



RED EAGLE MINING CORPORATION
Management's Discussion and Analysis
For the three and six months ended June 30, 2016

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This management's discussion and analysis ("MD&A") focuses on significant factors that affected Red Eagle Mining Corporation and its subsidiaries ("Red Eagle" or the "Company") during the three and six months ended June 30, 2016 and to the date of this report. The MD&A supplements, but does not form part of, the unaudited interim condensed consolidated financial statements of the Company and the notes thereto for the three and six months ended June 30, 2016. This MD&A should be read in conjunction with the unaudited interim condensed consolidated financial statements for the three and six months ended June 30, 2016 and the audited consolidated financial statements for the year ended December 31, 2015 and the notes thereto which have been prepared in accordance with International Financial Reporting Standards ("IFRS"). All amounts presented in this MD&A are in Canadian dollars unless otherwise indicated.

Additional information related to Red Eagle is available on SEDAR at www.sedar.com and on the Company's website at www.redeaglemining.com.

This MD&A contains information up to and including August 29, 2016.

FORWARD-LOOKING INFORMATION

Certain statements in this report that are not historical facts are forward-looking statements involving known and unknown risks and uncertainties, which could cause actual results to vary considerably from these statements. Readers are cautioned not to put undue reliance on forward-looking statements. For more information on forward-looking information, please refer to page 24 of this MD&A.

CORPORATE OVERVIEW

The Company was incorporated under the *Business Corporations Act (British Columbia)* on January 4, 2010. The Company completed its initial public offering ("IPO") on June 24, 2011 and commenced trading its common shares in Canada under the symbol "RD" on the TSX Venture Exchange ("TSX-V") on June 28, 2011. The Company is also publicly listed in the USA on the OTCQX under the symbol "RDEMF" and the Santiago (Chile) Stock Exchange under the symbol "RDCL".

The Company is a gold and silver exploration and development company that is focused on building shareholder value through discovering and developing 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 is primarily engaged in the development and construction of the San Ramon Gold Mine and Mill, where construction is underway, with initial gold production currently scheduled for October 2016, ramping up to commercial production by the end of 2016.

A positive feasibility study was completed in October 2014. Highlights include:

- Assuming US \$1,300 per ounce gold: Net present value of US \$104 million using a 5% discount rate, Internal rate of return of 53%, and payback period of 1.3 years;
- Proven and probable reserve estimate of 405,000 gold ounces at 5.20 grams per tonne;
- Estimated capital costs of approximately US \$74 million;
- Sustaining capital for ongoing underground development budgeted at US \$33 million throughout the eight year mine life;
- Mill throughput of 1,000 tonnes per day (built-in capacity to double throughput);
- Estimated metallurgical gold recovery of 96% with a total estimated 388,000 ounces of recoverable gold to be produced (Year 1 production – 68,000 oz and life of mine average – 48,500 oz per year); and
- Operating cash costs estimated at US \$596/oz, with sustaining capital of US \$74/oz, and all in sustaining cash costs of US \$670/oz.

The Technical Report is available on www.sedar.com and the Company's website. The feasibility study was prepared by Lycopodium Minerals Canada Ltd. in accordance with the definitions in Canadian National Instrument ("NI") 43-101.

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QUALIFIED PERSONS

The scientific and technical information contained in this MD&A has been reviewed and approved by Jeff Toohey, P.Eng., Vice President Exploration, who is a "Qualified Person" as defined under National Instrument 43-101.

COMPANY DEVELOPMENTS AND OUTLOOK

Development and Construction of the San Ramon Gold Mine and Mill

In March 2015, the Company was formally granted the environmental licence in full, which was the final permit required for the construction and mining of the San Ramon Gold Mine and Mill, located in the Department of Antioquia, Colombia.

Following the successful conclusion of project financing in August 2015, the Company commenced construction. Lycopodium Minerals Canada Ltd., a leading international project engineering, procurement and construction management ("EPCM") firm, was awarded the contract for the design and construction management of the project. At the close of the second quarter 2016, the overall construction of the project was approximately 85% complete (based on physical completion) and approximately 76% complete (based on expenditures incurred).

By mid-August 2016, the overall construction of the mill is approximately 90% complete, and remains within budget and on schedule. Initial gold production is currently scheduled for October 2016, ramping up to commercial production by the end of 2016.

Mine Highlights:

- Mine safety has strived to adopt best practices with many safety awareness programs and monitoring on a continuous basis;
- The main access and production decline has progressed to 370m in length and the first ore production level has been established approximately 300m from the decline surface collar;
- The initial production level is under development to mine ore ahead of mill commissioning. High grade ore is being stockpiled from this development, along with lower grade ore for the commencement of commissioning;
- The decline encountered difficult ground conditions through the saprolite and transitional ground for longer than anticipated, but development is now in competent granodiorite and progressing well; and
- Mine staffing has reached planned levels of approximately 120 employees ready to commence ore production ramp up over the remainder of 2016.

Mill Highlights:

- All steelwork and platework construction is complete. All equipment has been delivered and installed. Remaining work now comprises completion of piping and electrical works;
- All HV equipment and electrical sub-stations have been inspected and approved by the Colombian electrical inspectorate. The 44KV overhead powerline and supply substation (which is located approximately 12km from site), are functional and approved. Full "live" HV connection is scheduled for September 2016. Cold commissioning of sectors of the mill are being undertaken using the two 750 KVA standby generators;
- Water supply is established, and wet commissioning of all tankage is underway; and

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COMPANY DEVELOPMENTS AND OUTLOOK (CONTINUED)

Development and Construction of the San Ramon Gold Mine and Mill (continued)

Mill Highlights (continued):

- Contractor manpower peaked at site during July 2016 (at approximately 350 persons), and is now commencing to wind down (currently 300 persons).

