RED EAGLE MINING CORPORATION

Unaudited condensed interim consolidated financial statements

For the three and six months ended June 30, 2018

RED EAGLE MINING CORPORATION

Consolidated statements of financial position

(thousands of US dollars)

As at	Note	June 30, 2018	December 31, 2017
ASSETS			
Current assets			
Cash and cash equivalents		$ 239	$ 1,776
Amounts receivable		5,885	4,746
Inventory	3	5,158	4,419
Prepaid expenses		1,133	1,261
		12,415	**12,202**
Non-current assets			
Property, plant and equipment	4	81,786	132,935
Exploration and evaluation assets	5	17,557	16,725
Other receivables	6	3,457	3,459
		102,800	**153,119**
Total assets		$ **115,215**	$ **165,321**
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities	7	$ 28,551	$ 15,441
Current portion of long-term debt	10	83,634	15,422
		112,185	**30,863**
Non-current liabilities			
Reclamation provision	9	2,034	1,794
Long-term debt	10	-	56,938
		2,034	**58,732**
Total liabilities		**114,219**	**89,595**
SHAREHOLDERS' EQUITY			
Share capital	11	125,343	114,910
Contributed surplus		19,835	20,470
Accumulated other comprehensive loss		(1,433)	(1,803)
Deficit		(142,749)	(61,430)
		996	**72,147**
Non-controlling interests	8	-	3,579
Total shareholders' equity		**996**	**75,726**
Total liabilities and shareholders' equity		$ **115,215**	$ **165,321**
Nature of Operations and Going Concern	1		

On behalf of the Board of Directors:

(signed) "Jay Sujir"
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

(thousands of US dollars, except per share amounts)

	Note	Three Months Ended June 30, 2018	Three Months Ended June 30, 2017	Six Months Ended June 30, 2018	Six Months Ended June 30, 2017
Expenses					
Impairment charge	4	$ 69,243	$ -	$ 69,243	$ -
Mine site expenses	4	1,502	1,348	2,912	1,348
Salaries and benefits		1,197	863	1,681	1,723
Mineral property exploration cost		529	916	1,066	1,470
Office and administration		422	466	862	1,164
Professional fees		260	117	571	190
Investor relations and business development		84	84	194	180
Operating loss		**73,237**	**3,794**	**76,529**	**6,075**
Other expenses					
Interest and other expense		86	790	82	878
Foreign exchange (gain) loss		(408)	(245)	504	(23)
Net loss		**$ 72,915**	**$ 4,339**	**$ 77,115**	**$ 6,930**
Other comprehensive gain					
Foreign currency translation difference for foreign operations		(201)	(1,032)	(372)	(1,442)
Total comprehensive loss for the period		**$ 72,714**	**$ 3,307**	**$ 76,743**	**$ 5,488**
Net loss attributable to:					
Equity holders of the parents		72,889	4,226	76,962	6,762
Non-controlling interests		26	113	153	168
		$ 72,915	**$ 4,339**	**$ 77,115**	**$ 6,930**
Total comprehensive loss attributable to:					
Equity holders of the parents		72,690	3,213	76,592	5,344
Non-controlling interests		24	94	151	144
		$ 72,714	**$ 3,307**	**$ 76,743**	**$ 5,488**
Basic and diluted loss per share		$ 0.17	$ 0.02	$ 0.19	$ 0.03
Weighted average number of common shares outstanding		426,673,566	265,006,440	409,036,522	258,136,138

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

RED EAGLE MINING CORPORATION

Consolidated statements of changes in equity

(thousands of US dollars)

