



May 22, 2018

Dear Fellow Shareholder,

Red Eagle Mining is well on the way to overcoming the challenges faced during the first half of 2017. The primary issue was that the mine was significantly behind in development due to initial difficult ground conditions pushing the primary ramp through the saprolite during 2016. Since raising additional capital and recruiting new experienced operating personnel in August 2017 we have made immense progress. We successfully completed 6,429 metres of underground development, 21,688 metres of underground infill drilling on ten metre centres and commenced stope mining in October 2017 with the plant commencing production on January 2, 2018 and operating continually to date.

This development has given access to up to 44 active ore production faces at any time, depending on backfill and breasting cycles, allowing much more operational flexibility. Six new attack ramps are expected to be completed during Q2 which will significantly increase the number of production faces available enabling another large jump in production. Stope mining operations continued to ramp up and have increased each month since October 2017 with an average of 680 tonnes per day mined in April 2018. These additional production faces will allow mining rates to continue to increase to an estimated 900 tonnes per day in June and 1,000 tonnes per day in July, which is full designed production from the San Ramon mine.

The life of mine, mill processed grade was estimated in the feasibility study at 4.5 grams of gold per tonne. During March the ore processed had an average grade of 3.9 grams of gold per tonne. With increased experience mining the San Ramon deposit and operational improvements being implemented we expect the grade to improve to 4.5 grams of gold per tonne on average, though it will be variable day to day and month to month.

A majority of our production is currently from the wider veins near the footwall of the shear zone. Occasionally, the higher grade veins near the hanging wall are too thin to economically mine with our current equipment. Hence, two smaller loaders will be put into operation during Q3 which will permit mining of these high grade stopes with much less dilution increasing both tonnage and grade with no additional development

As tonnage and grade continue to improve, gold production is forecast to grow steadily to 4,000 to 5,000 ounces per month over the remainder of 2018.

During 2017 we studied and tested backfill alternatives. As a result of the updated ground support, drilling and blasting procedures implemented during the second half of 2017, quicker backfill cycle times and mining narrower stopes, full paste fill is not required. Rather than 100% paste fill, a layer of cemented paste fill is being injected on top of the backfill, where appropriate, to tighten fill and minimize ore loss. Instead of a fixed distribution system, the paste is piped to an

underground bay where it is delivered to the stopes by truck. This alternative will result in lower capital and operating costs and more operational flexibility with a similar production profile.

Underground exploration drilling at the mine during Q1 2018 intersected high grade mineralization including 4.75 metres at 20.3 grams per tonne gold. The drilling was below the mine workings along 300 metres of strike extending the vertical extent of known gold mineralization. Mineralization is open to depth in an area with no previous drilling and outside of the mineral resource and mineral reserve.

We are very encouraged with the grassroots exploration discoveries in 2017 to the west of the Santa Rosa Mill. This area is covered in historical open pits and thousands of adits and is critical to Red Eagle Mining's plan to develop additional mines to feed the Santa Rosa Mill Complex and fulfill our vision of increasing capacity to 2,000 tonnes per day.

Red Eagle Mining also now owns 100% of Red Eagle Exploration (formerly CB Gold) which, in addition to controlling the Vetás district in Santander, Colombia, in 2017 acquired four concessions in the neighboring California district. These properties have substantial historical drilling with very high-grade results and are adjacent to the world class La Mascota and La Bodega deposits previously owned by Ventana Gold. These two districts combined are key to the next stage of growth. The plan is to develop them concurrently with a common processing facility.

Red Eagle Mining currently has only an US \$85 million market capitalization, yet it owns (i) a new US \$75 million processing facility, (ii) the developed San Ramon gold mine with an eight-year mine life (open to expansion to the east and at depth) which will be in full production in July 2018, (iii) satellite discoveries on the 100% owned 100 square kilometer Santa Rosa Gold Project and (iv) 100% of the Vetás and California Gold Projects which until recently were separately listed as Red Eagle Exploration with a market capitalization of US \$35 million. As production continues to increase over the coming months and the market capitalization reverts to more normal multiples, we expect this to be reflected in significant upside potential to the share price.

Over the last year the focus has been on operations and delivering on production. Over the coming months I look forward to seeing many of you at conferences and on road shows as we improve the market awareness of the huge strides we have taken at Santa Rosa. On behalf of the entire board and executive team, we are thankful for the continued support of all stakeholders in Red Eagle Mining, but especially our fellow shareholders as we have transitioned into production.



Ian Slater
Chief Executive Officer



This letter to shareholders includes forward-looking statements that are subject to risks and uncertainties. Specifically, the Red Eagle Mining's expectations as to expected mine improvements, ore production, metal grades, gold production, and all similar statements within, other than statements of historical fact, are to be considered forward looking. Although Red Eagle Mining believes the expectations expressed in such forward-looking statements are based on reasonable assumptions, such statements are not guarantees of future performance and actual results or developments may differ materially from those in forward-looking statements. Factors that could cause actual results to differ materially from those in forward-looking statements include market prices, exploitation and exploration successes, continued availability of capital and financing, and general economic, market or business conditions. We do not assume any obligation to update any forward-looking statements. This letter to shareholders does not constitute an offer to sell or a solicitation of an offer to sell any securities in the United States. The securities have not been and will not be registered under the United States Securities Act of 1933, as amended (the "U.S. Securities Act") or any state securities laws and may not be offered or sold within the United States or to U.S. Persons unless registered under the U.S. Securities Act and applicable state securities laws or an exemption from such registration is available.

