



RED EAGLE MINING CORPORATION

Unaudited condensed interim consolidated financial statements

For the three months ended March 31, 2017

RED EAGLE MINING CORPORATION
Consolidated statements of financial position
(thousands of US dollars)

As at	Note	March 31, 2017	December 31, 2016 (note 2)	January 1, 2016 (note 2)
ASSETS				
Current assets				
Cash and cash equivalents		\$ 5,917	\$ 4,202	\$ 7,461
Amounts receivable		1,680	1,036	353
Inventory	3	5,178	3,500	-
Prepaid expenses		1,129	316	440
		13,904	9,054	8,254
Non-current assets				
Property, plant and equipment	4	102,302	92,772	14,818
Mineral properties	5	17,123	15,948	11,525
Other receivables	6	3,471	4,246	8,725
Deferred debt costs		-	-	1,802
		122,896	112,966	36,870
Total assets		\$ 136,800	\$ 122,020	\$ 45,124
LIABILITIES				
Current liabilities				
Accounts payable and accrued liabilities		\$ 18,444	\$ 16,975	\$ 6,166
Mineral property obligations	5	-	1,137	3,195
Current portion of long-term debt	9	21,640	16,616	-
		40,084	34,728	9,361
Non-current liabilities				
Mineral property obligations	5	-	-	264
Long-term debt	9	45,411	48,083	14,118
Reclamation provision	8	2,011	1,780	463
		47,422	49,863	14,845
Total liabilities		87,506	84,591	24,206
SHAREHOLDERS' EQUITY				
Share capital	10	93,887	81,504	58,939
Contributed surplus		7,123	5,568	3,344
Accumulated other comprehensive loss		(1,990)	(2,395)	(2,798)
Deficit		(50,257)	(47,736)	(42,788)
		48,763	36,941	16,697
Non-controlling interests	7	531	488	4,221
Total shareholders' equity		49,294	37,429	20,918
Total liabilities and shareholders' equity		\$ 136,800	\$ 122,020	\$ 45,124
Nature of Operations and Going Concern	1			

On behalf of the Board of Directors:

(signed) "Jeffrey Mason"
Director

(signed) "Ian Slater"
Director

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

RED EAGLE MINING CORPORATION
Consolidated statements of loss and comprehensive loss
(thousands of US dollars)

For the three months ended	March 31, 2017	March 31, 2016 (note 2)
Expenses		
Salaries and benefits	\$ 860	\$ 431
Office and administration	698	544
Mineral property exploration costs	554	295
Investor relations and business development	96	93
Professional fees	73	145
Operating loss	2,281	1,508
Other expenses (income)		
Foreign exchange loss (gain)	222	(1,360)
Interest and other expense (income)	88	(3)
Net loss	\$ 2,591	\$ 145
Other comprehensive loss (income)		
Foreign currency translation difference for foreign operations	(410)	(1,438)
Total comprehensive loss (income) for the period	\$ 2,181	\$ (1,293)
Net loss attributable to:		
Equity holders of the parent	2,536	(66)
Non-controlling interests	55	211
	\$ 2,591	\$ 145
Total comprehensive loss (income) attributable to:		
Equity holders of the parent	2,131	(1,504)
Non-controlling interests	50	211
	\$ 2,181	\$ (1,293)
 Basic and diluted loss per share attributable to ordinary equity holders of the parent	 \$ 0.01	 \$ 0.00
 Weighted average number of common shares outstanding	 251,189,499	 184,594,785

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

RED EAGLE MINING CORPORATION
Consolidated statements of changes in equity
(thousands of US dollars)

