



RED EAGLE MINING CORPORATION

Unaudited condensed interim consolidated financial statements

For the three and nine months ended September 30, 2017

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

| As at | Note | September 30, 2017 | December 31, 2016 (note 2) | January 1, 2016 (note 2) |
|---|------|-----------------------|-------------------------------|-----------------------------|
| ASSETS | | | | |
| Current assets | | | | |
| Cash and cash equivalents | | \$ 3,625 | \$ 4,202 | \$ 7,461 |
| Amounts receivable | | 3,245 | 1,036 | 353 |
| Inventory | 3 | 3,225 | 3,500 | - |
| Prepaid expenses | | 1,207 | 316 | 440 |
| | | 11,302 | 9,054 | 8,254 |
| Non-current assets | | | | |
| Property, plant and equipment | 4 | 121,087 | 92,772 | 14,818 |
| Mineral properties | 5 | 17,628 | 15,948 | 11,525 |
| Other receivables | 6 | 3,530 | 4,246 | 8,725 |
| Deferred debt costs | | - | - | 1,802 |
| | | 142,245 | 112,966 | 36,870 |
| Total assets | | \$ 153,547 | \$ 122,020 | \$ 45,124 |
| LIABILITIES | | | | |
| Current liabilities | | | | |
| Accounts payable and accrued liabilities | | \$ 15,159 | \$ 16,975 | \$ 6,166 |
| Current portion of long-term debt | 9 | 9,501 | 16,616 | - |
| Mineral property obligations | 5 | - | 1,137 | 3,195 |
| | | 24,660 | 34,728 | 9,361 |
| Non-current liabilities | | | | |
| Reclamation provision | 8 | 2,018 | 1,780 | 463 |
| Mineral property obligations | 5 | - | - | 264 |
| Long-term debt | 9 | 57,778 | 48,083 | 14,118 |
| | | 59,796 | 49,863 | 14,845 |
| Total liabilities | | 84,456 | 84,591 | 24,206 |
| SHAREHOLDERS' EQUITY | | | | |
| Share capital | 10 | 108,102 | 81,504 | 58,939 |
| Contributed surplus | | 17,732 | 5,568 | 3,344 |
| Accumulated other comprehensive loss | | (1,156) | (2,395) | (2,798) |
| Deficit | | (57,074) | (47,736) | (42,788) |
| | | 67,604 | 36,941 | 16,697 |
| Non-controlling interests | 7 | 1,487 | 488 | 4,221 |
| Total shareholders' equity | | 69,091 | 37,429 | 20,918 |
| Total liabilities and shareholders' equity | | \$ 153,547 | \$ 122,020 | \$ 45,124 |
| Nature of Operations and Going Concern | 1 | | | |

On behalf of the Board of Directors:

(signed) "Jeffrey Mason"
Director

(signed) "Ian Slater"
Director

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

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

| | Three Months Ended | | Nine Months Ended | |
|--|-----------------------|-----------------------------------|-----------------------|----------------------------------|
| | September 30, 2017 | September 30, 2016 (note 2) | September 30, 2017 | September 30, 2016 (note2) |
| Expenses | | | | |
| Mineral property exploration cost | \$ 1,080 | \$ 523 | \$ 2,550 | \$ 1,125 |
| Mine site expenses (note 2) | 1,076 | - | 2,424 | - |
| Salaries and benefits | 633 | 266 | 2,356 | 1,020 |
| Office and administration | 835 | 546 | 1,999 | 1,588 |
| Professional fees | 305 | 47 | 495 | 275 |
| Investor relations and business development | 114 | 151 | 294 | 434 |
| Operating loss | 4,043 | 1,533 | 10,118 | 4,442 |
| Other expenses | | | | |
| Foreign exchange loss (gain) | 718 | (1,033) | 695 | (3,284) |
| Interest and other expense | 249 | 68 | 1,127 | 46 |
| Net loss | \$ 5,010 | \$ 568 | \$ 11,940 | \$ 1,204 |
| Other comprehensive gain | | | | |
| Foreign currency translation difference for foreign operations | (191) | (333) | (1,633) | (1,495) |
| Total comprehensive loss (gain) for the period | \$ 4,819 | \$ 235 | \$ 10,307 | \$ (291) |
| Net loss attributable to: | | | | |
| Equity holders of the parents | 4,888 | 436 | 11,650 | 669 |
| Non-controlling interests | 122 | 132 | 290 | 535 |
| | \$ 5,010 | \$ 568 | \$ 11,940 | \$ 1,204 |
| Total comprehensive loss (income) attributable to: | | | | |
| Equity holders of the parents | 4,741 | 103 | 10,085 | (826) |
| Non-controlling interests | 78 | 132 | 222 | 535 |
| | \$ 4,819 | \$ 235 | \$ 10,307 | \$ (291) |
| Basic and diluted loss per share | \$ 0.02 | \$ 0.00 | \$ 0.04 | \$ 0.01 |
| Weighted average number of common shares outstanding | 318,138,172 | 231,376,744 | 278,356,603 | 209,866,899 |

