



RED EAGLE EXPLORATION LIMITED

Management's Discussion and Analysis

For the three and nine months ended September 30, 2017

RED EAGLE EXPLORATION LIMITED
Management's Discussion and Analysis
For the three and nine months ended September 30, 2017

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

Effective January 1, 2017, the presentation currency of the Company was changed from the Canadian dollar to the US dollar. As a result, all dollar amounts in this MD&A are expressed in the US dollar, unless otherwise indicated. This was done 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. Please refer to note 2a) of the unaudited condensed interim consolidated financial statements for the three and nine months ended September 30, 2017.

Additional information related to Red Eagle Exploration is available on SEDAR at www.sedar.com and on the Company's website at <http://www.redeaglex.com>.

This MD&A contains information up to and including October 30, 2017.

FORWARD-LOOKING INFORMATION

Certain statements in this report that are not historical facts are forward-looking statements involving known and unknown risks and uncertainties, which could cause actual results to vary considerably from these statements. Readers are cautioned not to put undue reliance on forward-looking statements. For more information on forward-looking information, please refer to page 18 of this MD&A.

CORPORATE OVERVIEW

The Company was incorporated under the *Business Corporations Act (British Columbia)* on May 11, 2009. The Company changed its name from CB Gold Inc. to Red Eagle Exploration Limited on March 6, 2017. The Company is listed on the TSX Venture Exchange under the symbol "XR" and on the OTCQB market under the symbol "XRELF."

The Company is a gold and silver company that is focused on building shareholder value through acquiring and developing gold and silver projects with low costs and low technical risks in Colombia, a jurisdiction with prolific historic production but until recently limited modern exploration. The Company is primarily engaged in the development of the California Gold Project, Vetás Gold Project, and Santa Ana Silver Project.

QUALIFIED PERSONS

The scientific and technical information contained in this MD&A has been reviewed and approved by Red Eagle Exploration's Vice President of Exploration, David G. Thomas, P.Ge., who is a "Qualified Person" as defined under National Instrument 43-101.

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COMPANY DEVELOPMENTS AND OUTLOOK

Mineral Property Developments

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.

In October 2017, the Company agreed to amend the terms of the California option agreements previously announced on February 15, 2017. Pursuant to the amendment, the Company will issue additional consideration to the landowners consisting of 1,907,117 common shares of the Company.

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.

On June 28, 2017, the Company reported the results of underground rock chip panel samples collected on the Machuca zone within the California Gold Project. For details, refer to the Mineral Property section below.

On September 26, 2017, the Company announced new high-grade discoveries on the Los Andes zone within the California Gold Project. For details, refer to the Mineral Property section below.

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, the Company 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.

Financing Update

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.

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

Appointment of Vice President Exploration and New Directors

In April 2017, Leo Hathaway and Ben Pullinger were appointed to the board of directors. Red Eagle Mining nominees Tim Petterson and Jay Sujir resigned from the board of Red Eagle Exploration, though they remain directors of Red Eagle Mining. The board of directors of Red Eagle Exploration now consists of Red Eagle Mining nominees Ian Slater and Bob Bell and independent directors Leo Hathaway and Ben Pullinger. Additionally, in June 2017, the Company appointed David Thomas as Vice President Exploration.

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COMPANY DEVELOPMENTS AND OUTLOOK (CONTINUED)

Outlook

The Company's overall strategy is to advance the California Gold, Vetas Gold and Santa Ana Silver Projects toward economic feasibility by the delineation of high-grade vein resources exploitable by underground mining methods, although there is no guarantee that economic feasibility will be achieved. This work initially involved compiling existing data, detailed underground mapping of existing mine workings, detailed underground channel sampling, and developing a new geologic and resource model. The 2018 work program also includes drifting, bulk sampling and underground diamond drilling.

MINERAL PROPERTIES

The Company owns a 100% interest in each of the California Gold, Vetas Gold, and Santa Ana Silver Projects located in Colombia. All direct costs relating to the acquisition of mineral property interests are capitalized. Further information on the mineral properties can be found in the Company's unaudited condensed interim consolidated financial statements for the three and nine months ended September 30, 2017 and audited consolidated financial statements for the year ended December 31, 2016.

