RED EAGLE MINING CORPORATION

Consolidated Financial Statements

For the year ended December 31, 2015

Independent auditors' report

To the Shareholders of
Red Eagle Mining Corporation

We have audited the accompanying consolidated financial statements of **Red Eagle Mining Corporation**, which comprise the consolidated statements of financial position as at December 31, 2015 and 2014, and the consolidated statements of comprehensive loss, changes in equity and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

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

Auditors' responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of **Red Eagle Mining Corporation** as at December 31, 2015 and 2014, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Ernst & Young LLP

Vancouver, Canada
April 29, 2016

Chartered Professional Accountants

RED EAGLE MINING CORPORATION

Consolidated statements of financial position

(expressed in Canadian dollars)

As at	Notes	December 31, 2015	December 31, 2014
ASSETS			
Current assets			
Cash and cash equivalents		$ 10,347,916	$ 427,290
Other financial assets	5	130,000	160,000
Amounts receivable		359,860	84,216
Prepaid expenses		609,854	133,412
		11,447,630	**804,918**
Non-current assets			
Other financial assets	5	884,456	-
VAT and other receivables	11	1,182,257	-
Deposits, mill equipment and suppliers		10,034,677	-
Property, plant and equipment	6	20,551,389	267,101
Mineral properties	7	15,984,047	412,775
Deferred debt costs	10	2,498,230	-
		51,135,056	**679,876**
Total assets		**$ 62,582,686**	**$ 1,484,794**
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities		$ 8,552,760	$ 469,201
Mineral property obligations	7	4,431,635	639,485
		12,984,395	**1,108,686**
Non-current liabilities			
Mineral property obligations	7	366,146	1,144,410
Reclamation provision	9	641,964	-
Long-term debt	10	19,580,925	-
		20,589,035	**1,144,410**
Total liabilities		**33,573,430**	**2,253,096**
SHAREHOLDERS' EQUITY	12		
Share capital		$ 65,684,900	$ 37,163,964
Warrants reserve		1,212,537	122,153
Share option reserve		2,457,213	1,082,453
Foreign exchange reserve		(1,040,603)	(310,142)
Deficit		(45,159,151)	(38,826,730)
		$ 23,154,896	**$ (768,302)**
Non-controlling interests		5,854,360	-
Total shareholders' equity		**29,009,256**	**(768,302)**
Total liabilities and shareholders' equity		**$ 62,582,686**	**$ 1,484,794**

Segmented information	15
Commitments and contingencies	16
Subsequent events	20

On behalf of the Board of Directors:

(signed) "Jeffrey Mason"
Director

(signed) "Ian Slater"
Director

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

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

For the year ended	Notes	December 31, 2015	December 31, 2014
Expenses			
Mineral property exploration costs	7	$ 2,489,346	$ 6,180,760
Office and administration		2,122,174	999,597
Salaries and benefits		1,349,163	741,596
Relations and business development		477,604	442,483
Professional fees		492,526	251,706
VAT recovery	11	(740,175)	-
		6,190,638	**8,616,142**
Other expenses (income)			
Foreign exchange loss and other		890,340	222,235
Net gain from disposal of investment in associate	8	(342,539)	-
Interest and other income		(27,863)	(67,746)
Loss from disposal of subsidiaries		-	172,499
Loss before tax		**6,710,576**	**8,943,130**
Deferred tax recovery	13	(3,970)	-
Net loss for the year		**$ 6,706,606**	**$ 8,943,130**
OTHER COMPREHENSIVE LOSS (OCL)			
Foreign currency translation difference for foreign operations		730,461	233,596
Total comprehensive loss for the year		**$ 7,437,067**	**$ 9,176,726**
Net loss attributable to:			
Equity holders of the parent		6,463,783	8,765,388
Non-controlling		242,823	177,742
		$ 6,706,606	**$ 8,943,130**
Total comprehensive loss attributable to:			
Equity holders of the parent		7,194,244	8,990,988
Non-controlling		242,823	185,738
		$ 7,437,067	**$ 9,176,726**
Basic and diluted loss per share attributable to ordinary equity holders of the parent		$ 0.05	$ 0.13
Weighted average number of common shares outstanding		125,270,567	69,771,550

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

RED EAGLE MINING CORPORATION

Consolidated statements of changes in equity

(expressed in Canadian dollars)

		Attributable to equity holders of the parent							
	Number of shares	**Share capital**	**Warrants**	**Share option reserve**	**Foreign exchange reserve**	**Deficit**	**Total**	**Non-controlling interests**	**Total**
Balance as at December 31, 2013 *(Note 3)*	**58,667,818**	**$ 32,665,403**	**$ 122,153**	**$ 2,775,301**	**$ (111,194)**	**$ (32,203,324)**	**$ 3,248,339**	**$ 192,099**	**$ 3,440,438**
Shares issued, net of share issue costs (*Note 12*)	15,164,896	4,470,561	-	-	-	-	4,470,561	-	4,470,561
Share option based payments (*Note 12*)	-	-	-	449,134	-	-	449,134	-	449,134
Shares issued under the option agreement	100,000	28,000	-	-	-	-	28,000	-	28,000
Unexercised share options	-	-	-	(2,141,982)	-	2,141,982	-	-	-
Total comprehensive loss for the year	-	-	-	-	(225,600)	(8,765,388)	(8,990,988)	(185,738)	(9,176,726)
Disposal of subsidiary	-	-	-	-	26,652	-	26,652	(6,361)	20,291
Balance, December 31, 2014	**73,932,714**	**$ 37,163,964**	**$ 122,153**	**$ 1,082,453**	**$ (310,142)**	**$ (38,826,730)**	**$ (768,302)**	**$ -**	**$ (768,302)**
Shares issued, net of share issue costs (*Note 12*)	107,496,538	28,520,936	-	-	-	-	28,520,936	-	28,520,936
Share option based payments (*Note 12*)	-	-	-	1,438,713	-	-	1,438,713	-	1,438,713
Expiry of share options	-	-	-	(63,953)	-	63,953	-	-	-
Warrants issued *(Note 12)*	-	-	1,120,922	-	-	-	1,120,922	-	1,120,922
Expiry of warrants	-	-	(26,568)	-	-	26,568	-	-	-
Tax charge on expiry of warrants	-	-	(3,970)	-	-	-	(3,970)	-	(3,970)
Total comprehensive loss for the year	-	-	-	-	(730,461)	(6,463,783)	(7,194,244)	(242,823)	(7,437,067)
Acquisition of a subsidiary *(Note 8)*	-	-	-	-	-	-	-	5,424,421	5,424,421
Private placement in subsidiary *(Note 8)*	-	-	-	-	-	-	-	784,980	784,980
Acquisition of non-controlling interests *(Note 8)*	-	-	-	-	-	40,841	40,841	(112,218)	(71,377)
Balance, December 31, 2015	**181,429,252**	**$ 65,684,900**	**$ 1,212,537**	**$ 2,457,213**	**$ (1,040,603)**	**$ (45,159,151)**	**$ 23,154,896**	**$ 5,854,360**	**$ 29,009,256**