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

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

| | Number of shares | Attributable to equity holders of the parent | | | | | Non-controlling interests | Total |
|--|--------------------|--|---------------------|---|--------------------|------------------|---------------------------|------------------|
| | | Share capital | Contributed surplus | Accumulated other comprehensive (loss) gain | Deficit | Total | | |
| Balance as at December 31, 2015 | 181,429,252 | \$ 58,939 | \$ 3,344 | \$ (2,798) | \$ (42,788) | \$ 16,697 | \$ 4,221 | \$ 20,918 |
| Shares issued | 47,927,743 | 17,125 | - | - | - | 17,125 | - | 17,125 |
| Share-based payments | - | - | 387 | - | - | 387 | - | 387 |
| Share options and warrants exercised | 4,085,000 | 204 | (204) | - | - | - | - | - |
| Expiry of share options | - | - | (8) | - | 8 | - | - | - |
| Total comprehensive (loss) gain | - | - | - | 1,495 | (669) | 826 | (535) | 291 |
| Acquisition of non-controlling interests | - | - | - | - | 1,140 | 1,140 | (905) | 235 |
| Balance as at September 30, 2016 | 233,441,995 | \$ 76,268 | \$ 3,519 | \$ (1,303) | \$ (42,309) | \$ 36,175 | \$ 2,781 | \$ 38,956 |
| Balance as at December 31, 2016 | 241,005,121 | \$ 81,504 | \$ 5,568 | \$ (2,395) | \$ (47,736) | \$ 36,941 | \$ 488 | \$ 37,429 |
| Shares issued (note 10b, 10e) | 70,590,989 | 20,074 | 5,865 | - | - | 25,939 | - | 25,939 |
| Shares issued for settlement of accounts payable (note 10b, 10e) | 14,545,455 | 2,409 | 1,591 | - | - | 4,000 | - | 4,000 |
| Shares issued for settlement of debt (note 10b, 10e) | 23,493,245 | 3,963 | 2,570 | - | - | 6,533 | - | 6,533 |
| Share-based payments (note 10) | - | - | 2,435 | - | - | 2,435 | - | 2,435 |
| Share options and warrants exercised | 1,020,000 | 152 | (152) | - | - | - | - | - |
| Expiry of share options | - | - | (145) | - | 145 | - | - | - |
| Total comprehensive (loss) gain | - | - | - | 1,564 | (11,649) | (10,085) | (222) | (10,307) |
| Divestment of shares in subsidiary (note 9) | - | - | - | 29 | 2,237 | 2,266 | 344 | 2,610 |
| Contributions from non-controlling interests (note 10c) | - | - | - | (354) | (71) | (425) | 877 | 452 |
| Balance as at September 30, 2017 | 350,654,810 | \$ 108,102 | \$ 17,732 | \$ (1,156) | \$ (57,074) | \$ 67,604 | \$ 1,487 | \$ 69,091 |

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

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

| | | Three Months Ended | | Nine Months Ended | |
|--|------|--------------------|------------------------------|-------------------|------------------------------|
| | | Sept 30, 2017 | Sept 30, 2016 (note 2) | Sept 30, 2017 | Sept 30, 2016 (note 2) |
| | Note | | | | |
| OPERATING ACTIVITIES | | | | | |
| Net loss | | \$ (5,010) | \$ (568) | \$ (11,940) | \$ (1,204) |
| <i>Adjustments for items not affecting cash:</i> | | | | | |
| Share-based payments | 10 | 790 | 162 | 2,135 | 330 |
| Depreciation | 4 | 177 | 135 | 548 | 292 |
| Accretion expense | | 38 | 33 | 102 | 65 |
| Foreign exchange loss (gain) | | 684 | 1,321 | 694 | (600) |
| | | (3,321) | 1,083 | (8,461) | (1,117) |
| <i>Net changes in non-cash working capital items:</i> | | | | | |
| Amounts receivable | | (1,306) | (144) | (1,430) | (77) |
| Inventory | | 367 | - | 275 | - |
| Prepaid expenses | | 153 | 181 | (891) | 34 |
| Accounts payable and accrued liabilities | | (3,370) | 1,087 | (2,381) | 233 |
| Net cash (outflows) inflows from operating activities | | (7,477) | 2,207 | (12,888) | (927) |
| FINANCING ACTIVITIES | | | | | |
| Issuance of common shares, net of issue costs | 10b | 13,302 | 6,839 | 25,611 | 15,934 |
| Proceeds from bridge loan, net of issue costs | 9 | 6,178 | - | 6,178 | - |
| Long-term debt, net of deferred costs | | - | 13,396 | - | 42,563 |
| Principal and production payments related to credit facility | 9 | - | - | (1,702) | - |
| Private placement in Red Eagle Exploration | 10c | | | 706 | - |
| Contributions from non-controlling interests | | - | - | - | 493 |
| Net cash inflows from financing activities | | 19,480 | 20,235 | 30,793 | 58,990 |
| INVESTING ACTIVITIES | | | | | |
| Purchase of property, plant and equipment | | (7,809) | (18,774) | (17,032) | (43,830) |
| Settlement of mineral property obligations | 5c | (12) | (213) | (637) | (836) |
| Acquisition of California Gold mineral properties | 5b | - | - | (451) | - |
| Non-current tax credit receivable | | (82) | (205) | (62) | (1,945) |
| Acquisition of subsidiary | | - | - | - | (552) |
| Net cash outflows from investing activities | | (7,903) | (19,192) | (18,182) | (47,163) |
| Net foreign exchange differences | | (1,007) | 322 | (300) | (213) |
| Net increase (decrease) in cash and cash equivalents | | 3,093 | 3,572 | (577) | 10,687 |
| Cash and cash equivalents, beginning of period | | 532 | 14,576 | 4,202 | 7,461 |
| Cash and cash equivalents, end of period | | \$ 3,625 | \$ 18,148 | \$ 3,625 | \$ 18,148 |

