



**RED EAGLE MINING CORPORATION**

**Unaudited condensed interim consolidated financial statements**

**Three and nine months ended September 30, 2016**

**RED EAGLE MINING CORPORATION**  
**Consolidated statements of financial position**  
*(expressed in Canadian dollars)*

As at	September 30, 2016	December 31, 2015
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	\$ 22,307,723	\$ 10,347,916
Amounts receivable	456,481	489,860
Prepaid expenses	570,105	609,854
	<b>23,334,309</b>	<b>11,447,630</b>
<b>Non-current assets</b>		
Property, plant and equipment (note 3)	107,018,715	20,551,389
Mineral properties (note 4)	16,984,337	15,984,047
Other receivables (note 8)	6,608,564	12,101,390
Deferred debt costs	-	2,498,230
	<b>130,611,616</b>	<b>51,135,056</b>
<b>Total assets</b>	<b>\$ 153,945,925</b>	<b>\$ 62,582,686</b>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities	\$ 16,518,237	\$ 8,552,760
Mineral property obligations (note 4)	1,461,341	4,431,635
Current portion of long-term debt (note 7)	2,499,010	-
	<b>20,478,588</b>	<b>12,984,395</b>
<b>Non-current liabilities</b>		
Mineral property obligations (note 4)	970,658	366,146
Long-term debt (note 7)	78,494,013	19,580,925
Reclamation provision (note 6)	2,905,234	641,964
	<b>82,369,905</b>	<b>20,589,035</b>
<b>Total liabilities</b>	<b>102,848,493</b>	<b>33,573,430</b>
<b>SHAREHOLDERS' EQUITY</b>		
Share capital	88,199,579	65,684,900
Contributed surplus	3,891,591	3,669,750
Accumulated other comprehensive loss	(434,254)	(1,040,603)
Deficit	(44,414,941)	(45,159,151)
	<b>47,241,975</b>	<b>23,154,896</b>
Non-controlling interests (note 5)	3,855,457	5,854,360
<b>Total shareholders' equity</b>	<b>51,097,432</b>	<b>29,009,256</b>
<b>Total liabilities and shareholders' equity</b>	<b>\$ 153,945,925</b>	<b>\$ 62,582,686</b>

Commitments and contingencies (note 11)  
Subsequent events (note 13)

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 (income)**
*(expressed in Canadian dollars)*

	Three Months Ended		Nine Months Ended	
	September 30, 2016	September 30, 2015	September 30, 2016	September 30, 2015
<b>Expenses</b>				
Office and administration	\$ 711,971	\$ 390,880	\$ 2,102,987	\$ 1,188,047
Mineral property exploration costs (note 4)	682,580	-	1,483,219	1,960,655
Salaries and benefits	346,736	255,407	1,355,489	840,110
Investor relations and business development	197,490	88,061	569,537	330,970
Professional fees	61,284	64,732	367,938	315,416
VAT recovery	-	-	-	(740,175)
Operating Loss	<b>2,000,061</b>	<b>799,080</b>	<b>5,879,170</b>	<b>3,895,023</b>
<b>Other expenses (income)</b>				
Share of loss of associate	-	145,811	-	145,811
Foreign exchange (gain) loss	(1,348,039)	(277,168)	(4,365,921)	10,101
Interest and other expenses (income)	89,366	(21,644)	59,579	(14,478)
<b>Loss before tax</b>	<b>741,388</b>	<b>646,079</b>	<b>1,572,828</b>	<b>4,036,457</b>
Deferred tax recovery	-	-	-	(3,970)
<b>Net loss</b>	<b>\$ 741,388</b>	<b>\$ 646,079</b>	<b>\$ 1,572,828</b>	<b>\$ 4,032,487</b>
<b>OTHER COMPREHENSIVE LOSS (INCOME)</b>				
Foreign currency translation difference for foreign operations	(877,415)	332,070	(606,349)	431,757
<b>Total comprehensive loss (income)</b>	<b>\$ (136,027)</b>	<b>\$ 978,149</b>	<b>\$ 966,479</b>	<b>\$ 4,464,244</b>
<b>Net loss attributable to:</b>				
Equity holders of the parent	569,757	646,079	863,675	4,032,487
Non-controlling interests	171,631	-	709,153	-
	<b>\$ 741,388</b>	<b>\$ 646,079</b>	<b>\$ 1,572,828</b>	<b>\$ 4,032,487</b>
<b>Total comprehensive loss (income) attributable to:</b>				
Equity holders of the parent	(307,658)	978,149	257,326	4,464,244
Non-controlling interests	171,631	-	709,153	-
	<b>\$ (136,027)</b>	<b>\$ 978,149</b>	<b>\$ 966,479</b>	<b>\$ 4,464,244</b>
Basic and diluted loss per share attributable to ordinary equity holders of the parent	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.04
Weighted average number of common shares outstanding	231,376,744	149,360,133	209,866,899	106,350,778