	Number of shares	Attributable to equity holders of the parent					Non-controlling interests	Total
		Share capital	Contributed surplus	Accumulated other comprehensive (loss) gain	Deficit	Total		
Balance as at December 31, 2015	181,429,252	\$ 58,939	\$ 3,344	\$ (2,798)	\$ (42,788)	\$ 16,697	\$ 4,221	\$ 20,918
Shares issued	5,063,022	1,135	-	-	-	1,135	-	1,135
Share-based payments	-	-	82	-	-	82	-	82
Total comprehensive loss (gain)	-	-	-	1,438	66	1,504	(211)	1,293
Acquisition of non-controlling interests	-	-	-	-	1,485	1,485	(1,485)	-
Balance as at March 31, 2016	186,492,274	\$ 60,074	\$ 3,426	\$ (1,360)	\$ (41,237)	\$ 20,903	\$ 2,525	\$ 23,428
Balance as at December 31, 2016	241,005,121	\$ 81,504	\$ 5,568	\$ (2,395)	\$ (47,736)	\$ 36,941	\$ 488	\$ 37,429
Shares issued (note 10)	23,720,000	12,383	-	-	-	12,383	-	12,383
Share-based payments (note 10)	-	-	1,680	-	-	1,680	-	1,680
Share options and warrants exercised	-	-	(110)	-	-	(110)	-	(110)
Expiry of share options	-	-	(15)	-	15	-	-	-
Total comprehensive (loss) gain	-	-	-	405	(2,536)	(2,131)	(50)	(2,181)
Acquisition and settlement of mineral properties	-	-	-	-	-	-	93	93
Balance as at March 31, 2017	264,725,121	\$ 93,887	\$ 7,123	\$ (1,990)	\$ (50,257)	\$ 48,763	\$ 531	\$ 49,294

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

RED EAGLE MINING CORPORATION
Consolidated statements of cash flows
(thousands of US dollars)

For the three months ended	Note	March 31, 2017	March 31, 2016 (note 2)
OPERATING ACTIVITIES			
Net loss		\$ (2,591)	\$ (145)
<i>Adjustments for items not affecting cash:</i>			
Share-based payments	10	721	51
Depreciation	4	185	49
Accretion expense		34	1
Foreign exchange gain		(16)	(1,329)
		(1,667)	(1,373)
<i>Net changes in non-cash working capital items:</i>			
Amounts receivable		(753)	(1,277)
Inventory		(839)	-
Prepaid expenses		(814)	400
Accounts payable and accrued liabilities		1,125	4,148
Net cash (outflows) inflows from operating activities		(2,948)	1,898
FINANCING ACTIVITIES			
Issuance of common shares, net of issue costs	10	12,273	(12)
Production payments related to credit facility		(45)	-
Long-term debt, net of deferred costs		-	29,172
Net cash inflows from financing activities		12,228	29,160
INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(6,335)	(16,132)
Settlement of mineral property obligations	5b	(625)	(623)
Acquisition of California Gold mineral properties	5a	(451)	-
Non-current tax credit receivable		(111)	-
Net cash outflows to investing activities		(7,522)	(16,755)
Net foreign exchange differences		(43)	299
Net increase in cash and cash equivalents		1,715	14,602
Cash and cash equivalents, beginning of period		4,202	7,461
Cash and cash equivalents, end of period		\$ 5,917	\$ 22,063

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

RED EAGLE MINING CORPORATION

Notes to unaudited condensed interim consolidated financial statements

(amounts are in US dollars, unless otherwise stated)

1. NATURE OF OPERATIONS AND GOING CONCERN

Red Eagle Mining Corporation ("Red Eagle Mining" or the "Company") was incorporated under the *Business Corporations Act* in British Columbia, Canada on January 4, 2010. The address and domicile of the Company's registered office and its principal place of business is Suite 2348 - 666 Burrard Street, Vancouver, British Columbia, Canada, V6C 2X8.

The Company is primarily engaged in the development and operation of the San Ramon Gold Mine and Mill. The Company also owns a 90% controlling interest in Red Eagle Exploration Limited ("Red Eagle Exploration") which holds exploration projects in Colombia. The Company declared commercial production at the San Ramon Gold Mine and Mill at the end of the first quarter of 2017 and is therefore considered to be in the operational stage, but to date, has not earned significant revenues, as the Company continues to ramp up operations.

Going concern

These unaudited condensed interim consolidated financial statements have been prepared on the basis of generally accepted accounting principles applicable to a going concern that assumes that the Company will realize its assets and discharge its liabilities in the normal course of business.

