to an enforcement action or is found to be in violation of such laws, this may result in significant penalties, fines and/or sanctions imposed on the Company resulting in a material adverse effect on our reputation and results of its operations.

Current Global Financial Economy

There are significant uncertainties regarding the price of gold and silver and the availability of equity financing for the purposes of mineral exploration and development. Red Eagle's future performance is largely tied to the operation of the San Ramon Gold Mine, the development of the Santa Rosa Gold Project, and the commodity and financial markets. Financial markets are likely to continue to be volatile through the balance of 2017 and beyond, reflecting ongoing concerns about the stability of the global economy and weakening global growth prospects. These economic trends may limit the Company's ability to develop and/or further explore the mineral properties in which we currently, or may in the future, hold an interest. If these increased levels of volatility and market uncertainty continue, Red Eagle's operations and the price of our Common Shares could be adversely impacted.

Joint Ventures

The Company may enter into joint ventures in the future. Any failure of a joint venture partner to meet its obligations to the Company or third parties, or any disputes with respect to the parties' respective rights and obligations could have a material adverse effect on such joint ventures. In addition, Red Eagle may be unable to exert influence over strategic decisions made in respect of properties that are the subject of such joint ventures.

Conflicts of Interest

To the best of the Company's knowledge, and other than as disclosed in this Annual Information Form, there are no known existing or potential material conflicts of interest between the Company and any director or officer of Red Eagle, except that certain of the directors and officers serve as directors and officers of other public and private companies and therefore it is possible that a conflict may arise between their duties as a director or officer of the Company and their duties as a director or officer of such other companies. See "Risk Factors – Conflicts of Interest".

DIVIDENDS

To date, Red Eagle has not paid any dividends on its shares. Management anticipates that the Company will retain all future earnings, if any, for use in our business, and does not, at this time, anticipate paying dividends on its shares. Payment of any future dividends will be at the discretion of Red Eagle's Board after considering many factors including the Company's operating results, financial condition and current and anticipated cash needs.

DESCRIPTION OF CAPITAL STRUCTURE

The authorized capital of Red Eagle consists of an unlimited number of Common Shares and an unlimited number of preferred shares. As at March 31, 2017, Red Eagle had 264,725,121 Common Shares and no preferred shares issued and outstanding. There are no limitations contained in the notice of articles or articles of Red Eagle or the BCBCA on the ability of a person who is not a Canadian resident to hold Common Shares or exercise the voting rights associated with Common Shares. The holders of Common Shares are entitled to share rateably in any distribution of the assets of Red Eagle upon liquidation, dissolution or winding-up, after satisfaction of all debts and other liabilities, and subject to the rights, privileges, restrictions and conditions attaching to any other series or class of shares ranking senior in priority to or on a pro rata basis with the holders of Common Shares with respect to liquidation.

The holders of Common Shares are entitled to one vote for each share on all matters submitted to a vote of shareholders and do not have cumulative voting rights.

Shareholder Rights Plan

On July 28, 2014, Red Eagle's Board approved a shareholder rights plan agreement (the "**Rights Plan**") dated as of July 18, 2014, entered into between the Company and Computershare Investor Services Inc. as rights agent. The purpose of the Rights Plan is to ensure, to the extent possible, that all shareholders of Red Eagle are treated equally and fairly in connection with any initiative to acquire control of the Company.

The Rights Plan is not intended to and will not prevent a take-over of the Company. The purpose of the Rights Plan is to encourage a potential bidder to make a "Permitted Bid", having terms and conditions designed to meet the objectives of the Rights Plan, or to negotiate the terms of an offer with the Company's Board. A Permitted Bid is a take-over bid that is made to all holders of voting shares of the Company (other than the bidder) for all of the voting shares held by them, by way of a take-over bid circular prepared in compliance with applicable securities laws, that remains open for acceptance by shareholders of the Company for sixty days (or such shorter period of time as may be approved by the Board from time to time) and that satisfies certain other conditions.

The Rights Plan was approved by shareholders of Red Eagle at its annual and special meeting of shareholders held on December 4, 2014. The Rights Plan has a term of three years and will expire at the close of the annual meeting of shareholders after the third anniversary of the confirmation of the Rights Plan, unless extended upon reconfirmation by the shareholders. The Rights Plan will be presented for re-approval by shareholders of Red Eagle at our annual general meeting of shareholders scheduled to be held on June 1, 2017. This summary is qualified in its entirety by reference to the Rights Plan, a copy of which is available on the Company's profile on SEDAR at www.sedar.com.

MARKET FOR SECURITIES

Trading Price and Volume

Red Eagle is a Canadian publicly listed company with its Common Shares listed and posted for trading on the Exchange under the symbol “R”. The Company is also listed on the OTCQX in the United States under the symbol “RDEMF” and the Lima Stock Exchange (“**BVL**”) under the symbol “RD”. The Common Shares began trading on the Exchange on November 4, 2016. Prior to that date the Common Shares traded on the TSX-V under the symbol “RD”.