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

RED EAGLE MINING CORPORATION

Notes to unaudited condensed interim consolidated financial statements

(amounts are in thousands of US dollars, unless otherwise stated)

1. NATURE OF OPERATIONS AND GOING CONCERN

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

The Company is primarily engaged in the development and operation of the San Ramon Gold Mine and Mill. The Company also owns an 80% controlling interest in Red Eagle Exploration Limited ("Red Eagle Exploration") which holds exploration projects in Colombia.

Going concern

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

The Company incurred a net loss during the nine months ended September 30, 2017 of \$11,940 (2016: \$1,204). As at September 30, 2017, the Company had cash and cash equivalents of \$3,625 (2016: \$4,202) and a working capital deficiency of \$13,358 (2016: \$25,674).

The Company is focused on the development of the San Ramon Mine and Mill. In order to provide working capital before gold production resumes, the Company completed a rights offering on August 11, 2017 for gross proceeds of \$23,595 (CAD \$30.0 million).

The Company's ability to continue operations in the normal course of business is dependent upon the successful execution of operations in order to resume gold production and generate sufficient cash flows. The nature and significance of these conditions, along with the working capital deficiency and the requirement to satisfy the current portion of long-term debt outstanding, may cast significant doubt about the appropriateness of the going concern assumption. These financial statements do not give effect to any adjustments which would be necessary should the Company be unable to continue as a going concern and, therefore, be required to realize its assets and discharge its liabilities in other than the normal course of business and at amounts different than those reflected in the financial statements. Such adjustments could be material.

2. BASIS OF PRESENTATION AND STATEMENT OF COMPLIANCE

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

The unaudited condensed interim consolidated financial statements have been prepared on a historical cost basis and are presented in thousands of US dollars, unless otherwise stated.

The unaudited condensed interim consolidated financial statements of the Company for the three and nine months ended September 30, 2017 were authorized for issue by the Board of Directors, on November 14, 2017.

RED EAGLE MINING CORPORATION

Notes to unaudited condensed interim consolidated financial statements

(amounts are in thousands of US dollars, unless otherwise stated)

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

Change in functional and presentation currency

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

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

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

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

Significant Management Judgments and Estimations

Declaration of commercial production

The Company announced commercial production readiness at the end of the first quarter of 2017. The criteria used by the Company to determine that the assets were operating in a manner intended by management was based on the Santa Rosa processing plant operating, over 30 consecutive days, at an average of at least 75% of design capacity. However, the underground mine subsequently did not consistently achieve planned operating levels due to ground stability conditions. To address this issue, an add-on backfill plant is being constructed, during which time, the processing plant will be on stand-by for operational readiness. Costs related to continued mine development are being capitalized. Costs to maintain the site and processing plant in a state of operational readiness are being expensed directly to the consolidated statements of comprehensive loss. For the three and nine months ended September 30, 2017, approximately \$1,076 and \$2,424, respectively, in costs related to the plant and site support activities were recorded to mine site expenses in the consolidated statements of comprehensive loss.

RED EAGLE MINING CORPORATION**Notes to unaudited condensed interim consolidated financial statements***(amounts are in thousands of US dollars, unless otherwise stated)***2. BASIS OF PRESENTATION AND STATEMENT OF COMPLIANCE (CONTINUED)****Significant Management Judgments and Estimations (continued)**Impairment

The Company reviews and evaluates the carrying value of its mineral properties and property, plant, and equipment for impairment when events or changes in circumstances indicate that the carrying amounts of the related asset may not be recoverable. The identification of such events or changes and the performance of the assessment requires significant judgment. Furthermore, the Company's estimates of many of the factors relevant to completing this assessment, including commodity price, mineral resources, and operating, capital and reclamation costs, are subject to risks and estimation uncertainties that may further affect the determination of the recoverability of the carrying amounts of its mineral properties and property, plant, and equipment. As at September 30, 2017, the Company has not identified any events or circumstances that would indicate that the carrying amounts of the related assets may not be recoverable.

3. INVENTORY

| As at | September 30, 2017 | December 31, 2016 | January 1, 2016 |
|------------------------|--------------------|-------------------|-----------------|
| Finished goods | \$ - | \$ 553 | \$ - |
| Work in process | - | 482 | - |
| Materials and supplies | 3,225 | 2,465 | - |
| | <u>\$ 3,225</u> | <u>\$ 3,500</u> | <u>\$ -</u> |