The Company is currently in the ramp-up phase at the San Ramon Gold Mine and Mill. The Company incurred a net loss during the three months ended March 31, 2017 of \$2,591,383 (2016: \$144,614). As at March 31, 2017, the Company had cash and cash equivalents of \$5,916,962 (2016: \$4,202,170) and a working capital deficiency of \$26,179,655 (2016: \$25,673,840). Under the Company's credit facility agreement, \$21,640,310 is due within twelve months of the balance sheet date. Excluding the current portion of the long-term debt, the working capital deficiency is \$4,539,345. 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 which has not yet been achieved. The nature and significance of these conditions may cast significant doubt about the appropriateness of the going concern assumption.

The Company is focused on achieving steady state gold production in the near term. For working capital and exploration purposes, the Company completed a bought deal financing in February 2017 for gross proceeds of \$13,118,868 (CAD \$17,250,000) consisting of 23,000,000 common shares at a price of CAD \$0.75 per share.

These financial statements do not give effect to any adjustments which would be necessary should the Company be unable to continue as a going concern and, therefore, be required to realize its assets and discharge its liabilities in other than the normal course of business and at amounts different than those reflected in the financial statements. Such adjustments could be material.

2. BASIS OF PRESENTATION AND STATEMENT OF COMPLIANCE

The unaudited condensed interim consolidated financial statements of the Company have been prepared in accordance with International Accounting Standard 34 - Interim Financial Reporting and accordingly they do not contain all information and disclosures required for complete financial statements in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). Therefore, they should be read in conjunction with the Company's consolidated financial statements for the year ended December 31, 2016, which have been prepared in accordance with IFRS.

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

The unaudited condensed interim consolidated financial statements of the Company for the three months ended March 31, 2017 were authorized for issue by the Board of Directors, on May 15, 2017.

RED EAGLE MINING CORPORATION

Notes to unaudited condensed interim consolidated financial statements

(amounts are in US dollars, unless otherwise stated)

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

Change in functional and presentation currency

Effective January 1, 2017, the Company changed its presentation currency from the Canadian Dollar ("CAD") to the United States Dollar ("USD"). The change in presentation currency is to better reflect the Company's business activities and to improve comparability of the Company's financial results with other publicly traded gold mining businesses. In making this change to the USD presentation currency, the Company followed the guidance in IAS 21 *The Effects of Changes in Foreign Exchange Rates* and has applied the change retrospectively as if the new presentation currency had always been the Company's presentation currency. In accordance with IAS 21, the financial statements for all years and periods presented have been translated to the new USD presentation currency as follows:

- All assets and liabilities have been translated from their functional currency into the new USD presentation currency using the closing exchange rate at the date of each balance sheet;
- Income and expenses for each statement of comprehensive loss presented have been translated at average exchange rates prevailing during each reporting period;
- Equity balances have been retrospectively translated at historical rates prevailing during the period incurred; and
- All resulting exchange differences have been recognized in other comprehensive income and accumulated as a separate component of equity (cumulative translation adjustment).

In addition to the comparative financial statements, the Company has presented a third statement of financial position as at January 1, 2016 as required by IFRS.

Due to the commencement of production and realization of USD cash flows from pre-production gold sales during the first quarter of 2017, the Company re-assessed the functional currency of all entities in the group and the functional currencies of all subsidiaries in the group changed to USD effective January 1, 2017. Previously, these subsidiaries had either a CAD or Colombian peso functional currency. The functional currency of the parent entity (Red Eagle Mining Corporation) as well as Red Eagle Exploration remained CAD. These parent entities are Canadian companies with the majority of costs being incurred in CAD and financings raised in CAD.

Significant Management Judgments and Estimations

Declaration of commercial production

The Company declared commercial production at the end of the first quarter of 2017. The criteria used by the Company to determine that the assets were operating in a manner intended by management was based on the processing plant at the Santa Rosa Project operating, over 30 consecutive days, at an average of at least 75% of design capacity.

