

# Red Eagle Mining Completes Feasibility Study With 52% IRR

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VANCOUVER, BRITISH COLUMBIA--(Marketwired - Sep 9, 2014) - [Red Eagle Mining Corp. \(TSX VENTURE:RD\)\(OTCQX:RDEM\)](#) is pleased to announce the results from the positive Feasibility Study for the San Ramon deposit on its 100% owned Santa Rosa Gold Project located in Antioquia, Colombia. Highlights include (all amounts in US\$):

- Based on a long-term forecast price of \$1,300/ounce gold ("Base Case") post-tax **Internal Rate of Return is 52%** with a **payback period of just 1.5 years**;
- Initial **capital costs for the project are \$63 million** plus \$7 million contingency and \$4 million of recoverable VAT;
- Average **cash costs of \$600/ounce and all-in sustaining costs of \$758/ounce**; and
- Production in the first two years will average 71,000 ounces of gold per year at an average grade of 6.48 grams gold per tonne.

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	\$ 98 million	\$ 171 million	\$ 243 million
Net Present Value (5%)	\$ 74 million	\$ 135 million	\$ 195 million
Internal Rate of Return	39 %	62 %	82 %
Payback	1.7 years	1.3 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	\$ 77 million	\$ 138 million	\$ 211 million
Net Present Value (5%)	\$ 56 million	\$ 108 million	\$ 168 million
Internal Rate of Return	32 %	52 %	74 %
Payback	1.9 years	1.5 years	1.1 years

The Feasibility Study ("FS") was prepared by Lycopodium Minerals Canada Ltd. ("Lycopodium") in accordance with the definitions in Canadian National Instrument 43-101 ("NI 43-101"). [Lycopodium](#) is an international engineering and project management consultancy headquartered in Australia, which has completed feasibility studies and provided Engineering, Procurement and Construction Management ("EPCM") services to a large number of successful gold projects globally.

## Project Mineral Reserves

The reserves outlined in the Feasibility Study are shown in Table 3 below and use an average cut-off of 2.00 grams gold per tonne and a minimum mining width of 2.5 metres. Proven and Probable reserves include dilution by Measured and Indicated resources below the mining cutoff grade inside of mineable areas with an average grade of 1.60 grams gold per tonne.

Table 3 - San Ramon Reserves Estimate

	Tonnes	Gold (g/t)	Gold (ounces)
Proven	429,000	5.95	82,000
Probable	1,995,000	5.04	323,000
Proven & Probable	2,424,000	5.20	405,000

### Mining and Processing

The Feasibility Study is based on San Ramon being an underground mining operation using conventional shrinkage stoping mining methods with delayed backfill using dry filtercake process tailings and development waste. Colombian mining contractors will be utilised and mining costs are based on contractor proposals.

The ore will be processed incorporating single-stage crushing, SAG milling and floatation with concentrate re-grinding followed by conventional carbon-in-leach ("CIL") processing the combined float tails and reground concentrate to produce gold doré on site. The leached tailings will be detoxified and filtered for use as mine backfill and dry stacking on surface. Expected metallurgical gold recovery is 96% with a total estimated 388,000 ounces of recoverable gold to be produced.

The total ore mined includes 2.42 million tonnes of Proven and Probable reserves and an additional 334,000 tonnes of internal dilution of material that is included at zero grade. Total volume/tonnage dilution of 23% is included in the mineable material. The plant is designed to operate at a processing rate of 1,000 tonnes per day and a total of 2.75 million tonnes of ore will be mined over eight years at an average run of mine ("ROM") diluted mill feed grade of 4.57 grams gold per tonne. San Ramon's projected annual gold production is summarised below:

Table 4 - San Ramon Projected Eight Year Annual Gold Production

Year	Tonnes Milled	ROM Gold Grade (g/t)	Recoverable Gold (oz)
1	352,000	6.21	68,000
2	360,000	6.74	75,000
3	360,000	4.49	50,000
4	360,000	4.11	45,000
5	360,000	4.67	52,000
6	360,000	3.24	36,000
7	360,000	2.77	30,000
8	246,000	4.25	32,000
Years 1-8	2,758,000	4.57	388,000

### Capital and Operating Costs

The estimated capital and operating costs for San Ramon are summarised below. Indirect costs include EPCM and owner's costs. Sustaining capital for ongoing underground development has been budgeted at \$33 million throughout the eight year mine life.