The price range and trading volume of the Common Shares for each month from January 2016 to December 2016, as reported by the Exchange and the TSX-V, are set out below:

Month	Price Range		Total Volume
	High	Low	
January 2016	\$0.305	\$0.255	809,006
February 2016	\$0.420	\$0.275	3,808,504
March 2016	\$0.45	\$0.355	4,472,900
April 2016	\$0.70	\$0.395	5,728,638
May 2016	\$0.89	\$0.56	14,742,243
June 2016	\$0.75	\$0.66	5,882,280
July 2016	\$0.90	\$0.76	9,420,919
August 2016	\$0.90	\$0.77	8,177,231
September 2016	\$0.90	\$0.74	6,633,800
October 2016	\$1.03	\$0.76	8,267,179
November 2016	\$1.05	\$0.69	588,008
December 2016	\$0.80	\$0.63	4,532,899

The closing price of the Common Shares on the TSX on March 31, 2017 was \$0.77.

Prior Sales

During the financial year ended December 31, 2016, the Company has not issued any Common Shares, or other securities that are convertible into Common Shares, except for the Common Shares, options (“**Options**”) to acquire Common Shares, Deferred Share Units (“**DSUs**”) and Restricted Share Units (“**RSUs**”) outlined below.

The following table sets forth information for the securities that Red Eagle has issued in the financial year ended December 31, 2016:

<u>Type of Securities</u>	<u>Date of Issue</u>	<u>Issue Price</u>	<u>Securities Issued or Underlying Securities</u>
Common Shares	December 15, 2016	\$0.33	10,000 ⁽⁴⁾
	December 14, 2016	\$0.55	10,000 ⁽⁴⁾
	December 7, 2016	\$0.55	20,000 ⁽⁴⁾
	December 2, 2016	\$0.33	25,000 ⁽⁴⁾
	December 2, 2016	\$0.275	20,000 ⁽⁴⁾
	November 4, 2016	\$0.33	25,000 ⁽⁴⁾
	November 2, 2016	\$0.95	7,428,126 ⁽¹⁾
	October 28, 2016	\$0.33	25,000 ⁽⁴⁾
	September 29, 2016	\$0.55	50,000 ⁽⁴⁾
	September 26, 2016	\$0.33	10,000 ⁽⁴⁾
	September 22, 2016	\$0.55	50,000 ⁽⁴⁾
	September 22, 2016	\$0.33	90,000 ⁽⁴⁾
	August 12, 2016	\$0.57	100,000 ⁽⁴⁾
	August 12, 2016	\$0.33	23,500 ⁽⁴⁾
	August 2, 2016	\$0.55	100,000 ⁽⁴⁾
	July 26, 2016	\$0.55	75,000 ⁽⁴⁾
	July 26, 2016	\$0.33	6,500 ⁽⁴⁾
	July 14, 2016	\$0.70	13,176,626 ⁽²⁾
	July 12, 2016	\$0.33	5,000 ⁽⁴⁾
	July 12, 2016	\$0.275	25,000 ⁽⁴⁾
	June 28, 2016	\$0.25	125,000 ⁽⁵⁾
	June 15, 2016	\$0.33	150,000 ⁽⁴⁾
	June 15, 2016	\$0.25	1,000,000 ⁽⁵⁾
	June 14, 2016	\$0.275	25,000 ⁽⁴⁾
	June 10, 2016	\$0.25	250,000 ⁽⁵⁾
	May 6, 2016	\$0.25	550,000 ⁽⁵⁾
	May 4, 2016	\$0.25	450,000 ⁽⁵⁾
	April 27, 2016	\$0.25	1,000,000 ⁽⁵⁾
	April 21, 2016	\$0.38	9,500,000 ⁽²⁾
	April 19, 2016	\$0.38	20,188,095 ⁽²⁾
	February 29, 2016	\$0.27	2,219,816 ⁽³⁾
January 15, 2016	\$0.27	2,843,206 ⁽³⁾	
Stock Options	December 19, 2016	\$0.65	2,245,000
	October 17, 2016	\$0.80	1,125,000
	August 18, 2016	\$0.86	150,000
	July 8, 2016	\$0.77	300,000
	June 14, 2016	\$0.71	400,000
	April 22, 2016	\$0.57	175,000
	February 24, 2016	\$0.375	250,000
DSUs	December 19, 2016	N/A	625,000
RSUs	December 19, 2016	N/A	975,000

- (1) These Common Shares were issued to Batero Gold Corp. in consideration for the acquisition by the Company of Red Eagle Exploration Shares held by Batero Gold Corp. See “*General Development of the Business – Three Year History and Significant Acquisitions*”.
- (2) These Common Shares were issued pursuant to private placement financings.
- (3) These Common Shares were issued in consideration for property acquisitions.
- (4) These Common Shares were issued pursuant to the exercise of incentive stock options. The Issue Price listed for each issuance of Common Shares is the exercise price of each granted incentive stock option.
- (5) These Common Shares were issued pursuant to the exercises of warrants. The Issue Price listed is the exercise price of each warrant.

DIRECTORS AND OFFICERS

The names, positions or offices held with the Company, province/state and country of residence, and principal occupation of the directors and executive officers of the Company as at March 31, 2017 are set out below. In addition, the principal occupations of each of the Company's directors and executive officers within the past five years are disclosed in their biographies.