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

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

For the year ended	Notes	December 31, 2015	December 31, 2014
OPERATING ACTIVITIES			
Net loss for the year		$ **(6,706,606)**	$ **(8,943,130)**
Adjustments for items not affecting cash:			
Share based payments		1,007,402	449,134
Foreign exchange loss		1,226,716	260,354
Depreciation		437,418	127,001
Accretion expense		3,553	-
Deferred tax recovery		(3,970)	-
VAT recovery	11	(740,175)	-
Net gain from disposal of investment in associate	8	(342,539)	-
Loss from disposal of subsidiaries		-	172,499
		(5,118,201)	**(7,934,142)**
Net changes in non-cash working capital items:			
Amounts receivable and other assets		(1,560,179)	(78,759)
Prepaid expenses		(356,156)	21,864
Accounts payable and accrued liabilities		2,016,218	210,786
Net cash outflows from operating activities		**(5,018,318)**	**(7,780,251)**
FINANCING ACTIVITIES			
Issuance of common shares, net of share issue costs	12	24,798,481	4,470,561
Long-term debt, net of deferred debt costs		17,187,286	-
Contribution to non-controlling interests	8	784,980	-
Net cash inflows from financing activities		**42,770,747**	**4,470,561**
INVESTING ACTIVITIES			
Purchase of equipment and capitalized costs		(15,496,246)	(4,609)
Deposits, mill equipment and suppliers		(10,034,677)	-
Acquisition of subsidiary		(1,283,075)	-
Acquisition of mineral properties		(828,516)	(327,519)
Cash balance of disposed subsidiaries		-	(40,864)
Net cash outflows from investing activities		**(27,642,514)**	**(372,992)**
Net foreign exchange differences		(189,289)	(8,512)
Net increase in cash and cash equivalents		**9,920,626**	**(3,691,194)**
Cash and cash equivalents, beginning of the year		427,290	4,118,484
Cash and cash equivalents, end of the year		$ **10,347,916**	$ **427,290**

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

1. CORPORATE INFORMATION AND CONTINUANCE OF OPERATIONS

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

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

The Company is primarily engaged in the development and construction of the San Ramon Gold Mine and Mill, along with other exploration activities. The Company is considered to be in the development stage given that its mineral properties are not yet in production and, to date, have not earned any significant revenues. The recoverability of amounts shown for development assets is dependent on the existence of economically recoverable reserves, maintaining the necessary permits to operate a mine, managing the financing to complete development and future profitable production. These consolidated financial statements have been prepared on the basis of accounting principles applicable to a going concern that assumes that the Company will realize its assets and discharge its liabilities in the normal course of business. Management has carried out an assessment of the going concern assumption and has concluded that the Company has sufficient cash and cash equivalents, along with a debt credit facility (*Note 10*) to continue operating for the ensuing twelve months. These consolidated financial statements do not give effect to any adjustment, which would be necessary should the Company be unable to continue as a going concern and, therefore, be required to realize its assets and discharge its liabilities in other than the normal course of business and at amounts different than those reflected in the consolidated financial statements.

2. BASIS OF PRESENTATION AND STATEMENT OF COMPLIANCE

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

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

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

The consolidated financial statements of Red Eagle Mining Corporation and all of its subsidiaries (the "Company") for the year ended December 31, 2015 were authorized for issue by the board of directors on April 29, 2016.

Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company as at December 31, 2015. The Company is the ultimate parent of the consolidated group of companies.

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

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

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

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

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

Basis of consolidation (continued)

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

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

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

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

Associated companies are entities, over which the Company has significant influence, but not control, and accounted for using the equity method of accounting, less impairment losses, if any. Under the equity method of accounting, the investment in associate is initially recognized at cost plus any directly attributable expenditures necessary to obtain the associate. The Company's share of post-acquisition profits and losses is recognized in the consolidated statement of loss and comprehensive income.

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

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

As Red Eagle Mining terminated its option agreement with Miranda Gold Corp. on the Pavo Real Project, the Company's 70% interest in Rovira Mining Limited was transferred to Miranda Gold Colombia I Ltd. on December 31, 2014 for no consideration. The comparative financial information for the year ended December 31, 2014 includes the results of Rovira Mining Limited. As at December 31, 2014, the Company had no ownership of Rovira Mining Limited.

3. PRINCIPAL ACCOUNTING POLICIES

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

a) Foreign currency translation

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

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

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

b) Property, plant and equipment

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

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

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

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

Construction work-in-progress
Costs recorded for assets under construction are capitalized as construction work-in-progress. On completion, the cost of construction is transferred to the appropriate category of plant and equipment. No amortization or depreciation is recorded until the assets are substantially complete and available for their intended use.

c) Borrowing costs

Borrowing costs attributable to the acquisition, construction or production of a qualifying asset are capitalized as part of the cost of the asset until such time as the asset is substantially complete and ready for its intended use or sale. Where funds have been borrowed specifically to finance an asset, the amount capitalized is the actual borrowing cost incurred. Where the funds used to finance an asset form part of general borrowings, the amount capitalized is calculated using a weighted average of rates applicable to relevant general borrowings of the Company during that respective period.

d) Operating leases

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

3. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

e) Mineral properties

All direct costs including the option payments related to the acquisition of mineral property interests are capitalized into mineral property assets on a property by property basis. Effective April 1, 2015, the Company commenced capitalization of all direct costs related to the development of mineral properties, because the technical feasibility and commercial viability of the project had been established. Exploration costs, net of incidental revenues, are charged to operations in the period incurred until such time as it has been determined that a property has economically recoverable reserves, in which case subsequent exploration costs and the costs incurred to develop a property are capitalized into "mineral properties" within Property, plant and equipment. On the commencement of commercial production, depletion of each mining property will be provided on a units-of production basis using estimated reserves as the depletion base.