California Gold Project

The California Gold Project comprises eight properties over 250 hectares within the prolific California-Vetas Gold District, which also contains the multi-million ounce La Bodega and Angostura gold deposits. The property is located approximately 55 kilometres northeast of Bucaramanga, which is the capital of the Department of Santander in Colombia. Elevation ranges from 2,400 to 2,700 metres above sea level, far below the Paramo boundaries.

The gold-silver-copper mineralization in the California Gold Project is part of the same, large mineralizing system localized along a regional northeast-trending fault zone that also hosts the adjacent La Bodega deposit. Mineralization occurs in northeast, northwest and east-west striking, generally steeply northdipping faulted structures containing high grade veins up to two metres in width. Vein mineralogy includes pyrite, chalcopyrite and sphalerite.

The California Gold Project is located approximately ten kilometres from the Company's Vetas Gold Project, potentially resulting in operational synergies including processing at a central mill.

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MINERAL PROPERTIES (CONTINUED)

California Gold Project (continued)

The El Sinu zone was previously drill-tested by Calvista Gold during 2012 and included intercepts:

- DDH-31 – 1.5m at 12.29 g/t Au and 1.5m at 10.36 g/t Au
- DDH-34 – 3.0m at 12.08 g/t Au
- DDH-35 – 7.6m at 9.85 g/t Au
- DDH-36 – 13.7m at 5.93 g/t Au
- DDH-37 – 1.5m at 10.58 g/t Au

On June 28, 2017, the Company reported the results of underground rock chip panel samples collected on the Machuca zone (Refer to Press Release dated June 28, 2017). The Machuca zone is located approximately 300 metres south of the Pie De Gallo zone which hosts an Indicated mineral resource of 2.4 Mt grading 5.5 g/t Au containing 425,000 ounces gold and an Inferred mineral resource of 3.85 Mt grading 5.4 g/t Au containing 670,000 ounces gold¹ and 850 metres southwest of the La Mascota zone which hosts an Inferred mineral resource of 18.7 Mt grading 4 g/t Au containing 2.4 million ounces of gold.²

Current underground rock chip samples were collected in panels 15-20 centimetres wide over intervals determined by styles of mineralization (vein or silicified wall-rock breccia). Samples were collected from the vein material in the back of the underground drift with footwall and hangingwall samples collected on either side of the vein wherever possible.

Sampling encountered a higher grade mineralized zone with a total strike length of approximately 45 metres which is open in all directions. The total width of the mineralized zone is not known since the width is limited to the width of the drift (approximately two metres).

The average width of the vein is 0.3 metres with length-weighted average grades of 32.19 g/t Au and 185.1 g/t Ag.

Elevated gold grades are present within the wall-rocks to the vein. In one location, a sub-level exposes a six metre horizontal width of mineralization within the footwall of the vein with a length-weighted average grade of 3.85 g/t Au and 78.4 g/t Ag. The length-weighted average grades of the wall rock within the higher grade zone are 5.8 g/t Au and 227.5 g/t Ag. Assuming a two metre width, the average composite grades are 9.8 g/t Au and 221.1 g/t Ag.

¹ NI 43-101 Technical Report "Resources California Gold-Silver Project" dated October 25, 2012 available under Galway Resources Ltd.'s SEDAR profile.

² NI 43-101 Technical Report "Preliminary Assessment La Bodega Project" dated November 8, 2010 available under Ventana Gold Corp.'s SEDAR profile.

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MINERAL PROPERTIES (CONTINUED)

California Gold Project (continued)

Sample preparation and analytical work was performed by ActLabs of Medellin, Colombia a certified commercial laboratory. During sampling, quality control standards, field duplicates and blanks were inserted in to the sample batches to monitor laboratory performance; all consistent with industry best practice. Rock chip samples have undergone sample preparation consisting of crushing to 80% passing 10 mesh, and pulverization to 85% passing 200 mesh. Gold analyses are conducted via Fire Assay Fusion with AA finish, and gravimetric analyses are completed for over-limit (> 5g/t) samples. Silver assays are conducted via Agua Regia digest with an AA finish.