As at March 31, 2017, the directors and officers of Red Eagle, as a group, own, directly or indirectly, 12,535,241 Common Shares, representing approximately 4.74% of the total issued and outstanding Common Shares of the Company.

The term of each director of the Company expires at the annual general meeting of shareholders, where they can be nominated for re-election. Red Eagle's officers hold their respective offices at the discretion of the board, but typically on an annual basis, the directors pass resolutions to appoint officers and committees.

IAN SLATER

British Columbia, Canada
Chief Executive Officer,
Chairman and
Director since:
January 4, 2010

Mr. Slater has been involved in the mining industry for over twenty five years. Previously, Mr. Slater was the Managing Partner of both Ernst & Young's Canadian and Arthur Andersen's Central Asian Mining Practices. Mr. Slater is a Chartered Accountant.

TIM PETTERSON

British Columbia, Canada
Director since:
January 4, 2010

Mr. Petterson worked for fifteen years in both Mining Consultancy and Investment Banking in London. He has held several senior positions including Head of Global Mining Research at HSBC and more latterly ABN AMRO, before becoming ABN AMRO's Head of Pan European Equity Research. Mr. Petterson is currently CEO of Black Eagle Mining Corporation and is a graduate Mining Engineer.

ROBERT BELL

Perth, Australia
Director since:
January 4, 2010

Mr. Bell has worked internationally in the mining industry for over forty years. Earlier in his career he was employed as a Mine Manager and Mine Superintendent on numerous projects. Mr. Bell was one of the founding partners of Minproc Engineers' Mining Division and was responsible for a large number of bankable feasibility studies. Most recently, he was General Manager of Dundee's Chelopech Mine in Bulgaria. Mr. Bell has accumulated a wealth of experience in the construction of numerous mines around the world. Mr. Bell is a graduate Mining Engineer from the Western Australian School of Mines.

JAY SUJIR

British Columbia, Canada
Director since:
January 4, 2010

Mr. Sujir is a securities and natural resources lawyer who has extensive experience in advising and assisting public companies. He has been a partner with Farris, Vaughan, Wills & Murphy LLP since May 2015. He was previously a partner with Anfield Sujir Kennedy & Durno LLP and its predecessor firms from 1991 to May 2015. Mr. Sujir obtained his Bachelor of Arts degree from the University of Victoria in 1981 with a double major in Economics and Philosophy and obtained his Bachelor of Law degree from the University of Victoria in 1985. He is a member of the Law Society of British Columbia and the Canadian Bar Association.

JEFFREY MASON
British Columbia, Canada
Director since:
January 4, 2010

Mr. Mason is a Chartered Professional Accountant and holds an Institute of Corporate Directors designation. He has over 25 years of public company experience in exploration, development, construction and operation for gold, silver, copper, nickel, lead, zinc, platinum group metals and diamond projects in the Americas, Asia and Africa. In 2004 he was awarded the BC Ernst & Young Entrepreneur of the Year Award (Natural Resources Category). He has expertise in exploration, construction and operations reporting, budgeting and financial systems, mergers and acquisitions, corporate finance, regulatory reporting, and corporate governance including 15 years (1994-2008) as a Principal and Chief Financial Officer of Hunter Dickinson Inc., which included experience also as Chief Financial Officer, Corporate Secretary and director for 15 public companies listed on the TSX, TSX Venture Exchange, NYSE MKT and NASDAQ. Mr. Mason served as director and audit chair for 8 years of TSX/NASDAQ-listed, Coastal Contacts Inc., an online e-retailer with annual sales of over \$220 million and 650 employees, which was sold for \$430 million to Essilor International in May 2014. He began his career with Deloitte LLP as a Chartered Accountant, followed by six years at Homestake Mining Company (merged with Barrick Gold Corporation) in mineral exploration, construction and operations reporting. Mr. Mason served as Chief Financial Officer of Wellgreen Platinum Ltd. from November 2012 to July 2016 and board director from November 2013 to September 2015. Mr. Mason continues to serve as an independent board member since May 2014 and audit chair of Great Panther Silver Limited, (TSX/NYSE MKT) a precious metals mines operator in Mexico and Peru, director of Amarc Resources Ltd. (TSX-V) since September 1995 and director of Libero Mining Corporation (TSX-V) since August 2008.

ROBERT PEASE
British Columbia, Canada
Director since:
April 14, 2011

Mr. Pease has been involved with mineral exploration and mine development projects worldwide for the past four decades. Mr. Pease was recently appointed the Chairman of TREK Resources. Previously, Mr. Pease was the CEO of Sabina Gold & Silver. He was also the founder, CEO and a Director of Terrane Metals, which was acquired in 2010 by Thompson Creek Metals. Previously, he was employed by Placer Dome for 25 years, most recently as General Manager, Canada Exploration and Global Major Projects. He was responsible for managing all aspects of Placer Dome's Canadian exploration and overseeing the geological aspects of world-wide advanced, major exploration, and developments projects. Mr. Pease holds a B.Sc. degree in Earth Science from the University of Waterloo, a Professional Geologist (British Columbia) certification and is a Fellow of the Geologic Association of Canada. He is also a past Chairman of the Association for Mineral Exploration British Columbia.