Costs incurred prior to the acquisition of a mineral property are charged to the statement of comprehensive loss.

f) Impairment of non-financial assets

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

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

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

g) Cash and cash equivalents

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

h) Financial instruments

Financial assets

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

3. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

h) Financial instruments (continued)

Financial assets (continued)

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

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

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

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

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

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

Financial liabilities

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

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

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

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

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

3. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

h) Financial instruments (continued)

Impairment of financial assets

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

Assets carried at amortized cost

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

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

Available for sale

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

De-recognition of financial assets and liabilities

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

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

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

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

3. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

i) Taxation

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

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

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

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

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

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

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

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

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

j) Share based payments

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

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

3. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

j) Share based payments (continued)

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

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

k) Loss per share

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

l) Reclamation provision

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

m) Fair value measurement

The Company measures derivatives at fair value at each balance-sheet date and, for the purposes of impairment testing, uses fair value less costs of disposal to determine the recoverable amount of some of its non-financial assets. Also, fair values of financial instruments measured at amortised cost are disclosed in *Note 19*. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

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

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

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

3. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

m) Fair value measurement (continued)

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

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

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

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

Management also compares the changes in the fair value of each asset and liability with relevant external sources to determine whether the change is reasonable. This includes a review of the major assumptions used in the valuations. For the purpose of fair value disclosures, the Company has determined classes of assets and liabilities based on the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

n) Management judgments and key sources of estimation uncertainty

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

Impairment

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

3. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

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

Determination of commercial viability and technical feasibility of the San Ramon Gold Mine and Mill

The application of the Company's accounting policy for mineral property development costs requires judgment to determine when technical feasibility and commercial viability of the San Ramon Gold Mine and Mill was demonstrable. The Company considered the positive National Instrument ("NI") 43-101 compliant Feasibility Study, the receipt of key environmental permits and the completed construction financing and concluded that commercial viability and technical feasibility of the San Ramon Gold Mine and Mill had been confirmed. Accordingly, effective April 1, 2015, the Company commenced capitalization of all direct costs related to the development of the San Ramon Gold Mine and Mill, and reclassified capitalized costs from Mineral properties to Property, plant and equipment, and tested for impairment.

Reclamation provision

Closure and reclamation costs are a normal consequence of mining, and the majority of closure and reclamation expenditures are incurred near the end of the life of the mine. The Company's accounting policy requires the recognition of such provisions when the obligation occurs. The initial provisions are periodically reviewed during the life of the operation and updated to reflect new developments or changes in estimates and forecasts. Although the ultimate cost to be incurred is uncertain, the Company estimates its costs based on studies using current reclamation standards and techniques. The initial closure provisions together with changes, other than those arising from the unwinding of the discount applied in establishing the net present value of the provision, are capitalized within property, plant and equipment and depreciated over the lives of the assets to which they relate.

The ultimate magnitude of these costs is uncertain, and cost estimates can vary in response to many factors, including changes to the relevant legal requirements, the emergence of new reclamation techniques or experience at other mine sites, local inflation rates and exchange rates. The expected timing of expenditure can also change, for example, in response to changes in mineral reserves or production rates, timing of planned restart of operations or economic conditions. As a result there could be significant adjustments to the provision for closure and reclamation, which would affect future financial results.

Functional currency

The functional currency for each of the Company's subsidiaries is the currency of the primary economic environment in which the entity operates. Assessment of functional currency involves certain judgements to determine the primary economic environment and the Company reconsiders the functional currency of its entities if there is a change in events and conditions which determined the primary economic environment. Changes in these assumptions can have an impact on the future financial results.

Fair value of share based awards

Management uses valuation techniques in measuring the fair value of share options granted. The fair value is determined using the Black Scholes option pricing model and is subject to a number of variables. These are disclosed in *Note 12.* Changes to these assumptions could have a material impact on the Company's financial statements.

4. NEW AND AMENDED STANDARDS AND INTERPRETATIONS

The accounting policies adopted in the preparation of the consolidated financial statements for the year ended December 31, 2015 are consistent with those followed in the preparation of the Company's consolidated financial statements for the year ended December 31, 2014 except for the adoption of new standards and interpretations as of January 1, 2015 noted below:

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

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

Adoption of the standard had a minor affect on the financial position and financial results of the Company.

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

Standards and interpretations issued but not yet effective

The following new standards, and amendments to standards and interpretations, were not yet effective for the year ended December 31, 2015, and have not been applied in preparing these consolidated financial statements.

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

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

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

(amounts are in Canadian dollars, unless otherwise stated)

4. NEW AND AMENDED STANDARDS AND INTERPRETATIONS (CONTINUED)

Standards and interpretations issued but not yet effective (continued)

IAS 1 Disclosure Initiative – Amendments to IAS 1
This standard is effective for annual periods beginning on or after 1 January 2016. The amendments to IAS 1 Presentation of Financial Statements clarify, rather than significantly change, existing IAS 1 requirements. The amendments clarify:

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

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

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

5. OTHER FINANCIAL ASSETS

Other financial assets consist of a guaranteed investment certificate ("GIC") with a Canadian chartered bank amounting to $130,000 (2014: $160,000), classified as current, and cash in trust of $884,456 (2014: $nil), classified as non-current, related to the Empresas Publicas de Medellin, E.S.P., electrical installation contract.

