



RED EAGLE EXPLORATION LIMITED

Unaudited condensed interim consolidated financial statements

For the three and six months ended June 30, 2017

NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS

Under National Instrument 51-102, Part 4, subsection 4.3(3) (a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor. The Company's independent auditor has not performed a review of these financial statements in accordance with standards established by the Canadian Institute of Chartered Professional Accountants for a review of interim financial statements by an entity's auditor.

RED EAGLE EXPLORATION LIMITED
Consolidated statements of financial position
(thousands of US dollars)

As at	Note	June 30, 2017	December 31, 2016 (note 2)	January 1, 2016 (note 2)
ASSETS				
Current assets				
Cash and cash equivalents		\$ 143	\$ 1,545	\$ 6
Amounts receivable		57	3	36
Deposits and prepaid expenses		388	35	9
		<u>588</u>	<u>1,583</u>	<u>51</u>
Non-current assets				
Mineral properties	3	16,789	15,712	14,178
Property, plant and equipment		32	39	60
Other assets		56	65	60
		<u>16,877</u>	<u>15,816</u>	<u>14,298</u>
Total assets		\$ <u>17,465</u>	\$ <u>17,399</u>	\$ <u>14,349</u>
LIABILITIES				
Current liabilities				
Accounts payable and accrued liabilities	4	\$ 404	\$ 1,204	\$ 2,680
		<u>404</u>	<u>1,204</u>	<u>2,680</u>
Non-current liabilities				
Reclamation provision	5	276	270	254
Total liabilities		<u>680</u>	<u>1,474</u>	<u>2,934</u>
SHAREHOLDERS' EQUITY				
Share capital		72,708	71,391	65,847
Contributed surplus		11,648	10,478	9,973
Accumulated other comprehensive loss		(2,385)	(2,630)	(4,505)
Deficit		(65,186)	(63,314)	(59,900)
Total shareholders' equity		<u>16,785</u>	<u>15,925</u>	<u>11,415</u>
Total liabilities and shareholders' equity		\$ <u>17,465</u>	\$ <u>17,399</u>	\$ <u>14,349</u>

On behalf of the Board of Directors:

(signed) "Robert Bell"
Director

(signed) "Ian Slater"
Director

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

RED EAGLE EXPLORATION LIMITED
Consolidated statements of loss and comprehensive loss
(thousands of US dollars)

	Note	Three Months Ended		Six Months Ended	
		June 30, 2017	June 30, 2016 (note 2)	June 30, 2017	June 30, 2016 (note 2)
Expenses					
Share-based payments	6c	\$ 527	\$ -	\$ 825	\$ -
Exploration costs	3	491	256	822	503
Office and administration		66	220	170	423
Professional fees		51	15	54	47
		<u>1,135</u>	<u>491</u>	<u>1,871</u>	<u>973</u>
Other expenses					
Foreign exchange (gain) loss		(21)	43	(7)	153
Interest and other expense		4	5	8	11
Net loss		<u>\$ 1,118</u>	<u>\$ 539</u>	<u>\$ 1,872</u>	<u>\$ 1,137</u>
Other comprehensive (gain)					
Foreign currency translation difference for foreign operations		(182)	(1,373)	(245)	(2,370)
Total comprehensive loss (gain) for the period		<u>\$ 936</u>	<u>\$ (834)</u>	<u>\$ 1,627</u>	<u>\$ (1,233)</u>
Basic and diluted loss per share		\$ 0.00	\$ 0.00	\$ 0.01	\$ 0.00
Weighted average number of common shares outstanding		368,220,926	340,598,368	364,732,148	320,016,750

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

RED EAGLE EXPLORATION LIMITED

Consolidated statements of changes in equity

(thousands of US dollars)