STEPHEN DIXON
Lima, Peru
Director since:
August 21, 2015

Mr. Dixon is a civil engineer with in excess of twenty five years' experience in the international mining and construction industry, the past seventeen of which have been in senior roles in South America. During this period, Mr. Dixon has been involved with the development and operation of several mines throughout the region. Mr. Dixon is the co-founder of STRACON Group and is currently Chief Executive Officer and Director of STRACON GyM S.A., a leading provider of mining and construction services throughout Latin America.

CHUI WONG
British Columbia, Canada
Chief Financial Officer

Mr. Wong was appointed Chief Financial Officer of the Company on June 15, 2015. Mr. Wong is a Chartered Professional Accountant and was most recently General Manager, Finance at Luna Gold Corporation. Previously, Mr. Wong held various progressively senior management positions at Methanex Corporation and was Vice President, SEC External and Financial Reporting at Bear Stearns.

JEFF TOOHEY
British Columbia, Canada
Vice President Exploration

Mr. Toohey has been Vice President Exploration of the Company since January 1, 2013. Mr. Toohey has over thirty-eight years of experience in mineral exploration and development including over twenty years in South America. Mr. Toohey was a Senior Geologist for twelve years with Teck Resources Limited in Chile, Argentina and Peru. Most recently, Mr. Toohey was Vice President Exploration for Peregrine Metals Ltd. which was purchased by the Stillwater Mining Company in 2011. Mr. Toohey was responsible for the acquisition, exploration, drilling delineation and PEA of Peregrine's flagship Altar copper and gold project in Argentina. Mr. Toohey is a graduate Geological Engineer from Colorado School of Mines and received his Master of Science, Geology (MINEX) degree from Queen's University in 1986.

PATRICK BALIT
British Columbia, Canada
Vice President Corporate
Development

Mr. Balit has been Vice President Corporate Development of the Company since January 4, 2016. From March 9, 2015 to January 3, 2016, Mr. Balit was Red Eagle's Director of Corporate Development. Mr. Balit brings 15 years of capital markets experience, focusing the latter half of his career on Latin America. Mr. Balit is fluent in French and Spanish. He holds a Global Executive MBA and a Masters International Relations from IE Business School in Madrid.

MISCHA ZAJTMANN
British Columbia, Canada
Vice President & General Counsel

Mr. Zajtmann was appointed Vice President & General Counsel on June 6, 2016. Mr. Zajtmann began his career as an associate in the securities and business law group of Blake, Cassels & Graydon LLP where he gained significant experience with respect to public companies, capital markets, securities laws and the natural resources sector. In 2013, Mr. Zajtmann joined Oxygen Capital, as General Counsel and was responsible for all legal matters affecting Oxygen and its portfolio entities, which included True Gold, Pilot Gold, and Pure Gold.

SCOTT TURTON
British Columbia, Canada
Vice President Business Development

Mr. Turton has been Vice President Business Development of the Company since January 4, 2016. From October 1, 2011 to January 3, 2016, Mr. Turton worked as a GIS Manager for the Company. Mr. Turton is also a Chartered Professional Accountant and holds multiple degrees including a Bachelor of Science (Honours) degree in Geomorphology and a degree (Honours) in Spatial Sciences from the University of Victoria and the British Columbia Institute of Technology, respectively.

LARA WILSON
British Columbia, Canada
Corporate Secretary

Ms. Wilson was appointed as Corporate Secretary of the Company on November 22, 2016. Ms. Wilson has over eight years experience in corporate and commercial law, regulatory compliance and corporate governance. Ms. Wilson is an Australian qualified lawyer and has a Bachelor of Arts degree and a Bachelor of Laws degree from the University of Wollongong.

STANDING COMMITTEES OF THE BOARD

There are currently three standing committees of the board of directors: the Audit Committee, the Corporate Governance, Compensation and Nominating Committee, and the Technical and Sustainability Committee. The following table identifies the members of each of these committees and indicates whether each committee member is considered independent or non-independent:

Board Committee	Committee Members	Status
Audit Committee	Jeffrey Mason (Chair) Jay Sujir Robert Pease	Independent Independent Independent
Corporate Governance, Compensation and Nominating Committee	Jay Sujir (Chair) Jeffrey Mason Robert Pease	Independent Independent Independent
Technical and Sustainability Committee	Robert Pease (Chair) Robert Bell Tim Petterson	Independent

Cease Trade Orders, Bankruptcies, Penalties or Sanctions

Other than as described below, during the ten years preceding the date of this Annual Information Form and as at the date of this Annual Information Form, no director or executive officer of Red Eagle has, to the knowledge of the Company, been a director, chief executive officer or chief financial officer of any company that:

- (a) was subject to a cease trade order or similar order or an order that denied the relevant company access to any exemption under securities legislation that was in effect for a period of more than 30 consecutive days, and that was issued while the director or executive officer was acting in the capacity as director, chief executive officer or chief financial officer; or
- (b) was subject to a cease trade order or similar order or an order that denied the relevant company access to any exemption under securities legislation that was in effect for a period of more than 30 consecutive days, and that was issued after the director or executive officer ceased to be a director, chief executive officer or chief financial officer and which resulted from an event that occurred while that person was acting in the capacity as director, chief executive officer or chief financial officer.