Table 5 - San Ramon Initial Capital Costs

Mine Underground	\$ 9,432,000
Processing	\$ 31,458,000
Total Direct Costs	\$ 40,890,000
Indirect Costs	\$ 17,584,000
Working Capital	\$ 4,048,000
Contingency	\$ 7,005,000
Total Capital Costs	\$ 69,527,000
Recoverable VAT	\$ 4,219,000
Import Duties	\$ 399,000
Total	\$ 74,145,000

Table 6 - San Ramon Operating Costs

	\$/Tonne	\$/Ounce
Mining	37	265
Processing	25	180
Other	11	75
Royalties	11	80
Cash Costs	\$ 84	\$ 600
Sustaining Capital	11	74
Taxes	12	84
All-In Sustaining Costs	\$ 107	\$ 758

### ***Opportunities for enhanced economics***

Doré produced will contain silver which has not been included in reserves or the Feasibility Study economic analysis. Based on metallurgical tests and studies, silver grades are approximately 1.85 times gold grades with recoveries of approximately 69%.

High-grade, relatively narrow, veins are known to exist across a number of areas on the Santa Rosa Gold Project outside of the current reserves. Over 1,700 historic adits have been mapped. These veins could potentially be mined as separate small-scale operations to provide high-grade feedstock to supplement mill feed grade and production.

The San Ramon Gold Deposit is open at depth (with the bulk of the current reserves within 200 metres of the surface) and on strike, plunging to the east on to concessions recently acquired from AngloGold Ashanti (news release dated [June 3, 2014](#)). Delineation drilling at depth and to the east is planned for 2015.

A number of separate exploration targets have been identified on the 350 km<sup>2</sup> Santa Rosa Gold Project and are ready for drill testing. These targets have similar characteristics to the San Ramon Gold Deposit with anomalous gold geochemistry, potassic alteration and extensive historic underground and surface workings. In providing for potential exploration success in delineating additional reserves, current major equipment and layout has been designed with built-in capacity to accommodate an expansion to double the throughput rates without disrupting production. Such an expansion would include an additional ball mill, tower mill, filter press and three leach tanks at an estimated total cost of under \$15 million.

### ***Comparison to September 2013 Preliminary Economic Assessment***

The Feasibility Study results are compared in Table 7, below, with the figures reported in the September 2013 Preliminary Economic Assessment ("PEA"). While there has been a modest \$5 million reduction in the Net Present Value (5%), the Internal Rate of Return has escalated from 38% to 52%. This has predominately been driven by a 19% reduction in initial capital costs and a 35% reduction in sustaining capital. As expected, life of mine recoverable ounces has declined reflecting the fact that inferred resources, while included in the PEA, are excluded from the Feasibility Study mine plan. As average annual production is broadly unchanged the exclusion of the inferred ounces has expectedly reduced mine life from ten to eight years. Metallurgical recoveries have improved from 93% to 96%. Cash costs and all-in sustaining costs have decreased by \$20/ounce and \$60/ounce respectively.

Table 7 - San Ramon PEA/FS Comparison

	2013 PEA	2014 FS
Gold Price (oz)	\$ 1,300	\$ 1,300
Net Present Value (5%)	\$ 113 million	\$ 108 million
Internal Rate of Return	38 %	52 %
Payback	1.7 years	1.5 years
Mine Life	10 years	8 years
Min. Mining Width	2.0 metres	2.5 metres
ROM Gold Grade (g/t)	4.76	4.57
Metallurgical Recovery	93 %	96 %
Recoverable Gold (oz)	514,000	388,000
Initial Capital Costs	\$ 91 million	\$ 74 million

Sustaining Capital	\$ 51 million	\$ 33 million
Cash Costs	\$ 620	\$ 600
All-In Sustaining Costs	\$ 818	\$ 758

The complete NI 43-101 Technical Report pertaining to the Feasibility Study 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 Feasibility Study for the San Ramon project development:

Qualified Person	Firm	Scope of Responsibility
Stefan Gueorguiev - P. Eng.	Lycopodium Minerals Canada Ltd.	Process Design and Financial Analysis
Michael Lindholm - C.P.G.	Mine Development Associates	Geology and Mineral Resources
Thomas Dyer - P. E.	Mine Development Associates	Mining, Mine Planning and Mineral Reserves
Terry Eldridge - P. Eng.	Golder Associates Colombia S.A.S.	Geotechnical, Tailings Management and Design and Hydrology
W. Joseph Schlitt - Ph.D. P. Eng.	Hydrometal Inc.	Metallurgy and Processing

### About Red Eagle Mining

Red Eagle Mining 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 Gold Deposit where the positive Feasibility Study supports project development. Project finance and permitting are well advanced.

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