RED EAGLE MINING CORPORATION

Unaudited interim condensed consolidated financial statements

Three months ended March 31, 2016

RED EAGLE MINING CORPORATION

Consolidated statements of financial position

(expressed in Canadian dollars)

As at	Notes	March 31, 2016		December 31, 2015	
ASSETS					
Current assets					
Cash and cash equivalents		$	28,617,808	$	10,347,916
Other financial assets	5		130,000		130,000
Amounts receivable			283,131		359,860
Prepaid expenses			1,095,746		609,854
			30,126,685		**11,447,630**
Non-current assets					
Other financial assets	5		873,181		884,456
VAT and other receivables	11		2,926,393		1,182,257
Deposits, mill equipment and suppliers			5,902,636		10,034,677
Property, plant and equipment	6		44,508,882		20,551,389
Mineral properties	7		16,269,450		15,984,047
Deferred debt costs	10		830,840		2,498,230
			71,311,382		**51,135,056**
Total assets		$	**101,438,067**	$	**62,582,686**
LIABILITIES					
Current liabilities					
Accounts payable and accrued liabilities		$	11,830,803	$	8,552,760
Mineral property obligations	7		1,444,271		4,431,635
			13,275,074		**12,984,395**
Non-current liabilities					
Mineral property obligations	7		959,854		366,146
Reclamation provision	9		1,242,749		641,964
Long-term debt	10		55,571,282		19,580,925
			57,773,885		**20,589,035**
Total liabilities			**71,048,959**		**33,573,430**
SHAREHOLDERS' EQUITY	12				
Share capital		$	67,275,414	$	65,684,900
Warrants reserve			1,212,537		1,212,537
Share option reserve			2,558,834		2,457,213
Foreign exchange reserve			(1,154,064)		(1,040,603)
Deficit			(43,026,365)		(45,159,151)
		$	**26,866,356**	$	**23,154,896**
Non-controlling interests			3,522,752		5,854,360
Total shareholders' equity			**30,389,108**		**29,009,256**
Total liabilities and shareholders' equity		$	**101,438,067**	$	**62,582,686**
Commitments and contingencies	14				
Subsequent events	16				

On behalf of the Board of Directors:

(signed) "Jeffrey Mason"
Director

(signed) "Ian Slater"
Director

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

RED EAGLE MINING CORPORATION

Consolidated statements of loss and comprehensive loss

(expressed in Canadian dollars)

For the three months ended	Notes	March 31, 2016	March 31, 2015
Expenses			
Mineral property exploration costs	7	$ 404,853	$ 1,960,655
Office and administration		748,064	219,725
Salaries and benefits		592,965	151,752
Professional fees		199,863	139,906
Relations and business development		127,925	139,225
		2,073,670	**2,611,263**
Other expenses (income)			
Foreign exchange (gain) loss and other		(1,871,174)	197,545
Interest and other income		(3,674)	916
Loss before tax		**198,822**	**2,809,724**
Deferred tax recovery		-	(3,970)
Net loss for the period		**$ 198,822**	**$ 2,805,754**
OTHER COMPREHENSIVE LOSS			
Foreign currency translation difference for foreign operations		113,461	(10,679)
Total comprehensive loss for the period		**$ 312,283**	**$ 2,795,075**
Net (income) loss attributable to:			
Equity holders of the parent		(91,350)	2,805,754
Non-controlling		290,172	-
		$ 198,822	**$ 2,805,754**
Total comprehensive loss attributable to:			
Equity holders of the parent		22,111	2,795,075
Non-controlling		290,172	-
		$ 312,283	**$ 2,795,075**
Basic and diluted loss per share attributable to ordinary equity holders of the parent		$ 0.00	$ 0.04
Weighted average number of common shares outstanding		184,594,785	76,487,057

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

RED EAGLE MINING CORPORATION

Consolidated statements of changes in equity

(expressed in Canadian dollars)