		Attributable to equity holders of the parent						
	Number of shares	Share capital	Contributed surplus	Accumulated other comprehensive (loss) gain	Deficit	Total	Non-controlling interests	Total
Balance as at December 31, 2016	**241,005,121**	**$ 81,504**	**$ 5,568**	**$ (2,395)**	**$ (47,736)**	**$ 36,941**	**$ 488**	**$ 37,429**
Shares issued	23,000,000	12,309	-	-	-	12,309	-	12,309
Share-based payments	-	-	2,371	-	-	2,371	-	2,371
Share options and warrants exercised	1,020,000	148	(148)	-	-	-	-	-
Expiry of share options	-	-	(24)	-	24	-	-	-
Total comprehensive (loss) gain	-	-	-	1,418	(6,762)	(5,344)	(144)	(5,488)
Contributions from non-controlling interests	-	-	-	-	(71)	(71)	877	806
Balance as at June 30, 2017	**265,025,121**	**$ 93,961**	**$ 7,767**	**$ (977)**	**$ (54,545)**	**$ 46,206**	**$ 1,221**	**$ 47,427**
Balance as at December 31, 2017	**390,920,264**	**$ 114,910**	**$ 20,470**	**$ (1,803)**	**$ (61,430)**	**$ 72,147**	**$ 3,579**	**$ 75,726**
Shares issued (note 5)	5,257,780	776	-	-	-	776	-	776
Share-based payments (note 11)	-	-	354	-	-	354	-	354
Share options, DSU's and RSU's exercised	1,293,750	523	(479)	-	-	44	-	44
Expiry of share options	-	-	(510)	-	510	-	-	-
Total comprehensive (loss) gain	-	-	-	370	(76,962)	(76,592)	(151)	(76,743)
Acquisition of non-controlling interests (note 8, 11a)	45,946,281	9,134	-	-	(5,473)	3,661	(3,792)	(131)
Contributions from non-controlling interests (note 8)	-	-	-	-	606	606	364	970
Balance as at June 30, 2018	**443,418,075**	**$ 125,343**	**$ 19,835**	**$ (1,433)**	**$ (142,749)**	**$ 996**	**$ -**	**$ 996**

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

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

		Three Months Ended		Six Months Ended	
	Note	June 30, 2018	June 30, 2017	June 30, 2018	June 30, 2017
OPERATING ACTIVITIES					
Net loss for the period		$ (72,915)	$ (4,339)	$ (77,115)	$ (6,930)
Adjustments for items not affecting cash:					
Impairment charge	4	69,243	-	69,243	-
Depreciation	4	214	186	437	371
Share-based payments	11	205	624	354	1,345
Foreign exchange (gain) loss		(652)	26	139	10
Accretion expense	9	31	30	63	64
		(3,874)	(3,473)	(6,879)	(5,140)
Net changes in non-cash working capital items:					
Amounts receivable		(988)	629	(1,050)	(124)
Inventory		1,732	747	(739)	(92)
Prepaid expenses		(55)	(230)	144	(1,044)
Accounts payable and accrued liabilities		(2,637)	(136)	1,600	989
Net cash outflows from operating activities		**(5,822)**	**(2,463)**	**(6,924)**	**(5,411)**
FINANCING ACTIVITIES					
Issuance of common shares, net of share issue costs	11	-	36	44	12,309
Principal and production payments related to credit facility	10	(241)	(1,657)	(252)	(1,702)
Contributions from non-controlling interests	8	-	706	970	706
Net cash (outflows) inflows from financing activities		**(241)**	**(915)**	**762**	**11,313**
INVESTING ACTIVITIES					
Proceeds from pre-production revenue	4	9,164	1,459	12,946	4,711
Purchase of property, plant and equipment		(3,754)	(4,347)	(8,488)	(13,934)
Non-current tax credit received		261	131	2	20
Acquisition of non-controlling interests	8	(131)	-	(131)	-
Acquisition of mineral properties	5	(56)	-	(56)	(451)
Settlement of reclamation provision		(21)	-	(21)	-
Settlement of mineral property obligations		-	-	-	(625)
Net cash inflows (outflows) from investing activities		**5,463**	**(2,757)**	**4,252**	**(10,279)**
Net foreign exchange differences		202	750	373	707
Net decrease in cash and cash equivalents		**(398)**	**(5,385)**	**(1,537)**	**(3,670)**
Cash and cash equivalents, beginning of period		637	5,917	1,776	4,202
Cash and cash equivalents, end of period		**$ 239**	**$ 532**	**$ 239**	**$ 532**

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

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 of the Santa Rosa Gold Project including the San Ramon Gold Mine and Mill. On April 24, 2018, the Company completed an amalgamation with Red Eagle Exploration and now owns 100% of the issued and outstanding common shares of Red Eagle Exploration, which holds exploration projects in Colombia (note 8).