*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**  
*(expressed in Canadian dollars)*

	Number of shares	Attributable to equity holders of the parent					Non-controlling interests	Total
		Share capital	Contributed surplus	Accumulated other comprehensive loss	Deficit	Total		
<b>Balance as at December 31, 2014</b>	<b>73,932,714</b>	<b>\$ 37,163,964</b>	<b>\$ 1,204,606</b>	<b>\$ (310,142)</b>	<b>\$ (38,826,730)</b>	<b>\$ (768,302)</b>	<b>\$ -</b>	<b>\$ (768,302)</b>
Shares issued	107,197,240	28,444,954	-	-	-	28,444,954	-	28,444,954
Share-based payments	-	-	532,021	-	-	532,021	-	532,021
Expiry of share options	-	-	(60,000)	-	60,000	-	-	-
Warrants issued	-	-	1,120,922	-	-	1,120,922	-	1,120,922
Expiry of warrants, net of tax	-	-	(30,538)	-	26,568	(3,970)	-	(3,970)
Total comprehensive loss	-	-	-	(431,757)	(4,032,487)	(4,464,244)	-	(4,464,244)
<b>Balance as at September 30, 2015</b>	<b>181,129,954</b>	<b>\$ 65,608,918</b>	<b>\$ 2,767,011</b>	<b>\$ (741,899)</b>	<b>\$ (42,772,649)</b>	<b>\$ 24,861,381</b>	<b>\$ -</b>	<b>\$ 24,861,381</b>
<b>Balance as at December 31, 2015</b>	<b>181,429,252</b>	<b>\$ 65,684,900</b>	<b>\$ 3,669,750</b>	<b>\$ (1,040,603)</b>	<b>\$ (45,159,151)</b>	<b>\$ 23,154,896</b>	<b>\$ 5,854,360</b>	<b>\$ 29,009,256</b>
Shares issued	52,012,743	22,514,679	-	-	-	22,514,679	-	22,514,679
Share-based payments	-	-	498,110	-	-	498,110	-	498,110
Share options and warrants exercised	-	-	(265,231)	-	-	(265,231)	-	(265,231)
Expiry of share options	-	-	(11,038)	-	11,038	-	-	-
Total comprehensive loss	-	-	-	606,349	(863,675)	(257,326)	(709,153)	(966,479)
Acquisition of non-controlling interests	-	-	-	-	1,596,847	1,596,847	(1,289,750)	307,097
<b>Balance as at September 30, 2016</b>	<b>233,441,995</b>	<b>\$ 88,199,579</b>	<b>\$ 3,891,591</b>	<b>\$ (434,254)</b>	<b>\$ (44,414,941)</b>	<b>\$ 47,241,975</b>	<b>\$ 3,855,457</b>	<b>\$ 51,097,432</b>