Social and Environmental Highlights:

- The Company continues to maintain positive relationships with and be involved with the local communities. Continuous information flow is maintained with all local communities and stakeholders regarding the advances during the construction of the mine. The Company continues to receive positive reception and support from all local communities and stakeholders; and
- The Company continues to strictly adhere to the terms of its Environmental License, and the associated Environmental Management Plan. The Environmental Agency has maintained a strict monitoring program as the project has progressed. To date, the Agency has conducted seven inspections at the project site and two at the Company's compensation areas. Apart from minor issues, which have been quickly corrected, the Company has received positive inspection reports to date.

Project Financing:

Based upon the Company's projections and estimated construction progress made as at July 31, 2016, the construction of the Company's 100% owned San Ramon Gold Mine and Mill is forecast to be funded through to full production. As at July 31, 2016, the Company has approximately US \$29 million in cash with approximately US \$14 million of project costs left to incur.

Equity Financing

In April 2016, the Company completed a private placement, in two tranches, for gross proceeds of \$11,281,476, consisting of 29,688,095 common shares at a price of \$0.38 per share. As part of this private placement, Liberty Metals and Mining Holdings LLC ("LMM") elected to exercise its participation right and purchased 9,500,000 shares resulting in LMM's ownership interest in the Company increasing from 18.0% to 19.9%. Proceeds will be used for exploration drilling of the Santa Rosa Gold Project and to fund CB Gold Inc.'s ("CB Gold") 2016 work program at the Vetas Gold Project.

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

Ore production stope delineation drilling at San Ramon

In June and August 2016, the Company commenced detailed ore production stope delineation drilling at the San Ramon Gold Mine, Santa Rosa Gold Project and will continue for the life of the mine. The initial results from the in-fill drill programme have exceeded expectations with intercepts significantly longer than the planned average mining width of 3.00m and grades significantly higher than the reserve grade of 5.20 g/t Au. Highlights of the drill programme are detailed under mineral properties.

CB Gold Update

During the first half of 2016, the Company acquired an additional 140,505,405 shares of CB Gold, in a combination of private placements, open market purchases, and share issuances for settlement of CB Gold property obligations, holding an aggregate of 248,033,377 common shares of CB Gold (equivalent to a 71% interest) as of June 30, 2016. In addition, as part of one of the private placements, the Company acquired 16,933,333 warrants exercisable into one share at \$0.10 per share for a period of five years, expiring on May 11, 2021.

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COMPANY DEVELOPMENTS AND OUTLOOK (CONTINUED)

CB Gold Update (continued)

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

The Company's current ownership of the issued and outstanding CB Gold shares is approximately 69%.

MINERAL PROPERTIES

The Company owns the Santa Rosa Gold Project, located in Antioquia, Colombia. All direct costs relating to the acquisition of mineral property interests are capitalized. Effective April 1, 2015, mineral property development expenditures have been capitalized as the Company has moved from the exploration to development phase. A breakdown of expenditures is provided below. During 2015, the Company also acquired a controlling interest in the public company, CB Gold Inc., which owns the Vetas Gold Project. Further information on the mineral properties can be found in the Company's unaudited interim condensed consolidated financial statements for the three and six months ended June 30, 2016.

Santa Rosa Gold Project

On April 15, 2011, the Company acquired 100% of the Santa Rosa Gold Project in Antioquia, Colombia, for US \$9,600,000 (\$9,988,676), which has been paid in full. The Company also agreed to acquire certain adjacent concession contracts for US \$780,000, of which US \$40,000 (\$40,600) has been paid and US \$740,000 (\$962,666) is due upon title transfer, which is expected after 2016.

On October 22, 2012, concurrent with a private placement financing, the Company completed the sale of a 2% NSR royalty over the Santa Rosa property to Liberty Metals and Mining Holdings, LLC, ("LMM") a shareholder of the Company, for gross proceeds of \$8,333,333. The Company had the option to sell an additional 1% royalty for \$4,166,667 at any time until December 31, 2013 and on December 20, 2013, the Company exercised this option. The Company has the option to repurchase a 1% royalty for \$8,333,333 at any time during the first two years of commercial gold production.

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

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

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

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MINERAL PROPERTIES (CONTINUED)

Santa Rosa Gold Project (continued)

As at June 30, 2016, the mineral property obligation relating to this acquisition was \$161,398, which represents the discounted value of the US \$125,000 remaining to be paid.

Ore production stope delineation drilling

In June 2016, the Company commenced detailed ore production stope delineation drilling at the San Ramon Gold Mine. Highlights from the first 23 holes (SRD-0001 to SRD-0023) include intercepts:

- SRD-0003 - 4.00m at 10.68 g/t Au from 60.70m down hole (incl. 1.10m at 27.38 g/t Au);
- SRD-0004 - 7.80m at 12.79 g/t Au from 71.40m down hole (incl. 2.80m at 30.44 g/t Au);
- SRD-0005 - 8.15m at 5.71 g/t Au from 96.20m down hole (incl. 1.60m at 15.65 g/t Au);
- SRD-0010 - 11.48m at 7.25 g/t Au from 100.50m down hole (incl. 1.89m at 19.05 g/t Au);
- SRD-0017 - 5.10m at 12.27 g/t Au from 93.90m down hole (incl. 1.46m at 29.94 g/t Au);
- SRD-0018 - 1.35m at 50.11 g/t Au from 71.85m down hole;
- SRD-0020 - 10.60m at 4.22 g/t Au from 36.70m down hole (incl. 3.40m at 6.36 g/t Au); and
- SRD-0021 - 0.80m at 168.91 g/t Au from 92.60m down hole

Results from the delineation drilling continue to exceed expectations with intercepts significantly longer than the planned average mining width of 3m and grades significantly higher than the reserve grade of 5.2 g/t Au. For complete drill results, please refer to press releases dated June 1, 2016 and August 16, 2016. True widths are estimated to be 70-90% of the intercepts and vertical depths are estimated to be 70-90% of the drilled depths reported below. Drill assays were composited by length-weighted averaging into intersections using a 2.00 g/t Au cut-off grade. Due to the mining method and mining selectivity contemplated for the deposit, internal dilution was included in some intersections where considered appropriate for mining continuity.