As commercial production was declared at the end of the first quarter of 2017, applicable accounting policies related to the commencement of production will be applied prospectively commencing on April 1, 2017 and appropriate disclosures will be made in the second quarter of 2017.

RED EAGLE MINING CORPORATION

Notes to unaudited condensed interim consolidated financial statements

(amounts are in US dollars, unless otherwise stated)

3. INVENTORY

As at	March 31, 2017	December 31, 2016	January 1, 2016
Finished goods	\$ 1,191	\$ 553	\$ 553
Work in process	767	482	482
Materials and supplies	3,220	2,465	2,465
	<u>\$ 5,178</u>	<u>\$ 3,500</u>	<u>\$ 3,500</u>

4. PROPERTY, PLANT AND EQUIPMENT

	Construction work-in-progress		Mineral property	Other equipment	Total
	Mill	Mine			
Cost					
Balance, January 1, 2016	\$ 9,468	\$ 1,235	\$ 3,403	\$ 1,344	\$ 15,450
Additions	53,034	20,228	1,819	2,153	77,234
Disposals	-	-	-	(74)	(74)
Reclamation costs (note 8)	-	-	1,227	-	1,227
Balance, December 31, 2016	\$ 62,502	\$ 21,463	\$ 6,449	\$ 3,423	\$ 93,837
Additions	5,983	3,246	137	162	9,528
Reclamation costs (note 8)	-	-	187	-	187
Balance, March 31, 2017	\$ 68,485	\$ 24,709	\$ 6,773	\$ 3,585	\$ 103,552
Accumulated depreciation					
Balance, January 1, 2016	\$ -	\$ -	\$ -	\$ (632)	\$ (632)
Depreciation	-	-	-	(491)	(491)
Disposals	-	-	-	58	58
Balance, December 31, 2016	\$ -	\$ -	\$ -	\$ (1,065)	\$ (1,065)
Depreciation	-	-	-	(185)	(185)
Balance, March 31, 2017	\$ -	\$ -	\$ -	\$ (1,250)	\$ (1,250)
Net book value, March 31, 2017	<u>\$ 68,485</u>	<u>\$ 24,709</u>	<u>\$ 6,773</u>	<u>\$ 2,335</u>	<u>\$ 102,302</u>
Net book value, December 31, 2016	<u>\$ 62,502</u>	<u>\$ 21,463</u>	<u>\$ 6,449</u>	<u>\$ 2,358</u>	<u>\$ 92,772</u>
Net book value, January 1, 2016	<u>\$ 9,468</u>	<u>\$ 1,235</u>	<u>\$ 3,403</u>	<u>\$ 712</u>	<u>\$ 14,818</u>

Additions under construction work-in-progress includes a credit for pre-production revenue of \$1.4 million (2016: \$0.3 million).

5. MINERAL PROPERTIES

Mineral Properties

Mineral properties consist solely of Red Eagle Exploration's assets, which owns an option on the California Gold Project and owns 100% of each of the Vetás Gold and Santa Ana Silver Projects. The Santa Rosa Mineral Property is included in Property, Plant and Equipment.

RED EAGLE MINING CORPORATION

Notes to unaudited condensed interim consolidated financial statements

(amounts are in US dollars, unless otherwise stated)

5. MINERAL PROPERTIES (CONTINUED)

Mineral Property Obligations

a) California Gold Project

On February 15, 2017, Red Eagle Exploration announced an option to purchase 100% of six exploitation mining concessions from local miners for aggregate consideration of \$5,683,764 in cash and \$7,561,746 which is payable in shares of Red Eagle Exploration. Initial payments of \$345,127 and 2,180,985 common shares of Red Eagle Exploration were paid upon closing.

On March 15, 2017, Red Eagle Exploration announced an option to purchase 100% of two additional exploitation mining concessions for aggregate consideration of \$7,493,250 of which 50% is payable in cash and 50% is payable in shares of Red Eagle Exploration. Initial payments of \$62,444 and 520,367 common shares of Red Eagle Exploration were paid upon closing.