Other than as described below, during the ten-year period preceding the date of this Annual Information Form and as at the date of this Annual Information Form, no director or executive officer of Red Eagle or a security holder who holds a sufficient number of securities of Red Eagle to affect materially the control of the Company:

- (a) is a director or executive officer of any company (including Red Eagle) that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold its assets; or
- (b) has become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the director, officer or shareholder.

Mr. Jay Sujir was an independent director of Norwood Resources Ltd. from May 2008 until January 2011. In the last quarter of 2010, the board of directors of Norwood determined that the delays through the last quarter of 2010 had made the corporation insolvent and believed that the corporation was unfinanceable, and determined that the interests of all stakeholders would best be protected by an assignment into bankruptcy. Norwood declared bankruptcy on January 19, 2011. Mr. Sujir resigned as a director on January 19, 2011.

Mr. Jeffrey Mason, a director of the Company, was a director since March 2015 of the online shoe retailer Shoes.com Technologies Inc., a private BC company, and was a director since September 2016 of certain of its wholly-owned private subsidiary companies, including Shoes.com, Inc., a Delaware company, and Onlineshoes.com, Inc., a Washington company, but not, nor ever a director of Shoeme Technologies Limited, a Canadian Federal private company (together the “**Shoes Private Companies**”). In September 2016, following the resignation of the prior CFO, Mr. Mason assumed the role of interim CFO of the Shoes Private Companies. Due in part to an increasing competitive landscape, the Shoes Private Companies became insolvent, and were not believed to be financeable. The boards of directors of the Shoes Private Companies determined that the interests of stakeholders would be best protected by placing the Shoes Private Companies into receivership in February 2017. Mr. Mason resigned as interim CFO and director of the Shoes Private Companies in February 2017.

PROMOTERS

Mr. Ian Slater, the Chairman and CEO of Red Eagle, is a promoter of the Company. As at March 31, 2017, Mr. Slater owns 3,100,001 Common Shares, representing 1.17% of the issued and outstanding Common Shares of the Company. Additional information relating to Mr. Slater’s cash and incentive stock compensation from the Company is provided in the Company’s Information Circular dated May 11, 2016, a copy of which is available under our profile on SEDAR at www.sedar.com.

AUDIT COMMITTEE

The Audit Committee is responsible for monitoring our systems and procedures for financial reporting and internal control, reviewing certain public disclosure documents and monitoring the performance and independence of our external auditors. The Audit Committee is also responsible for reviewing our annual audited consolidated financial statements, unaudited interim consolidated financial statements and management’s discussion and analysis of financial results of operations for both annual and interim consolidated financial statements and review of related operations prior to their approval by the full Board.

The Audit Committee’s Charter sets out its responsibilities and duties, qualifications for membership, procedures for committee member removal and appointments and reporting to the Board. A copy of the Charter is attached as Schedule “A” to this Annual Information Form.

The members of our Audit Committee as at the date of this Annual Information form are:

Jeffrey Mason (Chair)	Independent ⁽¹⁾	Financially literate ⁽²⁾
Jay Sujir	Independent ⁽¹⁾	Financially literate ⁽²⁾
Robert Pease	Independent ⁽¹⁾	Financially literate ⁽²⁾

(1) A member of an Audit Committee is independent if the member has no direct or indirect material relationship with the Company which could, in the view of the Company’s Board, reasonably interfere with the exercise of the member’s independent judgment.

(2) An individual is financially literate if he or she has the ability to read and understand a set of financial statements that present a breadth of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by the Company’s financial statements.

Each of Mr. Mason, Mr. Sujir and Mr. Pease are independent and financially literate within the meaning of National Instrument 52-110 Audit Committees (“**NI 52-110**”).

Relevant Education and Experience

The relevant education and/or experience of each member of the Audit Committee is as follows:

Jeffrey R. Mason, CPA CA, ICD.D (Audit Committee Chair)

Mr. Mason is a Chartered Professional Accountant and holds an Institute of Corporate Directors designation. He has over 25 years of public company experience in exploration, development, construction and operation for gold, silver, copper, nickel, lead, zinc, platinum group metals and diamond projects in the Americas, Asia and Africa. In 2004 he was awarded the BC Ernst & Young Entrepreneur of the Year Award (Natural Resources Category). He has expertise in exploration, construction and operations reporting, budgeting and financial systems, mergers and acquisitions, corporate finance, regulatory reporting, and corporate governance including 15 years (1994-2008) as a Principal and Chief Financial Officer of Hunter Dickinson Inc., which included experience also as Chief Financial Officer, Corporate Secretary and director for 15 public companies listed on the TSX, TSX Venture Exchange, NYSE MKT and NASDAQ. Mr. Mason served as director and audit chair for 8 years of TSX/NASDAQ-listed, Coastal Contacts Inc., an online e-retailer with annual sales of over \$220 million and 650 employees, which was sold for \$430 million to Essilor International in May 2014. He began his career with Deloitte LLP as a Chartered Accountant, followed by six years at Homestake Mining Company (merged with Barrick Gold Corporation) in mineral exploration, construction and operations reporting. Mr. Mason served as Chief Financial Officer of Wellgreen Platinum Ltd. from November 2012 to July 2016 and board director from November 2013 to September 2015. Mr. Mason continues to serve as an independent board member since May 2014 and audit chair of Great Panther Silver Limited, (TSX/NYSE MKT) a precious metals mines operator in Mexico and Peru, director of Amarc Resources Ltd. (TSX-V) since September 1995 and director of Libero Mining Corporation (TSX-V) since August 2008.