Quality Assurance and Quality Control

All technical information for the Company's Santa Rosa Project in Antioquia, Colombia is obtained and reported under formal quality assurance and quality control (QA/QC) procedures and guidelines. The Company's procedures are designed to meet or exceed C.I.M. "Best Practices Guidelines" and National Instrument 43-101 standards of disclosure. QA/QC protocols for drill core sampling and assaying include the insertion and monitoring of appropriate reference materials (certified standards, blanks and duplicates) to validate the accuracy and precision of the assay results.

All drill samples were collected with a diamond core drill rig using approximately one metre sample intervals following standard industry practice. Activation Laboratories Ltd. prepared and assayed the samples at their laboratory in Medellin, Colombia. Fire assay for Au (using a 50 gram sample) with an AAS finish was carried out routinely on all samples submitted. For all samples which returned initial Au fire assays of greater than 5 g/t Au, a second fire assay for Au was performed (also using a 50 gram sample) with a gravimetric finish. QA/QC included the monitoring of standards and a coarse blank inserted into the sample stream.

Vetas Gold Project

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

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

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MINERAL PROPERTIES (CONTINUED)

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

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

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

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

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

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

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RESULTS OF OPERATIONS

THREE MONTHS ENDED JUNE 30, 2016 COMPARED TO THREE MONTHS ENDED JUNE 30, 2015

The Company recorded a loss of \$632,618 for the three months ended June 30, 2016 compared to a loss of \$580,654 for the three months ended June 30, 2015. As at October 8, 2015, the Company acquired a controlling interest in CB Gold. Accordingly, the consolidated results of operations for the three months ended June 30, 2016, include a loss of \$695,310 related to CB Gold.

Following is an analysis of the significant movements in balances between the three month periods ended June 30, 2016 and June 30, 2015:

For the three months ended (in Canadian dollars)	June 30, 2016	June 30, 2015	
Mineral property exploration costs	395,786	-	Effective April 1, 2015 the Company commenced capitalization of direct development costs associated with Santa Rosa. Mineral property exploration costs primarily relate to \$324,303 of costs associated with CB Gold
Relations and business development	244,122	103,684	Increase due to increased property activities, profile and investor interest
VAT recovery	-	(740,175)	On commencement of capitalization of direct development costs, the Company also recognized a value added tax ("VAT") credits receivable. The amount for the period ended June 30, 2015, represents the cumulative amount of previously expensed VAT paid to the Colombian Government. These VAT credits are recoverable against corporate taxes payable in Colombia
Foreign exchange (gain) loss	(1,146,708)	89,724	Non-cash foreign exchange gains and losses relate to fluctuations of foreign exchange rates between USD, COP, and CAD. Foreign exchange gain primarily relates to the strengthening of the CAD and COP against the USD during Q2 2016 on USD denominated long-term debt

SIX MONTHS ENDED JUNE 30, 2016 COMPARED TO SIX MONTHS ENDED JUNE 30, 2015

The Company recorded a loss of \$831,440 for the six months ended June 30, 2016 compared to a loss of \$3,386,408 for the six months ended June 30, 2015. As at October 8, 2015, the Company acquired a controlling interest in CB Gold. Accordingly, the consolidated results of operations for the six months ended June 30, 2016, include a loss of \$1,516,368 related to CB Gold.

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RESULTS OF OPERATIONS (CONTINUED)

Following is an analysis of the significant movements in balances between the six month periods ended June 30, 2016 and June 30, 2015:

For the six months ended (in Canadian dollars)	June 30, 2016	June 30, 2015	
Mineral property exploration costs	800,639	1,960,655	Effective April 1, 2015 the Company commenced capitalization of direct development costs associated with Santa Rosa, resulting in an overall decrease in mineral properties exploration costs. This decrease was partially offset as mineral property exploration costs include \$669,547 of costs related to CB Gold
Office and administration	1,391,016	797,167	Increase primarily due to \$553,995 of costs related to CB Gold
Salaries and benefits	1,008,753	584,703	Increase due to an increase in non-cash stock option expense and personnel
Relations and business development	372,047	242,909	Increase due to increased property activities, profile and investor interest
VAT recovery	-	(740,175)	On commencement of capitalization of direct development costs, the Company also recognized a value added tax ("VAT") credits receivable. The amount for the period ended June 30, 2015, represents the cumulative amount of previously expensed VAT paid to the Colombian Government. These VAT credits are recoverable against corporate taxes payable in Colombia
Foreign exchange (gain) loss	(3,017,882)	287,269	Non-cash foreign exchange gains and losses relate to fluctuations of foreign exchange rates between USD, COP, and CAD. Foreign exchange gain primarily relates to the strengthening of the CAD and COP against the USD during the first half of 2016 on USD denominated long-term debt

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SUMMARY OF QUARTERLY RESULTS

Following is a summary of quarterly results for the eight most recently completed quarters. These results are taken from the interim and annual consolidated financial statements of Red Eagle, which are prepared in accordance with IFRS as issued by the International Accounting Standards Board ("IASB"). The results are presented in Canadian dollars.