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

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

	Nine Months Ended	
	September 30, 2016	September 30, 2015
<b>OPERATING ACTIVITIES</b>		
<b>Net loss</b>	\$ (1,572,828)	\$ (4,032,487)
<i>Adjustments for items not affecting cash:</i>		
Share-based payments (note 9)	431,849	532,021
Depreciation (note 3)	382,915	103,985
Accretion expense	84,380	2,729
Foreign exchange gain	(865,897)	(60,951)
Share of loss of associate	-	145,811
VAT recovery	-	(740,175)
Deferred tax recovery	-	(3,970)
	<b>(1,539,581)</b>	<b>(4,053,037)</b>
<i>Net changes in non-cash working capital items:</i>		
Amounts receivable and other assets	(95,167)	(209,424)
Prepaid expenses	44,969	(611,996)
Accounts payable and accrued liabilities	298,866	2,403,597
<b>Net cash outflows from operating activities</b>	<b>(1,290,913)</b>	<b>(2,470,860)</b>
<b>FINANCING ACTIVITIES</b>		
Issuance of common shares, net of share issue costs	20,643,118	24,806,303
Long-term debt, net of deferred debt costs	57,583,977	(459,757)
Contribution to non-controlling interests	635,612	-
<b>Net cash inflows from financing activities</b>	<b>78,862,707</b>	<b>24,346,546</b>
<b>INVESTING ACTIVITIES</b>		
Purchase of equipment and capitalized costs	(58,179,903)	(10,523,318)
Payment of mineral property obligations	(1,134,354)	(710,400)
Acquisition of subsidiary	(711,837)	(1,162,364)
Non-current tax credit receivable	(2,533,126)	-
<b>Net cash outflows from investing activities</b>	<b>(62,559,220)</b>	<b>(12,396,082)</b>
Net foreign exchange differences	(3,052,767)	327,202
<b>Net increase in cash and cash equivalents</b>	<b>11,959,807</b>	<b>9,806,806</b>
Cash and cash equivalents, beginning of period	10,347,916	427,290
<b>Cash and cash equivalents, end of period</b>	<b>\$ 22,307,723</b>	<b>\$ 10,234,096</b>

*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 Canadian dollars, unless otherwise stated)

#### 1. NATURE OF OPERATIONS

Red Eagle Mining Corporation ("Red Eagle" or the "Company") was incorporated under the *Business Corporations Act* in British Columbia, Canada on January 4, 2010.

The address and domicile of the Company's registered office and its principal place of business is Suite 2348 - 666 Burrard Street, Vancouver, British Columbia, Canada, V6C 2X8.

The Company is primarily engaged in the development and construction of the San Ramon Gold Mine and Mill, along with other exploration activities. The Company is considered to be in the development stage given that its mineral properties are not yet in production and, to date, have not earned any significant revenues. The recoverability of amounts shown for development assets is dependent on the existence of economically recoverable reserves, maintaining the necessary permits to operate a mine, managing the financing to complete development and future profitable production.

#### 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 consolidated financial statements for the year ended December 31, 2015, which have been prepared in accordance with IFRS as issued by the IASB.

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

The unaudited condensed interim consolidated financial statements of Red Eagle Mining Corporation for the three and nine months ended September 30, 2016 were authorized for issue by the Board of Directors, as recommended by the Audit Committee, on November 23, 2016.

#### 3. PROPERTY, PLANT AND EQUIPMENT

	Construction Work-In-Progress		Santa Rosa	Other	Total
	Mill	Mine	Mineral Property	Equipment	
<b>Cost</b>					
Balance, December 31, 2015	\$ 13,131,465	\$ 1,712,871	\$ 4,719,906	\$ 1,863,483	\$ 21,427,725
Additions	57,237,947	18,375,721	2,554,924	1,877,855	80,046,447
Disposals	-	-	-	(69,327)	(69,327)
Reclamation costs (note 6)	-	-	2,071,579	-	2,071,579
Foreign currency translation	3,202,527	1,035,963	380,742	162,130	4,781,362
Balance, September 30, 2016	\$ 73,571,939	\$ 21,124,555	\$ 9,727,151	\$ 3,834,141	\$ 108,257,786
<b>Accumulated depreciation</b>					
Balance, December 31, 2015	\$ -	\$ -	\$ -	\$ (876,336)	\$ (876,336)
Depreciation	-	-	-	(382,915)	(382,915)
Disposals	-	-	-	58,697	58,697
Foreign currency translation	-	-	-	(38,517)	(38,517)
Balance, September 30, 2016	\$ -	\$ -	\$ -	\$ (1,239,071)	\$ (1,239,071)
Net book value, December 31, 2015	\$ 13,131,465	\$ 1,712,871	\$ 4,719,906	\$ 987,147	\$ 20,551,389
Net book value, September 30, 2016	\$ 73,571,939	\$ 21,124,555	\$ 9,727,151	\$ 2,595,070	\$ 107,018,715