The Machuca zone was previously drill-tested by Galway Resources during 2012. These results were incorporated in a Technical Report³ and included intercepts:

- GWY165 – 1.0m at 14.5 g/t Au and 1.6m at 23.5 g/t Au
- GWY170 – 1.0m at 18.9 g/t Au
- GWY173 – 3.5m at 11.5 g/t Au
- GWY175 – 1.0m at 29.0 g/t Au
- GWY176 – 1.0m at 27.6 g/t Au
- GWY178 – 1.0m at 11.9 g/t Au
- GWY180 – 1.0m at 47.2 g/t Au
- GWY182 – 1.8m at 33.4 g/t Au
- GWY191 – 1.5m at 13.0 g/t Au
- GWY199 – 19.0m at 18.9 g/t Au
- GWY208 – 1.0m at 25.6 g/t Au
- GWY211 – 1.0m at 14.5 g/t Au and 1.0m at 10.8 g/t Au
- GWY213 – 2.0m at 26.4 g/t Au and 1.0m at 15.0 g/t Au and 1.0m at 17.9 g/t Au
- GWY216 – 2.3m at 14.3 g/t Au
- GWY217 – 2.0m at 18.4 g/t Au
- GWY219 – 1.0m at 15.1 g/t Au
- GWY220 – 1.0m at 117.0 g/t Au
- GWY223 – 1.0m at 17.3 g/t Au and 1.0m at 22.9 g/t Au and 2.0m at 19.9 g/t Au
- GWY227 – 1.0m at 11.1 g/t Au
- GWY229 – 2.0m at 22.8 g/t Au
- GWY230 – 2.0m at 11.3 g/t Au
- GWY231 – 1.0m at 120.0 g/t Au and 1.0m at 66.7 g/t Au
- GWY235 – 1.75m at 26.3 g/t Au
- GWY239 – 1.0m at 22.4 g/t Au

The intercept depths and true thicknesses of the historical drill holes are unknown at this time and not all mineralized intercepts may be within the Company's properties due to the length and orientation of the drill holes.

³ NI 43-101 Technical Report "Resources California Gold-Silver Project" dated October 25, 2012 available under Galway Resources Ltd.'s SEDAR profile.

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MINERAL PROPERTIES (CONTINUED)

California Gold Project (continued)

On September 26, 2017, the Company announced new high-grade gold and silver discoveries at the Los Andes Zone of the California Gold Project in Santander, Colombia (refer to press release dated September 26, 2017)

- Prospecting and sampling has identified three new exploration targets;
- Vein samples averaged 25.32 g/t Aueq over 0.39 meters at Mina Los Andes and 8.37 g/t Au, 1,081 g/t Ag (22.38 g/t Aueq) and 0.88% Cu over 0.85 meters at Los Andes Sur;
- Mineralization continues into the wallrock;
- Only tested with a single drill hole historically; and
- Located 450 metres southeast of Mubadala's Soto Norte Project's Pie De Gallo Zone and 700 metres southwest of their La Mascota Zone.

Table 1 - Results by Mineralization Style

Area	Style	Samples	Horizontal Width (m)	Au (g/t)	Ag (g/t)	Aueq*	Cu (%)	Zn (%)
Mina Los Andes	All	33	Unknown	3.30	149	5.24	NSR	0.23
	Vein	7	0.39	15.07	791	25.32	NSR	0.82
	Wallrock	26	Unknown	1.15	31	1.56	NSR	0.12
Los Andes Sur	All	11	Unknown	6.80	226	9.75	NSR	0.58
	Vein	2	0.85	8.37	1,081	22.38	0.88	1.11
Santa Catalina Sur	All	3	Unknown	4.41	61	5.21	NSR	NSR

*Aueq calculated assuming \$17.50 per ounce Ag and \$1,300 per ounce Au

At La Mina de Los Andes all underground channel sampling returned a length-weighted average grade of 5.24 g/t Aueq. Seven samples from zones of quartz veining returned an average grade of 25.32 g/t Aueq over 0.39 meters with the wallrock returning an average grade of 1.56 g/t Aueq. See [Figure 1](#) for sample locations. A previous operator, Galway Resources, may have intercepted the continuation of this zone along strike in drill hole GWY234 which returned 8.33 g/t Aueq over 5 metres at a depth of 224.5 metres. The true width of this reported intercept is unknown.