	For the three months ended June 30, 2016	For the three months ended March 31, 2016	For the three months ended December 31, 2015	For the three months ended September 30, 2015
Interest income	\$ 26,113	\$ 3,674	\$ 13,385	\$ 21,644
Net loss (income) attributable to equity holders of the parent	385,268	(91,350)	2,431,296	646,079
Basic and diluted loss per share	0.00	0.00	0.01	0.00

	For the three months ended June 30, 2015	For the three months ended March 31, 2015	For the three months ended December 31, 2014	For the three months ended September 30, 2014
Interest (expense) income	\$ (6,250)	\$ (916)	\$ 35,353	\$ 8,308
Net loss attributable to equity holders of the parent	580,654	2,805,754	2,423,387	2,134,709
Basic and diluted loss per share	0.01	0.04	0.04	0.03

The analysis provided in the "results of operations" section above provides information regarding the significant movements during the three and six months ended June 30, 2016 and June 30, 2015. Due to the nature of operations there is no significant seasonality in the business. The Company was incorporated on January 4, 2010 and has grown in its level of operations since that date. The loss per quarter has historically been most impacted by the nature of the drilling programme underway at the time, and whether or not there is a significant non-cash share based payment expense due to the granting of share purchase options. For the three months ended June 30, 2015 and September 30, 2015, the net loss was reduced as the Company commenced capitalization of direct costs associated with the development of the San Ramon Gold Mine and Mill as well as recognized a VAT receivable that will be recoverable against future taxes payable in Colombia.

As at October 8, 2015, the Company acquired a controlling interest in CB Gold. Accordingly, the consolidated results of operations for the three months ended December 31, 2015, include a loss of \$495,556 related to CB Gold for the period from October 8, 2015 to December 31, 2015. Capitalization of direct costs associated with the development of the San Ramon Gold Mine and Mill and recognition of VAT taxes receivable were offset by a higher foreign exchange loss, during the three months ended December 31, 2015.

For the three month period ended March 31, 2016, net income attributable to equity holders of the parent was a result of a higher foreign exchange gain and the result of capitalization of direct costs associated with the development of the San Ramon Gold Mine and Mill.

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SUMMARY OF QUARTERLY RESULTS (CONTINUED)

For the three month period ended June 30, 2016, net loss attributable to equity holders of the parent was a result of a higher general expenses as a result of increased activities and profile for the Company, as described above, and approximately \$695,310 of expenses associated with CB Gold, which were partially offset by a higher foreign exchange gain.

LIQUIDITY AND CAPITAL RESOURCES

As at	June 30, 2016	December 31, 2015	December 31, 2014
Working capital	\$ 268,020	\$ (1,536,765)	\$ (303,768)
Total assets	121,085,132	62,582,686	1,484,794
Total liabilities	(79,675,283)	(33,573,430)	(2,253,096)
Share capital	79,137,695	65,684,900	37,163,964
Deficit	(43,881,991)	(45,159,151)	(38,826,730)

As at June 30, 2016, the Company had working capital of \$268,020 (December 31, 2015: (\$1,536,765)), with cash and cash equivalents of \$18,963,164 (December 31, 2015: \$10,347,916). Current liabilities as at June 30, 2016 and due within one year of the balance sheet date are \$19,706,458, which primarily relates to the construction of the San Ramon Gold Mine and Mill, and also includes \$1,287,507 of mineral property obligations related to the Vetás Gold Project.

In March 2015, the Company secured a US \$60,000,000 credit facility with Orion and LMM, of which US \$45,000,000 has been drawn down as at June 30, 2016. In July 2016, the Company drew down the final US \$15,000,000 of the credit facility in order to fund capital construction expenditures on the San Ramon Gold Mine and Mill.

In April 2016, the Company completed a private placement, in two tranches, for gross proceeds of \$11,281,476, consisting of 29,688,095 common shares at a price of \$0.38 per share.

In July 2016, the Company completed a private placement for gross proceeds of \$9,223,638, consisting of 13,176,626 common shares at a price of \$0.70 per share.

The Company relies on equity financings and the exercise of options and warrants to fund its exploration and development activities and its corporate and overhead expenses, and in addition a debt credit facility to fund construction of the San Ramon Gold Mine and Mill. Many factors influence the Company's ability to raise funds, including the health of the resource market, the climate for mineral exploration investment, the Company's track record, and the experience and caliber of its management and personnel. Actual funding requirements may vary from those planned due to a number of factors, including the progress and results of exploration activities.

The Company's operations to date have been financed by issuing common shares, the sale of a royalty over a portion of the Santa Rosa property, and the use of proceeds from the credit facility. The continuing operations of the Company are dependent upon its ability to execute the construction of the San Ramon Gold Mine and Mill on time and on budget, followed by the initial gold production currently scheduled for October 2016, ramping up to commercial production by the end of 2016. To complete all of these activities, the Company has adequate available funding from cash on hand combined with the available debt credit facility. However, there is no guarantee that the Company will be able to continue to secure additional financings in the future at terms that are favourable, should the Company require additional funding.

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LIQUIDITY AND CAPITAL RESOURCES (CONTINUED)

With the cash position on hand, completed private placements and secured credit facility, the Company believes that it has sufficient amount of cash and cash equivalents available to meet business requirements for the next twelve months and anticipates that there is sufficient capital and liquidity to meet liabilities when due.

OUTSTANDING SHARE DATA

Common shares

The authorized capital of the Company is an unlimited number of common and preferred shares (nil outstanding) without par value.

As at June 30, 2016, the Company had 219,730,369 common shares issued and outstanding (December 31, 2015: 181,429,252). As at the date of this MD&A, the Company had 233,241,995 common shares issued and outstanding.

On January 15, 2016, the Company issued 2,843,206 common shares to the shareholders of Real Minera Ltda ("Real Minera") pursuant to the agreement dated April 19, 2010 and amended on December 15, 2015 between CB Gold and Real Minera in order to meet CB Gold's property obligations with respect to the Vetás Gold Project.