Going concern

These unaudited condensed interim consolidated financial statements have been prepared on a going concern basis 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 for the six months ended June 30, 2018 of $77,115 (2017: $6,930), which included a non-cash impairment charge of $69,243 (note 4). As at June 30, 2018, the Company had cash and cash equivalents of $239 (2017: $1,776) and a working capital deficiency of $99,770 (2017: $18,661), which includes $83,634 of long-term debt classified as current liabilities based on the existing repayment terms. On April 1, 2018, the Company entered into a Forbearance Agreement (the "Forbearance Agreement") with Orion Fund JV Limited ("Orion") and Liberty Metals & Mining Holdings LLC ("LMM" and together with Orion, the "Lenders") pursuant to which monthly amortization payments are being deferred and the Lenders agreed to refrain from exercising any rights or remedies under the Amended Credit Facility until August 24, 2018. The Company is currently working with its Lenders to amend the terms of the Amended Credit Facility.

The Company's ability to continue operations in the normal course of business is dependent upon establishing sufficient cash flows from gold and silver production at the San Ramon Gold Mine and Mill or on the receipt of additional debt or equity financing, and on amending the repayment terms of the Amended Credit Facility. The nature and significance of these conditions, along with the working capital deficiency and the requirement to satisfy the debt outstanding, cast significant doubt about the appropriateness of the going concern assumption (for details on the terms of the debt see note 10). 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

These 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, 2017, which have been prepared in accordance with IFRS.

These 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, and follow the same accounting policies and methods of application as the most recent annual financial statements, except for those policies disclosed in Note 2 of the consolidated financial statements for the three months ended March 31, 2018. Note 15 discloses the effects of the adoption of new IFRS pronouncements for all periods presented.

The unaudited condensed interim consolidated financial statements of the Company for the three and six months ended June 30, 2018 were authorized for issue by the Board of Directors, on August 16, 2018.

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

3. INVENTORY

As at		June 30, 2018		December 31, 2017
Finished goods	$	1,571	$	-
Work in process		314		-
Ore stockpiles		10		907
Materials and supplies		3,263		3,512
	$	**5,158**	$	**4,419**

4. PROPERTY, PLANT AND EQUIPMENT

		Construction work-in-progress Mine		Mill		Mineral property		Other equipment		Total
Cost										
Balance, December 31, 2017	$	**48,566**	$	**75,372**	$	**6,567**	$	**4,228**	$	**134,733**
Impact of adopting IFRS 9 (note 15)		5,206		-		-		-		5,206
Balance, January 1, 2018 (restated)	$	**53,772**	$	**75,372**	$	**6,567**	$	**4,228**	$	**139,939**
Additions		12,769		120		-		244		13,133
Reclamation costs (note 9)		-		-		192		-		192
Impairment charge		(32,440)		(36,803)		-		-		(69,243)
Balance, June 30, 2018	$	**34,101**	$	**38,689**	$	**6,759**	$	**4,472**	$	**84,021**
Accumulated depreciation										
Balance, December 31, 2017	$	-	$	**-**	$	**-**	$	**(1,798)**	$	**(1,798)**
Depreciation								(437)		(437)
Balance, June 30, 2018	$	-	$	**-**	$	**-**	$	**(2,235)**	$	**(2,235)**
Net book value, June 30, 2018	$	**34,101**	$	**38,689**	$	**6,759**	$	**2,237**	$	**81,786**
Net book value, December 31, 2017	$	**48,566**	$	**75,372**	$	**6,567**	$	**2,430**	$	**132,935**

Additions to construction work-in-progress are net of a credit for pre-production revenue of $12,946 (2017: $4,711).

Costs to maintain the site and processing plant in a state of operational readiness are being expensed directly to the consolidated statements of loss and comprehensive loss, and during the three and six-month periods ended June 30, 2018, $1,502 (2017: $1,348) and $2,912 (2017: $1,348) of these costs were expensed, respectively. Costs related to continued mine development are being capitalized to construction work in-progress.