At Los Andes Sur sample results averaged 9.75 g/t Aueq. A composite of two channel samples across a sulphide bearing vuggy quartz-alunite vein returned average grades of 8.37 g/t Au, 1,081 g/t Ag (22.38 g/t Aueq) and 0.88% Cu over 0.85 meters. In addition, a surface chip sample returned 32.7 g/t Aueq. The gold mineralization is hosted in typical high-sulphidation epithermal veins.

Santa Catalina Sur was located by prospecting an area with known artisanal mine workings. Three chip samples averaged 5.21 g/t Aueq.

All three exploration targets are open along strike and at depth. XR is carrying out trenching and soil sampling to better define the mineralized zones, prioritizing targets for underground diamond drilling as soon as possible. The true thicknesses of the mineralized zones are unknown as insufficient work has been completed to interpret their geometry.

Underground and surface rock chip samples were collected in panels 15-20 centimetres wide and of variable vertical extent over areas determined by styles of mineralization (vein or silicified wall-rock breccia). Underground samples were collected from the vein material in the back of the underground drift with footwall and hangingwall samples collected on either side of the vein wherever possible.

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MINERAL PROPERTIES (CONTINUED)

California Gold Project (continued)

Sample preparation was performed at the Asomineros sample preparation laboratory in Vetas, Colombia. The sample preparation laboratory has been audited by Actlabs and XR. Analytical work was performed by ActLabs of Medellin, Colombia a certified commercial laboratory. During sampling, quality control standards, field duplicates and blanks were inserted in to the sample batches to monitor analytical and sample preparation laboratory performance; all consistent with industry best practice. Rock chip samples have undergone sample preparation consisting of crushing to 80% passing 10 mesh, and pulverization to 85% passing 200 mesh. Gold analyses are conducted via Fire Assay Fusion with AA finish, and gravimetric analyses are completed for over-limit (> 5g/t) samples. Silver assays are conducted via Agua Regia digest with an ICP finish.

Vetas Gold Project

The Vetas Gold Project comprises ten properties over 299 hectares and also lies within the prolific California-Vetas Gold District. The project is located near the village of Vetas, approximately 45 kilometres northeast of the city of Bucaramanga and ten kilometres from the Company's California Gold Project, potentially resulting in operational synergies including processing at a central mill.

The deposits at the Vetas Gold Project comprise several systems of narrow high-grade Au-Ag veins striking northeast and northwest, with moderate to steep dips. They exhibit multiple phases of quartz vein emplacement and reactivation associated with intense argillic alteration and sulphide mineralization. The vein gangue is comprised of equal proportions of chalcedonic quartz and feldspar, and the main sulphide constituent is pyrite (5% to 15%) with lesser galena, sphalerite and chalcopyrite. Higher grade mineralization often occurs within steeply plunging ore shoots controlled by vein wall flexures and structural intersections.

Drilling

The area has a long history of gold mining dating back to at least the seventeenth century, however there was no modern exploration at Vetas prior to that commenced by the Company in September 2009.

Between November 2010 and November 2013, the Company completed a total of 71,035 metres of diamond drilling in 162 holes from surface platforms. Drilling results from Vetas highlight the excellent potential for high-grade gold and silver vein mineralization, including among a multitude of other highly encouraging intersections:⁴

- 325 g/t Au over 2.09 metres;
- 507 g/t Au over 0.74 metres;
- 370 g/t Au over 0.82 metres;
- 228 g/t Au over 1.13 metres;
- 104 g/t Au over 2.45 metres; and
- 235 g/t Au over 1.03 metres.

⁴ NI 43-101 Technical Report "Vetas Gold Project, Santander Department, Colombia", dated June 12, 2017 available under the Company's SEDAR profile.

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MINERAL PROPERTIES (CONTINUED)

Vetas Gold Project (continued)

Highly encouraging results were returned from several of the known vein systems distributed throughout the project area, including:

- 177 intersections with grades in excess of 5 g/t Au;
- 100 intersections with grades in excess of 10 g/t Au; and
- 33 intersections with grades in excess of 30 g/t Au.