	Number of shares	Share capital	Contributed Surplus	Accumulated other comprehensive loss	Deficit	Total
Balance as at December 31, 2015	210,852,007	\$ 65,847	\$ 9,973	\$ (4,505)	\$ (59,900)	\$ 11,415
Total comprehensive (loss) gain	-	-	-	2,370	(1,137)	1,233
Shares issued, net of share issue costs	140,871,636	4,916	-	-	-	4,916
Share-based payments	-	-	(696)	-	-	(696)
Balance as at June 30, 2016	351,723,643	\$ 70,763	\$ 9,277	\$ (2,135)	\$ (61,037)	\$ 16,868
Balance as at December 31, 2016	359,818,881	\$ 71,391	\$ 10,478	\$ (2,630)	\$ (63,314)	\$ 15,925
Total comprehensive (loss) gain	-	-	-	245	(1,872)	(1,627)
Shares issued, net of share issue costs (note 6b)	14,222,774	1,266	357	-	-	1,623
Warrants exercised (note 6d)	500,000	51	(12)	-	-	39
Share-based payments (note 6c)	-	-	825	-	-	825
Balance as at June 30, 2017	374,541,655	\$ 72,708	\$ 11,648	\$ (2,385)	\$ (65,186)	\$ 16,785

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

RED EAGLE EXPLORATION LIMITED
Consolidated statements of cash flows
(thousands of US dollars)

	Note	Three Months Ended		Six Months Ended	
		June 30, 2017	June 30, 2016 (note 2)	June 30, 2017	June 30, 2016 (note 2)
OPERATING ACTIVITIES					
Net loss		\$ (1,118)	\$ (539)	\$ (1,872)	\$ (1,137)
<i>Adjustments for items not affecting cash:</i>					
Share-based payments	6c	527	-	825	-
Depreciation and accretion expense		9	9	22	20
Unrealized foreign exchange (gain) loss and other items		31	46	(5)	116
		<u>(551)</u>	<u>(484)</u>	<u>(1,030)</u>	<u>(1,001)</u>
<i>Net changes in non-cash working capital items:</i>					
Amounts receivable		(29)	(12)	(54)	25
Deposits and prepaid expenses		(385)	(90)	(353)	(91)
Accounts payable and accrued liabilities		183	(87)	213	(14)
Net cash outflows from operating activities		<u>(782)</u>	<u>(673)</u>	<u>(1,224)</u>	<u>(1,081)</u>
FINANCING ACTIVITIES					
Issuance of common shares, net of share issue costs	6b	706	1,415	706	4,486
Proceeds from warrants exercised		-	-	39	-
Net cash inflows from financing activities		<u>706</u>	<u>1,415</u>	<u>745</u>	<u>4,486</u>
INVESTING ACTIVITIES					
Settlement Vetas Gold mineral property obligations	3b	-	-	(500)	(506)
Acquisition of California Gold mineral properties	3a	-	-	(451)	-
Purchase of equipment		-	-	(6)	(1)
Net cash outflows from investing activities		<u>-</u>	<u>-</u>	<u>(957)</u>	<u>(507)</u>
Net foreign exchange differences		<u>(23)</u>	<u>(84)</u>	<u>34</u>	<u>(136)</u>
Net (decrease) increase in cash and cash equivalents		<u>(99)</u>	<u>658</u>	<u>(1,402)</u>	<u>2,762</u>
Cash and cash equivalents, beginning of the period		242	2,110	1,545	6
Cash and cash equivalents, end of the period		<u>\$ 143</u>	<u>\$ 2,768</u>	<u>\$ 143</u>	<u>\$ 2,768</u>

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

RED EAGLE EXPLORATION LIMITED

Notes to the unaudited condensed interim consolidated financial statements

(thousands of US dollars, unless otherwise stated)

1. NATURE OF OPERATIONS

Red Eagle Exploration Limited (“Red Eagle Exploration” or the “Company”) was incorporated under the *Business Corporations Act* in British Columbia, Canada on May 11, 2009. The Company changed its name from CB Gold Inc. to Red Eagle Exploration Limited on March 6, 2017. The address and domicile of the Company’s registered office is Suite 2348 – 666 Burrard Street, Vancouver, BC, Canada, V6C 2X8.

The Company is primarily engaged in the exploration, development and permitting of mineral properties. The Company is considered to be in the exploration 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 exploration and evaluation assets is dependent on the existence of economically recoverable reserves, obtaining and maintaining the necessary permits to operate a mine, obtaining the financing to complete development and future profitable production.