6. PROPERTY, PLANT AND EQUIPMENT

	Construction work-in-progress				
	Mill	Mine	Mineral property	Other equipment	Total
Cost					
Balance, December 31, 2014	$ **-**	$ **-**	$ **-**	$ **753,672**	$ **753,672**
Transfer from exploration costs (*Note 7*)	-	-	412,775	-	412,775
Additions	-	-	-	1,243,271	1,243,271
Capitalized costs	13,192,366	1,721,684	4,266,701	-	19,180,751
Reclamation costs (*Note 9*)	-	-	284,149	-	284,149
Foreign currency translation	(60,901)	(8,813)	(243,719)	(133,460)	(446,893)
Balance, December 31, 2015	$ **13,131,465**	$ **1,712,871**	**$ 4,719,906**	**$ 1,863,483**	**$ 21,427,725**
Accumulated depreciation					
Balance, December 31, 2014	$ **-**	$ **-**	$ **-**	**$ (486,571)**	$ **(486,571)**
Depreciation charged	-	-	-	(437,418)	(437,418)
Foreign currency translation	-	-	-	47,653	47,653
Balance, December 31, 2015	$ **-**	$ **-**	$ **-**	**$ (876,336)**	$ **(876,336)**
Net book value, December 31, 2014	$ **-**	$ **-**	$ **-**	**$ 267,101**	**267,101**
Net book value, December 31, 2015	$ **13,131,465**	**$ 1,712,871**	$ **4,719,906**	**$ 987,147**	**$ 20,551,389**

(amounts are in Canadian dollars, unless otherwise stated)

6. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Effective April 1, 2015, the Company commenced capitalization of all direct costs related to the development of the San Ramon Gold Mine and Mill, as management determined that the technical feasibility and commercial viability of the project had been established. Accordingly, the Company reclassified capitalized costs associated with the San Ramon Gold Mine and Mill from mineral property exploration costs (*Note 7*) to mineral property within Property, plant and equipment. Capitalized mineral property costs will be carried at cost until the San Ramon Gold Mine and Mill is placed in commercial production, sold, abandoned or determined by management to be impaired in value. Costs related to development work, such as Engineering, Procurement, Construction Management (EPCM), owner's costs, earthworks, on-site infrastructure, and mining costs are capitalized in Property, Plant and Equipment as construction work-in-progress. Mineral property and construction work-in-progress development costs that are capitalized will be amortized using the units of production method over the estimated life of the proven and probable reserves, upon commencement of commercial production.

7. MINERAL PROPERTIES

Santa Rosa

a) On April 15, 2011, the Company acquired 100% of the Santa Rosa Gold Project in Antioquia, Colombia, for US $9,600,000 ($9,988,676), which was paid in full by September 30, 2015. The Company also agreed to acquire certain adjacent concession contracts for US$780,000, of which US$40,000 ($40,600) has been paid and US$740,000 ($1,026,306) is due upon title transfer, which is expected after 2016.

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

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

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

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

As at December 31, 2015 the mineral property obligation relating to this acquisition was $342,994, which represents the discounted value of the US$250,000 remaining to be paid. The Company has recorded an interest expense of $3,553 relating to the unwinding of the discount on the obligation in 2015.

(amounts are in Canadian dollars, unless otherwise stated)

7. MINERAL PROPERTIES (CONTINUED)

Pavo Real

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

Vetas

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

At December 31, 2015, pursuant to the Acquisition and Option Agreements for CB Gold's La Triada, San Bartolo and San Alfonso properties, 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 was committed to cash payments of $2,575,537 and accrued the balance owing in mineral property obligation in the consolidated statement of financial position.

CB Gold renegotiated the acquisition price for the La Triada property which was paid subsequent to December 31, 2015, 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 Red Eagle as compensation on March 4, 2016.

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. On April 2, 2014 CB Gold issued a NI 43-101 Mineral Resource Statement disclosing measured and indicated resources of 123,000 ounces of gold. As such, the Company accrued $852,944 (US $615,000) as mineral property obligation in the consolidated statement of financial position.

The terms of the royalty payment with Real Minera were renegotiated by CB Gold in December 2015, and paid subsequent to year-end, 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.

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

As at	December 31, 2015		December 31, 2014	
Santa Rosa				
Individuals – (*Note 7(a)*)	$	1,026,306	$	1,383,613
AngloGold Ashanti Colombia S.A. – (*Note 7(d)*)		342,994		400,282
Vetas		3,428,481		-
Total obligations		**4,797,781**		**1,783,895**
Non-current portion of obligations		(366,146)		(1,144,410)
Current obligations	$	**4,431,635**	$	**639,485**

The following are changes in mineral property obligations during 2015 and 2014:

	2015		2014	
Balance as at January 1,	$	**1,783,895**	$	**1,539,980**
Acquisition		-		371,398
Vetas		3,428,481		-
Repayments – Santa Rosa		(710,400)		(283,307)
Foreign exchange translation loss		292,252		153,607
Interest charge		3,553		2,217
Balance as at December 31,	$	**4,797,781**	$	**1,783,895**

(amounts are in Canadian dollars, unless otherwise stated)

7. MINERAL PROPERTIES (CONTINUED)

The following is a summary of the movements to mineral properties during 2015 and 2014:

December 31, 2013	$	**649,651**
Acquisition cost		528,134
Foreign currency translation		104,969
Disposal of subsidiaries		(869,979)
December 31, 2014		**412,775**
Transfer to Property, plant and equipment (*Note 6*)		(412,775)
Acquisition of CB Gold *(Note 8)*		15,870,026
Additions		114,021
December 31, 2015	$	**15,984,047**

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

For the year ended December 31, 2015	Santa Rosa	Pavo Real	Vetas	Total
Salaries and consulting	$ 1,045,660	$ -	$ 10,742	$ 1,056,402
Field and camp	677,050	-	18,913	695,963
Concession fees	274,992	-	-	274,992
Legal and office administration	89,687	-	1,086	90,773
Travel and transportation	72,496	-	6,511	79,007
Depreciation	67,990	-	1,339	69,329
Engineering	59,037	-	-	59,037
Geological and geochemical	-	-	52,530	52,530
Metallurgical	38,940	-	-	38,940
Training	35,137	-	-	35,137
Technical studies	22,401	-	-	22,401
Assays and sampling	12,280	-	-	12,280
License and permits	-	-	1,306	1,306
Environmental	-	-	1,249	1,249
Total exploration costs	$ **2,395,670**	$ **-**	$ **93,676**	$ **2,489,346**

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

(amounts are in Canadian dollars, unless otherwise stated)

8. ACQUISITION OF CB GOLD INC.

As part of a share exchange take-over bid that commenced in June 2015, the Company issued 13,242,557 common shares in exchange for 81,744,183 common shares of CB Gold (each CB Gold common share was exchanged for 0.162 of a Red Eagle Mining common share) and also paid $508,781 for 8,233,000 common shares in open market purchases, resulting in the Company acquiring a total of 89,977,183 common shares, or 49.8%, of the voting shares of CB Gold, a TSX-V public company, engaged in the exploration and development of precious metals deposits in Colombia.