For the 177 intersections with grades in excess of 5 g/t Au, the length-weighted average grades are 30 g/t Au combined with 52 g/t Ag. Individual intersections range in length from 0.30 metres up to 3.87 metres and notably average 1.03 metres. Due to the steep topographic relief, multiple fanned drill holes were collared from each of several individual platforms and in most holes the intersected lengths may not represent true vein thicknesses.

Vetas Drill Intersection > 30 g/t Au

Hole ID	From (m)	To (m)	Length (m)	Au (g/t)	Ag (g/t)
AR-062	162.32	163.06	0.74	506.69	89.70
AR-068	199.00	200.00	1.00	34.75	46.70
AR-070	245.05	245.70	0.65	79.00	19.80
RM-003	90.30	90.92	0.62	35.10	61.10
RM-005	200.20	201.16	0.96	30.90	10.05
RM-006	232.37	233.37	1.00	33.50	4.70
RM-006	247.15	247.83	0.68	33.90	2360.00
RM-017	135.63	136.60	0.97	109.00	15.05
RM-022	277.00	277.80	0.80	34.60	21.40
RM-031A	198.88	200.82	1.94	42.25	11.71
RM-042	50.15	51.08	0.93	66.79	21.90
RM-046	31.32	33.41	2.09	325.11	26.20
RM-046	143.83	145.23	1.40	80.24	1.75
RM-049	32.00	33.52	1.52	56.76	7.70
RM-053	214.88	215.73	0.85	40.12	38.40
RM-056	147.70	148.99	1.29	96.63	0.05
RM-064	429.18	429.93	0.75	42.45	200.00
RM-075	30.80	31.83	1.03	81.94	12.60
RM-075	44.38	45.20	0.82	369.94	44.60
RM-081	231.83	235.70	3.87	35.86	17.88
RM-088	82.42	83.15	0.73	49.09	17.00
RM-091	405.10	405.96	0.86	93.55	41.10
RM-097	167.64	169.07	1.43	36.41	19.40
RM-119	98.20	99.33	1.13	227.56	31.70
RM-119	124.33	125.39	1.06	35.86	8.30
RM-119	264.63	265.66	1.03	234.88	33.60
RM-121	217.90	220.35	2.45	104.26	28.10
RM-128	62.90	64.17	1.27	32.41	5.40
RM-128	100.90	101.90	1.00	175.90	22.00
RM-135	71.25	72.45	1.20	82.92	12.40
RM-143	100.95	102.10	1.15	57.99	10.70
RM-156	271.52	272.70	1.18	57.10	4.80
SI-080	167.30	168.18	0.88	72.34	43.90

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MINERAL PROPERTIES (CONTINUED)

Santa Ana Silver Project

Santa Ana comprises 669 hectares of the historical Mariquita silver district, one of Colombia's most prolific colonial silver mining camps with production dating back to the 16th century. The property is located approximately 190 kilometres east-northeast of Bogota in Tolima, Colombia.

A NI 43-101 technical report on the Santa Ana property dated April, 2013, co-authored by Doublewood Consulting Inc. and Antediluvial Consulting Inc., cited the following archival information from historical Spanish documents regarding past production at Santa Ana:

"The La Porfia, El Dorado, La Manta and La Obdulia mines are located within the property as part of the historic colonial Santa Ana silver mines. The average smelter return for silver ore during those days was four marcos per quintal (approximately 17 kilograms per tonne silver) according to official reports of Hacienda Santa Fe (year 1585), also reporting widths exceeding 1.5 varas (1.4 metres). More veins were discovered in the Santa Ana (today Falan) and Frias region following exploration during the 16th century, adding 14 new mines to the district, all of them producing over one marco of silver per quintal (approximately 4.3 kilograms per tonne silver)."

The Santa Ana property is located on the eastern side of the Central Cordillera, underlain by highly deformed Paleozoic schists, quartzites and gneisses of the Cajamarca formation, intruded by the Tertiary El Hatillo granodiorite stock. The polymetallic silver-gold veins are characteristic of an intrusion-related silver-rich system later overprinted by a low-sulphidation epithermal system in a thrust-and-fold setting. They comprise variable amounts of pyrite, sphalerite, galena, silver sulphosalts, native silver and gold in a gangue of quartz and adularia. The veins generally strike north-south to north-northeast and dip 45 to 85 degrees west to northwest. They are directly related to right-lateral strike-slip movement on the regional-scale Palestina fault system.