The balance of the payments for both acquisitions are due over a two-year period subsequent to title transfer, at the option of Red Eagle Exploration. An additional payment is due three years from the date of title transfer equivalent to 1.5% of the value of gold and silver measured and indicated resources in the event that any are included in a NI 43-101 Technical Report. The eight properties, which collectively comprise the California Gold Project, total 250 hectares in the California-Vetas Gold District located in Santander, Colombia.

b) Vetas Gold Project

On February 14, 2017, Red Eagle Exploration amended the pre-existing acquisition agreements for the San Bartolo and San Antonio properties, which together with other properties collectively comprise the Vetas Gold Project. A portion of the properties were affected by the delineation of the Paramo boundaries and the outstanding amount of the purchase price was reduced proportionately. As final payment, Red Eagle Exploration issued 4,550,000 common shares and paid \$500,000 in cash with respect to the San Bartolo property and issued 116,700 common shares with respect to the San Antonio property.

Red Eagle Exploration has now settled all outstanding mineral property obligations.

6. OTHER RECEIVABLES

As at	March 31, 2017	December 31, 2016	January 1, 2016
VAT credits receivable	\$ 2,507	\$ 2,397	\$ 842
Deposits, mill equipment and suppliers	964	1,849	7,883
	<u>\$ 3,471</u>	<u>\$ 4,246</u>	<u>\$ 8,725</u>

As at March 31, 2017, the Company recognized value added tax ("VAT") credits receivable of \$2,506,990 representing the cumulative amount of VAT paid to the Colombian Government. These VAT credits, depending on the nature, are either refundable or recoverable against corporate taxes in Colombia. These amounts are classified as long-term as the Company does not expect to fully recover them in the next year.

RED EAGLE MINING CORPORATION

Notes to unaudited condensed interim consolidated financial statements

(amounts are in US dollars, unless otherwise stated)

7. NON-CONTROLLING INTERESTS

The Company has a 90% interest in Red Eagle Exploration. The following table summarizes the Red Eagle Exploration financial information included in the unaudited condensed interim consolidated financial statements, before any inter-company eliminations:

	March 31, 2017
Total assets	\$ 16,836
Total liabilities	421
Net loss	754

8. RECLAMATION PROVISION

The Company has provided for future reclamation costs associated with the San Ramon Gold Mine and Mill held by the Company and the Vetás Gold Project held by Red Eagle Exploration. The reclamation costs have been calculated to reflect the amount of expected future net cash outflows discounted to present value for the future reclamation of disturbances incurred as at March 31, 2017. The reclamation provision has been recorded using a discount rate of approximately 6.8% and an inflation factor of approximately 5.8% as established by a Colombian financial institution.

The following is a summary of the reclamation provision as at March 31, 2017 and December 31, 2016:

	March 31, 2017	December 31, 2016	January 1, 2016
San Ramon Gold Mine	\$ 1,725	\$ 1,509	\$ 205
Vetas Gold Project	286	271	258
	<u>\$ 2,011</u>	<u>\$ 1,780</u>	<u>\$ 463</u>

The following are changes in reclamation provision during the three months ended March 31, 2017 and year ended December 31, 2016:

	San Ramon Gold Mine	Vetas Gold Project
Balance, January 1, 2016	\$ 205	\$ 258
Change in estimate	1,227	(9)
Accretion expense	77	22
Balance, December 31, 2016	\$ 1,509	\$ 271
Change in estimate	187	11
Accretion expense	29	4
Balance, March 31, 2017	<u>\$ 1,725</u>	<u>\$ 286</u>

9. LONG-TERM DEBT

	Credit Facility
Balance, January 1, 2016	\$ 14,118
Principal, net of fees	41,173
Interest expense, net of amortization	9,417
Production payments	(9)
Balance, December 31, 2016	\$ 64,699
Interest expense, net of amortization	2,397
Production payments	(45)
Balance, March 31, 2017	\$ 67,051
	Current portion (21,640)
	Long-term portion \$ 45,411

RED EAGLE MINING CORPORATION

Notes to unaudited condensed interim consolidated financial statements

(amounts are in US dollars, unless otherwise stated)

9. LONG-TERM DEBT (CONTINUED)

The US \$60,000,000 credit facility has a five year term with a principal holiday and capitalized interest for 18 months from the first advance which occurred in November 2015. Principal repayments commenced on May 1, 2017 and will be made in forty-two equal monthly amortization amounts of \$1,579,377. The credit facility is secured by all of the Company's property and assets.