Mr. Jay Sujir

Mr. Sujir is a Director of the Corporation. Mr. Sujir is a securities and natural resources lawyer who has extensive experience in advising and assisting public companies. He has been a partner with Farris, Vaughan, Wills & Murphy LLP since May 2015. He was previously a partner with Anfield Sujir Kennedy & Durno LLP and its predecessor firms from 1991 to May 2015. Mr. Sujir obtained his Bachelor of Arts degree from the University of Victoria in 1981 with a double major in Economics and Philosophy and obtained his Bachelor of Law degree from the University of Victoria in 1985. He is a member of the Law Society of British Columbia and the Canadian Bar Association.

Mr. Robert Pease

Mr. Robert Pease is a Director of the Corporation. Mr. Pease was previously the CEO and a director of Sabina Gold & Silver Corp. Mr. Pease was previously the founder, CEO and a Director of Terrane Metals which was acquired in 2010 by Thompson Creek Metals. Previously, he was employed by Placer Dome for twenty-five years, most recently as General Manager, Canada Exploration and Global Major Projects. He was responsible for managing all aspects of Placer Dome's Canadian exploration, and overseeing the geological aspects of world-wide advanced, major exploration and developments projects. Mr. Pease holds a B.Sc. degree in Earth Science from the University of Waterloo, a Professional Geologist (British Columbia) certification and is a Fellow of the Geologic Association of Canada. He is also a past Chairman of the Association for Mineral Exploration British Columbia.

Audit Committee Oversight

At no time since the commencement of the Company's most recently completed financial year was a recommendation of the Committee to nominate or compensate an external auditor (currently PricewaterhouseCoopers LLP) not adopted by the Board.

Reliance on Exemptions

In respect to the financial year ended December 31, 2016, the Company is not relying on any of the exemptions set out in NI 52-110.

Pre-Approval Policies and Procedures

The Audit Committee or a designated member of the Audit Committee (“**Designated Member**”) is responsible for the pre-approval of all audit, audit-related and non-audit services provided by the independent auditor. The Designated Member is a member of the Audit Committee who has been given the authority to grant pre-approvals of the permitted audit and non-audit services.

The Audit Committee has considered whether the provision of services other than the audit services is compatible with maintaining the auditors’ independence and had adopted a policy governing the provision of these services. This policy requires the pre-approval by the Audit Committee or the Designated Member of all audit and non-audit services provided by the external auditor, other than the *de minimis* non-audit services allowed by the applicable law or regulation. The decisions of the Designated Member to pre-approve a permitted service are reported to the Audit Committee at its regularly scheduled meetings.

Pre-approval from the Audit Committee or Designated Member can be sought for planned engagements based on budgeted or committed fees. No further approval is required to pay pre-approved fees. Additional pre-approval is required for any increase in the scope or in final fees.

Pursuant to these procedures, 100% of each of the services provided by the Company’s external auditors relating to the fees reported as audit, audit-related, tax and all other fees were pre-approved by the Audit Committee or the Designated Member.

External Auditor Service Fees

On October 28, 2016, PricewaterhouseCoopers LLP, Chartered Professional Accountants, were appointed as the Company’s new auditors. PricewaterhouseCoopers LLP are independent of the Company in accordance with the rules of professional conduct of the Chartered Professional Accountants of British Columbia.

Ernst & Young LLP, Chartered Professional Accountants, were the Company’s auditors until October 28, 2016, and are also independent of the Company in accordance with the rules of professional conduct of the Chartered Professional Accountants of British Columbia.

The aggregate fees billed by the Company’s auditors in fiscal 2016 and fiscal 2015 are detailed below.

<i>(Canadian \$ in 000’s)</i>	<u>2016</u>	<u>2015</u>
Audit Fees	\$88	\$75
Statutory Audit Fees (a)	\$30	\$30
Quarterly Reviews	\$50	\$50
Circular / Prospectus Fees	\$14	\$15
Audit Related Fees (b)	\$-	\$15
Tax Fees	\$-	\$53
Total	<u>\$182</u>	<u>\$238</u>

(a) Fees for the Colombian statutory audit.

(b) Fees for accounting consultation on matters addressed during the audit or interim reviews.

LEGAL PROCEEDINGS AND REGULATORY ACTIONS

Management knows of no legal proceedings, contemplated or actual, involving the Company which could materially affect the Company.