Drilling

An initial diamond drilling program in 2012 completed eight shallow holes for a total of 1,170 metres. All of the holes were drilled from a single platform and tested the down-dip extension of vein mineralization below the historical Santa Ana mine tunnels. The results further highlighted the potential for bonanza-type silver-gold veins, with drill intersections including 1,751 g/t silver equivalent over 3.04 metres; 1,465 g/t silver equivalent over 1.82 metres and 2,545 g/t silver equivalent over 1.34 metres.

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MINERAL PROPERTIES (CONTINUED)

Santa Ana Silver Project (continued)

Drilling (continued)

Hole ID	From (m)	To (m)	Length (m)	Au (g/t)	Ag (g/t)	AgEq
CP-1201	78.45	79.30	0.85	1.34	667	760
CP-1202	110.03	110.56	0.53	1.21	389	473
CP-1203	83.82	86.86	3.04	3.68	1,495	1,751
CP-1203	100.58	102.40	1.82	1.26	1,378	1,465
CP-1204	133.15	134.97	1.82	0.47	149	182
CP-1205	70.10	74.70	4.60	0.32	179	201
CP-1205	88.00	88.80	0.80	1.64	532	646
CP-1205	104.84	107.22	2.38	0.38	193	219
CP-1206	124.66	125.15	0.49	0.34	742	765
CP-1206	137.00	137.66	0.66	1.89	685	816
CP-1207	170.47	170.76	0.29	2.45	746	916
CP-1208	164.00	169.16	5.16	3.51	527	771
incl.	164.00	165.34	1.34	10.17	1,839	2,545

Exploration Costs

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

For the three months ended	September 30, 2017				September 30, 2016
	Vetas	California	Santa Ana	Total	Vetas
Staffing and personnel	\$ 155	\$ 78	\$ -	\$ 233	\$ 102
General services	79	55	-	134	65
Technical and geological consulting	14	10	-	24	74
Core storage	-	-	-	-	12
License and permits	18	-	-	18	-
Value-added tax	-	-	-	-	12
Environmental	2	5	-	7	2
Legal and consulting	9	-	-	9	-
Total exploration costs	\$ 277	\$ 148	\$ -	\$ 425	\$ 267

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MINERAL PROPERTIES (CONTINUED)

Exploration Costs (Continued)

The following is a summary of exploration costs for the nine months ended September 30, 2017 and 2016:

For the nine months ended	September 30, 2017				September 30, 2016	
	Vetas	California	Santa Ana	Total	Vetas	
Staffing and personnel	\$ 537	\$ 78	\$ -	\$ 615	\$	263
General services	343	55	24	422		127
Technical and geological consulting	89	10	-	99		186
Core storage	37	-	-	37		35
License and permits	34	-	-	34		84
Value-added tax	19	-	-	19		72
Environmental	6	5	-	11		2
Legal and consulting	10	-	-	10		-
Total exploration costs	\$ 1,075	\$ 148	\$ 24	\$ 1,247	\$	769

RESULTS OF OPERATION

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

The Company recorded a loss of \$752,000 for the three months ended September 30, 2017 compared to the loss of \$433,000 for the three months ended September 30, 2016.

Following is an analysis of the significant movements in balances between the three months ended September 30, 2017 and September 30, 2016:

For the three months ended (thousands of US dollars)	September 30, 2017	September 30, 2016	
Exploration costs	425	267	Increase due to higher consultant fees, data validation and modelling costs
Share-based payments	113	-	Increase due to grants of share purchase options in Q4 2016 and Q2 2017 compared to no grants in Q2 2016
Professional fees	56	5	Increase due to higher filing and legal fees

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RESULTS OF OPERATION (CONTINUED)

NINE MONTHS ENDED SEPTEMBER 30, 2017 COMPARED TO NINE MONTHS ENDED SEPTEMBER 30, 2016

The Company recorded a loss of \$2,624,000 for the nine months ended September 30, 2017 compared to the loss of \$1,570,000 for the nine months ended September 30, 2016.