On February 29, 2016, the Company issued 2,219,816 common shares to the titleholders of the La Triada concession ("La Triada") pursuant to the agreement dated March 28, 2012 as amended between CB Gold and La Triada in order to meet CB Gold's property obligations with respect to the Vetás Gold Project.

In April 2016, the Company completed a private placement, in two tranches, for gross proceeds of \$11,281,476, consisting of 29,688,095 common shares at a price of \$0.38 per share.

During the second quarter of 2016, the Company issued 3,375,000 common shares at a price of \$0.25 per share for consideration of \$843,750, on the exercise of warrants.

During June 2016, 175,000 share purchase options were exercised into 175,000 common shares for total consideration received of \$72,875.

In July 2016, the Company completed a private placement for gross proceeds of \$9,223,638, consisting of 13,176,626 common shares at a price of \$0.70 per share.

During July and August 2016, 335,000 share purchase options were exercised into 335,000 common shares for total consideration received of \$171,675.

Warrants

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

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

No warrants were issued during the six months ended June 30, 2016 and 2015.

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

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

As at the date of this MD&A, the Company had 5,000,000 warrants outstanding.

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OUTSTANDING SHARE DATA (CONTINUED)

Options

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

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

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

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

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

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

On July 8, 2016, the Company granted 300,000 share purchase options exercisable at a price of \$0.77 per share until July 8, 2021 to a new director.

On July 24, 2016, 75,000 share purchase options that had been granted to an employee expired unexercised following his departure.

On August 18, 2016, the Company granted 150,000 share purchase options exercisable at a price of \$0.86 per share until August 18, 2021 to employee.

During July and August 2016, 335,000 share purchase options were exercised into 335,000 common shares for total consideration received of \$171,675.

As at the date of this MD&A, the Company had 15,030,000 options outstanding.

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TRANSACTIONS WITH RELATED PARTIES

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

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

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

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

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

CHANGES IN ACCOUNTING POLICIES

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

IAS 1 Disclosure Initiative – Amendments to IAS 1

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

- The materiality requirements in IAS 1;
- That specific line items in the statement(s) of profit or loss and other comprehensive income (loss) and the statement of financial position may be disaggregated;
- That entities have flexibility as to the order in which they present the notes to financial statements; and

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CHANGES IN ACCOUNTING POLICIES (CONTINUED)

The amendments clarify (continued):

- That the share of other comprehensive income (loss) of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss.

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

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

FINANCIAL INSTRUMENTS

Refer to Note 15 of the Company's unaudited interim condensed consolidated financial statements for the three and six months ended June 30, 2016 for disclosure regarding the Company's financial instruments. There has been no change in designation of financial instruments or nature of risks in the three and six months ended June 30, 2016. The Company's financial instruments consist of cash and cash equivalents, other financial assets, amounts receivable, accounts payable and accrued liabilities, mineral property obligations, reclamation provision and the long-term debt. The Company does not hold any complex financial instruments or derivatives. The cash is held to fund ongoing exploration and development work and head office costs and the cash equivalents are held to earn interest until they are needed to fund exploration work and head office costs.

Financial Risk Management

Credit risk

The Company is exposed to credit risk with respect to its cash and cash equivalents and other financial assets. Other financial assets are investments that have been placed on deposit with major Canadian or Colombian financial institutions. All cash and cash equivalents are on deposit with major Canadian or Colombian financial institutions. The short term investment recorded as other financial assets is a GIC with a 12 month maturity that has been placed on deposit with a major Canadian institution. The cash in trust related to the Empresas Publicas de Medellin, E.S.P., electrical installation contract in the Company and deposits in CB Gold, recorded in non-current other financial assets, was on deposit with a major Colombian institution.

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

Interest rate risk

The Company has cash balances, investment-grade short-term deposit certificates issued by its banking institution and long-term debt under the credit facility. Interest income is not material to the Company. Advances under the credit facility will bear interest at the higher of LIBOR or 1%, +7.5%. The Company manages this risk by monitoring fluctuations in LIBOR, which are not expected to be significant.

Foreign currency risk

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

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

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FINANCIAL INSTRUMENTS (CONTINUED)

Foreign currency risk (continued)

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

Other price risk

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

Liquidity risk

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

CAPITAL COMMITMENTS AND OFF BALANCE SHEET ARRANGEMENTS

The Company has commitments related to capital expenditures for the development and construction of the San Ramon Gold Mine and Mill and certain operational commitments as at June 30, 2016. See table below and Note 14 to the unaudited interim condensed consolidated financial statements for capital commitments as at June 30, 2016.

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

The Company has to make certain cash payments in order to meet the terms of the mineral property acquisition agreements as described in Note 7 in the unaudited interim condensed consolidated financial statements for mineral properties as at June 30, 2016.

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.

There are no other capital commitments, nor are there any off balance sheet arrangements.

RISKS AND UNCERTAINTIES

The risks and uncertainties described in this section are considered by management to be the most important in the context of the Company's business. The risks and uncertainties below are not inclusive of all the risks and uncertainties the Company may be subject to and other risks may exist. The Company is in the business of acquiring, exploring and developing mineral properties. It is exposed to a number of risks and uncertainties that are common to other mining companies. The industry is capital intensive at all stages and is subject to variations in commodity prices, market sentiment, inflation and other risks.