		Attributable to equity holders of the parent							
	Number of shares	Share capital	Warrants	Share option reserve	Foreign exchange reserve	Deficit	Total	Non-controlling interest	Total
Balance as at December 31, 2014	**73,932,714**	**$ 37,163,964**	**$ 122,153**	**$ 1,082,453**	**$ (310,142)**	**$ (38,826,730)**	**$ (768,302)**	**$ -**	**$ (768,302)**
Shares issued (*Note 12*)	18,471,627	5,896,824	-	-	-	-	5,896,824	-	5,896,824
Share option based payments (*Note 12*)	-	-	-	12,150	-	-	12,150	-	12,150
Expiry of warrants (*Note 12*)	-	-	(26,568)	-	-	26,568	-	-	-
Tax charge on expiry of warrants	-	-	(3,970)	-	-	-	(3,970)	-	(3,970)
Total comprehensive loss for the three months	-	-	-	-	10,679	(2,805,754)	(2,795,075)	-	(2,795,075)
Balance as at March 31, 2015	**92,404,341**	**$ 43,060,788**	**$ 91,615**	**$ 1,094,603**	**$ (299,463)**	**$ (41,605,916)**	**$ 2,341,627**	**$ -**	**$ 2,341,627**
Balance as at December 31, 2015	**181,429,252**	**$ 65,684,900**	**$ 1,212,537**	**$ 2,457,213**	**$ (1,040,603)**	**$ (45,159,151)**	**$ 23,154,896**	**$ 5,854,360**	**$ 29,009,256**
Shares issued (*Note 12*)	5,063,022	1,590,514	-	-	-	-	1,590,514	-	1,590,514
Share option based payments (*Note 12*)	-	-	-	101,621	-	-	101,621	-	101,621
Total comprehensive loss for the three months	-	-	-	-	(113,461)	91,350	(22,111)	(290,172)	(312,283)
Acquisition of non-controlling interests	-	-	-	-	-	2,041,436	2,041,436	(2,041,436)	-
Balance as at March 31, 2016	**186,492,274**	**$ 67,275,414**	**$ 1,212,537**	**$ 2,558,834**	**$ (1,154,064)**	**$ (43,026,365)**	**$ 26,866,356**	**$ 3,522,752**	**$ 30,389,108**

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

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

For the three months ended	Notes	March 31, 2016	March 31, 2015
OPERATING ACTIVITIES			
Net loss for the three months		$ **(198,822)**	$ **(2,805,754)**
Adjustments for items not affecting cash:			
Share based payments	12	70,317	12,150
Foreign exchange (gain) loss		(1,827,238)	164,050
Depreciation	6	68,003	68,509
Accretion expense	7	854	-
Deferred tax recovery		-	(3,970)
		(1,886,886)	**(2,565,015)**
Net changes in non-cash working capital items:			
Amounts receivable and other assets		(1,656,132)	(32,718)
Prepaid expenses		518,782	(14,782)
Accounts payable and accrued liabilities		5,379,639	1,025,867
Net cash inflows (outflows) from operating activities		**2,355,403**	**(1,586,648)**
FINANCING ACTIVITIES			
Issuance of common shares, net of share issue costs		(15,816)	1,189,693
Long-term debt, net of deferred debt costs		40,105,993	(2,151)
Net cash inflows from financing activities		**40,090,177**	**1,187,542**
INVESTING ACTIVITIES			
Deposits, mill equipment and suppliers		(3,946,223)	-
Purchase of equipment and capitalized costs		(18,232,885)	-
Payment of mineral property obligations		(856,917)	-
Proceeds on redemption of short-term investments		-	90,000
Net cash (outflows) inflows from investing activities		**(23,036,025)**	**90,000**
Net foreign exchange differences		(1,139,663)	(74)
Net increase (decrease) in cash and cash equivalents		**18,269,892**	**(309,180)**
Cash and cash equivalents, beginning of period		10,347,916	427,290
Cash and cash equivalents, end of period		$ **28,617,808**	$ **118,110**

The accompanying notes are an integral part of these unaudited interim condensed 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 unaudited interim condensed consolidated financial statements have been prepared on the basis of accounting principles applicable to a going concern that assumes that the Company will realize its assets and discharge its liabilities in the normal course of business. Management has carried out an assessment of the going concern assumption and has concluded that the Company has sufficient cash and cash equivalents, along with a debt credit facility (*Note 10*) to continue operating for the ensuing twelve months. These unaudited interim condensed consolidated financial statements do not give effect to any adjustment, which would be necessary should the Company be unable to continue as a going concern and, therefore, be required to realize its assets and discharge its liabilities in other than the normal course of business and at amounts different than those reflected in the unaudited interim condensed consolidated financial statements.