## RED EAGLE MINING CORPORATION

### Notes to unaudited condensed interim consolidated financial statements

(amounts are in Canadian dollars, unless otherwise stated)

#### 4. MINERAL PROPERTIES

Mineral properties assets consist solely of CB Gold, which owns the Vetas Gold Project and Santa Ana Silver Project. The Santa Rosa Mineral Property is included in Property, Plant and Equipment.

The following is a summary of the mineral property obligations for the period ended September 30, 2016:

##### Santa Rosa

- a) On April 15, 2011, the Company acquired 100% of the Santa Rosa Gold Project in Antioquia, Colombia, for US \$9,600,000 (\$9,988,676), which has been paid in full. The Company also agreed to acquire certain adjacent concession contracts for US \$780,000, of which US \$40,000 (\$40,600) has been paid and US \$740,000 (\$970,658) is due upon title transfer, which is expected after 2016.
- b) On October 22, 2012, concurrent with a private placement financing, the Company completed the sale of a 2% NSR royalty over the Santa Rosa property to Liberty Metals and Mining Holdings, LLC, ("LMM") a shareholder of the Company, for gross proceeds of \$8,333,333. The Company had the option to sell an additional 1% royalty for \$4,166,667 at any time until December 31, 2013 and on December 20, 2013, the Company exercised this option. The Company has the option to repurchase a 1% royalty for \$8,333,333 at any time during the first two years of commercial gold production.
- c) On October 24, 2012, the Company executed a purchase agreement with Bullet Holdings Corp. to acquire mineral concession contracts totaling 35,910 hectares adjacent to the Company's Santa Rosa Gold Project. The consideration for the transaction was the issuance of 905,000 common shares, reimbursement of current year concession fees and the granting of a 1.5% NSR royalty over the properties acquired. LMM's royalty does not cover these new properties.
- d) On May 28, 2014, the Company executed a purchase agreement with AngloGold Ashanti Colombia S.A. ("AGAC"), to acquire 100% of contiguous mineral concession contracts totaling 1,673 hectares within the Company's Santa Rosa Gold Project. In consideration for the property, the Company has agreed to pay US \$375,000 to AGAC and grant AGAC a 2% NSR royalty over the properties acquired. The cash payments completed and to be made are as follows:

	US \$
Within 10 days of execution of contract (paid)	25,000
Upon title transfer (paid)	100,000
March 18, 2016 (paid)	125,000
March 18, 2017	125,000
	<u>375,000</u>

As at September 30, 2016 the mineral property obligation relating to this acquisition was \$163,145 which represents the discounted value of the US \$125,000 remaining to be paid.

##### Vetas

On October 8, 2015, the Company acquired a controlling interest in CB Gold, which owns the Vetas Gold Project. During the nine months ended September 30, 2016, CB Gold settled the following property obligations:

- i) Real Minera - The Real Minera property was subject to a one-time royalty payment of US \$5 per ounce of measured and indicated mineral resources as disclosed and published in one or more technical reports to be prepared in accordance with NI 43-101. The terms of the royalty payment with Real Minera were renegotiated by CB Gold in December 2015 and a final settlement was paid on January 15, 2016, which included cash of US \$50,000 and 2,843,206 Red Eagle common shares. CB Gold issued 17,550,654 common shares to Red Eagle as compensation on January 15, 2016.
- ii) San Alfonso - On January 15, 2016, CB Gold paid US \$150,000 to acquire the San Alfonso property.

## RED EAGLE MINING CORPORATION

### Notes to unaudited condensed interim consolidated financial statements

(amounts are in Canadian dollars, unless otherwise stated)

#### 4. MINERAL PROPERTIES (CONTINUED)

##### Vetas (continued)

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

##### Santa Ana

On August 10, 2016, CB Gold purchased 100% of the Santa Ana Silver Project from Condor Precious Metals Inc. for cash settlement of \$250,000, 8,095,238 CB Gold common shares (\$850,000 at \$0.105 per share) and a 2% NSR royalty. CB Gold has a right of first refusal on any sale of the royalty and may purchase 1% at any time for \$500,000.