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RISKS AND UNCERTAINTIES (CONTINUED)

Mining

The Company is engaged in exploration, mine development and the mining and production of gold, and is exposed to a number of risks and uncertainties that are common to other companies in the same business. Unusual or unexpected geologic formations, formation pressures, seismic activity, fires, power outages, flooding, cave-ins, landslides and the inability to obtain suitable adequate machinery, equipment or labour are risks involved in the operation of mines and the conduct of exploration programs. These risks and hazards could result in damage to, or destruction of, mineral properties or producing facilities; personal injury or death; environmental damage; delays in mining; and monetary losses and possible legal liability. As a result, production may fall below estimated levels and the Company may incur significant costs or experience significant delays that could have a material adverse effect on the Company's financial performance, liquidity and results of operation. Although the Company maintains liability insurance in an amount which it considers adequate, the nature of these risks is such that liabilities might exceed policy limits, might not be insurable, or the Company might not elect to insure itself against such liabilities due to high premium costs or other reasons, in which event the Company could incur significant costs that could have a material adverse effect upon its financial condition.

Exploration for minerals is highly speculative in nature, involves many risks and frequently is unsuccessful. There is no assurance that any exploration activities of the Company will result in the development of an economically viable mine project. The economics of developing mineral properties are affected by many factors including the cost of operations, variations in the grade of ore mined, fluctuations in metal markets, costs of mining and processing equipment, government regulations, location of the orebody and its proximity to infrastructure such as roads and power, required metallurgical processes, regulatory permit requirements, prevailing metal prices, economic and financing conditions at the relevant time. 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 development of the San Ramon Gold Mine and Mill will include the construction and operation of mines, processing plants and related infrastructure. As a result, the Company is and will continue to be subject to all of the risks associated with establishing new mining operations, 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. Accordingly, the Company cannot provide assurance that its activities will result in profitable mining operations at the San Ramon Gold Mine. If there are significant delays in when the Santa Rosa Gold Project is completed and is producing on a commercial and consistent scale, or its capital costs were to be significantly higher than estimates, these events could have a significant adverse effect on the Company's results of operation, cash flow from operations and financial condition.

Country

The Company conducts exploration, mine development and other mining activities in Colombia, which is a developing country. This exposes the Company to certain jurisdictional risks including, without limitation, possible political instability, changes to applicable laws including those relating to government imposed taxes or royalties, impairment or loss of mining title or other mineral rights as well as risks associated with economic instability such as currency fluctuations and inflation.

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RISKS AND UNCERTAINTIES (CONTINUED)

Country (continued)

Colombia has for decades sustained persistent violence stemming from activities of left-wing guerilla and paramilitary groups associated with drug cartels. While the situation has improved significantly in recent years, including the recent peace accord, there can be no guarantee that the situation will not deteriorate once again. Any increase in kidnapping, gang warfare, homicide and/or terrorist activity in Colombia generally may disrupt supply chains and discourage qualified individuals from being involved with the Company's operations. Colombia's status as a developing country may also make it more difficult for the Company to attract additional investors or otherwise obtain additional financing for its mining projects.

In addition, the enforcement by the Company of its legal rights to exploit its properties or to utilize its permits and licenses may not be recognized by the court systems in Colombia. The occurrence of one or more of these risks could have a material and adverse effect on the viability and financial performance of its foreign operations, which could have a material and adverse effect on the Company's future cash flows, earnings, results of operations and financial condition. Any of these events could also result in conditions that delay or prevent the Company from exploring or developing its properties.

Profitability; Costs

The Company has a history of losses and there can be no assurance that it will ever be profitable. The Company expects to continue to incur losses unless and until such time as it commences profitable mining operations on its properties. The development of the properties will require the commitment of substantial financial resources. The amount and timing of expenditures will depend on a number of factors, some of which are beyond the Company's control, including the progress of ongoing exploration, studies and development, the results of consultant analysis and recommendations, the rate at which operating losses are incurred and the execution of any joint venture agreements with any strategic partners, if any. There can be no assurance that the Company will ever generate revenues from operations or that the Santa Rosa Gold Project or any properties the Company may hereafter acquire or obtain an interest in will generate earnings, operate profitably or provide a return on investment in the future. There can be no assurance that the Company's cost assumptions will prove to be accurate, as costs will ultimately be determined by several factors that are beyond the Company's control.

Metal Price Volatility

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. If the world market price of gold were to drop and the prices realized by the Company on gold sales were to decrease significantly and remain at such a level for any substantial period, the Company's future profitability and cash flow would be negatively affected. Gold prices can be subject to volatile price movements, which can be material and can occur over short periods of time and are affected by numerous factors, all of which are beyond the Company's control. Depending on the market price of gold, the Company may determine that it is not economically feasible to continue some or all of its operations or the development of some or all of its projects, as applicable, which could have an adverse impact on the Company's financial performance and results of operations. In such a circumstance, the Company may also curtail or suspend some or all of its exploration activities.

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RISKS AND UNCERTAINTIES (CONTINUED)

Mineral Reserve and Resource Estimates

Mineral resource and mineral reserve figures are estimates only and no assurance can be given that the indicated tonnages and grade will be achieved or that the indicated level of recovery will be realized over the mine life. There is significant uncertainty in any mineral resource and mineral reserve estimate, and the actual deposits encountered and the economic viability of, and returns from, mining a deposit may differ materially from estimates disclosed by the Company. The estimating of mineral resources and mineral reserves is a subjective process and the accuracy of mineral resource and mineral reserve estimates is a function of the quantity and quality of available data, the accuracy of statistical computations, and the assumptions used and judgments made in interpreting engineering and geological information. The Company's mineral reserves and mineral resource estimates have been determined based upon assumed commodity prices, operating costs and exchange rates. Changes in assumptions may render certain mineral reserve and mineral resources uneconomic to mine and result in a significant reduction in the reported mineral reserves or mineral resources and thereby have a material adverse effect on the Company's results of operations and financial condition.