Up to October 7, 2015, the Company's 49.8% interest in CB Gold was classified as an investment in associate and accounted for using the equity method of accounting, as it was able to exert significant influence, and included the Company's share of loss. The carrying value of the Company's investment in CB Gold was as follows:

Acquisition cost	$	5,055,625
Share of loss in associate		(424,715)
October 7, 2015		4,630,910
Acquisition cost		28,426
Gain on disposal of associate		767,254
October 8, 2015	$	5,426,590

On October 8, 2015, the Company acquired an additional 466,000 common shares of CB Gold in open market purchases resulting in a total ownership of 90,443,183 or over 50% of the issued and outstanding shares of CB Gold, thereby acquiring control of CB Gold. The Company has control over an entity when it has, directly or indirectly, the power to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities. The Company is required to consolidate the financial position and financial results of entities which it has a controlling interest. For less than wholly owned entities for which the Company has a controlling interest, a non-controlling interest is included in the Company's consolidated financial statements and represents the non-controlling shareholders' interest in the net assets of the entity. The substance of the transaction is accounted for as an asset acquisition, because CB Gold does not have proven and probable reserves.

The Company remeasured the investment in associate at fair value of $5,426,590 on the control acquisition date of October 8, 2015 and recorded a gain on disposal of associate of $767,254, representing the difference between the carrying value and the fair value of the investment in associate. A net gain of $342,539, representing the share of loss in associate of $424,715 and the gain of $767,254 on disposal of associate, is recorded on the consolidated statements of comprehensive loss.

The fair value of CB Gold's net assets following achieving control was as follows:

		October 8, 2015
Acquisition costs	$	5,426,590
Cash		145,803
Amounts receivable		12,003
Prepaid expenses		120,286
Equipment		90,667
Mineral properties		15,870,026
Accounts payable and accrued liabilities		(5,034,990)
Other liabilities		(352,784)
Net assets acquired		10,851,011
Less:		
Non-controlling interests		(5,424,421)
Purchase price to assets acquired and liabilities assumed	$	5,426,590

(amounts are in Canadian dollars, unless otherwise stated)

8. ACQUISITION OF CB GOLD INC. (CONTINUED)

Subsequent to achieving control, the Company acquired an additional 16,917,789 common shares of CB Gold at a price of $0.06 per share by way of private placement on November 5, 2015 and purchased an additional 167,000 shares on the open market. The non-controlling interest acquired 13,082,211 common shares of CB Gold at a price of $0.06 per share by way of private placement on November 5, 2015 and this was recorded as a $784,980 increase in non-controlling interests on the consolidated statements of changes in equity. On closing of the private placement the former directors and officers of CB Gold resigned, and three Red Eagle directors were appointed to the board of CB Gold.

The following is a schedule of additional interest acquired in CB Gold subsequent to October 8, 2015:

Net cash consideration paid, including transaction costs	$	71,377
Carrying value of additional interest in CB Gold		(112,218)
Difference recognized in deficit	$	40,841

As at December 31, 2015, the Company has 107,527,972 common shares, or 51% interest in CB Gold. The following table summarizes the CB Gold financial information, included in the consolidated financial statements:

Balance Sheet		**December 31, 2015**
Total assets	$	19,901,163
Total liabilities		4,089,928
Net Loss and Comprehensive Loss (Period ended October 8, 2015 to December 31, 2015)	$	495,556

9. RECLAMATION PROVISION

The Company has reclamation provisions associated with the San Ramon Gold Mine held by Red Eagle and the Vetas Gold Project held by CB Gold. The Company has recorded a consolidated reclamation provision of $641,964, of which $284,149 relates to the San Ramon Gold Mine and $357,815 relates to the Vetas Gold Project. The reclamation costs have been calculated to reflect the amount of expected cash flows for the disturbance incurred as at December 31, 2015. The reclamation provision has been recorded using a discount rate of approximately 8.3% and an inflation factor of approximately 6.8% for the San Ramon Gold Mine and Vetas Gold Project. As at December 31, 2015, total undiscounted estimated reclamation costs are approximately $691,448, of which $322,241 and $369,207 relate to the San Ramon Gold Mine and Vetas Gold Project, respectively.

10. LONG-TERM DEBT

As at		**December 31, 2015**		**December 31, 2014**
Credit Facility	$	20,664,810	$	-
Deferred debt costs		(1,281,091)		-
Total long-term debt, net of deferred debt costs		**19,383,719**		**-**
Non-current accrued interest		197,206		-
	$	**19,580,925**	$	**-**

(amounts are in Canadian dollars, unless otherwise stated)

10. LONG-TERM DEBT (CONTINUED)

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

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

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

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

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

As at December 31, 2015, the Company had $20,664,810 (US $14,900,000) drawn on the credit facility. Accrued interest incurred of $197,206 during the year ended December 31, 2015 was capitalized to Property, Plant and Equipment and will be amortized on a units of production basis over the life of mine, upon commencement of commercial production. As at December 31, 2015, the Company incurred $3,817,006 of costs ($1,120,922 related to the fair value of warrants granted – *Note 12(d)*) in order to execute the credit facility, with $2,498,230 recorded as deferred debt costs representing the portion relating to the undrawn credit facility and $1,318,776 netted against long-term debt, representing the portion of the drawn credit facility, of which $37,685 was amortized to Property, Plant and Equipment in the current period and the remaining $1,281,091 will be amortized over the remaining life of the debt on an effective interest basis. Subsequent to December 31, 2015, the Company drew down an additional US $30,000,000 for a total amount of US $45,000,000 drawn on the credit facility to fund capital construction expenditures on the San Ramon Gold Mine and Mill.