Management knows of no:

- (a) penalties or sanctions imposed against the Company by a court relating to securities legislation or by a securities regulatory authority during the financial year ended December 31, 2016; or
- (b) any other penalties or sanctions imposed by a court or regulatory body against the Company that would likely be considered important to a reasonable investor in making an investment decision; or
- (c) settlement agreements the Company entered into before a court relating to securities legislation or with a securities regulatory authority during the financial year ended December 31, 2016.

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

Other than as described below, since January 1, 2014, no director, executive officer or 10% shareholder of the Company or any associate or affiliate of any such person or company, has or had any material interest, direct or indirect, in any transaction that has materially affected or is reasonably expected to materially affect the Company.

TRANSFER AGENT AND REGISTRAR

The Company's transfer agent and registrar is Computershare Investor Services Inc. located at 2nd Floor, 510 Burrard Street, Vancouver, BC V6C 3B9.

MATERIAL CONTRACTS

The material contracts entered by the Company during the financial year ended December 31, 2016 or since such time or before such time that are still in effect, other than in the ordinary course of business, are as follows:

- Amended and Restated Credit Agreement between the Corporation, the lenders party thereto from time to time and Orion Fund JV Limited, as Administrative Agent, dated December 29, 2015.
- Production Payment Agreement among Red Eagle Finance Limited, Red Eagle Mining De Colombia Limited, Red Eagle Mining Corporation, Orion Titheco Limited et al. dated March 31, 2015.
- Underwriting Agreement dated February 6, 2017 between Red Eagle Mining Corporation, BMO Nesbitt Burns Inc. (as Lead Underwriter) and National Bank Financial Inc. (as Underwriter) in connection with the Company's February 2017 bought deal financing by way of short form prospectus, as described under "General Development of the Business – Recent Developments".

TECHNICAL REPORTS

Information of a scientific or technical nature in respect of the Santa Rosa Gold Project contained in this Annual Information Form, including the documents incorporated by reference herein, is based on the report titled “Amended NI 43-101 Technical Report, Feasibility Study of the Santa Rosa Gold Project” prepared by Stefan Gueorguiev, P.Eng., Thomas L. Dyer, P.E., Michael S. Lindholm, C.P.G., W. Joseph Schlitt, Ph.D., P.Eng. and Terry Eldridge., P.Eng., each of whom is a “qualified person” and “independent” of the Company within the meaning of National Instrument 43-101 – *Standards of Disclosure for Mineral Projects*. Reference should be made to the full text of the Santa Rosa Report which is available on the Company’s profile on SEDAR at www.sedar.com.

None of the authors of the Santa Rosa Report held any securities of Red Eagle or of any associate or affiliate of Red Eagle when they prepared the technical report or received any securities following the preparation of such report.

QUALIFIED PERSON

Jeff Toohey, Vice President Exploration of the Company, who is a Qualified Person as defined by NI 43-101, has reviewed and approved the technical and scientific disclosure contained in this Annual Information Form, including Red Eagle’s Mineral Reserve and Mineral Resource estimates as at December 31, 2016. At no time has Mr. Toohey held an interest in Red Eagle’s securities representing more than 1% of the Company’s issued and outstanding common shares.

ADDITIONAL INFORMATION

Additional information about the Company, including, without limitation, directors’ and officers’ remuneration and indebtedness, principal holders of the Company’s securities and securities authorized for issuance under equity compensation plans, may be found in the Management Information Circular of the Company for its most recent annual meeting of shareholders and other continuous disclosure documents of the Company filed on SEDAR at www.sedar.com.

Additional financial information is provided in the Company’s consolidated financial statements and MD&A for the three months and year ended December 31, 2016. These documents and other information about Red Eagle are available under the Company’s profile on SEDAR at www.sedar.com.

**SCHEDULE “A”
TO THE ANNUAL INFORMATION FORM OF
RED EAGLE MINING CORPORATION**

AUDIT COMMITTEE CHARTER

PURPOSE

The Audit Committee (“**Committee**”) is appointed by the board of directors (the “**Board**”) to assist the Board in overseeing and monitoring: (1) the integrity of the financial statements of the Company; (2) the compliance by the Company with legal and regulatory requirements; (3) the independence and performance of the Company's independent auditors, which independent auditors shall report directly to the Audit Committee; and (4) the auditing, accounting and financial reporting processes generally.

