

# Red Eagle Mining Completes Preliminary Economic Assessment for the San Ramon Gold Deposit

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VANCOUVER, BRITISH COLUMBIA--(Marketwired - Sep 19, 2013) - **Red Eagle Mining Corporation (TSX VENTURE:RD)(OTCQX:RDEM)** is pleased to announce the results from a positive Preliminary Economic Assessment ("PEA") for the San Ramon deposit on its 100% owned Santa Rosa Gold Project located in Antioquia, Colombia. Highlights include (all amounts in US\$):

- Assuming a long-term forecast gold price of \$1,300/ounce gold ("Base Case") pre-tax **Net Present Value (5%) is \$153 million, Internal Rate of Return is 47% and payback is estimated at 1.4 years;**
- Underground resources outlined in the PEA contain a portion of the resources estimated on September 10, 2013 (see below) and include Measured and Indicated Mineral Resources of 446,000 ounces of gold (2.7 million tonnes grading 5.10 grams gold per tonne) and Inferred Mineral Resources of 111,000 ounces of gold (0.8 million tonnes grading 4.16 grams gold per tonne);
- Average annual production of 51,000 ounces of gold over 10 years;
- Project capital costs, incl. contingencies, of \$84 million plus \$7 million of recoverable VAT; and
- Average **cash costs of \$540/ounce.**

Table 1 - Summary of San Ramon Pre-Tax Economic Results by Gold Price

Pre-Tax	Alternative Case	Base Case	Alternative Case
Gold Price (ounce)	\$1,100	\$1,300	\$1,500
Net Cash Flow	\$113 million	\$211 million	\$308 million
Net Present Value (5%)	\$75 million	\$153 million	\$230 million
Internal Rate of Return	27%	47%	66%
Payback	2.1 years	1.4 years	1.1 years

Table 2 - Summary of San Ramon Post-Tax Economic Results by Gold Price

Post-Tax	Alternative Case	Base Case	Alternative Case
Gold Price (ounce)	\$1,100	\$1,300	\$1,500
Net Cash Flow	\$89 million	\$159 million	\$223 million
Net Present Value (5%)	\$58 million	\$113 million	\$164 million
Internal Rate of Return	23%	38%	50%
Payback	2.5 years	1.7 years	1.4 years

The PEA was prepared by Mine Development Associates in accordance with the definitions in Canadian National Instrument 43-101 ("NI 43-101"). The PEA is considered preliminary in nature. It includes Inferred mineral resources that are considered too speculative to have the economic considerations applied that would enable classification as mineral reserves. There is no certainty that the conclusions within the PEA will be realised. Mineral resources that are not mineral reserves do not have demonstrated economic viability.

## Project Mineral Resources

The underground resources outlined in the PEA contain a portion of the resources estimated on September 10, 2013 (see below), adjusted using an average cut-off of 2.10 grams gold per tonne. Measured and Indicated material below the mining cutoff grade inside of mineable areas were used to dilute the material processed with an average grade of 1.51 grams per tonne. Additional internal dilution of non-resource stated

material was added at zero grade. Total dilution of 26% is included in the minable material.

Table 3 -San Ramon Underground Resources Estimate

Category	Tonnes	Gold (g/t)	Gold (ounces)
Measured	489,367	5.68	89,368
Indicated	2,232,291	4.97	356,708
Total M&I	2,721,658	5.10	446,076
Inferred	831,370	4.16	111,151

After fully studying the alternatives, a decision was made to prepare a PEA based on an underground operation due to economic and permitting considerations. The September 10, 2013 resource estimate is dominantly an open pit resource, which was the initial concept, and is included here for reference only. It is based on 45,600m in 238 core holes drilled. Approximately 75% of the resources are Measured and Indicated with the classification primarily a function of drill hole spacing. The block model utilises blocks that are 2m north-south by 2.5m vertical by 2.5m east-west. For resource reporting, a cut-off grade of 0.3 grams gold per tonne was used for potential open pit mineable material (to a maximum depth of 330m below the surface) and a cut-off grade of 1.2 grams gold per tonne was used for the remaining potential underground mineable material. The deposit remains open at depth.

Table 4 -San Ramon September 10, 2013 Resource Estimate

Category	Tonnes	Gold (g/t)	Gold (ounces)
Measured	1,771,000	2.00	114,000
Indicated	8,577,000	1.77	487,000
Total M&I	10,348,000	1.81	601,000
Inferred	2,966,000	1.69	161,000

The September 10, 2013 resource estimate was prepared by Michael Lindholm C.P.G., of Mine Development Associates of Reno, Nevada, who is a Qualified Person as defined under NI 43-101. The complete NI 43-101 Technical Report pertaining to the updated resource estimate is available on Red Eagle Mining's [website](#) and [www.sedar.com](http://www.sedar.com).

### **Mining and Processing**

The PEA is based upon San Ramon being an underground mining operation using mechanized cut-and-fill and sublevel long-hole open stoping mining methods. It is assumed the plant will be designed to operate at a processing rate of 1,000 tonnes per day and a total of 3.6 million tonnes of ore will be mined over 10 years at an average run of mine ("ROM") mill feed grade of 4.76 grams gold per tonne.

