RED EAGLE MINING CORPORATION

Management's Discussion and Analysis

For the three and six months ended June 30, 2017

This management's discussion and analysis ("MD&A") focuses on significant factors that affected Red Eagle Mining Corporation and its subsidiaries ("Red Eagle" or the "Company") during the three and six months ended June 30, 2017 and to the date of this report. The MD&A supplements, but does not form part of, the unaudited condensed interim consolidated financial statements of the Company and the notes thereto for the three and six months ended June 30, 2017. This MD&A should be read in conjunction with the unaudited condensed interim consolidated financial statements for the three and six months ended June 30, 2017 and the notes thereto and the audited consolidated financial statements for the year ended December 31, 2016, which have been prepared in accordance with International Financial Reporting Standards ("IFRS").

Effective January 1, 2017, the presentation currency of the Company was changed from the Canadian dollar to the US dollar. As a result, all dollar amounts in this MD&A are expressed in thousands of US dollars, unless otherwise indicated. All prior period amounts have been adjusted to conform with the current year presentation. 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. Please refer to note 2 of the unaudited condensed interim consolidated financial statements for the three and six months ended June 30, 2017.

Additional information related to Red Eagle is available on SEDAR at www.sedar.com and on the Company's website at www.redeaglemining.com.

This MD&A contains information up to and including August 14, 2017.

FORWARD-LOOKING INFORMATION

Certain statements in this report that are not historical facts are forward-looking statements involving known and unknown risks and uncertainties, which could cause actual results to vary considerably from these statements. Readers are cautioned not to put undue reliance on forward-looking statements. For more information on forward-looking information, please refer to page 16 of this MD&A.

CORPORATE OVERVIEW

The Company was incorporated under the *Business Corporations Act (British Columbia)* on January 4, 2010. The Company completed its initial public offering ("IPO") on June 24, 2011 and commenced trading its common shares in Canada under the symbol "RD" on the TSX Venture Exchange ("TSX-V") on June 28, 2011. On September 20, 2016, the Company started trading on the Lima Stock Exchange under the symbol "R", and on November 4, 2016, the Company received final approval to graduate to the Toronto Stock Exchange ("TSX") and began trading on the TSX under the new symbol "R". The Company is also publicly listed on the OTCQX in the USA under the symbol "RDEMF".

The Company is a gold and silver company that is focused on building shareholder value through acquiring, developing and operating gold and silver projects with low costs and low technical risks in Colombia, a jurisdiction with prolific historic production but until recently limited modern exploration. The Company's primary project is the San Ramon Gold Mine and Mill. The Company also owns an 88% controlling interest in Red Eagle Exploration Limited ("Red Eagle Exploration") which holds exploration projects in Colombia.

QUALIFIED PERSONS

The scientific and technical information contained in this MD&A has been reviewed and approved by Jeff Toohey, P.Eng., Vice President Exploration, who is a "Qualified Person" as defined under National Instrument 43-101.

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

COMPANY DEVELOPMENTS AND OUTLOOK

Development of the San Ramon Gold Mine and Mill and Outlook

The Company commenced construction of the San Ramon Gold Mine and Mill in August 2015 after completing a positive feasibility study in October 2014, followed by permitting in March 2015 and project financing in August 2015. During the fourth quarter of 2016, construction and commissioning of the Mill was completed with first gold pour in November 2016. 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 challenging ground conditions.

2017 Key Production Metrics

Total		**Q1 2017**	**Q2 2017**
Decline Development	(metres)	808	1,350
Ore Development	(metres)	589	917
Ore Mined	(tonnes)	34,210	34,504
Ore Processed	(tonnes)	23,666*	35,006
Au Produced	(ounces)	1,758*	1,944
Recovery		90%*	88%
Average Per Day			
Development	(metres)	16	25
Ore Mined	(tonnes)	380	379
Ore Processed	(tonnes)	763*	385

**March only as processing commenced March 1, 2017*

Mine Development

Underground development advanced well in competent granodiorite without support. The main and secondary ramps have advanced 4 kilometres from the portal providing access to the -100, -125 and -150 metre levels, measured from surface.