Impairment Charge

The Company assesses each cash-generating unit ("CGU") 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. As of June 30, 2018, the Company's longer than expected start-up process was identified as an impairment indicator. Accordingly, the Company performed an impairment test on the San Ramon Mill and Mine (the CGU) and concluded that the carrying value of the CGU exceeded the estimated recoverable amount of $81,786, recording a non-cash impairment charge of $69,243.

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

4. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

The estimated recoverable amount was determined as the value in use for the CGU, being the present value of estimated future cash flows arising from the continued use of the asset. 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. Key assumptions used in the value-in-use model include a pre-tax discount rate of 15%, a long-term gold price of $1,300/oz, and a remaining life of mine of 7.5 years. Production and sustaining capital costs assumptions used in the value-in-use model reflect recent actual site costs and estimates and are higher than those estimates used in the 2014 feasibility study.

The impairment assessment is highly sensitive to the discount rate and gold price used in the cash flow projection. The impact of a 1% change in the pre-tax discount rate is approximately $2,500 with all other variables held constant. The impact of a $50/oz change in gold price is approximately $11,000 with all other variables held constant.

5. EXPLORATION AND EVALUATION ASSETS

Exploration and evaluation assets consist of all direct costs, including option payments, incurred by the Company to acquire the California Gold, Vetas Gold, and Santa Ana Silver projects. All direct costs incurred by the Company to acquire the Santa Rosa mineral property are included in Property, Plant and Equipment – Note 4.

	California	Vetas	Santa Ana	Total
Balance, December 31, 2017	$ **693**	$ **15,149**	$ **883**	$ **16,725**
Acquisition	-	832	-	832
Balance, June 30, 2018	$ **693**	$ **15,981**	$ **883**	$ **17,557**

On June 18, 2018, the Company completed the acquisition of the Potosi property, which adjoins the Vetas Gold Project, for consideration of $56 in cash and $776 (CAD $1,025) in 5,257,835 common shares of the Company. In addition, $800 is due in cash over a two-year period after the new delineation of the Paramo boundaries is enacted by the Government of Colombia, and as long as the Potosi property is not negatively affected by the new delineation. An additional payment equivalent to 1.5% of the value of gold and silver measured and indicated resources, if any, included in a NI 43-101 Technical Report is due in 3 years from the time of the new delineation.

6. OTHER RECEIVABLES

As at	June 30, 2018	December 31, 2017
VAT credits receivable	$ 2,749	$ 2,700
Security deposits and advances to suppliers	708	759
	$ **3,457**	$ **3,459**

As at June 30, 2018, the Company has value added tax ("VAT") credits receivable of $2,749 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 to be paid in Colombia. These amounts are classified as long-term as the Company does not expect to fully recover them in the next year.

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

7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

As at		June 30, 2018		December 31, 2017
Accounts payable	$	22,583	$	10,928
Accrued liabilities		5,409		4,054
Employee salaries and benefits payable		559		459
	$	**28,551**	$	**15,441**

8. NON-CONTROLLING INTERESTS

On April 24, 2018, the Company completed an amalgamation with Red Eagle Exploration (the "Amalgamation"), whereby the Company acquired the remaining 23.6% of the issued and outstanding common shares of Red Eagle Exploration, not already owned by the Company, for purchase consideration of $9,265 (CAD $11,884). The consideration included 45,946,281 common shares of the Company issued at a price of CAD $0.255 per share with a fair value of $9,134, and related acquisition costs. In addition, 9,452,500 share purchase options and 8,948,361 warrants were assumed under the Amalgamation. The Company now owns 100% of Red Eagle Exploration.

The carrying amount of the non-controlling interests in Red Eagle Exploration on the date of acquisition was $3,792. The Company derecognized non-controlling interests of $3,792 and recorded a decrease in equity attributable to equity holders of the Company of $5,473. The effects on the equity of the Company of the change in the ownership interest in Red Eagle Exploration is summarized as follows:

		2018		2017
Carrying amount of non-controlling interests acquired	$	3,792	$	-
Consideration paid to non-controlling interests		(9,265)		-
Excess of consideration paid recognized in the Company's equity	$	**(5,473)**	$	**-**

On March 1, 2018, Red Eagle Exploration completed a non-brokered private placement of 11,042,000 units at a price of CAD $0.12 per unit for total gross proceeds of $1,031 (CAD $1,325). Each unit consisted of one common share and one warrant. Each warrant entitles the holder thereof to purchase one common share at a price of CAD $0.25 per share until June 23, 2022.