RED EAGLE MINING CORPORATION
Notes to unaudited condensed interim consolidated financial statements
(amounts are in thousands of US dollars, unless otherwise stated)
4. PROPERTY, PLANT AND EQUIPMENT

| | Construction work-in- progress | | | | | |
|---|---|-------------|-----------------------------|----------------------------|--------------|--|
| | Mine | Mill | Mineral property | Other equipment | Total | |
| Cost | | | | | | |
| Balance, January 1, 2016 | \$ 1,235 | \$ 9,468 | \$ 3,403 | \$ 1,344 | \$ 15,450 | |
| Additions | 20,228 | 53,034 | 1,819 | 2,153 | 77,234 | |
| Disposals | - | - | - | (74) | (74) | |
| Reclamation costs (note 8) | - | - | 1,227 | - | 1,227 | |
| Balance, December 31, 2016 | \$ 21,463 | \$ 62,502 | \$ 6,449 | \$ 3,423 | \$ 93,837 | |
| Additions | 14,983 | 13,234 | 197 | 318 | 28,732 | |
| Reclamation costs (note 8) | - | - | 131 | - | 131 | |
| Balance, September 30, 2017 | \$ 36,446 | \$ 75,736 | \$ 6,777 | \$ 3,741 | \$ 122,700 | |
| Accumulated depreciation | | | | | | |
| Balance, January 1, 2016 | \$ - | \$ - | \$ - | \$ (632) | \$ (632) | |
| Depreciation | - | - | - | (491) | (491) | |
| Disposals | - | - | - | 58 | 58 | |
| Balance, December 31, 2016 | \$ - | \$ - | \$ - | \$ (1,065) | \$ (1,065) | |
| Depreciation | - | - | - | (548) | (548) | |
| Balance, September 30, 2017 | \$ - | \$ - | \$ - | \$ (1,613) | \$ (1,613) | |
| Net book value, September 30, 2017 | \$ 36,446 | \$ 75,736 | \$ 6,777 | \$ 2,128 | \$ 121,087 | |
| Net book value, December 31, 2016 | \$ 21,463 | \$ 62,502 | \$ 6,449 | \$ 2,358 | \$ 92,772 | |
| Net book value, January 1, 2016 | \$ 1,235 | \$ 9,468 | \$ 3,403 | \$ 712 | \$ 14,818 | |

Additions under construction work-in-progress is net of a credit for pre-production revenue of \$5,305 (2016: \$305).

In the previous quarter, the Company performed an impairment assessment of the San Ramon Mill and Mine and concluded that there is no impairment at June 30, 2017. As at September 30, 2017, the Company has not identified any new events or circumstances that would indicate that the carrying amounts of the related assets may not be recoverable.

RED EAGLE MINING CORPORATION

Notes to unaudited condensed interim consolidated financial statements

(amounts are in thousands of US dollars, unless otherwise stated)

5. MINERAL PROPERTIES

Mineral Properties

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

a) Santa Rosa

On April 15, 2011, the Company acquired 100% of the Santa Rosa Gold Project in Antioquia, Colombia, for \$9,600 (CAD \$10.0 million).

On October 22, 2012, concurrent with a private placement financing, the Company completed the sale of a 2% Net Smelter Return ("NSR") royalty over the Santa Rosa property to Liberty Metals and Mining Holdings, LLC, ("LMM") a shareholder of the Company, for gross proceeds of CAD \$8.3 million. The Company had the option to sell an additional 1% royalty for CAD \$4.2 million at any time until December 31, 2013 and on December 20, 2013, the Company exercised this option. The Company has the option to repurchase a 1% royalty for CAD \$8.3 million at any time during the first two years of commercial gold production.

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

On May 28, 2014, the Company executed a purchase agreement with AngloGold Ashanti Colombia S.A., 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 paid \$375 to AGAC and granted AGAC a 2% NSR royalty over the properties acquired.

Mineral Property Obligations

b) California Gold Project

On February 15, 2017, Red Eagle Exploration announced an option to purchase 100% of six exploitation mining concessions from local miners for aggregate consideration of \$5,684 in cash and \$7,562 which is payable in shares of Red Eagle Exploration. Initial payments of \$345 and 2,180,985 common shares of Red Eagle Exploration were paid upon closing.

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

In October 2017, Red Eagle Exploration agreed to amend the terms of the California option agreements previously announced on February 15, 2017. Pursuant to the amendment, the Company will issue additional consideration to the landowners consisting of 1,907,117 common shares of Red Eagle Exploration.

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

RED EAGLE MINING CORPORATION**Notes to unaudited condensed interim consolidated financial statements***(amounts are in thousands of US dollars, unless otherwise stated)***5. MINERAL PROPERTIES (CONTINUED)****Mineral Property Obligations** (continued)**c) Vetás Gold Project**

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

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

6. OTHER RECEIVABLES

| As at | September 30, 2017 | December 31, 2016 | January 1, 2016 |
|--|--------------------|-------------------|-----------------|
| VAT credits receivable | \$ 2,459 | \$ 2,397 | \$ 842 |
| Deposits, mill equipment and suppliers | 1,071 | 1,849 | 7,883 |
| | <u>\$ 3,530</u> | <u>\$ 4,246</u> | <u>\$ 8,725</u> |

As at September 30, 2017, the Company recognized value added tax ("VAT") credits receivable of \$2,459 representing the cumulative amount of VAT paid to the Colombian Government. These VAT credits, depending on the nature, are either refundable or recoverable against corporate taxes in Colombia. These amounts are classified as long-term as the Company does not expect to fully recover them in the next year.