The credit facility bears interest at a rate of the higher of LIBOR or 1%, plus 7.5%, compounded monthly. The credit facility includes a production payment of \$30 per ounce payable on the first 405,000 ounces of gold produced for a total payment of \$12,150,000. On July 16, 2015, 5,000,000 warrants were granted to Orion Resource Partners (USA) LP to purchase shares of the Company exercisable for a five year term at an exercise price of CAD \$0.275. Considering the various features of the credit facility, the effective interest rate is approximately 16%. The credit facility was fully drawn in 2016.

For the three months ended March 31, 2017, the Company capitalized \$2,251,765 of interest on the credit facility to construction work in progress.

Pursuant to the terms of the credit facility, the Commercial Production Start Date was achieved at the end of the first quarter of 2017 and the Company is currently in compliance with the terms of the credit facility. The Company is required to maintain the following financial covenants:

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

10. SHARE CAPITAL

a) Authorized share capital

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

b) Issued during the three months ended March 31, 2017

On February 21, 2017, the Company completed a bought deal financing for gross proceeds of \$13,118,868 (CAD \$17,250,000), consisting of 23,000,000 common shares at a price of CAD \$0.75 per share.

c) Share Purchase Options

Information regarding share purchase options outstanding at March 31, 2017 is as follows:

	Number of outstanding	Weighted average exercise price in CAD \$	Weighted average measurement date fair value in CAD \$
Outstanding, January 1, 2016	14,365,000	\$ 0.33	\$ 0.19
Granted	5,045,000	0.68	0.33
Exercised	(845,000)	0.45	0.24
Expired	(75,000)	0.28	0.15
Forfeited	(625,000)	0.55	0.28
Outstanding, December 31, 2016	17,865,000	\$ 0.42	\$ 0.23
Granted	350,000	0.84	0.40
Exercised	(720,000)	0.32	0.18
Expired	(50,000)	0.80	0.39
Outstanding, March 31, 2017	17,445,000	\$ 0.43	\$ 0.24

RED EAGLE MINING CORPORATION
Notes to unaudited condensed interim consolidated financial statements
(amounts are in US dollars, unless otherwise stated)
10. SHARE CAPITAL (CONTINUED)
c) Share Purchase Options (continued)

Expiry date	Options outstanding	Options exercisable	Exercise price in CAD \$	Weighted average remaining contractual life (years)
December 6, 2017	1,505,000	1,505,000	\$ 0.55	0.7
April 9, 2019	1,755,000	1,755,000	0.33	2.0
May 6, 2020	2,665,000	2,665,000	0.33	3.1
October 7, 2020	6,750,000	6,362,500	0.275	3.5
February 24, 2021	225,000	162,500	0.375	3.9
April 22, 2021	175,000	175,000	0.57	4.1
June 14, 2021	400,000	200,000	0.71	4.2
July 8, 2021	300,000	300,000	0.77	4.3
August 18, 2021	150,000	75,000	0.86	4.4
October 17, 2021	925,000	231,250	0.80	4.6
December 19, 2021	2,245,000	1,311,250	0.65	4.7
February 21, 2021	350,000	87,500	0.84	4.9
	17,445,000	14,830,000	\$ 0.43	3.4

The fair value of each outstanding share purchase option grant was estimated using the Black-Scholes option pricing model, and for the three months ended March 31, 2017, with the following weighted average assumptions:

	March 31, 2017
Risk free interest rate	0.9%
Expected volatility	75%
Expected life (years)	2.9
Expected dividends (yield)	0%
Weighted average fair value per option in CAD \$	\$ 0.40