9. RECLAMATION PROVISION

The Company has provided for future reclamation costs associated with the San Ramon Gold Mine and Mill and the Vetas Gold Project. 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 June 30, 2018. The reclamation provision has been recorded using a discount rate of approximately 6.9% and an inflation factor of approximately 4% based on relevant Colombian rates.

The following is a summary of the reclamation provision as at June 30, 2018 and December 31, 2017:

		June 30, 2018		December 31, 2017
San Ramon Gold Mine	$	1,785	$	1,539
Vetas Gold Project		249		255
Total Reclamation Provision	$	**2,034**	$	**1,794**

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

9. RECLAMATION PROVISION (CONTINUED)

The reclamation provision changed during the six months ended June 30, 2018, as follows:

	San Ramon Gold Mine	Vetas Gold Project
Balance, December 31, 2017	$ **1,539**	$ **255**
Change in estimate	192	6
Accretion expense	54	9
Settled	-	(21)
Balance, June 30, 2018	$ **1,785**	$ **249**

10. LONG-TERM DEBT

	Credit Facility
Balance, December 31, 2017	$ **72,360**
Impact of adopting IFRS 9 (note 15)	5,206
Balance, January 1, 2018 (restated)	$ **77,566**
Interest expense, including amortization	6,320
Production payments	(252)
Balance, June 30, 2018	$ **83,634**

On August 11, 2017, the Company amended the US $60,000 credit facility (the "Amended Credit Facility"). Under the terms of the Amended Credit Facility, principal repayments were due to start on April 1, 2018, in monthly amortization amounts of $1,600 with a maturity date of April 1, 2019, at which time the remaining balance was due. The terms also include an interest rate of the higher of LIBOR or 1%, plus 11%, compounded monthly, with the interest capitalized to the principal. The Amended Credit Facility continued to include a production payment of $30 per ounce payable on the first 405,000 ounces of gold produced and is secured by all of the Company's property and assets.

The 2017 amendment was accounted for as a modification of debt. Under IAS 39, the effect of the modification was deferred and amortized over the remaining life of the credit facility on an effective interest rate basis. The impact of the modification was adjusted on adoption of IFRS 9 to record the impact of the changes on the carrying value of the debt at the original effective interest rate of approximately 14.5%

On April 1, 2018, the Company entered into the Forbearance Agreement with the Lenders, pursuant to which the Lenders deferred the Company's requirement to make the amortization payments that were due on each 1st day of the month starting in April, and agreed to refrain from exercising any rights or remedies under the Amended Credit Facility until August 24, 2018. During the forbearance period the Amended Credit Facility bears interest at a rate of the higher of LIBOR or 1%, plus 14%, compounded monthly. The Company is currently working with its Lenders to amend the terms of the Amended Credit Facility.

As at June 30, 2018, considering the various features of the Amended Credit Facility, the effective interest rate is approximately 15%. For the six months ended June 30, 2018, the Company capitalized $6,320 of interest on the Amended Credit Facility to construction work in progress in property, plant and equipment.

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

10. LONG-TERM DEBT (CONTINUED)

As part of the Forbearance Agreement, starting July 1, 2018, the Company's requirement to maintain the following financial covenants was deferred until August 24, 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.

