



RED EAGLE MINING CORPORATION
Management's Discussion and Analysis
For the three and six months ended June 30, 2018

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Management's Discussion and Analysis
For the three and six months ended June 30, 2018

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

This management's discussion and analysis ("MD&A") focuses on significant factors that affected Red Eagle Mining Corporation and its subsidiaries ("Red Eagle Mining" or the "Company") during the three and six months ended June 30, 2018, 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, 2018. This MD&A should be read in conjunction with the unaudited condensed interim financial statements of the Company for the three and six months ended June 30, 2018, and the notes thereto, and the audited consolidated financial statements of the Company for the year ended December 31, 2017, which have been prepared in accordance with International Financial Reporting Standards ("IFRS").

All dollar amounts in this MD&A are expressed in thousands of US dollars, unless otherwise indicated.

Additional information related to Red Eagle Mining, including its annual information form, is available on SEDAR at www.sedar.com and on the Company's website at www.redeaglemining.com.

This MD&A is dated as at August 16, 2018.

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 13 of this MD&A.

CORPORATE OVERVIEW

The Company was incorporated under the *Business Corporations Act (British Columbia)* on January 4, 2010. The Company trades on the Toronto Stock Exchange ("TSX") and the Lima Stock Exchange under the symbol "R", and on the OTCQX in the USA under the symbol "RDEM".

The Company is a gold and silver producer that is focused on building shareholder value through acquiring, developing and operating gold and silver projects in Colombia, a jurisdiction with prolific historic production but until recently limited modern exploration. The Company's primary project is the Santa Rosa Gold Project, including the San Ramon Gold Mine and Mill. On April 24, 2018, the Company and Red Eagle Exploration completed an amalgamation, pursuant to which the Company acquired all of the issued and outstanding common shares of Red Eagle Exploration, not already owned by it, and now owns 100% of Red Eagle Exploration, which holds gold and silver exploration projects in Colombia.

QUALIFIED PERSONS

The technical information contained in this MD&A has been reviewed and approved by Gary Hannan, C. Eng., General Manager of the Company's Santa Rosa Gold Project, who is a "Qualified Person" as defined under National Instrument 43-101.

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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 completion of permitting in March 2015 and project financing in August 2015. Construction and commissioning of the mill was completed in Q4 2016, however, development of the underground mine was not complete. Five kilometres of underground development and 16,000 metres of underground infill drilling were completed during 2017. Development and infill drilling facilitated stope mining to recommence in Q4 2017 and the mill to restart on January 2, 2018. Mining rates increased quarter over quarter since Q4 2017, until the mine contractor scaled back operations in June 2018 due to financial constraints, resulting in a temporary suspension of production.

Key 2018 Production Metrics

| Total | | Q1 2018 | Q2 2018 |
|------------------------|----------|----------------|----------------|
| Ore Mined | (tonnes) | 48,616 | 63,224 |
| Ore Processed | (tonnes) | 60,695 | 62,893 |
| Processed Gold Grade | (g/t Au) | 3.2 | 3.0 |
| Gold Produced | (ounces) | 5,727 | 5,579 |
| Recovery | (%) | 93% | 92% |
| Average Per Day | | | |
| Ore Mined | (tonnes) | 540 | 694 |
| Ore Processed | (tonnes) | 682 | 691 |

Mine Development

During Q2 2018, underground development at the mine continued to advance according to plan with 947 meters completed during Q2, for a total of 2,088 meters during the first half of 2018. Development during Q2 2018 was primarily focused on secondary access ramps and advancing attack ramps on levels -125, -150 and -175 metres, measured from surface. The mine currently has 28 active attack ramps with 21 in production and the remaining attack ramps in breasting and backfill.

Stope mining operations continued to ramp up with an average of 778 tonnes per day mined in May and the mine reached approximately 900 tonnes per day in June before the mine contractor scaled back operations due to financial constraints. Prior to the mine contractor scaling back, operations were continuing to improve with June production grading 3.6 g/t Au with recoveries of 95%.

The increased number of attack ramps will allow mining rates to continue to increase to 1,000 tonnes per day once production resumes. Red Eagle Mining expects to be in steady state production by the fourth quarter and forecasts production of 3,500 to 4,000 ounces of gold per month at an average grade of approximately 4 g/t Au.

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COMPANY DEVELOPMENTS AND OUTLOOK (CONTINUED)

Development of the San Ramon Gold Mine and Mill and Outlook (continued)

Delineation Drilling

The mining-stope delineation underground drill program was completed in April 2018 and is expected to resume during Q3 2018. Approximately, 21,688 metres have been drilled to date on ten metre centres in 250 delineation holes. The delineation drilling program continues to return intercepts with grades significantly higher than the reserve grade of 5.2 g/t Au. Underground exploration drilling at the mine continued to intersect high grade mineralization during April 2018, including 0.8 metres at 108.6 grams per tonne gold.