7. NON-CONTROLLING INTERESTS

The Company has an 80% interest in Red Eagle Exploration as at September 30, 2017. The following table summarizes the Red Eagle Exploration financial information included in the unaudited condensed interim consolidated financial statements:

| | September 30, 2017 |
|-------------------|--------------------|
| Total assets | \$ 17,529 |
| Total liabilities | 1,103 |
| Net loss | 2,624 |

RED EAGLE MINING CORPORATION

Notes to unaudited condensed interim consolidated financial statements

(amounts are in thousands of US dollars, unless otherwise stated)

8. RECLAMATION PROVISION

The Company has provided for future reclamation costs associated with the San Ramon Gold Mine and Mill held by the Company and the Vetás Gold Project held by Red Eagle Exploration. The reclamation costs have been calculated to reflect the amount of expected future net cash outflows discounted to present value for the future reclamation of disturbances incurred as at September 30, 2017. The reclamation provision has been recorded using a discount rate of approximately 6.8% and an inflation factor of approximately 5.8% as established by a Colombian financial institution.

The following is a summary of the reclamation provision as at September 30, 2017, December 31, 2016 and January 1, 2016:

| | September 30, 2017 | December 31, 2016 | January 1, 2016 |
|---------------------|--------------------|-------------------|-----------------|
| San Ramon Gold Mine | \$ 1,728 | \$ 1,509 | \$ 205 |
| Vetas Gold Project | 290 | 271 | 258 |
| | <u>\$ 2,018</u> | <u>\$ 1,780</u> | <u>\$ 463</u> |

The following are changes in reclamation provision during the nine months ended September 30, 2017 and year ended December 31, 2016:

| | San Ramon Gold Mine | Vetas Gold Project |
|------------------------------------|---------------------|--------------------|
| Balance, January 1, 2016 | \$ 205 | \$ 258 |
| Change in estimate | 1,227 | (9) |
| Accretion expense | 77 | 22 |
| Balance, December 31, 2016 | \$ 1,509 | \$ 271 |
| Change in estimate | 131 | 5 |
| Accretion expense | 88 | 14 |
| Balance, September 30, 2017 | <u>\$ 1,728</u> | <u>\$ 290</u> |

9. LONG-TERM DEBT

| | Credit Facility |
|--|------------------------------------|
| Balance, January 1, 2016 | \$ 14,118 |
| Principal, net of fees | 41,173 |
| Interest expense, including amortization | 9,417 |
| Production payments | (9) |
| Balance, December 31, 2016 | \$ 64,699 |
| Interest expense, including amortization | 6,907 |
| Credit facility repayments | (1,579) |
| Amendment fee | (2,625) |
| Production payments | (123) |
| Balance, September 30, 2017 | \$ 67,279 |
| | Current portion (9,501) |
| | Long-term portion \$ 57,778 |

Under the terms of the US \$60,000 credit facility, principal repayments commenced on May 1, 2017 and were due in forty-two equal monthly amortization amounts of \$1,579. Orion Fund JV Limited ("Orion") and Liberty Metals & Mining Holdings LLC ("LMM" and together with Orion, the "Lenders") waived the Company's requirement under the credit facility to make the June, July and August 2017 amortization payments.

RED EAGLE MINING CORPORATION

Notes to unaudited condensed interim consolidated financial statements

(amounts are in thousands of US dollars, unless otherwise stated)

9. LONG-TERM DEBT (CONTINUED)

In order to fund working capital requirements, on July 24, 2017, the Company entered into a bridge funding agreement for \$6,500. Upon completion of the successful rights offering and entering into an amendment to the credit agreement, the bridge loan was repaid out of Orion and LMM's participation in the rights offering on August 11, 2017 (note 10b).

On August 11, 2017, the Company entered into an amendment to the US \$60,000 credit facility (the "amended credit facility") and is no longer in default as of September 30, 2017. Under the terms of the amended credit facility, principal repayments commence on April 1, 2018 in equal monthly amortization amounts of \$1,600 with a maturity date of April 1, 2019. The credit facility is secured by all of the Company's property and assets.

The amended credit facility bears interest at a rate of the higher of LIBOR or 1%, plus 11%, compounded monthly, with interest being capitalized. The amended credit facility continues to include a production payment of \$30 per ounce payable on the first 405,000 ounces of gold produced. Additionally, as an amendment fee, the Company issued 33,105,362 shares with a fair value of \$2,625 in Red Eagle Exploration from its current holdings to the Lenders. Considering the various features of the amended credit facility, the effective interest rate is approximately 19%. The credit facility was fully drawn in 2016.

For the nine months ended September 30, 2017, the Company capitalized \$6,907 of interest on the amended credit facility to construction work in progress.

The Company is required to maintain the following financial covenants, commencing July 1, 2018:

- a) as of the end of each fiscal quarter, Debt Service Coverage Ratio on a rolling four fiscal quarter basis of at least 1.5:1;
- b) as of the end of each fiscal quarter, EBITDA to Interest Coverage Ratio on a rolling four fiscal quarter basis of at least 5:1; and
- c) as of the end of each fiscal quarter, Debt to EBITDA Ratio on a rolling four fiscal quarter basis of no greater than 2:1.

10. SHARE CAPITAL

a) Authorized share capital

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

b) Issued during the nine months ended September 30, 2017

On February 21, 2017, the Company completed a bought deal financing for gross proceeds of \$13,119 (CAD \$17.3 million), consisting of 23,000,000 common shares at a price of CAD \$0.75 per share.