11. SHARE CAPITAL

Under the terms of the Amalgamation, Red Eagle Exploration shareholders received one (1) common share of the Company for every two (2) Red Eagle Exploration common shares held ("Exchange Ratio"). All share purchase options and warrants were also converted at the Exchange Ratio.

a) Authorized share capital

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

As a result of the Amalgamation the Company issued 45,946,281 common shares.

b) Share Purchase Options

Information regarding share purchase options outstanding at June 30, 2018 is as follows:

	Number of options	Weighted average exercise price in CAD $	Weighted average measurement date fair value in CAD $
Outstanding, December 31, 2017	**19,755,000**	$ **0.38**	$ **0.19**
Red Eagle Exploration options assumed under the Amalgamation	9,452,500	0.31	0.12
Granted	800,000	0.35	0.13
Exercised	(200,000)	0.28	0.15
Expired	(2,643,750)	0.50	0.25
Forfeited	(1,481,250)	0.38	0.16
Outstanding, June 30, 2018	**25,682,500**	$ **0.34**	$ **0.16**

On April 24, 2018, the Company assumed 9,452,500 share purchase options under the Amalgamation with Red Eagle Exploration. The fair value of these options was estimated at the date of the Amalgamation using the Black-Scholes option pricing model with the following weighted-average assumptions:

	April 24, 2018
Risk free interest rate	2.1%
Expected volatility	72%
Expected life (years)	3.6
Expected dividends (yield)	0%
Weighted average fair value per option in CAD $	$ **0.12**

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

11. SHARE CAPITAL (CONTINUED)

b) Share Purchase Options (continued)

Information regarding share purchase options outstanding at June 30, 2018 is as follows:

Expiry date	Options outstanding	Options exercisable	Exercise price in CAD $	Weighted average remaining contractual life (years)
December 20, 2018	277,500	277,500	$ 0.26	0.47
April 9, 2019	1,300,000	1,300,000	0.33	0.78
May 29, 2019	250,000	250,000	0.24	0.91
May 6, 2020	2,045,000	2,045,000	0.33	1.85
October 7, 2020	5,200,000	5,200,000	0.275	2.27
April 22, 2021	175,000	175,000	0.57	2.81
October 17, 2021	200,000	200,000	0.80	3.30
November 11, 2021	6,275,000	6,275,000	0.32	3.37
December 16, 2021	2,500,000	2,375,000	0.30	3.99
December 19, 2021	1,785,000	1,785,000	0.65	3.47
August 19, 2022	5,675,000	2,662,500	0.35	4.14
	25,682,500	**22,545,000**	$ **0.34**	**3.07**

For the six months ended June 30, 2018, the Company granted 800,000 options. The fair value of each option granted was estimated using the Black-Scholes option pricing model with the following weighted average assumptions:

	June 30, 2018
Risk free interest rate	1.9%
Expected volatility	74%
Expected life (years)	2.9
Expected dividends (yield)	0%
Weighted average fair value per option in CAD $	$ **0.14**

The share-based payments expense related to share purchase options for the three and six months ended June 30, 2018 was $176 (2017: $659) and $299 (2017: $1,153), respectively, of which $nil (2017: $67) and $nil (2017: $167) have been capitalized to property, plant and equipment.

c) Warrants

Information regarding warrants outstanding at June 30, 2018 is as follows:

	Number of warrants	Weighted average exercise price in CAD $
Outstanding, December 31, 2017	**130,220,143**	$ **0.49**
Red Eagle Exploration warrants assumed under the Amalgamation	8,948,361	0.50
Outstanding, June 30, 2018	**139,168,504**	$ **0.49**

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

11. SHARE CAPITAL (CONTINUED)

c) Warrants (continued)

On April 24, 2018, the Company assumed 8,948,361 warrants under the Amalgamation with Red Eagle Exploration. The fair value of these warrants was estimated at the date of the Amalgamation using the Black-Scholes option pricing model with the following assumptions:

Grant date		April 24, 2018
Risk free interest rate		2.1%
Expected annual volatility		74%
Expected life (years)		4.2
Expected dividends (yield)		0%
Weighted average fair value per warrant in CAD $	$	**0.11**

Information regarding warrants outstanding at June 30, 2018 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	2.1
June 23, 2022	8,948,361		0.50	4.0
August 7, 2022	125,220,143		0.50	4.1
	139,168,504	$	**0.49**	**4.03**

d) Deferred and Restricted Share Units

Deferred and restricted share units granted to directors and certain senior officers of the Company, outstanding at June 30, 2018, are as follows:

	Number of deferred share units	Number of restricted units
Outstanding, December 31, 2017	**1,500,000**	**1,775,000**
Exercised	-	(1,093,750)
Forfeited	-	(131,250)
Outstanding, June 30, 2018	**1,500,000**	**550,000**

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 weighted average remaining vesting period of the units outstanding at June 30, 2018, is approximately 0.1 years.