11. VAT AND OTHER RECEIVABLES

As at	December 31, 2015	December 31, 2014
VAT credits receivable	$ 1,167,907	$ -
Other receivables	14,350	-
	$ 1,182,257	**$ -**

As at December 31, 2015, the Company recognized value added tax ("VAT") credits receivable of $1,167,907 representing the cumulative amount of VAT paid to the Colombian Government, of which $740,175 was recognized as a recovery of previously expensed VAT. These VAT credits are recoverable when the Company goes into production. These amounts are classified as long-term as the Company does not expect to fully recover them in the next year.

(amounts are in Canadian dollars, unless otherwise stated)

12. SHARE CAPITAL

a) Authorized share capital

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

b) Issued during the year ended December 31, 2015

During the year ended December 31, 2015, the Company issued 107,496,538 common shares as a combination of private placements (94,253,981 common shares for net proceeds of $24,798,481) and the share exchange take-over bid for CB Gold (13,242,557 common shares). Refer to *Note 7(Vetas)* and *Note 20(c)*.

During the first quarter of 2015, the Company issued 18,471,627 common shares at $0.33 per share for gross proceeds of $6,095,636 in two tranches to Orion. The Company also issued 4,104,806 common shares to Orion pursuant to an adjustment provision in the subscription agreement.

On July 17, 2015 and August 21, 2015, the Company completed a private placement for gross proceeds of $19,352,939, consisting of 71,677,550 common shares at a price of $0.27 per share.

c) Issued during the year ended December 31, 2014

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

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

d) Warrants

On July 16, 2015, 5,000,000, warrants to purchase shares of the Company were granted to Orion exercisable for a five year term at an exercise price of $0.275.

The Company has calculated the fair value of warrants granted of $1,120,922 using the Black-Scholes valuation model with the following variables and has recorded as deferred debt cost and warrant reserve:

Grant date		**July 16, 2015**
Share price on measurement date	$	0.285
Exercise price	$	0.275
Risk free interest rate		0.69%
Expected annual volatility		109.45%
Expected life (years)		5
Expected dividends (yield)		0%
Fair value at measurement date	$	**0.22**

The following summarizes the movements in outstanding warrants during the years ended December 31, 2015 and 2014:

For the year ended	**Number of outstanding warrants**		**Weighted average exercise price**
Balance, January 1, 2014 and December 31, 2014	**4,500,000**	$	**0.25**
Issued	5,000,000		0.28
Expired	(1,125,000)		0.25
Balance, December 31, 2015	**8,375,000**	$	**0.27**

(amounts are in Canadian dollars, unless otherwise stated)

12. SHARE CAPITAL (CONTINUED)

d) Warrants (continued)

The following summarizes the share purchase warrants outstanding at December 31, 2015:

Expiry date	Warrants outstanding	Weighted average exercise price	Weighted average remaining contractual life (years)
June 28, 2016	3,375,000	$ 0.25	0.49
July 16, 2020	5,000,000	0.28	4.55
	8,375,000	**$ 0.27**	**2.91**

No warrants were issued during 2014.

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

e) Options and Share Purchase Option Plan

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

A summary of the options granted under the option plan as at December 31, 2015 and 2014, and the changes for the years then ended are as follows:

	Number of outstanding	Weighted average exercise price	Weighted average measurement date fair value
Outstanding, December 31, 2013	**5,215,000**	**$ 0.93**	**$ 0.53**
Granted on April 9	2,180,000	0.33	0.31
Cancelled	(2,860,000)	1.24	0.72
Expired	(150,000)	0.78	0.44
Forfeited	(37,500)	0.33	0.31
Outstanding, December 31, 2014	**4,347,500**	**0.44**	**0.19**
Granted on May 6	3,160,000	0.33	0.19
Granted on October 7	7,300,000	0.275	0.14
Expired	(402,500)	0.48	0.24
Forfeited	(40,000)	0.33	0.19
Outstanding December 31, 2015	**14,365,000**	**$ 0.33**	**$ 0.19**

- On March 9, 2015, 87,500 share purchase options that had been granted to an employee expired unexercised following his departure.
- On May 6, 2015, the Company granted 3,160,000 share purchase options to directors, officers, employees and a consultant at a price of $0.33 exercisable for a period of 5 years and vesting in tranches over 18 months.
- On June 30, 2015 and September 30, 2015, 300,000 share purchase options that had been granted to employees expired unexercised following their departure.

(amounts are in Canadian dollars, unless otherwise stated)

12. SHARE CAPITAL (CONTINUED)

e) Options and Share Purchase Option Plan (continued)

- On October 7, 2015, the Company granted 7,300,000 share purchase options to directors, officers, employees and a consultant at a price of $0.275 exercisable for a period of 5 years and vesting in tranches over 18 months.
- On November 30, 2015, 15,000 share purchase options expired unexercised following the departure of an employee.

The following summarizes information about share options outstanding and exercisable at December 31, 2015:

Expiry date	Options outstanding	Options exercisable	Exercise price	Weighted average remaining contractual life (years)
December 6, 2017	1,920,000	1,920,000	$ 0.55	1.93
April 9, 2019	2,005,000	2,005,000	0.33	3.27
May 6, 2020	3,140,000	2,836,250	0.33	4.35
October 7, 2020	7,300,000	6,250,000	0.275	4.77
	14,365,000	**13,011,250**	$ **0.33**	**4.09**

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

Grant date	October 7, 2015	May 6, 2015
Share price on measurement date	$ 0.275	$ 0.33
Exercise price	$ 0.28	$ 0.33
Risk free interest rate	0.54% - 0.82%	0.69% - 1.73%
Expected annual volatility	86.48%	100%
Expected life (years)	2.5 - 5.0	2.5 - 5.0
Expected dividends (yield)	0%	0%
Fair value at measurement date	$ **0.14 - 0.18**	$ **0.18 - 0.21**

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

The total share based payments for the year ended December 31, 2015 was $1,438,713 (2014: $449,134), of which $434,807 (2014: $nil) has been capitalized to Property, plant and equipment and $1,003,906 has been recorded in the statement of comprehensive loss.

For the year ended December 31, 2015	Total
Office and administration	$ 665,442
Property, plant and equipment	434,807
Salaries and benefits	335,881
Investor relations	2,583
	$ **1,438,713**

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

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

12. SHARE CAPITAL (CONTINUED)

f) Reserves

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

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

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

13. INCOME TAX

The Companies in Canada are subject to Canadian federal and provincial tax for the estimated assessable profit for the year ended December 31, 2015 at a rate of 26%. The Company had no assessable profit in Canada for the year ended December 31, 2015.