2. BASIS OF PRESENTATION AND STATEMENT OF COMPLIANCE

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

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

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

The unaudited interim condensed consolidated financial statements of Red Eagle Mining Corporation and all of its subsidiaries (the "Company") for the three months ended March 31, 2016 were authorized for issue on May 30, 2016 in accordance with a resolution of the audit committee, to whom the authority covering interim and not annual financial statements was delegated by a resolution of the board of directors.

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

Basis of consolidation

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

- REMDC Holdings Limited, a company incorporated in Canada (holding interest – 100%);
- Red Eagle Mining de Colombia S.A.S., a company incorporated in Colombia (holding interest – 100%);
- Red Eagle Finance Limited, a company incorporated in the British Virgin Islands (holding interest – 100%); and
- CB Gold Inc. ("CB Gold"), a company incorporated in Canada, and its subsidiaries (holding interest – 68% (2015: 51%)).

3. RECENTLY ADOPTED ACCOUNTING STANDARDS

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

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

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

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

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

4. STANDARDS ISSUED BUT NOT YET EFFECTIVE

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

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

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

(amounts are in Canadian dollars, unless otherwise stated)

4. STANDARDS ISSUED BUT NOT YET EFFECTIVE (CONTINUED)

Standards and interpretations issued but not yet effective (continued)

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

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

5. OTHER FINANCIAL ASSETS

Other financial assets consist of a guaranteed investment certificate ("GIC") with a Canadian chartered bank amounting to $130,000 (2015: $130,000), classified as current, and cash in trust of $873,181 (2015: $884,456), 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, 2015	**$ 13,131,465**	**$ 1,712,871**	**$ 4,719,906**	**$ 1,863,483**	**$ 21,427,725**
Additions	-	-	-	596,496	596,496
Capitalized costs	18,020,223	3,911,497	862,861	-	22,794,581
Reclamation costs (*Note 9*)	-	-	597,031	-	597,031
Foreign currency translation	73,729	29,985	(55,163)	(21,809)	26,742
Balance, March 31, 2016	**$ 31,225,417**	**$ 5,654,353**	**$ 6,124,635**	**$ 2,438,170**	**$ 45,442,575**
Accumulated depreciation					
Balance, December 31, 2015	**$ -**	**$ -**	**$ -**	**$ (876,336)**	**$ (876,336)**
Depreciation charged	-	-	-	(68,003)	(68,003)
Foreign currency translation	-	-	-	10,646	10,646
Balance, March 31, 2016	**$ -**	**$ -**	**$ -**	**$ (933,693)**	**$ (933,693)**
Net book value, December 31, 2015	**$ 13,131,465**	**$ 1,712,871**	**$ 4,719,906**	**$ 987,147**	**$ 20,551,389**
Net book value, March 31, 2016	**$ 31,225,417**	**$ 5,654,353**	**$ 6,124,635**	**$ 1,504,477**	**$ 44,508,882**

(amounts are in Canadian dollars, unless otherwise stated)

7. MINERAL PROPERTIES

Santa Rosa

a) On April 15, 2011, the Company acquired 100% of the Santa Rosa Gold Project in Antioquia, Colombia, for US $9,600,000 ($9,988,676), which 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 ($959,854) 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 March 31, 2016 the mineral property obligation relating to this acquisition was $160,525, which represents the discounted value of the US $125,000 remaining to be paid. The Company has recorded an interest expense of $854 relating to the unwinding of the discount on the obligation in the three months ended March 31, 2016.

Vetas

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

At March 31, 2016, pursuant to the Acquisition and Option Agreement for CB Gold's San Bartolo property, and following the Resolution 2090 of December 19, 2014 issued by the Ministry of Environment and Territorial Development, and the National Government delimitation of the Paramo Jurisdicciones-Santurbán-Berlín, the Company accrued the balance owing in mineral property obligation of $1,283,746 in the unaudited interim condensed consolidated statement of financial position.

During the three months ended March 31, 2016, CB Gold settled the following property obligations:

i) The Real Minera property is subject to a one-time royalty payment of US $5 per ounce of measured and indicated mineral resources as disclosed and published in one or more technical reports to be prepared in accordance with NI 43-101. The terms of the royalty payment with Real Minera were renegotiated by CB Gold in December 2015 and was paid January 15, 2016, which included a cash settlement of US $50,000 and 2,843,206 Red Eagle common shares. CB Gold issued 17,550,654 common shares to the Company as compensation on January 15, 2016.