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

As at	September 30, 2016	December 31, 2015
<b>Santa Rosa</b>		
Individuals (note 4a)	\$ 970,658	\$ 1,026,306
AngloGold Ashanti Colombia S.A. (note 4d)	163,145	342,994
<b>Vetas</b>	1,298,196	3,428,481
<b>Total mineral property obligations</b>	<b>2,431,999</b>	<b>4,797,781</b>
Non-current portion of mineral property obligations	(970,658)	(366,146)
<b>Current portion of mineral property obligations</b>	<b>\$ 1,461,341</b>	<b>\$ 4,431,635</b>

The following are changes in mineral property obligations during the nine months ended September 30, 2016 and year ended December 31, 2015:

	2016	2015
<b>Balance as at January 1,</b>	\$ <b>4,797,781</b>	\$ <b>1,783,895</b>
Vetas	(2,130,285)	3,428,481
Repayments – Santa Rosa	(160,667)	(710,400)
Foreign exchange translation (gain) loss	(76,488)	292,252
Accretion expense	1,658	3,553
<b>Balance as at September 30, 2016 and December 31, 2015</b>	<b>\$ 2,431,999</b>	<b>\$ 4,797,781</b>

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

For the nine months ended September 30, 2016	Santa Rosa	Vetas	Total
Salaries and consulting	\$ 202,016	\$ 346,322	\$ 548,338
Geological and geochemical	-	244,725	244,725
Drilling	228,985	-	228,985
Legal and office administration	7,690	175,826	183,516
License and permits	-	111,143	111,143
Field and camp	-	64,280	64,280
Travel and transportation	10,320	52,093	62,413
Depreciation	-	19,687	19,687
Environmental	4,952	3,204	8,156
Assays and sampling	6,698	-	6,698
Concession fees	5,278	-	5,278
<b>Total exploration costs</b>	<b>\$ 465,939</b>	<b>\$ 1,017,280</b>	<b>\$ 1,483,219</b>



## RED EAGLE MINING CORPORATION

### Notes to unaudited condensed interim consolidated financial statements

(amounts are in Canadian dollars, unless otherwise stated)

#### 4. MINERAL PROPERTIES (CONTINUED)

The summary of the Santa Rosa and Vetás exploration costs (continued):

For the nine months ended September 30, 2015	Santa Rosa	Vetas	Total
Salaries and consulting	\$ 627,740	\$ -	\$ 627,740
Geological and geochemical	298,791	-	298,791
Legal and office administration	87,283	-	87,283
Field and camp	638,641	-	638,641
Travel and transportation	69,596	-	69,596
Depreciation	67,990	-	67,990
Assays and sampling	7,866	-	7,866
Concession fees	8,490	-	8,490
Technical studies	81,438	-	81,438
Metallurgical	38,940	-	38,940
Training	33,880	-	33,880
<b>Total exploration costs</b>	<b>\$ 1,960,655</b>	<b>\$ -</b>	<b>\$ 1,960,655</b>

#### 5. NON-CONTROLLING INTERESTS

For the nine month period ended September 30, 2016, the Company increased its controlling interest in CB Gold from 51% to 69% through a combination of private placements, market purchases, and share exchanges.

At September 30, 2016, the Company owns 248,033,377 common shares of CB Gold. The following table summarizes the CB Gold financial information included in the unaudited condensed interim consolidated financial statements:

	September 30, 2016
Total assets	\$ 24,089,120
Total liabilities	1,848,849
Net loss	2,081,506

#### 6. RECLAMATION PROVISION

The Company has provided for future reclamation costs associated with the San Ramon Gold Mine held by Red Eagle and the Vetás Gold Project held by CB Gold. 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, 2016. The reclamation provision has been recorded using a discount rate of approximately 7.1% and an inflation factor of approximately 7.9% for the San Ramon Gold Mine and Vetás Gold Project.