These unaudited condensed interim consolidated financial statements have been prepared on a going concern basis which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. The Company’s operations to date have been financed by issuing common shares. The continuing operations of the Company are dependent upon its ability to continue to raise adequate financing. In the event of operational delays, cost overruns, or decreases in gold or silver prices, there is no guarantee that the Company will be able to continue to secure additional financings in the future at terms that are favourable. If the going concern assumptions were not appropriate for these consolidated financial statements, then adjustments would be necessary in the carrying value of assets and liabilities, the reported expenses and the consolidated statements of financial position.

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, 2016, which have been prepared in accordance with IFRS.

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

The unaudited condensed interim consolidated financial statements of the Company for the three and six months ended June 30, 2017 were authorized for issue by the Board of Directors, on August 10, 2017.

a) Change in functional and presentation currency

Effective January 1, 2017, the Company changed its presentation currency from the Canadian Dollar (“CAD”) to the United States Dollar (“USD”). The change in presentation currency is to better reflect the Company’s business activities and to improve investors’ ability to compare the Company’s financial results with other publicly traded businesses in the mining industry. In making this change to the USD presentation currency, the Company followed the guidance in IAS 21 *The Effects of Changes in Foreign Exchange Rates* and has applied the change retrospectively as if the new presentation currency had always been the Company’s presentation currency. In accordance with IAS 21, the financial statements for all years and periods presented have been translated to the new USD presentation currency as follows:

- All assets and liabilities have been translated from their functional currency into the new USD presentation currency using the closing current exchange rate at the date of each balance sheet;
- Income and expenses for each statement of comprehensive loss presented have been translated at average exchange rates prevailing during each reporting period;

RED EAGLE EXPLORATION LIMITED

Notes to the unaudited condensed interim consolidated financial statements

(thousands of US dollars, unless otherwise stated)

2. BASIS OF PRESENTATION AND STATEMENT OF COMPLIANCE (CONTINUED)

a) Change in functional and presentation currency (continued)

- Equity balances have been retrospectively translated at historical rates prevailing during the period incurred; and
- All resulting exchange differences have been recognized in other comprehensive income and accumulated as a separate component of equity (cumulative translation adjustment).

In addition to the comparative financial statements, the Company has presented a third statement of financial position as at January 1, 2016 as required by IFRS.

The Company also re-assessed the functional currency of all companies in the group and the functional currencies of all subsidiaries in the group changed to USD effective January 1, 2017. Previously, these subsidiaries had a CAD functional currency. The functional currency of the parent entity (Red Eagle Exploration Limited) remained in CAD. The parent entity is a Canadian company with the majority of cost being incurred in CAD and financings raised in CAD.

3. MINERAL PROPERTIES

Mineral Properties

The following are changes in mineral properties during the six months ended June 30, 2017 and year ended December 31, 2016:

	California	Vetas	Santa Ana	Total
Balance at January 1, 2016	\$ -	\$ 14,178	\$ -	\$ 14,178
Acquisition	-	651	883	1,534
Balance at December 31, 2016	\$ -	\$ 14,829	\$ 883	\$ 15,712
Acquisition	791	69	-	860
Foreign exchange on translation	10	207	-	217
Balance at June 30, 2017	\$ 801	\$ 15,105	\$ 883	\$ 16,789

a) California Gold Project

On February 15, 2017, the Company announced an option to purchase 100% of six exploitation mining concessions from local miners for aggregate consideration of \$5,683,764 in cash and \$7,561,746 which is payable in shares of the Company. Initial payments of \$345,127 and 2,180,985 common shares of the Company were paid upon closing.

On March 15, 2017, the Company announced an option to purchase 100% of two additional exploitation mining concessions for aggregate consideration of \$7,493,250 of which 50% is payable in cash and 50% is payable in shares of the Company. Initial payments of \$62,444 and 520,367 common shares of the Company were paid upon closing.

The balance of the payments for both acquisitions are due over a two-year period subsequent to title transfer. 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.