For the three and six months ended June 30, 2018, share-based payment expense related to deferred and restricted units included in net loss was $29 (2017: $32) and $55 (2017: $359), respectively, and for the three and six months ended June 30, 2018, $nil (2017: $nil) and $nil (2017: $201) was capitalized to Property, Plant, and Equipment.

12. RELATED PARTY TRANSACTIONS

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

For the six months ended		June 30, 2018		June 30, 2017
Employee salaries and benefits	$	883	$	418
Share-based payments		128		791
Directors fees		68		124
	$	**1,079**	$	**1,333**

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

12. RELATED PARTY TRANSACTIONS (CONTINUED)

The following table provides the total amount of transactions entered into by the Company with related parties during the six months ended June 30, 2018 and 2017, and the outstanding balances as at June 30, 2018 and December 31, 2017:

For the six months ended	June 30, 2018	June 30, 2017
Purchases:		
Mine development and operating costs charged by Stracon of which a former director, Steve Dixon, is the CEO	$ 9,394	$ 9,831
Legal fees to Farris, Vaughan, Wills & Murphy LLP in which a director, Jay Sujir, is a partner	$ 154	$ 140
Costs recharged from a company controlled by director Ian Slater	$ 123	$ 315

As at	June 30, 2018	December 31, 2017
Amounts owed to:		
Stracon of which a former director, Steve Dixon, is the CEO	$ -	$ 8,043
Farris, Vaughan, Wills & Murphy LLP in which a director, Jay Sujir, is a partner	$ 117	$ 34
A company controlled by director Ian Slater	$ 372	$ 603

As of June 30, 2018, Steve Dixon is not a director of the Company and therefore Stracon is no longer a related party.

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

13. COMMITMENTS AND CONTINGENCIES

The Company has commitments related to the development and operations of the San Ramon Gold Mine and Mill as at June 30, 2018 as follows:

	Less than 1 year	1 - 5 years	More than 5 years	Total
Operational	$ 3,051	$ 2,767	$ 1,052	$ 6,870

The Company also has to make cash payments in order to meet the terms of the option agreements entered to acquire certain of its exploration and evaluation properties.

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.

14. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

The Company has designated its cash and cash equivalents as a financial asset at amortized cost and accounts payable and long-term debt as financial liabilities at amortized cost.

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-terms to maturity 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 the Company activities. The Company endeavors 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 through external financing initiatives. The Company’s ability to continue operations in the normal course of business, and to maintain or adjust its liquidity, is dependent upon establishing sufficient cash flows from gold and silver production at the San Ramon Gold Mine and Mill, which has not yet been achieved, and upon amending the terms of the credit facility with its Lenders. Refer to Note 1 – Nature of Operations and Going Concern.

15. ADOPTION OF NEW IFRS PRONOUNCEMENTS

Financial instruments

On January 1, 2018 (the “Transition Date”), the Company adopted IFRS 9 – Financial Instruments ("IFRS 9") which replaced IAS 39 – Financial Instruments: Recognition and Measurement (“IAS 39”). IFRS 9 provides a revised model for recognition, measurement and impairment of financial asset instruments and includes a substantially revised approach to hedge accounting. The Company adopted the standard using the modified retrospective approach. The transition to IFRS 9 did not impact the Company's measurement of financial assets and liabilities except for the carrying amount of long-term debt. The adoption of the standard required the Company to record the effect of the modification of the credit facility in 2017 differently. Previously, the effects of the modification were deferred and amortized over the remaining term of the credit facility on an effective interest rate basis. Under IFRS 9, the Company is required to record the effects of the modification as a finance cost in the period that the modification occurs. This resulted in an increase in the carrying amount of the credit facility of $5,206 (note 10) at the Transition Date. As the Company is currently capitalizing all borrowing costs to the San Ramon Mine and Mill project, the incremental credit facility costs were capitalized to construction work in-progress in property plant and equipment (note 4).