The Company's subsidiaries in Colombia are subject to tax for the year ended December 31, 2015 and December 31, 2014 at a rate of 34%. No Colombian tax was provided for as the Company had no assessable profit arising in or derived from Colombia in the period ended December 31, 2015.

The income tax recovery for the Company can be reconciled to the net loss for the year per the consolidated statement of comprehensive loss as follows:

For the year ended		December 31, 2015		December 31, 2014
Loss before tax	$	**6,710,576**	$	**8,943,130**
Statutory tax rate		26%		26%
Recovery tax at the statutory rate	$	**1,744,750**	$	**2,325,214**
Tax effect of tax losses and temporary differences not recognized and disposed		(1,567,549)		(1,995,389)
Non-deductible expenses		(266,029)		(289,166)
Difference in tax rates in foreign jurisdictions		84,858		-
Other		-		(40,659)
Income tax recovery	$	**(3,970)**	$	**-**

The applicable federal and provincial statutory income tax rate used for the 2015 and 2014 reconciliations above is the corporate tax rate payable by corporate entities in the province of British Columbia, Canada, on taxable profits.

In 2015, the Company recorded an income tax expense of $3,970 to equity in respect of the expiry of warrants and a corresponding income tax recovery related to the recognition of previously unrecognized losses in the consolidated statement of loss and comprehensive loss.

(amounts are in Canadian dollars, unless otherwise stated)

13. INCOME TAX (CONTINUED)

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

For the year ended	December 31, 2015	December 31, 2014
Deductible temporary differences		
Non-capital losses carryforward	$ 37,805,003	$ 8,956,426
Mineral properties and Property, plant and equipment	20,482,896	24,536,018
Capital losses carryforward	4,148,002	4,148,002
Share issue and debt financing costs	625,651	863,430
Other	-	104,817
Total deductible temporary differences	**$ 63,061,552**	**$ 38,608,693**

At December 31, 2015, the Company has unrecognized non-capital losses for Canadian and Colombian income tax purposes of $12,776,190 and $25,028,813, respectively that may be used to offset future taxable income and expire as follows:

	Canada	Colombia
2029	$ 538,889	$ -
2030	869,671	-
2031	1,278,265	-
2032	1,928,129	-
2033	1,191,273	-
2034	2,470,827	-
2035	4,499,136	-
Indefinite	-	25,028,813
	$ 12,776,190	**$ 25,028,813**

14. RELATED PARTY TRANSACTIONS

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

For the year ended	December 31, 2015	December 31, 2014
Short-term employee salaries and benefits	$ 1,054,769	$ 615,125
Share option based payments	677,206	121,728
	$ 1,731,975	**$ 736,853**

(amounts are in Canadian dollars, unless otherwise stated)

14. 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 years ended December 31, 2015 and 2014:

For the year ended		December 31, 2015		December 31, 2014
Purchases during the year				
Rent, salary and related costs recharged from a company controlled by certain directors in common	$	825,000	$	650,000
Legal fees to Farris, Vaughan, Wills & Murphy LLP (previously Anfield Sujir Kennedy & Durno LLP) in which one of the directors is a partner	$	906,599	$	46,801
Mine development costs by Stracon GyM in which a director is the CEO and a shareholder	$	1,604,973	$	-
Amounts owed to				
Farris, Vaughan, Wills & Murphy LLP (previously Anfield Sujir Kennedy & Durno LLP) in which one of the directors is a partner	$	332,738	$	19,558
Consulting services from a company controlled by a director	$	-	$	15,821
Stracon GyM in which a director is the CEO and a shareholder	$	1,071,949	$	-
Amounts due from				
A company controlled by certain directors in common for reimbursement of legal fees	$	106,109	$	-

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

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

(amounts are in Canadian dollars, unless otherwise stated)

15. SEGMENT INFORMATION

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

As at December 31, 2015	Canada	Colombia	Total
Cash and cash equivalents	$ 9,418,284	$ 929,632	$ 10,347,916
Other financial assets	130,000	-	130,000
Amounts receivable	162,399	197,461	359,860
Prepaid expenses	462,532	147,322	609,854
Other financial assets	-	884,456	884,456
Deposits on mill equipment and advances to suppliers	-	10,034,677	10,034,677
Property, plant and equipment	19,522	20,531,867	20,551,389
Mineral properties	-	15,984,047	15,984,047
Deferred debt cost	2,363,859	134,371	2,498,230
VAT and other receivables	-	1,182,257	1,182,257
	12,556,596	**50,026,090**	**62,582,686**
Accounts payable and accrued liabilities	(1,653,752)	(6,899,008)	(8,552,760)
Mineral properties obligations	-	(4,797,781)	(4,797,781)
Reclamation provision	-	(641,964)	(641,964)
Long-term debt	(19,580,925)	-	(19,580,925)
	$ **(8,678,081)**	$ **37,687,337**	$ **29,009,256**
Net loss for 2015	$ **3,196,189**	$ **3,510,417**	$ **6,706,606**

As at December 31, 2014	Canada	Colombia	Total
Cash and cash equivalents	$ 117,146	$ 310,144	$ 427,290
Other financial assets	160,000	-	160,000
Amounts receivable	42,691	41,525	84,216
Prepaid expenses	116,608	16,804	133,412
Equipment	13,306	253,795	267,101
Mineral properties	371,398	41,377	412,775
	821,149	**663,645**	**1,484,794**
Accounts payable and accrued liabilities	(282,361)	(186,840)	(469,201)
Mineral properties obligations	(1,783,895)	-	(1,783,895)
	$ **(1,245,107)**	$ **476,805**	$ **(768,302)**
Net loss for 2014	$ **4,198,229**	$ **4,744,901**	$ **8,943,130**

(amounts are in Canadian dollars, unless otherwise stated)

16. COMMITMENTS AND CONTINGENCIES

The Company has commitments related to capital expenditures for the development and construction of the San Ramon Gold Mine and Mill as at December 31, 2015 of $16,789,654. The Company has other operational commitments for $5,908,045, of which $5,871,988 relates to the San Ramon Gold Mine and Mill and $36,057 relates to the Vetas Gold Project.