RED EAGLE EXPLORATION LIMITED**Notes to the unaudited condensed interim consolidated financial statements***(thousands of US dollars, unless otherwise stated)***3. MINERAL PROPERTIES (CONTINUED)****b) Vetas Gold Project**

On February 14, 2017, the Company 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 \$500,000 in cash with respect to the San Bartolo property and issued 116,700 common shares with respect to the San Antonio property.

The Company has now settled all outstanding mineral property obligations.

c) Santa Ana Silver Project

On August 9, 2016, the Company purchased 100% of the Santa Ana Silver Project from Condor Precious Metals Inc. for (i) CAD \$250,000, (ii) 8,095,238 common shares and (iii) a 2% net smelter return royalty. The Company has a right of first refusal on any sale of the royalty and may purchase 1% at any time for CAD \$500,000.

Exploration and Evaluation Costs

The following is a summary of exploration costs by projects for the three months ended June 30, 2017 and 2016:

For the three months ended	June 30, 2017			June 30, 2016	
	Vetas	Santa Ana	Total	Vetas - Total	
Staffing and personnel	\$ 250	\$ -	\$ 250	\$	81
General services	161	-	161		37
Technical and geological consulting	28	-	28		53
Core storage	24	-	24		12
Value-added tax	19	-	19		13
License and permits	4	-	4		61
Environmental	4	-	4		-
Legal and consulting	1	-	1		(1)
Total exploration costs	\$ 491	\$ -	\$ 491	\$	256

The following is a summary of exploration costs by projects for the six months ended June 30, 2017 and 2016:

For the six months ended	June 30, 2017			June 30, 2016	
	Vetas	Santa Ana	Total	Vetas - Total	
Staffing and personnel	\$ 382	\$ -	\$ 382	\$	161
General services	264	24	288		63
Technical and geological consulting	75	-	75		112
Core storage	37	-	37		23
Value-added tax	19	-	19		60
License and permits	16	-	16		84
Environmental	4	-	4		-
Legal and consulting	1	-	1		-
Total exploration costs	\$ 798	\$ 24	\$ 822	\$	503

RED EAGLE EXPLORATION LIMITED

Notes to the unaudited condensed interim consolidated financial statements

(thousands of US dollars, unless otherwise stated)

4. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

As at	June 30, 2017	December 31, 2016	January 1, 2016
Trade payables	\$ 361	\$ 51	\$ 45
Other accrued liabilities	43	141	174
Mineral property obligations	-	1,012	2,461
Total	\$ 404	\$ 1,204	2,680

5. RECLAMATION PROVISION

The Company has provided for future reclamation costs associated with the Vetás Gold Project of approximately \$276,000. 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 June 30, 2017. The reclamation provision has been recorded using a discount rate of approximately 6.8% and an inflation factor of approximately 5.8% as established by a Colombia financial institution.

6. SHARE CAPITAL

a) Authorized share capital

Unlimited number of common shares without par value.

b) Issued during the six months ended June 30, 2017

During the six months ended June 30, 2017, the Company issued 4,550,000 common shares for final settlement of the San Bartolo property, issued 116,700 common shares for final settlement of the San Antonio property, and issued 2,701,352 common shares to meet initial option payments for the California Gold Project.

On June 23, 2017, the Company 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 \$774,953 (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.

RED EAGLE EXPLORATION LIMITED
Notes to the unaudited condensed interim consolidated financial statements
(thousands of US dollars, unless otherwise stated)
6. SHARE CAPITAL (CONTINUED)
c) Share Purchase Options

Information regarding share purchase options outstanding at June 30, 2017 is as follows:

	Number of outstanding	Weighted average exercise price in CAD \$	Weighted average measurement date fair value in CAD \$
Outstanding, January 1, 2016	3,810,000	\$ 0.48	\$ 0.32
Granted	18,975,000	0.16	0.14
Expired	(2,105,000)	0.57	0.36
Outstanding, December 31, 2016	20,680,000	\$ 0.18	\$ 0.15
Granted	5,200,000	0.15	0.12
Expired	(206,250)	0.16	0.14
Forfeited	(618,750)	0.16	0.14
Outstanding, June 30, 2017	25,055,000	\$ 0.17	\$ 0.14