The PEA also assumes that the ore will be processed using conventional whole-ore carbon-in-leach ("CIL") producing gold doré. Expected metallurgical recoveries for the sulphide material are 93% at an optimum P80 75 micron grind size with a total estimated 514,000 ounces of recoverable gold to be produced over 10 years. San Ramon's projected recoverable production rates are summarised below:

Table 5 -San Ramon Projected 10 Year Annual Gold Production

Year	Tonnes Milled	ROM Gold Grade (g/t)	Recoverable Gold (oz)
1	360,000	8.11	87,000
2	360,000	6.46	70,000
3	360,000	4.88	53,000
4	360,000	3.95	42,000
5	360,000	3.48	38,000
6	360,000	3.92	42,000
7	360,000	4.32	47,000
8	360,000	4.08	44,000
9	360,000	5.31	57,000
10	360,000	3.15	34,000
Years 1-10	3,600,000	4.76	514,000

## **Capital and Operating Costs**

The estimated capital and operating costs for San Ramon are summarised below. Indirect costs include EPCM and owners costs. Capital costs have assumed that the exploration decline planned on being developed during 2014 at an estimated cost of \$9 million will be completed and can be utilised for mine development. Sustaining capital for underground development has been budgeted at \$51 million throughout the ten year mine life.

Table 6 -San Ramon Initial Capital Costs

Mine Underground	\$16,744,000
Mine Processing	\$42,878,000
Total Direct Costs	\$59,622,000
Indirect Costs	\$12,086,000
Working Capital	\$1,964,000
Contingency	\$10,992,000
Total Capital Costs	\$84,664,000
Recoverable VAT	\$6,783,000
Total	\$91,447,000

Table 7 -San Ramon Operating Costs

	\$/Tonne
Mining	\$43.28
Processing	\$27.33
Other	\$5.86
Total Operating Costs	\$76.47

All-in sustaining cash costs, including all project-related costs such as sustaining capital, exploration and reclamation costs are summarised below:

Table 8 -San Ramon Cash Costs

	\$/Ounce
Cash Costs	\$540
Depreciation	\$275
Royalties	\$67
Taxes	\$100
Total All-In Costs	\$982

## **Opportunities for enhanced economics**

Any doré produced will contain silver which has not been included in the September 2013 resource estimate or the results of the PEA.

Metallurgical test work has primarily been performed on lower grade samples representative of grades in a potential open pit. Current test work is focused on higher grade samples representative of underground grades. A positive head grade recovery relationship is anticipated.

Sample gold grade decreases significantly when core recoveries are below 70%, which may be due to washing out of gold from saprolite when drilling. Assays of samples of saprolite may therefore be understated where core recoveries are below 70%.

## **Next Steps**

The planned work programme includes:

- The current comprehensive metallurgical programme continuing throughout the remainder of 2013 with respect to higher grade ores, commensurate with the expected ROM grades outlined above;
- Permitting including filing the Environment Impact Assessment, currently being prepared by Tetra Tech, Inc.;
- Development of the decline and planned underground development;
- Infill drilling from the planned underground development to increase confidence in the resource model and reduce mining risk;
- Bulk metallurgical samples from the planned underground development;
- Continuing advancement of engineering and feasibility; and
- Exploration of the 350 km<sup>2</sup> Santa Rosa Gold Project, including testing with core drilling of a number of prospective targets identified to date.

The complete NI 43-101 Technical Report pertaining to the PEA will be filed within 45 days and will be available on Red Eagle Mining's [website](#) and [www.sedar.com](http://www.sedar.com). The technical information contained in this news release has been reviewed and approved by Red Eagle Mining's Vice President of Exploration, Jeff Toohey P.Eng., who is a Qualified Person as defined under NI 43-101.

The following Qualified Persons as defined under NI 43-101 are independent of Red Eagle Mining and responsible for the Technical Report and Preliminary Economic Assessment for the San Ramon project development:

Qualified Person	Firm	Scope of Responsibility
Michael Lindholm - C.P.G.	Mine Development Associates	Geology and Mineral Resources
Thomas Dyer - P. Eng.	Mine Development Associates	Mining, Mine Planning and Financial Analysis
Carl Defilippi - Registered Member SME	Kappes Cassiday and Associates	Process Design
W. Joseph Schlitt - Ph.D. P. Eng.	Hydrometal, Inc.	Metallurgy and Processing

### About Red Eagle Mining

[Red Eagle Mining Corp.](#) is a well-financed gold exploration and development company with an experienced mine-development team. Management is focused on building shareholder value through discovering and developing gold projects with low costs and low technical risks in Colombia, a jurisdiction with prolific historic production but until recently limited modern exploration. Red Eagle Mining is developing the 350 km<sup>2</sup> historic Santa Rosa Gold Project located in the Antioquia Batholith. Development will initially commence with the San Ramon deposit where a positive Preliminary Economic Assessment supports project advancement. Feasibility and permitting are currently underway.

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