Following is an analysis of the significant movements in balances between the nine months ended September 30, 2017 and September 30, 2016:

For the nine months ended (thousands of US dollars)	September 30, 2017	September 30, 2016	
Exploration costs	1,247	769	Increase due to higher consultant fees, data validation and modelling costs
Share-based payments	938	-	Increase due to grants of share purchase options in Q4 2016 and Q2 2017 compared to no grants in first three quarters of 2016
Office and administration	301	565	Decrease due to lower service fees
Professional fees	110	53	Increase due to higher filing and legal fees
Foreign exchange loss	15	166	Decrease relates to a change in the functional currency of the Company's subsidiaries to USD resulting in lower foreign exchange fluctuations

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 applicable to interim financial statements. The results are presented in thousands of US dollars except for per share amounts.

	For the three months ended September 30, 2017	For the three months ended June 30, 2017	For the three months ended March 31, 2017	For the three months ended December 31, 2016
Interest and other expense	45	4	4	20
Net loss	752	1,118	754	1,844
Basic and diluted loss per share	0.00	0.00	0.00	0.01
	For the three months ended September 30, 2016	For the three months ended June 30, 2016	For the three months ended March 31, 2016	For the three months ended December 31, 2015
Interest and other expense (income)	6	5	5	(1)
Net loss	433	539	597	800
Basic and diluted loss per share	0.00	0.00	0.00	0.01

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SUMMARY OF QUARTERLY RESULTS (CONTINUED)

The analysis provided in the Results of Operations section above provides information regarding the movements during the three months ended September 30, 2017 compared with September 30, 2016. Due to the nature of operations, there is no significant seasonality in the business. During Q4 2015 net loss increased primarily due to increased costs for activities related to the Company's sale and restructuring process. In Q4 2016 and Q2 2017, net loss increased due to increased non-cash share-based payments expense from the grant of share purchase options.

LIQUIDITY AND CAPITAL RESOURCES

As at (thousands of US dollars)	September 30, 2017	December 31, 2016	December 31, 2015
Working capital	(402)	379	(2,629)
Total assets	17,529	17,399	14,349
Total liabilities	1,103	1,474	2,934
Share capital	72,724	71,391	65,847
Deficit	65,938	63,314	59,900

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.

As at September 30, 2017, the Company had a working capital deficiency of \$402 (December 31, 2016: \$379,000) with cash and cash equivalents of \$61,000 (December 31, 2016: \$1,545,000). As at September 30, 2017, current liabilities due within one year are \$813,000.

The Company relies on equity financings and the exercise of options and warrants to fund its exploration and development activities and its corporate and overhead expenses. Many factors influence the Company's ability to raise funds including the health of the resource market, the climate for mineral exploration 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 exploration and development activities.

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.

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OUTSTANDING SHARE DATA

Common shares

The authorized capital of the Company is an unlimited number of common shares without par value.

As at September 30, 2017 and the date of this MD&A, the Company had 374,724,988 common shares issued and outstanding (December 31, 2016: 359,818,881).

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.

During the nine months ended September 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.

During the nine months ended September 30, the Company issued 683,333 common shares in connection with the exercising of warrants for gross proceeds of CAD \$68,333.

On October 25, 2017, the Company agreed to amend the terms of the California option agreements previously announced on February 15, 2017. Pursuant to the amendment, the Company will issue additional consideration to the landowners consisting of 1,907,117 common shares of the Company. The issuance of the shares is subject to the approval of the TSX Venture Exchange.

Warrants and Share Purchase Options

On February 21, 2017, the Company granted 200,000 share purchase options with an exercise of CAD \$0.20.

During the nine months ended September 30, 2017, 1,068,750 share purchase options with a weighted average exercise price of CAD \$0.16 were forfeited as unvested options for former employees.

During the nine months ended September 30, 2017, 556,250 share purchase options with an exercise price of CAD \$0.16 expired as unexercised options for former employees.

On June 23, 2017, as part of the non-brokered private placement discussed above, the Company issued 6,854,722 warrants exercisable at a price of CAD \$0.25 until June 23, 2022.

On June 26, 2017, the Company granted 5,000,000 share purchase options with an exercise price of CAD \$0.15.

On October 11, 2017, the Company issued a 30-day call notice on 24,626,667 warrants at an exercise price of \$0.10 per share. Warrants not exercised prior to November 14, 2017, will, without further notice, automatically expire and be of no further force and effect.