Expiry date	Options outstanding	Options exercisable	Exercise price in CAD \$	Weighted average remaining contractual life (years)
December 14, 2017	635,000	635,000	\$ 0.90	0.5
December 20, 2018	570,000	570,000	0.13	1.5
May 29, 2019	500,000	500,000	0.12	1.9
November 11, 2021	13,850,000	10,425,000	0.16	4.4
November 21, 2021	4,000,000	2,000,000	0.16	4.4
December 16, 2021	300,000	150,000	0.11	4.5
February 21, 2022	200,000	50,000	0.20	4.7
June 26, 2022	5,000,000	4,250,000	0.15	5.0
	25,055,000	18,580,000	\$ 0.17	4.3

The fair value of each outstanding share purchase option grant was estimated using the Black-Scholes option pricing model, for the six months ended June 30, 2017, with the following weighted average assumptions:

	June 30, 2017
Risk free interest rate	1.1%
Expected volatility	139.6%
Expected life (years)	5.0
Expected dividends (yield)	0%
Weighted average fair value per option in CAD \$	\$ 0.12

The share-based payments expense related to share purchase options for the three and six months ended June 30, 2017 was \$527,000 (2016: nil) and \$825,000 (2016: nil), respectively, recorded in the consolidated statements of comprehensive loss.

RED EAGLE EXPLORATION LIMITED**Notes to the unaudited condensed interim consolidated financial statements***(thousands of US dollars, unless otherwise stated)***6. SHARE CAPITAL (CONTINUED)****d) Warrants**

Information regarding warrants outstanding at June 30, 2017 is as follows:

	Number of outstanding	Weighted average exercise price in CAD \$
Outstanding, January 1, 2016	-	\$ -
Issued	25,310,000	0.10
Outstanding, December 31, 2016	25,310,000	\$ 0.10
Issued (note 6b)	6,854,722	0.25
Exercised	(500,000)	0.10
Outstanding, June 30, 2017	31,664,722	\$ 0.13

Expiry date	Warrants outstanding	Weighted average exercise price in CAD \$	Weighted average remaining contractual life (years)
May 11, 2021	24,810,000	\$ 0.10	3.9
June 23, 2022	6,854,722	0.25	5.0
	31,664,722	\$ 0.13	4.1

The 24,810,000 outstanding warrants are callable by the Company, of which 16,933,333 warrants are held by Red Eagle Mining.

RED EAGLE EXPLORATION LIMITED**Notes to the unaudited condensed interim consolidated financial statements***(thousands of US dollars, unless otherwise stated)***7. RELATED PARTY TRANSACTIONS**

Key management, directors, and officers' compensation included in office and administration expenses is as follows:

For the six months ended	June 30, 2017		June 30, 2016	
Share-based payments	\$	382	\$	-
Director fees		47		41
	\$	429	\$	41

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:				
Rent, salary and related costs recharged from a company controlled by directors, Robert Bell and Ian Slater, and former director, Tim Petterson	\$	79	\$	225
Service fee from Red Eagle Mining Corporation	\$	(76)	\$	101
Settlement of property obligations (by Red Eagle Mining Corporation on behalf of the Company)	\$	-	\$	1,246
Legal fees to Farris, Vaughan, Wills & Murphy LLP in which a former director, Jay Sujir, is a partner	\$	1	\$	55
As at				
Amounts receivable:				
Reimbursement from Red Eagle Mining Corporation	\$	29	\$	-

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

RED EAGLE EXPLORATION LIMITED

Notes to the unaudited condensed interim consolidated financial statements

(thousands of US dollars, unless otherwise stated)

8. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

The Company has designated its cash and cash equivalents and amounts receivables as loans and receivables and accounts payable and accrued liabilities as other financial liabilities. There has been no change to the designations of financial instruments during the six months ended June 30, 2017.

a) Fair value

Management assessed that the fair values of cash and cash equivalents, amounts receivable, and accounts payable and accrued liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments. The Company currently has no financial instruments measured at fair value.

b) Financial risk management

Liquidity Risk

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 will 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.