Estimated mineral resources and mineral reserves may require downward revisions based on changes in metal prices, further exploration or development activity, increased production costs or actual production experience. This could materially and adversely affect estimates of the tonnage or grade of mineralization, estimated recovery rates or other important factors that influence mineral resource and mineral reserve of estimates. Any reduction in estimated mineral reserves or estimated mineral resources as a result could require material write downs in investment in the affected mining property and increased amortization, reclamation and closure charges, which could have a material and adverse effect on the Company's results of operations and financial condition.

Mineral resources that are not mineral reserves do not have demonstrated economic viability. Due to the uncertainty which may attach to inferred mineral resources, there is no assurance that inferred mineral resources will be upgraded to indicated and measured mineral resources as a result of continued exploration. If mineral resources are not upgraded to proven and probable mineral reserves, it could materially and adversely affect and/or restrict the Company's ability to successfully implement its strategies for long-term growth.

Regulatory

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. Compliance with such laws and regulations increases the costs of planning, designing, drilling, developing, construction, operating and closing mines and other facilities. Compliance with environmental regulations may require significant capital outlays on behalf of the Company and may cause material changes or delays in the Company's intended activities. Any breaches of environmental laws could materially and adversely affect the Company.

Failure to comply with applicable laws and regulations may result in civil or criminal fines or penalties or enforcement actions, including orders issued by regulatory or judicial authorities enjoining or curtailing operations, requiring corrective measures or other remedial actions, any of which could result in the Company incurring significant expenditures. The Company may be subject to potential legal claims which, if determined adversely to the Company, could have a material effect on the Company and/or its financial condition. The Company may be required to compensate persons suffering loss or damage as a result of any infringement of applicable laws or regulations.

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RISKS AND UNCERTAINTIES (CONTINUED)

Regulatory (continued)

The Company 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 the Company 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 the Company's ability to expand or transfer existing operations or require the Company to abandon or delay the development of new 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 its mining properties.

Risks with Title to Mineral Properties

Title on mineral properties and mining rights involves certain risks due to the difficulties of determining the validity of certain claims as well as the potential for problems arising from the ambiguous conveyance history of many mining properties. Although the Company has, with the assistance of its Colombian legal advisors, diligently investigated and validated title to its mineral claims, there is no guarantee that the Company will not encounter challenges or loss of title to its assets. The Company does not carry title insurance. The Company is actively engaged in the process of seeking to strengthen the certainty of its title to its mineral concessions, which are held either directly or through its equity interest in its subsidiaries. The Company cannot give any assurance that title to properties it acquired individually or through historical share acquisitions will not be challenged or impugned and cannot guarantee that the Company will have or acquire valid title to these mining properties. Failure by the Company 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.

Environmental Risk

Both exploration programs and mining operations have inherent risks and liabilities associated with pollution of the environment and the disposal of waste products. Laws and regulations involving the protection and remediation of the environment, including those addressing emissions into the air, discharges into water, management of waste, management of hazardous substances, protection of natural resources, antiquities and endangered species and reclamation of lands disturbed by mining operations and the governmental policies for implementation of such laws and regulations are constantly changing and are generally becoming more restrictive, with the trend towards stricter standards and enforcement, increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects and increasing responsibility for companies and their officers, directors and employees. Compliance with environmental laws and regulations may require significant capital outlays on behalf of the Corporation and may cause material changes or delays in the Company's intended activities.

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RISKS AND UNCERTAINTIES (CONTINUED)

Environmental Risk (continued)

There can be no assurance that future changes in environmental regulations will not adversely affect the Company's business, and it is possible that future changes in these laws or regulations could have a significant adverse impact on some portion of the Company's business and the properties operated, which could have a material and adverse effect on the Company's future cash flows, earnings, results of operations and financial condition. The Company cannot give any assurance that breaches of environmental laws (whether inadvertent or not) or environmental pollution will not result in additional costs or curtailment of planned activities and investments, which could have a material and adverse effect on the Company's future cash flows, earnings, results of operations and financial condition.

Risks Associated with Potential Acquisitions

The Company 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. The Company'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.

The Company 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. The Company 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. Accordingly, there can be no assurance that the Company will be able to compete successfully for new mining properties.

Personnel; Equipment

The ability to identify, negotiate and consummate transactions that will benefit the Company is dependent upon the efforts of the Company's management team. The loss of the services of any member of management could have a material adverse effect on the Company. The Company's future drilling activities 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.

The Company is heavily dependent on its key personnel and on its ability to motivate, retain and attract highly skilled persons. If, for any reason, any one or more of such key personnel do not continue to be active in the Company's management, the Company could be adversely affected. There can be no assurance that the Company will successfully attract and retain additional qualified personnel to manage its current needs and anticipated growth. The failure to attract such qualified personnel to manage growth effectively could have a material adverse effect on the Company's business, financial condition or results of operations.

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 Company's operations, financial condition and results of operations.

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RISKS AND UNCERTAINTIES (CONTINUED)

Financing

Additional funding may be required to complete the proposed or future exploration and other programs on the Company's properties. There is no assurance that any such funds will be available. Failure to obtain additional financing, if required, on a timely basis, could cause the Company to reduce or delay its proposed operations. The majority of sources of funds currently available to the Company for its acquisition and development projects are in large portion derived from the issuance of equity. While the Company has been successful in the past in obtaining equity financing to undertake its currently planned exploration and development programs, there is no assurance that it will be able to obtain adequate financing in the future or that such financing will be on terms advantageous to the Company.

Credit Facility

The Credit Facility entered into by the Company and Orion to fund its development of Santa Rosa includes several covenants that impose significant operating and financial restrictions on the Company and limit the Company's ability to undertake certain actions without consent of Orion. As a result of these restrictions, the Company may be limited in how it conducts its 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 the Company'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 the Company. 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 permit 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 the Company could be forced into bankruptcy, liquidation or restricting proceedings.