1. COMPOSITION, PROCEDURES AND ORGANIZATION

- 1.1 The Committee shall consist of at least three (3) members of the Board. Members of the Audit Committee shall be appointed by the Board and may be removed or replaced by the Board, from time to time, in its discretion. There shall be a chairman of the Audit Committee, who shall be appointed by the Board. The members of the Audit Committee shall meet the independence and experience requirements for Audit Committee members of applicable securities laws and any exchange or quotation system upon which the Company's securities are listed or quoted.
- 1.2 Review and reassess the adequacy of this Audit Committee Charter (“**Charter**”) annually and recommend any proposed changes to the Board for approval.
- 1.3 The quorum for meetings shall be a majority of the members of the Committee, presenting person or by telephone or other telecommunication device that permits all persons participating in the meeting to speak and to hear each other.
- 1.4 The Committee shall have access to such officers, employees and consultants of the Company and to the Company's external auditors, and to such information respecting the Company, as it considers being necessary or advisable in order to perform its duties and responsibilities.
- 1.5 Meetings of the Committee shall be conducted as follows:
 - a. the Committee shall meet as necessary to fulfill its duties and responsibilities in person or via telephone at such times and at such locations as may be requested by the chair of the Committee.
 - b. The external auditors or any member of the Committee may request a meeting of the Committee;
 - c. the external auditors shall attend meetings at the request of the Committee; and
 - d. management representatives may be invited to attend meetings except private sessions with the external auditors.
- 1.6 The external auditors shall have a direct line of communication to the Committee through its chair and may bypass management if deemed necessary. The Committee, through its chair, may contact directly any employee/consultant of the Company as it deems necessary, and any employee/consultant may bring before the Committee any matter, including questionable, illegal or improper financial practices or transactions and or positive input on good sound practices and transactions.
- 1.7 The Committee shall have the authority:
 - a. to engage independent counsel and other advisors as it determines necessary to carry out its duties,

- b. to set and pay the compensation for any advisors employed by the Committee; and
- c. to communicate directly with the external auditors.

1.8 While the Audit Committee has the responsibilities and powers set forth in this Charter, it is not the duty of the Audit Committee to plan or conduct audits or to determine that the Company's financial statements are complete and accurate and are in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board. This is the responsibility of management and the independent auditor. Nor is it the duty of the Audit Committee to conduct investigations, to resolve disagreements, if any, between management and the independent auditor or to assure compliance with laws and regulations.

2. OVERALL DUTIES AND RESPONSIBILITIES

2.1 The overall duties and responsibilities of the Committee shall be as follows:

- a. review and approval of the annual audited financial statements, the interim financial statements, management's discussion and analysis, and press releases with respect to disclosure of financial information;
- b. review of the Company's accounting principles, reporting practices and adequacy of internal controls;
- c. review an analysis prepared by management and the independent auditor of significant financial reporting issues and judgments made in connection with the preparation of the Company's financial statements, including an analysis of the effect of alternative accounting methods, if any, on the Company's financial statements;
- d. ensure that adequate procedures are in place for the review of the Company's public disclosure of financial information extracted or derived from the Company's financial statements;
- e. establish a procedure for the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls, or auditing matters;
- f. establish a procedure for the confidential, anonymous submissions by employees of the Company of concerns regarding questionable accounting or auditing matters;
- g. establish and maintain a direct line of communication with the Company's external auditors and assess their performance;
- h. ensure that the management of the Company has designed, implemented and is maintaining an effective system of internal financial controls; and
- i. report regularly to the Board on the fulfillment of its duties and responsibilities.

3. EXTERNAL AUDITORS

3.1 The duties and responsibilities of the Committee as they relate to the external auditors shall be as follows:

- a. recommend to the Board a firm of external auditors to be engaged by the Company, and to verify the independence of such external auditors;
- b. review and approve the fee, scope and timing of the audit and other related services rendered by the external auditors;
- c. review the audit plan of the external auditors prior to the commencement of the audit; and

- d. review with the external auditors:
 - i.* non-audit services provided by the external auditors;
 - ii.* the quality including the acceptability of the Company's accounting principles; and
 - iii.* procedures to ensure that the Committee meets with the external auditors on a regular basis in the absence of management.

4. INTERNAL CONTROLS

- 4.1 The duties and responsibilities of the Committee as they relate to the internal control procedures of the Company shall be as follows:
 - a. review the appropriateness and effectiveness of the Company's policies, internal controls, and business practices which have a financial impact on the Company, including those relating to insurance, accounting, information systems and financial controls, management reporting, tax and risk management;
 - b. concurrently with the corporate governance committee review compliance under the Company's business conduct and ethics policies, and to periodically review these policies and recommend to the board changes which the committee may deem appropriate;
 - c. review any unresolved issues between management and the external auditors that could affect the financial reporting or internal controls of the Company; and
 - d. periodically review the Company's financial and internal control procedures and the extent to which recommendations made by the external auditors have been implemented.

5. OTHER DUTIES AND RESPONSIBILITIES

- 5.1 Other duties and responsibilities of the Committee shall be as follows:
 - a. review, approve and report to the board with respect to the financial sections of:
 - i.* the annual report to shareholders;
 - ii.* the annual information form, if required;
 - iii.* prospectuses; and
 - iv.* other public reports of a financial nature requiring approval by the board;
 - b. review regulatory filings and decisions as they relate to the Company's consolidated financial statements;
 - c. review the appropriateness of the policies and procedures used in the preparation of the Company's consolidated financial statements and other required disclosure documents, and consider recommendations for any material change to such policies;
 - d. review the minutes of any audit committee meeting of subsidiary companies;
 - e. review with management, the external auditors and, if necessary, with legal counsel, any litigation, claim or other contingency, including tax assessments that could have a material effect upon the

financial position or operating results of the Company and the manner in which such matters have been disclosed in the consolidated financial statements;

- f. review the Company's compliance with regulatory and statutory requirements as they relate to financial statements, tax matters and disclosure of financial information; and
- g. develop a calendar of activities to be undertaken by the committee for each ensuing year based on this charter.