	Less than 1 year	1 - 5 years	More than 5 years	Total
Capital	$ 16,789,654	$ -	$ -	$ 16,789,654
Operational	839,222	2,384,353	2,684,470	5,908,045
	$ 17,628,876	**$ 2,384,353**	**$ 2,684,470**	**$ 22,697,699**

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

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

17. CAPITAL MANAGEMENT

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

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

18. SUPPLEMENTARY CASH FLOW INFORMATION

For the years ended	December 31, 2015	December 31, 2014
Non-cash transactions:		
Acquisition and expenditures included in accounts payable	$ 4,165,876	$ -
Interest received	49,613	-
Interest paid	(13,996)	-
Shares issued for mineral property	-	28,000

(amounts are in Canadian dollars, unless otherwise stated)

19. FINANCIAL INSTRUMENTS

The Company has designated its cash and cash equivalents and receivables as loans and receivables; short-term investments as held-for-trading and accounts payable as other financial liabilities. There has been no change to the designations of financial instruments during the year ended December 31, 2015.

a) Fair value

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

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

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

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

The following table discloses the carrying value of mineral property obligations, reclamation provision and long-term debt as at December 31, 2015 and December 31, 2014. The carrying value of mineral property obligations and reclamation provision approximates fair value. The fair value of long-term debt is approximately $20,862,016.

As at	December 31, 2015		December 31, 2014	
Level 3				
Mineral property obligations	$	4,797,781	$	1,783,895
Reclamation provision	$	641,964	$	-
Level 2				
Long-term debt	$	19,580,925	$	-

b) Financial risk management

Credit risk

The Company is exposed to credit risk with respect to its cash and cash equivalents and other financial assets. Other financial assets are 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, 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.

19. FINANCIAL INSTRUMENTS (CONTINUED)

b) Financial risk management (continued)

Credit risk (continued)

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

As at	December 31, 2015		December 31, 2014	
Held at major Canadian financial institutions				
- cash and cash equivalents	$	9,418,284	$	117,146
- other financial assets		130,000		160,000
	$	**9,548,284**	$	**277,146**
Held at major Colombian financial institutions				
- cash and cash equivalents		929,632		310,144
- other financial assets		-		-
	$	**10,477,916**	$	**587,290**

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

The credit risk associated with deposits on mill equipment and advances to suppliers of $10,034,677 is minimized by ensuring that the Company selects well established counterparties with a strong financial position.

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 denominated in Colombian peso ("COP"), while mineral property obligations and long-term debt are denominated in US dollars; therefore, COP and US dollar amounts are subject to fluctuation against the Canadian dollar ("CAD").

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

(amounts are in Canadian dollars, unless otherwise stated)

19. FINANCIAL INSTRUMENTS (CONTINUED)

b) Financial risk management (continued)

Foreign currency risk (continued)

The Company had the following balances in foreign currency as at December 31, 2015:

As at December 31, 2015	USD	COP	Equivalent in CAD
Cash and cash equivalents	6,160,464	694,413,082	$ 8,851,029
Amounts receivable	10,895	333,433,731	162,561
Prepaid expense	-	335,987,345	148,580
Other financial assets	-	2,000,046,213	884,456
Non-current assets	-	2,657,483,769	1,175,186
Accounts payable and accrued liabilities	(1,434,349)	(12,427,441,318)	(7,484,932)
Mineral properties obligations	(3,459,356)	-	(4,797,781)
Reclamation provision	-	(1,451,692,669)	(641,964)
Long-term debt	(15,042,192)	-	(20,862,016)
	(13,764,538)	**(7,857,769,847)**	$ **(22,564,881)**

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

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

	Year-end exchange rate	Appreciation of $ by	Weakness in $ by
US dollar		***5%***	***5%***
2015: exchange rate ($ vs US$1)	1.387	1.318	1.456
2015: profit and loss impact	-	954,502	(954,502)
		5%	***5%***
2014: exchange rate ($ vs US$1)	1.163	1.105	1.221
2014: profit and loss impact	-	88,638	(88,637)
Colombian peso		***15%***	***15%***
2015: exchange rate ($1 vs COP)	2,261.33	2,600.53	1,922.13
2015: profit and loss impact	-	453,240	(613,208)
		15%	***15%***
2014: exchange rate ($1 vs COP)	2,021.19	2,324.37	1,718.01
2014: profit and loss impact	-	(106,637)	144,274

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.

(amounts are in Canadian dollars, unless otherwise stated)

19. FINANCIAL INSTRUMENTS (CONTINUED)

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.

As at December 31, 2015	On demand	Up to 1 year	More than one year	Total
Accounts payable and accrued liabilities	$ 8,552,760	$ -	$ -	$ 8,552,760
Mineral properties obligations	-	4,433,983	367,529	4,801,512
Reclamation provision	-	-	691,448	691,448
Long-term debt	-	-	20,862,016	20,862,016
	$ 8,552,760	**$ 4,433,983**	**$ 21,920,993**	**$ 34,907,736**

20. SUBSEQUENT EVENTS

a) CB Gold Common Shares Acquired

- On January 11, 2016, the Company completed a private placement financing with CB Gold and received 51,670,500 common shares of CB Gold at a price of $0.05 per common share for a gross investment of $2,583,525 (US $1,850,000).
- On January 27, 2016, the Company completed a private placement with CB Gold and received 32,791,100 common shares of CB Gold at a price of $0.05 per common share for a gross investment of $1,639,555 (US $1,150,000).
- On April 20, 2016, the Company purchased 7,857,256 common shares of CB Gold on the market at $0.09 per share.
- As at April 20, 2016, Red Eagle owns approximately 71% of CB Gold.

b) Stock Options Granted

- On February 24, 2016, the Company granted 250,000 incentive stock options exercisable at a price of $0.375 until February 24, 2021 to new employees.
- On April 22, 2016, the Company granted 575,000 incentive stock options exercisable at a price of $0.57 until April 22, 2021 to new employees and consultants.

c) Private Placement

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

d) Warrants Exercised and Common Shares Issued

On April 27, 2016, 1,000,000 share purchase warrants were exercised at a price of $0.25. Accordingly, the Company issued 1,000,000 common shares at a price of $0.25 per share for consideration of $250,000.