Gold grades in the production headings have been in line with feasibility study estimates, averaging 5.5 grams per tonne gold during May 2017. However, to improve ground stability and minimize gold losses, the Company is implementing paste back fill. Paste back fill utilizing waste tailings material has been successfully tested providing much improved ground stability and an add-on plant is being designed. Capital expenditures are estimated at US $3,000 and the projected time line to completion is up to five months. Until the add-on paste back fill plant is completed, mining ore in stopes will be temporarily suspended as it is not being efficiently extracted under the current method resulting in unnecessary dilution and ore loss. Development ore will continue to be mined and stockpiled.

COMPANY DEVELOPMENTS AND OUTLOOK (CONTINUED)

While the add-on paste backfill plant is constructed, production crews have been diverted to underground mine development. Underground development will ensure greater operational flexibility once the paste backfill plant is in operation. Development of an average of about 20 metres per day is planned for the remainder of 2017. Upon completion an additional four kilometres of development will have been completed giving access to 54 ore development headings by December 2017 when ore production is scheduled to re-commence. Development ore will continue to be mined and stockpiled. Upon completion, the additional development and paste back fill system will allow consistent production resulting in an estimated 50,000 ounces of gold produced during 2018.

Mill

The mill processing facility commissioning is complete and exceeds the nameplate design throughput by 20%, with the capability to process up to 1,200 tonnes per day. Stockpiled ore from the ongoing mine development program will be blended with ore stoping production upon completion of the paste backfill system.

Delineation Drilling

The 2017 mining stope delineation underground drill program has commenced as planned, utilizing increased access to the ore body from the mine development program. The program commenced in June with two rigs, ramping up to four rigs by September. The 2016 delineation drill program positively reconciled grade against the resource model.

On August 1, 2017, the Company announced the first results from the ongoing program. A total of 15 underground stope delineation holes have been completed to date (SRDU-0001 to SRDU-0015) with highlights including intersections:

- SRDU-0003 – 0.60m at 44.14 g/t Au from 45.10m down hole
- SRDU-0008 – 2.25m at 10.04 g/t Au from 82.20m down hole
- SRDU-0008 – 4.75m at 5.38 g/t Au from 97.80m down hole (incl. 0.60m at 27.30 g/t Au)
- SRDU-0010 – 3.80m at 5.35 g/t Au from 58.35m down hole
- SRDU-0011 – 1.50m at 25.92 g/t Au from 85.90m down hole

As was observed in the surface stope delineation drilling, the results from the underground stope delineation drilling have returned intercepts with grades significantly higher than the reserve grade of 5.2 g/t Au. Drill assays were composited by length-weighted averaging into intersections using a 2 g/t Au cut-off grade. Due to the mining method and mining selectivity contemplated for the deposit, internal dilution was included in some intersections where considered appropriate for mining continuity. For complete drilling results, refer to the press release dated August 1, 2017.

Safety

Operations have continued to adopt and promote best practices in safety with many awareness programs in place and monitoring occurring on a continuous basis. The results have been demonstrated in the safety statistics to date.

Social and Environmental

The Company continues to maintain positive relationships with and be involved with the local communities. Continuous information flow has been maintained with all stakeholders regarding the advances of the operations. Red Eagle Mining continues to strictly adhere to the terms of its Environmental License and the associated Environmental Management Plan. The Environmental Agency, along with local committees, has maintained a strict monitoring program as the project has progressed with visits at least monthly. The Company has received positive inspection reports from all inspections.

Financing Update

Bought Deal Equity Financing

In February 2017, the Company completed a bought deal equity financing of 23,000,000 Common Shares at a price of CAD $0.75 per Common Share for aggregate gross proceeds of $13,119 (CAD $17,250,000). The Common Shares were issued by way of public offering pursuant to a short form prospectus dated February 14, 2017, and were underwritten by a syndicate of underwriters led by BMO Capital Markets and including National Bank Financial Inc. The net proceeds of the offering were used to advance exploration of the Santa Rosa Gold Project and for working capital purposes.

Rights Offering

In order to fund the add-on paste backfill plant and to provide working capital before gold production resumes, the Company has successfully completed a rights offering on August 11, 2017 for gross proceeds of CAD $29,970,391 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 proceeds of the Rights Offering will be used for constructing the add-on paste back fill plant and working capital.

