

# Red Eagle Mining Corp. Announces Restructuring

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VANCOUVER, Aug. 24, 2018 - [Red Eagle Mining Corp.](#) (TSX: R, BVL: R, OTCQX: RDEMF) announces a comprehensive restructuring. As of June 30, 2018, Red Eagle Mining had a negative working capital of approximately US \$100 million, had been accruing interest on its US \$60 million credit facility with Orion Mine Finance (&ldquo;Orion&rdquo;) and Liberty Metals & Mining Holdings, LLC (&ldquo;LMM&rdquo;) at the default rate of LIBOR + 14% and been operating under a forbearance agreement since April 2018. The situation was unsustainable, so a comprehensive restructuring is being implemented including a private placement, retirement of the credit facility, writing off all accrued interest, writing off supplier account payables, appointing a new independent Chairman and a share consolidation. Write offs of the credit facility, accrued interest and supplier account payables total US \$44 million and capitalization of the credit facility and supplier account payables total US \$18 million.

Upon closing there will be approximately 81 million common shares outstanding, no debt or accrued interest, positive working capital and near term cash flow positive operations. Going forward, Red Eagle Mining will be on sound financial footing with a solid balance sheet, all stakeholders aligned and sufficient working capital to support the mining operations to succeed.

## Private Placement

Red Eagle Mining announces a private placement (&ldquo;Private Placement&rdquo;) for gross proceeds of approximately C \$50 million (US \$38 million), consisting of approximately 250 million common shares (&ldquo;Share&rdquo;) at a price of C \$0.20 per Share. Annibale SAC (&ldquo;Annibale&rdquo;) currently owns approximately 9.5% of Red Eagle Mining and has agreed to backstop the Private Placement (&ldquo;Backstop&rdquo;). Shareholders of Red Eagle Mining that meet available exemptions will be able to participate in the Private Placement. Proceeds will be used for repayment of long term debt and working capital at the Santa Rosa Gold Project. The Shares are subject to a four month hold period from the date of issuance.

## Credit Agreement

Red Eagle Mining has agreed to retire its US \$60 million credit facility with Orion and LMM. Red Eagle Mining will settle the credit facility, including all accrued interest, for US \$28 million cash and approximately US \$15 million in equity (99 million Shares) on the same terms as the Private Placement (&ldquo;Debt Retirement Transaction&rdquo;).

## Mining Contractor

Stracon, mining contractor for the San Ramon Gold Mine, has agreed to convert approximately US \$3 million in accounts receivable into equity (20 million Shares) on the same terms as the Private Placement.

## Board of Directors

Fernando Palazuelo, Founder and Chief Executive Officer of Annibale, will replace Jeffrey Mason on Red Eagle Mining's Board of Directors upon closing of the Private Placement. Mr. Palazuelo will also assume the role of independent Chairman.

The Board of Directors thanks Mr. Mason for his service over the last eight years, since inception, and wishes him all the best in his future endeavours.

## Share Consolidation

After closing of the above-mentioned transactions, Red Eagle Mining's Shares will be consolidated

(the "Consolidation") on the basis of one post-consolidation Share for every ten pre-consolidation Shares. The approximately 812 million Shares outstanding upon closing will be reduced to approximately 81 million Shares. No fractional Shares will be issued. Any fractions of a share will be rounded down to the nearest number of Shares that is a multiple of ten. The exercise or conversion price and the number of Shares issuable under any of Red Eagle Mining's outstanding stock options, restricted share units and warrants will be proportionately adjusted upon Consolidation. A letter of transmittal will be sent to registered shareholders providing instructions to surrender the certificates evidencing their Shares for replacement certificates. Until surrendered, each certificate representing Shares prior to the Consolidation will be deemed for all purposes to represent the number of Shares to which the holder thereof is entitled as a result of the Consolidation. The Shares and warrants will continue to be traded on the TSX under the symbols "RE" and "R.WT" on a post-consolidation basis.

### **Financial Hardship Exemption**

The Debt Retirement Transaction requires disinterested shareholder approval pursuant to the requirements of the Toronto Stock Exchange ("TSX"), unless an exemption is obtained, as the Debt Retirement Transaction will involve the issuance of more than 10 percent of the outstanding shares of the Company to insiders of Red Eagle Mining, namely Orion and LMM, each of whom currently hold over 10% of the outstanding shares of Red Eagle Mining. Further, in the event that Annibale acquires in excess of 20% of the Company's issued and outstanding shares pursuant to the Backstop, TSX policies would deem that to be a change of control requiring shareholder approval, absent an exemption. The Debt Retirement Transaction is also a related party transaction within the meaning of Multilateral Instrument 61-101 – Protection of minority Security Holders in Special Transactions (MI 61-101), such that minority shareholder approval would also be required pursuant to MI 61-101, unless an exemption is available.

Red Eagle Mining is applying to the TSX for an exemption from the requirement to obtain shareholder approval for the Debt Retirement Transaction and potential change of control to Annibale, based on the financial hardship exemption in Section 604(e) of the TSX Company Manual, and Red Eagle Mining plans to rely on a similar exemption from the requirements of MI 61-101. Red Eagle Mining is applying for the exemption from the shareholder approval requirement on the basis of financial hardship given that the immediacy of Red Eagle Mining's need to address its financial difficulties through the Debt Retirement Transaction does not afford it sufficient time to hold a meeting of shareholders and on the basis that the Debt Retirement Transaction is designed to address Red Eagle Mining's financial difficulties by retiring all of the outstanding indebtedness under its existing credit facility. Management and the Board of Directors believe that the terms of the Debt Retirement Transaction are reasonable in the circumstances.

As a consequence of Red Eagle Mining's reliance on the financial hardship exemption under Section 604(e) of the TSX Company Manual, Red Eagle Mining expects that the TSX will commence a remedial delisting review, which is normal practice when a listed issuer seeks to rely on this exemption. Although Red Eagle Mining believes that it will be in compliance with all of the TSX listing requirements following completion of the Debt Retirement Transaction, no assurance can be provided as to the outcome of such review and, therefore, Red Eagle Mining's continued qualification for listing on the TSX.

Closing is expected to occur during October 2018, subject to TSX approval.

### **About Red Eagle Mining**

Red Eagle Mining is a gold producer focused on building shareholder value through acquiring, developing and operating gold and silver projects in Colombia, a jurisdiction with prolific historic production but until recently limited modern exploration. Red Eagle Mining owns 100% of the Santa Rosa Gold, Vetas Gold, California Gold and Santa Ana Silver Projects. The Santa Rosa Gold Project commenced production in January 2018.

### **Additional Information**

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