The share-based payments expense related to share purchase options for the three months ended March 31, 2017 was \$195,357 (2016: \$73,914), of which \$99,341 (2016: \$22,769) has been capitalized to Property, plant and equipment and \$96,016 (2016: \$51,145) has been recorded in the statement of comprehensive loss.

d) Warrants

Information regarding warrants outstanding at March 31, 2017 is as follows:

For the year ended	Number of outstanding warrants	Weighted average exercise price in CAD \$
Balance, January 1, 2016	8,375,000	\$ 0.27
Exercised	(3,375,000)	0.25
Balance, March 31, 2017 and December 31, 2016	5,000,000	\$ 0.28

Expiry date	Warrants outstanding	Weighted average exercise price in CAD \$	Weighted average remaining contractual life (years)
July 16, 2020	5,000,000	0.275	3.3
	5,000,000	\$ 0.275	3.3

RED EAGLE MINING CORPORATION

Notes to unaudited condensed interim consolidated financial statements

(amounts are in US dollars, unless otherwise stated)

10. SHARE CAPITAL (CONTINUED)

e) Deferred and Restricted Share Units

Deferred and restricted share units granted to directors and certain senior officers of the Company outstanding at March 31, 2017 is as follows:

	Number of deferred share units	Number of restricted units
Outstanding, March 31, 2017 and December 31, 2016	625,000	975,000

Compensation expense for deferred and restricted share units is measured at fair value based on the binomial option pricing model and is recognized over the vesting period. The fair value of deferred and restricted share units as at March 31, 2017 was \$878,694 compared with the recorded contributed surplus of \$804,177. The difference between the fair value and the recorded contributed surplus of \$74,517 will be recognized over the weighted average remaining vesting period of approximately 0.1 years.

For the three months ended March 31, 2017, share-based payment expense related to deferred and restricted units included in net loss was \$327,221 (2016 – nil) and \$201,292 was capitalized to Property, Plant, and Equipment.

f) Red Eagle Exploration Warrants and Share Purchase Options

Share Purchase Options

Information regarding Red Eagle Exploration's share purchase options outstanding at March 31, 2017 is as follows:

	Number of outstanding	Weighted average exercise price in CAD \$	Weighted average measurement date fair value in CAD \$
Outstanding, January 1, 2016	3,810,000	\$ 0.48	\$ 0.32
Granted	18,975,000	0.16	0.14
Expired	(2,105,000)	0.57	0.36
Outstanding, December 31, 2016	20,680,000	\$ 0.18	\$ 0.15
Granted	200,000	0.20	0.18
Outstanding, March 31, 2017	20,880,000	\$ 0.18	\$ 0.15

Expiry date	Options outstanding	Options exercisable	Exercise price in CAD \$	Weighted average remaining contractual life (years)
December 14, 2017	635,000	635,000	\$ 0.90	0.7
December 20, 2018	570,000	570,000	0.13	1.7
May 29, 2019	500,000	500,000	0.12	2.2
November 11, 2021	14,675,000	8,918,750	0.16	4.6
November 21, 2021	4,000,000	1,000,000	0.16	4.6
December 16, 2021	300,000	75,000	0.11	4.7
February 21, 2022	200,000	50,000	0.20	4.9
	20,880,000	11,748,750	\$ 0.18	4.4

RED EAGLE MINING CORPORATION

Notes to unaudited condensed interim consolidated financial statements

(amounts are in US dollars, unless otherwise stated)

10. SHARE CAPITAL (CONTINUED)

f) Red Eagle Exploration Warrants and Share Purchase Options (continued)

Share Purchase Options (continued)

The fair value of each outstanding share purchase option grant was estimated using the Black-Scholes option pricing model, and for the three months ended March 31, 2017, with the following weighted average assumptions:

	March 31, 2017
Risk free interest rate	1.2%
Expected volatility	140.7%
Expected life (years)	5.0
Expected dividends (yield)	0%
Weighted average fair value per option in CAD \$	\$ 0.18

The share-based payments expense related to share purchase options for the three months ended March 31, 2017 was \$297,601 (2016: nil) recorded in the consolidated statements of comprehensive loss.