Bridge Funding Agreement

On July 24, 2017, the Company obtained a bridge loan of $6,500 added to the existing credit facility. Upon completion of the successful rights offering and entering into an amendment to the credit agreement, the bridge loan was repaid out of Orion Fund JV Limited ("Orion") and Liberty Metals & Mining Holdings LLC's ("LMM") participation in the rights offering on August 11, 2017.

Amendment to the Credit Agreement

On August 11, 2017, the Company entered into an amendment to the credit agreement. Highlights of the new terms of the Credit Facility are the following:

- Interest will be capitalized and the interest rate will be increased to LIBOR plus 11%
- Monthly principal payments of $1,600 commence on April 1, 2018
- Financial covenants are waived until July 1, 2018
- Covenant that the Company receives at least $4,000 in cash from sources including but not limited to a combination of one or more of the following: issuance of equity of the Company, sale of gold, sale of Red Eagle Exploration shares, incurrence of subordinated debt and reduction in projected expenses, by October 31, 2017 or provide a plan to receive $4,000 in cash by December 31, 2017. The Company is actively in collaboration with Stracon GyM to reduce costs and exploring various other alternatives to meet these requirements.

COMPANY DEVELOPMENTS AND OUTLOOK (CONTINUED)

Red Eagle Exploration Developments

Red Eagle Exploration, owns an option on the California Gold Project and owns 100% of each of the Vetas Gold and Santa Ana Silver Projects. Further detailed information on the mineral properties for Red Eagle Exploration can be found in its consolidated financial statements and MD&A for the year ended December 31, 2016 and unaudited condensed interim consolidated financial statements and MD&A for the three and six months ended June 30, 2017.

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.

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 prolific California-Vetas Gold District located in Santander, Colombia.

On June 28, 2017, the Company reported the results of underground rock chip panel samples collected on the Machuca zone within the California Gold Project. For details, refer to the Red Eagle Exploration MD&A for the three and six months ended June 30, 2017.

Vetas 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 Vetas 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.

Financing Update

On June 23, 2017, the 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 $1,028,208). 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.

The net proceeds of the Offering will be used to fund exploration programs at the Vetas and California Gold Projects, and for general corporate and working capital purposes.

MINERAL PROPERTIES

On April 15, 2011, the Company acquired 100% of the Santa Rosa Gold Project in Antioquia, Colombia. The Company subsequently consolidated the district through staking and additional acquisitions through 2014. The initial project area including the San Ramon Gold Mine is subject to a 3% NSR royalty. The Company has the option to repurchase a 1% royalty for CAD $8,333,333 at any time during the first two years of commercial gold production. The remainder of the project is subject to a 0%, 1.5% or 2% NSR royalty depending on the concession.

During 2015, the Company also acquired a controlling interest in the public company, Red Eagle Exploration, which owns an option to acquire the California Gold Project and owns 100% of each of the Vetas Gold and Santa Ana Silver Projects. Further information on the mineral properties can be found in the Company's unaudited condensed interim consolidated financial statements for the three and six months ended June 30, 2017 and this MD&A as well as the consolidated financial statements and MD&A for the year ended December 31, 2016.

Exploration Discovery at the Santa Rosa Gold Project

In July 2017, the Company announced results to date from the on-going exploration drilling program at the 100% owned 100 km2 Santa Rosa Gold Project, Antioquia, Colombia. A total of 8,268 metres have been drilled in 22 core holes from eight widely-spaced platforms spread over several new target zones within a four square kilometer area to the west of the San Ramon Gold Deposit. The new targets are all located within five kilometres of the completed Santa Rosa Mill. Highlights from the program include the following intersections:

- PL-007 – 1.00m at 42.09 g/t Au from 119.30m down hole (Luis Bran zone)
- PL-007 – 0.55m at 73.47 g/t Au from 252.15m down hole (Luis Bran zone)
- PL-018 – 0.73m at 40.16 g/t Au from 202.37m down hole (Canada Rica zone)
- PL-020 – 0.50m at 29.20 g/t Au from 225.30m down hole (Guacamaya zone)
- PL-020 – 0.50m at 36.19 g/t Au from 397.65m down hole (Guacamaya zone)
- PL-021 – 0.50m at 26.40 g/t Au from 305.40m down hole (Guacamaya zone)

Results from the exploration drilling are very encouraging and confirm the existence of numerous high-grade gold veins distributed throughout the western sector of the large Santa Rosa Gold Project, and notably within trucking distance of the Santa Rosa Mill. The gold mineralized veins are hosted in competent granodiorite and extend to surface. For complete drilling results, refer to the press release dated July 10, 2017.