(amounts are in Canadian dollars, unless otherwise stated)

7. MINERAL PROPERTIES (CONTINUED)

ii) On January 15, 2016, CB Gold paid US $150,000 for the San Alfonso property.

iii) CB Gold renegotiated the acquisition price for the La Triada property, which was paid on February 29, 2016, which included a cash settlement of US $300,000 and 2,219,816 Red Eagle common shares. CB Gold issued 13,702,562 common shares to the Company as compensation on March 4, 2016.

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

As at		March 31, 2016		December 31, 2015
Santa Rosa				
Individuals – (*Note 7(a)*)	$	959,854	$	1,026,306
AngloGold Ashanti Colombia S.A. – (*Note 7(d)*)		160,525		342,994
Vetas		1,283,746		3,428,481
Total obligations		**2,404,125**		**4,797,781**
Non-current portion of obligations		(959,854)		(366,146)
Current obligations	$	**1,444,271**	$	**4,431,635**

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

		2016		2015
Balance as at January 1,	$	**4,797,781**	$	**1,783,895**
Vetas		(2,144,735)		3,428,481
Repayments – Santa Rosa		(160,667)		(710,400)
Foreign exchange translation (gain) loss		(89,108)		292,252
Accretion expense		854		3,553
Balance as at March 31, 2016 and December 31, 2015	$	**2,404,125**	$	**4,797,781**

The following is a summary of the movements to mineral properties during the three months ended March 31, 2016:

Balance, December 31, 2015	$	**15,984,047**
Additions		285,403
Balance as at March 31, 2016	$	**16,269,450**

(amounts are in Canadian dollars, unless otherwise stated)

7. MINERAL PROPERTIES (CONTINUED)

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

For the three months ended March 31, 2016	Santa Rosa	Vetas	Total
Salaries and consulting	$ 49,324	$ 110,406	$ 159,730
Legal and office administration	2,014	86,737	88,751
Geological and geochemical	-	81,079	81,079
License and permits	-	32,499	32,499
Travel and transportation	5,432	15,238	20,670
Field and camp	-	11,867	11,867
Depreciation	-	7,417	7,417
Concession fees	2,840	-	2,840
Total exploration costs	**$ 59,610**	**$ 345,243**	**$ 404,853**

For the three months ended March 31, 2015	Santa Rosa	Vetas	Total
Salaries and consulting	$ 627,740	$ -	$ 627,740
Legal and office administration	87,283	-	87,283
Geological and geochemical	298,791	-	298,791
Travel and transportation	69,596	-	69,596
Field and camp	638,641	-	638,641
Depreciation	67,990	-	67,990
Concession fees	8,490	-	8,490
Technical studies	81,438	-	81,438
Metallurgical	38,940	-	38,940
Training	33,880	-	33,880
Assays and sampling	7,866	-	7,866
Total exploration costs	**$ 1,960,655**	**$ -**	**$ 1,960,655**

8. ACQUISITION OF CB GOLD INC.

On October 8, 2015, the Company acquired a controlling interest in CB Gold. For the three month period ended March 31, 2016, the Company acquired by way of two private placements an additional: 51,670,500 CB Gold common shares at a price of $0.05 per share on January 11, 2016 for a gross investment of $2,583,525 (US $1,850,000), and 32,791,100 CB Gold common shares at a price of $0.05 per share on January 27, 2016 for a gross investment of $1,639,555 (US $1,150,000). The Company also issued 2,843,206 common shares on January 15, 2016 and 2,219,816 common shares on February 29, 2016 to settle CB Gold's Vetas Gold Project mineral property obligations in exchange for CB Gold common shares of 17,550,654 on January 15, 2016 and 13,702,562 on March 4, 2016. As at March 31, 2016, the Company has 223,220,788 common shares, or 68% interest in CB Gold. The following table summarizes the CB Gold financial information, included in the unaudited interim condensed consolidated financial statements:

	March 31, 2016
Total assets	$ 22,805,211
Total liabilities	2,039,032
Net loss	821,058

(amounts are in Canadian dollars, unless otherwise stated)

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 $1,242,749, of which $886,926 relates to the San Ramon Gold Mine and $355,823 relates to the Vetas Gold Project. The reclamation costs have been calculated to reflect the amount of expected future cash flows discounted to present value, for the future reclamation of disturbances incurred as at March 31, 2016. The reclamation provision has been recorded using a discount rate of approximately 8% and an inflation factor of approximately 8% for the San Ramon Gold Mine and Vetas Gold Project.