Currency Risk

The Company maintains its accounts in Canadian dollars and the market for gold is principally denominated in U.S. dollars. The Company's operations in Colombia make it subject to foreign currency fluctuations and such fluctuations may materially affect the Company's financial position and results. Colombia has a free and unrestricted supply and demand market. The Company is exposed to foreign exchange risk from the exchange rate of Colombian pesos relative to the Canadian and U.S. dollars. Foreign exchange risk is mainly derived from assets and liabilities stated in Colombian pesos. The Company limits its foreign exchange risk by the acquisition of short-term financial instruments and, when possible, minimizes its Colombian peso monetary asset positions.

Price Volatility of Publicly Traded Securities

In recent years, the securities markets in the United States and Canada have experienced a high level of price and volume volatility, and the market prices of securities of many companies have experienced wide fluctuations in price which have not necessarily been related to the operating performance, underlying asset values or prospects of such companies. There can be no assurance that continual fluctuations in price will not occur. The market for the Common Shares will be subject to market trends generally, notwithstanding any potential business of the Company. The value of the Shares will be affected by such volatility.

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RISKS AND UNCERTAINTIES (CONTINUED)

Stress in the Global Economy

Reduction in credit, combined with reduced economic activity and the fluctuations in the United States dollar, may adversely affect businesses and industries that purchase commodities, affecting commodity prices in more significant and unpredictable ways than the normal risks associated with commodity prices. The availability of services such as drilling contractors and geological service companies and/or the terms on which these services are provided may be adversely affected by the economic impact on the service providers. The adverse effects on the capital markets generally make the raising of capital by equity or debt financing much more difficult and the Company is dependent upon the capital markets to raise financing. Any of these events, or any other events caused by turmoil in world financial markets, may have a material adverse effect on the Company's business, operating results, and financial condition.

INTERNAL CONTROL OVER FINANCIAL REPORTING AND DISCLOSURE CONTROLS AND PROCEDURES

As permitted, the Chief Executive Officer and Chief Financial Officer of the Company will file a Venture Issuer Basis Certificate with respect to the financial information contained in the financial statements and respective accompanying Management's Discussion and Analysis. In contrast to the certificates under National Instruments ("NI") 52-109 (Certification of disclosure in an Issuer's Annual and Interim Filings), the Venture Issuer Basic Certification does not include representations relating to the establishment and maintenance of disclosure controls and procedures and internal control over financial reporting as defined in NI 52-109.

APPROVAL

The Audit Committee of the Board of Directors of the Company, to whom the authority was delegated by a resolution of the Board of Directors, has approved the disclosure contained in this MD&A on August 29, 2016. A copy of this MD&A is filed on SEDAR will be provided to anyone who requests it.

FORWARD-LOOKING INFORMATION

This MD&A contains "forward-looking information" (also referred to as "forward-looking statements") within the meaning of applicable Canadian securities legislation. Forward-looking statements are provided for the purpose of providing information about management's current expectations and plans and allowing investors and others to get a better understanding of the Company's operating environment. All statements, other than statements of historical fact, are forward-looking statements.

In this MD&A, forward-looking statements are necessarily based upon a number of estimates and assumptions that, while considered reasonable by the Company at this time, are inherently subject to significant business, economic and competitive uncertainties and contingencies that may cause the Company's actual financial results, performance, or achievements to be materially different from those expressed or implied herein. Some of the material factors or assumptions used to develop forward-looking statements include, without limitation, the uncertainties associated with: regulatory and permitting considerations, financing of the Company's acquisitions and other activities, exploration, development and operation of mining properties and the overall impact of misjudgments made in good faith in the course of preparing forward-looking information.

Forward-looking statements involve risks, uncertainties, assumptions, and other factors including those set out below, that may never materialize, prove incorrect or materialize other than as currently contemplated which could cause the Company's results to differ materially from those expressed or implied by such forward-looking statements.

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FORWARD-LOOKING INFORMATION (CONTINUED)

Any statements that express or involve discussions with respect to predictions, expectations, beliefs, plans, projections, objectives, assumptions or future events or performance (often, but not always, identified by words or phrases such as "expects", "is expected", "anticipates", "believes", "plans", "projects", "estimates", "assumes", "intends", "strategy", "goals", "objectives", "potential", "possible" or variations thereof or stating that certain actions, events, conditions or results "may", "could", "would", "should", "might" or "will" be taken, occur or be achieved, or the negative of any of these terms and similar expressions) are not statements of fact and may be forward-looking statements.

Numerous factors could cause actual results to differ materially from those in the forward-looking statements, including without limitation:

- regulatory risks relating to mineral tenure, permitting, environmental protection, taxation, and royalties;
- volatility of currency exchange rates, metal prices and metal production; and
- other risks normally incident to the acquisition, exploration, development and operation of mining properties.

This list is not exhaustive of the factors that may affect any of the Company's forward-looking statements. Investors are cautioned not to put undue reliance on forward-looking statements, and investors should not infer that there has been no change in the Company's affairs since the date of this report that would warrant any modification of any forward-looking statement made in this document, other documents periodically filed with or furnished to the relevant securities regulators or documents presented on the Company's website. All subsequent written and oral forward-looking statements attributable to the Company or persons acting on its behalf are expressly qualified in their entirety by this notice. The Company disclaims any intent or obligation to update publicly or otherwise revise any forward-looking statements or the foregoing list of assumptions or factors, whether as a result of new information, future events or otherwise, subject to the Company's disclosure obligations under applicable Canadian securities regulations. Investors are urged to read the Company's filings with Canadian securities regulatory agencies, which can be viewed online at www.sedar.com.