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

RESULTS OF OPERATIONS

THREE MONTHS ENDED JUNE 30, 2017 COMPARED TO THREE MONTHS ENDED JUNE 30, 2016

The Company recorded a loss of $4,339 for the three months ended June 30, 2017 compared to the loss of $491 for the three months ended June 30, 2016. The Company has a controlling interest in Red Eagle Exploration. Accordingly, the consolidated results of operations for the three months ended June 30, 2017, include a loss of $1,114 (2016 includes a loss of $539) related to Red Eagle Exploration.

Following is an analysis of the significant items and variances between the three months ended June 30, 2017 and June 30, 2016:

For the three months ended	**June 30, 2017**	**June 30, 2016**	
Mine site expenses	**1,348**	-	Support cost to maintain the site and processing plant in a state of operational readiness
Mineral property exploration cost	**916**	307	Mineral property exploration costs primarily consist of exploration costs related to Red Eagle Exploration and exploration drilling costs for targets within the Santa Rosa Gold Project.
Salaries and benefits	**863**	323	Increase due to an increase in non-cash share-based payment expense and increased personnel as the Company worked to ramp up the San Ramon Gold Mine and Mill.
Investor relations and business development	**84**	189	Decrease due to activities related to the acquisition of Red Eagle Exploration in prior year.
Foreign exchange gain	**(245)**	(890)	Decrease relates to a change in the functional currency, effective January 1, 2017, of the Company's subsidiaries to USD resulting in lower foreign exchange fluctuations.

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

RESULTS OF OPERATIONS (CONTINUED)

SIX MONTHS ENDED JUNE 30, 2017 COMPARED TO SIX MONTHS ENDED JUNE 30, 2016

The Company recorded a loss of $6,930 for the six months ended June 30, 2017 compared to the loss of $636 for the six months ended June 30, 2016. The Company has a controlling interest in Red Eagle Exploration. Accordingly, the consolidated results of operations for the three months ended June 30, 2017, include a loss of $1,868 (2016 includes a loss of $1,137) related to Red Eagle Exploration.

Following is an analysis of the significant items and variances between the six months ended June 30, 2017 and June 30, 2016:

For the six months ended	June 30, 2017	June 30, 2016	
Salaries and benefits	**1,723**	754	Increase due to an increase in non-cash share-based payment expense and increased personnel as the Company worked to ramp up the San Ramon Gold Mine and Mill.
Mineral property exploration cost	**1,470**	602	Mineral property exploration costs primarily consist of exploration costs related to Red Eagle Exploration and exploration drilling costs for targets within the Santa Rosa Gold Project
Mine site expenses	**1,348**	-	Support cost to maintain the site and processing plant in a state of operational readiness
Investor relations	**180**	283	Decrease due to activities related to the acquisition of Red Eagle Exploration in prior year.
Foreign exchange gain	**(23)**	(2,250)	Decrease relates to a change in the functional currency, effective January 1, 2017, of the Company's subsidiaries to USD resulting in lower foreign exchange fluctuations.

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

SUMMARY OF QUARTERLY RESULTS

Following is a summary of quarterly results for the eight most recently completed quarters. These results are taken from the interim and annual consolidated financial statements of Red Eagle Mining Corporation, which are prepared in accordance with IFRS.

	For the three months ended June 30, 2017	For the three months ended March 31, 2017	For the three months ended December 31, 2016	For the three months ended September 30, 2016
Interest and other expense	790	88	40	68
Net loss attributable to equity holders	4,226	2,536	5,427	454
Basic and diluted loss per share	0.02	0.01	0.02	0.00

	For the three months ended June 30, 2016	For the three months ended March 31, 2016	For the three months ended December 31, 2015	For the three months ended September 30, 2015
Interest and other expense (income)	(20)	(3)	(10)	(17)
Net loss (income) attributable to equity holders	299	(66)	1,972	291
Basic and diluted loss per share	0.00	0.00	0.01	0.00

The analysis provided in the Results of Operations section above provides information regarding the movements during the three month periods ended June 30, 2017 and June 30, 2016. Due to the nature of operations, there is no significant seasonality in the business.