As at the date of this MD&A, the Company had 31,481,389 warrants and 24,155,000 share purchase options outstanding.

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FINANCIAL INSTRUMENTS

Refer to Note 8 of the Company's unaudited condensed interim consolidated financial statements for the three and nine months ended September 30, 2017 for full disclosure regarding the Company's financial instruments. There has been no change in designation of financial instruments or nature of risks in the nine months ended September 30, 2017. The Company's financial instruments consist of cash and cash equivalents, amounts receivable, and accounts payable and accrued liabilities. The Company does not hold any complex financial instruments or derivatives. The cash is held to fund ongoing exploration and development work and head office costs and the cash equivalents are held to earn interest until they are needed to fund exploration work and head office costs.

Credit risk

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

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

Foreign currency risk

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

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

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

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.

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RISK 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. The Company currently has no source of revenue other than interest income. The Company will rely mainly on equity financing to fund acquisitions and its other activities. The Company's mineral properties are located in Colombia, which exposes the Company to risks associated with possible political or economic instability including currency fluctuations, changes to applicable laws, and impairment or loss of mining title or other mineral rights. The process for establishing and preserving mining title and other mineral rights in Colombia is complex, and may be the subject of dispute. For further risk and uncertainties, please refer to the Company's annual information form and annual Management's Discussion and Analysis for the year ended December 31, 2016 available on SEDAR at www.sedar.com.

INTERNAL CONTROL OVER FINANCIAL REPORTING AND DISCLOSURE CONTROLS AND PROCEDURES

As permitted, the Chief Executive Officer and Chief Financial Officer of the Company will file a Venture Issuer Basic Certificate with respect to the financial information contained in the financial statements and respective accompanying Management's Discussion and Analysis. In contrast to the certificates under National Instruments ("NI") 52-109 (Certification of disclosure in an Issuer's Annual and Interim Filings), the Venture Issuer Basic Certification does not include representations relating to the establishment and maintenance of disclosure controls and procedures and internal control over financial reporting as defined in NI 52-109.

APPROVAL

The Board of Directors has approved the disclosure contained in this MD&A on October 30, 2017. A copy of this MD&A is filed on SEDAR.

FORWARD-LOOKING INFORMATION

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

In this MD&A, forward-looking statements are necessarily based upon a number of estimates and assumptions that, while considered reasonable by the Company at this time, are inherently subject to significant business, economic and competitive uncertainties and contingencies that may cause the Company's actual financial results, performance, or achievements to be materially different from those expressed or implied herein. Some of the material factors or assumptions used to develop forward-looking statements include, without limitation, the uncertainties associated with: regulatory and permitting considerations, financing of the Company's acquisitions and other activities, exploration, development and operation of mining properties and the overall impact of misjudgments made in good faith in the course of preparing forward-looking information as well as other risks and uncertainties referenced under "Risks and Uncertainties" in this MD&A.

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FORWARD-LOOKING INFORMATION (CONTINUED)

Forward-looking statements involve risks, uncertainties, assumptions, and other factors including those set out below and including those referenced in the "Risks and Uncertainties" section of this MD&A, and, as a result they may never materialize, prove incorrect or materialize other than as currently contemplated which could cause the Company's results to differ materially from those expressed or implied by such forward-looking statements. Any statements that express or involve discussions with respect to predictions, expectations, beliefs, plans, projections, objectives, assumptions or future events or performance (often, but not always, identified by words or phrases such as "expects", "is expected", "anticipates", "believes", "plans", "projects", "estimates", "assumes", "intends", "strategy", "goals", "objectives", "potential", "possible" or variations thereof or stating that certain actions, events, conditions or results "may", "could", "would", "should", "might" or "will" be taken, occur or be achieved, or the negative of any of these terms and similar expressions) are not statements of fact and may be forward-looking statements.

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

- financing, capitalization and liquidity risks;
- mineral exploitation and exploration program cost estimates;
- the nature and impact of drill results and future exploration;
- regulatory risks relating to mineral tenure, permitting, environmental protection, taxation, and royalties;
- volatility of currency exchange rates, metal prices and metal production;
- 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.