Warrants

Information regarding Red Eagle Exploration's warrants outstanding at March 31, 2017 is as follows:

	Number of outstanding	Weighted average exercise price in CAD \$
Outstanding, January 1, 2016	-	\$ -
Issued	25,310,000	0.10
Outstanding, December 31, 2016	25,310,000	\$ 0.10
Exercised	(500,000)	0.10
Outstanding, March 31, 2017	24,810,000	\$ 0.10

Expiry date	Warrants outstanding	Weighted average exercise price in CAD \$	Weighted average remaining contractual life (years)
May 11, 2021	24,810,000	\$ 0.10	4.1

Of the outstanding Red Eagle Exploration warrants, 16,933,333 warrants are held by Red Eagle Mining. Red Eagle Exploration has the right to call the warrants.

11. RELATED PARTY TRANSACTIONS

Key management, directors, and officers received the following salaries and benefits:

For the three months ended	March 31, 2017	March 31, 2016
Share-based payments	\$ 550	\$ 15
Employee salaries and benefits	246	300
Director fees	58	53
	\$ 854	\$ 368

RED EAGLE MINING CORPORATION**Notes to unaudited condensed interim consolidated financial statements***(amounts are in US dollars, unless otherwise stated)***11. RELATED PARTY TRANSACTIONS (CONTINUED)**

The following table provides outstanding balances and the total amount of transactions, which have been entered into by the Company with related parties during the three months ended March 31, 2017 and 2016:

For the three months ended	March 31, 2017	March 31, 2016
Purchases:		
Mine development costs by Stracon GyM to which its CEO, Steve Dixon, is a director and a shareholder of the Company	\$ 4,748	\$ 2,491
Rent, salary and related costs recharged from a company controlled by directors, Robert Bell, Tim Petterson, and Ian Slater	\$ 178	\$ 356
Legal fees to Farris, Vaughan, Wills & Murphy LLP in which a director, Jay Sujir, is a partner	\$ 99	\$ 40
As at	March 31, 2017	December 31, 2016
Amounts owed:		
Stracon GyM to which its CEO, Steve Dixon, is a director and a shareholder of the Company	\$ 8,647	\$ 6,336
Farris, Vaughan, Wills & Murphy LLP in which a director, Jay Sujir, is a partner	\$ 167	\$ 69
Amounts due from:		
A company controlled by directors, Robert Bell, Tim Petterson, and Ian Slater, for prepayment of rent, salary and related costs	\$ 15	\$ 156

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

12. COMMITMENTS AND CONTINGENCIES

The Company has commitments related to capital expenditures for the development and construction of the San Ramon Gold Mine and Mill and certain operational commitments as at March 31, 2017 as follows:

	Less than 1 year	1 - 5 years	More than 5 years	Total
Operational	6,479	6,581	1,663	14,723
	\$ 6,479	\$ 6,581	\$ 1,663	\$ 14,723

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

RED EAGLE MINING CORPORATION

Notes to unaudited condensed interim consolidated financial statements

(amounts are in US dollars, unless otherwise stated)

13. FINANCIAL INSTRUMENTS

The Company has designated its cash and cash equivalents and amounts receivable as loans and receivables and accounts payable and long-term debt as other financial liabilities. There has been no change to the designations of financial instruments during the three months ended March 31, 2017.

a) Fair value

Management assessed that the fair values of cash and cash equivalents, amounts receivable, and accounts payable approximate their carrying amounts largely due to the short-term maturities of these instruments. The Company currently has no financial instruments measured at fair value. The carrying value of the long-term debt approximates its fair value.

b) Financial Risk Management

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due.

The Company's capital management objectives include working to ensure that it has sufficient liquidity to fund Company activities. The Company endeavours to ensure that it 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 predominantly through external financing initiatives. In the event of material cost overruns, operational delays or decreases in gold or silver prices, the Company may continue to rely upon sources of external financing in future periods. There is no assurance that financing of sufficient amounts or on terms acceptable to the Company will be available. Refer to Note 1 – Nature of Operations and Going Concern.