On August 11, 2017, the Company completed a rights offering for gross proceeds of \$23,595 (CAD \$30.0 million) consisting of 85,629,689 Units at a price of CAD \$0.35 per Unit. Each Unit consists of one common share of the Company and one transferable purchase warrant exercisable into one common share of the Company at CAD \$0.50 per common share for a period of five years from the issue date. The Company used the relative fair value model to calculate the fair value allocation between the common shares and the purchase warrants and has recorded \$14,227 to share capital and \$9,368 to contributed surplus for the shares and warrants, respectively. Refer to note 10e for details on the warrant valuation. As part of the rights offering, 14,545,455 Units were issued to Stracon GyM to settle \$4,000 of accounts payable and 23,493,245 Units were issued to the Lenders of the credit facility to settle \$6,533 of debt from the bridge loan (note 9).

RED EAGLE MINING CORPORATION

Notes to unaudited condensed interim consolidated financial statements

(amounts are in thousands of US dollars, unless otherwise stated)

10. SHARE CAPITAL (CONTINUED)

c) Red Eagle Exploration shares issued during the nine months ended September 30, 2017

During the nine months ended September 30, 2017, Red Eagle Exploration issued 4,550,000 common shares for final settlement of the San Bartolo property, issued 116,700 common shares for final settlement of the San Antonio property, and issued 2,701,352 common shares to meet initial option payments for the California Gold Project.

On June 23, 2017, Red Eagle Exploration completed a non-brokered private placement consisting of 6,854,722 units at a price of CAD \$0.15 per unit for gross proceeds of \$775 (CAD \$1.0 million). Each unit consists of one common share and one warrant, with each warrant exercisable at a price of CAD \$0.25 per unit until June 23, 2022.

d) Share Purchase Options

Information regarding share purchase options outstanding at September 30, 2017 is as follows:

| | Number of outstanding | Weighted average exercise price in CAD \$ | Weighted average measurement date fair value in CAD \$ |
|--|--------------------------|--|---|
| Outstanding, January 1, 2016 | 14,365,000 | \$ 0.33 | \$ 0.19 |
| Granted | 5,045,000 | 0.68 | 0.33 |
| Exercised | (845,000) | 0.45 | 0.24 |
| Expired | (75,000) | 0.28 | 0.15 |
| Forfeited | (625,000) | 0.55 | 0.28 |
| Outstanding, December 31, 2016 | 17,865,000 | \$ 0.42 | \$ 0.23 |
| Granted | 6,475,000 | 0.38 | 0.14 |
| Exercised | (1,020,000) | 0.32 | 0.18 |
| Expired | (500,000) | 0.75 | 0.37 |
| Forfeited | (575,000) | 0.81 | 0.39 |
| Outstanding, September 30, 2017 | 22,245,000 | \$ 0.39 | \$ 0.20 |

Information regarding share purchase options outstanding at September 30, 2017 is as follows:

| Expiry date | Options outstanding | Options exercisable | Exercise price in CAD \$ | Weighted average remaining contractual life (years) |
|-------------------|------------------------|------------------------|-----------------------------|---|
| December 6, 2017 | 1,505,000 | 1,505,000 | \$ 0.55 | 0.2 |
| April 9, 2019 | 1,700,000 | 1,700,000 | 0.33 | 1.5 |
| May 6, 2020 | 2,620,000 | 2,620,000 | 0.33 | 2.6 |
| October 7, 2020 | 6,600,000 | 6,600,000 | 0.275 | 3.0 |
| February 24, 2021 | 125,000 | 125,000 | 0.375 | 3.4 |
| April 22, 2021 | 175,000 | 175,000 | 0.57 | 3.6 |
| June 14, 2021 | 400,000 | 300,000 | 0.71 | 3.7 |
| July 8, 2021 | 300,000 | 300,000 | 0.77 | 3.8 |
| October 17, 2021 | 550,000 | 275,000 | 0.80 | 4.0 |
| December 19, 2021 | 2,145,000 | 1,572,500 | 0.65 | 4.2 |
| August 19, 2022 | 6,125,000 | 1,531,250 | 0.35 | 4.9 |
| | 22,245,000 | 16,703,750 | \$ 0.39 | 3.3 |

RED EAGLE MINING CORPORATION

Notes to unaudited condensed interim consolidated financial statements

(amounts are in thousands of US dollars, unless otherwise stated)

10. SHARE CAPITAL (CONTINUED)

d) Share Purchase Options (continued)

The fair value of each outstanding share purchase option grant was estimated using the Black-Scholes option pricing model, and for the nine months ended September 30, 2017, with the following weighted average assumptions:

| | September 30, 2017 |
|---|--------------------|
| Risk free interest rate | 1.3% |
| Expected volatility | 76% |
| Expected life (years) | 2.9 |
| Expected dividends (yield) | 0% |
| Weighted average fair value per option in CAD \$ | \$ 0.15 |

The share-based payments expense related to share purchase options for the three and nine months ended September 30, 2017 was \$269 (2016: \$186) and \$529 (2016: \$382), respectively, of which nil (2016: \$24) and \$99 (2016: \$51), respectively, have been capitalized to Property, plant and equipment.