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

	March 31, 2016	December 31, 2015
San Ramon Gold Mine	$ 886,926	$ 284,149
Vetas Gold Project	355,823	357,815
	$ 1,242,749	**$ 641,964**

10. LONG-TERM DEBT

As at	March 31, 2016	December 31, 2015
Credit Facility	$ 58,369,500	$ 20,664,810
Deferred debt costs	(3,829,892)	(1,281,091)
Total long-term debt, net of deferred debt costs	**54,539,608**	**19,383,719**
Non-current accrued interest	1,031,674	197,206
	$ 55,571,282	**$ 19,580,925**

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

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

(amounts are in Canadian dollars, unless otherwise stated)

10. LONG-TERM DEBT (CONTINUED)

As at March 31, 2016, the Company had $58,369,500 (US $45,000,000) drawn on the credit facility. Accrued interest incurred of $1,031,674 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 March 31, 2016, the Company incurred $4,895,668 of costs ($1,120,922 related to the fair value of warrants granted on July 16, 2015) in order to execute the credit facility, with $830,840 recorded as deferred debt costs representing the portion relating to the undrawn credit facility and $4,064,828 netted against long-term debt, representing the portion of the drawn credit facility, of which $234,936 was amortized to Property, Plant and Equipment and the remaining $3,829,892 will be amortized over the remaining life of the debt on an effective interest basis.

11. VAT AND OTHER RECEIVABLES

As at		March 31, 2016		December 31, 2015
VAT credits receivable	$	2,905,623	$	1,167,907
Other receivables		20,770		14,350
	$	**2,926,393**	$	**1,182,257**

As at March 31, 2016, the Company recognized value added tax ("VAT") credits receivable of $2,905,623 representing the cumulative amount of VAT paid to the Colombian Government. These VAT credits are recoverable when the Company commences production. These amounts are classified as long-term as the Company does not expect to fully recover them in the next year.

12. SHARE CAPITAL

a) Authorized share capital

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

b) Issued during the three months ended March 31, 2016

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

c) Issued during the three months ended March 31, 2015

During the three months ended March 31, 2015, the Company issued 18,471,627 common shares at $0.33 per share for gross proceeds of $6,095,636 in two tranches to Orion.

d) Warrants

No warrants were issued during the three months ended March 31, 2016 and 2015.

The following summarizes the share purchase warrants outstanding as at March 31, 2016:

Expiry date	Warrants outstanding		Weighted average exercise price	Weighted average remaining contractual life (years)
June 28, 2016	3,375,000	$	0.25	0.24
July 16, 2020	5,000,000		0.28	4.30
	8,375,000	$	**0.27**	**2.66**

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

(amounts are in Canadian dollars, unless otherwise stated)

12. SHARE CAPITAL (CONTINUED)

e) Options and Share Purchase Option Plan

A summary of the options granted under the option plan as at March 31, 2016, and the changes for the three months then ended are as follows:

	Number of outstanding	Weighted average exercise price		Weighted average measurement date fair value	
Outstanding, December 31, 2015	**14,365,000**	$	**0.33**	$	**0.19**
Granted	250,000		0.375		0.19
Outstanding, March 31, 2016	**14,615,000**	$	**0.33**	$	**0.19**

During the three months ended March 31, 2015, no options were granted, exercised or cancelled except for the expiration of 87,500 options on March 9, 2015.

The following summarizes information about share options outstanding and exercisable as at March 31, 2016:

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	1.68
April 9, 2019	2,005,000	2,005,000		0.33	3.02
May 6, 2020	3,140,000	2,645,000		0.33	4.10
October 7, 2020	7,300,000	5,875,000		0.275	4.52
February 24, 2021	250,000	62,500		0.375	4.91
	14,615,000	**12,507,500**	$	**0.33**	**3.86**

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

Grant date		February 24, 2016
Share price on measurement date	$	0.35
Exercise price	$	0.375
Risk free interest rate		0.49% - 0.64%
Expected annual volatility		79.55%
Expected life (years)		2.5 - 5.0
Expected dividends (yield)		0%
Fair value per option at measurement date	$	**0.18 - 0.24**

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 three months ended March 31, 2016 was $101,621 (2015: $12,150), of which $31,304 (2015: $nil) has been capitalized to Property, plant and equipment and $70,317 has been recorded in the statement of comprehensive loss.