As at October 8, 2015, the Company acquired a controlling interest in Red Eagle Exploration. Accordingly, consolidated results of operation for the three months ended December 31, 2015 include a loss of $371 related to Red Eagle Exploration for the period from October 8, 2015 to December 31, 2015. Capitalization of direct costs associated with the development of the San Ramon Gold Mine and Mill and recognition of VAT taxes receivable were offset by a higher non-cash foreign exchange loss during the three months ended December 31, 2015.

For the three month period ended March 31, 2016, net income attributable to equity holders of the parent was a result of a non-cash foreign exchange gain and the capitalization of direct costs associated with the development of the San Ramon Gold Mine and Mill.

For the three month period ended June 30, 2016 and September 30, 2016, net loss attributable to equity holders of the parent was a result of higher general expenses due to increased activities and profile for the Company, and expenses associated with Red Eagle Exploration, which were partially offset by a higher non-cash foreign exchange gain.

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

SUMMARY OF QUARTERLY RESULTS (CONTINUED)

For the three month period ended December 31, 2016, net loss attributable to equity holders of the parent increased due to a non-cash foreign exchange loss due to the weakening of the CAD against the USD during Q4 2016 on the USD denominated long-term debt and a higher share-based payment expense due to the grant of share purchase options as well as restricted and deferred share units to officers and directors.

For the three month period ended March 31, 2017, net loss attributable to equity holders of the parent decreased compared to prior quarter due to the change in the functional currency, effective January 1, 2017, of the Company's subsidiaries to USD resulting in lower foreign exchange fluctuations, and the grant of non-cash share-based payments in the prior quarter.

For the three month period ended June 30, 2017 net loss attributable to equity holders increased as costs to maintain the site and processing plant in a state of operational readiness were being allocated directly to the consolidated statements of comprehensive loss. Approximately $1,348 in costs related to the plant and site support activities were recorded to mine site expenses in the consolidated statements of comprehensive loss.

LIQUIDITY AND CAPITAL RESOURCES

As at	June 30, 2017	December 31, 2016	December 31, 2015
Working capital (deficiency)	(83,358)	(25,674)	(1,107)
Total assets	140,101	122,020	45,124
Total liabilities	92,674	84,591	24,206
Share capital	93,961	81,504	58,939
Deficit	54,545	47,736	42,788

As at June 30, 2017, the Company had a working capital deficiency of $83,358 (December 31, 2016: $25,674) with cash and cash equivalents of $532 (December 31, 2016: $4,202). The working capital deficiency excluding the reclassified debt would be $15,188 (2016: $9,058). The Company has incurred costs to complete the construction and commissioning of the San Ramon Gold Mine and Mill and ramp up into normal course operations, while not having recognized the benefit of material cash-flows from gold sales.

Orion and LMM (the "Lenders") waived the Company's requirement under the credit facility to make the June, July and August 2017 amortization payments and the Company entered into a forbearance agreement (the "Forbearance Agreement") with the Lenders. Under the terms of the Forbearance Agreement, the Company confirmed the existence of events of non-compliance with covenants of the credit facility and the Lenders agreed to refrain from exercising any rights or remedies under the credit facility until August 11, 2017. As a result of the Company being in default under the credit agreement, and not having the unconditional right to defer any debt repayment for a period of 12 months or more, the Company has classified the entire debt balance of $68,168 as a current liability as at June 30, 2017.

Subsequent to June 30, 2017, the Company entered into a bridge funding agreement for $6,500, an amendment to the credit agreement and is no longer in default. In the subsequent quarter, the Company will reclassify a portion of the debt balance to a long-term liability (refer to note 14 of the unaudited condensed interim consolidated financial statements).

For working capital and exploration purposes, the Company completed a bought deal equity financing in February 2017 for gross proceeds of $13,119 (CAD $17,250,000) consisting of 23,000,000 common shares at a price of CAD $0.75 per share.

LIQUIDITY AND CAPITAL RESOURCES (CONTINUED)

In order to fund the paste backfill plant and to provide working capital before gold production resumes, the Company has successfully completed a rights offering on August 11, 2017 for gross proceeds of CAD $29,970,391 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 relies on equity financings and the exercise of options and warrants to fund its operations. Many factors influence the Company's ability to raise funds including the health of the resource market, the climate for mineral exploration and development investment, the Company's track record, and the experience and caliber of its management and personnel. Actual funding requirements may vary from those planned due to a number of factors, including the progress and results of operational, development and exploration activities. There is no guarantee that the Company will be able to continue to secure additional financings in the future at terms that are favourable should the Company require additional funding.