e) Warrants

Information regarding warrants outstanding at September 30, 2017 is as follows:

| For the year ended | Number of outstanding warrants | Weighted average exercise price in CAD \$ |
|------------------------------------|--------------------------------|---|
| Balance, January 1, 2016 | 8,375,000 | \$ 0.275 |
| Exercised | (3,375,000) | 0.25 |
| Balance, December 31, 2016 | 5,000,000 | \$ 0.275 |
| Issued | 85,629,689 | 0.50 |
| Balance, September 30, 2017 | 90,629,689 | \$ 0.49 |

Information regarding warrants outstanding at September 30, 2017 is as follows:

| Expiry date | Warrants outstanding | Weighted average exercise price in CAD \$ | Weighted average remaining contractual life (years) |
|----------------|----------------------|---|---|
| July 16, 2020 | 5,000,000 | \$ 0.275 | 2.8 |
| August 7, 2022 | 85,629,689 | 0.50 | 4.9 |
| | 90,629,689 | \$ 0.49 | 4.7 |

On August 11, 2017, the Company issued 85,629,689 transferable purchase warrants to purchase shares of the Company exercisable for a five year term at an exercise price of \$0.50.

The Company has calculated the fair value of warrants granted of \$9,368 using the Black-Scholes valuation model with the following variables and has recorded to contributed surplus:

| Grant date | August 11, 2017 |
|---------------------------------------|-----------------|
| Share price on measurement date | \$ 0.30 |
| Exercise price | \$ 0.50 |
| Risk free interest rate | 1.12% |
| Expected annual volatility | 95.25% |
| Expected life (years) | 5 |
| Expected dividends (yield) | 0% |
| Fair value at measurement date | \$ 0.19 |

RED EAGLE MINING CORPORATION**Notes to unaudited condensed interim consolidated financial statements***(amounts are in thousands of US dollars, unless otherwise stated)***10. SHARE CAPITAL (CONTINUED)****f) Deferred and Restricted Share Units**

Deferred and restricted share units granted to directors and certain senior officers of the Company outstanding at September 30, 2017 is as follows:

| | Number of deferred share units | Number of restricted units |
|--|-----------------------------------|-------------------------------|
| Outstanding, January 1, 2016 | - | - |
| Granted | 625,000 | 975,000 |
| Outstanding, December 31, 2016 | 625,000 | 975,000 |
| Granted | 1,200,000 | 1,150,000 |
| Outstanding, September 30, 2017 | 1,825,000 | 2,125,000 |

Compensation expense for deferred and restricted share units is measured at fair value based on the binomial option pricing model and is recognized over the vesting period. The fair value of deferred and restricted share units as at September 30, 2017 was \$1,509 compared with the recorded contributed surplus of \$1,244. The difference between the fair value and the recorded contributed surplus of \$265 will be recognized over the weighted average remaining vesting period of approximately 0.2 years.

For the three and nine months ended September 30, 2017, share-based payment expense related to deferred and restricted units included in net loss was \$408 (2016: nil) and \$767 (2016: nil), respectively, and for the three and nine months ended September 30, 2017, nil (2016: nil) and \$200 (2016: nil), respectively, was capitalized to Property, Plant, and Equipment.

g) Red Eagle Exploration Warrants and Share Purchase Options**Share Purchase Options**

Information regarding Red Eagle Exploration's share purchase options outstanding at September 30, 2017 is as follows:

| | Number of outstanding | Weighted average exercise price in CAD \$ | Weighted average measurement date fair value in CAD \$ |
|--|--------------------------|--|---|
| Outstanding, January 1, 2016 | 3,810,000 | \$ 0.48 | \$ 0.32 |
| Granted | 18,975,000 | 0.16 | 0.14 |
| Expired | (2,105,000) | 0.57 | 0.36 |
| Outstanding, December 31, 2016 | 20,680,000 | \$ 0.18 | \$ 0.15 |
| Granted | 5,200,000 | 0.15 | 0.12 |
| Expired | (556,250) | 0.16 | 0.14 |
| Forfeited | (1,068,750) | 0.16 | 0.14 |
| Outstanding, September 30, 2017 | 24,255,000 | \$ 0.18 | \$ 0.14 |

RED EAGLE MINING CORPORATION

Notes to unaudited condensed interim consolidated financial statements

(amounts are in thousands of US dollars, unless otherwise stated)

10. SHARE CAPITAL (CONTINUED)

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

Share Purchase Options (continued)

| Expiry date | Options outstanding | Options exercisable | Exercise price in CAD \$ | Weighted average remaining contractual life (years) |
|-------------------|------------------------|------------------------|-----------------------------|---|
| December 14, 2017 | 635,000 | 635,000 | \$ 0.90 | 0.2 |
| December 20, 2018 | 570,000 | 570,000 | 0.13 | 1.2 |
| May 29, 2019 | 500,000 | 500,000 | 0.12 | 1.6 |
| November 11, 2021 | 13,150,000 | 10,075,000 | 0.16 | 4.1 |
| November 21, 2021 | 4,000,000 | 2,000,000 | 0.16 | 4.1 |
| December 16, 2021 | 300,000 | 150,000 | 0.11 | 4.2 |
| February 21, 2022 | 100,000 | 100,000 | 0.20 | 4.4 |
| June 26, 2022 | 5,000,000 | 4,250,000 | 0.15 | 4.7 |
| | 24,255,000 | 18,280,000 | \$ 0.18 | 4.0 |

The fair value of each outstanding share purchase option grant was estimated using the Black-Scholes option pricing model, and for the nine months ended September 30, 2017, with the following weighted average assumptions:

| | September 30, 2017 |
|---|--------------------|
| Risk free interest rate | 1.1% |
| Expected volatility | 139.6% |
| Expected life (years) | 5.0 |
| Expected dividends (yield) | 0% |
| Weighted average fair value per option in CAD \$ | \$ 0.12 |

The share-based payments expense related to share purchase options for the three and nine months ended September 30, 2017 was \$113 (2016: nil) and \$938 (2016: nil), respectively, recorded in the consolidated statements of comprehensive loss.