The following is a summary of the reclamation provision as at September 30, 2016 and December 31, 2015:

	September 30, 2016	December 31, 2015
San Ramon Gold Mine	\$ 2,537,686	\$ 284,149
Vetas Gold Project	367,548	357,815
	<b>\$ 2,905,234</b>	<b>\$ 641,964</b>

The following are changes in reclamation provision during the nine months ended September 30, 2016:

	San Ramon Gold Mine	Vetas Gold Project
<b>Balance, December 31, 2015</b>	\$ 284,149	\$ 357,815
Change in estimate	2,071,579	(24,693)
Accretion expense	60,969	21,753
Foreign exchange translation	120,989	12,673
<b>Balance, September 30, 2016</b>	<b>\$ 2,537,686</b>	<b>\$ 367,548</b>

## RED EAGLE MINING CORPORATION

### Notes to unaudited condensed interim consolidated financial statements

(amounts are in Canadian dollars, unless otherwise stated)

#### 7. LONG-TERM DEBT

	Credit Facility
<b>Balance, December 31, 2015</b>	\$ 19,580,925
Principal draws, net of fees	55,085,747
Interest expense, net of amortization	7,575,218
Foreign exchange gain	(1,248,867)
<b>Balance, September 30, 2016</b>	<b>80,993,023</b>
	Current portion (2,499,010)
	<b>Long-term \$ 78,494,013</b>

The US \$60,000,000 credit facility has a five year term with a principal holiday and capitalized interest for 18 months from the first advance which occurred in November 2015. Principal repayments commence on May 1, 2017 and will be made in forty-two equal amortization amounts. The credit facility is secured by all of the Company's property and assets.

The credit facility bears interest at a rate of the higher of LIBOR or 1% plus 7.5%, compounded monthly. Each advance is also subject to a 2.5% fee at the time of draw. The credit facility includes a production payment of US\$30 per ounce payable on the first and only 405,000 ounces of gold produced for a total payment of US\$12,150,000. On July 16, 2015, 5,000,000 warrants were granted to Orion to purchase shares of the Company exercisable for a five year term at an exercise price of \$0.275. Considering the various features of the credit facility, the effective interest rate is approximately 16%. The facility was fully drawn at September 30, 2016.

For the nine months ended September 30, 2016, the Company capitalized \$7,606,073 of interest on the credit facility to construction work in progress.

Pursuant to the terms of the credit facility, the Company is required to maintain the following financial covenants:

- at all times commencing 12 months after the Commercial Production Start Date, Debt Service Coverage Ratio on a rolling four fiscal quarter basis of at least 1.5:1;
- at all times after the Commercial Production Start Date, EBITDA to Interest Coverage Ratio on a rolling four fiscal quarter basis of at least 5:1; and
- at all times after the Commercial Production Start Date, Debt to EBITDA Ratio on a rolling four fiscal quarter of no greater than 2:1

The Commercial Production Start Date is defined according to the terms of the credit facility debt agreement and may differ from the Company's definition for operating purposes.

#### 8. OTHER RECEIVABLES

As at	September 30, 2016	December 31, 2015
VAT credits receivable	\$ 3,892,999	\$ 1,167,907
Deposits, mill equipment and suppliers	2,715,565	10,933,483
	<b>\$ 6,608,564</b>	<b>\$ 12,101,390</b>

As at September 30, 2016, the Company recognized value added tax ("VAT") credits receivable of \$3,892,999 representing the cumulative amount of VAT paid to the Colombian Government. These VAT credits are recoverable when the Company commences production. These amounts are classified as long-term as the Company does not expect to fully recover them in the next year.

## RED EAGLE MINING CORPORATION

### Notes to unaudited condensed interim consolidated financial statements

(amounts are in Canadian dollars, unless otherwise stated)

#### 9. 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, 2016

During the nine months ended September 30, 2016, the Company issued 5,063,022 common shares of the Company in exchange for 31,253,216 common shares of CB Gold to acquire the Real Minera and La Triada properties.

In April 2016, the Company completed a private placement, in two tranches, for gross proceeds of \$11,281,476, consisting of 29,688,095 common shares at a price of \$0.38 per share. As part of this private placement, LMM elected to exercise its participation right and purchased 9,500,000 shares resulting in LMM's ownership interest in Red Eagle Mining increasing from 18.0% to 19.9%.

