



July 11, 2017

Dear Fellow Shareholder,

We've come a long way together since drilling the first hole in San Ramon in September 2011. Through the various drill campaigns, engineering studies and permitting processes we are proud to have always done what we said we were going to do and to have met each promised deadline. Over the last 18 months our team has built a world class modern processing facility capable of processing 1,200 tonnes per day with up to 70,000 ounces of gold annually.

However, underground gold vein mines are notoriously challenging during the initial ramp up to full production, no matter how much planning and studies are done and how many expert consultants and contractors are engaged. Unfortunately, over the last few months we've encountered geotechnical issues with ground stability within the shear zone which hosts the gold mineralization. The issue was addressed by changing the mining method from shrinkage to cut & fill as outlined in our April 10, 2017 news release and by testing paste backfill as outlined in our May 16, 2017 news release. The changes to cut & fill and paste backfill have successfully resolved the ground stability issue and are being implemented.

A tough decision was made at the end of June 2017 to divert production crews to underground mine development while the add-on paste backfill plant is being constructed. While difficult, this is ultimately the right decision for all stakeholders: gold will be extracted much more efficiently in a few months, after the backfill plant has been built. While constructing the add-on plant is routine and capital is estimated at \$3 million, the primary issue is the lack of revenue from gold sales during the approximate three-month construction period. Additional financing for a project at this stage is always going to be done at a significant discount. A private placement with our largest shareholders could have been pursued, however, we felt strongly that the right path was to offer those same terms to all shareholders through a rights offering.

As we have the support of our major shareholders, the rights offering is set up to successfully complete and we will get through this short-term challenge. Red Eagle Mining's officers and directors also intend to participate. Instructions on how to exercise your rights are posted on Red Eagle Mining's website and have been mailed to each shareholder. In the great majority of cases, it will be as simple as instructing your bank or broker, similar to exercising a warrant.

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

Red Eagle Mining also owns 88% of Red Eagle Exploration (TSXV:XR) which in addition to controlling the Vetas district in Santander, Colombia, has recently acquired eight concessions in the neighboring California district. These properties have substantial historical drilling with very high-grade results and are adjacent to the world class La Mascota and La Bodega deposits previously owned by Ventana Gold.

At the C \$0.35 per unit rights offering price, Red Eagle Mining has a \$90 million market capitalization. Red Eagle Mining owns (i) a new \$65 million processing facility, (ii) the San Ramon gold mine with an eight-year mine life (open to expansion to the east and at depth) and four kilometres of underground development, (iv) recent satellite discoveries on the 100% owned 100 square kilometer Santa Rosa Gold Project and (iv) 88% of XR with an allocated market capitalization of \$45 million.

On behalf of the entire board and executive team, we are thankful for the continued support and patience of all stakeholders in Red Eagle Mining, but especially our fellow shareholders as we transition to production.



Ian Slater  
Chief Executive Officer