Warrants

Information regarding Red Eagle Exploration's warrants outstanding at September 30, 2017 is as follows:

| | Number of outstanding | Weighted average exercise price in CAD \$ |
|--|--------------------------|---|
| Outstanding, January 1, 2016 | - | \$ - |
| Issued | 25,310,000 | 0.10 |
| Outstanding, December 31, 2016 | 25,310,000 | \$ 0.10 |
| Issued (note 10c) | 6,854,722 | 0.25 |
| Exercised | (683,333) | 0.10 |
| Outstanding, September 30, 2017 | 31,481,389 | \$ 0.13 |

RED EAGLE MINING CORPORATION**Notes to unaudited condensed interim consolidated financial statements***(amounts are in thousands of US dollars, unless otherwise stated)***10. SHARE CAPITAL (CONTINUED)****g) Red Eagle Exploration Warrants and Share Purchase Options (continued)****Warrants (continued)**

| Expiry date | Warrants outstanding | Weighted average exercise price in CAD \$ | Weighted average remaining contractual life (years) |
|--------------------|-----------------------------|--|--|
| May 11, 2021 | 24,626,667 | \$ 0.10 | 3.6 |
| June 23, 2022 | 6,854,722 | 0.25 | 4.7 |
| | 31,481,389 | \$ 0.13 | 3.8 |

Of the 24,626,667 outstanding Red Eagle Exploration warrants with an exercise price of \$0.10 per warrant, 16,933,333 warrants are held by Red Eagle Mining. On October 11, 2017, Red Eagle Exploration issued a 30-day call notice on the warrants. Warrants not exercised prior to November 14, 2017, will, without further notice, automatically expire and be of no further force and effect.

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

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

| For the nine months ended | September 30, 2017 | September 30, 2016 |
|--------------------------------|--------------------|--------------------|
| Share-based payments | \$ 1,365 | \$ 107 |
| Employee salaries and benefits | 614 | 801 |
| Director fees | 193 | 164 |
| | <u>\$ 2,172</u> | <u>\$ 1,072</u> |

The following table provides the total amount of transactions entered into by the Company with related parties during the nine months ended September 30, 2017 and 2016, and the outstanding balances as at September 30, 2017 and December 31, 2016:

| For the nine months ended | September 30, 2017 | September 30, 2016 |
|---|---------------------------|--------------------------|
| Purchases: | | |
| Mine development and operating costs by Stracon GyM to which its CEO, Steve Dixon, is a director and a shareholder of the Company | \$ 15,091 | \$ 9,973 |
| Costs recharged from a company controlled by directors, Robert Bell and Ian Slater | \$ 563 | \$ 913 |
| Legal fees to Farris, Vaughan, Wills & Murphy LLP in which a director, Jay Sujir, is a partner | \$ 138 | \$ 142 |
| As at | September 30, 2017 | December 31, 2016 |
| Amounts owed to: | | |
| Stracon GyM to which its CEO, Steve Dixon, is a director and a shareholder of the Company | \$ 8,278 | \$ 6,336 |
| Farris, Vaughan, Wills & Murphy LLP in which a director, Jay Sujir, is a partner | \$ 98 | \$ 69 |
| A company controlled by directors, Robert Bell, and Ian Slater | \$ 297 | \$ - |

As part of the rights offering on August 11, 2017, 14,545,455 Units were issued to Stracon GyM to settle \$4,000 of accounts payable.

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

12. COMMITMENTS AND CONTINGENCIES

The Company has commitments and certain operational commitments as at September 30, 2017 as follows:

| | Less than 1 year | 1 - 5 years | More than 5 years | Total |
|-------------------------|------------------|-------------|-------------------|-----------|
| Capital and operational | \$ 6,191 | \$ 4,047 | \$ 1,391 | \$ 11,629 |

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

RED EAGLE MINING CORPORATION

Notes to unaudited condensed interim consolidated financial statements

(amounts are in thousands of US dollars, unless otherwise stated)

13. FINANCIAL INSTRUMENTS

The Company has designated its cash and cash equivalents and amounts receivable as loans and receivables and accounts payable and long-term debt as other financial liabilities. There has been no change to the designations of financial instruments during the nine months ended September 30, 2017.

a) Fair value

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

b) Financial Risk Management

Liquidity Risk

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

The Company's capital management objectives include working to ensure that it has sufficient liquidity to fund Company activities. The Company endeavours to ensure that it will have sufficient liquidity in order to meet short to medium-term business requirements and all financial obligations as those obligations become due. Historically, sufficient liquidity has been provided predominantly through external financing initiatives. Refer to Note 1 – Nature of Operations and Going Concern.