In July 2016, the Company completed a private placement for gross proceeds of \$9,223,638, consisting of 13,176,626 common shares at a price of \$0.70 per share. Proceeds will be used for exploration drilling of the Santa Rosa Gold Project. The shares are subject to a four month hold period from the date of issuance.

##### c) Warrants

Information regarding warrants outstanding at September 30, 2016 is as follows:

For the year ended	Number of outstanding warrants	Weighted average exercise price
Balance, December 31, 2015	8,375,000	\$ 0.265
Exercised	(3,375,000)	0.25
Balance, September 30, 2016	5,000,000	\$ 0.275

Expiry date	Warrants outstanding	Weighted average exercise price	Weighted average remaining contractual life (years)
July 16, 2020	5,000,000	0.275	3.8
	5,000,000	\$ 0.275	3.8

##### d) Share Purchase Options

Information regarding share purchase options outstanding at September 30, 2016 is as follows:

	Number of outstanding	Weighted average exercise price	Weighted average measurement date fair value
Outstanding, December 31, 2015	14,365,000	\$ 0.33	\$ 0.19
Granted	1,675,000	0.64	0.28
Exercised	(710,000)	0.47	0.24
Expired	(75,000)	0.28	0.15
Forfeited	(425,000)	0.49	0.25
Outstanding, September 30, 2016	14,830,000	\$ 0.35	\$ 0.20

**RED EAGLE MINING CORPORATION****Notes to unaudited condensed interim consolidated financial statements***(amounts are in Canadian dollars, unless otherwise stated)***9. SHARE CAPITAL (CONTINUED)****d) Share Purchase Options (continued)**

Information regarding share purchase options outstanding at September 30, 2016 (continued):

<b>Expiry date</b>	<b>Options outstanding</b>	<b>Options exercisable</b>	<b>Exercise price</b>	<b>Weighted average remaining contractual life (years)</b>
December 6, 2017	1,570,000	1,570,000	\$ 0.55	1.18
April 9, 2019	1,820,000	1,820,000	0.33	2.52
May 6, 2020	3,065,000	2,867,500	0.33	3.60
October 7, 2020	7,100,000	6,225,000	0.275	4.02
February 24, 2021	250,000	125,000	0.375	4.41
April 22, 2021	175,000	175,000	0.57	4.56
June 14, 2021	400,000	100,000	0.71	4.71
July 8, 2021	300,000	300,000	0.77	4.77
August 18, 2021	150,000	37,500	0.86	4.88
	<b>14,830,000</b>	<b>13,220,000</b>	<b>\$ 0.36</b>	<b>3.51</b>

The fair value of each outstanding share purchase option grant was estimated on September 30, 2016 using the Black-Scholes option pricing model with the following weighted average assumptions:

	<b>September 30, 2016</b>
Risk free interest rate	0.6%
Expected volatility	79%
Expected life (years)	3.8
Expected dividends (yield)	0%
<b>Weighted average fair value per option</b>	<b>\$ 0.32</b>

The total share-based payments for the nine months ended September 30, 2016 was \$498,110 (2015: \$532,021), of which \$66,261 (2015: \$153,847) has been capitalized to Property, plant and equipment and \$431,849 (2015: \$378,174) has been recorded in the statement of comprehensive loss.

**10. RELATED PARTY TRANSACTIONS**

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

<b>For the nine months ended</b>	<b>September 30, 2016</b>	<b>September 30, 2015</b>
Short-term employee salaries and benefits	\$ 1,059,134	\$ 657,470
Share-based payments	141,128	98,544
	<b>\$ 1,200,262</b>	<b>\$ 756,014</b>

**RED EAGLE MINING CORPORATION****Notes to unaudited condensed interim consolidated financial statements***(amounts are in Canadian dollars, unless otherwise stated)***10. RELATED PARTY TRANSACTIONS (CONTINUED)**

The following table provides the total amount of transactions and outstanding balances by the Company with related parties during the nine month periods ended September 30, 2016 and 2015:

<b>Purchases during the nine months ended</b>	<b>September 30, 2016</b>		<b>September 30, 2015</b>	
Rent, salary and related costs recharged from a company controlled by certain directors in common	\$	1,150,000	\$	575,000
Legal fees to Farris, Vaughan, Wills & Murphy LLP (previously Anfield Sujir Kennedy & Durno LLP) in which a director of the Company is a partner	\$	178,904	\$	807,287
Mine development costs by Stracon GyM in which a director of the Company is the CEO and a shareholder	\$	13,192,153	\$	220,230
<b>As at</b>	<b>September 30, 2016</b>		<b>December 31, 2015</b>	
<b>Amounts owed to</b>				
Farris, Vaughan, Wills & Murphy LLP (previously Anfield Sujir Kennedy & Durno LLP) in which a director of the Company is a partner	\$	11,029	\$	332,738
Stracon GyM in which a director of the Company is the CEO and a shareholder	\$	3,596,714	\$	1,071,949
<b>Amounts due from</b>				
A company controlled by certain directors in common for reimbursement of expenses	\$	-	\$	106,109

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

**11. COMMITMENTS AND CONTINGENCIES**

The Company has commitments related to capital expenditures for the development and construction of the San Ramon Gold Mine and Mill and certain operational commitments as at September 30, 2016 as follows:

	<b>Less than 1 year</b>		<b>1 - 5 years</b>		<b>More than 5 years</b>		<b>Total</b>	
Capital	\$	2,135,019	\$	-	\$	-	\$	2,135,019
Operational		4,262,973		6,303,568		2,450,819		13,017,360
	\$	<b>6,397,992</b>	\$	<b>6,303,568</b>	\$	<b>2,450,819</b>	\$	<b>15,152,379</b>

The Company has certain cash payments to meet the terms of the mineral property acquisition agreements as described in note 4.

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

## RED EAGLE MINING CORPORATION

### Notes to unaudited condensed interim consolidated financial statements

(amounts are in Canadian dollars, unless otherwise stated)

#### 12. 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, 2016.

##### 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.

IFRS establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities and the lowest priority to unobservable inputs. The three levels of the fair value hierarchy are as follows:

- Level 1: Unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2: Inputs other than quoted prices that are observable for the asset or liability either directly (i.e., as prices) or indirectly (i.e. derived from prices); and
- Level 3: Inputs that are not based on observable market data.

The Company currently has no financial instruments measured at fair value.

The following table discloses the carrying value of mineral property obligations and long-term debt as at September 30, 2016 and December 31, 2015. The carrying value of mineral property obligations approximates fair value. The fair value of long-term debt is approximately \$85,551,053.

As at	September 30, 2016	December 31, 2015
<i>Level 3</i>		
Mineral property obligations	\$ 2,431,999	\$ 4,797,781
<i>Level 2</i>		
Long-term debt	\$ 80,993,023	\$ 19,580,925

##### b) Financial Risk Management

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. Management has carried out a cash flow assessment and expects to have sufficient cash and cash equivalents to continue operating for the ensuing twelve months.

The Company's capital management objectives include working to ensure that it has sufficient liquidity to fund Company activities that are directly and indirectly related to the advancement of the Santa Rosa Gold Project. 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 or operational delays, the Company may continue to rely upon sources of external financing in future periods until such time as commercial production is achieved. There is no assurance that financing of sufficient amounts or on terms acceptable to the Company will be available.

## RED EAGLE MINING CORPORATION

### Notes to unaudited condensed interim consolidated financial statements

*(amounts are in Canadian dollars, unless otherwise stated)*

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#### 13. SUBSEQUENT EVENTS

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##### a) CB Gold Update

On November 2, 2016, the Company acquired 83,020,237 common shares of CB Gold in exchange for 7,428,126 shares of the Company. The Company currently holds an aggregate of 331,053,614 shares of CB Gold, representing 92% of the issued and outstanding CB Gold shares. The Company acquired the shares for investment purposes only and may acquire additional securities of CB Gold in the future.

##### b) Share purchase options

On October 17, 2016, the Company granted 1,125,000 share purchase options exercisable at a price of \$0.80 per share until October 17, 2021 to employees.