The Company's operations to date have been financed by issuing equity, the sale of a royalty over a portion of the Santa Rosa property, and the use of proceeds from the credit facility. The Company's ability to continue operations in the normal course of business is dependent upon the successful execution of paste backfill and mine development in order to resume gold production and generate sufficient cash flows from operations. The nature and significance of these conditions, along with the current portion of long term debt outstanding, may cast significant doubt about the appropriateness of the going concern assumption. Refer to Note 1 of the unaudited condensed interim consolidated financial statements.

OUTSTANDING SHARE DATA

Common shares

The authorized capital of the Company is an unlimited number of common and preferred shares (nil outstanding) without par value.

As at June 30, 2017, the Company had 265,025,121 common shares issued and outstanding (December 31, 2016: 241,005,121). As at the date of this MD&A, the Company had 350,654,810 common shares issued and outstanding.

In February 2017, the Company completed a bought deal financing for gross proceeds of $13,119 (CAD $17,250,000), consisting of 23,000,000 common shares at a price of CAD $0.75 per share.

On August 11, 2017, the Company successfully completed a rights offering for gross proceeds of CAD $29,970,391 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.

Warrants, Share Purchase Options, Deferred Share Units, and Restricted Share Units

During the three months ended March 31, 2017, 350,000 share purchase options with an exercise price of $0.84 were granted to employees, 720,000 share purchase options with exercise prices ranging from $0.275 to $0.55 were exercised by employees, and 50,000 share purchase options with an exercise price of $0.80 were expired for a former employee.

During April 2017, 300,000 share purchase options with exercise prices ranging from $0.275 to $0.375 were exercised by employees, and 37,500 share purchase options with an exercise price of CAD $0.80 were forfeited as unvested options for a former employee.

During the three months ended June 30, 2017, 62,500 share purchase options with exercise prices ranging from CAD $0.275 to CAD $0.80 were expired for two former employees.

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

OUTSTANDING SHARE DATA (CONTINUED)

During July 2017, 300,000 share purchase options with exercise prices ranging from CAD $0.84 to CAD $0.86 were forfeited for two former employees.

On August 11, 2017, as part of the rights offering, 85,629,689 warrants were issued at CAD $0.50 per common share for a period of five years from the issue date.

As at the date of this MD&A, the Company had 90,629,689 warrants, 16,745,000 share purchase options, 625,000 deferred share units, and 975,000 restricted share units outstanding.

TRANSACTIONS WITH RELATED PARTIES

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

For the six months ended		**June 30, 2017**		**June 30, 2016**
Share-based payments	$	791	$	74
Employee salaries and benefits		418		589
Director fees		124		109
	$	**1,333**	$	**772**

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

For the six months ended		**June 30, 2017**		**June 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	$	9,831	$	5,932
Costs recharged from a company controlled by directors, Robert Bell, Tim Petterson, and Ian Slater	$	315	$	631
Legal fees to Farris, Vaughan, Wills & Murphy LLP in which a director, Jay Sujir, is a partner	$	140	$	133

As at		**June 30, 2017**		**December 31, 2016**
Amounts owed:				
Stracon GyM to which its CEO, Steve Dixon, is a director and a shareholder of the Company	$	11,341	$	6,336
Farris, Vaughan, Wills & Murphy LLP in which a director, Jay Sujir, is a partner	$	214	$	69
A company controlled by directors, Robert Bell, Tim Petterson, and Ian Slater	$	34	$	-
Amounts due from:				
A company controlled by directors, Robert Bell, Tim Petterson, and Ian Slater, for an adjustment from accrued to actual costs	$	-	$	156

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

CHANGES IN ACCOUNTING POLICIES

Standards and interpretations issued but not yet effective

The following new standards, and amendments to standards and interpretations, were not yet effective for the three and six months ended June 30, 2017, and have not been applied in preparing these unaudited condensed interim consolidated financial statements.