For complete drilling results, refer to the press releases dated February 13, 2018, March 19, 2018, and April 23, 2018.

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 and communication 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

Credit Facility and Forbearance Agreement

On April 1, 2018, the Company and Orion Fund JV Limited ("Orion") and Liberty Metals & Mining Holdings LLC ("LMM" and together with Orion, the "Lenders") entered into a forbearance agreement (the "Forbearance Agreement"), pursuant to which the Lenders deferred the Company's requirement to make the amortization payments that were due on the 1st day of each month starting in April, and the Lenders 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. Refer to the "Liquidity and Capital Resources" section of this MD&A for information about the Company's liquidity position and funding plans.

Amalgamation with Red Eagle Exploration Completed

On April 24, 2018, the Company and Red Eagle Exploration completed the amalgamation previously announced pursuant to which the Company acquired the non-controlling interests in Red Eagle Exploration.

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"). Pursuant to the transaction, the Company acquired an aggregate of 91,892,516 common shares of Red Eagle Exploration through the issuance of 45,946,281 common shares of the Company.

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COMPANY DEVELOPMENTS AND OUTLOOK (CONTINUED)

Amalgamation with Red Eagle Exploration Completed (continued)

Prior to the transaction the Company owned 297,948,252 Red Eagle Exploration Shares, representing 76.43% of the issued and outstanding Shares. As a result of the acquisition, the Company now owns 100% of the issued and outstanding shares of Red Eagle Exploration. All Red Eagle Exploration's stock options and warrants outstanding at April 24, 2018, were assumed by the Company and adjusted according to the Exchange Ratio.

The combination of the Company and Red Eagle Exploration will create a strong exploration, development and operating company with four 100% owned high grade gold and silver projects in Colombia. The combined company will continue operating the producing Santa Rosa Gold Project and will be able to progress the Vetas Gold, California Gold and Santa Ana Silver Properties.

Mineral Property Acquisition

On June 18, 2018, the Company closed 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.

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 of 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.

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 in the 2014 feasibility study.

MINERAL PROPERTIES AND EXPLORATION AND EVALUATION ASSETS

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 remainder of the project is subject to a 0%, 1.5% or 2% NSR royalty depending on the concession.

The Company also owns the 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 audited consolidated financial statements and MD&A for the year ended December 31, 2017 as well as the Company's Annual Information Form.

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RESULTS OF OPERATIONS

THREE MONTHS ENDED JUNE 30, 2018 COMPARED TO THREE MONTHS ENDED JUNE 30, 2017

The Company recorded a net loss of \$72,915, which included a non-cash impairment charge of \$69,243, for the three months ended June 30, 2018 compared to a loss of \$4,339 for the three months ended June 30, 2017.

Following is an analysis of the significant items and variances between the three months ended June 30, 2018 and June 30, 2017:

| For the three months ended | June 30, 2018 | June 30, 2017 | |
|-----------------------------------|----------------------|----------------------|---|
| Impairment charge | 69,243 | - | As at June 30, 2018, the Company recorded a non-cash impairment charge to recognize Property, Plant and Equipment of the San Ramon Mill and Mine at its estimated recoverable amount. |
| Mine site expenses | 1,502 | 1,348 | Support costs increased due to a higher level of activity at the mine compared to the same quarter of last year. |
| Salaries and benefits | 1,197 | 863 | Increase primarily related to higher employee salaries and benefits, as the Company attempted to ramp up operations, as well as various recruitment and termination fees |
| Mineral property exploration cost | 529 | 916 | Decrease due to the Company's effort to streamline its exploration activities and reduce costs |
| Office and administration | 422 | 466 | Decrease mainly due to costs efficiencies as a result of the amalgamation with Red Eagle Exploration. |
| Professional fees | 260 | 117 | Increase due to an increase in legal and consulting fees attributed to corporate initiatives, including the renegotiation of the Amended Credit Facility. |
| Interest and other expense | 86 | 790 | Decrease primarily due to interest and penalties charged in the prior period on outstanding amounts payable in Colombia, which were then substantially settled. |
| Foreign exchange gain | (408) | (245) | The increase is primarily due to the significant weakening of the Colombian Peso against the USD on Colombian Peso denominated accounts payable. |

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RESULTS OF OPERATIONS (CONTINUED)

SIX MONTHS ENDED JUNE 30, 2018 COMPARED TO SIX MONTHS ENDED JUNE 30, 2017

The Company recorded a loss of \$77,115, which included a non-cash impairment charge of \$69,243, for the six months ended June 30, 2018 compared to a loss of \$6,930 for the six months ended June 30, 2017.