(amounts are in Canadian dollars, unless otherwise stated)

13. RELATED PARTY TRANSACTIONS

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

For the three months ended	March 31, 2016		March 31, 2015	
Short-term employee salaries and benefits	$	413,008	$	137,666
Share option based payments		20,202		1,980
	$	**433,210**	$	**139,646**

The following table provides outstanding balances and the total amount of transactions by the Company with related parties during the three month periods ended March 31, 2016 and 2015:

For the three months ended	March 31, 2016		March 31, 2015	
Purchases during the three months				
Rent, salary and related costs recharged from a company controlled by certain directors in common	$	476,992	$	125,000
Legal fees to Farris, Vaughan, Wills & Murphy LLP (previously Anfield Sujir Kennedy & Durno LLP) in which one of the directors is a partner	$	53,154	$	91,227
Mine development costs by Stracon GyM in which a director is the CEO and a shareholder	$	3,424,291	$	-

As at	March 31, 2016		December 31, 2015	
Amounts owed to				
A company controlled by certain directors in common	$	226,992	$	-
Farris, Vaughan, Wills & Murphy LLP (previously Anfield Sujir Kennedy & Durno LLP) in which one of the directors is a partner	$	38,680	$	332,738
Stracon GyM in which a director is the CEO and a shareholder	$	3,424,291	$	1,071,949
Amounts due from				
A company controlled by certain directors in common for reimbursement of legal fees	$	119,232	$	106,109

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

14. COMMITMENTS AND CONTINGENCIES

The Company has commitments related to capital expenditures for the development and construction of the San Ramon Gold Mine and Mill as at March 31, 2016 of $8,290,913. The Company has other operational commitments for $5,633,327, of which $5,597,270 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	$	8,290,913	$	-	$	-	$	8,290,913
Operational		840,857		2,409,563		2,382,907		5,633,327
	$	**9,131,770**	$	**2,409,563**	$	**2,382,907**	$	**13,924,240**

(amounts are in Canadian dollars, unless otherwise stated)

14. COMMITMENTS AND CONTINGENCIES (CONTINUED)

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

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

15. FINANCIAL INSTRUMENTS

The Company has designated its cash and cash equivalents and amounts receivable as loans and receivables; short-term investments as held-for-trading and accounts payable as other financial liabilities. There has been no change to the designations of financial instruments during the three months ended March 31, 2016.

Fair value

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

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 March 31, 2016 and December 31, 2015. The carrying value of mineral property obligations and reclamation provision approximates fair value. The fair value of long-term debt is approximately $59,401,174.

As at	March 31, 2016	December 31, 2015
Level 3		
Mineral property obligations	$ 2,404,125	$ 4,797,781
Reclamation provision	$ 1,242,749	$ 641,964
Level 2		
Long-term debt	$ 55,571,282	$ 19,580,925

16. SUBSEQUENT EVENTS

a) CB Gold Common Shares Acquired

- On April 20, 2016, the Company purchased 7,857,256 common shares of CB Gold on the market at $0.09 per share.
- On May 11, 2016, the Company purchased through a private equity placement, 16,933,333 units of CB Gold at a price of $0.075 per unit for a total of $1,270,000 (US $ 1,000,000). Each unit consists of one common share and one warrant, with each warrant exercisable into one share at $0.10 per share for a period of five years. CB Gold has the right to call the warrants after one year from the date of issuance. The shares and warrants are subject to a four month hold period from the date of issuance. Currently, Red Eagle owns approximately 71% of CB Gold.

b) Stock Options Granted/Cancelled

- On April 22, 2016, the Company granted 575,000 incentive stock options exercisable at a price of $0.57 per share until April 22, 2021 to new employees and consultants.
- On May 19, 2016, 300,000 incentive stock options were cancelled.

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

During April and May 2016, 2,000,000 share purchase warrants of the Company were exercised into 2,000,000 common shares at a price of $0.25 per share for total consideration received of $500,000.