IFRS 15 Revenue from Contracts with Customers
In May 2014, the IASB issued IFRS 15, Revenue from Contracts with Customers ("IFRS 15"). The standard replaces IAS 11, Construction Contracts, IAS 18, Revenue, IFRIC 13, Customer Loyalty Programmes, IFRIC 15, Agreements for the Construction of Real Estate, IFRIC 18 Transfer of Assets From Customers and SIC 31 Revenue – Barter Transactions Involving Advertising Services. IFRS 15 establishes principles for reporting the nature, amount, timing, and uncertainty of revenue and cash flows arising from an entity's contract with customers. This standard is effective for annual periods beginning on or after January 1, 2018, and permits early adoption. The Company is assessing IFRS 15's impact on its financial statements and has not yet determined the impact.

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. The Company is assessing IFRS 9's impact on its financial statements and has not yet determined the impact.

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 is assessing IFRS 16's impact on its financial statements and has not yet determined the impact.

FINANCIAL INSTRUMENTS

Refer to note 13 of the Company's unaudited condensed interim consolidated financial statements for the three and six months ended June 30, 2017 for full disclosure regarding the Company's financial instruments. There has been no change in designation of financial instruments or nature of risks in the three months ended June 30, 2017. The Company's financial instruments consist of cash and cash equivalents, amounts receivable, accounts payable and accrued liabilities, and long-term debt. The Company does not hold any complex financial instruments or derivatives. The cash is held to fund ongoing exploration and development work and head office costs and the cash equivalents are held to earn interest until they are needed to fund exploration work and head office costs.

Credit risk

The Company is exposed to credit risk with respect to its cash and cash equivalents and amounts receivables. All cash and cash equivalents are on deposit with major Canadian or Colombian financial institutions.

The risk arises from the non-performance of counterparties of contractual financial obligations. The Company manages credit risk by purchasing highly liquid, short-term investment-grade securities held at major financial institutions.

FINANCIAL INSTRUMENTS (CONTINUED)

Interest rate risk

The Company has cash balances, investment-grade short-term deposit certificates issued by its banking institution and long-term debt under the credit facility. Interest income is not material to the Company. Advances under the credit facility will bear interest at the higher of LIBOR or 1%, +7.5%. The Company manages this risk by monitoring fluctuations in LIBOR, which are not expected to be significant, and has entered discussions with traditional bank financiers with a view to provide potential conventional debt financing, once commercial operations have been more fully established.

Foreign currency risk

The Company is exposed to currency risk to the extent that monetary assets and liabilities held by the Company are not denominated in US dollars. The Company has not entered into any foreign currency contracts to mitigate this risk.

Certain of the Company's cash and cash equivalents, amounts receivable, and accounts payable and accrued liabilities are in Colombian Peso ("COP"); therefore, COP amounts are subject to fluctuation against the US dollar.

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

Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices, other than those arising from interest rate risk or currency risk. The Company is not exposed to significant other price risk.

Liquidity risk and going concern

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. In the event of material cost overruns, operational delays or decreases in gold or silver prices, the Company may continue to rely upon sources of external financing in future periods. There is no assurance that financing of sufficient amounts or on terms acceptable to the Company will be available. For further discussion, refer to note 1 of the unaudited condensed interim consolidated financial statements for the three and six months ended June 30, 2017.

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

CAPITAL COMMITMENTS AND OFF BALANCE SHEET ARRANGEMENTS

The Company has commitments for certain operational commitments as at June 30, 2017.

	Less than 1 year	1 - 5 years	More than 5 years	Total
Operational	5,501	5,201	1,459	12,161
	$ 5,501	**$ 5,201**	**$ 1,459**	**$ 12,161**

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.

RISKS AND UNCERTAINTIES

The Company is in the business of operating, acquiring, exploring and developing mineral properties. It is exposed to a number of risks and uncertainties that are common to other mining companies. The industry is capital intensive at all stages and is subject to variations in commodity prices, market sentiment, inflation and other risks. For further discussion related to risks and uncertainties, please refer to the Company's annual information form and annual Management's Discussion and Analysis for the year ended December 31, 2016 available on SEDAR at www.sedar.com.

INTERNAL CONTROL OVER FINANCIAL REPORTING AND DISCLOSURE CONTROLS AND PROCEDURES

As the Company became a non-venture issuer, as such term is defined in National Instrument 52-109 ("NI 52-109"), on November 4, 2016, the Company has filed the Chief Executive Officer and Chief Financial Officer certificate of interim filing under Form 52-109F2 which requires certification on design of controls but not effectiveness of controls.