Following is an analysis of the significant items and variances between the six months ended June 30, 2018 and June 30, 2017:

| For the six months ended | June 30, 2018 | June 30, 2017 | |
|-----------------------------------|----------------------|----------------------|---|
| Impairment charge | 69,243 | - | As at June 30, 2018, the Company recorded a non-cash impairment charge to recognize Property, Plant and Equipment of the San Ramon Mill and Mine at its estimated recoverable amount. |
| Mine site expenses | 2,912 | 1,348 | The increase is primarily related to expensing these costs for the six months ended June 30, 2018 compared with only three months in the prior period as these support costs were capitalized during the first quarter of 2017, as the processing plant was under construction. |
| Salaries and benefits | 1,681 | 1,723 | Decrease primarily due to lower non-cash share-based payment expense due to the timing of stock option grants. |
| Mineral property exploration cost | 1,066 | 1,470 | Decrease due to the Company's effort to streamline its exploration activities and reduce costs |
| Office and administration | 862 | 1,164 | Decrease due to a reduction in corporate office and administration expenses as a result of cost reduction initiatives as well as lower non-cash share-based payment expense |
| Professional fees | 571 | 190 | Increase due to higher legal and consulting fees attributed to corporate initiatives, including renegotiation of the Amended Credit Facility. |
| Interest and other expense | 82 | 878 | Decrease primarily due to interest and penalties charged in the prior period on outstanding amounts payable in Colombia, which were then substantially settled. |
| Foreign exchange loss (gain) | 504 | (23) | The loss during the six month period relates to the strengthening of the COL against the USD on Colombian Peso denominated accounts payable, as well as the impact on the USD-denominated Credit Facility of the strengthening of the USD against the Canadian dollar. |

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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 the Company, which are prepared in accordance with IFRS.

| | For the three months ended June 30, 2018 | For the three months ended March 31, 2018 | For the three months ended December 31, 2017 | For the three months ended September 30, 2017 |
|---|---|--|---|--|
| Interest and other expense (income) | 86 | (4) | (25) | 249 |
| Net loss attributable to equity holders | 72,889 | 4,073 | 3,695 | 4,888 |
| Basic and diluted loss per share | 0.17 | 0.01 | 0.01 | 0.02 |

| | 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 | 436 |
| Basic and diluted loss per share | 0.02 | 0.01 | 0.02 | 0.00 |

The analysis provided in the Results of Operations section above provides information regarding the significant items and variances of results during the three months ended June 30, 2018 and June 30, 2017. Net loss attributable to equity holders for the three-month period ended June 30, 2018, includes a non-cash impairment charge of \$69,243. Due to the nature of operations, there is no significant seasonality in the business.

During the three-month period ended December 31, 2016, the net loss attributable to equity holders increased compared to the three-month period ended September 30, 2016, due to a non-cash foreign exchange loss as a result of the weakening of the CAD against the USD during Q4 2016 impacting the USD denominated long-term debt. A higher share-based payment expense from the grant of share purchase options and restricted and deferred share units to officers and directors also contributed to the increase in the loss.

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

For the three-month periods ended June 30, 2017, September 30, 2017, and December 31, 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 charged directly to the consolidated statements of comprehensive loss, rather than being capitalized previously.

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LIQUIDITY AND CAPITAL RESOURCES

| As at | June 30, 2018 | December 31, 2017 | December 31, 2016 |
|------------------------------|----------------------|--------------------------|--------------------------|
| Working capital (deficiency) | (99,770) | (18,661) | (25,674) |
| Total assets | 115,215 | 165,321 | 122,020 |
| Total liabilities | 114,219 | 89,595 | 84,591 |
| Share capital | 125,343 | 114,910 | 81,504 |
| Deficit | 142,749 | 61,430 | 47,736 |

As at June 30, 2018, the Company had a working capital deficiency of \$99,770 (December 31, 2017: \$18,661) including \$83,634 of long term debt, \$28,551 of accounts payable and accrued liabilities, and \$239 of cash and cash equivalents (December 31, 2017: \$1,776), as the Company has incurred costs to complete the construction, commissioning, and development 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. In January 2018, the Company restarted the mill and it operated consistently up to the end of June when the mine contractor scaled back operations due to financial constraints. Prior to the mine contractor scaling back, mining rates were increasing quarter over quarter since the 4th quarter of 2017. The Company expects to be in steady state production by the fourth quarter, and forecasts production of 3,500 to 4,000 ounces of gold per month at an average grade of approximately 4 g/t Au.

Under the terms of the US \$60,000 amended credit facility, principal repayments were due to start on April 1, 2018, in equal monthly amortization amounts of \$1,600 with a maturity date of April 1, 2019, at which time all remaining outstanding amounts were due. 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 monthly amortization payments, 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 relies on debt and 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, the use of proceeds from the credit facility, and pre-production revenue from gold and silver sales. 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 credit facility. The nature and significance of these conditions, along with the working capital deficiency and the requirement to satisfy the current portion of long-term debt outstanding, cast significant doubt about the appropriateness of the going concern assumption.

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OUTSTANDING SHARE DATA

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.

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, 2018, the Company had 443,418,075 common shares issued and outstanding (December 31, 2017: 390,920,264). As at the date of this MD&A, the Company had 443,418,075 common shares issued and outstanding.

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

As at the date of this MD&A, the Company had 139,168,504 warrants, 25,682,500 share purchase options, 1,500,000 deferred share units, and 550,000 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, 2018 | June 30, 2017 |
|---------------------------------|----------------------|----------------------|
| Employee salaries and benefits | \$ 883 | \$ 418 |
| Share-based payments | 128 | 791 |
| Directors fees | 68 | 124 |
| | <u>\$ 1,079</u> | <u>\$ 1,333</u> |

The following table provides the total amount of transactions entered into by the Company with related parties during the six-month period 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.

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CHANGES IN ACCOUNTING POLICIES INCLUDING INITIAL ADOPTION

The unaudited condensed interim consolidated financial statements follow the same accounting policies and methods of application as the most recent annual financial statements, except for those policies disclosed in Note 2 to the unaudited condensed interim consolidated financial statements for the three months ended March 31, 2018.

Effective January 1, 2018, the Company adopted new IFRS pronouncements – IFRS 9 – Financial Instruments ("IFRS 9") Financial instruments and IFRS 15 – Revenue from Contracts with Customers ("IFRS 15"). The effect of adoption of these new pronouncements is outlined in the Management's Discussion and Analysis for the three months ended March 31, 2018, and also in note 15 to the unaudited condensed interim consolidated financial statements for the three and six months ended June 30, 2018.

Standards and interpretations issued but not yet effective

The following new standard, and its amendments and interpretations, were not yet effective as of June 30, 2018, and have not been applied in preparing the unaudited condensed interim consolidated financial statements for the three and six months ended June 30, 2018.

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

There has been no change in designation of financial instruments or nature of risks during the six months ended June 30, 2018. The Company's financial instruments consist of cash and cash equivalents, 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 operations 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.

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.

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 having sufficient liquidity to fund its activities, 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. There is no assurance that financing of sufficient amounts or on terms acceptable to the Company will be available - Refer to the "Liquidity and Capital Resources" section of this MD&A and Note 1 of the unaudited condensed interim consolidated financial statements.

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CAPITAL COMMITMENTS AND OFF BALANCE SHEET ARRANGEMENTS

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.

There are no other capital commitments, nor are there any off-balance sheet arrangements.

RISKS AND UNCERTAINTIES

The Company is in the business of 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, 2017 available on SEDAR at www.sedar.com.

INTERNAL CONTROL OVER FINANCIAL REPORTING AND DISCLOSURE CONTROLS AND PROCEDURES

The Company's management, with the participation of the Chief Executive Officer and the Chief Financial Officer, engaged external consultants to evaluate the effectiveness of the Company's disclosure controls and procedures and internal control over financial reporting as at December 31, 2017. Based on this evaluation, management concluded that these disclosure and internal controls and procedures over financial reporting were effective.

As of the date of this report, management is not aware of any change in the Company's internal control over financial reporting that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

It should be noted that all internal control systems, no matter how well designed, have inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation.

APPROVAL

The Board of Directors has approved the disclosure contained in this MD&A on August 16, 2018. A copy of this MD&A is filed on SEDAR.

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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, that address events, results, outcomes or developments that the Company reasonably expects to incur, are 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", "targeted", "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.

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.

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 assumptions, risks and uncertainties referenced in the Company's Annual Information Form and 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, or they may 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.

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;
- the key assumptions used in determining the estimated recoverable amount of the San Ramon Gold Mine and Mill, including but not limited to, long-term commodity prices, discount rates, remaining life of mine, future capital and operating requirements and costs, and operating performance;
- 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;

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FORWARD-LOOKING INFORMATION (CONTINUED)

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

- other factors referenced under “Risks and Uncertainties”; and
- other risks normally incident to the acquisition, exploration, development and operation of mining properties.

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.