APPROVAL

The Board of Directors has approved the disclosure contained in this MD&A on August 14, 2017. A copy of this MD&A is filed on SEDAR.

FORWARD-LOOKING INFORMATION

This MD&A contains "forward-looking information" (also referred to as "forward-looking statements") within the meaning of applicable Canadian securities legislation. Forward-looking statements are provided for the purpose of providing information about management's current expectations and plans and allowing investors and others to get a better understanding of the Company's operating environment. All statements, other than statements of historical fact, are forward-looking statements.

In this MD&A, forward-looking statements are necessarily based upon a number of estimates and assumptions that, while considered reasonable by the Company at this time, are inherently subject to significant business, economic and competitive uncertainties and contingencies that may cause the Company's actual financial results, performance, or achievements to be materially different from those expressed or implied herein.

FORWARD-LOOKING INFORMATION (CONTINUED)

Some of the material factors or assumptions used to develop forward-looking statements include, without limitation, the uncertainties associated with: regulatory and permitting considerations, financing of the Company's acquisitions and other activities, exploration, development and operation of mining properties and the overall impact of misjudgments made in good faith in the course of preparing forward-looking information as well as other risks and uncertainties referenced under "Risks and Uncertainties" in this MD&A.

Forward-looking statements involve risks, uncertainties, assumptions, and other factors including those set out below and including those referenced in the "Risks and Uncertainties" section of this MD&A, and, as a result they may never materialize, prove incorrect or materialize other than as currently contemplated which could cause the Company's results to differ materially from those expressed or implied by such forward-looking statements.

Any statements that express or involve discussions with respect to predictions, expectations, beliefs, plans, projections, objectives, assumptions or future events or performance (often, but not always, identified by words or phrases such as "expects", "is expected", "anticipates", "believes", "plans", "projects", "estimates", "assumes", "intends", "strategy", "goals", "objectives", "potential", "possible" or variations thereof or stating that certain actions, events, conditions or results "may", "could", "would", "should", "might" or "will" be taken, occur or be achieved, or the negative of any of these terms and similar expressions) are not statements of fact and may be forward-looking statements.

Numerous factors could cause actual results to differ materially from those in the forward-looking statements, including without limitation:

- regulatory risks relating to mineral tenure, permitting, environmental protection, taxation, and royalties;
- volatility of currency exchange rates, metal prices and metal production;
- financing, capitalization and liquidity risks;
- mineral exploitation and exploration program cost estimates;
- future and anticipated mine productivity and mill capacity of the San Ramon Gold Mine and Mill;
- future plans for the San Ramon Gold Mine and Mill including whether commercial production will continue as currently anticipated or at all;
- the ability to realize estimated Mineral resources and Mineral Reserves as contemplated in the Santa Rosa Technical Report, the Company's expectations that the San Ramon Gold Mine and Mill will be profitable with positive economics from mining, recoveries, grades and annual production;
- successful execution of the development plans set forth in the Santa Rosa Technical Report;
- the nature and impact of drill results and future exploration;
- the ability of the Company to satisfy all principal and interest payment under its credit facility;
- the ability of the Company to satisfy its working capital deficiency;
- other factors referenced under "Risks and Uncertainties"; and
- other risks normally incident to the acquisition, exploration, development and operation of mining properties.

FORWARD-LOOKING INFORMATION (CONTINUED)

This list is not exhaustive of the factors that may affect any of the Company's forward-looking statements. Investors are cautioned not to put undue reliance on forward-looking statements, and investors should not infer that there has been no change in the Company's affairs since the date of this report that would warrant any modification of any forward-looking statement made in this document, other documents periodically filed with or furnished to the relevant securities regulators or documents presented on the Company's website. All subsequent written and oral forward-looking statements attributable to the Company or persons acting on its behalf are expressly qualified in their entirety by this notice. The Company disclaims any intent or obligation to update publicly or otherwise revise any forward-looking statements or the foregoing list of assumptions or factors, whether as a result of new information, future events or otherwise, subject to the Company's disclosure obligations under applicable Canadian securities regulations. Investors are urged to read the Company's filings with Canadian securities regulatory agencies, which can be viewed online at www.sedar.com.